

UTILITIES CONSUMERS' GROUP
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October 15, 2019

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Robert Laking, Chair

Re: Yukon Energy Corporation - 2017-2018 General Rates Application
UCG Information Requests - YEC 2nd Compliance Filing

Dear Mr. Laking:

The Utilities Consumers' Group hereby files its information requests to Yukon Energy Corporation (YEC) pursuant to Board Order 2019-06.

UCG asks that YEC provide responses and attachments in word-searchable PDF and/or Word format. Where responses take the form of tables with underlying calculations, UCG asks that YEC provide the related Excel file as well.

If the Board or YEC requires any clarification with respect to UCG's IRs, please direct all inquiries to me by email at rondaue@northwestel.net or by phone at 633-5210.

Yours truly,

Roger Rondeau
Utilities Consumers' Group

**YUKON ENERGY CORPORATION
2017-2018 GENERAL RATE APPLICATION
2nd COMPLIANCE FILING**

**Utilities Consumers' Group
Information Request**

1. *Reference:* YEC Technical Session – Background Notes – Page 5

In the Average Annual Thermal Generation table for 1981 to 2015, YEC lists average thermal generation levels at 420 GWh, 380 GWh and 450 GWh load levels.

Request:

Please provide similar tables for 1981 to 2015 and 1983 to 2018 showing the load levels split into two columns such that the actual mine load is isolated in its own column.

2. *Reference:* YEC Technical Session – Background Notes – Page 12

YEC provided a summary of the four step process used to determine the functioning of the 2018 Low Water Reserve Fund (LWRF) deferral account.

Request:

- (a) Please provide details of any other generation experts or academics that YEC has consulted regarding the method used to determine the LWRF.
- (b) Please provide details of any outside review conducted of YEC's calculations.
- (c) Please confirm how YEC determines "material changes" that would require a recalculation of the thermal generation due to water level variation.
- (d) Please confirm that in future GRA filings, YEC will be providing an analysis which compares its forecasts of hydro and thermal generation used to set rates for previous years with the actual generation results for those years with full explanations of the drivers of any variances.

3. *Reference:* YEC Technical Session – Background Notes – Page 15

YEC provides summaries of four water and load level scenarios and the resulting Low Water Reserve Fund (LWRF) determinations.

Request:

- (a) Please identify any other methods that YEC has considered to fund the LWRF.
- (b) Please identify alternatives to the LWRF that could be used to address the same issues.
- (c) Please confirm that YEC can control when load is added to the system so as to minimize adverse impacts on cost drivers like thermal generation.
- (d) Please describe the impact that YEC's operating policies have on the mix of thermal generation actually used.

4. *Reference:* YEC Technical Session – Slide Presentation – Slide 6 - Rate Setting

YEC states that rates are established based on generation forecasts that make some assumption about water conditions.

Request:

- (a) Please confirm whether current rates charged by YEC are based upon short-term or long-term generation forecasts.
- (b) Please identify the benefits and drawbacks of both the short-term and long-term generation forecast methods and which method results in ratepayers carrying additional risk.
- (c) Please confirm that the short-term generation forecast method is more accurate.
- (d) Please provide details of the YUB's reasons for deciding which generation forecast method to use for rate setting.

5. *Reference:* YEC Technical Session – Slide Presentation – Slide 8 – LTA Determination

Request:

- (a) Please explain how any changes to a water licence would drive changes in the YECSIM model.
- (b) Please explain what changes will be required in YEC's modelling with a functioning Independent Power Production (IPP) policy in place within the Yukon. Please elaborate on what levels of IPP would drive changes to YEC's modelling.

6. *Reference:* YEC Technical Session – Slide Presentation – Slide 13 – LWRF Impacts

Request:

- (a) Please provide details of actual generation by source by month for 2018 and 2019 year to date.
- (b) Please provide details on how actual water levels in 2018 and 2019 to date have affected actual levels of thermal generation in 2018 and 2019 to date.

7. *Reference:* YEC 2nd Compliance Filing – Page 1-1

“For 2017, YEC has included new YEC debt of \$23.828 million and interest expense at \$0.512 million; this equates to 2.15% interest. When combined with pre-existing debt which has various rates depending on market conditions at the time the debt was secured, the total debt rate for each test year is 2.40% for 2017 and 2.23% for 2018.

In summary, beyond providing clarifying information on this matter, there is no basis for YEC to change the overall mid-year long term debt interest costs for 2017 and 2018 from what was included in the first Compliance Filing.”

Request:

- (a) Please confirm that in its Order 2018-10 - Reasons for Decision, the YUB accepted the forecast market rate for YEC's total cost of debt of 2.15% for each of the 2017 and 2018 test years.
- (b) Please provide details of where the YUB has directed YEC to determine a total debt rate for 2017 and 2018 that is any different from the allowed 2.15%.

8. *Reference:* YEC 2nd Compliance Filing – Page 1-2

“The Board determined that YEC’s Low Water Reserve Fund (LWRF), its calculations and associated term sheet are not compliant with the directions of Board Order 2018-10 and are not approved; YEC was directed to revise its LWRF in accordance with the Board’s findings in this decision in a second compliance filing with the Board.

This direction is addressed in this Compliance Filing through revisions to Appendix 2.1, and the required changes do not have any impact on the test year revenue requirement, the proposed rates, or other matters included in the Compliance Filing. Yukon Energy will file Appendix 2.2 (LWRF 2017 and 2018 Annual Reports & ERA 2017 and 2017 Filing) with the Board after Board final approval of the LWRF is provided.”

Request:

Please provide details on why changes to the LWRF will not impact the revenue requirements for 2017 and 2018.

9. *Reference:* YEC 2nd Compliance Filing – Page 1-4

Table 1.1 - Summary of Changes to the Revenue Requirement and Revenues at Existing Rates

Request:

Please confirm that the revenue requirement and sales / revenues at existing rates for 2017 and 2018 represent actuals for those years. If not, please provide an updated Table 1-1 showing actuals for 2017 and 2018.

10. *Reference:* YEC 2nd Compliance Filing – Page 1-7

YEC notes that Order 2018-10 directed that the operation of the Diesel Contingency Fund (DCF) / Low Water Reserve Fund (LWRF) be made less complex.

Request:

Please explain how YEC believes it has made the operation of the LWRF less complex than the previous DCF.

11. *Reference:* YEC 2nd Compliance Filing – Page 1-11

In its September 23, 2019 compliance filing, YEC has requested the following final approvals:

1. Approval to set an ongoing Rider J at 22.32% for retail customers and 18.67% for industrial customers, effective October 1, 2019 if this Rider J rate is approved on or before September 27, 2019, and otherwise effective November 1, 2019, applicable to all YEC and AEY firm retail and industrial rates, including fixed Rider F and fixed monthly payments for major industrial rates (all AEY recoveries from this rider would flow through to YEC).

2. Approval to set a time-limited Rider J1 to be in effect the same date that the above Rider J is effective, and to continue for 24 months, with Rider J1 at 8.76% if effective October 1, 2019 and at 8.99% if effective November 1, 2019, and applicable to all YEC and AEY firm retail and industrial rates (all AEY recoveries from this rider would flow through to YEC), to collect the remaining 2017, 2018 and 2019 net revenue shortfall as well as required Rider F adjustments for 2017, 2018 and the first six months of 2019. Effective 24 months after starting (that is, at either September 30 or October 31, 2021), Rider J1 would be set to zero.

Reference: Order 2018-10: Reasons for Decision – Page 63

“319. Given the isolated nature of the Yukon environment, the ramifications that low water events can have on electricity prices and the need to mitigate those impacts, the Board finds that a DCF-type of mechanism is required.”

Request:

- (a) Please explain how common it is to expect a regulator to review and approve requested rate riders within 4 days of a utility’s compliance submission.
- (b) Please describe how ratepayers will be advised in advance of the rate riders being added to their bill at the start of the 2019/2020 heating season.
- (c) Please provide detailed calculations of the total bill (including all proposed and taxes) for a residential customer in Whitehorse using 800 kWh, 1000 kWh, 1200 kWh and 1400 kWh per month in January 2016, January 2017, January 2018, January 2019 and January 2020. Please provide details of the bill calculations and indicate overall percentage changes in the total bill for each year.
- (d) Please explain how the significant impact of the proposed rate riders on ratepayers’ bills entering the most expensive time of year for electricity will be mitigated.

12. *Reference:* YEC 2nd Compliance Filing – Attachment 2.1-1: LWRF Term Sheet

Request:

- (a) Please confirm that the annual and quarterly reports regarding the LWRF calculations and LWRF balance updates to be provided to the YUB can be provided to intervenors of this proceeding and made available on YEC’s web site for the public to view.
- (b) Please provide details of the current balance of the LWRF (based on transfers from the DCF) and how the current balance would be impacted by the proposals in this compliance filing.
- (c) Please provide an update to Table 2.1-2 (LWRF Operation Example for 5 Forecast Years) starting with the actual LWRF balance in January 2018 and YEC’s best estimates of the actual operations of the LWRF between 2018 and 2022.
- (d) Please provide versions of Table 2.1-1 (Example LWRF Determination) that change the Fixed Change Factor of 45.3% to 38%, 40%, 43% and 50%.
- (e) Please explain the pros and cons of using a Fixed Change Factor versus the term sheet calculations.

13. *Reference:* YEC Technical Session – Background Notes – Page 8

The table provided for the technical session indicates hydro and thermal generation levels at various grid load levels. For example, at YEC grid load of 420 GWh, the hydro generation is assumed to be 403.769 GWh and the thermal generation would be 16.231 GWh. This appears to be the same data provided in Table 2.1-4 on page 2.1-4 of the 2nd Compliance Filing that incorporates a Minto load shape change.

Reference: YEC 2nd Compliance Filing – Footnote, page 1-6

The lower 2018 Minto load used for the Compliance Filing reflects a sharp decline in about mid-year for the balance of the year, versus the Application forecast which was reasonably flat throughout the year.

Request:

- (a) Please provide an updated table reflecting the actual Minto mine load for 2018.
- (b) Based on YEC’s discussions with the Minto mine, please confirm that proven and probable reserves give the Minto mine an estimated four more years of production.
- (c) Please explain how the load identified for Minto (16,391.7 MWh in 2019 and 18,000 MWh in 2020) in Table 1.1-7 in the Compliance Filing qualifies Minto as a Rate Schedule 39 (Industrial Primary) customer that is required to have an electricity demand in excess of 1,000 kW.
- (d) Please provide an update to Table 1.1-7 in the Compliance Filing based on current industrial sales in 2019 through 2021.

14. *Reference:* YEC 2nd Compliance Filing – Page 2-2

“In response to Directive #2, prior to the next GRA YEC will endeavour to consult with AEY on a fulsome basis with respect to sales forecast methodology. YEC believes that the use of different methodologies can provide a more robust approach to testing sales assumptions and ultimately will result in better forecasts. Regardless, YEC will review its methodology to align its forecasts where reasonable and feasible with AEY’s forecasts (particularly where such forecasts in an AEY compliance filing have been approved by the Board). YEC notes that for the 2017 and 2018 test years actual wholesales have been considerably higher than GRA forecasts provided by both AEY and YEC.”

Request:

- (a) Please explain how YEC will determine the reasonableness of its wholesale sales forecast.
- (b) Please explain how YEC will refine its methodology to ensure its forecasts align closely with AEY’s forecasts in future GRA submissions.
- (c) Please provide a table comparing YEC and AEY’s wholesale sales forecasts with actuals for 2015 through 2018.
- (d) Please confirm that, effective January 1, 2019, the Rate Policy Directive does not contain any restrictions on how rates can be rebased pursuant to a cost allocation study.
- (e) Please give an estimate on when YEC intends to submit its next general rates application and cost allocation study.

15. *Reference:* YEC 2nd Compliance Filing – Page 2-3

“At paragraph 66, the Board noted its view that peak loads are likely to grow in coming years, and encouraged YEC to communicate closely with all parties (for example, customers, developers, mining operations) to forecast as accurately as possible to meet increased peak loads and new mining energy requirements. In response, Yukon Energy will continue to communicate with relevant stakeholders in order to ensure forecasts are as accurate as possible.”

Request:

Please explain how YEC will consult with residential customers regarding plans to address changes in peak loads.

16. *Reference:* YEC 2nd Compliance Filing – Page 2-5

“The Compliance Filing for the 2018 thermal generation forecast continues to use the 90:10 LNG: diesel fuel mix as assumed in the Application.”

Request:

- (a) Please provide details on the actual thermal generation mix for 2018.
- (b) Please provide an update to Table 2-3 (Actual Production Costs by Category) on page 2-8 of the Compliance Filing showing the actual breakdown of production costs for 2018.

17. *Reference:* YEC 2nd Compliance Filing – Page 2-8

“2017 actual transmission and distribution results are provided in the tables that follow, along with variance explanations. 2018 forecasts from the Application are also provided, with adjustment to Labour as required to reflect the updated capital-to-maintenance ratio.”

Request:

Please provide an update to Table 2-4 (Transmission Costs) and Table 2-5 (Distribution Costs) on page 2-9 of the Compliance Filing showing the actual breakdown of transmission and distribution costs for 2018.

18. *Reference:* YEC 2nd Compliance Filing – Page 2-10

“As directed, further line item detail for actual 2017 O&M costs is provided in the table that follows. The Compliance Filing assumes 2017 actual results. The 2017 variance for labour reflects the changes discussed above for Labour; the balance of other 2017 costs increased 5.4% over forecast, reflecting increased transportation and maintenance requirements net of lower than forecast SCADA communication requirements. The 2018 forecast retains the Application forecast (modified as discussed above for updated Labour capital-to-maintenance ratio).”

Request:

Please provide an update to Table 2-8 (General O&M Costs by Category) on page 2-11 of the Compliance Filing showing the actual breakdown of O&M costs for 2018.

19. *Reference:* YEC 2nd Compliance Filing – Page 2-11

“As directed, further line item detail for actual 2017 Administration costs is provided in the table that follows. The Compliance Filing assumes 2017 actual results (modified as discussed above for Labour). The 2018 forecast retains the Application forecast (modified as discussed above for updated Labour capital-to-maintenance ratio).”

Request:

Please provide an update to Table 2-9 (Administrative Costs by Category) on page 2-12 of the Compliance Filing showing the actual breakdown of administrative costs for 2018.

20. *Reference:* YEC 2nd Compliance Filing – Capital and Deferred Projects – Page 2-22

Request:

Please confirm whether any costs associated with the recent abandonment of a proposed new 20 MW thermal power plant in Whitehorse are included in the costs being recovered in proposed 2017 and 2018 rates.