

**YUKON ENERGY CORPORATION (“YEC”)
2017 - 2018 GENERAL RATE APPLICATION
SECOND COMPLIANCE FILING**

**ARGUMENT OF
THE CITY OF WHITEHORSE**

November 1, 2019

Introduction

1. This argument is filed on behalf of the City of Whitehorse (“CW” or the “City”) which participates in this proceeding on behalf of the City and its residents, and is guided by what it considers to be in the best interests of the City as a corporation as well as what is in the best interests of its citizens.
2. The City participated in the technical session that was held on October 8, 2019 (the “Technical Session”) regarding the Low Water Reserve Fund (“LWRF”). Following discussions at the Technical Session, the City supports the use of a long-term average in the determination of the base for the LWRF as it appears likely that the use of a short-term average would cause unwanted fluctuations in rates.
3. In reviewing the Yukon Energy Corporation (“YEC”) notes from the Technical Session (the “Technical Notes”), the City notes that YEC has provided a graph on PDF page 10 of 22 that shows a comparison of the Long-Term Average (“LTA”) Hydro Generation with a fixed change factor and LTA Hydro Generation at Actual Load. In that graph, the two options provide very similar results within a given range. In response to YUB-YEC-1-7, YEC discusses the removal of a fixed change factor. As the City will demonstrate below, there are issues related to the LWRF.

YECSIM Model

4. First, in CW-YEC-1-1, the City requested information about the data used in the YECSIM model. In the response, YEC stated:

Given the reliance on historic water year data, simulation models of this type do not address trends in water levels beyond what is captured in the historic data. Such models also do not address potential wider ranges for water changes that may be evident from other factors such as the study of tree rings or other historic data beyond the 35 year official water record. Modelling assessments continue to use historic water year records for planning and LTA assessments as the best available data for new resource planning assessments – and this same data is therefore of continued relevance for LTA assessments used for current utility rates and the current LWRF determinations.
5. Given that there is a recognized trend related to climate change, one would expect that further research would be warranted to ensure that the predictions of the model are more representative of expected weather and of the resulting precipitation.

YEC Management Decisions

6. Second, in CW-YEC-1-2, the City sought information about the ability of management to influence the water levels and the LWRP. YEC refused to comment, stating that the subject was extensively addressed in the current proceeding. The City remains concerned that there are inadequate controls in place to prevent YEC management from benefitting from the existence of the LWRP. It is entirely conceivable that YEC management could make decisions that benefit YEC.

LNG Fuel Mix

7. Third, in response to CW-YEC-1-3, YEC refused to provide information on the Diesel/LNG mix. However, in response to YUB-YEC-1-2, YEC did provide a discussion of changes in Diesel/LNG mix. Similarly, in response to YUB-YEC-1-8, YEC stated:

Overall, fuel mix rule options in the LWRP can have a direct impact on YEC final thermal costs (i.e., after all LWRP transfers) for a completed fiscal year. The stated objective is to end up with YEC actual fuel mix costs unchanged from the GRA forecast (based on 90% LNG and 10% diesel, using GRA forecast fuel prices).

8. It may or not be optimal to maintain a 90/10 mix. Further, the use of various fuels may have different environmental impacts.

Actual Load

9. Fourth and finally, in YUB-YEC-1-4 the Board asked YEC about the use of actual load, and in YUB-YEC-1-5 the Board asked about actual generation. The more that a deferral or reserve account includes actual costs, the more risk is transferred to customers and away from the utility. If there is shift of costs there is a shift in risks, which should be incorporated in the utility return as either an increase or decrease.

Conclusion

10. Based on the record, the City supports the use of a long-term average as the base for the LWRP. Further, the City supports the use of variable conversion factor similar to that shown on PDF page 10 of 22 of the Technical Notes.

11. As noted above, the City remains concerned that the YECSIM model has not incorporated any trend in weather or the related water levels, except that any trend is incorporated in actual results. In that respect, the City recommends that YEC be directed to provide evidence, in the next GRA, that demonstrates whether there is any trend in weather, and related water levels, that should be incorporated into the YECSIM model.
12. Similarly, the City remains concerned that there is an opportunity for management to impact balances to YEC’s advantage. While this issue was tested in the original proceeding, the City submits that YEC should be directed to provide evidence, in the next GRA, to clearly demonstrate that all management decisions related to the use of the LWRF, including hydro maintenance and minimum water levels, have not been made to the advantage of YEC.
13. Regarding fuel mix for thermal generation, the City is confused why YEC refused to respond its question, but did respond to the Board. The City submits that YEC should be directed to provide evidence, in the next GRA, that the 90/10 mix remains optimal, from a cost and environmental perspective.
14. There were a number of questions about the use of actual load and generation in this proceeding. After the Board renders a decision on this application, parties will know the actual structure of the LWRF. Once that is known, YEC can provide evidence about the impact of the LWRF on business risk. In that respect, the City submits that, in the next GRA, YEC be directed to provide a comparison of all changes to the LWRF and an assessment of any changes on business risk.

All of which is respectfully submitted this 1st day of November, 2019.

[Original signed by]

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