

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

AND

**ENERGY RECONCILIATION ADJUSTMENT
APPLICATION PART 2 (“ERA”)**

**ARGUMENT OF
THE CITY OF WHITEHORSE**

August 9, 2018

1. 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. On June 22, 2017, Yukon Energy Corporation (“YEC”) filed an application with the Yukon Utilities Board (the “Board”), pursuant to the Public Utilities Act (Act) and Order-In-Council 1995/90, requesting an order approving forecast revenue requirements of \$48.544 million for 2017 and \$49.864 million for 2018 (GRA Application). In addition, in the Application, YEC was seeking approval:
 - to revise Rider F to include pricing related to the delivered cost of LNG, effective January 1, 2017;
 - to revise the DCF Term Sheet regarding the determination of annual expected long-term average thermal generation requirements and fuel costs; and
 - of an interim refundable rate rider (Rider J) for 2017 of 20.05% for retail firm rates and 16.40% for industrial firm rates, which represents an increase of 9.04% for retail and industrial customers, effective September 1, 2017 (interim rate request).
3. On August 21, 2017, the Board issued Board Order 2017-06 approving an interim refundable rate rider (Rider J) for 2017 of 16.51% for retail firm rates and 12.86% for industrial firm rates, which represents an increase of 5.5% for retail and industrial customers for all electrical consumption on or after September 1, 2017.
4. On August 25, 2017 the City filed information requests to YEC and YEC responded to the City’s requests on September 22, 2017.
5. On December 6, 2017, YEC filed with the Board an Energy Reconciliation Adjustment (the “ERA Application”). Board Order 2017-08 dated October 18, 2018 sets out that the ERA will be a two part application with the second part of the application to address how YEC proposed to address the Diesel Contingency Fund

(DCF), ERA, wholesale rates, and long-term hydro generation for the period 2017 forward.

6. On January 31, 2018 the Board released Amended Board Order 2018-02 which sets out in paragraph N that Part 2 of the ERA Application will be considered as part of the current GRA Application proceeding.
7. On February 12, 2018 YEC had a YECSIM workshop and presentation which the City attended by teleconference through its counsel, Mr. Thomas D. Marriott, Q.C. and consultant, Mr. Russ Bell.
8. Information requests on the Part 2 ERA Application were filed on March 14, 2018. YEC responded to information requests on April 6, 2018.
9. The City filed evidence in this proceeding on April 20, 2018. Information requests were issued to the City on May 4, 2018 with responses filed May 18, 2018. YEC filed its rebuttal evidence on June 1, 2018.
10. A hearing on the Application was held in Whitehorse on June 26-28, 2018. The City attended the hearing, cross-examined the evidence panel presented by YEC and seated a witness, Russ Bell, to speak to the evidence he prepared on the City’s behalf. Mr. Bell is a professional accountant, and has over 35 years’ experience in the utility industry, as discussed in his evidence and testimony.
11. In examining and addressing the application, the City and its consultant, Mr. Bell, pursued a limited number of issues that are of concern to the City’s citizens. The absence of argument on any particular issue does not constitute agreement with any party’s position on that issue.
12. The issues put forth in this argument are those that were addressed in Mr. Bell’s evidence, including responses to information requests, and further addressed in YEC’s rebuttal evidence, and discussed over the course of the hearing. These issues

include the impact of disruptive technology on long-term capital investments, the pattern of divergence observed in YEC’s load and energy sales forecasts, YEC’s vegetation management plan, and the lack of co-ordination between ATCO Electric Yukon (“AEY”) and YEC with respect to wholesale sales forecasts, and the diesel contingency fund.

Disruptive Technology

13. In the City’s evidence, Exhibit C3-10, Mr. Bell discussed the fact that one of his main concerns regarding YEC’s application was that their forecasts and 2016 resource plan failed to consider the possibility of disruptive technologies impacting future load and capital requirements. In an information request response to the Board, Mr. Bell further explained what he meant by disruptive technologies. A disruptive technology is one that affects the way entire industries operate and can have a substantial impact on industry participants.¹ Examples of disruptive technologies include microgeneration, for instance solar power, and micro-storage.

14. The City’s concern with respect to disruptive technologies relates to the possibility of stranded utility assets. Utility assets often have service lives upwards of 40 years and the investment in these assets results in a cost to costumers, both in terms of the capital cost of the asset and the operations and maintenance cost required to continue to safely use those assets. If a disruptive technology is introduced into the market, for instance one that results in customers disconnecting from the grid or reducing their reliance on traditional sources of electricity, there exists a possibility that YEC’s load requirements and peak demand fall. In such an instance, customers would be still be required to pay for those utility capital assets that are no longer required to meet the load or peak demand.

¹ Exhibit C3-9, YUB-CW-2(a).

15. In an information request to YEC, the City inquired as to how the 2016 Resource Plan put forth by YEC was used in support of the GRA.² In response, YEC stated that the Resource Plan is a forecast of long term trends including “GDP, territorial population, **end user behavior**, etc.” (emphasis added). Then in its rebuttal evidence to the City, Exhibit B-21, YEC stated that the risks associated with disruptive technologies were not sufficiently clear enough to modify the resource plan or its capital forecasts for the current GRA.³ YEC did, however, state that its Resource Plan considered electric cars as a technology that could impact load requirements.⁴

16. YEC appears to be sending mixed signals in regards to what are relevant technological considerations for its Resource Plan. YEC tries to dismiss the City’s concerns regarding customer or demand side disruptive technologies as being too uncertain yet in the IR response to the City, YEC stated that end user behavior is one factor that can affect the Resource Plan. Furthermore, YEC has looked at the role that technological change could have via electric cars, but seemingly only from the perspective of increasing load requirements and electricity sales. Despite claiming the Resource Plan can be affected by, and take into account, customer behavior, YEC does not view demand side emerging technologies as worth consideration.

17. In addition, in its rebuttal evidence, YEC states that the longer term risks of disruptive technologies are too ill-defined to merit changes.⁵ The City understands the Resource Plan to be a long term tool used for planning and that it consists of a 20 year forecast.⁶ Based on the time horizon over which the Resource Plan is focused, it seems that it would be precisely the correct forum in which to examine the effects of disruptive technologies. The City submits that in order for a long-term, 20 year forecast to be useful to the Board, intervenors, and YEC, potential

² Exhibit B7, CW-YEC-1-4(d).

³ Exhibit B-21, YEC Rebuttal Evidence, page 3.

⁴ Exhibit B-21, YEC Rebuttal Evidence, page 3.

⁵ Exhibit B-21, YEC Rebuttal Evidence, page 3.

⁶ Exhibit B7, CW-YEC-1-4(d).

disruptions, emerging issues and new technologies should be included. The effect of not considering the potential impact of these factors on a long-term forecast would be that YEC continues to operate on a business-as-usual assumption, which is short-sighted and runs the risk of the utility incurring costs that will be passed on to customers that are not prudent over the life of the asset.

18. It is also worth noting that in a competitive industry, businesses are continually forced to innovate in order to remain competitive and respond to changing market conditions. In the utility industry, however, companies such as YEC operate as monopolies and are therefore not subject to the same market forces that generate innovation and the proactive consideration of disruptive technologies. As a result, it is up to the Board, through its regulation of utilities, to ensure that companies such as YEC are acting prudently in response to changing market conditions.
19. YEC states that the Resource Plan provides context for its capital expenditures.⁷ The City submits that a resource plan that does not consider the realistic possibility of disruptive technologies over a 20 year period provides an uncertain context from which capital expenditures on utility assets with service lives of 40 to 50 years are to be justified. For the same reason, it is not a useful input into the capital forecast for the test years.
20. Further, the City notes that the British Columbia Utilities Commission (BCUC) did not accept FortisBC (FBC’s) Long Term Electric Response Plan (LTERP)⁸ In particular, the BCUC accepted the shorter term, not the longer term. Specifically, the BCUC found the demand forecast of limited value.⁹
21. Given that the Resource Plan does not provide a realistic assessment of future requirements and needs for capital, the City submits, in keeping with the

⁷ Exhibit B7, CW-YEC-1-4(d).

⁸ YUB-YEC-3-8, PDF 263 of 316

⁹ Ibid, PDF 267 of 316

recommendation made in the City’s evidence,¹⁰ that the costs of the study should be excluded from rates.

22. Further, the City requests that the Board direct YEC to provide considerations of disruptive technologies on its forecast load requirements in all subsequent rate and Resource Plan applications. This will assist the Board and intervenors in testing the justification for future capital expenditures and minimize the potential risk of stranded utility assets.

Divergence among load forecasts

23. In the City’s evidence, Mr. Bell observed a divergence between the 2011 Resource Plans’ load forecasts and the actual load requirements experience by YEC. The City’s evidence showed that the Resource Plans continually over-forecasted the sales anywhere from 3% to 16%.¹¹ In addition, based on the evidence provided by YEC in CW-YEC-1-4, Mr. Bell observed that the 2016 Resource Plan overstated the sales forecast as compared to the GRA forecasts. This trend, however, was reversed for 2017 and 2018 in the data provided by YEC.¹² Mr. Bell’s opinion was that this was further evidence that YEC’s load forecast in the 2016 Resource Plan were not reliable.¹³
24. In its rebuttal evidence, YEC provided table A-2 in Attachment A, Section 1, which demonstrates a similar trend.¹⁴ For the non-industrial load over the years 2014 to 2016, the 2011 Resource Plan forecast, updated in November 2012, continually overstated the load as compared to actuals. The industrial load forecasts set out in 2011 Resource Plan further illustrate that trend. For the years 2014 to 2016, the 2011 Resource Plan over-forecasted compared to the actual load by at least 42% in each year.

¹⁰ Exhibit C3-10, A.16

¹¹ Exhibit C3-10, Evidence of Russ Bell, page 8.

¹² Exhibit B7, CW-YEC-1-4(d).

¹³ Exhibit C3-10, Evidence of Russ Bell, page 8.

¹⁴ Exhibit B-21, YEC Rebuttal Evidence, Attachment A, Table A-2.

25. During the hearing, the YEC panel indicated that the largest reason its forecasts varied was due to industrial load requirements.¹⁵ It is the City’s view that if the industrial forecasts are hard to predict, which is supported by the systemic over-forecasting analyzed by Mr. Bell, then YEC should be directed to develop and use models that reflect the uncertainty of industrial load requirement in its long term forecasts and Resource Planning.
26. The City notes that in Alberta Utilities Commission Decision 2013-407, AltaLink proposed the use of a probabilistic assessment of the likelihood of Alberta Electric System Operator (AESO) assigned projects actually coming to fruition.¹⁶ In that case, the Alberta Utilities Commission called the uncertainty adjusted forecast utilizing the probabilistic assessment “a step in the right direction,”¹⁷ and found that it was “prepared to accept the uncertainty adjusted forecast as reasonable.”¹⁸ A probabilistic assessment is one means to improve YEC’s forecasting methodology with respect to industrial loads.

Wholesale load forecasts

27. At A18 of the City’s evidence, the disconnect between YEC’s forecast wholesale consumption and ATCO Electric Yukon’s forecast was discussed.¹⁹ Mr. Bell noted that in response to information requests, YEC stated that the difference in forecasts was due to a timing issue and that YEC and ATCO Electric Yukon had discussions regarding their forecasts.
28. At A21 in the City’s evidence, Mr. Bell recommended that the latest approved wholesale forecast be included in this application.²⁰

¹⁵ Transcript Volume 3, page 575, lines 22 to 25.

¹⁶ Decision 2013-407, paragraphs 310- 315

¹⁷ Ibid, paragraph 345

¹⁸ Ibid, paragraph 347

¹⁹ Exhibit C3-10, Evidence of Russ Bell, page 10.

²⁰ Exhibit C3-10, Evidence of Russ Bell, page 12,

29. In Rebuttal evidence, YEC advised that AEY’s approved Compliance Filing wholesale forecast of 314.2 GW.h was set subsequent to the filing of YEC’s 2017/18 GRA, that in response to YUB-YEC-1-3 “YEC filed an adjusted 2017 and 2018 wholesale forecast to ensure that its 2017 wholesale forecast is consistent with the YUB’s approved AEY purchase power forecast for 2017 (314.2 GW.h)” and that “YEC did not have the information AEY used to prepare AEY’s Compliance Filing forecast (including the 2017 forecast by month) and therefore its response was subject to refinement in YEC’s Compliance Filing at the end of the YEC GRA process.”²¹
30. By way of information request to YEC, the Board requested what the impact to revenue requirement would be if ATCO Electric Yukon’s forecast from their recent GRA compliance filing, approved in Board Order 2017-03, was used instead of YEC’s own forecast. YEC had forecast wholesale sales of 309,000 MWh for 2017, whereas ATCO Electric Yukon had forecast 314,234 MWh.²² YEC responded that there would a decrease in revenue requirement if the updated forecast was used; approximately \$0.027 million in 2014 and \$0.014 million in 2018.²³
31. Since the City’s evidence was filed, YEC provided ATCO Electric Yukon’s actual wholesale requirement for 2017, which was 328.4 GWh.²⁴ Based on the impact of including ATCO Electric Yukon’s forecast wholesale in the revenue requirement calculation when the difference between that and YEC’s forecast was approximately 5,000 MWh, it would appear that if ATCO Electric Yukon’s actual 2017 wholesale use was included the decrease in revenue requirement would be even greater than what was highlighted by the City in its evidence.

²¹ Exhibit B-21, YEC Rebuttal Evidence, page 5, 4th bullet point

²² Exhibit C3-10, Evidence of Russ Bell, page 11.

²³ Exhibit C3-10, Evidence of Russ Bell, page 11.

²⁴ Exhibit B-21, YEC Rebuttal Evidence, page 5.

32. The City understands that this application is in a unique position where the actual usage is available for the entire year of 2017 prior to the forecast test year amounts for 2017 being approved.
33. In Alberta, the Alberta Utilities Commission regularly requires utilities to provide the best information available at the time of the hearing, which is used to assess the reasonableness of the forecasts. This is illustrated in the following passage from Decision 2012-309, which cites earlier decisions dealing with the same point:

48. In discussing the premium for contract costs, parties commented on the prospective nature of setting rates and the use of actuals for determining a premium on forecasts. The prospective nature of the regulatory framework was discussed in AG’s prior general rates application for 2008 and 2009, Decision 2008-113, in which the Commission referred to Decision 2006-004, which discussed the use of updated information in a prospective rate setting environment and found:

The Commission agrees with the Board’s comments cited above, and continues to hold that an appropriate balance can be struck which allows for a utility to plan and budget according to its forecasts but that also provides the Commission with sufficient current information to enable it to assess the reasonableness of those forecasts. It is expected that a utility will put forth its best possible case in making an application for its revenue requirement. That best possible case should reflect information available to the utility that may reasonably form part of its Application and any updates thereto.

Given the reality that the Commission expects to receive the most up-to-date information during a proceeding and that AG and other utilities bring evidence of increasing costs during a proceeding as it becomes available, the Commission agrees with CG’s submission that prospectivity effectively starts from the close of the proceeding, rather than at the time of the application. This is the practical consequence of having a proceeding that runs into the year for which a rate application is made and ensuring that the Commission has the best possible information before it in order to make a decision on that application. (emphasis added)²⁵

²⁵ Alberta Utilities Commission Decision 2012-309, paragraph 48

34. The City cites the passage above, as authority that the actuals can be used as one input in testing the reasonableness of YEC’s forecast.
35. The City considers that the 2017 actuals support a finding that the AEY approved forecast was more reliable than the YEC forecast filed with this application, and it clearly is closer to the actual for 2017.
36. Further, in response to YUB-YEC-3-2 regarding Undertaking 38, the City notes that Fortis BC load forecasts are reviewed by a committee that includes “representatives of FortisBC, BCUC staff, BCMEU, BC Hydro, and BCPSO and Ms. Buryl Slack Goodman.” It appears that the YEC has not reviewed its load forecast, nor has its resource plan load been reviewed by a Committee made up of representatives of interested parties.
37. Accordingly, based on all of the foregoing, and consistent with Mr. Bell’s recommendation in the City’s evidence, the City submits that YEC in its compliance filing to this application be directed to use the 2017 wholesale forecast approved in the ATCO Electric Yukon compliance filing (314.2 GW.h).
38. The City notes that in its rebuttal evidence, YEC appeared to indicate that it was prepared to refine its wholesale energy use numbers in its compliance filing.²⁶
39. Going forward, YEC should be directed to work closely with AEY to better develop wholesale sales forecasts. In Mr. Bell’s experience, when wholesale sales are in the magnitude and proportion of what ATCO Electric Yukon’s are, there should be a greater degree of co-operation and co-ordination between the companies.²⁷ The increased communication between the two companies does not mean that YEC is not required to test ATCO Electric Yukon’s forecast, but a more coordinated wholesale forecast will also allow the Board and intervenors, including the City, to evaluate and test YEC’s forecast.

²⁶ Exhibit B-21, YEC Rebuttal Evidence, page 5.

²⁷ Exhibit C3-10, Evidence of Russ Bell, page 11.

Vegetation management

40. By way of Board Order 2013-01, the Board directed YEC to provide in its next GRA its distribution and transmission vegetation management plan²⁸, which was provided in Appendix 3.1 to the application.²⁹

41. In the City’s evidence, it was noted that the largest increase to operations and maintenance costs for the forecast test period was due to the increase in vegetation management.³⁰ Table 3.6.1 of YEC’s application set out the brushing costs for both distribution and transmission and is reproduced below:³¹

**Table 3.6.1:
 Brushing Costs
 (\$000)**

	Actual	Actual	Actual	Actual	Forecast		Forecast	
	2013	2014	2015	2016	Existing 2017	Proposed 2017	Existing 2018	Proposed 2018
Transmission Brushing	948	1,161	1,069	1,034	1,182	1,182	1,161	1,161
Distribution Brushing	113	262	160	39	304	304	331	331
Total Brushing	1,062	1,424	1,229	1,073	1,487	1,487	1,492	1,492
Transmission Deferred	-	748	632	550	783	-	770	-
Distribution Deferred	-	169	95	21	201	-	220	-
Brushing Deferred	-	917	727	571	985	-	990	-
Net Transmission Brushing	948	413	437	484	399	1,182	391	1,161
Net Distribution Brushing	113	93	65	18	103	304	111	331
Net Brushing Expense	\$ 1,062	\$ 507	\$ 502	\$ 502	\$ 502	\$ 1,487	\$ 502	\$ 1,492

42. The first two rows of the above table show the forecast and actual brushing costs for both distribution and transmission. While the transmission brushing costs for 2017 and 2018 appear to be only slightly higher than historical actuals, the distribution brushing costs are significantly higher in the forecast years. The average actual brushing costs for the years 2013-2016 is 143,500. Prior to 2017 the highest actual

²⁸ Board Order 2013-01, Appendix A, at paragraph 118.

²⁹ Exhibit B-1, YEC GRA application, Appendix 3.1.

³⁰ Exhibit C3-10, Evidence of Russ Bell, page 9.

³¹ Exhibit B-1, YEC GRA application, page 3-10, Table 3.6.1.

brushing cost for distribution was \$262,000 in 2014. In both of 2017 and 2018, YEC has proposed distribution brushing costs in excess of \$300,000. The City submits that this level of increased spending over the average is unrealistic.

43. In the City’s evidence, there was a discussion of how YEC would have been expected to consult with other utilities of similar size and facing similar geographical conditions in developing its policy.³² On behalf of the City, Mr. Bell recommended that YEC be directed to compare its vegetation management plan to that of other utilities and if the comparison reveals that the policy drives higher costs for vegetation management than required, the budget for YEC’s vegetation management should be reduced.
44. In its rebuttal evidence, YEC did note that they were part of a study among other utilities regarding vegetation management policies.³³ YEC also stated that a compliance filing was not the correct forum for such a comparison study to be filed.³⁴ During the hearing, Mr. Bell was questioned on his further thoughts regarding the vegetation management policy:
- “I mean given where we’re at and the fact that this Board will receive argument and reply by I’m going to say the end of July I believe is the schedule, or early August, and then it will take time to deliberate and render a decision, any compliance filing will be after the test period is complete, so at this point, it’s difficult to say, you know, costs should be cut specifically when I have heard that the utility will be providing 2017 actual costs anyways. You know, we’re a bit late to ask for forecast cuts. But I think as an ongoing go-forward basis, it is prudent to say that the utility should provide evidence on its policy how it compares to what other utilities in similar areas with similar geography and topography face.”³⁵
45. Accordingly, the City recommends that the Board direct YEC in its future general rate applications, to provide a comparison of its vegetation management policy with utilities of similar size or facing similar geographical issues. Given that this is a new

³² Exhibit C3-10, Evidence of Russ Bell, page 10.

³³ Exhibit B-21, YEC Rebuttal Evidence, pages 6-7.

³⁴ Exhibit B-21, YEC Rebuttal Evidence, page 6.

³⁵ Transcript Volume 3, page 668, lines 4 to 17.

policy instituted by YEC and will be a significant driver of operations and maintenance costs going forward, the City submits that ensuring the policy is line with that of other utilities that have had long standing practices is essential to ensuring the costs incurred under the policy are prudent. Utilities located in Northern B.C. and Alberta may be particularly useful in this regard.

46. In addition the City requests that any vegetation management plan definitely not include the use of herbicides within the City boundaries.

DCF

47. There was a significant amount of discussion in this proceeding regarding the diesel contingency fund (“DCF”), including the City’s evidence where the rules surrounding payments into and out of the fund were discussed. Mr. Bell’s view, on behalf of the City, was that the DCF was poorly defined and appeared to create a potential that it could be used to offset management decisions.³⁶ Mr. Bell also explained how deferral accounts transfer risk from the utility to customers and that in the case of a loosely defined deferral account such as the DCF, the utility’s risk profile is reduced.
48. As a result, it was Mr. Bell’s recommendation on behalf of the City that absent any stricter or more precisely define rules governing the DCF, YEC’s approved return on equity (“ROE”) for 2017 and 2018 should be reduced.
49. YEC responded by asserting that there is “no basis for Mr. Bell to suggest that risk of low water conditions should be borne by YEC....”³⁷ This, however, was not Mr. Bell’s assertion; instead he was stating that the DCF appeared to be defined so loosely that it was susceptible to operational decisions such that funds could be drawn from it based on management decisions. The City does not dispute that the

³⁶ Exhibit C3-10, Evidence of Russ Bell, page 12.

³⁷ Exhibit B-21, YEC Rebuttal Evidence, page 8.

use of the DCF, insofar as it allocates funds for diesel generation when water levels are low, is to be funded by customers so that YEC does not bear the risk of low water levels.

50. On the other hand, Mr. Bell and the City are of the view that greater clarity around the DCF is required in order to properly assess the risk profile of YEC. In addition, YEC provided a list of deferral accounts in its rebuttal evidence, which demonstrate that there are a number of categories of costs on which YEC is not bearing the risk.³⁸

51. During the hearing, Mr. Bell further discussed the DCF:

My main concern with the DCF was based on a comment in evidence that the DCF included operational impacts, and that is why in the IR response I had listed the three criteria that are used elsewhere for determining what qualifies for a deferral account, that being that it is beyond management control, not reasonably forecastable, and also of significant financial impact. When a deferral account starts to include things that are operational decisions, that sounds a lot like in management control, and so my original evidence was simply to tighten up the rules around what's in the DCF. And so this would be my recommendation if the DCF is left as worded as it was in the evidence that I read.

Q. And is your understanding any different of the DCF after listening to the testimony during this hearing?

A. It is a little different. I still am not certain that when I heard early on in the proceeding that the funding is based on long-term averages, and then all variances are put in or taken out of the account, that to me sounds like all variances, including operational decisions. So that doesn't sound to me like it has solved my problem.³⁹

52. Accordingly, the City of Whitehorse recommends that YEC be directed, in its compliance filing to this application, to include a definition and guidelines for its DCF such that funds are only able to be withdrawn in the case of low water levels. During the hearing, Mr. Bell suggested that it would also be helpful in determining the risk premium applicable to YEC if it were to compare the dollar amounts

³⁸ Exhibit B-21, YEC Rebuttal Evidence, page 9.

³⁹ Transcript, Volume 3, page 657, line 10 to page 658, line 7.

included in its deferral accounts to the dollar amounts included in the deferral accounts of the utilities it relies on for its risk premium calculation.⁴⁰ The City agrees and recommends that the Board direct that YEC its compliance filing or future GRAs to provide such a comparison.

53. Alternatively, if the Board decides that the DCF should remain as is, the City recommends that the approved ROE awarded to YEC be lower than it otherwise would have been. While the City does not have a specific reduction to the ROE in mind, it notes that YEC has applied for an ROE equal to the British Columbia Utilities Commission baseline ROE of 8.75, plus a risk premium of 57 basis points minus the reduction required by Order in Council 1995/90.⁴¹ The result is an applied for ROE of 8.82% for the 2017 and 2018 test years.

54. If the Board views YEC’s true risk profile to be less than it otherwise would be given the nature of the DCF, reducing the risk premium proposed by YEC of 57 basis points as suggested in the City’s evidence would be appropriate. Even if the full 57 basis point risk premium was eliminated, the approved ROE for YEC would be set at 8.50% and still represent an increase of 0.25% as compared to the last approved ROE.

Other matters

55. In the City’s evidence, Mr. Bell noted that in future applications it would be helpful in assessing YEC’s labour costs, if the Board established a minimum filing requirement (“MFR”) similar to that established by the Alberta Utilities Commission. Mr. Bell provided a copy of the table used in the Alberta MFR.⁴²

⁴⁰ Transcript, Volume 3, page 660, lines 13 to 20.

⁴¹ Exhibit B-1, YEC GRA application, page 3-23, lines 9 to 14.

⁴² Exhibit C3-10, Evidence of Russ Bell, page 13.

56. YEC in its rebuttal evidence responded that some of the categories in the table provided by Mr. Bell were not applicable to YEC. The company also stated that it had provided labour cost information in its application in a series of tables.⁴³
57. On this matter, it is the view of the City that having all labour and FTE data in one place would be more efficient. It would facilitate more efficient testing by all parties, including the Board, for cost per FTE, which is a useful metric.

All of which is respectfully submitted this 9th day of August, 2018.

Original Signed By The Undersigned

THOMAS D. MARRIOTT, Q.C.
Counsel for the City of Whitehorse

⁴³ Exhibit B-21, YEC Rebuttal Evidence, page 6.