

Yukon Utilities Board

July 23, 2018

To: All Parties to YEC 2017-18 General Rate Application Proceeding

Re: Yukon Energy Corporation undertakings and changes to process schedule

On July 13, 2018, Yukon Energy Corporation (YEC) filed a submission with the Yukon Utilities Board. The YEC submission included a cover letter and several responses to undertakings from its 2017-18 GRA oral public hearing. YEC stated in its cover letter that two remaining undertakings (Undertaking #35 and Undertaking #36) were not complete but YEC hoped to provide the undertakings early in the week of July 16, 2018. The Board received the remaining undertaking responses on July 20, 2018.

The Board has follow-up questions on some of the responses to the undertakings and has appended those questions to this letter. Further, as Parties may wish to review the responses to the remaining undertakings and to the Board's questions on the undertakings before filing argument in this proceeding, the Board finds it necessary to revise the remaining process schedule as follows:

Process Step	Date	Revised Date
YEC Undertakings	July 13, 2018	July 20, 2018
YEC follow-up responses to undertakings		July 27, 2018
Written Final Argument	July 26, 2018	August 9, 2018
Written Reply Argument	August 9, 2018	August 23, 2018

Sincerely,



Deana Lemke
Board Secretary

Attach (1)

Follow-up questions on YEC Undertakings YEC 2017-18 GRA

Question 1

Reference: July 13, 2018 Undertaking 38, pdf page 51, footnote 1.

Question: (a) Please confirm that footnote 1 refers to BCUC Order G-110-12.

(b) If confirmed, please place BCUC Decision G-110-12 on the record of this proceeding. If not confirmed, please provide the decision referred to in footnote 1 on the record of this proceeding

Question 2

Reference: July 13, 2018 Undertaking 38 pdf page 51-52, BCUC Decision G-110-12 (page 23, pdf page 30)

Quote: PPEVDA: includes 100% deferral of power purchase expense variances during the test years...

a. Load variances due to variances in customer growth, usage, or weather; (Undertaking 38)

... FBC revenue variances due to load are also flowed 100% through to ratepayers... (BCUC Decision G-110-12)

Question: The YEC undertaking notes that FBC's PPEVDA covers load variances. Further examination of BCUC G-110-12 shows that the load forecast process for FBC differs from the load forecasting method of YEC in that forecast input is provided by parties outside of FBC. Please confirm that the FBC load forecast is reviewed by a technical committee, including FBC staff, BCUC staff, BC hydro staff and interveners.

Question 3

Reference: Undertaking 38 pdf page 51

Quote: PPEVDA: includes 100% deferral of power purchase expense variances during the test years

Question: Does the deferral account operate in non-test years? If so, please provide the source for your confirmation.

Question 4

Reference: Undertaking 38 pdf page 52

Quote: In summary, FBC's PPEVDA fully defers to customers all variances in resource unit prices (similar to Rider F for YEC) as well as water variability (similar to the DCF for YEC). The FBC PPEVDA also fully defers to customers both the cost and revenue variance related to any impact from changes to load or sales.

Question: Please provide a direct reference in the referenced BCUC decision or other BCUC decision where the PPEVDA defers to customers all variances due to water variability.

Question 5

Reference: Undertaking 38 pdf page 51

Preamble: Undertaking 38 requests:

Undertaking to advise as to whether FortisBC Electric has a deferral or contingency account (and if so, how such an account differs from YEC's DCF) for changes in hydro generation from GRA forecasts due to changes in forecast water levels, as such changes affect thermal generation fuel costs, with the result that such cost variances are ultimately borne by ratepayers. (underlining added)

Question: (a) It appears that the submission for undertaking 38 is not responsive to the request. The response does not comment on changing water levels and therefore changes in hydro generation due to that variance in water levels, does not refer to a deferral account that records variations in hydro generation due to water levels being different from forecast, nor any affect on thermal generation costs. Please explain how YEC is responsive to the undertaking.

(b) If FBC does not have a deferral account similar or identical to YEC's DCF then please confirm so.

Question 6

Reference: Undertaking 38 pdf page 52

Quote: Overall, FBC's existing resource stack offers a lot of options and protections not available to YEC, given FBC's location adjacent to BC Hydro and other power supply sources. The FBC deferral account flow through of purchase power cost variances to ratepayers is not associated with a need for the same rate stability elements of the DCF contingency fund - and no analysis has been provided in the FBC resource plans to suggest a need for such rate stability elements related to potential variances in water availability. (underlining added)

Question: How does the underlined section provide evidence as to differences between the PPEVDA and the DCF as opposed to similarities?

Question 7

Reference: Undertaking 39 pdf page 53

Quote: The response varies depending on the time period addressed for FortisBC Electric (FBC) as regards determination of its Planning Reserve Margin (PRM). The current risk premium assessment for FBC relevant to YEC's current GRA is based on the earlier Resource Plan and revenue requirement BCUC decision from 2012. However, FBC's subsequent 2016 Resource Plan has updated its capacity planning criterion.

Question: (a) Please confirm that footnote 1 refers to BCUC Decision G-110-12.
(b) Please confirm that BCUC Decision G-110-12 did not make any determination on FBC's risk premium but deferred such matters to a future GCOC proceeding.

Question 8

Reference: Undertaking 39 pdf page 53-54, footnote 5

Quote: Available information indicates that FBC has currently (2016) adopted LOLE (Loss-Of-Load-Expectation) as the reliability metric for assessment of PRM adequacy, and targets a 1 day in 10 years or 0.1 day (or 2.4 hours) per year threshold. Further, FBC currently meets this criteria. (footnote omitted)

Question: Has FBC's Long Term Electric Response Plan (LTERP) been accepted by the BCUC? If so, please provide the BCUC decision, in its entirety, that accepts the LTERP.

Question 9

Reference: Undertaking 30 pdf pages 39-40

Preamble: YEC provided details of its deferred cost amortization amounts for Tab 7, Schedule 5, Line 7 amounts noting that, "No feasibility contributions were deducted in 2017 and 2018; however, feasibility contributions were deducted in 2016."

YEC provided similar details for its deferred cost contributions for Tab 7, Schedule 5, Line 10 amounts and additionally, provided details with respect to its 2017 actual results. The Board observes there are actual 2017 feasibility

contributions and proposed feasibility contribution amounts identified for the years 2017 and 2018.

- Question:
- (a) Please explain what is meant by contributions being “deducted” from deferred cost amortization.
 - (b) Please explain why YEC’s Tab 7, Schedule 5, Line 7 reconciliation discloses feasibility contributions for the year 2016 differently from the years 2017-2018.s For example, 2016 Actual deferred cost amortization is shown net of contributions, whereas 2017-2018 Proposed deferred cost amortization is shown before contributions.
 - (c) Please explain why 2017 Actual feasibility contribution in the amount of \$1,325K is significantly larger than the 2017 Proposed feasibility contribution in the amount of \$786K.
 - (d) For completeness, please provide the corresponding Tab 7, Schedule 5, Line 7 detail for YEC’s 2017 Actual results.

Question 10

Reference: Transcript, Volume 3, PDF page 522, lines 23-25;
Undertaking 31 pdf page 41

Quote: Transcript:

... Regulatory, again, that's proceedings such as this. PPAs, reviews, Part 3s, that sort of thing goes through our regulatory accounts...

Undertaking 31:

The response to YUB-YEC-2-26 Attachment 1 shows amortization of proposed *Regulatory Costs* of \$0.622 million in 2017 and \$0.578 million in 2018 (prior to deduction of contributions).

...

Rate case amortization is part of the net change in *Rate Case Assets* in Table 4 of YUBYEC-1-12; the related balance sheet account is separately tracked from Deferred Studies (Tab 7, Schedule 1 – Deferred studies is displayed on lines 8-12 while Rate Case is separately disclosed under line 18). [emphasis added]

- Question:
- (a) Please provide detail of the remaining “part of the net change in Rate Case Assets in Table 4 of YUB-YEC-1-12” which the Board observes is a total of \$493K in 2017 and -\$972K in 2018.
 - (b) Please explain the nature of and differences between the types of costs associated with the amortization of “regulatory costs” identified in YUB-YEC-2-

26 and Undertaking 31 which YEC describes as being related to the “rate case amortization” of “rate case assets” as opposed to the “amortization of hearing cost reserve account” identified in YUB-YEC-2-26.

(c) With respect to “regulatory costs”, please explain the nature and source of the associated contributions which were identified in YEC’s response to Undertaking 30 in the amount of \$99K in each of the years 2017 and 2018.

Question 11

Reference: Undertaking 29 pdf pages 33-37

Quote: 2.1 The following planning and study costs will be recorded as an expense of the period in which they are incurred:

a. Planning and study costs which are pure research in nature. It should be noted that costs of this type, if any, are not expected to be significant.

b. Planning and study costs related to ongoing operations that, unless it can be demonstrated that these costs provide long-term or multi-year benefits to the system which will be deferred.

Question: (a) Please clarify whether any of the changes to the proposed Planning Cost Accounting Policy (PCAP) have been implemented or taken into account during the 2017-2018 test years.

(b) If part (a) is confirmed, please identify the PCAP provisions that YEC has adopted.

(c) Please provide a dollar value threshold for a planning and study cost YEC would consider is “significant.”

(d) Please identify any study and its associated cost that would have been expensed under section 2.1 (a-b) of the PCAP during the years 2012-2018.