

February 25, 2019

Mr. Robert Laking, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. Laking:

Re: Yukon Energy 2017-18 General Rate Application – Compliance Filing

Pursuant to Board Order 2018-10, Yukon Energy encloses herewith, for approval of the Board, a Compliance Filing in accordance with the directions set out in the reasons for Decision (Appendix A to Order 2018-10), and including the appropriate schedules from Tab 7 of the 2017/2018 Yukon Energy General Rate Application (the “Application”), for Board approval of the Yukon Energy 2017 and 2018 revenue requirements, along with all related understandings and interpretations of Order 2018-10 and the attached Reasons.

As noted in the attachment Compliance Filing, the Yukon Energy 2017 revenue requirement is now \$49.202 million (compared to \$48.544 million in the Application), and the Yukon Energy 2018 revenue requirement is now \$49.793 million compared to \$49.864 million in the Application.

The corresponding rate adjustments as set out in the attached filing are assumed to be implemented May 1, 2019 as follows.

- Rider J will increase from 16.51% to 22.32% (an approximate 5% increase over existing bills to recover the ongoing YEC revenue requirement approved by the Board).
- A time-limited (24 month) Rider R of 5.94% (an approximate 5% increase over existing bills to collect the remaining 2017, 2018 and pre-May 2019 net revenue shortfall at then existing rates as well as required fuel price Rider F adjustments for 2017 and 2018).

A time-limited rate rider is typically required for true-up adjustments after a final Board decision on a GRA. In this case, the adjustment is higher than normal due to the interim Rider J approved starting in September 2017, the time needed prior to receiving a final Board decision, and the fuel price increases that occurred over this period. YEC is requesting that the true-up rider be implemented over 24 months rather than the normal shorter period (e.g., 12 months) in order to moderate the required Rider R rate.

Rider E Refund Rider

A Rider E refund of 0.68 cents per kW.h is currently applied to all energy bills. The existing Rider E was set to refund amounts from the customer Low Water Reserve Fund (formerly the Diesel Contingency Fund) when this Fund exceeded the \$8 million cap approved by the Board.

On January 29, 2019, Yukon Energy sent a letter to the Board noting the DCF balance was below the \$8 million cap and cessation of the Rider E rebates was urgently required. YEC also noted that the current refund Rider E continues to reduce the Fund balance on average by approximately \$0.300 million each month. YEC requested that the Rider E be set to \$0.00/kW.h effective March 1, 2019.

Appendix 2.2 of the attached Compliance Filing provides the Low Water Reserve Fund (LWRF) 2017 and 2018 Annual Reports and ERA 2017 and 2018 Filing. This notes that the LWRF balance is expected to be at \$2.172 million by April 1, 2019 – well below the \$8.0 million cap. Accordingly, no Rider E rebate is appropriate at this time and it is proposed that the Rider E refund to ratepayers be set to \$0.00 /kW.h as soon as possible, i.e., effective April 1, 2019.

Yukon Energy Future Planning and Studies Costs

A number of Board directions in Appendix A of Order 2018-10 identify Board concerns regarding specific planning projects that remained in WIP through 2018 and would be proposed by YEC for rate base inclusion in future GRAs. The Board has been clear about wanting to ensure that benefits, risks and costs are fully documented in Project business cases to be reviewed with the Board prior to Project implementation.

Yukon Energy takes seriously these concerns of the Board.

As the primary generator and transmitter of electrical power in the Yukon, Yukon Energy must focus on serving and planning for the capacity and energy requirements of Yukoners. In order to ensure that these requirements continue to be met Yukon Energy must engage in an ongoing process to assess the capacity and energy requirements on the Yukon Integrated System (YIS); and to identify and assess potential measures to address any identified energy or capacity shortfalls.

The 2016 Resource Plan identified a critical existing and forecast capacity shortfall under the N-1 capacity planning criterion and identified an action plan to address this shortfall. Although this shortfall is being addressed on a short-term basis using diesel rentals – this is not a long-term solution. As such, Yukon Energy is continuing to plan to ensure that a permanent solution is in place to address this critical reliability issue for the YIS. A number of projects are in the planning stage and were included as deferred projects in the 2017-18 GRA. Yukon Energy is using a stage gate process for planning and implementing these projects to ensure that all relevant alternatives are examined, that key risks are identified and appropriately managed, and that economic tests are met prior to proceeding with construction of these projects. This includes, as applicable, undertaking necessary alternatives assessments regarding

the optimal approach to undertaking a specific project. Yukon Energy will provide further updates, including business case assessments, as applicable, to the Board at the next GRA or as part of any potential Part 3 proceeding that may be directed for specific projects.

Yukon Energy must also proceed with studies and other assessments necessary to plan and design the YIS as part of prudent utility and infrastructure planning. Yukon Energy acknowledges the comments and concerns raised by the Board in Appendix A of Order 2018-10 and will provide the additional information to support inclusion in rate base of such studies as required in future GRA proceedings.

In closing, Yukon Energy seeks approval of the attached filing.

Please direct any questions on this communication to the undersigned.

Yours truly,

A handwritten signature in cursive script, appearing to read "Ed Mollard".

Ed Mollard
Chief Financial Officer