

**Yukon Energy Corporation
2017-18 General Rate Application Compliance Filing**

**Yukon Utilities Board (YUB) Information Request Round 1 to
Yukon Energy Corporation (YEC)**

YUB-YEC-1

Reference: YEC 2017-18 GRA Compliance Filing Application
Issue/sub-issue: Non-test year risks

Request:

Please discuss in detail who (YEC or ratepayers) bears the risk of revenue requirement items during non-test years. If YEC is of the view that certain risks are borne by customers and other risks are borne by the utilities, then please distinguish who bears each risk and why.

YUB-YEC-2

Reference: YEC 2017-18 GRA Compliance Filing Application, page 2-4;
Appendix A to Board Order 2018-10, paragraph 77
Issue/sub-issue: GRA forecasts – generation

Quote:

In response, YEC in this GRA filing for 2018 and in future GRA filings (a) will not use ST hydro generation forecasts, and (b) will continue to use LTA hydro and thermal generation forecasts (plus separate forecasts for thermal maintenance costs). The 2018 LTA hydro and thermal generation forecasts reflect the LTA forecast used in Table 3.4-1 of the GRA Application adjusted as required to address the major change in forecast seasonal shape of the Minto industrial load, i.e., the adjusted Minto load forecast for 2018 falls sharply at about mid-year for the balance of the year (versus being reasonably flat throughout the year in the Application forecast). The LTA determinations for 2018 are reviewed in more detail in Appendix 2.2, of this Compliance Filing. (Compliance filing, page 2-4)

77. Given the above-noted advantages and disadvantages of LTA and ST hydro generation forecasts, the Board finds that, for purposes of this proceeding, it will not use the ST forecast for forecasting levels of hydro electric generation and thermal generation nor direct its use for future GRAs. In determining the revenue requirements for these and future test years, the Board is focusing on the reasonableness of the forecasts and forecasting accuracy. Further, the onus is on YEC to adequately explain any variance between actual results and its forecast amounts. For these reasons, the Board directs YEC in future GRA filings, to show actual hydro and thermal generation results when comparing previous and forecast test years. (Appendix A to Board Order 2018-10, paragraph 77, Direction 7)

Request:

- (a) Please confirm that, based on the above direction of the Board, YEC's 2018 forecast for generation (both hydro and thermal) is the most reasonable and accurate forecast to use in the Board's determinations of the 2018 amounts. If not confirmed, please explain why confirmation cannot be given.
- (b) Similarly, for Directions 9 (paragraph 100) and 10 (paragraph 102), please confirm that the 2018 forecast in response to those directions is the most reasonable and accurate forecast to use in the Board's determinations of the 2018 amounts. If not confirmed, please explain why confirmation cannot be given.

YUB-YEC-3

Reference: YEC 2017-18 GRA Compliance Filing Application, page 2-15 to 2-16;
Appendix A to Board Order 2018-10, paragraph 293

Issue/sub-issue: Fuel mix forecast

Quote:

In response to Directive #26, YEC has reviewed the DFPVA monthly adjustment mechanism to assess what options may exist to reflect forecast versus actual thermal fuel mixture for LNG and diesel fuel. This matter was not addressed during the proceeding, and was not part of YEC's commitment (subject to what is feasible with the DCF/LWRF year end adjustment mechanism) to assume risks related to actual fuel mix at forecast fuel prices in the determination of final annual DCF (now LWRF) transfers. (Compliance filing, pages 2-15 to 2-16)

293. Lastly, YEC has stated it will assume all risk with respect to the thermal fuel mixture (LNG versus diesel). Therefore, the Board directs YEC to ensure that any variances due to changes in the thermal fuel mixture (forecast versus actual) are not included in the DFPVA. YEC is to indicate, in its compliance filing to this application, the steps it will take to prevent changes in the thermal fuel mixture from appearing in the DFPVA. (Appendix A to Board Order 2018-10, paragraph 293)

Request:

- (a) Please explain what YEC means when it stated it will "... assume all risk with respect to the thermal fuel mix (LNG versus diesel)."
- (b) YEC stated that the matter regarding the thermal fuel mix was not addressed during the proceeding. The thermal fuel mix was discussed during the hearing and in information requests (for example, YUB-YEC-1-25 and transcript Volume 3 starting at page 581), but how variances would be accounted for was not examined. How does YEC propose to account for variances from the forecast thermal fuel mix given that material difference in prices between the two types of fuels as well as any deviation in the fuel mix ratio affects the volume forecast for each fuel?
- (c) Please explain how YEC's response in part (b) supports the approvals requested by YEC in its compliance filing.

YUB-YEC-4

Reference: YEC 2017-18 GRA Compliance Filing Application
Issue/sub-issue: Details of Table 10 from Appendix A to Board Order 2018-10

Request:

Please revise Table 10, as referenced above, to reflect YEC's 2017-18 GRA Compliance Filing revenue requirement for non-fuel operating and maintenance expenses, including all line item details for the year 2017.

YUB-YEC-5

Reference: YEC 2017-18 GRA Compliance Filing Application, response to Direction 17, page 2-9, PDF page 29

Issue/sub-issue: Variance explanation for Other Non-labour costs

Quote: 161. YEC is directed to provide this detail by way of updating the information found in tables 13, 14 and 15 for 2017 actual transmission and distribution results in its compliance filing to this decision and to explain any variances as directed by the Board in paragraph 89. YEC is also directed to provide in its compliance filing the Actual 2017 closing balance of its Deferred Vegetation Management account and to clarify whether YEC deferred any 2017 actual costs in excess of \$0.502 million. (Appendix A to Board Order 2018-10, paragraph 161)

Preamble: The Board is unable to confirm YEC's compliance with Direction 17.

Request:

- (a) Please provide the 2017 variance explanations for the Other Non-Labour costs line item for Transmission costs (\$80,000) and Distribution costs (\$25,000).
- (b) Please clarify whether YEC deferred any 2017 actual costs in excess of \$0.502 million to future years.

YUB-YEC-6

Reference: YEC 2017-18 GRA Compliance Filing Application, response to Direction 19, Page 2-11 to 2-12 including Table 2-9, PDF pages 31-32

Issue/sub-issue: Variance explanation for Administration – fish hatchery

Preamble: In Appendix A to Board Order 2018-10, the Board accepted YEC's actual 2017 administration costs. Notwithstanding, the Board is interested in the reason for the increase in actual fish hatchery costs between the years 2016 (\$157,000) and 2017 (\$183,000) as indicated on Table 2-9.

Request:

Please clarify the reasons for the increase between 2016 and 2017 actual fish hatchery costs as noted in the preamble to this question.

YUB-YEC-7

Reference: YEC 2017-18 GRA Compliance Filing Application, Table 1.1-3
Issue/sub-issue: Additions and removals from rate base

Request:

- (a) Please confirm that negative values in Table 1.1-3 equate to removals from rate base and positive values equate to additions to rate base. If not confirmed, please explain.
- (b) Please explain why the values under the heading “Disallowed assets [reflects closed projects]” are positive.
- (c) Please provide an explanation for the 2017 actual update lines in Table 1.1-3 for 2017 that includes an explanation of how the values were derived and what projects were included in those values.

YUB-YEC-8

Reference: YEC 2017-18 GRA Compliance Filing Application, Table 2-10,
page 2-17
Issue/sub-issue: Thermal fuel mix

Preamble: Under the heading “Thermal Fuel Price True-Up (Actual-Forecast) (\$000/yr)” the right-hand column is titled “80.7/19.1 mix”

Request:

- (a) Please confirm that the right-hand column should be titled “80.7/19.3 mix”
- (b) If part (a) of the question cannot be confirmed, then please explain why the fuel mix will not add up to 100.

YUB-YEC-9

Reference: YEC 2017-18 GRA Compliance Filing Application, Table 1.1-3; and
section 2.7 and Table 2-11
Issue/sub-issue: Additions to and removals from rate base

Request:

- (a) Please provide a table showing the amounts added or removed from each of 2017 and 2018 for each project listed in section 2.7, referencing the relevant direction related to the rate base adjustment and an explanation for the change in rate base for each project. Please also include any amounts moved from work-in-progress to rate base or vice versa and the total change in rate base for each test year and the total change in WIP.
- (b) Please reconcile and cross-reference the table provided in response to part (a) with Table 1.1-3.
- (c) Please reconcile and cross-reference Table 2-11 with Table 1.1-3 and the table provided in response to part (a).

YUB-YEC-10

Reference: YEC 2017-18 GRA Compliance Filing Application, Table 1.1-3;
YEC 2017-18 GRA Compliance Filing Application, section 2.7.4.5

Issue/sub-issue: Whitehorse Hydro Uprate

Quote: “This project was forecast to remain in WIP during the test years. No costs are included in rate base for the test years in the Compliance Filing.”

Request:

Given that the Whitehorse Hydro Uprate project was forecast to remain in WIP during the test years, please explain why a reduction of \$450,000 is included in Table 1.1-3 for this project.

YUB-YEC-11

Reference: YEC 2017-18 GRA Compliance Filing Application, Table 1.1-3;
YEC 2017-18 GRA Compliance Filing Application, section 2.7.4.6

Issue/sub-issue: Small Hydro

Quote: “This project was forecast to remain in WIP during the test years. No costs are included in rate base for the test years in the Compliance Filing.”

Request:

Given that the Small Hydro project was forecast to remain in WIP during the test years, please explain why a reduction of \$625,000 is included in Table 1.1-3 for this project.

YUB-YEC-12

Reference: YEC 2017-18 GRA Compliance Filing Application, Appendix 2.1,
page 2.1-2

Issue/sub-issue: LWRP – new mechanism

Quote: The new mechanism proposed in the 2017-18 GRA to provide that costs for YEC thermal generation savings (excess) are calculated so that YEC’s final fiscal year expense for the total expected thermal generation (i.e. YEC expense after all transfers) is 90% LNG and 10% diesel as assumed in the GRA forecast, subject to the constraint that the LNG share of any transfer into or out of the LWRP cannot exceed 100%.

Request:

- (a) Please explain what YEC means by “new mechanism.”
- (b) Does YEC view the GRA forecast thermal fuel mix as something more than a forecast? If so, please cite the reference in Board Order 2018-10 where the Board specifically approves the GRA forecast fuel mix to include the above assumption and constraint? Further, please explain how the above assumption and constraint are now reasonable for the Board to consider in the compliance filing proceeding.

YUB-YEC-13

Reference: YEC 2017-18 GRA Compliance Filing Application, Appendix 2.1, page 2.1-2

Issue/sub-issue: LWRF

Quote: A key requirement in this regard is to separate thermal generation changes due to overall YIS load changes from thermal generation changes due to water condition changes.

Request:

Please explain how the above is accomplished. Please provide any relevant references in the compliance filing or supporting documentation in your response.

YUB-YEC-14

Reference: YEC 2017-18 GRA Compliance Filing Application, Appendix 2.1, pages 2.1-2 to 2.1-3; Attachment 2.1-1, page 2.1-4; Appendix A to Board Order 2018-10, paragraph 323

Issue/sub-issue: LWRF

Preamble: The example provided regarding the LWRF appears to calculate the difference in thermal generation due to changes in water levels for the actual load.

Request:

- (a) Does YEC consider the Board's statement in the preamble to be accurate? Please explain why or why not.
- (b) Paragraph 323 from Appendix A to Board Order 2018-10 states "YEC will take the forecast risk for incremental generation costs for incremental loads outside of the forecast period with the exception of incremental load covered by the ERA. YEC is directed to amend its DCF term sheet to comply with these directions." (Footnote removed.) Please explain how the example provided by YEC separates the incremental generation and load from the forecast levels of generation and load and how those amounts are removed from LWRF considerations.
- (c) Based on your response to part (b), why does YEC consider that its proposed LWRF is in complete compliance with the Board's direction in paragraph 323?

YUB-YEC-15

Reference: YEC 2017-18 GRA Compliance Filing Application, Appendix 2.1, page 2.1-3

Issue/sub-issue: Updates to the LWR Term Sheet

Quote: The LWRF Term Sheet specifies that YEC will provide the Board, for review and approval, an update to the Fixed Change Factor when required in future to address material changes in LTA hydro system capability due to changes in loads, installed capacity, licensing/permits or other factors.

Preamble: The Board would like to understand the sensitivities regarding the LWRF Term Sheet.

Request:

- (a) In terms of load, is there a threshold amount that would be considered a material change in system capability and would warrant an update to the LWRF Term Sheet? If not, how would a material change be determined?
- (b) In terms of installed capacity, is there a threshold amount that would be considered a material change in system capability and would warrant an update to the LWRF Term Sheet?
- (c) In terms of licensing/permits, is there a threshold amount that would be considered a material change in system capability and would warrant an update to the LWRF Term Sheet?
- (d) What other factors does YEC contemplate that may cause YEC to require an update to the LWRF Term Sheet?

YUB-YEC-16

Reference:

YEC 2017-18 GRA Compliance Filing Application, Attachment 2.1-1, page 2.1-1, footnote 10

Issue/sub-issue:

Wind generation

Quote:

Unless otherwise noted, AEY Fish Lake generation based on long-term average as approved by the Board Order 2014-06 at 8.73 GW.h and the last approved YEC wind generation (wind generation ceased to be available in 2017). The Fish Lake long-term average generation for 2012 and 2013 was at 4.38 GW.h due to unavailability of Unit #1. YEC's 2017/2018 GRA compliance filing assumes Fish Lake hydro long term average generation of 8.39 GW.h for 2018, based on information provided by AEY, and no wind generation capability. (Underlining added.)

Request:

- (a) Please explain the reasons that wind generation ceased.
- (b) Have YEC's wind generation assets been removed from service?
- (c) If the answer to part (b) is affirmative, have the wind generation assets been removed from rate base? Please explain.
- (d) If the assets have not been removed from rate base, please explain how any wind generation assets in rate base are "... used or required to be used to provide service to the public, and may include a rate base from property under construction, or constructed or acquired, and intended to be used in the future to provide service to the public..." in accordance with section 32(1) of the *Public Utilities Act*.

YUB-YEC-17

Reference:

YEC 2017-18 GRA Compliance Filing Application, Attachment 2.1-1, page 2.1-2; Appendix A to Board Order 2018-10, paragraph 323

Issue/sub-issue:

LWRF thermal savings (costs)

Quote:

YEC thermal generation savings (excess) are calculated on an annual basis for the LWRF based on the variance between actual thermal generation and LTA thermal generation at the actual YIS load. (Compliance filing, Attachment 2.1-1, page 2.1-2, footnote removed)

323. To draw from the LWRF due to low water levels, YEC will have to submit an application to the Board requesting a drawdown of the fund indicating that the application is due to changes in hydro generation because of changes in water levels from those contained in the last Board-approved forecast. YEC will take the forecast risk for incremental generation costs for incremental loads outside of the forecast period with the exception of incremental load covered by the ERA. YEC is directed to amend its DCF term sheet to comply with these directions. Conversely, when the fund requires replenishment, YEC can apply to the Board for rate rider to replenish the LWRF. YEC, in its compliance filing, may submit any potential ceiling for the LWRF rate rider. (Appendix A to Board Order 2018-10, paragraph 323, footnote removed)

Request:

As per paragraph 323 of Appendix A to Board Order 2018-10, should the calculation of the thermal generation savings be limited to the forecast level of load? Please explain and provide any alternatives for calculating the thermal generation savings.

YUB-YEC-18

Reference: YEC 2017-18 GRA Compliance Filing Application, Attachment 2.1-1, page 2.1-2

Issue/sub-issue: LWRF thermal savings (costs)

Quote: Starting with YEC fiscal year 2018, costs for YEC thermal generation savings (excess) are calculated so that YEC's final fiscal year expense for the total expected thermal generation (i.e., YEC expense after all transfers) is 90% LNG and 10% diesel, subject to the constraint that the LNG share of any transfer into or out of the LWRF cannot exceed 100%. Fuel costs for this calculation are based on the last approved average cost of LNG and diesel fuel for YEC per kWh based on the most recent YEC GRA. The LWRF example in Table 2.1-3 reflects these requirements based on fuel prices in the 2017/18 GRA. (Footnote removed.)

Request:

- (a) Please explain why YEC has proposed that the term sheet defines the thermal fuel mix.
- (b) What happens if the thermal fuel mix is not fixed for the purposes of the calculation?
- (c) Please confirm that thermal fuel prices used for the LWRF will be reset every YEC GRA.
- (d) Could thermal fuel prices be reset separately from the GRA, e.g. in an AEY GRA decision? Please explain why or why not.

YUB-YEC-19

Reference: YEC 2017-18 GRA Compliance Filing Application, page 2-18 and Attachment 2.1-1, page 2.1-3; Appendix A to Board Order 2018-10, paragraph 323

Issue/sub-issue: LWRF, quantum and cap

Quote: In any year when the balance in the LWRF falls outside of the approved LWRF cap range at fiscal year end, YEC shall apply to the Board for approval of a rate rider to dispense with the balance that is outside of that range within 60 days of the fiscal year end. (Compliance filing, page 2.1-3)

To draw from the LWRF due to low water levels, YEC will have to submit an application to the Board requesting a drawdown of the fund indicating that the application is due to changes ... Conversely, when the fund requires replenishment, YEC can apply to the Board for rate rider to replenish the LRWF. (Compliance filing, page 2-18)

Request:

Does the first quoted statement above in the LWRF Term Sheet comply with the directions from paragraph 323 of Appendix A to Board Order 2018-10? Please explain.

YUB-YEC-20

Reference: YEC 2017-18 GRA Compliance Filing Application, Attachment 2.1-2

Issue/sub-issue: Determination of fixed change factor for the 2017-18 GRA

Request:

If adjustments to the LWRF are limited to the latest approved GRA forecast generation level, please explain why a fixed change factor is necessary.

YUB-YEC-21

Reference: YEC 2017-18 GRA Compliance Filing Application, Appendix 2.2

Issue/sub-issue: LWRF annual reports, 2018 preliminary results

Request:

Please confirm that the 2018 LWRF calculations for the LWRF are capped at the 2018 forecast generation level. If not confirmed, please explain.