

YUKON UTILITIES CONSUMERS' GROUP (UCG)

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May 26, 2022

Yukon Utilities Board

Box 31728

Whitehorse, Yukon Y1A 6L3

Attention: Mr. Richard Buchan , Chair

Re: UCG Argument to Yukon Energy Corporation 2021 General Rates Application Compliance Filing

Dear Mr. Buchan and Board Members:

As per Board Order 2022-06, enclosed is the argument submissions of the Yukon Utilities Consumers' Group for the above noted proceeding.

If there are any questions concerning the contents of this submission, please direct all inquiries to me by email at rrondeau@northwestel.net or by phone at 633-5210.

Regards,

Roger Rondeau

for Yukon Utilities Consumers' Group

YUKON UTILITIES BOARD
IN THE MATTER OF the *Public Utilities Act*
Revised Statutes of Yukon, 2002 c.186, as amended

and

IN THE MATTER OF Yukon Energy Corporation's
General Rate Application for 2021
Compliance Filing

ARGUMENT OF
YUKON UTILITIES CONSUMERS' GROUP
May 26, 2022

1. First and foremost, the UCG is concerned about the YEC adding a new true-up revenue shortfall rider to their Compliance Filing. This was not part and parcel of their application and appears to be a way around the Board findings to curtail the revenue requirement.

2. The NOVEMBER 2020 YUKON ENERGY 2021 GENERAL RATE APPLICATION PAGE 4 requested:

Proposed Rider J to Address 2021 Revenue Shortfall

The current level of firm rates result in a \$10.971 million rate revenue shortfall in 2021 compared to revenue requirements set out in Tab 3. This shortfall, outlined in Table 1 below, forms the basis for the proposed rate increases in this Application.

Table 1:

Yukon Energy Revenue Required from Rates (\$000s)

2021

Revenue Requirement \$75,135

Less: Other Revenues \$369

Less: Secondary Sales \$0

Revenue Required from Firm Rates \$74,767

Less: Revenues from Firm Sales at Existing Rates

[includes Rider J] \$63,796

Additional Firm Rate Revenues Required \$10,971

In accordance with OIC 1995/90 direction, the Application proposes that the Yukon Energy revenue shortfall for the test year be recovered through a Rider J increase of 15.01 percentage points in 2021 applicable to all YEC and AEY retail firm rates and all major industrial firm rates. This Rider J increase results in an overall increase in existing rates (excluding existing Rider J1 true-up and Rider F) of 11.54% for 2021; as noted earlier, the proposed 2021 GRA approach will enable this rate increase to occur without a material change in customer bills. The proposed Rider J changes to recover the revenue shortfalls are reviewed in more detail below.

SUMMARY OF REQUESTED ORDERS

In summary, approval of the Board is requested for the following:

1. 2021 Revenue Requirement: *Approval of the forecast revenue requirement of \$75.135 million for 2021, including approval, as required, of the following costs, revenues and other related provisions:*

a. Fuel and Purchased Power Costs: *Fuel and purchase power costs forecast of \$15.897 million in 2021, including approval for the following related matters:*

i. Adjusted Fuel Prices: *Approval to adjust delivered diesel and LNG prices used in setting average fuel costs per kW.h to be \$0.2051/kW.h for diesel and \$0.1814/kW.h for LNG to reflect current market conditions.*

ii. LNG/Diesel Generation: *Approval to assume that long-term average (LTA) thermal generation requirements (separate from thermal generation maintenance activity requirements) are supplied with a combination of 90% LNG and 10% diesel generation*

Board Order2022-03 Reasons directed the following:

5.2.1 Fuel and purchased power

75. YEC presented its Fuel and Purchased Power position in Section 3.2 of the Application.

Board Findings

76. Subject to the Board Findings in other parts of this Board Order regarding quantities of diesel units and

related diesel fuel volumes, the Board accepts the rationale and prepared 2021 forecasts for YEC in terms of its thermal fuel mix, forecast LNG delivered price of \$0.4824 per litre, the forecast average efficiency for LNG generation of 2.66 kW.h/litre and the resulting forecast LNG cost of \$0.1814/kW.h.

77. The Board also accepts the forecast diesel delivered prices for 2021 of \$0.7243 per litre for Whitehorse, \$0.7615 per litre for Faro, \$0.7898 per litre for Dawson and \$0.7696 per litre for Mayo. The Board accepts the 2021 forecast diesel efficiencies for diesel fuel of 3.60 kW.h/litre in Whitehorse, 3.62 kW.h/litre in Faro, 3.71 kW.h/litre in Dawson and 4.01 kW.h/litre in Mayo.

78. The Board directs YEC in the compliance filing to this Board Order to reflect purchased power costs in accordance the Board's findings in Section 5.2.2 of this Board Order.

Accordingly, the UCG submits that Fuel and Purchased Power Costs were included in the Revenue Requirement amount originally applied for. The Board rendered its decision which resulted in a Rider J adjustment and should not be subject to any other true-up rider.

There is no mention in Board direction of a specific true up rider to accommodate their decision, only that the quantities and price of fuel , as well as fuel mix ratio were accepted as applied for.

3. UCG is pleased that the Board and it's regulatory consultants held the YEC responsible to following directions given to them in Board Order 2022-03, to deliver in their Compliance Filing

4. UCG remains concerned how YEC tracks various costs for regulatory processes, revenue requirements and capital expenditures. Even with all the very expensive management personnel, consultant firm, and the new asset management information systems, the YEC appears to have some fundamental accounting challenges.

5. With regards to the LWRF, UCG submits the Board approved in their Board Order 2022-03¹, the YEC prior documents (YEC updated April, 2022) filed on LWRF. Therefore, no changes should be allowed as per YEC in their IR response and revised documents, YEC Compliance Filing (Revised) Table 1.1-3 c).

6. With regards to the disallowed costs for the Enterprise Asset Management, the Board denied all costs to 2021 rate base². YEC Schedule 3, May 12 Compliance Filing (Revised) is all that UCG can find on this direction. UCG remains concerned that the amount of \$4.938 million has not been adequately accounted for and taken off 2021 rate base.

7. With regards to the disallowed costs for the DSM and the resulting court

1 Board Order 2022-03 Section 2. p. 73 Reasons

2 Board Order 2022-.03 Section 5.34 p. 70 Reasons

proceedings, Compliance Filing YUB-YEC-1-1, UCG remains concerned that the resulting DSM costs have not been adequately accounted for and have not been taken off 2021 rate base.

8. **Board Findings**

*222. No issues were discovered upon review of YEC's 2021 forecast cost of debt. The method for setting the cost of debt and the corresponding calculation of cost of debt are consistent with Board Order 2018-10. The Board approves YEC's 2021 forecast cost of debt of 2.19 percent for 2021 as reasonable, as it was determined using a previously Board-approved methodology.*³

Accordingly, UCG does not understand why YEC is using Cost of Debt of 2.94% in the Compliance Filing May 12/22 Schedule 4, p. 3.1-9.

³ Board Order 2022-03 Section 5.2.5.1 line 221. p.42 Reasons