

YUKON ENERGY CORPORATION

2021 General Rate Application

Board Order 2023-01 – Compliance Filing

January 24, 2023

1.0 OVERVIEW

On November 20, 2020, Yukon Energy Corporation (“YEC” or “Corporation”) filed with the Yukon Utilities Board (“the Board” or “YUB”) its General Rate Application (“GRA”) for the 2021 test year. Following the review process on March 16, 2022, the Board issued Order 2022-03, approving the 2021 revenue requirements for Yukon Energy with the changes directed in the Reasons for Decision (Appendix A attached to Order 2022-03).

On April 14, 2022, YEC filed the Compliance Filing, with revisions on May 12, 2022, in response to Board Order 2022-03. The Board by its Order 2022-07 on July 12, 2022 approved YEC’s May 12, 2022 Compliance Filing approving Rider J and Rider J1 effective August 1, 2022.

On April 14, 2022, YEC also filed an Application for Review and Variance (“Review Application”) of the Board Order 2022-03 in relation to the approved risk premium for Return on Equity and disallowed capital project costs. On August 26, 2022, the Board issued Board Order 2022-10 granting YEC’s Review Application and directed that the Review Application proceeds to Phase 2 on the limited issue of determining the amount of the risk premium reduction for the ROE.

After the review process, on January 9, 2023, the YUB issued its final Order 2023-01 in relation to YEC’s Review Application approving the ROE at 8.65% for the 2021 GRA. In this Order the Board also directed YEC to provide a compliance filing (filing for acknowledgement) to the Board by February 8, 2023 in accordance with the directions set out in the Reasons for Decision (Appendix A attached to Order 2023-01).

2.0 CHANGES BASED ON YUB ORDER 2023-01

The following provides an overview of the changes to the revenue requirement based on the Board’s directions provided in the Reason’s for Decision to Order 2023-01:

- **Approved Return on Equity:** The Board Order 2022-03 reduced the ROE to 8.20% and YEC’s Compliance Filing as revised on May 12, 2022 reflected the ROE at 8.20% in calculation of Rider J and Rider J1. The Board Order 2023-01 approved the ROE at 8.65% which requires changes to Rider J and Rider J1.
- **Return on Equity and Revised Revenue Shortfall:** Table 1 shows the calculation of the changes in ROE and the impact on the revenue requirement for the 2021 test year of \$0.557 million. Table 2 shows the overall change to the revenue requirement and revenue shortfall for the 2021 test year which increases from \$8.592 million to \$9.149 million.

Table 1: Cost of Capital Calculation, \$000

Line No.	Description	Deemed Ratio	Mid Year Rate Base	Mid Year Cost Rate	Return
May 12, 2022 Compliance Filing [approved by YUB 2022-07]					
1	Long-Term debt	60.0%	185,680	2.94%	5,453
2	Common Stock	40.0%	123,786	8.20%	10,150
3	Total	100.0%	309,466	5.04%	15,603
YUB 2023-01 Order Compliance Filing					
4	Long-Term debt	60.0%	185,680	2.94%	5,453
5	Common Stock	40.0%	123,786	8.65%	10,708
6	Total	100.0%	309,466	5.22%	16,161
7=6-3	Change				557

The following table shows the revised revenue requirement and revenue shortfall compared to the May 12, 2022 Compliance Filing.

Table 2: Summary of Changes to the Revenue Requirement and Revenue Shortfall, \$000

	May 12, 2022 Compliance Filing	Compliance Filing for Order 2023-01	Change
Revenue Requirement			
Fuel and Purchased Power	15,882	15,882	0
Non Fuel O&M -Labour	13,016	13,016	0
Non Fuel O&M -Other	15,559	15,559	0
Depreciation and Amortization	12,631	12,631	0
Return on Rate Base	15,603	16,161	557
A Total Revenue Requirement	72,692	73,249	557
Revenues at Existing Rates			
Residential	2,384	2,384	0
Commercial	5,388	5,388	0
Industrial	11,481	11,481	0
Streetlight and Sentinel Light	84	84	0
Wholesale	28,507	28,507	0
Secondary Sales revenues	0	0	0
Rider J Revenues	15,887	15,887	0
Other Revenue	369	369	0
B Total revenues at existing rates	64,099	64,099	0
C=A-B Required GRA rate increase	8,592	9,149	557

3.0 REVISED RIDER J AND TRUE-UP RIDER J1

The following provides an overview of the changes to the rates based on the Board's directions provided in the Reason's for Decision to Order 2023-01:

- **Ongoing Rider J:** The YUB Order 2022-07 approved Rider J at 34.08% for non-industrial retail firm rates and Rider J at 30.43% for industrial firm rates for all electrical consumption on or after August 1, 2022. The R&V Compliance Filing revises Rider J to 34.84% for non-industrial retail firm rates and Rider J to 31.19% for industrial firm rates for all electrical consumption on or after March 1, 2023. The calculation of the revised Rider J for non-industrial and industrial customers is provided in Table 3.
- **Across the Board Time-limited Rider J1 Charge** – The YUB Order 2022-07 also approved a time-limited rider Rider J1 at 1.85% [for 24 months from August 1, 2022 to July 31, 2024] for recovery of revenue shortfall based on Rider J at 34.08% for non-industrial and 30.43% for industrial customers. The R&V Compliance Filing revisions to the Rider J require a recalculation of the revenue shortfalls. Table 4, and supporting tables 5 and 6, provide details of the calculation of the true-up rider Rider J1 to reflect the following:
 - Added revenue shortfall for the 2021 test year of \$0.557 million as reviewed in Table 2 of the previous section.
 - Added revenue shortfall for 2022¹ and a portion of 2023 at \$0.684 million to reflect the difference between the revised Rider J in this Compliance Filing and Rider J approved by the Board in Order 2022-07. The calculations of the added revenue shortfalls are provided in Table 5.
 - Less \$0.767 million that reflects Rider J1 collected between August 1, 2022 and December 31, 2022 and forecast to be collected between January 1, 2023 and February 28, 2023.
 - Total added revenue shortfall of \$3.255 million which requires a true-up Rider J1 at 3.01% effective March 1, 2023 to July 31, 2024.²

¹ Although the final Rider J as per YUB Order 2022-07 was approved effective August 1, 2022, the May 12, 2022 Compliance Filing Table 1.1-4, line 6 included a revenue surplus of \$3.286 million to reflect the variance between interim Rider J and final Rider J for the period from January 1, 2022 to July 31, 2022 which was included as an offset to the revenue shortfall. Therefore, the revenue shortfall must be recalculated for the whole period of 2022.

² The YUB Order 2022-07 approved Rider J1 at 1.85% for 24 months from August 1, 2022 to July 31, 2024. YEC is not proposing a change to the end date of the collection period which remain as July 31, 2024.

Table 3: Required Revenue Increase and Rider J Calculation

Line #			2021 Test Year	
			YUB 2022-07	YUB 2023-01
1a	Consolidated Firm Retail Sales Revenues - Base Rates ¹	\$000	61,574	61,574
1b	Consolidated Firm Industrial Sales Revenues - Base Rates	\$000	11,481	11,481
2a	Consolidated Rider J Revenue at pre-GRAs rates ²	\$000	15,887	15,887
2b	AEY Rider R Revenues ³	\$000	6,068	6,068
3=1+2	Total Consolidated Firm Sales Revenues at existing rates	\$000	95,009	95,009
4=Table 1	Retail Revenue increase required in 2021	\$000	8,592	9,149
5a=4/3	Required Rate Increase on total Consolidated Revenues	%	9.04%	9.63%
5b=4/(1a+1b)	Rider J Increase Required	%	11.76%	12.52%
6=3+4	Total Consolidated Firm Sales Revenues with 2021 Increase	\$000	103,601	104,158
7	Total Cumulative 2021 Rate Increase		9.04%	9.63%
	Rider J Required			
8=5b	Rider J Increase Required	%	11.76%	12.52%
9	Existing Rider J - non-industrial	%	22.32%	22.32%
10	Existing Rider J - industrial	%	18.67%	18.67%
11=8+9	Total Rider J with increases - non-industrial	%	34.08%	34.84%
12=8+10	Total Rider J with increases - industrial	%	30.43%	31.19%

Notes:

1. Total Consolidated Retail Revenues at existing Base Rates include revenues from YEC and AEY's residential, general service and streetlight sales.
2. Consolidated Rider J revenues at pre-2021 GRAs rates include YEC's Rider J at 22.32% for firm YEC and AEY retail sales and at
3. AEY Rider R Revenues at existing rates include AEY's Rider R at 8.30% for firm retail and industrial base rate sales of YEC and AEY.

Table 4: Determination of the Revenue Shortfall True-up Rider J1

Line No.	Reference	March 1, 2023 Rate Implementation \$000
2021		
1	Total Net Revenue Shortfall/(Surplus) True-up	May 12, 2022 Compliance Filing Table 1.1-4, line 8 2,780.9
2	Added Revenue Shortfall for 2021 Test Year	Table 2, Line C 557.3
3	Added Revenue Shortfall for 2022 and Jan-Feb 2023	Table 5, column G 684.1
4	August 1, 2022 - February 28, 2023 Rider J1 collections	Table 5, column H 767.2
5	Total Net Revenue Shortfall True-up	L1 + L2 + L3 - L4 3,255.1
	Consolidated Revenues at Base Rates [March 1, 2023 - July 31, 2024]	
6	Consolidated Non-industrial	Table 6, column C 88,369.6
7	Consolidated Industrial	Table 6, column D 19,774.4
8	Total Consolidated Revenues at Base Rates	L6 + L7 108,144.0
9	Revised Revenue Shortfall True-up Rider J1	L5 / L8 3.01%

Table 5: Calculation of Revenue Shortfall for 2022 and Jan-Feb 2023

	Non-Industrial			Industrial			Total Variance	Rider J1 Collections
	Rider J at 34.08%	Rider J at 34.84%	Variance	Rider J at 30.43%	Rider J at 31.19%	Variance		
	A	B	C=B-A	D	E	F=E-D	G=C+F	H
2022								
January	2,552	2,609	57	376	385	9	66	
February	2,073	2,119	46	331	339	8	54	
March	1,843	1,884	41	396	406	10	51	
April	1,858	1,900	41	332	340	8	50	
May	1,560	1,594	35	424	434	11	45	
June	1,389	1,420	31	391	401	10	41	
July	1,218	1,245	27	371	380	9	36	
August	1,553	1,588	35	299	307	7	42	44
September	1,507	1,540	34	323	331	8	42	101
October	1,562	1,597	35	320	328	8	43	103
November	1,728	1,767	39	335	343	8	47	114
December	2,088	2,135	47	305	313	8	54	132
Total 2022	20,930	21,397	467	4,202	4,307	105	572	494
2023								
January	2,276	2,327	51	327	335	8	59	143
February	2,052	2,098	46	309	317	8	53	130
Jan-Feb 2023	4,328	4,424	97	636	652	16	112	274
Total 2022 and Jan-Feb 2023	25,258	25,822	563	4,839	4,960	121	684	767

Table 6: Consolidated Base Rate Revenues, \$000

	Non-Industrial			YEC Industrial	Total Base Rate Revenues
	YEC	AEY	Total		
	A	B	C=A+B	D	E=C+D
2023					
January	798	5,881	6,678	1,075	7,754
February	778	5,243	6,020	1,016	7,036
March	715	5,146	5,861	1,089	6,951
April	671	4,506	5,178	1,048	6,226
May	538	4,075	4,612	1,208	5,821
June	510	3,776	4,286	1,089	5,374
July	585	3,690	4,274	1,178	5,453
August	535	3,793	4,328	1,177	5,505
September	579	4,104	4,682	1,169	5,851
October	679	4,593	5,272	1,077	6,349
November	632	5,228	5,859	1,190	7,050
December	697	5,828	6,526	1,210	7,736
Total 2023	7,716	55,862	63,578	13,526	77,104
2024					
January	810	5,954	6,764	1,170	7,934
February	790	5,335	6,125	1,112	7,237
March	726	5,219	5,945	1,197	7,141
April	681	4,580	5,262	1,137	6,399
May	544	4,145	4,689	1,320	6,009
June	516	3,846	4,362	1,185	5,547
July	593	3,750	4,343	1,219	5,563
Jan- July 2024	4,661	32,829	37,490	8,340	45,830
Total March 2023 - July 2024	10,802	77,568	88,370	19,774	108,144

4.0 REQUESTED APPROVALS

In its Order 2023-01, the Board directed YEC to provide a compliance filing as filing for acknowledgement. However, pursuant to section 28 (2) of the *Public Utilities Act*, no public utility shall charge a new rate unless that rate is approved by the Board. Therefore, Yukon Energy requests the following final approvals:

- Approval of an ongoing Rider J at 34.84% for retail non-industrial customers and 31.19% for industrial customers, effective March 1, 2023, applicable to all YEC and AEY firm retail and industrial rates, including fixed Rider F and fixed charge payments for major industrial rates (all AEY recoveries from this rider would flow through to YEC).
- Approval of a time-limited Rider J1 at 3.01%, effective March 1, 2023 to July 31, 2024, applicable to all YEC and AEY firm retail and industrial rates (all AEY recoveries from this rider would flow through to YEC) to collect the revenue shortfall.