

**YUKON UTILITIES BOARD
BOARD ORDER 2022-03**

YUKON ENERGY CORPORATION

REPLY SUBMISSION

November 3, 2022

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Although no intervenor filed a response to YEC's submission on Phase 2 of this Review and Variance Application YEC wishes to present on the record its reply to two incorrect statements or assumptions made in the Board's recent IRs. The reason for filing a reply argument in that regard is because of the unconventional way in which a large number of IRs were framed which either sought confrontation of very concise statements when confirmation could not be provided or when confirmation could only be provided when appropriate context was included.

YEC believes once the statements or assumptions referred to above are corrected that evidence will support YEC's position that there is no basis for any reduction above zero of the previously-established YEC ROE risk premium.

Risk Allocation Prior to Board Order 2019-04

First – the Board IRs sought confirmation in IR 1(a) “that the Board preserved the principle that the proper apportionment of forecast risk for generation costs for incremental loads was with YEC” prior to Board Order 2019-04.

Not only could YEC not confirm this statement – it is not correct. As stated by YEC in answer to that IR:

“Contrary to what appears to be assumed in this IR, Appendix A to Board Order 2018-10 did not direct a shift of generation cost water risk to YEC for incremental load. In fact, at no time prior to Board Order 2019-04, did the Board determine that YEC rather the ratepayers assume the risk for water-related thermal generation. Appendix A to Board Order 2019-04 was the first time that the Board specifically directed this shift of water risk to YEC”

The response to IR1(b) documents the changes directed in Order 2019-04 on this risk allocation matter that were not addressed in YEC's submission – including Order 2019-04 revisions to relevant wording in Order 2018-10.

In summary, there is no basis for suggesting that 2017-18 ROE risk premium approved in Order 2018-10 had any provision for the Board specifying that any water-related risk for incremental load had been shifted to YEC. As with prior Board Orders in earlier GRAs, water-related risks for all loads – including incremental loads – were allocated to customers and not to YEC.

Given the importance of this evidence to the issue of risk and the position of YEC in this application – YEC would ask the Board to carefully review YEC's answers to IRs 1(a) and (b).

YEC Prior Evidence on Water Risk Allocation for Incremental Load

Second – permeated throughout the IR questions – is a suggestion or an assumption that prior to Board Order 2019-04 YEC admitted or accepted that YEC bore water related risks in relation to incremental loads. This statement is also not correct.

As stated throughout YEC answers to the IRs and most specifically IR 1-2(a): “at no time did YEC admit or accept that it bore water related risks in relation to incremental loads prior to Board Order 2019-04”. As YEC indicated in response to a number of the IRs – if the Board understood YEC’s position was different than that – it was based on a misunderstanding of an IR response YEC provided in a previous proceeding.

In summary, there is no basis for suggesting that YEC’s submissions in any earlier GRA ever suggested that YEC should – or in fact did – bear any water related risks in relation to incremental loads – and therefore OIC 2019/16 directions on this matter did not change YEC’s risks from what existed prior to Order 2019-04.

Because the Board’s misunderstanding of YEC’s position appears to have weighed heavily in its determination on the issue of water related risks relating to incremental loads – YEC would ask that the Board not only carefully review YEC’s answer to IR 2-1 it also consider whether a correct understanding of YEC’s position would change that determination.

Conclusion

The above two corrections address clarifications regarding the situation prior to Board Order 2019-04, confirming that YEC did not bear, nor ever suggest that it should bear, any water-related risk for incremental load.

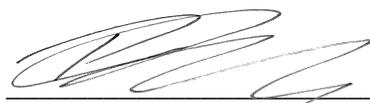
YEC’s submission, and further evidence provided in response to the Board IRs, also confirms that YEC today, after OIC 2019/16, continues to have higher ROE risks than its BC comparator FortisBC (Electric) with its 40 basis point risk premium.

In summary, the IR responses support and confirm YEC’s submission that there should be no risk premium reduction and Order 2022-03 should be varied to retain the 45 basis risk premium above the 8.75% low risk benchmark utility ROE.

ALL OF WHICH is respectfully submitted this 3rd day of November, 2022.

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Per:



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