

September 9, 2024

Ms. Lesley McCullough, Acting Chair
Yukon Utilities Board
Box 31728, Whitehorse, YT Y1A 6L3

Dear Ms. McCullough:

**Re: Yukon Energy Corporation 2023/24 General Rate Application Compliance Filing
– response to UCG comments**

Yukon Energy Corporation (YEC) filed its 2023/24 General Rate Application (GRA) Compliance Filing on August 5, 2024 in accordance with the directions set out in Appendix A to Yukon Utilities Board (Board) Order 2024-05.

The Board, by its Orders 2024-12 and 2024-12A, established a process for the Compliance Filing review, including Information Requests from the Board on the Compliance Filing and comments from Intervenors. On September 6, 2024 Yukon Utilities Consumers Group (UCG) filed its comments on the Compliance Filing. No other comments were submitted.

UCG Comments

UCG's submission provides general comments related to overall bill impacts resulting from the Compliance Filing, the Board's return on equity (ROE) determination, and the collection period for the true-up rider. UCG does not otherwise challenge or provide questions on any specific matter in the Compliance Filing or on any of the responses to the Board Information Requested filed by YEC.

In summary, UCG's main comments related to bill impacts, the ROE determination and the proposed true-up collection period are as follows:

- **Notice of Motion:** UCG requests that "the Board opens the procedure to properly explain and inform how the proposed compliance will affect ratepayer rates/bills and how these rates were determined in contrast to the original application by Yukon Energy, before any final rates are implemented."
- **Rate Increase & Bill Impacts:** UCG states that YEC "promised ratepayers a 14.11% rate increase" and "promised the bill impacts of 3.02% for October 1, 2023, then 3% for

January 1, 2024 and finally 5.8% in final true up August 1, 2024. For 1000 kwhr. bill that accumulates to 11.82%. Now we are finding from this compliance a total impact of 30.01%.” UCG further states that “[a] 30% rate increase by the YEC is greater than ever experienced in rate regulation of this corporation, except for the 50% increase in 1993 when Cyprus Anvil mine in Faro closed...”

- **Rate of Return on Equity:** UCG asserts that it “does not understand how the utilities make a GRA filing for rate of return and then claim to wait and see what happens to the newest comparative to get a new return. If this is not retro-active ratemaking, then we certainly have the wrong definition of this term.” UCG also requests “to see an explanation of how this is an acceptable principle by the regulator.”
- **Proposed True-up Collection Period:** UCG notes that “from the YEC cover letter this review compliance will not be complete until December 31, 2026. In no way does this hold to the principle for preventing intergenerational inequities.”

YEC’s Reply to UCG Comments

UCG’s comments ignore or misstate the evidence provided during the YEC GRA proceeding and/or the directions provided by the Board in its decision on this proceeding.

UCG’s central assertions that YEC “promised ratepayers a 14.11% rate increase” and the Compliance Filing instead provided a “30% rate increase”, and that YEC “promised the bill impacts of 3.02% for October 1, 2023, then 3% for January 1, 2024 and finally 5.8% in final true up August 1, 2024”, are simply wrong for the following reasons:

- A GRA by a utility applies for approval of a rate increase based on forecasts that are to be reviewed by the regulator, i.e., a GRA requested rate increase is not a “promise”, and the final approved rate increase is totally under the control of the regulator.
- Further, YEC’s Compliance Filing’s average cumulative rate increase is 14.08% (not 30%).¹
- YEC did not “promise” the bill impacts referenced by UCG. In order to provide bill stability and limit impacts of rate changes on monthly electricity bills, the original GRA filing requested a rate increase of 3.34% [Rider J increase of 4.80%] effective October 1, 2023 [a bill impact of 3.0% on a residential customer using 1,000 kWh/month]; an 8.44% rate increase [Rider J increase of 12.02%] effective January 1, 2024 [a net bill impact of 0% on a residential customer using 1,000 kWh/month after reduction in Rider F rider]; and a 2.33% rate increase [Rider J increase of 3.38%] effective August 1, 2024 [a net bill impact of 3.0% on a residential customer using 1,000 kWh/month including the impact of Rider

¹ See row 12 (2024) in Table 1.3 of the Compliance Filing (14.08%) and in Table 4.3 of the Application (14.11%). This analysis excludes consideration of any true-up riders included in the Compliance Filing or the Application. The calculated rate increase in the Compliance Filing is also impacted by AEY’s 2023/24 GRA.

- J1 rider] based on the revenue requirements in the original GRA filing. However, the Board has ultimate jurisdiction to approve rates, and it denied YEC's requested interim rates and instead approved a Rider J increase of 10% [or rate increase of 7.01%] effective January 1, 2024.
- It is also important to note that UCG opposed the interim rates requested in the Application. Approval of the interim rate request would have reduced the final bill impact.

On bill impacts, as shown in Attachment 1 to this letter, the Compliance Filing bill impact for the Residential Non-Government customer class is a 10.9% increase from July 2023 (not 30%) excluding AEY's 2023/24 GRA impacts versus the original Application bill impact estimated increase of 6.1%. The increased incremental bill impact in YEC's final rates relates primarily to the Board's earlier decision to approve lower interim rates than those that were initially proposed by YEC, combined with the impact of the delay in timing for implementation of final rates (October vs. proposed August 2024).²

In its comments, UCG questions the proposed period for the 2023/24 GRA true-up. The Compliance Filing proposed the true-up rider to be applied for 27 months (timeline limited rider of 9.45% from October 1, 2024 to December 31, 2026 or at such month end when the \$15.805 million shortfall has been recovered) to **reduce bill impacts to ratepayers**. Any shorter collection period would further increase ratepayers' bills. It is also important to note that YEC is not adding (or seeking to add) any interest despite the prolonged collection period.

Based on the evidence and Board decisions, UCG's motion to initiate a further process on this GRA is without merit and would also require further delays in the final rate implementation and further increases the required true-up.

Finally, as regards UCG comments on the return on equity (ROE) being set based on updated BCUC benchmark ROE, YEC's Application clearly specified that the ROE would be updated when the BCUC had its final decision in its proceeding on this matter and the ROE in the Compliance Filing is based on the approved ROE in Board Order 2024-05. The Board has authority to determine YEC's ROE for the test years, based on the information available at the hearing of the GRA; this does not constitute retroactive ratemaking.

² For example, Attachment 1 to UCG-YEC-1-6(c) showed a material bill increase for this same bill due to higher true-up (\$9.78/month vs. \$6.28/month estimated in the Application) required solely due to the Board's approval of lower interim rate revenues than those proposed by YEC in its Application. The added true up bill impact in the Compliance Filing due to delay in approving final rates as well as changes to the revenue requirements were not assessed in that IR response.



#2 Miles Canyon Road
Box 5920, Whitehorse
Yukon Y1A 6S7
yukonenergy.ca

In conclusion, there is nothing in UCG's comments providing any basis for the Board to consider directing any changes to the Compliance Filing. Accordingly, YEC submits that the Compliance Filing should be approved as filed.

Please direct any questions on this communication to the undersigned.

Yours truly,

A handwritten signature in black ink, appearing to read "Jason Epp", is positioned above the printed name.

Jason Epp
Vice President, Finance and CFO

ATTACHMENT 1: COMPLIANCE FILING & APPLICATION BILL IMPACTS

The following table shows the bill impacts of the proposed rates in the August 5, 2024 Compliance Filing on typical residential and commercial customers. As indicated in the table the bill comparisons exclude the impact of AEY's 2023/24 GRA to be comparable to the bill impacts noted in the original GRA.

	YEC 2023/24 GRA			
	Pre-2023/24 GRA	January 1, 2024 Interim	August 1, 2024 Second Interim	October 1, 2024 Proposed Final/True-up
	A	B	C	D
Excludes AEY 2023/24 GRA Impact				
Monthly Bills				
Residential Non-Government, Whitehorse [\$/month]				
1,000 kWh/month consumption	\$215.19	\$212.44	\$212.44	\$235.57
<i>change from July 2023, \$/month</i>		<i>-\$2.74</i>	<i>-\$2.74</i>	<i>\$20.38</i>
<i>change from July 2023, %</i>		-1.3%	-1.3%	9.5%
<i>Incremental change, %</i>		-1.3%	0.0%	10.9%
Commercial Non-Government, Whitehorse [\$/month]				
2,000 kWh/month consumption [5 kW demand]	\$379.00	\$370.00	\$370.00	\$410.28
<i>change from July 2023, \$/month</i>		<i>-\$9.01</i>	<i>-\$9.01</i>	<i>\$31.28</i>
<i>change from July 2023, %</i>		-2.4%	-2.4%	8.3%
<i>Incremental change, %</i>		-2.4%	0.0%	10.9%

Bill impacts for the same 1,000 kWh/month Residential Non-Government monthly bills for the proposed rates in the original GRA Application showed the following in Table 4.3 of the Application (based on Appendix 4.2A-3):

- October 1, 2023 interim increase of 3.0% (\$6.53) change from July 2023.
- January 1, 2024 interim increase of 3.0% (\$6.53) change from July 2023.
- August 1, 2024 Final/ True up increase of 6.1% (\$13.23) change from July 2023, including Rider J1 True-up of 4.61% (vs prior 2021 True-up of 3.01%) assuming recovery over 24 months.