

YUKON UTILITIES CONSUMERS' GROUP (UCG)

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Yukon Utilities Board

Box 31728

Whitehorse, Yukon Y1A 6L3

**Re: Yukon Energy Corporation 2025/27 General Rates Application
UCG Final Argument**

Dear Chair and Board Members:

The Yukon Utilities Consumers' Group (UCG) would like to submit our intervenor Final Argument in the proceeding to review the 2025-27 General Rates Application submitted by Yukon Energy Corporation (YEC).

As a representative of residential and small businesses in the Yukon we are mostly concerned about the gravity of increases to rates resulting from this application.

Although UCG was unable to cross examine the panel during the hearing process, we have reviewed extensively all the evidence presented by the applicant, YEC, as well as the three days of ...and the resulting undertakings.

If there are any questions arising from the UCG argument, please contact rrondeau@northwestel.net).

Regards,

Roger Rondeau

Yukon Utilities Consumers' Group (UCG)
Final Argument on the
Yukon Energy Corporation 2025-2027 Rate Application
Before the
Yukon Utilities Board

Overview The Yukon Utilities Consumers Group (UCG) represents the intervention for residential and small business consumers of electricity. Affordability remains the major concern of these ratepayers.

I. Affordability

1. When YEC was asked to give their perspective on how to measure their performance in terms of affordability, they did not offer a definitive response.¹
2. They referenced that affordability is a relative concept that varies according to different customers' capacities but did not specify how it could be assessed through rate increases or customer ability to pay.
3. Although YEC asserts that the proposed rate application incorporates considerations of affordability, they were unable to present any concrete metrics to evaluate affordability for ratepayers or demonstrate the long-term sustainability of these significant increases for customers.²
4. The YEC did not conduct any ratepayer consultations on this aspect of their application.
5. Furthermore, affordability was conspicuously absent from their list of four stated objectives guiding the design current plans and this application.³

¹ UCG YEC-1-4

² YEC-UCG-1-4

³ YEC Response to Motions for Further Response Attachment 1

6. UCG observes that YEC's responses to the proposed increases may reflect organizational/managerial priorities, not ratepayer needs. While YEC maintains that its efforts in rate mitigation including the scheduling of rate increases, identifying future generation resources, and attempts to procure grant funding for affordable construction financing, this application does not present measures aimed at addressing affordability concerns for customers, nor does it involve consultation with ratepayers on this matter.
7. Accordingly, UCG submits that YEC rates should only be approved for the 2025 test year and further rate setting be put on hold until the YUB investigates whether the continuation of rate increases at the levels requested are not sustainable for ratepayers in terms of affordability.

II. Fairness

8. According to the statute which states 32(2): "The board, by order, shall set a fair return on the rate base." ⁴
9. Fairness must also relate to the ratepayer. For example, is a homeowner whose electricity bill has already doubled in the last few years and now scheduled to increase another 30% resulting from this rate hearing fair?
10. In considering the concept of fairness, it is essential that the Board apply a balanced approach that weighs both the interests of the utility with those of the ratepayers. The regulator has a responsibility to ensure that rates set not only provide utilities with the opportunity for a fair/justifiable return but also reflect affordability and equity for the public. This dual focus is vital for maintaining trust in the regulatory process and ensuring the long-term sustainability of Yukon's energy system.
11. Moreover, transparent regulatory oversight and clear communication with the public regarding how rates are determined and how profits are allocated will help foster greater accountability by the utility and by the regulator. Engaging stakeholders in a meaningful way ensures that the diverse perspectives of Yukoners are considered in decisions impacting their energy future.
12. Efficient pricing is crucial for a well-functioning power supplier, by recovering their legitimate costs and make a profit by imposing reasonable tariffs to their customers. At the same time residential consumers and private sector investors consider the cost

⁴ Public Utilities Act, Revised Statutes of the Yukon 2002, p.19

of electricity when making investment decisions. This goes together with the utility implementing energy efficiency measures targeted at curbing these energy costs. Tariffs, as well as any fee changes (i.e. changes to Electric Service Regulations) must be transparently communicated to end-users, using various methods such as online, through printed media, brochures in the billing and/or utility offices, public hearings, etc. This information is important for consumers to allow the planning of their expense budgets, better understand the utility billing system as well as being able to contest the charges. Businesses also want to know in advance of any changes in expenditures so that they can reallocate financial resources accordingly.

13. UCG recommends that the Board direct YEC to clearly inform ratepayers about how these two issues are managed and that this be done through an information brochure included in the first billing after the rate hearing results.

III. Some Factors Contributing to the Proposed Rate Increases

i. Energy Transition and the Production of Non-or Low Carbon Entities

14. The YEC premise that the requested increases rates necessitate from the energy transition.
15. However, when the YEC requests significant rate increases due to the purchase or production of non-or-low-carbon entities (i.e. Independent Power Producers through the Standing Offer Program and solar energy from the Micro-Generation program), as well as increased administrative staff to evaluate action plans addressing this energy transition, and seek escalating operations and maintenance expensed and equity return through accelerated resource development, it is apparent that this transition demands requires enhanced regulatory oversight, accountability and transparency to their stakeholders/ratepayers.
16. UCG asserts that the energy transition has been ongoing for some time, and the failure to act on the 10-year plan has led to our current situation. Rapid growth, soaring costs in capital construction projects, and aging or inadequate infrastructure to serve the expanding population have persisted for over a decade. Both the utility and the government share responsibility.
17. Of all the projects outlined in this 10-Year Plan only the Whitehorse Hydro Upgrades in WH2 and WH3 have been included. The battery storage system, renewable energy purchases from IPPs or Micro projects, Southern Lakes and Mayo enhanced storage projects, replacement of diesel generators as retired, demand side management

programs along with the larger construction of Atlin Expansion Project, pumped storage at Moon Lake, while upgrading the Southern Lakes Transmission Network remain either uncompleted, on hold or under further consideration.

18. Current grid stability challenges related to the procurement of energy from independent power producers and micro-generation result from inadequate planning by both government and utility. Consequently, these programs have been discontinued.
19. Ongoing rapid population growth, substantial increases in capital construction costs, and aging or insufficient infrastructure have persisted for well over a decade. Both the utility and the government share responsibility for not acting on these plans.
20. In our view, these circumstances indicate a need for greater regulatory scrutiny of monopoly service providers, ensuring utilities manage these challenges with improved efficiency and initiative-taking leadership.
21. When asked to identify benefits to ratepayers from independent power and micro-generation procurement and programs, YEC advised they were unable to determine any such benefits.⁵
22. Since these programs are Yukon Territorial Government run programs and are monitored by the government, while YEC has stated that they do not know the amount of load that is displaced by these programs, there is no way to determined if there is a benefit or loss to ratepayers. Accordingly, UCG submits that all IPPs and Micro Generation programs be isolated from the YEC profile and paid for by the Yukon Government or Yukon Development Corporation which manages these programs, rather than being recovered from ratepayers through revenue requirement.
23. This approach would not only increase transparency but also enhance accountability for the financial impacts of these programs. By separating the costs from the YEC revenue requirement, ratepayers are shielded from bearing expenses that have not demonstrably benefited them, particularly considering the lack of measurable load displacement and clear program outcomes. Further, this structure would ensure that the entities responsible for the design and oversight of independent power and micro-generation initiatives are also responsible for associated costs and performance.

⁵ YEC-UCG-1-10 (d) The microgeneration program is administered by the Yukon Government. Yukon Energy does not have the requested information.

YEC-UCG-1-10, YEC Response to Motion When requested by the UCG to answer the question of whether IPPs provided a cost-benefit to ratepayers, the finally responded: Yukon Energy does not do cost-benefit analysis of purchases from IPPs or microgeneration and therefore cannot provide the information requested in sub question "b".

24. UCG also recommends that the board notify YEC that the utilities must abandon their business as usual practice (by using the tone of risk and urgency) as it is no longer sustainable for ratepayers and therefore unacceptable.

ii. Spiralling Labour and External Personnel Costs

25. The proposed staffing/headcount increase, and labour expenses are also contributing significantly to rising rates. YEC claims that more staff are needed for new administrative tasks (like activating action plans) and to maintain routine operations, However, the expansion in staff has not resulted in a reduction of overtime nor decreased the utilities dependence on consultants and external personnel.
26. When questioned by Board legal counsel, YEC provided self-interested explanations for its higher staffing needs, while minimizing the ongoing rise in overtime and consultant costs.⁶
27. Accordingly, YEC overtime and consultant expenses must be reviewed carefully by the Board to confirm that efficiencies are indeed occurring from increased labour expenses. This must clearly benefit ratepayers, not company profits.
28. YEC in their rationale during cross-examination overlooked millions already spent on new IT management programs—like EAM, ERP, and project planning—that were intended to lower staffing and overtime costs. However, many ongoing IT support expenses listed in UCG-YEC-1-12 have not cut these costs and have instead increased annual expenses.
29. These practices do not benefit ratepayers but instead primarily serve the utility's interests and reflect a continuation of standard business practices.
30. Therefore, UCG recommends that YEC rates be approved only for the 2025 test year, and further rate setting should be suspended until the YUB investigates whether the increases in employee and consultant costs result in lower overtime expenditures and reduced reliance on outside consultants, thereby benefiting ratepayers.

iii. Discretionary Operations and Maintenance Costs

31. Non-Fuel Operations and Maintenance expenses are slated to increase from \$37.314million in the last approved GRA for 2024 to \$46.750million in 2027. ⁷This

⁶ Transcripts Day 1 p.

⁷ YEC GRA p. 3-7

is unsustainable from a ratepayer affordability perspective. Especially noted are the large increases in Labour and Administration expenses.

32. UCG submits that certain items are discretionary in nature based on our review of YEC's O&M funding for the term of this rate framework.
33. Some of these items include \$3.071 million in net incremental funding for 20 new positions⁸; \$0.111 million in General Administration expenses to fund a community position for liaison for CAFN⁹ discretionary capital project studies¹⁰; discretionary amortization of deferred charges¹¹; vegetation management deferral¹²; IPP purchase cost deferral¹³; net salvage and reserve for site restoration; and community donations.
34. YEC states: "Of the total projected increase in labour expenses for 2027 from the 2024 approved amount of \$4.446 million, approximately \$3.071 million (69%) is attributed to additional head count."¹⁴ They go on to say, that justification for employee complement additions is acceptable.¹⁵
35. UCG recommends that these discretionary expenses should not be approved and that YEC should be directed to find cost reductions in other parts of its operations. If the YEC wishes to proceed with these expenditures, UCG is concerned that YEC is timing the addition of resources to respond to the energy transition and other business challenges instead of managing its resources and challenges based on business and customer needs.
36. YEC should not profit from rising business costs, i.e. Increased expenses must be fairly shared with ratepayers.
37. Fairness is essential for ratepayers, especially as bills have doubled and are slated increase further.
38. YEC O&M costs must be evaluated carefully by the Board with consideration of whether and how the utility has become more efficient.
39. As UCG considers it imprudent to continue to significantly increase the O&M overhead costs as proposed, we recommend that the YUB limit the total increase in

⁸⁸ YEC GRA p. 3.8 and 3.9

⁹ YEC GRA p. 3-24

¹⁰ YEC GRA p. 3.27

¹¹ YEC GRA p. 3.35

¹² YEC GRA p. 3.37

¹³ YEC GRA, p. 3-38

¹⁴ UCG-YEC-1-13 Reference Labour p. 3-8,9 and YEC 2025-27 GRA

¹⁵ UCG-YEC-1-13 Appendix 3.2

all components of O&M included in rates to a 5% increase in rates to accommodate for inflation and initiate efficiencies in operation.

40. UCG submits that in the current operating environment there are areas where YEC must exercise fiscal restraint and make cuts in discretionary funding that will not impact the utility's ability to provide safe, reliable services while maintaining affordability to its customers.
41. UCG recommends implementing and clarifying a system to track efficiency improvements against increased O&M expenses. Until then, UCG advises limiting Operations and Maintenance expenses to inflation.

IV. Return on Equity (ROE)

42. While allowing a fair rate of return for the utility may seem reasonable, the Board should confirm that it aligns with the utility's operational efficiency.
43. This return on rate base is projected to increase from \$21.273 million in 2023 to \$37.571 million in 2027.¹⁶ These amounts to \$12.137 million or 9.47 percent of the rate base increase over the 3 year test period.¹⁷ This represents a considerable share of the requested rate increase.
44. YEC's method for calculating the ROE for the 2025, 2026, and 2027 test years is to use a simplified formula established by the BCUC or other regulators. Although YEC mentions that other regulators may be considered in this process, only the BCUC has been referenced.
45. The YEC foundation that since the YUB has approved this BCUC approach in prior rate hearings, this solidifies this method as a precedent.
46. However, the Board can and should use its discretion to consider other methods for determining this return, as the current ROE makes up a large part of the requested revenue and leads to unsustainable rate increases. Customers are already experiencing rate shock, which could be addressed by consulting with them.
47. When considering ROE and its use of an external metric (a benchmark utility) that is not be relevant to our small, independent, publicly-owned business, the Board should evaluate how YEC compares in terms of operational scale, investment levels,

¹⁶ Supporting Documents, Tab 3-Revenue Requirement p.3-2

¹⁷ Supporting Documents, Tab 1-Introduction p.1-16

and company efficiencies.¹⁸ Additionally, the rates charged by these two companies to their ratepayers should also be taken into account by comparing these to those of the chosen comparator.¹⁹

48. When determining whether the YEC ROE should be using a BCUC comparator Fortis BC Inc., it must be clarified that this utility has been regulated using a performance based regulation (PBR) design for over ten years. Fortis BC Inc.(Electricity) is also a subsidiary of a much larger firm. PBR's although having several designs, all share one purpose: to encourage efficient utility operations with a corresponding benefit of lower rates to customers. They also lessen the cost and time of the regulatory cycle while fulfilling the regulators duty to protect the public interest in a monopolistic energy market.
49. In the latest rate hearings by the BCUC which also included the determination of a benchmark utility, there was no peer reviewed trials, no evidence on record from an established return on equity specialist in the electrical sector.
50. It is also fundamental to look at all the metrics (i.e. expenses vs. revenue income, rate base, number of employees and customers, key performance indicators, and customer rate costs .used in comparing the comparator to the YEC.
- 51.As well the sustainability and affordability of rates charged by Fortis BC Inc. and YEC must be compared and qualified.
- 52.The chart given in the YEC application²⁰ clearly indicate that there is no comparison in the Size of Operations and the Financial Structure. Even the Capital Structure is different.
- 53.As well there is no comparison on the Nature of Business (2023) between the YEC and its prescribed comparator, Fortis BC Inc.²¹
- 54.When comparing the Reliability Performance and Key Performance Indicators YEC also fall short of its comparator.²²

¹⁸ UCG Evidence BCUC Fortis BC Inc.2025 2027 Rate Setting Framework

¹⁹ UCG Evidence Fortis BC Inc. Rates

²⁰ YEC 2025-27 General Rate Application, Chart p. 8-5

²¹ YEC 2025-27 General Rate Application, Chart p. 8-6

²² UCG Evidence,

Fortis BC 2024 Sustainability Report, p. 25, AEY 2023 Key Performance Indicators, and UCG -YEC-1-8 ,
1.8-1Attachment 1. Re: YEC Reliability Statistics for 2024

Fortis BC has decreased their electricity outage response in SAIFI (interruptions per customer from 4.27 in 2021 to 2.88 in 2024, while decreasing their hour per customer down time (SAIDI) from 2.08 in 2021 to 1.45 in 2024. ATCO reports for 2023, 2.309 for SAIFI, 4.041 for SAIDI and 1.750 for CAIDI (customer average interruption duration for customers interrupted during the year . YEC Reliability Statistics for 2024 include SAIDI 12.14, SAIFI 10.43 and CAIDI 1.16.

55. Finally, when comparing the Total Costs Per Customer, the YEN is residential bill for the same amount of kilowatt hours is twice that of the comparator.²³
56. The YEC will proclaim that we have provided no evidence of an alternative method, but we have multiple times under deaf ears. Accordingly, UCG recommends the Board use a top-down approach, using customer rates as a starting point as opposed to the present throttling end-product cost of service model. In other words, we recommend the Board set a price cap on the rates, preferably for all the three test years.
57. If the Board determines that implementation for the 2025 test year is impractical due to time constraints and the existence of an interim rate increase, we recommend that the Board approve YEC rates for the 2025 test year based on the current model. We further urge that subsequent rate setting be suspended until the YUB completes an investigation into alternative rate-setting methodologies, including considerations of rate of return.

V. Reconciliation to the First Nations

58. The Board has yet to address this topic, and it requires clarification.
59. According to the Public Utilities Act, "compensation" is defined as any rate of remuneration, profit, or reward of any kind that is paid, payable, promised, demanded, received, or expected by a public utility, either directly or indirectly. This also includes any promises or agreements by a public utility to provide service as part of, or in exchange for, a proposal involving the sale of land or an interest in it.
60. The Board should not treat this type of compensation as standard practice. Specifically, the costs associated with FN reconciliation should not be included in YEC's revenue requirement; instead, they should be paid from company profits.
61. Compensation costs related to First Nation (FN) agreements and partnerships continue to accrue for the following initiatives:

²³ UCG Evidence Copy of Fortis Residential Rates...go into www.bcuc.com then into What we Do for Fortis BC Inc. Electricity Rates Customer Charge \$47.84 for two months and Energy Charge of \$0.1496/kWh. FortisBC Inc average two-month residential bill from 2021 of \$207 for a two-month period to \$287 in 2025 and remaining stable into 2027. As compared to YEC \$268.18 in 2025 and upward to \$327.46 in 2027 for a one month billing for the same energy used. Albeit Fortis BC is for 752kw.h/month, while YEC is for 1000kwh./month (taken from YEC GRA, p. 1-12)

- Aishihik Short- and Long-Term Relicensing,
- Whitehorse Hydro Facilities Relicensing,
- WRGS 20-Year Relicensing,
- Mayo 5-Year Relicensing,
- However, while labour costs are escalating, overtime and consultant expenses do not demonstrate any efficiencies resulting from this.
- Accordingly, YEC overtime and consultant expenses must be reviewed carefully by the Board to confirm that efficiencies are indeed occurring from increased labour expenses. This must clearly benefit ratepayers, not company profits.
- Mayo Spillway, Rock Slope, and Surge Chamber,
- Battery Energy Storage System,
- Thermal Replacement, and
- Additional measures designed to mitigate negative socio-economic impacts of projects on First Nations. ²⁴

62. Further compensation matters have arisen from the FN Final Agreement, including issues related to Tenure and Management of Settlement Land, Land Use Planning, the Yukon Environmental and Socio-Economic Assessment, Heritage Resources, and Water Management administered through the Yukon Water Board. ²⁵

63. The Board questioned YEC during cross examination about such compensation issues for CAFN during the relicensing of the Aishihik hydro facilities and FN debenture arrangements for the BESS project. ²⁶

64. UCG submits that compensation and restitution intended for FN reconciliation purposes resulting from socio-economic impact costs should be funded by YEC shareholder capital. First Nations are entitled to their equitable share but not through business as usual, but via a shareholder agreement rather than through the revenue requirement. This must encompass debenture agreements or interest payment on debentures.

65. UCG recommends that the Board determine the amounts allocated to First Nations that are to be included in the revenue requirements for each test year and deduct these from the overall total. The way YEC and its government shareholder reconcile

²⁴ UCG-YEC-1-9 (b), reference to YUB-YEC-12

²⁵ UCG-YEC-1-9(b), reference to YUB-YEC-1-4

²⁶ Transcripts, Day 1 p. 106-107

these payments should remain at their discretion. The caveat for this would be any dollar investment from a FN into a project should be treated the same as YEC capital project costs but be transparent in capitalizing these investments.

VI. Diesels

66. It is obvious from the response to cross by NY that the utility dispatches the diesels as they see fit, even though there is a protocol of a line up of which diesels are to be utilized. UCG submits that this method of dispatch leads to inefficiencies and therefore greater costs added to the revenue requirement. UCG asks the board to investigate the amount of cost differences and deduct this from the revenue requirement.

VIII. Rate Relief

55. As the proposed increases will cause severe rate shock for low and set income residents, UCG recommends that the Board only sanction the 2025 test year and put on hold the 2026 and 2027 rates until a look at rate relief programs is investigated, offered through the utility or the government and implemented.

IX. Aishihik Power Plant Failure

56. Shut down cost consequences required in the 2025 revenue requirement should be paid for by insurance or RFID, not ratepayers. Request the Board perform a thorough investigation on the cause of this failure to determine who is responsible for paying these costs.