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

September 19, 2025

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

Dear Ms. McCullough:

Re: Yukon Energy's 2025-27 GRA, Yukon Utilities Board Order 2025-14

On September 15, 2025, the Yukon Utilities Board (Board or YUB) issued Board Order 2025-14 regarding the responses to the Information Requests on Yukon Energy Corporation's (Yukon Energy or YEC) 2025-27 GRA, directing Yukon Energy to provide further information in response to two specific questions identified in Appendix A to that Order. The Board also directed Yukon Energy to provide corrections as necessary to its response to YUB-YEC-1-53 (e), Attachment 1.6, Engineering Services.

Attachment 1 to this letter provides revised responses to UCG-YEC-1-8 (b) and UCG-YEC-1-9 (b) and (c), as well as the corrected version of Attachment 1.6 (Engineering Services) to Yukon Energy's response to YUB-YEC-1-53 (e), as directed by the Board.

In the Order, the Board also noted that "[i]n consideration of YEC comments in the cover letter of August 26, 2025 IR response package where YEC identified certain IRs that reflected updates to information set out in its application, the Board asks whether YEC plans to provide an errors and omissions update to its application. If YEC intends to do so, YEC is directed to file an errors and omissions update by October 2, 2025."

In the August 26, 2025, cover letter referenced by the Board, Yukon Energy informed the Board that its responses to YUB-YEC-1-50 (b) and UCG-YEC-1-8 (a) and (c) included certain corrections to the Application that impact revenue requirement. Specifically:

- In response to UCG-YEC-1-8 (a) and (c), Yukon Energy noted that the capitalization in Schedule 4 in Tab 7 for 2025 did not use the deemed 60/40 debt to equity ratio, and that the resulting correction results in about $0.08 million reduction in the revenue requirements for the 2025 test year.

- In response to YUB-YEC-1-50 (b), Yukon Energy provided detailed calculations of the amortization expenses for Whitehorse and Mayo relicensing projects, as well as impacts on the amortization expenses included in the GRA. These corrections, as noted in the IR response, increase the amortization expenses for 2025 [$0.637 million], 2026 [$1.273 million] and 2027 [$1.273 million] test years. Yukon Energy also noted that there will be

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offsetting reductions in the return on rate base due to the reduction of the net rate base net of amortization.

- To elaborate on the response previously provided to YUB-YEC-1-50 (b), the noted increase in the amortization expenses will reduce the net mid-year rate base for 2025 by $0.3 million, for 2026 by $1.3 million and for 2027 by $2.6 million, with resulting reductions in return on rate base. Therefore, the net impact from these corrections will be $0.620 million increase in revenue requirements for 2025, $1.200 million increase for 2026 and $1.118 million increase for 2027.

- The cumulative impact on the revenue shortfall of the corrections noted previously in both IR responses is as follows: $0.544 million increase in revenue shortfall for 2025 [-$0.076M+$0.620M], $1.200 million increase in revenue shortfall for 2026 and $1.118 million increase in revenue shortfall for 2027. The net impact on the required rate increase is 0.86%, an increase from 33.73% in the Application to 34.58%.

- As indicated in the referenced IR responses, Yukon Energy will reflect these corrections in the compliance filing, unless otherwise required by further direction of the Board.

The referenced August 26, 2025, cover letter also identified certain IRs that reflected updates to information set out in its Application.

The following table summarizes the impacts on the revenue requirements for each of the 2025, 2026 and 2027 test years. The updated forecasts increase the 2025 shortfall by $0.986 million, the 2026 shortfall by $2.118 million and the 2027 shortfall by $1.876 million. This increases the required rate increase by about 1.44%.

$000	**2025**	**2026**	**2027**	**Reference**
Labour cost	899	646	0	YUB-YEC-1-37 (c)
Thermal consumables	656	656	0	YUB-YEC-1-37 (d)
Diesel rental costs	174	674	767	YUB-YEC-1-37 (d)
Insurance	-282	-319	-326	YUB-YEC-1-47 (d)
Brushing cost	-461	461	0	YUB-YEC-1-64 (a)
Total O&M Costs	**986**	**2,118**	**441**	
Whitehorse Power Centres Project				YUB-YEC-1-8 (a) and (b)
Return on rate base and depreciation			2,415	
Reduction in diesel rental cost			-980	
Net Impact			**1,435**	
Total Impact	**986**	**2,118**	**1,876**	

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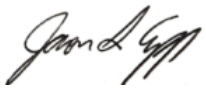
As indicated in the cover letter, the updated information is not intended to constitute a revision to the Application but has been provided to support a more timely and efficient review and consideration by the Board.

Yours truly,



Jason Epp,
Vice President, Finance and CFO

REFERENCE: **Summary of Requested Orders, Yukon Energy Application, p. 6**

QUOTE: "Return on Rate Base…Approval of $23.751million in 2025, $30.408milllion in 2026 and $37.571million in 2027 including an allowed return on equity of 9.15% for each test year."

PREAMBLE: Return on Equity (pp. 8.1 to 8.6):
Yukon Energy proposes adopting the BCUC GCOC benchmark return on equity of 9.65%, without a premium adder, adjusted by the OIC. For benchmarking purposes, Yukon Energy has selected FortisBC Inc. (Electric) (FEI) and ATCO Electric Yukon (AEY) as comparable utilities.

QUESTION:

a) Provide an analysis of the operational performance of Yukon Energy compared to FEI and AEY. Each evaluation should illustrate how the respective company achieves efficiency and cost-effectiveness in delivering electricity to its customers.

b) Provide more details on best practices within the electric utility industry and how Yukon Energy adheres to these practices.

c) Utilizing the data from Table 8.1 and Table 8.2, explain the rationale for comparing FEI and AEY's operations with those of Yukon Energy. Explain how these operations are comparable.

d) Submit the SAIDI and SAFI reliability reports for 2024 including any significant changes or trends observed in these metrics.

e) List recent investments, including dollar amounts, aimed at reducing transmission losses.

f) List all investments addressing generation capacity constraints.

g) Describe the methods Yukon Energy employs to communicate tariff and fee changes to end-users.

ANSWER:

(a) and (c)

It should be clarified that Tables 8.1 and 8.2 provide information on FBC [Fortis BC (electric)], not FEI [FortisBC Energy Inc.], which is a gas utility.

Yukon Energy does compare the operational performance to FBC and/or AEY.

During the review of Yukon Energy's 2021 GRA, the Board noted that Yukon Energy faces some incremental risk with thermal production costs for incremental loads relative to FBC. The Board in its Order 2023-01 awarded 40-basis point risk premium adder for Yukon Energy in recognition of its small size (25 basis point), a further recognition of risks for generation, isolated grid and customer diversity (20 basis point) and less 5 basis points due to the Board's assessment of changes (due to OIC 2021/16). In paragraph 207 of Appendix A to the Board Order 2024-05 Errata, the Board stated that it "continues to find that the ROE for YEC for this proceeding shall continue to be not greater than the ROE determined for FBC before the application of OIC 1995/90. Therefore, YEC's ROE for the 2023 and 2024 test years will be 9.15 percent." In paragraph 208, as corrected, the Board further stated that "before the application of OIC 1995/90, YEC's ROE will be 9.65 per cent versus AEY's approved ROE of 9.50 per cent for the 2023-2024 test period. This confirms that YEC relative to AEY is compensated for higher risks."

Tables 8.1 and 8.2 are provided to confirm the continued application of those findings by the Board. For example, Table 8.1 illustrates that FBC is a much larger utility compared to Yukon Energy [7 times higher revenues, 5 times higher rate base, 60 times more customer base, etc.] and Table 8.2 illustrates that both FBC and AEY purchase the majority of the energy they sell with more diverse customer base, while Yukon Energy is a generation/transmission utility with industrial customers making a notable portion of the sales [for example see the response to YUB-YEC-1-22 that show how the uncertainties around industrial customer could impact Yukon Energy sales/revenues].

While reviewing the return on equity, Yukon Energy noted that the capitalization in Schedule 4 in Tab 7 for 2025 did not use the deemed 60/40 debt to equity ratio. The correction results in about $0.08 million reduction in the revenue requirements for the 2025 test year. Yukon Energy will reflect this correction in the compliance filing.

(b)

Yukon Energy uses best practices within the electric utility industry throughout its business, from operations to capital, from planning to regulatory, etc. Some examples include: the regulatory process where Yukon Energy's revenue requirements are tested by the Board and intervenors, resource planning which is also considered best practice amongst utilities across North America, asset management, the vegetation management plan for transmission lines based on best practices to minimize unscheduled maintenance and effectively manage rights of way, dam safety reviews which aligns with international best practices, etc.

Revised Response based on YUB Order 2025-14, Appendix A

Board Order 2025, Appendix A, finds as follows

> The Board finds that YEC did not explain how it adheres to the best practices referred to in its response. YEC is directed to respond to this aspect of the question.

Yukon Energy notes that UCG's September 3, 2025 Motion for UCG-YEC-1-8 only actually asserted that Yukon Energy had failed to answer subquestions (a), (c), (e), (f) and (g), as numbered in the original IR (although those subquestions were misnumbered by UCG as (a) to (e) consecutively). Specifically, UCG's Motion did not actually raise any concern about the adequacy of Yukon Energy's response to UCG-YEC-1-8 (b) as numbered in the original IR.

Nevertheless, Yukon Energy provides the following revised response to UCG-YEC-1-8 (b), as directed by the Board, to elaborate on how it adheres to the best practices referred to in its original response.

(b)

Yukon Energy uses best practices within the electric utility industry throughout its business, from operations to capital, from planning to regulatory, etc. Some examples include the following:

- Yukon Energy has modified its capitalization policy to align with BC Hydro, including the implementation of accounting for capital project studies.
- Yukon Energy participates in industry groups: it is a member of Electricity Canada, which is the national voice and forum for the Canadian electricity industry,

representing companies involved in the generation, transmission, distribution, and marketing of electrical energy across the country. Yukon Energy obtains significant benefit from learning best practices and the strength of speaking collectively as an industry across Canada. As a member of the Finance and Tax Program, Yukon Energy is able to make better informed business decisions, improve processes, find efficiencies and save costs.

- Public engagement on major projects: Yukon Energy's public engagement efforts meet or exceed the Yukon Environmental and Socio-economic Assessment Board's engagement requirements, as well as the Alberta Utilities Commission's Rule 007 notification radius.
- First Nation engagement: Yukon Energy's engagement efforts with First Nations meet Chapter 22 obligations under the Umbrella Final Agreement and go beyond meeting the "Duty of the Crown" consultation obligations. Yukon Energy prioritizes developing long-term relationships with First Nations that include economic and investment opportunities, as well as input into decision making.
- People and Culture: Yukon Energy adheres to labour best practices through compliance with the Yukon Employment Standards Act and Canadian Labour Code. In addition, with 60% of employees covered under a Collective Agreement with the Yukon Employees' Union – Local Y024-Public Service Alliance of Canada, Yukon Energy maintains strong labour relations and follows clear processes for compensation, benefits, and workplace practices via this agreement. To ensure competitiveness, Yukon Energy benchmarks its compensation strategy and employment practices against other Canadian utilities to attract, retain, and develop the skilled workforce required to operate safely and reliably.
- Cloud & Digital Platforms: Migrating Microsoft workloads (Exchange, SharePoint, Intune) to the cloud, adopting Microsoft 365 Teams for collaboration, and building digital governance frameworks to support future use of AI, automation, and digital twins in grid planning.
- Cybersecurity & Resilience: Implementing Purdue model network segmentation, upgrading next-generation firewalls, and aligning security policies with NIST CSF 2.0 to strengthen resilience across IT and OT environments.
- Grid Modernization & Automation: Building an OT data center for SCADA and automation, upgrading network segmentation, and deploying new substation and transmission gear to strengthen real-time control and resiliency.
- Ensuring transparency in rate-making, including the regulatory process where Yukon Energy's revenue requirements are tested by the Board and intervenors.
- Resource planning, which is also considered best practice amongst utilities across North America, including energy and peak demand forecasts, the use of N-1 and

LOLE capacity planning criteria, determination of the dependable capacity, including the use of effective load carrying capabilities based on industry best practices.

- Implementation of Asset Management.
- The vegetation management plan for transmission lines, based on best practices to minimize unscheduled maintenance and effectively manage rights of way.
- Dam safety reviews which align with international best practices.
- Investments in grid modernization to integrate renewables.
- Promotion of energy efficiency through DSM programs.
- The Board has four standing committees: Project Committee, Human Resource Committee, Audit Committee, Environment, Social & Governance Committee as well as ad hoc committees as needed.
- Regular schedule of board meetings, and education sessions as well as annual sessions on budget planning and strategic planning.
- Clear roles/responsibilities between Board & management (CEO/President), and between Board & Shareholder (YDC) and Government (Minister).

Yukon Energy adheres to industry practices to ensure system reliability and operational excellence, including grid stability, system resilience, worker/public safety, preventative maintenance and outage management. All planning and operational practices are aligned with industry standards.

(d)

Please see UCG-YEC-1-8 Attachment 1.

(e)

Please see Yukon Energy's response to YUB-YEC-1-25.

(f)

Some of the generation capacity constraints that Yukon Energy faces are outside of the utility's control. For example, Mayo ice issues that restrict Mayo hydro plant winter outflows and Whitehorse hydro plant winter outflow restrictions to prevent flooding of the Marwell sector in Whitehorse. The fluctuating temperatures due to climate change are adding more pressure, leading to difficulty setting ice downstream of hydro plants, and increasing the risks of flooding and droughts. Yukon Energy is continuously working to mitigate the

impact from these issues. For example, the Climate Change Adaptation Plan, Marwell flood prevention design study work, etc.

Some of the investments to enhance the supply side management opportunities to increase the generation/transmission/distribution capacity from the existing resources include WH 2 Uprate which increased the hydro generation output, proposed WH 1 Uprate [work is expected to start in 2026 and the project is forecast to be in WIP in this GRA], Mayo MH0 Plant Renewal or Replacement [work is expected to start in 2026 and the project is forecast to be in WIP in this GRA], Whitehorse Interconnection, Dawson Voltage Conversion, and Mayo projects, including the Wareham Dam Spillway Project. Please see Tab 5 for the details of the projects.

(g)

Please see the response to NY-YEC-1-20.

REFERENCE: **Yukon Energy 2025-27 GRA, p.1-14**

PREAMBLE: Yukon Energy outlines rate mitigation strategies, including government funding and partnerships with First Nations.

QUESTION:

a) Please clarify how Yukon Energy intends to adjust customer rates if government funding is obtained from federal or territorial sources, including any conditions that may be attached to this funding.

b) Provide a comprehensive list of all mitigation payments made to First Nations for economic and socio-economic impacts, specifying the purpose and amount of each payment.

c) Indicate whether these costs are assigned to the utility or the ratepayers.

ANSWER:

(a)

Please see Yukon Energy's response to YUB-YEC-1-10 (e) and (f).

(b) and (c)

Please see Yukon Energy's responses to YUB-YEC-1-4 and YUB-YEC-1-12.

Revised Response based on YUB Order 2025-14, Appendix A

Board Order 2025, Appendix A, finds as follows

> YEC has not responded to the question (9c) as asked. The UCG is looking [for] monetary values paid for mitigation payments. YEC has not stated that the information is unavailable or cannot be furnished. YEC is directed to respond to the question as asked.

(b) and (c)

The question asked about "all mitigation payments made to First Nations for economic and socio-economic impacts." However, in the referenced section of the Application (PDF

pages 31-32), Yukon Energy did not state that it had made 'mitigation payments', but rather explained that it has been actively "implementing mitigation strategies to reduce the environmental and socio-economic impacts of these existing facilities", and that "[w]ork to relicense Mayo, Whitehorse and Aishihik hydro facilities reinforces that agreements with First Nations provide a powerful example of the positive outcomes that can be achieved through meaningful partnerships and collaboration."

Yukon Energy has made payments to First Nations either to obtain goods and services or as part of licensing negotiations, including payments made to satisfy Yukon Energy's compensation obligations under the *Waters Act*. Yukon Energy does not characterize these payments as 'mitigation payments'. The response to YUB-YEC-1-83 (b) provides the total amounts of compensation paid for the three hydro relicensing projects. More detailed explanations regarding compensation for relicensing are provided in response to YUB-YEC-1-83 (c).

Yukon Energy is seeking the recovery of these costs from ratepayers, as those payments are included in the project costs.

Please also see Yukon Energy's responses to YUB-YEC-1-4 and YUB-YEC-1-12.

ATTACHMENT 1.6
ENGINEERING SERVICES

Figure e16: Engineering Services, Proposed 2025

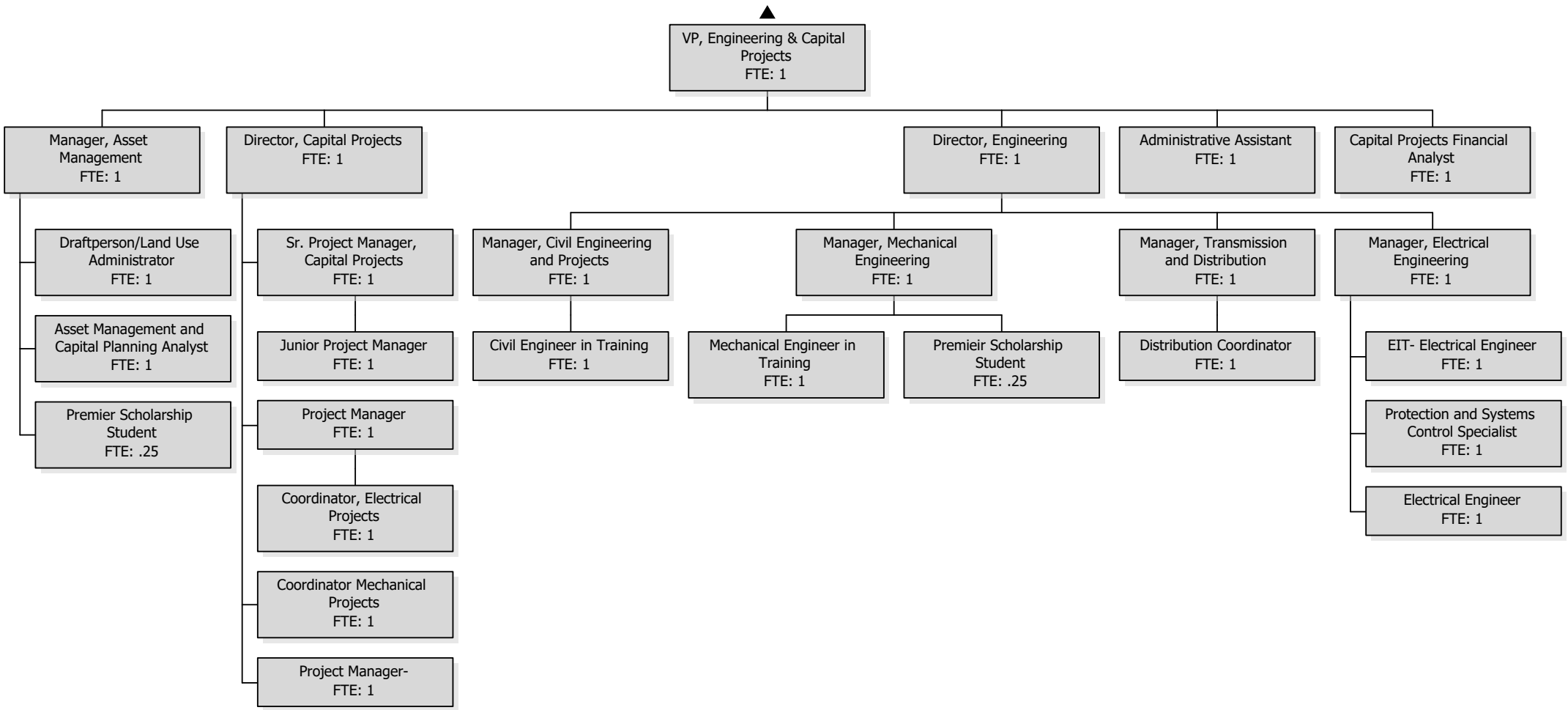


Figure e17: Engineering Services, Proposed 2026

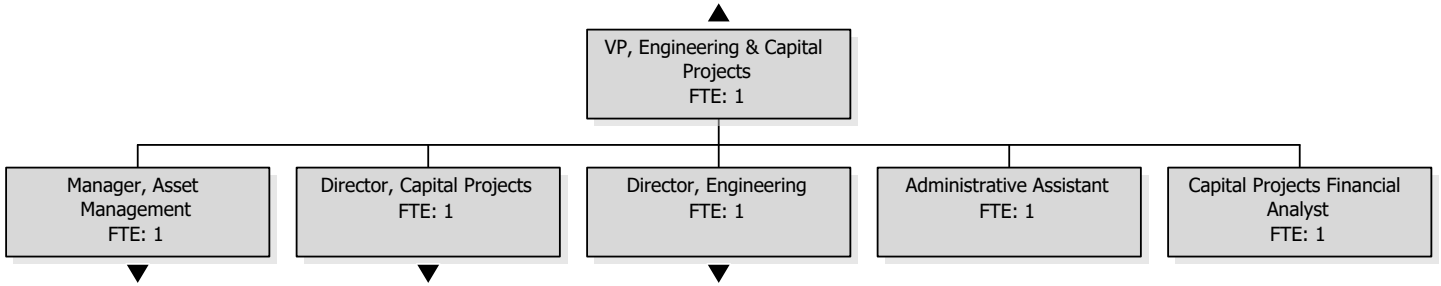


Figure e17.1 Engineering Services, Asset Management, Proposed 2026

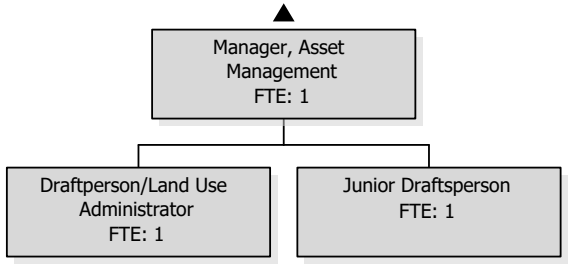


Figure e17.2: Engineering Services, Capital Projects, Proposed 2026

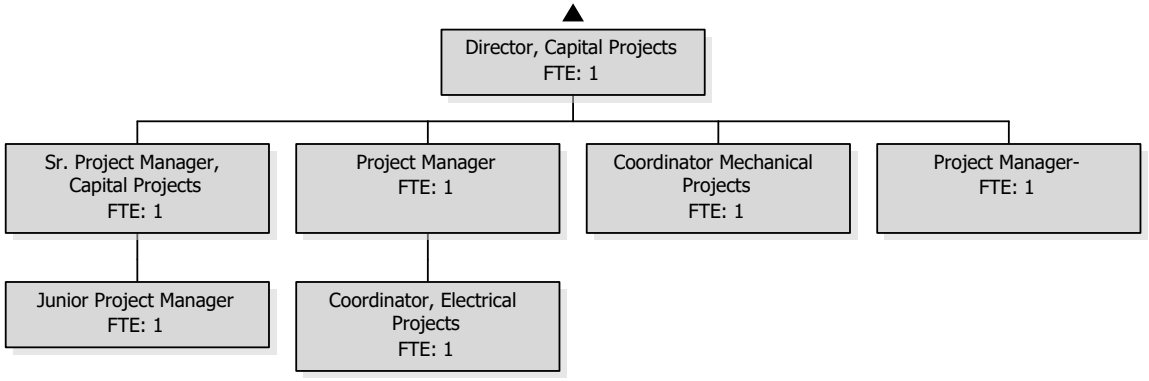


Figure e17.3: Engineering Services, Engineering, Proposed 2026

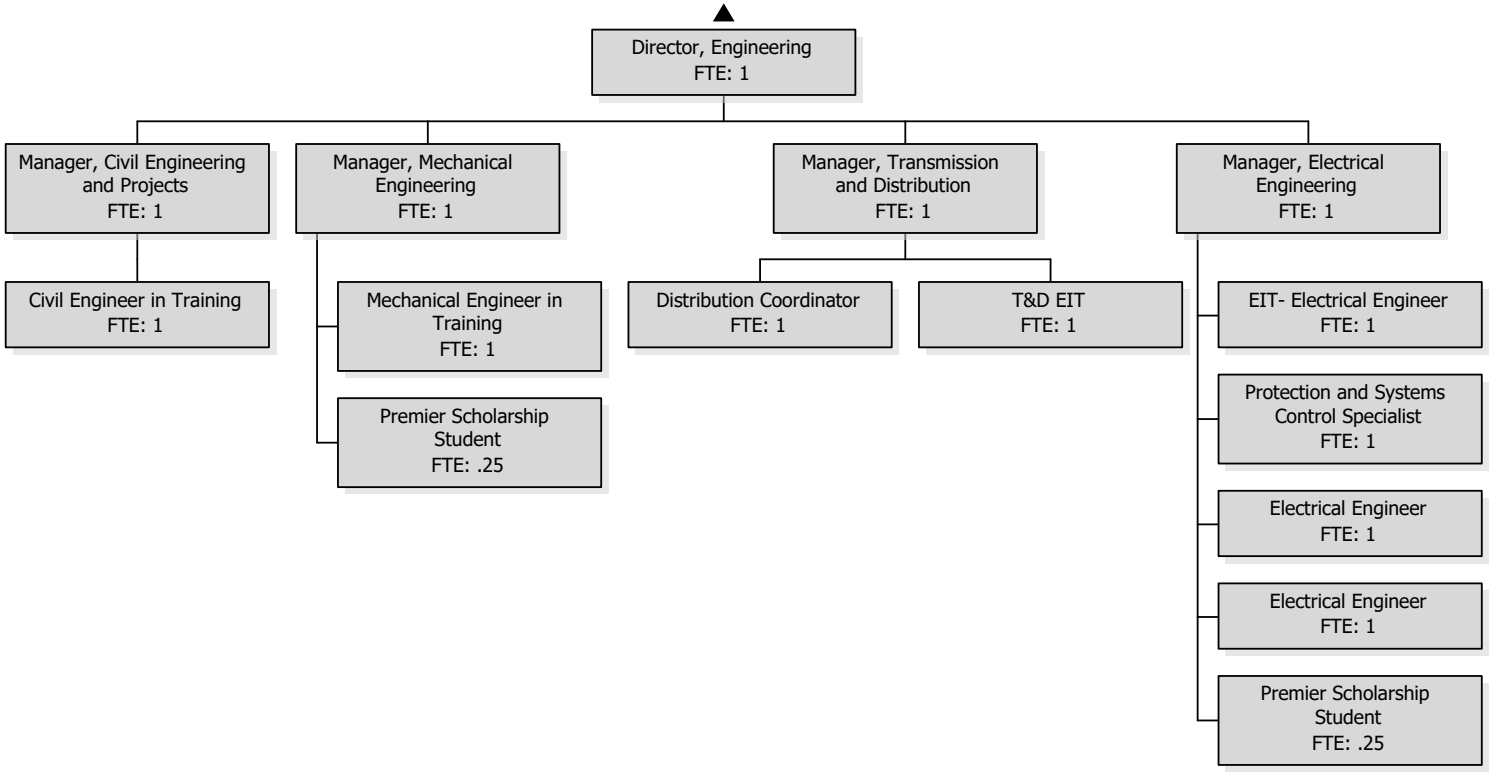


Figure e18: Engineering Services, Proposed 2027

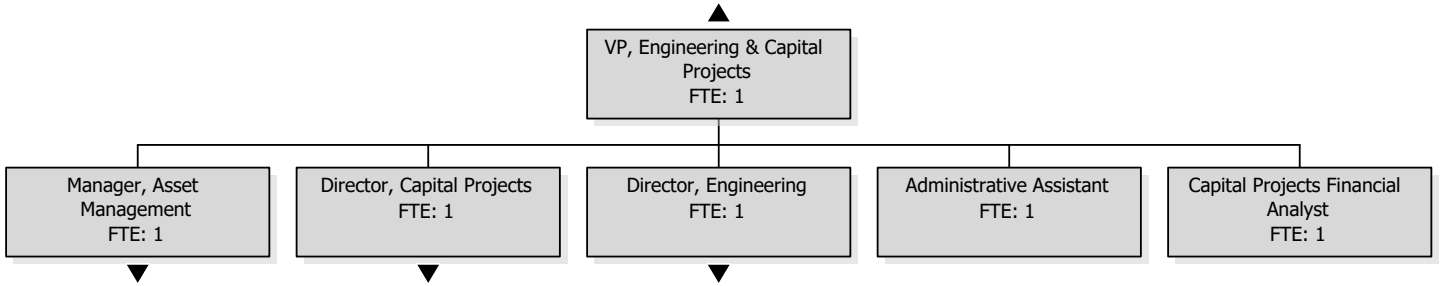


Figure e18.1: Engineering Services, Asset Management, Proposed 2027

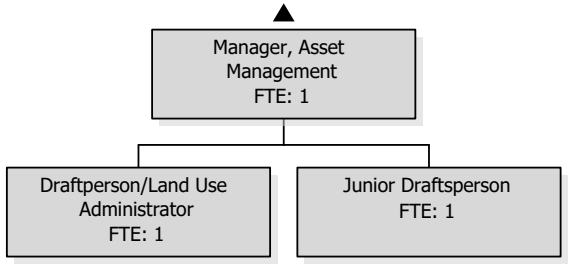


Figure e18.2: Engineering Services, Capital Projects, Proposed 2027

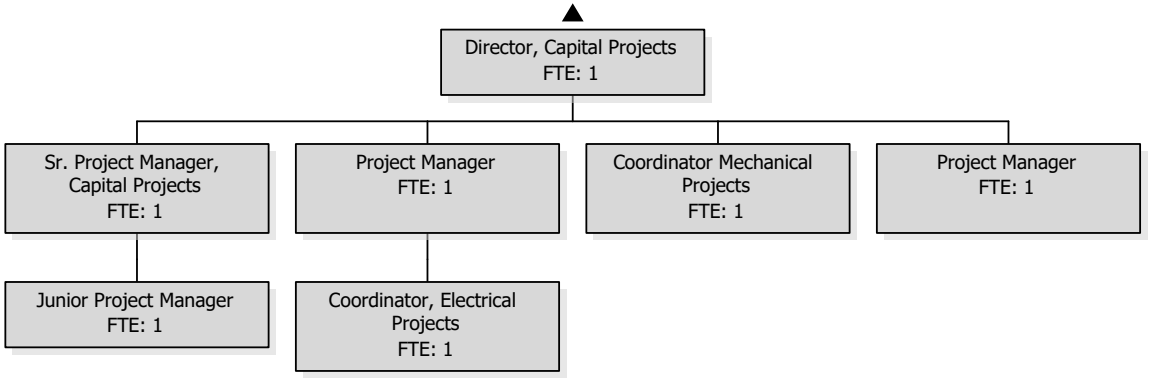


Figure e18.3: Engineering Services, Engineering, Proposed 2027