Yukon Utilities Board

Board Order 2026-17

Appendix A: Reasons for Decision

November 5, 2026

1 Introduction and Background

1. On September 11, 2026, Yukon Energy Corporation (YEC) filed an application with the Yukon Utilities Board (Board) regarding YEC's 2025-2027 General Rate Application (GRA) Contribution Update (Application). The Application arose from the YEC 2025-2027 GRA proceeding (GRA Proceeding). In that GRA proceeding, YEC provided updated information regarding federal grant funding it had sought through the Utility Support Stream (USS) of the Smart Renewables and Electrification Pathways Program (SREP) of Natural Resources Canada (NRCan) to offset the cost portion of capital investments. YEC indicated that it had been notified that it was unsuccessful under that SREP sub stream. In the GRA Proceeding, YEC stated its support for the Yukon Development Corporation's (YDC) application for funding from the SREP Critical Regional Priorities (CRP) stream. Further, YEC committed that if it obtained federal grant funding that could have a material impact on rates after the completion of the GRA process, YEC would inform the Board and could propose a change to existing rates, such as through a refund rider.

2. In the current Application, YEC has informed the Board that it has signed a Non-Repayable Contribution Agreement with the Government of Canada wherein the Government of Canada has agreed to provide a total of up to $50 million in non-repayable contributions towards three identified projects (the Rockslide Stabilization and Remediation project, the Surge Chamber Replacement project, and the Wareham Dam Spillway project. Contributions are expected to be received before March 31, 2027, and YEC has allocated these contributions as follows: $30 million toward the Rockslide Stabilization and Remediation, and the Surge Chamber Replacement projects, and $20 million toward the Wareham Dam Spillway project.

3. The Agreement identified the total project costs as $246.8 million. The project costs were identified as:

    - The Rockslide Stabilization and Remediation project at $35.5 million (YEC 2025-2027 GRA forecast cost of $78.6 million and a 2026 completion);
    - The Surge Chamber Replacement project at $24.3 million (YEC 2025-2027 GRA forecast cost of $27.8 million and a 2026 completion); and
    - The Wareham Dam Spillway project at $187.1 million (YEC 2025-2027 GRA forecast this project to be in Work-in-Progress (WIP) as of the end of 2027).

4. Canada's maximum contribution amounts toward these projects, as set out in the Agreement, is $50 million or 50 percent of the total project costs, whichever is less.

5. As a result of the CRP grant, YEC has calculated a revenue requirement reduction of $0.958 million for 2026 and a further revenue requirement reduction of $2.310 million for 2027 based on YEC's GRA Proceeding Compliance filing approved in Board Order 2026-08 (March 12, 2026).

6. Therefore, YEC has requested the following Board approval: final revenue requirements for 2026 of $122.147 million and $133.053 million for 2027; final revised Rider J rates for 2026 of 98.97% for retail firm sales and 95.32% for industrial firm rates; and, for 2027, final Rider J rates of 110.24% for retail firm rates and 106.59% for industrial firm rates, effective January 1, 2027. Also, given that the Application is being made relatively later in the calendar year, YEC requested that the 2026 revenue requirement change be reflected in an adjustment to Rider J1 (temporary adjustment rider) to 13.36% effective January 1, 2027.

7. YEC submitted that the Application is a limited scope submission as it relates to a single issue — federal grant funding that was in process at the time of the YEC 2025-2027 GRA proceeding. For that reason, YEC asked the Board to approve the requested changes without any regulatory proceeding. The Board determined that an abbreviated process was necessary for this application and, accordingly, set out a process schedule in Board Order 2026-13. As the Board noted that YEC had already distributed the Application to the known list of interveners for Board proceedings, the Board waived notice requirements in order to expedite the proceeding.

8. The Board received comments from the Utilities' Consumers Group (UCG) on October 5, 2026, and from John Maissan on October 8, 2026. YEC provided reply comments on October 13, 2026. The UCG submitted a Notice of Motion on October 14, 2026. The Board considers the record for this proceeding closed as of October 14, 2026.

2 Overview of the Application[1]

9. As noted above, in its Application, YEC determined the following allocation of the contribution amounts:

    - $30 million towards the Rockslide Stabilization and Remediation and the Surge Chamber Replacement projects to be closed in 2026; and

[1] This section is derived from the YEC application PDF pages 4-14.

- $20 million towards the Wareham Dam Spillway project, which remains in WIP and is to be used to reduce the rate increases requested as part of a future GRA.

10. Therefore, YEC has proposed adjustments to its revenue require to reflect the $30 million portion of the CRP contributions that affect the YEC 2025-2027 GRA. The remaining $20 million in contributions will remain in WIP with the Wareham Dam Spillway project.

11. YEC provided Table 1: *Summary of Changes to the Revenue Requirement and Revenues at Existing Rates*[2] in support of its calculations on the impact of the changes in contributions to revenue requirement and rates. Table 5: *Adjustments to the Ratebase, Return on Ratebase and Amortization Expense for 2026*[3] and Table 6: *Adjustments to the Ratebase, Return on Ratebase and Amortization Expense for 2027*[4] provided further support for those calculations. YEC also provided Excel worksheets for each of the tables in the application.

12. In respect of rates, YEC provided Table 2: *Revenue Required from Rates*[5]; Table 3: *Calculation of Revised Required 2025-27 Rate Increases and Rider J*[6]; and Table 4: *Calculation of Revised Required 2025-27 GRA True-up rider, Rider J1*[7] to determine the impact on rates due to the CRP contributions. Excel versions of the tables were also provided by YEC.

13. Bill impacts from these changes were set out in Table 7: *Bill Impacts* in the Application[8].

3 Intervener views

3.1 UCG views

14. The UCG provided 10 comments with respect to the application. The following bullets summarize the UCG comments:

    - The UCG found it difficult to reconcile YEC's receipt of a $50 million CRP grant from the federal government—and its planned near-term use of $30 million—

2 Application, PDF page 6.
3 Application, PDF page 11.
4 Application, PDF page 12.
5 Application, PDF page 7.
6 Application, PDF page 9.
7 Application, PDF page 10.
8 Application, PDF page 13.

with revenue requirement reductions of only $0.958 million in 2026 and $2.8 million in 2027.

- UCG is concerned that YEC's proposed regulatory treatment would allow it to retain most of the grant's benefits, while residential customers receive only a small share through lower electricity bills.
- The UCG is concerned that electricity bills are increasing at a rate higher than the decrease shown in Table 7. The fuel rider increase impact on bills is greater than the offset from a $30 million contribution.
- UCG believes that the issue (minimal rate decreases) arises because YEC proposes to treat the entire federal grant as equity, amortize it over 30 years, and apply rate-base, rate-of-return, and depreciation calculations.
- UCG argues that YEC's proposed treatment of the grant fails to account for its 60/40 debt-to-equity structure.
- In the UCG's view, 60 per cent of the $30 million allocated to the 2026 and 2027 test years—$18 million—should be treated as debt repaid by the grant. The remaining 40 per cent, or $12 million, should be treated as equity under YEC's formula.
- In the UCG's view, the $18 million in grant-funded debt should be removed from the revenue requirement for these test years, while the remaining $12 million should be treated as equity, utilizing the formula to lower the revenue requirement for this portion.
- In the UCG's view, the principles identified in the two immediately preceding bullets should also apply to the remaining $20 million grant funding for the 2028 year.
- UCG argues that because the funding comes from the government, the majority of resulting benefits should flow to ratepayers rather than to the corporation.[9]

3.2 John Maissan views

15. Mr. Maissan provided comments to the Board via email on October 8, 2026. Mr. Maissan stated, "I am in favour of YEC proceeding as suggested with a reduction in the rider J increase planned for January 1, 2027. I appreciate the federal capital

[9] UCG comments, PDF pages 1-2.

contribution to offset some of YEC's capital costs."[10] It was further queried by Mr. Maissan "... I would like to know what the proposed Rider J and true-up would be starting on January 1, 2027, under YEC's proposal."[11]

4 YEC reply[12]

16. YEC replied to the UCG comments on October 13, 2026.

17. The central issue raised by the UCG, according to YEC, was whether the capital contributions from the CRP grant had been fully reflected in rates in YEC's proposed treatment of the grant. YEC responded that it had as "... the normal regulatory practice and Board-approved framework, capital contributions reduce rate base. Because rate base is financed using the approved 60% debt and 40% equity capital structure, reducing rate base automatically reduces both debt-related costs and equity-related returns. Consequently, ratepayers receive the full benefit of the contribution through lower depreciation expense and lower return on rate base."[13]

18. To provide increased clarity, YEC addressed the following specific matters in responding to the UCG comments:

    - Difficulty in revenue requirement reconciliation.
    - The assertion that YEC retains most of the contribution benefits.
    - The assertion that YEC ignores the 60/40 capital structure and $18 million should remove debt.

4.1 Difficulty in revenue requirement reconciliation

19. YEC submitted that in pages 3 and 4 of the Application, YEC had provided full details of the $50 million allocation between the three projects. Of that total, $30 million was reflected in calculations to reduce the revenue requirement for the 2026 and 2027 test years related to two projects — the Rockslide Stabilization and Remediation and the Surge Chamber Replacement. The residual grant funding ($20 million) will be applied to a capital project, the Wareham Dam Spillway, that will not come into service until sometime after the 2027 GRA test year. The revenue requirement changes for each of

[10] John Maissan email, October 8, 2026.
[11] John Maissan email, October 8, 2026.
[12] Content was taken from PDF pages 2-4 of the YEC reply.
[13] YEC Reply PDF page 2.

the test years was detailed in Tables 5 and 6 in the application and the revised Tab 7 Schedules.

4.2 Assertion that YEC maintains most of the contribution benefit

20. YEC stated that ratepayers get the full benefit of the contributions. YEC's return is earned only on net rate base after deduction of contributions and therefore does not earn a return on contributed capital. YEC added that the resulting reductions in revenue requirement for each of the test years are entirely flowed through to ratepayers through the applied for reductions to Rider J and Rider J1.

21. YEC added "[t]he benefits of the contribution match the life of the underlying assets, i.e., the ratepayers benefit from the contributions over the course of the life of the asset, consistent with ratepayers paying for the cost of the asset over the course of the life of the asset."[14]

22. In further support of its submission YEC stated:

> ... Yukon Energy maximized the rate reduction benefits of the contributions under the NRCan's Smart Renewables and Electrification Pathways Program (SREP) towards the 2025-27 GRA project impacts reflecting the maximum allowable contribution amount toward two projects, Rockslide Stabilization and Remediation and the Surge Chamber Replacement projects, included in the 2025-27 GRA rates.[15]

23. In conclusion, for this section, YEC submitted that since the Wareham Dam Spillway remains in WIP beyond the 2025-2027 test period, there are no applicable depreciation or return on rate base calculations during the current test period.[16]

4.3 The assertion that YEC ignores the 60/40 capital structure and $18 million should remove debt

24. YEC submitted that Tables 5 and 6 in the Application explicitly reflect YEC's capital structure as approved by the Board. The calculations in the tables reflect lower debt and equity costs as a result of the contributed capital from the CRP grant.

---

14 YEC Reply, PDF page 3.
15 YEC Reply, PDF page 3.
16 YEC Reply, PDF page 3.

25. Table A: *Changes to the 2026 and 2027 test year rate base and return on rate base*, as provided by YEC in its reply, demonstrate that the proper application of the contributed capital to rate base and rates and the integrity of the capital structure is maintained.[17]

26. YEC added:

> Utility rates recover capital costs over the life of the asset rather than in the year the asset is placed in service. Consistent with the treatment of the underlying project costs in the approved GRA, the contribution benefit is also recognized over the life of the assets through reduced depreciation expense and reduced return on rate base under the Board-approved framework. This ensures that the same customers who benefit from the assets receive the corresponding benefit from the contributions.[18]

27. It was summarized by YEC that

> … the full benefit of the contribution is reflected in Yukon Energy's proposed revenue requirement reductions through lower depreciation expense, lower net rate base, and lower cost of debt and return on equity consistent with the Board-approved framework.[19]

5 UCG motion

28. On October 14, 2026, the UCG submitted a motion to the Board. In its motion the UCG stated that as there is no method for the UCG to respond to YEC's reply comments, the UCG asked the Board to allow it a short rebuttal.

29. The following summarizes the response to the YEC Reply submitted by the UCG[20]:

    1. The YEC response is to continue with the status quo regulatory regime.
    2. YEC proposes to amortize the grant money over a 40-year lifespan.
    3. Using the timeframe noted above in point 2, ratepayers will only see a small benefit in the current time frame.

---

17 YEC Reply, PDF page 4.
18 YEC Reply, PDF page 4.
19 YEC Reply, PDF page 4.
20 For purposes of this decision the Board has made spelling and punctuation changes to the UCG submission.

4. The proposed accounting for the contributions does not give current customer of electrical energy much respite from the high energy costs for this coming winter.

5. Even with the YTG rebates during the cold months, UCG is hearing from many Yukoners that bills will remain unreachable.

6. A short-term amortization of one year would help benefit the Yukon consumers now when it is really needed.

6 Board findings

6.1 UCG motion

30. The Board considered the UCG motion in its entirety and noted that the process for this proceeding as issued in Board Order 2026-13 (September 22, 2026) did not include a step for interveners to respond to the reply from YEC.

31. Neither did the process allow the UCG to bring forward comments it could have brought up in its submission on the Application of October 5, 2026.

32. The Board is also of the view that the UCG comments contain errors such as its reference to a 40-year lifespan for the projects benefitting from the CRP grant in contrast to the evidence presented by YEC of a 72-year lifespan.

33. The Board's perspective is that the other issues identified by the UCG are GRA issues in that they are properly part of a GRA process and not a limited scope application such as the Application currently before the Board.

34. Accordingly, the UCG motion is denied.

6.2 YEC 2025-2027 GRA contribution update

35. The Board has reviewed the Application submitted by YEC including examining Tables 1 to 7 and Tab 7, *Schedules*.

36. The Board recognizes that the CRP grants are contribution to capital projects and the proper treatment of such contributions is as an offset to rate base with an amortization period to match those assets or projects that the grant money is applied to. The Board has determined that YEC's application and treatment of the CRP contributions conform with regulatory standards and is applied correctly to rate base, depreciation expense, and return on rate base for cost of debt and cost of equity calculations.

37. Based on the tables and schedules provided by YEC and given the cost-of-service regulatory framework that Yukon utilities operate under, the Board is of the view that YEC does not maintain any of the benefits from the CRP grants. The CRP contributions are applied for the benefit of ratepayers.

38. The Board considers that the UCG assertion that YEC ignores the 60/40 capital structure and $18 million should remove debt is incorrect and that the UCG's comment that the CRP contribution should be applied directly against debt to be contrary to established regulatory principles regarding the establishment and calculation of revenue requirements.

39. Accordingly, the Board finds that the revenue requirement calculations for 2026 and 2027 as submitted by YEC are accurate, as are the final revised rates for 2026 and 2027 as calculated by YEC

40. Therefore, the Board approves

    i) The final revenue requirements of $122.147 million for 2026 and $133.053 million for 2027;

    ii) The final revised Rider J rates for 2026 of 98.97% for retail firm sales and 95.32% for industrial firm rates, and for 2027 final Rider J rates of 110.24% for retail firm rates and 106.59% for industrial firm rates, effective January 1, 2027.

    iii) The YEC request to adjust the 2026 rates, through an adjustment to Rider J1 (temporary adjustment rider) to 13.36% effective January 1, 2027.