ATCO Electric
YUKON

November 24, 2023

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: **Richard Buchan**
Chair

Re: **ATCO Electric Yukon (AEY)**
2023-2024 General Rate Application (GRA)
Opening Statement

As requested within the Yukon Utilities Board's (YUB) Hearing schedule and protocols letter, dated November 7, 2023, please find attached AEY's Opening Statement filed on behalf of AEY's lead witness, Mr. Jay Massie, Vice President Northern Development & Indigenous Relations.

Should you have any questions, please do not hesitate to contact the undersigned at Elizabeth.Rogers@atco.com.

Yours truly,

Beth Rogers
Director, Regulatory

ATCO Electric
YUKON

ATCO Electric Yukon (AEY)
2023-2024 General Rate Application (GRA)

Yukon Utilities Board
November 27 – December 1, 2023
Opening Statement

1. ATCO Electric Yukon (AEY) is pleased to participate in the oral hearing stage of AEY's 2023-2024 General Rate Application (GRA or Application).

2. AEY was last before the Yukon Utilities Board (Board) for the Test Years 2016-2017. Since that time, AEY has continued to provide safe, reliable and cost-effective service to its customers. As detailed in the Application materials and AEY's responses to information requests, in recent years the Yukon has experienced significant population growth, as well as increasing inflation rates. The Yukon and Federal governments have also introduced new energy transition policies and legislation aimed at increased electrification and reduced carbon emissions, which impacts AEY's business and presents uncertainty with respect to future policy changes and energy requirements in the Yukon.

3. During the years 2018-2022 AEY continued to submit Annual Filings to the Board, it did not file a General Rate Application due to the high degree of change and uncertainty at the time. Much of the population growth in the Yukon has been driven by the mining industry, which can be volatile and is a factor outside of AEY's control. The COVID-19 pandemic and influence from global conflict also impacted the Yukon economy and introduced further uncertainty for the utility industry. Rate applications are costly and require a fulsome process supported by significant data, including a full depreciation study in this case. AEY was concerned that if it were to bring a General Rate Application before the Board, there would be continued changes that would require it to return with further applications shortly thereafter. This would be costly for customers and would not promote rate stability.

4. Although AEY continues to face various uncertainties, the economy has been returning to pre-pandemic levels, and in consideration of factors such as inflation,

population growth, and the energy transition, AEY is before the Board with a comprehensive Application to ensure that it has the necessary resources to continue to deliver the same safe and reliable service to customers at just and reasonable rates.

5. In this Application, AEY is seeking the following approvals from the Board:

1) Approval of AEY's revenue requirement for the 2023-2024 Test Period;

2) Approval for continuation of AEY's currently approved deferral accounts, and the addition of two new deferral accounts: (i) a deferral to allow AEY to flow-through costs and savings related to Board Orders or legislative provisions which impact its 2023-2024 revenues or revenue requirement, as described in section 1B.6 of the Application, and (ii) deferral treatment for Constraint Payments and maintenance costs related to Independent Power Producers' (IPP) projects under the IPP program directed by the Yukon Government, as described in Section 3.4 of the Application; and

3) Such further or other relief as the Board may determine is appropriate.

6. As set out in its October 30, 2023, correspondence, AEY is applying for a revenue requirement of $65,808,000 in 2023 and $73,203,000 in 2024.

7. As part of the applied-for revenue requirement, AEY is requesting approval of forecast net capital additions of $24.6 million in 2023 and $15.3 million in 2024. Capital additions and expenditures in the 2018-2022 period, and forecast in the 2023-2024 Test Period, have been driven primarily by the need to upgrade, enhance, and replace end-of-life components on the distribution and generation systems and meet system needs arising due to load growth. The Yukon has seen significant load growth in recent years due to population increases. Expansions to AEY's capital program have been, and continue to be, required to ensure the continued delivery of safe and reliable utility services and to prepare the power system for continued rising demand. AEY has resource procurement plans in place and underway in order to support the execution of its capital plan forecast in the Test Period.

8. AEY seeks a return on rate base that is based on the return on equity (ROE) of 9.65 percent that the British Columbia Utilities Commission (BCUC) established for both

FortisBC Energy Inc. (FEI) and FortisBC Electric (FBC) in the recent Stage 1 Generic Cost of Capital Decision (Decision and Order G-236-23), plus a risk premium of 0.75 percent to account for the relatively higher business risks of AEY when compared with FEI and FBC, one of which will serve as the new BCUC benchmark utility. AEY engaged Concentric to provide a third-party, independent, and expert analysis of whether a risk premium is appropriate for AEY and what it should be. AEY faces a relatively greater degree of business risk compared to most similar Canadian distribution companies, including FEI and FBC, due to its very small size and the economic and geographic environments in which it operates. Recognition of these factors now is particularly important considering the energy transition currently taking place. Accordingly, as supported by Concentric's comprehensive risk assessment, 75 basis points represents an appropriate risk premium.

9. AEY also engaged Concentric to complete a depreciation study and recommend depreciation parameters, based on AEY's asset plant balances as of December 31, 2022, to inform the Application. AEY's forecast depreciation expense amounts are calculated using the rates that Concentric provided in this study, such that AEY's forecast is supported by the most up-to-date depreciation analysis available. As discussed in section 7 of the Application, AEY is also seeking approval to restart the collection of negative net salvage in revenue requirement in order to ensure that funding will be available in the future to cover the cost of salvage work for assets currently used to provide utility services. AEY's proposed approach aims to minimize the risk of future intergenerational equity issues and avoid significant variation in future tariffs related to negative net salvage requirements.

10. Overall, AEY believes it has provided detailed information in its filings regarding each component that comprises its requested revenue requirement. It has provided a comprehensive Application, including two independent, third-party expert reports, and has provided fulsome responses to all relevant Information Requests. AEY looks forward to further canvassing those materials with the Interveners and Board during the oral hearing process and welcomes the opportunity to speak to its Application further.

11. AEY wishes to thank the Board, its staff, the court reporter, and the Interveners for their time and efforts in the hearing process.