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January 25, 2018

Mr. Robert Laking, Chair
Yukon Utilities Board
Box 31728
Whitehorse, YT Y1A 6L3

Dear Mr. Laking:

Re: Application for Costs of Yukon Energy Corporation ("YEC") for the 2017/18 General Rate Application ("2017/18 GRA")

Yukon Energy is seeking in this Application approval of costs incurred in relation to the above noted 2017/18 GRA Proceeding, including costs related to the preparation and filing of the ERA Part 2 Application which the Board decided in Order 2018-02 to include as part of the 2017/18 GRA (see discussion in Part 4 of this correspondence).

The total claimed amount included in Form 1 of Appendix A is $793,807.77, including:

- $767,425.77 related to the 2017/18 GRA proceeding, including $122,487.67 for legal fees and disbursements; $633,427.83 for consultant fees and disbursements; and $11,510.27 for Yukon Energy disbursements; and
- $26,382 consultant fees related to preparation of the ERA Part 2 application.

All costs as applied for are reasonable and necessarily incurred in order to prepare and support Yukon Energy's 2017/18 GRA. Further detail and justification for professional costs (legal and consulting), as well as disbursements, is provided in the sections that follow and in the supporting appendices to this correspondence.

The amounts awarded for this Application will be included in the Hearing Cost Reserve Account and will be addressed at the next General Rate Application.

A. Summary of Supporting Materials included with this Correspondence

Attached to this correspondence are Yukon Energy's filing and supporting information for costs related to the 2017/18 GRA proceeding (**Appendix A and B**), and related costs for the ERA Part 2 application (see **Appendix D**).

Appendix A provides a summary of the claimed costs prepared based on the Yukon Utilities Board's ("YUB", "Board") Scale of Costs, including:

- An Affidavit of Fees and Disbursements (**Form 4**);
- A Summary of Total Costs Claimed (**Form 1**);
- A Summary of Professional Fees Claimed (**Form 2**); and
- A Summary of Disbursements Claimed (**Form 3**).

The attached material also includes relevant supporting documentation for the above-noted costs incurred, including summary tables, invoices, receipts and timesheets (**Appendix B**), and documentation to support the professional experience of key consultants retained by YEC to provide assistance in this matter (**Appendix C**). This includes confirmation of retainer for legal counsel and consultants retained by Yukon Energy.

Appendix D provides a summary of the costs claimed for preparation of the ERA Part 2 Application which the Board decided in Order 2018-02 to include as part of the 2017/18 GRA as discussed in Part 4 of this correspondence.

A. Context for the 2017/18 Proceeding & Impact on Hearing Costs

Generally, applicants have a separate and distinct role from intervenors in the public review process and separate types of activities, requirements and costs must be incurred by Applicants that are not incurred by intervenors, specifically:

- Applicant costs are effectively incurred as a necessary part of its business or operations as a regulated utility;
- Applicants begin to incur costs related to their application prior to a formal process with the YUB commencing, i.e., costs to prepare and file an Application;
- Applicants that require a review or approval by the YUB must engage in the formal review process and cannot realistically limit their level of participation in the process, i.e., applicants must address all issues and questions raised by intervenors and the Board as they arise;
- An applicant must participate actively in the process and typically cannot reasonably coordinate with others to increase efficiency or reduce duplication.

In addition to the above considerations, the current proceeding timeline was materially extended compared to the original hearing schedule. Combined with the impact of other related regulatory processes, this resulted in added complexity and costs. The following factors inform the scale and extent of costs incurred by Yukon Energy for this proceeding:

- On **July 4, 2017,** Order 2017-04 approved the original hearing schedule with an oral hearing scheduled for November 28-30, 2017, and argument and reply scheduled to be completed by December 21, 2017. Pursuant to the schedule IR responses were filed by Yukon Energy on September 22, 2017.

- On **September 22, 2017,** the Board issued a letter requesting comments from parties regarding the Yukon Court of Appeal judgment, Yukon Energy Corporation v Yukon Utilities Board, 2017 YKCA 15, and any impact the judgment may have on YEC's 2017 General Rate Application.
- On **October 18, 2017**, Order 2017-08 suspended the GRA schedule established in Order 2017-04, and directed YEC to file a separate two-part application to comply with the direction from the Yukon Court of Appeal and further directions from the Board.
    - The first part of the application was to address 2012 Energy Reconciliation Adjustment (ERA) issues; and
    - The second part of the application was to address how YEC proposed to address Diesel Contingency Fund (DCF), ERA, wholesale rates, and long term hydro generation for the period 2017 forward.

  YEC was also directed to provide an alternative GRA forecast, using a short-term hydro-electric forecast for the test period, and provide any consequential changes to the thermal generation forecast, removing any DCF references in the alternative forecast. This included preparing and filing a clean and blackline version of the 2017/18 General Rate Application and a clean and blackline version of 1st Round IR responses.
- On **December 6, 2017,** Yukon Energy filed a two-part application with the Board pursuant to Order 2017-08.
- On **December 15, 2017** the Board requested comments from parties as to whether the Part 1 Application proceeding should be a separate written proceeding; the Board also sought comments on the approach to the Part 2 application as proposed by YEC.
- On **December 18, 2017** Yukon Energy filed the clean and blackline versions of the GRA Application and 1st Round IR Responses.
- On **January 29, 2018, Order 2018-01** established a written process to address Part 1 of the Application. This process was completed March 29, 2018 with a final Board Order issued on May 4, 2018. Cost awards filings for the ERA Part 1 application were provided within 30 days of the Order, and Order 2018-09 was issued October 30, 2018 regarding costs related to Part 1 of the ERA Application.
- On **January 31, 2018, Order 2018-02** addressed the Part 2 Application and directed that it be considered as part of the 2017-18 GRA proceeding with the following added process steps (timelines were adjusted by Order 2018-03):
    - YECSIM Workshop (February 12, 2018);
    - Information Requests to YEC (March 14, 2018) and responses provided by YEC (April 6, 2018);
    - Intervenor Evidence (April 20, 2018), IRs on Intervenor Evidence (May 4) and responses to IRs (May 18)

- YEC rebuttal evidence (June 1, 2018)
- Oral hearing (June 26-28, 2018)
- Written Argument (July 12) and Written Reply (July 16)

- The dates for written Argument and Reply were adjusted following the oral hearing to take into consideration the number and complexity of undertakings that were remaining at the end of the oral hearing and which required material effort to complete. Undertakings were completed on July 23, 2018. Final Argument was completed August 9, 2018 and Reply Argument on August 23, 2018.

As detailed above, process timelines were extended by over 8 months (from having evidentiary and argument phases of the 2017/18 GRA complete by end of December 2017, to having these phases completed by end of August 2018). The extended process also included material additional steps not contemplated by the original GRA process schedule, including the following:

- Preparation of a separate two-part filing (including preparation of an application document, second round of IRs, preparation of a short term forecast, and development of clean and blackline versions of the GRA document and 1st Round IR responses based on the short term forecast); and
- Preparation for and attendance at a workshop focused on facilitating understanding of the YECSIM model and long term average forecasts.

Pursuant to the process, intervenor evidence was also filed which required YEC review and preparation and filing of rebuttal evidence.

B. Justification of Applicant Costs

In determining the breakdown between "preparation", "hearing attendance" and "argument", Yukon Energy has followed the practice established during past YUB review processes and used the following basic organizational structure:

- **Preparation** covers activities from January 2017 to approximately June 26, 2018, the oral hearing date, and includes the following:
  - Activities related to the preparation of the GRA Application (from January 2017 to June 22, 2017).
  - Work related to preparation for and participation in workshop on August 3, 2017 GRA workshop.
  - Preparation of responses to information requests filed on September 22, 2017 [Round 1], as well as any related follow-up that occurred (e.g., providing IR consolidation with hyperlinks, response to motions for further disclosure).
  - Activities undertaken in response to directions provided in Board Order 2017-08 (including review and response to Board correspondence and intervenor comments):

        - Preparation of the Part 2 ERA Application filed December 6, 2017.
        - Preparation of the Alternative GRA forecast filed with the ERA Part 2 Application on December 6, 2017.
        - Preparation of clean and blackline versions of the Alternative 2017/18 GRA forecast and related alternative Round 1 IR responses filed on December 18, 2017.
    - Work related to preparation for and participation in YECSIM workshop on February 12, 2018.
    - Preparation of Round 2 IR response filed April 6, 2018 [Round 2], as well as any related follow-up that occurred (e.g., providing IR consolidation with hyperlinks).
    - Review of intervenor evidence (filed April 20, 2018) and preparation of Rebuttal Evidence (filed June 1 2018).
    - Panel preparation prior to the oral hearing (April-May 2018) – the panel included two members with no prior hearing experience and extensive preparation was required to orient panel members to the process.
    - Preparation of written opening statement filed prior to the oral hearing.
- **Hearing Attendance** covers preparation and attendance, review of transcripts, preparation of response to undertakings during the oral hearing process, and other related activities undertaken during the oral hearing held on June 26 to June 28, 2018.
- **Argument and Reply** covers hearing follow ups, including responses to the undertakings (final undertakings completed and filed by July 23, 2018), preparation of written argument (filed on August 9, 2018), review of written arguments from intervenors, and preparation of written reply (filed on August 23, 2018).

Summary tables of costs incurred are provided as **Appendix A** and **Appendix B** to this filing.

1. Summary of Legal Fees

As in past hearings and regulatory processes, Yukon Energy retained DLA Piper as legal counsel, with P. John Landry providing the legal services required. A copy of the confirmation of retainer is provided in **Appendix C** to this letter.

Mr. Landry provided the following relevant assistance to Yukon Energy in relation to the preparation, filing and review of the Application:

- Providing legal advice during application preparation process;
- Review of correspondence and any other materials filed in relation to the Application and review process;
- Review of information requests by intervenors and of Yukon Energy's responses to information requests;

- Assistance in preparations for the oral hearing;
- Attendance at the oral hearing;
- Assistance with preparation and review of written argument and written reply; and
- Providing legal advice as required during the proceeding.

Pursuant to the Scale of Costs and prior Board direction[1], professional fees for legal services included in the Yukon Energy cost award application do not exceed the established $350/hour limit.[2] The summary of professional fees by activity stages for DLA Piper is as follows:

Table 1: DLA Piper Legal Fees Claimed by Hearing Stage

Phase	Hours	Total fees allowed by Scale of Costs ($Can)
Preparation	280.10	97,987
Hearing Attendance	30.00	10,500
Argument, Reply, Follow-Up	24.50	8,575
DLA Piper Fee Total	**334.60**	**117,062**

On review of DLA Piper invoices and timesheets, Yukon Energy notes that DLA Piper billed as part of their GRA costs amounts that were related to the ERA Part 1 proceeding as follows:

- 8.5 hours in Feb 2018 for ERA Part 1 IR responses; and
- 10.5 hours in March for review of ERA Part 1 Argument and Reply

These costs were not included in Yukon Energy's ERA Part 1 Cost Claim application and were not recovered as part of that separate process. Yukon Energy is proposing to recover these costs as part of the 2017/18 GRA costs. These costs are included in Table 1 above.

2. Summary of Consultant Fees

Yukon Energy retained InterGroup Consultants Ltd. as primary regulatory consultants to assist with the preparation of the filing and the review process before the Board. A copy of the confirmation of retainer and supporting information is provided in **Appendix C** to this letter.

[1] Order 2012-09 on costs noted costs for legal counsel used by the Applicant should be subject to maximum fees based on the number of years of experience pursuant to the Scale of Costs (i.e., $350/hour for individual with more than 12 years at the bar). Mr. Landry has over 20 years of relevant experience.

[2] The fees also include 1.6 hours for M. Burris with 9 years at the bar, or $320/hour limit as per YUB Scale of Costs.

InterGroup was involved in preparation of the Application and with the drafting, coordination, review and finalization of interrogatory responses, argument and reply. This included the following specific activities:

- **Preparation of the Application**– Including producing preliminary and final drafts of materials, and coordination of materials with Yukon Energy and its legal counsel. This included assistance with preparation of the 2017/18 GRA application filed on June 23, 2017, and assistance with the subsequent workshop and responses to IRs; assistance with preparation of the Part 2 ERA Application filed December 6, 2017; assistance with the clean and blackline versions of the Alternative GRA forecast and related alternative 1st Round IRs filed on December 18, 2017; and assistance with the subsequent workshop, responses to second round IRs, and preparation of rebuttal evidence.
- **Professional services for document production** – Including document review, formatting and production of the final filed Application documents, IRs and other related filing throughout the GRA process.
- **Active participation in the review process before the YUB** – Assistance with the preparation of interrogatory responses, including coordination with YEC and legal counsel, as well as professional services for production of any documents, and overall process management and progress tracking during each IR preparation period. This also included assistance with responses to motions for further disclosure.
- **Preparation related to any YUB-led regulatory review process** – Preparation sessions with YEC and its legal counsel, as well as preparation of any other necessary materials for the oral hearing, including written opening statement.
- **Attendance at Oral Hearing** – Oral testimony and assistance with undertakings and any other submissions provided during the oral hearing, and any other support as required.
- **Argument and Reply** - Assistance with drafting, review and finalization of written Argument and written Reply Argument. This included assistance with responses to written undertakings provided subsequent to the conclusion of the oral hearing.

A mix of senior and junior consulting staff and analysts were used to efficiently and expeditiously handle the large volume of material that was prepared. InterGroup costs for the above-noted services primarily cover the participation of Cam Osler (Principal and Consultant with over 40 years of experience), Mona Pollitt-Smith (Principal and Consultant with over 12 years of experience), and Hamid Najmidinov (Research Consultant with over 9 years of experience). Where possible, lower cost support resources were used to provide assistance with initial research and drafting for review by senior consultants rather than having senior resources address every detail.

Where required, other InterGroup staff expertise and assistance was relied upon either to provide specific knowledge and support or to provide additional resources to ensure activities could be completed within required deadlines. Senior consultants relied upon, as required, included the following:

- Patrick Bowman (Principal and Consultant, with over 20 years' experience) – provided support and assistance regarding review of long-term hydraulic generation forecasts in other jurisdictions.
- Andrew McLaren (Principal and Consultant, with over 18 years' experience) – provided senior support and assistance related to review of specific return on equity issues and other issues as required, including approaches in other jurisdictions to addressing water variability risk.
- Hayitbay Mahmudov (Consultant, with over 10 years of experience) – provided senior support and assistance with final reviews during the interrogatory process.

Other junior research staff were relied upon to provide research assistance, quality assurance reviews and technical analysis, as required. This assistance was not duplicative and was a necessary and a cost effective approach to completing this work within regulatory timelines mandated by the Board.

- Yadili Okwumabua-Gbakima (Research Consultant, with over 6 years of experience) – provided quality assurance review and assistance with management and coordination of document preparation (IRs).
- Mitch Braun (Research Analyst, with 3 years of experience) – provided research assistance as required.
- Alisher Khasanbaev (Research Analyst, with 1 year of experience) – provided research assistance, quality assurance review, and technical analysis, as required.

Costs also include services provided by Jolene Gordon (Production Coordinator with over 12 years of experience) and other staff related to document review, production and process tracking.

InterGroup's firm hourly rates are set separately for all staff members, and rates for Principals or Consultants do not include costs for clerical, administrative or research staff support as directly provided for any assignment. Firm hourly rates do not vary when overtime is required. All InterGroup regulatory consulting staff billing rates are below the established $/hour limit based on each individual's years of working experience and consequently no hourly rate adjustment is necessary.

For the purposes of this cost claim filing Yukon Energy has not claimed cost recovery for costs deemed purely administrative in nature (i.e., allocated as secretarial/clerical or related to invoicing and other purely administrative services). However, production services are specific professional services provided to Yukon Energy in relation to major filings and have been separated out from pure administration costs and are included in this cost claim. Professional services for document production are not included in consultant fees[3].

[3] This includes production work related to the formatting and production of the Application and production work related to formatting, review and production of a consolidated interrogatories filing document.

Document production services are fundamental to the efficient and effective conduct of a hearing process and assist understanding of matters in the proceeding by ensuring a coherent, final document is produced and available to the Board and other parties in the proceeding. Specifically, for IRs, each separate question must be entered into templates by production staff and each response must be tracked, compiled (particularly subparts), formatted, pdf'd, consolidated into one document, produced in appropriate formats and distributed. Further, in recent proceedings intervenors and the Board have requested that where other IRs are referenced, links be included in the consolidated PDF.

The summary of professional fees by activity stages for InterGroup is as follows:

Table 2: InterGroup Consulting Fees Claimed by Hearing Stage

Phase	Hours	Total fees allowed by Scale of Costs ($Can)
Preparation	2,861.50	524,817
Hearing Attendance	83.00	15,211
Argument, Reply, Follow-Up	342.00	68,118
InterGroup Fee Total	**3,286.50**	**608,145**

3. Summary of Disbursements

Total disbursements claimed are $42,218.52. The details of the disbursements are provided in Form 3 in **Appendix A**. Cost information on disbursements is provided based on past practice with regard to YEC cost filings.

Table 3: Summary of Disbursements

	DLA Piper	InterGroup	YEC	Total
Travel	4,403.28	20,208.36	4,182.16	28,793.80
Meals & Incidentals	1,018.31	934.01	1,489.04	3,441.36
Telephone and Fax	3.78	142.26	815.98	962.02
Photocopying and Printing	0.30	3,997.95	221.58	4,219.83
Advertising	-	-		-
Misc. Supplies and Services	-	-	4,801.51	4,801.51
Total	**5,425.67**	**25,282.58**	**11,510.27**	**42,218.52**

Note: Misc. Supplies and Services for YEC include payments to Amicus Reporting Group Ltd [hearing recording] and High Country Inn [space and meals for hearing]. Please see Form 3 for details.

Photocopying and printing costs internal to YEC's legal counsel and consultants are reasonable and necessarily incurred as they relate to the preparation (drafting, review and finalization) of the Application and other required filings.

As noted above, the number and complexity of issues raised in the Application necessitated ongoing meetings and discussion between YEC, its legal counsel and consultants during the Application

preparation process and throughout the regulatory review and hearing preparation process. Wherever possible, communications were managed with technology (teleconferences, email and video conferencing), however, face to face meetings were necessary as part of the Application and hearing preparation process. To the extent possible, these meetings were coordinated with other activities and assignments.

Travel costs were incurred for the following activities:

- **Application preparation**– Meeting held in Whitehorse in March 2017 and June 2017 to review Application issues.
- **YEC GRA Workshops** – Attendance of YEC's regulatory consultants to support the GRA Application workshop held in Whitehorse on August 3, 2017; and the YECSIM workshop held in Whitehorse February 12, 2018.
- **Hearing Panel Preparation** – Attendance at meetings held in Vancouver [one meeting held in October 2017 and two meetings held in Vancouver May 2018].
- **Hearing attendance** – Attendance of YEC legal counsel and consultants at the oral hearing in Whitehorse June 26-28, 2018.

Yukon Energy's cost application for travel costs is based on cost awards filings provided to the Board and principles and precedents established by past Board Orders[4]. Airfare was at economy rates, where available, however, for the most part airfare was booked using flight passes.

Further detailed supporting information, including invoices, timesheets and receipts is provided in **Appendix B** to this filing.

4. Summary of Costs Related to the Two Part Application Regarding the Energy Reconciliation Adjustment (ERA)

Order 2017-08 directed YEC to file a two-part application regarding Energy Reconciliation Adjustment ("ERA") provisions in rate schedule 42 (Two Part ERA Application), and directed YEC to provide an alternative GRA forecast using a short-term hydro-electric forecast for the test period and any consequential changes to the thermal generation forecast, removing any DCF references in that alternative forecast, and filing the alternative forecast within 60 days of the issuance of Order 2017-08 [i.e., by December 18, 2017]. Yukon Energy filed the Alternative GRA forecast as part of the Two Part ERA Application on December 6, 2017 [see Appendix 2.2 to the Two-Part ERA Application].

The fees related to the review of the YUB letter and Order regarding the Two Part ERA Application, as well as preparation of the Alternative GRA forecast included in the Two Part ERA Application [Appendix

[4] The Reasons for Decision on Order 2008-1 provide that while "the scale of costs do not expressly provide for travel costs in relation to preparation of an application by a utility", such costs are ultimately at the discretion of the Board. In that Order, the Board allowed travel costs in relation to the preparation of an application since, "the Board was satisfied that YEC had not made provision for these costs in its revenue requirement". The Board held that "pre-application travel costs are incremental to YEC's current revenue requirement and, having been prudently incurred by YEC, in the Board's view ought to be recoverable by YEC form customer through its HRA."

2.2], were included in Yukon Energy's ERA Part 1 hearing costs application filed with the Board on June 1, 2018.

The Board issued Order 2018-09 regarding ERA Part 1 proceeding costs on October 30, 2018. The Board noted that "invoices also refer to time spent on preparation for and attendance at GRA filing discussions or working on Part 2 issues and approaches. These matters do not relate to the Part 1 Application proceeding and hours should not be claimed in this proceeding for this work." [Emphasis added.]

The ERA Part 2 application was prepared over October to December 2017 in response to a Board direction issued during the 2017/18 GRA process, and fees incurred relate to 2017/18 GRA application issues, including reviews and discussions regarding the thermal generation forecast [e.g., Alternative GRA with short-term forecast], the DCF and the ERA. Considering this and the Board's direction in Order 2018-09, fees related to the preparation of Part 2 of the Two Part ERA Application have been included as part of the 2017/18 GRA hearing costs application for Yukon Energy. This includes costs for the development and drafting of the following supporting materials[5]:

- Main application document: reviewing introduction, context for the application, summary of Board outcomes and concerns (Orders 2015-01 and 2015-06), interrelationships re: LTA hydro generation, DCF and ERA, issues and alternatives for the period 2017 forward, and summary conclusions.
- Appendix 2.1: Review of Past Practice & Board Decisions Re: LTA Hydro, DCF and ERA.
- Appendix 2.2: Short-Term Hydro Alternative GRA Forecast.
- Appendix 2.3: Board Outcomes & Concerns – Orders 2015-01 and 2015-06.
- Appendix 2.4: YECSIM Model (provides introduction and overview of model and user manual; and attaches YECSIM User Manual).

Appendix D to this correspondence provides invoices and timesheets related to the preparation of the ERA Two Part Application [from October to December 2017] that had been included in the ERA Part 1 Cost Awards filing. To the extent feasible items related to the Part 2 filing have been identified and highlighted. Please see **Appendix D** for details [the hours claimed in the 2017/18 GRA cost claim are highlighted in yellow on timesheets included in the supporting material]. The claimed costs only include fees for C. Osler and M. Pollitt-Smith.

Table 4 below summarizes the consulting costs included in the GRA Cost Claim related to preparation of the ERA Part 2 Application.

Table 4: Total Consulting Costs for the ERA Part 2 Application Preparation included in the 2017/18 GRA Cost Claim

[5] The ERA Part 1 Application was approximately 14 pages; the ERA Part 2 Application was approximately 30 pages (not including cover letter and preface). The ERA Part 2 Application also required the development of an alternative GRA forecast using a short-term hydro-electric forecast for the test period.

Phase	Hours	Total fees allowed by Scale of Costs ($Can)
Preparation	127.25	26,382
InterGroup Fee Total	**127.25**	**26,382**

Yukon Energy is not seeking to include in the GRA Cost Claim any costs related to the preparation of the ERA Part 1 Application and is not seeking any costs related to the process to review the Part One Application [IRs, Argument and Reply] as these costs were reviewed by the Board previously and were subject to the Order 2018-09 cost award.

Please direct any questions on this communication to the undersigned.

Yours truly,



Ed Mollard
Chief Financial Officer