



The Yukon Electrical Company Limited
An **ATCO** Company



September 6, 2011

Mr. Bruce McLennan, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. McLennan:

**Re: YEC & YECL Rider F – Fuel Adjustment Rider & Deferred Fuel Price
Variance Policy - Interrogatories**

In accordance with direction provided by Order 2011-11, please find attached Yukon Energy and Yukon Electrical's responses to the information requests submitted in the above proceeding.

If you have any questions or concerns, please contact either of the two undersigned.

Yours truly,

YUKON ELECTRICAL COMPANY LIMITED

Randy Morgan
Financial Services Supervisor

YUKON ENERGY CORPORATION

Ed Mollard
Chief Financial Officer

**YUKON
ENERGY**



YUKON ENERGY CORPORATION

&



THE YUKON ELECTRICAL COMPANY LIMITED
An ATCO Company

**RIDER F – FUEL ADJUSTMENT RIDER &
DEFERRED FUEL PRICE VARIANCE POLICY**

INTERROGATORY RESPONSES FILED

September 6, 2011

**YUKON UTILITIES BOARD
(YUB)**

1 **REFERENCE:** **Application, page 4**

2

3 **ISSUE/SUB-ISSUE:** **Defined Range for Diesel Fuel Price Adjustment Accounts**
4 **(DFPVAs)**

5

6 **QUOTE:**

7

8 The objective of the Companies is to administer a Rider F rate which will be in effect for
9 a year or longer while keeping the combined Companies' Diesel Fuel Price Adjustment
10 Account (DFPVAs) within a defined range of +/- \$200,000.

11

12 **PREAMBLE:**

13

14 The Board wishes to understand the determination of the \$200,000 level.

15

16 **QUESTION:**

17

18 a) Please fully explain how the \$200,000 level was determined and include all
19 criteria used in determining that level.

20

21 **ANSWER:**

22

23 **(a)**

24

25 The \$200,000 level was determined in the 1990s as a practical guide for administration
26 of the Rider F account. Beyond this information, the Companies do not have information
27 on any specific criteria that were then used in determining this level.

1 **REFERENCE:** **Application, page 5**

2

3 **ISSUE/SUB-ISSUE:** **Management of the DFPVAs**

4

5 **QUOTE:**

6

7 The Companies will use best judgment to determine the timing of any collection/refund
8 rider, recognizing that at times filings may need to be deferred and balances may
9 exceed the optimal range of +/- \$200,000.

10

11 **QUESTION:**

12

13 a) Please provide examples of times when filings may need to be deferred and that
14 balances may need to exceed the optimal range.

15

16 b) If not explained in 1(a) above, what makes +/- \$200,000 the optimal range?

17

18 **ANSWER:**

19

20 **(a)**

21

22 One recent example arose when dealing with the timing for final GRA decisions at the
23 same time that fuel price changes were occurring (see LE-YEC/YECL-1-10).

24

25 **(b)**

26

27 See response to YUB-YEC/YECL-1-1. The +/- \$200,000 is to provide Companies with
28 leeway to absorb price volatility of diesel and not be implementing frequent rate
29 changes. By using an annualized approach and a high enough threshold the Companies
30 reduce the frequency of rate changes and associated implementation costs. As
31 evidenced during spring 2011 the threshold may not be high enough. Alternatively, as
32 the Companies do not receive compensation for carrying costs of DFPVA balances it is
33 in their interests to keep the balance as close to zero as possible.

1 **REFERENCE:** **Application, page 5**

2
3 **ISSUE/SUB-ISSUE:** **DFPVA Balance – 2.7**

4
5 **QUOTE:**

6
7 In any event, when balances in the account grow to a range +/- \$400,000 the
8 Companies will adjust Rider F at the earliest feasible date thereafter and will use a
9 shorter forecast period (typically 6 months) to accelerate the process of bringing the
10 DFPVA back to zero.

11
12 **PREAMBLE:**

13
14 The Board wishes to understand why a +/- \$400,000 threshold is necessary, when the
15 Companies already stated that a +/- \$200,000 threshold is optimal.

16
17 **QUESTION:**

- 18
19 a) Please explain why a +/- \$400,000 threshold is necessary, when the Companies
20 already stated that a +/- \$200,000 threshold is optimal?
21
22 b) What is the view of the Companies if the Board accepted +/- \$200,000 threshold
23 and directed that when that threshold was reached that the Companies must file
24 an adjustment to Rider F before the end of the next quarter?

25
26 **ANSWER:**

27
28 **(a)**

29
30 The Policy as filed reflects current practice, which simply established an **objective**
31 (adjust over 12 month period when balance exceeds +/- \$200,000) and a **requirement**
32 to adjust over a shorter period (typically six months) if balances exceed +/- \$400,000. As
33 stated, the Companies are not compensated for carrying costs of DFPVA balances. If,
34 despite the stated objective, circumstances result in the DFPVA balance growing to
35 beyond the +/- \$400,000 threshold then the Companies reserve the right to act more
36 proactively to recover outstanding DFPVA balances over a shorter period of time (6

1 months) and adjust kW.h unit prices to reflect higher fuel prices being experienced by
2 the Companies.

3

4 **(b)**

5

6 The Companies note that such a directive would provide up to three months to file an
7 adjustment. Potential concerns with any such fixed directive are limited to the flexibility to
8 deal with potential specific situations, e.g., when either Company has a GRA proceeding
9 that is in process but unresolved, or when during the three month allowed period fuel
10 prices change so as to negate the basis for the new Rider change. Presumably
11 mechanisms could be established to allow the Board to modify the directive when
12 appropriate.

13

14 The Companies also note that such a directive would leave open the time period
15 assumed for recovery of the balance (e.g., 12 months versus 6 months) and thus would
16 leave open the current provision for a shorter period if the balance exceeds +/- \$400,000.

1 **REFERENCE: Application, Exhibits 2**

2

3 **ISSUE/SUB-ISSUE: Calculation of Balances**

4

5 **QUESTION:**

6

7 a) Please provide an Excel version of Exhibit 2.

8

9 b) Please explain why the RS 32-SS Adjustment is not included in the calculation of
10 the monthly change but is included in determining the balance for the month.

11

12 **ANSWER:**

13

14 **(a)**

15

16 Please see Attachment 1 to this response.

17

18 **(b)**

19

20 The supporting excel sheet for Exhibit 2 as filed June 30, 2011 contained an error. The
21 RS 32 adjustments were not added into the monthly charge cell. However, these were
22 properly included in the Cumulative Balance cell. This impacted the monthly change
23 amount for 2010 but had no impact on the monthly balances for 2011 as presented in
24 Exhibit 2.

LEADING EDGE
(LE)

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 1: Please list the instances since 1988 when either YEC or YECL (or both)
6 included in Rider F costs for diesel fuel when BOTH the fuel price per litre was in
7 excess of the Yukon Utilities Board's (the Board) approved fuel cost AND the
8 amount (kWh) of diesel generation was in excess of the most recent Board
9 approved amount.

10

11 **ANSWER:**

12

13 **(a)**

14

15 This question goes beyond the scope of the current filing and asks for detailed historical
16 review.

17

18 See page 1 of the Fuel Adjustment Rider & Deferred Fuel Price Variance Policy. Only
19 the difference between the actual weighted average cost per litre of fuel consumed and
20 the most recent GRA-approved fuel price is deferred to the DFPVA. This does not
21 address risks related to changes in fuel volume (at GRA-approved fuel prices) from the
22 GRA forecast. In this respect costs related to diesel generation in excess of the most
23 recent Board approved amounts are not deferred. During the period since 1988 the
24 Companies understand that Rider F has been administered consistently on this same
25 basis. Following the 1996/97 GRA, fuel prices climbed above Board's then approved fuel
26 cost and, for the diesel served communities, growth continued to some degree beyond
27 the last approved forecast generation (in contrast, diesel generation on the grids was
28 minimal during this period). Prior to the 1996/97 GRA, there probably were also many
29 instances where both YEC and YECL included in Rider F costs for diesel fuel under the
30 conditions noted in this question - however, the Companies have not conducted any
31 review on this matter regarding this earlier period.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 1: Please list all other Canadian regulated electrical utilities that are
6 permitted to collect from ratepayers any portion of fuel costs in excess of their
7 utility board approved costs for generation in excess of their utility board
8 approved amounts.

9

10 **ANSWER:**

11

12 **(a)**

13

14 To the best of the Companies' understanding other Canadian regulated electrical utilities
15 where, similar to the Yukon, fuel price risk is handled outside of the normal approved
16 regulated rates thereby permitting the utilities to collect from (or credit to) ratepayers
17 related costs of fuel in excess of (or lesser than) diesel costs that are incorporated in
18 their utility board approved rates include Northwest Territories Power Corporation,
19 Northlands Utilities Limited (NWT), Qulliq Energy Corporation (Nunavut), Newfoundland
20 and Labrador Power Corporation, and Nova Scotia Power.

21

22 To ensure fuel price risk is fully addressed by the fuel price variance mechanism in
23 Yukon (and in all other jurisdictions where fuel price risk is handled outside of the setting
24 of the normal regulated rate) it must apply to all volumes of fuel consumed. It would be
25 ineffective if it applied only to the forecast fuel.

26

27 Accordingly, the Companies are not aware of any jurisdiction that provides a fuel price
28 adjustment mechanism that only addresses fuel price variances for utility board
29 approved fuel volumes.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 1: Please explain how the Deferral Fuel Price Variance Account (DFPVA)
6 would handle a situation where in the early part of a calendar year both the fuel
7 price and the amount of diesel generation are in excess of the amounts approved
8 by the Board and later in the year both the price and the amount are below the
9 amounts approved by the Board.

10

11 **ANSWER:**

12

13 **(a)**

14

15 The DFPVA only addresses differences between actual fuel prices and GRA-approved
16 fuel prices, and does not address any differences in actual and GRA-approved diesel
17 generation. As noted on page 1 of the Policy, “for each actual litre of diesel consumed to
18 generate electricity, the difference between the actual weighted average cost per litre of
19 fuel consumed and the most recent GRA-approved fuel price is recorded in the DFPVA”.
20 The variance applies to the actual diesel fuel consumed (all fuel consumed) when
21 calculating additions or deletions to the account, i.e., this does not address risks related
22 to changes in fuel volume (at GRA-approved fuel prices) from the GRA forecast.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 1: Please explain how the Deferral Fuel Price Variance Account (DFPVA)
6 would handle a situation where in the early part of a calendar year both the fuel
7 price and the amount of diesel generation are in excess of the amounts approved
8 by the Board and later in the year the hydro energy availability was above the
9 long term average. What would be the impact on the Diesel Contingency Fund
10 (DCF)?

11

12 **ANSWER:**

13

14 **(a)**

15

16 See response to LE-YEC/YECL-1-3 for how the DFPVA deals with changes to fuel price
17 and generation.

18

19 The current filing is premised on specific issues relating to the administration of the
20 deferred fuel price variance account. The Diesel Contingency Fund (DCF) is not related
21 to deferrals to the DFPVA or to Rider F charges and is consequently not part of the
22 current review.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 Page 1: Please explain in detail the transactions in the DFPVA and the DCF under the
6 following conditions:

7

8 a) Diesel fuel price and amount of diesel generation are at the Board approved
9 levels with hydro availability either above or below the long term average
10 approved by the Board (what is this amount)?

11

12 b) Diesel fuel price is at the Board approved price and diesel generation is below
13 the Board approved amount with hydro availability either above or below the long
14 term average approved by the Board?

15

16 c) Diesel fuel price is at the Board approved price and diesel generation is above
17 the Board approved amount with hydro availability either above or below the long
18 term average approved by the Board?

19

20 d) Diesel fuel price is above the Board approved price and diesel generation is
21 below the Board approved amount with hydro availability either above or below
22 the long term average approved by the Board?

23

24 e) Diesel fuel price is above the Board approved price and diesel generation is
25 above the Board approved amount, and hydro availability is either above or
26 below the long term average approved by the Board?

27

28 **ANSWER:**

29

30 **(a) to (e)**

31

32 This question addresses DCF issues and is beyond the scope of this proceeding. Please
33 see response to LE-YEC/YECL-1-4.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 1 (last paragraph): Would YEC please explain why in the 2008-2009 GRA
6 Phase II proceeding YEC was critical of YECL and their Rider D application
7 essentially accusing YECL of transferring the sales forecast risk onto ratepayers
8 (revised Transcripts pages 587 to 592; Yukon Energy Final Argument pages 42
9 to 47; and Yukon Energy Reply Argument pages 16 to 18)?

10

11 **ANSWER:**

12

13 **(a)**

14

15 Questions regarding Rider D are beyond the scope of this proceeding. Please see
16 response to LE-YEC/YECL-1-3. The DFPVA does not address variances in generation
17 from GRA-forecast and only addresses variances in diesel fuel price. As noted on page
18 1 of the Application, this does not address risks related to changes in fuel volume (at
19 GRA-approved fuel prices) from the GRA forecast.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 1 (last paragraph): YEC at page 17 of their Final Argument of the Phase II
6 proceeding states as follows: “YEC has not sought, and does not today have,
7 any deferral account or special rate rider charged to all retail ratepayers in Yukon
8 in order to protect YEC against added diesel generation costs arising from added
9 industrial or YEC retail loads that exceed approved GRA forecasts.” Would YEC
10 please explain why it is now in fact seeking to recover a portion of their diesel
11 generation costs from added industrial and/or retail loads in excess of the
12 approved GRA forecast from all retail ratepayers?

13

14 **ANSWER:**

15

16 **(a)**

17

18 See response to LE-YEC/YECL-1-6.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 4: Please clarify the reference to Section 4.0 in footnote 6.

6

7 **ANSWER:**

8

9 **(a)**

10

11 The reference in footnote 6 should be to Section 2.0 not Section 4.0.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Pages 4-5: Please explain why YEC and YECL would aim to keep Rider F rates
6 in effect for a year or more when the volatility of oil pricing is so extreme (as
7 witnessed several times in recent years) that the balance in the DFPVA cannot
8 possibly stay within the target amounts without much more timely adjustments?

9

10 **ANSWER:**

11

12 **(a)**

13

14 Please see also UCG-YEC/YECL-1-11. The Companies endeavour to maintain rate
15 stability and reduce costs associated with implementing rate changes with timely
16 adjustments as feasible and appropriate. Fluctuations in fuel prices occur from month to
17 month. Historically, there have been periods where fuel prices have not fluctuated
18 materially from forecast and periods where there has been extreme fuel price volatility.
19 Defining a reasonable range where fuel prices can fluctuate (up or down) without
20 requiring adjustment to Rider F helps to maintain rate stability and reduces
21 administrative burden and costs that would otherwise be required to implement Rider F
22 charge or rebate changes on a more frequent or prescribed timeline (e.g., quarterly
23 adjustments). However, as demonstrated in the past, more frequent adjustments can
24 occur when actual results vary outside of the defined reasonable range.

1 **REFERENCE: Submission**

2
3 **QUESTION:**

- 4
5 a) Page 5 Section 2.1.7 and Exhibit 1: Since November 2010 the DFPVA has been
6 moving in a negative direction (and accelerated during winter) and was negative
7 from February on yet a refund Rider F was in effect until June 2010. Please
8 explain why YEC and YECL have not followed this proposed policy with respect
9 to the current situation? Why were adjustments to Rider F not made sooner, i.e.
10 in winter when electrical consumption was higher and diesel costs were being
11 incurred?

12
13 **ANSWER:**

14
15 **(a)**

16
17 Please note, the DFPVA and Rider F are mechanisms to mitigate fuel price risks and
18 provide for rate stability and are not mechanisms designed to provide any price signal
19 related to diesel.

20
21 At December 2010 the DFPVA value was \$48,263 owing to ratepayers with a monthly
22 change of (\$33,537) for January and (\$44,006) for February for an end of February
23 balance of (\$29,280). This was well within the +/- \$200,000 value the Companies have
24 used to administer the rider. The Companies were aware that a change was pending as
25 the balance transitioned from owing to ratepayers to owing to Companies.

26
27 The Companies had intended to implement a Rider F rate change coincident with the
28 implementation of the new Phase II rates to save costs on testing and implementation
29 (i.e., consistent with "...at such times as practical"). This was anticipated to occur on
30 May 1, 2011 but delays encountered during the YUB approval process resulted in the
31 Phase II rates not being implemented until July 1, 2011.

32
33 The sizeable diesel fuel price variances of \$255,272 encountered during March through
34 May were not expected when oil prices spiked. The additional two months of rebating
35 \$51,562 to customers during May and June instead of collecting Rider F revenues from
36 customers was also not anticipated. The combined effect of these events carried the

- 1 DFPVA combined balance to an end of June balance of (\$448,216) with Rider F
- 2 collections going into effect on July 1, 2011.
- 3
- 4 For further detail, please see also Exhibit 2 of the Policy and 2011-Q2 Rider F Quarterly
- 5 filing provided as Attachment 1 to UCG-YEC/YECL-1-1.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Page 6: Do the responsible YEC and YECL staff only assess the DFPVA trend
6 quarterly or do they access it monthly? Why would YEC and YECL give the YUB
7 30 days notice before implementing a revised Rider F when the DFPVA is
8 outside the target range of +/- \$200,000?

9

10 **ANSWER:**

11

12 **(a)**

13

14 See also, UCG-YEC/YECL-1-11(b). The DFPVA is monitored monthly. While
15 fluctuations in fuel prices occur from month to month, the Companies attempt to
16 implement Rider F rate changes coincident with other rate changes when practical to
17 reduce administration costs. If fuel price variances are kept within a range (currently
18 targeted at +/- \$200,000) and forecast on an annualized basis it provides for greater rate
19 stability and reduces what would otherwise be incurred on a quarterly rate change
20 scenario.

21

22 Occasionally events will occur that take the DFPVA outside the +/- \$200,000 range
23 resulting in the Companies carrying a larger than targeted balance. This may take longer
24 than one year to collect. Where the balance grows beyond +/- \$400,000 then Companies
25 may implement a rate change forecast based on 6 months rather than one year.

26

27 The 30 days notice to the Board is intended to ensure the Board is aware of changes to
28 Rider F in case it receives related inquiries once the rate has gone into effect.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Exhibit 2: In tabular form for each of YEC and YECL for January 2010 to July
6 2011 inclusive please indicate by month how much of the fuel price variance
7 charged to the DFPVA is for diesel generation in excess of the Board approved
8 diesel generation forecast and diesel price in excess of the Board approved
9 price.

10

11 **ANSWER:**

12

13 **(a)**

14

15 Please see response to LE-YEC/YECL-1-3.

1 **REFERENCE: Submission**

2

3 **QUESTION:**

4

5 a) Do either YEC or YECL (or both) anticipate that 2011 will be a test year in a
6 GRA? If not when do each of YEC and YECL anticipate filing a GRA so that
7 diesel price and diesel generation forecasts can be reviewed by, and tested
8 before, the Board?

9

10 **ANSWER:**

11

12 **(a)**

13

14 The timing and scope of future rate filings by YEC and YECL remain under review at this
15 time.

1 **REFERENCE: Appendix A**

2

3 **QUESTION:**

4

5 a) Page A-1: Section 1 of Appendix A provides nothing to indicate that costs for
6 diesel fuel prices in excess of the Board approved amount for generation in
7 excess of the Board approved amount was anticipated or specifically provided
8 for; please explain why YEC and YECL should be entitled to recover these costs
9 from ratepayers?

10

11 **ANSWER:**

12

13 **(a)**

14

15 This question goes beyond the scope of the current filing. See response to LE-
16 YEC/YECL-1-2 and LE-YEC/YECL-1-3.

17

18 In addition, the Companies note that Section 8 of OIC 1995/90 provides the Board must
19 permit Yukon Energy and Yukon Electrical to adjust their rates to retail customers, major
20 industrial customers, and isolated industrial customers so as to reflect fluctuations in the
21 prices for which the two utilities pay for diesel fuel, without the requirement for specific
22 application to and approval of the Board.

23

24 The premise of the policy is that ratepayers pay overall rates (base rates approved at the
25 last GRA plus Rider F as adjusted from time to time) that reflect the actual fuel costs per
26 litre incurred by the Companies, regardless of the GRA forecast prices. This applies to
27 variances in fuel price per litre for each actual litre of fuel consumed. The OIC does not
28 limit recovery of fuel price variance to only GRA-forecast fuel and the Companies are not
29 aware of any other jurisdiction that provides for a fuel adjustment rider that only applies
30 to price changes for GRA-forecast fuel.

1 **REFERENCE: Appendix A**

2
3 **QUESTION:**

- 4
5 a) Page A-1: YEC and YECL interpret that they are entitled to recover costs for
6 diesel fuel prices in excess of Board approved prices for diesel generation in
7 excess of the Board approved forecast, does it then not logically follow that
8 ratepayers should be entitled to a credit in the DFPVA when diesel fuel prices are
9 below the Board approved prices for diesel generation in excess of the diesel
10 generation approved by the Board? If not why not?

11
12 **ANSWER:**

13
14 **(a)**

15
16 To the extent that the question addresses rebates to ratepayers when fuel prices are
17 below the Board approved prices, the Rider F policy notes that both positive and
18 negative variances in fuel price per litre from GRA forecast fuel prices are deferred to the
19 DFPVA, and as noted on page 2 of the Policy, Rider F is used to collect from ratepayers
20 or to refund to ratepayers the net fuel price variance. As indicated in Table 1 at page A-5
21 and in Figure 1 at page A-6 of the Policy Rider F was set to 0 in March 2009 and a
22 series of refund riders were in effect from December 2009 until July 2011. When rebates
23 apply, they are determined based on total actual diesel generation (including any diesel
24 generation in excess of the diesel generation approved by the Board).

1 **REFERENCE: Appendix A**

2

3 **QUESTION:**

4

5 a) When, if ever, have YEC or YECL specifically requested the Board approve for
6 inclusion in the DFPVA the cost for diesel fuel when diesel prices and the amount
7 of diesel generation were both in excess of the levels approved by the Board?

8

9 **ANSWER:**

10

11 **(a)**

12

13 See response to LE-YEC/YECL-1-3 and LE-YEC/YECL-1-14.

1 **REFERENCE: Appendix A**

2

3 **QUESTION:**

4

5 a) Page A-3 Section a iii: In the second paragraph Board Order 1992-1 is quoted as
6 saying “changes to the change [sic] in this Rider shall be implemented
7 **coincident with changes in the Companies’ costs of fuel** or at such times as
8 practical” (emphasis added). Since changes in YEC’s and YECL’s costs for fuel
9 were evident as early as November 2010, why did YEC and YECL not follow this
10 Board Order and implement Rider F changes much sooner than July 2011?

11

12 **ANSWER:**

13

14 **(a)**

15

16 Please see LE-YEC/YECL-1-10.

**UTILITIES CONSUMERS' GROUP
(UCG)**

1 **REFERENCE: Application Cover Letter, page 1**

2
3 The utilities indicate that Board Order 2010-13 (issued December 30, 2010) directed as
4 follows:

5
6 To allow all interested parties to monitor the balance in the Rider F account, the
7 Companies are to provide to the Board quarterly acknowledgement filings stating the
8 balance in the Rider F account and concurrently posting those filings on each company's
9 website for easy public access.

10
11 **QUESTION:**

- 12
13 a) Please provide a copy of the quarterly acknowledgement filings filed with the
14 YUB since the release of Board Order 2010-13 plus any associated
15 correspondence from the YUB.
16
17 b) Please provide the dates for filing of these quarterly reports in 2011 and 2012.
18
19 c) Please explain how interested parties have been kept informed of these quarterly
20 filings and where these filings are located on each utility's web site.
21

22 **ANSWER:**

23
24 **(a)**

25
26 Please see Attachment 1 to this response.
27

28 In the May 6, 2011 Rider F Advisory provided to the Board the Companies noted with
29 regard to the quarterly adjustment filing "the companies will work jointly to develop a
30 format that is informative, logical and useful to the Board and ratepayers. Our goal is to
31 have this in place for the end of Quarter 2 (actual filing in July once June results are
32 posted)."

33
34 In a letter dated May 11, 2011 the Board accepted the revised timeline for quarterly
35 acknowledgement filings and order the Companies to comply with this direction by the
36 end of Quarter 2 (June 30, 2011).

1 Exhibit 2 of the Rider F Fuel Adjustment Rider & Deferred Fuel Price Variance Policy
2 filed June 30, 2011 provided reporting for full year 2010 and First Quarter 2011.
3 Reporting for the Second Quarter was provided to the Board August 4, 2011 and
4 pursuant to direction in Order 2010-13 made available on each Company's website at
5 addresses below:

6
7 <http://www.yukonelectrical.com/News%20and%20Updates/>

8
9 <http://yukonenergy.ca/about/business/regulatory/riderffilings/>

10
11 **(b)**

12
13 The Companies will endeavor to file quarterly reports within 45 days after each quarter is
14 completed.

15
16 **(c)**

17
18 Please see response to UCG-YEC/YECL-1-1(a).



August 3, 2011

Mr. Bruce McLennan, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. McLennan:

Re: Rider F – Quarterly Report – Period Ended June 30, 2011

Board Order 2010-13 directs the companies as follows:

“...to allow all interested parties to monitor the balance in the Rider F account, the Companies are to provide to the Board quarterly acknowledgement filings stating the balance in the Rider F account...”

Please find attached a quarter end report regarding the Companies' combined Diesel Fuel Price Variance (Rider F) account balance for the period ended June 30, 2011.

Pursuant to the target +/- \$200,000 range for the combined accounts, YEC and YECL initiated an adjustment to the rate based on the April 30, 2011 balance, to change the Rider F rate to \$0.00352 cents/kW.h which went into effect at July 1, 2011. The previous Rider F rate in effect during January through June 2011 (as listed in the attached table) was -\$0.0009 cents/kW.h (i.e. a refund to customers).

As further directed in Order 2010-13, this report will also be posted concurrently on each Company's website for easy public access. If any interested party has questions regarding Rider F, please contact one of the undersigned.

Yours truly,

YUKON ELECTRICAL COMPANY LIMITED

Randy Morgan
Financial Services Supervisor
Randy.Morgan@atco.com

YUKON ENERGY CORPORATION

Ed Mollard
Chief Financial Officer
Ed.Mollard@yec.yk.ca



The Yukon Electrical Company Limited
 An **ATCO** Company



Per YUB Order 2010-13

Rider F – Quarterly Report

For Period Ended - June 30, 2011

Rider F - Fuel Adjustment Rider					
Diesel Fuel Price Variances and Rider F Surcharges					
Combined Company Balances					
	Fuel Price Variance	RS 32 - SS Adjustment	Rider F Surcharge	Cumulative Balance	Monthly Change
Dec-10				48,263	
Jan-11	5,305	-	(38,842)	14,726	(33,537)
Feb-11	(15,855)	-	(28,152)	(29,280)	(44,006)
Mar-11	(70,809)	-	(33,793)	(133,882)	(104,602)
Apr-11	(121,564)	-	(28,071)	(283,517)	(149,635)
May-11	(62,899)	-	(26,950)	(373,365)	(89,848)
Jun-11	(50,239)	-	(24,612)	(448,216)	(74,851)

Notes

Positive balances represent amounts to the benefit of ratepayers.

Negative balances are amounts owing to the companies.

Rider F rate was \$(0.0009)/KWh rebate for all affected customer classes from January 1st to June 30, 2011.

Current Rider F rate: \$0.00352/KWh surcharge for all affected customer classes effective July 1, 2011.

1 **REFERENCE: Application, page 1**

2
3 The utilities indicate that “ratepayers pay overall rates that reflect the actual fuel costs
4 per litre incurred by the Companies, regardless of GRA forecast prices”.

5
6 **QUESTION:**

7
8 a) Please confirm that both YEC and YECL stand by the principal that rates should
9 be set at a level which is reasonable for the period the rates are to be in effect.

10
11 b) Please confirm that both YEC and YECL believe that the amount of fuel expense
12 included in base rates should be sufficient to cover the fuel costs reasonably
13 expected to be incurred the first year the rates go into effect.

14
15 c) Please confirm that both YEC and YECL agree that fuel adjustment clauses, in
16 and of themselves, do not provide proper price signals from the utility because
17 customers are always billed after the fact. In other words, the increase in fuel
18 costs signal[]ed by an increase in the fuel adjustment clause on a customer’s bill
19 is not communicated to that customer until after the customer has consumed the
20 higher cost power.

21
22 d) For 2009, 2010 and 2011 to date, using forecast and actual fuel prices, please
23 identify what proportion fuel costs are of the total cost of providing electricity.

24
25 e) For 2009, 2010 and 2011 to date, please identify the specific actions YEC and
26 YECL have taken to acquire fuel and generate or purchase power or both so as
27 to provide electricity to Yukon ratepayers at the lowest fuel cost reasonably
28 possible.

29
30 f) Please confirm that any fuel adjustment charges applied for will not result in
31 either utility earning a return in excess of the return authorized by the YUB.
32 Please provide calculations confirming this confirmation.

1 **ANSWER:**

2
3 **(a) to (c)**

4
5 Please see response to LE-YEC/YECL-1-3 and LE-YEC/YECL-1-14. At each GRA the
6 Companies provide a forecast for diesel fuel generation and a forecast fuel price. The
7 policy established in Section 8 of OIC 1995/90 and the fuel adjustment mechanism
8 effectively provides for stability relative to swings in fuel prices and addresses the risk
9 inherent in forecasting diesel fuel prices. This protects all parties from the risks related to
10 forecasting fuel prices up to a year in advance (especially in circumstances where fuel
11 prices fluctuate widely and are difficult to forecast with any accuracy). This does not
12 address risks related to changes in fuel volume (at GRA-approved fuel prices) from the
13 GRA forecast. Fuel price adjustment clauses such as Rider F do not in and of
14 themselves provide diesel fuel price signals to customers.

15
16 **(d) and (e)**

17
18 See response to LE-YEC/YECL-1-3, LE-YEC/YECL-1-4 and the response to parts (a)
19 and (b) above.

20
21 The current process is premised on specific issues relating to the administration of the
22 DFPVA. The requested information is beyond the scope of issues included in this filing,
23 and relates to issues better addressed as part of a revenue requirement review.

24
25 **(f)**

26
27 Rider F charges or rebates to customers do not affect the income of the Companies. The
28 current process relates to the administration of the DFPVA and the Companies at this
29 time are not seeking approval of any fuel adjustment charges. OIC 1995/90 provides for
30 fuel price adjustments without requirement for specific application to and approval of the
31 Board.

1 **REFERENCE: Application, page 1**

2
3 The utilities indicate that “for each actual litre of diesel consumed to generate electricity,
4 the difference between the actual weighted average cost per litre of fuel consumed and
5 the most recent GRA-approved fuel price is recorded in the DFPVA. The variance
6 applies to actual diesel fuel consumed (all fuel consumed) when calculating additions or
7 deletions to the account, i.e. the Companies remain at risk (at GRA-approved fuel
8 prices) for changes in volume from the GRA Forecast”.

9
10 **QUESTION:**

- 11
12 a) Please confirm that the YUB has approved an amount for fuel expense in the
13 revenue requirements of each of the utilities. Please provide details of the
14 approved annual expense showing consumption and price.
15
16 b) Please provide a table for 2009, 2010 and 2011 to date comparing approved
17 levels of fuel consumption by month at GRA-approved prices and actual fuel
18 prices, and actual fuel consumption at GRA-approved prices and actual prices.
19
20 c) Please explain why the utilities are proposing the use of actual diesel fuel
21 consumed in the fuel adjustment clause calculations rather than the fuel
22 consumption levels approved by the YUB for recovery in rates.
23
24 d) Please provide copies of any YUB Orders authorizing the use of actual diesel
25 fuel consumption in the calculation of the fuel adjustment clause.
26
27

28 **ANSWER:**

29
30 **(a), (b), and (c)**

31
32 The current process is premised on specific issues relating to the administration of the
33 deferred fuel price variance account, and the requested information is outside the scope
34 of this current review process. See also responses to LE-YEC/YECL-1-1, LE-
35 YEC/YECL-1-2 and LE-YEC/YECL-1-14.

1 **(d)**

2

3 Pursuant to OIC 1995/90 (and earlier OICs 1991/62 and 1988/150) the Board must
4 permit the Companies to adjust rates to reflect fluctuations in the prices for which the two
5 utilities pay for diesel fuel, without requirement for specific application to and approval of
6 the Board. The Board has in the past approved the Rider F Rate Schedule (Order 1989-
7 1 and Order 1990-2) in essentially the same form as the Rider F Rate Schedule included
8 in current approved rate schedules. This provides for a change in rider in accordance
9 with changes in Companies' fuel costs calculated on a unit base by reference to KWh
10 sales. The manner in which this has been calculated has not materially changed since
11 the early 1990's and is accepted as standard practice.

1 **REFERENCE: Application, page 3**

2

3 The utilities provide details of how the Diesel Fuel Price Variance Calculation would be
4 undertaken.

5

6 **QUESTION:**

7

8 a) Please provide a detailed illustration of this calculation for 2009 and 2010 diesel
9 fuel costs.

10

11 **ANSWER:**

12

13 **(a)**

14

15 As noted the DFPVA addresses only variances in diesel fuel price, i.e., the difference
16 between the actual weighted average cost per litre of fuel consumed and the most
17 recent GRA approved fuel price. This does not address risks related to changes in fuel
18 volume (at GRA-approved fuel prices) from the GRA forecast.

19

20 See Exhibit 1 of the filing which provides the Sample Rate Change Advisory (re:
21 calculation as at April 30, 2011) and sets out how the shortfall (over collection) for each
22 utility based on changes in fuel price from GRA forecast fuel price is calculated.
23 Appendix A of the filing provides a reporting on Rider F adjustments from 2005 to 2011.

1 **REFERENCE: Application, page 4**

2

3 The utilities indicate that “the same rate applies per kWh for all sales regardless of rate
4 block to all retail customers of both utilities [i.e., residential and general service
5 customers for government and non-government customer classes, as well as street and
6 space lights and industrial]”.

7

8 **QUESTION:**

9

10 a) Please provide details of the sources of generation used to supply base levels of
11 kWh consumption for 2009 and 2010. Please include a clear description of how
12 different forms of generation are dispatched to meet demand.

13

14 **ANSWER:**

15

16 **(a)**

17

18 The current process is premised on specific issues relating to the administration of the
19 DFPVA. The requested information is beyond the scope of issues included in this filing,
20 and relates to issues appropriately addressed as part of a revenue requirement review.

1 **REFERENCE: Application, page 4**

2

3 The utilities indicate that “Inter-company transfers ensure that neither Company is
4 carrying a disproportionate share of the cumulative balance of the DFPVA”.

5

6 **QUESTION:**

7

8 a) Please provide details of these inter-company transfers including administrative
9 mechanics in 2009 and 2010. Provide details of any costs incurred as a result of
10 these transfers.

11

12 **ANSWER:**

13

14 **(a)**

15

16 Aside from standard monthly invoicing activities between the Companies there is no cost
17 to ratepayers for these intercompany transfers. The intercompany transfers of Rider F
18 collections are required to ensure neither Company is carrying a disproportionate
19 balance of the DFPVA on its books. The Companies are not reimbursed for carrying
20 costs of DFPVA balances owing from ratepayers. There is no interest expense accrued
21 to ratepayers on account of the DFPVA balances carried by the Companies.

1 **REFERENCE: Application, page 5**

2

3 The utilities indicate that they “will use best judgment to determine the timing of any
4 collection/refund rider, recognizing that at times filings may need to be deferred and
5 balances may exceed the optimal range of +/- \$200,000”.

6

7 **QUESTION:**

8

9 a) Please explain how this method provides any ratepayers with knowledge of
10 impending electricity bill adjustments and fits in with the notion of rate stability
11 and predictability.

12

13 **ANSWER:**

14

15 **(a)**

16

17 See also UCG-YEC/YECL-1-11(b). Fluctuations in fuel prices occur from month to
18 month without requiring immediate changes to rates paid by customers. To the extent
19 that fuel price variances remain within a reasonable range and can be forecast on an
20 annualized basis, it provides for greater rate stability for customers and reduces
21 administration costs of the Companies that would otherwise be incurred on a quarterly
22 rate change scenario. Notice is provided prior to any change in Rider F.

23

24 Over the past four years instances have occurred where the Companies were aware of
25 pending changes associated with implementation of GRA decision which would have a
26 Rider F impact. In those instances the Companies deferred changes to Rider F when the
27 DFPVA was greater than \$200,000 to avoid rate volatility by implementing a rate change
28 that would later need to be adjusted after a GRA process was complete. See response
29 to LE-YEC/YECL-1-10.

1 **REFERENCE: Application, page 5**

2

3 The utilities indicate that they “if the pooled balance of the Companies’ Diesel Fuel Price
4 Accounts is fluctuating over a broad range, the Companies refine the forecast variables
5 to reflect changing economic conditions to arrive at a new Rider F rate”.

6

7 **QUESTION:**

8

9 a) Please confirm the utilities’ understanding that it will be up to the YUB to
10 determine that an emergency exists that could result in an abnormal change in
11 fuel costs and that it will be the YUB that will approve the implementation of any
12 new Rider F rate.

13

14 **ANSWER:**

15

16 **(a)**

17

18 Not confirmed. The quote does not deal with “emergency” situations. Rider F
19 adjustments are made in accordance with the provisions of Section 8 of OIC 1995/90
20 which provides that the Board must permit Yukon Energy and Yukon Electrical to adjust
21 their rates to retail customers, major industrial customers, and isolated industrial
22 customers so as to reflect fluctuations in the prices for which the two utilities pay for
23 diesel fuel, without the requirement for specific application to and approval of the Board.

1 **REFERENCE: Application, page 6**

2
3 The utilities indicate that they “typically provide the YUB with approximately 30 days
4 notice before the Effective Date for implementation of the new rate. The short notification
5 period improves the accuracy of the rate estimate relative to the forecast”.

6
7 *Public Utilities Act*, Section 28(1)

8
9 28.(1) No public utility shall charge any rate for the supply of the service for which it is
10 franchised other than the rate set by the board pursuant to this Act unless, 90 days
11 before it proposes to charge a different rate.

12
13 a. A statement showing the new rate is filed with the board; and

14
15 b. A notice showing the new rate is sent by mail or delivered to each municipality in
16 which the service is provided and to the Minister.

17
18 **QUESTION:**

19
20 a) Please explain how the 30 day notice proposed by the utilities is consistent with
21 the requirements within the *Public Utilities Act* and allows enough time for a
22 thorough public review of any proposed rate change.

23
24 **ANSWER:**

25
26 **(a)**

27
28 Section 28(1) addresses rate changes for supply of service where there is a need for
29 filing with the Board and notice to the public without any specific approval by the Board
30 of such change.

31
32 OIC 1995/90 specifically provides that the Board must permit the Companies to adjust
33 rates without requirement for specific application to the Board. A 30 day notice period is
34 consistent with past practice for Rider F changes and is sufficient where there is no
35 review or approval process and provides necessary flexibility to address changes in fuel
36 costs as they occur or as it is practical.

- 1 The Fuel Adjustment Rider & Deferred Fuel Price Variance Policy is intended to provide
- 2 the Board and interested parties with greater understanding of the administration of the
- 3 DFPVA and Rider F change process.

1 **REFERENCE: Application, page A-1**

2

3 The utilities indicate that “Historically, a fuel adjustment mechanism has been in place in
4 Yukon to provide for stability relative to swings in fuel prices since before the NCPC
5 transfer”.

6

7 **QUESTION:**

8

9 a) Please provide all available reports showing how the fuel adjustment mechanism
10 has been calculated and implemented since before the NCPC transfer. Please
11 include detailed descriptions of the data used in these calculations (e.g., actual
12 versus forecast fuel consumption, etc.).

13

14 b) Please demonstrate how the fuel adjustment mechanism has provided
15 ratepayers with benefits since before the NCPC transfer.

16

17 **ANSWER:**

18

19 **(a) and (b)**

20

21 The question seeks detailed information beyond the scope of the current filing.

22

23 Appendix A of the Policy (at page A-1) references available information on the early
24 provision for a fuel adjustment rider prior to the NCPC transfer. This information provides
25 some historical context for the longstanding provision for a Fuel Adjustment Rider in
26 Yukon, including (see footnote 9 at page A-1) the NCPC references to the NEB in 1985
27 as to introduction of a fuel adjustment clause in 1974/75. As noted, the NEB in its 1985
28 report recommended fuel adjustment clause be included in rate schedules in order to
29 provide for stability and protect the utility and ratepayers from risks inherent in
30 forecasting fuel prices.

31

32 The statements are referenced to the National Energy Board Inquiry into Matters
33 Relating to the Northern Canada Powers Commission (1985). Specific data on fuel
34 adjustment provisions predating the establishment of Yukon Energy or the Yukon
35 Utilities Board is not available and not relevant to the current process.

1 As Appendix A of the policy notes fuel adjustment mechanisms such as Rider F “protect
2 all parties from risks inherent in having to forecast fuel prices up to a year in advance”
3 and “if fuel prices unfold as anticipated and rate adjustment for fuel is not required no
4 party is burdened by a utility having taken the precaution of including a fuel adjustment
5 clause in its rate schedules.” This provides for stability relative to swings in fuel prices.
6 As noted in footnote 9 of the policy the NEB agreed and despite the fact that NCPC was
7 not planning on continuing with the fuel adjustment mechanisms recommend the clause
8 continue to be included in rate schedules in order to minimize risks.

1 **REFERENCE: Application, page A-1**

2
3 The utilities indicate that “Subsequent to Rider F adjustments addressed in the 1991/92
4 GRA, the 1993/94 GRA noted that due to favourable fuel prices in 1992, the Rider F was
5 terminated (set to zero) in November 1992”. The 1996/97 GRA Application noted that
6 Rider F had not been used since 1992 and over the period from 1993-1995 the rider was
7 set to 0.0 cents/kWh. The Companies noted during the 1996/97 GRA that the Rider
8 remained available “in the event of significant variance between fuel price implicit in the
9 Companies rates and the actual fuel price”.

10
11 **QUESTION:**

- 12
13 a) Please provide details of the difference in diesel fuel prices included in rates
14 versus actual prices paid for the years during which the Rider F was set to 0.0
15 cents/kWh.
16
17 b) Please explain why any favourable balance in a fuel cost deferral account would
18 not be credited back to ratepayers on a quarterly basis similar to the quarterly
19 changes to secondary energy rates.
20

21 **ANSWER:**

22
23 **(a)**

24
25 The historical data requested from prior to the 1996/97 GRA is not readily available and
26 goes beyond the scope of the current process.
27

28 **(b)**

29
30 The adjustment rules must apply equally to “favourable” as well as “unfavourable”
31 balances as regards the timing and policy for actual changes to the Rider F charge or
32 rebate. Fluctuations in fuel prices occur from month to month, while changes to
33 secondary rates occur from quarter to quarter – these changes are treated exactly the
34 same way as regards the Rider F account balance (and such changes in each instance
35 have no impact on Company income). If fuel price variances remain within a reasonable
36 range and can be forecast on an annualized basis it provides for greater rate stability for

- 1 customers (who are impacted by actual Rider F changes) and reduces administration
- 2 costs that would otherwise be incurred on a quarterly rate change scenario.

1 **REFERENCE: Application, page A-3**

2

3 The utilities indicate that “Since the 2008/2009 General Rate Application, a Fixed Rider
4 F has been applicable to Rate Schedule 39 – Industrial Primary Rate customers. This
5 adjustment is required due to OIC 2007/94 which requires “Rider F applied to energy
6 charges only, set to \$0.0 for fuel price forecast filed November 20, 2006”.

7

8 **QUESTION:**

9

- 10 a) Please provide details of the Rider F calculations related to industrial customers
11 for 2005, 2006, 2007, 2008, 2009 and 2010 showing all calculations including
12 kWh, rider rate charged and accumulated monthly amounts collected.

13

14 **ANSWER:**

15

16 **(a)**

17

18 The current process is premised on specific issues relating to the administration of the
19 deferred fuel price variance account. As noted in Yukon Energy's 2008/2009 GRA
20 Compliance Filing, the “Fixed Rider F” (which was introduced at that time) is a revenue-
21 related item to YEC (relates to how amounts charged to the industrial class are booked
22 by YEC as an offset to revenue requirement, rather than credited to the Rider F deferral
23 account) and therefore not a Rider F or rate design-related matter. Thus, the requested
24 information is outside the scope of the current proceeding. The “Fixed Rider F” simply
25 enables Rider F as charged to all other customers to also be applied directly to Major
26 Industrial customers while still complying with OIC 2007/94.