

**IN THE MATTER OF the *Public Utilities Act*
Revised Statutes of Yukon, 2002, c.186, as amended**

and

**An Application by Yukon Electrical Company Ltd.
and Yukon Energy Corporation
for approval of the YEC & YECL Rider F —
Fuel Adjustment Rider & Deferred Fuel Price Variance Policy**

BEFORE: B. McLennan, Chair) October 5, 2011
R. Laking)
R. Hancock)

BOARD ORDER 2011-12

WHEREAS:

- A. On June 30, 2011, the Yukon Electrical Company Ltd. (YECL) and the Yukon Energy Corporation (YEC) (jointly the Companies) filed an application with the Yukon Utilities Board (Board) seeking an Order from the Board for approval of the YEC & YECL Rider F — Fuel Adjustment Rider & Deferred Fuel Price Variance Policy (Policy).
- B. The Board issued Board Order 2011-10 outlining a written process and schedule for this proceeding.
- C. Information Requests (IRs) were submitted to the Companies by August 16, 2011. Information responses were received from the Companies on September 6, 2011.
- D. The Board received motions from the Utilities Consumers' Group (UCG) and John Maissan, Leading Edge (LE) requesting the Board order the Companies to provide adequate responses to certain specified IRs.
- E. On September 13, 2011, the Board issued a memorandum to the Companies and intervenors regarding the process for responding to the UCG and LE motions, and suspending the schedule or argument and reply for the Rider F Policy proceeding.

NOW THEREFORE the Board orders as follows:

1. The Companies are directed to provide further responses to the IRs specified in Appendix A to this Order.
2. The Companies are directed to respond to the further IRs from the Board as attached in Appendix B to this Order.
3. The Board approves the revision to the proceeding schedule, as follows:

Action	Date
Information Responses from the Companies	October 17, 2011
Argument	October 27, 2011
Reply	November 3, 2011

DATED at the City of Whitehorse, in the Yukon Territory, the 5th day of October 2011.

BY ORDER



Bruce McLennan
Chair

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Appendix A to Board Order 2011-12

The Board has considered the requests of UCG and LE for further and better IR Responses. The Board reviewed the IRs in question and the responses provided to date by Companies and the submissions of the Parties relating to the IRs.

1.0 UCG Motion

UCG-YEC/YECL-1-2(d) and (e): The Board accepts the reasons given by the Companies in their September 6, 2011 response and submission of September 21, 2011 and requires no further action on this IR.

UCG-YEC/YECL-1-3(a), (b) and (c): In the Board's view, the Companies have not responded adequately to this IR. In the Board's view, responses to parts of this question will bring greater clarity to how the Diesel Fuel Price Variance Account (DFPVA) works, and how OIC 1995/90 is interpreted. The Board directs the Companies to respond to the first part of part (a) and to respond fully to the (b) and (c) parts of the question.

UCG-YEC/YECL-1-5: The Board accepts the reasons given by the Companies in their September 6, 2011 response and requires no further action on this IR.

UCG-YEC/YECL-1-11(a): The Board accepts the reasons given by the Companies in their September 6, 2011 response and their submission of September 21, 2011 and requires no further action on this information request.

UCG-YEC/YECL-1-12: In the Board's view the Companies have not responded adequately to this IR. The Board views the response to this question as a method to show how Rider F applies to major industrial customers. The Board directs the Companies to fully respond to the question but limits the timeline to the years 2007 to 2010 inclusive.

2.0 John Maissan (LE) Motion

LE-YEC/YECL-1-4: The Board wishes to understand whether there is a relationship between the Diesel Contingency Fund (DCF) and the DFPVA. Therefore, the Board directs the Companies to fully respond to this IR. In addition, the Board directs the Companies to demonstrate by way of example how the DCF operates, and through that example show that there is or is not an interrelationship between the DCF and the DFPVA.

LE-YEC/YECL-1-5: As the Board wishes to understand whether there is a relationship between the DCF and the DFPVA, the Board directs the Companies to fully respond to the IR.

LE-YEC/YECL-1-6: The Board wishes to understand whether or not there is a relationship between the DCF, Rider D and the DFPVA. The Board directs the Companies to demonstrate by way of example how the DCF, Rider D and the DFPVA operate, and through that example show that there is or is not an interrelationship between the DCF, Rider D and the DFPVA.

LE-YEC/YECL-1-7: In the Board's view, the Companies have not responded adequately to this IR. In the Board's view, the response to this question will help broaden the understanding of the issues in this proceeding. The Board directs the Companies to fully respond to this information request.

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**Appendix B to Board Order 2011-12
Further Information Requests from the Board**

Yukon Utilities Board Information Request Round 2 to YEC/YECL

YUB-YEC/YECL-2-1

Reference: Rider F application, responses to interrogatories

Issue/Sub-Issue: Diesel Fuel Price Variance

Quote: For each actual litre of diesel consumed to generate electricity, the difference between the actual weighted average cost per litre of fuel consumed and the most recent GRA-approved fuel price is recorded in the DFPVA. The variance applies to actual diesel fuel consumed (all fuel consumed) when calculating additions or deletions to the account, i.e. **the Companies remain at risk (at GRA-approved fuel prices) for changes in volume from the GRA forecast.**¹ [highlight added]

Only the difference between the actual weighted average cost per litre of fuel consumed and the most recent GRA-approved fuel price is deferred to the DFPVA. This does not address risks related to changes in fuel volume (at GRA-approved fuel prices) from the GRA forecast. In this respect costs related to diesel generation in excess of the most recent Board approved amounts are not deferred.²

The DFPVA only addresses differences between actual fuel prices and GRA-approved fuel prices, and does not address any differences in actual and GRA-approved diesel generation.³

¹ YEC/YECL application, Page 1, 2011; June 30, 2011.

² YEC/YECL responses to interrogatories; LE-YEC-YECL-1-1; September 6, 2011.

³ YEC/YECL responses to interrogatories; LE-YEC-YECL-1-3; September 6, 2011.

Preamble: The Board wishes to gain a better understanding of the DFPVA.

Request:

- (a) With respect to the DFPVA, please confirm that Companies are at risk for all costs associated with diesel generation volume variances in excess of the most recent Board approved amounts in test years, i.e. YECL (2008 and 2009) and YEC (2009). Please explain fully.
- (b) For non-test years please explain fully how the above phrase “changes in volume from the GRA forecast” is to be interpreted.
- (c) In respect of the Companies’ latest test years, i.e. YECL (2008 and 2009) and YEC (2009), what are Board-approved diesel generation volumes (MWh) in each of the test years? Please provide the Board-approved diesel fuel prices (cents/litre) and total diesel fuel dollars for each of the Companies in each of the test years.
- (d) By unit, please provide a schedule showing the monthly forecast diesel generation volumes (MWh), the net heat rates (kWh/litre), the forecast litres consumed and the total diesel fuel dollars that form the bases for the approved amounts provided in (c) above.
- (e) Is it the Companies’ determination that forecast diesel generation volume amounts for non test years are the Board-approved volumes for the latest test years? Please explain fully.
- (f) For each of the Companies, please provide a schedule (Excel spreadsheet) for 2008, 2009, 2010 and 2011 to date comparing:
 - i. approved diesel fuel consumption by month at GRA-approved prices and actual fuel prices; and
 - ii. actual fuel consumption by month at GRA-approved prices and actual prices.
- (g) Please provide a detailed explanation as to how “the Companies remain at risk (at GRA-approved fuel prices) for changes in volume from the GRA forecast” since, when calculating additions or deletions to the DFPVA, “the [fuel price] variance applies to actual diesel fuel consumed (all fuel consumed)?
- (h) When was the DFPVA methodology and Rider F first approved and how was it to be implemented? Please explain and provide all supporting documentation.
- (i) In respect of Rider F, please provide all supporting documentation where the Board has approved diesel fuel price variances for diesel fuel volumes greater than approved GRA forecast diesel fuel volumes.
- (j) Does Rider F apply to the WAF-Mayo-Dawson (WAFMD) system only? Please provide all supporting documentation.
- (k) In respect of diesel generation for test years, i.e. YECL (2008 and 2009) and YEC (2009), that is not on the WAFMD system, how are the Companies compensated for risk in respect of forecast diesel fuel prices and volumes?
- (l) Considering that the DFPVA is a diesel-fuel-price only deferral account, i.e. the Companies are at risk for generation in excess of approved generation volumes, what

are the Companies' thoughts respecting a monthly calculation that multiplies the approved forecast volume times the diesel price variance (actual – forecast) in order to determine a DFPVA balance? Please provide all supporting documentation.

- (m) Further, in addition to the scenario proffered in part (l) what are the Companies' views in utilizing the last approved retail forecast in order to arrive at a Rider F rate? Please provide all supporting documentation.
- (n) The scenario presented in parts (l) and (m) above, along with a minimum threshold amount, would facilitate an easy perusal and understanding by both the Board and intervenors in respect of the Companies' proposed Rider F and DFPVA quarterly reporting. Please discuss fully and include documentation and detail supporting the Companies' conclusions.

YUB-YEC/YECL-2-2

Reference: **Application**

Issue/Sub-Issue: **Companies' Rider F & DFPVA quarterly and annual report processes**

Quote: **Fuel Price adjustment**

8. The Board must permit Yukon Energy Corporation and The Yukon Electrical Company Limited to adjust their rates to retail customers, major industrial customers, and isolated industrial customers so as to reflect fluctuations in the prices for which the two utilities pay for diesel fuel, without the requirement for specific application to and approval of the Board.⁴

... OIC 1995/90 provides for fuel price adjustments without requirement for specific application to and approval of the Board.⁵

Preamble: The Board would like to understand the calculations that form the basis for the Companies' proposed rider quarterly report and the Companies' understanding in respect of future dispute resolution mechanism that may or may not be in place respecting future quarterly DFPVA reports.

Request:

- (a) To facilitate the Board and intervenors in respect of this application, please provide Exhibit 1,⁶ of the Companies' Rider F policy submission, in Excel spreadsheet format with all formulas intact and appropriate explanations, i.e. footnote where the forecasts underlying the DFPVA balances have been approved. Please provide all supporting documentation.

⁴ OIC 1995/90

⁵ UCG-YEC/YECL-1-2(f)

⁶ "Sample Rate Change Advisory to YUB"

- (b) With respect to part (a), please provide the calculations underlying the carry-forward DFPVA balances (e.g. due from YECL customers as at April 30, 2011 – 139,133) and when and if these carry-forward balances have received Board approval.
- (c) Please explain the mechanism in place for testing of the retail sales forecast and more specifically the underlying generation forecast, both hydro and diesel for the period May 2011 – May 2012 (Exhibit 1 – see footnote 6).
- (d) Do the Companies propose to use the underlying generation forecasts in part (c) in order to determine future monthly DCF and DFPVA calculations? Please explain fully and provide all supporting documentation.
- (e) Please provide the Exhibit 2,⁷ of the Companies' Rider F policy submission, in Excel spreadsheet format with all formulas intact. Please provide supporting documentation and clearly explain the monthly determinations under the columnar headings.
- (f) In LE-YEC/YECL-1-2 (f) the Companies submit that "Rider F charges or rebates to customers do not affect the income of the Companies." Please explain fully what is meant by the submission. Is it the Companies submission that there is no need for Rider F and by extension a DFPVA? Please explain fully and provide supporting documentation.
- (g) Please confirm that Rider F rates are applied to industrial customers. If not, why not? Please provide supporting documentation.
- (h) Does OIC 1995/90 take away the ability of intervenors to dispute the utility calculations in respect of Rider F? Please explain fully and provide supporting documentation.
- (i) Please explain the mechanism that is in place for an interested party to dispute the rates?

⁷ "Quarterly and Annual Reporting Processes"

YUB-YEC/YECL-2-3

Issue/Sub-Issue: **DFPVA**

Quote: The DFPVA only addresses differences between actual fuel prices and GRA-approved fuel prices, and does not address any differences in actual and GRA-approved diesel generation. As noted on page 1 of the Policy in respect of the diesel fuel price variance,
 “For each actual litre of diesel consumed to generate electricity, the difference between the actual weighted average cost per litre of fuel consumed and the most recent GRA-approved fuel price is recorded in the DFPVA.”

Preamble: The Board wishes to gain a better understanding of the mechanics of the DFPVA and volume risk faced by the Companies.

Request:

- (a) Please explain why the difference between “the actual weighted average cost per liter of fuel consumed and the most recent GRA-approved fuel price” is used rather than the difference between “the actual cost per liter of fuel consumed and the most recent GRA-approved fuel price” when calculating the DFPVA balance?
- (b) Please explain why the utilities are proposing the use of actual diesel fuel consumed in the fuel adjustment clause calculations rather than the fuel consumption levels approved by the Board for recovery in rates.
- (c) Please provide a copy of any authority that directs the use of actual diesel fuel consumption in the calculation of the fuel adjustment clause.
- (d) YECL, using the spreadsheet provided in the answer to YUB-YEC/YECL-2-1 (f), in separate columns please provide the monthly:
 - i. calculations and explanations respecting the determination of the 2008, 2009, 2010 and 2011 DFPVA balances; and
 - ii. calculation and corresponding explanations respecting the determination of the weighted average cost per liter of fuel that forms part of the DFPVA calculation.
- (e) YEC, using the spreadsheet provided in the answer to YUB-YEC/YECL-2-1 (f), in separate columns please provide the monthly:
 - i. calculations and explanations respecting the determination of the 2008, 2009, 2010 and 2011 DFPVA balances; and
 - ii. calculation and corresponding explanations respecting the determination of the weighted average cost per liter of fuel that forms part of the DFPVA calculation.
- (f) Please explain how the DFPVA determinations in parts (d) and (e) above are appropriate for a price-only deferral account, i.e. volume risk is borne by the utility. Please explain the volume risk as understood by the Companies.
- (g) For each of YEC and YECL, please provide a table showing variances in respect of fuel price for the period January to July 2011. For this period of time how were the volumes determined?

- (h) How are non-test year volume variances determined? Please provide a copy of any authority that directs the determination of non test-year volume variances.

YUB-YEC/YECL-2-4

Reference: IR LE-YEC/YECL-1-4

Issue/Sub-Issue: Diesel Contingency Fund

Quote: ... What would be the impact on the Diesel Contingency Fund (DCF)?

Preamble: The Board is interested in how the DFPVA policy was formulated especially in light of other deferral accounts or funding that that have been approved.

Request:

- (a) Please explain the origin and the role of the DCF in respect of mitigating financial risk to the Companies. Please provide supporting documentation and detail in your discussion.
- (b) In respect of (a) please discuss the approved mechanics, i.e monthly credits and debits, associated with the DCF. Please provide supporting documentation, i.e. findings, reports and decisions in support of your discussions.
- (c) In respect of the DCF, how is a long-term hydro generation forecast determined? Please provide the monthly hydro generation that underpins the 2009 approved hydro generation forecast.
- (d) Using approved hydro generation and diesel generation forecast, YECL (2008 and 2009) and YEC (2008) as a basis, i.e., please provide documentation, i.e. explanations and schedules (Excel spreadsheet with formulas and links between cells intact), illustrating the monthly credits and debits that were made to the DCF. The documentation should delineate instances where:
 - i. Hydro generation is in excess of the approved forecast, and diesel is not on the margin;
 - ii. Hydro generation is in excess of the approved forecast, and diesel is on the margin (please proffer an explanation); and
 - iii. Hydro generation is below the approved forecast and diesel is on.

The schedules should include columns showing actual and approved monthly hydro and diesel generation forecasts. Please use the spreadsheet provide by the Companies in answering YUB-YEC-YECL-2-1(f)

- (e) For other than test years, does the last approved hydro generation form the basis for monthly credits and debits to the DCF? If not, please explain.
- (f) For the years 2010 and 2011 to date, please redo part (d).
- (g) In view of the answers provided to parts (d) and (f) above and the forecast risk mitigated by the DCF, please explain how a DFPVA that fully mitigates a utility's risk regarding forecast diesel fuel prices and diesel generation volume is appropriate. Please provide supporting documentation.

YUB-YEC/YECL-2-5

Reference: Application

Issue/Sub-Issue: Section 8 of rate policy directive, Order in Council (OIC) 1995/90

Quote: Fuel Price adjustment

8. The Board must permit Yukon Energy Corporation and The Yukon Electrical Company Limited to adjust their rates to retail customers, major industrial customers, and isolated industrial customers so as to reflect fluctuations in the prices for which the two utilities pay for diesel fuel, without the requirement for specific application to and approval of the Board.

Preamble: The Board wishes to understand the Companies response to UCG-YEC/YECL-1-2:

“At each GRA the Companies provide a forecast for diesel fuel generation and a forecast fuel price. The policy established in Section 8 of OIC 1995/90 and the fuel adjustment mechanism effectively provides for stability relative to swings in fuel prices and addresses the risk inherent in forecasting diesel fuel prices. This protects all parties from the risks related to forecasting fuel prices up to a year in advance (especially in circumstances where fuel prices fluctuate widely and are difficult to forecast with any accuracy). This does not address risks related to changes in fuel volume (at GRA-approved fuel prices) from the GRA forecast.”

Request:

- (a) From the Companies perspective please explain fully the “policy established in Section 8 of OIC 1995/90.”
- (b) Please explain what is meant by “the fuel adjustment mechanism.” Please provide supporting documentation.
- (c) Please explain “the risk inherent in forecasting diesel fuel prices.”
- (d) Please explain “... provides for stability relative to swings in fuel prices ...”
- (e) The Companies state that “[OIC 1995/90] does not address risks related to changes in fuel volume ... from the GRA forecast.”⁸ Responding to UCG-YEC/YECL-1-3, wherein the Companies were requested “to provide copies of any YUB Orders authorizing the use of actual diesel fuel consumption in the calculation of the fuel adjustment clause”, the Companies submitted that “Pursuant to OIC 1995/90 ... The Board has in the past approved the Rider F Rate Schedule (Order 1989-1 and Order 1990-2) in essentially the same form as the Rider F Rate Schedule included in current approved rate schedules.”

⁸ UCG-YEC/YECL-1-4

- i. In the response to IR-UCG-YEC/YECL-1-3 reference is made to Board Order 1989-1 and Order 1990-2. Please provide copies of these orders; and
- ii. In respect of Rider F and the determination of DFPVA balances, please provide all supporting documentation wherein the Board has approved diesel fuel price variances for diesel volumes greater than approved GRA forecast diesel fuel volumes.