

A Presentation to the Yukon Utilities Board
Regarding Yukon Energy's 2021 General Rate Application

By John Maissan
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Mr. Chair, Board members, thank you for the opportunity to address you, the Yukon Utilities Board, as a presenter in the Yukon Energy 2021 General Rate Application (GRA) that is before you.

There are five matters that I wish to address at a high level.

First is the Board's representation of the public interest in its decisions.

My understanding of the Public Utilities Act is that the role of the Board is to represent and protect the public interest in matters involving utility companies who have been granted monopolies and thus do not have free market competition. This public interest is generally interpreted to be principally financial in nature. However, the true public interest is broader than just short-term financial in nature, its aspects include long-term cost and physical well-being too.

Based on my direct and indirect involvement in Board proceedings over the past 25 years or so, it seems to me that the Board has focussed only on the shorter-term financial aspects of the public interest. Up to now the reality of climate change, which has been so much in the media for the past decade at least, has not had any noticeable influence on Board decisions. Yet the long-term cost and well-being impacts of climate change on our present society and especially on those who will follow us, our children, grand children, and great-grand children, are very real and mounting steadily. More erratic and extreme weather events are a consequence of climate change. One recent example of this kind of impact is the 2017 to 2020 drought caused fuel surcharge which until July of this year added about 8.5% to my monthly electrical energy cost, over and above anything the low water reserve fund may have covered. Another example is the record snowfall in the winter of 2020-2021 and the floods which are only now subsiding and the costs for which are as yet unknown to ratepayers.

An example of a decision in which there was no looking forward was the Board decision to disallow most of the joint Yukon Energy and The Yukon Electrical Company (now ATCO Electric Yukon) Demand Side Management plan contained in and heard with the 2013-2015 Yukon Electrical GRA. This was a regrettable decision that was repeated in the Yukon Energy 2017-2018 GRA. Today's ratepayers are paying higher costs for what has been uncontrolled peak load growth for the rental of more diesel generators and increased LNG and diesel generation which could have been mitigated by DSM and peak management programming.

These Board decisions appeared to have been based on the short-term financial benefits to ratepayers. Now ratepayers are paying the longer-term financial costs and Yukon has increased greenhouse gas emissions which will lead to further acceleration of climate change and, in turn, will

lead to still higher future long-term costs. It is my view that the Board's perspective of the public interest as represented in its decisions has been too short-term and too narrowly financial.

Second is unnecessarily high study costs.

A high level of study costs has come to characterize the more recent Yukon Energy GRAs. The Board and Yukon Energy jointly need to take responsibility for requiring and / or providing very high and detailed levels of study regarding so many utility activities from brushing to all manner of capital projects. In my view we are incurring a higher level of study costs than is reasonable for a small jurisdiction with a small number of ratepayers. It is my belief that, for a number of the activities and capital projects, more practical and modest approaches make sense for Yukon.

Third is that of the use of fossil fuels.

The public have repeatedly signalled what they know to be in their long-term interest in expressing their opposition to the Yukon Energy LNG facility, the use of hydraulic fracking for fossil fuel extraction, and in their opposition to a proposed new Yukon Energy thermal generating plant. Why is it that the public needs to raise Cain with their government, their utility, and the Board to have these decision making bodies protect their long-term interests?

Why do the Yukon government, Yukon Energy, and the Board not consider the variable cost of fossil fuel generation which was openly acknowledged in the BESS proceeding by Yukon Energy? And why do they not consider the increasing cost of climate change because of fossil fuel use when evaluating and procuring renewable energy? It defies logical thinking. It is as though their interests lie in surreptitiously promoting the use of these very fossil fuels that are so negatively impacting our planet and electricity costs.

I am really hoping that this GRA will be a watershed with significantly increased consideration of climate change in the Board's deliberations and decisions. When I read some of the Board's Interrogatory Requests (IRs), for example YUB-YEC-1-34, about the pricing of renewable energy and the lack of a higher winter rate to reflect the higher winter marginal costs in the Standing Offer Program part of the Independent Power Producer Policy (IPP Policy), I see cause for some optimism. I do find it puzzling that Yukon Energy chose to answer the last part of this question in what appears to be a tongue-in-cheek manner by saying that the policy does not provide for lower prices to apply in summer without addressing appropriately higher winter prices that the question was about. We all know that Yukon Energy's winter costs are higher than their summer costs, this GRA provides plenty of evidence to this effect. Perhaps it would also make sense to lower summer SOP pricing to enable even higher winter pricing but if that was what Yukon Energy was trying to say it was a peculiar way of saying that.

In my view this Yukon Energy response was neither helpful nor accurate. The IPP Policy specifically considers the possibility of seasonal rates. The policy also says that the blended fuel rate last approved by the Board in a GRA is to apply to purchase contracts. All that should be needed is for

Yukon Energy to request of the Board, or for the Board to impose on Yukon Energy, winter and summer blended seasonal rates in its decision, and by virtue of the policy wording those will be the Standing Offer Program rates going forward.

A lot of time has passed since Yukon Energy filed its GRA. Since the GRA preparation date, the costs for both diesel and LNG fuels have increased, as revealed in the BESS proceeding held by the Board. In my view it is imperative that during the forthcoming hearing Yukon Energy be required to update its 2021 actual and projected fuel costs, blended fuel costs, and variable thermal generation costs. Updated fuel cost projections for 2022 may also be helpful for forward looking decisions.

The fourth matter is Yukon Energy's financial situation.

Yukon Energy is a politically directed entity, as government owned utilities in other Canadian jurisdictions are too. The delayed Yukon Energy 2017-2018 GRA decision and Covid have played havoc with Yukon Energy's financial situation – their return on equity is at a level that could not be tolerated by any investor owned utility. It is also hampering their ability to finance the equity portion of capital projects from their return on equity. And still the political pressure not to increase rates is there. Yukon Energy's GRA proposal to only increase rates as the present fuel adjustment rider comes to its end in mid-year and the 2017-2018 true-up rider ends at the end of November, is self-sacrificing of them and very considerate of ratepayer impacts. Yukon Energy will obviously continue to hurt financially throughout 2021. This condition should not be tolerated beyond 2021, especially not as ATCO Electric Yukon has been substantially overearning for several years; a matter that the Board should also be dealing with.

The fifth matter is Yukon Energy's plans going forward.

Yukon Energy's failure in the first 10 to 15 years of this 21st century to be more forward looking together with faster than anticipated mining load growth has them playing catch-up big time now. Not only do we need to increase renewable generation for today's needs, but we need spare renewable energy capacity to cover future drought periods and the growth of consumer load to switching from fossil fuel use to electrical energy use for heating and transportation. In my view Yukon Energy is moving in the right direction in their short term projects which include DSM (especially peak load reduction efforts); up-rating existing hydro assets; the BESS project; and replacing retiring diesel generators. The good medium term projects include the southern grid extension and connection to an expanded Atlin hydro project. For the long-term a pumped hydro storage is, in my view, critical to Yukon's electricity grid. Now is the right time to be moving forward in a sensitive and appropriate manner on this. However, projects like this will take time to develop and First Nations involvement will be necessary, even critical, for its success. In this regard the Vice-President of First Nations Relations is an extremely important position. It feels as though Yukon Energy finally taking the necessary steps to move into the 21st century.

The one thing I find puzzling is the lack of focus on renewable winter energy to serve our more rapidly growing winter energy needs. The Standing Offer Program as it is presently going will provide a lot

more summer energy than winter energy. Connection to the Atlin project will provide dependable capacity and year-round energy, but this project combined with our present winter hydro storage capability could be augmented by an intermittent winter predominant source such as wind generated electrical energy. In future when a pumped hydro storage facility is connected to the grid its energy storage requirements could and would be reduced by a complimentary wind project of a scale that reduces energy costs. And certainly the recent (2017 to 2020) drought has reminded us that a diversity of supply in a portfolio of supply options is much more likely to provide a less variable renewable energy supply from year to year than depending on a single renewable option such as hydro as the only electricity supply.

Yukon Energy's 10-Year Renewable Electricity Plan that targets 97% renewable electricity supply by 2030 with long-term average water supply for hydro generation, is the most progressive plan to come from Yukon Energy in very long time. I really hope that this 97% target is achieved by 2030 because renewable electricity will be critical to achieving the necessary greenhouse gas reduction targets and starting to slow down the rate of climate change. In short, this plan is critical to our long-term well-being.

Here is brief summary of these five matters.

1. The Yukon Utilities Board has taken a narrow financial perspective of the public interest in its decisions and needs to consider the broader and longer-term public interest in future decisions.
2. Both the Board and Yukon Energy can be reducing the cost of many studies through requiring and providing a more modest level of study appropriate to a small jurisdiction.
3. Both the Board and Yukon Energy have means at their disposal to encourage the use of renewable energy over the use of fossil fuels. There are justifiable incentives for renewable energy that both parties should be working to put in place, and I see positive signals from the Board to this effect in some of their IRs.
4. Yukon Energy is in a weak financial position at present, one which will continue through 2021 if the Board accepts their proposed rate increases. This should not be allowed to continue beyond 2021.
5. Yukon Energy's 10-year renewable electricity plan is their most progressive plan in a very long time. I really hope that they will pursue it with skill and determination to lead us to a better electrical energy position than we are in right now.

In conclusion, Mr. Chair, I am hopeful that the Board will take a broader view of the public interest in its coming to its decision on this GRA and that it will be the first of a pattern of forward looking decisions that protects all aspects the real long-term public interest in electricity supply; not just a short-term financial perspective. Also, I am increasingly confident that Yukon Energy is moving in the right direction with respect to our electricity supplies, a direction that the Board has the opportunity to encourage in its decision.

Once again, I thank you for the opportunity to make this presentation to you.