

Yukon Utilities Board

January 17, 2025

By E-mail

Joel Pauch

Dear Mr. Pauch:

RE: ATCO

The Yukon Utilities Board (Board) has received your e-mail, dated December 4, 2024, about ATCO energy bills. I firstly want to apologize for the delay in responding to your e-mail. The YUB does not operate on a full-time basis and so cannot respond as immediately as we would sometimes wish.

In your e-mail, you expressed your "... utmost frustration and annoyance with this company as a whole. Also with your board for allowing higher rates." You went on to voice your concerns about the changes to the manner in which certain of the riders are now included in the rate base and with the fact that the further use of electrical heating, appliances, and cars are being promoted by government at a time when you believe that the utilities are not able to meet the present energy load.

In response to your comments, neither ATCO Electrical Yukon (AEY) or the Yukon Energy Corporation (YEC), which are the Yukon utilities, are authorized to increase their rates for electricity service without an application to the Board and a decision from the Board on that application. This response sets out a detailed explanation of how the Board sets rates for AEY and YEC and the manner in which those rates are set out on your energy use bill. It is admittedly very long but it does contain a lot of information as your comments, which are very understandable, go into a lot of complex issues.

To start with, the Board is a quasi-judicial agency in the Yukon established under the *Public Utilities Act*. Under this Act, the Board must set just and reasonable rates for the provision of safe electricity service to customers in the Yukon. The purpose of the Act is to conduct independent and objective analyses of rates which the utilities propose. When considering a rate application, the Board must act in accordance with the legislation and with the law that has been established by courts reviewing decisions of Utility Boards.

By law, the Board must take into account, in its decisions, the financial requirements of the utility, such as fair return for the money invested by the utility as well as the impacts on the customer. It must also consider both the sustainability of the utility and the recovery of rates from customers through reasonable charges for utility service. The Board can only make decisions on the evidence that is brought before it by the applicant utility, or another

party, in a hearing. The *Public Utilities Act* explicitly provides, at section 69, that an application for leave to appeal can be made to the Appeal Court of Yukon by an applicant who has a question of law in respect of the Board's decision or order, or who believes that the Board has exceeded its legal jurisdiction.

The Board encourages members of the public to participate in its hearings. Public participation ensures that all issues and perspectives come to the Board's attention in a transparent process. Hearings allow the Board to make a fully informed decision with significant public input.

A member of the public may become involved as an intervener. Interveners are individuals or groups who want to take a position on an application before the Board by attending the hearing, providing information and/or evidence, questioning the applicant, and potentially providing a closing statement of position at the end of the hearing. An individual or group must apply to become an intervener and their costs to participate may be paid by the applicant if the Board directs costs to be awarded.

AEY 2023-24 General Rate Application

The Board set the most recent rates for AEY in July 2024. The process for determining these rates began on July 7, 2023, when, in accordance with the *Public Utilities Act*, AEY filed a general rate application with the Board requesting an order approving its forecast revenue requirement for 2023 and 2024. When applying for an increase in rates, AEY must justify to the Board all the components of the revenue requirement to support a requested rate increase. Those costs are considered and analyzed in detail by the Board and interveners, and include:

- The cost to build, operate, and maintain the utility's facilities;
- The cost to finance debt incurred from building the utility's facilities;
- The cost for depreciation and amortization expenses;
- The costs for financing general debt incurred by the utility; and
- Any other costs to provide affordable and reliable service to utility customers.

On July 14, 2023, the Board issued Board Order 2023-13 giving notice of the application and setting out the process schedule for it. The Board ordered that this notice be published in a newspaper and invited any person interested in participating in the proceeding to register with the Board.

The Board encourages members of the public to participate in rate-setting proceedings. Some persons did register to participate and the Board approved requests for intervener

status from Florian Boulais, John Maissan, the Utilities Consumers' Group, Nathaniel Yee, YEC, Yukon NDP Caucus, and the Yukon Conservation Society. The Board and the interveners asked written questions of AEY on its application including expert reports filed.

Following many written questions, the Board held an oral hearing on November 27 to 30, 2023, in Whitehorse. Some interveners attended in person, and some attended virtually. The hearing was open to the public and there were some observers and also some media present. The interveners and the Board asked questions of the AEY witnesses on its application and written responses and any other information relating to the revenue requirement applied for by AEY. After the hearing, AEY and the interveners filed written final arguments and reply arguments.

Once the Board received written arguments and reply arguments, it carefully deliberated on the evidence received from AEY and interveners. On May 31, 2024, the Board issued Board Order 2024-01 and Appendix A which set out the Board's detailed reasons for its decision.

The Board did not approve the revenue requirement as requested by AEY; it made the decision that it thought was appropriate given the evidence it heard and considered in accordance with the law. Therefore, AEY was required to make adjustments to the revenue requirement, as directed by the Board, and file a compliance application which was submitted on June 28, 2024. The Board scrutinized the compliance application, and the interveners had an opportunity to do so as well. On July 26, 2024, the Board issued Board Order 2024-05 approving AEY's changes to the revenue requirement. AEY's rate riders were approved effective September 1, 2024, and are shown as Attachment 1 and Attachment 2 to the Board Order. These are: Rider R (Rate Adjustment Rider), reflecting an increase of 3.58 percent to set final Rider R Rate adjustment Rider to 14.38 percent, and Rider R1 (AEY Temporary Rate Adjustment Rider) reflecting a decrease of -1.15 percent in order to refund AEY's over collection from rate payers (fuel variances, as well as changes between interim and final rates) over the twelve-month period of September 1, 2024 to August 31, 2025.

YEC 2023- 24 General Rate Application

The Board set the most recent rates for YEC in September 2024. The process for determining these rates began on August 31, 2023, when YEC filed an application with the Board, pursuant to the *Public Utilities Act*, requesting an order approving its forecast revenue requirement for 2023 and 2024. In considering YEC's revenue requirement, the Board must take into account the same factors outlined above in respect of the AEY's application.

On September 7, 2023, the Board issued Board Order 2023-19 giving notice of the application and setting out the process schedule for it. The Board ordered that this notice be published in a newspaper and invited any person interested in participating in the proceeding to register with the Board. As was the case with the AEY application, some persons did register to participate and the Board approved requests for intervenor status from AEY, John Maissan, Nathaniel Yee, and the Utilities Consumers' Group. The Board and the intervenors asked written questions of YEC on its application.

Following many written questions, the Board held an oral hearing on March 4 to 7, 2024, in Whitehorse. Some intervenors attended in person and some virtually. Again, the hearing was open to the public. The intervenors and the Board asked questions of the YEC witnesses on its application, its written responses to Information Requests, and any other information relating to the revenue requirement applied for by YEC. After the hearing, YEC and the intervenors filed written final argument and reply argument.

Once the Board received written argument and reply argument, it carefully deliberated on the evidence received from YEC and intervenors. On July 12, 2024, the Board issued Board Order 2024-05 and Appendix A to the Board Order which sets out the Board's reasons for its decision. The Board did not approve the revenue requirement as requested by YEC. Therefore, YEC was required to make adjustments to the revenue requirement as directed by the Board and file a compliance application which was submitted on August 5, 2024. The Board scrutinized the compliance application and ensured that the intervenors had an opportunity to do so as well. On September 13, 2024, the Board issued Board Order 2024-13. In accordance with the reasons set out in Appendix A to that Board Order, the Board approved YEC's compliance filing and, as such, it approved its final rates making the following directions in respect of rate riders: that Rider J, applicable to some non-residential customers, be set at 55.40 per cent for retail non-industrial customers and 51.75 per cent for industrial customers, effective October 1, 2024, and that Rider J1, applicable to all YEC and AEY firm retail and industrial rates, including fixed Rider F and fixed charge payments for major industrial rates, be set at 9.45 per cent, to be in effective for an estimated 27-month period, from October 1, 2024 to December 31, 2026. The reference to "firm" rates indicates that these are rates for a continuous provision of the service which is intended to be uninterrupted. The Board's approval of YEC's requested changes to those rate riders was effective October 1, 2024.

The shortfall rider, which is Rider J1 — the Temporary Adjustment Rider — and which your e-mail expressed specific concerns about, is addressed in YEC's compliance application

and Appendix A to Board Order 2024-13. This rider is to recover the net shortfall in YEC's rate revenues for 2023, and the first nine months of 2024, on the following basis:

- True-Up Adjustment for 2023 — A true-up is a reconciliation between the amount required and the amount already collected so that the final amount collected reflects the actual expenses of the utility and the approved rate. The Board directed that the 2023 test year is to be finalized consistent with a required GRA rate increase of \$7.717 million in the Compliance Filing compared to \$6.667 million in the Application. This increase was required because no interim Rider J collections occurred during 2023, which resulted in a shortfall of \$7.717 million for true-up purposes.
- True-Up Adjustment for 2024 — The 2024 test year is to be finalized consistent with a required GRA rate increase of \$15.650 million in the Compliance Filing compared to \$15.320 million in the Application.
- Interim Rate Revenues — The interim rates, effective January 1, 2024 and August 1, 2024 to October 1, 2024, result in incremental forecast revenue of \$5.764 million, and the final Rider J, effective October 1, 2024, is forecast to collect \$4.456 million between October 1, 2024 and December 31, 2024, resulting in total incremental revenues of \$10.220 million.
- Net 2023/24 Revenue Shortfall for True-up — The net 2023/24 revenue shortfall is \$13.147 million [$\$7.717 + \$15.650 - \10.220].
- Rider F Adjustment which relates to fluctuations in utility expense due to changes in fuel price — Pursuant to legislation, and applied consistently over the last several GRAs, the Rider F account relating to YEC is reset to zero for the Compliance Filing. All future calculations relating to Rider F will utilize the Board-approved fuel prices and fuel efficiency for the 2023/24 GRA as the base. The 2023 and January to September 2024 Rider F Adjustments (see Appendix 1.1, Tables 1.1-6 and 1.1-7) equal the difference in fuel price forecast from actual fuel prices calculated by using the 2023/24 GRA-approved fuel efficiency and fuel prices, as well as related variance between actual, including secondary sales rate related adjustment. These adjustments provide for a \$2.658 million increase true-up requirement.

The shortfall rider was approved by the Board in accordance with the application and process set out above. The utility is collecting the shortfall rider in accordance with the Board's direction.

Rate Rebasing Application and Decision

On April 14, 2022, YEC submitted its compliance filing responding to Board Order 2022-03. On receipt of it, the Board established a review process which was detailed in Order 2022-06. That review schedule called for YEC to respond to Information Requests and allowed for comments from the interveners in the YEC 2021 General Rate Application.

On July 12, 2022, after consideration of YEC's responses to the Information Requests and to representations from interveners, the Board issued Order 2022-07 which stated:

In accordance with the reasons set out in Appendix A to this Board Order, the Board approves YEC's compliance application as filed. YEC's requested changes to YEC's rate riders, Rate Schedule 39 Industrial Primary Fixed Charge, RS39 Fixed Charge true-up and Low Water Reserve Fund (LWRF) Term Sheet are approved effective August 1, 2022. **YEC and AEY are to provide within 180 days of the issuance of this Order a joint proposal to the Board on how to incorporate their riders into base rates.** (Emphasis added)

Appendix A to Order 2022-07 set out, in detail, the new Riders and charges that were to be applied, and explained, at paragraph 19, that:

The Board is concerned that customers may find the application of YEC's and AEY's riders to be confusing. Therefore, the Board directs YEC and AEY to provide, within 180 days of issuance of this Order, a proposal to the Board on incorporating these riders into existing base rates.

On January 9, 2023, YEC and AEY responded to the Board's direction in Order 2022-07 with an application which set out four options it had identified for incorporating their riders into base rates. In Order 2023-04, the Board set out a process schedule for a hearing into the matter and directed that it be sent electronically to any parties who had previously taken part in a Board hearing. The process schedule, which lasted from mid-February to mid-March 2023, allowed for interveners to make Information Requests of the Utilities on their proposals, as well as final arguments from all parties, including interveners.

In the case of the Rate Rebalancing hearing, two interveners presented Information Requests to the utilities and, after receiving responses to their requests, as well as to the Board's Information Requests, three interveners made final submissions providing a variety of perspectives. The Board considered the utilities' responses to all of the Information Requests, as well the final submissions of the parties. On April 17, 2023, The Board issued Board Order 2023-08 which approved Option 4 and the implementation plan for Option 4 as presented by the Utilities. That option, which is available at <https://www.yukonutilitiesboard.yk.ca/>, provided that Rider J and Rider R would be

incorporated into Base Rates only for bill statements. The utilities would continue to track Rider R and Rider J separately on their own respective general ledger accounts which allows for straightforward, clean, and automatic revenue transfers between the utilities. The customer bill statements, however, would not show the Rider R or Rider J. The remaining more temporary riders, which are adjusted regularly, will still display on their own lines.

It should be noted that Rider R (AEY) and Rider J (YEC) consistently apply to the Base Rates as opposed to other more temporary riders or adjustments.

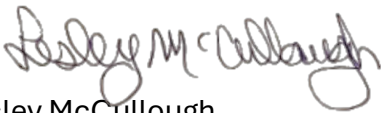
Accordingly, the utilities have now implemented Option 4 in accordance with the direction of the Board and resulting in the changes that you see on your energy bill.

The Board encourages you to participate in the next general rate application, filed by either utility, to make your views known to the Board on the record of a proceeding.

Please note that all of applications and the Board Orders referred to above, as well as information about the Board, can be viewed on the Board's website at <https://yukonutilitiesboard.yk.ca/>.

Thank you for writing to us with your concerns. While the Board's mandate and authority are very specific, we believe that there is value in people understanding our legislated process and in people knowing that they have the ability to participate in the hearing process and to bring forward evidence for the Board to consider.

Sincerely,

A handwritten signature in black ink that reads "Lesley McCullough". The signature is written in a cursive style with a large, looped 'L' and 'M'.

Lesley McCullough

Chair