

April 4, 2025

Yukon Utilities Board
PO Box 31728
Whitehorse, YK Y1A 6L3

**Attention: Lesley McCullough
Chair**

**Re: ATCO Electric Yukon's (AEY)
Industrial Rider R Deferral true up using Rider R1
Reply Comments**

In Yukon Utilities Board (YUB or Board) Board Order 2025-04 dated March 10, 2025, the Board established a process schedule regarding ATCO Electric Yukon's (AEY) Industrial Rider R Deferral Collection Application. The Board invited participants' comments by March 22, 2025. At the request of Roger Rondeau for the Yukon Utilities' Consumers' Group (UCG), an extension was granted in Board Order 2025-07 with the amended process schedule requesting participants comments by March 28, 2025, and AEY's Reply Comments by April 4, 2025.

Enclosed is AEY's Reply to Comments received from the UCG, as well as AEY's summarized response to a number of emails/letters received from Yukon customers.

UCG Comments

UCG submitted comments in the following categories: A. General Concerns; B. The Simplified Scope of AEY's Industrial Deferral Account; and C. Schedules 1.1 and 1.2.

A. General Concerns

The UCG submits that it is not satisfied with AEY's plain language explanation of the application communicated to the public, as directed in Board Order 2025-04. AEY considers that it has fulfilled the Board's direction by publishing a concise summary of the purpose and impact of the proposed change. AEY provided communication in plain language via its website, a newspaper advertisement in the Yukon News, radio

advertisements on CHON and CKRW, as well as posts on social media including Facebook and X (Twitter).

B. The Simplified Scope of AEY's Industrial Deferral Account

- The UCG has questioned how the industrial customer charges by AEY are connected to Yukon Energy Corporation's (YEC) industrial customers. Under the Rate Policy Directive (1995) (O.I.C 1995/090)¹, utility rates in the Yukon are applied on a postage-stamp basis. Namely, the Utilities (AEY and YEC) share common rate schedules which are applicable to all ratepayers in the Yukon, regardless of the Utility providing service. Due to postage stamp rates in the Yukon, sales forecast information must be shared between AEY and YEC when setting rates.
- As part of AEY's 2023-2024 General Rate Application (GRA), AEY relied on YEC's sales forecast, including YEC's industrial customers forecast, to determine AEY's Rate Adjustment Rider, Rider R, of 14.38 percent. If YEC had anticipated a reduction of industrial sales at the time of AEY's forecast and provided a lower industrial forecast, this would have resulted in an AEY Rate Adjustment Rider higher than 14.38 percent required to collect the same approved revenue shortfall. As both the forecast (coming from YEC) and the customers' operations are completely outside of AEY's control and which, in turn, can result in a material surplus or shortfall in rate adjustment revenue, a deferral mechanism was approved for AEY per Board Order 2024-01.²
- The UCG states that the deferral account was originally approved as part of a rate relief program and that AEY is now asking that the Board allow this deferral to be used to collect a shortfall amount. As stated in AEY's February 27, 2025, Deferral Application, the Board approved the continued use of the Industrial Rider R deferral in AEY's 2023-2024 GRA, whereby AEY stated that the deferral could be

¹ <https://laws.yukon.ca/cms/images/LEGISLATION/SUBORDINATE/1995/1995-0090/1995-0090.pdf>

² Board Order 2024-01 Appendix A, 9.2.1 Board Findings.

a refund to or a collection from customers once the balance accumulates to plus or minus \$0.25 million.

- Industrial customers in the Yukon have the potential to cause material shifts in AEY's approved shortfall collections. AEY submits that this deferral will work in reverse if the industrial sales exceed the forecast, in which case, AEY would apply to provide a refund to customers.
- In Schedule 1 of AEY's February 27, 2025, Deferral Application, AEY provided both the forecast industrial Rider R revenue and the actual Rider R revenue for each year since November 7, 2022, when the deferral commenced. The variance between Forecast and Actual collections is what AEY is proposing to collect in this Deferral Application. Please refer to Table 1 below for an alternate presentation of the balances.

Table 1: Industrial Rider R Deferral Continuity Schedule (\$000)

| | 2022 | 2023 | 2024 | 2025 |
|----------------------------|--------------|--------------|------------|------------|
| Beginning Balance | 0 | (154) | (182) | 274 |
| Forecast Collections | 0 | 804 | 1,246 | 1,246 |
| Actual Collections | 154 | 833 | 790 | 771 |
| Shortfall/(Surplus) | (154) | (182) | 274 | 749 |

- The industrial customers' changes in usage (between the forecast and actual) that have led to this shortfall are not AEY's customers. As such, AEY does not have descriptions or additional details about the customer's operations and only has visibility of the Rider R collections, as submitted to AEY from YEC. As stated in its March 24, 2025, response to the Board's Information Requests (IRs) AEY-YUB-1-002(b) and (d), AEY has confirmed with YEC that there have not been any shifts from Industrial to General Service rates. Namely, the lost Industrial Rider R revenue is not being recovered elsewhere.
- AEY has not forecast a continued shortfall past 2025. The proposed adjustment to Rider R1 should result in the deferral balance moving towards zero by the end of

2025. AEY will continue to compare actual Industrial Rider R revenue against the benchmark 2024 Forecast of \$1,246,000, which was determined based on AEY's 2023-2024 GRA, going forward until such time as AEY submits a new GRA.

C. Schedules 1.1 and 1.2

- As directed by the Board in its March 10, 2025, Board Order 2025-04, AEY has re-calculated the proposed Rider R1 adjustment to reflect either a May 1, 2025 or a June 1, 2025 effective date. The UCG questioned the 2025 forecast used in Schedules 1.1 and 1.2. AEY would like to clarify that the 2024 Industrial Rider R forecast is what the current Rate Adjustment Rider is based on and is being used as the 2025 forecast benchmark.

Additional Emails/Letters from Yukon Customers

In addition to the submission from the UCG, several customers submitted comments to the YUB regarding AEY's proposed rate increase. While AEY is not able to provide responses to each individual comment, AEY has reviewed each comment and per below has identified common areas of concern that warrant AEY's comments as follows:

- **Financial Burden**

While AEY recognizes that there are many financial challenges facing customers these days, AEY always strives to minimize rate fluctuations, as much as possible while still providing safe, reliable power. Prior to AEY's 2023-2024 GRA,³ AEY had not introduced a rate adjustment increase since its 2016-2017 GRA and while AEY had a rate increase in 2024, its 2023 test year had resulted in a refund owed to customers.⁴ In addition, AEY notes that the proposed Rider R1 rate increase is relatively small increase of approximately one percent and is of a temporary nature, which will conclude by the end of 2025.

³ ATCO Electric Yukon 2016-2017 GRA Compliance Filing May 26, 2017, Attachment 1, S2.1, Lines 59-60.

⁴ ATCO Electric Yukon 2023-2024 GRA Compliance Filing June 28, 2024, Attachment 1, S2.1, Lines 61-62.

- Equity and Fairness

Customers have expressed concerns indicating that it is unfair to shift the financial burden from industrial customers to residential customers. Due to the principle of postage stamp rates in the Yukon, there is cross-subsidization that can occur. Without the Industrial customers, who are not in AEY's service area, recovering part of AEY's approved shortfall, the Rate Adjustment Rider would have been higher to begin with.

- Lack of Transparency

AEY typically submits rate applications to the Yukon Utility Board and to a standard distribution list of interested parties. All applications can be found on the Yukon Utility Board website.

- Service Reliability and Historical Over-Earnings

AEY remains committed to providing safe, reliable, and dependable service. With respect to earnings, while AEY's 2024 annual filing will not be filed with the Board until April 30, 2025, AEY's most recent 2023 annual filing available on the Board website shows that AEY's 2023 Return on Equity (ROE) was 8.22 percent,⁵ which came in lower than the Board's approved ROE of 9.5 percent.⁶ In July, 2022, AEY voluntarily proposed rate relief ⁷ measures for customers.

Should you have any questions on the above matter, please do not hesitate to contact the undersigned at Tony.Martino@atco.com or 780-420-5493.

Yours truly,

Tony Martino, CPA, CMA
Senior Manager, Regulatory

⁵ ATCO Electric Yukon 2023 Annual Filing Schedules Return on Equity.

⁶ ATCO Electric Yukon 2023-2024 GRA Compliance Filing June 28, 2024, Attachment 1, S8.1, Line 88.

⁷ ATCO Electric Yukon's July 18, 2022 "Rate Relief in the Yukon" Application.