ATCO Electric
YUKON

May 21, 2015

Yukon Utilities Board
P.O. Box 31728
Whitehorse, Yukon Y1A 6L3

**Attention: Mr. Bruce McLennan**
**Chair**

Dear Mr. McLennan:

**Re: Yukon Energy Corporation (YEC) Diesel Contingency Fund (DCF) – Energy Reconciliation Adjustment (ERA) Compliance Filing**

Further to Board Order 2015-03, The Yukon Electrical Company Limited o/a ATCO Electric Yukon (AEY) has the following comments regarding YEC's DCF-ERA Compliance Filing submitted on April 7, 2015 and the responses to Information Requests submitted on May 8, 2015.

Based on its review of the aforementioned material, AEY submits that YEC's Compliance Filing does not comply with the Board's specific directions regarding the ERA in Board Order 2015-01 and instead appears to challenge the Board's directions in an attempt to explain why they should not be followed. Further to this, it appears the ERA calculations in YEC's Compliance Filing do not materially vary from those presented by YEC in its January 31, 2014 DCF-ERA submission, in spite of the Board's very clear statement in Board Order 2015-01 rejecting YEC's proposal regarding the ERA:

> *For the above reasons, the Board does not accept the ERA as proposed by YEC.*[1]

This lack of compliance with the Board's directions and the fact that YEC continues to ignore the many concerns about the ERA calculation raised by AEY and Interveners throughout the process, many of which were validated by the Board in Board Order 2015-01 – i.e. the lack of verifiability of YECSIM, YECSIM being used as a billing engine, and the masking of YEC operational decisions related to diesel consumption by YECSIM – continue to cause this process to be drawn out and costly for all involved.

Further to the above, AEY submits that YEC continues in its Compliance Filing to tie the ERA to the DCF calculation and to base the ERA amounts it proposes to charge to AEY on costs derived from the YECSIM model. This approach is in direct contradiction to the Board's specific directions in Board Order 2015-01:

> *The Board is also of the view that the ERA does not need to be linked to the DCF to comply with O.I.C. 1995/90. The ERA, as determined by the Board, is a*

[1] Appendix A to Board Order 2015-01: Reasons for Decision, page 23 of 30.


100, 1100 First Avenue, Whitehorse, YT Y1A 3T4 tel: 867.633.7000 or 1.800.661.0513 fax: 867.668.3965

> *comparison of forecast and actual values and therefore the DCF calculation does not need to be completed before ERA amounts are determined.*[2]
>
> *For the ERA, the Board interprets costs narrowly; to be clear, the costs are for actual diesel generation costs, not forecast or derived costs from the YECSIM model.*[3]

AEY submits that YEC has not complied with the directions from Board Order 2015-01 by failing to provide a revised ERA that is based on actual diesel costs, with actual being defined as real, verified diesel costs instead of derived costs from the YECSIM model.

Regardless of how the ERA is calculated, AEY submits that it will continue to have a requirement for a Purchase Power Flow-Through Deferral Account (PPFTDA) going forward. In Board Order 2015-01 the Board states the following:

> *The Board is of the view that for sales in excess of the forecast, the risks lie with the regulated utility. That is, the utility assumes the forecast risk for those revenues and related costs in excess of forecast and for those periods where there is no forecast — non-test years.*[4]

AEY agrees with this statement and has had and will continue to have forecast risk for its own sales volumes and related costs, with or without a PPFTDA. If AEY's sales are higher than its own forecast, its volume of power purchases from YEC is also higher, and vice versa. However, as discussed throughout this proceeding, without a PPFTDA, AEY's power purchases will also be subject to YEC's forecast risk[5] through the ERA. Diesel generation requirements, which impact the ERA, are affected by numerous factors not under AEY's control, including water levels and YEC's operational decisions. This is reiterated by the Board in Board Order 2015-01:

> *Operational decisions of YEC can affect variables such as losses and in turn affect diesel generation requirements.*[6]

Regardless of how the ERA is calculated, whether it is based on actual diesel costs (as was directed by the Board in Board Order 2015-01) or costs derived from the YECSIM model (as in YEC's Compliance Filing), YEC has control over many of the inputs into the ERA calculation while AEY has no control over any of the inputs. As such, AEY will require the PPFTDA to be continued past 2015. In the absence of a deferral, if YEC makes operating decisions and burns more diesel than forecast as a result, AEY could face additional purchase power costs despite the fact that AEY has no ability to control the factors that determine the ERA. AEY will have no basis upon which to forecast the purchase power rate in future GRAs as it will be impacted by numerous factors that AEY

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[2] Appendix A to Board Order 2015-01: Reasons for Decision, page 23 of 30.
[3] *Ibid.*
[4] Appendix A to Board Order 2015-01: Reasons for Decision, page 30 of 30.
[5] In AEY-YEC-1-1(a), YEC confirmed that there would have been no ERA charge to AEY in either 2012 or 2013 if YEC's GRA forecast wholesale sales to AEY had been equal to YEC's actual wholesale sales to AEY in 2012 and 2013, respectively.
[6] Appendix A to Board Order 2015-01: Reasons for Decision, page 23 of 30.


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is either unable to forecast (e.g. water levels) or outside AEY's control. As such, AEY will require a deferral account.

If you have any questions, please contact the undersigned at (780) 420-5432.

Yours truly,

***Original Signed By:***

Corinne Severson
Director, Regulatory



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