

Yukon Utilities Board

Board Order 2023-01
Appendix A: Reasons for Decision
January 9, 2023

INTRODUCTION

1. On March 16, 2022, the Yukon Utilities Board (Board) issued Board Order 2022-03 in relation to Yukon Energy Corporation's (YEC) 2021 General Rate Application (GRA)¹. In Appendix A to Board Order 2022-03: Reasons for Decision, the Board made findings on the GRA.
2. On April 14, 2022, YEC filed an Application for Review and Variance (R&V) of Board Order 2022-03 (Review Application), pursuant to section 62 of the *Public Utilities Act* (Act) and section 31 of the Board's Rules of Practice (Rules). In its Review Application, YEC stated that it disagreed with the reduction of 50 basis points to YEC's risk premium and with the disallowance of costs for the WH2 Uprate Project and for the WH4 Project. YEC alleged that the Board committed errors in fact, law or jurisdiction and that the process followed by the Board in making these findings was unfair to YEC.
3. In accordance with section 31 of the Rules, the Board uses a two-phase system for applications for review. The Board undertook the initial screening phase² of the Review Application. In this phase, the Board determines whether YEC had established a prima facie case sufficient to warrant full consideration of the Review Application.
4. On August 26, 2022, the Board issued Board Order 2022-10³ on the screening phase of the Review Application. The Board stated as follows:

NOW THEREFORE, for the reasons set out in the attached Appendix A, the Board:

1. Directs that the Review Application will advance to the second phase of the review process only on the limited issue of determining the amount of the risk premium reduction and whether the reduction should be greater than zero but not more than 50 basis points; and
 2. Dismisses YEC's Review Application to review and vary Board Order 2022-03 on the other grounds stated in the Review Application.
5. On September 6, 2022, the Board issued Board Order 2022-12 establishing a process for the second phase of the review process. Under this process schedule, YEC could file evidence and submissions on the risk premium reduction and the amount of such a reduction.
 6. On September 22, 2022, YEC filed evidence and submissions on the issue of determining the amount of the risk premium reduction and whether the reduction should be greater than zero but not more than 50 basis points. In its submission, YEC requested that no risk premium reduction should be made and that Order 2022-03 should be varied to retain the 45 basis point risk

¹ Board Order 2022-03 and its related Appendix A is the Board's decision regarding YEC's 2021 GRA, issued March 16, 2022.

² This is also referred to as "Phase 1".

³ Board Order 2022-10, Board Phase 1 decision on Yukon Energy Corporation's (YEC) request for a Review and Variance of Decision 2022-03 regarding YEC's 2021 General Rate Application (GRA).

premium above the British Columbia Utilities Commission (BCUC) low risk benchmark utility Return on Equity (ROE) of 8.75%.

Background

7. As noted above, on September 6, 2022, the Board issued Board Order 2022-12 providing a process schedule for the second phase of the review. The process schedule stated that interveners to the 2021 GRA proceeding may participate in this proceeding without filing a request for intervener status.

8. None of the interveners to the 2021 GRA proceeding chose to participate.

9. The Board issues Information Requests (IRs) to YEC by October 6, 2022. Responses to those IRs were received by October 20, 2022. YEC provided a final submission on November 3, 2022.

10. The Board closed the record of the proceeding on November 3, 2022.

11. In reaching the determinations contained within this decision, the Board has considered all relevant materials comprising the record of this proceeding and that of the 2021 GRA proceeding relating to the issue of the ROE and the risk premium reduction. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Board's reasoning related to a particular matter and should not be taken as an indication that the Board did not consider all relevant portions of the record with respect to that matter.

YEC filing of September 22, 2022

12. In support of its position that no risk premium reduction should be made and Order 2022-03 be varied to retain the 45 basis point risk premium above the British Columbia Utilities Commission (BCUC) low risk benchmark utility ROE of 8.75%, YEC made submissions which are summarized below.

13. YEC argued that the relevant issue in this proceeding is whether there is any reasonable basis for reducing YEC's 2021 GRA approved ROE below 8.70%. In support, YEC stated that the Board's reasons ignore the extensive evidence that YEC filed to support its position on the ROE for the 2021 GRA and that the Board has previously adopted the BCUC approach to compare YEC current risks relative to the current risks of the relevant comparator utilities. YEC submitted that it continues to have higher ROE risks than its BC comparator FortisBC (Electric), notwithstanding the new factors referenced to be concerns of the Board.

14. In reference to Board Order 2022-03, YEC submitted that the ROE risk premium reduction (50 basis points) relates to the impact of OIC 2021/16, its effect of rate stabilization measures, the shifting of risk of incremental load from YEC to customers and the addition of the pension deferral account. YEC then stated that the Board did not provide any other comment or analysis of the basis for the 8.70% ROE proposed by YEC.⁴

⁴ YEC R&V Phase 2 Submission, PDF page 6.

15. YEC added that:

- The BCUC low risk benchmark of 8.75% has not changed.
- The principles applied by the Board to determine the YEC risk premium have not changed; that is, the 25 basis points were awarded to YEC to reflect its relatively small size and a further 20 basis points were awarded in recognition of YEC's risks for generation, isolated grid and customer diversity. The Board acknowledged that, with the awarding of 20 basis points (to reflect risks for generation, isolated grid and customer diversity) to the risk premium for YEC, it recognized the overall risk of YEC as being greater than that of FortisBC (Electric) and greater than that of ATCO Electric Yukon (AEY).
- OIC 2021/16 removed water-related risk for YEC that Board Order 2019-08 had shifted from customers to the utility through changes in the Low Water Reserve Fund (LWRF) rate stabilization measures.
- FortisBC (Electric) bears no risks related to low water or any water-related risks related to actual load being greater than the approved load forecast, and therefore OIC 2021/16 does not result in removal from YEC of any utility risks borne by its comparator utility FortisBC (Electric).
- The inclusion of a new defined pension benefit account does not reduce the above evidence-based 45 basis points risk premium for YEC as FortisBC (Electric) also has a pension variance deferral account.

16. In further support of its position, YEC submitted that these issues result from Board Order 2019-08 increasing YEC's risk without increasing its ROE premium. YEC's position was if there was no increase in its ROE when risk was shifted from customers to YEC, then there should be no risk reduction when that risk was shifted back to customers from YEC through OIC 2021/16.

17. YEC acknowledged that the Board may exercise its discretion in setting a fair ROE and is not constrained by a specific methodology in determining a fair ROE. However, the setting of the ROE must be consistent with principles established in Canada for utilities and must be in accordance with OIC 1995/90.

18. YEC added that it "can clarify its so-called acceptance of incremental load risk. Yukon Energy has consistently stated, based on the requirement for the Board to review and approve rates in accordance with principles established in Canada for utilities, that customers bear all water availability risks, including water availability generation costs and risks related to incremental load."⁵ YEC added the following:

- YEC accepts the risk of incremental load – but thermal fuel generation costs for incremental load must be determined based on the assumptions approved for setting GRA revenue requirement and rates.

⁵ YEC R&V Phase 2 Submission, PDF pages 11-12.

- Variances in costs for all loads (including loads higher than forecast) due to variances in water availability or fuel prices are then addressed through the appropriate deferral accounts, i.e., the LWRF for the impact of water availability variances and the Deferred Fuel Price Variance Account for the impact of diesel and LNG fuel price variances.

19. YEC also stated that the above approach has been fully accepted by the Board when dealing with fuel price risk impacts on thermal generation costs for all loads (including loads higher than forecast). In a hydro jurisdiction, it is essential that the above approach also be fully accepted when dealing with water availability risk impacts on thermal generation costs for all loads (including loads higher than forecast). To do otherwise results in inconsistent (as well as unfair) decisions regarding rate impacts resulting from these two deferral account measures.⁶

20. In section 2.2 of its submission, YEC noted how OIC 2021/16 restored the risk profile for YEC which had existed prior to Board Order 2019-08 changes to the LWRF. YEC added that the issue of risk responsibility for generation costs above load forecast was not addressed in Board Order 2018-10 and only came about in subsequent compliance filings to Board Order 2018-10. YEC summarized its position as:

The ROE risk premium must be determined based on the BCUC principles and the detailed evidence reviewed in Attachment 1, and on this basis YEC continues to have higher ROE risks than its BC comparator FortisBC (Electric) with its 40 basis point risk premium.⁷

21. In section 2.3 of its submission, YEC argued that:

- Board Order 2018-10 made no adjustments to YEC's risk premium due to the existence of rate stabilization measures. The LWRF measures in place at that time continued to be consistent with past Board decisions, recognizing the principle that all water-related risks affecting thermal fuel generation costs are borne by customers (including such risks related to actual load above approved GRA forecast load).
- Board Order 2019-08 confirmed that the Board had then modified the LWRF for the first time to require YEC to bear, for load above the approved GRA forecast, the risk of thermal generation fuel costs due to water conditions below the long-term average (LTA) load used to set rates and, as confirmed in the Reasons for Decision for Board Orders 2022-03 and 2022-10, this shift of water risk from customers to YEC did not result in the Board applying an increase to YEC's ROE approved by the Board.
- Subsequently, OIC 2021/16 in effect reversed the water risk shift from customers to YEC resulting from Board Order 2019-08.

22. Board Order 2022-03 subsequently reduced YEC's ROE by 50 basis points, stating that this reduction was required due to OIC 2021/16 reducing YEC's risk profile.⁸

⁶ YEC R&V Phase 2 Submission, PDF page 12.

⁷ YEC R&V Phase 2 Submission, PDF page 10.

⁸ YEC R&V Phase 2 Submission, PDF page 11.

23. YEC's comment on Board Order 2022-03 was:

Board Order 2022-03 findings do not provide any other comment or analysis on the basis for the 8.70 percent ROE as proposed by Yukon Energy – the ROE that is to be reduced by 50 basis points.⁹

24. In Section 2.2 of YEC's R&V Phase 2 Submission, YEC discussed OIC 2021/16 Rate Stabilization Risk Reduction Concerns and stated the following:

There is no dispute that OIC 2021/16 directions regarding LWRF rate stabilization in fact reduced YEC's operating risks that had resulted from new directions in Board Orders 2018-10 and 2019-08. The only relevant issue for this proceeding should be whether OIC 2021/16 provides any reasonable basis to reduce the fair 2021 ROE for YEC.¹⁰ (Underlining added)

25. YEC further submitted:

... a risk reduction of 50 basis points as directed in Board Order 2022-03 would provide YEC with an ROE of 8.70 percent prior to the 50 basis point reduction required by section 2(2) of OIC 1995/90.

This reduction would indicate, based on the above evidence, a determination that YEC has less risk than the BCUC benchmark utility with its 8.75% allowed ROE; less risk than AEY with its 25% risk premium and an allowed ROE of 9.00%; and less risk than FortisBC (Electric) with its 40% risk premium and an allowed ROE of 9.15%.

Based on the available evidence, and the established facts and prior determinations of the Board that have not been changed by any evidence in the current proceeding, it is incontrovertible that YEC has more risk than the BCUC benchmark utility, more risk than AEY, and more risk than FortisBC (Electric).

A ruling to reduce YEC's risk premium below that of FortisBC (Electric), i.e., below 40 basis points over the BCUC benchmark, therefore results in an unfair return on equity for YEC, which fails to comply with section 2(2) of OIC 1995/90.¹¹

26. YEC concluded that:

Aside from the need to determine ROE risk premium based on BCUC principles and available evidence as reviewed in Attachment 1, there is no reasonable or fair basis for the Board to reduce an ROE for a risk

⁹ YEC R&V Phase 2 Summary, PDF page 6.

¹⁰ YEC R&V Phase 2 Application, PDF page 9.

¹¹ YEC R&V Phase 2 Application, PDF page 19.

reduction that it had never included in its prior determinations of that ROE.¹²

27. The issue before the Board is whether the reduction of the risk premium should be maintained or varied.

Views of the Board

28. At the outset, the Board considered the submissions from YEC pertaining to whether YEC's ROE from its 2017-2018 GRA should have been adjusted due to the Board's determinations regarding YEC's risk with respect to incremental load.¹³

YEC's 2017-2018 ROE

29. In Appendix A to Board Order 2018-10, on the issue of water-related risks, the Board stated:

322. The difference between the directed deferral account above and YEC's proposed DCF is that the deferral account will be adjusted for those variances between approved forecast and actual, not modelled, results. In other words, the deferral account will be adjusted for changes in hydro generation that are a result of changes in water availability. YEC is directed, in its compliance filing, to explain the method it will use to determine the variance in hydro generation due to water availability. The Board directs that the deferral account be named the Low Water Reserve Fund (LWRF) as it will incorporate a broader range of thermal generation. YEC will adjust the balance in the LWRF on an annual basis for the difference in forecast thermal generation from actual thermal generation based on forecast load and only adjusting for the changes in hydro generation that are a result of changes in water availability.

323. To draw from the LWRF due to low water levels, YEC will have to submit an application to the Board requesting a drawdown of the fund indicating that the application is due to changes in hydro generation because of changes in water levels from those contained in the last Board approved forecast. YEC will take the forecast risk for incremental generation costs for incremental loads outside of the forecast period with the exception of incremental load covered by the ERA. YEC is directed to amend its DCF term sheet to comply with these directions. Conversely, when the fund requires replenishment, YEC can apply to the Board for rate rider to replenish the LRWF. YEC, in its compliance filing, may submit any potential ceiling for the LWRF rate rider. (Underlining added; footnote removed)¹⁴

¹² YEC R&V Phase 2 Submission, PDF page 11.

¹³ YEC submissions noted in paragraph 21 above.

¹⁴ Appendix A to Board Order 2018-10, PDF pages 68-69, paragraphs 322-323.

30. The Board considers that it determined that YEC bore the water-related risks for incremental loads in Board Order 2018-10 and not Board Order 2019-08. Then OIC 2021/16 sections 9(4)(a) and (b) shifted these risks from YEC to customers.

YEC's ROE for 2021

31. In Board Order 2022-03, on the issue of water-related risks and the shift of these risks from YEC to customers, the Board stated:

The Board can only determine if the risks to YEC warrant the requested risk premium or whether an adjustment must be made to the risk premium adder to recognize the shifting of risk of incremental load from YEC to customers through the OIC and the further addition of the pension deferral account. Although YEC disagreed that a reduction to the risk premium is necessary to reflect the shifting of these risks, for the reasons above, the Board does not agree. The OIC reduces YEC's risks in providing utility service and the Board determines that a reduction of 50 basis points is warranted in YEC's risk premium. Therefore, in the compliance filing to this Board Order, YEC shall reflect the Board-approved ROE of 8.20 percent for 2021.¹⁵ (Footnote removed; underlining added)

32. As previously noted above, in Appendix A to Board Order 2022-10, the Board determined:

YEC has made a prima facie case sufficient to warrant the Board further considering a phase 2 review on the limited issue of determining the amount of the risk premium reduction and whether the reduction should be greater than zero but not more than 50 basis points. The Board grants a review on this limited basis.¹⁶

33. In light of the risk shifting from YEC to customers, the Board requested additional information regarding YEC's comparability with FortisBC (Electric) and related information responses in YEC's 2017-18 GRA.

34. Regarding FortisBC (Electric) bearing no risk related to low water or any water-related risks related to actual load being greater than an approved forecast, the Board notes the following from the record of the 2017-2018 GRA:

1. In summary, FBC's PPEVDA fully defers to customers all variances in resource unit prices (similar to Rider F for YEC) as well as water variability (similar to the DCF for YEC). The FBC PPEVDA also fully defers to customers both the cost and revenue variance related to any impact from changes to load or sales.¹⁷

¹⁵ Appendix A to Board Order 2022-03, PDF page 49, paragraph 233.

¹⁶ Appendix A to Board Order 2022-10, PDF page 20, paragraph 40.

¹⁷ Undertaking 38 from YEC's 2017-2018 GRA proceeding, PDF page 52.

2. The BCUC reference for Undertaking 38 is BCUC Order G-110-12.¹⁸

35. Decision G-110-12 approved FortisBC (Electric)'s revenue variance deferral account at PDF pages 122-123. The FortisBC (Electric) application to that proceeding described the purpose of the account:

To the extent that Power Purchase Expense variance resulting from a difference in sales load between forecast and actual are adjusted, it is necessary to match this treatment by means of a deferral account to flow through variances in sales revenue, the majority of which are attributable to weather related load variances, customer usage rate variances and customer count load variances.

Flow through treatment of load variances is, again, included in the BC Hydro energy cost deferral accounts, and in the FEU mechanisms (Rate Stabilization Adjustment Accounts).

...

In the same manner as Power Purchase Expense, the ROE sharing mechanism ensured that these variances were effectively shared equally with customers. Between 2007 and 2011, the sharing mechanism would have resulted in a net increase to revenue requirements of 50 percent of the total revenue variance, or \$2.0 million. The Company believes that if load-driven variances in Power Purchase Expense are to be flowed through, then load-driven variances in revenue must also be flowed through. In addition, as the Company implements conservation rates, and continues to utilize DSM programs as an incentive for customer energy conservation, the proposed deferral mechanism will help to ensure that the extent to which conservation occurs, will not cause the Company to over or under recover its revenue requirement.¹⁹ (Underlining added)

36. In the decision regarding YEC's first compliance filing to Board Order 2018-10, in Appendix A to Board Order 2019-04, the Board stated:

The Board considers it necessary to preserve the principle that costs should be assigned to the utility when total load varies from forecast. YEC's proposal in the compliance filing is creating an asymmetrical risk profile whereby YEC is imposing certain risks – e.g. incremental generation costs to customers – and yet there is no offsetting of potential benefits that YEC would gain, and those benefits would not be shared with customers – e.g. incremental sales and amortization of costs over greater sales volumes. Therefore, the Board considers that the incremental generation due to incremental load must be removed from the LWRP calculations because this is a risk borne by the utility. This adjustment is

¹⁸ YUB-YEC-3-1 from the YEC 2017-2018 GRA, PDF page 3.

¹⁹ BCUC Decision G-110-12, Proceeding Document B-1, PDF pages 109-110.

required in order for the LWRP to reflect Board Direction 29 in Board Order 2018-10.²⁰

37. From the 2017-2018 GRA proceeding and referenced in IR YUB-1-3 in this proceeding, the Board asked the following IRs of YEC:

The response to YUB-YEC-3-3 in the YEC 2017-18 GRA indicates that FortisBC (Electric) has a revenue variance deferral account. Does YEC have a similar mechanism?²¹

And

The response to YUB-YEC-3-3 in the YEC 2017-18 GRA states: “The BCUC in its Decision G-139-14 dated September 15, 2014 directed FBC to discontinue the Power Purchase Expense deferral account and its related Revenue Variance deferral account during the PBR term, noting that these expenses and revenues would be flowed through to ratepayers each year through the annual flow-through mechanism.” With or without either of the FortisBC deferral accounts does YEC have a similar mechanism?²²

38. In this proceeding, in YEC’s response to the above IRs, YEC stated:

However, the referenced FortisBC (Electric) revenue variance deferral account goes beyond water variability to address other load-related cost and revenue risks – and YEC does not have the same extensive deferral account coverage of other load-related cost and revenue risks.²³

39. YEC went on to further state:

- YEC accepts the risk of incremental load – but thermal fuel generation costs for incremental load must be determined based on the assumptions approved for setting GRA revenue requirement and rates ...
- Variances in costs for all loads (including loads higher than forecast) due to variances in water availability or fuel prices are then addressed through the appropriate deferral accounts ...²⁴

40. YEC then provided an example of cost risks it faces with respect to long-term average water conditions and load in excess of forecast and summarized its position as follows:

²⁰ Appendix A to Board Order 2019-04, PDF pages 9-10.

²¹ YUB-YEC-1-3(p), PDF page 17.

²² YUB-YEC-1-3(q), PDF page 17.

²³ YUB-YEC-1-3 (p and q), PDF page 25.

²⁴ YUB-YEC-1-3 (p and q), PDF page 25.

This highlights YEC's remaining risk related to the incremental load – this risk considers fully the added load thermal fuel cost assuming LTA hydro availability and forecast thermal fuel prices.²⁵

41. For this proceeding, regarding YEC's risk premium, the Board finds that YEC now has an asymmetric risk and benefit profile as described in Appendix A to Board Order 2019-04. This is based on a review of BCUC Decision G-110-12, evidence from that proceeding, noted above, YEC's responses to YUB-YEC-3-3 from its 2017-2018 GRA and responses to YUB-YEC-1-3(p and q) in this proceeding. There is no evidence that this asymmetric risk profile exists for FortisBC (Electric). YEC is now not as comparable to FortisBC (Electric) as it was before OIC 2021/16. As there is no evidence before the Board that this asymmetric risk profile exists for FortisBC (Electric), the Board makes no finding on whether YEC faces more risk than FortisBC (Electric).

42. However, the Board finds that YEC's IR responses in this proceeding show that YEC may be responsible for some of the thermal production costs for incremental load.²⁶ YEC has stated that FortisBC (Electric) flows through all supply cost to customers.

43. The Board took note of an example²⁷ of cost risks YEC faces with respect to long-term average water conditions and load in excess of forecast. The Board accepts that this example highlights YEC's remaining risk related to the incremental load; this risk considers fully the added load thermal fuel cost assuming LTA hydro availability and forecast thermal fuel prices.²⁸

44. In the YEC example, thermal generation is expected to be about 17%²⁹ of the generation mix to satisfy the forecast load. For the actual load, based on LTA, thermal generation is 23%³⁰ of the generation mix to satisfy the actual load.

45. In the YEC example, hydro generation based on long-term average makes up about 83%³¹ of the generation mix for the forecast load. For the actual load, on an LTA basis, hydro generation makes up about 77%³² of the generation mix.

46. The Board finds that relative to FortisBC (Electric), YEC does face some incremental risk with thermal production costs for incremental loads than first determined by the Board in Board Order 2022-03. However, whereas the evidence from YEC has been that FortisBC (Electric) had a revenue-sharing account for revenues from incremental loads (or a flow-through account through PBR), YEC does not share any revenue from incremental loads. Therefore, the Board concludes, based on the submissions of this proceeding and the public record of the BCUC decisions brought forward by YEC, that the risks and benefits to customers and the utilities (FortisBC [Electric] and YEC) for incremental loads are not the same. FortisBC (Electric) is kept whole on the cost side but does not keep the full benefit from incremental sales revenue. It

²⁵ YUB-YEC-1-3 (p and q), PDF pages 25-26.

²⁶ YUB-YEC-1-2(b), PDF page 14.

²⁷ YUB-YEC-1-3 (p and q), PDF page 26.

²⁸ YUB-YEC-1-3 (p and q), PDF pages 25-26.

²⁹ YUB-YEC-1-3 (p and q), PDF page 26; $75/450 = 16.67\%$.

³⁰ YUB-YEC-1-3 (p and q), PDF page 26; $115/500 = 23\%$.

³¹ YUB-YEC-1-3 (p and q), PDF page 26; $(450-75)/450 = 83\%$.

³² YUB-YEC-1-3 (p and q), PDF page 26; $(500-115)/500 = 23\%$.

appears that the net risk/benefit position for FortisBC (Electric) in terms of incremental load is neutral. YEC has a greater net benefit from incremental sales versus its cost risks than FortisBC (Electric). Therefore, YEC's risk premium should be adjusted accordingly.

47. Therefore, the Board finds that, as YEC has some thermal generation cost risk for incremental loads, the risk premium adjustment should be greater than the zero basis points as submitted by YEC but less than the 50 basis points as originally determined by the Board.

48. With respect to the defined pension benefit deferral account, the Board finds that it presents a very minor shift of risk and is not included in its determination of the risk premium for YEC.

49. As a result, the Board sets out below a new risk premium adjustment.

New risk premium adjustment

50. YEC's 2021 GRA sales forecast provided the following for the year 2021³³:

Firm Sales as a % of Total	Forecast Firm Sales	Percentage of Total
Total Firm Sales (GWh)	495.2	100%
Wholesales (GWh)	343.5	69.4%
Industrial Sales (GWh)	102.9	20.8%

51. There is no evidence on this record as to what customer classes represent incremental sales. Decisions 2018-10 and 2019-04 stated that the ERA shields YEC from changes in the forecast generation mix for those sales. Although the exact makeup (customer mix) of incremental load is not known until after the close of a financial period, it appears from the table above that just about 70% of YEC's load (wholesales) were and are shielded from risk for incremental thermal costs through the ERA. Outside of the test period, if other customer classes are having a larger than expected impact on incremental sales, then YEC can manage that risk by bringing forward a new general rate application. Nonetheless, assuming incremental sales follow YEC's forecast level of sales, YEC's risk exposure appears to be to 30% (representing non-ERA-impacted sales). Based on this risk, the Board finds that YEC's risk premium adjustment should be 30% x 50 basis points or 15 basis points.

52. The Board further considered the impact of industrial sales because the impact of incremental industrial sales may be higher than the given forecast levels and are not covered by the ERA. In addition, the Board is persuaded by YEC's response to YUB-YEC-1-2(b) that even with OIC 2021/16, YEC is still exposed to some incremental generation costs for incremental sales. Based on these additional factors, the Board reduces the 15 basis point risk premium adjustment calculation by a further 10 basis points.

³³ Derived from Table 2.1, YEC 2021 GRA, PDF page 41.

53. Accordingly, due to OIC 2021/16, YEC's net risk premium, based on the BCUC benchmark and before the application of OIC 1995/90, is 40³⁴ basis points above the benchmark utility Fortis Energy Inc. Therefore, the Board determines that YEC's approved ROE for its 2021 GRA is 8.65% (after the application of OIC 1995/90). The Board directs YEC to reflect this change in a compliance filing (filing for acknowledgement) with updated rate schedules (Word versions of the rate schedules are to be sent to the Board). YEC shall submit to the Board the compliance filing with those rate schedules by February 8, 2023.

³⁴ Plus 25 basis points for small size, plus 20 basis points to recognize risks for generation, isolated grid and customer diversity, less 5 basis points due to changes in risks since Decision 2018-10 = 40 basis point net risk premium adder for YEC's ROE relative to the BCUC benchmark utility Fortis Energy Inc. (FEI).