

September 23, 2019

Mr. Robert Laking, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. Laking:

**Re: Yukon Energy 2017-18 General Rate Application – Order 2019-04
Compliance Filing**

Yukon Energy encloses, for approval of the Board, its second Compliance Filing for the 2017/18 General Rate Application (GRA) pursuant to Board Order 2019-04. In particular, Yukon Energy is seeking, if possible, Board approval of final rates for this GRA on or before Friday September 27 in order to enable these final rates to become effective on October 1, 2019.

This Compliance Filing is in accordance with the directions set out in the Reasons for Decision (Appendix A to Order 2019-04), and includes for Board approval the appropriate schedules from Tab 7 of the 2017/18 Yukon Energy General Rate Application (the “Application”), including the Yukon Energy 2017 and 2018 revenue requirements, along with all related understandings and interpretations of Order 2019-04 and the attached Reasons.

Summary Review of Board Order 2019-04

Appendix A of Order 2019-04 states that the Board considers YEC’s February 25, 2019 Compliance Filing (the first Compliance Filing) to have complied with the directions provided in Board Order 2018-10, other than with regard to four specific issues. As reviewed below and in Section 1.0 of the attached second Compliance Filing, these issues do not change the test year revenue requirements included in the first Compliance Filing.

1. **Section 2.2.1 of Appendix A on Cost of Debt** – The Board was not able to reconcile the reasons for the forecast interest rate of 2.40% for 2017 and 2.23% for 2018, and directed YEC to comply with the Board’s direction and use the forecast interest rate for each of 2017 and 2018 of 2.15% in its cost of debt calculations. Section 2.4.1.1 of the second Compliance Filing, demonstrates that the first Compliance Filing was in

- compliance with the Board's direction. Clarifying information has been provided to confirm that there is no basis for YEC to change the overall mid-year long term debt interest costs for 2017 and 2018. As such, this matter does not affect the revenue requirement included in the first Compliance Filing.
2. **Section 2.2.2 of Appendix A on Thermal Fuel Mixture Forecast** – The Board accepts YEC's explanation of the 90/10 thermal fuel mix forecast and the forecast fuel prices used in the LWRF. Yukon Energy is relieved of the obligation to comply with Direction 26 of Order 2018-10 (regarding the DFPVA) for the purposes of setting rates for the 2017/18 GRA¹. As such, this matter does not affect the revenue requirement included in the first Compliance Filing.
 3. **Section 2.2.3 of Appendix A on Low Water Reserve Fund (LWRF)** – The Board determined that YEC's LWRF, its calculations and associated term sheet were not compliant with the directions in Order 2018-10 and were not approved. YEC is directed to revise its LWRF in accordance with the Board's findings. Changes to the LWRF do not affect the test year revenue requirement, the proposed rates, or any other related rate matters included in either the first or the second Compliance Filing.
 4. **Section 2.2.4 of Appendix A on Other Matters** – The Board states that contrary to YEC's Compliance Filing, Board Order 2018-10, Direction 7 does not state, or imply, that the short term forecast should not be used for forecasting levels of hydro generation, nor did the Board direct that short term forecast should be used in future GRAs. The direction does not affect the second Compliance Filing.

Overview of Attached Compliance Filing

The second Compliance Filing copies the first Compliance Filing to Board Order 2018-10 with only a few specific changes as required to comply with the findings and direction in Appendix A of Board Order 2019-04. As summarized above, none of the changes resulting from Board Order 2019-04 affect the revenue requirement or proposed rates included in the first Compliance Filing, i.e., the only change for rates from the first Compliance Filing relates to adjusted true-up amounts and related rate riders required due to delay in finalizing the 2017-18 GRA revenue requirements and final rates.

¹ Direction 26 of 2018-10 required YEC to ensure that any variances due to changes in the thermal fuel mixture (forecast versus actual) were not included in the DFPVA. YEC was to indicate in its compliance filing the steps it would take to prevent changes in the thermal fuel mixture from appearing in the DFPVA. As noted, Board Order 2019-04 relieves YEC of this obligation.

The second Compliance Filing includes the following same three sections as were provided in the first Compliance Filing:

- **Section 1** – Provides an overview of key changes to the Application based on the Board’s directives, a summary impact on proposed rate increase, and requested approvals. The overall proposed revenue requirement and requested approvals are unchanged, except for updates to the true-up determinations for the proposed rate increase (to reflect the delay in implementing rate changes).
- **Section 2** – Summary of Yukon Energy Response to Board Directives addressed in the Compliance Filing. There are no changes to Section 2 compared to the first Compliance Filing other than edits as needed to address Board Order 2019-04 issues noted for debt costs (Section 2.4.1.1), Direction 26 (Section 2.5.1), and the LWRP (Section 2.5.2 and Appendix 2.1).
- **Section 3** – Tab 7 Revised Schedules (revised Tab 7 schedules from the Application with adjustments as required by Order 2018-10). There are no changes from the first Compliance Filing for Section 3.

As noted in the attached second Compliance Filing, the Yukon Energy 2017 revenue requirement is \$49.202 million (compared to \$48.544 million in the GRA Application), and the Yukon Energy 2018 revenue requirement is \$49.793 million compared to \$49.864 million in the GRA Application.

If the Board approves the requested rate changes by September 27, 2019, then October 1, 2019 is the earliest date for implementing any adjustment to Rider J and Rider J1 to reflect Order 2019-04; otherwise, November 1, 2019, is the next earliest date for implementing the required Rider J and Rider J1 adjustments (depending on timing of Board rate approvals). The second Compliance Filing provides true-up adjustments for each potential effective date.

In order to implement the rate-related decisions from Board Order 2018-10 and Board Order 2019-04, the following rate rider adjustments are required as at the effective rate change date (either October 1, 2019 or November 1, 2019):

- Rider J will increase from 16.51% to 22.32% (an approximate 5% increase over existing bills to recover the ongoing YEC revenue requirement approved by the Board).

- A time-limited (24 month) Rider J1 of 8.76% (if implemented October 1) or 8.99% (if implemented November 1) to collect the remaining 2017, 2018 and nine to ten months of 2019 net revenue shortfall at then existing rates as well as required fuel price Rider F adjustments for 2017, 2018 and six months of 2019.

A time-limited rate rider is typically required for true-up adjustments after a final Board decision on a GRA. In this case, the adjustment is higher than normal due to the interim Rider J approved starting in September 2017, the time needed prior to receive a final Board decision, and the fuel price increases that occurred over this period. YEC is requesting that the true-up rider be implemented over 24 months rather than the normal shorter period (e.g., 12 months) in order to moderate the required Rider J1 rate.


Approvals Requested

In closing, Yukon Energy seeks the requested approvals as set out in Section 1.3 of the attached filing.

On the matter of the requested rate approvals, Yukon Energy highlights that none of the directions provided in Order 2019-04 have resulted in changes to the revenue requirement as filed in the first Compliance Filing. More specifically, required changes to the LWRF do not affect the test year revenue requirement, the proposed rates or other related rate matters included in the first or second Compliance Filing. Accordingly, Yukon Energy is requesting that the revenue requirement and rates be approved on or before September 27, 2019 in order to enable rates to become effective October 1, 2019 and thereby prevent further added true up cost impacts on final rates. In this regard, should the Board require additional time to review the proposed changes to the LWRF it is requested that this matter be addressed separately so as not to further delay approval of final 2017/18 rates and riders.

Please direct any questions on this communication to the undersigned.

Yours truly,



Ed Mollard
Chief Financial Officer