

**IN THE MATTER OF YUKON ENERGY
2021 GENERAL RATE APPLICATION
COMPLIANCE FILING**

REPLY ARGUMENT

YUKON ENERGY CORPORATION

June 6, 2022

OVERVIEW

Final argument with regard to Yukon Energy's 2021 General Rate Application (GRA or Application) Compliance Filing was provided only by Utilities Consumers' Group (**UCG**).

Yukon Energy's Reply Argument addresses issues raised by UCG regarding the following elements of the Compliance Filing:

1. True-up revenue shortfall rider (UCG argument, items 1 and 2);
2. LWRF (UCG argument, item 5);
3. Disallowed costs regarding Enterprise Asset Management (EAM) and DSM (UCG argument, items 6 and 7); and
4. Cost of debt (UCG argument, item 8).

True-up Revenue Shortfall Rider

UCG argues that the "new true-up revenue shortfall rider" was not part of the November 2020 Application, and is not mentioned in Board Order 2022-03 "which resulted in a Rider J adjustment and should not be subject to any other true-up rider".

In reply, Yukon Energy notes that a true-up rider is a normal element of past compliance filings for prior general rate applications. It is required for recovery of revenue shortfall during the test year and thereafter prior to implementation of final rates by the Yukon Utilities Board (the "Board"). As referenced in Yukon Energy's 2021 GRA, a true-up Rider J1 of 9.25% as approved from the 2017/18 Yukon Energy GRA was in effect until the end of November 2021 and included, pursuant to past practice, adjustments required to reset to zero the Rider F account relating to Yukon Energy.

Accordingly, a true-up rider (Rider J1) is included for recovery of revenue shortfall during 2021 and the months of 2022 prior to implementation of final rates by the Board – and, pursuant to past practice, it includes provision to reset the Rider F account to zero.

LWRF

UCG argues that Board Order 2022-03 approved "the YEC prior documents (YEC updated April, 2022) filed on LWRF" and "Therefore, no changes should be allowed as per YEC in their IR responses and revised documents, YEC Compliance Filing (Revised) Table 1.1-3c".

YEC notes Board Order 2022-03 was issued March 16, 2022, prior to Yukon Energy's Compliance Filing in April 2022. Therefore, Board Order 2022-03 could not approve any elements of the Compliance Filing relating to the LWRF.

In reply to UCG argument regarding changes in the May 14, 2022 Compliance Filing (Revised) Table 1.1-3c), Yukon Energy provides the following summary information which confirms that LWRF impacts on the Compliance Filing are consistent with Board Order 2022-03 directions:

- Section 2.7.1.2 at page 2-15 of the April Compliance Filing reviewed Yukon Energy's adjustment to the 2021 mid-year rate base to comply with direction in paragraph 368 of Board Order 2022-03. Detailed LWRP calculations for 2020 and 2021 were provided in Table 1.1-3c) and Table 1.1-3c) (i), based on the best available information at the time of the Compliance Filing.
- Yukon Energy's revised Compliance Filing dated May 12, 2022 included a small adjustment to the 2021 year end offset to rate base due to the LWRP (change from \$2.782 million offset to a \$2.744 million offset). As explained at page 1 of the revised Compliance Filing, this revision was made to correct 2021 actual diesel generation in Table 1.1-3c).

Accordingly, the Compliance Filing accurately reflects the direction of the Board in Order 2022-03 and is consistent with prior directions to update to best current information.

Disallowed Costs re: EAM and DSM

UCG says it is concerned that the EAM disallowed amount of \$4.938 million and the disallowed costs for "the DSM and the resulting court proceedings" have not been adequately accounted for and taken off 2021 rate base.

In reply, Yukon Energy notes the following Compliance Filing information confirming that the referenced EAM and DSM disallowed costs were taken off 2021 rate base:

- **EAM** – Board Order 2022-03 (paragraph 331) notes that YEC updated the EAM cost from \$4.938 million to \$4.657 million. Table 1.1-3 of YEC's April Compliance Filing at page 1.1-3 shows (under "Disallowed assets (net book value)) for Enterprise Asset Management the removal of \$4.657 million.
- **DSM** – The response to Compliance Filing YUB-YEC-1-1 (a)(b) and (c) confirms that the DSM Appeal disallowed cost of \$118,968 is not included in the Compliance Filing – it also indicates that this cost had not been included in the Original Filing.

The response to Compliance Filing YUB-YEC-1-1 (d) and (e) also indicates that the amortization expenses related to written-off DSM costs had in error not been removed from the Rate Case amortization expenses – the revised Table 1.1-2 provided in the revised May 12, 2022 Compliance Filing accordingly adjusted Rate Case amortization of deferred charges to \$0.497 million from \$0.683 million in the April 14, 2022 Compliance Filing.¹

Further, as indicated on page 1 of Yukon Energy Compliance Filing Revised Tables and Rates dated May 12, 2022 the 2021 revenue requirement is also reduced by \$0.053 million due to change in mid-year rate base that include the changes in DSM and Rate Case balances for the corrections related to treatment of written-off DSM costs.

¹ Compliance Filing response to YUB-YEC-1-1(d) and (e) shows the revised amortization expense at \$0.491 million, rather than the \$0.497 million amount in the final revised Table 1.1-2 at page 1.1-2. This is due to amortization adjustment of \$0.006 million shown in Schedule 3 of Tab 7, line 67a.

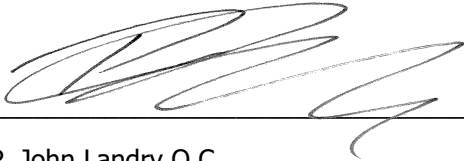
Cost of Debt

UCG notes that it does not understand why YEC is using Cost of Debt of 2.94% in the Compliance Filing May 12, 2022 Schedule 4 at page 3.1-9 rather than the 2.19% approved by Board Order 2022-03 (paragraph 222).

UCG provided similar arguments in the previous GRA reviews where it compares the approved interest rate for the new long-term debt forecast to be issued in the test year to the average cost of debt which is impacted by the interest rates of existing debt.

In reply, Yukon Energy notes that in the May 12, 2022, Compliance Filing, the approved interest rate of 2.19% was adopted in Schedule 11 at page 3.1-17 for "new debt" as forecast for 2020 and 2021 – the overall YEC 2021 cost of debt of 2.94% as shown in Schedules 4 and 11 of the Compliance Filing includes all existing debt as well as the referenced forecast new debt. This is the identical approach used for previous approved GRAs and correctly reflects the fact that long term debt instruments are contractual commitments that cannot be changed based on regulatory proceedings.

ALL OF WHICH IS RESPECTFULLY SUBMITTED



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