2023-2024 Atco Electric Yukon (AEY) GRA

Final Argument of the

Yukon Utilities Consumers' Group (UCG)

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Background

1. The Yukon Utilities Consumers' Group would like to remind all participants in this process that ATCO Electric Yukon is a monopoly service provider for the Yukon. AEY also has a special relationship with its' corporate shareholders who are centered outside our Yukon Territory. They claim that this affiliation gives AEY, and by osmosis the ratepayers, benefits being attached to a large mother company. But this large multi-national player which favours profits to fair play. They are not particularly focused on the newly accepted principle of many corporations, that of triple bottom line of People, Planet and Profits.
2. The UCG, as well as all the other interveners in this process, made it very clear to the electrical regulator in the Yukon, that customers have frustrations in the way in which AEY is being regulated. To the point of where there is limited trust for the AEY/YECL.
3. The Cost-of-Service model relies on various forecasting methods which are dependent on the utility provider input and interpretation. It is a budget utilizing utility-based information, which often offers anecdotal evidence that can easily be manipulated to receive the outcomes that are beneficial to the Utility bottom line.
4. Limited resources of the intervener groups make it almost impossible to provide alternative evidence, so the Board is forced to rely on the evidence available on record.
5. The utility makes appeals to deserve the maximum number of profits, utilizing all the methods they have at their disposal, such as:

- achieving the highest Return on Equity to bolster their revenue requirements;
- the use of deferral accounts such as the fuel rider and purchase power costs;
- aligned with new requested deferrals for transition and government policies such as IPPs;
- strategically inflating capital projects at the time of a GRA; and
- intertwining/bolstering depreciation, amortization, and cash flows.

6. After receiving a GRA approval with the best results for profits for the company, the AEY/YECL then proceeds to over earn nearly every year as is evidenced by Exhibit No. C3-9. They attempt to rationalize this with a plethora of reasons, including the moral authority to do this in the regulatory game. This privately-owned utility knows how to play the game to win for their shareholders.

AEY Revenue Requirement

7. UCG submits that AEY in their application, made it very problematic and thus frustrating to determine exactly how AEY calculated their revenue requirement. There were no tables presented for total revenues nor for total costs to clearly demonstrate any differences for each test year.
8. In the application, AEY references Schedule 2.1 (forecast revenue on existing rates) and Schedule 2.2 (other revenues included with retail sales revenues), but these were inadvertently left out of the AEY 2023/24 GRA. Consequently, it was impossible to ask IRs on this.
9. The AEY also present in their application, Section 3, many tables with various costs, but no table was ever presented with total costs in the application.
10. Then on October 30, 2023 AEY filed updates posted to the Board web, with a Utility Revenue Requirement and other Schedules outlined. AEY failed to forward these files to interveners for review. However, from the updated Schedule 1.1 it appears to declare that the revenues and the costs for the test period years balance each other out.

11. To UCG this means that there is no Utility revenue requirement adjustment for 2023 nor 2024, so we question why AEY is requesting a rate change for these years.
12. There may be some revenue requirement changes, <u>if</u> the Board accepts variations to depreciation, amortization of contributions, deferred charges and credits, and return on rate base.

Rate of Return (ROE)/Risk Premium

13. The Board is not obligated to use the recent BCUC decision for a ROE offered by the AEY.[1] The regulator has the discretion to utilize AUC decisions or other jurisdictions if they so wish.
14. If the Board choses to use this BCUC decision with a return of 9.65%, it must recognize that the BCUC also changed the equity thickness to 45%, giving their benchmark Utility a higher grade of risk premium than AEY.
15. UCG submits that a more appropriate and fair return of 9.3%, that of Northland Utilities of our sister territory, NWT.[2] They too are given a higher equity ratio, that of 42.5%,[3] giving them a greater risk merit to that of AEY.
16. AEY maintains they have an embarrassing amount of business risks, many of them relying on vague, or even more controversial, anecdotal support to bolster their ROE.[4] Other risks requested by AEY, not supported by evidence, are for market demand, transformational risk, operational risk(i.e. underestimating of costs), risk for DSM.[5]
17. UCG submits that AEY/YECL past record (see Exhibit #C3-9) demonstrates that they maintain a significant return, greater than their morphed comparators/benchmarks, for the past 15 years. This clearly illustrates that AEY does not have any risk in making its ROE.

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[1] AEY clarified on p. 29 Transcripts Day 1 that they are requesting a BCUC generic ROE of 9.65% with a risk premium of 0.75% and equity thickness remaining at 40%.

[2] Transcript Day 1 p. 31 AEY uses Northland Utilities for weather normalization to help determine the forecast models for AEY, so this jurisdiction is a better fit for ROE rather than a much different type of company in B.C.

[3] UCG attempted to find the NWT PUB Decision for Northlands, but had no success in ability to get this information, so we rely on the AEY panel transcripts page 154 Day 3 lines 1 to 19

[4] Transcripts P.44 and 45 example on changes to electric heat…J. Massie states: "We don't have a defined number."

[5] AEY-UCG-017 where AEY writes: "AEY is not able to quantify the precise impact of DSM on the sales forecast as nodetailed studies have been completed."

18. AEY has many deferral accounts (Rider F, Rider S, RIFD, WIP), while requesting yet more, all of which further reduce their risk.
19. AEY brags that the special relationship between them and their affiliates offer a bonus to their ratepayers. Access to loans from the large mother corporation, gives the AEY preferential guarantees and little business risk in requiring investment income. Let this statement presented by the applicant lower the AEY risk premium to prove their point.
20. UCG submits that during AEY cross examination by Mr. Rondeau identified that transition and government policy or programs such as IPPs has not yet significantly altered AEYs bottom line. Mr. Trogonoski, when questioned on these issues states:

J. Trogonoski: *So, we're in that—that early phase of the transition, but that's what creates part of the uncertainty still because no one knows for sure exactly where it's going to lead or how we get from here to where we want to be.* [6]

21. In Mr. Maissan cross-examination about government directed policies on IPPs and …AEY states:

J. Massie: *We don't have a clear understanding of what's in front of us for this risk, how it's going to affect us.*[7]

22. AEY in cross examination by Mr. Fortin on how the isolated communities are participating in IPP programs are contracted by AEY:

J. Massie: *So, we do have electricity purchase agreements (EPAs)in place for the remaining communities (Watson Lake, Beaver Creek, a and Destruction Bay/ Burwash).* [8]

23. UCG submits that these EPAs are a contract that if adequately written and administered by AEY would protect them from risks associated with any of these projects.
24. AEY claims risk to policy changes by the government, for example the advocacy of Micro generation. Yet in IR response to how these changes may

[6] Transcrtip Day 3, page 159 lines 21-25
[7] Transcript Day 1 page 34 lines 3-5
[8] Transcript Day 1. Page 56 lines 7-10

affect forecast costs associated with these policies, AEY writes: *"AEY is unable to provide a forecast for costs to unknown policy changes*."[9]

25. AEY further states that *"AEY has undertaken a number of initiatives and programs in response to the Federal and Territorial targets, specifically Grid Modernization, Independent Power Production(IPP),EV Chargers, and Micro-Generation. Not all costs associated with these initiatives are being tracked separately, nor have they been realized as some of these programs are in the early stages."* [10]
26. UCG notes also that the Board denied AEY argument for stand-alone principle in the 2008-2009 YECL GRA.
27. Accordingly, UCG submits that any energy transition risk premium be put on hold until the next GRA where AEY will have clearer evidence of this possibly impacting their ability to retrieve their revenue requirement. Managing complexities into the future will be a task for AEY to prove it can do this without asking premiums to do what they are already well paid to do.

Forecasting of Sales/ Costs and Revenues

28. AEY outlines sales by customer class as 364,621MWh (AEY-UCG-017 updated including actual first 6months) for 2023 and 378,905MWh in 2024. AEY goes forward on forecasting method using data from 2016 GRA to 2019, ignoring 2020 to 2022.[11] As such, they forecast a drop in sales from the actual 2022 sales. They claim the UPC data for the pandemic years, including 2022, does not represent the trend to UPC and new growth.
29. UCG submits this forecasting procedure results in an inaccurate forecast. UCG submits that for the year 2022, the pandemic was waning, people were going back to their offices and construction and new growth continued at a normal rate. Using this year as a go-forward provided more accurate data to compare as income from new growth and electrification trends demonstrate. In cross-examination by Mr. Rondeau, AEY clearly defines problems in forecasting for 2020 and 2021, but fail to say anything about the 2022 non-test year:

[9] AEY-UCG-015
[10] AEY-UCG-012
[11] GRA AEY 2023-2024 p.

J. Massey: *I don't know how anybody could forecast 2020 and 2021 accurately. …So I don't know how we could have known that residential sales would have went through the roof because everybody had to work from home for extended period of time, and commercial would go down.*

30. During the hearing when questioned on why UPC goes up and down, AEY gives several factors which could affect this:

T. Martino: *We don't have <u>exact data on</u> the profile contributing to the changes, but typically, by us running our data over many years, the trend is baked into our forecast, and implies the change in (UPC added), if its electric heat or any of the other factors that affect use per customer is included in our regression when we run sales forecast.* [12]

28. Since the regression model used by AEY requires input from AEY staff or consultants, and this information is not "exact data", UCG submits this makes the 2022 non-test year actuals an even more important year to compare to 2023 sales.
29. Considering AEY primary retail sales record (Exhibit C3-6) and AEY-NDP-04, UCG submits that AEY has a history to underestimate sales revenues in their test years. 2014 and 2015 were an anomaly, but the AEY company managed to over earn nonetheless in 2014.
30. Accordingly, UCG requests that the Board orders AEY to increase their sales/revenue forecast by 5% to consider growth patterns more accurately, as well as the increase in electrification revenues.
31. Shifting attention to the cost forecast, during cross on labour costs, AEY suggests:

B. Rogers *So we're looking at labour costs. includes the salary of that employee*

[12] Transcript, p. 47 lines 11-17

and the benefits ,the flex benefits of that employee, but it also includes the cost of administering of the labour for that employee, so there is a payroll service provider costs…[13]

32. AEY has spent over $8 million dollars on a new computer system for billing and accounting, yet they ad costs for a consultant service provider to and do payroll. This is double dipping.

32. In questioning on efficiencies achieved since the last GRA, AEY in cross-examination states:

B. Rogers: *I think the—the exercise—of—of measuring efficiencies in itself is not efficient. So it is a bit challenging to do so. But we do look at things—like, again, if we took 2017 costs and applied inflation rates, we would come into an O&M forecast for 2024 around $14.6 million. We're coming in with a forecast in the test period with a $14.9 million O&M forecast, and that incorporates a $700,000 increase for CCS costs.*[14]

33. AEY fails to identify any clear efficiencies they have achieved to maintain O&M costs. Only that CCS costs of $8million and $700,000 per year to operate the cloud-based CCS programs have not resulted in efficiencies for operational costs, only intensified these costs.

34. Accordingly, UCG submits that the Board decrease the cost portion of the revenue requirement by 5% to give AEY an incentive to establish efficiencies going forward.

35. UCG submits that to get a more accurate revenue requirement picture the Board wait to the end of the 2023 test year and then require AEY to file the actual sales/revenues and costs for that test year before making their decision.

[13] Ttranscript Day 1. P. 27

[14] Transcript Day1, p. 27

Captial Projects/Capital Costs/Rate Base

36. AEY has asked for an unprecedented increase in capital costs from approved 2017 last test year of $12.471million to $31.234 million in 2023 and $25.073million in 2024, [15] more than double for each new test years.
37. AEY has a history of inflating capital projects in the test years. For the 2009 test year approved capital cost was $7.718 million[16] compared to the GRA 2013 request of $19.894 million[17], again more than double.
38. AEY claims to need this new investment of over $30 million to keep up with the electrification and transition infrastructure , yet one third of these capital costs requested to go into rate base are for new computer systems for management of billing and organization of assets.
39. In this GRA, AEY has requested $8.403 for ATCO CIS replacement with O&M costs of $235K in 2023 and $415K in 2024[18] , $1.206 million for Asset Management, My Account cost of $265,622 with O&M fees of $5,458 per year[19]and GP&E costs and software starting in 2016 and continuing into the 2023/24 test years at a total cost of $9.998 million[20]. They then have inflated expenses for their operations and maintenance of these programs.[21]
40. Not one of these projects has direct benefits to ratepayers proven in the evidence provided and only qualitative benefits to the utility in these test years.[22]
41. Furthermore, UCG submits that these three projects are intangible assets and thus offer contrary evidence to the AEY reference on p.8.6, #27, 2023/24 GRA that: *"these additions (to capital expenditures added) are primarily driven by requirements to upgrade, enhance and replace components of distribution and generation systems…"*

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[15] AEY GRA

[16] 2013-2015 GRA YECL Schedule 9.1 pdf 495

[17] 2013-2015 GRA YECL , AEY uddates 2023-10-31, pdf 2

[18] AEY-UCG-004 a. and b. , AEY-UCG-084

[19] Trasnscript p. and AEY-UCG- where AEY states: There was no cost-benefit analysis done to show ratepayers would benefit."

[20] AEY-UCG-051 table 2

[21] See comments attached above with referenced documentation.

[22] Transcript p. 113 where J. Massie states: *"I think we are in a stabilization period of the installation of the new billing system. It went in in August. So, it's difficult to quantify anything as we're still stabilizing and learning how to use the system and how to integrate things into it. So, we don't have anything quantifiable."*

42. Subsequently, UCG submits that none of these project costs should be allowed into the rate base until they have been proven to benefit the ratepayer.

43. UCG also find it very difficult to follow if and how AEY determines project cost to rate base during non-test years. In AEY-UCG-04 where AEY is directed by the Board to provide an explanation to UCG of its interpretation of the provisions of the Public Utilities Act which it believes permits AEY to ad to rate base in non-test years , AEY give rationale for using their Capitalization Policy as the principle in giving them the authority to do so: *"The Board has discretion with regard to the prudency of the costs included in rate base and revenue requirement and an obligation to enable utilities to recover prudently incurred costs and earn a fair return on rate base. AEY does not believe the Board has jurisdiction to prevent the capitalization of capital expenditures under accounting standards of the Act."*

44. UCG does not agree with this concept, that this is not identified in the *PUAct* which offers no regulatory provision for retrieving Rate of Return additions in non-test years. UCG does not deny the Utility the opportunity to construct capital projects to "maintain it property and equipment in such condition as to provide safe, adequate, and proper service." But until they bring these projects before the regulatory no rate base changes should be allowed.

45. In the Financial Performance tables of the KPI reports to the Board, Section 11, pdf 54 AEY gives Net Rate Base for 2017 at $102,734 million; Section 11 pdf 45 for 2018 at $105,377 million; Sec.11 pdf 36 for 2019 at $106,527 million; Sec.11 pdf 27 for 2020 at $107,486 million; Sec.11 pdf for 2021 at 109,463 million; Sec.11 pdf 9 for 2022 at $114,453 million. These clearly identify AEY increasing rate base in non-test years which impact their ROE for each year.

46. However, during cross-examination AEY states:

Beth Rogers: *So, in years outside the test period, rate base doesn't grow until we come forward with an application to have it incorporated into the revenue requirement.*[23]

47. UCG submits that AEY, while claiming rate base does not grow until they file a GRA, cleverly load their net rate base in non-test years giving them an advantage for their fair return on equity for non-test years, as is demonstrated in #45 above.

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[23] Transcripts Day 1, p. 108

48. This is just one more example of why AEY, as well as YEC, should file GRA reviews every two years. If AEY were ordered to file a 2025/26 GRA in mid-2024, this would give them the opportunity to demonstrate quantitative transition risk, to demonstrate the quantitative benefits to ratepayers of their new computer transformation, the quantitative benefit to ratepayers of the total expenditures of Fish Lake hydro facility, the quantitative benefits to ratepayers of the two deferred sub-station builds, the quantitative risks of IPPs and micro-generation, as well as qualified benefits of other deferred projects.
49. Noted, as well, in an IR response, AEY present table 1 which demonstrates capital additions to rate base including the non-test years.[24] In next table 2, AEY defines capital additions again in test, as well as, non-test years, including categories for GP&E &Software.[25]
50. Not only does UCG question the additions to rate base in non-test years, but also the GP& E & Software amount of over $9million. This has never been qualified in a regulatory process.

Captial Projects

51. Although UCG made some capital costs arguments in the above portion of our argument, i.e. all the computer replacement costs (along with their inflated O&M charges), there are others that concern the UCG.
52. Such projects which AEY want to ad to rate base are:
    - continuing costs for the Fish Lake hydro plant with no cost/benefit analysis done to see if the total costs are actually beneficial to the ratepayer;
    - continuing costs for the McIntrye subdivision with major cost overruns and continual change of scope;
    - non-completion or deferral of two sub-stations;
    - AMI (all meters changed or newly installed be AMR or AMI compatible meters….no longer use the refurbished meters from affiliate to clear their warehouses) costs are the same as digital meters
53. AEY gives a breakdown of expenses attributed generation or waterway for Fish Lake from 2013-2017 until the two test years 2023/24 (see table 1).[26] The total amount for Waterway is $9.394 million and for Generation $4.221

[24] AEY-UCG-051
[25] AEY-UCG-051
[26] AEY-UCG-101

million. In this filing, AEY wishes to recoup a Rebuild to replace the ditch #1 spillway, at a cost of $0.262million above the insurance for the structure[27]. They also wish to replace the roof for Fish Lake 1 for $.0511million for on-going leakage problems fixed several times before[28]. As well, Fish Lake Power Station Design of $0.912million[29] for preliminary work, not even taking in what a new power station would cost?

54. In cross-examination by Mr. Rondeau, Ms Roberts stated that the two turbines at Fish Lake running at full blast would offer 1MW. In other words, these turbines produce less than 1MW on an on-going basis.[30]

55. With all these continuing costs, UCG submits it is time to have a full analysis to demonstrate this facility is indeed cost effective, regardless of the reasoning given "*that perpetual control and monitoring of water safely throughout the Fish Lake drainage system regardless of whether electricity is made.*"[31] UCG submits they can simply return it to nature.

56. AEY provides a breakdown of the Overall Project Cost Performance for the McIntyre Subdivision Replacement Project from 2013-15 actuals of $1.44million, 2016-17 actuals of $1.733million, 2018-2020 actuals of $$0.455million, 2021/22 actuals of $l.653million to 2023-24 estimate of $1.970million. For a <u>total Estimated Project cost of $7.314million.</u>[32]

57. This is another never-ending project with cost-overruns and continual changes made to scope and engineering of the project (i.e ground conditions). These changes were a result of poor planning and engineering for the project, which resulted in delays and deferrals. And now an added contingency loop,[33] at even more cost.

[27] Business Case #02
[28] Business Case #39
[29] Business Case #
[30] Schedule 3.2 L7 9522
[31] AEY-UCG-101
[32] Business Case #001
[33] Business Case # 11

58. In an IR response AEY states: *"Appendix #8 of AEYs 2016-2017 GRA estimates a total completed cost of $5.129 million. The new estimate is $7.314 million in Business Case #1*."[34]

59. Furthermore, AEY in an IR response indicated that: "Business Cases #01,02 and 03 for projects in 2016-2017 have cost overruns greater that $100,000 and 100 percent of the approved costs. [35]

60. UCG submits that due to the above issues, a minimum of fifteen(15) percent of this McIntyre Project expenditures be borne by ATCO to secure efficiencies for better planning and proper engineering outcomes to all projects going forward.

61. The two new sub-stations in Mayo Road and Whistle Bend with costs of $5.742million [36] appear to be justified. But due to delays, for various reasons as presented in cross examination by Board staff, [37] UCG submits this project not be placed into rate base in this GRA, but put into WIP until full costs are justified and projects are complete.

62. As for the AMI project, there are many issues left unanswered. For example, why was this pilot project not placed in a new Whistle Bend build as meters had to be installed and new AMI compatible meters would cut cost of not replacing old technology of meters purchased from affiliates. These new AMR meters should be replaced in all older properties by attrition and all new buildings should also have the newest technology of meters that during cross examination, information that these are only a few dollars more expensive than the old digital and …meters.

63. This would leave only the costs of other AMI infrastructure needed to fulfill this mandate. For these reasons, UCG submits this project be placed into WIP until all costs are justified and the project is completed.

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[34] AEY-UCG-063
[35] AEY-UCG-59
[36] Business Case #25
[37] Transcript, Day 2, p.

64. There are many more projects that UCG has concerns about, but simply do not have the time to delve into them. Such things as brushing costs and reasonable cost for moving of transmission and distribution lines (some of which have already been moved before), vehicle or fleet purchases, genset overhauls, and voltage improvements.

65. UCG notes that in Schedule 9 on capital additions, AEY states: "YECL 2013-2015 GRA Schedule 9.1 pdf p. 495. AEY 2016-2017 GRA Schedule 9.1, and the present AEY 2023-2024 Schedule 9.1 all show that AEY has been unable to complete the approved capital expenditures (which were less than requested in the GRAs."[38]

66. UCG also notes that in cross-examination by Board counsel, Mr. Massey stated that AEY undergoes capital projects when they are ready.[39] Since, strong evidence shows that AEY has loaded capital projects and costs in this 2023/24 GRA, that many projects are STRATEGIC rather than necessary.

Affiliate Cost

67. Although AEY wishes to charge ratepayers million of dollars through rate base additions for various computer/program upgrades and replacements to enfranchise their home base operations, they still rely on related party affiliates for far too many tasks. Some of these are listed in an IR response outlining a cost for capitalized affiliate charges of $0.857million for 2017 to 2022 and forecasted $.260million for 2023 and $0.50million for 2024.[40]

68. AEY also has details of other financial services for governance, HR and Health and safety; Financial Reporting and Regulatory Support; Payroll, Use of Systems, and IT to a tune of $5.27million from 2017 to 2022 and another forecasted $0.697million in 2023 and $0.792million in 2024.[41]

69. These are very onerous cost and represent double dipping of expenses when they are claiming such high costs for new computer systems.

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[38] AEY-JM-027
[39] Transcripts Day 2, p.
[40] AEY-UCG-039
[41] AEY-UCG-038 pdf 439 Table 4

70. UCG submits that these costs be borne by ATCO to demonstrate that they cannot utilize affiliates for work that should be done by the many in-house AEY personnel.

71. UCG also questions the inflated costs for Head Office Costs Table.1[42], as well as Other Administrative and General Costs in the millions of dollars.[43] UCG requests that these be clearly scrutinized by the Board and deductions be made to these costs.

Depreciation/Amortization and Working Capital

72. A basic principle to rate making is to only charge ratepayers for those assets being used to provide them with a service. In other words, todays customers only pay for todays plants in service, not tomorrows or yesterdays. By following this principle, intergenerational inequities are minimized.

73. Since depreciation expense comprise a significant portion of the revenue requirement, the determination of how quickly to recover the investment can greatly impact ratepayers . For example, too much depreciation expense in a year would result in higher rates for ratepayers and an increase in cash flow for the utility. Too little depreciation expense results in the opposite, but a longer-term benefit to the utilities return, i.e. assets remain on rate base longer.

74. For this GRA, AEY hired Concentric to undertake a depreciation study and recommend depreciation parameters. UCG presumes that AEY provided the necessary information to determine the outcome. AEY has all the asymmetrical information for the input to this study, as well as all the forecasting made. These, therefor, are judgements made with this information and not an exact science.

75. The real impact on revenue requirement for each of the test years is revealed in Table 1: After Tax Revenue Requirement Proportions ($000)[44]

	2023		2024	
Cost of Supply	$38,959	59.2%	39,984	54.7%
Net Operating Costs	$14,823	22.5%	15,084	20.6%

[42] Ibid Table 1 pdf 437
[43] Ibid, Table 5
[44] AEY-UCG-2-003

Depreciation	$ 2,948	4.5%	6.540	8.9%
Updated Dep. Par.	(818)	-1.2%	(870)	-1.2%
Net Salvage	$ 1,738	2.6%	1,762	2.4%
ROE(will likely increase)	$ 5,126	7.8%	6,787	9.3%
ROE(Tax applied)	$ 309	0.5%	346	0.5%
Cost of Debt	$ 3.448	5.2%	3,704	5.1%
Amortization (Deferred)	$ (711)	-1.1%	(265)	0.4%
Total Revenue Requirement	**$65,821**	**100%**	**73,070**	**100%**
Total Capital Cost	$12,750	19.4%	18,268	27.8%
Working Capital	137	0.2%	137	0.2%

76. This clearly demonstrates the impact of the depreciation study, which for the ratepayer is not a balanced outcome for depreciation, amortization, working capital and rate base, especially in the 2024 test year.

77. Much of this increase in 2024 is for the CIS program which is a disputed issue.

78. UCG does not understand why Net Salvage was discontinued to build up during the non-test years from the 2016-2017 GRA. If this would have been applied in these non-test years, this would have lowered this account balance for the 2023 and 2024 test years.

79. If AEY would have continued operating Net Salvage from 2017 to 2022 they would have continued to achieve their return but would have paid down this account. Now they over earned all through the test years, while keeping Net Salvage growth for the new upcoming test years. A win-win for this maximizing profit corporation.

80. UCG also questions why the depreciation cost record shows that from 2008 to 2022 depreciation increased per year in the low thousand of dollars, then in 2023 jumped by $1.3million for 2023 and $2 million in 2024.[45]

[45] C3-7

Efficiencies to System to Improve KPIs Resulting in Less Line Losses

81. Despite the spending of million of dollars since the last the 2016-2017 on improving voltage regulation in its system (see Business cases #03, #04,#05,#06,#09.#16,#17) and more to be done in this test period (Bus. Cases #29, ##30, and the large upgrades on Mayo Rd. and Whistle Bend Sub-Station #25), the AEY system has failed to benefit ratepayers with a lowering of Line Loss.[46] Line losses since 2017, the last GRA, until 2022 have bounced up and down between 5.5 and 6 %. This quantifies very little results from the increased capital spending on the rate base.

82. The KPIs which tracks distribution performance on an ongoing basis has not appeared to demonstrate this improvement in line loss. UCG submits that AEY has failed to comply with Direction No. 16 from the Board in the last GRA.

83. Lack of performance should result in a reduction in the return on rate base.

Development of Life-Line Program

84. With the high inflation rates continuing to effect customers of AEY, many low- and set-income earners are striving to keep the lights on, besides have power to provide for food preparation and heating the household. These are basic necessities of life.

85. Although AEY stated they have programs to offer customers help when they are having difficulties in keeping up with their electrical bills (i.e. average bill payments per month, time to pay defaults, etc.), these do not rectify the problem, only delay the inevitable…disconnection.

86. UCG would like the Board to direct AEY to develop and implement a policy that would help alleviate this problem. This is done in many jurisdictions throughout the United States.

[46] AEY GRA Schedule 11.1 pdf 2