YUKON UTILITIES BOARD

IN THE MATTER OF the *Public Utilities Act*
Revised Statutes of Yukon, 2002 c.186, as amended

and

IN THE MATTER OF a 2023-2024 General Rates Application
by Yukon Energy Corporation

REPLY ARGUMENTS SUBMISSION OF

UTILITIES CONSUMERS' GROUP

April 2, 2024

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Introduction

1. The Yukon Utilities Consumers' Group Society (“UCG”) filed its Final Argument on March 22, 2024 with respect to Yukon Energy Corporation’s (YEC) 2023 and 2024 General Rates Application. Final arguments were also submitted by YEC, John Maissan and Nathaniel Yee.

2. This reply argument proposes positions of UCG for the Yukon Utilities Board’s (YUB) consideration. UCG stands behind all our previous Final Argument statements and see nothing in the YEC final argument to dispute our positions other than their regurgitation of the application.

3. Where specific arguments of YEC, John Maissan and Nathaniel Yee are not referenced below, UCG submits that the YUB can rely on UCG’s previously submitted arguments.

4. The UCG is the only registered intervenor representing ratepayers in the review of YEC’s 2023-2024 general rates application. With respect to Mr. Maissan, UCG concludes from his final argument that he is not a ratepayer representative beyond his own perspective as a customer of electricity and ex-employee of YEC. He confirmed this in his opening statement to the YUB at the public hearing. With respect to Mr. Yee, his arguments focused mainly on one-issue, albeit a very important issue for rental units and their associated costs.

5. YEC's main mantra in their final argument is: ”no key or material issues regarding…[many of their application demands]… were raised in interrogatories or in cross examination at the oral hearing". UCG considers this statement to be the furthest from reality of the evidence before the YUB.

6. There were several hundred interrogatories submitted and 4 days of cross examination and requests for undertakings, demonstrating clearly that there were more than a few issues raised.

7. Regarding transition and being ready, UCG proposes that if YEC management has vision, a working framework, good governance, and appropriate regulation, they can adjust without great costs to the public trust.

8. Additionally, <u>public</u> corporate managers and their hawks with a comprehensive grasp of finances must <u>efficiently</u> allocate resources, identify potential risks, and capitalize on opportunities to optimize results for the benefit of the ratepayers they represent while sustaining long-term success. This application fails to do this! YEC should have first gone to the people with the development of a supply-side management plan as well as an updated resource plan, including transition analysis.

9. Also, not conducting any customer engagement or consultations during the development of this rate application will result in ratepayer confusion and mistrust when they see their bill rising. One of the main roles of the YEC is to keep its clientele informed and involved. Ask any one on the street if they know why YEC needs to rent diesels? Or what N-1 means? To get people on-side, you must inform and educate them.

10. Ratepayers need to know why their bills are increasing with a sufficient advance notice to budget for any increase in their electricity bills. The YEC management and staff have failed miserably to do this yet again! And ratepayers will be doubly impacted by ATCO Electric Yukon (AEY) rate changes in the same time frame.

11. This is a relatively new regime at YEC, and we must give them a chance to do "business in a better way" by first getting rid of all the old guard from outside and run the company with genuine conviction to Yukoners.

Reply to John Maissan Arguments

12. UCG disagrees with Mr. Maissan's recommendation that the YUB accept YEC's sales forecast for the test years.[1] As is noted below in reply to YEC arguments, load forecasting for all ratepaying customers of electricity in the Yukon should be undertaken in a comprehensive way by YEC and AEY in full cooperation, not, as is currently the case, in a piecemeal and inconsistent manner.

13. UCG disagrees with Mr. Maissan's recommendation that the YUB instruct YEC to explore options to adapt the YECSIM model to be able to fully model the diurnal nature of solar energy or to find a model that can work with YECSIM to do that and bring a viable option forward in the next GRA.[2] As UCG submitted in our final argument, we (as a ratepayer group) have no regulatory compact with the LTA modeling or simulation techniques utilized by the YEC. We all need to work together to find a mechanism that will forecast with a technique that brings us up to date with all the grid improvements /modification and generation enhancements (including the addition of solar IPPs , hydro and thermal upgrades etc., by utilizing hydrological information and weather normalization, not polynomial equations and imputed algorithms.

14. As is noted more fully below in response to YEC arguments, UCG disagrees with Mr. Maissan's recommendation that the YUB now allow the previously disallowed capital costs for the WH2 and WH4 upgrade projects into rate base.[3]

15. Regarding the 20 MW diesel generating station that Mr. Maissan recommends[4], this has been unsuccessful in the past and attempting to advance this yet again will just throw money to the wind, as no social license will be given to this concept.

Reply to Nathaniel Yee Arguments

16. UCG interprets the data on diesel usage, diesel rentals, diesel upgrades and diesel uprates, that Mr. Yee has presented in his evidence and cross examination is relevant and should be taken into consideration by the YUB.[5]

17. Since it is apparent from the record in front of the YUB that YEC has not received the regulatory permission / permits / approval to operate all its rented diesels in their present locations, UCG submits that the YUB has no alternative but to deny YEC the recovery of the costs associated with 21.8 MW being the equivalent of 12 rental units.[6]

18. YEC should have placed these rental units in another location when they realized that permits could not be certified in these chosen locales. By not completing their homework adequately, YEC has been left vulnerable to recouping their costs for these 12 rental units in this rate application.

19. One possible place to put these rentals, going forward, would be at the Minto mine site where the YEC could conceivably retain the diesels and their housing already on the property for their portion of the receivership. This would kill two birds with one stone, with an easy permissible option (no

[1] Maissan Final Argument, March 22, 2024, page 1
[2] Maissan Final Argument, March 22, 2024, page 4
[3] Maissan Final Argument, March 22, 2024, page 9
[4] Maissan Final Argument, March 22, 2024, page 10
[5] Yee Final Argument, paragraphs 52-69
[6] Yee Final Argument, paragraph 65

residential interference) and the possible replacement of some or possibly all the 12 non-permitted diesel generators. YEC owns the power line to the main grid and there is a substation at the highway junction to YIS.

Reply to YEC Arguments

20. YEC in its opening Outline of Final Argument asserts: "*Yukon Energy submits, however, that the commentary and supporting evidence it has already submitted in the proceeding, including its filed Application, the answers to the many interrogatories, and the other evidence submitted (including responses to undertakings) provide a complete answer to all such concerns, and fully support the reasonableness and necessity of the proposed revenue requirement. Further, no evidence-based contrary position has been tendered by any party*."[7]

21. UCG submits this is a very narrow approach taken by YEC. What they fail to recognize is that the regulatory process is not an objective process as it gives the utilities an advantage, right from the get-go. YEC uses our money (ratepayer money) to: hire an outside consultant firm to develop this GRA; hire an outside legal firm to develop their final argument and reply; hire a consultant firm to develop all regulatory files; hire a consultant firm to develop permitting of its facilities; hire a consultant firm to do rate of return certification; hire a consultant firm to develop depreciation and amortization validation; and on and on. UCG, a ratepayer intervenor, on the other hand, have their hands tied as they cannot even use our ratepayer money to hire an expert to verify an efficiency profile of YEC and compare / benchmark them to other similar utilities, somewhat like the YEC is allowed to do for rate of return.

22. It is interesting to note that YEC does not mention anything about its prescribed method of applying rate increases nor how this adds to bill stability or bill impacts. UCG requests the YUB review and consider UCG arguments on this topic and makes a written interpretation in their decision.

23. UCG also notes that YEC mentions nothing on how it manages / mismanages timing of rate hearings, nor if a set two-year rate hearing process is acceptable to them or whether they will adopt to this policy on their own. UCG requests the YUB review, consider and make a written decision on this matter of mandated two-year application processes.

24. YEC asserts that energy transition is a major driver for increases in the revenue requirement:

> *Energy transition: Yukon's electricity system is in a state of transformation with rapid changes to the way Yukoners both consume and produce electricity. Investments in Smart programs and technologies, including demand-side management (DSM) programs, are needed to better manage and shift system peaks when products like electric vehicle chargers, electric baseboards and water heaters, and heat pumps.*[8]

25. First, UCG submits that it has always been part of the YEC responsibility to replace diesel consumption with supply and demand side management options. Second, UCG submits that they are imposing new techniques, using transition as a crutch, which are driving up rates. This is before they have a concrete supply-side plan or an updated resource plan or a transition management plan; the cart before the horse.

[7] YEC Final Argument, March 22, 2024, page 2
[8] YEC Final Argument, March 22, 2024, page 3

26. Accordingly, the purpose of DSM plans is to save money by displacing diesel, not spending more money inefficiently. Also, the Energy Solutions Centre takes on much of the tasks for residential DSM programs. The YUB must continue to monitor overlaps and duplication concepts and deny YEC costs for such duplication.

27. With respect to the wholesale sales forecast, YEC argues that the ultimate decision made by the utilities was that each company would proceed with their own respective forecasts for the test years.[9] UCG submits that this misses the point of the YUB's previous direction to align their wholesale sales forecasts. The YUB has already identified the importance of YEC and AEY working together to jointly file multi-year load forecasts by rate class every two years,[10] yet nothing has ever been delivered in that regard. If YEC and AEY are not willing to follow YUB direction to work together, then the YUB needs to add repercussions to not following their directions.

28. UCG disagrees with YEC's final argument when they state: "*Overall, no key issues were raised during the hearing regarding sales and generation forecasts for the 2023 and 2024 test years*."[11]

29. UCG submits that various IRs from the UCG as well as cross examination by both UCG and the YUB on differences between YEC and AEY wholesale purchase power were a focus of attention. Evidence from UCG Final Argument demonstrates major differences in YEC wholesale forecast and AEY forecast for each test year. For 2024, YEC forecast is 355.9 GWh and AEY forecast is 362.6 GWh, a difference of 6.7 GWh.

30. UCG reiterates that AEY assesses using end-use knowledge as well as valuable information from their customers, City of Whitehorse, and Yukon Government to develop their wholesale sales forecasts. Meanwhile, YEC is stuck on regression style long-term modelling. Accordingly, UCG contends that AEY is most likely to be more accurate in this case and their forecast should prevail.

31. Also, in this section in YEC argument they state: "*Tab 2, Section 2.2.2 of the Application includes a summary of forecast information provided to YEC by Hecla Yukon and Victoria Gold. Industrial sales are forecast at 75.0 GWh for 2023 and 69.4 GWh for 2024, as compared with 2021 actual sales of 91.1 GWh and 2022 actual sales of 95.2 GWh*." YEC follows this with the statement "*No material issues or concerns were raised in IRs or at the oral hearing regarding the 2023 and 2024 GRA industrial sales and generation forecasts. As such, Yukon Energy's retail and secondary sales forecasts are reasonable and should be accepted*."[12]

32. Considering peak demand is an increasing obstacle for the utility, UCG questions why YEC has not pursued the contract proposal negotiated with the mines to develop peak shaving in the winter months and increase their usage in the summer months. UCG requests the YUB to direct the YEC to exploit this contract obligation with the mines.

33. UCG submits that the way in which the YEC forecasts their mine load demonstrates that, by low balling industrial loads, YEC can receive a revenue bonus if the loads are considerably higher at year end. Therefore, UCG requests the YUB to put a placeholder for the benefit of firm rate payers on increased revenues from sales greater than those forecast for the industrial / mine ratepayers.

34. For the 2023/2024 GRA, the secondary sales forecast is at 2.9 GWh for each test year. The forecasts for the test years were prepared based on actual secondary sales experienced in 2022

[9] YEC Final Argument, March 22, 2024, page 6
[10] YUB Report to Executive Commissioner - YEC's 20-Year Resource Plan, January 15, 2007, page 5
[11] YEC Final Argument, March 22, 2024, page 6
[12] YEC Final Argument, March 22, 2024, page 7

and expected water conditions for 2023 and 2024 at the time of preparation of the GRA. The response to UCG-YEC-1-18(b) notes that actual secondary sales to date for 2023 were lower than forecast for the test year due to reduced hydro output due to Mayo A outage, reduced Whitehorse output due to WH4 outage and spinning reserve requirements, and drier Aishihik conditions. YEC concludes in its argument that "*No material issues or concerns were raised in IRs or at the oral hearing regarding the residential, general service, lighting sales or secondary sales forecasts included in the 2023 and 2024 GRA sales and generation forecasts. As such, Yukon Energy's retail and secondary sales forecasts are reasonable and should be accepted*."[13]

35. UCG submits that although YEC gave reasons for lower sales in secondary for 2023, they failed to give any reasons why they should not be forecasting these sales for the 2024 test year back to the 2022 levels or even higher. It is not clear whether YEC expects Mayo A and WH4 to be out again or low water in Aishihik.

36. <u>As with industrials loads, UCG proposes that a placeholder for the benefit of firm ratepayers, on increased revenues from sales greater than YEC forecast secondary energy for 2024 test year</u>.

37. YEC states in its argument: "*In UCG-YEC-1-27 reviews the method used by YEC to prepare the peak demand forecast since 2018 (i.e., Itron econometric model and related inputs)*."[14]

38. Again, YEC uses a modelling exercise when they should be using 'end-use' metrics, like AEY, to determine residential, commercial, and PEAK loads. <u>This should be resolved by the YUB in their directions</u>.

39. YEC goes on make the following proclamation about their total generation forecast: "*The Application's forecast firm generation of 525.5 GWh and 531.2 GWh, for 2023 and 2024 respectively, is based on forecast firm sales plus system losses of 8.8%. No material issues were raised regarding the firm sales forecasts or system losses forecast, and consequently the forecast generation for 2023 and 2024 is reasonable and should be accepted*."[15]

40. This again is furthest from the facts. UCG and the YUB questioned the YEC during cross-examination at the hearing on how they determined forecast generation resulting in lower forecasts hydro in 2024 along with their increased forecast diesel. YEC did not have a reasonable answer, only ***that it is what our expert who's our modeler tells us***.[16] <u>UCG requests the YUB to review our final argument on this important issue, as well as the YEC inability to decrease their line losses. Accordingly, if the YUB finds this modelling as an under forecasting of hydro availability, that this result be remedied in the compliance filing</u>.

41. Regarding lack of vision of YEC to make corrections to the transmission line and distribution design to avoid downtimes, increase the reliability of the system and optimize line losses, UCG would like to make some possible suggestions: In addition to conforming to the established principles for proper voltage, frequency and waveform adaptations of the power supply system (as advocated in our final argument), YEC could also improve quality of service and lower future line losses by bolstering their pylon systems in the transmission lines; modifying transmission lines of the circuit so that ohmic, dielectric and leakage current losses are minimized; properly maintaining their conductors, i.e. keeping them clean or in some cases bundling the conductors; replacing old transformers with modern, efficient ones; and strategically placing capacitors in distribution lines.

[13] YEC Final Argument, March 22, 2024, page 7
[14] YEC Final Argument, March 22, 2024, page 9
[15] YEC Final Argument, March 22, 2024, page 10
[16] Transcript. P.240 lines 1-15

Accordingly, UCG requests that the YUB direct YEC to come up with a plan which demonstrates, at the next GRA, a decrease in their line losses while at the same time improvement to their reliability.

42. In the Revenue Requirement portion of its argument, YEC claims "*Major issues were not raised during interrogatories or the oral hearing regarding General O&M, Administration, Insurance and RFID, or property taxes, which together account for the balance of the increase*".[17]

43. This again is furthest from the facts presented in this review process. UCG raised many issues on this section of the application during the IR process, cross-examination, and final argument. Accordingly, UCG presented many issues in our final argument concerning revenue requirement and all its drivers: non-fuel operations and maintenance, including management; fuel and purchased power costs; rate of return, rate base, depreciation, and amortization; and RFID.

44. UCG stands by all our final arguments on the revenue requirement prescribed in the YEC application and ask the YUB to earnestly review all issues we raised.

45. UCG completely disagrees that YEC's argument that its originally proposed 2023 and 2024 revenue requirements reflect the reasonable costs required for YEC to supply electricity to customers in 2023 and 2024 and to plan for future requirements thereafter. UCG submits that YEC's proposed revenue requirements are excessive given the proposed rate base additions (capital and deferred costs) for which YEC has not provided ample explanation or justification for many of these. Also, the excessive operating costs that YEC is trying to get anchored in its revenue requirements for 2023 and 2024 and going forward.

46. YEC notes in its argument that its application forecast a cumulative required rate increase of 14.11% to recover forecast revenue shortfalls and that without this General Rate Application, YEC's return on equity is forecast at 5.56% for 2023 and at 0.18% for 2024.[18]

47. First, the cumulative impact of YEC's proposed rate increases is closer to 15% over a 10-month period which, as UCG previously demonstrated in our final argument, cannot be considered within a reasonable range of inflation or any affordability threshold. While YEC complains that without the proposed rate increases its return would be lower, they fail to show how they are addressing the revenue shortfall using a combination of significant cost decreases and revenue increases from increased sales (i.e. more secondary in summer). UCG submits that while it is important to maintain the integrity of utility operations, it is important that the responsibility for paying for that integrity is shared between ratepayers and the shareholder. UCG submits that this sharing of responsibility has not been demonstrated with this application and the YUB should take action to see that it does.

48. YEC contends that the 2024 revenue shortfall is driven in part by higher depreciation costs.[19] UCG submits that YEC needs to broaden its thinking by looking into reducing the amount of depreciation costs by making sure that asset lives used to determine depreciation rates are prudent. UCG does not see any evidence of YEC looking at simple accounting processes to lessen the impact of escalating depreciation costs. We ask the YUB to scrutinize the YEC accounting practices to see if any lowering of depreciation costs can be achieved.

49. YEC argues that the Yukon's electricity system is in a state of transformation with rapid changes to the way Yukoners both consume and produce electricity.[20] UCG submits that YEC has

[17] YEC Final Argument, March 22, 2024, pages 11-30
[18] YEC Final Argument, March 22, 2024, page 3
[19] YEC Final Argument, March 22, 2024, page 3
[20] YEC Final Argument, March 22, 2024, page 3

overestimated the rate at which energy users in the Yukon are transitioning from other energy sources to electricity. Only the affluent in-the-know consumers and the building developers are transitioning to only using electricity for heat, or changing to heat pumps, etc. The same holds for those developing their own solar systems, i.e. because of the costs involved in installing new infrastructure, while at the same time paying the ongoing costs of electricity which continue to escalate at an alarming rate, most electricity ratepayers are left out. It is most often the most needful or most vulnerable who are excluded.

50. YEC has decided to use its final arguments submissions to work in a few more changes to the application forecasts to address IPP project generation forecast updates, major capital project updates affecting forecast in-service dates, a few specific major capital project cost updates, and overhaul project updates.[21]

51. YEC is also using its final arguments to update its proposed return on equity to reflect the BCUC update to its benchmark utility ROE (i.e., an increase from 8.75% assumed in YEC's Application to 9.65%).[22]

52. UCG submits that final arguments are the vehicle for parties to echo the facts of the evidence in front of the YUB. It is not the time to suddenly update everything in the original application. Utilities can't be allowed to simply update parts of their application on an ad hoc basis because costs are going up. If a utility applies based on their best estimate of forecast costs and revenues, then they should be made to live with those costs and revenues forecasts unless there is a significant calculation error made.

53. Unless a wholesale update of YEC's costs, revenues and operations policies is made to update the application completely, then any decision on 2023 and 2024 revenue requirements should be made based on the evidence presented in the original application.

54. UCG disagrees with YEC's blanket statement that its industrial load forecasts are reasonable and should be accepted.[23] UCG submits that information provided over the course of 2023 and 2024 indicates that industrial loads continue to be subject to considerable change. UCG submits that this supports arguments to separate load forecasting and planning related to base, non-industrial loads from the more transitory industrial load potential to protect longer term ratepayers from adverse rate impacts associated with capital spending made necessary for the purpose of meeting short term industrial loads. UCG submits that onsite generation combined with guaranteed upfront payment by these industrial loads for current and future costs would protect the interests of other Yukon ratepayers.

55. With respect to the often-transient nature of industrial loads, YEC argues that it is working on recovering any outstanding amounts owed from Minto through the receivership process.[24] The YUB should forecast that these costs will be recovered through the receivership process when determining YEC's final revenue requirements.

56. UCG submits that it's time that YEC is tasked with living with their forecasting methodologies, albeit how arbitrary they may be, so that they put maximum effort into accurately forecasting their costs and revenues. We ask the YUB to make some directions on this issue.

[21] YEC Final Argument, March 22, 2024, pages 4 - 5
[22] YEC Final Argument, March 22, 2024, page 5 and pages 28-31
[23] YEC Final Argument, March 22, 2024, page 8
[24] YEC Final Argument, March 22, 2024, page 8

57. As was noted in UCG's argument submissions, the significant increases in non-fuel operating expenses (from $28.575 million for the last 2021 GRA to $34,999 million in 2023 and $37.484 million in 2024) is not sustainable from a ratepayer affordability perspective. UCG requests that these amounts be curtailed by the YUB, as we have revealed in our final argument.

58. While YEC admits that its employees are not considered Yukon government employees,[25] YEC continues to use Yukon government collective agreement labour cost increases to pad the amounts included in their revenue requirements. UCG submits that labour cost increases should reflect inflationary adjustments only and those overall costs must be controlled by limiting how many employees YEC is allowed to include in revenue requirement given the excessive ongoing use of outside consultants.

59. As YEC notes in its argument, there was a 19.21 cumulative FTE increase from 2021 approved to 2024 forecast.[26] UCG submits that there has been limited evidence provided to justify the addition for this many high paid positions on a full-time basis when the work being performed is cyclical and not ongoing every year. UCG submits that the YUB needs to eliminate the excessive abuse of administrative burden included in YEC's revenue requirements when resources are not being used as efficiently as needed.

60. UCG submits that nothing demonstrates the lack of efficient operations more that YEC's argument that the unsubstantiated increase in employee complement has resulted in a significant decrease in forecast overtime costs as a percentage of total labour costs for 2023 and 2024 compared to the overtime for 2021 and 2022 actual years.[27] UCG submits that YEC is attempting some sort of shell game to convince the YUB that the temporary overtime needs should be eliminated by hiring more staff on a full time basis. Surely, the amount spent on overtime in any one year cannot justify the significant number of FTEs added to the costs that ratepayers are being asked to absorb.

61. YEC argues that total brushing costs are forecast to decrease by $0.020 million in 2023 and 2024 ($1.368 million each year) from 2021 approved ($1.388 million).[28] UCG submits that not only is this cost reduction miniscule, but there has been no evidence provided to justify YEC's brushing practices nor proof that these practices have reduced outages. UCG questions how such a significant budget amount can be approved for recovery when little has been provided on the returns being realized by ratepayers or any evidence has been provided on savings by effectively using best practices in a competitive bid process. The YUB must also direct YEC to return all over-charges for brushing, in the past years, to the ratepayer.

62. YEC continues to argue that there is a need to remove the LWRF offset to rate base, on an ongoing basis.[29] UCG submits that the YUB made a legitimate determination to treat the balance in the LWRF as an offset to rate base. The YUB made a determination years ago that the LWRF is only to be used for the purposes of stabilizing rates and offsetting diesel (now to include LNG) generation cost estimates and that's what happens when the LWRF balance is actually offsetting rate base amounts recovered in rates.

63. UCG completely disagrees with YEC argument that in the case of a terminated project such as the Southern Lakes Enhanced Storage Project (SLESP), there is no reasonable basis to question YEC's entitlement to Work in Progress (WIP) for costs incurred (including AFUDC) if the project is

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[25] YEC Final Argument, March 22, 2024, page 13
[26] YEC Final Argument, March 22, 2024, page 14
[27] YEC Final Argument, March 22, 2024, page 16
[28] YEC Final Argument, March 22, 2024, page 22
[29] YEC Final Argument, March 22, 2024, pages 23-27

cancelled.[30] A project provides no benefit to ratepayers if not completed and YEC must be held accountable to management decisions to continue to incur costs on cancelled projects. Any utility undertakes projects at their own risk if the costs of those projects have not been approved for cost recovery. UCG submits that YEC management and their respective Board made decisions to pursue this project for more than 10 years, so YEC should be held responsible for the costs of failed efforts.

64. UCG submits that it is an absolute insult to ratepayers for YEC to argue that it would be unreasonable – and procedurally unfair – to deny the AFUDC that YEC believes it is entitled to recover for capital expenditures without putting YEC on notice of any potential concerns the YUB might have about the timing of those expenditures, in order to give YEC a fair and reasonable opportunity to respond to those concerns.[31] UCG is fully aware that AFUDC is supposed to represent the carrying cost of funding an eligible utility project investment during its construction, but where is the evidence that YEC actually issued incremental debt and equity to fund the capital projects in question? What materiality threshold is in place (i.e., length of construction period, project costs more than a percentage of total plant in service) to warrant even a claim for AFUDC?

65. It's not the YUB's job to give YEC advance notice of concerns that it may have on the operating practices of YEC. The YUB reacts to applications by YEC for approval. YEC management is responsible for making decisions on its own based on their own due diligence, knowing that the regulator may decide that the costs were not incurred to the benefit of ratepayers so cannot be recovered in rates.

66. The intent of AFUDC is to allow recovery of carrying charges on investments made which are not yet in service so that YEC might eventually receive adequate compensation for its commitment of capital. But UCG submits that not all costs recorded to a project are cash outlays. For example, if a portion of the cost of a project is vehicle and equipment costs including depreciation of vehicles and equipment, this expense does not represent a current cash payment. UCG submits that the broad, aggregate approach that YEC takes to AFUDC does not provide the YUB with sufficient detail to allow for a determination that the AFUDC has been accrued on prudent expenditures.

67. In its arguments regarding major capital projects, YEC attempts to wave away further review of any proposed recovery of costs incurred on these projects by simply stating that no material issues were raised in IRs or at the oral hearing regarding several of these projects. UCG submits that the IR and hearing process are designed to gather more information on these projects (if needed) and not to declare support for and disagreement with a specific project. Intervenors with limited resources must rely on the expertise of consultants hired by the YUB to review the complexities of many of these projects. In UCG's opinion, this is a clear indication that YEC has no conceptual understanding of the affordability issues that Yukon ratepayers are currently facing under current rates without the capacity to absorb the impacts of such an extensive capital program.

68. UCG disagrees with YEC's argument that there is any justification for capital cost rate base additions of $7.867 million related to portions of its costs for the WH2 Uprate Project and WH4 Servomotor Replacement Project that were previously disallowed by the YUB.[32] UCG submits that ratepayers are being asked to fund work completed years ago without the assistance of a comprehensive asset management plan. As YEC notes, the original project costs considered by the YUB were based on a preliminary, high-level cost estimate submitted by YEC in their attempt to place these projects in rate base. As stated previously, it is up to the utility to put its best case

[30] YEC Final Argument, March 22, 2024, page 34 and pages 51-56
[31] YEC Final Argument, March 22, 2024, page 35
[32] YEC Final Argument, March 22, 2024, page 41

forward for approval without the expectation that the utility will be able to keep coming back to try to recover costs that they missed in original applications. UCG submits that it's time for Yukon utilities to start respecting their regulatory responsibilities and live with the consequences of not producing the adequate documentation needed when applying to place a project into rate base. The YUB should not allow any recovery of the previously disallowed cost for these or any other project because the decisions have already been made and to do so presents retroactive procedures.

69. The issue that UCG has with the Aishihik Relicensing project and expenditures,[33] which took place for several years, is that any work completed on this project by YEC staff has a direct impact on O&M costs expensed and capitalized during the test years. There is not enough information in evidence related to how these costs are moved from immediately recovered O&M costs to longer-term recovery through the capital asset. This concept was reviewed by YUB counsel during cross-examination and UCG asks the YUB to review this yet again. Also, YEC has not made it clear to the regulator that there are no overlapping / duplicating costs in the 5-yr. 10-yr. and 25-year relicensing.

70. UCG disagrees with YEC's argument that sufficient evidence has been presented that proves that Demand Side Management (DSM) costs have been prudently incurred and that DSM costs identified by YEC are eligible to be recovered through rates.[34] UCG submits that the record of this proceeding is lacking accurate and understandable evidence related to what YEC has spent on DSM initiatives in relation to what it was authorized to spend. There is also no evidence that validates YEC's claim that DSM activities are a valid low-cost option to any specific supply options. Without a clear understanding of specific and consistent details of amounts spent, with clear results that each of these programs had capacity savings amounts, UCG submits that unless each particular DSM project has a proven economic benefit, the YUB cannot approve recovery of costs from ratepayers.

71. UCG disputes the YEC in their rationale behind placing the costs for the intangible projects of EAM ($4.55 million) and PAMMS ($5.466 million) into the rate base starting in 2023. [35] The EAM is another one of these projects that was brought before the YUB in the 2021 GRA and was denied due to insufficient evidence to warrant placing these costs into rate base. According to the YEC this project was completed in 2021. First, the YEC goes-on ad nauseum about this reapplying being prospective, but this falls short of the definition. Second, this rehashing of an application for inadequate information in their first presentation they brought before the YUB must now be denied to send a message that when making an application for a project to go into rate base, the utility must have all the necessary information prescribed by the Board in prior directions or they will be denied and not able to retroactively bring this back.
For the PAMMS, which was a multi-year project starting in 2018, the YEC contends that this program "is forecast" to be used and useful as of December 31, 2023, and YEC seeks to bring its capital costs into rate base in 2023.[36] UCG contends that this project may now be being used but has yet to be proven useful. In other words, the YEC have failed to produce any concrete evidence that this program has provided economic benefits to the ratepayer, i.e. the YEC continues to increase their staff, the YEC continues to hire an outside consultant firm to do much of its' work, and the YEC has substantially increased its O&M for the test years. Accordingly, this PAMMS project should remain in the WIP until such evidence on its usefulness is available to the YUB.

72. Additionally, it is interesting to note that the YEC states these projects (EAM and PAMMS) had both qualitative and quantitative benefits for the test years, they provided no concrete evidence of

[33] YEC Final Argument, March 22, 2024, page 45
[34] YEC Final Argument, March 22, 2024, page 50
[35] YEC Final Argument, March 22, 2024, page 56
[36] YEC Final Argument, March 22, 2024, page 57

this as mentioned above. Their subjective study by METSCO stated that these projects have an expected NVP benefit.[37] As well , these projects continue to cost money to operate, update, refine and license etc. to the tune of 5 added intangible projects <$1 million and >$100,000 with total rate base impact in 2024 test year of approximately $0.766 million.[38] This clearly demonstrates that these intangibles are not completely ready to validate benefits to the ratepayer.

73. UCG cannot agree to the YEC statement that *"No material issues were raised in IRs or at the oral hearing regarding specific projects in this cost category [*Other Projects <$1MILLION AND >$ 100,000 in rate base total cost $22.4 million ADDED parenthesis] *and experience shows that delays or cancellations of smaller projects tend to be replaced with new projects such that total in-service impact spending is not materially affected.*[39] UCG submits this is not a way to validate to the regulator that these projects are ready to go into rate base. Accordingly, we request the Board to review each of these requested rates base costs carefully and make directions on which can go forward into the rate base, and which cannot. If they are delayed or possibly cancelled, then they obviously are not used or useful.

74. UCG finds it a bit contradictory for YEC to argue that projects that are forecast to remain in WIP at the end of the 2024 test year do not affect forecast test year rate base or revenue requirement so they do not require detailed review at this time.[40] Yet, YEC protests that the YUB needs to give them a heads up if there are any concerns with potential AFUDC claims and practices. Obviously, YEC will be looking to recover carrying costs incurred for the expenditures it places within WIP. UCG questions why the YUB and intervenors should not require more detail on these expenditures to stop any work and cost incurrence that are not warranted. UCG submits that YEC should not be allowed to incur any carrying costs for work being undertaken at the direction of YEC management without the project and costs undergoing a prudency review. If YEC wants to undertake work, then they take on the risk of costs incurred.

75. With respect to the Electricity Supply Plan that YEC is planning to release by mid-2024[41], UCG submits that any plan that will form the basis for all future costs incurred by YEC should be subject to a full and comprehensive public review. UCG is disappointed again that YEC has not undertaken a more comprehensive public consultation effort in advance of releasing such a guiding plan.

[37] YEC Final Argument, March 22, 2024, page 58
[38] YEC Final Argument, March 22, 2024, page 59
[38] YEC Final Argument, March 22, 2024, page 61
[39] YEC Final Argument, March 22, 2024, page 61
[40] YEC Final Argument, March 22, 2024, page 61
[41] YEC Final Argument, March 22, 2024, page 63