

YUKON UTILITIES CONSUMERS' GROUP (UCG)

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Yukon Utilities Board

Box 31728

Whitehorse, Yukon Y1A 6L3

**Re: Yukon Energy Corporation 2025/27 General Rates Application
UCG Reply Argument**

Dear Chair and Board Members:

The Yukon Utilities Consumers' Group (UCG) would like to submit our intervenor Reply Argument in the proceeding to review the 2025-27 General Rates Application submitted by Yukon Energy Corporation (YEC).

As a representative of residential and small businesses in the Yukon we are mostly concerned about the gravity of increases to rates resulting from this application.

If there are any questions arising from the UCG argument, please contact rroudeau@northwestel.net).

Regards,

Roger Rondeau

Yukon Utilities Consumers' Group (UCG)
Reply Argument on the
Yukon Energy Corporation 2025-2027 Rate Application
Before the
Yukon Utilities Board

Overview The Yukon Utilities Consumers Group (UCG) represents the intervention for residential and small business consumers of electricity. Affordability and sustainability of our electrical sector remain the major concern of these ratepayers.

Reply to Yukon Energy's (YEC) Argument

1. UCG will focus our response to stay within the scope the YEC Final Argument.
2. The issue of ratepayer affordability was again not addressed in the YEC argument.
3. Rather than a reduction in the revenue requirement due to the cancellation of the Mayo hydro facilities /3upgrade being removed from the rate base, there is now an additional rate increase requested: from \$33.73 of the GRA to \$34.58 in new undertakings by 2027. This is attributed to an updated revenue increase request of \$1.534million in 2025, \$3.327million in 2026 and \$1.112million in 2027.¹
4. Ratepayers question the sustainability and affordability of this approach, as YEC request increases at its discretion.
5. The YEC asserts that failure to implement increases would lead to significant deterioration of their return (ROE) and the urgent and significant investments needed to remedy its situation.²
6. Once again, ratepayer input regarding the affordability of these measures has not been sought.

¹ YEC Final Argument, p.1

² YEC Final Argument, p.3

7. Consequently, the UCG recommends this being done before moving into the 2026 and 2026 test year finalization of rates.³
8. The YEC additionally outlines various challenges currently faced by the utility.⁴
9. UCG responds that many of these challenges have persisted for over a decade, with minimal or limited tangible outcomes resulting from the Energy Charette nor the 10 Year Resource Plan. The only new challenge identified in their list is the IPP file, for which UCG has given our argument and stand by this argument.⁵
10. UCG contends that most of these challenges are attributable to suboptimal management practices and decision-making by the utility and its shareholder, the Yukon Development Corporation.
11. The YEC forecast revenue shortfall for 2027 is driven by:

• Cost increases to capital and differed costs	64%
• O&M labour costs	10%
• O&M non-labour costs (incl. diesel rentals)	11%
• Fuel price increases	9%
• Other changes for energy and peak load (including IPP purchase power costs)	6%

⁶
12. UCG has presented its position in our final argument indicating that the Board could adopt a more balanced approach by disallowing specific discretionary costs related to:
 - capital costs (i.e. cost overruns since the last GRA on the BESS project, not yet deemed operational; cost overruns in replacing aging diesels and adding new backup diesels as part of the ever ongoing Thermal Replacement Project and the newest Power Centers project only speculated that it will reduce

³ UCG Final Argument, p. 2

“Accordingly, UCG submits that YEC rates should only be approved for the 2025 test year and further rate setting be put on hold until the YUB investigates whether the continuation of rate increases at the levels requested are not sustainable for ratepayers in terms of affordability.”

⁴ YEC Final Argument, p.4 pgh.1

⁵ UCG Final Argument, p. 4

“Since these programs are Yukon Territorial Government run programs and are monitored by the government, while YEC has stated that they do not know the amount of load that is displaced by these programs, there is no way to determined if there is a benefit or loss to ratepayers. Accordingly, UCG submits that all IPPs and Micro Generation programs be isolated from the YEC profile and paid for by the Yukon Government or Yukon Development Corporation which manages these programs, rather than being recovered from ratepayers through revenue requirement.”

⁶ YEC Final Argument p. 3

rental diesel costs as it not even yet started)⁷; *UCG notes the BESS project, some diesel replacements and the Power Centres projects are not “used nor useful” and therefore clearly demonstrates yet another need to delay 2026 and 2027 GRA to see if these actually come into fruition before being added to the rate base;*

- major increases in O&M costs, including labour costs due to newly added staff positions while overtime, consultant/contractor costs remain; as well for technical support for the multitude of new IT programs which have been implemented, ⁸ have proven a negative cost-benefit to ratepayers (i.e. continued costs to assist programs rather than demonstrate efficiencies of cost);
- administration costs are discretionary and can be decreased substantially;⁹
- feasibility studies of \$1million costs are discretionary;¹⁰
- charging Aishihik power plant failure costs to RFID instead of revenue requirement; ¹¹
- deferred costs are discretionary, i.e vegetation management, pensions, IPP purchase costs;¹²
- depreciation and amortization;
- net salvage and site restoration;
- the IPP and Micro Generation conondrum;¹³
- deducting First Nations costs for socio-economic reconciliation from revenue requirement; ¹⁴
- and extra costs for diesel dispatching management; ¹⁵

⁷ YEC Final Argument p. 5

⁷ cont'd) “Two major projects to be added to rate base in original GRA—the Thermal Replacement and BESS—relate to a cost driver approximately \$62.5million representing 18% of all rate base additions in the test years.”

⁸ UCG Argument. #47 “YEC in their rationale during cross-examination overlooked millions already spent on new IT management programs—like EAM, ERP, and project planning—that were intended to lower staffing and overtime costs. However, many ongoing IT support expenses listed in UCG-YEC-1-12 have not cut these costs and have instead increased annual expenses.”

⁹ YEC GRA p. 3-23

¹⁰ YEC GRA, p. 3-27

¹¹ YEC GRA p.3-30

¹² YEC GRA p. 3-37 and 38

¹³ UCG Final Argument p. 4

¹⁴ UCG Final Argument

¹⁵ UCG Final Argument

13. In addition to these suggested cost-savings measures, UCG also reaffirms that limiting all operations and maintenance (O&M) cost increases to a 5% increase above the last 2024 GRA costs as detailed in our final argument, to allow only for inflationary changes.¹⁶
14. UCG submits that in the current operating environment these are areas where YEC must exercise fiscal restraint and make cuts in discretionary spending that will not impact the utility's ability to provide safe, reliable services while maintaining affordability to its customers.
15. This approach would contribute to achieving a fairer process, referenced in our final argument Section II on Fairness.¹⁷
16. The Board in its decisions should clearly explain how they achieve a balance of YEC's fair returns with that of operational efficiencies resulting in reasonable rates to maintain ratepayer confidence.
17. Yukon Energy rationalize risk and urgency of energy transition and current operating climate by emphasizing the need for strategic planning combining critical relationships with other parties, including government grant funding and other investment sources such as partnerships with First Nations.¹⁸
18. UCG recognizes these resources, but nothing concrete has been presented in their plan nor this GRA, i.e. no secured government funding nor FN or other party direct investments dollars, that we are aware of.
19. Yet, Yukon Energy marches forward with multi-million dollar plans relying exclusively on their ratepayers all while claiming risk and urgent needs. *UCG again notes that these risks and urgent needs have been on-going since the time of the Energy Charette (2011) and the 10 Year Resource Plan and most have remained unaddressed.*
20. UCG in our review of YEC final argument confirms that they rely solely on the old ROE model to determine their profit margin and have not given any alternative solutions except to comparing with Fortis BC Inc. to arrive at their return.
21. UCG has proven beyond a reasonable doubt, in our final argument, that YEC has no comparative criteria to Fortis BC and as such the Board needs to look at an alternative.¹⁹

¹⁶ UCG Final Argument #s 14-41

¹⁷ UCG Final Argument p. 3, II. Fairness

¹⁸ YEC Final Argument p.6 last two paragraphs

¹⁹ UCG Final Argument #48-55

22. One such alternative that UCG would like to see implemented for the 2026 and 2027 test years would be to apply a reasonable price cap regime on rates.²⁰
23. It is for all of these above reasons that UCG presented our final argument recommendation that YEC rates be approved only for the 2025 test year, and further rate setting be put on hold until the YEC can clearly identify cost cutting measures, secured grants or other investment dollars, “used and useful” capital projects and a promising newly set price cap on rates. This would include cancellation of the interim rates which are set to go into effect on January 1st, 2026.
24. UCG stands by our final argument and our recommendations.

²⁰ UCG Final Argument #57