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May 21, 2015

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3
Attention: Mr. Bruce McLennan, Chair

Re: UCG Comments on Yukon Energy Compliance Filing DCF and ERA

Dear Mr. McLennan:

As per Board Order 2015-03 the Utilities Consumers' Group submits the following comments on the above.

1. Yukon Energy Corporation ("YEC") contends the preliminary actuals (whatever that means) for the DCF calculations for 2014 is much lower than the prior two test years due to the fact that total grid generation load levels are less than 400GW.h. due mainly to lower ATCO Electric Yukon ("ATCO") wholesales for that year.

It is interesting to note that in the Star on Friday, May 21, 2015 an ATCO representative stated their sales have been increasing yearly:*"ATCO Electric has done all it can to meet the growing demand in the downtown area are a related to new condos with electric heat, new business developments and the new Whistle Bend subdivision. Last year the ATCO annual consumption was 300,000 megawatt hours."*

This is yet another case of one utility giving numbers and explanations, while the other utility gives a different set of numbers and explanations, each manipulating their own agendas and outcomes.

Since the 2012 GRA, Alexco Resources has completely shut down and Capstone/Minto has cut its production substantially (i.e. in the 2014 year Minto ceased strip-mining and laid off half of its workforce). For obvious reasons, this resulted in a major decrease in mine load connected as forecast in the approved GRA. The formulaic approach uses YEC numbers placed into their program that forecasts LTA hydro generation in relationship to load each year, which according to them has resulted in a DCF which was severely impacted in the 2014 non-test year (i.e. the savings to go into the DCF were less than half of the prior two test years). From this, UCG submits that the mines and YEC should bear the risks for government edicts and bilateral agreements. Why should the mines and the YEC be rewarded using the DCF "trust fund"?

Board Order 2015-01 determined the purpose and function of the Diesel Contingency Fund is to smooth customer rate changes from thermal (diesel, LNG and other thermal) generation cost impacts caused by the fluctuation of hydro generation due to water conditions or changes in wind conditions. [1]

The same order determined that YEC thermal generation savings (excess) are to be calculated on an annual basis for the DCF based on expected thermal generation (*i.e. forecasted GRA amounts , added comment*) less actual thermal generation. Cost for YEC thermal generation savings (excess) are to be calculated based on last approved average cost for YEC per kWh based on the most recent YEC GRA.

UCG submits this modified YEC simulation compliance accounting and explanation for the DCF is moot since Board Order 2013-01 directed *"YEC to base <u>its hydro and diesel energy requirements</u> on YECs GRA forecasts on 100 percent of long-term average (LTA) hydro generation."* ATCO Electric Yukon (AEY) Fish Lake hydro generation forecasts on long-term average as well as their diesel forecasts were also set in Board Order 2014-06.

These are the numbers to be used to determine the DCF, *including future non-test years.* Let us see these numbers being utilized, not YEC staged numbers!

UCG also notes that Board Order 2015-01 directed YEC: *"Whatever model YEC uses to determine LTA hydro generation, DCF calculations or other forecast process and their results must be made available for testing by the Board and interveners."* [2]

Accordingly, UCG submits that the YEC Compliance Filing for 2014 for DCF calculations at $1.342 is an inaccurate measurement. YEC is again unilaterally changing the goal posts as per Board Order 2013-01 in their Table 1.1-1 to their advantage. It would appear as if the YEC is having problems making their rate of return potential for 2014 non-test year. Perhaps it is past the time for the Board to consider prescribing the YEC become more efficient and respectfully managed to secure a morally justified profit margin.

2. UCG submits that all Industrial Primary customers be excluded from <u>any</u> DCF rider rebate for the following reasons:

i. Although much of the Board's action is guided by law, this law gives a certain degree of discretion to apply other considerations when making decisions. The example UCG submitted to the Board in our evidence on the DCF demonstrated where one such jurisdiction, Newfoundland, highlighted the option of establishing a regular rate adjustment due to establish a refund to balances which accumulated in their Rate Stabilization Fund, directing the utility to refund all ratepayers with <u>the exception of Island industrial cusomers</u>. [3]

ii. Order-in Council rate directives 1995/90; annexed OIC 208/149, OIC 2012/68 and 2014/23 do not specify nor direct the Board on any rebate to industrial customers, only the increasing of rates as percentiles. [4]

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[1] Appendix A Board Order 2015-01, section 2.1.1.4, p. 11

[2] Appendix A, Section 2.1.1.4, p.15

[3] Newfoundland Board of Commissioners of Public Utilities Order No. P.U. 9 (2014)

[4] Yukon Order-in-Council 1995/049; Annexed Policy Directive OIC 2008/149, OIC 2012/68, OIC 2014/23

iii. The same holds true, i.e. no mention of rebates to Rate Schedule 39, Industrial Primary which sets out the rates to be charged to industrial customers. [5]

iv. UCG also submits the following attached report as evidence further justifying considerations concerning industrial customers in the Yukon.

v. UCG submits that with directives from cabinet and bilateral purchase power agreements, decisions concerning industrial customers are obviously political, not technical.

If the Board agrees with the UCG submission, then we would request the DCF rebate to all firm retail customers (excluding industrial) be extended for a longer period of time (i.e. possibly two years), in a manner to be approved by the Board.

Regards,

Roger Rondeau

Attachment included

[5] Rate Schedule 39, YEC/YECL 2011