YUKON UTILITIES BOARD

IN THE MATTER OF the *Public Utilities Act*, R.S.Y. 2002, c. 186;

AND IN THE MATTER OF an application by the Yukon Electrical Company Limited seeking approval of its 2013-2015 General Rate Application.

FINAL ARGUMENT OF THE YUKON ELECTRICAL COMPANY LIMITED

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1. INTRODUCTION

1. By application dated May 27, 2013, the Yukon Electrical Company Limited ("Yukon Electrical" submitted to the Yukon Utilities Board (the "Board") its General Rate Application ("GRA") requesting approvals of the revenue requirements for the 2013-2015 test years (the "Application").[1] Yukon Electrical has not been before the Board since the 2008-2009 test years. It has, nevertheless, continued to provide safe, reliable and cost effective service to its customers throughout this period and is of the view that the extended period between rate cases is a reflection that cost of service regulation has been working well in the Yukon.[2] While Yukon Electrical has been able to stay out of regulatory proceedings for a number of years, as demonstrated by Yukon Electrical through the evidence filed in this proceeding, certain system conditions and requirements have changed and additional resources are required to maintain and enhance system conditions.

2. As detailed in its Application, Yukon Electrical has been exposed to significant cost pressures in recent years that now require it to come forward to the Board to ensure that it has the resources to continue to deliver at the same high standard of service to customers at fair and reasonable rates.[3] In addition, Yukon Electrical is seeking approval of a number of major capital projects for the 2013-2015 test period (the "Test Period") that are outside the normal capital expenditures that are typically undertaken by the Company. The impact of these capital projects is reflected in the requested rates for the Test Period.

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1 Exhibits B-1 and B-2.
2 2T359-2T361.
3 Exhibit B-1 at p. 1-3.

3. In preparing its General Rate Application Yukon Electrical recognized that it would be exposed to a high level of scrutiny, given that it had not been before the Board for an extended period of time. In contemplation of the process it would face, Yukon Electrical provided detailed information in its filing regarding each component that comprised its requested Revenue Requirement, including year over year variance explanations. Yukon Electrical also provided detailed Business Cases in respect of all capital projects in excess of $500,000 and project descriptions for all projects over $100,000, which covered 83% of all its capital expenditures over the period from 2008-2015.[4] In addition, Yukon Electrical provided expert testimony regarding the areas of depreciation and demand side management, given that these are important and complex components of the Revenue Requirement.

4. On October 31, 2013, Yukon Electrical filed an Updates Filing with the Board to ensure that the Board had the best and most recent information available to it on the record (the "Updates Filing").[5] As outlined at p. 2 of the Updates Filing, the updated tariffs, rate impacts, capital expenditures and capital additions arising from Yukon Electrical's Application are as follows:

	2013	**2014**	**2015**
Yukon Electrical Tariffs	$52,698,000	$56,257,000	$58,918,000
Cumulative Increase over Existing Rates	$3,842,000	$5,954,000	$7,677,000
Cumulative Rate Increase (%)	6.6%	9.7%	12.3%
Year Over Year Rate Increase (%)	6.6%	2.9%	2.4%
Capital Expenditures	$19,894,000	$22,660,000	$20,696,000
Capital Additions to Rate Base	$21,574,000	$23,260,000	$20,696,000

5. In this Argument Yukon Electrical will generally follow the format outlined in the Table of Contents to its Application and will focus upon matters which have attracted the greatest attention throughout the course of the proceeding, particularly during the Information Request process and cross-examination. Out of practical necessity, Yukon Electrical will not be able to comment on every single issue that could potentially arise from its comprehensive Application and the record that has been established. As such, Yukon Electrical will focus on issues which have been the subject of controversy or debate, while assuming that matters which have not been pursued during the hearing process have been adequately addressed by the Application and Information Request process, as well as, via the oral testimony provided. Before providing its detailed argument, however, Yukon Electrical considers it necessary to address some general points, in order to ensure that the Board and Interveners are approaching the

[4] YUB-YECL-61.
[5] Exhibit B-11.

consideration of Yukon Electrical's requested Revenue Requirements from a fair and reasonable perspective.

6. Firstly, it bears noting that the only evidence before the Board in this proceeding is that put forward by Yukon Electrical, which evidence includes its Application, Responses to Information Requests, Updates Filing, oral testimony, and Responses to Undertakings given during the public hearing. Yukon Electrical's evidence is to be distinguished from the extensive statements placed on the record by Counsel for the Utilities Consumer Group (the "UCG") and members of the Yukon Conservation Society (the "YCS"), which may at first glance appear to be in the nature of evidence. However, these unsupported and unsubstantiated statements do not constitute evidence and cannot be relied upon by the Board as a basis for arriving at any decision regarding the matters to be adjudicated upon in this GRA. Notably, the Interveners had an opportunity to file evidence in this proceeding and chose not to. It is wholly inappropriate for parties to attempt to introduce evidence through the back door by attempting to solicit comments from the Yukon Electrical witnesses to documents with which they are not familiar.

7. Secondly, it is trite to say that the Board is required to establish fair and reasonable rates for Yukon Electrical that will provide it with a reasonable opportunity to recover the costs incurred in the provision of utility services to customers. During the course of these proceedings certain parties devoted considerable time to discussing the returns achieved by Yukon Electrical in the past and whether such achieved returns exceeded approved levels in certain years. With respect, Yukon Electrical submits that the Board must establish a fair and reasonable return and capital structure for Yukon Electrical based on the evidence on the record to these proceedings for each of the Test Years and, such return cannot be impacted by the level of achieved return over the past non-test years.

8. Thirdly, much was made by Counsel for the UCG in respect of the timing of Yukon Electrical's filing of this GRA in May of the first year of the Test Period. Yukon Electrical does not agree with the suggestion that this Application was filed late or that its Application results in any impermissible retroactive ratemaking.[6] Rather, as explained by Yukon Electrical, the timing of the filing of this Application is consistent with the timing of its previous GRAs as well as the timing of the filing by the Yukon Energy Corporation of its recent 2012-2013 GRA.[7] Furthermore, Section 29 of the *Public Utilities Act*, R.S.Y. 2002, c. 186 (the "*PUA*") expressly

[6] 1T163, lines 1-3.
[7] UCG-YECL-1(a) and WL-YECL-1(b).

permits the Board, should it find it just and reasonable, to approve a revenue requirement for the whole year in which a proceeding is initiated. It provides as follows:

> **29** In setting rates that a public utility is permitted to charge,
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> (a) the board may consider the revenues and costs of the public utility in the financial year in which the proceedings for setting the rates and charges began or in any period immediately following, without considering the allocation of those revenues and costs to any part of that period;
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> (b) the board may give effect to that part of any excess of revenue received or deficiency incurred that is in the opinion of the board applicable to the whole of the financial year of the public utility in which the proceeding was initiated as the board considers just and reasonable;
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> (c) the board may give effect to any part of any excess revenue received or deficiency incurred after the commencement of the proceeding as the board determines has been due to undue delay in the hearing and determining of the matter; and
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> (d) the board shall by order approve the method by which and the period during which any excess revenue received or deficiency incurred is to be used or dealt with.
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> [Emphasis added]

9. Yukon Electrical respectfully submits that it is just and reasonable to approve its full revenue requirement for the 2013 period, including that period prior to July 1, 2013 when its interim rates became effective. As outlined in detail in Yukon Electrical's response to WL-YECL-1(b), the filing of its Application in May of 2013 results in significant regulatory efficiencies that warrant the Board's continuation of its practice of permitting the utilities to recover the entirety of their revenue deficiency for the whole of the year in which their GRA is filed. In this case, such regulatory efficiencies include: (i) that Yukon Electrical was able to file for a three-year test period, thereby reducing the costs of regulation for ratepayers; (ii) it was able to prepare forecasts based on 2012 actuals, thereby avoiding the duplication of efforts and unnecessary expenditure of resources that would have occurred had it filed based on 2012 forecasts and been asked later to produce the 2012 actuals and been asked to revise its application to account for same; and (iii) Yukon Electrical was able to incorporate the result of the BCUC Generic Cost of Capital proceeding (Order G-75-13), issued on May 10, 2013, into its filing and thereby continue the Board's efficient formula approach to matters related to capital structure and return on equity.

10. Finally, counsel for the UCG appeared to be suggesting that ratepayers may experience rate shock as a result of this Application. That is simply not the case. The year-over-year rate impacts arising from this Application are 6.6%, 2.9% and 2.4% for the years 2013, 2014 and

2015 respectively.[8] Even when considering the rate increases arising from this Application in conjunction with other recent rate increases driven by the Yukon Energy Corporation ("YEC"), as demonstrated in UCG-YECL-5(d), Attachment 1, ratepayers do not experience rate shock and Yukon Electrical does not consider that any mitigation measures are necessary or appropriate.

11. In summary, and as outlined in further detail below, Yukon Electrical submits that it has provided comprehensive support for, and justification of, all approvals requested as part of its Application. Accordingly, Yukon Electrical respectfully requests that its Application be approved as filed including all updates thereto as set out in its Updates Filing dated October 31, 2013.

2. SALES AND REVENUE

a. Updated Forecast

12. As outlined in its Updates Filing, Yukon Electrical determined that its 2013 residential and commercial sales up to the end of September 2013 are 3.5 GWh and 4.9 GWh lower than initially applied for as part of its 2013-2015 General Rate Application. The decreases are due to lower use per customer ("UPC") offset by small increases in the number of customers. Based on this information, Yukon Electrical filed an updated 2013-2015 residential and commercial forecast to better reflect what has happened in 2013 year-to-date and what can be reasonably be expected to occur for 2014 and 2015. Yukon Electrical filed the updated forecast to ensure that the Board had the best and most recent information before it, particularly given the three-year Test Period. The impact of the update on residential sales is a reduction to the forecast of 3.8 GWh to a total of 148 GWh for 2013, a reduction of 3.8 GWh to a total of 150.5 GWh for 2014 and a reduction of 3.9 GWh to a total of 153.1 GWh for 2015. For commercial sales, the impact of the update is a reduction to the forecast of 4.0 GWh to a total of 157.6 GWh for 2013, a reduction of 4.1 GWh to a total of 161.0 GWh for 2014 and a reduction of 4.2 GWh to a total of 164.3 GWh for 2015 (together the updated residential and commercial sales forecasts are referred to as the "Updated Sales Forecast").[9]

13. As outlined in further detail below, Yukon Electrical's Updated Sales Forecast reflects a return to its historical practice of forecasting sales based on a weather normalized three-year average UPC.[10] Yukon Electrical respectfully submits that this previously approved

[8] Exhibit B-11, Updates Filing at p. 2.
[9] *Ibid.*
[10] 4T638 line 16 to 4T639 line 7.

methodology is reasonable and should be approved again for the purposes of forecasting sales over the 2013-2015 Test Period.

(i) Residential Sales

14. As outlined in the Updates Filing, in the first 9 months of 2013, actual residential energy sales were 3.5 GWh (on a normalized basis) lower than the filed forecast for the same period.[11] In addition, customer additions increased by 33 year-to-date over that forecast. Accordingly, Yukon Electrical updated its forecast to reflect residential sales coming in at 148.0 GWh as compared to the original filed forecast sales of 151.8 GWh. Yukon Electrical attributes this over forecast to the UPC forecasting methodology it employed in the original Application; namely, Yukon Electrical used the 2012 normalized UPC for Whitehorse as the baseline and increased it by the most recent three-year average normalized UPC growth rate of 0.7%. The use of a 2012 normalized UPC for Whitehorse as the baseline was a departure from the 2008-2009 GRA approach of using a three-year average UPC and was predicated on the assumption that 2012 had established a new UPC bar and that it would be unreasonable not to use that new information as the baseline. Stated otherwise, Yukon Electric did not believe it had evidence when preparing its initial sales forecast to suggest that the use of a three-year average UPC at that point would be fair and reasonable, believing that it would understate anticipated sales.[12] As 2013 September year-to-date actuals showed, however, use of the 2012 normalized UPC for Whitehorse as opposed to using a three-year average UPC approach produced a residential sales forecast that was clearly too high.

15. In light of the foregoing, Yukon Electrical updated its residential sales forecast based on the aggregate three year (2010-2012) average normalized UPC and reflecting the actual increase in customer additions of 33. Additionally, as explained at p. 2-5 of the Application, Yukon Electrical will continue to hold the updated 2013 UPC forecast for 2014 and 2015 in consideration of the offsetting impacts of the DSM program, which is anticipated to reduce consumption.

(i) Commercial Sales

16. In the first 9 months of 2013, actual commercial energy sales have been 4.9 GWh (on a normalized basis) lower than forecast for the same period.[13] In addition, customer additions

[11] Exhibit B-11, Updates Filing, Attachment 1.
[12] 4T635 lines 5-7.
[13] *Ibid*.

increased by 55 year-to-date over that forecast. Accordingly, Yukon Electrical updated its forecast for 2013 commercial sales of 157.6 GWh as compared to the original filed forecast of 161.6 GWh. Similar to the residential class, Yukon Electrical attributes this over forecast to its forecasting methodology; namely, Yukon Electrical used the 2012 normalized UPC for Whitehorse as the baseline from which to add specific customer additions with loads greater than 100 kW. As 2013 September year-to-date actuals showed, however, this approach resulted in a commercial sales forecast that was clearly too high. Accordingly, Yukon Electrical updated its commercial energy forecast to bring it in line with the projected 2013 energy sales as well as to reflect the increase in actual customer additions of 55 year-to-date. Similar to what was described in Section 2 of the original Application, Yukon Electrical is increasing its UPC in 2014 and 2015 to reflect the addition of specific customers greater than 100 kW.

(iii) Summary

17. In summary, Yukon Electrical respectfully submits that the Updated Sales Forecasts represent the best and most recent information available and should be approved by the Board for purposes of establishing Yukon Electrical's Revenue Requirements for each of the test years.

b. Whitehorse Copper Tailings Deferral

18. During the hearing, Yukon Electrical provided an update with respect to its new industrial customer, Whitehorse Copper Tailings ("WHCT"), which is now forecast to start operations in April of 2014.[14] Based on the latest available information, Yukon Electrical forecasts zero kWh for 2013, 4.1 GWh for 2014 and 4.6 GWh for 2015.[15] Notwithstanding this updated information, there remains significant uncertainty as to timing of start-up and forecast load in respect of WHCT.[16] As WHCT is a single industrial customer that could contribute materially higher or lower than 1.4% of Yukon Electrical's total forecast sales and the exact timing of its start-up and eventual load are not within the control of Yukon Electrical, Yukon Electrical is requesting a deferral account relating to WHCT sales uncertainty. This deferral account is proposed to capture the difference between WHCT net revenue on existing Rate 39 less forecast purchase power price applied to forecast sales, and WHCT net revenue on existing Rate 39 less forecast purchased power price applied to actual sales. The net revenue will be defined using Rate 39 effective January 1, 2013, that was used to generate the revenue on existing rates in Schedule

[14] 4T607, lines 18-24.
[15] 4T608, lines 3 to 6; Exhibit B-17, Response to Undertaking No. 11 (3T461).
[16] 4T608, 8-21; 4T609 line 20 to 4T610, line 10.

2.1, less the forecast price of purchase power stated in Schedule 3.1 assumed in the revenue requirement. Differences between forecast and actual will be refunded to or collected from customers.[17]

19. Yukon Electrical submits that this requested deferral meets the criteria for establishment of a deferral (i.e. not forecastable by the utility and variance could be material) and, as outlined in YEC-YECL-6(f) Amended, is similar to deferral accounts previously approved in the Yukon as well as in the NWT.[18] Accordingly, Yukon Electrical respectfully requests that the WHCT deferral be approved as filed.

3. PURCHASE POWER

a. Overview

20. As outlined in Section 3 of the Application, Yukon Electrical's purchase power costs are forecast to increase over the Test Period due to increased purchases resulting from sales load growth as discussed in Section 2 of the Application and updated in the Updates Filing, net of increased hydro generation at Fish Lake as a result of Unit #1 coming back into service in December 2013. Since the catastrophic failure of Fish Lake Unit #1 in March 2010, Yukon Electrical has purchased approximately 92-93% of the required power supply from YEC. The remainder of Yukon Electrical's required power supply has been provided by diesel generation and by hydro generation from Fish Lake Unit #2. The percentage of power that Yukon Electrical purchases from YEC is forecast to decrease slightly for 2013 and to decrease to approximately 91% in the 2014 and 2015 test years due to forecast increased hydro generation as Unit #1 is brought back on-line near the end of 2013. Yukon Electrical's forecast of Fish Lake hydro generation as outlined in Schedule 3.2 is based on the base hydro generation for Fish Lake approved in Board Order 2009-2 of 8.73 GWh, adjusted for the 2013 test year to account for downtime for Unit #1.[19]

21. Yukon Electrical submits that its forecasts of Purchase Power, including the amount of generation from Fish Lake, are reasonable and appropriate and should be approved by the Board, as filed.

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17 Application at pp. 2-7 to 2-8; YEC-YECL-6(d).
18 YEC-YECL-6(f); UCG-YECL-10(a).
19 Application at pp. 3-1 to 3-2.

22. As detailed in Yukon Electrical's Application, p. 3-2, Yukon Electrical is requesting a continuation of two deferral accounts with respect to purchase power. The first deferral account relates to the cost of purchase power. The second deferral account relates to Diesel Contingency Fund ("DCF"). In its letter dated October 22, 2013, the Board indicated that matters related to the DCF and the Energy Reconciliation Adjustment ("ERA") were being considered by the Board in a separate process from this Application and would be considered out of scope in this proceeding. Accordingly, Yukon Electrical will not address the matter of its application for a DCF deferral account further except to say that while consideration of this matter has been deferred, Yukon Electrical expects that when the matter is ultimately determined any deferral approved will cover the entirety of its 2013-2015 Test Period.

b. Capitalization of Incremental Purchase Power When Fish Lake Down

23. One of the matters that attracted attention in both the Information Request process and at the hearing is Yukon Electrical's capitalization of the incremental purchase power costs incurred for the period during which Fish Lake Unit #1 has been out of service as a result of the catastrophic failure in March 2010. Yukon Electrical respectfully submits that this treatment is reasonable and consistent with the approach directed by the Board in Decision 2009-02 with respect to incremental purchase power costs incurred due to Fish Lake rebuilds in 2008-2009. These costs were incurred as part of the total capital project of rebuilding Fish Lake, which will have enduring benefits for ratepayers for many years to come and Yukon Electrical submits that the capitalization of these costs should be approved as filed. [20]

c. Purchase Power Flow Through

24. Yukon Electrical is requesting a continuation of its previously approved deferral account with respect to the cost of purchase power with no proposed changes. The cost of purchase power in this Application is based on YEC's rates that are currently in place for primary energy and secondary sales and are outlined on Schedule 3.1, lines 6 and 7. These rates do not include any adjustment to the rates associated with Yukon Energy's applied for but not yet approved ERA.[21] Any increases or decreases to these rates for 2013 and thereafter will be flowed through to Yukon Electrical's customers. Yukon Electrical respectfully submits that

[20] 2T206-2T208.
[21] UCG-YECL-12.

the purchase power flow through deferral continues to meet the criteria for a deferral account and should be approved by the Board. Further, this deferral is necessary and appropriate irrespective of the ultimate outcome of the DCF process.

4. FUEL COSTS

a. Overview

25. The fuel costs included in this Application are outlined in Schedule 4.1. The forecast fuel cost increase of $974,000 in 2013 is mainly due to the inclusion of the Rider F fuel rider in base rates for the test period. Prior to 2013, Yukon Electrical recovered the difference between the forecast 2009 fuel rates and the current fuel rate using Rider F. As detailed in its Application, Yukon Electrical purchases fuel on an ongoing basis for each of the five isolated diesel plants that it operates. Yukon Electrical conducts a diesel fuel tendering process in which a vendor is selected to be the provider of diesel fuel to Yukon Electrical. Yukon Electrical also has modest generation and fuel requirements associated with standby units at Carmacks, Teslin, Haines Junction, Ross River, Pelly Crossing and Stewart Crossing. These units generate power in the event of an interruption of power from the Yukon Interconnected System. Additionally, as discussed in further detail below, a supply of Liquid Natural Gas (LNG) for the Watson Lake power plant will be sourced from Fortis B.C. beginning in the Test Period.[22]

b. Line Losses

26. Consistent with the approach approved in Board Order 2009-2, line losses are calculated based on a five-year average and total 6.2%.[23] As outlined in its response to UCG-YECL-13(b), Yukon Electrical has and continues to take reasonable and prudent steps to reduce line losses on its various systems.[24] Indeed, while Yukon Electrical's sales in MWh have grown by 8.2% from 2008 to 2012 (from 292,647 MWh to 316,575 MWh), which associated increase in load would normally be expected to increase the losses percentage, Yukon Electrical's line loss percentage over the same period have actually remained flat, as shown on line 4 of Schedule 3.2 in the Application.

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22 Application at p. 4-1.
23 Application at p. 4-2 and 3-3; UCG-YECL-13(a), Attachment 1.
24 See also CW-YECL-5(b) and (c).

c. Plant Efficiencies

27. Plant efficiencies are based on the average efficiencies of the previous five years adjusted for any changes due to the replacement of units. This too is consistent with the approach approved in Board Order 2009-2.[25] As explained in WL-YECL-10(b), heat rates are verified monthly as part of the monthly plant reporting process. Reports are compiled by taking fuel consumed and kWh produced. The reports are then reviewed by the plant maintenance man and any issues are raised with the Superintendent of Operations. Further, in response to questions raised by the UCG and Watson Lake ("WL"), Yukon Electrical respectfully submits that it has demonstrated that it takes reasonable and appropriate steps to maintain and increase plant efficiencies where possible.[26] Finally, as explained in its response to CW-YECL-6(b), Yukon Electrical's proposed capital expenditures on generation that are forecast for the Test Period have not impacted its forecast heat rates as the vendors of the new units have indicated that while the new units will have lower emissions they are unlikely to be more efficient from a heat rate perspective.

d. Fuel Price Flow Through

28. As detailed in the Application, Yukon Electrical is requesting a continuation of its previously approved Fuel Price Flow Through deferral account, which allows for the variance between actual and forecast fuel prices, as outlined in Schedule 4.2, to be refunded to, or recovered from, customers through the associated Rider F. The previously approved methodology for the fuel deferral uses GRA-approved community-based plant efficiencies (or 'heat rate', kWh/Litre) and the plant's monthly gross generation to determine the quantum of litres for the monthly fuel deferral calculation. The difference between the actual and GRA-approved price per litre is then applied to this number of litres to arrive at the fuel deferral amount for the month.

29. Yukon Electrical is proposing to continue the deferral for fuel prices for the 2013-2015 Test Period but is requesting a change in the methodology for calculating the deferral for fuel used in Watson Lake. As a result of the conversion of the diesel units in Watson Lake to bi-fuel (diesel and LNG) beginning in 2014, generation will be based on a variable mix of diesel and LNG. As Yukon Electrical does not yet have any historical data in respect of bi-fuel operations at Watson lake, the forecast plant efficiency for 2014 and 2015 cannot be determined at this time.

[25] Application at p. 4-2; UCG-YECL-17; CW-YECL-6.
[26] UCG-YECL-17(b) and Attachment 1.

Accordingly, Yukon Electrical has requested that the actual equivalent diesel litres used, as opposed to derived litres that are based on a forecast plant efficiency, be used to arrive at the 2014 and 2015 fuel deferral amount for Watson Lake.[27] For all other locations, the calculation of the fuel price deferral would remain unchanged from that previously approved. For the usage of LNG in Watson Lake, fuel costs will be converted to equivalent Diesel litres using the industry standard conversion factors for LNG outlined at p. 4-4 of the Application for the calculation of the fuel price flow through deferral balance.[28]

30. Yukon Electrical submits that continued use of the previously approved fuel price flow through deferral with the proposed modifications to address bi-fuel operations at Watson Lake is reasonable and appropriate and should be approved as filed.

5. OPERATIONS AND MAINTENANCE EXPENSE

a. Overview

31. As detailed at p. 5-1 in its Application, Yukon Electrical is seeking an increase in the quantum of O&M expenses to be included in Revenue Requirement in the Test Years. Yukon Electrical has provided detailed information of each specific requested increase in Section 5 of the Application, including Schedules 5.1, 5.2 and 5.3. These Schedules detail, on a sub-category by sub-category basis, the reasons why additional dollars are required for the Test Years in order for Yukon Electrical to continue to provide safe and reliable electricity service to its customers. Additional detail was provided on numerous specific items during the Information Request process. As noted above, one of the primary drivers for the current filing is the increased cost pressures that Yukon Electrical has been experiencing at the present time, which could not be offset by customer growth and/or increased efficiencies.

b. Labour Costs and Staff Additions

32. The total labour costs are calculated by multiplying the number of staff per job class by the rate of pay for each job class. These labour costs are then distributed to operations and maintenance accounts or capital accounts depending on the nature of work being performed by the staff in that job class. In Section 1 of the Application, Yukon Electrical provided a table

[27] YEC-YECL-9(b), Attachments 1 and 2.
[28] Application at p. 4-2 to 4-3.

detailing the FTE growth from the labour complement approved in the 2008-2009 GRA (57.43) to the actual FTEs at the end of 2012 (66.53) and the forecast FTEs at the end of the 2015 test period (75.39).[29] Additionally, Yukon Electrical's organization chart was provided as Attachment 1 to Section 1 of the Application and an updated version was included as Attachment 3 to Yukon Electrical's Updates Filing.

33. Yukon Electrical recognizes that there has been significant growth in its staff complement over the non-test years of 2010-2012 and proposed for the Test Years. Yukon Electrical provided a description of each of the new FTEs added to its complement in non-test years and planned to be added during the Test Period. Additionally, Yukon Electrical responded to numerous Information Requests[30] (see in particular YUB-YECL-22) and to questions during the hearing, including a number of questions from Board Counsel, in respect of a number of existing or proposed staff additions. Yukon Electrical respectfully submits that the totality of the evidence on the record demonstrates the need for all the non-test year positions as well as those that are planned to be added during the 2013-15 Test Period.

34. In particular, Yukon Electrical respectfully submits that its Responses to Undertakings 29-34 and DSM 9, filed on November 13, 2013, plainly support the need for the following positions that drew attention: Senior Corporate Communications Advisor (0.6 FTE);[31] Meter Reader;[32] Engineering Tech 1 Civil;[33] and Customer Service Advisor. Additionally, as explained in its response to YUB-YECL-20(c), Yukon Electrical is facing more rigorous regulatory standards and more demanding monitoring requirements necessitating the addition of an Environmental Technician.[34]

35. In respect of labour inflation rates, for the 2013 and 2014 test periods, in-scope (subject to a collective agreement) and out-of-scope (not subject to a collective agreement) labour has been escalated by 3.5% and 3.5% respectively. This escalation is based on Yukon Electrical's existing collective agreement that expires on December 31, 2014. For the 2015 test period, in-scope and out-of-scope labour is escalated by 3.5%. This escalation rate reflects Yukon Electrical's forecast of the increase required. As outlined in its responses to YUB-YECL-17, LE-YECL-15 and its Response to Undertaking No. 25 filed on November 13, 2013, Yukon Electrical

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[29] Application at p. 1-8 and Exhibit B-11, Updates Filing at p. 6 where Yukon Electrical explained that two FTEs (Customer Engagement Officer and Back Office Coordinator) included in the Demand Side Management Plan were inadvertently omitted from the total at p. 1-8 of the Application, bringing the total FTEs by the end of 2015 to 75.39.

[30] YUB-YECL-20; YUB-YECL-21; YUB-YECL-22; LE-YECL-2; WL-YECL-5.

[31] See also YUB-YECL-20(b); YUB-YECL-22(d); 3T563-3T567.

[32] See also WL-YECL-5(e); 3T568-3T572.

[33] See also WL-YECL-5(j).

[34] See also WL-YECL-(m).

submits that its forecast labour inflation rates are reasonable and supported by a number of recent decisions including Decision 2013-358 in which the Alberta Utilities Commission approved ATCO Electric Ltd.'s forecast labour inflation rates of 3.5% for each of 2013 and 2014. They are also in line with collective agreements for its affiliated northern companies Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited.

c. Non-Labour Costs

36. As detailed in its Application, for non-labour costs, an inflation rate of 1.9% has been applied for 2013 based on 50% of forecast Alberta inflation and 50% of forecast Yukon inflation. For 2014 and 2015, no forecast of Yukon inflation was available so inflation rates of 2.0% and 2.1%, respectively, were applied based on 50% of forecast Alberta inflation and 50% of forecast British Columbia inflation.[35] In response to a Board direction in Decision 2009-02, Yukon Electrical has examined the non-labour inflation rates being used by other utilities and has provided a summary of same in Section 11, Attachment 2. Yukon Electrical respectfully submits that the practices of the utilities outlined in that attachment provide compelling support for the reasonableness of Yukon Electrical's forecast non-labour inflation rates over the Test Period.

d. Defined Benefit and Defined Contribution Pension Plan Contributions and Defined Benefit Deferral Account

37. Consistent with Yukon Electrical's 2008-2009 GRA, forecast pension expense is based on the cash basis for the test period.[36]

(i) Defined Benefit Pension Plan

38. For purposes of this Application, the 2013 test period assumes the same defined benefit contribution rates as 2012. Nevertheless, Yukon Electrical explained that as of the time it filed the Application in May 2013, its next defined benefit pension actuarial evaluation (to be completed as of December 31, 2012) had not yet been completed to determine 2013 required funding, with the result that any required change to the 2013 defined benefit pension funding requirements would impact the defined benefit pension expense related to Yukon Electrical's eligible northern-based staff.[37]

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35 Application at p. 5-4.
36 Application at p. 5-3.
37 Application at p. 5-3.

39. As explained in its response to YUB-YECL-5(b), as a result of amendments to the regulations made under the Federal *Pension Benefits Standard Act* that were made subsequent to Yukon Electrical's last GRA,[38] Yukon Electrical must file an actuarial valuation report on an annual basis. Yukon Electrical confirmed that its most recent actuarial valuation was completed in July of 2013 and provided a copy of the report as an Attachment 1 to YUB-YECL-5(a). Similarly, Yukon Electrical will be required to complete a defined benefit pension actuarial valuation as at December 31, 2013 in the second or third quarter of 2014 to determine its 2014 funding requirements and to complete a valuation as at December 31, 2014 in the second or third quarter of 2015 to determine the 2015 funding requirements. In its Updates Filing, Yukon Electrical confirmed that its actual required defined benefit pension funding for 2013, including deficiency payments, has increased to $1,040,755.[39]

40. In its Response to Undertaking No. 3 filed on November 13, 2013, Yukon Electrical explained its historical practice of including in its revenue requirement the full special payment based on the cost of living adjustment being equal to 100% of the annual increase in CPI to a maximum of 3%. For the reasons outlined in that response, Yukon Electrical respectfully submits that its historical practice is reasonable and appropriate and should continue to be approved by the Board.

41. Beginning in 2013, Yukon Electrical is requesting a deferral account to flow through increases or decreases to required cash contributions to the company's defined benefit pension plan as a result of the required annual actuarial evaluations. As explained in its response to WL-YECL-12(e), this includes both the current service and special payment portions of the contributions. Yukon Electrical respectfully submits that this deferral is required as defined benefit funding requirements are not under the control of Yukon Electrical and are not reasonably forecastable. Further, an error in forecasting could produce a loss or gain of a substantial magnitude. Indeed, as explained in its response to YEC-YECL-10(a), between 2006 and 2012, defined benefit contributions have varied between a low of $0 and a high of $1,268,000. In response to questions from the Board's counsel during the hearing, Yukon Electrical explained that the reason why it is requesting that both the "current service" portion and the "special payment" portion to be included in the deferral is because both of them fluctuate due to actuarial valuations outside of Yukon Electrical's control and variances have

[38] See also YEC-YECL-10(a).
[39] Exhibit B-11, Updates Filing at p. 8.

been substantial for both components.[40] Furthermore, Yukon Electrical submits that this request for both a current service and special payment deferral has not resulted in a reduction to its risk because there was a three year actuarial valuation in place in 2007 that covered the entire 2008-2009 test period. Accordingly, the requested deferral effectively keeps Yukon Electrical's risk constant in relation to the 2008-2009 GRA.

42. In support of its request for this deferral account, it bears noting that both Northland Utilities (Yellowknife) Limited and Northland Utilities (NWT) Limited have similar deferral accounts approved that cover all increases or decreases to required cash contributions to the defined benefit pension plan as compared to forecast.[41] Additionally, while the matter has not yet been finally resolved, in its decision respecting the 2013-2014 GRA for ATCO Electric Ltd. Transmission, the Alberta Utilities Commission held that costs related to an updated actuarial defined benefit pension plan valuation are outside the control of ATCO Electric and are therefore not able to be reasonably forecast, and that forecasting differences could result in a material gain or loss.[42]

43. For all the above reasons, Yukon Electrical respectfully submits that its proposed defined benefit pension plan deferral is reasonable and appropriate and should be approved by the Board as filed.

(ii) Defined Contribution Plan

44. Yukon Electrical also has a defined contribution pension plan that applies to employees that were hired after January 1, 1997. The company's contribution to the defined contribution plan is 6%. This is reviewed annually by management as part of its review of the compensation package offered by the company. No changes to this previously approved contribution rate are forecast to during the Test Period.[43]

f. Affiliate Costs

45. As detailed in its Application, Yukon Electrical outsources certain major administrative functions to affiliate companies, such as ATCO Electric, to take advantage of the economies associated with the scope and scale of services available from a larger utility. The cost of these services is detailed in Schedule 5.3 and is based on a fully allocated cost methodology that

[40] 3T544 to 3T551.
[41] YEC-YECL-10(b).
[42] AUC Decision 2013-358 at para. 99.
[43] WL-YECL-12(f).

does not contain any element of profit or return.[44] There have been no changes to the cost allocation methodology since Yukon Electrical was last before the Board in 2008.[45]

46. Since Yukon Electrical's 2008- 2009 GRA, the labour support purchased from ATCO Electric has increased from 1.67 FTEs to 4.17 FTEs. Two new positions, the Manager, Financial Reporting and Accounting, North of 60 (0.5 FTE)[46] and a Corporate Accountant (1.0 FTE), were added in 2012. Also, the Supervisor of Financial Services position (1.0 FTE), which was historically based in Whitehorse, became vacant in late 2011. As a sufficiently experienced and qualified candidate could not be recruited to be based in Whitehorse, an ATCO Electric employee is currently filling the position. This position is not an addition to Yukon Electrical's total employee complement but a reallocation between the Yukon-based FTEs and the ATCO Electric-based head office personnel.[47]

47. One area that attracted attention in the Information Request Process as well as during the hearing was increased costs associated with the After Hours Answering Service ("AHA") provided by ATCO Electric Ltd. As explained in its response to YUB-YECL-6(e), the major reason for the step increase between 2012 and 2013 is due to ATCO Electric completing a detailed usage review of AHA services in 2012. This review determined Yukon Electrical's fair share of costs based on usage needed to be increased to reflect what was actually taking place. In essence, Yukon Electrical was being under-charged by ATCO Electric for this service in 2012. In its Response to Undertaking No. 28 filed on November 13, 2013, Yukon Electrical explained that in terms of checks and balances on determining the appropriateness of these charges on an ongoing basis, Yukon Electrical receives monthly call volume reports from the AHA. These reports show the number of calls answered each day and those calls that result in a notification to the Yukon Electrical Power Line Technician who is on-call. Yukon Electrical compares call volume against monthly billing to ensure that costs are reasonable and also maintains a spreadsheet that tracks the monthly payment for AHA service charges. This spreadsheet is reviewed monthly and any large fluctuations are investigated further.

48. In its response to YUB-YECL-6, Yukon Electrical provided a detailed explanation of affiliate services provided as well as the rationale for all increases in affiliate costs including those charged in Accounts 72100 and Account 71300. Similarly, in its Response to Undertaking No. 14, filed on November 13, 2013, Yukon Electrical provided a detailed comparison between

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44 Application at p. 5-4; See also YUB-YECL-6(a) Attachment 1 for a complete description of the fully allocated cost methodology.
45 YUB-YECL-6(b).
46 See further support for this position in YUB-YECL-22(j).
47 Application at pp. 5-4 to 5-5; YUB-YECL-21(b); 3T559-3T563.

2012 actuals and 2013 forecast for all affiliate services as well as the rationale for any variances. Based on all of the foregoing, Yukon Electrical submits that it has demonstrated the reasonableness of its forecast affiliate costs over the Test Period and respectfully requests approval thereof.

6. TAXES OTHER THAN INCOME

49. This Section of Yukon Electrical's Application was not the source of much controversy. Accordingly, Yukon Electrical respectfully requests that it be approved as filed. Yukon Electrical reserves its rights to provide submissions in response to any concerns that may be raised by any Interveners in its Reply Argument.

7. DEPRECIATION

a. Overview

50. The depreciation expense included in Yukon Electrical's Application is outlined in Schedules 7.1 through 7.5. The rates used to calculate the 2008 through 2012 depreciation expense were developed using the depreciation parameters approved by this Board in Decision 2009-02. The rates used to calculate depreciation expense forecast over the Test Period are based upon the independent depreciation study conducted by Mr. Larry Kennedy of Gannett Fleming and included in the Application as Section ,7 Attachment 1 (the "Depreciation Study"). While Mr. Kennedy has proposed a number of changes to the depreciation parameters as summarized in YUB-YECL-86(a), the significant increase in forecast depreciation expense over the Test Years arises primarily due to the request for the reinstatement of Yukon Electrical's historical practice of including a provision for future removal and site restoration in its depreciation rates.[48] A second independent report prepared by Mr. Larry Kennedy of Gannett Fleming addressing the use of net salvage estimates in the calculation of depreciation is included in the Application as Section 7, Attachment 2 (the "Net Salvage Report").

51. As outlined in further detail below, the Depreciation Study has identified a material and growing deficiency in Yukon Electrical's net negative salvage reserve. This growing deficiency, together with the need to send the correct price signals to today's consumers, as opposed to a distorted price signal, to tomorrow's customers has led Yukon Electrical to request an end to the pause in Yukon Electrical's historical practice of including net negative salvage in its

[48] Application at p. 7-1; See also YUB-YECL-87(c) for a summary of all the net salvage changes since the 2008-2009 GRA.

depreciation rates.[49] Additionally, Yukon Electrical is seeking approval of a deferral account in respect of changes to depreciation parameters that may arise as a result of IFRS requirements during the Test Period.

b. Reinstatement of Net Negative Salvage

52. Prior to its 2008-2009 GRA, Yukon Electrical's historical practice was to include provision for future removal and site restoration (i.e. net salvage estimates) in the calculation of its depreciation rates. In Decision 2009-02, the Board ordered a pause in this collection of net salvage in depreciation rates, having been persuaded that because YEC had done so, Yukon Electrical should also do so in order to maintain consistency in approach between the two utilities. At p. 22 of the Decision, the Board stated:

> With respect to FRSR, the Board is persuaded by the arguments of YEC and CW that consistency in this area is important. YECL responded that two critical facts were specific to YEC and those facts were not consistent with the circumstances of YECL: (1) YEC has recorded an Asset Retirement Obligation related to the legal requirement for the removal of facilities in compliance with Section 3110 of the CICA handbook; and (2) The company has recorded FRSR requirements into a separate balance sheet account. The Board is of the view that the substance of the circumstance of YECL is similar to that of YEC. That is, YECL has a salvage obligation and YECL has the ability and can account for amounts equivalent to FRSR. Whereas both YECL and YEC utilized acceptable depreciation methods, the treatment of FRSR or negative net salvage is not consistent between the two utilities. Given that the negative net salvage balance continues to grow, the Board does not believe that there is a need to continue to collect such amounts. YECL is to remove these amounts from its depreciation expense for each of the test years and is not to include any amounts for negative net salvage until Board approval is provided.
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> [Emphasis added]

53. Given the Board's decision to treat Yukon Electrical consistently with YEC, the history of YEC's exclusion of net salvage from depreciation rates bears noting. This history is outlined at pp. 7-10 of Mr. Kennedy's Net Salvage Report. In particular, at the time of YEC's 2005 GRA, despite YEC's argument that it should continue its practice of charging costs to its Future Removals and Site Restoration ("FRSR") and into revenue requirement as a component of depreciation expense with the corresponding credit being recorded in the FRSR liability account, the Board instead placed reliance on the approach being taken by BC Hydro at that time. In its 2005-2006 GRA, BC Hydro determined that it no longer would be making appropriations to its FRSR accounts, and would now be recording Asset Retirement Obligations ("ARO") consistent with section 3110 of the CICA Handbook, and Generally Accepted Accounting Principles ("GAAP"). At p. 47 of Decision 2005-12, this Board

[49] 1T16 line 20 to 1T17 line 3.

determined that YEC should adopt BC Hydro's approach and should remove the FRSR charges from annual revenue requirements.

54. As outlined below, since Decision 2005-12 ordering the discontinuation of YEC's collection of net salvage and Decision 2009-02 ordering that Yukon Electrical discontinue the collection of net salvage amounts so as to be consistent with YEC, a number of significant changes have occurred that support the need to reinstate Yukon Electrical's collection of net salvage in its depreciation expense.

55. First, sending the right price signal to customers has taken on added importance as a result of diesel generation once again being on the margin.[50] This concern has indeed been noted by the Board in Decision 2010-13, where the Board stated that it is "of the view that the best pricing signals to customers are those prices that reflect the full cost to serve those customers."[51] Closely tied to the issue of price signals, since Decision 2009-02, is the development of and inclusion in this Application of the Joint Yukon Electrical and YEC Demand Side Management (DSM) program. As discussed in further detail below, this program will promote energy conservation and will result in lower energy consumption. Yukon Electrical respectfully submits that it is counterintuitive to be investing in this DSM program while, at the same time, not sending the right price signal by not fully charging current customers for the cost to provide electric service; namely the cost associated with net salvage.[52]

56. The Second significant change since Decision 2009-02 is that Yukon Electrical is falling considerably behind in its required recovery of the funds for future removal of assets. That is, its FRSR deficiency has grown significantly to over $12 Million dollars. In the 3-year period from 2009 through 2011, an increase in the amount of FRSR deficiency transfer from current users of Yukon Electrical's utility assets to future ratepayers of $7.9 million has accrued to a total balance of over $12 million. This significant increase in transfer to future ratepayers is caused by two significant forces. Firstly, the retirement costs associated with assets that have retired over the past 3-year period have drawn down the FRSR by over 6.2% of the balance that existed at December 31, 2008. However, this draw down of the FRSR was caused by retirements of only approximately 3% of the plant in service as at December 2008. In other words, the FRSR balance is drawing down at approximately twice the rate of the asset retirement activity of the plant in service balance that existed at December 31, 2008. Secondly,

50 YUB-YECL-80(b); YEC-YECL-12(a).
51 Decision 2010-13: YEC-YECL Joint Phase II at paras. 196-197.
52 YUB-YECL-80(b); YEC-YECL-12(a).

older vintages of assets are now 3 years closer to expected retirement, providing less time for these vintages to recover the FRSR deficiency. While approximately 3% of the investment in plant in service as of 2008 has retired over the period from 2009 through 2011, this pace of retirements is expected to significantly increase in future years, which will require significantly increased amounts of cost of removal funding. For example, over the past 16 years, 4 diesel generating units have been removed and retired from service. However, over the next 3 year period 7 units will require replacement due to age and condition. As such, the pace of retirements will significantly increase over the next few years.[53]

57. Yukon Electrical respectfully submits that this deficiency will continue to grow at an increasingly rapid pace in future years if the pause in collection of net salvage is not ended as requested in this Application. If the current practice is sustained, the deficiency will increase by exponential amounts in future years thereby becoming an increasingly large burden on future ratepayers and introducing significant issues of intergenerational inequity.[54] Yukon Electrical urges this Board to find such a result untenable, particularly given that it has presented evidence that the inclusion of net salvages percentages in depreciation rate calculations continues to be widely accepted throughout Canada and North Amercia as the costs of removal and site restoration is an accepted part of the cost of providing service to current customers.[55]

58. A third significant change since Decision 2009-02 is that the BCUC, whose practice the YUB was initially following, has recently recognized the impropriety of burdening future ratepayers with the costs of retiring assets used by today's ratepayers. In BCUC Order G-44-12 respecting the 2012-2013 GRA of FortisBC Energy ("FEU"), the BCUC held as follows:

> The Commission Panel accepts the FEU's proposed application of the traditional method of providing negative salvage in rates during the test period. Using a "pay as you go system" to recover salvage costs could see ratepayers of tomorrow paying higher prices to retire assets which were used to the benefit of today's ratepayers. Further the Commission Panel also does not believe a phased in approach is appropriate. In our view, such treatment will only further defer costs of today for payment by future ratepayers and, given current fuel prices, such treatment does not appear warranted.
>
> While net negative salvage rates are an estimate, the Commission Panel accepts that the rates are based on the recommendations of an independent expert. The Panel also accepts that net negative salvage is a widely used utility practice in Canada and is within the recommended accounting practices of FERC.[56]
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> [Emphasis added]

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53 YUB-YECL-80(b).
54 *Ibid.*
55 Application Section 7, Attachment 2, Net Salvage Report at pp. 5-6.
56 BCUC Order G-44-12: Application by The FortisBC Energy Utilities in respect of 2012/2013 Revenue Requirements and Rates at pp. 83-84.

59. In light of the foregoing, it is apparent that the BCUC understood the problems arising from the "pay-as-you-go" approach and was willing to approve inclusion of net salvage estimates within the depreciation rate calculations notwithstanding its prior decision in respect of BC Hydro.[57] That is, the BCUC approved a different approach to net salvage for FEU (an investor-owned utility) than it had approved for BC Hydro (a Crown Corporation).[58] Yukon Electrical respectfully submits that the YUB should reach the same conclusion in approving Yukon Electrical's request to reinstate the inclusion of net salvage in the calculation of its depreciation rates notwithstanding that YEC uses a different approach. Further, as noted in the Net Salvage Report, in addition to BC, regulators in Newfoundland, Ontario, and Quebec have all approved differing practices regarding the collection of net salvage estimates by crown-owned utilities as opposed to investor-owned utilities.[59] As such, Yukon Electrical submits that there is nothing preventing this Board from approving different approaches to this significant issue for Yukon Electrical and YEC.

60. In addition to the above reasons supporting the reinstatement of Yukon Electrical's historical practice of including net salvage estimates in the calculation of its depreciation rates, it should also be remembered that this request results in a reduction to Yukon Electrical's rate base and, as a result, a lower return on rate base as compared to status quo of not collecting for net salvage in its depreciation rates.[60] In other words, Yukon Electrical does not stand to gain from the reinstatement of net salvage and is motivated rather by sending the appropriate price signals to ratepayers and avoiding intergenerational inequities.

c. Deferral on Depreciation Parameters

61. Notwithstanding that a comprehensive Depreciation Study was prepared in support of this Application, as a result of IFRS, Yukon Electrical has a requirement to review its depreciation parameters annually and to implement new depreciation rates if necessary.[61] Accordingly, Yukon Electrical is requesting approval for a deferral account to allow it the ability to file future applications, as necessary, to change its depreciation parameters within the 2013-2015 Test Period, and flow through the impact of any such change to customers within the Test Period. The effect of the change in depreciation parameters would be determined based upon

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57 Application Section 7, Attachment 2, Net Salvage Report at p. 14.
58 UCG-YECL-25; UCG-YECL-27.
59 Application Section 7, Attachment 2, Net Salvage Report at pp. 20-21.
60 YUB-YECL-90(c) and Attachment 1; UCG-YECL-23(e).
61 CW-YECL-31.

the rate base forecast approved by the Board for the Test Period. Yukon Electrical outlined the process it would use to test depreciation parameters annually at pages 7-2 through 7-4 of its Application. As indicated, the need for the deferral account treatment is to account for new information or events that occur in a year where Yukon Electrical has not undertaken a full depreciation study. Yukon Electrical respectfully submits that approval of the proposed deferral account is reasonable and would promote regulatory efficiency as it will assist in the harmonization of IFRS and regulatory accounting thereby avoiding the administrative burden of keeping two sets of financial records in respect of depreciation.[62]

62. As explained in its response to YUB-YECL-82, if a material change is warranted upon Yukon Electrical's annual review of depreciation parameters as described on pages 7-2 and 7-3 of the Application, Yukon Electrical would be obligated to adjust its depreciation parameters and the resulting depreciation rates and expense for that year for financial statement purposes in order to obtain a clean audit opinion under IFRS. While the update to the depreciation parameters for regulatory purposes could wait until Yukon Electrical's next GRA is filed, the delay would create a situation where Yukon Electrical would be managing two separate sets of books for property plant and equipment. Yukon Electrical submits that a deferral account is more efficient under such circumstances and Yukon Electrical would only update its depreciation parameters if the resulting impact on depreciation expense was large enough to require adjustment for financial statement purposes, which change would have to be greater than $100,000.

8. RETURN ON RATE BASE

a. Overview

63. As outlined in further detail below, consistent with prior Board direction, Yukon Electrical is requesting that its Return on Equity ("ROE") over the Test Period continue to be linked to the British Columbia Utilities Commission ("BCUC") Generic Cost of Capital ("GCOC") benchmark rate of 8.75% plus the previously approved risk premium of 0.46%[63] for a total ROE of 9.21% for each of the Test Years. To reflect the changing world around it, including recent decisions of the BCUC and the Northwest Territories Public Utilities Board ("NWTPUB"), Yukon Electrical is also seeking an increase in its equity ratio, from the previously approved 40% to 44%.

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62 Application at p. 7-2; LE-YECL-9(b).

63 Decision 2009-02 at p. 29, the Board stated: "YECL is directed to use an ROE for 2008 of 9.08%. For 2009, YECL will use a risk premium of 46 basis points above the BCUC 2009 benchmark ROE."

b. Capital Structure and Return on Equity – BCUC Benchmarks

64. In Decision 2009-02, the Board accepted Yukon Electrical's proposal to rely on the generic ROE as a point of departure as the most efficient means of addressing what is inherently a complex and costly matter, given the current state of ROE determination throughout Canadian regulatory jurisdictions. The Board chose the BCUC GCOC as the most appropriate benchmark as it had been the most recently reviewed, and was generally accepted by the parties.[64] Yukon Electrical submits that the BCUC remains the most recently reviewed benchmark and should continue to be used as the benchmark for Yukon Electrical.

65. At the time this Board rendered Decision 2009-02, the equity ratio for the BCUC GCOC benchmark utility was set at 35.01% and this Board set Yukon Electrical's equity ratio at 40% (i.e. 4.99% higher than the BCUC benchmark). The 2008 BCUC GCOC benchmark ROE at the time of Decision 2009-02 was 8.62%. Since that time, two separate processes affecting the BCUC GCOC have occurred: (i) in December 2009, the BCUC issued Order G-1-158-09 setting the benchmark ROE at 9.5% (effective July 1, 2009) and the equity ratio of 40% (effective January 1, 2010); and (ii) on May 10, 2013, the BCUC issued Order G-75-13 setting the benchmark ROE at 8.75% (effective January 1, 2013) and the common equity ratio of 38.5%. Accordingly, since this Board issued Decision 2009-02, the BCUC benchmark ROE has increased by 0.13% and the benchmark equity ratio has increased by 3.5%. Yukon Electrical's applied-for ROE and equity ratio is consistent with the evolution experienced in BC since Yukon Electrical was last before the YUB.

66. In setting an equity ratio of 40% for Yukon Electrical in Decision 2009-02, this Board also held that this equity ratio would be similar to the equity ratio of 39.57% for Northland Utilities (Yellowknife) Limited approved by the NWTPUB in Decision 12-2005.[65] Yukon Electrical acknowledges that its business risks are similar to those experienced by its sister companies in the Northwest Territories ("NWT") and has presented evidence to that effect.[66] Since Yukon Electrical was last before this Board, the NWTPUB has approved increases to the ROE and equity ratios for both of the Northland sister companies. In Decisions 24-2008 and 25-2008, in respect of the Northland Utilities' 2008-2010 GRAs, the NWTPUB set the ROE at 9.10% for both of the Northland companies and set equity ratios of 43.5% and 44% for Northland (Yellowknife) and Northland (NWT) respectively. In Decisions 13-2011 and 17-2011, in respect

[64] Decision 2009-02 at p. 29.
[65] Decision 2009-02 at p. 27.
[66] YUB-YECL-31; YUB-YECL-33(b) at pp. 2-4 and Attachment 1 at pp. 22-25.

of the Northland Utilities' 2011-2013 GRAs, the NWTPUB set the ROE at 9.30% for both of the Northland companies and held the equity ratios at 43.5% and 44% for Northland (Yellowknife) and Northland (NWT) respectively.

67. In light of the foregoing developments in BC and the NWT, as well as for the reasons outlined in further detail below, Yukon Electrical respectfully submits that its requested ROE of 9.21% (being the BCUC GCOC ROE of 8.75% plus a risk premium of 46 basis points) and equity ratio of 44% are reasonable and appropriate. Contrary to the unsupported suggestion by counsel for the UCG,[67] Yukon Electrical's requested ROE, equity ratio and risk premium are all wholly consistent with the approach being taken in BC. In no way can Yukon Electrical be legitimately accused of "cherry-picking" aspects of the BC approach. Rather, Yukon Electrical has taken the current BCUC benchmarks and employed the same approach the YUB itself employed in Decision 2009-02 to adjust those BCUC benchmarks to bring them in line with the Yukon experience.

c. Business Risk and the Stand Alone Principle

68. As above noted, Yukon Electrical's request for an increased common equity ratio arises primarily from the recognition in other jurisdictions that similar increases have been approved for other utilities against which this Board has historically compared or benchmarked Yukon Electrical. In addition to the foregoing, Yukon Electrical has presented evidence demonstrating that it continues to face greater business risk than the average Canadian or British Columbia utility.[68] Yukon Electrical's business and financial risks remain largely consistent with those assessed by this Board in 2008 as part of its 2008-2009 GRA. If anything, they have recently increased moderately as explained in detail in Yukon Electrical's response to YUB-YECL-31.

69. While the Board was not overly receptive to the evidence presented by Ms. McShane in the 2008-2009 GRA, Yukon Electrical still supports that evidence and respectfully submits that the analysis therein remains pertinent today. Indeed, much of Ms. McShane's evidence appears to have foretold the developments that have since transpired in BC and the NWT. In particular, at p. 12 of her evidence, Ms. McShane stated that the stand-alone principle should be respected in establishing the appropriate capital structure for Yukon Electrical.[69] She described the stand-alone principle as follows:

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67 2T238, lines 1-22.
68 Application at p. 8-5; YUB-YECL-33, Attachment 1 at pp. 22-25.
69 YUB-YECL-33, Attachment 1 at p. 12.

> The stand-alone principle encompasses the notion that the cost of capital incurred by Yukon Electrical should be equivalent to that which would be faced if it was raising capital in the public markets on the strength of its own business and financial parameters; in other words, as if it were operating as an independent entity. The cost of capital for the company should reflect neither subsidies given to, nor taken from, other activities of the firm. Respect for the stand-alone principle is intended to promote efficient allocation of capital resources among the various activities of the firm.

70. Notably, in its recent GCOC decision, the BCUC similarly endorsed the need to respect the stand-alone principle and reaffirmed the long history and importance of the stand-alone principle in Canadian utility regulation, stating that there is no reason to deviate from this principle even in the context of small utilities or projects whether or not they are part of a larger utility.[70] In view of the foregoing, Yukon Electrical respectfully submits that it is an appropriate time for the Board to revisit its previous rejection of the stand-alone principle in Decision 2009-02.

71. With due respect for the stand-alone principle, Ms. McShane concluded as follows:

- Debt rating agency guidelines for the debt ratio compatible with Yukon Electrical's level of business risk support a common equity ratio in the range of 45-55%.
- The concerns expressed by the debt rating agencies, as well as other capital market participants, that the common equity ratios of Canadian utilities are too thin (and the ROEs are too low) further support the focus on the upper end of common equity ratio range for Yukon Electrical of 47.5% to 52.5%.
- In sum, the upper end of a 47.5-52.5% common equity range would be reasonable for Yukon Electrical and would allow a benchmark return on equity to be applied without an incremental equity risk premium.
- One critical factor militates against increasing the actual common equity ratio of Yukon Electrical to 52.5%: To require shareholders to commit additional equity capital to have the opportunity to earn an equity return perceived as too low is fundamentally incongruous.
- To address this factor, I recommend increasing the actual common equity ratio of Yukon Electrical to 47.5% and allowing an incremental equity risk premium of 0.50% above the benchmark return on equity to compensate for the difference between a 47.5% equity ratio and the 52.5% common equity ratio that would fully compensate for the business risks of Yukon Electrical.

72. While Yukon Electrical is only seeking a common equity ratio of 44% (as opposed to 47.5%) and a risk premium of 0.46% (as opposed to 0.50%) over the BCUC GCOC benchmark, consistent with the approach followed by this Board in Decision 2009-02, it is respectfully submitted that the above evidence further supports the reasonableness of Yukon Electrical's requested increases. Indeed, even in the absence of any increased business risk, Yukon

[70] YEC-YECL-13(a), Attachment 1, Generic Cost of Capital Proceeding (Stage 1), Decision dated May 10, 2013 at p. 100.

Electrical submits that its proposed common equity ratio, ROE and risk premium are appropriate and should be approved as filed. While Yukon Electrical acknowledges that its business risks are somewhat lesser than those of the YEC, Yukon Electrical should not be penalized simply because YEC, for whatever reason, chose not to apply for increases to its historical capital structure that has been in place since the early 1990s.[71]

d. Return on Equity Deferral Account (the AAM)

73. For 2014 and 2015, the BCUC GCOC benchmark ROE is subject to an Automatic Adjustment Mechanism ("AAM") that becomes operative if a long term Canada bond yield of 3.8% is met or exceeded. Yukon Electrical is requesting approval of a deferral account that would allow it to flow through any change to the 8.75% ROE that may arise as a result of the operation of the AAM.[72] Yukon Electrical explained in detail the mechanics of the AAM and its implications for Yukon Electrical in its responses to WL-YECL-16 and YEC-YECL-13. Notably, the BCUC is reinstituting the AAM for reasons of regulatory efficiency by avoiding frequent costly and time consuming ROE proceedings.[73] Yukon Electrical submits that the same rationale applies equally to its requested ROE deferral account.

74. Further, approval of the ROE deferral account is consistent with the approach taken by this Board in Decision 2009-02, where it held that Yukon Electrical's ROE for 2009 should be whatever the BCUC benchmark ROE was to be for 2009.[74] At the time of Yukon Electrical's Compliance Filing, this Board approved an ROE for Yukon Electrical of 8.93% based on the BCUC benchmark ROE, which had been adjusted down to 8.47% for 2009 as a result of the operation of the AAM.[75] Yukon Electrical's proposed ROE deferral simply allows for its ROE to move in tandem with any adjustments to ROE occurring in its benchmark jurisdiction. Yukon Electrical submits that this is a reasonable and appropriate approach and also notes that its proposed ROE deferral account is part of what has enabled Yukon Electrical to apply for a three-year test period in this Application.[76]

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71 LE-YECL-11(a).
72 Application at p. 8-6; WL-YECL-16; YEC-YECL-13.
73 YEC-YECL-13(a), Attachment 1, Generic Cost of Capital Proceeding (Stage 1), Decision dated May 10, 2013 at p. 88.
74 Decision 2009-02 at p. 29.
75 2T279, line16 to 2T280, line 8.
76 2T264, lines 12-17.

e. Long Term Debt Rates

75. Yukon Electrical has forecast debenture rates of 4.35%, 5.05% and 5.80% for the years 2013, 2014 and 2015, respectively, based on the best information available to Yukon Electrical at the time the forecast was prepared. Consistent with its historical practice, Yukon Electrical used an average Long Term Canada Bond Rate and applied a spread of 1.55% (average of the 1.45%-1.65% range) to determine the forecast debenture rate.[77] Additionally, Yukon Electrical has forecast the amount to be added to the coupon rate for issue costs to be 5 basis points for 2013-2015. This is the same amount used in previously approved applications and is based on an estimate of the costs that CU Inc. will incur when it issues debentures to the public.[78]

76. In its response to WL-YECL-18(c), Yukon Electrical provided updated long term debt rates of 4.70%, 5.15% and 5.80% for the years 2013, 2014 and 2015 respectively. The rates increased as a result of the increase in the underlying Long Term Canada Bond Rate observed over the time between the filing of the Application and the information request process. As explained by Mr. Grattan during the oral hearing, Yukon Electrical actually issued debt in September of 2013 at a rate of 4.761% as opposed to its 4.35%, but Yukon Electrical is not seeking to revise its forecast.[79] Yukon Electrical respectfully submits that its applied-for forecast rates are reasonable and appropriate and should be approved by the Board as filed. Contrary to the suggestion from counsel for the UCG, Yukon Electrical does not consider that a long term debt rate deferral account is necessary or appropriate as Yukon Electrical has demonstrated an ability to forecast debt rates in the Yukon and, where there have been variances between forecast and actual debt rates, the amounts at issue have been immaterial.[80]

f. Rate Base

77. As outlined in its Updates Filing, Yukon Electrical's total capital additions over the Test Period are $21,574,000 for 2013, $23,260,000 for 2014 and $20,696,000 for 2015.[81] As discussed in further detail in Section 9 below, these additions are primarily driven by a requirement to upgrade, enhance and replace components on the distribution and generation

[77] Application at p. 8-6.
[78] CW-YECL-11(a).
[79] 1T135, line 21 to 1T136, line 6.
[80] 2T258, lines 9 to 16; 2T259, lines 3 to 6.
[81] Exhibit B-11, Updates Filing at p. 2.

systems that have reached the end of their life cycle as well as to meet system needs due to load growth.[82]

g. Deferred Charges and Credits

78. Yukon Electrical's deferred charges and credit amount includes its: (a) Rate Case Reserve; (b) Watson Lake Bi-Fuel Project Study Costs; (c) Pelly Crossing Deferral Account; and (d) Kluane Wind Study. Over the Test Period, Yukon Electrical's total deferred charges and credits, as reflected in Schedule 8.8 are a credit of $268,000 in 2013 and charges of $118,000 in 2014 and $175,000 in 2015. While counsel for the UCG had some questions for Yukon Electrical during the hearing, Yukon Electrical respectfully submit that its deferred charges are modest and were reasonably incurred. With respect to the Kluane Wind Study totalling $20,000, which considered the feasibility of using wind to generate renewable power in the communities of Burwash Landing and Destruction Bay, Yukon Electrical submits that it incurred these costs reasonably and the study will have enduring benefits for ratepayers.[83] In particular, this study is important to Yukon Electrical's consideration of energy alternatives that interveners such as YCS and LE have been promoting for some time. Further, Yukon Electrical notes that deferred charges for similar study purposes were applied for by YEC in its 2012-2013 GRA and approved by this Board in Decision 2013-01.[84]

h. Working Capital

79. The working capital included in Yukon Electrical's rate base is outlined in Schedule 8.5 of the Application. The increase in working capital in the test period is mainly a result of higher operating expenses and depreciation expense (including net negative salvage), as well as the change in O&M lag days from 5 days for the years prior to 2013 to 7 days in the test period due to the update in the salary and wages lead/lag days.[85]

80. To determine the working capital for the Test Period, Yukon Electrical completed a review of the components of each of the items in necessary working capital to ensure that the nature of the revenue/expenses included in each category had not changed materially since the 2008 lead/lag study was conducted and filed in Yukon Electrical's 2008-2009 GRA. Based on this review, the only component in the lead lag study that required an update was salary and

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82 Application at p. 8-9.
83 2T268 line 14 to 2T269 line 1.
84 Yukon Energy Corporation Approval of Revenue Requirements for 2012 and 2013, March 25, 2013 at para. 375.
85 Application at p. 8-13.

wages lead/lag days as a result of Yukon Electrical moving to standard industry practice of bi-weekly payroll processing on January 1, 2010 with a one-week payment lag.[86]

81. Notably, while Yukon Electrical does not agree that the working capital allowance policy from Ontario[87] that counsel for the UCG put to Yukon Electrical in cross-examination is relevant in this proceeding, nevertheless, when Yukon Electrical calculated the percentage that its working capital represents of the sum of the cost of power and the controllable expenses (i.e. operations, maintenance, billing and collecting, community relations, administration and general) the resulting 8% for 2013, 10% for 2014 and 9% for 2015 is well below the 13% allowance for working capital apparently permissible in Ontario.[88]

82. In summary, Yukon Electrical submits that its working capital included in rate base in this Application is reasonable and appropriate and should be approved as filed by this Board.

9. CAPITAL ADDITIONS

a. Introduction

83. Yukon Electrical's Application addresses its forecast costs to maintain, as well as enhance, service to customers by ensuring the safe and reliable supply of electricity, providing energy alternatives, and promoting conservation measures. With respect to capital projects, Yukon Electrical is requesting approval of forecast capital additions of $21.6 million in 2013, $23.3 million in 2014 and $20.7 million in 2015 and has provided 30 detailed business cases in support of those major capital projects with forecast costs in excess of $500,000. These projects include: (i) the completion of the reconstruction of Fish Lake Hydro Unit #1 Turbine and Building; (ii) Automated Meter Reading in the Whitehorse and Southern Lakes areas; (iii) Yukon Electrical's costs associated with the development and implementation of the joint utility Demand Side Management Plan; (iv) a stand-by generating unit for the communities of Carcross and Tagish; as well as various other replacements and improvements in isolated diesel generation communities served by Yukon Electrical.[89]

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86 Application at p. 8-12.
87 Exhibit C-3-11.
88 Exhibit B-19, Response to Undertaking #19, 3T463, lines 4 to 15.
89 1T15 to 1T22.

84. Yukon Electrical has had to respond to increasing electricity demand with infrastructure maintenance, improvements and new extensions. Examples include (i) the Whistle Bend subdivision; (ii) the Takhini-Marwell upgrade; and (iii) a targeted and measured conversion of downtown Whitehorse from to 12.5 kV to 25 kV. Yukon Electrical has also identified areas of aging infrastructure that require replacement such as the Hillcrest and McIntyre subdivisions in Whitehorse.[90]

85. In the isolated diesel generation communities served by Yukon Electrical, end-of-life generation replacements and upgrades are required to continue providing reliable electricity service. These proposed capital additions include (i) a new diesel unit and the replacement of a unit in Old Crow, expansion of the Old Crow plant building; and (ii) the replacement of end-of-life diesel units in Beaver Creek, Watson Lake and Destruction Bay.[91]

86. During the hearing, Counsel for the UCG and the City of Whitehorse appeared to take issue with Yukon Electricals' forecast accuracy. Yukon Electrical respectfully submits that it has demonstrated its ability to accurately forecast its capital expenditures, contributions and resultant Net Mid-Year Rate Base in its Application, Schedules 8.1 and 9.1, as well as in UCG-YECL-39. Forecasting accuracy was also addressed during the hearing with the applicable figures summarized in the following Table:[92]

($ Millions)		2008	2009	2009	2009	Total	Total %
	Reference	Actual	Approved	Actual	Approved	Difference	Difference
Capital Expenditures	Sch. 9.1	9.9	9.3	6.3	7.7	-0.8	-4.7%
Mid Year Rate Base	Sch. 8.1	45.9	46.1	49.1	49.5	-0.6	-0.6%
Impact on Return on Rate Base	UCG-YECL-39(b)	3.5	3.5	3.7	3.7	0	0.0%

87. As detailed in UCG-YECL-39, the impact of Yukon Electrical's actual 2008 and 2009 mid-year rate base being slightly higher than approved was $11,000 and $25,000, respectively. Yukon Electrical submits this variance is reasonable and supports Yukon Electrical's overall forecast accuracy in these areas.

88. In summary, while Yukon Electrical is seeking approval of significant forecast capital additions, Yukon Electrical submits that it has provided comprehensive support detailing the need for, and benefits of, its capital projects, many of which are required in response to

[90] *Ibid.*
[91] *Ibid.*
[92] 3T375-3T376.

increasing electricity demand and infrastructure at end-of-life. Yukon Electrical does not propose to address each of its capital projects, but will rather focus on those projects that attracted the most attention in Information Requests and at the Hearing.

b. Generation (General)

89. As detailed in the Application, Yukon Electrical's generation assets are continually monitored through power plant inspections and monitoring. Components are repaired or replaced due to obsolescence, performance and electrical system requirements or in accordance with manufacturer specifications. The reliability and integrity of the power generation system is a key consideration when critical replacement decisions are being contemplated.[93] Of the major capital projects under the generation appropriation, the vast majority are projects to replace generation units that have failed or at their end of life, or to upgrade generation facilities to meet regulatory requirements. Such projects include: Fish Lake Unit #2 Penstock Replacement (Business Case 1); Fish Lake Unit #1 Turbine (Business Case 2); Watson Lake Unit #4 Replacement (Business Case 3); Beaver Creek Unit #2 Replacement (Business Case #5); Fish Lake Dyke Upgrade (Business Case 7); Fish Lake Ditch #3 Diversion Structure Replacement (Business Case 9); Beaver Creek Unit #1 Replacement (Business Case 11); Watson Lake Unit #2 Replacement; and Destruction Bay Unit #2 Replacement (Business Case 14). Yukon Electrical respectfully submits that each of these capital projects is necessary in order for it to be able to continue to provide safe and reliable electricity service and should be approved by the Board.

c. New Extensions (General)

90. Yukon Electrical forecasts its New Extensions and associated customer contributions,[94] including Miscellaneous Overhead (O/H) Services and New Underground Line Extensions, based on the information it has in areas of development with its service territory as well as historical experience.[95] The use of historical experience is needed due to few customer projects in the test years being at a final scope and design stage at the time of the Application. For this reason, the majority of New Extension forecast costs were grouped into Miscellaneous Overhead Services – Various Subdivisions and Miscellaneous New Underground Services. As projects are identified and customer commitment is

[93] Application at p. 8-1.
[94] As outlined in its response to YUB-YECL-65, New Extensions, on average, are 75%-80% funded by customer contributions.
[95] Application at 9-1.

completed, a specific project file is set up and the expenditures are tracked within a specific New Extensions appropriation.

91. In response to Undertaking #6, Yukon Electrical detailed its forecast net investment in Miscellaneous O/H Services as well as New Underground Line Extensions as compared to 2011 and 2012 actuals. The figures are detailed in the following Table:

	2011 Actual	2012 Actual	2013 Forecast	2014 Forecast	2015 Forecast
Miscellaneous O/H Services - Various *	3,148,000	3,083,000	3,625,000	2,900,000	4,300,000
Customer Contributions	(2,902,000)	(1,655,000)	(2,900,000)	(2,320,000)	(3,360,000)
Yukon Electrical Net Investment	246,000	1,428,000	725,000	580,000	940,000
	2011 Actual	2012 Actual	2013 Forecast	2014 Forecast	2015 Forecast
New Underground Line Extensions **	960,000	1,153,000	600,000	1,000,000	1,000,000
Customer Contributions	(454,000)	(793,000)	(480,000)	(800,000)	(800,000)
Yukon Electrical Net Investment	506,000	360,000	120,000	200,000	200,000
Total Yukon Electrical Net Investment	752,000	1,788,000	845,000	780,000	1,140,000

* Includes all small projects included in Miscellaneous O/H Services - Various in Section 9 of the Application as well as those projects in 2011 and 2012 that were originally forecast as part of this category.

** Includes all small projects included in New Underground Line Extensions in Section 9 of the Application as well as those projects in 2011 and 2012 that were originally forecast as part of this category.

92. In addition, in its response to YUB-YECL-65, Yukon Electrical detailed the following total forecast net investment in New Extensions as compared to 2011 and 2012 actuals:

		2011 Actual	2012 Actual	2013 Forecast	2014 Forecast	2015 Forecast
New Extension	Schedule 9.1, L. 12	6,078	4,919	5,149	5,370	5,570
Customer Contributions		(5,149)	(3,097)	(3,903)	(4,320)	(4,160)
Yukon Electrical Net Investment		929	1,822	1,246	1,050	1,410

93. Yukon Electrical respectfully submits the forecast New Extensions and associated contributions included in its Application are reasonable in comparison to recent actual experience and should be approved by the Board as filed.

d. Carcross/Tagish Standby Unit

94. In Decision 2009-02, the Board denied Yukon Electrical's proposal to install a standby generating unit in the Carcross/Tagish area, stating:

> Considering the above, the Board is not convinced that the Carcross generator is the best option at this time to mitigate outages in the Carcross-Tagish area. Therefore, the Board does not approve the proposed Carcross diesel unit in YECL's rate base for the test years. Accordingly, the Board directs YECL in its refiling to reflect the removal of the proposed Carcross diesel unit from its proposed capital additions. Further, at the time of its next GRA, the Board directs YECL to present its business case respecting the Carcross genset if it is still the preferred option to mitigate reliability concerns in the area.
>
> In addition, the Board has concerns with YECL's response to YUB-YECL-1. YECL failed to provide recognized indicators that could be used to benchmark distribution reliability in the area and indicated that it tracks reliability on its system as a whole rather than on a line or feeder basis. Recognizing the importance of system reliability, the Board directs YECL in its next GRA to present industry recognized statistics that affirm the success of its projects and program initiatives that have safety and reliability as their basis.[96]
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> [Emphasis added]

95. In response to the above referenced directions from the Board, Yukon Electrical has undertaken further analysis in respect of the need for a dedicated Standby generation unit for the communities of Carcross and Tagish and has presented its Business Case 12 in support of proceeding with this project in the Test Period, which Yukon Electrical submits is necessary based on N-1 planning criteria.[97] As directed, Yukon Electrical has also provided industry standard outage and reliability statistics in support of this project.[98] This project includes the purchase and installation of a 2MW self-contained generating unit for contingency in the Carcross substation at a total cost of $3 Million.[99] The communities of Carcross and Tagish, including the surrounding areas, have peak load demands of 1.5MW in the winter with approximately 712 total customers.[100] Yukon Electrical considered a number of alternatives, but has determined that the optimal solution to improve service reliability is a standby generator.[101]

96. Should a loss of generation on the Yukon Interconnected System or loss of Distribution System capability on the single radial line to the service area occur, customers in Carcross and Tagish would be without electricity. The proposed standby generating unit would provide these customers with a backup power supply similar to six other Yukon communities.[102] A power system planning principle, "N-1," is used as a criterion to ensure contingency of supply to meet customer peak loads while a largest generating unit or major distribution/transmission component is out of service. This criterion is used in larger customer centers to provide a high

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96 Decision 2009-02 at pp. 38-39.
97 Application at p. 11-18.
98 YUB-YECL-46(d) and Attachment 1.
99 A detailed cost estimate is provided in response to YUB-YECL-46(h).
100 Business Case 12.
101 YUB-YECL-46(d); YEC-YECL-20(b).
102 YUB-YECL-46(c), these communities are: Carmacks; Haines Junction; Pelly Crossing; Ross River; Stewart Crossing; and Teslin.

reliability level to customers, however, is not practical on an individual customer basis. As explained in its response to YUB-YECL-46(a) and (b), Yukon Electrical seeks the Board's approval of its proposed threshold minimum load of 1 MW and 300 customers to enact the "N-1 planning criteria".[103] This planning criteria is based in part on YEC's 20 Year Resource Plan and Yukon Electrical submits that it would establish reasonable and prudent planning and design standards for system redundancy.

97. In summary, Yukon Electrical respectfully submits that both the standby generating unit and its proposed planning criteria are reasonable and appropriate to address system reliability concerns and should be approved by the Board. Yukon Electrical also notes that letters in support of this project have been filed by the Carcross Area Property Owners Association,[104] the South Klondike Local Advisory Council[105] and the Museum of Yukon Natural History.[106]

e. Automated Meter Reading

98. In Decision 2009-02, the Board denied Yukon Electrical's proposal to install Automated Meter Readers in Whitehorse and the South Lakes area, stating:

> The Board has concerns with the business case for AMR. The business case has an escalation of 3% and yet YECL has asked for a 5% inflation rate over the test years. In the Board's view, several of the benefits in the business case appear overstated. That the cross-over of the benefits is nine years away puts the economic benefits of the business case at risk. Due to these concerns, the Board is not prepared to accept this project at this time and directs YECL to remove this project and its costs from rate base. The Board encourages YECL to work with all Intervenors, including YEC, to review and assess the costs and potential benefits of the AMR project. Upon completion of the review, YECL is to submit a new business case that outlines the benefits of such a project over time, how it addresses the concerns raised by Intervenors, and describe potential economies by partnering with YEC and the City of Whitehorse in the scope and implementation of the project. The Board expects this business case to be filed with YECL's next GRA.
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> [Emphasis added]

99. In response to the above referenced directions from the Board, Yukon Electrical has undertaken further analysis in respect of the economic benefits of AMR and has presented its Business Case 27 in support of proceeding with this project in the Test Period. This project entails the conversion of all meters in the Whitehorse area, Marsh Lake, Carcross, Tagish and Teslin communities to AMR technology, which is approximately 80% of all Yukon Electrical

[103] 4T612.
[104] Exhibit D-1.
[105] Exhibit D-2.
[106] Exhibit D-3.

meters. Yukon Electrical submits that it has addressed all of the issues and concerns raised by the Interveners during its 2008-2009 GRA[107] and requests that the project be approved at this time as there are numerous benefits associated with this project including improved customer service, improved safety performance for employees and customers, reduced vehicle emissions, as well as long term cost savings as compared to conventional meter reading.[108]

100. As explained in its response to YUB-YECL-48(m) the cost/benefit analysis for the AMR project shows that customers will benefit from the implementation of AMR with cost savings in 9 years and cumulative savings of $2.2 million over 25 years. Yukon Electrical also notes that since it was last before the Board in 2008, the AMR technology that Yukon Electrical is proposing to install has been successfully implemented on time and on budget in the City of Yellowknife by Yukon Electrical's sister company, Northland Utilities Yellowknife. It also bears noting that since this Board last considered Yukon Electrical's application for AMR Meters, new Measurement Canada regulations have been enacted. These new regulations, which take effect January 1, 2014, will increase sample and testing work required on the existing mechanical meters. Measurement Canada will also be decreasing the life extensions of mechanical meters from six to four years. In comparison, AMR meters require testing after ten years.[109]

101. There was much discussion in the hearing in respect of the issue of time of use ("TOU") rates and the TOU ability of the AMR technology proposed by Yukon Electrical. As explained in its response to YUB-YECL-48(n), the Two-Way Automated Communication System ("TWACS") technology that Yukon Electrical is proposing to install does not currently have Measurement Canada approved TOU revenue metering capability. Yukon Electrical examined the current electrical load profile of the area to be converted to AMR and determined that there would be little to no beneficial result of implementing TOU rates.[110] The core purpose of TOU rates is to encourage consumers to shift electrical demand, rather than to reduce overall consumption. In the Yukon, and the AMR implementation area, the patterns of peak consumption closely align with the patterns of residential customer electrical use. Meaning, the peaks are associated with the residential customers' usage. These times of day are before and after work/school during the week. The peak times occur on the coldest days of the year, usually in December or January, when water flows for hydro generation are low. Yukon Electrical submits that due to

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107 YUB-YECL-48(b).
108 Business Case 27 and Attachment 1.
109 YUB-YECL-48(b)(ii).
110 1T142, Line 13 to 1T144, Line1; 3T388-3T392

the load profile of residential customers and its influence on the peak, implementation of TOU rates would only shift load to a later hour rather than having an overall reduction effect on the peak. In other words, the consumption and associated peaks would still occur, just at a later hour, as residential heating and cooking would still be required regardless of price signals.

102. As Yukon Electrical sees little benefit in TOU rates for the potential significant cost of implementing such rates, it will not be seeking TOU rates unless otherwise directed.[111] Nevertheless, in the event that TOU rates should come to pass, and the TWACS technology was still not approved for TOU rates by Measurement Canada (which could change) as explained by Mr. Massie during the hearing, one of the many benefits of having ATCO Electric as a parent company is that it has 218,000 of the same meters currently in use in its service area and Yukon Electrical could salvage the meters and return them to ATCO Electric for a credit. Accordingly, Yukon Electrical submits that the mere possibility that TOU rates may be mandated at some uncertain time in the future should not be permitted to detract from the real benefits that will accrue to ratepayers immediately if the proposed AMR meters are approved.

103. Finally, as outlined in its response to Undertaking No. 23, which was filed with the Board on November 13, 2013, it should be noted that the load shedding devices referred to by Ms. Midler are compatible with the AMR technology Yukon Electrical is proposing. In particular, the Load Control Transponder (LCT) referenced would use the same Power Line Carrier technology as the proposed AMR meters to communicate with the Substation Communication Equipment. The LCT is a low voltage device that would be installed beyond-the-meter which uses the TWACS base technology. The information is carried over the power lines, as opposed to another method such as radio frequency. As the LCT communicates directly with the proposed Substation Communication Equipment, there is no direct communication between it and the meter. The LCT is a stand-alone device that could be connected in the low voltage circuit of the customer's equipment, much like a switch. A signal from the TWACS master station would communicate with the LCT to open or close the switches.

f. Watson Lake Bi-fuel

104. As outlined in Business Case 6, Yukon Electrical is seeking the Board's approval of costs associated with its proposed Watson Lake Bi-Fuel project. Phase 1 of the project involves the modification of existing Watson Lake power plant generation Unit #5 to a bi-fuel system, which allows the unit to run on a combination of diesel and natural gas (NG). The purpose of

[111] YUB-YECL-48(n).

this phase is to verify that NG injection into the engine provides reliable electricity generation for a utility power system, along with the environmental benefit of reduced emissions. Assuming the success of Phase 1, Phase 2 of the project will convert the remaining 5 units at the Watson Lake power plant to bi-fuel operation. As natural gas is currently unavailable through direct pipeline, the fuel will be supplied by a truck transporting Liquefied Natural Gas (LNG) to the Watson Lake power plant. The availability of LNG allows for reduced emissions in existing generating units through the displacement of diesel fuel. The project would seek to reach an average of 50% displacement of the amount of diesel fuel normally used.

105. In addition to delivering an environmental benefit to the community of Watson Lake through the reduction of emissions of particulate matter, SOx, NOx and CO_2, this project will benefit ratepayers by displacing the consumption of diesel fuel and reducing the cost of power production. Additionally, the proposed fuel technology provides the operational ability for the existing power plant to seamlessly revert back to operating on 100% diesel.[112]

106. In its Updates Filing, Yukon Electrical explained that as a result of delays in receiving approvals for the Watson Lake Bi-Fuel Project to proceed, the updated forecast of project costs to convert all units in the Watson Lake facility to possess bi-fuel operational capabilities from that stated in Business Case 6 is as follows:

Phase 1:	**As Filed**	**Updated**
Infrastructure from the NG supply to the unit and to convert Unit #5 to bi-fuel operation		
2012	$90,000	$90,000
2013	$363,000	--
2014	--	$363,000(1)
Study costs including consulting costs for feasibility, surveying, engineering, and acquisition of required permits and licenses		
2013	$222,000	$222,000
Phase 2:		
Conversion of the remaining units to bi-fuel operation		
2014	$372,000	$372,000

(1) Costs for Phase I may increase based on preliminary tenders received as well as due to the requirements for emissions verification.

107. That is, Phase I of the project, which was forecast to be completed in 2013, has been delayed until 2014 and consequently, the $363,000 in capital costs for Phase I forecast to be incurred in 2013 have been moved to 2014. The storage and vapourization charges from ATCO Gas included in Operations and Maintenance expenses, which were forecast to begin in

[112] Business Case 6; 1T21, lines 7-14.

September 2013, are now forecast to begin in September 2014. As well, the deferred charges associated with the project are now being amortized beginning in 2014, rather than in 2013.[113]

108. The economic driver for Yukon Electrical to undertake this pilot project is fuel savings. There is a predicted cost savings in fuel between LNG and diesel, even when compared to a more conservative estimate for diesel. When the lease cost of $22,000 per month is included in the project operations and maintenance costs, cumulative fuel savings begin in 2017. When comparing the project capital costs to the cumulative fuel savings, a simple project payback of 9 years is shown.[114]

109. Through the Information Request process and during the hearing, Yukon Electrical was questioned about its decision to approach this project through a lease structure with the bundling of all of its equipment and service needs (with the exception of the LNG supply and transport, which Yukon Electrical procured on its own through a competitive tendering process[115]). As outlined in its response to YUB-YECL-6(i) and UCG-YECL-104, Yukon Electrical structured the project in this manner in order to allow it the flexibility with respect to capital commitments and provision of necessary expertise to exit the project, if necessary, without having invested the full capital required.[116] This allows Yukon Electrical to evaluate on a go-forward basis the contractual arrangement for equipment and services, bearing in mind that there were no competing lease providers in the market when Yukon Electric was developing this project in 2012. Another benefit of the lease arrangement is that Yukon Electrical has secured an inclusive expert provider of natural gas rather than a consortium of consultants, equipment providers and specialized service providers. The bundled approach with ATCO Gas to provide natural gas includes LNG storage and vaporization services along with their expertise related to systems design, purchasing, installation, commissioning, operations support, maintenance, permitting, regulations and safety. The equipment was secured utilizing ATCO Gas' competitive procurement process and Yukon Electrical has been involved in each step of the development of the system to ensure that appropriate procurement methods were used.

110. As outlined in its response to CW-YECL-8(b), while leasing the equipment may not be less expensive than owning such equipment over the long term life of the project, Yukon Electrical submits that the lease option is the more reasonable and prudent approach for a first of its kind pilot project. If the pilot is not successful, Yukon Electrical has flexibility to exit the

113 Exhibit B-11, Updates Filing at p. 5.
114 YUB-YECL-42(a) and Attachment 1.
115 CW-YECL-8(c).
116 1T91, line 15 to 1T92, line 7.

lease. Furthermore, as demonstrated in its response to Undertaking 4 filed on November 13, 2013, from a revenue requirement perspective, there is actually very little cost difference between leasing and purchasing over the long term. Indeed, as explained by Mr. Grattan, the lease approach is already demonstrating benefits as it is ATCO Gas that is bearing the risk associated with the delay in this project. It has given Yukon Electrical a lease rate, as detailed in the Liquified Natural Gas Services Agreement,[117] and has bought the equipment, but services are not going to be provided until 2014 now. Lease payments do not become due until the service is being provided.[118]

111. The YCS sought to engage in a debate in respect of the lifecycle carbon emissions associated with the Watson Lake Bi-Fuel project. At the outset, it should be noted that the Bi-Fuel project has been the subject of a review pursuant to the *Yukon Environmental and Socio-Economic Assessment Act* and a Decision Document issued in August 2013 supporting the project, which is now being reviewed for permitting and licensing.[119] Yukon Electrical has presented evidence supporting its view that there are less carbon emissions on a kilograms of $C0_2$ per megawatt hour basis associated with LNG fueled generating units versus diesel fueled generating units.[120] Even *if* this were not the case, Yukon Electrical submits that there will still be meaningful reductions in the emissions of particulate matter, SOx and NOx and the associated health benefits of such reductions. Finally, this project will benefit ratepayers by displacing diesel and reducing the cost of power production.

112. For all the above reasons, Yukon Electrical submits that the Watson Lake Bi-Fuel Project will benefit ratepayers and the costs associated with it are reasonable and prudent and should be approved by the Board.

g. Fish Lake

113. Yukon Electrical's Fish Lake Hydro Facility has been providing clean, renewable electricity to Yukoners for over 60 years. When Unit #1 failed in March 2010, a full examination of the unit and its aged surrounding infrastructure was completed in order to develop a plan that considered not only the replacement of Unit #1, but also the modernization of the facility as a whole to bring it up to current standards. Once construction is completed later this year, Fish

[117] UCG-YECL-21(g), Attachment 15.
[118] 1T90, lines 13-21.
[119] 3T449, lines 6-16.
[120] YUB-YECL-42(f) and Response to Undertaking No. 22 filed on November 13, 2013 confirming that upstream methane emissions were considered.

Lake Hydro Unit #1 will rejoin Unit #2 in continuing to provide clean, renewable, affordable and reliable electricity to the Yukon Interconnected System. In addition to the replacement of Unit #1, Yukon Electrical has completed an application that has resulted in its Fish Lake Hydro water licence being renewed for a further 25 years. This long term licence renewal helps to ensure that Fish Lake Hydro will continue to be available for the benefit of Yukon electricity ratepayers for many years to come.

114. In the Information Request process and during the hearing, some parties seemed to take issue with the fact that various components of the work associated with the Fish Lake hydro facility were addressed in separate business cases. In Yukon Electrical's view, this approach is entirely appropriate when there are separate projects being undertaking at different locations, on different timelines and that are being completed independently.[121] Notwithstanding that different business cases were prepared in respect of Fish Lake and that some capital costs were not the subject of detailed business cases as they were not in excess of $500,000, in YEC-YECL-17(g), Yukon Electrical provided a life cycle cost analysis of the total expenditures over the future expected life of the facility (capital and future operating expenditures). This life cycle analysis included all actual and forecast costs from 2008 through to 2052 and resulted in a levelized cost of energy ("LCOE") of 12¢/kWh.[122] Moreover, if this analysis is carried back further in time, there would be an associated decrease in the LCOE as significant capital expenditures were not required in previous decades. As outlined in its response to YUB-YECL-37(b), a LCOE of 12¢/kWh compares favorably with other small hydro projects referenced by Yukon Energy in its 20-Year Resource Plan and demonstrates the economic viability of the Fish Lake capital projects included in this Application.

115. The Fish Lake hydro system has in the past, and will continue to be in the future, a reliable source of affordable electricity. In light of the foregoing, and with diesel on the margin, Yukon Electrical respectfully submits that the actual and forecast costs included in its Application are reasonable and should be approved by the Board as filed.

[121] YEC-YECL-17(f).
[122] YEC-YECL-17(g) and Attachment 1.

h. Demand Side Management

(i) Overview

116. In Decision 2009-08, the Board noted that DSM is a critical issue and ordered Yukon Electrical and YEC to develop a DSM Plan stating at paras. 41-42:

> Furthermore, the Board finds DSM to be a critical issue for all electric rate payers in Yukon. The Board directs YEC in conjunction with YECL, to consult with stakeholders and develop a policy paper with respect to DSM initiatives. YEC and YECL are to jointly lead this process and submit a policy paper (Plan) in their next GRA. Further the utilities are to be cognizant of and work with ESC where necessary so as not to duplicate efforts.
>
> The Plan should include initiatives developed through negotiations with intervenor groups and communities in the Yukon. The Plan should provide a wide range of energy efficiency and conservation measures that will assist ratepayers in dealing with the high cost of energy in the Yukon and also provide support for local initiatives identified through community energy planning initiatives.

117. In response to the Board's direction, Yukon Electrical has worked together with YEC and independent experts for over two and a half years to develop the comprehensive Five Year Demand Side Management Plan that Yukon Electrical filed as part of its Application (the "DSM Plan").[123] Yukon Electrical also filed Business Case 30, which sets out all of Yukon Electrical's costs associated with its development and implementation of the DSM Plan over the Test Period. As outlined in further detail below, Yukon Electrical respectfully submits that the DSM Plan fully addresses the Board's direction and provides a wide range of energy efficiency and conservation measures that will assist ratepayers in dealing with the high cost of energy in the Yukon. Further, Yukon Electrical submits that its costs associated with the DSM Plan are reasonable and should be approved as filed.

(ii) Development of the DSM Plan

118. After initially consulting local stakeholders, Yukon Electrical, YEC and the Energy, Mines and Resources division of the Yukon government formed a joint committee to complete a conservation potential review (the "CPR"). As detailed in Yukon Electrical's business case and as explained in the hearing, this study was required as a necessary reference point to determine the potential for electricity demand side management in the Yukon. The CPR, which is attached to the DSM Plan, outlined that the growth in the residential and commercial sector could

[123] Exhibit B-1, Application, Part 2.

increase by 65 percent over the next 20 years and that up to 35 percent of the new growth could be met through electricity conservation.[124]

119. After the completion of the CPR, the utilities developed the DSM Program Portfolio, also attached to the DSM Plan, which is a multistep process designed to gather and analyze the data necessary to determine the optimum program structure and cost-effective design for the Yukon. The program portfolio identified two broad solution-based programs: a general service program and a residential program. The objective is to offer customers a broad suite of options (or measures) to meet electricity management needs rather than forcing customers to sort through a variety of individual programs. From the program portfolio, a Program Implementation Plan ("PIP") and an Evaluation Measurement and Verification Plan ("EM&V Plan") were completed. These two plans were filed as attachments to CW-YECL-27(d) and YUB-YECL-26(a), respectively.[125]

120. The PIP defines the operational and transactional infrastructure that is required to operate the DSM programs. It includes the performance indicators, the targets, the deliverables, the human resources, the roles and responsibilities, and the budgets required to operate the program over the five years. As the final step in planning for DSM, the utilities developed the EM&V Plan, which outlines the process of evaluating the impact from electricity efficiency programs or projects. As explained during the hearing, it also assesses the cost effectiveness of programs and uses stakeholder feedback to improve current and future program offerings. The EM&V Plan will help inform a framework that will protect the interest of the ratepayers and maximize the value of DSM for all stakeholders while considering the context of the Yukon market.[126]

121. The DSM Plan, including the CPR and Program Portfolio, as well as the PIP and EM&V Plan were all prepared by independent experts at ICF Marbek, who appeared at the Hearing. As Mr. Robillard, who has over 30 years of experience in developing DSM programs, explained, in developing this DSM Plan, ICF Marbek took proven concepts from other jurisdictions and adapted them for the Yukon market.[127] These proven concepts have not only shown reductions

[124] 4T665 to 4T667; DSM Plan, Appendix A, CPR Technical Summary at pp. 11 and 12.
[125] 4T665 to 4T667.
[126] *Ibid.*
[127] 4T807, lines 11-12.

in the consumption of electricity in other jurisdictions, but have shown reductions at costs that are considerably cheaper than new supply.[128]

(iii) Savings

122. As outlined in Yukon Electrical's response to DSM Undertaking No. 3, filed on November 13, 2013, the electricity savings expected after the completion of the first year of the plan (i.e. 2014) are 240 MWh and after the completion of the second year of the plan (i.e. 2015) the cumulative savings will be 1487 MWh.[129] As outlined in its response to DSM Undertaking No. 8, also filed on November 13, 2013, the joint utility DSM Plan expects savings of 9.3 GWh after the completion of the fifth year of the plan. When calculating the savings, the utilities use the avoided cost of new generation to determine the value of the 9.3 GWh. The avoided cost of new generation is $0.21KWh[130] and the total avoided new generation savings by the end of year 5 of the joint utility DSM Plan is $1,953,000.

(iv) EM&V and Reporting to the Board

123. As above noted, the EM&V Plan was provided as an attachment to YUB-YECL-26(a). As explained by Mr. Robillard and Ms. Carlson, as part of the EM&V Plan, reports based on the identified key performance indicators ("KPIs") will be generated and reviewed by the utilities on a quarterly basis.[131] Additionally, the measures within each of the programs would be evaluated on an annual basis against cost-effectiveness testing as well as the KPIs.[132] Notably, the method of measuring kilowatt savings, as outlined in the EM&V, is the standard practice throughout North America that all major utilities with DSM programs adhere to.[133]

124. Consistent with other annual corporate filings made by the utilities, the DSM annual reports will be filed with the Board for information purposes. The reports will also be available to all stakeholders as they will be posted to the utilities' websites. Notably, this kind of informational reporting is similar to reports filed by other Canadian utilities undertaking DSM programs such as B.C. Hydro.[134]

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128 4T808, line 25 to 4T809, line 2.
129 The savings of each year of the joint utility plan are outlined at p. 12 of the Program Portfolio, which is Appendix E to the DSM Plan.
130 4T790, lines 4-8.
131 4T812 to 4T814.
132 4T813, lines 18-21.
133 4T817, lines 13-20.
134 4T667, lines 17-25.

125. As Mr. Robillard noted, the stakeholder consultation that was conducted in the development of the DSM Plan has been very much in the top 10 percent of any process that he has been involved in.[135] Furthermore, there will be continued opportunities for stakeholder input through the EM&V process, which will be undertaken throughout the program delivery. Additionally, once the EM&V process evaluation report is completed midway through the program delivery, a stakeholder workshop will be organized and the stakeholder input obtained will be used in the design of the next DSM program.[136]

(v) Summary

126. While a number of the Interveners appeared to take issue with certain program offerings that have not been included in this first iteration of the DSM Plan, none appeared to suggest that the DSM Plan should be abandoned. Furthermore, as explained by Mr. Robillard, as DSM is in its infancy in the Yukon, the objective was to begin with measures that the utilities could be sure they would do well with and avoid beginning with programs that may be overly complex.[137] Yukon Electrical submits that programs targeted at low income customers or at peak shifting are matters that can be considered in future iterations of the DSM plan, once the utilities have trained their staff and have a better understanding of their market.[138]

127. Yukon Electrical respectfully submits that, in accordance with the Board's direction, it has prepared a comprehensive DSM Plan that provides a wide range of energy efficiency and conservation measures that will assist ratepayers in dealing with the high cost of energy in the Yukon. Proven measures that have shown reductions in the consumption of electricity in other jurisdictions at costs that are considerably cheaper than new supply have been adapted for the specific realities of the Yukon market. To ensure that the DSM programs are successful in delivering electricity savings in a cost-effective manner, the utilities have also presented a rigorous EM&V Plan. The EM&V Plan, and reports contemplated therein, will ensure that the performance of the DSM programs is transparent and that stakeholders can remain meaningfully engaged in the ongoing assessment and direction of DSM in the Yukon.

128. For all the above reasons, Yukon Electrical submits that the DSM Plan, and its costs associated with the development and implementation of the DSM Plan as outlined in Business Case 30 should be approved by the Board as filed.

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135 4T711, line 17 to 4T712, line 14.
136 4T668, line to 19 4T669, line 1.
137 4T739, lines 13 to 16.
138 4T741, lines 6 to 15.

10. INCOME TAX

129. This Section of Yukon Electrical's Application was not the source of much controversy. Accordingly, Yukon Electrical respectfully requests that it be approved as filed. Yukon Electrical reserves its rights to provide submissions in response to any concerns that may be raised by any Interveners in its Reply Argument.

11. PRIOR BOARD DIRECTIONS

130. Yukon Electrical respectfully submits that it has responded comprehensively to all prior Board Directions. Yukon Electrical notes that no parties appear to have suggested otherwise. Should any parties raise any concerns in their Arguments' Yukon Electrical will provide submissions in response thereto.

12. CONCLUSION AND APPROVALS SOUGHT

131. In summary, Yukon Electrical submits that it has provided comprehensive support for, and justification of, all approvals requested as part of its Application. Accordingly, Yukon Electrical respectfully requests that its Application be approved as filed including all updates thereto as set out in its Updates Filing dated October 31, 2013 and, in particular, respectfully requests the following approvals from the Board:

(a) Approval of Yukon Electrical's revenue requirement for the three-year test period of 2013-2015;

(b) Approval to use the following deferral accounts during the test period:

(i) Whitehorse Copper Tailings

(ii) Purchased Power Flow Through

(iii) Diesel Contingency Fund

(iv) Fuel Price Flow Through

(v) Depreciation Parameters

(vi) Rate of Return on Common Equity

(vii) Defined Benefit Pension Plan

(viii) flow-through of any costs related to Board Orders or legislative provisions resulting in changes to the rules or parameters that Yukon Electrical operates under, or that bear on the nature and extent of Yukon Electrical's

obligations as a regulated utility and which impact its 2013-2015 revenues or revenue requirement;

(c) Approval to discontinue purchasing third party distribution line (property) insurance at the expiry of the insurance policy July 1, 2014 and, on a go forward basis, Yukon Electrical would charge insurable losses during construction or operations, if and when they occur, to the Reserve for Injuries and Damages;

(d) Approval of updated Depreciation Parameters as supported by a depreciation study conducted by Gannett Fleming filed in Section 7 Attachment 1;

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 2nd day of December, 2013.

BENNETT JONES LLP

Per: _____

Allison M. Sears, Counsel for the
Yukon Electrical Company Limited