Yukon Energy Corporation
2017-18 General Rate Application

Yukon Utilities Board (YUB) Information Request Round 1
to City of Whitehorse

YUB-CW-1

Reference:	**Evidence of the City of Whitehorse (CW), Q&A 17, PDF pages 10-11 of 15; YEC 2017-18 General Rate Application (GRA), Table 3.6 – Transmission Costs, PDF page 57 of 381.**
Issue/sub-issue:	**Vegetation management**
Quote:	"A17. The largest increase in operating costs is the increase to vegetation management. This appears to be the first version of the YEC Vegetation Management policy. Further, YEC appears to have developed its policy with minimal input from other utilities. … …As the introduction of the Vegetation Management Policy appears to be the driver for the largest cost increase in O&M, I would expect that YEC would do a more robust assessment of what other utilities would do. As such, I suggest that YEC be directed to compare its vegetation management policy to that of other utilities and provide a report in the compliance filing. If it proves that YEC's vegetation management policy drives costs that are higher than required the budget for vegetation management should be reduced."

Preamble: The Board requires clarification of the above-noted statement that the introduction of the Vegetation Management Policy (also referred to as brushing or a brushing program) appears to be the driver for the largest increase in O&M. [1]

Request:

(a) In examining Table 3.6, does Mr. Bell agree that actual net brushing costs between the years 2014 and 2016 included a reduction for deferred brushing costs (in the amounts of $748,000, $632,000 and $551,000, respectively) as a result of Board Order 2013-01, that have not been similarly deducted from the proposed costs for the years 2017 and 2018? Please explain.

(b) Please identify the utility or utilities that Mr. Bell considers are the most comparable in terms of YEC adopting any or all parts of that utility's vegetation management policy. Please explain in terms of the similarities in climate, geographic location of right of ways and any other relevant factor(s) that would make YEC's adoption of a similar policy reasonable.

YUB-CW-2

Reference: **Evidence of CW, A7, PDF page 3.**
Issue/sub-issue: **Disruptive technology**
Quote: My main concern is the lack of analysis related to the possibility of any changes that may arise related to the introduction of disruptive technology.

Request:

(a) Please explain what is meant by "disruptive technology".

(b) Please comment on whether the Yukon regulatory framework, applicable statutes or regulations either hinder or promote the inclusion of disruptive technologies.

YUB-CW-3

Reference: **Evidence of CW, A13, PDF page 9.**
Issue/sub-issue: **Divergent trends in loads**
Quote: In 2016, the GRA amount is lower than the resource plan, but that reverses in 2017, and the variance continues to grow in 2018. This casts further doubt on the veracity of the sales forecast in the resource plan. This pattern of divergence in load is similar to what was experienced in the last resource plan.

Request:

(a) Has CW investigated any reasons for the divergent trends in load forecasts?

(b) Could the largest variance in the forecasts between the Resource Plan and the GRA be attributed to any particular rate class or rate schedule? Please explain.

YUB-CW-4

Reference: **Evidence of CW, A16, PDF page 10.**
Issue/sub-issue: **CW recommendations**
Quote: What is missing is an analysis of the impact on YEC decisions and on customer rates if there is a significant switch to new technology by end use customers, resulting in significantly reduced loads and demands. Unless the resource plan is updated to include the potential for significant loss of loads and demand, and the impact of new technology, it does not provide a realistic assessment of future requirements.

Request:

(a) On this matter, does CW have a specific recommendation for this GRA application?
(b) In CW's opinion, instead of a switch to a new technology, if there was a change to a substitute technology or commodity, what would be the impact on overall load and demand if a natural gas storage and distribution system was developed in Yukon?
(c) Similarly, what would be the impact if electric cars formed part of Yukon electric load?

YUB-CW-5

Reference: **Evidence of CW, A15, PDF page 10.**
Issue/sub-issue: **Capital spending**
Quote: Typically investments in utility infrastructure are long lived assets, with lives that range from 40 years on. With the current desire for customers to have more control over their costs, and the potential for new technology, one must be cautious when investing in long lived assets. If customers are expected to pay for the costs of prudently incurred costs over their life, then it is incumbent on a utility to minimize any risks of stranded assets.

Request:

(a) Does CW agree there is a trade-off involved when balancing the need for utility infrastructure versus minimizing risks of stranded assets due to the potential for new technology? Please explain.

(b) Notwithstanding the answer to (a), what new technology does CW see as most likely to disrupt the current infrastructure?

(c) In what time frame does CW expect to see these new technologies materialize? Does CW have a forecast on how these technologies will impact utility infrastructure? If so, please provide.

YUB-CW-6

Reference: **Evidence of CW, A21, PDF page 13.**
Issue/sub-issue: **Wholesale sales forecast**
Quote: First, I recommend that the latest approved wholesale sales forecast be included in this application. In addition, it is incumbent on YEC to work closely with AEY in developing wholesale sales forecasts. This does not remove YEC's responsibility to test and assess any forecasts from AEY, but YEC should start with AEY, then provide an assessment of the AEY forecast, and if YEC disagrees with the AEY forecast, provide detailed reasons for not using the AEY wholesale sales forecast.

Request:

Does CW have a recommendation for a particular quantitative adjustment to YEC's forecast wholesale sales? If yes, please explain how that adjustment was determined. If no, why not?

YUB-CW-7

Reference: **Evidence of CW, A22, PDF page 13.**

Issue/sub-issue: **DCF**

Quote: This loosely defined use of the DCF has the impact of significantly reducing the risks facing YEC.

The creation of deferral accounts transfers risk from utilities to customers. The presence of such a loosely defined deferral account should result in a reduction in any requested Return on Equity premium. Alternately, the permitted reasons for use of the DCF should be restricted to things that cause the use of diesel generation that are beyond the control of management.

Request:

(a) Does CW have a recommendation for a particular quantitative adjustment to YEC's requested return-on-equity premium? If yes, please explain what that reduction would be. If no, please explain why CW has no specific recommendation.

(b) Does CW see other risks that may impact the analysis of the risk premium for YEC versus that of the BCUC benchmark utility? Please explain.

(c) Please list and comment on all of YEC's requested or existing deferral accounts and whether or not the existence of those deferral accounts (as risk mitigation mechanisms) warrant further adjustments to YEC's ROE premium.

(d) Does CW support that YEC should have a deferral account that covers all variances in the hydro generation forecast due to variances in water levels based on either long-term average (LTA) or short-term (ST) forecasts of water levels? Please explain.

(e) If CW does not support a deferral account that covers all variances in the hydro generation forecast due to variances in water levels based on either LTA or ST forecasts of water levels, please provide any examples in Canada where such a deferral account do not exist.

(f) Does CW support a limited deferral account for variances in the hydro generation forecast due to variances in water levels, where some risk is taken on by the utility? Please explain.

(g) Given the choice, if CW supports the existence of a deferral account for variances in hydro generation due to variances from water levels, does CW prefer a deferral account based on ST forecasts of hydro generation based on ST forecasts of water levels or does CW prefer a deferral account based on LTA forecasts of hydro generation based on LTA forecasts of water levels. Please explain.

(h) Does CW support a simplified deferral account for variances in the hydro generation forecast due to variances in water levels similar to the diesel deferral account proposed by AEY in the YEC-YECL DCF-ERA proceeding that led to the decision in Board Order 2015-01? Please explain.