

# **Yukon Utilities Board**

Board Order 2022-07  
Appendix A: Reasons for Decision  
July 12, 2022

## 1 Process Summary

1. On November 20, 2020, Yukon Energy Corporation (YEC) filed an application (Application) with the Yukon Utilities Board (Board), pursuant to the *Public Utilities Act* and Order-in-Council (OIC) 1995/90 as amended by OIC 2018/220 and OIC 2021/161 and referred to on a consolidated basis as “Rate Policy Directive [1995], for approval of its forecast revenue requirements for the 2021 test year. YEC sought approval of forecast revenue requirements of \$75.135 million, representing an increase for 2021 of \$10.971 million over revenues from existing rates and riders of \$64.164 million (a 17.1-percent increase), which itself represented a total increase of \$25.342 million for 2021 over the 2018 approved revenue requirement.
2. In Board Order 2022-03,<sup>1</sup> the Board found that not all of the forecast revenue requirements for the 2021 test period for which YEC had applied were reasonable and consequently adjusted or denied specific components of those revenue requirements. Because the revenue requirement was not approved in full, YEC was ordered to submit a compliance filing with respect to its 2021 GRA within 30 days of the issuance of the Board Order.
3. The Board notes that between the date of YEC’s Application and the issuance of Board Order 2022-03, it approved an interim rate rider increase for retail and industrial firm rates effective July 1, 2021 in Board Order 2021-08,<sup>2</sup> interim fixed charges allocated between VGC Group and Alexco in Board Order 2021-09,<sup>3</sup> and an interim rate rider increase for retail and industrial firm rates effective December 1, 2021 in Board Order 2021-14.<sup>4</sup> The compliance filing to this Board Order will finalize the revenue requirement and will true-up interim rates.
4. In reaching the determinations contained within this Order, the Board has considered all relevant materials comprising the record of this proceeding, including the evidence and argument provided by each party. Accordingly, references to specific parts of the record in this Appendix A: Reasons for Decision are intended to assist the reader in understanding the Board’s reasoning related to a particular matter and should not be taken as an indication that the Board did not consider all relevant portions of the record.
5. The Yukon Utilities Board (Board), on April 14, 2022, received Yukon Energy Corporation’s (YEC) compliance filing to demonstrate its compliance with Board directions from Board Order 2022-03.

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<sup>1</sup> Board Order 2022-03, Yukon Energy Corporation 2021 General Rate Application Proceeding Decision, March 16, 2022.

<sup>2</sup> Board Order 2021-08, Yukon Energy Corporation 2021 GRA Interim Rates, April 28, 2021.

<sup>3</sup> Board Order 2021-09, Yukon Energy Corporation Rate Schedule 39 Interim Rate Request, April 30, 2021.

<sup>4</sup> Board Order 2021-14, Yukon Energy Corporation Interim Rate Request, November 5, 2021.

6. YEC subsequently revised certain information related to its compliance filing, which it submitted to the Board on May 13, 2022 (Compliance Filing Update). In addition to providing the revised information, YEC requested the following final approvals:

- (a) Approval to set an ongoing Rider J at 34.08% for retail customers and 30.43% for industrial customers, effective July 1, 2022, or August 1, 2022 applicable to all YEC and ATCO Electric Yukon (AEY) firm retail and industrial rates, including fixed Rider F and fixed charge payments for major industrial rates (all AEY recoveries from this rider would flow through to YEC).
- (b) Approval of the final fixed charge that adjusts Rate Schedule 39 Industrial Primary Fixed Charge approved on an interim basis based on Board Order 2022-04.
- (c) Approval to set a time-limited Rider J1, which is applicable to all YEC and AEY firm retail and industrial rates (all AEY recoveries would flow through to YEC), to collect the remaining 2021 and 2022 net revenue shortfall as well as required Rider F adjustments for 2021. If the final rates are implemented effective August 1, 2022, then Rider J1 will be 1.85 percent (timeline-limited rider from August 1, 2022 to July 31, 2024).
- (d) Approval to collect RS39 Fixed Charge true-up of \$200,810.5 required for 2021 and the first four months of 2022 from specific industrial customers Alexco and Victoria Gold, as set out in Table 1.1-4a of Appendix 1 of the original compliance filing, with recovery of \$157,976.5 from VGC Group and \$42,834.0 from Alexco. This true-up will be recovered on or before December 31, 2022 based on a payment schedule to be arranged with each customer. This true-up charge would not be subject to Rider J or Rider J1 charges.
- (e) Approval of YEC's Low Water Reserve Fund (LWRF) Term Sheet.

7. In Board Order 2022-06,<sup>5</sup> the Board issued information requests to YEC seeking clarification of certain elements of the compliance filing. That Board Order also provided a schedule for the process steps included in this proceeding. YEC provided its information responses to the Board's information requests on May 12, 2022. Intervener argument was received from the UCG on May 26, 2022 and YEC provided reply argument on June 6, 2022. The Board considers the close of record for this proceeding to be June 6, 2022.

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<sup>5</sup> Board Order 2022-06, YEC 2021 GRA compliance filing, May 5, 2022.

## 2 Discussion

### 2.1 Compliance with Board Order 2022-03

8. The Board has reviewed the Compliance Filing Update and other documents on the record and has provided the following comments, findings, and directions on YEC's 2021 GRA.

9. In accordance with the Board's direction in Board Order 2022-03, YEC has correctly adjusted its forecast of full-time equivalents and reduced the cost quantum of diesel rentals by two units. After reviewing YEC's information responses to the Board in this compliance proceeding, the Board is satisfied that the required adjustments for depreciation and amortization costs have been made.

10. After reviewing the responses to questions on capital projects, the Board is satisfied that YEC has adequately responded to all Board directions with respect to capital projects.

11. YEC has accurately reflected all directions pertaining to deferral and reserve accounts and return on rate base.

12. In YEC's Application for the 2021 test year, YEC sought approval of a forecast revenue requirement of \$75.135 million, a 17.1-percent increase (a \$10.971-million increase) over revenue from existing rates and riders of \$64.164 million.

13. YEC's May 12, 2022 Compliance Filing Update reflected a 2021 revenue requirement of \$72.692 million. This represented a 13.4-percent increase (or \$8.592-million increase) over revenue from existing rates and riders of \$64.099 million (this updated total revenue amount — \$64.164 million to \$64.099 million — was set out at Table 1.1 of YEC's Compliance Filing Update – May 12, 2022). Therefore, the Board denial of \$2.444 million represented a reduction of 22.3 percent of YEC's requested rate increase.

14. YEC stated in its Compliance Filing Update that:

Ongoing Rider J Adjustment – Interim Rider J must be made final and decreased to final total cumulative rate increase of 9.04 percent for retail and industrial customers, effective July 1, 2022 or August 1, 2022 (and continuing until the next General Rate Application or until such time as otherwise adjusted by the Board, e.g., at such time as Phase II matters are addressed and all riders are included in base rates). Rider J is accordingly adjusted to 34.08 percent for non-industrial customers and 30.43 percent for industrial customers.<sup>6</sup> (footnote removed)

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<sup>6</sup> YEC 2021 GRA Compliance Filing Update, May 12, 2022, page 6 (PDF page 8).

And added:

If final rates are implemented effective August 1, 2022 then for January to July 2022 the forecast revenue surplus of \$3.286 million reflects the difference between the final Rider J in this Compliance Filing and interim Rider J approved by the Board in Orders 2021-08 and 2021-14.<sup>7</sup>

15. The Board approved a 10.08-percent increase for Rider J, which represented approximately two-thirds of the total increase requested by YEC in Board Order 2021-08 effective for all consumption on or after July 1, 2021. The Board approved a second interim refundable rate Rider J increase of 9.25 percent for retail firm rates and industrial firm rates for all electrical consumption on or after December 1, 2021 through Board Order 2021-14.

16. The true-up from interim rates to final rates results in the time-limited Rider J1 of 1.85 percent effective August 1, 2022 to July 31, 2024.

17. YEC's compliance filing responses concerning the Rate Schedule 39 fixed charge and the Low Water Reserve Fund are compliant with Board directions.

18. Therefore, the Board approves YEC's request for final approvals of those matters set out in paragraph 6 of this Appendix A. The Board finds that YEC's 2021 GRA compliance filing reflects the directions provided in Board Order 2022-03. YEC's requested changes to YEC's rate riders, Rate Schedule 39 Industrial Primary Fixed Charge, RS39 Fixed Charge true-up, and Low Water Reserve Fund (LWRF) Term Sheet are also approved, effective August 1, 2022.

19. The Board is concerned that customers may find the application of YEC's and AEY's riders to be confusing. Therefore, the Board directs YEC and AEY to provide, within 180 days of issuance of this Order, a proposal to the Board on incorporating these riders into existing base rates.

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<sup>7</sup> YEC 2021 GRA Compliance Filing Update, May 12, 2022, page 7 (PDF page 9).