Yukon Utilities Board

Board Order 2026-01

Appendix A: Reasons for Decision

January 20, 2026

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Summary

1. On May 12, 2025, Yukon Energy Corporation (YEC), filed a General Rate Application (GRA, Application) with the Yukon Utilities Board (YUB, Board) respecting the years 2025-2027. At the time of its application, YEC requested approval of revenue requirements for 2025 ($107.392 million), 2026 ($122.406 million), and 2027 ($134.850 million).[1]

2. The above forecasts were later updated during the course of the oral hearing to the following amounts: 2025 ($108.926 million), 2026 ($125.733 million), and 2027 ($135.962 million).[2]

3. The Board has determined that not all of the forecast revenue requirements for the 2025-2027 test period are reasonable and has consequently adjusted or denied specific components of the revenue requirement. Because the revenue requirement is not approved in full, YEC shall submit a compliance filing with respect to its 2025-2027 GRA by February 10, 2026.

4. The Board notes that, during this proceeding, it approved, in Board Order 2025-12, an interim rate rider increase (Rider J) of 17.89 per cent for retail firm rates (from 55.40 per cent to 73.29 per cent) and industrial firm rates (from 51.75 per cent to 69.64 per cent) effective July 1, 2025. The Board approved a second interim refundable rate rider increase (Rider J) of 19.66 per cent for retail firm rates (from 73.92 per cent to 92.95 per cent) and industrial firm rates (from 69.64 per cent to 89.30 per cent) effective January 1, 2026.

5. As stated in Board Order 2025-12, the Board was cognizant that, based on the proceeding schedule at that time, a decision on the current proceeding may be rendered before April 1, 2026. Therefore, the Board did not make an interim rate decision for April 1, 2026, as proposed by YEC, given that matters respecting 2025 and 2026 true ups could be included as part of any compliance filing to the Board Order on YEC's 2025-2027 GRA.

6. As such, the compliance filing to this Board Order will finalize the revenue requirement and true up interim rates.

1 Introduction

7. On May 12, 2025, Yukon Energy Corporation (YEC), filed a General Rate Application (GRA, Application) with the Yukon Utilities Board (the Board) pursuant to the *Public*

[1] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 6-8.
[2] YEC Responses to Undertakings, October 28, 2025, Undertaking 13, Table 1.

Utilities Act (the Act) and Order-in-Council 1995/90. The Application, as filed, sought approval of the following:

- The forecast net revenue requirement of $107.392 million for 2025, $122.406 million for 2026 and $134.850 million for 2027;
- An interim refundable rate increase to Rider J of 17.89 per cent, bringing Rider J to 73.29 per cent for retail firm rates, and 69.64 per cent for industrial firm rates, effective July 1, 2025;
- A further interim refundable rate increase to Rider J of 19.66 per cent, bringing Rider J to 92.95 per cent for retail firm rates, and 89.30 per cent for industrial firm rates, effective January 1, 2026;
- Removal of all interim refundable rates for 2025 and 2026 consistent with the approval of final rates for those years, effective April 1, 2026; and
- Approval of a final Rider J increase of 13.26 per cent, bringing Rider J to 112.57 per cent for retail firm rates, and 108.92 per cent for industrial firm rates, effective January 1, 2027.

8. The following Board-prepared table compares YEC's requests as filed with updated information provided during the oral hearing:

Table 1. Board-prepared comparison of YEC's requests as filed with updated Information

		Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 6-8	**Undertakings, Attachment 2, Undertaking #13, PDF pages 6-8**
		Information as filed	Updated information
2025 Revenue Requirement		$107.392 million	$108.926 million
2026 Revenue Requirement		$122.406 million	$125.733 million
2027 Revenue Requirement		$134.850 million	$135.962 million
Interim refundable Rider J effective July 1, 2025			
	Rider J increase	17.89 per cent	28.45 per cent
	Resulting retail firm rate Rider J	73.29 per cent	83.85 per cent
	Resulting Industrial firm rate Rider J	69.64 per cent	80.20 per cent
Interim refundable Rider J effective January 1, 2026			
	Rider J increase	19.66 per cent	19.87 per cent
	Resulting retail firm rate Rider J	92.95 per cent	103.72 per cent
	Resulting Industrial firm rate Rider J	89.30 per cent	100.07 per cent

Final Rider J effective January 1, 2027			
	Rider J increase	13.26 per cent	10.30 per cent
	Resulting retail firm rate Rider J	112.57 per cent	114.02 per cent
	Resulting Industrial firm rate Rider J	108.92 per cent	110.37 per cent

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 6-8, Undertakings, Attachment 2, Undertaking #13, PDF pages 6-8.

9. Ministerial approval for this proceeding was granted on May 15, 2025.

10. Also on May 15, 2025, the Board issued Board Order 2025-10 providing notice of the Application and setting out the following process steps: intervener registration; comments and reply comments on YEC's proposed interim rates; a YEC technical workshop; a round of Information Requests (IRs) to YEC and YEC IR responses; filing of intervener evidence; IRs and IR responses on intervener evidence; rebuttal evidence; an oral hearing; and written final and reply arguments.

2 Background

11. YEC is the main generator and transmitter of electrical energy in the Yukon and directly serves over 2,700 customers in and around Dawson City, Mayo, and Faro, and two industrial customers.

12. In Board Order 2025-12 (issued June 16, 2025), the Board granted intervener status to ATCO Electric Yukon (AEY), Nathaniel Yee, Tr'ondëk Hwëch'in Government, Elena Ross, and the Utilities Consumers' Group (UCG). Also, through Board Order 2025-12, the Board ruled on YEC's request for interim rate increases, a UCG request for a negotiated settlement process, and the Board request for supplemental information to YEC's Application.

13. In Board Order 2025-14[3] (issued September 15, 2025), the Board provided directions respecting intervener motions for further and better IR responses.

14. The Board held an oral hearing from October 21 to 23, 2025, in Whitehorse, Yukon, with some virtual attendance. The parties filed written final and reply arguments in accordance with the amended process schedule as determined in the oral hearing.

15. The record of this proceeding was closed on November 27, 2025, the date written reply argument was filed by the parties.

16. In reaching the determinations contained in this Appendix A, *Reasons for Decision*, the Board has considered all relevant materials comprising the record of this proceeding, including the evidence and argument provided by each party.

[3] Exhibit 6, Board Order 2025-14, September 15, 2025.

Accordingly, references in these reasons for decision to specific parts of the record 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 with respect to that matter.

17. The Board has determined that not all of the forecast revenue requirements for the 2025-2027 test period are reasonable and has consequently adjusted or denied specific components of the revenue requirement. Because the revenue requirement is not approved in full, YEC shall submit a compliance filing with respect to its 2025-2027 GRA by February 10, 2026.

18. The Board notes that, during this proceeding and as referenced in paragraph 12 above, it approved an interim rate rider increase for retail and industrial firm rates, effective July 1, 2025 and January 1, 2026, in Board Order 2025-12. The compliance filing to this Board Order will finalize the revenue requirement and true up interim rates.

19. In this Appendix, the Board sets out its findings and the reasons for them. In terms of requested revenue requirement, all requests in the Application not specifically addressed in the sections that follow are approved by the Board.

20. In this decision, the general comments of the UCG will be addressed in the section which follows, after which subsequent sections of the decision will speak to specific aspects and requests found in the YEC application.

3 General matters brought forward by the UCG

3.1 UCG comments

21. In its final argument, the UCG submitted comments on three broad issues:

    1. Affordability
    2. Fairness
    3. First Nation Reconciliation.

3.1.1 Affordability

22. In terms of affordability, the UCG stated the following:

    - YEC could not respond to how their performance is measured in terms of affordability, nor could YEC present any concrete metrics to evaluate affordability for ratepayers.
    - YEC did not specify how affordability could be assessed through rate increases or a customer's ability to pay.
    - YEC did not consult with ratepayers in terms of affordability with respect to their GRA.

- YEC did not include affordability within the list of four objectives guiding the current application.
- The GRA does not present any measures aimed at addressing affordability concerns for customers.

23. The UCG recommended that rates only be approved for the 2025 test year and further rate setting be put on hold until the YUB investigates whether the requested rate increases are sustainable for ratepayers in terms of affordability.[4]

3.1.2 Fairness

24. The UCG referenced the *Public Utilities Act (2002)* regarding fair return on rate base relating "fair" in that context to fairness for ratepayers. The UCG submitted that the concept of fairness should be applied in a balanced fashion considering the interests of the utilities and ratepayers. The UCG's view is that the regulator is responsible to ensure rates are set to not only allow the utility the opportunity for a fair return but to also reflect affordability and equity for the public.

25. Transparent regulatory oversight, clear communication about efficient pricing are factors to be considered in terms of fairness.

26. The UCG recommended that the Board direct YEC to inform ratepayers on how the two issues are managed (affordability and fairness) and to communicate this through an information brochure to be included with the first billing after new rates are in place.[5]

3.1.3 First Nations Reconciliation

27. The UCG's position is that costs associated with First Nations reconciliation should not be included in YEC's revenue requirement. The UCG provided a list of First Nation initiatives that involve compensation costs.

28. Compensation and restitution intended for First Nations reconciliation, in the UCG's view, should be funded by YEC shareholder capital.

29. The UCG recommended that the Board determine the amounts allocated to First Nations who are included in YEC's revenue requirement for each test year and deduct those amounts from the revenue requirement. An exception was allowed for any dollar investment from a First Nation into a project; these should be treated the same as YEC capital project costs but be transparent in capitalizing these investments.[6]

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4 UCG Final Argument, PDF pages 2-3.
5 UCG Final Argument, PDF pages 3-4.
6 UCG Final Argument, PDF pages 10-12.

3.2 Views of YEC

30. YEC stated it understands and appreciates UCG's concerns and added that it is committed to pursuing government grant funding and other sources of external investment to reduce ratepayer impacts of what YEC considers to be non-optional investments in generation, transmission and distribution facilities. YEC noted that the Board meets its regulatory mandate and addresses affordability by requiring costs included in YEC's revenue requirement be reasonably incurred in order to be approved. However, YEC submitted that the UCG submissions on affordability go beyond the Board's jurisdiction.

31. In its submission, YEC further stated:

> UCG's recommended actions are inextricably linked to matters of government policy and funding contributions that are outside the Board's regulatory mandate. Under section 75 of the Public Utilities Act, the Board has no authority to require the expenditure of public money – that is and remains a matter for government. The Board's role and duty under the Act and the Rate Policy Directive (1995) is to review the evidence in this proceeding, and to set rates that will be sufficient for Yukon Energy to recover its reasonably incurred operating expenses and a fair return (less 0.5%) on equity, based on the Board's review and evaluation of the best available evidence of forecast expenditures and prudently incurred capital investments for the test period (2025-2027).[7]

32. It added that the UCG request that the Board only set rates for 2025 is contrary to the principle of prospective ratemaking and that the request misunderstands the Board's duty to set rates based on forecasts (sales, capital investments, and expenditures) for the entire applied-for test period.

33. Under the umbrella of First Nations reconciliation, YEC stated that costs incurred by YEC comply with terms and conditions of decision documents issued by other decision bodies, such as the Water Board and the Yukon Environmental and Socio-economic Assessment Board, are a necessary part of YEC business. If those costs are prudently incurred, the Board must allow those costs as part of YEC's revenue requirement whether in the form of rate base or operating expenses. The Board cannot shift those costs to either the government or to YEC's shareholder.[8]

3.3 Board Findings

34. The Board acknowledges the concerns expressed by the UCG. However, in setting rates, the Board is governed by the *Public Utilities Act* and *Rate Policy Directive (1995)*. It is not open to the Board to set rates, as suggested by UCG, as the Board does not have the jurisdiction to grant the broad relief sought by the UCG. These

[7] YEC Reply Argument, PDF page 8.
[8] YEC Reply Argument, PDF pages 8-11.

UCG issues are best addressed through government policy. As a result, the Board is not considering any issues of affordability and fairness argued by UCG that are not within its jurisdiction. The UCG should bring forward these issues to government.

35. For issues within the mandate of the Board, the Board utilizes fair and transparent processes to assess evidence brought forward in proceedings to make its determinations.

36. With respect to issues regarding First Nations reconciliation, the Board agrees with the submissions of YEC in that if costs are prudently incurred as a result of directions from other regulatory decision bodies, then those costs should be included in YEC's revenue requirement. Further, in Section 7 of this decision, the Board determined that ratepayers should not be adversely impacted by cost of debt for First Nation debentures.

4 Sales and generation

4.1 Sales

4.1.1 Overview

37. YEC is the main generator and transmitter of electricity in Yukon, providing 138-kilovolt (kV) and 69-kV transmission facilities for the Yukon Integrated System (YIS).

38. YEC directly serves about 2,700 customers at the distribution level. Most of its retail customers live in and around Dawson City, Mayo, and Faro. Other customers who YEC directly serves are in southern Yukon (Mendenhall, Aishihik, Champagne, Braeburn, Johnson's Crossing, South Fox, Little Fox, Little Salmon, Drury Creek, Pine Lake, Canyon Creek, and McGundy). Indirectly, YEC also provides power through the Yukon Integrated System (YIS) to retail customers located in Whitehorse, Carcross, Carmacks, Haines Junction, Ross River, Teslin, Pelly Crossing, Keno, and Stewart Crossing through its wholesale sales to AEY.

39. In 2023, actual firm load supplied to non-industrial customers increased by 3.0 gigawatt hours (GWh) over 2023 approved forecast load (2023 actual (407.7 GWh) versus 2023 Forecast (404.7 GWh)). Preliminary actual firm non-industrial sales for 2024 are 433.5 GWh. This is 8.2 GWh higher than the 2024 approved load forecast of 425.3 GWh and 28.8 GWh over 2023 actuals, largely due to higher wholesale sales. Forecast non-industrial firm sales in 2025 are 433.0 GWh, a small decrease of 0.5 GWh over 2024 preliminary actuals due to lower general service sales (lower Minto mine care and maintenance sales) offset by higher wholesale sales. Forecast non-industrial firm sales for 2026 is 441.9 GWh, an increase of 8.9 GWh over 2025 forecast. Forecast 2027 non-industrial firm sales are 451.1 GWh, an increase of 9.2 GWh over the 2026 forecast.

40. YEC has two customers under Rate Schedule 39 (Primary Industrial Rate): Victoria Gold and Hecla Yukon. Industrial sales were 74.5 GWh for 2023, 46.1 GWh (Preliminary Actual) for 2024. Forecast industrial sales for this GRA are flat at 42.8 GWh for each of the test years 2025, 2026, and 2027. Industrial sales in 2024 were 23.2 GWh lower than the forecast for that year due to the heap leach failure at Victoria Gold. Sales for each of the test years are 3.3 GWh lower than 2024 results due to lower sales to Victoria Gold.

41. Overall, total firm generation load to be supplied by YEC on the YIS was forecast at 525.5 GWh for 2023 and 538.2 GWh for 2024. Actual total firm generation load in 2023 was 520.6 GWh, and 2024 preliminary actual is 521.3 GWh. Forecast total firm generation load for each of the test years is 517.7 GWh (2025), 527.4 GWh (2026), and 537.3 GWh (2027).

42. Actual non-firm secondary sales were 2.2 GWh for 2023 and preliminary actual for 2024 were 3.7 GWh. YEC used the average actual sales for 2023 and 2024 of 2.9 GWh as the forecast value for each of test years 2025-2027.

43. For the purpose of the 2025-2027 GRA test years, hydro and thermal generation forecasts are based on long-term average (LTA) water supply for hydro generation.

44. For the 2023-2024 GRA, based on LTA hydro generation capability, the approved grid generation requirement was forecast to be met with 14.8 per cent (2023) and 14.0 per cent (2024) thermal generation, 84.9 per cent (2023) and 83.3 per cent (2024) hydro generation, and the remainder from Independent Power Production (IPP), 0.4 per cent (2023) and 2.7 per cent (2024).

45. For 2023, modelled LTA hydrogeneration based on actual grid load was 85.6 per cent of grid generation; thermal generation accounted for 12.2 per cent of total generation and the remaining 1.7 per cent came from IPPs. Actual 2023 hydro generation was 90.7 per cent of grid generation due to higher than LTA water availability.

46. For 2024, modelled LTA hydrogeneration based on preliminary actual grid load was 85.5 per cent of grid generation; thermal generation accounted for 14.1 per cent of total generation and the remaining 0.4 per cent came from IPPs. Actual 2024 hydro generation was 80.6 per cent of grid generation due to hydro generation plant issues and lower than LTA water availability.

47. For the 2025-2027 test period, firm generation is forecast to be 517.7 GWh (2025), 527.4 GWh (2026) and 537.3 GWh (2027). The forecast LTA hydro supply is 84.2 per cent (2025), 83.2 per cent (2026) and 82.1 per cent (2027). Forecast IPP supply is 13.4 per cent (2025), 3.4 per cent (2026) and 3.3 per cent (2027), with resultant LTA thermal generation expected to be 12.3 per cent (2025), 13.4 per cent (2026), and 14.6 per cent (2027).

48. Actual winter peak generation (including industrial load) was 102.7 MW (2023) and 111.6 MW (2024). Forecast peaks for the GRA test years are 127.4 MW (2025), 132.2 MW (2026), and 136.2 (2027). Excluding industrial load, forecast winter peaks for the test period are 121.9 MW (2025), 126.7 (2026) and 130.7 MW (2027).[9]

4.2 Firm sales forecast

49. YEC submitted that total forecast sales for the test years are 475.8 GWh (2025), 484.7 GWh (2026), and 493.8 GWh (2027). Total firm forecast sales for 2025-2027 include 373.7 GWh (2025), 381.9 GWh (2026), and 390.4 GWh (2027) of primary firm wholesale sales, 42.8 GWh for each of the test years (2025-2027) of major industrial sales, and 59.3 GWh (2025), 59.9 GWh (2026), and 60.6 GWh (2027) of firm retail sales (i.e., all firm sales other than wholesale or major industrial).

50. The Table below depicts approved, actual and forecast sales for the years 2023-2027 from YEC's application:

Table 2. Summary of energy sales (GWh) 2023-2027

Sales Group	2023 Approved	2023 Actual	2024 Approved	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
Residential	17.6	17.3	18.1	19.0	19.4	19.8	20.2
General Service	38.6	39.5	44.7	39.5	39.8	40.0	40.3
Industrial	75.0	74.5	69.4	46.1	42.8	42.8	42.8
Street and Space Lights	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Total YEC – Firm Retail & Industrial	**131.5**	**131.5**	**132.3**	**104.8**	**102.1**	**102.8**	**103.4**
Wholesales	351.3	347.7	362.4	374.8	373.7	381.9	390.4
Total YEC Firm	**482.8**	**479.2**	**494.7**	**479.6**	**475.8**	**484.7**	**493.9**
Secondary Sales	2.9	2.2	2.9	3.7	2.9	2.9	2.9
Total Company	**485.7**	**481.4**	**497.6**	**483.3**	**478.7**	**487.6**	**496.8**

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 2.1, PDF page 55.
Totals may not add up due to rounding.

4.3 Wholesale sales forecast

4.3.1 Views of YEC

51. Table 2 above shows the majority of YEC's firm sales are firm wholesale sales to AEY (78.5 per cent for 2025, 78.8 per cent for 2026, and 79 per cent for 2027).

52. Firm wholesale sales for 2023 were 347.7 GWh compared to the forecast of 351.3 GWh, and preliminary actual wholes sales for 2024 are 374.8 GWh compared to the forecast of 362.4 GWh. The 2024 variance was attributed to colder than normal January weather.

[9] This section is derived from Exhibit 1-A, Application, PDF pages 39-41.

53. YEC obtained from AEY the wholesale sales forecast for the test years, reviewed that forecast relative to its 2024 preliminary actual wholesale sales results, checked population growth projections for the City of Whitehorse, and took into account the expected connection by AEY of seven large general service customers by late 2024.

54. Thus, YEC used the AEY wholesale sales forecast from AEY which is 373.7 GWh for 2025, 381.9 GWh for 2026, and 390.4 GWh for 2027.[10]

4.3.2 Board Findings

55. In its argument concerning wholesale sales, YEC dedicated a segment to the discussion of the relevance of including Fish Lake Hydro forecast in the GRA and with it references to *OIC 1995/90*. The OIC will be discussed later in the Deferral and Reserve Accounts section (Section 9) of this decision. YEC confirmed that AEY's wholesale purchases forecast was considered to be net of Fish Lake hydro generation, less AEY grid standby diesel generation, and less micro generation. YEC also acknowledged that it has not confirmed the generation forecast number for Fish Lake Hydro used by AEY in netting its wholesale purchases from YEC.

56. The Board accepts the net wholesales sales forecast submitted by YEC and as received from AEY as reasonable. The forecast is based on information received from the source (AEY) and is consistent with the direction YEC was given in Appendix A to Board Order 2024-01.[11]

4.4 Major industrial sales

4.4.1 Views of YEC

57. YEC stated that Victoria Gold and Hecla continue to be forecast as major industrial customers for the test period. Table 2, above, shows results for major industrial sales for 2023 and 2024, plus forecast sales for 2025-2027.

58. The major industrial sales forecast does not include any sales to Minto mine and does include the impact of the heap leach failure at Victoria Gold in 2024 and Hecla loads remaining near the 2024 approved level.

59. The GRA forecast does not include any load opting to use the peak shaving option included in Rate Schedule 39.

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[10] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 42.

[11] Appendix A to Board Order 2024-05 PDF page 14, paragraph 47 which states: "The Board finds that the bottom-up approach as taken by AEY for sales forecasts is superior to the method employed by YEC as it takes into account future changes as incorporated through the consultation process that AEY undertakes. YEC does not have visibility, nor should it, of AEY-specific customer plans. Further, it is apparent that YEC does not have detailed LTA records of Fish Lake hydro. AEY is the party best able to provide such a forecast and it is the AEY forecast for Fish Lake hydro that the Board accepts."

60. YEC stated it was unaware of any potential near term mine loads that may connect to the grid during the test years.[12]

4.4.2 Board Findings

61. Based on the details and calculations of the major industrial customer load, and the level of mining activity forecast in the 2025-2027 test period as described by YEC, the Board accepts YEC's forecast for major industrial sales of 42.8 GWh for each of the 2025, 2026, and 2027 test years. The major industrial sales forecast is uncontested, and the changing load patterns as described by YEC are reasonable.

4.5 YEC firm retail sales

4.5.1 Views of YEC

62. YEC firm retail sales are comprised of sales to residential, general service, and street light and space light customer classes served directly by YEC. Retail firm sales are forecast at 59.3 GWh (2025), 59.9 GWh (2026), and 60.6 GWh for 2027. The firm retail sales forecast is shown in Table 2 above.

63. For firm residential sales, as shown in Table 2 above, 2023 actual sales were 17.3 GWh for 2023, and preliminary actual sales for 2024 are 18.9 GWh. YEC used 2.0 per cent as the growth rate to forecast residential firm sales of 19.4 GWh (2025), 19.7 GWh (2026) and 20.2 GWh for 2027. YEC said that the 2.0 per cent growth rate applied to the test years is consistent with population growth projections from the Yukon Bureau of Statistics.[13]

64. General Service firm retails sales were 39.5 GWh in 2023, and the 2024 preliminary actual is also 39.5 GWh. YEC used a growth factor of 0.7 per cent for each of the test years as general service firm sales are based on less than half the growth rate used for residential sales. YEC based this on AEY commercial sales growth which, between 2016 and 2023, was at 1.0 per cent compared to growth in residential sales of 3.1 per cent for that same period. The forecast firm general service sales for the test period are 39.8 GWh (2025), 40.0 GWh (2026), and 40.3 GWh (2027).

4.5.2 Board Findings

65. Given that there is only a small-to-moderate increase projected in firm retail sales for the test years (2025-2027), the Board finds that the YEC forecast for firm retail sales of 59.3 GWh (2025), 59.9 GWh (2026), and 60.6 GWh (2027) is reasonable and it is approved as filed.

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[12] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 43-44.

[13] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 44.

4.6 Secondary sales

4.6.1 Views of YEC

66. Actual secondary sales were 2.2 GWh for 2023 and preliminary actual sales for 2024 are 3.7 GWh. For the test years 2025-2027, YEC used the average of 2023 and 2024 actual sales, or 2.9 GWh, for each of the test years.

4.6.2 Board Findings

67. The Board finds the YEC forecast to be reasonable as it used recent results to estimate the forecast for the test years. The Board approves the secondary sales forecast as filed.

4.7 Generation forecast

4.7.1 Views of YEC

68. YEC forecast that hydro generation was to remain the predominant source of generation for the test period and that it was expected to be supplemented by liquefied natural gas (LNG) and diesel thermal generation as required. Additional generation sources are expected to be purchased by YEC from Independent Power Production (IPP) through the standing offer program (SOP) under the Independent Power Production Policy. Table 3, which follows, provides a summary of forecast power generation by source:

Table 3. YEC Actual and forecast summary of energy balance, losses and peak (MWh) (2023-2027)

Description	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
Sales and Losses							
Total Energy Sales	485,706	481,422	497,630	483,348	478,719	487,637	496,789
Losses - MWh	42,938	41,659	43,791	41,926	42,127	42,912	43,717
Losses – per cent	8.8%	8.7%	8.8%	8.7%	8.8%	8.8%	8.8%
Total Generation	528,644	523,081	541,421	525,274	520,847	530,550	540,507
Secondary Sales Related Generation	3,190	2,473	3,189	3,949	3,189	3,189	3,189
Firm Load Generation	525,454	520,608	538,232	521,325	517,658	527,360	537,318
Source - MWh							
Hydro Generation							
Whitehorse	280,502	250,264	261,359	247,159	262,395	272,530	269,727
Aishihik	134,299	153,022	132,847	110,772	76,848	69,509	70,754
Mayo	71,595	71,144	73,895	65,606	73,731	116,867	125,089
Total Hydro	486,395	474,430	468,101	423,537	412,974	458,905	465,570
Wind Turbine	0	0	0	0	0	0	0
IPPs	1,964	1,962	14,289	8,847	17,717	17,717	17,717
Diesel Generation							
Whitehorse	5,405	5,855	7,923	22,012	17,971	3,208	8,103
Faro	1,780	1,097	2,029	7,446	3,409	566	1,550
Dawson	987	3,108	1,669	6,679	184	24	76
Mayo	95	241	183	4,898	2,297	381	1,043
Total Diesel	8,267	10,300	11,804	41,036	23,861	4,179	10,772
LNG Generation	32,017	36,389	47,228	51,854	66,295	49,749	46,448
Total Thermal	40,285	46,689	59,031	92,890	90,156	53,927	57,220
Source per cent							
Hydro Generation	92.0%	90.7%	86.5%	80.6%	79.3%	86.5%	86.1%
LNG Generation	6.1%	7.0%	8.7%	9.9%	12.7%	9.4%	8.6%
Diesel Generation	1.6%	2.0%	2.2%	7.8%	4.6%	0.8%	2.0%
IPP Generation	0.0%	0.0%	0.0%	1.7%	3.4%	3.3%	3.3%
LTA Generation - MWh							
LTA Hydro	445,192	446,690	448,609	446,308	436,084	438,717	441,196
LTA Wind	0	0	0	0	0	0	0
IPP	1,964	1,962	14,289	8,847	17,717	17,717	17,717
LTA Thermal	77,578	73,918	75,334	66,160	63,857	70,926	78,405
Total LTA Generation	525,454	522,570	538,232	521,325	517,658	527,360	537,318
Peak - MW							
Integrated System	119.5	102.7	123.2	111.6	127.4	132.2	136.2

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 2.2, PDF page 56.

69. Total generation is based on the sum of total sales plus line losses which are forecast at 8.8 per cent for the test years 2025-2027. The line losses are calculated

at the YEC grid load level as the variance between metered generation and sales. Actual line losses were 8.7 per cent for both 2023 and 2024.

70. As stated by YEC, the YIS has 95.2 MW of installed YEC hydro generation, of which approximately 68.5 MW can be relied upon for the winter peak as dependable capacity.

71. YEC further submitted that, in accordance with Section 3 of OIC 2021/16, forecast fuel costs included in rates for thermal generation to meet customer requirements are to be based on LTA annual renewable resource availability and, therefore, for the 2025-2027 test years, hydro and thermal generation are based on LTA water supply for hydro generation plus available information for IPPs.

72. From Table 3, LTA forecast hydro generation numbers relative to forecast generation amounts show that YEC expects lower than LTA water levels for the test year 2025 and normalized water conditions for 2026 and 2027 with actual hydro generation expected to be higher than LTA for both of those years.

73. YEC explained that the YIS operates with Whitehorse as first dispatched generation (excluding Fish Lake) as it is considered a run-of-river plant. Mayo, as it is similar to Whitehorse (run-of-river), generally stacks second to Whitehorse. Aishihik is used for topping purposes. When Aishihik is at capacity, thermal units are dispatched. When thermal is operating, Aishihik provides spinning reserve and provides coverage for the largest thermal unit on line.

74. YEC added that the predominance of hydro generation on the Yukon system, combined with the fact that Yukon is isolated from other grids outside the territory, creates special seasonal and multi-year conditions that vary with YIS loads. It was noted that the YIS faces winter constraints as only Aishihik and, to a lesser extent, Mayo have seasonal storage capabilities. Further, systems that are predominantly hydro-based are vulnerable to low-water conditions (drought) and require supplemental thermal generation.

75. For the 2023-2024 GRA test years, YEC's model of LTA annual hydro availability was updated using: records for 41 water years (from the previous 38 years of water records); updated generation station and reservoir water flow requirement changes; updated load curves reflecting changes to non-industrial and industrial load shapes; IPP impacts; and Whitehorse generation station changes. For this application, YEC was unable to provide a further update to the model of LTA annual hydro availability. YEC LTA did include updated load curves and an adjustment to load to reflect expected generation from IPPs for 2025-2027.

76. In this application, YEC responded to the Board direction from Appendix A to Board Order 2024-05 (paragraph 89) regarding the thermal generation mix. YEC proposes, for this application, a thermal fuel mix of 80 per cent LNG and 20 per cent diesel.

YEC's support for this thermal fuel mix is provided in Appendix 3.3 of the Application.[14]

4.7.2 Board Findings

77. The Board accepts the rationale for the generation forecast as provided by YEC for the test years 2025-2027. The forecast is consistent with previous submissions of forecast generation, is also consistent with past Board directions, and any variances for the years 2023 and 2024 have been adequately explained. No contrary evidence has been provided with respect to the generation forecast. Therefore, YEC's generation forecast is approved as filed. Further discussion on YEC's forecast thermal fuel mix will occur in a subsequent section of this decision.

4.8 Peak demand forecast and dependable capacity requirement

4.8.1 Views of YEC

78. YEC recorded peak demands of 102.7 MW in 2023 and 111.6 MW in 2024. For the 2025-2027 test years, YEC forecast peak demands of 127.4 MW (2025), 132.2 MW (2026), and 136.2 MW (2027). The forecast peak demands include industrial loads.

79. For the non-industrial peak, YEC stated that it uses an Itron econometric model which utilizes a range of input data such as historical sales and energy data by customer class, economic activity, population projections, electricity prices, end use efficiency and standards improvements, and system design temperature to create its long-term peak forecast. The model also considers Yukon's climate change strategy, particularly with respect to electrification, electric vehicles, and heat pumps. YEC added that it continues to consult with stakeholders in regard to developing its load forecasts and peak forecasts. YEC added that the current updated peak forecast uses -39 degrees Celsius based on the new coldest day record form January 2022. This methodology was also used in the YEC 2023-2024 GRA.

80. In previous applications, YEC used two capacity planning criteria.[15] In response to Board Order 2024-05 for this application, YEC has adopted a more conservative approach for determining winter dependable capacity. YEC defined this as the maximum generation output that a resource can reliably provide during a period of greatest demand in the winter, including both hydro and thermal generation resources. This is done by taking each asset's maximum rated winter capacity by its

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[14] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 46 - 49. Appendix 3.3 starts at PDF page 145.

[15] The two planning criteria are: 1 – Loss of load expectation (LOLE), a probability-based measure to evaluate the maximum loads that the YIS can safely carry by identifying the potential interruption of service for any customer; and 2 - single contingency N-1, standard which determines system capacity assuming the loss of the system's single largest generating or transmission-related generation resource.

effective load carrying capacity (ELCC). The ELCC is the capacity contribution that a resource provides in meeting the grid's reliability target; it reduces the resource's dependable capacity to reflect expected reliability problems or unplanned outage events when the resource would not be available for generation during peak periods.

81. YEC stated that, under the N-1 criteria, before diesel rentals, YEC will have a deficient dependable capacity of about 32 MW (2025/26), 31 MW (2026/27), and 35 MW 2027/28. YEC plans to rent 22 diesel units in each of the three winters (2025-2027) to cover the capacity shortfall.[16]

4.8.2 Board Findings

82. For the 2025-2027 GRA test years, the Board is satisfied with the methods, models and communications employed by YEC with respect to the peak demand and dependable capacity projections. The Board approves, for each of 2025, 2026, and 2027, YEC's forecast peak demand.

5 Operation and maintenance expense

5.1 Fuel and purchased power

5.1.1 Views of YEC

83. YEC stated that fuel and purchased power consists of generation fuel cost forecasts based on LTA hydro generation and forecast loads, cost of fuel required for maintenance purposes, and cost for power purchased from other suppliers. These costs were set out in Section 3.2 of the application and are summarized in the following table:

Table 4. YEC Fuel and purchased power

	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($million)						
Fuel	15.748	14.367	15.295	14.214	16.802	18.661	20.627
Purchased power	0.380	0.368	2.759	1.707	3.435	3.469	3.504
Total Fuel and purchased power	16.128	14.735	18.054	15.921	20.237	22.130	24.131

Source: Derived from Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.2, PDF page 64.

84. YEC submitted in its application that increases in fuel costs were primarily due to increased fuel prices and that the increased costs for purchased power were due to forecast purchases from IPPs.

[16] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 50 - 54.

85. For fuel costs, YEC stated that fuel costs are based on forecast LTA hydro and thermal generation. The thermal portion of fuel costs are assumed to be supplied by a combination of 80 per cent LNG and 20 per cent diesel generation. This is a different fuel mix ratio than what was used in YEC's 2023-2024 GRA and is discussed further in Appendix 3.3 of the Application. YEC added that the Low Water Reserve Fund (LWRF) is assumed to address any variance between actual thermal generation and long-term average requirements caused by variations in water supply for hydro generation facilities after each fiscal year end, and that Rider F is assumed to address any variance in diesel or LNG delivered fuel prices from the forecast prices assumed for the Application on a quarterly basis. Fuel costs also include requirements for use of fuel for maintenance purposes (applicable to both diesel and LNG). Forecast fuel costs for maintenance are: 38 MWh/year, cost is $0.011 million/year.

86. YEC's fuel price forecast is as follows:

Table 5. YEC forecast fuel prices

	2025 ($/litre)	2026 ($/litre)	2027 ($/litre)	Efficiency (kW/litre)	Cost ($/kWh)
LNG - Whitehorse	0.6403	0.6403	0.6403	2.58	0.2482
Diesel Whitehorse	1.1583	1.1583	1.1583	3.69	0.3139
Diesel - Faro	1.2313	1.2313	1.2313	3.48	0.3538
Diesel - Dawson	1.2685	1.2685	1.2685	3.78	0.3356
Diesel - Mayo	1.2428	1.2428	1.2428	3.7	0.3359

Source: Derived from Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 65-67.

87. YEC stated that increased fuel prices are the dominant factor driving higher fuel costs. LNG prices have increased 30 per cent over the 2024 GRA approved prices. Diesel prices have increased 4.9 per cent over the 2024 GRA approved prices and the change in the fuel mix accounts for 2.9 per cent of the increase in fuel costs. For LNG, YEC used the commodity price as at December 22, 2024 for its forecast price and forecast an efficiency of 2.58 kWh/litre which is higher than the actual efficiency over the last 3 years of 2.55/kWh/litre. Because of uncertainties with inflation, YEC used the same forecast prices for LNG and diesel for each of the three test years.

88. The overall forecast grid efficiency is 3.65 kWh/litre. The average cost per kWh of diesel for this application is $0.3219/kWh.[17]

[17] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 63 -67.

89. Regarding purchase power costs, YEC purchases power from AEY at the Marsh Lake Control Structure and Johnson's Crossing. Purchases from AEY are forecast to be $0.039 million for each of the three test years.

90. Additionally, YEC forecasts purchases from IPPs for each of the test years. The forecast quantity of energy purchase is 17.7 GWh/year. Costs for IPPs are escalated based on the escalation clause for each IPP contract. Forecast purchase power costs from IPPs are expected to be $3.397 million (2025), $3.431 million (2026), and $3.465 million (2027).[18]

91. YEC provided Appendix 3.3[19] as its support for the thermal fuel mix between LNG and diesel. In Appendix 3.3, Table 3.3-1 shows the MWh of generation based on fuel type (LNG or diesel) for the years 2016 - 2024. LNG's share ranged from a low of 54 per cent to a high of 97 per cent. The average for the nine-year period is 70 per cent LNG to 30 per cent diesel.

92. Although LNG units normally stack ahead of diesel, there are times when diesel is needed to support the northern transmission system or when there are issues with hydro units. LNG unit availability must also be considered. Further, water conditions influence the priority of thermal generation type. YEC gave the example of when water conditions are above LTA and thermal demand is low. In such a case, it is more efficient to operate diesel ahead of LNG. YEC stated that, in the nine years used to derive the 70:30 fuel mix average, YEC has not experienced a prolonged period of below-average water conditions and, therefore, the nine-year average is not representative of LTA. Without sufficient evidence to determine what is LTA, YEC recommended an 80:20 (LNG:diesel) fuel mix for this GRA instead of the 70:30 fuel mix as calculated based on the nine-year average. For 2025, YEC also noted that the change in the fuel mix ratio from 90:10 to 80:20 increases costs to customers by $471,000. Changing the fuel mix ratio from 90:10 to 70:30 increases costs to customers by $942,000.

93. In response to the UCG argument that YEC's method of dispatch leads to inefficiencies and therefore greater costs added to the revenue requirement, YEC stated that UCG had not put any evidence before the Board of any purported inefficiencies causing greater costs in terms of dispatch management. YEC added that the revenue requirement is based on LTA water levels and derived thermal generation requirements and therefore does not take into account the stacking order of generation units, nor the proposed fuel mix of the thermal units. For this issue, YEC concluded that the actual dispatch of generation units does not affect the approved revenue requirement used by the Board to set rates.[20]

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18 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 67.

19 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 146 -148.

20 YEC Reply Argument, PDF page 12.

5.1.2 Views of interveners

94. The UCG commented the following:

> It is obvious from the response to cross by NY that the utility dispatches the diesels as they see fit, even though there is a protocol of a line up of which diesels are to be utilized. UCG submits that this method of dispatch leads to inefficiencies and therefore greater costs added to the revenue requirement. UCG asks the board to investigate the amount of cost differences and deduct this from the revenue requirement.[21]

95. In its reply, the UCG asked that discretionary costs with respect to the extra costs for diesel dispatching management be disallowed.[22]

5.1.3 Board Findings

96. The Board accepts and approves YEC's forecast fuel costs/litre (delivered prices for 2025-2027 for LNG and diesel on a unit-cost basis). YEC's forecast efficiency (for LNG and diesel for each test year) and derived costs ($/kWh) for LNG and diesel for each test year, as shown in Table 4 above, are approved as filed. YEC is directed to review the efficiency of the LNG units as the forecast efficiency for this GRA (2.58 kW/litre) is higher than what the actual efficiency has been over the previous three years (2.55 kW/litre).

97. The Board does not accept the arguments of the UCG regarding dispatching efficiency as no evidence has been provided to support such claims.

98. The Board accepts YEC's IPP purchase power forecast for this proceeding but notes that actual results for both 2023 and 2024 were lower than forecast. The Board directs YEC to provide better support for its IPP forecast purchase power costs at the time of its next and future GRAs, and to provide an explanation of the impact to customers if actual IPP purchase power costs are either greater than or less than forecast and the impact to YEC if actual IPP purchase power results vary from forecast.

99. With respect to the LNG:diesel fuel mix ratio, the Board approves the 80:20 ratio as submitted by YEC. However, in its compliance filing to this Board Order, YEC is directed to explain the impact on customers and YEC of any variance (actual to forecast) in the fuel mix. That is, if the actual fuel mix is higher (i.e. more LNG is used and less diesel is used relative to forecast) how does that affect customers and YEC (for example, is there a Rider F implication?). A similar explanation is required if the converse is true (i.e. more diesel is used and less LNG is used relative to forecast).

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21 UCG Final Argument, PDF page 12.

22 UCG Reply Argument, PDF page 4. Diesel dispatching management was one item form the list of disallowances the UCG requested.

5.2 Non-fuel operating and maintenance expense

5.2.1 Overview and background

100. In its application, YEC requested approval to include forecast non-fuel operating and maintenance (O&M) expenses in revenue requirement in the following amounts: $43.143 million (2025); $45.678 million (2026); and $46.750 million (2027).

101. During the oral hearing, these forecast non-fuel O&M expenses in revenue requirement were updated as follows: $44.129 million (2025); $47.797 million (2026); and $46.976 million (2027).[23] The updated information indicates a $6.812 million (or 18.3 per cent) increase in 2025 costs compared to 2024 approved O&M expenses, a $10.480 million (or 28.1 per cent) increase in 2026 costs compared to 2024 approved O&M expenses, and a $9.659 million (or 25.9 per cent) increase in 2027 costs compared to 2024 approved O&M expenses.

102. YEC's recent approved, actual and forecast non-fuel O&M expenses are shown in the following table:

Table 6. Non-fuel Operating and Maintenance expenses, as updated in Undertaking #13

	2023 Approved	**2023 Actual**	**2024 Approved**	**2024 Preliminary Actual**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**
	($million)						
Labour **(1)**	15.069	15.186	16.132	17.058	18.904	20.176	20.597
Production **(2)**	7.797	7.650	9.491	9.931	10.609	11.305	10.727
Transmission	1.784	1.588	1.411	1.528	1.615	1.916	1.480
Distribution	0.276	0.393	0.426	0.645	0.426	0.435	0.443
Update for additional brushing costs not allocated					(0.461)	0.461	
General O&M	1.369	1.552	1.265	1.555	1.526	1.557	1.588
Administration	5.071	5.181	4.780	5.554	6.965	7.084	7.206
Insurance and reserve for injuries and damages **(3)**	2.805	2.834	3.033	3.120	3.774	4.073	4.129
Property taxes	0.758	0.756	0.777	0.759	0.771	0.790	0.806
Total non-fuel O&M expenses	34.929	35.139	37.314	40.150	44.129	47.797	46.976

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.3: Non-fuel operating and maintenance Expenses, PDF page 68, and; Undertakings, Attachment 2, Undertaking #13, PDF page 6:
(1) Labour calculated as: 2025 ($18.005 million plus $0.899 million), 2026 ($19.530 million plus $0.646 million).
(2) Production calculated as: 2025 ($9.779 million plus $0.656 million plus $0.174 million), 2026 ($9.975million plus $0.656 million plus $0.674 million) and 2027 (10.174 million plus $0.767 million less $0.214 million).

[23] YEC Response to Undertakings, October 28, 2025, Attachment 2, Undertaking #13, PDF page 6.

(3) Insurance and reserve for injuries and damages calculated as: 2025 ($4.056 million less $0.282 million), 2026 ($4.392 million less $0.319 million) and 2027 ($4.455 million less $0.326 million).

5.2.2 Inflation factor applied to non-labour costs

103. YEC stated it had experienced and would continue to experience inflation on non-labour O&M costs in the amount of 2.0 per cent in each test year. In cases of forecasting expenses based on existing contracts, no additional future year adjustment for inflation was made.[24] YEC provided the following examples of non-labour O&M costs where no generic escalation or inflation factor was used in its forecasts: fuel, purchased power, brushing, transportation fuel, costs for union and regulatory affairs, and capital project studies.

104. YEC also clarified that, with respect to capital costs, it did not use any type of escalation or inflation factor.[25]

5.3 Labour and full-time equivalents

5.3.1 Labour escalators

105. YEC's labour costs include components such as base pay, the cost of employee benefits and other costs such as performance increments or adjustments for cost of living. These factors are influenced by YEC's collective bargaining agreement (CBA). The current CBA, which expires December 31, 2025, included an inflation escalator of 3.0 per cent for 2025 which is reflected in YEC's forecast labour costs for 2025.

106. Negotiations for the CBA encompassing the 2026 and 2027 test years is not expected to be finalized until 2026, however, YEC forecast labour rates and costs using a labour escalator of 2.0 per cent for each of those two years.[26]

107. YEC clarified that, although any CBAs are applicable only to in-scope employees, the labour escalators inherent in those agreements are applicable to YEC's out of scope employees for the purposes of forecasting labour costs.[27]

5.3.2 Overview of YEC labour force and associated costs

108. YEC's forecast labour force and related costs are directly tied to its projections for the number of full-time equivalent (FTE) positions required, net of a vacancy factor adjustment for each test year.

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24 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 69.
25 Exhibit 4, YUB-YEC-1-37(d), PDF pages 202-203.
26 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 69.
27 YEC Final Argument, PDF page 23.

109. When comparing its total applied-for forecast labour expense in 2027 ($20.597 million) to 2024 approved costs ($16.132 million), YEC stated that the increase of $4.465 million was comprised of 69 per cent of costs related to additional FTEs being requested and 31 per cent of costs related to labour rate increases and other factors such as overtime, vacancy factor, and allocations of labour to O&M or capital.[28]

110. The Board has summarized certain details and statistics respecting YEC's labour force and associated costs in the following table:

Table 7. Board-prepared summary of recent actual, approved and forecast FTEs, vacancy factor, labour costs, overtime and O&M to Capital labour allocations

	2023 Approved	**2023 Actual**	**2024 Approved**	**2024 Preliminary Actual**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**
	(FTEs)						
FTE's	113.05	113.66	119.81	123.46	128.94	139.84	144.44
Vacancy factor)	9.00	12.32	9.00	7.99	9.00	9.00	9.00
Net applied-for FTEs (1)	**104.05**	**101.34**	**110.81**	**115.47**	**119.94**	**130.84**	**135.44**
Cumulative increase in net FTEs over 2024 approved					9.03	20.03	24.63
Cumulative increase in net FTEs over 2024 preliminary actual					4.47	15.37	19.97
	($million)						
Labour O&M costs as applied-for **(2)**	15.069	15.186	16.132	17.058	18.005	19.530	20.597
Labour update for 2025-2027 **(2)**					0.899	0.646	
Total O&M labour costs (2)	15.069	15.186	16.132	17.058	18.904	20.176	20.597
In-scope only overtime costs included in applied-for labour costs (3)	0.769	1.158	0.686	1.528 actual	1.068	1.056	1.043
Average overtime costs per in-scope FTE (3)	0.011	0.160	0.009	0.020	0.014	0.012	0.012
Total O&M and capital labour costs (4)	18.362	18.330	19.651	21.990	22.812	24.943	26.296
Capital:O&M			17.9:82.1	19.2:80.8 actual	21.1:78.9	21.7:78.3	21.7:78.3

[28] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 69.

labour allocation (5)							

Source: (1) Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.4, PDF page 70.
(2) Undertakings, Attachment 2, Undertaking #13, PDF page 6.
(3) Undertakings, Attachment 2, Undertaking #11, PDF page 3.
(4) Exhibit 4, YUB-YEC-1-37(c), PDF page 201.
(5) Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 73.

111. With respect to YEC's updated labour costs, as shown above, for the years 2025 and 2026, YEC stated that in 2025 it has already incurred additional labour costs due to higher diesel generation requirements that were expected to persist into 2026. Also in 2025, and adding to the higher costs than previously forecast, YEC had experienced a lower-than-average vacancy factor to June 30, 2025 of 5.01[29] compared to its 2025 forecast vacancy factor of 9.00.

112. YEC provided further detail in relation to its updated labour costs:

> ... we know you'll see additional overtime in the remainder of 2025, and we know that this will continue into the January to May months of 2026 because there is no more water coming in. Since the water levels are lower than last year and we had $650,000 of additional overtime in 2025 to June 30th, we can expect greater than that in 2026. However, yes, we hope we can find some reduction in 2026 overtime by the addition of the FTEs in the operations department.[30]

5.3.3 FTEs and labour force requested

113. YEC stated that at historic staffing levels, employees have found it difficult to keep pace with workload demands. It was becoming an increasing problem as additional assets are added that result in a burden on staff for planning and executing capital work. In recent years, overtime hours have increased, "creating additional workload and adverse effects for the existing employees which in turn resulted in an increase in employee turnover."[31] One example specific to the Operations department indicated that "[t]here has been a high level of overtime, high turnover and decreased morale."[32]

114. In its application, YEC requested approval for additional FTEs to complete its O&M and capital work requirements. A comparison of 2024 preliminary actual information to YEC's proposed workforce shows a forecast increase of 4.47 FTEs in 2025, 10.90 FTEs in 2026, and 4.60 FTEs in 2027. Therefore, YEC requested Board approval for a total of 19.97 FTEs.

29 Exhibit 4, YUB-YEC-1-38(d), PDF page 206.
30 Transcripts, Volume 2, PDF page 7.
31 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 71.
32 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 72.

115. A comparison of 2024 approved FTE positions (of 110.81) to YEC's total forecast 2027 FTE's (of 135.14) shows a total forecast net increase of 24.63 FTEs.

116. The need for the increase in FTEs was supported by Appendix 3.2 – Employee Complement Addition Justifications.[33] This document was a detailed examination of all requested FTEs in each of the 2025-2027 test years. Each FTE was identified by department and job title and provided a brief description of the position, the need for and the benefits to be gained from the position, and the identification of issues that would be resolved should the position be filled. Several of the FTE positions were expected to play some part in reducing employee overtime, high workload demands, stress and burnout, and reliance on consultants.

117. YEC stated it has made a conscious effort to limit forecast FTE increases only to those areas where required and, where possible, to do more work internally as opposed to hiring outside consultants and contractors.[34]

5.3.4 Quantum of overtime and use of consultants

118. During the hearing, YEC was questioned extensively about the quantum of overtime being incurred by its in-scope employees. The Board examined recent increases in overtime notwithstanding a history of earlier YEC commitments to reduce overtime and reliance on the use of consultants by way of requests for the approval of increases in FTEs for both in-scope and out-of-scope employees.[35]

119. The Board has summarized certain details and statistics respecting YEC's reliance on consultants and contractors in the following table:

Table 8. Board-prepared summary of actual costs related to consultants and contractors

	2023	**2024**	**2025 June 30**	**2025 September 30**
	($ millions)			
Costs	14.310	14.106	4.222	9.915
O&M:Capital labour allocation		**16:84**		

Source: Exhibit 4, UCG-YEC-1-12, PDF pages 101-102; Undertakings, Attachment 2, undertakings #14-17, PDF pages 9-12.

120. In response to Board questions during the oral hearing asking why previous Board-approved increases in FTE's have not necessarily resulted in the expected reduced

[33] Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 3.2, Employee Complement Addition Justifications, PDF pages 117-144.

[34] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 72.

[35] Exhibit 9, YUB AID to questioning 1 re increased employee complement, Octo. 21, 2025.

labour and overtime costs, YEC stated that, as it stands, "workload is not staying flat," and that YEC was "scrambling to keep up with workload."[36]

121. YEC explained that:

> ... it's a difficult question to answer when you're looking for a linear cause and effect, add more staff; spend less time on contractors. We're going to add more staff and likely have to spend more money on contractors in general terms just because the workload itself is increasing at a rate that needs to be considered as well in this line of questioning.[37]

122. YEC provided further information with respect to the proposed additional FTE's explaining, in general terms, how each position would help to reduce either overtime or the use of contractors or both. In some cases, benefits related to a specific FTE were able to be quantified in dollar terms.[38]

123. The Board also asked questions during the oral hearing about the effectiveness of YEC's organizational structure. The Board provided examples of managers who had no direct or very limited direct reports, or situations where "a single communication advisor [is] reporting to a single manager, community relations who then reports to a single director partnerships, who reports to VP partnerships and business services."[39]

124. YEC's responses addressed various aspects of its organizational structure such as the differences between certain roles and position titles, differences between supervisors and managers, relative level of pay bands, the level of accountability and responsibility of various roles, and opportunities for a typical progression within the company.[40]

125. The Board also questioned whether the current organizational structure could be viewed as "top-heavy"[41] which may lead to inefficiencies due to slower decision-making, given that decisions are made and communicated through a longer chain of command.

126. YEC rejected any notion that its organizational structure could be considered top-heavy stating that a longer chain of command produced the opposite results in that "the idea of creating the additional layers and delegating responsibility allows for in many cases quicker decisions."[42]

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36 Transcripts, Volume 2, PDF page 28, lines 2-6.
37 Transcripts, Volume 2, PDF pages 24-25.
38 Transcripts, Volume 1, PDF pages 146-148; Transcripts, Volume 2, PDF pages 29-31.
39 Transcripts, Volume 1, PDF page 120.
40 Transcripts, Volume 1, PDF pages 110-122.
41 Transcripts, Volume 1, PDF page 128.
42 Transcripts, Volume 1, PDF page 128.

127. YEC added that:

> ... we're fairly flat in how we operate in terms of work and decision-making is delegated down through different layers to make things move quicker because people are in the field doing work, so it -- but I take your observation.[43]

5.3.5 Views of interveners

128. With respect to YEC's O&M costs, neither Mr. Yee nor the UCG submitted evidence. However, in its argument, the UCG identified several specific O&M costs it claimed were discretionary[44] and should be disallowed or reduced by the Board. The UCG also stated the O&M cost increases were, in general, "imprudent,"[45] and required consideration of "whether and how the utility has become more efficient."[46] The UCG argued that the Board should limit all O&M increases to 5.0 per cent above "the last 2024 GRA costs"[47] thus allowing only for inflationary changes.

129. In response to the UCG, YEC argued that its non-fuel O&M costs are not discretionary in that they must be incurred in order to meet YEC's mandatory obligation to serve. YEC responded to the UCG stating that, to the extent the Board is satisfied that YEC's forecast non-fuel O&M costs are reasonable, it is entitled to recover those costs in rates. It is not open to the Board to impose "the kind of arbitrary limit on recovery of those costs that the UCG is requesting."[48]

5.3.6 Board Findings

5.3.6.1 Non-labour and labour related inflation factors

130. Having considered YEC's proposed non-labour- and labour-related inflation factors, the Board finds them to be supported and reasonable and they are approved as applied for.

5.3.6.2 FTEs and labour costs

131. The Board declines to limit all O&M increases to 5.0 per cent above "the last 2024 GRA costs" as proposed by the UCG. This is because, beyond the UCG brief mention of inflation, there was no evidence in support for the recommend cap of 5.0

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43 Transcripts, Volume 1, PDF page 129.

44 UCG Final Argument, PDF pages 3-4. The following costs were identified by the UCG as discretionary: certain capital costs, major increases in O&M costs, administration costs, feasibility studies of $1 million, Aishihik power plan failure costs, deferred costs, depreciation and amortization, net salvage and site restoration, IPP and Micro Generation, First nations costs for socio-economic reconciliation and extra costs for diesel dispatching management.

45 UCG Final Argument, PDF page 7.

46 UCG Final Argument, PDF page 7.

47 UCG Reply Argument, PDF page 5.

48 YEC Reply Argument, PDF page 11.

per cent on O&M costs, nor was there evidence of any O&M costs being imprudently incurred.

132. The Board has observed that, despite YEC employing the full approved or greater than approved complement of employees on an actual basis, there has been no noticeable reduction in overtime costs or consultants' costs.

133. These outcomes have led to Board concerns with YEC's ability to complete the work it has forecast without incurring consultants' costs or excessive overtime costs. The Board further examined these costs in relation to any causal factors that could stem from YEC's accuracy in planning and prioritizing projects, the effect of its organizational structure on employee efficiency, and the extent to which employees are satisfied with the status quo of what appears to be a corporate culture of overtime.

134. The Board notes that the overtime costs at issue here have not considered additional work completed (but not paid for and thus not included in revenue requirement) by YEC's out-of-scope employees. The Board is cognizant that consideration of unpaid overtime for out-of-scope employees would only exacerbate the quantum of overtime costs at issue.

135. When asked by the Board to consider the additional layers of oversight and delegation of work, and whether employees were more or less likely to be satisfied with the current organizational structure, YEC provided the following conflicting evidence.

136. YEC cited an employee survey which highlighted that 75 per cent of the employees were satisfied with the organization and culture. YEC stated that, generally, its employees wanted career progression and the ability to make decisions which were enhanced through the current organizational structure.[49]

137. YEC provided further statistical information with respect to recent employee turnover rates which indicated, between the years 2020 to September 2025, average company-wide turnover rates between 4.08 per cent and 14.04 per cent as follows:

Table 9. YEC average company-wide turnover per cents by year

	2020	2021	2022	2023	2024	2025 September 30
Average company-wide turnover per cents	6.15	9.33	12.56	8.85	14.04	4.08

Source: Undertakings, Attachment 2, Undertaking #10, PDF pages 1-2.

[49] Transcripts, Volume 1, PDF page 130.

138. However, the positive results from the employee survey, were in contrast to other YEC statements. In its application, YEC cited issues with high overtime, high turnover, stress, employees not taking vacation, and decreased morale, purporting that these issues could be addressed through additional FTE hires.[50]

139. The observations noted in the paragraphs above, allude to several facets of YEC employee dissatisfaction. The observations also point to YEC's continued reliance on employee overtime and the use of consultants as a means to fulfill its requirement to provide utility service to the public. It is these three issues that YEC seeks to resolve in the current GRA, as it has in past GRAs, through an increase in workforce FTEs.

140. Based on the evidence provided by YEC, the Board agrees that, in the circumstances of this GRA, the forecast FTEs and labour costs are necessary for YEC to complete its O&M and substantial capital program requirements and they are approved.

141. Notwithstanding the Board's approval, an increase of over 24 FTEs (as compared to 2024 approved FTEs) is a substantial increase that comes with a commensurate responsibility for YEC to show, at the time of its next GRA, that the requested workforce has resulted in the outcomes that YEC has set out. In the Board's view, the concern is not that YEC requires the FTEs to complete its work; but is more a question of whether YEC can deploy its requested workforce in a manner that will achieve the ambitious goals it has set out for the 2025-2027 test period. Accordingly, the Board directs YEC, at the time of its next GRA, to provide substantive evidence showing that the requested increase of 24 FTEs has resulted in the following: improved employee satisfaction; a reduction in overtime costs, a reduction in the use of consultants; and has aided YEC in the timely and cost-effective completion of its O&M and substantial capital activities on an actual basis.

142. As a last matter, the Board directs YEC to adjust its FTE and labour costs to reflect any directions found elsewhere in this decision respecting YEC's forecast O&M costs and capital projects in its compliance filing to this Board Order.

5.4 Production expense

5.4.1 Views of YEC

143. YEC forecast its total labour and non-labour production costs for 2025-2027 in the amount of $17.437 million (2025), $18.190 million (2026), and $18,775 million (2027). This was an increase of $1.906 million for 2025 over 2024 approved costs of $15.531 million, an increase of $0.753 million for 2026 over 2025, and an increase of $0.585 million for 2027 over 2026.

[50] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 71, 72 and 119, 122, 126 and 131.

144. Approximately 77 per cent of the forecast increase in 2025 (over 2024 approved) is due to increased labour costs, about 74 per cent of the forecast increase in 2026 over the 2025 forecast is due to higher labour costs, and about 65 per cent of the forecast increase in 2027 over the 2026 forecast is due to higher labour costs. Non-labour production costs are forecast to increase by $0.430 million in 2025 over the approved 2024. For 2026, YEC has forecast an increase of $0.199 million over the 2025 forecast and, for 2027, YEC has forecast an increase of $0.202 million over the 2026 forecast. YEC submitted that 73 per cent, or $0.608 million, of the non-labour production expense increase (2027 over 2024 approved) is due to diesel generation related expenses from increased diesel rental costs. Production costs are shown in the following table:

Table 10. Production costs

	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($million)						
Labour	5.686	5.939	6.040	6.669	7.517	8.071	8.453
Diesel	5.639	5.698	7.343	7.783	7.642	7.794	7.950
LNG	0.382	0.275	0.407	0.467	0.389	0.396	0.404
Hydro	1.345	1.263	1.311	1.273	1.323	1.349	1.376
Energy Storage					0.013	0.013	0.014
Operation Supervision	0.430	0.414	0.430	0.409	0.554	0.566	0.577
As applied-for	**13.483**	**13.590**	**15.531**	**16.600**	**17.437**	**18.190**	**18.775**
Updates in YUB-YEC-1-37 (c) and (d), PDF pages 202-204:							
Update for labour					0.899	0.646	
Update for thermal consumables					0.656	0.656	
Update for diesel rental costs					0.174	0.674	0.767
Total Production costs	**13.483**	**13.590**	**15.531**	**16.600**	**17.437**	**18.190**	**18.775**

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.5, PDF page 73 updated for Exhibit 4, YUB-YEC-1-37(c) and (d), PDF pages 202-204 and Undertaking #13, PDF page 6.

145. Mobile diesels are rented to address dependable capacity shortfalls to be available at the time of the winter (non-industrial load) peak, and to address the N-1 capacity planning criteria discussed in Section 4.8 above. Based on this dependable capacity shortfall, YEC forecast rentals of 22 units for each of the test years.

146. YEC stated that diesel rentals are the only feasible option for each of the test years 2025-2027. Diesel rental costs are forecast at $6.987 million (2025), $7.095 million (2026), and $7.233 million (2027). Rental prices are based on negotiated contracts and are expected to increase by an inflation factor of two per cent per year. In response to IR YUB-YEC-1-37(d), YEC updated the costs for diesel rentals for the 2025 and 2026 test years to $7,161 (2025) and $7,769 (2026) stating that the

increased costs reflect the results of a new negotiated contract for the diesel rentals.[51] Undertaking #13 provided an Excel spreadsheet (Table 1) showing the effect of diesel rentals on production costs, and the increase in thermal consumables which further increased costs by $0.656 million for the 2025 and 2026 test years.

147. YEC investigated options, other than renting diesels, to meet its capacity shortfall. Those options included the following:

- Purchase of electrical energy from the Eagle Gold site.
- Purchase of electrical energy from the Minto Mine site.
- Use of propane.
- Mutual aid (with the Yukon government, AEY, and City of Whitehorse).
- Public education (to reduce energy use and demand shifting practices).
- Purchase of generators and related equipment.[52]

148. In response to Mr. Yee's arguments, as outlined in the following section, YEC said

- Mr. Yee's commentary and recommendations related to planning matters are outside the scope of this GRA proceeding, do not affect YEC's proposed revenue requirements, and are beyond the jurisdiction of the Board.
- The Board's role in this proceeding is to determine YEC's revenue requirement.[53]

5.4.2 Views of interveners

149. Regarding YEC's position that diesel rentals are a short-term solution, in argument, Mr. Yee said: "While the Road Map to 2050 and the GRA are clear on the short term need for more diesel, anything beyond that is quite vague."[54] Mr. Yee questioned whether YEC had proper long-term planning noting that when he asked for a listing of project plans for the development of renewals greater than 2MW, none were provided. He added that, given the long lead times for renewal projects, work should be taking place now. He questioned the prudency of looking at quick diesel while ignoring longer term planning.[55]

150. In his reply argument, Mr. Yee said that, in the past two GRAs, YEC included spare diesel units in its rentals due to the unreliability of the rental units. The current GRA contains no such spares, compromising reliability.[56]

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51 Exhibit 4, YUB-YEC-1-37(d), PDF pages 202-204.
52 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 73 -76.
53 YEC Reply Argument, PDF pages 3-5.
54 Nathaniel Yee Final Argument, PDF page 2.
55 Nathaniel Yee Final Argument, PDF pages 2-6.
56 Nathaniel Yee Reply Argument, PDF pages 1-2.

5.4.3 Board Findings

151. As noted in Section 4 of this Board Order, the Board has ruled on YEC's sales forecast, and accepted YEC's forecast peak demand and dependable capacity. For production costs, labour issues have been discussed in the labour section of this decision. No issues were identified by the Board or interveners regarding hydro, LNG, or operation supervision costs. The Board has reviewed the information for these items and finds the costs reasonable and approves those costs as requested.

152. For diesel costs, YEC has submitted that the diesel rental units represent the bulk of that cost category. YEC provided support for its diesel costs in Section 3.3.2 of the Application, in its business case (Appendix 3.1 of the Application), and in its updated information in YUB-YEC-1-37(d) and Undertaking #13. The Board finds these costs reasonable.

153. In this proceeding, YEC has proven that a capacity shortfall exists on the YIS unless additional capacity is added. The Board accepts that, in the short term, higher diesel costs are necessary due to low water levels, and that, to meet the capacity shortfall, rental diesel units are required.

154. The Board agrees with the assertion of YEC that, for this GRA, the role of the Board is to determine a just and reasonable revenue requirement for YEC for each of the test years. However, the Board does not totally agree with the assertion that the effectiveness of YEC's project planning is outside the scope of this proceeding. For example, if evidence were provided that, due to poor project planning, YEC incurred imprudent costs, then the consideration of the planning process and the resultant imprudent costs are a valid GRA issue. For this proceeding, no such evidence has been brought forward.

155. The Board has taken into account its findings regarding the Whitehorse Power Centre Project in Section 8.2.2 of this decision and, accordingly, the Board approves the diesel rental costs as requested by YEC.

5.5 Transmission and distribution brushing

156. In this section, the Board discusses YEC's transmission and distribution brushing costs in conjunction with its deferred vegetation management account.

5.5.1 Transmission and distribution - brushing costs

157. The following table summarizes YECs approved, actual, and forecast transmission and distribution brushing costs for the years 2024-2027:

Table 11. Approved, actual and forecast transmission and distribution brushing costs

	2023 Actual	2024 Approved	2024 Preliminary Actual	2024 Final Actual	2025 Forecast	2026 Forecast	2027 Forecast
		($millions)					
Brushing cost - T	1.131	1.131	1.305	1.043	1.208	1.502	1.056
Brushing cost - D	0.208	0.208	0.280	0.002	0.190	0.193	0.199
Update to brushing costs	-	-	-	-	(0.461)	0.461	
Sub-total	**1.339**	**1.339**	**1.585**	**1.045**	**0.937**	**2.156**	**1.255**
Vegetation management plan	-	-	-	0.223	-	-	-
Total brushing costs	**1.339**	**1.339**	**1.585**	**1.267**	**0.937**	**2.156**	**1.255**
	Year over year change of sub-total brushing costs (excluding vegetation management plan)						
	Increase (decrease) to 2024 approved			**(0.294)**	**(0.402)**	**0.817**	**(0.084)**
	Increase (decrease) to 2024 final actual				**(0.108)**	**1.111**	**0.210**
	Year over year change of total brushing costs (including vegetation management plan)						
	Increase (decrease) to 2024 approved			**(0.072)**	**(0.402)**	**0.817**	**(0.084)**
	Increase (decrease) to 2024 final actual				**(0.330)**	**0.889**	**(0.012)**

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.6, PDF page 77, Table 3.6.1, PDF page 78; updated for Exhibit 4, YUB-YEC-1-41(a), PDF pages 215-216 and YUB-YEC-1-64(a), PDF pages 350-351; and Undertaking #13, PDF page 6.

158. As shown in the table above and as discussed in the following paragraphs, YEC's brushing-related costs do not appear to be stable or predictable year over year.

159. Pertaining to its 2023-2024 GRA, YEC had applied for (forecast) brushing costs for each of 2023 and 2024 in the amount of $1.866 million.[57] However, the Board approved YEC's forecast 2023 and 2024 brushing costs based on its preliminary actual 2023 brushing costs of $1.339 million which was the best available information at the time. On an actual basis, YEC incurred brushing costs in the amount of $1.339 million in 2023 and $1.045 million in 2024.

160. As explained by YEC, the reason actual 2024 brushing costs (of $1.045 million) were less than approved forecast (of $1.339 million) is because, in Board Order 2024-05, YEC was directed to expense the vegetation management plan at a cost of $0.233 million which "resulted in less funds being available for O&M."[58]

161. When questioned why the Board direction to expense the vegetation management plan (of $0.223 million) would not result in YEC being "over" its approved 2024

[57] Board Order 2024-05, Appendix A, Errata, Table 8, PDF page 35 and paragraphs 143-144, PDF page 36.

[58] Exhibit 4, YUB-YEC-1-64(a), PDF page 349.

forecast brushing costs of $1.339 million, YEC replied that would not be the case "if the original forecast was out by, say, $500,000."[59]

162. YEC did not respond directly to questions from the Board that inquired as to how, given YEC's apparent latitude in determining how much to spend on brushing, their exercise of that discretion aligned with the necessity to undertake brushing activities for service reliability and safety reasons.

163. YEC did clarify that, in 2024, restrictions due to inclement weather and fire-risk affected its ability to effect brushing activities.[60] [61]

164. In response to YUB-YEC-1-64, YEC updated its forecast brushing costs for the years 2025 and 2026 as shown in Table 11 above. YEC stated that the reason for doing so was due to unexpected complexities arising from the procurement of 2025 transmission brushing activities. As a result, YEC indicated that a significant amount of brushing maintenance that was expected to occur in 2025 has been reallocated to 2026. This additional work was over and above the work that had already been planned for 2026.[62]

5.5.2 Deferred vegetation management account

165. In Board Order 2013-01 respecting YEC's 2012-2013 GRA, the Board directed YEC to hold distribution and transmission vegetation management costs greater than 2011 actual brushing costs of $0.502 million in a newly created deferred vegetation management account. In Board Order 2018-10 respecting YEC's 2017-18 GRA, the Board approved the amortization of the 2016 balance of $2.215 million for this account over a period of 10 years (or $0.222 million per year from 2017 to 2026) and directed that the deferral of these costs is no longer required.

166. During the years 2017-2024, YEC continued to amortize the remaining deferred vegetation management costs at the approved amount of $0.222 million per year. In the current application, based on the continued amortization using the approved amount of $0.222 million per year, YEC stated that the deferral account is "scheduled to expire on December 31, 2026"[63] given that all remaining deferred vegetation management costs will be fully amortized as reflected in the table below:

Table 12. Deferred vegetation management continuity schedule

	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($million)						

59 Transcripts, Volume 2, PDF page 66.
60 Exhibit 4, YUB-YEC-1-64(a), PDF page 350.
61 Transcripts, Volume 2, PDF pages 66-68.
62 Exhibit 4, YUB-YEC-1-64(a), PDF page 350.
63 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 98.

Opening balance	0.886	0.886	0.665	0.665	0.443	0.222	-
Annual deferred costs	-	-	-	-	-	-	-
Annual amortization	(0.222)	(0.222)	(0.222)	(0.222)	(0.222)	(0.222)	
Closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.13.1.3, PDF page 98.

5.5.3 Reactivation of YEC's deferred vegetation management account

167. In this section, the Board discusses whether, given the unpredictable nature of forecasting brushing costs, YEC's transmission and distribution brushing costs deferral account treatment should "expire," as was suggested by YEC, or be reactivated.

168. When asked in YUB-YEC-1-52, YEC stated there was no significance attached to its use of the word "expire" in relation to its deferred vegetation management account. YEC confirmed that the Board could direct YEC to "activate a new deferral account or reactivate a prior deferral account any time in the future."[64]

169. The direction, in Board Order 2013-01, to establish the deferred vegetation management account was precipitated by the need for YEC to deal with a backlog of brushing that was urgently required at the time and for a brushing policy to be established. The Board approved the 2011 test period costs, but directed that any costs above those approved for 2011 would be held in the newly created deferred vegetation management account pending further examination.[65] YEC deferred brushing costs in excess of the 2011 level through to the end of 2016 at which time it requested Board approval to eliminate the requirement to defer brushing costs.[66]

5.5.4 Board Findings

170. The Board notes that, between the time YEC filed its current application on May 12, 2025, and the date it provided its IR responses on August 26, 2025, YEC's forecast brushing costs decreased by more than 30 per cent[67] for 2025. The Board views this update as significant and as evidence that YEC's brushing-related costs do not appear to be stable or predictable year over year.

171. The Board considers that one way to reduce both ratepayer and utility risk to this lack of stability is to reactivate the use of the established deferred vegetation management account. In doing so, ratepayers will benefit from paying only for actual brushing costs incurred, and the utility will, similarly, recover all prudently incurred brushing costs as accomplished during a given year.

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64 Exhibit 4, YUB-YEC-1-52(a) and (b), PDF page 258.

65 Board Order 2013-01, Appendix A, PDF pages 25-26.

66 YEC 2018-2018 Application, PDF pages 67-68.

67 Calculated as $0.461 million update / ($1.208 + $0.190) = 33.0 per cent

172. To that end, the Board directs that YEC's deferred vegetation management account be reactivated commencing with the year 2025.

173. Having reviewed YEC's support for its forecast 2025-2027 brushing costs, the Board accepts that YEC's 2025 forecast brushing costs of $0.937 million are based on the best information available information to YEC in late 2025, and its 2027 forecast brushing costs of $1.255 million are reasonable and in-line with 2024 actual costs. However, the Board is not convinced that YEC's forecast for 2026 brushing activities of $2.156 million is achievable, particularly given the ambitious capital work YEC has set out to complete. Accordingly, the Board will rely on an average of YEC's 2023-2024 actual and 2025, 2027 forecast brushing costs as a reasonable estimate of the brushing work that YEC could accomplish in 2026. The Board approves YEC's forecast 2025 and 2027 forecast brushing costs ($0.937 million and $1.255 million, respectively), and directs that, for the year 2026, YEC will incorporate forecast brushing costs of $1.200 million[68] in its compliance filing to this Board Order.

174. Further, YEC is directed to defer any brushing costs in excess of the 2024 level of $1.045 million. This direction does not preclude YEC from its collection of the existing remaining balance of deferred vegetation management costs for the years 2025 and 2026 in the amount of $0.222 million per year.

5.6 Administrative expense

175. The following table summarizes YEC forecast costs within in its administrative function:

Table 13. Administrative expense

	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($million)						
Labour	7.634	7.879	8.311	8.397	8.740	9.590	10.240
Resource planning	0.108	0.071	0.108	0.060	0.059	0.060	0.062
Communications	0.175	0.170	0.175	0.170	0.221	0.225	0.230
Customer accounting	0.423	0.337	0.356	0.287	0.332	0.338	0.345
Environmental management	0.361	0.667	0.361	0.899	0.953	0.972	0.991
General	0.852	0.898	0.834	1.031	0.945	0.964	0.983
Information systems	1.491	1.369	1.441	1.495	1.715	1.750	1.785
Fish hatchery	0.222	0.241	0.222	0.267	0.270	0.275	0.281
Safety	0.207	0.209	0.207	0.227	0.235	0.239	0.244

[68] Calculated as an average of YEC's 2023-2024 actual, 2025, 2027 forecast brushing costs (($1.339 million + $1.267 million + $0.937 million and $1.255 million)/4 = $1.200 million).

Training	0.150	0.120	0.150	0.112	0.168	0.171	0.175
Recruitment	0.439	0.486	0.457	0.405	0.514	0.512	0.573
Board of Directors	0.419	0.440	0.311	0.410	0.372	0.380	0.387
Union	0.121	0.074	0.091	0.091	0.096	0.110	0.061
Regulatory affairs	0.008	0.014	0.011	0.002	0.004	0.004	0.004
Material management	0.023	0.036	0.023	0.044	0.027	0.028	0.028
Contracting	0.058	0.042	0.018	0.055	0.039	0.040	0.040
Professional development	0.015	0.006	0.015		0.015	0.015	0.016
Capital project studies					1.000	1.000	1.000
Total Administration costs	**12.706**	**13.059**	**13.091**	**13.952**	**15.705**	**16.673**	**17.445**

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.9, PDF page 84.

5.6.1 Board of Directors costs

176. In response to YUB-YEC-1-43, YEC provided a breakdown of the components of the Board of Directors costs noted in Table 13 above. The response indicated that, within the forecast, Board of Directors costs were categories identified as CEO and Director evaluation, and Yukon University Research Grant. These costs are discussed in the sections which follow.

5.6.1.1 CEO and Director Evaluation costs

177. During the oral hearing, YEC was asked to explain what each of the costs identified as CEO evaluation and director evaluation entailed. These costs are shown in the following table:

Table 14. CEO and Director Evaluation costs

	2023 Actual	**2024 Preliminary Actual**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**
	($ millions)				
CEO Evaluation	0.016	0.032	0.030	0.031	0.031
Director Evaluation	0.018	-	0.035	0.036	0.036

Source: Exhibit 4, Response to YUB-YEC-1-43(c), PDF pages 221, 223-224.

178. YEC explained that

> ... those specific line items are related to the evaluation of the CEO, which is the Board's employee, and so you'll see them on a -- they're in there annually as the costs related to that. The director evaluation is the actual board itself, the evaluation costs and the recommendations for moving forward.[69]

[69] Transcripts, Volume 2, PDF page 38.

179. YEC further explained that the evaluations themselves are conducted by a third-party consultant and are

> ... a standard part of a -- of making sure that both the Board and the CEO are meeting expectations and performing according to their role, and I think that's critical to supporting a -- the provision of electricity in the Yukon.[70]

180. The YUB understands YEC to be saying that the titles of "CEO" and "Director" are not in reference to employees of YEC.

181. Specifically, the position of CEO was stated to be an employee of YEC's Board of Directors notwithstanding that YEC's labour costs include those of the YEC President and that the term "director" makes reference to the Board of Directors for YEC.

5.6.1.2 Yukon University Research Grant costs

182. During the oral hearing, YEC was also asked to provide more detail pertaining to "Yukon University Research Grant" and how any related expenditures are necessary for the purpose of providing utility service to YEC's ratepayers. These costs are shown in the following table:

Table 15. Yukon University Research Grant costs

	2023 Actual	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($ millions)				
Yukon University Research Grant costs	0.050	0.050	0.050	0.050	0.050

Source: Exhibit 4, Response to YUB-YEC-1-43(c), PDF pages 221, 223-224.

183. YEC responded[71] that the grant costs are a contribution being paid to the Yukon University research hub which conducts specific research on behalf of the electricity system for the entire north. The core purpose of the research group is to assess current demands on the electricity system, trends, and to share information with industry and government in a nonpartisan and unbiased way.

184. YEC viewed that the costs were relevant to YEC ratepayers because the work being done by the research group benefits both ATCO Electric Yukon and YEC and thus avoids duplication of work.

[70] Transcripts, Volume 2, PDF page 39.
[71] Transcripts, Volume 2, PDF pages 36-38.

5.6.2 Board Findings

185. The Board finds that neither the costs for the CEO's and Directors' evaluations nor the Yukon University Research Grant are regulatory costs that should be borne by YEC ratepayers.

186. In the case of the two evaluation costs, these are costs not attributable to YEC but are costs initiated and undertaken by YEC's Board of Directors, and are incurred during the course of their work. For this reason, these costs are disallowed for the purposes of YEC's regulated revenue requirement in this GRA and all future GRAs.

187. With respect to the Yukon University Research Grant, these costs represent overarching system-wide electricity concepts not solely for the benefit of YEC and, as such, are not benefitting YEC ratepayers. These costs are also disallowed for the purposes of YEC's regulated revenue requirement in this GRA and all future GRAs.

188. YEC is directed to remove all costs forecast for CEO's and Directors' evaluations and the Yukon University Research Grant in its compliance filing to this Board Order.

5.6.3 Capital project studies costs

189. Also forming a portion of costs within YEC's Administration expense was a new category identified as capital project studies costs, forecast in the amount of $1 million in each of 2025-2027.

190. In Board Order 2024-05 respecting YEC's 2023-2024 GRA, the Board was concerned with the capitalization of costs towards what ultimately did not result in an asset that provided an enduring benefit to ratepayers.[72] The costs at issue in that GRA were related to either:

    1) Costs for projects that remained in construction work in progress (CWIP) thus accruing AFUDC costs, but that were ultimately cancelled at some point during the construction process; or

    2) Costs for feasibility studies for projects that did not materialize as anticipated.

191. YEC was directed to examine its capitalization policies and revisit any processes or decisions that would be needed to ensure there was a reasonable probability a given project will proceed. If a project was determined to not proceed, it would be necessary to examine whether the CWIP costs to that point should be expensed.

192. YEC submitted an updated capitalization policy, identified in Appendix 5.3 – FX-001 Criteria for Capitalization[73] (FX-001), which included, as additional guidance, the conditions under which certain expenditures would be considered capital in nature as opposed to expense. In the event that a project in progress was found to no

[72] Board Order 2024-05, Appendix A, paragraphs 312, 326 and 345, PDF pages 76, 79-80 and 85.

[73] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 431-438.

longer be viable, the policy stated that the project would be closed and that any related costs incurred to date would be expensed on some agreed-to basis.

193. With respect to feasibility studies, YEC determined that costs related to feasibility studies no longer met the newly revised criteria for capitalization. Accordingly, YEC prepared a summary of conditions for expensing project or study costs that identified the "situations" under which project or study costs would be expensed, commencing in the year 2025. YEC also provided a list of 27 projects it would consider under this criterion.

194. YEC stated however, irrespective of the accounting treatment, that the need for project and study costs remained. YEC provided a forecast of $1 million for capital project studies costs in each of the 2025-2027 test years as shown in the following table:

Table 16. Capital project studies costs

	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($ millions)				
Capital project studies costs	-	-	1.000	1.000	1.000

Source: Extracted from Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.9, PDF page 84.

195. YEC based the capital project studies costs on a review of average total "small" feasibility project spending from 2017-2024, which showed an average of $1.14 million per year. YEC did not provide for a comparison of the total actual amount of small feasibility project spending for each of those years with the Board-approved amount.

196. In response to YUB-YEC-1-45, YEC stated that, at June 30, 2025, it had spent roughly $0.053 million of the total $1 million forecast for capital project studies. During the oral hearing, YEC provided an update to the amount of costs it had incurred to September 30, 2025, being $0.375 million on an actual basis. YEC explained that, although it anticipated to spend roughly $1.1 million on the studies in 2025, it did not expect to get invoices for the studies until closer to the end of 2025; this was the reason for the apparent variance between forecast and actual costs at the end of September 2025. When asked how accurate YEC's official forecast of $1.041 million was for 2025, the response was "accurate."[74]

5.6.4 Board Findings

197. This section addresses YEC's 2025-2027 forecast capital project studies costs. Board findings and directions related to FX-001 can be found in Section 6.5.2.

[74] Transcripts, Volume 2, PDF pages 71-73.

198. For this GRA only, the Board approves YEC's 2025-2027 forecast of $1 million per year toward capital project studies costs on the basis of YEC's prepared analysis of the average of the actual 2017-2024 feasibility study costs incurred. The Board expects the variances to be minimal if not non-existent for at least the year 2025, given that they were confirmed by YEC during the hearing to be "accurate."[75]

199. Furthermore, as noted in Section 6.5, the Board discusses, in detail, its concerns with certain aspects of FX-001 that it has directed YEC to address at the time of its next GRA.

5.6.5 Insurance costs

200. Over the 2025-2027 test years, YEC's insurance costs were forecast to increase due to mid-year market rate adjustments and increased insured asset value. Insured values are based on replacement cost estimates which are escalated annually and have experienced significant increases in recent years.

201. Specific to 2025 and 2026, mid-year rate increases are higher than normal due to recent insurance claims such as the Mayo Intake Gate and AH1 Field Loss failures. Insurance proceeds from these claims were expected to be roughly $7 million in 2025 net of a $1 million deductible. Rate increases for 2027 were expected to be more normalized.

Table 17. Summary of historical and forecast Insurance costs and Reserve for Injuries and Damages (RFID)

	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($million)						
Insurance applied-for	2.190	2.218	2.417	2.504	2.993	3.329	3.393
Update to insurance costs					(0.282)	(0.319)	(0.326)
Sub-total	2.190	2.218	2.417	2.504	2.711	3.010	3.067
Reserve appropriation (RFID)	0.616	0.616	0.616	0.616	1.063	1.063	1.063
Updated Total	**2.805**	**2.834**	**3.033**	**3.120**	**3.774**	**4.073**	**4.130**
Year over year increase (decrease) to 2024 approved					0.741	1.040	1.097
Year over year increase (decrease) to 2024 actual					0.654	0.953	1.010

Source: Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.10, PDF page 89; updated for Exhibit 4, YUB-YEC-1-47(d), PDF page 240, line 24; and Undertaking #13, PDF page 6.

202. YEC described recent steps taken to keep insurance premiums as low as possible while still providing adequate coverage. These activities included participating in the

[75] Transcripts, Volume 2, PDF page 73.

following: risk management practices; a full public tender process for insurance broker services; learning from an analysis of recent claims; evaluation of preventative maintenance to improve asset health and claim prevention; ongoing examination of health and safety practices; and implementing operational changes as provided by YEC's new insurance broker, Marsh, as part of a 2024 Property and Machinery Risk Evaluation Report.[76]

203. In response to YUB-YEC-1-47(d), YEC clarified that, as of June 1, 2025 — the date of its property insurance renewal, it had increased the deductible portion of its policy to $5 million. The savings related to this change had not been determined at the time of YEC's application. Accordingly, in its IR response of August 26, 2025, YEC was able to provide an update to its forecast insurance costs which is noted in Table 17 above.

5.6.6 Board Findings

204. The Board has examined YEC's evidence and supporting statements respecting its forecast insurance costs for the years 2025-2027. The Board accepts these forecasts as reasonable and they are approved.

5.6.7 Reserve for Injuries and Damages (RFID)

205. In its Application, YEC stated that its Board-approved RFID account is maintained to address uninsured and uninsurable losses as well as the deductible portion of insured losses. This allows for a balance between purchasing additional insurance and using a self-insurance mechanism such as the RFID. The RFID account also allows for the costs of unforeseen events to be smoothed out over a number of years to provide rate stability for YEC's ratepayers.

206. In Board Order 2025-12, respecting YEC's 2023-2024 GRA, the Board approved the continuation of an annual appropriation of $0.616 million for YEC's RFID account. The amount was comprised of an annual appropriation of $0.411 million and the amortization of a 2020 negative balance (of $2.050 million over a period of ten years) in an annual amount of $0.205 million.

Table 18. Reserve for Injuries and Damages (RFID) Continuity Schedule

	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($million)						
Opening balance	(3.343)	(3.343)	(3.281)	(3.282)	(5.086)	(4.577)	(4.068)
Net annual costs	(0.554)	(0.555)	(0.682)	(2.420)	(0.554)	(0.554)	(0.554)
Annual appropriation	0.616	0.616	0.616	0.616	1.063	1.063	1.063

[76] Extracted from Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 89-91.

Closing balance	**(3.281)**	**(3.282)**	**(3.347)**	**(5.086)**	**(4.577)**	**(4.068)**	**(3.559)**

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.11.1, PDF page 92.

5.6.7.1 Net annual costs for RFID

207. As shown in Table 18 above, the large "net annual costs" in 2024, of $2.420 million, was comprised primarily of two separate $1 million deductible portions of claims related to the Mayo Intake Gate and AH1 Field Loss failures.

208. Upon review of its 10-year average calculation, which showed an average net annual cost of $0.962 million, YEC did not consider the results to be representative of expectations for 2025-2027 given that the costs incurred in 2024 were atypical. Thus, YEC proposed that its net annual cost forecast should instead be determined based on 2023-approved net annual costs in the amount of $0.554 million.

5.6.7.2 Annual appropriation for RFID

209. YEC updated its forecast annual appropriation amounts consistent with calculations in previous GRA's. YEC proposed that the opening RFID balance (of $5.086 million at the end of 2024) should be amortized over a period of ten years (or $0.509 million per year).

210. Accordingly, YEC's total annual appropriation for 2025-2027 was forecast to include the "base" net annual cost of $0.554 million plus the amortization of the 2024 balance over 10 years in the amount of $0.509 million, for a total of $1.063 million.

5.6.8 Board Findings

211. The Board has examined YEC's calculations and explanations with respect to YEC's forecasts within its RFID continuity schedule. The Board accepts YEC's annual appropriation amounts and net annual costs as forecast for each of 2025-2027 as shown in Table 18 above as reasonable and they are approved.

6 Depreciation and amortization expense

6.1 Background

212. YEC forecast total depreciation and amortization expense in the amounts of $20.261 million in 2025, $24.190 million in 2026, and $26.398 million in 2027 as summarized in the following table:

Table 19. Summary of YEC historical and forecast depreciation and amortization Expense

	2023 Approved	**2023 Actual**	**2024 Approved**	**2024 Preliminary Actual**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**
	($million)						

Fixed asset depreciation	14.244	16.005	15.350	15.719	20.658	24.529	27.658
Less: Amortization of contributions	(5.656)	(6.480)	(5.679)	(5.705)	(5.933)	(6.358)	(6.684)
Lewes River Boat Lock insurance recoveries	-	-	-	-	(1.507)	(1.507)	(1.507)
Less: Amortization of fire insurance recoveries	(0.262)	(0.262)	(0.262)	(0.262)	(0.262)	(0.262)	(0.262)
Less: Disallowed depreciation	(0.051)	(0.051)	(0.051)	(0.051)	(0.051)	(0.051)	(0.051)
Plus; Amortization of deferred charges	4.536	3.690	5.345	5.436	7.006	7.488	6.893
Plus: Net salvage annual amortization	-	-	-	-	0.350	0.350	0.350
Total depreciation and amortization expense	**12.811**	**12.902**	**14.703**	**15.137**	**20.261**	**24.189**	**26.397**

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.13, PDF page 93.

213. Historically, this expense category is comprised of depreciation on YEC's fixed assets, the amortization of the associated fixed asset contribution amounts, the amortization of fire insurance recoveries and disallowed depreciation, and the amortization of YEC's deferred charges (including intangibles).

214. In the current application, as shown in Table 19 above, YEC proposed to also include the amortization of the Lewes River Boat Lock insurance recoveries and forecast costs related to its proposal to commence accruing net salvage costs. These costs are discussed further in the sections which follow.

6.2 Depreciation and amortization expense

215. YEC depreciates its assets consistent with the depreciation rates approved in Appendix A to Board Order 2022-03, subject to any depreciation rates developed for new asset classes since that time, as is the case with the Battery Energy Storage System (BESS). In this instance, YEC stated that it used a 20-year service life which was consistent with information provided during the BESS Part 3 hearing.[77]

216. The underlying mechanics of YEC's depreciation expense calculation was consistent with directions from Board Order 2024-05, Appendix A, where YEC was directed to ensure that the calculation took into account depreciation expense on current year additions. The revised calculation, being based on a mid-year convention, would be consistent with how YEC determines return on rate base.

[77] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 94.

6.2.1 Amortization of the Lewes River Boat Lock insurance recoveries

217. In 2021, YEC incurred damages and costs to the Lewes River Boat Lock due to the largest recorded flooding event along the Yukon River. YEC stated that the insurance "gain" was included in the 2024 year-end CWIP, and was intended to reduce the overall cost of the boat lock repair at the time of its completion. However, given that the new Lewes River Boat Lock project is now on hold and has an unknown future, YEC proposed to amortize the $4.520 million insurance proceeds over three years (being 2025, 2026, and 2027) in the amount of $1.507 million per year.

218. Also related to the Lewes River Boat Lock project insurance claim matter, YEC's updated Table 5.8 provided for a capital addition in the amount of $0.020 million. In its argument,[78] YEC noted that its response to YUB-YEC-1-50 (d) stated that this amount related to the cost of obtaining the Lewes River Boat Lock insurance recovery.[79]

6.2.2 Board Findings

219. The Board has examined YEC's rationale for amortizing the Lewes River Boat Lock insurance recovery over three years, and finds this to be reasonable.

220. The Board is also satisfied that the expenditure of approximately $0.020 million on the preparation of the insurance claim provided an immediate benefit to Yukon rate payers by enabling the receipt of the proceeds of its insurance claim. The Board considers that the costs incurred for the preparation of the claim are reasonable. However, rather than capitalizing the costs, the Board views they should be recorded as an offset to the $4.520 million claim amount that the Board has directed be amortized over three years. As such, the Board directs YEC to treat the insurance claim costs in the amount of $0.020 million as an offset to the amortization of the insurance proceeds and, similarly, to be amortized over a period of three years.

221. With the exception of YEC's net salvage proposal and the annual amortization in the amount of $0.350 million per year, which is discussed in the section which follows, the Board finds YEC's depreciation and amortization expense to be supported and reasonable and is approved.

6.3 Future removal and site restoration provision (Net salvage study)

222. In this section, the Board determines whether YEC should be allowed to reinstate the use of its Future Removal and Site Restoration (FRSR) account for the purpose of pre-collecting future net salvage costs[80] for terminal asset retirements through its depreciation expense.

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78 YEC Final Argument, Section 2.2.3.2.4, PDF page 35.

79 Exhibit 4, YUB-YEC-1-50 (d), PDF page 253.

80 Net salvage is also referred to as "costs of removal" as related to the retirement of an asset from

6.3.1 YEC's current processes for net salvage costs (or costs of removal)

223. In Board Order 2005-12, the Board required YEC to:

> ... discontinue recording an annual provision for FRSR effective January 1, 2005. The Board orders a variance from GAAP and requires that the December 31, 2004, balance in the FRSR account remain as a liability to be utilized for dismantling costs that are incurred in 2005 and future years. The Board requires YEC to inform Intervenors and stakeholders when the balance of the site removal liability account reaches $2.0 million.

224. This Order resulted in YEC no longer pre-collecting estimations of net salvage costs in its depreciation expense. Instead, as net salvage costs were incurred on an actual basis when a given asset was retired from utility service in the future, those costs would be charged against YEC's established FRSR account.

225. At the time Board Order 2005-12 was issued, YEC had a pre-collected balance in its FRSR account of approximately $5.8 million to be used towards future actual net salvage costs. When the balance of YEC's FRSR account was drawn down to the amount of $2 million, YEC was to inform the Board and interested parties.

226. YEC stated, in the current application, that it was now in a position to "propose a new approach to managing the future cost of net salvage" within its FRSR account. This was because YEC had retained Mr. Patrick Bowman, of Bowman Economic Consulting Inc., and Mr. Hayitbay Mahmudov, of InterGroup Consultants, to review its FRSR provisions. The net salvage study (study),[81] which was submitted by Bowman Economic Consulting Inc., explored two options with respect to YEC's net salvage provisions: a traditional approach and a capitalization approach. The study concluded that the capitalization approach would be suitable in the circumstances of YEC.

227. YEC stated that its forecast revenue requirement in the current application provided for the pre-collection of net salvage costs in the amount of $0.350 million per year "on the basis that the balance of the Reserve for Site Restoration is currently at an insufficient level, and therefore, should be increased to an industry standard

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utility service. Mathematically, net salvage is determined by subtracting the costs for removing an asset from utility service (or dismantling or restoring previous asset sites) from any amount received upon the asset's retirement. For most utilities, the normal state of net salvage is a "negative" balance, given that the costs to remove an asset from service are more often larger than any salvage value likely to be received.

81 The study was submitted as Tab 9, Net Salvage Study: Review of Yukon Energy Corporation Future Removal and Site Restoration provision (Net salvage) at pages 522-542 of YEC's application. A corrected version of Tab 9, Net Salvage Study: Review of Yukon Energy Corporation Future Removal and Site Restoration provision (Net salvage) was submitted in Exhibit 4, Response to YUB-YEC-1-68(a), PDF pages 429-448.

level…"[82] However, during the oral hearing, neither YEC nor Mr. Bowman were able to confirm the existence of an industry standard level.[83]

6.3.2 Discussion of a traditional versus a capitalization approach to net salvage costs

228. A traditional approach to net salvage costs was in place for YEC prior to Board Order 2005-12. Increases to YEC's FRSR account were recorded through the pre-collection of estimated future net salvage costs as a component of depreciation expense, and were offset by decreases to the account. The decreases to the FRSR consist of actual net salvage costs that are incurred and recorded against the account, thus drawing the balance down.

229. Under the traditional method, estimated future net salvage costs are determined statistically by examining trends of ratios of actual costs to retire an asset (costs of removal) divided by the actual historical cost of the asset being retired. In this way, the occurrence of an asset retirement is inseparable from the costs to retire that asset from utility service. This point is particularly salient under YEC's proposed net salvage study given that it is the type of asset retirement (being interim or terminal) that determines the subsequent treatment of net salvage costs (being capitalized or expensed).

230. Mr. Bowman identified two key issues with reinstating the FRSR under a traditional approach to net salvage. The first issue is that YEC's experience to date shows that its actual net salvage costs, since 2005, have been "heavily weighted"[84] towards terminal asset retirements with much lower net salvage costs attributed to interim retirements. YEC clarified that, while it does currently track costs incurred for removal activities, the costs recorded to its FRSR likely represent costs related to terminal asset retirements and that removal costs related to interim retirements "are likely already included in YEC capital costs of replacement assets."[85] In short, the ability to examine trends of ratios of actual costs to retire an asset (costs of removal) divided by the actual historical cost of the asset being retired is lacking, in large part, due to YEC's inconsistent use of its established FRSR account.

231. The second issue is that, under a traditional approach, the annual net salvage cost (pre-collection) was estimated in the amount of $2.473 million as a normal net salvage accrual, plus a net salvage true-up accrual of $2.269, for a total increase to YEC's depreciation expense (and revenue requirement) of $4.742 million per year.[86]

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82 Exhibit 4, Response to YUB-YEC-1-65(o), PDF page 368.
83 Transcripts, Volume 3, PDF pages 118-126.
84 Exhibit 4, Response to YUB-YEC-1-68(a), Attachment 1, PDF pages 438.
85 Exhibit 4, Response to YUB-YEC-1-66(c), PDF page 417.
86 Exhibit 4, Response to YUB-YEC-1-68(a), Attachment 1, PDF pages 447-448.

232. Under the capitalization approach to net salvage, as proposed in the study, YEC would be required to distinguish asset retirements and the related costs of removal into the categories of terminal asset retirements and interim asset retirements. Generally speaking, actual costs of removal for terminal asset retirements would be funded through pre-collected estimates of future net salvage costs as a component of depreciation expense. Actual costs of removal for interim asset retirements would be capitalized to the cost of an asset and be recovered subsequently through depreciation expense.

6.3.3 Capitalization approach - the distinction between the proposed treatment of terminal versus interim asset retirements

233. As noted above, YEC proposed to commence the pre-collection of costs of removal for asset retirements it described as "terminal." YEC explained that terminal asset retirements are those retirements where the asset at issue is removed, and no replacement or equivalent asset is intended to be built in the same location to replace it. YEC proposed to commence the pre-collection of $0.350 million per year, as an annual accrual, to be used towards actual net salvage costs for terminal asset retirements.

234. This is in contrast to interim asset retirements which are those retirements where the asset at issue will be removed and subsequently replaced by a similar asset in the same vicinity. Accordingly, under YEC's proposal, if approved, the costs of a new asset built to replace a retired asset would now consist of both the costs of removal of the old, retired asset, and the cost of the new replacement asset. In this way, YEC's depreciation expense would increase due to a new layer of costs consisting of the costs of removal related to the interim asset retirement.

235. Mr. Bowman stated that, for most utilities, it is interim asset retirements that are "typically the far more common type of retirement."[87] However, as discussed later in this decision, the opposite appears to hold in the case of YEC, that is, YEC experiences far more terminal asset retirements than interim asset retirements.

236. The Board examined the concept of routine and non-routine terminal and interim retirements. In doing so, a series of asset retirement scenarios were presented to YEC, and the specific treatment being proposed for each scenario was provided as shown in the following:

Table 20. Summary of asset retirement scenarios under the capitalization approach and proposed treatment of net salvage costs

Type of asset retirement:	Recorded as a capital cost to	Recorded against the FRSR (funded through 0.042 per cent annual accrual)	Recorded against the FRSR (funded through 0.042 per cent annual accrual plus an additional accrual built into rates to build up

[87] Exhibit 4, Response to YUB-YEC-1-68(a), Attachment 1, PDF page 435.

	the replacement asset		**the balances needed to undertake the removal activity)**
	How the costs of removal for each type of asset retirement would be recorded.		
Costs of removal for routine interim retirements	Yes		
Costs of removal for non-routine interim retirements	Yes		Possible unforeseen site restoration or salvage activities at a scale that cannot be accommodated within the capital cost of the replacement asset or FRSR accrual. No specific examples identified.
Costs of removal for routine terminal retirements		Yes	
Costs of removal for non-routine terminal retirements			Yes
Other circumstances – please specify and provide example if necessary		Removal, Site Restoration and Net Salvage activities not tied to an asset replacement or retirement (e.g., clean up of contaminated sites long after any associated asset retirement)	Possible unforeseen site restoration or salvage activities at a scall that cannot be accommodated within the FRSR accrual. No specific examples identified.

Source: Exhibit 4, Response to YUB-YEC-1-68(b), PDF page 428.

237. As shown in Table 20 above, costs of removal for routine and non-routine interim asset retirements would be capitalized to the cost of the new replacement asset.

238. With respect to routine terminal asset retirements, the annual accrual rate of 0.042 per cent (or $0.350 million per year) towards the pre-collection of net salvage costs for future terminal asset retirements would suffice in the FRSR account, except for the circumstances noted in the table above, or where a

> … major upcoming terminal retirement is identified or an ARO [asset retirement obligation] has been recorded for a material asset, [that] this amount should be increased to reflect this obligation as early as reasonable plans can be developed for the retirement, including timing and cost.[88]

[88] Exhibit 4, Response to YUB-YEC-1-68(a), Attachment 1, PDF page 432.

6.3.4 Capitalization approach - calculation of the $0.350 million annual net salvage accrual

239. The proposed annual FRSR accrual amount of $0.350 million had been determined using historical data which YEC and Mr. Bowman purported consists primarily of terminal asset retirement activities that have been tracked to YEC's current FRSR account.

240. A table of year over year actual net salvage costs compared to Gross Property Plant and Equipment (PPE) balances resulted in a ratio of 0.042 per cent. It would be this per cent when applied to YEC's current PPE balance that determined the proposed annual FRSR accrual amount – specifically:

> Based on an estimated 2024 year-end Gross PPE of 841.173 million, this would yield an estimated net salvage spending on terminal retirement activities of 0.352 million.

241. The historical data relied on by YEC and Mr. Bowman is provided in the following:

Table 21. FRSR spending in relation to Gross PPE ($000)

	spend/ recover	Gross PPE (including WIP)	Ratio
2005	139	222,116	0.063%
2006	535	226,567	0.236%
2007	(158)	237,646	-0.066%
2008	73	275,268	0.027%
2009	160	297,262	0.054%
2010	243	378,170	0.064%
2011	53	473,168	0.011%
2012	-	495,796	0.000%
2013	40	520,406	0.008%
2014	-	555,552	0.000%
2015	304	577,888	0.053%
2016	8	589,387	0.001%
2017	55	598,756	0.009%
2018	340	615,387	0.055%
2019	1,173	642,291	0.183%
2020	53	667,962	0.008%
2021	-	691,598	0.000%
2022	49	734,073	0.007%
2023	653	796,724	0.082%
		mean	0.042%

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 537.

242. During the oral hearing Mr. Bowman was unable to identify a utility precedent for the use of the actual net salvage spending to Gross PPE ratio as a method for estimating an annual net salvage accrual. Mr. Bowman explained, however, that, in the

circumstances of YEC, it was a place to "get started, come up with a number that is – that we know is directionally appropriate."[89]

6.3.5 Data issues affecting net salvage

243. As noted earlier, an analysis of YEC data showed that the majority of net salvage spending tracked to its current FRSR account represents terminal retirement activities.[90]

244. Further, YEC clarified that, while it does currently track costs incurred for removal activities, the costs recorded to its FRSR likely represent costs related to terminal asset retirements, and that removal costs related to interim retirements "are likely already included in YEC capital costs of replacement assets."[91]

245. Mr. Bowman provided additional information with respect to how YEC's costs of removal have been accounted for since 2005, saying that the spending on net salvage costs (recorded as draw-down of the FRSR account) is limited and comprised of spending on three projects. Thus, according to Mr. Bowman:

> … it appears likely that Yukon Energy has approached use of the FRSR with restraint, likely accounting for costs as either capital or O&M, which could have been included in the FRSR based on utility industry practice.[92]

246. YEC was asked, during the oral hearing, if it provides its employees or consultants with instructions on where to record labour hours spent in removing an asset from utility service. The response indicated that, while there are directions to record the time to where the work is spent, there is no break down of costs into different components of the work on a specific project:

> … there may be a work order for them to go out and fix a transmission line. They will -- there's one work order for that. They will spend time travelling out there. They will have fuel going out there. They will have materials out there. They will record their time for all of that for removing the old asset, adding the new asset, returning home, and that is one work order.[93]

Further, YEC stated that: "… depending on the project, it could go to be expensed or capitalized or we could have – as we see here, we've done some to the FRSR account."[94]

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89 Transcripts, Volume 3, PDF pages 141-142.
90 Exhibit 4, Response to YUB-YEC-1-68, (a), Attachment 1, PDF page 442.
91 Exhibit 4, Response to YUB-YEC-1-66(c), PDF page 417.
92 Exhibit 4, Response to YUB-YEC-1-68(a), Attachment 1, PDF page 434.
93 Transcripts, Volume 3, PDF page 165.
94 Transcripts, Volume 3, PDF page 165.

247. When questioned on what appeared to be some latitude in where an individual might record salvage costs for a given project, YEC denied that this would cast doubt on the integrity of a business case, nor was it evidence of a lack of control. YEC stated there was little to be gained from employees "putting more time on their timesheet than actually doing work."[95]

248. During the oral hearing, Mr. Bowman explained that he was on the 2005 YEC GRA panel that dealt with the FRSR issues addressed in Board Order 2005-12. In that proceeding, and with respect to how YEC's net salvage costs were to be recorded as a drawdown to the FRSR, Mr. Bowman stated:

> ... when a capital project is undertaken at Yukon Energy, the costs of the capital project are identified separately between costs to effectively construct the new assets and where applicable, costs that were incurred to take out the old assets or to remove or salvage assets that had previously been in place. Those latter costs are not added to the cost of the capital project. They are charged against this reserve because that's the type of costs that these monies have been set aside for during the life of that asset.[96]

6.3.6 Conflicting evidence with respect to AltaLink Management Ltd. as a comparator to YEC for the purpose of a capitalization approach

249. During the oral hearing, Mr. Bowman agreed that YEC's proposed Net Salvage method is being modeled, to some degree, on a similar capitalization method being used by AltaLink Management Inc. (AltaLink), noting that "theirs is still being phased in."[97]

250. Mr. Bowman was also asked if he agreed that one of the major differences between the nature of retirements experienced by each of YEC and AltaLink was that:

> ...the vast majority of AltaLink's asset retirements have been and continue to be routine interim retirements whose net salvage costs are under AltaLink's net salvage method intended to be capitalized to the cost of the new replacement asset.[98]

251. Mr. Bowman responded:

> No, I won't necessarily agree with that, and if that -- Mr. Mahmudov may have a better memory than me with the figures, but we are in the middle of an AltaLink proceeding right now and it was a couple of years ago that AltaLink stopped charging interim retirements to their net salvage account. They still have a net salvage account where they only charge terminal retirements

95 Transcripts, Volume 3, PDF page 166.
96 YEC 2005 Revenue Requirements, Transcripts, Volume 5, PDF page 74.
97 Transcripts, Volume 3, PDF pages 133.
98 Transcripts, Volume 3, PDF pages 133-134.

> anymore, and it is a not immaterial amount of charges that flow through that account every year and forecast to flow through that account.[99]

252. Mr. Bowman was also asked if another difference between YEC and AltaLink is that "terminal asset retirements for AltaLink are exceptionally rare, whereas terminal asset retirements are more common type of asset retirement for YEC?"[100]

253. Mr. Bowman responded:

> ... no, I don't know that I necessarily agree. The -- you know, AltaLink is a transmission facility owner and Yukon Energy of course owns transmission assets.
>
> I don't see any reason why those would be materially different type of assets in so far as terminal retirements. AltaLink does have, as I noted, a notable amount of terminal retirements occurring every year.[101]

254. The responses provided during the oral hearing as noted above, conflict with the evidence filed by Mr. Bowman in the Net Salvage study which stated:[102]

> ... the Yukon Energy record appears to be heavily weighted towards terminal retirements with much less reflection of the costs of net salvage associated with interim retirements. It would normally be expected that the interim retirements experienced add up to many multiples of the costs recorded for terminal retirements, yet Yukon Energy's record with respect to interim retirements does not match this pattern (more than half of recorded net salvage costs are for terminal retirements). For example, AltaLink has filed estimates of terminal versus interim retirements that indicate interim retirements typically are 10 times the experience with terminal retirements. (emphasis added)

6.3.7 Board Findings

255. Based on the evidence noted in the preceding sections, the Board is not satisfied that the evidence supports the approval of YEC's proposal to commence a capitalization approach for its net salvage costs, at this time, for the reasons that follow.

256. First, the Board is concerned with the prospect of capitalizing costs of removal for "interim" asset retirements while simultaneously pre-collecting costs of removal for "terminal" assets retirements tied to a proposal that has relied on poor quality data.

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99 Transcripts, Volume 3, PDF pages 134.

100 Transcripts, Volume 3, PDF pages 134-135.

101 Transcripts, Volume 3, PDF pages 135.

102 Exhibit 4, Response to YUB-YEC-1-68(a), Attachment 1, PDF page 438. The footnote provided with respect to AltaLink references: "AUC Exhibit 2650-0023, AML-AUC-2021AUG20-011. Pdf page 26 of 315."

The Board agrees, more generally, that there may be conceptual merits related to capitalizing net salvage costs associated with interim asset retirements, and accruing some estimate of costs in depreciation expense for future terminal asset retirements for a utility of the size of YEC. However, the evidence provided by YEC to support its proposal is lacking and, in some instances, conflicting.

257. For example, it appears, from YEC's own evidence, that it has, for some time, been either capitalizing or expensing costs of removal for interim retirements without having ever formalized the change in process. Despite a clear recapitulation, during the oral hearing for YEC's 2005 GRA, of how and where costs of removal were to be recorded, YEC appears to not have adhered to that stated practice. Furthermore, YEC has provided no evidence of the quantum of dollars that have been either capitalized or expensed since that time.

258. Second, the Board is concerned by the apparent lack of concern with where costs of removal have been recorded since 2005 as the costs of removal may not have correctly been recorded to the FRSR. The Board rejects the claim of Mr. Bowman that ratepayers may have been aided by or even benefited, financially or otherwise, from YEC's lack of oversight in this regard because this claim is not supported by the evidence.

259. Third, YEC has not proposed to identify costs of removal within a business case going forward. This is a shortcoming in YEC's evidence given the intent to capitalize costs of removal for interim asset retirements related to capital asset replacement projects in all cases. This information, which in the Board's view is vital, would have provided a necessary substantiation of the amount of costs that could be expected to now be formally capitalized into YEC's rate base under the proposed capitalization method. Furthermore, the Board views that, under YEC's proposed net salvage method, capitalized costs of removal are costs that would be subject to a test of prudence.

260. Fourth, while stating that YEC's terminal asset retirements are unusually frequent in comparison to the normal state for a utility, YEC has given no assurances that this type of asset retirement will remain the status quo, nor provided an explanation of why terminal assets are expected to remain the dominant type for YEC in contrast to other utilities.

261. As noted by Mr. Bowman with respect to the costs of removal that should have been charged to the FRSR since 2005, that it is "possibly an omelet that could never be unscrambled at this point, it's possible that some of those tasks were actually tracked as capital. It's possible some of them were tracked as operating costs."[103] This is troubling given that the Board cannot recall a business case where retirement activities and their associated costs of removal for a capital asset replacement

[103] Transcripts, Volume 3, PDF page 169.

project were identified or intended to be capitalized, nor can the Board recall an O&M expense variance being explained as due to costs of removal.

262. As a result, the Board denies YEC's proposal to commence a capitalization approach for its net salvage costs at this time. YEC is directed to remove its forecast net salvage expense in the amount of $0.350 million for each of 2025-2027 in its compliance filing to this Board Order.

263. Furthermore, given that YEC's evidence has confirmed there to be an inconsistent use of its established FRSR account, YEC is directed to prepare a statement of its regulatory accounting for actual net salvage costs to the Board at the time of its next GRA. This may be prepared as a separate policy or be added as a section within YEC's FX-001 Criteria for Capitalization policy as noted in Section 6.5.2.

6.4 Regulatory accounting treatment of gains and losses on dispositions of capital property

6.4.1 Views of YEC

264. In response to YUB-YEC-65(d), YEC provided a typical accounting entry for a derecognized asset transaction stating that derecognition was the same as retiring an asset:

> If an old asset is replaced by a new asset, such as if the old asset fails, the new asset will be capitalized at its cost and the old asset, which is no longer-in-service, has its net book value written down to $0.[104]

265. YEC provided a typical accounting entry for a derecognized asset transaction, which is shown in the following:[105]

Debit	Loss on disposal	$46,000
Debit	Accumulated depreciation	$17,000
Credit	Asset	$63,000

266. During the oral hearing, the Board questioned[106] YEC as to how the $46,000 loss on disposal was recorded in the accounts of YEC. The response indicated that the loss, was not included in revenue requirement, and was paid for by shareholders.

267. YEC confirmed that the loss is not recovered as a remaining capital cost, but goes to YEC's shareholder because "we did not predict it, it's – goes to our shareholder."

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104 Exhibit 4, Response to YUB-YEC-1-65(d), PDF page 355.

105 Exhibit 4, Response to YUB-YEC-1-65(d), PDF page 355. Specific to the example provided, YEC stated that in 2024, it had determined that a non-working protection relay test set was replaced by a new working protection relay test set.

106 Transcripts, Volume 2, PDF pages 75-78

268. When asked to explain the concept of predicting an asset retirement further, YEC responded that:

> When I said it's not predicted, I could foresee an example in the future, if we have a replacement planned that is due to now a known condition of an asset that we think we're going to replace it early. So it still has net asset value on it.
>
> We could, I guess, say in the -- we could have -- if we did plan for it in this GRA, I could have said, oh, we're going to replace this item in 2025 because we know it was in bad condition and we've got a plan to fix it and it's got a net asset value of $46,000.
>
> And because it was unexpected overall, but we now -- we know about at the time of preparing the application, we could have then included that $46,000 as a request for a revenue requirement.[107]

269. When further asked if it was the asset retirement, or the loss, or both that wasn't predicted, YEC stated:

> In this specific example, the relay test set was determined to not be working properly, so the asset was taken out of operation. That was not expected. It resulted in an unexpected loss, that the -- because of the asset unexpectedly being taken out of service.[108]

6.4.2 Board Findings

270. The discussion above has raised further questions with respect to YEC's regulatory accounting treatment for the disposition or retirement of utility assets and the treatment of any related gains or losses.

271. In the example discussed during the oral hearing, YEC cites a condition of prediction or knowledge of an asset retirement as determining that a loss was to the account of the shareholder. However, the Board's view is that YEC's response is likely an oversimplification of much more complicated transactions and scenarios that would benefit from further clarification.

272. Questions that have arisen from the oral hearing, and that require resolution include the following:

- For unexpected asset failures resulting in losses that occur between GRA applications, does the lack of knowledge of that asset retirement, as it affects revenue requirement, require that any remaining net book value for that asset be necessarily for the account of the shareholder?

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107 Transcripts, Volume 3, PDF page 106.

108 Transcripts, Volume 3, PDF page 106.

- Similarly, how would gains that result from unexpected asset retirements be treated? How does this differ from the treatment of gains from expected asset retirements?
- What are the conditions under which net book value is to the account of the shareholder compared to the conditions under which net book value is recoverable from ratepayers?

273. The Board views that it is necessary for YEC to clarify its treatment of its regulatory accounting for gains and losses on dispositions of utility assets in relation to predictability. YEC's examination of various transactions and scenarios, and its treatments thereof, should be formalized and documented within a YEC policy. YEC is directed to prepare a statement of its regulatory accounting for gains and losses on dispositions of utility assets to the Board at the time of its next GRA. This may be prepared as a separate policy or be added as a section within YEC's FX-001 Criteria for Capitalization policy as noted in Section 6.5.2.

6.5 FX-001 Criteria for Capitalization

6.5.1 Views of YEC

274. In Board Order 2024-05, Direction #5 at paragraph 312,[109] YEC was directed to re-examine various requirements in its existing capitalization policies and supporting documents. This direction required YEC to establish a robust procedure for determining whether a study would be required to be expensed, or whether a study would potentially meet the stated criteria for capitalization:

> ... To reduce the impacts of capitalizing significant amounts of AFUDC on ratepayers, the Board directs YEC to examine and redefine its processes for similar major deferred capital projects and to only capitalize those costs once it is determined that there is a reasonable probability that that project will go forward and to reflect, as necessary, any changes that may be required to YEC's capitalization policies and supporting documents. On a go-forward basis, YEC is to explore and provide an alternative for the treatment of costs incurred for such projects until it has established a reasonable probability that the project will proceed. For example, this could be done by expensing the costs as incurred (until a reasonable probability of proceeding is determined) or treating the costs as no-cost capital (with or without debt and/or equity financing).

275. YEC's updated capitalization policy was submitted in its application in Appendix 5.3 as policy FX-001 Criteria for Capitalization (FX-001).[110]

276. In its deferred project costs section of its application, YEC noted that, in addition to costs for work associated with relicensing efforts, its deferred project costs include

[109] Board Order 2024-05, Appendix A, Errata, PDF 109.
[110] Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.3, PDF pages 431-438.

feasibility studies for many of its projects,[111] the latter of which are subject to the guidelines set out in FX-001.

277. In its application, YEC indicated that its proposed capitalization policy was based on a review of International Financial Reporting Standards (IFRS), and relied on other industry guidance.[112]

278. Key elements of FX-001 pertaining to capital project study costs include Clause 2.0 "Recognition," which states that the cost of an item of property plant and equipment shall be recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be reliably measured.

279. YEC also explained that, in Clause 2.0 of FX-001, it established an annual O&M project expense budget used to fund projects in very early stages. Under this approach, capital project studies (CPS) costs that do not meet the capitalization criteria will be expensed.[113] Details respecting the Board's examination of these costs as forecast for 2025-2027, can be found in Section 5.6.4.

280. Another key element of FX-001 related to the treatment of capital project studies is the criteria for capitalization (Clause 3.0), which states:

> Notwithstanding clause 2.0, expenditures are considered capital in nature if one or more of the following criteria are met:
>
> a) If they have been incurred to acquire, construct, or develop assets that will be used on a continuing basis for longer than one year.
>
> b) The resulting asset will be held for use in the generation, transmission, or distribution of electricity, directly or indirectly.
>
> c) The cost is significant relative to the total capital cost of the particular asset. In the case of new assets, the cost must exceed $1,000.

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111 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 201.

112 Exhibit 1-A, YEC 2025-2027 General Rate Application, Section 3.3.5.1, PDF page 86. The Board notes that Appendix 5.3 (FX-001), YEC appears to indicate YEC's reference to "industry guidance" is primarily referring to a review of the practices of BC Hydro (Application, Appendix 5.3, PDF 432). In footnote 1 of FX-001, YEC explains that it is the practice of BC Hydro to establish an annual O&M budget item (referred to by BC Hydro as "Capital Projects Investigations" or "CPI") to cover non-capitalizable costs such as the costs of the design of a new type of equipment. YEC explained that under this practice, BC Hydro releases a project with CPI "seed" money "to allow the project teams to identify the alternatives and determine the leading alternative." YEC further explained that until a leading alternative is identified, a project in this initial investigation stage continues to be funded from BC Hydro's CPI rather than being capitalized because BC Hydro's capitalization criteria have not been met.

113 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.3, PDF page 432.

281. In addition to the above, Clause 3.0 of FX-001 provided a table containing additional guidance to determine whether expenditures associated with a specific capital project in development should be charged to the CPS element of YEC operating expense or capitalized. In this table, YEC identifies specific objectives and activities associated with the "Needs Stage" and "Conceptional Design Stage" and "Identification Phase" of the life cycle of a capital project that YEC indicates should be charged to the CPS component of operating expense. Conversely, the table also indicates that activities related to life-cycle phases subsequent to the "Needs" and "Conceptual Design" stages of the Identification Phase are to be charged to the capital project.

282. As discussed earlier in Section 5.6.4 of this decision, YEC proposed that $1 million per 2025-2027 test year should be included as part of its Administrative O&M expense to fund its CPS program. YEC submitted that because the expense forecast for its CPS program in the application was less than its historic spending on feasibility studies, and because no AFUDC would be accumulated on projects included as part of the CPS program, this proposal would benefit rate payers.[114]

283. As part of YEC's CPS proposal, the names of 27 specific projects were identified as projects it was considering for inclusion as Administrative O&M as part of its CPS proposal.[115]

284. The Board asked YEC why it had determined that certain of those 27[116] projects should not be considered to pertain to activities falling under a typical administrative function for which costs would normally be included as part of administration labour. Responding to this request in relation to five projects identified in the Board's question,[117] YEC explained that each of the five projects identified in YUB-YEC-1-45 meets either the criteria for capitalization set out in Clause 3.0 of FX-001, or Clause 5.0 pertaining to intangible assets, and thus is eligible for capitalization.

285. The YEC panel addressed a number of questions from the Board about its CPS proposal during the hearing.[118]

286. YEC argued that it believes the capital project studies costs amount of $1 million proposed in the application is likely to be insufficient in 2025 and future years.[119]

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114 Exhibit 1-A, YEC 2025-2027 General Rate Application, Section 3.3.5.1, PDF page 88.
115 Exhibit 1-A, YEC 2025-2027 General Rate Application, Section 3.3.5.1, PDF page 88.
116 Exhibit 4, YUB-YEC-1-45, PDF pages 227-235.
117 The projects identified in Exhibit 4, YUB-YEC-1-45 were "phone system replacement study and ERP replacement research."
118 Transcripts, Volume 2, PDF pages 235-236.
119 YEC Final Argument, PDF page 29.

6.5.2 Board Findings

287. The Board finds that YEC's proposed FX-001 policy has a fundamental flaw in that it bases the determination of whether an expenditure is classified as operating expense or a capital cost solely on whether the expenditure is made in the advancement of a capital project that YEC intends to complete. In this regard, the Board notes that in response to Board questioning during the hearing, Mr. Epp indicated that if YEC believes that spending could result in a capital asset, such spending is recorded as a capital asset study. In subsequent related questioning, Mr. Epp emphasized that such determinations are made "from the very beginning."[120]

288. In contrast to YEC's explanations, the Board considers that one of the most fundamental determinants of whether an expenditure should be classified as capital is whether a capital project is likely to, or has, in fact, been completed, has resulted in a physical asset, and has been placed into utility service. This perspective was reflected in the Board's finding in Board Order 2024-05 in which the Board requested that YEC "explore and provide an alternative for the treatment of costs incurred for such projects until it has established a reasonable probability that the project will proceed."[121] (emphasis added)

289. The Board finds that the framework set out in the Clause 3.0, "Criteria for Capitalization," section of FX-001 bases the classification between "O&M (CPS)" and capital as determined exclusively by whether the activities generating the expenditure relate to the initial two phases (i.e. "Identification Phase (Needs Stage)" or "Identification Phase (Conceptual Design Stage)"), but does not adequately reflect the fact that expenditures on capital projects under development may be, and have been, cancelled after these first two stages have been completed, thereby again failing to produce a useful utility asset.

290. Given the above, the Board considers that, to the extent that YEC has presumably based its proposed forecast operating expense amount for capital projects studies of $1 million per year based on "feasibility project spending" that reflects spending that YEC only considered to be associated with the first two phases in Clause 10.0 of FX-001, there is the potential that an even greater amount of YEC's spending for the projects between 2017-2024, which YEC examined in order to set its baseline forecast, should have been considered to be operating expense rather than capital.

291. Notwithstanding, based solely on the fact that YEC's analysis, which excluded the effects of larger projects which indicated larger spending (an average of $1.140 million over the 2017-2024 period), the Board approved, in Section 5.6.4, YEC's proposed expense amount of $1 million per year for preliminary capital project

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120 Transcripts, Volume 2, PDF pages 237-238.

121 Board Order 2024-05, Appendix A (Errata), paragraph 312, PDF page 109,

studies for the years 2025 through 2027. In light of YEC's comment that it should probably expense more and capitalize less of its historical spending than is reflected the proposal presented in the current application, as noted in Section 5.6.4, the Board's approval of this amount should not be considered to be a precedent for the operating expense allowance that should be utilized for preliminary capital project studies expense allowance for future YEC GRAs.

292. In addition to the Board's concern that FX-001 does not reflect the basic criteria that treatment as capital should relate to expenditures related to actual capital assets that go into utility service, the Board is also concerned that Clause 10.0, "Project Cancellation," as written, appears to reflect an expectation that when a decision is made to cancel a project, treatment of costs accrued to a cancelled project are either treated as immediately recoverable expenses or as amounts to be amortized over a longer period of time. The Board considers that, to the extent that Clause 10.0 in FX-001 references the Yukon Utilities Board, in relation to either of these treatments, it should be revised to make it clear that any recovery of expenditures on cancelled projects from rate payers is not automatic, and that YEC bears the onus to demonstrate that all expenditures made on cancelled projects were prudently incurred.

293. The Board directs YEC to provide a revised proposal within FX-001, for the determination of a forecast and actual operating expense amounts for preliminary capital project studies reflecting the Board's above noted findings at the time of its next GRA. Accordingly, YEC's response to Board Order 2024-12, Board Direction 5, at paragraph 312, remains outstanding at this time, pending further consideration at the time of YEC's next GRA.

294. As an additional matter, given the Boards direction in Section 6.3.7 with respect to YEC's regulatory accounting for actual net salvage costs, YEC may respond to that direction by expanding FX-001 to include the issues noted by the Board in Section 6.3.7, or YEC may respond to that direction in a separate policy.

295. Similarly, given the Boards direction in Section 6.4.2 with respect to YEC's regulatory accounting treatment of gains and losses arising from asset retirements or dispositions, YEC may respond to that direction by expanding FX-001 to include the issues noted by the Board in Section 6.4.2, or YEC may respond to that direction in a separate policy.

7 Return on rate base

296. YEC's rate base is financed by two main sources of capital: long-term debt and shareholder equity. For this Application, YEC forecast an average cost of debt of 3.56 per cent (2025), 3.72 per cent (2026), and 4.02 per cent (2027), and a return on equity of 9.15 per cent for each of the test years 2025-2027. The combination of cost

of debt and return on equity gives a forecast average cost of capital of 5.81 per cent (2025), 5.89 per cent (2026), and 6.07 per cent (2027).

297. Details regarding YEC's return on rate base were provided in sections 3.5 and 8 of the application.

7.1 Cost of debt

7.1.1 Views of YEC

298. YEC forecast new debt issues of $73.664 million (2025), $81.572 million (2026), and $57.656 million for 2027. The rate for the new debt issues for test years is expected to be 4.55 per cent, and is based on the long-term Canada bond rate plus 120 basis points. In accordance with the direction from Board Order 2018-10, YEC used the Government of Canada Long-Term Bond Benchmark of 3.35 per cent as at January 28, 2025.

299. Table 3.15.1 of the application provided a list of YEC's outstanding debt. Of note in that list was a $1.0 million amount from the lender CAFN. The debt is associated with the installation of the third turbine at the Aishihik hydro plant, and the applied interest rate is ROE (return on equity). In response to YUB-YEC -1-54, YEC stated that it was required to accept the terms of the debt to be in compliance with the AGS (Aishihik Generation Station) Project agreement, and that it entered into the debt agreement with CAFN on July 21,2023, but that that information was not available at the time of YEC's 2023-2024 GRA proceeding.[122,123] YEC informed the Board, for the first time, about the terms for this debt in this proceeding (YEC 2025-2027 GRA).

7.1.2 Board Findings

300. With the exception of the CAFN debt, the Board approves the debt as submitted by YEC as it is in accordance with previous Board directions. The Board had an extensive discussion with YEC during the hearing regarding the CAFN debt.[124]

301. In that exchange, and the resulting undertakings, YEC confirmed the following:

- The AGS project agreement was signed July 21, 2022.
- The BESS project proceeding occurred in 2021, and the report on that proceeding was issued June 30, 2021.
- The YEC 2023-2024 GRA was filed August 31, 2023, and did not include a line item regarding a CAFN debenture.
- The YEC 2025-2027 GRA is the first time the CAFN debenture is before this Board.

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122 Exhibit 4, YUB-YEC-1-54, PDF pages 327-328.

123 YEC Response to Undertakings, October 28, 2025, Attachment 2, Undertaking #39, PDF page 57

124 Transcripts, Volume 3, starting at page 411 line 1 and continuing to page 415, line 21.

- In the BESS proceeding, YEC proposed, and the Board accepted, that investment opportunities to be provided to the First Nations by structuring the debentures arrangements as a benefit where Yukon Energy pays the interest on debentures, based on the actual rate of return on equity; however, for rate-setting purposes, Yukon Energy will use the cost of debt to remove the impact on ratepayers. The variance between the actual interest rate and the interest expense included in rates will be charged against Yukon Energy's retained earnings. The Board, in its report dated June 30, 2021, stated that it accepts Yukon Energy's commitment that ratepayers will not be adversely impacted by the debenture investment opportunity.[125]

302. YEC went on to state that the CAFN debt is not part of the BESS agreement, and that there have actually been no agreements, yet, regarding BESS. The CAFN debt pertains to the AH3 project and there was no specific guidance on how to treat the CAFN debt to their understanding.

303. The Board is not persuaded by the position of YEC on this issue. The ongoing principle of how YEC should handle the rate impact of investment opportunities provided to First Nations was established in the BESS proceeding (that ratepayers would not be adversely impacted by First Nation investment opportunities and that YEC treat the return on the debenture in excess of YEC's average cost of long-term debt as a disallowed expense), and was accepted by the Board. That determination was established by June of 2021, and provides clear guidance on how such transactions should be treated. Those accepted guidelines existed well before the AGS project agreement and before the CAFN debenture agreement was signed. YEC did not provide any evidence on why the CAFN debenture should be treated differently from the principles established in the BESS proceeding. Therefore, for regulatory purposes, YEC is directed to treat the interest rate applied to the CAFN debenture according to the principles established in the BESS proceeding (the average cost of YEC's long-term debt before the CAFN debenture) and to reflect this decision in its compliance filing to this Board Order.

7.2 Capital structure

7.2.1 Views of YEC

304. Capital structure was discussed in Section 8.3 of the application. YEC proposed to maintain its existing capital structure of 60 per cent debt and 40 per cent equity. In the current proceeding, there was no evidence to suggest that a change from the 2023-2024 approved capital structure (the existing capital structure) was required for 2025-2027 test years. YEC stated this capital structure (60 per cent debt and 40

[125] Yukon Utilities Board Report to Yukon Minister of Justice on Yukon Energy Corporation Application for Energy Project Certificate and Energy Operation Certificate Regarding the Proposed Battery Energy Storage System (BESS) Project, June 30, 2021, PDF pages 37-38.

per cent equity) has been approved for Yukon Energy at least since 1992. There is no new evidence that warrants the change in the capital structure. Therefore, YEC is not proposing a change to capital structure for this proceeding.[126]

7.2.2 Board Findings

305. The Board approves YEC's capital structure of 60 per cent debt and 40 per cent equity for the 2025-2027 test years as reasonable and consistent with past practice.

7.3 Return on equity (ROE) and risk premium

7.3.1 Views of YEC

306. YEC provided its submissions on ROE in sections 3.52 and 8 of its Application. In those submissions, YEC proposed to continue with the British Columbia Utilities Commission (BCUC) benchmark utility ROE. Consistent with past practice, YEC requested the Board to continue to acknowledge that the business risk premium for YEC be higher than that for AEY. The application referenced Board Order 2024-05 and 9.15 per cent as the return for the BCUC benchmark utility. It was determined in the 2023-2024 GRA proceeding that the benchmark rate approved for FortisBC (FBC), an electric utility, of 9.65 per cent would apply to YEC before the 50-basis point reduction to YEC per OIC 1995/90.

307. YEC proposed a simplified three-step approach for determining its ROE: step 1 – Determine the Benchmark Utility ROE; step 2 – Apply the Risk Premium Adder; and step 3 – Determine YEC's ROE by deducting 50 basis points from the allowed ROE.

308. YEC provided Tables 8.1 and 8.2 which updated comparisons from prior GRAs.[127]

309. In its reply YEC stated:

> The Board's role and duty under the Act and the Rate Policy Directive (1995) is to review the evidence in this proceeding, and to set rates that will be sufficient for Yukon Energy to recover its reasonably incurred operating expenses and a fair return (less 0.5%) on equity, based on the Board's review and evaluation of the best available evidence of forecast expenditures and prudently incurred capital investments for the test period (2025-2027).[128]

310. YEC submitted that the requests of the UCG, as set out in paragraphs 311 to 314 below, are inconsistent with the principles of prospective ratemaking. Further, in response to the UCG recommendation for the Board to adopt rate caps, YEC responded that:

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126 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 519.
127 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 516-519.
128 YEC Reply Argument, PDF page 8.

> ... would be directly contrary to the specific requirements in section 2 of the Rate Policy Directive (1995) – as well as the well-established "regulatory compact", which recognizes that public utilities, in exchange for their mandatory obligation to serve, are legally entitled to charge rates approved by the regulator that are sufficient to enable them to recover their reasonably incurred operating expenses and a fair rate of return.[129]

7.3.2 Views of Interveners

311. The UCG commented that a fair rate of return for YEC should align with the utility's operational efficiency. It noted that the return on rate base represents a considerable share of the requested rate increase, and that the Board should use its discretion to consider other methods for determining ROE as the current method leads to unsustainable rate increases.

312. When comparing to a benchmark utility, the UCG stated the Board should evaluate the comparison in terms of operational scale, investment levels, and operational efficiencies. The rates of the benchmark utility should also be taken into account.

313. The UCG, when reviewing the YEC application, submitted that there is no comparison between YEC and FortisBC Inc.

314. It was recommended by the UCG that the Board use a top-down approach, using customer rates as a starting point, stating that the Board should set a price cap on the rates. The UCG also recommended the Board accept the current cost of service model for the 2025 test year, but suspend rate setting for the subsequent test years until an investigation into alternative rate-setting methodologies is completed.[130]

7.3.3 Board Findings

315. The Board has reviewed the submissions of YEC with respect to ROE and finds YEC's ROE request consistent with past Board decisions.

316. In response to UCG comments, the Board refers the UCG to Appendix A: Reasons for Decision in relation to Board Orders 2009-02, 2009-08, 2014-06, 2017-01, and 2018-10 regarding the use of the BCUC ROE as the benchmark and the factors the Board considered in determining a risk premium for Yukon utilities relative to the BCUC benchmark. In those decisions, the Board has provided a thorough analysis of factors regarding the various risks faced by the utilities which were considered.

317. Regarding the UCG recommendation that the Board consider alternative methods to determining the return for Yukon utilities, the UCG may put forth evidence it considers appropriate. In this proceeding, no such evidence has been submitted.

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129 YEC Reply Argument, PDF page 9.

130 UCG Final Argument, PDF pages 8-10.

318. In response to the UCG request that the Board only consider the 2025 test year and suspend consideration of the latter test years until an investigation into alternative rate-setting methodologies is complete, the Board rejects this request because, as argued by YEC, the mandate of the Board is as follows:

> The Board's role and duty under the Act and the Rate Policy Directive (1995) is to review the evidence in this proceeding, and to set rates that will be sufficient for Yukon Energy to recover its reasonably incurred operating expenses and a fair return (less 0.5%) on equity, based on the Board's review and evaluation of the best available evidence of forecast expenditures and prudently incurred capital investments for the test period (2025-2027).[131]

319. In consideration of the above, the Board accepts and approves the ROE of 9.15 per cent (after the application of OIC 1995/90) as requested by YEC.

8 Rate base

8.1 2025 opening rate base

320. To establish the final approved 2025 opening rate base, the Board has assessed the final amount of prudent costs for capital projects that YEC brought into service in the years 2023 and 2024. The set of projects brought into service includes both projects for which capital addition forecasts were included in YEC's 2023-2024 GRA, as well as projects not forecast in that GRA which were completed in either of those years.

321. The Board has reviewed all projects for which YEC requested the approval of capital addition amounts for the years 2023 and 2024 in the Updated Table 5.8 provided in YEC's June 30th supplementary information submission. Except as noted in the subsections below, the capital addition amounts requested by YEC are approved as filed.

8.1.1 Generation - Capitalized preliminary study costs for Wareham Dam Spillway Tunnel project and Thermal Replacement (16.5 MW) project

8.1.1.1 Views of YEC

322. In its updated Table 5.8, YEC proposed additions to rate base of $0.891 million in 2024 in respect of the Wareham Dam Spillway Tunnel project. In addition, YEC proposed a rate base addition totalling $0.991 million during the 2023-2024 period in respect of the Thermal Replacement (16.5 MW) project, comprised of specific capital additions of $0.122 million for 2023 and $0.869 million for 2024.

[131] YEC Final Argument, PDF page 8.

323. During the hearing, YEC witness Mr. Epp testified about YEC's rationale for the proposed 2023 and 2024 capitalizations of Thermal Replacement (16.5 MW) project and Wareham Dam Spillway Tunnel project preliminary study costs.[132]

324. Mr. Epp was asked to clarify YEC's rationale for capitalizing these preliminary study costs to the respective projects prior to the projects themselves coming into service. In his response, Mr. Epp explained that these feasibility studies were treated in the way such costs were accounted for in accordance with the 2023-2024 GRA policy in effect at that time. [133]

8.1.1.2 Board findings

325. The Board is of the view that the reasonableness and ultimate prudence of preliminary studies costs should be tested when the overall project has been completed and presented to the Board for testing as to the prudence of project expenditures. The Board views that while preliminary studies are a necessary element of major projects such as the Thermal Replacement (16.5 MW) and Wareham Dam Spillway Tunnel projects, the reasonableness of those preliminary studies costs should be tested with full knowledge of how the project is ultimately developed to completion. The Board considers that the prudence of expenditures on preliminary studies should not, by contrast, effectively presume that the full amount of any amounts spent on preliminary studies is prudent simply because they were completed in the year in which YEC proposes to add preliminary study costs to rate base.

326. For these reasons, the Board finds that the proposed capital additions in the amount of $0.891 million in respect of the Wareham Dam Spillway Tunnel project in 2024 and the capital additions totalling $0.991 million comprised of separate additions in 2023 and 2024 for the Thermal Replacement (16.5 MW) project should be denied capitalization for purposes of 2025 opening rate base. For clarity, this finding does not reflect any finding of imprudence but is rather a reflection of the Board's view that the preliminary study costs incurred in support of an ongoing project has not yet resulted a used and useful capital asset.

327. Given the above finding, YEC is directed, in its compliance filing to this Board Order, to remove the full amounts of proposed capital additions in 2023 or 2024 for the Thermal Replacement (16.5 MW) and Wareham Dam Spillway Tunnel projects from YEC's opening 2025 rate base and to, instead, reflect them in YEC's 2024 closing CWIP balance for those projects.

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132 Transcripts, Volume 2, PDF pages 266-272

133 Transcripts, Volume 2, PDF page 269

8.1.2 Generation - Mayo Mobile Diesel Genset

8.1.2.1 Views of YEC

328. In its 2023-2024 GRA, YEC forecast an addition to rate base in the amount of $4.3 million for a project, then called the 2023 Mayo-Faro Diesel Infrastructure project.[134]

329. In Section 3.1.2 of Appendix A to Board Order 2025-12, the Board requested that YEC provide the exhibit, section, and PDF page range for any business case filed in a prior GRA in respect of each project contained in a summary table prepared by the Board of 2023-2024 capital additions amounts requested by YEC.[135] This table included a reference to a project identified as the "Mayo Mobile Diesel Genset" project, for which YEC was seeking approval of capital additions totalling approximately $6.516 million, comprised of requested additions of approximately $5.290 million in 2023 and approximately $1.226 million in 2024.

330. In a response to an IR request, YEC confirmed that the "2023 Mayo-Faro Diesel Infrastructure" project and the "Mayo Mobile Diesel Genset" project were referencing the same underlying project.[136] In another part of the same IR response, YEC explained that, due to an oversight when it prepared the application, it had failed to provide an explanation within the application for the variance of approximately $2.216 million between the forecast cost of the 2023 Mayo-Faro Diesel Infrastructure project in its 2023-2024 GRA as compared to the $6.516 million cost recorded for the renamed Mayo Mobile Diesel Genset project.

331. In the balance of the same IR response, YEC provided a more detailed breakdown of its original 2023 forecast of $4.3 million, and used this breakdown to provide the basis for variance of specific components of its project expenditures in both 2023 and 2024. YEC identified variances in forecast versus actual expenditures on YEC internal costs charged to the project, unexpected increases in the cost of project materials, and especially increased expenditures on construction labour contracts as the main drivers of the cost variance.[137] YEC also explained that, due to the addition of two diesel engines in Faro as part of the Thermal Replacement project, it had incurred costs, itemized in some detail in the response, totalling approximately $1.226 million that were not reflected in its forecast for the project set out its 2023-2024 GRA.

332. In its final argument,[138] YEC took note that, while not addressed in its response to YUB-YEC-1-77, CWIP continuity schedules — filed with the application and as updated in its June 30, 2025 supplementary response — show the 2023-2024 GRA approved capital addition amounts as $5.290 million for 2023 and $0.410 million for

134 Exhibit 1, YEC 2023-2024 GRA, Section 5.1A-2, PDF pages 166-167.
135 Board Order 2025-12, Appendix A, Table 1, PDF 11-12.
136 Exhibit 4, YUB-YEC-1-77, PDF pages 489-492.
137 Exhibit 4, YUB-YEC-1-77, PDF pages 491-492.
138 YEC Final Argument, PDF page 39.

2024. As such, YEC's actual capital additions in 2023 show no variance for 2023 and a variance of only $0.816 million for 2024.

8.1.2.2 Board Findings

333. The Board is concerned that despite the fact that YEC experienced a variance of $2.216 million representing a variance of more than 50 per cent relative to its 2023-2024 GRA forecast, YEC did not include an explanation of the drivers of this variance in its application.

334. The Board accepts YEC's explanation in its response to YUB-YEC-1-77 that this failure reflected an inadvertent oversight in the preparation of the application. However, the Board is also concerned that such oversight may reflect inadequate internal processes for tracking its projects, including concerns arising from the common use project names that may change over time, as occurred in this case. The Board provides additional comments and direction in respect of YEC's internal project tracking processes in Table 28, found in Section 8.3.2, below, in this decision.

335. Having noted the foregoing, the Board considers that the explanation provided in YEC's response to YUB-YEC-1-77 to be a reasonable explanation of the drivers of project expenditure variances for a project of that size. Accordingly, the Board finds that YEC's recorded final expenditures during the 2023-2024 period were prudent, and approves the 2023 and 2024 capital addition amounts, totalling approximately $6.516 million, as filed.

8.1.3 Generation - Other projects with less than $0.400 million spending – projects evaluated on an aggregated basis

336. In its updated Table 5.8,[139] YEC reported aggregate capital additions on generation projects with less than $0.400 million spending in 2023 and 2024 totalling approximately $0.986 million. Of this amount, actual capital additions on generation projects with less than $0.400 million spending total negative $0.208 million (i.e. a reduction in rate base of this amount), in 2023 and positive $1.194 million in 2024.[140]

337. In Appendix A to Board Order 2025-12, dated June 12, 2025, YEC was requested provide a detailed breakdown of the individual project capital addition amounts used to calculate actual 2023 and 2024 capital additions for Table 5.8 line-items for "other projects with <$400k spending" for each of its seven capital project

[139] Exhibit 2-A, YEC 2025-2027 Supplementary Information.
[140] Exhibit 2-A, YEC 2025-2027 Supplementary Information, Table 5.8, PDF page 34.

categories, including generation "other" projects.[141] YEC provided its response to this request as Attachment 3 to its June 30th supplementary response submission.[142]

338. YEC was also requested to file a table that provided a cross reference showing, for each disaggregated project identified in the prior step, where the business case, if any, was provided in either the 2023-2024 GRA or in any prior YEC GRA.[143] YEC provided its response to this request as Attachment 4 to its June 30th supplementary response submission.[144]

339. During the hearing, the Board posed a number of questions to the YEC regarding the interpretation of information YEC supplied about "other projects with <$400k spending" projects line-items and disaggregation thereof. As part of this discussion, Mr. Epp confirmed that YEC line items within its updated Table 5.8 CWIP continuity schedule labelled as "Other Projects with <$400k Spending" are aggregations of individual projects which have either forecast or actual expenditures totalling less than $0.400 million.

340. As part of the same exchange, Mr. Epp was asked whether he believed that projects under $0.400 million should be evaluated on an aggregate rather than on an individual project basis. This exchange, including Mr. Epp's response is reproduced below:[145]

> Q. And now I'd like to understand how YEC views these other project or roll-ups of multiple smaller projects ought to be reviewed, so does YEC believe that because of their smaller size, these projects ought to be judged in an aggregate or on the basis of whether the overall level of expenditure for a particular other project category is within the range of reasonableness, and what's the basis for this belief for rolling these up in such a fashion?
>
> A. MR. EPP: Madam Chair, the roll-ups were determined by the dollar value. It was not subjective. As far as whether the Board should look at them in greater or less detail, I would expect the Board, if the total of the projects in this roll-up is large, then the Board would ask questions on individual items within it potentially. But our focus would definitely be on the categories that are the 400 to 2 million, and even more focus on the 2 million and above.
>
> We have -- I can't remember the exact number, but hundreds of capital projects. I don't think it would be efficient for the Board to look at all of them.

341. As discussed below, the Board has adopted the essence of Mr. Epp's suggested approach whereby certain of the larger project expenditures within individual

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141 Board Order 2025-12, Appendix A, paragraph 56 (i), PDF 14.
142 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 3, PDF page 49-52.
143 Board Order 2025-12, Appendix A, paragraph 56 (ii), PDF 14.
144 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 4, PDF pages 53-61.
145 Transcripts, Volume 2, PDF pages 89-90.

project categories are addressed on a project-specific basis, whereas the prudence of YEC's expenditures on smaller projects completed during the 2023-2024 test period have been evaluated by considering YEC's final expenditures on its completed projects on an aggregated basis.

342. Consistent with this approach, the Board has assessed YEC's business cases for capital additions included in YEC's Generation - Other projects with spending under the $0.400 million amount for the Mobile Diesel Generator 2023-1, Mobile Diesel Generator 2023-2, and WD7 Generator Reconditioning, for which YEC provided explanations as part of the application. The Board finds that YEC's requested 2023-2024 period capital additions on each of these projects are prudent, and the Board approves these costs as filed.

343. The Board discusses the amounts related to the AH3 dispute in Section 8.1.3.1 and the rolled-up expenditures on other aggregated generation projects under $0.400 million in Section 8.1.3.2 below.

8.1.3.1 AH3 dispute settlement process and associated costs

8.1.3.1.1 Views of YEC

344. In Attachment 3, YEC recorded a negative capital expenditure in the amount of $0.760 million in 2023 for its "Other Projects with <400k Spending" disaggregation for generation projects for a line-item identified as "AH3 Contract Dispute." After taking into account the 2023 opening balance for this CWIP line-item, this resulted in a positive capital addition for 2023 in the amount of $0.753 million.[146] YEC did not record any further entries for the "AH3 Contract Dispute" line-item in either 2024,[147] or in the years 2025-2027.[148]

345. The "AH3 Contract Dispute" line-item in Attachment 4 of YEC's June 30th supplementary submission[149] indicated that the AH3 Contract Dispute was not addressed in YEC's 2023-2024 GRA but was addressed in each of YEC's 2021[150] and 2017-2018 GRAs.[151]

346. The Board questioned the YEC panel about the AH3 Contract Dispute during the hearing.[152] For these questions, four aids to questioning were provided to the YEC

146 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 3, PDF page 50.
147 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 3, PDF page 50.
148 YEC Response to Undertakings, October 28, 2025, Undertaking #21, see PDF pages 27 and 31.
149 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 4, PDF page 54.
150 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 4, PDF page 54 references YEC 2021 General Rate Application, PDF page 165.
151 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 4, PDF page 54 references YEC 2017-2018 General Rate Application, PDF page 177.
152 Transcripts, Volume 2, PDF pages 119-124.

panel,[153] including two extracts from YEC's 2017-2018[154] and 2021[155] GRAs that discussed the dispute.

347. During questioning Mr. Epp provided a brief overview of the dispute process which related to work performed by a contractor in 2011, the legal dispute initiated with the contractor, rulings issued by adjudicators, related appeals, and the ultimate settlement process.[156] During this discussion, Mr. Epp clarified that the $0.753 million 2023 capital addition amount represented a reduction rather than an addition to rate base,[157] and confirmed that, since the dispute was settled and finalized in 2023, no amounts were recorded in relation to the dispute in 2024 or any subsequent year.[158]

348. Mr. Epp also confirmed that the $0.760 million CWIP continuity schedule entry for 2023-exclusive represented the amount recovered in that year from the contractor, and was not a "net amount" after taking into account other costs such as legal costs.[159] Mr. Epp also explained that, while YEC had represented to the Board throughout the dispute process that it would be seeking recovery of legal costs related to the dispute from the Board, YEC had ultimately decided not to seek recovery of legal cost related to the dispute, with the result that the legal expenses were, in effect, paid by YEC's shareholder.[160]

8.1.3.1.2 Board Findings

349. It is apparent from the Board's review of the extracts dealing with the AH3 dispute from YEC's 2017-2018 GRA and 2021 GRA, referenced as aids to questioning in Exhibits 15 and 16, respectively, that YEC had represented that it would be bringing to the Board the result of any ligation or settlement process with the AH3 contractor involved in the dispute, upon completion of these processes.

350. YEC provided no update on its dispute in its 2023-2024 GRA[161] such that the Board was able to determine, only as a result of enquiries within the present GRA process, that the dispute was considered by YEC to have been fully resolved in 2023.

351. The Board was reliant on YEC to accurately report on the status of its dispute while it was ongoing. It is of concern that YEC apparently determined, contrary to the

153 Exhibits 15, 16, 17, and 18.
154 Exhibit 15, Extract from YEC 2017-2018 GRA, PDF pages 177-178.
155 Exhibit 16, Extract from YEC 2021 GRA, PDF page 165.
156 Transcripts, Volume 2, pages 119-124.
157 Transcripts, Volume 2, PDF page 120.
158 Transcripts, Volume 2, PDF page 121.
159 Transcripts, Volume 2, PDF page 122.
160 Transcripts, Volume 2, PDF page 123.
161 In Attachment 4 to Exhibit 2-A at PDF 54, YEC's entry in the 2023/24 GRA column says: "See notes 1 and 2 below," which indicated that it was part of grouped line-items for 2023 and 2024.

representations it made to the Board in the 2017-2018 and 2021 GRA, that it would provide an update on the AH3 dispute once all processes were completed.

352. Further, as already discussed above, the positive capital addition of $0.753 million entry in YEC's "other projects" CWIP continuity schedule recorded in 2023 for the "AH3 Contract Dispute" line item had the effect of making the net amount of all generation capital additions "Other Projects with <400k Spending" positive (net $0.208 million) for that year, thereby offsetting all of the other normal capital addition amounts for the other generation "Other Projects with <400k Spending" projects in that year.[162] Given this, the Board is concerned that YEC's decision to only incorporate the settlement amount received in 2023 as one of many line-items "rolled-up" into YEC's generation "Other Projects <400k Spending," may give an impression that YEC has "buried" the conclusion of the dispute process, or give the impression that it is using the fact that the settlement provided a material refunding to lessen the ability of the Board or interveners to scrutinize YEC's expenditures on small generation projects.

353. In each future GRA, YEC is directed to expressly advise the Board and request relief from any outstanding directions, including in circumstances such as in the case of the AH3 contract dispute where YEC has chosen not to seek the recovery of certain types of costs from ratepayers.

354. Notwithstanding the foregoing, the Board has determined that the AH3 contract dispute matter should be considered closed from a regulatory perspective. Accordingly, YEC has no obligation to provide additional update about this matter in any future GRA.

8.1.3.2 Other generation projects with spending under $0.400 million (excluding AH3 settlement)

8.1.3.2.1 Board Findings

355. The Board has evaluated YEC's requested capital addition amounts for the years 2023 and 2024 in respect of generation projects aggregated as part of other generation projects with spending under $0.400 million by comparing approved forecast amounts to actual amounts.

356. To facilitate a reasonable evaluation, the Board has applied a number of adjustments, which are briefly described below, to facilitate a reasonable "apples-to-apples" comparison of YEC's 2023-2024 period approved forecast amounts to YEC's actual amounts over the same period.

Other generation - Exclusion of AH3 Settlement Amount

[162] Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 3, PDF page 50.

357. As discussed in Section 8.1.3.1 above, YEC's actual capital additions reconciliation in Attachment 3 to YEC's June 30th supplemental information submission includes a negative capital addition in the amount of $0.753 million that YEC applied to the total of its generation other capital additions for 2023.

358. Because the inclusion of the 2023 AH3 settlement amount distorts the comparison of YEC's forecast and actual expenditures on other generation projects completed during the 2023-2024 period, the $0.753 million amount has been added back to YEC's reported 2023-2024 period generation other actual capital additions for the purposes of the reconciliation set out below.

Other generation - Adjustment for projects forecast but not completed in 2023 or 2024

359. The following projects with forecast expenditures totaling $0.575 million over the 2023-2024 period were not completed during either 2023 or 2024, and were not forecast to be completed during the 2025-2027. Because YEC appears not to have completed, and does not appear to have a current intention to complete these projects, the $0.575 million total cost of these projects has been removed from the baseline 2023-2024 period forecast for the purposes of comparisons with YEC's actual expenditures generation projects under $0.400 million during the 2023-2024 test period.[163]

Table 22. Projects not undertaken or completed but included in 2023-2024 GRA other generation projects forecast

	2023	2024	2023-2024 Period Total
	($ millions)		
WH4 Air Admission Valve Automation		0.200	0.200
WG1 Radiator Replacement		0.300	0.300
WH3 Automatic Grease System		0.075	0.075
Total	0	**0.575**	**0.575**

Source: YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF 19. PDF page 23.

Other generation - "Miscellaneous Maintenance" Adjustment

360. The Board notes that the breakdown of its "other generation" 2023-2024 period forecast provided by YEC in Undertaking #21 includes a line-item called "Miscellaneous Maintenance" which, unlike all other line items in the "other generation" Undertaking #21 forecast breakdown, shows a negative capital expenditure and a positive capital addition for the year 2024. This entry was not explained by YEC during the proceeding, and would have the effect of reducing

[163] Note: The Board has not applied any adjustment for two projects ("WH3 Sarco Filter Isolation Valve" and "Whitehorse Diesel Rental Substation Improvements" for which YEC's 2023-2024 period forecast capital additions totaled $0.100 million that were not completed during either 2023 or 2024, but which YEC has indicated in Undertaking #21 that it expects to complete them during the 2025-2027 period.

YEC's baseline forecast of "other generation" and thus would increase the apparent overspend if it were included in a comparison with YEC's actual "other generation" amounts for the 2023-2024 period. As a result, the Board has removed this entry from the reconciliation forecast versus actual reconciliation set out below.

Other generation - Adjustment for otherwise explained projects

361. The following projects for which actual capital additions totaled $0.858 million were completed during the 2023-2024 test period but were not included in YEC's baseline forecast for its 2023-2024 GRA for projects with expenditures under $0.100 million. However, because YEC provided project specific explanations as part of its 2025-2027 GRA, the Board's comparison of aggregate forecast expenditures on "other" generation projects with expenditures under $0.400 million has removed the $0.858 million total from its comparison of YEC's aggregate forecast versus actuals.

Table 23. Generation projects not included in 2023-2024 approved other forecast but for which variance explanations of 2023-2024 actual additions provided in 2025-2027 GRA

	2023 Actuals	2024 Actuals	2023-2024 Period Total
	($ millions)		
Mobile Diesel Generator 2023-1		0.374	0.374
Mobile Diesel Generator 2023-2		0.375	0.375
WD7 Generator Reconditioning		0.109	0.109
Total	**0**	**0.858**	**0.858**

Source: YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF page 23.[164]

Other generation - Other Potential Adjustments

362. The Board notes that YEC used a threshold of $0.100 million for the purposes of determining whether a project should be identified through a project-specific line item or included as a part of the aggregated line item for "other projects" in its 2023-2024 GRA forecast. Since YEC's 2025-2027 GRA used a higher threshold of $0.400 million for projects to be treated as separate line items in its application capital project CWIP continuity schedules, there is concern that a project that was separately identified in YEC's 2023-2024 GRA forecast could be excluded from the forecast baseline but included in YEC's reported of aggregated "other projects" actuals.

363. However, the Board has not identified instances where a separately identified project is included in the baseline forecast from YEC's Undertaking #21 response

[164] Note: The Board understands that references to "Mobile Diesel Generator 2023-1" and "Mobile Diesel Generator 2023-2" corresponds to the expenditure of $.749 million on the "Mobile Diesel Generators" project noted in Table 5.4-2 at PDF 205 of the application.

but not included in Attachment 3 actuals for the 2023-2024 period and, therefore, no adjustment was made in the reconciliation below.

Other generation - Reconciliation

364. Using all relevant adjustments discussed above, the Board has prepared the following comparison of YEC's 2023-2024 baseline forecast of capital additions with YEC's actual capital additions for generation "other projects" in Table 24 below.

Table 24. Comparison of 2023-2024 period forecast and actuals for generation "other projects"

	2023-2024 Total Forecast	**2023-2024 Total Actuals**
	($ millions)	
Starting point - totals	1.021	0.987
Add: Adjustment for AH3 settlement payment		0.753
New subtotal	**1.021**	**1.740**
Less: Adjustment to forecast for removal of other projects forecast but not undertaken or completed	0.575	
New subtotal	**0.446**	**1.740**
Add: Adjustment for "Miscellaneous Maintenance" amount	0.100	
New subtotal	**0.546**	**1.740**
Removal of projects included in other projects actuals balance but explained in the application.		0.858
Grand Total	**0.546**	**0.882**
Variance		**0.335**

Source: Prepared by Board from information contained in [Undertakings document], Undertaking #21, PDR 19, PDF 23.

365. As set out in Table 24 above, YEC's adjusted actual capital additions during the 2023-2024 period exceed YEC's adjusted 2023-2024 GRA forecast capital additions for the 2023-2024 period by $0.335 million, representing a variance of more than 60 per cent above the adjusted 2023-2024 forecast baseline, even after having removed the effect of "unforecast" projects that cost a total of $0.858 million that were identified and discussed by YEC in the application.

366. The Board notes that YEC has provided no explanation or justification for the excess expenditures on approved projects. In addition, the Board considers that, while YEC should have broad discretion to undertake a different set of projects than contemplated in a prior GRA forecast, YEC has a duty to make reasonable efforts to stay within an envelope of its aggregate GRA forecast or reasonably explain why it could not do so.

367. In light of the $0.335 million variance, YEC is directed to reduce the amount of its requested capital addition for other generation with spending of less than $0.400 million in its compliance filing to this Board Order by that amount. As the reduction has been applied on the total of YEC's requested capital additions for the 2023-2024

period, YEC is directed to indicate how this $0.335 million reduction has been allocated to the amounts of YEC's requested 2023 and 2024 capital additions as part of its response to this direction in its compliance filing to this Board Order.

8.1.4 Transmission - Protection and Control - S170

8.1.4.1 Views of YEC

368. YEC filed a business case for the Protection and Control – S170 project, as part of its application, which showed both opening and ending CWIP balances for the 2025-2027 period.[165]

369. A capital addition for the year 2024 in the amount of $0.019 million related to the Protection and Control – S170 project shows in the updated CWIP schedule filed by YEC as part of its June 30th submission. The 2024 capital addition of this amount was not indicated in the CWIP schedule filed with the application, but appears to have been updated to a 2024 addition after YEC made adjustments to reflect the finalization of 2024 capital addition amounts that had labelled "preliminary" 2024 amounts in the CWIP schedules YEC filed with its May 2025 application.[166]

370. Because the project was not a forecast 2023 or 2024 capital addition in YEC's initial application filings, YEC was not requested to provide, and accordingly did not provide, any information about any business case information that may have been filed in support of this project in prior YEC GRAs.[167]

371. The updated CWIP schedule filed by YEC as part of its June 30th supplementary information submission shows capital expenditures associated with the Protection and Control – S170 project in the amount of $0.434 million for 2025[168] and a closing balance of that amount for 2027.[169]

8.1.4.2 Board Findings

372. The Board considers that it does not have sufficient information about the specific facilities brought into service in 2024 to be able to assess the prudence of the 2024 capital addition in the amount of $0.019 million at this time. For this reason, the Board does not approve this requested addition and directs that it be removed from YEC's rate base in its compliance filing to this Board Order.

373. The Board confirms that the $0.019 million amount can be added to YEC's CWIP balance for the project and it may be considered for addition to YEC's rate base at

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165 Exhibit 1-A, YEC 2025-2027 General Rate Application, Section 5.4A-13, PDF page 463.
166 Exhibit 2-A, YEC 2025-2027 Supplementary Information, PDF page 5.
167 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF pages 44-48 do not contain any entry for the Protection and Control – S170 project.
168 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 38.
169 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 41.

the time that the remaining aspects of this project are presented for consideration in a future GRA.

8.1.5 Distribution - Distribution Upgrades

8.1.5.1 Views of YEC

374. In the CWIP continuity schedule filed in YEC's June 30, 2025 supplemental response as Table 5.8, YEC included a line item called "Distribution Upgrades" within its lesser (i.e. between $0.400 and $ 2 million) subgrouping. YEC indicated that it had made capital expenditures, subsequently added to rate base, in the amounts of approximately $0.211 million in 2023 and $0.167 million in 2024 (for a two-year total of $0.378 million). In the same schedule, YEC shows approved capital additions for Distribution Upgrades of approximately $0.125 million and $0.075 million, for 2023 and 2024, respectively.

375. In Attachment 2 to YEC's June 30th supplementary information response, YEC indicated that it had not provided a reference to a business case from a prior GRA for Distribution Upgrades shown in Table 5.8 because the project had been included in previous GRAs under the "grouped" line item with expenditures under $0.100 million.[170]

376. In its response to YUB-YEC-1-82(b) and (c), YEC provided a more detailed breakdown of the elements of its forecast and actual costs over the 2023-2024 period and explained that the observed variances arose from higher material and contractor costs than forecast. YEC also noted in the response that the forecast annual yearly expenditure budgets for the Distribution Upgrades Program[171] had been increased from about $0.100 million per year to $0.150 million per year.[172]

8.1.5.2 Board Findings

377. The Board notes that, in its response to YUB-YEC-1-82(a), for which YEC was requested to explain why it had not provided an explanation for the variance between its forecast and actual expenditures on Distribution Upgrades in 2023 and 2024, YEC indicated that because YEC had adopted a convention that if there were a variance of less than $0.100 million per year rather than overall, it did not deem it necessary to provide a variance explanation in its 2025-2027 application.

378. The Board does not agree with this limitation, and notes that the difference between the total of the 2023-2024 period forecast and the actual amount spent over this period represents a variance of almost 90 per cent relative to the 2023-2024 forecast. The Board also considers that the fact that YEC has apparently decided to increase its annual budget for the program to $0.150 million for each year for the

170 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF 46 and 48.
171 Exhibit 1-A, YEC 2025-2027 General Rate Application, Section 5.1B-3.5, PDF page 339.
172 Exhibit 4, YUB-YEC-1-82, PDF page 503.

2025-2027 test period does not address YEC's duty to explain the reasons for variances of actuals over forecasts amounts over the 2023-2024 period.

379. The Board finds that because YEC's variance explanation is inadequate relative to the quantum of the increase of actuals over the forecast, and because the final amounts spent over the 2023-2024 forecast fits well under the $0.400 million threshold for the project to have been included as part of the "Other Projects with <$400k Spending" bucket, the variance should be considered in aggregate with the other smaller projects rather than on the basis of the variance explanation provided in YUB-YEC-1-82. The Board notes that such treatment is fully consistent with how YEC had treated this category of Distribution expenditure in its 2023-2024 GRA (i.e. as a project included as part of the grouped line item with expenditures under $0.100 million).

380. Consistent with this treatment, and to avoid a double count, the Board denies YEC's request to approve its reported actual capital additions for 2023 and 2024 as the separately identified line-item Distribution Upgrades. Accordingly, the Board directs YEC to remove its capital additions of approximately $0.211 million in 2023 and $0.167 million in 2024 in its compliance filing to this Board Order.

8.1.6 Distribution - Other projects with less than $0.400 million spending

8.1.6.1 Views of YEC

381. YEC requested a capital addition in the amount of $0.027 million in respect of "Other projects with less than $400,000 spending," hereinafter referred to in this section as "distribution other." As set out Attachment 3 to YEC's June 30th supplementary information submission and in its response to Undertaking #21, YEC clarified that its forecast distribution capital additions for the 2023-2024 period, totaling approximately $0.105 million, pertained to two projects identified as the "Land Management & Easement Project" and the "Dawson Distribution Gang Switches" project,[173] of which only the former was completed.

8.1.6.2 Board Findings

382. The Board has followed the same general approach for the evaluation of YEC's requested 2023-2024 period capital addition as was followed in Section 8.1.3.2 above in respect of YEC's 2023-2024 period capital additions for 2023-2024 "other generation" projects.

383. In the case of the Board's evaluation of YEC's 2023-2024 other distribution project additions, the Board has applied adjustments to its reconciliation for "forecast but not undertaken or completed" projects, and to reflect the findings made in Section

[173] Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 3, PDF page 50 and YEC Response to Undertakings, October 28, 2025, Undertaking #21 Attachment 1, PDF pages 20 and 24.

8.1.5 in respect of YEC's distribution upgrades program. Each of these adjustments is briefly described under separate sub-headings below.

Adjustment for projects forecast but not undertaken or completed

384. As set out in YEC's response to Undertaking #21, YEC's 2023-2024 GRA other distribution capital additions forecast included the amounts of $0.0 and $0.055 million for 2023 and 2024, respectively, for the "Dawson Distribution Gang Switches" project.[174]

385. YEC did not complete this project during the 2023-2024 period,[175] and is not forecasting any expenditures or additions on this project in any of the years 2025,[176] 2026,[177] or 2027.[178]

386. As this project was forecast but appears to have been cancelled, the Board has removed the $0.055 million forecast cost of this project for the 2023-2024 period in its reconciliation below.

Adjustment for Distribution Upgrades program finding

387. As discussed in Section 8.1.5, the Board finds that rather than approving its requested 2023-2024 capital addition as a project specific amount, the Board would instead consider YEC's Distribution Upgrades addition request as part of its assessment of YEC's 2023-2024 period other distribution capital additions.

388. Accordingly, the Board has included 2023-2024 period forecast and actual amounts for the Distribution Upgrades program in the reconciliation below.

Reconciliation

Table 25. Comparison of 2023-2024 period forecast and actuals for "other distribution" projects.

	2023-2024 Total Forecast	**2023-2024 Total Actuals**
	($ millions)	
Starting point - totals	0.105	0.027
Less: Forecast but not undertaken or completed project adjustment	0.055	
New subtotal	**0.050**	**0.027**
Plus: Distribution Upgrades project adjustment	0.200	0.377[179]
Grand Total	**0.250**	**0.405**

174 YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF page 20.
175 YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF page 24
176 YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF page 28.
177 YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF page 28.
178 YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF page 32.
179 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 35.

Variance		**0.155**

Source: Prepared by Board from information contained in Undertaking #21, Attachment 1.

389. As set out in Table 25 above, YEC's adjusted actual capital additions during the 2023-2024 period exceed YEC's adjusted 2023-2024 GRA forecast other distribution capital additions for the 2023-2024 period by $0.155 million. This is a variance of almost 62 per cent above the adjusted 2023-2024 forecast baseline.

390. In light of the $0.155 million variance, YEC is directed to apply this adjustment to its requested capital addition for other distribution with spending less than $0.400 million" in its compliance filing to this Board Order. As the reduction has been applied on the combined total of YEC's requested capital additions for the 2023-2024 period, as part of its response to this direction YEC should indicate how this reduction has been allocated to the amounts of YEC's requested 2023 and 2024 capital additions.

8.1.7 General Plant - SCADA Upgrade Program

8.1.7.1 Views of YEC

391. YEC requested the approval of capital additions totalling approximately $0.037 million over the 2023-2024 period, comprised of specific capital addition approval requests of $0.019 million for 2023 and $0.018 million for 2024.[180]

392. YEC explained that while forecast capital additions of $0.010 million in each of 2023 and 2024 were included as part of YEC's forecast capital additions for those years,[181] the approved forecasts were supported by information provided in a 2023-2024 GRA proceeding IR rather than in the 2023-2024 GRA itself.[182] However, the referenced IR response did not provide an explanation of the nature of the SCADA Upgrade Program expenditure but consists primarily of a table set out in an attachment to the IR response containing a breakdown of "other" general plant projects, which includes a line-item for the SCADA Upgrade Program showing the forecast capital additions of $0.010 million in each of 2023 and 2024. Consistent with this, a footnote related to the SCADA Upgrade Program in Attachment 2 from YEC's June 30th supplementary information response indicates that "No business case was included" in the IR response.

393. In its response to YUB-YEC-1-75, YEC confirmed that all project elements included in the 2023-2024 project cost forecast were completed. In the same IR, YEC explained that the $0.017 million[183] overage in the actual expenditures over the

180 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 35.
181 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 32.
182 Exhibit 2 from 2023-2024 GRA, YUB-YEC-1-58, Attachment 1, PDF page 476 as referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 47.
183 Exhibit 4, YUB-YEC-1-75, PDF page 479.

2023-2024 approved forecast amounts occurred because YEC determined that additional work needed to be undertaken in 2023 and 2024.[184]

8.1.7.2 Board Findings

394. After having reviewed the evidence filed in the current proceeding, and YEC's response to Attachment 1 of YUB-YEC-1-58 from YEC's 2023-2024 GRA proceeding,[185] the Board remains confused as to why the project was granted a separate project-specific line item as part of general plant in its updated CWIP continuity schedule.[186] In this regard, the Board notes that, whereas the Board understands that the threshold for including a project in the "other projects" component of capital forecasts was originally for projects under $0.100 million and revised to $0.400 million in the current GRA, the SCADA Upgrade Program had both forecast and actual expenditures well under the lower threshold, and is, for example, a much smaller expenditure than another project with SCADA in its name (the "SCADA Operation Network Segregation" project) that YEC included in its general plant "other projects" on both a forecast and actual basis.[187]

395. In light of the complete absence of information about the nature of the project included in the IR response[188] that YEC referenced as source of business case information from the 2023-2024 GRA, the Board considers that it cannot properly assess the prudence of YEC's final 2023-2024 period expenditures on the project. For this reason, the Board finds that the prudence of the expenditures on this project should be assessed in aggregate and has therefore included both forecast and actual expenditures on the SCADA Upgrade Program as part of the Board's evaluation of general plant "Other Projects with <$400k Spending" expenditures, which is discussed in Section 8.1.9, below.

396. As a result of having determined that expenditures on the SCADA Upgrade Program should be dealt with by including the forecast and actuals as part of the Board's assessment "Other spending < $400,000" for general plant projects, the Board has determined that approving the requested additions of $0.019 million for 2023 and $0.018 million for 2024 would create a double count. Accordingly, the Board denies these requested addition amounts as a separately identified line item. The Board directs YEC to ensure that the SCADA Upgrade Program line-items showing

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184 Exhibit 4, YUB-YEC-1-75, PDF page 482. YEC explained that the additional work related to the need to undertake "Host A" and "Host B" server replacements.

185 Exhibit 2, from YEC 2023-2024 GRA, YUB-YEC-1-58, PDF page 475-476, as referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 47.

186 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 32 and PDF page 35.

187 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 3, PDF page 51 and YEC Response to Undertakings, October 28, 2025, Undertaking #22, PDF 20.

188 In Attachment 2 from Exhibit 2-A, YEC refers to YUB-YEC-1-58 as the only source of information about the SCADA Upgrade Program in YEC's 2023-2024 GRA. The SCADA Upgrade program is only referenced as an entry in YUB-YEC-1-58 Attachment 1 (See YEC 2023-2024 GRA Exhibit 2, PDF 476).

additions of $0.019 million for 2023 and $0.018 million for 2024 are removed from its 2025 opening rate base balance and associated schedules in its compliance filing to this Board Order.

8.1.8 General Plant - Computer Replacements

8.1.8.1 Views of YEC

397. In the updated Table 5.8 filed as part of YEC's June 30th supplementary information response, YEC requests approval of capital additions over the 2023-2024 period totalling $0.199 million, comprised of proposed capital additions of $0.061 million for 2023 and $0.138 million for 2024.[189] In the same schedule, YEC indicates that capital additions of $0.075 million in each of 2023 and 2024 were approved.[190]

398. In Attachment 2 to YEC's June 30th supplementary information submission, in which YEC was requested to identify the original GRA source material for projects requested for approval of capital additions in 2023 or 2024, YEC did not provide a specific source reference and, instead, referred to a note to Attachment 2, which explained that the Computer Replacements project "was included in previous GRAs under the grouped line item with expenditures under $100,000."[191]

399. In its response to YUB-YEC-1-75 related to the Computer Replacements project, YEC stated that all project elements included in the GRA project cost forecast were completed, and explained that actual 2023-2024 costs for this program were higher than the amounts forecast in YEC's 2023-2024 GRA primarily because of the general increasing need to replace computers more frequently, and due to staff levels growing more quickly than anticipated.[192]

8.1.8.2 Board Findings

400. Similar to the Board's findings in respect of YEC's requested capital additions for the SCADA Upgrade Program, the Board considers that it cannot properly assess YEC's proposed capital addition amounts for 2023 and 2024 for expenditures on computer replacements.

401. In particular, as with the SCADA Upgrade Program, the rationale for YEC's decision to include a separate line-item for Computer Replacements is unclear since the approved for amount for 2023-2024 was below the previous threshold of $0.100 million, and YEC's actuals in 2023-2024 fall below the revised threshold of $0.400 million for separate line-item treatment.

402. Accordingly, as with the Board's treatment of SCADA Upgrade Program expenditures, the Board has included YEC's proposed 2023-2024 Computer

189 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 35.
190 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 32.
191 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 48.
192 Exhibit 4, YUB-YEC-1-75, PDF page 483.

Replacement program capital addition amounts as part of the Board's assessment of other general plant projects with spending under $0.400 million in Section 8.1.9 below.

403. Finally, as with the Board's treatment of SCADA Upgrade Program amounts, the Board directs YEC to remove YEC's requested 2023 and 2024 separate line item capital addition amounts, in its compliance filing to this Board Order, to reflect the fact that these amounts have been included as part of the Board's evaluation of other projects with less than $0.400 million spending in the section below.

8.1.9 Other general plant projects with less than $0.400 million spending

8.1.9.1 Views of YEC

404. YEC requested approval of capital additions in respect of other general plant projects totaling $2.503 million over the 2023-2024 period, reflecting requested capital addition approvals of the amounts of $1.411 million for 2023 and $1.092 million for 2024.

8.1.9.2 Board Findings

405. Using an approach similar to that described in respect of other generation project spending under $0.400 million described in Section 8.1.3.2 above, the Board has applied adjustments, described below, for projects forecast, but not undertaken or completed, and to reflect the inclusion of SCADA Upgrade Program and Computer Replacements discussed in sections 8.1.7 and 8.1.8 above.

General Plant - Projects forecast but not undertaken or completed

406. The Board notes that the following projects with capital additions totalling approximately $0.129 million were included in YEC's 2023-2024 forecast capital additions for other general plant projects with spending under $0.400 million but did not proceed.

Table 26. Projects included as part of general plant other 2023-2024 forecast that were not completed in the 2023-2024 test period or forecast to be complete in 2025-2027 period

	2023	2024	2023-2024 Total
	($ millions)		
WH4 Wing Wall Concrete Replacement		0.030	0.030
Faro Satellite Backup Comms Link		0.080	0.080
EV Charging Stations	0.019		0.019
Total	**0.019**	**0.110**	**0.129**

Source: YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF page 20.

407. The Board has subtracted this amount from YEC's 2023-2024 forecast baseline for the purposes of comparison with YEC's actual 2023-2024 other general plant with spending under $0.400 million evaluation.

General Plant - SCADA Upgrade Program Adjustment

408. As discussed in Section 8.1.7, the Board has directed YEC to remove its requested separate line-item addition for the SCADA Upgrade Program from its 2023-2024 capital additions.

409. For consistency, the Board has included both YEC's 2023-2024 GRA forecast amounts (totaling approximately $0.020 million over the 2023-2024 period) and actuals (totaling approximately $0.038 million) in its other general plant spending under $0.400 million assessment.

General Plant - Computer Replacements Program Adjustment

410. As discussed in Section 8.1.8, the Board has directed YEC to remove its requested separate line-item addition for the Computer Replacements from its 2023-2024 capital additions in its compliance filing to this Board Order.

411. For consistency, the Board has included both YEC's 2023-2024 GRA forecast amounts (totaling approximately $0.150 million over the 2023-2024 period) and actuals (totaling approximately $0.200 million) in its other general plant spending under $0.400 million assessment.

General Plant - Projects included in "other" amounts but explained in the application

412. The Board notes that YEC's other general plant projects with spending under $0.400 million includes approximately $0.362 million in respect of YEC's spending on the Mayo Bucket truck.

413. Based information provided by YEC in the application, the Board approves this expenditure as it is prudent. However, for the purposes of ensuring a reasonable "apples-to-apples" comparison of YEC's overall other general plant spending under $0.400 million amounts, YEC's expenditure on this project has been removed from YEC's 2023-2024 actuals.

General Plant - Reconciliation

Table 27. Comparison of 2023-2024 period forecast and actuals for "other general plant" projects.

	2023-2024 Total Forecast	**2023-2024 Total Actuals**
	($ millions)	
Starting point - totals	2.142	2.503

Less: projects forecast but not undertaken or completed adjustment	0.129	
New subtotal	**2.013**	**2.503**
Plus: SCADA Upgrade Program forecast and actual amounts adjustment	0.020	0.038
Plus: Computer Replacements forecast and actual amounts adjustment	0.150	0.200
New subtotal	**2.183**	**2.740**
Less: Removal of Mayo Bucket truck capital addition from actuals amount		0.362
Grand Total	**2.183**	**2.378**
Variance		**0.195**

Source: Prepared by Board from YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF 20-21, PDF pages 24-25; Exhibit 2-A, Table 5.8, PDF page 32, PDF page 35.

414. As described in Table 27 above, after taking into account adjustments described above, the Board has determined that a surplus of approximately $0.195 million of YEC's requested capital addition amount, as compared to YEC's 2023-2024 GRA test period forecast capital additions, has not been adequately explained or justified by YEC.

415. This overage represents approximately 9.0 per cent of YEC's (adjusted) 2023-2024 general plant other forecast.

416. Consistent with the Board's treatment noted above for other classes of YEC's aggregated "other projects with spending less than $400,000" spending, YEC is directed to reduce its capital addition for "other general plant with spending less than $0.400 million" by $0.195 million in its compliance filing to this Board Order. As the reduction has been applied on the combined total of YEC's requested capital additions for the 2023-2024 period, as part of its response to this direction YEC should indicate how this reduction has been allocated to the amounts of YEC's requested 2023 and 2024 capital additions.

8.1.10 Intangible Assets - Tailrace Gate Certifications

8.1.10.1 Views of YEC

417. YEC requested that the Board approve a 2024 addition to rate base in the amount of $0.260 million for the Tailrace Gate Certifications project.[193] This represented an adjustment to the 2024 2025-2027 application in which YEC had originally sought the approval of a 2024 capital addition in the amount of approximately $0.552 million.[194]

418. In Section 5.5A-2 of the application, in which YEC provide explanations of completed 2023-2024 projects that had not been included in a previous GRA, YEC

193 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 35.

194 Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 5.8, PDF page 230.

provided an explanation for the Tailrace Gate Certifications project which was associated with a rate base increase of approximately $0.552 million, and which corresponded to the amount shown as a 2024 capital addition in the version of the Table 5.8 CWIP continuity schedule filed with the application with the same line-item heading.[195] In its section 5.5A-2 write-up, YEC explained that the $0.552 million requested rate base increase related to the cost of certifying the WH4 tailrace gate and headgate to the single device isolation (SDIC) industry standard, and involved, among other things, replacing bent springs and side rollers, replacing volute springs on the headgate side rollers, replacing seals, and conducting a structural analysis.[196]

419. In a write-up for a similar project that was called the WH3 Tailrace Gate Certification project, YEC explained that a tailrace on a hydro generation unit is used to dewater the unit to facilitate underside maintenance. YEC also explained that tailrace gates must be certified, including certification of single device isolation capability.[197]

420. In its response to YUB-YEC-1-75, YEC indicated, in the table at the beginning of that response, that the 2023-2024 GRA forecast addition for the Tailrace Gate Certifications project was $0.095 million, meaning that the forecast final expenditure on the project (inclusive of amounts added to rate base in 2025) of $0.552 million represented an overage of $0.457 million.[198] However, in the brief YUB-YEC-1-75 write-up for the Tailrace Gate Certifications project, YEC indicated that the project was not included in its 2023-2024 GRA, and was instead based on the project write-up provided at PDF page 473 of the application.

8.1.10.2 Board Findings

421. The Board finds that the write-up at Attachment 2 of YEC's June 30, 2025 supplementary information submission, which associated the Tailrace Gate Certifications project to a project described in YEC's 2023-2024 GRA, was confusing since it did not provide any indication that the project was separate from the tailrace certifications project described in section 5.5A-2 of YEC's 2025-2027 GRA. As further discussed later in this decision, the Board's confusion supports the Board's direction in in Table 28, found in Section 8.3.2, to include YEC's applicable project identification numbers when discussing specific capital projects.

422. The Board considers that capital expenditures necessary to obtain required certifications of tailrace gates are essential to the safe operation of YEC's hydro units. Given this and given that the amount is similar to the expenditure of approximately $0.249 million made on the WH3 Tailrace Gate Certification

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195 Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 5.8, PDF page 230.

196 Exhibit 1-A, YEC 2025-2027 General Rate Application, Section 5.5A-2, PDF page 473.

197 Exhibit 1 from YEC 2023-2024 GRA, Appendix 5.1B, Section 5.1B-1, PDF 203, referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 48.

198 Exhibit 4, YUB-YEC-1-75 PDF page 479.

project,[199] the Board approves YEC's revised requested 2024 capital addition in the amount of $0.260 million as the Board finds theses costs prudent.

8.1.11 Deferred Capital - Mayo Lake Enhanced Storage Project

8.1.11.1 Views of YEC

423. The Mayo Lake Enhanced Storage Project (MLESP) sought to amend the Mayo Generation Station Water Use License to secure additional storage through 1.0 metre of added drawdown (i.e., lowering the Licensed Low Supply Level (LSL) of the lake by 1.0 metre) by changing the existing licensed controlled storage range of 2.59 metres (663.25 to 665.84 metres) to a new licensed controlled range of 3.59 metres (662.25 to 665.84 metres). YEC expected that, while specific benefits would depend on the overall load level and flow conditions throughout the Yukon, the added 1.0 metre of storage would increase the long-term average hydro generation potential of the Yukon grid system by approximately 4 GWh.[200] YEC expected that the additional drawdown depth would displace diesel generation that would otherwise be required.[201]

424. In addition to the discussion of the status of the project in the current application,[202] the MLESP was discussed in each of YEC's 2012-2013,[203] 2017-2018,[204] 2021,[205] and 2023-2024[206] GRAs.

425. YEC proposed that MLESP capital expenditures totalling $2.267 million related to the cost of planning the project to February 2022 should be added to YEC's rate base by treating them as capital additions in 2024. YEC further proposed that costs totalling $2.336 million to February 2022 that were deemed to be related to the cost of removing the remnants of an existing coffer dam should be transferred to the MGS Relicensing project.

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199 Exhibit 1 from YEC 2023-2024 GRA, Appendix 5.1B, Section 5.1B-1, PDF 203, referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 48.

200 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.2A, Section 5.2A-4 (Exhibit 1-A, PDF page 407.

201 Exhibit B-1 from YEC 2021 GRA, Appendix 5.3, Section 5.2-3, PDF page 183, referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 46

202 Application Appendix 5.2A, Section 5.2A-4 (Exhibit 1-A), PDF pages 407-414

203 Exhibit B1 from YEC 2012-2013 GRA, Section 5.3.1, PDF pages 184-186, referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 46 and Attachment 5, PDF page 64.

204 Exhibit B-1 from YEC 2017-2018 GRA, Section 5.3.1, PDF 218-220, referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 46 Attachment 5, PDF page 64.

205 Exhibit B-1 from YEC 2021 GRA, Appendix 5.3, Section 5.2-3, PDF 184-186, referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 2, PDF page 46 and Attachment 5, PDF page 64.

206 Exhibit 1 from YEC 2023-2024 GRA, Section 5.4.2, Table 5.7, PDF 151-152, referenced at Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 5, PDF page 46 and Attachment 5, PDF page 64.

426. YEC explained that the YEC Board decision in February 2022 occurred after consideration of a letter received from the Na-cho Nyäk Dun First Nation (FNNND) in August 2021 which expressed concerns about the effect of the MLESP and how the lower lake levels would affect the environment and FNNND citizens. In light of such concerns, FNNND sought YEC's confirmation that it would not proceed with the project until agreement with FNNND was reached.

427. YEC explained that, in assessing the impact of the August 2021 FNNND letter, YEC examined the options of continuing to pursue the full scope of the MLESP that would involve the removal of the coffer dam and dredging the channel at an estimated incremental cost of approximately $10.7 million, or an option that would only involve the removal of the coffer dam remnants at an estimated incremental cost of approximately $2 million.

428. YEC explained that, while the $10.7 million option would create much needed capacity to displace the use of diesel generation than the $2 million coffer-dam-only option, the lower cost option was chosen by the YEC Board because no water use licence or *Fisheries Act* Authorization changes would be required, and YEC expected that the coffer-dam-only option would face fewer social licence challenges.

429. YEC provided additional clarifications of its proposed treatment of the MLESP and associated in an IR response, specifically, in YUB-YEC-1-84:

- YEC explained that the YEC Board's approval, in February 2022, to transfer coffer dam removal costs to the Mayo Generating Station (MGS) Water Use Licence Renewal project reflected the YEC's Board's determination that the untransferred costs had little-to-no probability of offering a net economic benefit to ratepayers and thus, in accordance with paragraph 312 of Board Order 2024-05 [Appendix A Errata], had the effect of ceasing any further accumulation of AFUDC charged to the MLESP. YEC explained that this treatment is consistent with the approach approved by the YUB in respect of the cancelled Southern Lakes Storage Enhancement Project in its decision in respect of YEC's 2023-2024 GRA.[207]

- In response to a question requesting clarification of whether the $2.267 million cancelled costs portion of MLESP should be capitalized or expensed, YEC confirmed that $2.267 of cancelled costs added to rate base and that they would be amortized over 10 years at a rate of $0.227 million per year. YEC noted that this treatment was also consistent the accounting treatment applied to cancelled project costs for the Southern Lakes Storage Enhancement project, in the context of YEC's 2023-2024 GRA, and identified

[207] Exhibit 4, YUB-YEC-1-84(a) response, PDF page 517.

the application schedules impacted by YEC's proposed treatment of the cancelled costs.[208]

- In response to a question as to why $2.336 million in coffer dam remnant removal costs should be capitalized to the Mayo Generating Station (MGS) Water Use Licence Renewal project, YEC explained that it proposed the transfer of costs to that project because agreement had been reached with FNNND.[209]

- YEC confirmed that the amount transferred from the MLESP in 2024 is included in the capital expenditure amount total shown in YEC's CWIP schedule for the MGS 5-year Water Use License Renewal project for the same year.[210]

430. In its argument, YEC submitted that its application write-up on the MLESP and responses to IRs had provided a full justification, including required clarification of treatments in its application financial schedules for both its proposed treatment of MLESP cancellation costs and transfer to the MGS relicensing project. YEC noted that no material issues had been raised in either the hearing or in IRs in respect of treatment of MLESP costs proposed in its application.[211]

8.1.11.2 Board Findings

431. Similar to its treatment Southern Lakes Storage Enhancement Project costs in Board Order 2024-05, the Board is satisfied that, whereas expenditure on the MLESP was approved by the Board in Board Order 2013-10, YEC did not have any reasonable expectation that its expenditures on the project were jeopardy until it received correspondence from FNNND, in August 2021, indicating concerns with aspects of the project. Further, the Board is satisfied that the accumulation of further costs between the date of the FNNND correspondence and the decision by the YEC Board, in February of 2022, to cease expenditures on the project was reasonable to assess options about how to appropriately address FNNND concerns.

432. The Board is also satisfied that because the MLESP costs transferred MGS relicensing project related to a viable option to provide additional hydro generation capacity to the benefit of rate payers, the decision to continue expenditures on a reduced scope project (i.e. the removal of coffer dam remnants) was reasonable.

208 Exhibit 4, YUB-YEC-1-84(b) response, PDF page 517.
209 Exhibit 4, YUB-YEC-1-84(c) response, PDF page 518.
210 Exhibit 4, YUB-YEC-1-84(d) response, PDF page 518.
211 YEC Final Argument, PDF page 48.

433. The Board notes that, apart from indicating that doing so has the support of FNNND, it is not clear to the Board why the costs associated with the removal of coffer dam remnants would ordinarily be transferred to a licence renewal project rather than to a project specifically related to undertaking physical upgrades of Mayo generation facilities. However, given that the rate impact of accumulating costs in a licence renewal project or a generation upgrade project is the same, and because the transfer has been supported by FNNND, the Board agrees to the transfer in this case.

434. The Board's approval of the transfer of MLESP costs to the MGS licence renewal project does not, of itself, confirm that the Board has found that the full quantum of costs transferred to the MGS licence renewal project to be prudent. These costs will be evaluated once the MGS licence renewal project is complete.

435. In light of the foregoing, the Board approves, as filed, YEC's proposed capital addition for 2024 in the amount of approximately $2.267 million as set out in the updated Table 5.8 CWIP continuity schedule filed by YEC as part of its June 30th supplementary information submission. The Board also approves YEC's proposed updates to 2024 capital expenditures for the MGS licence renewal project as set out in the same schedule.

436. The Board accepts YEC's proposal to amortize the $2.267 million amount of MLESP costs added to rate base in 2024 over ten years.

8.1.12 Deferred Capital - AGS 5-Year Fisheries Act Authorization

8.1.12.1 Views of YEC

437. In the application, YEC forecast a 2025 addition to rate base in the amount of $0.714 million for costs associated with its efforts to obtain a renewal of its authorization under the *Fisheries Act* to operate the Aishihik Generating Station (AGS).

438. The AGS 5-Year *Fisheries Act* Authorization project focused on obtaining a Fisheries Act authorization for the five-year period between 2022 and 2027. YEC explained that a *Fisheries Act* authorization is similar to a water use licence for a hydro generating unit, but has a narrower focus related to regulating a hydro generating unit's activities in the context of fish and fish habitat.[212]

439. In its application write-up in respect of the AGS 5-Year *Fisheries Act* Authorization project,[213] YEC explained that the Board approved a 2022 addition to rate base in the amount of approximately $3.903 million, and a forecast addition in 2023 in respect of the AGS 5-Year *Fisheries Act* Authorization project. As the *Fisheries Act* Authorization was not completed by the end of 2022, YEC anticipated the

212 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.2B, Section 5.2B-1, PDF page 421.
213 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.2B, Section 5.2B-1, PDF page 421.

completion of the *Fisheries Act* Authorization renewal process in 2024 at a forecast cost of $0.804 million. However, as the *Fisheries Act* Authorization process was not completed by the end of 2024, this cost was not applied as an addition to YEC's 2024 rate base, and YEC forecast the completion of the 2023-2027 period *Fisheries Act* Authorization five-year renewal in 2025 at a forecast cost of approximately $0.714 million.[214]

440. YEC concluded its AGS five-year *Fisheries Act* Authorization write-up in its 2025-2027 GRA by noting that a portion of the costs totalling approximately $0.650 million forecast, in relation to the AGS 25-year licence renewal project, may be attributable to the completion of the AGS five-year *Fisheries Act* Authorization renewal.[215]

8.1.12.2 Board Findings

441. In its application, YEC forecast a capital addition in the amount of $0.714 million in 2025, YEC's update to its CWIP continuity schedule (Updated Table 5.8) filed with its June 30th supplementary information filing. This reflected updates of 2024 "preliminary actual" amounts as confirmed 2024 actuals. YEC indicated that, with expenditures in 2024 of approximately $0.179 million, YEC had actually finalized its expenditures on the AGS 5-Year *Fisheries Act* Authorization project with a 2024 capital addition in the amount of approximately $0.755 million.

442. The change from a forecast $0.714 million 2025 addition in the application to a slightly larger addition ($0.755 million) in 2024 was made through the update of 2024 preliminary to confirmed actuals for multiple projects.

443. The Board approves YEC's requested 2024 $0.755 million capital addition, as filed, as these costs were prudently incurred. This finding reflects YEC's response to YUB-YEC-1-2, which provides a comprehensive explanation of the challenges that YEC faces in all of its licence renewal processes, and the fact that the $0.755 million final 2024 amount is materially lower than the $0.804 million amount that YEC forecast in its 2023-2024 GRA to be required to complete the AGS 5-Year *Fisheries Act* Authorization project

444. The Board takes note of YEC's comment in its AGS five-Year *Fisheries Act* Authorization write-up that a portion of the costs totalling approximately $0.650 million forecast in relation to the AGS 25-year licence renewal project may be attributable to the completion of the AGS five-year *Fisheries Act* Authorization renewal. The Board directs YEC to provide a brief report containing an assessment as to what portion, if any, of its final AGS 25-year licence renewal project costs are properly attributable to AGS five-year *Fisheries Act* Authorization renewal activities. This report should be provided by YEC as part of its next GRA.

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214 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.2B, Section 5.2B-1, PDF page 423.

215 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.2B, Section 5.2B-1, PDF page 423.

8.2 Forecast 2025-2027 capital project additions

445. The Board has reviewed all projects for which YEC requested the approval of forecast capital addition amounts for the years 2025, 2026, and 2027 in the Updated Table 5.8 provided in YEC's June 30th supplementary information submission. Except as noted in the subsections below, YEC's forecast capital addition amounts are approved as filed.[216]

8.2.1 Generation - Wareham Spillway Tunnel project

8.2.1.1 Views of YEC

446. As more completely described below, as a result of changes first set out in YEC correspondence, dated October 14, 2025, YEC changed the timing of its forecast capital addition in the amount of approximately $73.033 million from 2027 to 2028, thereby causing its forecast capital additions for the project to fall outside of the 2025-2027 GRA test period.

447. In its application, YEC provided a business case[217] that supported its originally proposed capital addition in 2027. In that business case, YEC explained that the Wareham Spillway Tunnel project (as originally presented in the application) involved the construction of a new permanent Wareham spillway tunnel with an expected life of 75 years to facilitate the safe passage of water over the Wareham Dam facility, and to meet the Inflow Design Flood (IDF) requirement at the Mayo Generating Station. The construction of the tunnel will facilitate the conveyance of water during the construction of a second permanent repair of the existing spillway by 2029. In addition, after the completion of the permanent spillway repair, YEC indicated that the tunnel would serve as the primary operational spillway for the Wareham Dam, and the replaced spillway would serve as the secondary/auxiliary spillway.[218]

448. YEC explained that the existing Wareham spillway, originally commissioned in 1952, was required for operation of the Mayo Generating Station and provides IDF capacity to the Wareham Lake system. YEC further explained that, as there is no other spilling structure at Wareham Lake that can pass IDF or spring freshet, if the spillway is not operatable during a flood, the lake water levels would rise and would eventually overtop the Wareham Dam. Moreover, because the Wareham Dam is an

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216 Note: For certain projects identified in separate subsections below, forecast capital addition amounts in 2025, 2026, or 2027 have been approved but a separate subsection has been included in this decision for other reasons.

217 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF pages 267-271.

218 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF page 267.

earthfill dam, and because overtopping is the main cause of failure of earthfill dams, the overtopping of the dam is not an option.[219]

449. Prior to making a decision on the specification of the tunnel project described in the application, YEC conducted an options assessment process that considered eight conceptual options for a permanent spillway solution. The eight options were evaluated during an initial assessment phase using a framework that included assessments of several factors, including safety, cost, environmental impact, and technical feasibility.[220]

450. Following this initial assessment, two primary options were advanced for more detailed evaluation. YEC's business case included a summary of the key considerations related to the two options considered in the second evaluation stage. This second phase evaluation resulted in the decision to pursue an option of building a tunnel through the bedrock of the left abutment of the dam, along with full replacement of the existing spillway.[221]

451. YEC's business case also noted that the cost of simply decommissioning the Mayo Generating Station and restoring Wareham Lake and the Mayo River had been estimated to cost up to $440 million. However, YEC's selected option, at a combined forecast cost of around $150 million for completing both the Tunnel and Full replacement process, was deemed to be clearly preferable to the option of decommissioning the Mayo Generating Station.[222]

452. The Wareham Spillway Tunnel business case included a more detailed breakdown of the forecast cost of the project (then estimated to be approximately $73.924 million) to completion at the then anticipated in-service date of Q4 2027.[223] The costs attributed to specific years of YEC's 2025-2027 GRA CWIP continuity schedule for combined Wareham Spillway replacement projects (i.e. tunnel and replacement projects) reflect YEC's plan to develop the project in three primary phases of: Phase 1 - Design & Procurement (2025); Phase 2 – Project Execution – Spillway Tunnel & Plunge Pool (2026-2027); and Phase 3 – Project Execution – Replacement of the Existing Spillway (2028 2029).[224]

453. As part of its response to YUB-YEC-1-70, YEC provided the project execution schedule for the Wareham Spillway Tunnel project as it existed at the time of the

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219 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF page 268.
220 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF page 269.
221 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF pages 269-270.
222 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF page 270.
223 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF page 270.
224 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1A, Section 5.1A-4, PDF pages 270-271.

application,[225] and a moderately detailed breakdown of YEC's forecast cost for the project, as it existed at the time, upon which YEC had made the corporate decision to commence substantial expenditures on the project.[226]

454. In correspondence dated October 14, 2025,[227] YEC anticipated that the completion of the project would be delayed beyond the end of 2027 due to information it had recently been received about the project.

455. YEC added that, despite the nature and importance of the project and despite YEC's efforts and previous expectations that they could complete the project prior to year end 2027, due to "challenges and opportunities with the spillway design," YEC was actively reviewing the design of the spillway, as well as whether a tunnel or channel option would be preferred. YEC anticipated that the preferred spillway option would be confirmed before the end of the fourth quarter of 2025.[228]

456. YEC noted in the letter that if the tunnel project were to be removed from YEC's 2025-2027 GRA rate base and revenue requirement, YEC's revenue requirement would be reduced by approximately $2.7 million, thereby also reducing the required rate increase by approximately 2.0 per cent.

457. In response to questions from the Board at the hearing seeking clarification of the "challenges and opportunities" referenced in the October 14, 2025 letter, YEC panel member Mr. Paul Murchison explained that the primary challenges related to increasing estimates of the cost of the tunnel plus replacement of existing spillway option. Mr. Murchison added that, in light of the increases in forecast project costs that had occurred, YEC's engineer of record, the owner's engineer engaged by YEC for the project, and an independent cost estimate had all recommended that the principal contractor for the project (Kiewit) should examine the situation and provide its advice on how to optimize the project.[229]

458. Mr. Murchison reported that the information that YEC had obtained to date on the project included certain proposals related to the design of the tunnel project, under which the tunnel would be shortened, and discussed the potential to save costs by eliminating the coffer dam. Mr. Murchison also explained that Kiewit had also suggested that an option of building a larger spillway, roughly in the location of the proposed tunnel option, could be a preferrable approach from both the perspective of schedule and cost. In light of these suggestions, Mr. Murchison noted that Kiewit

225 Exhibit 4, YUB-YEC-1-70(c), PDF pages 457-459.
226 Exhibit 4, YUB-YEC-1-70(c), PDF page 459.
227 Exhibit 3. October 14, 2025 YEC Letter.
228 Exhibit 3, October 14, 2025 YEC Letter, PDF page 2.
229 Transcripts, Volume 3, PDF pages 404-405.

was "doing some work to explore that option to give us a better understanding of whether that would be a preferred option..." [230]

459. During the hearing, YEC provided an undertaking response to the Board that described the revised schedule for the project and which indicated that, at the time of its response, YEC was targeting completion of the tunnel in 2028.[231]

460. In another undertaking response to the Board, YEC provided an updated budget for construction of the Wareham tunnel option which showed that the forecast cost, inclusive of a 20 percent contingency allowance and forecast AFUDC, had increased to approximately $110.657 million.[232] This figure represents an increase of almost 50 per cent as compared to the forecast cost of the project of approximately $73.924 million[233] described in the updated CWIP continuity schedule filed with YEC's June 30, 2025 supplementary information response.

461. YEC did not address the Wareham Dam Spillway Tunnel project extensively in argument, but noted that, as set out in its October 14, 2025 letter (Exhibit 3) and its opening statement (Exhibit 8), the anticipated in-service date for the project had been delayed. YEC further noted that, as a result, the tunnel project was no longer in its updated 2027 test year revenue requirement thereby reducing its 2027 revenue requirement costs by $2.7 million (removal in 2027 of $0.513 million depreciation and $36.9 million mid-year rate base with its related return on rate base).[234]

8.2.1.2 Board Findings

462. Based on the information provided by YEC in its October 14, 2025 letter, and the subsequent clarifications provided during the hearing and through undertaking responses, the Board is satisfied and therefore approves that the expected timing of the project has changed from late in 2027 to the earlier part of 2028.

8.2.2 Generation - Whitehorse Power Centres Project

8.2.2.1 Views of YEC

463. In its application, YEC included forecast information and an associated business case for a project then called the Whitehorse Power Expansion Project. In the business case in support of that project, which has since been renamed to the Whitehorse Power Centres Project (WPCP), YEC indicated that it had spent approximately $0.200 million on the project to the end of 2024, and that it

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230 Transcripts, Volume 3, PDF pages 404-405.

231 YEC Response to Undertakings, October 28, 2025, Undertaking #37, PDF page 54.

232 YEC Response to Undertakings, October 28, 2025, Undertaking #38, PDF page 56.

233 This total ($73,924,100) reflects the combined amount of YEC's proposed capital addition in 2024 preliminary study costs ($890,700) and the forecast amount ($73,033,400) of the capital addition in for the Wareham Spillway Tunnel project in 2027. See Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8 at PDF page 34 and PDF page 40.

234 YEC Final Argument, PDF page 12.

anticipated additional expenditures of approximately $1.5 million, $2.5 million, and $50 million in 2025, 2026, and 2027, respectively, leading to a forecast 2027 closing CWIP balance for the project of approximately $54.2 million by the end of 2027.[235]

464. In the business case, YEC explained that the project was needed to:

- Construct the required winter thermal generation resources near Whitehorse to meet winter capacity needs between 2025 and 2030;
- Construct the system transformation and transmission needs near Whitehorse to improve reliability of electricity delivery to customers; and
- Construct the required winter thermal generation resources near Whitehorse to meet capacity needs through 2035 in a way that provides flexibility to add additional capacity, if required, or the removal of thermal generation from the site as new firm sources of renewable electricity are built or connected to the grid.[236]

465. In Board Order 2025-12, the Board requested that YEC provide its capital addition forecast and expected year of addition for a number of projects, including the Whitehorse Power Expansion Project for which YEC had only provided test period forecast cost information in its application. In its response, YEC indicated that the Whitehorse Power Expansion Project was expected, at that time, to cost approximately $114.2 million, with an expected year of completion in 2029 or 2030, including elements comprising phase 1 of the project.[237]

466. In YUB-YEC-1-69, the Board requested that YEC provide complete project execution schedules and more detailed project budget breakdowns reflecting information known at the time YEC management authorized the commencement of substantial expenditures on projects identified as coming into rate base after 2027. For the Whitehorse Power Expansion project, YEC provided a high-level summary of the work expected to occur in years 2025 through 2027,[238] and provided a breakdown of its initial budget for the project totaling approximately $124 million which included a small allowance for contingencies, but which did not include an allowance for anticipated AFUDC in the forecast.[239]

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235 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.4A, Section 5.4A-1 (Exhibit 1-A), PDF page 440.

236 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.4A, Section 5.4A-1 (Exhibit 1-A), PDF page 440.

237 Response to Board Order 2025-12, Appendix A, paragraph 61(i)(i) and (ii), provided at Exhibit 2-A, YEC 2025-2027 Supplementary Information, PDF page 7, including reference to asterisk notation on the page that stated: "Reflects Phase 1 of the Project."

238 Exhibit 4, YUB-YEC-1-69 (a-b), PDF pages 451-453.

239 Exhibit 4, YUB-YEC-1-69 (a-b), PDF page 453.

467. In response to a question which asked YEC to discuss steps it was taking to implement a long-term or permanent solution to the issues of the continued need to use rented diesel units, YEC explained that, in June 2025, after the filing of the application, it had submitted to the Yukon Economic and Socio-Economic Assessment Board (YESAB) for the project, now renamed to the Whitehorse Power Centres Project.[240]

468. Significant discussion about the WPCP occurred during the oral hearing.

469. In response to a request posed by the Board, YEC prepared an undertaking which indicated that YEC anticipated that cumulative expenditures on the WPCP to the end of 2027 were forecast to total to approximately $65.9 million, of which approximately $56.9 million related specifically to the 15 MW South Power Centre.[241]

470. In response to another undertaking requested by the Board during the oral hearing, YEC provided an updated forecast of the cost of the entire WPCP. YEC provided a cost breakdown that included costs expected to be incurred between 2031 and 2035 to expand the capacity of the North Power Centre portion of the project by 30 MW. Inclusive of an assumed contingency allowance, YEC currently anticipates that the cumulative total for expenditures on the WPCP to the end of 2035 could be approximately $520.106 million.[242]

471. In its argument, YEC reiterated evidence provided by Ms. Cunha during the hearing[243] that there is no physical space remaining at the existing site to install additional rented diesel units. Therefore, YEC needs to complete the South Power Centre portion of the WPCP by December 2027 to meet the increased dependable capacity shortfall now forecast for winter 2027-2028.[244]

472. YEC also noted that significant discussion and questioning about the WPCP occurred during the hearing, for which the key information provided included:

- A review of WPCP updates developed since the 2025-2027 GRA was filed.[245]

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240 Exhibit 4, YUB-YEC-1-8 (a-b) Attachment 1, PDF pages 131-137.

241 YEC Response to Undertakings, October 28, 2025, Undertaking #32 response, PDF page 44.

242 YEC Response to Undertakings, October 28, 2025, Undertaking #33 response, PDF page 47.
Note: YEC explained in its Undertaking #33 response (see "Phase 3" discussion on PDF 46) that the expenditures additional between 2031 and 2035 which were estimated to cost approximately $261,703,200 of the $520,106,000 total, would only be required only if expansion of existing north power centre built in Phase 2 is not feasible or demand for power is expected to exceed capacity limits at the north site.)

243 Transcripts Volume 1, PDF 37

244 YEC Final Argument, PDF page 43.

245 Transcripts, Volume 3, PDF page 351.

- Clarification of current 2027 in-service capital cost estimate of $56.9 million.[246]

- Comments made by Mr. Milner about YEC's need to prioritize projects needed to meet winter peak load, and the critical need for Phase 1 of the WPC Project to be in service by winter 2027/28.[247]

- Comments made by Ms. Cunha describing work streams being conducted in parallel to achieve goals for the project.[248]

- Comments made by Mr. Murchison about how YEC's approach to procurement will aid in meeting YEC's required timeline.[249]

- Comments made by Mr. Epp and by Ms. Cunha about steps to date pursuant to a Part 3 review of the project by the Board and YESAB processes.[250]

473. In reply, YEC submitted that, because the Board's jurisdiction in the current proceeding is limited to approval of the forecast capital costs of the Whitehorse South Power Centre (or an effective alternative) in the 2027 revenue requirement, Mr. Yee's recommendation for the project to be deferred "until a detailed project schedule supported by engineering and permitting evidence and realistic timelines can be provided to the Board," at least as worded, goes well beyond the scope of the current proceeding.[251]

474. YEC further submitted that it understood the substance of Mr. Yee's argument to be that the Board should require more evidence before approving the inclusion of Whitehorse South Power Centre costs in 2027. In particular, YEC indicated that it understands it to be Mr. Yee's position that additional evidence is needed regarding the reliability of rented diesels, and to establish either that rented diesels will be available for the winter of 2027-2028 or that there is a realistic alternative backup that does not rely on rented diesels.[252]

475. With respect to the availability of rented diesels, YEC explained that, as its response to YUB-YEC-1-30 (b) shows, a new forecast dependable capacity shortfall of 8.1 MW for the winter of 2027-2028, and as YEC's evidence is that securing five added rental

246 Transcripts, Volume 3, PDF page 354.
247 Transcripts, Volume 3, PDF pages 358-360.
248 Transcripts, Volume 3, PDF pages 360-361.
249 Transcripts, Volume 3, PDF pages 367-368.
250 Transcripts, Volume 3, PDF pages 364-367.
251 YEC Reply Argument, PDF page 6.
252 YEC Reply Argument, PDF page 6.

diesels is the only reliable backup to procuring new permanent diesel capacity, YEC submitted that it still has sufficient time to keep assessing its options.

476. YEC submitted that Mr. Yee's implicit recommendation to defer the WCPC (south site project) ignores the evidence that it will not be possible for YEC to meet the updated 8.1 MW shortfall by adding additional diesel rental units to the 10 that are already currently installed at Yukon Energy's Whitehorse diesel plant. Accordingly, YEC submitted that a new site is necessary because it is the only practical option currently available to YEC.

477. YEC submitted that the regulatory review of the WPCP, which YEC expected to be completed in 2026 or early 2027, is expected to seek approval for an initial 15 MW, and ultimately 30MW of modular diesel units. In light of this anticipated schedule, YEC submitted that it was confident that if, for reasons of either procurement or that the installation of planned permanent modular units cannot be confirmed in time for winter of 2027-2028, Yukon Energy is confident that its work on the new site could have civil and related supporting facilities work completed in the 2027 construction season. Accordingly, YEC submitted that the completion of the work required for the installation of modular diesel units would instead accommodate, for at least one winter, sufficient diesel rental units to meet the updated dependable capacity shortfall for winter 2027-2028.

478. In providing this explanation, YEC emphasized that it will continue to target the "optimal option," if feasible, to install the planned 15 MW of permanent modular units by winter 2027-2028, thereby allowing YEC to displace the utilization of nine rental diesel units that would otherwise be required.[253]

479. In conclusion, YEC submitted that the record of the current proceeding supports YEC's decision to base its forecast WPCP capital addition for 2027 on its forecast of the cost of completing of the south power centre of the WPCP by that date as the basis for its GRA estimate.

8.2.2.2 Views of interveners

480. Mr. Yee provided several comments about the Whitehorse Power Centres project. In his argument, Mr. Yee submitted that YEC should be directed to start working immediately on renewable alternatives to the development of large diesel plants. He also submitted that, whereas YEC claims that because there are no alternatives in the short term and that the WPCP is a "must have," building the project is not the

[253] Note: YEC clarified that the calculated displacement of 9 rental diesel units includes the ability for YEC to remove 4 of its existing 22 rented diesel units, plus 5 additional rental units that would otherwise be required to close the updated capacity shortfall currently forecast for winter 2027-2028.

direction in which YEC should be going for the longer term consistent with its Road Map to 2050.[254]

481. Mr. Yee also expressed concern that building the 15 MW south portion of the WPCP in two years may not be possible and noted that, while YEC had insisted that this could be done, there did not appear to be any room for error or delay in YEC's projections.[255] Mr. Yee also noted that, whereas YEC had indicated in responses filed in a prior proceeding that a new 12.5 or 20 MW diesel plant would take four year to complete, YEC's claim that it could complete the south portion of the WCPC in two years is subject to question.[256]

482. With respect to YEC's contention that the installation of rented diesels could serve as a reasonable back up plan to deal with unanticipated delays in advancing the south portion of the WPCP, Mr. Yee submitted that because procuring and installing rentals is not easy, YEC's backup plan is not a reliable alternative, and would represent a continuation of YEC's practice of "last minute" installation of more rented diesel units.[257]

483. In summary, Mr. Yee submitted that YEC has not demonstrated that the WPCP, as proposed, is realistic or prudent, or that it is the only option. Further, as the WPCP project involves more last-minute fixes and is the result of other projects not being completed, Mr. Yee submitted that the WPCP should be deferred until a detailed project schedule supported by detailed engineering and permitting evidence, and realistic timelines can be provided to the Board.[258]

8.2.2.3 Board Findings

484. The Board notes that, in its evidence related to the WPCP (including evidence provided when the project was called the Whitehorse Power Expansion project), YEC has indicated that it expected that a Part 3 Energy Project and Operation Certificate, including the issuance of an order-in-council declaring the WPCP to be a regulated project, would be required prior to the start of construction of new permanent thermal generation facilities.

485. The Board's findings in respect of the WPCP, in this decision, only pertain to determining whether the completion of WPCP facilities justifying a capital addition, and therefore affecting YEC's 2025-2027 period revenue requirement, is expected to occur during the 2025-2027 test period, and, if so, to determine a reasonable forecast of the cost and timing to complete the expected facilities. As such, no inferences should be made as to either the timing or outcome of non-GRA

254 Nathaniel Yee Final Argument, paragraph 26, PDF page 6.
255 Nathaniel Yee Final Argument, paragraph 27, PDF pages 6-7.
256 Nathaniel Yee Final Argument, paragraph 29, PDF page 7.
257 Nathaniel Yee Final Argument, paragraph 36-37, PDF page 7.
258 Nathaniel Yee Final Argument, paragraph 41, PDF page 7.

regulatory proceedings related to this project, including any potential Part 3 process that may be conducted before this Board.

486. In the current proceeding, the Board considers that the only matter of relevance to the determination of how the WPCP project impacts YEC's revenue requirement during the 2025-2027 test period relates exclusively to whether the initial projected element of that project proposed by YEC, namely the 15 MW south power centre, can be completed during the later part of 2027 as YEC has indicated. Further, if so, the related secondary question is: What portion, if any, of the south power centre portion of the WPCP can reasonably be projected for completion during 2027, and at what expected cost?

487. With respect to the first question, the Board is satisfied that, due to the urgency of meeting the need to address a projected 8.1 MW shortfall for the winter of 2027/2028, YEC must, and therefore will, take expedited steps to ensure that sufficient development of the south power centre portion of the WPCP will be completed to allow either its preferred outcome of the installation of permanent modular diesel units or a backup plan of temporarily connecting additional rented diesels at the new site.

488. With respect to the second question, the Board is cognizant that YEC has presented a compressed timeline for completing the preferred option prior to the end of 2027. The Board is satisfied that YEC has presented evidence of the manner in which it will attain project completion by the end of 2027. However, even if the project were not completed by the end of 2027, the Board is satisfied that at least the facilities required at the new site to connect rented diesels will be completed. Further, the Board is satisfied that because YEC believes it can complete its preferred configuration in time, and because YEC is carrying the risk for any associated cost to obtain additional rented diesels (with no corresponding forecast revenue requirement allowance for this expense), the Board accepts that YEC's proposal to utilize a forecast 2027 capital addition in the amount of $56.9 million is reasonable, and is approved.

489. In respect of the comments on the project made by Mr. Yee, the Board considers that YEC has demonstrated that there is an urgent need to complete the project on an expedited basis. Accordingly, the Board does not consider Mr. Yee's observation that the solution to the urgent need for capacity in advance of the winter of 2027/2028 ought to be more consistent with generation fuel types contemplated in YEC's Road Map to 2025 to be relevant to the need to complete at least the South Power Centre portion of the WPCP prior to the end of 2027. Conversely, the Board considers that the appropriateness of continuing to utilize thermal powered generation sources for the later phases of the project, in light of YEC's longer term road map or other considerations, can be raised by any party if and when YEC

presents its overall plan for "full implementation" of the WPCP for examination by the Board.

490. Finally, given the Board's finding above that YEC will be either able to complete its preferred option of installing permanent modular units at the South Power Centre, or temporarily installing additional rented diesel units at that site prior to the end of 2027, the Board disagrees with Mr. Yee's view that YEC does not have a viable plan for completion of the initial phase of the WPCP in time for the winter of 2027/2028.

8.2.3 Generation - Partial capitalization of Lewes River Boat Lock costs

8.2.3.1 Views of YEC

491. In argument, YEC explained how Lewes River Boat Lock Road Access Rebuild project were presented in its application materials and other proceeding evidence and noted that no costs for that project were included in either its 2023-2024 GRA costs, or in its 2025-2027 GRA rate base forecast.[259]

492. YEC provided an overview of the Lewes River Boat Lock project in Section 5.1B-1.1 of Appendix 5.1B-1 of the application. YEC explained that the boat lock was constructed in 1976 and serves the purpose of allowing small water-borne vessels to traverse the Lewes River control structure to gain access to the Yukon River. However, due to the occurrence of the largest recorded flooding event on the Yukon River during the summer of 2021, adjustments to the operation of the boat lock undertaken that year to help mitigate upstream flooding resulted in damage to the boat lock gates. As a result of the damage to the gates, they were not reinstalled after the flood levels receded in 2021. After other damage to Lewes River Boat Lock elements subsequently occurred due to the effects of erosion, the boat lock was taken out of service until it can be replaced.[260]

493. YEC explained that the Lewes River Boat Lock project is necessary to maintain the functionality of the boat lock, which is a regulatory requirement of Transport Canada under the *Navigable Waters Act*.

494. In its 2025-2027 GRA, YEC requested the approval of a rate base addition incurred as part of the Lewes River Boat Lock in the amount of approximately $1.640 million in 2025. YEC explained that the requested addition related to the costs associated with what it referred to as "Stage 1" (the design phase) of the project. YEC proposed that the Stage 1 costs be amortized over a 10-year period. With the capitalization of the Stage 1 costs, YEC explained that the "Stage 2" costs, involving the cost of

259 YEC Final Argument, PDF page 39.

260 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1B-1, Section 5.1B-1.1, PDF page 302.

constructing a fully operational boat lock would be undertaken as a separate project after 2025, and start with a CWIP balance of zero.[261]

495. With respect to the balance of the project, YEC indicated that, in addition to a "Class 5" cost estimate in the amount of $11 million to replace the boat lock in kind, other additional costs would be required for structure or boat lock upgrades, and to make repairs on an access road that that had been damaged during the 2021 flooding event. In view of the forecast costs of proceeding with "Stage 2" of the project, YEC explained that it had held discussion with representative of other Yukon government agencies to share findings of studies undertaken related to the project, and to receive comments prior to advancing to the detailed engineering stage of the project.[262]

496. During the hearing, YEC responded to questions from the Board regarding the following matters:

- The relationship between the Lewes Boat Lock project and similarly named project called the Lewes River Boat Lock Road Access Rebuild project.[263]
- The current status of the Lewes River Boat Lock Road Access Rebuild project.[264]
- A discussion about whether the Board or interveners could test the prudence of "Stage 1" Lewes River Boat Lock project costs if the Board were to approve YEC's proposal to capitalize such costs in 2025.[265]
- Clarification of the nature of the activities generating the costs included with YEC's proposed 2025 $1.640 million capital addition amount.[266]
- Whether, and, if so, how, Board findings in prior decisions regarding the long-term accrual of AFUDC impacted YEC's decision to capitalize Stage 1 Lewes River Boat Lock project costs in 2025.[267]

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261 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1B-1, Section 5.1B-1.1, PDF page 301.

262 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.1B-1, Section 5.1B-1.1, PDF page 305.

263 Transcripts, Volume 2, PDF pages 289-291.

264 Transcripts, Volume 2, PDF pages 291-292.

265 Transcripts, Volume 2, PDF page 300.

266 Transcripts, Volume 2, PDF pages 303-304.

267 Transcripts, Volume 2, PDF pages 306-307.

- Whether YEC was seeking general Board approval for a "take it slow/gather more information" approach to making decisions about the remaining aspects of the boat lock project.[268]

- The current expected timing for completion of the Lewes River Boat Lock project.[269]

- Clarification of YEC's current estimate of the remaining cost of completing the Lewis River Boat Lock project, including clarification of whether YEC's estimate included costs related to the rebuild of the access road.[270]

497. In response to an undertaking given to the Board, Mr. Murchison clarified that YEC's estimate of the combined cost of completing boat lock construction and for completing any associated access road repairs would be approximately $41.7 million.[271]

8.2.3.2 Board Findings

498. The Board appreciates the clarifications about the Lewes River Boat Lock project given during the course of the 2025-2027 GRA proceeding, and, in particular, during the hearing. Based on such clarifications, the Board has a clearer understanding that YEC is not seeking approval from the Board as to its approach to the project, but is gathering additional information, including from relevant government agencies, as to the required scope of the project before making decision to proceed on a relatively high-cost undertaking. Based on the Board's examination, the Board is satisfied, at least to the present time, that YEC has adopted a prudent approach to its decision making with respect to the project.

499. In consideration of the above, however, the Board finds that the indefinite and potentially somewhat long time before the remaining aspects of the project are completed does not justify YEC's proposal to capitalize Stage 1 costs at this time.

500. The Board notes that, since 2025 has just concluded, and since the process that YEC used to finalize "preliminary" 2024 project costs by adjusting, if necessary, 2025 costs for the same project, the Board has no confidence that the approximately $1.640 million amount is a final amount, and thus cannot serve as a basis for whether the amount that YEC proposes to capitalize in 2025 was prudently spent, given the activities that YEC undertook in relation to its 2025 costs. More fundamentally, the Board considers that because the costs of preliminary studies related to the Lewes River Board Lock project are not, of themselves, useful assets to rate payers, these costs should remain as part of the CWIP balance for the

268 Transcripts, Volume 2, PDF pages 307-308.
269 Transcripts, Volume 2, PDF page 308.
270 Transcripts, Volume 2, PDF pages 308-310.
271 Transcripts, Volume 3, PDF page 332.

project. The Board considers that while capitalizing (the final actual amount of) costs spent to the end of 2025 would avoid AFUDC on this amount, this result does not benefit rate payers in consideration that including these costs in rate base means that a return on these costs is paid through rates from 2025 on.

501. In light of the foregoing, the Board hereby denies YEC's proposal to capitalize $1.640 million amount in 2025 and YEC's related proposal to amortize this amount over ten years. Accordingly, YEC is directed to adjust its CWIP schedules to reflect this amount as a closing balance for 2025 in its compliance filing to this Board Order.

8.2.4 Deferred Capital Project costs

8.2.4.1 Views of YEC

502. In its argument, YEC provided a brief summary of the application business case filed in support its forecast 2026 capital addition of approximately $2.332 million in 2026 for the Integrated Resource Plan project.[272] YEC noted that no issues were raised in either IRs or through hearing questions in respect of that project.[273]

503. YEC similarly noted that no material issues were raised in relation to the 2022-2030 demand side project or other expenditures on smaller cost deferred cost projects in either information request or hearing questioning.[274]

504. YEC provided submissions regarding deferred cost projects in its argument in support of its forecast 2025-2027 period capital additions for the AGS 25-Year Water Use Licence Renewal project,[275] the WRGS Long Term Water Use Licence Renewal project, [276] and the MGS 5-Year Water Use Licence Renewal project.[277]

505. In its submissions in respect of each of these projects, YEC noted that it had filed extensive business cases in the application that described the nature of the activities it had undertaken in support of its efforts to achieve these water licence renewals.

506. YEC also took note of its discussion of each of the relicensing projects of the IR responses that it had provided, which included its response to YUB-YEC-1-2. Discussing that response for the WRGS Long Term Water Use Licence Renewal project, YEC submitted that that response, which pertained not just to the WGRS project but also to hydro relicensing projects generally, provided a review of the complexity of the current legal and regulatory environment experienced by YEC personnel. YEC noted that, in respect of the WGRS relicensing effort in particular, it

272 YEC Final Argument, PDF page 48.
273 YEC Final Argument, PDF page 48.
274 YEC Final Argument, PDF page 48.
275 YEC Final Argument, PDF pages 46-47.
276 YEC Final Argument, PDF page 46.
277 YEC Final Argument, PDF page 47

took more than three years of intense effort to obtain a renewed 20-year water licence on July 29, 2025.

507. YEC noted that, for all three of the relicensing projects, no material issues were raised in either IRs or during the hearing regarding these projects.

508. With respect to the MGS 5-Year Water Use Licence Renewal project, YEC noted that, while its GRA forecast includes a forecast capital addition in 2025, because of delays in the Water Board hearing process, the expected in-service for the project would now also be delayed to 2026. In light of this change, YEC submitted that if the Board determines that it is appropriate to direct that the costs of this project should be added to YEC's rate base in 2026 rather than 2025, YEC would reflect such direction in its compliance filing to this Board Order.[278]

509. In reply, in response to UCG submissions in argument regarding First Nation compensation costs, YEC submitted that such costs are not discretionary for YEC. YEC submitted that First Nation compensation costs are requirements of applicable regulatory processes governing YEC's projects. In this regard, YEC noted that it has an obligation under the *Waters Act* to provide the compensation that the Water Board considers appropriate to eligible claimants, including First Nations and their citizens, as a condition of issuance or renewal of a water licence.

510. YEC further noted that it also has the obligation to comply with the terms and conditions of decision documents issued by decision bodies under the *Yukon Environmental and Socio-economic Assessment Act* for the purposes of mitigating impacts of YEC projects on First Nations. YEC noted that such obligations must be incorporated into the licences, permits, or other regulatory authorizations that YEC requires for its facilities and submitted that such obligations cannot be disregarded or ignored by YEC.

511. Given the above, YEC submitted that to the extent that the Board is satisfied that the above-described costs are prudent costs that must be included as part of YEC's capital expenditures on projects for the relicensing of three hydro-electric generating stations, the Board must allow such costs to be included in YEC's rate base. Accordingly, YEC submitted that the Board has no authority to shift these costs to the Yukon government or to YEC's shareholder.

8.2.4.2 Views of Interveners

512. In a section of its argument submission under the heading "Reconciliation to the First Nations," the UCG submitted that under the *Public Utilities Act*, the term "compensation" is defined as any rate of remuneration, profit, or reward of any kind that is paid, payable, promised, demanded, received, or expected by a public utility, either directly or indirectly. This also includes any promises or agreements by a

[278] YEC Final Argument, PDF page 47.

public utility to provide service as part of, or in exchange for, a proposal involving the sale of land or an interest in it.

513. UCG provided a list of YEC initiatives, including relicensing projects reflected in YEC's forecast 2025-2027 period capital additions in respect of deferred cost capital projects, for which costs related to First Nation agreements and partnerships are included.

514. UCG submitted that compensation and restitution intended for First Nation reconciliation purposes resulting from socio-economic impact costs should be funded by YEC shareholder capital. UCG further submitted that First Nations are entitled to their equitable share. However, UCG submitted that this should not be funded "through business as usual" and instead should be funded via a shareholder agreement rather than through inclusion in YEC's revenue requirement. UCG submitted that this treatment should also be applied to debenture agreement or interest payments on debentures.

515. In consideration of its views, UCG recommended that the Board should determine the amounts included in YEC's revenue requirement allocated to First Nations for each test year and should then deduct the identified amounts from YEC's overall revenue requirement.

516. UCG further recommended that the way YEC and its government shareholder reconcile these payments should remain at the discretion of those parties. As a caveat, UCG submitted that any dollar investment from a First Nation into a specific project should be transparent but treated in the same manner as YEC investments in its capital projects are treated.

8.2.4.3 Board Findings

517. The Board finds, based on its review and consideration of the materials filed in support of YEC's deferred costs project, that the amounts of all forecast capital additions for all projects, including forecast capital additions in respect of its aggregated forecast of capital additions on other projects with spending less than $0.400 million, are reasonable and the Board approves these forecast costs, as filed.

518. With respect to the MGS 5-Year Water Use Licence Renewal project, the Board took note of YEC's comments in argument that the expected completion of that project will not occur until 2026. As a result, the Board directs YEC to utilize the forecast capital addition amount as an addition in 2026 in its compliance filing to this Board Order.

519. In respect of all three of the water relicensing project costs, the Board is in agreement with YEC's submissions in its reply argument in response to the argument submission of UCG. The Board considers that because obtaining water

licences is a critical precondition of being able to continue to generate electricity for the benefit of the Yukon electricity customers, the costs obtaining water licences, which may include costs associated with obtaining consent of First Nations at the direction of the Yukon Water Board or other regulatory bodies, are prudent utility costs, and are eligible for recovery through YEC's revenue requirement.

520. For the reasons set out earlier in Section 3.1, the Board does not accept the above-noted submissions of the UCG.

8.3 Other capital matters

8.3.1 Treatment of Atlin Hydro Energy purchase agreement costs

8.3.1.1 Views of YEC

521. In the updated CWIP continuity schedule (Updated Table 5.8) filed with its June 30th supplementary information response, YEC includes an entry for the Atlin Hydro SIS and EPA project. The project is included as part of YEC's continuity schedule reporting for deferred costs projects.

522. The Updated Table 5.8 schedule shows that an expected CWIP closing balance of approximately $1.609 million for 2024 was approved during the 2023-2024 proceeding.[279] The Updated Table 5.8 also indicates that YEC made expenditures totaling approximately $0.208 million,[280] leading to an actual 2024 closing balance of approximately $1.682 million, and that it expected to make additional expenditures related to the advancement of the Atlin Hydro Energy Purchase Agreement (EPA) of $0.100 million during the 2025-2027 period, leading to a forecast 2027 closing balance of approximately $1.782 million.[281] As such, YEC did not expect expenditures related to the Atlin Hydro SIS and EPA project to be completed by the end of the 2025-2027 test period.

523. YEC provided a description and status report on the Atlin Hydro SIS and EPA project in section 5.4B-1 of the application.[282] YEC explained that the project was initially identified in YEC's 10-Year Renewable Energy Resource Plan, and led to the negotiation of an EPA between YEC and the Tlingit Homeland Energy Limited Partnership (THELP). Within this arrangement, the costs that YEC incurs, for which it seeks recovery under its tariff, include legal and contractor costs incurred to negotiate the Atlin EPA and accompanying agreements.[283]

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279 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 33.
280 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 36.
281 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 42.
282 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.4B, Section 5.4B-1, PDF pages 466-468.
283 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.4B, Section 5.4B-1, PDF page 466.

524. In addition, YEC discussed its interpretation of the effect of prior GRA decisions related to the project, its rationale for continuing to treat the Atlin Hydro SIS and EPA as an active project, and provided a report on its activities related to the project subsequent to the 2023-2024 GRA decision and the current status of the project at the time of the application. YEC explained that, while it had not performed significant work on the project since the 2023-2024 GRA, an EPA conditions precedent had been reached between YEC and THELP which had the effect of extending it to June 30, 2025, thereby confirming that the project remained alive.[284]

525. YEC concluded that, based on its interpretation of the guidance provided in the prior GRA, while there is still uncertainty about the viability of the project, and while information could come to light while the current GRA was in progress, YEC would not cancel the project today and would therefore continue to maintain CWIP balances for the project.[285]

526. Conversely, YEC noted that, as stated in its 2023-2024 GRA compliance filing, if the Board were to conclude in the current proceeding that Atlin Hydro SIS and EPA project should be expensed, YEC expected that it would treat the $1.682 million amount of the 2024 closing balance, less the $0.356 million balance of capital contributions received for the project, as an expense for the year 2025.[286]

527. In its response to YUB-YEC-1-69, which sought updated project schedules and forecasts for a number of projects including the Atlin Hydro SIS and EPA project, YEC explained that, while it had not performed any significant work on the project since the 2023-2024 GRA, a further extension of the EPA conditions precedent beyond that noted in the application (to January 31, 2026) has been reached, thereby reconfirming that the project remained alive. In the same IR, YEC clarified that the 2025 expenditure forecast depended on the finalization or extension of the conditions precedent.[287]

528. During the hearing, the YEC panel answered several questions from the Board about the Atlin Hydro SIS and EPA project.[288] In response to a question posed during the hearing, YEC provided an update on the status of the project as at September 30, 2025 based on information obtained by YEC from THELP.

529. In argument, YEC provided a summary of the evidence on the regarding the history and status of the project following the findings made in the 2023-2024 decision. YEC

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284 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.4B, Section 5.4B-1, PDF page 467.

285 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.4B, Section 5.4B-1, PDF pages 467-468.

286 Exhibit 1-A, YEC 2025-2027 General Rate Application, Appendix 5.4B, Section 5.4B-1, PDF pages 468.

287 Exhibit 4, YUB-YEC-1-69, PDF page 455.

288 Transcripts, Volume 3, PDF pages 4-20.

also summarized principal aspects of the discussion about the project that took place during the hearing, including the following:

- That it had received an update from the project proponent about the project as at September 30, 2025 that was summarized in Undertaking #31.[289]

- That Mr. Milner had indicated that because the project is outside of YEC's control, YEC can only stay in touch with the proponent and watch for indicators that the proponent is intending to make an investment of millions of dollars.[290]

- That there is evidence of progress on advancing the project being made with the Government of British Columbia.[291]

- That Mr. Epp had clarified that if the project were to be cancelled, YEC would seek to have its costs recovered through rates. However, if, after cancellation, the project were to be restarted, YEC would have to initiate a new project.[292]

- That Mr. Epp had noted that if the project were to be cancelled, YEC would seek to have the costs it spent on the project either expensed or amortized over 10 years.[293]

530. YEC submitted that, in light of the foregoing, it is apparent that the project is still being pursued and that it is premature for YEC to determine whether or not the project will ultimately proceed.

531. Responding to comments made by Mr. Yee referencing the Atlin project, in its reply argument, YEC explained that the constraints to the advancement of the First Nation owned and developed Atlin Hydro project, and similar projects, related primarily to cost escalation not being automatically matched with comparable escalation in grant funding and the need to obtain productive community and First Nation engagement and support.[294]

8.3.1.2 View of Interveners

532. In argument, Mr. Yee discussed the Atlin project in the context of a broader argument about the adequacy of YEC planning processes to ensure the adequacy of generation supply. Mr. Yee expressed concern that, as evidenced by the failure of the Moon Lake project and the delay (and possible failure) of the of the Atlin EPA

289 Transcripts, Volume 3, PDF page 11, referenced at YEC final argument, PDF pages 54-55.
290 Transcripts, Volume 3, PDF pages 16-17, referenced at YEC final argument, PDF page 55.
291 Transcripts, Volume 3, PDF page 17, referenced at YEC final argument, PDF page 55.
292 Transcripts, Volume 3, PDF page 18, referenced at YEC final argument, PDF page 55.
293 Transcripts, Volume 3, PDF pages 19-20, referenced at YEC final argument, PDF page 55.
294 YEC reply argument, PDF page 5.

project, YEC has exhibited a tendency to apply the "quick fix" of utilizing additional diesel generation. Mr. Yee expressed concern that the Atlin EPA project appeared to be the only renewable project that currently appeared to have a chance of success, but it was not being developed by YEC.[295]

8.3.1.3 Board Findings

533. In regard to the comments of Mr. Yee referencing the Atlin project, the Board notes that YEC is not the proponent of the Atlin Hydro SIS and EPA project and thus cannot directly control whether or not the project proceeds, let alone control the pace at which it is developed.

534. Having regard, in particular, to YEC's representation in its response to YUB-YEC-1-69 that its 2025-2027 period forecasts for legal and contract related expenditures on the Atlin project depended on confirmation that the condition precedent was finalized or extended, the Board considers that quantum of YEC's forecast expenditures on the project during the 2025-2027 is reasonable. Accordingly, the Board approves YEC's forecasts as shown in YEC's updated CWIP continuity schedule for both the Atlin Hydro SIS and EPA project and associated contributions.

535. Based on the fact that the current deadline for extending the condition precedent for the project falls in January 2026, the Board considers that it is currently unlikely that the forecast expenditures occurred in 2025 as currently shown in YEC's CWIP schedule forecast.[296] However, as the amounts shown in YEC's Updated Table 5.8 related to the project do not support a forecast capital addition during the test period, YEC is not required to update its forecast expenditures in its compliance filing to this Board Order.

536. The Board hereby clarifies that, in light of YEC's representation that its expenditures would primarily be triggered by confirmation of the extension or finalization of the condition precedent, the Board's approval of the 2025-2027 period forecast should not be considered to be a finding, in advance, that the full amount of the expenditures included in its GRA forecasts for the project are prudent.

537. In particular, should the project be cancelled, and should YEC seek to recover its expenditures on the project as cancelled project costs, YEC shall bear the onus to demonstrate that the full amount of its expenditures on the project is prudent given information available to YEC at the time that key decisions were made.

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295 Nathaniel Yee Final Argument, PDF page 3.

296 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 39.

8.3.2 Application required information related to capital projects

8.3.2.1 Board Findings

538. The Board is concerned that voluminous IRs were needed to test the application. To assist the Board and interveners in understanding the application and to avoid a similar quantum of IRs on capital projects, the Board considers that information requirements are needed. Having this information included in the application from the outset, is likely to reduce the costs of future proceedings.

539. To ensure that information on capital project is detailed in the application, in this section, the Board sets out three categories of required information with respect to YEC's capital projects for future GRAs. The issue is identified, the context of the issue is set out, and Board Findings and/or Board Directions respecting the issue is stated. The following three tables set out the information that the Board directs is required by YEC to be included in future GRAs.

Table 28. General Requirements, Board Findings and Board Directions

Row	Issue	Context	Findings and/or Directions
1	Proposed consolidation of capital-related schedules	In its final argument, YEC proposed that it would provide only a schedule equivalent to Table 5.1 from its 2025-2027 GRA, and that it would file a CWIP continue table in the format of the version of Table 5.8 filed as Exhibit 2-A (which would be labelled Table 5.2 in a future application).[297]	The Board accepts YEC's proposal in argument to consolidate its Tab 5 schedules to a schedule comparable to Table 5.1 of the application, and a schedule comparable to Table 5.8 as filed in Exhibit 2-A of the current application (to be renamed Table 5.2 in future GRAs). YEC is directed to adopt this proposal in its next GRA.
2	Detailed breakdown of "other" project capital expenditures	In its 2025-2027 GRA, YEC has included a line-item within each of the sections of its continuity schedules that describe expenditures for a specific type of project that aggregates multiple its reporting of expenditures on multiple projects with a total cost less than $0.400 million. In response to a Board request in Board Order 2025-12, YEC provided a breakdown of 2023 and 2024 actuals of the other projects with less than $0.400 million spending line-items	While the Board accepts and agrees with YEC's approach of reflecting information about its smaller projects on a rolled-up or aggregated basis in its application CWIP schedule, the Board considers that it is also necessary for the Board and interveners to be able to review disaggregated details of the rolled-up amounts on a timely basis. The Board directs YEC to provide a breakdown of the details of its

297 YEC Final Argument, PDF page 56.

		reported in YEC's application CWIP continuity schedules.[298] Similarly, in response to a Board request during the hearing, YEC prepared an undertaking response (Undertaking #21) that provided a similar breakdown of other projects with less than $0.400 million spending line-items forecasts for the years 2023 and 2024, as well as for the years 2025 through 2027.[299]	rolled up "other" forecast and actuals information similar to that provided in its Undertaking #21 for each year of the forward test period of its next and future GRAs, as part of its initial application materials.
3	Project Naming and Numbering Practices	Within capital schedules filed with the application, YEC identifies the specific projects to forecast and actual expenditure amounts apply using the name of each project. In its response to YUB-YEC-1-73[300] YEC explained that its capital project numbering system is a manual process where new projects are assigned a Project Identification (PID) number. During the oral hearing, the Board requested that YEC describe its internal process or protocol when a project originally described under one project name and project ID number is amalgamated into a project with a different name and another ID number. In YEC's response to this question, Mr. Epp indicated that, in his recollection, if a project started out with a specific scope but experienced a significant change in scope that would basically make it a different project, a new project	The Board finds that YEC's proposal to provide an explanation in the event that project names have changed from names previously filed with the Board would be helpful but is not sufficient. YEC is directed to provide a proposal for its next GRA regarding the development of a required internal YEC form and related procedures to ensure that any changes in the scope of projects included in one YEC GRA can be accurately matched by the Board or interveners to projects described in subsequent GRAs.

298 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Attachment 3, PDF pages 49-52.
299 YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF pages 18-31.
300 Exhibit 4, YUB-YEC-1-73, PDF 473.

		ID would typically be assigned.[301] In response to a follow up question from the Board, Mr. Epp explained that if a new project were created, there would likely be a reference to the old project in the documentation supporting the new project. In response to a Board question as to whether YEC has a tracking system in place to ensure that they can be followed from GRA to GRA, Mr. Epp stated that YEC does not have a formal tracking mechanism or official document to deal with situations where a project starts with one name and is subsequently recalled something else.[302] In its argument, YEC submitted that in in future GRAs, it would provide an explanation in instances where project names have been changed from names previously filed with the Board.[303]	
4	Use of Project ID Numbers in CWIP continuity schedules	In its CWIP continuity schedules filed with the application, YEC refers to projects by name.	YEC is directed to ensure that in any capital-related schedule (such as YEC's proposed Table 5.1 and 5.2) filed in its future GRAs in which individual projects are identified on specific rows, YEC's project ID should be shown in the leftmost column of each page of the schedule. For clarity, where page space requirements require a specific project is described over more than one physical page, YEC is directed to ensure that the project ID is

301 Transcripts, Volume 2, PDF page 294.
302 Transcripts, Volume 2, PDF page 295.
303 YEC Final Argument, PDF page 57.

			shown in the leftmost column of each page where a specific project is discussed.
5	Updates to "Preliminary Actuals"	In its CWIP continuity schedule filed with its original 2025-2027 GRA filing, YEC provided "2024 preliminary actuals."[304] In response to a request in Board Order 2025-12, YEC provided updated its CWIP schedules to reflect actual rather than "preliminary actual" 2024 amounts.[305]	Because there is often a need to balance between minimizing regulatory lag and obtaining final actual expenditure amounts for specific projects, the Board accepts that it may be necessary for YEC to file future GRAs that include preliminary rather than confirmed actual expenditure amounts for specific projects. However, the Board cannot finalize the opening balance of the first test year of a GRA without having a prudence assessment of actual expenditures on projects added to rate base prior to the first test period year of a GRA. Given this, the Board directs that if YEC finds, due the timing of its filing of its next GRA, that it must utilize preliminary capital expenditure amounts in its application, YEC must ensure that any amounts are clearly identified as non-final in its CWIP continuity schedules. Further, the Board directs that YEC provide a clear explanation as to how and when its application continuity schedules will be updated during the GRA proceeding to reflect the use of finalized actual amounts.

304 Exhibit 1-A, Table 5.4, PDF 216-218.

305 Exhibit 2-A, PDF 4.

Table 29. Requirements in support of forecast capital projects, Board Findings and Board Directions

Row	Issue	Context	Findings and/or Directions
1	Business case requirements for projects identified as specific line-items in GRA test period capital additions forecast	In its 2025-2027 GRA, YEC provided business cases for all projects forecast to have capital additions during the 2025-2027 period for which forecast project costs were at least $0.400 million. In its argument, YEC indicated that for future GRA, it would continue to provide project write-ups for each project with a forecast cost over $0.400 million.[306]	The Board notes that while YEC's GRA business cases in support of forecast GRA test period forecast capital additions generally reflected a greater amount of detail being provided for larger projects than for smaller, the Board does not consider that additional direction tied to the size of projects is necessary at this time.
2	Information required in support of projects included in "other projects" roll-ups	In response to a question during the oral hearing, YEC provided Undertaking #21, in which YEC provided detailed breakdowns of "other projects" line-items, including breakdowns of 2023-2024 approved forecast amounts, 2023-2024 actual amounts, and 2025-2027 forecast amounts for each major capital cost category.[307] In its argument, YEC indicated that in future GRAs, it would provide a list of projects with a cost below $0.400 million but indicated that it would not provide business cases associated with the projects included in such list.[308]	The Board accepts YEC's proposal in argument to provide detailed lists of projects included in its "other projects" roll-up line-items but not provide associated business cases for such projects.
3	Cost Estimate Classification Information	During the course of the 2025-2027 GRA proceeding, the Board sought additional information on various references made in parts of YEC's application to the "class" of a cost estimate.[309] As part of its response to Board questions, the Mr. Murchison on	Subject to a clarification noted below, the Board accepts YEC's proposal to provide the cost estimate classes for projects with total costs above $2 million. Accordingly, the Board directs YEC to clearly specify the class of estimates used in any variance explanations provided in support of projects with costs

306 YEC Final Argument, PDF page 56.

307 YEC Response to Undertakings, October 28, 2025, Undertaking #21, PDF pages 18-33.

308 YEC Final Argument, PDF page 57.

309 For example, in the Application, YEC makes reference to application estimates corresponding to a specific estimate "class" at PDF pages 245, 258, 259, 265, 269, 270, 305, and 448.

		behalf of the YEC panel provided a brief explanation of the general purposes and normal accuracy range of estimates of the specific classes utilized,[310] Mr. Murchison also explained that while cost estimates on specific projects obtained from external consultants are not directly controlled by YEC, YEC most commonly finds that estimates from consultants are completed in accordance with standards for cost estimates set by the Association for the Advancement of Cost Engineering (AACE).[311] As part of a discussion in argument of information to be included in future GRAs, YEC proposed that for projects with a total cost over $2 million, it would indicate the class of forecasts provided in the application.[312]	above $2 million for which YEC is seeking approval of actual 2025-2027 period capital additions in its future GRAs. While the Board accepts YEC's implied proposal not to provide estimate class information on projects costing less than $2 million, the Board does so with the proviso that YEC must instead indicate a "default" estimate "class" to apply for all other projects. This reflects the fact that because the Board typically places greater reliance on variances between GRA forecast and project actuals as the basis of its prudence assessments of lower cost projects when doing rate base opening balance true-ups, the Board requires a basic understanding of whether approved GRA forecasts represent well developed late-stage forecasts or lesser developed earlier stage forecasts. In light of this concern, the Board directs YEC to specify which class of forecast as described in the table provided in YEC Undertaking #34 should be the presumed default cost estimate class to apply as the basis for "approved forecasts" shown in YEC's application CWIP schedule for any projects for which YEC is seeking approval of 2025-2027 period capital additions in its next GRA.
4	Requirements for capital projects	In a section entitled "General directions on GRA process" in Board Order 2024-05, Appendix A	The Board notes that even though capital projects which are forecast to be completed after the

310 Transcripts, Volume 3, PDF pages 370-371.
311 Transcripts, Volume 3, PDF page 371.
312 YEC Final Argument, Section 2.4.2.3, PDF page 56.

	expected to be completed after the GRA test period	Errata, the Board made the following statement: *Secondly, regarding the GRA process, if an applicant is to incur charges in CWIP, even if the project will not be capitalized in the current application test years, the application must contain more information on those projects than just the name of the project and the dollar amount. In future applications, if sufficient information is not provided, the Board may disallow AFUDC or any carrying costs and all impacts on working capital of those projects and may direct such amounts be removed from the revenue requirement.*[313] In Section 5.2.3 of the application, entitled "Capital Projects Remaining in Work-in-Progress, YEC took note at the above noted discussion from Board Order 2024-05. In that section, YEC provided Table 5.2-10, which identified 14 projects for which YEC forecast having a closing 2027 CWIP balance.[314] In appendix 5.4A of the application,[315] YEC provided business cases of varying detail in respect of each of the projects noted in Table 5.2-10. Each of these business cases provided a breakdown of 2025-2027 GRA test period opening balances, expenditures by year, and closing balances, but did not provide an estimate of the expected final cost of the project. In Board Order 2025-12, YEC was requested to provide the amount of the currently forecast capital	end of the GRA test period do not affect the determination of the GRA revenue requirement, the Board is nonetheless aware that, especially for larger projects, YEC may be commencing substantial capital expenditures during the test period. The Board may advise the utility about any substantial concerns about the need, scope, or forecast cost of post test-period completion projects as soon as possible, and thus should express such concerns, if necessary, in its GRA decision. In order to determine whether it is necessary to express concerns about a proposed post test-period project in its GRA decision, the Board must first have a full understanding of the expected final cost each post GRA test-period project discussed in YEC's GRAs. The Board therefore directs YEC to ensure that in future GRAs, YEC provides the expected final cost of each post test-period project as part of its application or associated application business case materials. YEC's proposal in argument to provide such information in a format comparable to the information provided at PDF page 7 of its June 30th supplementary information response is acceptable. YEC is further directed to ensure in future GRAs, that its business cases for post test-period project provide at least a brief discussion of how its forecast final cost was determined, which should include a discussion of the "class" of the

313 Board Order 2024-05, Appendix A (Errata), paragraph 17, PDF 11.

314 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 200.

315 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 439-464.

		addition and expected year of completion for the projects expected to have a closing 2027 CWIP balance. YEC provided this information in its June 30th supplementary information response.[316] YEC subsequently provided updated estimates of the final cost of certain projects in either IRs or as part of responses to hearing questions or undertaking responses.[317] In its argument, YEC indicated that it would provide the project total costs and expected service dates for projects with a total cost over $0.400 million that remain in CWIP at the end of the test period for the next YEC GRA. YEC indicated that this information would be provided in a form comparable to that provided in a table shown at page 7 of YEC's June 30 2025 supplementary information response.[318]	estimate that the forecast of the final cost represents.

316 Exhibit 2-A, YEC 2025-2027 Supplementary Information, PDF page 7.

317 Wareham Spillway Tunnel: Transcripts, Volume 3, PDF page 409; Lewes River Boat Lock: Transcripts, Volume 3, PDF page 332; Whitehorse Power Centres Project, YEC Response to Undertakings, October 28, 2025, Undertaking #33, PDF page 47.

318 Exhibit 2-A, YEC 2025-2027 Supplementary Information, PDF page 7, referenced at YEC Final Argument, PDF page 56.

Table 30. Requirements in support of rate base opening balance true ups for projects under $10 million, Board Findings and Board Directions

Row	Issue	Context	Findings and/or Directions
1	Variance explanations for projects identified with specific line-items	Board Order 2024-05, Appendix A (Errata) directed YEC to provide variance explanations for all projects for which actual costs were different from those approved on a forecast basis in the order.[319] This requirement was noted in the preamble to information request YUB-YEC-1-75. In response to that IR, YEC provided brief variance explanations for a number of projects for which no variance explanation was provided in the application.[320]	The Board continues to hold the view that YEC should provide at least a brief variance explanation for all projects experiencing variances from GRA approved forecast amounts. As such, the Board does not accept YEC's proposal in argument to limit its variance explanations to those projects for which the variance exceeds $0.100 million. For clarity, the Board directs YEC to provide brief variance explanations irrespective of whether actual costs exceed or reflect an underspend relative to the GRA approved forecast. For guidance, the Board considers that the variance explanations that YEC provided in its YUB-YEC-1-75 represents a reasonable example of what the Board requires in future GRAs for projects where the variance is less than $0.100 million.
2	Information required in support of projects included in "other projects" roll-ups	In its June 30th supplementary information response to a request for information set out in Board Order 2025-12, YEC provided a disaggregation of YEC's actual capital additions in 2023 and 2024 for other projects under $0.400 million.	In respect of "other" projects with actual costs less than $0.400 million, the Board directs YEC to provide a breakdown comparable to Attachment 3 to its June 30th supplementary information response in its next GRA and future GRAs.

319 Board Order 2024-05, Appendix A (Errata), paragraph 250, PDF page 64.

320 Exhibit 4, YUB-YEC-1-75, PDF 477-484.

3	Cross references to prior GRAs	In its June 30th supplementary information response set out in Board Order 2025-12, YEC provided Attachment 2, which provided cross references to descriptions in prior YEC GRAs for projects with actual capital addition amounts for the years 2023 and 2024 for all projects shown as separate line-items in YEC's CWIP continuity schedules. Also in the June 30th supplementary information response, YEC provided Attachment 4, which provided similar cross reference to descriptions in prior YEC GRAs for individual projects included in other projects roll-ups for projects with capital additions amounts recorded for the years 2023 and 2024.	In respect of all projects, including those identified in the breakdown of projects costing less than $0.400 million, the Board directs YEC to provide with its initial application filings for its next and future GRAs, a cross-reference document similar to those provided as Attachment 2 and Attachment 4 of its June 30th supplementary information response.

8.3.3 Information required for opening balance true-up of projects with costs exceeding $10,000,000

540. At the present time, the Board expects that the following projects with a cost greater than $10 million will have facilities completed during the 2025-2027 period for which an assessment of the prudence of YEC's actual capital additions will need to be done:

- Thermal Replacement (16.5 MW) (current estimated final cost $61.352 million);[321]
- Battery Energy Storage System (current estimated final cost $34.958 million);[322]

321 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 37.
322 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 37.

- MH0 rockslide Stabilization and Remediation (current estimated final cost $78.645 million);[323]

- MH0 Surge Chamber Replacement (current estimated final cost $27.831 million);[324]

- The first phase of the Whitehorse Power Centres project (current estimate $56.444 million).[325]

541. In addition, currently available information provided by YEC indicates that true ups of actuals will be required in a GRA to be filed for a test period commencing 2028:

- Later phases of the Whitehorse Power Centres project (remaining costs estimated at up to $463.662 million).[326]

- The Wareham Dam Spillway Tunnel project (current estimate $110.657 million).[327]

- The Wareham Dam Spillway – Full Replacement project (current estimate $77.055 million).[328]

- The Lewes River Boat Lock project (current estimate $41.7 million).[329]

542. During the 2025-2027 proceeding, and especially during the hearing, the Board asked several questions about YEC's internal processes related to the design and construction of larger projects with costs above $10 million. In such discussions, the Board often referred to the larger cost class of projects forecast by YEC as the "Big 8."

8.3.3.1 Board Findings

543. Based on its examination of YEC's evidence, the Board has determined that certain additional information is required for projects that are completed during the 2025-2027 period.

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323 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 37.
324 Exhibit 2-A, YEC 2025-2027 Supplementary Information, Updated Table 5.8, PDF page 37.
325 YEC Response to Undertakings, October 28, 2025, Undertaking #33, PDF page 47.
326 YEC Response to Undertakings, October 28, 2025, Undertaking #33, PDF page 58. (This estimate based on potential final project cost estimate of $520.106 million less $56.444 million for projected cost of phase 1 of the project. Note that the $520.106 million total cost amount includes current estimate of costs totalling $261.703 million between 2031 and 2035 for expansion of North Power Centre by 30MW and also building 60 MW contingency North Power Centre).
327 YEC Response to Undertakings, October 28, 2025, Undertaking #38, PDF page 56.
328 Exhibit 2-A, YEC 2025-2027 Supplementary Information, PDF page 7.
329 Transcripts, Volume 3, PDF page 332.

544. In addition, the Board considers that further information is required on the opening balance true-up of projects completed at a cost greater than $10 million for projects completed after 2027. The Board sets out below additional information requirements for $10 million plus projects to be trued up in its next GRA and potential information requirements. However, for such additional requirements, the Board seeks additional input from YEC on the potential information requirements set out below.

545. The Board discusses the information requirements that YEC should apply to the assessment of projects above $10 million in its next GRA and potential information requirements for GRAs following YEC's next GRA under separate subheadings below.

Additional Information Requirements for $10 million plus projects to be trued-up in YEC's next GRA

546. For each of the projects for which YEC capital additions occurring in the 2025-2027 period exceed $10 million, the Board will require relatively detailed variance explanation documents rather than brief write-ups. The Board directs YEC to provide variance explanation documents that include, at minimum: (1) a brief discussion of the major elements of the project; (2) a section that provides cross-reference information to any prior GRA in which the project was discussed for approval during the go-forward test period; (3) a forecast versus actual and variance schedule, broken down to a reasonable detail of major project cost inputs; and (4) discussions of the drivers of the observed forecast versus actual cost variance for any major project cost inputs where a material variance occurred.

547. In addition, reflecting discussion that has already taken place during the 2025-2027 GRA proceeding, YEC is also directed to file, in respect of any project completed during the 2025-2027 period for which cost exceed $10 million, a risk register document comparable to that provided in YEC's response to Undertaking #36.[330]

Additional Information Requirements for $10 million plus projects to be trued-up in subsequent GRAs

548. During the hearing, the Board asked the YEC panel about information related to how YEC manages and oversees its major projects that YEC is prepared to consider adding to the information that provided in its current GRA in defense of the prudence of its final project expenditures. In response to this question, Mr. Epp, on behalf of the YEC panel, indicated that relatively little discussion had taken place yet within YEC.[331]

330 YEC Response to Undertakings, October 28, 2025, Undertaking #36, PDF pages 51-53.

331 Transcripts, Volume 3, PDF pages 394-396.

549. In preparation for the additional opening balance true-up reviews of projects with costs above $10 million to take place in one or more GRAs following the next YEC GRA for a test period commencing in 2028, the Board has interest in understanding YEC's views on how the following matters can be reviewed:

- The provision of "Stage gate" decision summary and YEC Board quarterly documents comparable to those discussed during the hearing at Transcript Volume 3, PDF pages 392-394.

- How YEC manages the projects and assures the reasonableness costs charged to large projects in respect of the services provided by external owner's engineer or by external project managers.

- How YEC has ensured that competitive tender processes for contracts involved in the construction of its large projects are conducted reasonably, and how YEC has ensured that contracts have been either awarded to the low bidder or to a tender participant other than the low builder for justifiable other reasons.

- How YEC intends to provide information to the Board to indicate significant change orders requested by contractors that were approved by YEC, and to indicate why the approval of such change orders was necessary.

550. In light of the above, YEC is directed to provide a section or appendix to its next and future GRAs which discusses YEC's proposals for changes to application information requirements, if any, that YEC would propose to provide in support of the prudence of expenditures on projects above $10 million coming into service on or after 2028. YEC's section or appendix should, at minimum, address each of the matters noted in the bullet points above.

9 Deferral and reserve accounts

551. In the sections which follow, the Board discusses YEC's remaining deferral and reserve accounts. As noted earlier, discussions respecting YEC's Deferred Vegetation Management account, Reserve for Injuries and Damages account, and Future Reserve for Site Restoration (FRSR) account can be found in sections 5.5.3, 5.6.7 and 6.3, respectively.

552. The remainder of this section includes YEC's defined benefit pension deferral account, hearing cost reserve account, independent purchase power (IPP) cost deferral account, and Low Water Reserve Fund (LWRF) which are the rate stabilizations measures as provided in Section 3.6 of YEC's application. With respect to the Deferred Fuel Price Variance Account (DFPVA), established pursuant to the Rate Policy Directive (1995), no changes were proposed in this GRA, and no

concerns were brought forward in this proceeding. Therefore, the DFPVA will continue without change.

9.1 Defined benefit pension deferral account

9.1.1 Views of YEC

553. In Board Order 2022-03, the Board approved YEC's request for a defined benefit pension deferral account. The approval considered that there continued to be ongoing and inherent volatility associated with defined benefit pension plan funding and the actuarial assumptions subject to variations in the financial markets that YEC can mitigate through the use of a deferral account.

554. YEC is not proposing to commence the amortization of the $0.063 million ending balance given that it is not a significant amount. This is reflected in the table below:[332]

Table 31. Defined benefit pension deferral account continuity schedule

	2023 Approved	2023 Actual	2024 Approved	2024 Preliminary Actual	2025 Forecast	2026 Forecast	2027 Forecast
	($ millions)						
Opening balance	(0.062)	(0.062)	(0.062)	(0.085)	(0.063)	(0.063)	(0.063)
Additions	0	(0.022)	0	0.022	0	0	0
Annual amortization	0	0	0	0	0	0	0
Closing balance	(0.062)	(0.065)	(0.062)	(0.063)	(0.063)	(0.063)	(0.063)

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.13.1.4.

9.1.2 Board Findings

555. The Board approves YEC's continued use of its defined benefit pension deferral account noting that there are no annual appropriation amounts for the test years 2025-2027.

9.2 Hearing cost reserve account

9.2.1 Views of YEC

556. YEC's hearing cost reserve account was established in Order 2013-01. In Board Order 2018-10 respecting YEC's 2017-18 GRA, the Board approved a net annual appropriation amount of $0.055 million to be included in revenue requirement. The net $0.055 million amount was comprised of the annual appropriation amount of $0.250 million offset by the amortization of a 2016 credit balance in the reserve account of approximately $1.000 million over a period of five years. The annual

[332] Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF pages 98-99.

appropriation for 2023 and 2024 was $0.250 million which is at the YUB Board Order 2018-10 approved level and reflects expiry of the 2016 credit balance amortization.

557. YEC submitted that, for the number of recent hearings and level of intervention, the costs for regulatory proceedings have been significant.

558. Therefore, YEC has sought approval of an annual appropriation increase from $0.250 million per year to $0.400 million per year, plus approval of an annual amortization of the 2024 balance in the Hearing Cost Reserve Account ($0.951 million) over a five-year period from 2025 to 2029 years ($0.190 million/year). This would result in a total annual appropriation of $0.590 million. This is reflected in the table below:

Table 32. Hearing Cost Reserve Account Continuity Schedule

	2023 Approved	**2023 Actual**	**2024 Approved**	**2024 Preliminary Actual**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**
	($ **millions**)						
Opening balance	0.881	0.881	1.016	1.046	0.951	1.261	1.471
Annual appropriation	(0.250)	(0.250)	(0.250)	(0.250)	(0.590)	(0.590)	(0.590)
Annual costs	0.386	0.416	0	0.155	0.900	0.800	0.100
Closing balance	1.016	1.046	0.766	0.951	1.261	1.471	0.981

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.13.1.2.

9.2.2 Board findings

559. The Board finds YEC's submission regarding annual appropriation amounts of $0.590 million for each of the test years (2025-2027) reasonable and approves the increase in the annual appropriation to $0.400 million per year and the annual amortization of the 2024 balance of $0.190 million per year for an annual appropriation of $0.590 million for each of the test years.

9.3 Independent purchase power (IPP) cost deferral account

9.3.1 Views of YEC

560. YEC noted that Board Order 2024-05 approved the IPP Purchase Cost Deferral Account. As YEC considers the balance in the IPP Purchase Cost Deferral Account insignificant, there is no proposal to amortize the balance for this account at this time. The following table provides the continuity schedule for this account:

Table 33. IPP Purchase Cost Deferral Account Continuity Schedule

	2023 Approved	**2023 Actual**	**2024 Approved**	**2024 Preliminary Actual**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**
	($ **millions**)						
Opening balance	0	0.026	0	0.026	0.093	0.093	0.093
Additions	0	0	0	67	0	0	0

Annual amortization	0	0	0	0	0	0	0
Closing balance	0	0.026	0	0.093	0.093	0.093	0.093

Source: Exhibit 1-A, YEC 2025-2027 General Rate Application, Table 3.13.1.5.

9.3.2 Board Findings

561. The Board finds the submission of YEC regarding the IPP Purchase Cost Deferral Account reasonable and approves YEC not amortizing the balance in this account for this test period (2025-2027).

9.4 Low water reserve fund (LWRF) account

9.4.1 Views of YEC

562. YEC discussed the Low Water Reserve Fund (LWRF) in Section 3.6.2 of the application. The LWRF Term Sheet revised per OIC 2019/16 was approved in Board Order 2022-07. YEC has made no changes to the LWRF term sheet in this application. YEC added that the LWRF Term Sheet includes provisions regarding interest payments or charges on LWRF balances based on short/intermediate term bond rates and lowest short-term borrowing rates available to YEC.[333]

563. YEC did not update the number of water years since its last GRA.[334] YEC also stated that it did not have specific Fish Lake Hydro generation forecasts and that the AEY wholesale forecasts provided for YEC adoption already had removed the impacts of AEY's assumed Fish Lake Hydro generation.[335] YEC went on to say, "Yukon Energy understands that OIC 2021/16 now requires the use of LTA for any renewable generation forecasts in a Yukon Energy GRA, and that this requirement includes the use of Fish Lake Hydro forecasts used to forecast AEY power purchases from Yukon Energy that directly impact the forecast of Yukon Energy forecast generation and related forecast thermal generation for test year revenue requirements."[336]

564. The Fish Lake Hydro generation forecast in AEY's 2023-2024 GRA was interpreted by YEC to mean no change in approved Fish Lake LTA generation and YEC has no new information to assess updated LTA for Fish Lake Hydro.[337]

565. YEC confirmed any AEY generation or generation connected to AEY load serves AEY load first and appears to YEC as net wholesale purchases by AEY.[338]

566. When asked if OIC 2021/16 is only applicable to YEC, the response was:

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333 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 106.
334 Exhibit 1-A, YEC 2025-2027 General Rate Application, PDF page 49.
335 Exhibit 4, YUB-YEC-1-34, PDF page 191.
336 Exhibit 4, YUB-YEC-1-34, PDF page 192.
337 Exhibit 4, YUB-YEC-1-34, PDF page 193.
338 Exhibit 4, YUB-YEC-1-87, PDF page 526.

OIC 2021/16 is an amendment to Rate Policy Directive (1995) (OIC 1995/090), which applies generally to the YUB's setting of electricity rates in Yukon for both Yukon Energy and AEY. It includes provisions adding sections 10 and 11 to the Rate Policy Directive, which apply to the rates of both public utilities, Yukon Energy and AEY.

With respect to Section 9 of the Rate Policy Directive (as amended by OIC 2021/16), subsection 9(2) imposes a specific direction on the Board requiring it to include provision in Yukon Energy's rates to allow Yukon Energy to recover forecast fuel costs in accordance with the methodology set out in subsection 9(3). For that purpose, however, the reference in paragraph 9(3)(a) to the forecast "amount of renewable generation available to contribute to meeting forecast customer requirements, based on long-term average annual renewable source availability" includes "renewable generation" from all renewable sources, as defined in section 1, regardless of the ownership of those sources. In particular, it includes hydro generation from Fish Lake (owned and operated by AEY) that is forecast to be available to reduce Yukon Energy customer requirements – including wholesales to AEY – despite the fact that section 9 does not speak to AEY's rates.

Accordingly, for the purposes of the YEC GRA, paragraph 9(3)(a) of the Rate Policy Directive requires that the forecast for Fish Lake must be based on LTA generation and not expected generation for the test period.

The power purchase forecasts provided by AEY for this GRA are already net of Fish Lake generation, therefore, for purposes of calculating the revenue requirements for the 2025-2027 test years, Yukon Energy has continued to assume wholesale forecasts as provided by AEY net of Fish Lake LTA. Yukon Energy has not, however, received from AEY any confirmation that the Fish Lake Hydro sales assumed for their wholesale forecasts are based on LTA.[339]

9.4.2 Board Findings

567. During the hearing, YEC was asked whether OIC 2021/16, which is now incorporated into the 1995 Directive, requires Fish Lake Hydro forecasts to be included into the LTA.[340] YEC provided its response as Exhibit 20, Undertaking #8, PDF pages 2-4.

568. In that response, YEC acknowledged that OIC 2021/16 or the Rate Policy Directive, OIC 1995/90, does not specifically refer to Fish Lake Hydro. However, it provided its interpretations of these provisions in relation to the inclusion of the Fish Lake Hydro in determining the LTA annual renewable source availability.[341]

339 Exhibit 4, YUB-YEC-1-87, PDF pages 526-527.
340 Transcripts, Volume 1, page 103, lines 6-19.
341 Exhibit 20, Undertaking #8, PDF page 2.

569. The Board considered YEC interpretation and finds it acceptable.

570. Further, in response to Undertaking #9, YEC stated:

> AEY's firm power purchases from Yukon Energy are the result of the total AEY grid load, less AEY Fish Lake generation, less AEY grid standby diesel generation, and less micro generation. The power purchase forecasts provided by AEY for this GRA are already net of Fish Lake generation, therefore, for purposes of calculating the revenue requirements for the 2025-2027 test years, Yukon Energy has continued to assume wholesale forecasts as provided by AEY net of Fish Lake LTA. Yukon Energy has not, however, received from AEY any confirmation that the Fish Lake Hydro sales assumed for their wholesale forecasts are based on LTA.[342]

571. The evidence of YEC is that wholesale sales to AEY are treated on a net basis, that is, AEY load net of supply directly connected to AEY. From a practical perspective, the Board accepts the wholesale purchases forecast from AEY on a net basis as YEC does not have independent visibility of generation from renewable sources connected to the AEY system. Therefore, it does not have an impact on the LWRF calculations.

572. The Board accepts and approves the LWRF as submitted by YEC for this application. In this application YEC stated it did not update the water years history for determining LTA water availability. YEC is directed to update the water years history for LTA calculations for its next and future GRAs.

10 Previous Board directions

573. In its application,[343] YEC provided responses to previous Board Directions. The directions responded to by YEC are summarized in the following table:

Table 34. Summary of previous Board directions for which YEC provided responses

YEC 2023-2024 GRA		
Board Order 2024-05, Direction 1	Paragraph 89	The Board shares the concern expressed by Mr. Maissan regarding the blended fuel ratio of 90/10 (LNG/diesel) and directs YEC to demonstrate, at the time of its next GRA, that the blended thermal ratio proposed by YEC is the correct LTA blended fuel mix.
Board Order 2024-05, Direction 2	Paragraph 137	Mr. Yee has provided substantial comment on permitted capacity and whether ratepayers should pay for costs related to unpermitted capacity. Mr. Yee also commented on YEC's elasticity when determining the capacity rating of several of its thermal units. These submissions do not provide evidence the Board is able to use to determine the revenue requirement for YEC to provide safe and reliable electric service at rates that are in the public interest. It is incumbent upon YEC to

342 Exhibit 20, Undertaking #9, PDF page 3.

343 Exhibit 1-A, YEC 2025-2027 General Rate Application, Tab 6 – Board Directives, PDF pages 476-481.

		ensure it has all required regulatory approvals, processes, and assets in place to provide that safe and reliable service. Regarding the capacity issues raised, YEC is directed, in its future applications, to provide a strong industry based and accepted approach on what the manufacturers accept as criteria and evidence for uprating thermal generation units. This can be based on documented industry standards.
Board Order 2024-05, Direction 3	Paragraph 170	Based on the evidence before it, the Board finds that YEC has supported its forecast 2023-2024 insurance expense in the amount of $2.190 million and $2.417 million, respectively, and approves these amounts. The Board continues to direct YEC to provide evidence of its continued e orts to achieve the appropriate amount of insurance at the most reasonable cost available at the time of its next GRA.
Board Order 2024-05, Direction 4	Paragraph 270	Although there is some risk that the benefits may not materialize as submitted by YEC, the Board finds the evidence supports YEC going forward with the EAM/PAMMS projects and allowing those costs into rate base. However, to confirm the benefits of the project, at the time of YEC's next GRA, YEC is directed to provide reporting on the EAM/PAMMS project that quantifies; improvement in reliability measures; real cost benefits from inventory management; direct and real labour savings; measures that can show improvements in YEC's asset health; and any other measure that YEC can add that will help the Board and interested parties assess the overall benefit of this project. The Board approves YEC's PAMMS costs as requested for the 2023-2024 test years.
Board Order 2024-05, Direction 5	Paragraph 312	Nonetheless, the Board is concerned with the capitalization of significant costs for what is, strictly speaking, a non-asset that does not provide an enduring benefit to ratepayers. For example, as noted in Table 26 above, AFUDC was the second largest cost category ($1.82 million) for the Southern Lakes project. None of the $8.8 million in total costs for this project has resulted in a resource with economic value that is expected to provide a future benefit. To reduce the impacts of capitalizing significant amounts of AFUDC on ratepayers, the Board directs YEC to examine and redefine its processes for similar major deferred capital projects and to only capitalize those costs once it is determined that there is a reasonable probability that that project will go forward and to reflect, as necessary, any changes that may be required to YEC's capitalization policies and supporting documents. On a go-forward basis, YEC is to explore and provide an alternative for the treatment of costs incurred for such projects until it has obtained a reasonable probability that the project will proceed. For example, this could be done by expensing the costs as incurred (until a reasonable probability of proceeding is determined) or treating the costs as no-cost capital (with or without debt and/or equity financing). In the case of cancelled projects, it should be clear to customers that the amounts that are included in rates are for cancelled projects. As there is no asset, YEC is to expense all costs for the project in the year the project is cancelled and reflect this change in YEC's capitalization policies and supporting documents.
Board Order 2024-05, Direction 6	Paragraph 334	Accordingly, at the time of its next GRA, YEC is directed to provide with its application a summary of the historical activity and current status for each of the Whitehorse water use licence renewal, Mayo Generating Station water use licence renewal, and the Mayo Lake Storage and 2024 Resource Plan projects and the same information for any other project for which significant balances of CWIP (such as those projects identified in paragraphs 247-248 above) are forecast to

		remain at the end of the next test period. For the Mayo storage project, YEC is to treat this project similarly to the Atlin project discussed in paragraph 324 above.
Board Order 2024-05, Direction 7	Paragraph 384	However, the Board finds that there is some further confusion on the record of this proceeding with respect to whether the LWRF and other deferral accounts are part of working capital and contribute to the determination of the utility's revenue requirement. The Board directs YEC, at the time of its next GRA, to clarify and explain if the LWRF and other deferral accounts are part of working capital and contribute to the determination of the utility's revenue requirement.
Board Order 2024-05, Direction 8	Paragraph 386	Further, to provide clarity regarding LWRF balance, YEC is directed to populate and provide the following table for each year since 1989 regarding the LWRF balance as part of its compliance filing to this Board Order and to continue to provide updates to this table as part of its future general rate applications:
Also addressed by YEC in the current application:		
Board Order 2024-05	Paragraph 312	.... the Board directs YEC to examine and redefine its processes for similar major deferred capital projects and to only capitalize those costs once it is determined that there is a reasonable probability that that project will go forward and to reflect, as necessary, any changes that may be required to YEC's capitalization policies and supporting documents. On a go-forward basis, YEC is to explore and provide an alternative for the treatment of costs incurred for such projects until it has obtained a reasonable probability that the project will proceed. For example, this could be done by expensing the costs as incurred (until a reasonable probability of proceeding is determined) or treating the costs as no-cost capital (with or without debt and/or equity financing). In the case of cancelled projects, it should be clear to customers that the amounts that are included in rates are for cancelled projects. As there is no asset, YEC is to expense all costs for the project in the year the project is cancelled and reflect this change in YEC's capitalization policies and supporting documents.
Board Order 2024-05	Paragraph 343	...In its future applications, YEC should include information specific to how each of its proposed deferred projects meet the capitalization criterion set out in Finance Policy, FA-106.
Board Order 2024-05	Paragraph 402	...directs YEC in its compliance filing to this Board Order and in each future GRA application to provide CWIP continuity information as shown in the template provided by the Board in Appendix A to this Board Order.
ATCO and Yukon Energy Rate Rebasing proceeding, the Yukon Energy 2021 LWRF and ERA proceeding, and the Yukon Energy 2022 LWRF and ERA proceeding:		
Board Order 2023-21 - Erratum		YEC and AEY shall pay in equal share the following amounts identified within 30 days of issuance of this Order. The Board directs YEC and AEY to record these hearing-related costs in its Hearing Costs Reserve Account.
Board Order 2024-07		The Board finds that the total cost awarded as hearing-related costs of the Review Application shall be deemed utility regulatory costs and shall be added to the utility's rate case reserve fund.

Board Order 2024-09		The Board finds that the hearing-related costs of the Application shall be deemed utility regulatory costs and shall be added to the utility's rate case reserve fund.
Board Order 2024-10		The Board finds that the hearing-related costs of the Application shall be deemed utility regulatory costs and shall be added to the utility's rate case reserve fund.
Board Order 2013-03		Yukon Energy has established a Hearing Cost Reserve Account in accordance with the direction provided in Board Order 2013-03, and Yukon Energy has amortized hearing-related costs to this account for the above proceedings as directed by the Board (see Tab 3, Section 3.4.4.1).
YEC Low Water Reserve Fund Annual Report		
Board Order 2025-08	Paragraph 29	The Board is concerned with YEC's use of LTA for Fish Lake Hydro. In note 1 to the MS Excel spreadsheet, entitled "Table 1.1 – LWRF 2024", YEC states that OIC 2021/16 requires use of LTA average renewable resource energy for generation forecasting used to set rates. However, the OIC only refers to YEC and not AEY. Therefore, the Board questions whether the LTA attributed to AEY Fish Lake generation is to be included in the LTA calculations. Further, the LTA YEC applies to AEY's Fish Lake Generation is from Board Order 2014-06 and was a historical average before the replacement and upgrades of Fish Lake unit 1. The Board stated "Considering the long-term averages submitted by YECL and the lack of clarity respecting the efficiency gains related to the installation of new equipment, the Board for purposes of this application accepts the 8.73 GW.h annual generation output for the test period." The Board considers that the use of Fish Lake hydro (either as a LTA forecast, a GRA near term forecast or as an offset to YEC's wholesale sales) is an issue to be addressed by YEC in its next GRA.

10.1 Board Findings

574. The Board has examined YEC's responses to previous Board directions as provided in its Application and, with the exception of Direction #5 from Board Order 2024-05 (which is discussed in Section 6.5.2 of this decision) and Direction #4 from the same Board Order (discussed below), the Board finds that YEC has satisfactorily responded to all directions found in Table 34 above.

10.1.1 Direction #4, Board Order 2024-05

575. With respect to Direction #4 from Board Order 2024-05, the Board finds that the primary message in Appendix 6.1 of the application, which YEC prepared in response to the directive to quantify improvements in reliability and other benefits arising from YEC expenditures on the Enterprise Asset Management (EAM) and Physical Asset Management Managed System (PAMMS) projects, is that benefits from such systems generally do not become apparent immediately, and instead start to accrue a few years after implementation.

576. Accordingly, while the Board finds that YEC has complied with Direction #4 insofar as it has prepared a report for its current GRA, as it was directed to do, YEC's report has

not yet demonstrated that its expenditures on EAM and PAMMS has enabled quantifiable benefits that justified those expenditures.

577. As a result, Direction #4, from Board Order 2024-05 remains outstanding at this time, and the Board reiterates that YEC provide reporting on the following: the EAM/PAMMS project that quantifies; improvement in reliability measures; real cost benefits from inventory management; direct and real labour savings; measures that can show improvements in YEC's asset health; and any other measure that YEC can add that will help the Board and interested parties assess the overall benefit of this project as part of its next GRA.

Appendix 1 – Summary of Directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. With respect to the LNG:diesel fuel mix ratio, the Board approves the 80:20 ratio as submitted by YEC. However, in its compliance filing to this Board Order, YEC is directed to explain the impact on customers and YEC of any variance (actual to forecast) in the fuel mix. That is, if the actual fuel mix is higher (i.e. more LNG is used and less diesel is used relative to forecast) how does that affect customers and YEC (for example, is there a Rider F implication?). A similar explanation is required if the converse is true (i.e. more diesel is used and less LNG is used relative to forecast). .....Paragraph 99

2. Notwithstanding the Board's approval, an increase of over 24 FTEs (as compared to 2024 approved FTEs) is a substantial increase that comes with a commensurate responsibility for YEC to show, at the time of its next GRA, that the requested workforce has resulted in the outcomes that YEC has set out. In the Board's view, the concern is not that YEC requires the FTEs to complete its work; but is more a question of whether YEC can deploy its requested workforce in a manner that will achieve the ambitious goals it has set out for the 2025-2027 test period. Accordingly, the Board directs YEC, at the time of its next GRA, to provide substantive evidence showing that the requested increase of 24 FTEs has resulted in the following: improved employee satisfaction; a reduction in overtime costs, a reduction in the use of consultants; and has aided YEC in the timely and cost-effective completion of its O&M and substantial capital activities on an actual basis. .....Paragraph 141

3. As a last matter, the Board directs YEC to adjust its FTE and labour costs to reflect any directions found elsewhere in this decision respecting YEC's forecast O&M costs and capital projects in its compliance filing to this Board Order. Paragraph 142

4. To that end, the Board directs that YEC's deferred vegetation management account be reactivated commencing with the year 2025. .....Paragraph 172

5. Having reviewed YEC's support for its forecast 2025-2027 brushing costs, the Board accepts that YEC's 2025 forecast brushing costs of $0.937 million are based on the best information available information to YEC in late 2025, and its 2027 forecast brushing costs of $1.255 million are reasonable and in-line with 2024 actual costs. However, the Board is not convinced that YEC's forecast for 2026 brushing activities of $2.156 million is achievable, particularly given the ambitious capital work YEC has set out to complete. Accordingly, the Board will rely on an average of YEC's 2023-2024 actual and 2025, 2027 forecast brushing costs as a reasonable estimate of the brushing work that YEC could accomplish in 2026. The Board approves YEC's forecast 2025 and 2027 forecast brushing costs ($0.937 million and $1.255 million,

respectively), and directs that, for the year 2026, YEC will incorporate forecast brushing costs of $1.200 million in its compliance filing to this Board Order. ..... Paragraph 173

6. Further, YEC is directed to defer any brushing costs in excess of the 2024 level of $1.045 million. This direction does not preclude YEC from its collection of the existing remaining balance of deferred vegetation management costs for the years 2025 and 2026 in the amount of $0.222 million per year. ..... Paragraph 174

7. YEC is directed to remove all costs forecast for CEO's and Directors' evaluations and the Yukon University Research Grant in its compliance filing to this Board Order. ..... Paragraph 188

8. The Board is also satisfied that the expenditure of approximately $0.020 million on the preparation of the insurance claim provided an immediate benefit to Yukon rate payers by enabling the receipt of the proceeds of its insurance claim. The Board considers that the costs incurred for the preparation of the claim are reasonable. However, rather than capitalizing the costs, the Board views they should be recorded as an offset to the $4.520 million claim amount that the Board has directed be amortized over three years. As such, the Board directs YEC to treat the insurance claim costs in the amount of $0.020 million as an offset to the amortization of the insurance proceeds and, similarly, to be amortized over a period of three years. ..... Paragraph 220

9. As a result, the Board denies YEC's proposal to commence a capitalization approach for its net salvage costs at this time. YEC is directed to remove its forecast net salvage expense in the amount of $0.350 million for each of 2025-2027 in its compliance filing to this Board Order. ..... Paragraph 262

10. Furthermore, given that YEC's evidence has confirmed there to be an inconsistent use of its established FRSR account, YEC is directed to prepare a statement of its regulatory accounting for actual net salvage costs to the Board at the time of its next GRA. This may be prepared as a separate policy or be added as a section within YEC's FX-001 Criteria for Capitalization policy as noted in Section 6.5.2. ..... Paragraph 263

11. The Board views that it is necessary for YEC to clarify its treatment of its regulatory accounting for gains and losses on dispositions of utility assets in relation to predictability. YEC's examination of various transactions and scenarios, and its treatments thereof, should be formalized and documented within a YEC policy. YEC is directed to prepare a statement of its regulatory accounting for gains and losses on dispositions of utility assets to the Board at the time of its next GRA. This may be prepared as a separate policy or be added as a section within YEC's FX-001 Criteria for Capitalization policy as noted in Section 6.5.2. ..... Paragraph 273

12. The Board directs YEC to provide a revised proposal within FX-001, for the determination of a forecast and actual operating expense amounts for preliminary capital project studies reflecting the Board's above noted findings at the time of its next GRA. Accordingly, YEC's response to Board Order 2024-12, Board Direction 5, at paragraph 312, remains outstanding at this time, pending further consideration at the time of YEC's next GRA. ..... Paragraph 293

13. The Board is not persuaded by the position of YEC on this issue. The ongoing principle of how YEC should handle the rate impact of investment opportunities provided to First Nations was established in the BESS proceeding (that ratepayers would not be adversely impacted by First Nation investment opportunities and that YEC treat the return on the debenture in excess of YEC's average cost of long-term debt as a disallowed expense), and was accepted by the Board. That determination was established by June of 2021, and provides clear guidance on how such transactions should be treated. Those accepted guidelines existed well before the AGS project agreement and before the CAFN debenture agreement was signed. YEC did not provide any evidence on why the CAFN debenture should be treated differently from the principles established in the BESS proceeding. Therefore, for regulatory purposes, YEC is directed to treat the interest rate applied to the CAFN debenture according to the principles established in the BESS proceeding (the average cost of YEC's long-term debt before the CAFN debenture) and to reflect this decision in its compliance filing to this Board Order. ..... Paragraph 303

14. Given the above finding, YEC is directed, in its compliance filing to this Board Order, to remove the full amounts of proposed capital additions in 2023 or 2024 for the Thermal Replacement (16.5 MW) and Wareham Dam Spillway Tunnel projects from YEC's opening 2025 rate base and to, instead, reflect them in YEC's 2024 closing CWIP balance for those projects..... Paragraph 327

15. In each future GRA, YEC is directed to expressly advise the Board and request relief from any outstanding directions, including in circumstances such as in the case of the AH3 contract dispute where YEC has chosen not to seek the recovery of certain types of costs from ratepayers..... Paragraph 353

16. YEC is directed to reduce the amount of its requested capital addition for other generation with spending of less than $0.400 million in its compliance filing to this Board Order by that amount. As the reduction has been applied on the total of YEC's requested capital additions for the 2023-2024 period, YEC is directed to indicate how this $0.335 million reduction has been allocated to the amounts of YEC's requested 2023 and 2024 capital additions as part of its response to this direction in its compliance filing to this Board Order. ..... Paragraph 367

17. The Board considers that it does not have sufficient information about the specific facilities brought into service in 2024 to be able to assess the prudence of the 2024 capital addition in the amount of $0.019 million at this time. For this reason, the Board

does not approve this requested addition and directs that it be removed from YEC's rate base in its compliance filing to this Board Order... Paragraph 372

18. Consistent with this treatment, and to avoid a double count, the Board denies YEC's request to approve its reported actual capital additions for 2023 and 2024 as the separately identified line-item Distribution Upgrades. Accordingly, the Board directs YEC to remove its capital additions of approximately $0.211 million in 2023 and $0.167 million in 2024 in its compliance filing to this Board Order..... ..... Paragraph 380

19. YEC is directed to apply this adjustment to its requested capital addition for other distribution with spending less than $0.400 million" in its compliance filing to this Board Order. As the reduction has been applied on the combined total of YEC's requested capital additions for the 2023-2024 period, as part of its response to this direction YEC should indicate how this reduction has been allocated to the amounts of YEC's requested 2023 and 2024 capital additions. . Paragraph 390

20. As a result of having determined that expenditures on the SCADA Upgrade Program should be dealt with by including the forecast and actuals as part of the Board's assessment "Other spending < $400,000" for general plant projects, the Board has determined that approving the requested additions of $0.019 million for 2023 and $0.018 million for 2024 would create a double count. Accordingly, the Board denies these requested addition amounts as a separately identified line item. The Board directs YEC to ensure that the SCADA Upgrade Program line-items showing additions of $0.019 million for 2023 and $0.018 million for 2024 are removed from its 2025 opening rate base balance and associated schedules in its compliance filing to this Board Order. ..... Paragraph 396

21. Finally, as with the Board's treatment of SCADA Upgrade Program amounts, the Board directs YEC to remove YEC's requested 2023 and 2024 separate line item capital addition amounts, in its compliance filing to this Board Order, to reflect the fact that these amounts have been included as part of the Board's evaluation of other projects with less than $0.400 million spending in the section below. .... Paragraph 403

22. YEC is directed to reduce its capital addition for "other general plant with spending less than $0.400 million" by $0.195 million in its compliance filing to this Board Order. As the reduction has been applied on the combined total of YEC's requested capital additions for the 2023-2024 period, as part of its response to this direction YEC should indicate how this reduction has been allocated to the amounts of YEC's requested 2023 and 2024 capital additions. ..... Paragraph 416

23. The Board takes note of YEC's comment in its AGS five-Year Fisheries Act Authorization write-up that a portion of the costs totalling approximately $0.650 million forecast in relation to the AGS 25-year licence renewal project may be

attributable to the completion of the AGS five-year Fisheries Act Authorization renewal. The Board directs YEC to provide a brief report containing an assessment as to what portion, if any, of its final AGS 25-year licence renewal project costs are properly attributable to AGS five-year Fisheries Act Authorization renewal activities. This report should be provided by YEC as part of its next GRA. .... Paragraph 444

24. In light of the foregoing, the Board hereby denies YEC's proposal to capitalize $1.640 million amount in 2025 and YEC's related proposal to amortize this amount over ten years. Accordingly, YEC is directed to adjust its CWIP schedules to reflect this amount as a closing balance for 2025 in its compliance filing to this Board Order. ..... Paragraph 501

25. With respect to the MGS 5-Year Water Use Licence Renewal project, the Board took note of YEC's comments in argument that the expected completion of that project will not occur until 2026. As a result, the Board directs YEC to utilize the forecast capital addition amount as an addition in 2026 in its compliance filing to this Board Order. ..... Paragraph 518

26. To ensure that information on capital project is detailed in the application, in this section, the Board sets out three categories of required information with respect to YEC's capital projects for future GRAs. The issue is identified, the context of the issue is set out, and Board Findings and/or Board Directions respecting the issue is stated. The following three tables set out the information that the Board directs is required by YEC to be included in future GRAs. ..... Paragraph 539

27. The Board accepts YEC's proposal in argument to consolidate its Tab 5 schedules to a schedule comparable to Table 5.1 of the application, and a schedule comparable to Table 5.8 as filed in Exhibit 2-A of the current application (to be renamed Table 5.2 in future GRAs). YEC is directed to adopt this proposal in its next GRA. .... Paragraph 539, Table 28, Row 1

28. The Board directs YEC to provide a breakdown of the details of its rolled up "other" forecast and actuals information similar to that provided in its Undertaking #21 for each year of the forward test period of its next and future GRAs, as part of its initial application materials. ..... Paragraph 539, Table 28, Row 2

29. YEC is directed to provide a proposal for its next GRA regarding the development of a required internal YEC form and related procedures to ensure that any changes in the scope of projects included in one YEC GRA can be accurately matched by the Board or interveners to projects described in subsequent GRAs. .... Paragraph 539, Table 28, Row 3

30. YEC is directed to ensure that in any capital-related schedule (such as YEC's proposed Table 5.1 and 5.2) filed in its future GRAs in which individual projects are

identified on specific rows, YEC's project ID should be shown in the leftmost column of each page of the schedule. For clarity, where page space requirements require a specific project is described over more than one physical page, YEC is directed to ensure that the project ID is shown in the leftmost column of each page where a specific project is discussed. ..... Paragraph 539, Table 28, Row 4

31. However, the Board cannot finalize the opening balance of the first test year of a GRA without having a prudence assessment of actual expenditures on projects added to rate base prior to the first test period year of a GRA. Given this, the Board directs that if YEC finds, due the timing of its filing of its next GRA, that it must utilize preliminary capital expenditure amounts in its application, YEC must ensure that any amounts are clearly identified as non-final in its CWIP continuity schedules. .... Paragraph 539, Table 28, Row 5

32. Further, the Board directs that YEC provide a clear explanation as to how and when its application continuity schedules will be updated during the GRA proceeding to reflect the use of finalized actual amounts. ..... Paragraph 539, Table 28, Row 5

33. Subject to a clarification noted below, the Board accepts YEC's proposal to provide the cost estimate classes for projects with total costs above $2 million. Accordingly, the Board directs YEC to clearly specify the class of estimates used in any variance explanations provided in support of projects with costs above $2 million for which YEC is seeking approval of actual 2025-2027 period capital additions in its future GRAs..... Paragraph 539, Table 29, Row 3

34. In light of this concern, the Board directs YEC to specify which class of forecast as described in the table provided in YEC Undertaking #34 should be the presumed default cost estimate class to apply as the basis for "approved forecasts" shown in YEC's application CWIP schedule for any projects for which YEC is seeking approval of 2025-2027 period capital additions in its next GRA. .... Paragraph 539, Table 29, Row 3

35. The Board therefore directs YEC to ensure that in future GRAs, YEC provides the expected final cost of each post test-period project as part of its application or associated application business case materials. YEC's proposal in argument to provide such information in a format comparable to the information provided at PDF page 7 of its June 30th supplementary information response is acceptable. ..... Paragraph 539, Table 29, Row 4

36. YEC is further directed to ensure in future GRAs, that its business cases for post test-period project provide at least a brief discussion of how its forecast final cost was determined, which should include a discussion of the "class" of the estimate that the forecast of the final cost represents. ..... Paragraph 539, Table 29, Row 4

37. For clarity, the Board directs YEC to provide brief variance explanations irrespective of whether actual costs exceed or reflect an underspend relative to the GRA approved forecast. For guidance, the Board considers that the variance explanations that YEC provided in its YUB-YEC-1-75 represents a reasonable example of what the Board requires in future GRAs for projects where the variance is less than $0.100 million. ..... Paragraph 539, Table 30, Row 1

38. In respect of "other" projects with actual costs less than $0.400 million, the Board directs YEC to provide a breakdown comparable to Attachment 3 to its June 30th supplementary information response in its next GRA and future GRAs. ..... Paragraph 539, Table 30, Row 2

39. In respect of all projects, including those identified in the breakdown of projects costing less than $0.400 million, the Board directs YEC to provide with its initial application filings for its next and future GRAs, a cross-reference document similar to those provided as Attachment 2 and Attachment 4 of its June 30th supplementary information response. ..... Paragraph 539, Table 30, Row 3

40. For each of the projects for which YEC capital additions occurring in the 2025-2027 period exceed $10 million, the Board will require relatively detailed variance explanation documents rather than brief write-ups. The Board directs YEC to provide variance explanation documents that include, at minimum: (1) a brief discussion of the major elements of the project; (2) a section that provides cross-reference information to any prior GRA in which the project was discussed for approval during the go-forward test period; (3) a forecast versus actual and variance schedule, broken down to a reasonable detail of major project cost inputs; and (4) discussions of the drivers of the observed forecast versus actual cost variance for any major project cost inputs where a material variance occurred. ..... Paragraph 546

41. In addition, reflecting discussion that has already taken place during the 2025-2027 GRA proceeding, YEC is also directed to file, in respect of any project completed during the 2025-2027 period for which cost exceed $10 million, a risk register document comparable to that provided in YEC's response to Undertaking #36 ..... Paragraph 547

42. In light of the above, YEC is directed to provide a section or appendix to its next and future GRAs which discusses YEC's proposals for changes to application information requirements, if any, that YEC would propose to provide in support of the prudence of expenditures on projects above $10 million coming into service on or after 2028. YEC's section or appendix should, at minimum, address each of the matters noted in the bullet points above. ..... Paragraph 550

43. The Board accepts and approves the LWRF as submitted by YEC for this application. In this application YEC stated it did not update the water years history for determining

LTA water availability. YEC is directed to update the water years history for LTA calculations for its next and future GRAs. ..... Paragraph 572

44. As a result, Direction #4, from Board Order 2024-05 remains outstanding at this time, and the Board reiterates that YEC provide reporting on the following: the EAM/PAMMS project that quantifies; improvement in reliability measures; real cost benefits from inventory management; direct and real labour savings; measures that can show improvements in YEC's asset health; and any other measure that YEC can add that will help the Board and interested parties assess the overall benefit of this project as part of its next GRA. ..... Paragraph 577