

In the Matter of:

**YUKON ENERGY CORPORATION (“YEC”) AND YUKON ELECTRICAL
COMPANY LIMITED (“YECL”)
2009 PHASE II RATE APPLICATION**

**REPLY OF
THE CITY OF WHITEHORSE (“CW” OR THE “CITY”)**

NOVEMBER 5, 2010

TABLE OF CONTENTS

INTRODUCTION	3
RATE DESIGN	3
"MODIFIED OPTION C"	3
BOARD PRECEDENTS	7
THE ROADMAP	8
DISCRIMINATION AND PRICE SIGNALS	9
PRICE ELASTICITY AND THE PROPOSED RATE DESIGNS	10
COST OF SERVICE STUDY.....	11
MAXIMUM INVESTMENT LEVEL.....	13
SECONDARY SALES	15
SEASONAL RATES / TIME OF USE RATES	17
TERMS AND CONDITIONS – CUSTOMER CONTRIBUTIONS	18
DEMAND SIDE MANAGEMENT (DSM).....	19
CONCLUSION	21

Introduction

1. This Reply Argument is submitted on behalf of the City of Whitehorse (the “City”) in response to the positions advanced by Yukon Energy Corporation (“YEC), Yukon Electrical Company Ltd. (“YECL”) (together, the Utilities”), Leading Edge Projects Inc. (“LE”) and the Utilities Consumer Group (the “UCG”) in Argument. Lack of response to any of the positions advanced by the Utilities or other parties should not necessarily be considered as acceptance by the City of these positions.
2. The City submits that these proceedings have been characterized by the introduction of new positions and issues throughout its course, and outside the process schedule set by the Yukon Utilities Board (the “Board” or the “YUB”), which the City submits has resulted in an inefficient process and an unnecessary complication of the issues that are before the Board in this Phase II Application. The City particularly objects to the new issues and evidence raised in Argument.

Rate Design

“Modified Option C”

3. In Argument, YEC stated:

Yukon Energy Recommended Retail Rate Proposal – On the remaining 2009 Phase II Rate Application rate design matters where a joint proposal was not achieved by the Companies, based on Exhibits B12 and B14 and the evidence at the hearing, Yukon Energy recommends as follows:

- a) Runoff energy rates for residential and general service retail classes – A minimum initial runoff rate to be approved at this time at 71.5% of 2009 incremental cost of diesel, with a longer-term commitment to move the runoff rate up to 100% of the incremental cost of diesel as soon as is reasonable, resulting in the following energy rates to be approved at this time:
 - i. 20 cents per kW.h for the third energy block for all residential and general service rate schedules, other

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- than the Old Crow third block runoff energy residential rate; and
- ii. 43.98 cents per kW.h for the Old Crow third block runoff energy residential rate.
- b) First and second block residential energy rates – To reflect Yukon Energy’s priority focus throughout its 2008-2009 GRA filing on the need today for an adjusted runoff rate of at least 20 cents per kW.h, an adjusted Option C residential second block energy rate is recommended at 13.00 cents per kW.h for non-government and government in all rate zones so as to provide no adverse rate changes today for any residential customer use up to 2,500 kW.h per month; as a result, the adjusted residential first block energy rate is 11.93 cents per kW.h for non-government and 17.54 cents per kW.h for government.
- c) First Block general service energy rates - As set out in Exhibit B12 for Option C, an adjusted rate in all rate zones of 9.41 cents per kW.h for non-government and 18.88 cents per kW.h for government.
- d) Future residential rate block adjustments – At the next GRA by either Company, a first priority for future rate adjustments for residential class rates be to move the third rate block starting point down from 2,501 kW.h per month.
- e) Wholesale Rate Schedule 42 ERA – In the event that the non-government residential runoff rate in the hydro zone is less than 80% of the approved incremental cost of diesel generation for that zone, the ERA incremental charge to be set at 100% of the approved incremental cost of diesel generation adopted to assess runoff rates for that zone (e.g., 27.67 cents/kW.h based on the Application).”¹
4. This submission is a departure from the original Option C put forth by YEC on October 1, 2010, as amended on October 4, 2010. This proposal was not put forth by YEC prior to Argument.

¹ Yukon Energy Final Argument, page 4 – 5, paragraph 4

5. In Argument, the City expressed concern regarding the complications associated with YEC submitting substantial modifications to its proposed rate design shortly before the hearing (namely, in moving from its originally proposed Option A to a newly proposed Option C on the eve of the hearing). The Board and interested parties, including its purported joint Applicant, YECL, are now faced with additional modifications to the proposed rate design advanced by YEC in Argument (the “Modified Option C”).
6. The City maintains that such a move constitutes demonstrable uncertainty on behalf of YEC as to the appropriate rates to be instituted for the test period.² Further, the City submits that it is improper procedure for an Applicant to change its proposal on one of the primary issues of the proceeding several times at critical points as YEC has done in the current hearing. It is particularly egregious that YEC seeks to change its rate design proposal in Argument, when there is no longer an opportunity for the Board and interested parties to ask questions regarding this proposal in Information Requests or during cross-examination. Under these circumstances, the Board and interested parties cannot properly test the rate design proposal, because the Applicant’s proposal becomes a continually moving target. As such, the City respectfully requests that the Board refrain from considering the Modified Option C, along with the Attachments A-1 through A-6 appended to YEC’s Argument, in its deliberations.
7. Notwithstanding the above-noted position, the City will discuss the merits of the Modified Option C, to the extent possible, in the event that the Board is not inclined to dispose of this option outright on the basis that it falls outside the established process.
8. First, the purpose of the Modified Option C appears to be to minimize the rate shock on higher volume residential non-government customers in the short term. In Table 1 of its Argument, YEC indicates that for residential non-government customers who consume

² Refer also to the City of Whitehorse Argument, at paragraph 5

between 2900 kilowatt hours and 3000 kilowatt hours per month, the proposed increases to their monthly bills under the Modified Option C will be 8.1% and 9.8%, respectively. This compares with 10.9% and 12.5% respectively under Option C. YEC's Modified Option C conveniently brings the proposed bill increases for these customers to less than 10%, which was the level YECL has indicated it considers to be rate shock.³ However, the City notes that rate shock of a greater magnitude continues to be a concern for higher volume customers. For example, customers who consume in the range of 5000 kilowatt hours per month will experience an increase of 28.8% to their monthly bills.

9. In the course of this proceeding, YEC has put forth 3 options: Option A, Option C and the Modified Option C. This means that there are now a total of five different rate designs before the Board (Option A, Option B, Option C, Modified Option C and LE's Preferred Option), none of which the Utilities can agree upon. The City submits that the "proper price signal" as understood by the Utilities appears to be a highly variably principle. The City submits that the sheer number of options, the lack of agreement among the parties and the lack of foresight and consistency shown by the Utilities (YEC in particular) strongly favours maintaining the current rate structure as the appropriate choice before the Board.
10. The claims of substantial agreement and sharing of ideas and information between the Utilities⁴ would strongly suggest that YECL was made aware of the Modified Option C, yet YECL does not make reference to this option in its Argument. The City therefore assumes that YECL does not support YEC's Modified Option C, but as noted above, has not had an opportunity to confirm or deny this with YECL. The City submits that this type of behaviour is not consistent with the Utilities' claims of cooperation and substantial agreement, nor is it in the spirit of the direction from the Board that the Utilities submit a joint Phase II Application.

³ Transcript, page 574, lines 3-5 and Transcript, page 575, lines 20-22

⁴ Yukon Energy Final Argument, pages 23 to 26; Transcript page 499, line 19 to page 500, line 2

Board Precedents

11. In Argument, YEC states:

Yukon Energy has noted that setting the runoff rate today under Option C at 71.5% of incremental cost of diesel (while not fully reflecting incremental costs as ultimately required by OIC and past Yukon practice) takes a material step towards this requirement. As noted [T pages 307-10], Yukon Energy understands that this first step is consistent with OIC 1995/90 and past precedents in Yukon and elsewhere provided that it is stated to be an initial step on a clear roadmap to set the runoff rate once again at 100% of incremental cost as soon as is reasonable.⁵

12. With regard to the setting of run-off rates, the City submits that the Board has not specified in any past precedent any particular level or percentage of incremental cost of diesel that must be reflected in run-off rates, either for the current proceeding or for the future. The City submits that YEC's consistent references to Board precedents throughout this proceeding, first for justifying Option A,⁶ then for justifying Option C,⁷ and now for justifying the Modified Option C, are ill-advised for two reasons. First, there are no Board precedents that mandate any particular run-off rates to reflect any specific level of incremental cost of diesel, and further, the issue of rate design has not been before the Board since 1996. As such, this justification constitutes reliance on YEC's own interpretation of Board decisions that were made over a decade ago, and presumably with a different regulatory climate and considerations in mind. Secondly, the Board is not bound by its own precedents and is free to change scope and direction on any rate matter, in any Phase II GRA, in any manner it deems most appropriate. The City submits that YEC's rate designs depend on its own interpretation of Board precedents, which, in and of itself, is not sufficient to justify such a significant change in rate design. Further, the City submits that the Utilities have not demonstrated that the same concerns are before the Board today that fueled any earlier decisions by the Board that the run-off rate should reflect the incremental cost of diesel.

⁵ Yukon Energy Final Argument, page 31

⁶ e.g. Exhibit B1, Page 4YEC-10, footnote no. 5; Exhibit B4, CW-YEC/YECL-1-20(g) and 25 (a), p.3, lines 8-11

⁷ Transcript, page 480, line 21 to page 481, line 2

The Roadmap

13. YEC refers to its Modified Option C rate design proposal as:
- ...an initial step on a clear roadmap to set the runoff rate once again at 100% of incremental cost as soon as is reasonable.⁸
14. YEC also states:
- ... there is a clear need for a transition period plan to re-establish an effective runoff price signal and Option C as recommended is designed to meet this need.⁹
15. The City submits that despite YEC's claims, there is no identifiable "roadmap" or "transition plan" in place for the Utilities' rate design journey. First, there is no agreement on a starting point. In fact, YEC itself cannot maintain one position with respect to a starting point. As noted above, there are five options (not including maintaining the status quo) before the Board, all proposing different starting points for a change in rate design. As also noted, the Utilities cannot agree on any of these alternatives as a starting point. As for when the run-off rates will recover 100% of the incremental cost of diesel, YEC's timeline is vague and uncertain: "as soon as is reasonable."¹⁰
16. The City disagrees that run-off rates need to recover 100% of incremental costs of diesel. As to the specific steps constituting the "roadmap" or "transition plan" that would facilitate the development of rates from whatever the starting point might be to 100% incremental costs, YEC provides no information. Nonetheless, YEC would have us believe that the short-term specifics are not important compared to setting broad principles to guide rates to the 100% level over the longer-term. To this end, YEC states:

Yukon Energy has noted it is less concerned at this time with defining exact rate levels or block sizes, than with ensuring a well understood and

⁸ Yukon Energy Final Argument, p.31

⁹ Yukon Energy Final Argument, p.32

¹⁰ Yukon Energy Final Argument, p.31

accepted plan is in place to ensure progress towards addressing the material issues facing Yukon today.¹¹

17. The City has two concerns with this statement. First, if YEC truly believed this proposition, it would not have contravened the Board's process schedule and rules of practice by twice altering its "rate levels" and "block sizes" in response to strenuous opposition. Secondly, the principle espoused in the cited quote does not make for prudent ratemaking practice. As discussed in the City's Argument, forecasting methods that consider years too far in future of the test year are misguided, especially considering that OIC 2008/149 is due to expire at the end of 2012. The City submits setting fair rates in a Phase II proceeding requires accurate and effective consideration of the details of the rates in the test year (i.e. 2009). The City submits that YEC fails on this count by stating that it intends to concentrate on vague future scenarios rather than the specific identifiable rate issues for the test year.

Discrimination and Price Signals

18. YEC states:

YECL argues that YEC's proposal does not treat fairly all customers within a class (relates to rate reductions for some and rate increases for others) [T 503-06;510-12; 516; 536-7; 613; 62]. In this regard, YECL raised concerns that applying runoff rates based on 70-80% of incremental costs may be considered discriminatory towards high consumption users while rewarding or encouraging inefficient use in the first block. YECL notes high volume users (in the 3000 kWh/month range) may in fact be more efficient than customers in the 1000 kWh/month ranges and asserts it is unfair to penalize these customers while crediting smaller inefficient customers.

Yukon Energy sees no merit or basis for this concern. Retail rate design in Yukon and elsewhere has long recognized that it is not unfair or unduly discriminatory (or of concern regarding sending inconsistent price signal) to charge, within a rate class, lower first block rates to reflect heritage cost savings and higher subsequent block rates for increased levels of use (with runoff rates in diesel served areas, and now often in hydro served areas, reflecting current incremental costs [in terms of generation costs or revenue

¹¹ Yukon Energy Final Argument, p.30

foregone]). Further, in Yukon this matter is settled under policy direction to the Board (OIC 1995/90, which does not have any expiry date).¹²

19. The City does not oppose the idea of charging lower first block rates and higher subsequent block rates within a rate class for increased levels of use. That is, in fact, the makeup of the existing rate structure. However, the City is concerned that YEC outright dismisses the idea that it may be unfair and discriminatory to increase the rates of higher volume customers (in the 3000 kilowatt hour per month range), while decreasing the rates of lower volume customers (in the 1000 kilowatt hour per month range) even though there is no evidence that the former are less efficient energy users than the latter, nor that the existence of diesel on the margin can be attributed any more to the higher volume consumption customers than the lower volume ones. The City further submits that YEC has demonstrated a lack of consideration of fair treatment for higher volume non-government residential customers in this proceeding.
20. The City also notes that the current costing environment precludes rates being linked to the cost of service study due to OIC 2008/149. Therefore, an accurate allocation of heritage assets to the first block is not possible. The City submits that YEC's treatment of the issue of cost allocation to non-government residential first block consumers, as evidenced by YEC's numerous "preferred" rate designs (and presumably preferred first block rates) proposed during and after the evidentiary process, is cavalier and presents cause for concern.

Price Elasticity and the Proposed Rate Designs

21. LE made the case in Argument¹³ that, notwithstanding that no elasticity studies have been undertaken by the Utilities, "short term elasticity is real (short term in the references is 1 to 5 years)."¹⁴ However, LE then contradicts this assumption in that the LE Preferred rate

¹² Yukon Energy Final Argument, p.37

¹³ LE Argument, pages 7-8

¹⁴ LE Argument, page 7

design option also employs constant billing determinants (which, as discussed below, postulates a short-term elasticity of zero).

22. As noted by the City in Argument, Options A, B & C assume that the short-term price elasticity of demand for Residential and General Service customers is zero and as a result, the forecast billing determinants do not change regardless of the rate design option.¹⁵ In other words, the Utilities assume that customers will not change their energy consumption in response to decreased first and second block rates or increased third / runoff block rates. The City agrees with LE's first proposition to the extent that the short-term elasticities are likely non-zero, and as a result, the Utilities billing determinants are not necessarily reflective of what will result from adopting any of the given rate design proposals. The City submits that this is one of the key reasons the proposed rate designs of Options A, B, C, Modified C, and LE Preferred are faulty. Namely, if nothing changes as a result of instituting any of the proposed rate design, why institute the change? If a change is expected to occur, then the Utilities have relied upon billing determinants that do not reflect what is expected to occur with the result that the Utilities themselves are exposed to the possibility of either under-recovering or over-recovering their revenue requirement.

Cost of Service Study

23. LE agrees with the City's position, as stated in Argument, regarding the importation of load studies from ATCO Electric's Alberta system for use in the Yukon.¹⁶ In Argument, LE cited a specific instance of its concern "about how the numbers worked out this time".¹⁷ LE concluded its Argument on this issue with the following recommendation.

Recommendation: That the Board order the Utilities to collaborate to identify and select appropriate cost effective measures to measure adequately actual Yukon specific customer loads so that the ATCO Alberta models can be calibrated or "truthed" to provide more reliable

¹⁵ Transcript, page 316, line 21 to page 317, lines 4, Exhibit B4, CW-YEC/YECL-1-16(c) to (e), lines 24-25

¹⁶ LE Argument, page 6

¹⁷ Tr. page 247, lines 4 - 6

Yukon specific information, and to implement these measures prior to the next Phase II Application.¹⁸

24. The UCG has indicated that it is concerned that as a result of this importation, the witnesses responsible for portions of the cost of service could not be examined.¹⁹
25. The City believes that LE's process of calibration or "truthing" is essentially the same as the City's recommendation that the ATCO Electric load studies be verified²⁰, and on this basis the City and LE appear to be in substantial agreement on this issue. The City believes that a statistical sampling of Yukon loads would be economical and meet the Utilities'²¹ and customers' concerns about the costs of a comprehensive load study. A verification process that can be tested in a hearing would enable the Board to tailor the cost of service study to the specific Yukon electrical system.
26. The City takes exception to an issue raised in the Argument of both Utilities on the future requirements for an improved cost of service study. As discussed by YECL:

The fact that the majority of the major customer classes have not seen material changes over the extended period since the last Cost of Service Study does raise a question regarding whether updated Cost of Service Studies are required for each future Phase II application, or whether periodic updates would be sufficient. YECL and YEC anticipate that they would make submissions to the Board in this regard as part of the preparation of future Phase II applications.²²

Almost identical wording appears in YEC's argument.²³

27. First, the purpose of the cost of service study in these proceedings was not to set the level of rates for each customer class since those are set by the constraints of OIC 2008-149 and

¹⁸ LE Argument, page 6

¹⁹ UCG Argument, paragraph 39

²⁰ City of Whitehorse Argument, page 16, paragraph 39

²¹ YECL Argument on YEC-YECL Issues, page 7

²² YECL Argument on YEC-YECL Issues, page 4

²³ YEC Argument, page 9

not by the cost of service study. In fact, the City submits that the expiry of OIC 2008-149 in 2012 would constitute a “significant change”, as discussed by YECL, that would drive a new cost of service study²⁴. The City maintains that it considers a properly prepared cost of service study essential to any future rate restructuring process.

28. Second, because of the constraints of OIC 2008-149, rate design issues were addressed in this Application independently of the cost of service study. This became quite evident when the Utilities and LE advanced rate designs without any reference to the cost of service study. For example, YEC introduced Option C late in the hearing without reference to any costs that appear in the cost of service study.²⁵ All rate options put forward by their proponents were based on the 2009 blended cost of diesel fuel, a calculation that appears nowhere in the cost of service study.²⁶ Because the cost of service study was disconnected from the larger issue of rate design, intervenors may not have pursued all the issues the joint cost of service study raised.
29. Following the hearing, the City is left with the clear impression that YEC, at least, intends to perform cost of service studies in the future.²⁷ The City considers that any proposal to do away with an important tool for rate design should be introduced and emphasized early in an application rather than be suggested in Argument.

Maximum Investment Level

30. In Argument, the City recommended that the Board approve the following Maximum Investment Levels:

	Residential	Residential	General	Street
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²⁴ Examination of YECL by Board counsel, Transcript, at pages 619 - 620

²⁵ Exhibits B11 and B12

²⁶ Exhibit B1, Page 3, Table 2

²⁷ Tr. page 59, lines 4 – 7; Tr. page 164, lines 21 - 24

Year	Single Family Dwelling (per site)	Multi-Dwelling Unit (per site)	Service (per kW)	Lighting (per light)
2011	\$1,500	\$725	\$690	1,240 ^{1,2}

Note 1: The Utility will invest up to 50% of the cost of energy-efficient streetlight fixtures and/or decorative light fixtures.

Note 2: The Utility will offer an investment option for the Street Lighting customer.²⁸

31. The City based its recommendations on increased construction costs for all classes of service and the need to provide appropriate shares of construction costs for all customers while having regard to past practice regarding utility and customer investment. The City's recommendations were similar to those proposed late in the process by the Utilities²⁹ with two exceptions, which are discussed below. The UCG appears to agree with some of the City's reasoning that led to its recommendations.³⁰
32. First, the City proposed that only one increase in MILs be approved on the basis that this would promote stability for customers and the construction industry.³¹ As noted in the City's Argument, the Utilities stated that they were agreeable to this proposal during cross-examination. In Argument, YECL did not change its position³² but YEC's Argument is silent on this matter. The City thus submits that, save for LE maintaining its support for the two-step process,³³ there is broad agreement between customers and the Applicants for the one-step process as suggested by the City.

²⁸ City of Whitehorse Argument, p. 22, paragraph 55

²⁹ Exhibit B9, page 7

³⁰ UCG Supplementary Argument, paragraph 108

³¹ City of Whitehorse Argument, p. 16, paragraph 46

³² YECL Argument on YEC-YECL Issues, page 10,

³³ UCG Supplementary Argument, paragraph 109, LE Argument, p. 11

33. Second, the City did not accept the Utilities' proposed fixed plus variable MIL for General Service customers, but proposed a solely variable MIL of \$690/kW, as set out above. This will restore the utility and customer share of construction costs, as set in 2005, for General Service customers of all sizes. The UCG echoes the City's reasons for rejecting the fixed plus variable method. The City submits that the Utilities' Arguments do not serve to support their proposed fixed plus variable method for setting General Service MILs. Accordingly, the City submits that the revised MILs set out in Paragraph 55 of the City's Argument should be approved by the Board.

Secondary Sales

34. The City has recommended that the Secondary Sales rate be fixed at 7.2¢ per kilowatt hour instead of the current volatile method of determining the rate.³⁴ The UCG argued that the costs incurred by the secondary sales customer should be identified and directly assigned to the secondary sales customer.³⁵ YECL's Argument was silent on the matter of Secondary Sales and YEC's Argument merely restated that no change to the Secondary Sales rate is required, reciting the record specific to Secondary Sales:

The Companies in the COS applied secondary sales revenues as a 100% offset to energy costs, reducing the firm rate revenues required to be collected from the retail and industrial customer classes. Classification of secondary sales revenues is addressed at pages 3-9 and 3-10 of the joint Phase II Rate Application in response to CW-YEC/YECL-1-7, CW-YEC/YEC-1-23 and CWYEC/YECL-1-24; and in discussion at transcript pages 25-28; and 49-53.³⁶

35. The City submits that the record does not support the Utilities' position that no change should be made to the Secondary Sales rate. YEC's argument provides the rationale for the rate set in 2005:

Secondary sales were not a factor on the system in the 1996/97 GRA; however, with the closure of Faro and significant available surplus hydro

³⁴ City of Whitehorse Argument, paragraph 62

³⁵ UCG Argument, paragraph 31

³⁶ YEC Argument, page 13

generation the secondary sales program was considerably expanded by 2005 (when a new rate was approved).³⁷

36. The Utilities' evidence during the hearing was that the surpluses of 2005 have evaporated, as of the hearing.³⁸ A changed situation requires changes to a rate within the strictures of a regulated rate and OIC 2008-149. The current value of service method of setting the Secondary Sales rate is not optimal as a regulatory method, nor is it a tool that promotes conservation or rate stability. Rate stability results in revenue stability, an important consideration to meet the approved utility revenue requirement, especially as Secondary Sales are a revenue credit serving to reduce revenue requirement.
37. The Utilities have consistently taken refuge in the Phase II billing determinants having been approved in each Utility's Phase I hearing.³⁹ The Utilities furthermore state that "[t]his (Secondary Retail Sales Revenue) includes both the portion of secondary revenues collected by YECL, and by YEC, at the forecast secondary rates approved in each utilities {sic} Phase I Application"⁴⁰ (brackets added). The rate approved in Phase I is 7.2¢/kWh along with the forecast secondary sales volume of 7,584,000 kWh, as set out in the Application.⁴¹ The City's request is not to change the level of the secondary sales rate, but rather its variability. By fixing it on a percentage basis to the general service first block rate going forward, the City submits that the current volatility arising from the existing method of determining the rate can be avoided while staying true to the approved revenue requirement that must be collected for the Utilities.
38. Regarding the UCG's position that Secondary Sales costs be identified and assigned to Secondary Sales, the City considers that this is not possible in the current hearing as the approved revenue requirements are based on Secondary Sales revenue being accounted for

³⁷ YEC Argument, page 12

³⁸ e.g. Tr. page 371, lines 6 - 13

³⁹ e.g. Exhibit B4, CW-YEC/YECL-1-11 (b), CW-YEC/YECL-1-16 (e)

⁴⁰ Exhibit B1, Page 2 - 2, footnote 4

⁴¹ Exhibit B1, page 4.1B - 14

as a revenue credit. Changing how Secondary Sales are incorporated into revenue requirement is a matter that should have the input of all customer classes prior to making the change.

Seasonal Rates / Time of Use Rates

39. The City's preferred position is that the Utilities should plan to install smart meters in order to gather information to facilitate future Time of Use ("TOU") rates. Until the appropriate infrastructure is available, the City considers that seasonal rates should be implemented upon expiry of OIC 2008-149 as a step towards rates that more appropriately reflect when diesel is on the margin. As a result, the City requested the Board to direct the Utilities to file a study, or studies, examining the possibility of implementing seasonal and TOU rates in their next general rate application.
40. In Argument, YEC simply restated its opening statement that seasonal rates remain a possibility.⁴² No additional reasons are provided for not proceeding to develop a plan or study for seasonal and TOU rates upon expiry of OIC 2008-149.
41. Leading Edge and the UCG agreed with the City's position that seasonal rates should be developed for application in the Yukon.⁴³ The UCG took a similar position as the City that TOU rates should be considered alongside seasonal rates. Since customers request that the matter of seasonal and TOU rates be investigated and the Utilities now do not object to seasonal rates, the City recommends that the Board direct the Utilities to prepare seasonal and TOU rate proposals for consideration upon the expiry of OIC 2008-149 and in preparation for the next generation rate application.

⁴² YEC Argument, page 25

⁴³ LE Argument, pages 6-7, UCG Argument, paragraphs 83-87

Terms and Conditions – Customer Contributions

42. The City proposed that it would be fair that the Utilities practice cost sharing of customer contributions on new extensions for the period that a contribution remains unamortized. The Utilities' evidence indicates that millions of dollars in the last three years were collected annually by YECL from customers for system extensions.⁴⁴ YEC did not address this issue in Argument, whereas YECL stated:

The Companies note that the nature of a new extension may vary between size of customer, length of line and location of tap from the existing extension that is being used to determine cost sharing. The Companies submit that whether a new customer is tapping off an extension, with a portion of a new line, or simply tapping off an existing transformer, cost sharing may apply. As a result, the Companies would be required to track each individual new extension project to estimate and determine whether cost sharing applies. As noted during the proceeding, the Companies would need to put in systems and processes in order to track these cost sharing extensions in all cases. As such it becomes a significant administrative process and burden to track new extensions and provide refunds associated with doing the cost sharing calculations and making appropriate payments. The Companies submit that the cost sharing process is manually intensive and that the current five year timeframe achieves a reasonable balance between fairness to customers and a relief from the associated administrative burden.⁴⁵

43. The City considers that YECL has not proven its case for not extending the refund period beyond five years. The City submits that the unsubstantiated evidence provided during the hearing⁴⁶ constitutes mere speculation that extending the period eligible for refunding contributions would cause administrative difficulties. The witnesses did not quantify exactly how much it would cost or whether this cost exceeds the millions of dollars in customer contributions that might be recoverable by customers.

⁴⁴ City of Whitehorse Argument, paragraphs 75 – 79 and footnote 71

⁴⁵ YECL Argument on YEC-YECL Issues, page 12

⁴⁶ Tr. p. 148, line 25 – page 157, line 9

44. The City submits that its proposal that the Terms and Conditions be amended to state that the period over which contributions are refundable to customers corresponds to the period over which the contribution is amortized is reasonable and fair.

Demand Side Management (DSM)

45. YEC's argument is silent on the subject of DSM, while YECL dismisses the subject:

During the course of the proceeding questions were also posed with respect to demand side management ("DSM") initiatives. As noted, the Companies are aware of the Board's past Directives in this regard and are working jointly with other bodies and Interested Parties in an effort to develop a responsible Demand Side Management Program for Yukon (1T142-143; CW-YEC/YECL-29(b)). The Companies submit that this matter is progressing as anticipated and does not require any action from the Board in the context of this Phase II proceeding. Additional information regarding DSM was provided in response to Undertakings 1 and 2 (Ex. B-26).⁴⁷

46. YECL's Argument appears to affirm the City's submission, as put forth in Argument, that the DSM issue is being treated lightly by the Utilities. In their Arguments, the other intervenors have not only reaffirmed the Board's conclusion from Board Decision 2009-8 that DSM is "a critical issue for all electric rate payers in Yukon," but have stressed the urgency of embarking without delay upon tangible conservation programs.⁴⁸ LE states that "[t]he block 2 rate concerns are the same as Leading Edge had with Option A – Leading Edge believes that greater conservation efforts would result from DSM programming."⁴⁹ This echoes the City's concern that scarce resources that could have been employed studying and developing innovative, workable DSM programs were instead diverted towards developing rate designs that are not expected to produce the same effect. The UCG notes that "Yukon ratepayers should not have to wait several years to

⁴⁷ YECL Argument on YEC-YECL Issues, pages 12-13

⁴⁸ e.g. City of Whitehorse Argument, paragraphs 80-84, LE Argument, page 8 and 10, UCG Argument, paragraphs 23-24, 62 and 97-107

⁴⁹ LE Argument, page 10

find out that the utilities have not determined all of the issues that need to be addressed,”⁵⁰ which supports the City’s position that the Board should require that the Utilities’ compliance filings include a DSM collaborative process with exact plans and timelines. The City submits that all intervenor arguments are consistent on the matter of DSM initiatives and demonstrate the importance of this issue and the sentiment that the Utilities have not paid this issue sufficient attention in the past.

47. In the case of DSM, the City submits that the Utilities’ response to the Board’s various directions is unacceptable for several reasons, including:

- DSM programs are conservation measures that can be carried out within the restrictions of OIC 2008-149 and are consistent with the conservation objectives of OIC 1995/90;
- DSM programs, such as energy-efficient street lighting, can be implemented almost immediately⁵¹ with resultant energy savings in the near term whereas the conservation results of the various Rate Options are nebulous, may only bear fruit in the long term or may prove to be counterproductive;
- The Board has served Notice of the Application for approval of the YEC-Alexco PPA subsequent to the filing of argument.⁵² If this new Industrial customer adds load prior to completion of the Mayo B project, then short-term conservation measures may become a matter of urgency; and
- DSM measures are an appropriate topic for discussion and direction in this Phase 2 process as the Utilities have not indicated in written or oral evidence that any DSM programs currently under consideration will alter the approved revenue requirement.

48. The City reiterates its request that the Board direct the Utilities to provide exact plans and timelines in their Compliance Filings for both consultation with stakeholders in the

⁵⁰ UCG Argument, paragraph 101

⁵¹ Transcript, page 45, line 20 – page 46, line 10

⁵² Board Order 2010-10 and Notice dated October 27, 2010

development of the policy paper regarding DSM initiatives and negotiating with intervener groups, environmental organizations, government environmental professionals, and communities on the range of energy efficiency and conservation measures to be adopted.

Conclusion

49. The City respectfully requests that the Board direct the Utilities as follows:

- The Utilities shall maintain the current 2 tiered rate design for Residential and General Service customers with Riders R and J incorporated into base rates;
- The Utilities shall conduct and file an updated COSS for their next general rate application;
- The Utilities shall institute the following Maximum Investment Levels:

Year	Residential Single Family Dwelling (per site)	Residential Multi-Dwelling Unit (per site)	General Service (per kW)	Street Lighting (per light)
2011	\$1,500	\$725	\$690	1,240

- The Utilities shall amend the Secondary Sales rate (Rate 32) to be 7.2¢ per kilowatt hour calculated as 87% (86.64%) of existing first block for General Service;

- The Utilities shall conduct and file a study regarding seasonal rates / TOU rates in their next general rate application and propose a seasonal rate design option based on this study;
- The Customer Terms and Conditions shall be amended to provide for a longer period of time over which customer contributions can be refunded; and
- The Utilities shall comply with a further process, as set by the Board, to ensure full compliance with the Board's earlier directions regarding DSM measures as set out in Decision 2009-8.

50. All of which is respectfully submitted this 5th day of November, 2010.

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