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November 5, 2010

Yukon Utilities Board
Box 31728
Whitehorse, Yukon
Y1A 6L3

Attention: Shay Smart, Board Secretary

Re: Yukon Energy Corporation / Yukon Electrical Company Limited
General Rates Application – Phase II

Dear Ms. Smart:

Please find enclosed the reply submissions of the Utilities Consumers' Group in the above noted proceeding.

Yours truly,

Michael Buonaguro
Encl.

YUKON UTILITIES BOARD

IN THE MATTER OF the *Public Utilities Act*
Revised Statutes of Yukon, 2002 c.186, as amended

and

IN THE MATTER OF a Joint Application by Yukon Energy Corporation and Yukon Electrical Company Limited for a Phase II General Rate Application for 2009

REPLY ARGUMENT OF

UTILITIES CONSUMERS' GROUP

November 5, 2010

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INTRODUCTION and OVERVIEW

The Utilities Consumers' Group

1. The Utilities Consumers' Group (the "UCG") filed its Final Argument on October 22, 2010 and October 24, 2010 with respect to the Joint Application by Yukon Energy Corporation ("YEC") and Yukon Electrical Company Limited ("YECL") for a Phase II General Rate Application for 2009. Final arguments were also submitted by YEC, YECL, Leading Edge Projects Inc., and the City of Whitehorse.

2. The UCG has organized its reply argument by issue to assist the Board's deliberations. Unless otherwise noted, references to page numbers are from the relevant party's argument submissions.

GENERAL COMMENTS

3. YEC's final argument (page 5) refers to "261 pages of materials relating to the extensive public consultation undertaken in this matter". UCG submits that the materials on record with respect to "consultations" clearly indicate that the utilities did not conduct comprehensive consultations and that it was primarily YEC's positions that were discussed rather than the united positions of the two utilities. UCG submits that a single open house to discuss GRA-related issues for the first time in 14 years without more detailed discussions with non-government stakeholders falls short of adequate public consultations (especially since the public cannot always prepare and then make themselves available for a single afternoon session). It is noteworthy that 175 of these pages of "consultation" (Appendix 7.1 attachments C and D) were pages of material provided by or requested by stakeholder groups and not originally offered by the utilities as information relevant to the issues to be discussed in preparation of this application.

4. UCG submits that it is not enough to discuss issues with government officials to claim that "public consultations" have been undertaken nor is it enough to undertake separate consultations with pockets of interested parties since this does not allow for a thorough revelation of the issues to all parties or the potential solutions that can be proposed.

5. UCG respectively submits that YEC and YECL were deficient in this regard, especially in regards to input from ratepayer groups.

ISSUE: Cost of Service – Proposed Method vs. Previous Method

6. In its final argument (page 7), YEC states that "the Companies do not consider that any party took issue with the overall methodology used in the 2009 Cost of Service Study". UCG submits that the utilities incorrectly assumed that the questions raised at the oral hearingfully define the positions of

the parties.. To the extent an intervenor feels the written record prior to the hearing is sufficient to make its argument on one or more issues there may be no need to seek further evidence through the oral component of the proceeding.

7. According to YEC's final argument (page 2), the utilities are requesting approval of the 2009 Cost of Service Study as filed in the Application, including the related methods as proposed, subject to adjustments and/or corrections noted in Exhibit B9 (for distribution related cost to Industrial) and LE-YEC-1-7(a) (for Mayo cost classification correction).

8. UCG submits that:
    - the utilities have failed to provide sufficient evidence to warrant changing the classification of the Yukon's transmission lines to 100% energy;
    - it is not enough to accept the non-expert opinion of the utilities that "the zero-intercept method can sometimes produce statistically unreliable results that allocate more costs to demand rate classes (i.e. large consumer) and the minimum plant method can be influenced by several factors which tend to allocate more costs to customer (i.e. residential) rate classes" (YUB-YEC/YECL-1-7(e)) to justify the averaging of these methodologies within the cost of service analysis in the Yukon;
    - the utilities testified that they have only been able to identify directly-assignable costs for the Street and Sentinel Light customer classes (YUB-YEC/YECL-1-2 and Duncan, Transcript page 103, lines 11-12). UCG submits that it is a rare occurrence in cost of service analysis that costs, especially the costs to serve the larger customers, cannot be specifically identified for direct assignment. Whether it is the cost of a meter, transformer or billing and customer care services, UCG submits that the utilities should be able to more carefully review their operations to directly assign more costs. It appears as though the utilities have already identified higher specific costs to serve commercial class customers (Duncan, Transcript page 125, lines 9-15);
    - while the utilities testified that the lack of a secondary energy sales program would result in "immaterial savings to the utilities" and that "there's almost no incremental cost of servicing the secondary customers" (Bowman, Transcript page 52, lines 5-14), UCG submits that there are still some very specific costs (billing, transformers, etc.) that should be directly allocated to this service and deemed to be recovered specifically through secondary rates charged rather than through the rates charged to other ratepayers for other services; and
    - there is considerable confusion regarding how the Aishihik plant should be classified (energy versus demand) within the cost of service analysis given that it is used to meet peak load (CW-YEC/YECL-1-2 (e)) but, because the utilities "can't count on that transmission line being up when I need it" (Bowman, Transcript page 110, lines 3-4), the utilities are proposing a 100% energy classification. As set out in its argument in chief, UCG submits that the arguments put forth continue to justify the use of a 60/40 energy/demand split in the Yukon given the historical reasonableness "typical of hydro plants in a lot of the interconnected systems in Canada and that have Crown-owned utilities who are dominated by hydro" (Bowman, Transcript page 108, lines 1-5).

9. UCG respectfully submits that the utilities are wrong to think that no party took issue with the overall methodology used in the 2009 Cost of Service Study and that there are proposed changes in classification and allocation that require additional study.

ISSUE: Cost of Service – Functionalization, Classification & Allocation

10. In its argument discussion of "major developments on the system affecting bulk power COS assessment (including classifications adjustments) in the 2009 COS study", YEC states (page 15) that "new transmission assets were justified based on the economics of supplying loads that would otherwise rely on costly diesel generation with available lower cost surplus hydro generation on the grid system".

11. UCG submits that the economics of these "major developments" were heavily swayed by government contributions to offset capital costs. Stand-alone business cases are typically used to not only justify but identify the reasons for such capital investments. UCG submits that the economics of these projects were artificially created to ensure that offsetting diesel generation could be used as the "primary" driver of the projects.

12. In its argument (page 18), YEC dismisses legitimate arguments made during the hearing regarding re-classification of certain costs due to the "complexity involved in re-classification and the small impact such reclassification would have on cost allocations and R/C ratios, the suggested additional adjustments were not considered practical".

13. UCG submits that this sounds more like a reluctance of the utilities to improve the accuracy and reliability of the 2009 cost of service study because it might create extra work for the utilities. Ratepayers and other stakeholders are at the mercy of the utilities to undertake "what if" scenarios using the cost of service and rate design models that they have created and that have evolved over the years. Given the fact that a cost of service study must be run in order to finalize rates, UCG submits that all changes can be made to the model.

14. YEC states in its argument (page 19) that the utilities were not going to undertake studies to develop Yukon-specific load data due to the "millions of dollars" required to develop relevant load monitoring infrastructure in the Yukon, and accordingly did not support carrying out such studies in the Yukon. YEC makes no mention of the statistical sampling alternative discussed at the hearing which would serve to mitigate the costs of a Yukon-specific load study.

15. UCG submits that the utilities need to have a more extensive set of Yukon-specific load data before introducing rate design changes that can significantly affect ratepayers that are left to pay the bills. The utilities may not think that 1 or 2 percent is a large amount but even this can seriously impact individuals trying to cope with all other increasing costs of living.

ISSUE: Cost of Service – Revenue-to-Cost Ratios

16. YEC notes in its argument (page 8) that revenue-to-cost ratios resulting from the 2009 cost of service study have not yet been brought within the Board's "zone of reasonableness" despite directions from the Board (1) in its June 1992 report on cost of service and rates that YEC and YECL take the necessary steps to improve the quality of their cost of service studies so that a target revenue to cost ratio of 95% to 105% will be attainable; and (2) in its Order 1996-7 (dated June 11, 1996) that YEC and YECL design a rate shift program that would target all customer class revenue / cost ratios of 90% to 110% over a ten year period.

17. UCG submits that ratepayers must rely on the Board's determinations to know when to expect the utilities to bring forward plans such as the one they were directed to bring forward regarding the movement of revenue-to-cost ratios to within the "zone of reasonableness". Ratepayers do not have regular discussions with the utilities so it is not until applications are submitted and publicly reviewed that the lack of follow up by the utilities is identified.

18. UCG submits that, at the very least, ratepayers should understand what unsubsidized rates would look like if the revenue-to-cost ratios were all brought within the Board's "zone of reasonableness" and an idea of the timeframe needed to get these ratios within target. Rate policy OICs only impact the rates charged to ratepayers and have no impact on the information and rate setting plans that can be established by the Board. UCG submits that even government energy experts would require this kind of information to properly and effectively establish energy policy.

19. UCG submits that it is somewhat ironic that, given the 18 years since the Board initially suggested that work be done in this area to ease ratepayers into paying rates within the "zone of reasonableness", YEC states in its argument (page 26) that "if nothing is done to send consumers some signals today, Yukon is going to be faced with a larger problem in the future, whether it be rate shock or revenue stability issues. In this regard the Companies agree on the general need for a staged approach to get tools in place today as it would be very tough to do it next time there is a similar rate hearing opportunity". UCG wonders where the effort has been over the last couple of decades to mitigate the impacts that are being suggested.

20. YEC states (page 9) that "the fact that the majority of the major customer classes have not seen material changes" to the revenue-to-cost ratios since the 1996/1997 cost of service study "does raise a question regarding whether updated Cost of Service Studies are required when rates are adjusted following future revenue requirement applications by either Company, or whether less frequent updates would be sufficient"

21. UCG submits that it is very concerned that the utilities are considering avoiding the filing of complete cost of service studies when rate adjustments are being considered (as noted in both YEC and YECL filed arguments). UCG submits that no ad hoc rate adjustments should be considered in the Yukon without undertaking a full general rates application review which would include a review of a cost of service study, rate design and other related matters. UCG submits that a full

public review of the joint revenues and costs as well as the allocation of these costs is required before any fair and reasonable rate adjustment should be considered.

ISSUE: Cost of Service - Marginal Costs

22. According to YEC's final argument (page 2), the utilities are looking for Board approval of an updated incremental cost of diesel generation (at retail meters) in each rate zone for 2009 based on approved GRA fuel prices as set out in Table 2 of the Application, and the proposed consolidation of the hydro, large diesel and small diesel zones into a single average incremental cost ($27.99 cents/kWh) to use in assessing runoff rates in these rate zones for at least the current Application.

23. With respect to YECL's proposed Rider D, YEC argues (page 5) that "Broader Issues need to be addressed before any such implementation mechanism is considered - Given the material disconnect between the cost of diesel and the revenue both utilities collect when diesel is on the margin--whether that be in the hydro zone or diesel communities--the Board should direct the Companies prior to any future GRA by either Company, to work together diligently to address diesel cost variances related solely to unforecasted load growth variance in the Yukon, focusing on identifying when and how it would be appropriate to adopt deferral account or rider mechanisms that would avoid or defer the need for new phase I GRAs".

24. UCG submits that it agrees with the City of Whitehorse's submissions (page 14) that all of the proposed Rate Design Options are premature and that all of them will lead to some residential ratepayers suffering rate shock without the proper mitigation plans being established. The utilities have not provided any reliable evidence as to when diesel generation will in fact be on the margin. UCG submits that there are better alternatives (i.e., delaying use of diesel through DSM efforts) that have not been fully explored.

ISSUE: Rate Design - General

25. According to YEC's final argument (page 2), the utilities are asking the Board to allow rate adjustments to take effect as soon as practical after Board approval of a compliance filing by the utilities and that the utilities are not proposing to apply rates retroactively.

26. UCG submits that it is unclear what the utilities are planning to do regarding retroactivity. UCG assumes that the utilities are simply going to implement the Board-approved rates when directed by the Board since they will have been designed using 2009 as a proxy of the rates required to recover annual revenue requirements going forward.

27. In its argument regarding rate design, YEC is recommending a modified version of its Rate Design Option C whereby the 20 cent runoff rate is implemented as soon as practical "with no residential rate increase impacts" relative to current bills for any monthly use before 2,500 kWh/month (i.e., the start of the interim residential runoff rate block). YEC submits that a first priority for future

rate adjustments for residential class rates be to move the third rate block starting point down from 2,501 kWh per month.

28. UCG submits that not only is YEC submitting yet another adjustment to the growing list of rate design options, it is highlighting its prime interest in this proceeding - to secure a runoff rate today of at least 20 cents per kWh – instead of first identifying where electricity rate design is heading in the Yukon. UCG submits that it is premature to be taking a "first step" if you are not sure what direction you are supposed to go.

29. UCG notes that YECL, in its Separate Issues argument (page 2), states that it is not able to see its way clear to support Option C, as it still does not achieve an appropriate balance between the various customers within a rate class and does not send appropriate and consistent price signals to all customers.

ISSUE: Rate Design Options

30. In its argument (page 2), YEC identifies rate proposals from the utilities including amendments to rate schedules for Residential Non-Government (1160, 1260, 1360, 1460 for the respective zones) and Residential Government (1180, 1280, 1380, 1480) to provide for the non-government and government residential rate classes:
    i. A minimum initial runoff energy rate for residential and general service retail classes be set 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;
    ii. 20 cents per kWh for the third energy block for all residential and general service rate schedules, other than the Old Crow third block runoff energy residential rate;
    iii. 43.98 cents per kWh for the Old Crow third block runoff energy residential rate;
    iv. the second block residential energy rate (per Rate Design Option C) be set at 13.00 cents per kWh for non-government and government in all rate zones;
    v. the adjusted residential first block energy rate is 11.93 cents per kWh for non-government and 17.54 cents per kWh for government;
    vi. the first block of general service energy rate in all rate zones of 9.41 cents per kWh for non-government and 18.88 cents per kWh for government;
    vii. An adjusted rate design that includes, at this time, a new equalized second energy block that is the same for all rate zones for use from 1,001 to 2,500 kWh/month, and a runoff energy block for use in excess of 2,500 kWh per month with a common rate for all zones other than Old Crow; and
    viii. An adjusted base customer charge of $14.65 per month for non-government and $18.47 per month for government.

31. YEC submits that its proposed rates will have no adverse rate changes today for any residential customer use up to 2,500 kWh per month. UCG submits that this is a significant contrast to promises of energy cost reductions once industrial loads (like the Minto mine) are added. On May

23, 2007, the Minister Responsible for YEC Archie Lang stood in the Legislative Assembly and stated:

> *"We are certainly looking, with the enhancement of the hydro line, at lower rates instead of subsidization, and a go-forward management plan on how we can educate Yukoners to manage our utilities in a more manageable way. I look forward to the next 12 months and I look forward to being able to report to this House in the next 14 months that the rate stabilization fund is no longer needed in the territory because we have rate reductions. Then we move on to managing our resources, working with industry and enhancing the reductions in our energy portfolio to the benefit of all Yukoners."*

32. UCG submits that statements like this by representatives of YEC establish expectations among stakeholders. The 14-month period referenced by the Minister expired in July 2008 without any sign of the rate reductions that would eliminate the need for financial relief from the significant bill increases being realized by Yukoners.

33. UCG submits that in Attachment A to its argument, YEC indicates that the bill for using 1000 kWh in the Hydro Zone will actually climb from the current <u>$113.24</u> per month to <u>$139.04</u> when the Interim Electrical Rebate expires at the end of March 2011 given that it was designed as "an interim measure until the Yukon Utilities Board has completed its review of electrical rates, costs and services" (September 16, 2010 YTG News Release). UCG submits that this 23% increase is well beyond what is normally established as a threshold before mitigation programs are implemented.

34. UCG agrees with the argument the City of Whitehorse submits (page 4, paragraph 5) that "the inability or unwillingness of the Utilities to come to a joint position on rate design, particularly in light of the Board's direction in Board Order 2008-09, favours maintaining the current rate structure".

35. The City of Whitehorse submits in its argument (page 5) that decreasing first block rates, while increasing runoff rates, sends an inappropriate and inconsistent price signal.

36. UCG submits that it can be appropriate to send different price signals to different types of customers. However, without adequate metering in place, it is impossible to know which customers are driving costs beyond those of lower cost base load generation.

37. The City submits in its argument that the reduction to rates for lower volume customers bears the risk of incenting these customers to consume more energy, in that a lower volume customer can now consume more kilowatt hours per month without an increase in the amount of his or her monthly bill.

38. UCG submits that, without a Yukon-specific load study, it is not possible to determine if the rates for electricity drive some consumers to use more or less electricity. UCG submits that many of the lower use customers may be in situations that prohibit material responses to price signals, whether it be to increase or decrease consumption.

39. UCG agrees with the City of Whitehorse argument (page 6) that there is no evidence of any harm to ratepayers or the utilities by maintaining the current rate structure until rate design and cost of service considerations are no longer constrained by OIC 2008-149.

40. UCG agrees with the City of Whitehorse argument (page 7) that the runoff rates as proposed by the Utilities, and the proposed trend towards runoff rates at one hundred percent of the incremental cost of diesel, are unjustifiable but UCG does not believe the City's conclusion that this proposed trend is discriminatory towards customers in the Hydro Rate Zone. The City argues that "customers in the City, as well as other areas that rely primarily on hydro-generation for their electricity needs, rarely rely on diesel generation even if their monthly electricity consumption is in the runoff block". UCG submits that if the City is referring to the fact that the mixture in rates of diesel only communities and the rest of the system is discriminatory, their argument may be valid insofar as diesel only communities are subsidized by other areas like Whitehorse. However UCG submits that everyone should get the benefit of the legacy assets.

41. UCG does not support YECL's Separate Issues argument (page 3) to introduce tiered blocks at this time. UCG disagrees that the "commencement of the process that would establish rates that seek to recognize a time in the future when diesel generation will be on the margin" is justified. While YECL submits that it is important to start this process now, as long as the steps are measured and supported by the present facts and circumstances, UCG submits that measured steps in no particular direction is premature.

42. YECL argues under Separate Issues (page 4) that advancing Rate Design Option B recognizes the need to begin rate design adjustments today to signal customers that production costs will increase if consumption is not controlled as we move into the future. As argued below, UCG submits that there are better alternatives to controlling consumption (i.e., delaying use of diesel through DSM efforts) that have not been fully explored.

43. The City of Whitehorse proposes (page 24) that the Secondary Sales rate be set at 7.2¢/kWh which appears to be the current approved secondary sales rate that was offered for secondary sales service before that service was temporarily halted September 1, 2010. The City's primary concern is not the level of the current rate, but rather its variability, so they are arguing that the calculation of the secondary rate should move away from the "value for service" method (which causes variability as a result of being linked to the unregulated retail commodity price of heating oil).

44. UCG submits that it disagrees with the City of Whitehorse position on this issue; in UCG's view the status quo rates should prevail until the secondary sales rate can be determined following a more detailed review of the rate design options available.

ISSUE: Rate Design - YECL Diesel Generation Energy Cost Recovery

45. As is argued above, UCG submits that all of the proposed Rate Design Options are premature and that all of them will lead to some residential ratepayers suffering rate shock without the proper mitigation plans being established. The utilities have not provided any reliable evidence as to

when diesel generation will in fact be on the margin. UCG submits that there are better alternatives (i.e., delaying use of diesel through DSM efforts) that have not been fully explored.

46. UCG submits that ad hoc riders are the most aggravating and confusing part of the billing process for most consumers.

47. UCG submits that the approval of a Rider D (designed to clear balances, positive or negative, from the existing deferral account approved by the Board in YECL's 2008 - 2009 GRA, Board Order 2009-2) would add even more to the bill of a ratepayer in the Hydro Zone and require mitigation beyond what is discussed above to offset the proposed 23% increase.

ISSUE: Rate Design - Monthly Customer Charges

48. In its argument (page 25), YEC states that "Both Companies recognize that the residential customer charge today is well below the fixed cost of a residential customer on the system. Given the other considerations that are present in this proceeding, <u>neither Company is suggesting an adjustment to the effective customer charge at this time</u>".

49. On page 2 of its argument, YEC states that the utilities are applying for approval of "an adjusted base customer charge of $14.65 per month for non-government and $18.47 per month for government".

50. UCG submits that it is confused by the conflicting position of the utilities within the same argument. Without a plan which states where the utilities are going with respect to the recovery of customer-related fixed costs within the monthly customer charge and the impact that this has on risk recovered in the returns on equity, UCG submits that it is premature to adjust the customer charge at this time.

ISSUE: Rate Design - Alternative Rate Designs - Performance-Based Regulation

51. While the utilities argue that their Rate Design Options are the next phase for electricity pricing in the Yukon, UCG submits that the utilities must accept the growing trend towards Performance Based Regulation (PBR) or Incentive Based Regulation (IBR). Such regimes would set a productivity factor for the utilities and earnings sharing thresholds that would entice the utilities to not simply watch as costs increase but instead give them the incentive to trim costs as much as possible.

52. UCG submits that performance or incentive based regulation would convince the utilities to look at their own operations in order to identify where efficiencies could be gained and costs reduced. UCG submits that most multi-year IRM plans obviate the need for complex hearings, reducing rate proceedings to more mechanistic affairs (other than perhaps earnings sharing-related issues) that

may eliminate much of the need for material external consultant assistance with respect to the rate process.

ISSUE: Rate Design - Time-of-Use Rates, Seasonal and Interruptible Rates

53. In its argument (page 25), YEC states that "both Companies recognized that a possible option to address the present need for transition was to consider seasonal or time of use rates; however, after review of the logistical issues that arise, the Companies agreed these options were not a practical or preferred approach at this time".

54. UCG submits that the issue of the lack of consultation with stakeholders is exemplified in this position. Despite the logistical issues, the utilities testified (Bowman, Transcript page 344, lines 15-19) that "seasonal rates, if they're set in advance, if they are predictable, and if they're part of a transition probably could solve some of the issues that I noted in terms of giving customers some stability and predictability". UCG submits that the possibility of at least seasonally differentiated rates was a legitimate area to review at this proceeding but ratepayers were pre-empted by the positioning of the utilities.

55. UCG agrees with the City's argument (page 27) that seasonal rates are a superior alternative rate design to appropriately reflect the marginal cost of generation on the Yukon electrical system. When the City considers seasonal rates to be superior alternative, the City means that seasonal rates are superior to the Utilities' Options A, B or C, or the Leading Edge rate proposal for Residential customers.

56. UCG agrees with the City's long term view that the Utilities should be moving towards system operation based on smart meters in order to gather information to facilitate future Time of Use ("TOU") rates. The City believes that TOU rates will accomplish what the proposed rate design options cannot - namely to provide customers with the appropriate incentive to optimize their consumptions patterns and decrease usage at times when diesel may be on the margin.

ISSUE: Terms and Conditions of Service - General

57. According to YEC's final argument (page 2), the utilities are requesting approval of the revised terms under which the utilities provide service to customers including proposed Maximum Company Investment levels, subject to modifications noted in Exhibit B9 (for section 4.15 of the Terms and Conditions, for MILs in Schedule B of the Terms and Conditions, and for Industrial Maximum Company Investment in Schedule B).

58. UCG submits that the utilities are not correct to assume that all concerns regarding a Consumer Bill of Rights can be addressed using the complicated and legal wording contained with the proposed Terms and Conditions of Service. In its Joint Issues argument (page 11), YECL states that the

utilities are not aware of any other jurisdictions that have implemented such customer bill of rights as distinct from the approved Terms and Conditions of service.

59. UCG respectively requests that the Board make some conclusions on how the Terms and Conditions of Service can be presented to ratepayers in a more understandable format. UCG submits that there needs to be a decision-making body overseeing disputes (given the current decision making control of the utilities), whether it be the Board or another body.

60. UG submits that the utilities need only go as far as Northwestel to see how a local utility establishes a customer bill of rights.

61. In its argument (page 20), YEC states that Intervenors did not raise any material issues with the jointly proposed rewording of Section 4.15 – Reconnection. UCG submits that it did raise the issue of the alternating references to "shall pay" and "the Company may request" without a more detailed explanation / written policy on what would drive a request by the utilities.

62. UCG submits that it became apparent during the hearing that the utilities have some policies in written form (i.e., Terms and Conditions of Service) and some internal policies that are not generally known to the public (e.g., not disconnecting for nonpayment even during the winter months, helping ratepayers in financial difficulty, requiring payment of minimum bills during periods of disconnection). UCG submits that any policy that affects a ratepayer's service should be in written public form and included within the Terms and Conditions of Service.

ISSUE: Terms and Conditions of Service – Demand Side Management

63. In its Joint Issues argument (page 12), YECL states that development of a responsible Demand Side Management Program for the Yukon is progressing as anticipated and does not require any action from the Board in the context of this Phase II proceeding.

64. UCG agrees with the City's request that the Board set a series of deadlines for the Utilities to provide update reports on progress with DSM initiatives or otherwise institute a process that will ensure that the Utilities comply with Board Order 2009-8.

65. While there are government-led discussions expected to take place, UCG agrees with the City's argument that the Utilities should undertake to negotiate in good faith with interested parties, not only by providing a presentation as to the Utilities' opinion on DSM matters, but also earnestly discussing, testing and assessing ideas with stakeholders with the goal of developing innovative DSM solutions that work in the Yukon context. UCG agrees with the City that the Board's order should not be limited to the requested discussions but include direction regarding follow-up communication, further discussions to finalize the range of energy efficiency and conservation measures, and a study into DSM initiatives adopted by other utilities. UCG agrees with the City's argument that meaningful consultation with customers will result in DSM programs that benefit both customers and the Utilities.

ISSUE: Terms and Conditions of Service - Maximum Investment Levels

66. The City submits (page 20) that the Utilities and municipalities are currently experimenting with energy-efficient street lighting for which the costs may differ from current lighting technologies and that, when this trial is completed, the $1,240 MIL per fixture may prove to be inadequate or overly generous. Consequently, the City proposes that the Terms and Conditions for street lighting add a provision that the Utilities will share 50% of the cost of installing energy efficient streetlights within the municipality.

67. YECL noted in its argument (page 8) that construction methods and standards were putting upward pressure on the average cost of streetlights.

68. UCG submits that if a municipality will be the only beneficiary of an action, then the municipality should pay the full cost of installing energy efficient streetlights within the municipality. This appears to be similar to any residential consumer being responsible for the costs of switching to more energy efficient light bulbs in their home.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 5th DAY OF NOVEMBER, 2010