

YUKON UTILITIES BOARD

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

and

General Rate Application for 2008-09 by Yukon Energy Corporation

PROCEEDINGS

May 5, 2009
Held at High Country Inn
Whitehorse, Yukon

Volume 1

TAKEN BEFORE:

Wendy Shanks	Chair
Robert Laking	Vice-Chair
Jody Woodland	Member
Kathleen Avery	Member
Richard Hancock	Member

APPEARANCES

Wendy Shanks	Chair
Robert Laking	Vice-Chair
Jody Woodland	Member
Kathleen Avery	Member
Richard Hancock	Member

Giuseppa Bentivegna, Esq.	Board Counsel

Dwayne Ward	Board Staff
Bob Clarke	Board Staff

Kori St. Jean, CSR(A)	Realtime Reporter
Georgina L. Lawrence, CSR(A)	Production Reporter
Julie Snijder, CSR(A)	Production Reporter

R. J. Landry, Esq.	For Yukon Energy Corporation

L. G. Keough, Esq.	For Yukon Electrical Company Limited

T. D. Marriott, Esq.	For the City of Whitehorse

M. Buonaguro, Mr.	For Utilities Consumers' Group

J. F. Maissan, P.Eng.	For Leading Edge Projects Inc.

* * * * *

TABLE OF CONTENTS - May 5, 2009 (Volume 1)

	<u>PAGE</u>	<u>VOL.</u>
OPENING REMARKS	4	1
PRELIMINARY MATTERS	4	1
REGISTRATION OF APPEARANCES	9	1
INTRODUCTION OF YEC PANEL	11	1
<u>YEC PANEL</u>		
<u>ED MOLLARD</u> , duly sworn.		
<u>PATRICK BOWMAN</u> , duly sworn.		
<u>CAM OSLER</u> , duly sworn.		
<u>DAVID MORRISON</u> , duly sworn.		
<u>YEC PANEL</u>		
- examined in chief by Mr. Landry	12	1
ENTERING OF EXHIBITS	13	1
YEC PANEL PRESENTS OPENING STATEMENT	25	1
<u>YEC PANEL</u>		
- cross-examined by Mr. Keough	47	1
- cross-examined by Mr. Marriott	228	1
CLOSING REMARKS	283	1
INDEX	284	1

* * * * *

(PROCEEDINGS COMMENCED AT 9:04 A.M.)

THE CHAIR: Please be seated.

Good morning, and welcome to sunny and warm Whitehorse. And if I said "sunny and warm," make no question, I did say "sunny and warm Whitehorse." One of the few hearings we've had it's been sunny and warm.

I would like to call this hearing to order. Today starts the oral public hearing phase for Yukon Energy Corporation's (YEC's) 2008-2009 Generate Rate Application (GRA).

I would like to first introduce the Board members. To my immediate right is Robert Laking, vice-chair of the Yukon Utilities Board. To my far right is Jody Woodland member. To my immediate left is Kathleen Avery, member of the Yukon Utilities Board, and to my far left is Richard Hancock, member of the Yukon Utilities Board, and I am Wendy Shanks, chair of the Board.

This YEC 2008-2009 Generate Rate Application hearing has been convened as the result of an application received by the Yukon Utilities Board on

everybody hear? I don't think it is. Is that appropriate?

Other than the 29,217,000 for 2008 and the 31,599,000 for 2009, which were originally set out in the application. YEC is also requesting approval of rate adjustments by class for all related customers of YEC and YECL and the inclusion Pelly Crossing in the hydro rate zone schedules and for the removal of Pelly Crossing from the small-diesel rate zone schedules as well.

Further details of the requested rate adjustments are outlined in pages 5 through 7 of the YEC 2008-2009 Generate Rate Application.

In addition, YEC requested interim refundable rates effective November 1st, 2008, and then through correspondence dated October 22nd, 2008, changed the requested date to December 1st, 2008. The Board dealt with this matter through Board Order 2008-16 and 2008-17 respectively.

YEC also requested future draws from the Faro dewatering account to address delays in the final connection timing of the Minto and Pelly Crossing loads to the

1 Carmacks-Stewart transmission project and
2 secondary sales revenue losses, if any, arising
3 below -- rising due to below-average water
4 flows in any year after 2008.

5 With respect to this
6 application, a notice was issued with Board
7 Order 2008-15, dated October 30th, 2008.
8 Within Order 2008-15, the Board ordered YEC to
9 public in display ad form a notice of
10 application and prehearing conference no later
11 than November 5th in such appropriate local
12 news publications in YEC service area. YEC was
13 also ordered to make the application and
14 supporting materials available at its office at
15 Number 2 Miles Canyon Road and as well as in
16 its district offices in Mayo, Dawson, and Faro.

17 By way of a letter dated
18 December 19th, 2008, the Minister of Justice
19 authorized the Board to incur the necessary
20 expenses to hold a hearing as under Section 50
21 of the *Public Utilities Act*.

22 A process schedule for
23 this application was proposed with Board
24 Order 2008-15 and confirmed with Board
25 Order 2009-1. The schedules further revised

1 with Board Order 2009-3, when YEC requested
2 more time to provide responses to information
3 requests given the large volume of the
4 information requests.

5 The Board adjusted the
6 process again, through Board Order 2009-4, when
7 YEC was directed to provide better IR responses
8 by April 14th, 2009, and directed to file its
9 2008 update by April 24th, 2009.

10 The Board would like to
11 follow the following schedule for this hearing.
12 The Board would like to sit from 9 to 5 p.m.
13 each day, with a 15-minute break occurring at
14 approximately at 10:30, depending where we are
15 at any time in the day, and lunch is planned
16 for approximately 12 to 1:30 each day, with an
17 afternoon break occurring approximately at
18 3:30 p.m.

19 If any party has a
20 cellphone, I ask that it be turned off for the
21 proceeding. And to facilitate the marking of
22 exhibits, Ms. Lemke has circulated a list of
23 exhibits to date.

24 As was determine in the
25 process schedule, simultaneous written argument

1 is to be received by the Board by May 22nd,
2 2009, with simultaneous written reply to be
3 received by June the 5th, 2009. Written
4 argument and reply is to follow the outline of
5 the issues list included in Appendix B to Board
6 Order 2009-1.

7 We would like to commence
8 the hearing by having interested parties
9 register for the record, and the order for
10 parties for cross-examination will be the order
11 of registration. And I would ask the Board
12 counsel, Ms. Bentivegna, to facilitate that
13 process at this time.

14 MS. BENTIVEGNA: Thank you, Madam Chair.

15 We will start with the
16 registration of the applicant, Yukon Energy
17 Corporation.

18 MR. LANDRY: Thank you, Madam Chair.

19 My name is John Landry.
20 That's L-a-n-d-r-y, for the record, and I
21 represent Yukon Energy.

22 MS. BENTIVEGNA: Then if we can have Yukon
23 Electrical Company Limited.

24 MR. KEOUGH: Thank you, Madam Chair.

25 Good morning.

**REGISTRATION OF APPEARANCES
VOLUME 1**

1 Loyola Keough for the Yukon Electrical Company
2 Limited.

3 MS. BENTIVEGNA: City of Whitehorse.

4 MR. MARRIOTT: Good morning.

5 My name is Marriott,
6 initials T. D. I represent the City of
7 Whitehorse.

8 MS. BENTIVEGNA: Utilities Consumers'
9 Group.

10 MR. BUONAGURO: Good morning.
11 My name is
12 Michael Buonaguro. I'm counsel for the
13 Utilities Consumers' Group, and I am here today
14 by myself, thanks.

15 MS. BENTIVEGNA: Mr. Maissan?

16 MR. MAISSAN: Good morning.

17 My name is John Maissan,
18 representing myself and my firm, Leading Edge
19 Projects.

20 MS. BENTIVEGNA: Mr. Percival?

21 I don't believe he's
22 here.

23 And is there anyone else
24 who wishes to register at this time?

25 That appears to be all

1 the intervenors -- applicant and intervenors,
2 Madam Chair.

3 THE CHAIR: Thank you,
4 Ms. Bentivegna.

5 At this time I will turn
6 the mic over to you, Mr. Landry, for the YEC
7 opening.

8 MR. LANDRY: Thank you.

9 Madam Chair, what I
10 thought I would do to start with is to
11 introduce the panel, which is already sitting
12 at the panel table, and then after that we will
13 have the panel sworn and we can mark the
14 opening exhibits.

15 Madam Chair, the
16 Yukon Energy will be calling one panel, and
17 that is the panel that is to your right. And I
18 will introduce, starting on your far right,
19 Mr. Morrison, who is the president and CEO of
20 Yukon Energy Corporation. And to his right is
21 Cam Osler, who is a principal of InterGroup
22 Consulting Group [sic] to Yukon Energy.

23 To Mr. Osler's right is
24 Mr. Patrick Bowman, who is also a principal
25 with InterGroup. And to his right is

1 Mr. Mollard, Ed Mollard, who is the CFO of
2 Yukon Energy Corporation.

3 And for the record, the
4 CVs of the witnesses are attached as
5 Attachment C1 to Exhibit B-10.

6 And perhaps, Madam Chair,
7 we could have the witnesses sworn at this time.

8 ED MOLLARD, duly sworn.

9 PATRICK BOWMAN, duly sworn.

10 CAM OSLER, duly sworn.

11 DAVID MORRISON, duly sworn.

12 MR. LANDRY: Madam Chair, before we
13 get to the opening statement, I thought it
14 might be helpful for the Board and also to the
15 intervenors if each of the witnesses could, in
16 general, give some ideas to the
17 responsibilities in the preparation of the
18 application and IRs and the updates.

19 So if I could start with
20 Mr. Morrison and go down the panel from him.

21 Mr. Morrison?

22 YEC PANEL EXAMINED IN CHIEF BY MR. LANDRY:

23 A MR. MORRISON: Madam Chair, I will be
24 dealing with the policy and general operational
25 matters.

1 A MR. OSLER: Madam Chair, I will deal
2 with the matters arising from the resource plan
3 in the other hearings we have had since 2005
4 and the general history of the corporation and
5 the regulatory regime in Yukon.

6 A MR. BOWMAN: Good morning,
7 Madam Chair.

8 I will be dealing with
9 matters related to the application document
10 itself, the preparation of the document, and
11 how it arises, starting with Yukon Energy's
12 business plan and working through the general
13 regulatory standards that are required.

14 A MR. MOLLARD: Madam Chair, my focus
15 will be on aspects of revenue requirement and
16 certain capital projects, the background and
17 costs associated with those projects.

18 THE CHAIR: Thank you.

19 Exhibit Number A-1:
20 YUB letter to Minister of Justice re
21 YEC GRA, October 17, 2008.

22
23 Exhibit Number A-2:
24 Board Order 2008-15 re YEC proceeding
25 and regulatory schedule, October 30,

2008.

Exhibit Number A-3:

Board Order 2008-16 re interim
refundable rates and Rider J,
November 14, 2008.

Exhibit Number A-4:

Letter from Minister approving YEC
GRA, December 19, 2008.

Exhibit Number A-5:

Memo to Parties of Pre-Hearing
Conference, January 2, 2008.

Exhibit Number A-6:

Pre-Hearing Conference Agenda, January
7, 2008.

Exhibit Number A-7:

Board Order 2009-1, approval of
Intervenors, Issues List, schedule,
January 20, 2009.

Exhibit Number A-8:

YUB IRs to YEC, January 30, 2009.

Exhibit Number A-9:

YUB memo to all Parties re YEC request
for extension to IR Response deadline,
February 23, 2009.

Exhibit Number A-10:

YUB Reply to YEC correspondence re
Board Order 2009-1, Phase II,
February 23, 2009.

Exhibit Number A-11:

YUB memo to all Parties re YEC request
for extension to IR Responses
deadline, February 24, 2009.

Exhibit Number A-12:

Board Order 2009-3 re YEC IR Response
extensions, February 26, 2009.

Exhibit Number A-13:

YUB memo to all parties re further
information requests, March 25, 2009.

Exhibit Number A-14:

YUB memo to all parties re further
information requests, March 27, 2009.

Exhibit Number A-15:

Board Order 2009-4 re further
information responses, April 7, 2009.

Exhibit Number B-1:

YEC cover letter to YUB re 2008-09
General Rate Application, dated
October 6, 2008.

Exhibit Number B-2:

YEC 2008-09 General Rate Application.

Exhibit Number B-3:

YEC Workshop presentation, January 6,
2009.

Exhibit Number B-4:

Landry e-mail re hearing dates,
January 8, 2009.

Exhibit Number B-5:

YEC letter re hearing dates,
January 13, 2009.

Exhibit Number B-6:

YEC letter re Board Order 2009-1 and
Phase II, January 22, 2009.

Exhibit Number B-7:

YEC request for IR Response deadline
extension, February 20, 2009.

Exhibit Number B-8:

YEC reply re request for extension to
file IR Responses, February 24, 2009.

Exhibit Number B-9:

YEC comments on further IR responses,
April 1, 2009.

Exhibit Number B-10:

YEC cover letter re Updates to filing
and IR responses, April 24, 2009.

Exhibit Number B-11:

YEC Complete IR Responses, April 24,
2009.

Exhibit Number C1-1:

Yukon Electrical Company Ltd. request
for Intervenor status, December 1,
2008.

Exhibit Number C1-2:

YECL letter re hearing dates,
January 9, 2009.

Exhibit Number C1-3:

YECL letter re legal counsel,
January 9, 2009.

Exhibit Number C1-4:

YECL letter re Phase II matters,
January 20, 2009.

Exhibit Number C1-5:

YECL IRs to YEC, January 30, 2009.

Exhibit Number C1-6:

YECL reply re YEC request for
extension to file IR Responses,
February 24, 2009.

Exhibit Number C1-7:

YECL request for further information
from YEC, March 19, 2009.

Exhibit Number C1-8:

YECL comments re further information
from YEC, April 6, 2009.

Exhibit Number C2-1:

City of Whitehorse request for
Intervenor status, November 25, 2008.

Exhibit Number C2-2:

City of Whitehorse letter re runoff
rates and hearing schedule,
January 14, 2009.

Exhibit Number C2-3:

City of Whitehorse IRs to YEC,
January 30, 2009.

Exhibit Number C2-4:

City of Whitehorse retainer letter,
February 9, 2009.

Exhibit Number C2-5:

City of Whitehorse reply re YEC
request for extension to file IR
Responses, February 24, 2009.

Exhibit Number C2-6:

City of Whitehorse letter re YECL and
UCG request for further information,
March 27, 2009.

Exhibit Number C3-1:

Utilities Consumers' Group request for
Intervenor status, November 4, 2008.

Exhibit Number C3-2:

Public Interest Advocacy Centre (IPAC)
letter re Utilities Consumers' Group
retainer letter, December 22, 2008.

Exhibit Number C3-3:

UCG letter re hearing dates,

1 January 12, 2009.

2
3 Exhibit Number C3-4:

4 UCG letter re YEC correspondence re
5 Board Order 2009-1, Phase II,
6 January 26, 2009.

7
8 Exhibit Number C3-5:

9 UCG IRs to YEC, January 28, 2009.

10
11 Exhibit Number C3-6:

12 UCG letter reply re YEC request for
13 extension to file IR Responses,
14 February 23, 2009.

15
16 Exhibit Number C3-7:

17 UCG request for further information,
18 March 24, 2009.

19
20 Exhibit Number C3-8:

21 UCG request for further information
22 updates, March 24, 2009.

23
24 Exhibit Number C4-1:

25 Maissan (Leading Edge) application for

Intervenor status, October 18, 2008.

Exhibit Number C4-2:

Leading Edge letter re Board Order
2009-1 and Phase II, January 23, 2009.

Exhibit Number C4-3:

Leading Edge IRs to YEC, January 27,
2009.

Exhibit Number C4-4:

Leading Edge reply re YEC request for
extension to file IR Responses,
February 23, 2009.

Exhibit Number C5-1:

Percival request for Intervenor
status, December 1, 2008.

Exhibit Number C5-2:

Percival e-mail re representing Hamlet
of Mount Lorne, January 8, 2009.

Exhibit Number C5-3:

Percival e-mail re YEC correspondence

1 re Board Order 2009-1, Phase II,
2 January 26, 2009.

3
4 Exhibit Number C5-4:

5 Percival IRs to YEC, January 31, 2009.

6
7 Exhibit Number C5-5:

8 Percival reply re YEC request for
9 extension to file IR Responses,
10 February 23, 2009.

11
12 Exhibit Number C6-1:

13 Cathers request for Intervenor status,
14 December 4, 2008.

15
16 Exhibit Number C7-1:

17 Giesbrecht request for Intervenor
18 status, December 4, 2008.

19
20 Exhibit Number D1-1:

21 Department of EMR request for Observer
22 status, November 28, 2008.

23
24 Exhibit Number D2-1:

25 Paul Kishchuk (Vector Research)

1 request for Observer status,
2 December 5, 2008.

3
4 Exhibit Number D3-1:

5 Carcross/Tagish First Nation request
6 for Observer status, December 5, 2008.

7 MR. LANDRY: Now, Madam Chair,
8 yesterday I sent electronically, or we sent
9 electronically, to the Board and to interested
10 parties the opening statement that we indicated
11 we -- or that Yukon Energy would be making
12 today. And so we do have extra copies, if
13 people would like a written copy. So I don't
14 know whether the Board has actual written
15 copies before them.

16 THE CHAIR: Shall we mark that as an
17 exhibit and then hand it out?

18 MR. LANDRY: Yes.

19 THE CHAIR: In that case, we mark
20 B-12.

21 Exhibit Number B-12:

22 YEC opening statement.

23 MR. LANDRY: Does the Board need
24 copies, Madam Chair.

25 THE CHAIR: We have copies here,

2	Does everybody have
3	copies now?

8 THE CHAIR: Please proceed,
9 Mr. Morrison.

22 In my opening statement
23 in 2005, I said that Yukon Energy is committed
24 to work with the Board to find a mechanism to
25 ensure that in the future, we are before the

1 Board, on a regular basis, in an open and
2 transparent manner. This is our fourth
3 appearance before the Board in a public hearing
4 since Spring 2005. Yukon's Energy's ability
5 today to propose rate reductions is testimony
6 to the work of many parties since 2005,
7 including the Board's timely hearings held in
8 2006 and '7 to review Yukon Energy's 20-year
9 resource plan, the power purchase application
10 with Minto Explorations, and the Part 3 energy
11 certificate application for the
12 Carmacks-Stewart project.

13 Yukon Energy submitted
14 its current application to the YUB on
15 October 6, 2008. It reviews our activities and
16 that of the Board since the last general review
17 of Yukon Energy's revenue requirement by the
18 YUB in 2005. In addition to requesting
19 approval to reduce rates for most retail
20 customers throughout Yukon, Yukon Energy's
21 application requests approval to recover costs
22 to supply customers in 2008 and 2009 and seeks
23 approval of specific additional proposals to
24 best ensure that Yukon Energy can move forward
25 in a manner that meets the needs of Yukon

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

2 I will highlight four of
3 these proposals. First, the proposed capital
4 expenditure levels support enhancement of
5 system capability to displace future diesel
6 generation -- excuse me, to displace future
7 base-load diesel generation requirements and to
8 provide reliable bulk supplies at a time when
9 existing surplus hydro generation created by
10 mine closures is diminishing due to ongoing and
11 projected load growth.

12 Second, the proposed
13 operating and maintenance expense levels
14 support maintaining and improving the services
15 for customers and the working environment for
16 Yukon Energy employees and provides the
17 appropriate support for meeting governmental
18 regulatory and environmental requirements.

19 Third, the proposed
20 retail rate reductions focused on first block
21 energy rates ensure that second block or runoff
22 rates do not move further away from efficient
23 price signals and will result in rate reduction
24 benefits being materially enhanced for the
25 majority of retail customers.

1 Fourth, increasing
2 residential second block or runoff rates
3 provides a modest first step that is feasible
4 today to begin the process of restoring
5 efficient price signals for residential
6 electricity sales in Yukon. This approach will
7 significantly enhance rate reduction benefits
8 for a vast majority of residential customers
9 throughout Yukon.

10 Yukon continues to offer
11 the lowest electrical rates in Northern Canada.
12 The 2005 application reviewed Yukon Energy's
13 success in addressing ongoing cost pressure
14 since the closure of the Faro mine in 1997 and
15 1998 and did not seek changes -- any changes to
16 firm residential or general service rates.

17 Today -- today's
18 application deals not only with the 2008 and
19 2009, it deals with the system enhancements and
20 efficient price signals needed to sustain
21 Yukon's advantage in the coming years. Yukon
22 development is a young company which will play
23 a significant role in development of the Yukon
24 in the future.

25 In addition to the

As was the case in 2005, there is much to be done over the next several years, and Yukon Energy will be actively engaged with the Board and key stakeholders to ensure that we deal with the necessary regulatory requirements in an open and transparent and comprehensive way.

Yukon Energy's 2005 application provided the opportunity for the Board to establish an orderly process to deal with key regulatory issues facing both utilities. It deferred any further retail rate changes until at least 2007, providing for Faro dewatering account transfers of up to \$292,000 in each year only through -- excuse me, through 2007, while at the same time allowing for a full open-book review of all Yukon Energy revenue requirement matters.

However, Yukon Energy's 2005 application also highlighted the need in future to deal with retail rate matters.

1 including restoring efficient price signals for
2 second block rates and addressing the Board's
3 direction relating to rate shift programs to
4 target 90 to 110 percent revenue-cost ratios
5 for all retail customer classes. It was noted
6 that this would require a review of both
7 utility's costs-revenue requirements and cost
8 of service.

9 The Board's direction to
10 Yukon Energy and YECL in Board Order -- it's
11 2005-1 in your written document, it may say
12 "2," but it should be corrected to be 2005-1 --
13 began that review process and Yukon Energy
14 welcomed that opportunity.

15 Future industrial
16 customer rates and wholesale rate setting,
17 consistent simple approach to setting return on
18 equity for both utilities; updated resource
19 plans, including new capacity planning
20 criteria; and future capital -- excuse me,
21 future major capital bulk power supply options.

22 As reviewed in IR
23 responses to YUB-YEC-1-36(a), without
24 Carmacks-Stewart Stage 1, Yukon Energy's retail
25 rate revenue requirement today would now have

Between 2005 and 2008 many steps have been taken to move forward in an orderly manner to deal with the priority regulatory issues, including Board review of Yukon Energy's 20-year resource plan in 2006, resulting in the Board's January 2007 report and recommendations to the Yukon government, which included many key recommendations on various matters, including new capacity planning criteria and confirmation that new near-term capacity was required. There were also specific recommendations regarding several near-term major projects which were proposed by Yukon Energy to enhance transmission and generation capacity on the hydro grid. Each of these projects have been undertaken, and the costs of the projects are included in the 2008-2009 GRA.

Board review of the Minto mine PPA, which resulted in approval of the amended power purchase agreement in Board Order 2007-6. Order in Council 2007-94 addressed the industrial rate issue, and the Board approved the prescribed rate in Board Order 2008-13.

Board review of YECL's 2008-2009 GRA and Board Order 2009-2 mark resumption of YECL revenue regulation and enhanced ability to address overall retail adjustments, including adjustment of the Rider F to reflect current YECL GRA fuel price forecast rather than 1997 GRA forecast.

1 Order in Counsel 2008-149
2 directs that prior to January 1, 2013, retail
3 rate adjustments must apply equally when
4 measured as percentages to all retail customer
5 classes. In short, considerable progress has
6 been achieved since 2005. Several important
7 regulatory matters have been or are now being
8 addressed.

9 With that backdrop,
10 Yukon Energy today is seeking approval for a
11 rate decrease rather than requiring a rate
12 increase. Successful completion of Stage 1 of
13 the Carmacks-Stewart transmission project, with
14 in-service achieved before the end of November
15 2008, within budgets as approved by YEC's
16 board, signifies a major achievement for
17 Yukon Energy yielding overall ratepayer net
18 benefit in 2009 alone of more than
19 \$2.6 million.

20 The application before
21 the Board today allows for a full review of a
22 wide range of matters. Many of these have been
23 canvassed extensively during the IR process,
24 and we are here, ready and willing to deal with
25 any further questions the Board and intervenors

1 have in relation to those matters.

2 Yukon Energy's current
3 GRA marks the start of a new stage in the early
4 process that began in 2005. This new stage
5 requires participants now to focus on the
6 processing -- sorry, on the pressing need to
7 address new energy based supply issues and to
8 address rate-related regulatory priorities,
9 particularly any change to be achieved before
10 rate directions Order in Council 2007-94 and
11 Order in Council 2008-149 expire.

12 Existing hydrogeneration
13 surpluses will likely now be largely utilized
14 within the next few years, resulting in the
15 need to develop new renewable supply sources so
16 that high-cost base-load diesel generation and
17 the related greenhouse gas emissions can be
18 minimized on both the Whitehorse-Aishihik-Faro
19 and Mayo-Dawson grids.

20 This new reality is
21 reflected in Yukon Energy's GRA and ongoing
22 planning, including customer use impacts
23 through reduced secondary sales measures to
24 begin restoring efficient runoff rate signals
25 and updates to wholesale prices.

1 Planning and feasibility
2 costs directed at renewable resource
3 development projects identified as potential
4 opportunities to displace 50 to 100 gigawatt
5 hours per year of diesel generation that may
6 otherwise be required on the grids in the 2010
7 to 2015 time period. These forecasts typically
8 remain in work in progress for 2008 and 2009
9 and, as such, do not affect current GRA
10 amortization ratebase -- excuse me,
11 amortization or ratebase.

12 Starting in 2007 the
13 Board also highlighted the need for YEC and
14 YECL to prepare a joint cost-of-service study
15 as part of the current GRA process.
16 Yukon Energy's application proposed that this
17 joint YEC-YECL preparation of a cost-of-service
18 study be delayed towards 2012 in order to focus
19 today on other priorities. However,
20 Yukon Energy now understands, through Board
21 Order 2009-1 and subsequent correspondence,
22 that it is the Board's desire that a joint
23 cost-of-service study be now undertaken.

24 Accordingly, Yukon Energy
25 has proposed to YECL that as soon as possible

1 following this hearing, the two utilities meet
2 to discuss and plan the joint YEC-YECL Phase II
3 application. This will include effective joint
4 consultations with interested parties on these
5 matters.

6 While the joint
7 cost-of-service study is being prepared, we
8 have proposed to YECL that rate design issues
9 and options also be examined. This will
10 include rate design changes based on current
11 relevant OIC directives not dependent on
12 cost-of-service study outcomes, as well as
13 planning for future rate design issues that
14 will arise once the OICs expire in 2012.

15 Finally, in the interest
16 of controlling future regulatory costs in the
17 Yukon, we also propose that the utilities
18 examine potential future options where YEC and
19 YECL once again can work together, as in the
20 1996 and 1997 and earlier GRAs, to address
21 revenue requirement, cost of service, rate
22 design, and other matters in a single
23 integrated hearing process.

24 Today two of the key rate
25 topics in the application before the Board are

1 Proposed Rider U, to focus the retail rate
2 reduction on the first block rather than
3 continuing with an across-the-board rate rider
4 that also reduces second block energy rates,
5 and the separate proposed modest increase in
6 the residential second block or runoff rates.

7 Although we appreciate
8 that the Board has assigned a low ranking to
9 this issue in the hearing, I would like to make
10 a few comments about the timely importance of
11 these proposals to YEC, and then I will turn
12 the remarks over to Mr. Osler for a review of
13 some of the factors affecting the forecasting
14 revenue requirements.

15 Madam Chair, the
16 Yukon Energy is the main generator and
17 transmitter of electrical energy in the Yukon.
18 We account for over 90 percent of annual Yukon
19 power generation, all of which is on the
20 Whitehorse-Aishihik-Faro and Mayo-Dawson grids.

21 I have emphasized today
22 that our concern that surplus hydro generation
23 is rapidly diminishing on these grids, and our
24 forecasts anticipate base load diesel
25 generation recurring relatively soon after

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

3
4
5
6
7
8
9
L0
L1
L2
L3
L4

L5
L6
L7
L8
L9
20

21
22
23
24
25

1 as what is being proposed by YEC in this
2 application, second block runoff rates --
3 second block runoff rate charges are going in
4 the wrong direction.

5 Runoff rates today have
6 already gone down due to YEC's interim rate
7 Rider J reduction and the recent change to
8 reset Rider F to zero. Collecting the adjusted
9 fuel price costs through an across-the-board
10 rate rider will not restore runoff rate charges
11 even to where they were in the fall of 2008.

12 Yukon Energy's rate
13 proposal in the application are designed to
14 prevent further erosion of the runoff rates and
15 to begin the process of moving these rates back
16 up to reflect the incremental costs of diesel
17 generation on the grids. We think that both of
18 these price signals are timely today and are
19 important steps in dealing with the realities
20 that we face.

21 Madam Chair, with your
22 indulgence, Mr. Osler, I would like to have him
23 finish the presentation.

24 Thank you.

25 THE CHAIR: Please proceed,

1 Mr. Osler.

2 A MR. OSLER: Madam Chair, the
3 application highlights key factors affecting
4 Yukon Energy's forecast revenue requirements in
5 2008 and 2009. Pursuant to Order in
6 Council 1998-32, Yukon Energy's rates are
7 intended to provide for recovery of all of its
8 costs, including a fair return. YEC's 2005
9 application requested a reduction in the fair
10 return on equity, the ROE, to 9.05 percent,
11 based on the British Columbia Utilities
12 Commission ROE determination at that time of a
13 fair prospective return on equity for a
14 low-risk utility, with adjustments required for
15 YEC's specific risk and the OIC directions.

16 The current application
17 retains the same simple approach for the
18 proposed ROE determination and results in a
19 further reduction to 8.64 percent for 2008 and
20 8.49 percent for 2009.

21 The application as filed
22 assumes the connection of the Minto mine and
23 Pelly Crossing would occur at October 1, 2008
24 and that an interim rate reduction would occur
25 at November 1, 2008.

Yukon Energy's update to its application, Exhibit B-10, filed on April 24th, 2009, has provided the resulting required adjustments in 2008 for the timing of the Minto mine and Pelly Crossing connections and for the delay of the actual implementation of the interim rider, as well as other adjustments to update the 2009 ROE, to correct certain errors in the original application, to update the Industrial Fixed Rider F, and to update estimated GRA hearing costs with a proposal to amortize in 2010 the added \$300,000 of hearing costs estimated.

The updates result in the following, in summary: First, no changes to the 2009 retail nonindustrial rates, as indicated in the original 2008-2009 GRA filing.

Second, finalize the 2008 retail nonindustrial rates, as charged in that

1 year, and include a revision to the proposed
2 Faro dewatering account adjustment for 2008 of
3 228,000 from a proposed credit in the initial
4 filing to the account of 141,000, filed in the
5 original GRA, to a proposed withdrawal from the
6 account of 87,000, as set out in the update.

7 Yukon Energy's April 24th
8 update also provides a summary of 2008
9 preliminary unaudited actual results, with
10 explanations for major variances for the GRA
11 forecast. Overall, Yukon Energy's preliminary
12 actual ROE for 2008 of 7.2 percent highlights
13 material operating and maintenance cost
14 increases above GRA forecasts that will result
15 in actual returns for this year being below the
16 GRA requested ROE of 8.64 percent.

17 Oil price forecasts are
18 an important factor as well in Yukon Energy's
19 forecast rate revenue requirements, affecting
20 diesel fuel prices used to forecast diesel
21 generation costs, furnace oil prices used to
22 forecast secondary sales revenues, and the
23 Industrial Fixed Rider F to adjust the Rate
24 Schedule 39 energy rate from the November 20,
25 2006, diesel fuel prices, as required.

1 As everyone knows, oil
2 prices were exceptionally volatile in 2008 and
3 remain uncertain today for any forward-looking
4 forecast.

5 Each GRA provides the
6 best forecast available at the time of filing,
7 and the Rider F deferral account then protects
8 YEC and YECL from actual diesel fuel and
9 secondary sales price variances from the last
10 approved GRA forecast.

11 The current Yukon Energy
12 GRA oil price forecast generally reflect the
13 Rider F adjustments by the two utilities
14 (YEC/YECL) as of August 1, 2008. The secondary
15 sales rate in the forecast in the GRA reflects
16 actual rates charged in 2008 and a forecast for
17 2009 based on the rate for the last quarter in
18 2008.

19 The April 24th, 2009,
20 update reduced the Industrial Fixed Rider F to
21 reflect final approvals for YECL fuel prices
22 provided in Board Order 2009-2 for YECL's GRA.

23 Overall, in
24 Yukon Energy's forecast for 2008 and 2009,
25 diesel generation fuel cost adjustments remain

1 far less important than secondary sales revenue
2 adjustments. As a result, reductions to the
3 oil price forecast, as filed, that affect both
4 diesel generation and secondary sales, would
5 increase YEC's retail rate revenue requirement
6 for 2009 and reduce the rate reduction for that
7 year.

8 And the Board and
9 interested parties can find an example of what
10 I'm talking about in the response to City of
11 Whitehorse YEC-1-16(e), where the more -- where
12 the oil prices were taken for early this year,
13 and they showed a reduction in 2009 rate
14 reduction of about \$448,000, or about
15 one-quarter -- one-third of what we proposed as
16 a reduction.

17 There are few other key
18 factors that I will highlight affecting 2009
19 revenue requirements. First, the Mirrlees
20 refurbishment and the purchase of the Minto
21 diesels. In the 2006 resource plan hearing,
22 Yukon Energy faced significant pending winter
23 peak capacity shortfalls on the WAF,
24 Whitehorse-Aishihik-Faro system.

25 Following the resource

1 plan hearing, YEC has secured cost-effective
2 options for 25.4 megawatts of
3 Whitehorse-Aishihik-Faro diesel capacity in a
4 staged and flexible manner over the period to
5 2012. The total cost forecast by 2009 for
6 these -- this capacity is 6.855 million, for
7 16.4 megawatts of this capacity increase.

8 Second, a Faro dewatering
9 account regulatory liability. The application
10 does not seek to extend the earlier annual
11 withdrawals that applied in 2005, 2006, and
12 2007. It requests approval to apply 463,000 of
13 the Faro dewatering account to the reserve for
14 injuries and damages. And based on the April
15 update, also to apply \$87,000 to fund the
16 outstanding balance of the 2008 rate revenue
17 requirement. The resulting balance of 641,000
18 will remain available to address specific
19 contingencies, one of which was noted in the
20 application.

21 Third, the reserve for
22 future removal and site restoration. In 2005
23 the Board directed the Yukon Energy cease
24 annual appropriations to this reserve and
25 advised when this amount -- this account

Madam Chair, in closing, in order to assist the Board and all participants, two attachments are provided to this Exhibit B-12 to effectively deal, first of all, materials arising since the workshop in January. The first attachment summarizes the update provided in Exhibit B-10 and the resulting changes to the main application, just for the convenience of parties. And Attachment B summarizes the list of exhibits that sort of flow and where the various matters are, for people's easy convenience.

THE CHAIR: I just want to make sure
that -- our copy of B-12 doesn't actually have
the attachments. I stand corrected.

Mr. Landry, I turn it

MR. LANDRY: Thank you, Madam Chair.
That is all that we have.

1 effectively, in direct, so the panel is open
2 for cross-examination.

3 THE CHAIR: Thank you.

4 In that case, Mr. Keough,
5 are you prepared to proceed with your
6 cross-examination?

7 MR. KEOUGH: Thank you, Madam Chair, I
8 am.

9 YEC PANEL CROSS-EXAMINED BY MR. KEOUGH:

10 Q Good morning, gentlemen.

11 I just wanted to start
12 off with, I guess, a request for some
13 clarification as to what YEC is seeking with
14 respect to what I will call "Phase II issues,"
15 rate design issues in the context of these
16 proceedings. To be honest, we are a little
17 confused, based on the application and then the
18 Board's ruling, and then of, of course, your
19 letter that you referred to of May 1, YEC's
20 letter to Yukon Electrical, and now the opening
21 statement. So I just want to go through and
22 make sure that we are all on the same page in
23 terms of what the company is requesting.

24 Now, in the cover letter
25 to your application of October 6, you indicate

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- L0
- L1
- L2
- L3
- L4
- L5
- L6
- L7
- L8
- L9
- 20
- 21
- 22
- 23
- 24
- 25

Q And that second paragraph also recognizes that there is a requirement that YEC work jointly with Yukon Electrical on Phase II matters, correct?

Q Yes. The second paragraph.

Q As I am sure, we are all aware, the two companies have common rate schedules?

Q So any changes to the rate schedules would impact Yukon Electrical and its customers, correct?

Q Including those of Yukon Electrical?

1 A MR. OSLER: All the customers:
2 Yukon Electrical, Yukon Energy.

3 Q I just wanted to confirm that YEC did not
4 consult with Yukon Electrical with respect to
5 the changes that are proposed in this
6 application.

7 A MR. OSLER: Correct.

8 Q Now, I take it, based upon your opening
9 statement, or portions thereof, that YEC does
10 not, at least at this point, consider Order in
11 Council 2008-149, dated October 3, 2008, as
12 precluding the companies from conducting a
13 cost-of-service study and looking at rate
14 redesign?

15 A MR. OSLER: Correct.

16 Q Now, if I understand the opening statement, am
17 I correct that, notwithstanding the Board's
18 prior ruling as a result of the prehearing
19 conference, YEC is still proposing the rate
20 redesign issues, that they be addressed in
21 these proceedings as per the original
22 application?

23 A MR. OSLER: Yukon Energy has not
24 amended its application, and it is still
25 proposing the specific rate matters that are in

2 Q And you are aware, I'm sure, that in Board
3 Order 2009-1, Appendix A, the Board addressed
4 the issues to be considered in this hearing and
5 indicated that these rate redesign issues
6 should be given a lower ranking? You remember
7 that?

L4 Q Is it, in your view, reasonable for parties to
L5 this proceeding to have relied upon the Board's
L6 decision that was previously made when
L7 preparing for this proceeding?

25	Q	Is YEC seeking in some way to change or vary

1

3

5

11

L4

L5

1 Board follow along while I talk to the
2 witnesses about them.

3 THE CHAIR: Mr. Landry, have you any
4 comments?

5 MR. LANDRY: I have no difficulty with
6 that, Madam Chair. I am fine to mark the whole
7 package as an exhibit, if that's what my friend
8 would like to do.

9 THE CHAIR: Mr. Keough, would you
10 like to mark it one exhibit.

11 MR. KEOUGH: Given that they are
12 physically stapled together, Madam Chair, it
13 probably would make more sense to make it as
14 one exhibit.

15 THE CHAIR: I reference that as C1-9
16 somewhere.

17 Exhibit Number C1-9:

18 Bundle of aids to cross.

19 MS. BENTIVEGNA: While that's being done,
20 I was going to ask if Mr. Keough was going to
21 file -- he referred to a letter of May 1st, I
22 believe, from YEC to YECL in the previous
23 questions, and I'm not sure if there was
24 another letter in there as well.

25 MR. KEOUGH: You are correct. I did

1 make reference to that letter. I do not have
2 it available for filing. It is a YEC document.
3 If the Board would like to have it, I may
4 consider it more appropriate that YEC file it,
5 because it is their letter.

6 THE CHAIR: Mr. Keough, was that a
7 letter that's Exhibit B-1?

8 MR. KEOUGH: No, Madam Chair. This is
9 not a letter -- this is a letter dated May 1,
10 2009, from YEC to Yukon Electrical that is not,
11 to my knowledge, on the record.

12 THE CHAIR: Mr. Landry?

13 MR. LANDRY: If I understand
14 counsel's -- Board counsel's point, I think it
15 was just that there was reference to the
16 letter, and perhaps to have the record
17 straight, put the letter on.

18 From my perspective,
19 evidence is evidence, so I have no difficulty
20 in if my friend wants to put it in as one of
21 his exhibits or our exhibits. It does not --
22 it doesn't matter to me.

23 THE CHAIR: Who wants the exhibit?

24 MR. LANDRY: I think it was the Board
25 counsel who thought it would be appropriate for

1 the record, which I appreciate. But, you know,
2 we can mark it as a Yukon Energy exhibit,
3 that's fine. I don't have a copy of it in
4 front of me.

5 THE CHAIR: You undertake to provide
6 that copy, Mr. Landry?

7 MR. LANDRY: I will. I'll make sure
8 that we can get copies, and it can be marked as
9 the next exhibit once we have it.

10 THE CHAIR: Thank you very much.

11 MR. KEOUGH: Thank you, Madam Chair.

12 I wanted to confirm that
13 the panel had a copy of the aids to cross, or
14 do you need to me --

15 A MR. OSLER: We have copies, thanks.

16 MR. LANDRY: Madam Chair, while my
17 friend is distributing that, although it can be
18 marked as an exhibit, I'm not completely sure
19 what the questions are going to be in relation
20 to that, and I obviously reserve my right to
21 deal with the questions as they arise.

22 THE CHAIR: Okay.

23 MR. KEOUGH: Thank you, Madam Chair.

24 That's totally fair.

25 Q MR. KEOUGH: Gentlemen, if you have

1 the aid to cross in front of you, I'm going to
2 ask you to turn to pages 3 and 4 of that
3 exhibit, which outlines two scenarios with
4 respect to the Wholesale Rate Schedule 42. And
5 I would invite you to take a look at the
6 scenarios, and if you disagree with my
7 characterization at any point, please let me
8 know.

9 But Scenario 1 is
10 intended to depict the situation when we are
11 dealing with existing rates and where diesel is
12 on the margin, and where Yukon Electrical's
13 actual load or consumption is 10 percent above
14 the forecast.

15 Now, maybe we can start
16 making sure we have the same terminology in
17 mind. When we talk about diesel being on the
18 margin, what does that mean for YEC?

19 A MR. OSLER: In simple terms, it means
20 that YEC, let's take the
21 Whitehorse-Aishihik-Faro grid as the focal
22 point, because I think your example is focused
23 on that, if I am not mistaken, Mr. Keough. YEC
24 is faced with generation requirements such that
25 it has to run diesel, not just for a few

1 moments of peaking but throughout most, if not
2 all, of the year. We call that on the margin
3 for the year base-load diesel generation. The
4 concept of the margin means that it's the last
5 source of generation that the utility is
6 relying upon in order to meet the load
7 requirements.

8 And in Yukon we either
9 use for generation hydro or wind, or when we
10 can't use that anymore, we rely on diesel, and
11 we say it's "on the margin."

12 **Q Could diesel be on the margin during a month as**
13 **opposed to a year?**

14 **A MR. OSLER:** Yes.

15 **Q All right.**

16 Now, in the example that
17 we have provided, Scenario 1 in the aid to
18 cross, do you understand -- it sounds like you
19 have gone through this and found out what we
20 are depicting here; is that right?

21 **A MR. OSLER:** We have gone through the
22 example you provided yesterday afternoon --

23 **Q Right.**

24 **A MR. OSLER:** -- and have, you know,
25 tried to understand the math and the fact that

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- L0
- L1
- L2
- L3
- L4
- L5
- L6
- L7
- L8
- L9
- 20
- 21
- 22
- 23
- 24
- 25

A MR. OSLER: Mr. Keough, the first question you asked, the answer is no. So maybe we want to go back to the beginning.

And so you didn't agree
with the math?

Q And could you explain why not.

1 A MR. OSLER: Because if we were
2 looking at the revenue situation for
3 Yukon Energy, as it's being depicted here, the
4 cost situation that Yukon Energy would face
5 today is not the same as it was in 1997, and
6 therefore Yukon Energy, when it does have
7 diesel on the margin, is paying the diesel fuel
8 forecasted applied in 2005, not the ones that
9 applied in 2007 -- 1997, sorry, I misspoke.

10 So there is no reflection
11 on this page, that I can find, of that
12 situation. So it does not reflect the existing
13 situation, from Yukon Energy's point of view.

14 Q So you are suggesting that if diesel were on
15 the margin, the additional expenses to YEC
16 would not be the ERA charge times the subject
17 energy amount?

18 A MR. OSLER: That is correct.

19 And maybe for the sake of
20 the Board and everybody else, Mr. Keough, we
21 should explain ERA. I leave that to you.

22 Q Certainly. Go ahead.

23 A MR. OSLER: The concept of the ERA,
24 energy reconciliation adjustment, is to deal
25 with what happens if there is a change from the

1 forecast used to set the wholesale rate in a
2 GRA, because the wholesale rate is just an
3 average of all the forecast elements.

4 The ERA concept arose
5 when diesel was on the margin in the '90s all
6 year round. If Yukon Energy in fact had to
7 increase its generation requirements beyond
8 what had been forecast and had to, say, provide
9 an extra 10 percent, which I think is the basis
10 for this example, of energy to
11 Yukon Electrical, it had to use diesel to run
12 it. You would be paying the cost of the
13 diesel; you wanted to make sure it was getting
14 it back, it wasn't charging YECL only an
15 average lower rate. That is what this is
16 about.

17 That's why I'm raising
18 the point, Mr. Keough, that this example
19 doesn't seem to reflect the existing situation
20 as approved in the 2005 revenue requirement
21 application received for the cost of diesel.

22 **Q So you are saying that in fact -- sorry, you**
23 **are saying in fact the YEC would charge**
24 **Yukon Electrical a different rate. What would**
25 **that rate be and according to what rate**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- L0
- L1
- L2
- L3
- L4
- L5
- L6
- L7
- L8
- L9
- 20
- 21
- 22
- 23
- 24
- 25

Q Certainly.

A MR. BOWMAN: Yes, thank you.

Q Correct.

The matter that Mr. Osler
has been referring to are in this portion of

1 the table. They don't relate to where the
2 sub 1 is. As the situation presently exists,
3 where diesel is on the margin and
4 Yukon Electrical's load up, the line that says
5 ERA charge at 10.45 is the rate that would be
6 applied today. That is pursuant to Rate
7 Schedule 42, and I can take us there if you
8 want, the detail. But that is the number that
9 would be charged related to the ERA.

10 And it effectively simply
11 gives a stepped rate or second block rate on
12 the wholesale component of the bill, and it's
13 been there for some time.

14 The energy volumes are,
15 as you put them, so the revenue would be as you
16 put it here.

17 The thing that we are
18 noting as our concern with portraying this
19 existing is where you see the sub 2. That
20 situation on sub 2, meaning the matching of the
21 revenue with the cost, is the way that the ERA
22 charge was developed in 1997, and it reflects
23 YEC's fuel prices from 1997 and the rate that
24 existed in 1997.

25 The portion Mr. Osler was

1 referring to was that no longer exists, because
2 in 2005, YEC rebased its fuel prices. That
3 earlier number was based about 30 cents a
4 litre, and in 2005 they were up to
5 approximately 56 cents a litre.

6 So if you were actually
7 portraying the existing situation, as you say,
8 assuming that nothing in GRA is approved, sub 1
9 would remain 277,949. Sub 2 would be 536,698,
10 and that's because of the higher price of fuel
11 that -- that would exist that YEC would be
12 required to book, based on its 2005 approval.
13 So that was the value that we were commenting
14 on, it was the sub 2.

15 **Q Okay. And just for clarification, are you**
16 **suggesting that Yukon Electrical would have to**
17 **pay YEC for the additional power -- additional**
18 **energy? Would they have to pay the 277 or the**
19 **536?**

20 **A MR. BOWMAN:** As the rate presently
21 exists coming out of 2005, where no change is
22 made to the wholesale rate schedule,
23 Yukon Electrical today would be required to pay
24 277,949, while YEC would incur costs of
25 536,698.

1 Q Okay, and that's fine.

2 Now, if I go to the lower
3 portion of this schedule, you will see depicted
4 there the Yukon Electrical residential
5 revenues. And if you sum the two that
6 Yukon Electrical would get from both the
7 residential and general service, then what we
8 have done is do a net so that, effectively, the
9 manner in which the rate schedule existing
10 rates would operate is that there's a degree of
11 neutrality where Yukon Electrical, what it is
12 required to pay, is relatively close to what it
13 is entitled to collect?

14 A MR. OSLER: Well, I'm not sure there
15 is a question yet, sorry.

16 Q Would you agree with that? Have you followed
17 the math that far?

18 A MR. OSLER: Let's go in steps, baby
19 steps.

20 I would agree that the
21 math is the math. We have no problem with the
22 calculations.

23 The actual math on the
24 page is what it is. Whether it reflects all
25 the riders and everything else is not something

1 we are terribly worried about.

2 Secondly, the bottom of
3 the page shows the net effect on
4 Yukon Electrical, and I think the math is -- if
5 you accept all the assumptions, the math is
6 fine. I would comment that for those of us who
7 are involved in the history of this, I don't
8 think that Richard Stout from ATCO or myself
9 looked at it as incremental would necessarily
10 be distributed the way you have assumed.

11 I think the basic ERA
12 approach assumed that, generally speaking, the
13 incremental volumes would tend to be on the
14 second block, in which case the math would
15 change. You would be closer to the 10.45 cent
16 revenue to capture, rather than the lower
17 number.

18 I just put that on the
19 record from the point of view of how people
20 talked about it back in the '90s from both
21 companies.

22 Finally, the net impact
23 on YEC, as Mr. Bowman's gone through, is not
24 correctly reflected on the bottom of the page.
25 Yukon Energy would end up with around \$259,000

1 hit net, given the fuel approved costs from
2 2005 that we put -- have to put on our books
3 and the rate we would be entitled to recover
4 from Yukon Electrical, given the current rate
5 schedule.

6 **Q So in 2005 in YEC's application, it didn't seek**
7 **a change to the ERA charge amount of**
8 **10.45 cents?**

9 **A MR. OSLER:** We didn't try and change
10 any rates other than secondary sales rates.
11 And even in this application, the part at Tab 4
12 that discusses this says we're trying to look
13 forward to the future when diesel might once
14 again be on the margin, in the sense that the
15 ERA contemplates, and prepare for it. We are
16 not forecasting this to be the case for the
17 test years. So we are not expecting this to
18 happen, just to be a possibility that it would
19 emerge in the test years, but we wanted to get
20 the rate schedule starting to move and reflect
21 it so everybody got the right signal, including
22 YECL.

23 **Q And speaking of that, could we just flip the**
24 **page now to page 2 of 2, Scenario Number 2,**
25 **which depicts what we understand would occur if**

your proposal or your proposed change to Rate Schedule 42 was accepted. And have you gone through the math here and determined that the math is correct, or is -- do you have issues with the math on this page?

A MR. OSLER: Well, on checking the math, I'll let Mr. Bowman comment.

Generally speaking, the big changes on this page, for the sake of those who haven't been studying it, is to reflect the fuel price that is in the current GRA from Yukon Energy, correct? I mean, that's the assumptions you have put in here. And the ERA as amended by Yukon Energy in its application, 342, to reflect that fuel price, the 37.37 cents per kilowatt hour, implication of the fuel prices that are in this application for the Whitehorse-Aishihik-Faro system plus line losses plus an allowance for O&M operating.

Q So --

A MR. OSLER: So, essentially, the example says, if the Board approves that forecast and approves Rate 42 as proposed, if Yukon Energy had to run diesel in the margin,

1 its cost would be recovered from YECL as per
2 the original intent of the ERA. That's what it
3 shows.

4 Because the runout rate
5 that Yukon Electrical can recover from its
6 customers has not moved materially,
7 Yukon Electrical would be picking up 705,000,
8 \$706,000. From Yukon Energy's point of view,
9 the math is correct, and the outcome is the way
10 it's described.

11 Just Mr. Bowman has
12 reminded me of -- the basic point is that is
13 the cost that is incurred to supply that extra
14 load, if you accept the assumptions. Whether
15 the extra load occurred in Watson Lake or
16 occurred in the WAF system, 10 percent more
17 load would incur the costs the company has for
18 fuel costs plus O&M. If the runout rates are
19 not appropriate, the company will get a hit
20 like this.

21 The ERA just simply
22 transfers where the hit is. It transfers it
23 from Yukon Energy to Yukon Electrical, who is
24 responsible for the retail customers.

25 Q And I guess --

Q And I guess my question to you is, Wouldn't it be more orderly, to use a word that's common throughout the opening statement and parts of your application, to look at the whole situation at the one time so that you can take into account the impacts on both companies and as opposed to adopting what I will call a "piecemeal approach" to rate design that has these type of consequences? Wouldn't that be more sensible, as opposed to doing it -- looking at one component and not being able to factor in what would happen as a consequence of changing one component of rate design? Why wouldn't it be sensible to wait and do it all together, as apparently you are now prepared to do?

A MR. OSLER: We're dealing with Yukon Energy's revenue requirement, and the matter of the wholesale rate is fundamental to Yukon Energy's ability to recover its costs.

The matter of incremental

1 rates is fundamental to the ability of each
2 utility to try and match costs to serving load
3 for incremental changes beyond its forecasts.
4 These are fundamental revenue requirement
5 matters, quite separate from a lot of other
6 matters that we would discuss, Madam Chair,
7 when dealing with a whole plethora of rate
8 matters.

9 So, generally speaking, I
10 would say it's best to deal with the matters
11 that fundamentally affect revenue requirement
12 when dealing with revenue requirements and the
13 ability of keeping each company whole at that
14 time, and dealing with all sorts of other
15 issues, if you must, later.

16 **Q So YEC would consider it to be more orderly and**
17 **efficient to adopt an approach that would not**
18 **involve both utilities, would not involve**
19 **consultation, would not involve consideration**
20 **of customers, but rather would just isolate one**
21 **component of the rate design and change it in**
22 **isolation. That would be your view of an**
23 **orderly process; is that right?**

24 **A MR. OSLER:** Madam Chair, Yukon Energy
25 has put together an application in the

1
2
3
4
5
6
7
8
9

LO

L1
L2
L3
L4

L5
L6
L7
L8
L9

20
21
22
23
24

25

1 Q And is that because of your concern with the
2 impact that a change would have on the general
3 service rate class at this point in time?

4 A MR. OSLER: It's fundamentally
5 because in order to implement changes at this
6 time, for any rate class, we have to make sure
7 that we comply with Order in Council 2009-149,
8 I believe the number is, that we can't
9 rebalance revenues between classes.

10 This is not an unusual
11 situation. We have had the same situation in
12 the early '90s for all of our rate cases that
13 the two companies dealt with the Utility Board
14 on, and we certainly adjusted runout rates at
15 that time.

16 But in this particular
17 situation, given the gap between where the
18 rates are today and where they would need to be
19 to reflect the forecasts in this application,
20 we were concerned that trying to deal in this
21 application with the general service class was
22 simply too complicated, and so we had to have a
23 discussion with YECL and a broader discussion
24 in order to deal with it.

25 And the fundamental

- 1
- 2
- 3
- 4
- 5
- 6
- 7

8
9
10
11
12
13
14
15
16
17
18

19
20
21
22

23

24

25

1 struggling again with this orderly approach
2 here versus a piecemeal approach, because it
3 seems to me that you currently have the same
4 runout rate for both the general service and
5 residential rate classes. You want to change
6 one without any input or consultation. You
7 don't want to change the other because it's
8 more complicated and you think you need
9 consultation.

10 Again, isn't this
11 reflective of a piecemeal approach, and isn't
12 it better to do it all together when the
13 impacts of the rate changes on both companies
14 can be considered? Why isn't that the
15 appropriate way to go here? I am still
16 struggling with that, Mr. Osler.

17 A MR. OSLER: Madam Chair, the
18 application has been before all parties since
19 October 6. It had been Yukon Energy's interest
20 to see this matter that I just discussed dealt
21 with, but it hasn't seemed to be possible to
22 date, because of the desire to delay everything
23 to another hearing.

24 I repeat what I said
25 earlier. The application has attempted to deal

1 as best it can, from Yukon Energy's point of
2 view, with the priority issues and the
3 realities as Yukon Energy sees them. It's in
4 the Board's hands as to how we all deal with
5 it, but Yukon Energy's put forth the best
6 proposals it can put forth in the
7 circumstances, and it is very concerned about
8 these matters, given what Mr. Morrison
9 discussed.

10 Q All right. Thank you. I think we can leave it
11 to argument.

12 I would like to also just
13 talk to you a little bit about another matter
14 that's mentioned in your application, at page 2
15 of the application, and specifically I'm
16 talking about where you're dealing with matters
17 that have been -- this is the overview, I
18 suppose. Just confirming it is the actual -- I
19 think I am in the actual application.

20 And you talk about the
21 other proceedings that have taken place in the
22 last several years, and you mention the 20-year
23 resource plan in that proceeding. And I just
24 wanted to make sure again that we are on the
25 same wavelength here with regard to what that

Can we agree that the purpose of the resource plan review was to examine YEC's capacity planning criteria and the planning process as well as the criteria for longer-term development opportunities, and there is also some four near-term projects discussed?

A MR. OSLER: Generally, Madam Chair, I think that Mr. Keough's gone through the topics that were in the application in the resource plan. The focus was essentially on generation and transmission planning in Yukon over the next 20 year, 2006 to 2025. And it focused on capacity planning criteria, as noted as a topic, and the implications of that for near term and longer term. And it focused on approaches to deal with the near-term to 2012, and for the four or five key projects listed there as major projects, which Yukon Energy wanted the Board to have the opportunity to review, and in Mr. Morrison's earlier commitment to bring before the Board projects costing \$3 million or more, if possible, and

And it all responded to an order setting the hearing in the Minister's letter that, I think succinctly said, asked the Board to review it from the point of view of the near term, as we have just discussed it, and the longer term, as we have just discussed it.

Can we agree that YEC committed, and I think you just mentioned this, to seek Board approval prior to construction of any new capital projects costing \$3 million?

The problem in Yukon is

1
2
3
4
5
6
7
8
9
10
11

L2
L3
L4
L5
L6
L7
L8
L9

20
21
22
23

24
25

1 A MR. OSLER: Yes. And you have --
2 quoting the Board, you have used the word
3 "review" rather than "approval." That's the
4 only point I was making. And I'm looking at
5 Figure 1.1 from the resource plan, and, you
6 know (quoted as read):

7 "YEC will seek YUB review for projects
8 over \$3 million."

9 So that's the only point.
10 It's a review, not an approval, because there
11 is no statutory basis for the Board to approval
12 a capital project.

13 Q Unless it's been designated?

14 A MR. OSLER: Unless it's been
15 designated.

16 Q Can you --

17 A MR. OSLER: Sorry, excuse me. If it
18 has been designated, the Board still is only
19 giving a recommendation to the Minister, under
20 the statute.

21 Q Fair enough.

22 Can we also agree that
23 the plan did not seek, and the Board certainly
24 did not give, specific approval to any capital
25 projects during -- as part of its

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- L0
- L1
- L2
- L3
- L4
- L5
- L6
- L7
- L8
- L9
- 20
- 21
- 22
- 23
- 24
- 25

Q I think we are on the same page.

Q Would you agree that the whole process was to develop a report that was submitted to the Commissioner and executive council, as was requested by the Minister of Justice at the time?

Q Did the government ever act on any of the recommendations and provide a response to either the Board or YEC with respect to those recommendations?

A MR. MORRISON: Madam Chair, I haven't seen a formal reply from government on that matter. In terms of response, I would take it that the -- dealing with the energy certificate

1 on Carmacks-Stewart would be, you know, a
2 response in that manner. But there's no formal
3 written response that I'm aware of.

4 **Q And can we agree that 20-year resource plan**
5 **proceeding was not a proceeding regarding the**
6 **granting of an energy project certificate or an**
7 **energy operation certificate under Part 3 of**
8 **the *Public Utilities Act*?**

9 A MR. OSLER: Certainly can agree to
10 that. It wasn't anything like that.

11 **Q Now, if I could get you to just look at page --**

12 MR. KEOUGH: Madam Chair, I am just
13 wondering what time you are taking a break this
14 morning.

15 THE CHAIR: We had indicated
16 approximately about 10:30, but if you want to
17 finish up your section or the line of
18 questioning in that area, or is this an
19 appropriate time for you?

20 MR. KEOUGH: This would be a good
21 time. I'm moving to page 1-6, so it's probably
22 good now.

23 THE CHAIR: In that case, we will
24 take a 15-minute break at this time.

25 (BRIEF ADJOURNMENT)

1 THE CHAIR: Please be seated.

2 Mr. Keough, you are
3 prepared to proceed with your
4 cross-examination?

5 MR. KEOUGH: I am. Thank you,
6 Madam Chair.

7 Q MR. KEOUGH: Gentlemen, I just wanted
8 to take you to page 1-6 of the application,
9 just as a point of reference, where you discuss
10 the matter of the bulk power system resource
11 planning and development challenges that you
12 found with regard to the filing. And I note
13 that YEC says that this has been a key focus
14 for it in recent years, and I just wanted to
15 try to understand YEC's long-term plan, if I
16 can call it that, and your strategy for meeting
17 what you see as the power supply needs in
18 Yukon.

19 Now, while I'll get into
20 some specific projects later on, I just wanted
21 to see if we could agree that before moving
22 forward with any of these projects, YEC should
23 have to demonstrate that there is a real need
24 for the project.

25 A MR. OSLER: We are talking about the

1 projects that were in the resource plan, and
2 the point -- one of the points of the resource
3 plan was to demonstrate that there was a need
4 and what it was and how this project was the
5 optimum way to approach meeting that need.

6 So in terms of near-term
7 projects in the resource plan, yes, one of the
8 objectives was to demonstrate need and also to
9 demonstrate that a range of options were
10 considered to meet the need and that the
11 project being proposed was the most appropriate
12 project to meet that need.

13 **Q And are you saying that all of those points**
14 **have been satisfied via the resource plan, so**
15 **that there is no need for -- no need -- no need**
16 **for the Board to consider need with respect to**
17 **capital projects that YEC is bringing forward?**

18 **A MR. OSLER:** What -- we have to be, of
19 course, specific as to which projects we're
20 talking about.

21 The -- Madam Chair, the
22 resource plan itself divided near term and
23 longer term. So in doing Mr. Keough's
24 question, I will talk about the near term,
25 Chapter 4 of the resource plan. The idea of

1 the resource plan with regard to Chapter 4 was
2 to do what Mr. Keough had suggested, to find a
3 vehicle that Yukon Energy could come before the
4 Board and have those projects dealt with with
5 regard to need and justification and have
6 recommendations flowing on those matters for
7 those specific projects, because we have no
8 other mechanism to do that before we have
9 actually incurred the costs and come to you for
10 approval to have them put in rates. So that
11 was the idea when we first put together that
12 resource plan with respect to those specific
13 projects in what was Chapter 4.

14 Those projects,
15 Mr. Keough, were the Carmacks-Stewart
16 transmission line, Aishihik turbine, the
17 Mirrlees, and at one point we also had in
18 Marsh Lake.

19 **Q I guess on a more general basis, when YEC**
20 **brings forward a proposed project, should it**
21 **have to demonstrate that there is a real need**
22 **as opposed to what I will call potential**
23 **"speculative need" for the project?**

24 **A MR. OSLER:** It has to be a real
25 requirement or need that has been met, not just

1 a speculative need. But in some circumstances,
2 the planning activities, in order to be able to
3 meet a potential future need, have to take
4 place long in advance. And you can't just wait
5 until everything is crystal clear, so it
6 depends what stage of the project we are
7 talking about.

8 But the near-term project
9 concept was to focus on things that were needed
10 near enough in the time horizon that the
11 exercise would be worthwhile. We would be
12 dealing with real needs, real projects, and not
13 too much speculation.

14 **Q Does YEC consider that it should be required to**
15 **demonstrate that the proposal it's bringing**
16 **forward is the most optimal way to meet the**
17 **identified need?**

18 **A MR. OSLER:** Yes, Mr. Keough and
19 Madam Chair. That was one of the ideas of the
20 resource plan was to demonstrate not just need
21 but that options have been considered, that the
22 projects being proposed in the near term, to
23 use Mr. Keough's phrase, were optimal, were the
24 best ones that were available.

25 **Q And if the need is purportedly some future**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

Q

A

We were dealing with material risk of a load and our ability to serve it on a timely basis.

Q
A

A

1 is it will demonstrate what the need is what
2 knowledge it has about it and why it thinks
3 that that need is serious enough and likely
4 enough that Yukon Energy is paying attention to
5 it. Whether it will for sure take place is
6 always a matter of discussion, and there will
7 always be some risk, probably, that the load
8 has got some risk factors and those should be
9 discussed when dealing with the issue of need.

10 **Q Should there be a high level of confidence that**
11 **the load will develop? Or can you move forward**
12 **in the face of considerable uncertainties?**

13 **A MR. OSLER:** I'm not comfortable
14 trying to give an absolute answer, Mr. Keough.
15 I think what the resource plan is showing is
16 that if you do not want to be stuck with
17 meeting major new needs by just running some
18 more diesel, we are going to have to grapple
19 with the planning problem of what do we do when
20 and how do we protect ourselves against going
21 too far before we have some more knowledge or
22 certainty, but also if we don't do enough in
23 the planning at various stages, we won't have
24 any opportunity. We can know for certain to
25 have a project in place when it is needed to

So the resource plan, Mr. Keough and Madam Chair, is dealing with that problem. And it is for Yukon and the size of this system and the challenges of major new industrial loads, Chapter 5 was trying to deal with the balancing of the uncertainties about these major new load and the problems of trying to find the right match of new supply options.

And Yukon has some very specific challenges in that regard, we thought, over the next 20 years.

Q Well, would YEC's pursuit of numerous major generating projects, either hydro or diesel, lead it to be a little more optimistic or maybe even aggressive in terms of its growth forecasts?

A MR. OSLER: That sounds like a speculative question to me, but it does not lead YEC in practice, Madam Chair, to be more optimistic about its growth forecast. It just means that if YEC is trying to do innovative things and taking the risks for it, it wants to know it's got the best forecast available, thank you very much, as well as the best

1 everything else it can available if it's going
2 to put its neck out and try to make things
3 happen.

4 **Q We could agree that if you adopted a**
5 **conservative approach, then the future**
6 **potential demand may not be there, and hence**
7 **the need for the project may not be there.**
8 **That follows, doesn't it?**

9 **A MR. OSLER:** Mr. Keough, there is
10 nothing in it for YEC to make a forecast that
11 would drive it to be promoting projects that
12 then fail. So if anything, the more risk you
13 are going to take to try and develop things to
14 keep us off diesel, the more you really want to
15 know that your forecasts are realistic.

16 The safest thing to do,
17 looking at history, is just to not do what YEC
18 is trying to do, just let the growth happen
19 with diesel and let the customers pay the
20 charges through the Rider F and everything
21 else.

22 But what YEC was
23 concerned about is the implication of taking
24 that strategy and trying to understand what
25 different has to be done to avoid that type of

1 outcome.

2 But when it starts to try
3 to plan for renewable resource development, it
4 is vitally interested in having the most
5 realistic forecasts available to it.

6 I would just say the
7 resource plan, though, started off with a
8 section that said the forecast for the next
9 15 of the 20 years is a surplus on both grids,
10 and that is the best that we knew at that
11 moment in time. But it was risky. It might
12 change, and we needed to face -- manage those
13 risks.

14 **Q Now, when YEC is considering the construction**
15 **of new large transmission or generation**
16 **projects, does it consider a four- to six-year**
17 **time horizon to be a short-term one,**
18 **medium-term one, or a long-term one?**

19 A MR. OSLER: Mr. Keough, could you
20 help me in terms of what context you are asking
21 that question? In terms of when the project
22 might start, or in terms of some other factor?

23 **Q I guess in terms of the life of the project.**

24 A MR. OSLER: I think we would --
25 Yukon Energy would look at a four- to six-year

1 project life as relatively short.

2 I'm still puzzled with --
3 I'm not sure why you'd want to know what we
4 think of the life of the project, because the
5 projects we are doing are long-term projects
6 that last 40, 50 years, so I have a suspicion
7 we are not communicating. I didn't understand
8 the question, I guess is what I'm concerned
9 about.

10 **Q That's fine. We'll get back into it a little**
11 **bit later, don't worry.**

12 **Now, when you are**
13 **developing the long-term plan here, is YEC's**
14 **vision to develop hydro or renewable projects**
15 **so that you can decrease dependence on diesel?**
16 **Is that one of the main drivers?**

17 **A MR. OSLER:** Yes. And in the resource
18 plan, Yukon Energy was looking at opportunities
19 to displace diesel if diesel became required as
20 base -- base-load generation, meaning
21 generation required throughout most of the
22 year, not just for a brief period during the
23 peak periods of winter. And it was looking to
24 hydro or renewable resources as are they
25 viable, what are they, could they displace

1 diesel, yes.

2 Q But your -- I don't want to say your, YEC is
3 concurrently pursuing a number of diesel
4 projects as well, correct?

5 A MR. OSLER: Very correct. And,
6 Madam Chair, and the resource plan, the reason
7 for that was because of the capacity versus the
8 energy issues. And we discussed that in the
9 resource plan.

10 The capacity issues were
11 the issues requiring capability to meet your
12 peak winter peak, your winter peak and have
13 backup in the event of certain contingencies.
14 One of the best examples being the blackout
15 that occurred in January a few years ago when
16 there was a failure of the Aishihik connection
17 during the middle of winter. It occurred
18 during a peak period of the seasons, it
19 occurred in the middle of winter, and it cut
20 the system out of its ability to meet loads for
21 a period of hours or days.

22 So we went through the
23 capacity-planning process, we got agreement on
24 the basics of a capacity-planning approach, and
25 we said we're short capacity to meet those peak

1 needs or those emergency needs, and then we
2 focused on diesel as the cheapest way to meet
3 that shortfall.

4 And then energy, which
5 was the Chapter 5 discussion, much more than
6 Chapter 4 in the resource plan, is when we have
7 diesel actually being required, not just for
8 those peaks, not just for those emergencies,
9 but for sustained operation of the system, as
10 it was when the Faro mine was operating, then
11 we are talking about energy requirements, not
12 capacity requirements, and we have to look for
13 something a lot cheaper than diesel, if it's
14 available. That's the big distinction.

15 **Q Right. And then I guess where I was going is**
16 **if you have addressed the capacity issues, and**
17 **I thought that was what you were calling**
18 **Stage 1 of your orderly development; now you**
19 **are on to Stage 2. If you have addressed your**
20 **capacity issues and are looking forward what**
21 **projects you are going to do, do you take into**
22 **account in doing what I'll call an overall type**
23 **of cost-benefit analysis the pursuit of**
24 **additional diesel projects that will ultimately**
25 **be, I guess, displaced by hydro so that the**

1 diesel projects will be backup, I guess, in
2 nature? Is that factored into the overall
3 thinking of the company?

4 A MR. OSLER: Yes, in the broadest
5 sense of the word the company is aware of its
6 capacity and the different types of generators
7 it has, diesel and hydro or wind.

8 But in general in the
9 Yukon and on the, say, Whitehorse-Aishihik-Faro
10 system, we have a lot of capability to produce
11 diesel energy. So we're not usually planning
12 to build a diesel plant in order to run it for
13 a while as a diesel operation and then have it
14 displaced by hydro. We don't have a big issue
15 there because there is a lot of diesel capacity
16 in order to meet the capacity requirements.
17 There is a lot of diesels on the system that
18 could be run if they needed to be run, you want
19 to pay the bill, to meet energy needs. It is a
20 bit different in some other systems, like the
21 one I have in Manitoba where we have 90 percent
22 of our generation coming from hydro. And
23 trying to meet energy requirements can become a
24 shortage issue, and you sometimes have to worry
25 about building your gas plant or something

1

2
3
4
5
6
7
8
9
10

L1
L2
L3
L4
L5
L6
L7
L8
L9
20

21
22
23
24

25

1 Q Are we on the same page that those projects
2 would not be economic without a significant
3 contribution from the government primarily?

4 A MR. OSLER: I think in order to deal
5 with that type of question, Mr. Keough, I would
6 prefer you to ask it on a project-specific
7 basis so I don't misinform.

8 Q Okay. We'll get into that later, then.

9 Now, the reason I asked
10 in a general basis is because what I did want
11 to ask you is, When the company is looking at
12 the source of funds for this project, is there
13 a distinction drawn between whether the funds
14 come from the ratepayer or the taxpayer?

15 A MR. OSLER: There is a distinction
16 made between whether the funds have to be put
17 into ratebase and recovered through rates or
18 can come from some other source that would not
19 seek recovery of the cost through rates.

20 Q So if the costs aren't going to be borne by
21 the ratepayer, then they're not factored into
22 your utility picture, correct?

23 A MR. OSLER: If there's a project that
24 costs \$30 million and, you know, 15 million of
25 it is coming from customers or other sources

So we treat any source of funds that allow us to reduce ratebase in that manner the same way, whether they come from customers or they come from government or they come from the shareholder as a contribution. They get treated as contributions that reduce the overall cost of the project. It still means the company has to manage, plan, and develop a project for its actual total cost. It doesn't ignore it just because it's got some contributions.

Q Right. But in terms of portraying what I'll call the benefits over the project, what the company would do is they would show, for example, the revenues that will be derived from construction of the project as the benefits, but on the cost side, the costs will be borne by someone other than the company/ratepayer, correct?

Q Right. So when you are talking about the benefits of the project to the Board here or to your ratepayers, you are able to quantify or identify the additional revenues from a project as being benefits, but you can put aside a significant portion of the total cost because those are covered by a contribution from, for example, the government?

A MR. OSLER: Generally speaking, we'd be looking at comparison of alternatives, so we would be saying, if we didn't do this project and we had to run diesel, what would the ratepayers have to pay, because there would be no contributions from anybody.

If we do get a chance to do this capital-intensive project, what will it cost in total, how much can we get in contributions from various parties, and what's the net cost to the ratepayers, and are the ratepayers better off than if we'd had to run

1 the diesel? That essentially the framework for
2 the analysis.

3 In order to get the
4 contributions, you have to demonstrate to the
5 other parties that there's benefits in it for
6 them, whether it's government or customer or
7 whomever. And sometimes a lot of discussion in
8 that area may come down to greenhouse gas
9 benefits or development benefits or
10 infrastructure benefits, whatever it --
11 whatever the government or the customer sees as
12 benefits that would justify giving us the
13 contribution we are relying on.

14 A lot of other things get
15 considered under the word "benefit," but I am
16 trying to be helpful from the point of view of,
17 I think your question was focused on this
18 utility board and rates.

19 **Q Right. And I'm just trying to make sure we are**
20 **on the same wavelength with regard to your use**
21 **of the term "benefits" to this Board and to**
22 **your ratepayers.**

23 And so the scenario would
24 be that the benefits would be the additional
25 revenues. But you don't have to take into

1 account the full costs of the project because
2 you are only recognizing the component of any
3 of the cost that the ratepayer would have to
4 pay?

5 A MR. OSLER: Why I said earlier I want
6 to deal with the question of specific projects
7 and specific questions and not too generally,
8 because the answers will vary quite materially
9 depending on what project we are talking about.

10 But I will stick with
11 what I said before, Mr. Keough, that the
12 benefit is the cost that we save the ratepayers
13 from not having to run diesel. The revenues
14 that we're going to get one way or the other as
15 a regulated utility in meeting the loads that
16 we're required to meet and using the rates the
17 Board has approved, the issue is, can we keep
18 the costs down; can we do something better than
19 diesel? That's the benefit of the type of
20 projects that you and I are talking about at
21 the moment.

22 Q Right. But when you are talking about keeping
23 the costs down, is a major component of keeping
24 the costs down that the overall costs of the
25 project aren't borne by the utility and its

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- L0
- L1
- L2
- L3
- L4
- L5
- L6
- L7
- L8
- L9
- 20
- 21
- 22
- 23
- 24
- 25

A MR. OSLER: Again, Mr. Keough, we would have to deal with specific projects for me to help you on that particular question.

Q Okay. And we will. And that's fine.

Now, in bringing forward capital projects, does YEC take into account the relatively short-term life of some of the mining projects that appear to be the drivers for the project?

A MR. OSLER: Yes.

Q And how is that done when you look at the long-term life of the assets that are being built? How is that short term factored into the equation?

A MR. OSLER: In the context of a project such as Carmacks-Stewart Stage 1, to take a specific example, Madam Chairman, it is taken into account by the overall strategy to keep the costs that would be in ratebase very low, such that ratepayers would have reaped such enormous benefits during the period of the mine's life, if it indeed ends up being short, because miners are always optimistic that it

1 will be longer, that the ratepayers really have
2 no cause for concern at all about the net
3 residual, it would still be in ratebase, when
4 and if the mine stopped operating.

5 And, secondly, we look at
6 load growth of the rest of the system to
7 understand the extent to which load growth is
8 happening independent of that particular mine.

9 As I said earlier, the
10 opening pages of the resource plan said that
11 within 15 of the 20 years, the surplus would be
12 gone. Bringing on Minto or bringing on other
13 mines simply stops the surplus sooner, but it
14 only stopped it for a few years, or five years
15 or six years, whatever we were forecasting at
16 that time, and then there was going to be a bit
17 more surplus for a few more years.

18 We looked at those
19 things, Madam Chair, as you know, from the
20 hearings, and came to the conclusion, and
21 recommended to the Board, and the Board
22 recommended to the government, that all of
23 these things be considered that the costs and
24 the benefits were such that these were good
25 projects to recommend for development, taking

1 all of these things into account.

2 Mr. Bowman has something
3 he would like to add.

4 A MR. BOWMAN: Let me just add that the
5 matter you raise about the life of a project
6 was absolutely central to the discussion in
7 Chapter 5 of the resource plan, where it was
8 noting that in terms of deciding on your
9 resource options, the life in many ways is more
10 important than the size.

11 Mr. Osler made the
12 comment about ongoing growth of domestic loads.
13 It is important to emphasize there is a big
14 difference between the type of mining loads
15 people are talking about these days, Minto at
16 30 gigawatt hours or Western Copper at 40 or
17 50 gigawatt hours, in relation to the fact that
18 the ongoing system is going at 5 to 8 to
19 10 gigawatt hours a year on its own.

20 If the mine was there for
21 even a relatively brief period of five, six,
22 seven, eight years, by the time the mine
23 closes, the rest of the system has grown to the
24 extent that the resource you put in place to
25 help meet the mine's load is now needed for the

1 domestic load. That's vastly different than
2 the situation in the past where you have the
3 Faro mine running at 180 gigawatt hours a year.

4 In the 1992 reserve plan,
5 this matter was reviewed. A whole lot of
6 resource options were looked at to try to get
7 Yukon off diesel and put in place resources
8 that would help meet that load. And the
9 conclusion was, don't do anything. The mine is
10 too big and too uncertain, and if it closed,
11 you would be stuck with a resource that
12 wouldn't be needed to meet domestic load.

13 That's very different
14 than what we are talking about today. We are
15 not dealing with that situation. The life is
16 absolutely taken into account in relation to
17 the size of the system and its needs.

18 **Q And your response there, does it have an**
19 **assumption that the load growth absent the mine**
20 **will continue at the rate you identified over**
21 **that six- or seven-year period?**

22 **A MR. OSLER:** The resource plan had an
23 assumption of a long-term average growth rate,
24 and it had sensitivities around it that were
25 examined so that you weren't putting all your

1 eggs in one particular growth number, yes.

2 **Q Now, speaking of the mines and the load at the**
3 **mines, could I get you to take a look at your**
4 **response to UCG-YEC-1-21 REVISED. And it is**
5 **actually attached to Exhibit B-10, the**
6 **April 24, 2009, update, about two-thirds of the**
7 **way through, once you get through the update**
8 **material, as I see it. That's the most recent**
9 **version that I have.**

10 **A MR. OSLER:** Mr. Keough, which number
11 again, please?

12 **Q UCG-YEC-1-21 REVISED.**

13 **A MR. OSLER:** Thank you.

14 **Q And I am looking at page 2 of 2, and I just**
15 **want to see if I understand correctly what this**
16 **response to B --**

17 **THE COURT:** Mr. Keough, just a
18 minute. We have a few people who need to get
19 the . . .

20 **MR. KEOUGH:** Certainly.

21 **THE CHAIR:** Is everybody okay?
22 Does anybody still not
23 have it in front of them?

24 Please proceed. Thank
25 you.

1 MR. KEOUGH: Thank you, Madam Chair.

2 Q MR. KEOUGH: I am looking at the
3 table, and I am just trying to confirm that I
4 am understanding it correctly.

5 If you look at the
6 description in the left-hand side, the third
7 one down says "Industrial." And if I go
8 across, it says "Forecast 2008," "6845,"
9 "Actual 2008," "3,200," and the "Variance,"
10 "-53.24%." Do you see those numbers?

11 A MR. OSLER: Yes.

12 Q Is that telling me that the actual consumption
13 at the Minto mine in 2008 was 53 percent less
14 than you forecast?

15 A MR. OSLER: I think so. I mean,
16 essentially, Mr. Keough, and Madam Chair, the
17 update is saying that the mine was forecast, or
18 assumed, if you want to use that word, to be
19 connected October 1 in the GRA, as filed, and
20 it didn't connect until November 22nd. So it's
21 a little bit more than half the time period
22 that it was assumed to be connected it wasn't,
23 for the purposes of 2008.

24 And we went through in
25 the update all the implications of that

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q
A
Q
A
Q
A
Q

A Q A Q A

Q
A
Q
A
Q

A
Q

Q

A

Q

A

Q

A

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A MR. OSLER: Very definitely. It's been going through its regulatory processes and coming out the other side now. Just got its quartz mining licence as well as its YESAB review behind it. It has to deal with the water board issue still, and it has to make its financial commitments to proceed to develop the mill and to complete arrangements with Yukon Energy for the supply of electricity.

So our efforts are
focused on we have got a 24-month window, and

Q And they haven't given you those green lights yet?

A MR. OSLER: They haven't made those commitments yet, or we'd be talking about a purchase power agreement. But they have certainly met with Yukon Energy recently and said they are still talking seriously about this schedule. They have not backed off the schedule, despite the market conditions. And copper prices have gone back to a certain level that gives some -- at least interest in keeping the timing they were talking about.

So they haven't backed off their timing. They wanted to make that point clear to us, and they've asked us to take seriously in dealing with them; you know, take the project seriously. Don't look at the

1 newspapers. Take the project seriously, and
2 the market conditions, and keep it as a
3 potential project for the time schedule we are
4 talking about.

5 But that's a
6 conversation. Actual investment dollars depend
7 on agreements and commitments.

8 A MR. MORRISON: Which have not occurred.

9 A MR. OSLER: Which have not occurred.

10 **Q There is reference to a new spur line to serve**
11 **this project. Is a contribution required,**
12 **either by the government or by the company, in**
13 **order to make the spur line economic?**

14 A MR. MORRISON: Madam Chair, the spur
15 line is a -- the mine requires a spur line to
16 connect it to the grid. The discussions that
17 we've had previously with them, it's very clear
18 to -- from our perspective, and it's very clear
19 to them, that the cost of that spur line would
20 be 100 percent covered by the mine itself.

21 **Q And there you are telling us that is the basis**
22 **upon which YEC would proceed to build a spur**
23 **line?**

24 A MR. MORRISON: That's correct.

25 A MR. OSLER: The basis upon which they

1 would proceed would include that as one key
2 element. There are other elements that would
3 be required to be consistent with the Minto
4 purchase power agreement and the commitment
5 that was made in that agreement and approved by
6 the Board to seek contribution towards the main
7 Carmacks-Stewart line as well from a customer
8 who connections to it, such as Carmacks Copper.

9 So there would be a
10 requirement to cover the cost of the spur line,
11 as was the case with Minto, and a requirement
12 to make a contribution to the main
13 Carmacks-Stewart project cost.

14 **Q Now, still on page 2-7, about halfway down,**
15 **there is a discussion of the Alexco Resources**
16 **Corp. project. And again that one is not**
17 **proposed for the test years?**

18 **A MR. OSLER:** That project is not
19 expected as an industrial customer to be
20 connected during the test years, but it is a
21 customer of the company as a general service
22 customer, as discussed. And the timing for
23 that project, though, is connection as an
24 industrial customer at some point during 2010.
25 And that is considered as -- in contrast to the

1 mine we were just talking about, is considered
2 as very likely, and it's much easier for them
3 to connect because they are in the middle of an
4 area where there has been lots of service in
5 the past.

6 **Q Would we be able to agree that that project,**
7 **though, is likewise subject to considerable**
8 **uncertainties, still?**

9 A MR. OSLER: I think I would like to
10 describe it the way I just did, that it's a
11 totally different type of risk profile than the
12 Carmacks Copper one. It is in an area where
13 they have developed infrastructure. They
14 can -- subject to getting transformers and
15 things, which take time to deliver, they can
16 connect relatively easily, and they are
17 going -- there is no big spur requirement.
18 There is just transformers and connections to a
19 mill that they have to develop.

20 They need to start
21 construction this summer, Mr. Keough, in order
22 for them to meet the time period we're on, and
23 they're getting all the signs that they are
24 going to be doing that, subject to getting
25 their final approvals through the YESAB

1 process.

2 So, yes, it's not
3 something that Yukon Energy is relying upon to
4 happen. But it is taking it very seriously
5 that this project is very likely to start
6 connecting into the system in 2010.

7 **Q And in YEC's response to YECL-YEC-1-7, there is**
8 **a discussion of the Alexco project and**
9 **reference is made to a commitment that they**
10 **would make to YEC? Have they made that**
11 **commitment?**

12 **A MR. OSLER:** The discussions,
13 Mr. Morrison might want to deal with, in terms
14 of discussions going on with Alexco, there have
15 been no final commitments made, but there are
16 very active discussions.

17 **A MR. MORRISON:** Madam Chair, just to
18 maybe help out a little bit on this, Mr. Osler
19 is trying to explain that we characterize
20 different -- these customers -- potential
21 customers we are talking about are in different
22 stages of the development. We characterize how
23 we would deal with them a little bit
24 differently.

25 Alexco and Yukon Energy

1 are in the process of discussing a power
2 purchase agreement. That's a step that we have
3 been in for the last couple of months. We
4 haven't finished it, but it does demonstrate,
5 from our perspective, a very different project
6 level than where we are at with Western Copper.

7 When you get to the point
8 where a company is actually talking about the
9 power purchase agreement and whether or not
10 they want to connect to the grid, we are at a
11 different stage. They are a very different
12 mine than the Western Copper mine. They are
13 going through some regulatory processes. They
14 have some permits to do work. They have a
15 business plan or a mining plan that, you know,
16 they keep us posted on. Just a very different
17 situation, from our perspective.

18 But the power purchase
19 agreement is the definitive document, from our
20 perspective, in terms of hooking up a new
21 customer.

22 **Q I want to move on to talk about a couple of**
23 **other area, and we will deal with some specific**
24 **projects later on when we get to section -- or**
25 **Chapter 5 of the application. But could I get**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A Q A Q A

Q
A
Q
A
Q
A

wer
fe
M
W
w
M
f
a
i
T
M

A
Q
A
Q
A

Q
A

Q
A

WMFA-TV

A
Q
A

Q

A

A

1 Q I didn't want to cut off the list of criteria
2 prematurely.

3 A MR. MOLLARD: No.

4 Q Can items be charged to the reserve if they are
5 not material?

6 A MR. MOLLARD: We use a limit of \$1,000
7 as anything below that is considered immaterial
8 and is charged to maintenance.

9 Q Can items be charged to the reserve even if
10 there is not a low probability of them
11 occurring?

12 A MR. MOLLARD: I'm not sure I understand
13 the question.

14 Q I am just trying to think of the scenario where
15 if something is regularly occurring, then you
16 could forecast it as part of your O&M, for
17 example, and distinguish it from something that
18 might be of a low probability and, therefore,
19 would not have been forecast, could not have
20 been forecast?

21 A MR. MOLLARD: We generally don't
22 consider the probability of the event
23 occurring/recurring in the evaluation of
24 whether it qualifies for charging to the
25 reserve.

1 Q If you have regularly occurring events, would
2 that be something that the company would
3 normally then start to include in its O&M
4 forecast, if you have regular failures of
5 something of a specific nature, would that
6 be -- not be forecastable?

7 A MR. MOLLARD: It's very difficult to
8 say without having a specific example. And
9 sudden and accidental events are, by their
10 nature, not lending themselves to be
11 forecastable, so it would be very hard to say
12 that I could, yes, forecast without a specific
13 example.

14 Q And we'll probably get into that later on.

15 Can items be charged to
16 the reserve even if the cause of the incident
17 is normal wear and tear?

18 A MR. MOLLARD: No.

19 Q Is that because in order to qualify the event
20 it has to be an insurable incident or an
21 insurable event?

22 A MR. MOLLARD: Yes.

23 Q And who makes the call as to whether it is an
24 insurable event? Is it the CFO, or is it some
25 independent insurance adjuster?

1 A MR. MOLLARD: I would make the ultimate
2 call, although I do take the advice of -- we
3 employ a professional insurance broker who, for
4 larger incidents, I will consult him on whether
5 it's an insured loss before I will make that
6 call on whether it should be charged to the
7 reserve.

8 Q Do you get any signoff or documentation from
9 this insurance expert that it is an insurable
10 event?

11 A MR. MOLLARD: Not generally, no.

12 Q And you are the ultimate arbitrator here?
13 There is no verification or check as to whether
14 or not the event qualifies or not, just as --

15 A MR. MOLLARD: If it's a material item,
16 I will discuss it both with my insurance broker
17 and with the CEO, if there's a -- you know, an
18 item of several hundred thousand dollars at
19 stake.

20 Q Now, your -- you said earlier, and I think this
21 is covered in response to the IR I referred you
22 to, YECL-29. Your materiality threshold is a
23 thousand dollars. Is that an appropriate
24 threshold of materiality, given your O&M budget
25 is 12 or \$13 million?

1 A MR. MOLLARD: It's the limit we
2 established. We didn't really set it in
3 connection with the O&M. It wasn't tied to the
4 O&M budgets at all.

5 Q But you consider a thousand to be material?

6 A MR. MOLLARD: Yes.

7 Q Now, one of the aids to cross that I
8 distributed earlier was an extract from a
9 decision of the Alberta Utilities -- what is
10 now the Alberta Utilities Commission, then EUB,
11 and it's a couple of pages from
12 Decision 2003-056. Did you have a chance to
13 peruse that?

14 A MR. MOLLARD: I did read it, yes.

15 Q And if you look at the extract on page 10,
16 Section 4.2, you will see the views of the
17 Board and the criteria that are established
18 there.

19 I take it from our
20 earlier discussion, you would only have -- I
21 suppose you would say that you have the first
22 and second criteria that you apply? Or would
23 it just be the first one?

24 A MR. MOLLARD: Yes, we definitely do
25 consider the first two, the -- yes, the first

1 two.

2 **Q And, again, the second one would be in the**
3 **connection of your thousand dollar limit?**

4 **A MR. MOLLARD:** The second one is more in
5 connection with the functionality of the unit,
6 if the damage was to the extent that the unit
7 was not functional, that would be the
8 significance criteria for us.

9 **Q Right. Could we take a look at the response**
10 **you have given in Part B of your YECL-29. And**
11 **I see things like third party vehicle damage.**
12 **Would you think that's an unusual event, or is**
13 **it a fairly common event?**

14 **A MR. MOLLARD:** In our operation, that's
15 fairly unusual.

16 **Q And what about something like the streetlight**
17 **being struck by a vehicle?**

18 **A MR. MOLLARD:** Again, in that case that
19 was pretty unusual.

20 **Q And a broken pole, that would be unusual?**

21 **A MR. MOLLARD:** In that context with that
22 much damage, yes.

23 **Q So you are telling us that those items would**
24 **not have been normally forecast as part of your**
25 **O&M budget?**

1 A MR. MOLLARD: In the circumstances,
2 that's correct.

3 Q I would like to move on now to talk for a
4 moment about the Faro dewatering account, and
5 it's page 3-14, it's mentioned there.

6 Now, as I understand it,
7 in the context of the current proceeding, YEC
8 is proposing to use monies in that account for
9 at least two purposes here, well, one being to
10 deal with the delay in the connection of
11 Pelly Crossing, and -- just trying to find my
12 note -- you also want to make use of that
13 account with respect to your deferred study
14 costs? The second one is the reserve -- yeah,
15 reserves for damages, sorry.

16 A MR. OSLER: Go ahead.

17 A MR. BOWMAN: On the second one, use of
18 the dewatering funds in respect of the reserve
19 for injuries and damages, yes. In respect of
20 the timing for the connection of the
21 Carmacks-Stewart, in effect, yes, although the
22 dewatering account is effectively used as a
23 regulatory balancing account, if you'd like.
24 It provides an opportunity to offer more stable
25 rates than would otherwise be achieved and to

1 deal with small balancing entries through the
2 account, rather than having to continually
3 adjust rate riders or the level of rates.

4 So in that regard the
5 dewatering account was always proposed,
6 regardless of the data connection, to be the
7 way in which one balances the '08 revenue
8 requirement compared to the revenues received.

9 What we didn't want to do
10 was to have to put in place a rider or a rate
11 change at November 1 related to '08 for two
12 months and then have a change at January 1 to
13 become the 2009 level. Rates were designed so
14 that there was a 2009 level determined. And
15 that same rate was then carried back into 2008,
16 so we didn't have a second rate change to deal
17 with.

18 And the small balance,
19 which was under the order of 100,000, would be
20 taken through the dewatering account as a
21 balancing.

22 **Q So I'm just trying to understand how YEC views**
23 **this dewatering account because, it seems to me**
24 **you are using it for a variety of items in lieu**
25 **of having to seek rate increases.**

1 A MR. BOWMAN: Well, not quite, but let
2 me go through it a bit for the benefit of the
3 people in the room.

4 The funds that we're
5 talking about, we call it a dewatering account,
6 but it's somewhat removed from that nowadays.
7 This is an amount arising going all the way
8 back to about -- going back to 1998, when the
9 Faro mine closed. At that time there was a
10 quick expedited process to deal with the
11 impacts of the Faro mine closing and setting
12 the level of rider needed to deal with the Faro
13 mine close.

14 There was a whole number
15 of limited scope changes that went through the
16 revenue requirement in order to help keep the
17 rider down, but one thing that was completely
18 uncertain at that time is how much power the
19 mine site would continue to buy once it was in
20 receivership in order to dewater the pits.
21 That's where the name comes from. In order to
22 treat the water out of the pits at the Faro
23 mine.

24 So out of that hearing,
25 YEC was ordered to not include in its revenues

1 but to set aside any amounts related to selling
2 power to the Faro mine site for the dewatering
3 purposes net of any costs that arose. And that
4 order stayed in place all the way through 2004.
5 And 2005 we got those revenues included into
6 normal rates.

7 So no further amounts
8 were going into this account. It's sort of a
9 residual amount of money that's put aside for
10 the benefit of ratepayers, only to be used
11 pursuant to an order of this Board.

12 That account was quite
13 large. At one point it was over \$2 million
14 that was set aside. In the last rate hearing,
15 rather than implement changes to rates, the
16 Board ordered an annual withdrawal from that
17 accounting in order to balance Yukon Energy's
18 revenue requirement for three years, '05, '06,
19 and '07, and those withdrawals occurred, which
20 brought it down to the level we are dealing
21 with today.

22 It also provides the
23 opportunity to deal with one-time items, given
24 its one-time money. There is no more money
25 going into the dewatering account. So in order

1 to help do other actions to the benefit of
2 ratepayers, like deal with a deficit in the
3 reserve for injuries and damages, or deal with
4 balancing the 2008 rates, these funds provide
5 that opportunity to the benefit of ratepayers.

6 **Q Right. I understand that, but what I'm trying**
7 **to get on the same wavelength with you is that**
8 **by making use of this account, you are**
9 **diminishing the benefits that are otherwise**
10 **available to ratepayers. You are reducing**
11 **those benefits, the magnitude of those future**
12 **benefits that's being held there, and you are**
13 **doing it in lieu of a rate increase.**

14 **A MR. BOWMAN:** Well, the money that's
15 there, given nothing else is going into it, is
16 available to be used to the benefit of
17 ratepayers, and all of it can only be used
18 once. No more money's going in.

19 If it weren't used to
20 benefit ratepayers by helping deal with the
21 reserve for injuries and damages balance,
22 rather than having to seek higher rates to deal
23 with the balance, it would be available for
24 something else to the benefit of ratepayers.

25 But the net effect is the

1 same. It's a benefit to the ratepayers because
2 it's being used to offset costs that ratepayers
3 would be otherwise be responsible for.

4 **Q But when YEC says, We are here seeking a rate**
5 **reduction for 2008, part of the reason why you**
6 **can say that is because you are using the**
7 **dewatering account balance to offset some**
8 **costs, right?**

9 **A MR. BOWMAN:** I'm told you mentioned
10 the rate reduction with respect to '08. I'm
11 assuming it's equally applicable for '08 and
12 '09, although '08 is when we would -- where the
13 application records the offset.

14 Assuming those amounts
15 would have flown through rates in one year in
16 '08, that's true. More likely when you have a
17 deficit in a reserve account like this, one
18 would determine a way to set a new reserve
19 appropriation that would true it up over time.

20 So rather than the
21 \$100,000 appropriation into the reserve, but
22 for these monies, we might be here saying it's
23 150,000, in which case the rate reduction would
24 be slightly smaller than what is being proposed
25 today.

1 Q I would like to get you to turn to page 3-15 of
2 the application, and I just want to talk for a
3 little while about the deferral studies and the
4 other costs and reserves that you have included
5 in this discussion. I just want to get a
6 better idea of what YEC's position is on these
7 items.

8 Now, if I skip -- I think
9 it's actually page 3-17 that you get into the
10 meat of it. And there we're talking about
11 planning and study costs. As I understand what
12 YEC is doing, is the company is putting the
13 money associated with the various numerated
14 items into a study cost category. And then do
15 you earn AFUDC with respect to the balance in
16 that account?

17 A MR. BOWMAN: Mr. Keough, I might just
18 make a brief comment about my previous
19 response. I believe I misstated a number. I
20 said that the reserve for injuries and damages
21 appropriation, were applied for, was 100, and
22 would otherwise be 150. Actually, the correct
23 number for 2009 is, it's applying for 150; it
24 would otherwise be 200, as an example. So I
25 just wanted to make sure that was correct for

1 the record.

2 In respect of the
3 question you just asked, studies in progress,
4 similar to capital work in progress, YEC has
5 been recording AFUDC on those amounts and
6 records AFUDC amounts in progress exactly
7 analogous to capital. The only exception if
8 you were to go to the Chapter 5 tables on all
9 the different costs is rate case amounts. YEC
10 has not been charging AFUDC on past hearings
11 that are effectively not yet being amortized.
12 They are being carried until the next year rate
13 pursuant to ruling of this Board. It has not
14 been adding AFUDC. They are effectively
15 carried at no cost.

16 **Q Other than rate case reserve, the rest of them**
17 **are attracting AFUDC?**

18 A MR. BOWMAN: Any studies in progress
19 attract AFUDC.

20 **Q Now, you were careful to day "studies in**
21 **progress." If a study has been completed, am I**
22 **correct that you -- again, I am using the royal**
23 **you -- that YEC would write those study costs**
24 **off over five years?**

25 A MR. BOWMAN: Any study that is

1 completed, the same as a capital project, the
2 costs at that time are crystallized, it is put
3 into ratebase, and in that case they are
4 depreciated over five years. And that is also
5 in the Tables 5.3 to 5.7.

6 I apologize, Mr. Osler
7 has corrected me on one point. If the studies
8 were in regards to a potential new capital
9 project, so if you are doing feasibility
10 studies on a new generation or if it's studies
11 to investigate a problem, that ultimately leads
12 to a capital project. They are then removed
13 from the studies account and put into the
14 capital account and added to the overall
15 capital costs of the project and depreciated
16 over the life of the project. So some studies
17 go that route as well.

18 **Q If the project -- no project materializes, the**
19 **study costs are written off over five years?**

20 **A MR. BOWMAN:** Correct.

21 **Q So ratepayers would pick up those costs over**
22 **that five-year period?**

23 **A MR. BOWMAN:** It becomes part of the
24 ratebase and part of the revenue requirement
25 for the next time rates are set, yes.

1 Q Right. And you would also include your AFUDC
2 costs in your overall costs when the rates are
3 set?

4 A MR. BOWMAN: AFUDC costs charged to
5 the project, while it was in progress, are part
6 of the overall costs of the project, become
7 part of the balance that you'd see in the
8 schedules at the back of Chapter 5 and are
9 amortized over five years, exactly the same as
10 they would be if it was a capital project.

11 Q And I think it probably would be helpful to
12 actually go to Tab Number 5, because I do want
13 to look at some of these more specifically.

14 And I was looking at the
15 Tables 5-6. I think it's at page 5-31 that I
16 wanted to go to first.

17 And if you have that
18 handy, I am looking at about four-fifths of the
19 way down the page. I'm not sure how to better
20 describe that.

21 There is a line called
22 "Total Deferred Study Costs" and "Forecast
23 2008" is just over 16 million. Do you see
24 that? 16.025 million?

25 A MR. BOWMAN: Yes, that's it. That's a

1 gross amount, but yes, that's what it is, the
2 total deferred study cost comprising
3 relicencing or licencing activities for the
4 YEC's facilities as well as feasibility
5 studies.

6 **Q Right. And if you go back up to the breakdown,**
7 **that's got some 6.8 to 6.9 feasibility amounts**
8 **and another 8.9 in relicencing.**

9 **A MR. BOWMAN:** Yeah, those are the gross
10 amounts that it shows, including both in
11 service and work in progress, correct.

12 **Q Right.**

13 **Now, if I flip over to**
14 **Schedule 5.7, on the next page, and I do a --**
15 **that's page 5-32, I do a comparison, I see the**
16 **total has gone up to 30.8 million, located in**
17 **the same relative position as we were**
18 **discussing before.**

19 **A MR. BOWMAN:** Yes.

20 **Q And now we have over 21 million in feasibility**
21 **and about 9 million in relicencing.**

22 **A MR. BOWMAN:** Correct. And of the
23 21 million in feasibility, approximately
24 17 million is a work in progress, and
25 4.4 million is in service or in ratebase at

1	that time.

2 Q So we are seeing a huge increase in these study
3 costs from 8 to 9, right?

4 | A MR. BOWMAN: Yes.

5 Q And maybe you could help us out as to what is
6 the main driver of that significant increase,
7 drivers.

8 A MR. BOWMAN: I can, and it's all
9 included on this table. But I will make a few
10 extra comments as you say to help.

11 The gross number that
12 we're dealing with, the 30.8 arises primarily
13 as a result of having approximately 15 million
14 in forecast spending on deferred costs in 2009.
15 Of that amount, far and away the largest amount
16 is studies on new generation. If you look
17 further up the page, the GRA is based on
18 forecast cost spending on Mayo B in 2009 of
19 \$6.5 million, all of which remained in WIP at
20 the end of 2009 or studies in progress. So
21 it's not in ratebase.

22 It doesn't affect rates,
23 but there's 6.5 million forecast spending on
24 Mayo B. And the other largest category is
25 other generation feasibility work, which in the

1 GRA document for 2009 is at \$6.8 million.
2 Again, that amount at the end of 2009 is a work
3 in progress and doesn't affect rates in the
4 rest of the application, and it reflects
5 spending expected to occur at the time the GRA
6 was prepared. Current plans are somewhat lower
7 than that, but nonetheless that's what's
8 leading to your largest portion of the
9 increase. That's about 13 million of the
10 change, which is almost all of it.

11 **Q Right. And so just so we understand, if these**
12 **projects do not proceed, then this 13 million**
13 **in '09 and plus the '08 amounts will have**
14 **attracted AFUDC and will be written off over 5**
15 **years and charged to ratepayers?**

16 **A MR. OSLER:** Just if I could,
17 Mr. Keough and Madam Chair, I think the
18 application makes it clear that all of these
19 costs are subject of ongoing regular review of
20 the type I described earlier in terms of risk
21 management. So the company would hope that if
22 the projects don't proceed it isn't spending
23 the monies you are talking about here. It
24 would only spend up to a certain point, and
25 you'd have to go through each project to know

If in fact the projects still keep looking viable and these types of monies are spent and the project for some reason didn't go ahead, yes, that answer is

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q

A

A

- 1
- 2
- 3
- 4

5
6
7
8
9
10
11
12
13

L4
L5
L6
L7
L8
L9

20
21
22
23
24
25

1 A MR. BOWMAN: The -- I would make two
2 or three comments in relation to that. One is
3 it's reported as two rows, but in fact the
4 other generation feasibility is tracking a
5 series of projects. It's not one project. So
6 that's one thing that is probably worth noting.
7 In terms of what was actually spent, the
8 overall spending to the end of 2008, December
9 31st, '08, was very close to these amounts. It
10 was slightly above on the Mayo B and slightly
11 below on the generation feasibility, and the
12 total of the two is about 2.4 million so
13 approximately 180,000 above on Mayo B and
14 approximately 260,000 below on the other
15 generation feasibility. But in essence with
16 respect to the type of planning work that goes
17 into developing these numbers is very close to
18 on budget.

19 Q Is there any benefit to customers being derived
20 from these studies if the projects do not
21 proceed?

22 A MR. BOWMAN: Well, I think the answer
23 is yes, there are benefits to customers in the
24 event these projects don't proceed. One needs
25 to sort of work through thinking about the

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

16
17
18
19
20
21
22
23
24
25

1 community. And there's always benefits to
2 being able to engage with the local community
3 and work with them through the issues related
4 to the future with respect to plans.

5 Now, those are not things
6 that someone puts into the categories as why
7 you spend this money. It's not a cost benefit
8 of those things against the money spent. The
9 monies are being spent because people want to
10 get on and do the project because it makes
11 sense given the loads that are expected to
12 arise. These are just sort of ancillary items
13 that suggest that the monies spent don't go to
14 waste.

15 A MR. OSLER: I'd, Mr. Keough, like to
16 just add one thing, and in particular monies we
17 are talking about here that were spent in 2008.
18 A lot of those monies were spent to make a
19 filing for the Mayo B project with the
20 regulators in Yukon.

21 It was always understood
22 that that filing was a goal by itself that the
23 board of directors had approved and that the
24 benefit of that would be we get the project
25 regulated and get it approved so that next time

1 in the worst case you have the environmental
2 approvals in place rather than having to start
3 at Square 1, because timing is everything. So
4 in that specific case, there was a very
5 specific product, milestone that's there.

6 **Q Is YEC taking the position that all of the**
7 **projects listed in these tables have resulted**
8 **in projects that benefited customers?**

9 A MR. BOWMAN: All of -- I think the
10 reason you'd see them in ratebase is that all
11 of the projects listed in these tables are
12 necessary activities for a utility at a
13 generation transmission level to undertake in
14 order to manage and plan for its system. That
15 would be the basic premise to why the studies
16 were done, why they were approved by YEC and
17 undertaken internally and why they were
18 included in ratebase.

19 MR. KEOUGH: Now, I will just close
20 off, Madam Chair. I know we are going over a
21 bit here, but I just have a question or two if
22 I might get your indulgence on that.

23 **Q MR. KEOUGH: Now, Mr. Bowman, you have**
24 **mentioned some what I will call ancillary**
25 **benefits that might arise to some of these**

1 studies, and you said they wouldn't appear in a
2 cost benefit analysis. Is there a cost benefit
3 analysis that demonstrates that all of these
4 studies are appropriately undertaken and have
5 some benefits at the end? For example the ones
6 we have talked about the Mayo B, the 8.1
7 million and the other generation feasibility of
8 7.6 million, about \$60 million there. Is there
9 a cost benefit analysis that is done by the
10 company to show that it's a good idea to do
11 these studies and spend this money?

12 A MR. OSLER: Madam Chair, there were
13 certainly assessments done before the company
14 authorizes anybody to be spending money on what
15 we're looking at here. The assessments depend
16 on the stage of the project. In the case of
17 what we described in the application and then
18 answers to questions, there was an -- at the
19 time of the resource plan just after we had
20 finished getting the PPA approved in 2007, the
21 summertime, there was a team dispatched to
22 assess what were the short list of projects
23 that could meet the possible load requirements
24 in the period near term to 2015 in that time.
25 And they worked for a year, and they gave us a

1 short list of the projects that met that test
2 that 25 to 50 gigawatt hours of diesel
3 displacement and could be built that that time
4 period.

5 They looked at the
6 practical options, the technically available
7 options, what they might cost, whether they
8 could be licenced in that time period. It was
9 a form of cost benefit assessment relative to
10 diesel, and that led to the short list that
11 people were now working, Mayo B, Gladstone,
12 Atlin, Marsh and the early days at looking at
13 geothermal.

14 So large hydro is people
15 at the corporation level asking themselves the
16 question up to the board of directors one time
17 further down, what happens in 2015? We better
18 start looking about it. What is the best short
19 list of project that we know of to be looking
20 at projects. Maybe somebody should be
21 assessing just that question.

22 So it's a form of cost
23 benefit in my opinion, and it's a way of trying
24 to assess what do we need? What are our
25 options? What's the best thing we can do? And

Q Is there a cost --

Q Well, is there a cost benefit analysis in whatever form you are choosing to suggest constitutes one? Is there a cost benefit analysis available you could produce for us?

A MR. OSLER: We have provided in response to YECL 5, and YECL I think 7, is it -- 8. The best and up-to-date analysis on the two lead projects that are in this area, and they would be Carmacks-Stewart Stage 2. The other projects we haven't provided anything more than the level of information we have, which is the type of energy we can produce and the type of timing that they might come on and

1 the statement that they are easily qualified to
2 be effective if they can be developed. But the
3 issue is not their economics. The issue is
4 getting the licence in terms of Gladstone,
5 Atlin, and Marsh Lake.

6 That's the best
7 assessment, sir, that we have and we put them
8 before the Board and the intervenors.

9 **Q At this point I was talking about the studies.**
10 **I wasn't actually talking about the project**
11 **themselves. I was trying to find out whether**
12 **you have done any cost benefit of this to**
13 **justify the studies, and I thought you were**
14 **maintaining you had done a form of cost benefit**
15 **to justify the studies. And I am asking if you**
16 **could produce that for us.**

17 **A MR. OSLER:** What I have said is all
18 on the record. There isn't a specific
19 document, but there is the statement in the
20 application and the answers that that's exactly
21 what we went through, what Yukon Energy went
22 through as a process to rationally focus on the
23 studies of these particular projects that are
24 being studied. You know, so you have got in
25 front of you what we have available. But if it

1 was a rational process to assess options, look
2 at need and look at the short list of what
3 needs to be done.

4 The studies are the
5 assessed requirement to make the -- let the
6 selected project go the next step.

7 **Q So if the Board or parties wanted to take a**
8 **look at what you are told the justification is**
9 **for spending sixteen-plus million bucks on**
10 **these studies, we have already got everything**
11 **on the record is what you are telling me?**

12 **A MR. OSLER:** As I have said,
13 Madam Chair, the amount of money that we are
14 referring to, the 15, 16 million, ultimately is
15 that's very large amounts for Mayo B, and it's
16 going to go through some of key decisions
17 before that type of money is spent. It's got
18 some other planning costs for other projects
19 that will go through key decisions before it's
20 spent. We will answer any questions we can to
21 help demonstrate why these studies are prudent
22 and reasonable best ways to get to the next
23 step of each of the project.

24 **Q All right, sir. Thank you, gentlemen.**

25 **MR. KEOUGH:** I am ready to break for

1 lunch, Madam Chair.

2 THE CHAIR: Just before we break for
3 lunch, Mr. Keough, can you give me an idea how
4 long you might have for your cross?

5 MR. KEOUGH: Guesstimate an hour to an
6 hour and a half.

7 THE CHAIR: Thank you very much. We
8 will break for lunch and return around 1:30.

9 (PROCEEDINGS ADJOURNED AT 12:11 P.M.)

10 (PROCEEDINGS RESUMED AT 1:30 P.M.)

11 THE CHAIR: Please be seated.

12 I trust everybody got out
13 for a little bit of sunshine.

14 So we'll hold you to your
15 estimate, Mr. Keough. Are you prepared to
16 proceed?

17 MR. KEOUGH: I am. I thought
18 Mr. Landry was going to file the letter we were
19 talking about.

20 THE CHAIR: Okay.

21 MR. LANDRY: Madam Chair, the letter
22 that was referred to by Mr. Keough, the
23 May 1st, 2009, letter to Yukon Electrical from
24 Yukon Energy, if you want to mark that as the
25 next exhibit for Yukon Energy. I will pass it

1 up, and we'll deal with it later, but get it
2 onto the record.

3 THE CHAIR: I have B-13, so marked.

4 Exhibit Number B-13:

5 May 1, 2009 letter from Yukon Energy
6 to Yukon Electrical.

7 THE CHAIR: Please proceed.

8 MR. KEOUGH: Thank you, Madam Chair.

9 **Q MR. KEOUGH: Good afternoon,**
10 **gentlemen.**

11 I would like to just
12 touch on a couple of areas, first one being
13 brushing. And I wanted to refer you to
14 page 3-8 of the application, as well as your
15 response to YECL-YEC-1-53. And as I understand
16 it, from your response to the information
17 request, you do not have any written policies
18 on brushing or line assessments?

19 A MR. MOLLARD: We're just pulling that
20 response.

21 **Q Sorry.**

22 A MR. MOLLARD: Sorry, Mr. Keough, 53?

23 **Q Fifty-three.**

24 A MR. MOLLARD: Yes, that's correct.

25 **Q And do you have any policies or procedures that**

1 | are not written?

2 A MR. MORRISON: Madam Chair -- are we
3 okay now?

4 Just to help answer that
5 question, in terms of not written, let me say
6 it this way: We have a -- we have a practice or
7 a standard when brushing. And it's changing a
8 little bit, and it's a little hard to be as
9 specific as we used to be. We had a rotational
10 standard in terms of brushing the transmission
11 grids, and -- if that's what we're talking
12 about here. And I don't have it in my memory
13 in terms of exact timelines, but we had a
14 three-year timeline where we would brush, and
15 based on our experience and our practice, we
16 would say brush this half -- part of the
17 Aishihik line or part of the Faro grid, and
18 then we knew that that was a three-year
19 rotation. By the time we were in that period
20 coming back to that piece of line, it would
21 require brushing again. That was based on
22 experience and practice.

23 What we're finding with
24 our brushing practices is that there may be
25 global warming and there may be -- it may be

1 warmer in some regions, but it's been a lot
2 wetter here. And because of this extra
3 precipitation, we're finding that we've had to,
4 in some areas, adjust as much as a year or two
5 quicker to come back to these areas. Because
6 with the wetter weather, what's happened is the
7 brush has grown quicker, and it's required
8 brushing on a more -- more often than we had in
9 the past. So we still haven't quite got that
10 nailed down in terms of a firm practice, but
11 we're monitoring the lines on a more frequent
12 basis, and we're brushing them more frequently
13 because of the wetter weather.

14 So it's a practice, I
15 would say, rather than a policy or procedure.

16 **Q And are you following any recommended industry**
17 **practice, or is it more random than that, that**
18 **you are just trying to keep an eye on the**
19 **brushing situation, and you'll brush on an**
20 **as-needed basis?**

21 **A MR. MORRISON:** Madam Chair, the industry
22 practice meaning we need to keep the brush --
23 we need to keep the lines, the transmission
24 lines particularly, in a state where the growth
25 around the line, in terms of trees, is kept to

1 a standard that wouldn't harm the line. In
2 other words, we don't have a lot of trees or
3 growth under the line or beside the line that's
4 going to impact the line. So to that utility
5 standard, yes, if that's what we're talking
6 about here.

7 **Q And we note on page 3-8 that the brushing costs**
8 **are increasing significantly year over year in**
9 **relative terms for both transmission and**
10 **distribution. To what do you attribute the**
11 **cost increases?**

12 A MR. MORRISON: Well, two things in terms
13 of cost increases, and if Mr. Mollard has
14 something he wishes to add. A) the part that I
15 was talking about earlier, that we are having
16 to brush more frequently on those lines, on
17 both transmission and some of the distribution
18 lines. And the costs of brushing have gone up
19 as well over the period of time. So we're
20 getting a combination of both.

21 A MR. MOLLARD: And I could add to that
22 that we do have our operational personnel
23 survey the lines annually both from the air and
24 the ground, so they have a pretty good handle
25 on what ideas need attention, so to add to

1 Mr. Morrison's point on increasing, the areas
2 that need attention.

3 **Q Do they provide a written report to yourself or**
4 **management on the areas that are going to need**
5 **brushing in the forthcoming year?**

6 A MR. MOLLARD: I don't see anything in
7 writing, no.

8 **Q And how do you come up with your estimate for**
9 **costs of brushing? I mean, is there a**
10 **tendering process? Is there a contractor you**
11 **use? Do you do it internally? I'm trying to**
12 **understand how you come up with your estimates**
13 **of costs?**

14 A MR. MOLLARD: Our contracts are -- our
15 brushing is generally done by outside
16 contractors. The costs are we tender for those
17 contracts, so we know how much we're going to
18 be spending. The operations staff know it's
19 pretty set on a week with some variation for
20 terrain how much ground they can cover in a
21 week. So they'll know, based on their surveys,
22 how much ground they need to cover, and they
23 use that to multiply out time the weekly rate
24 for the brushers to come out with a budget
25 number.

1 Q Now, looking at your brushing program, I just
2 wanted to sort of segue into a couple of
3 questions on system reliability, if I might,
4 and specifically your response to YECL-YEC-1-1
5 that deals with the number of outages.

6 And I also wanted to, in
7 this regard, discuss with you the third aid to
8 cross which I circulated, which is a newspaper
9 article in which you, Mr. Morrison, are quoted.
10 I am sure you are familiar with that?

11 A MR. MORRISON: Well, I have read it
12 since you provided it, yes.

13 Q I am assuming you are familiar with it because
14 you probably spoke the words as well.

15 A MR. MORRISON: Well, I've read it, yes.

16 Q And I would like to just understand a little
17 bit about system reliability here. Am I
18 correct that of the 35 outages you had last
19 year, about 17 were what you are calling
20 "controllable outages"?

21 A MR. MORRISON: Well, approximately, but
22 I'd use the number 19 if I was using it.

23 Q Okay.

24 And about a third of the
25 outages, or 30 percent of them, you are unable

1 **to identify the cause?**

2 A MR. MORRISON: Just to be clear,
3 we're -- I'm not sure that we wouldn't --
4 "cause" might be the wrong word, and it would
5 be the actual reason behind the actual outage
6 happening.

7 We may know that it was
8 on a certain piece of equipment, but in terms
9 of the equipment, we may never be able to find
10 out exactly what happened in that sequence of
11 events to cause that problem. There are
12 instances where that happens, yes, even though
13 we bring in consultants and other electrical
14 engineers to look at it, or mechanical
15 engineers if it's a mechanical issue. Nobody
16 can say for certain all of the time exactly
17 what happened.

18 **Q And if you can't identify the cause, it's**
19 **pretty tough to take steps to rectify the cause**
20 **so it won't happen again, correct?**

21 A MR. MORRISON: Well, sometimes it is,
22 and sometimes it's a process of trying certain
23 things and trying to eliminate what the problem
24 is.

25 **Q And is that the strategy that YEC is utilizing**

1 with regard to addressing reliability concerns,
2 you just try something and hope it works?

3 A MR. MORRISON: Well, I don't think I
4 said that, no.

5 Q Well, maybe you can enlighten me on what your
6 strategy is, then, to try and improve on
7 reliability.

8 A MR. MORRISON: Well, there's a number of
9 front, and I think we've outlined them a number
10 of times or in a number of the IRs. But let me
11 talk about them for a minute.

12 We have done condition
13 assessments on the transmission and generation
14 assets. We have looked at -- from an
15 engineering point of view, we have looked at
16 the system and where we are having
17 difficulties. There is a development of a
18 capital plan by the engineering department and
19 operations department. All of those are
20 looking at the system based on building
21 reliability.

22 And as we go through
23 these processes, we have looked at the
24 condition assessment of what we can and can't
25 do.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12

13
14
15
16
17
18

19
20
21
22
23
24
25

1 is the problem; this is the solution.

2 And some of it was
3 equipment related. You know, historically, the
4 governors on those systems were older. They
5 were a hodgepodge of a system. We've
6 consolidated it to a single manufactured system
7 now. It's fairly standard, and it looks like
8 we've solved the problem.

9 So I would say to you
10 that on all this -- all of these issues, we're
11 looking at the system on a continual basis,
12 we're looking at where we can make these
13 improvements, and where we need to replace
14 older equipment, and that would be the focus of
15 our reliability efforts.

16 **Q Now, in the article that I provided you that**
17 **you have read, the bottom of page 2, the last**
18 **sentence says (quoted):**

19 "Morrison said while the WAF grid is
20 old and in need of constant care...."

21 And, sir, do you
22 recollect characterizing the system as being
23 old and in need of constant care?

24 **A MR. MORRISON:** I wouldn't say that I
25 said exactly those words. What I would have

1 said or what I recall saying is that the system
2 is and the -- as an example, the Faro line, is,
3 you know, my memory is bad, but 35-odd years
4 old, in that neighbourhood. The Aishihik line
5 is also in that neighbourhood; that's old, in
6 my books. And because of those ages, we tend
7 to find these days that we are spending more
8 and more time checking the line, making sure
9 that it's up to a state of operability that it
10 will meet the reliability standards that we
11 have.

12 **Q And, sir, back up in the top third of that**
13 **page, or about just over a third of the way**
14 **down, it says (quoted):**

15 "In the last three years, Yukon Energy
16 has spent approximately \$8 million
17 annually maintaining and upgrading the
18 system...."

19 **Do you see that, sir?**

20 **A MR. MORRISON:** Yes, I do.

21 **Q Sir, would that \$8 million have gone towards**
22 **projects that were designed to maintain the**
23 **reliability of the system at an acceptable**
24 **level?**

25 **A MR. MORRISON:** Some of that money would

1 have, yes.

2 Q And I guess the point is, in your view, has
3 Yukon Energy spent adequate money to ensure the
4 system is at an adequate level of reliability?

5 A MR. MORRISON: Well, I think, you know,
6 we can always spend more money. That's not
7 always the issue with us. It's what we can
8 spend and get done in a -- either a
9 construction season or over the period of a
10 year. And we can't spend all the money in one
11 year because we can't have all of the equipment
12 out of service or we can't do all of the things
13 we want to do because we have to do certain
14 things in certain order.

15 So the money that we have
16 been spending is very important that we spent
17 it in those years. Some of this work builds on
18 other work that we do each year. And I think
19 where we felt very strongly that we needed to
20 do was we needed to look at a whole -- not just
21 a one year, of we're going to spend this money
22 this year and solve all the problems. That's
23 not the case. We can't do that.

24 It's an old system. The
25 two hydro plants are 52 and 50 years old.

But all of this is a build from one year to the next. We can't just say, We have got some reliability issues; let's spend \$30 million in one year. A) we can't physically do it, and B) it's not, from an engineering or project management point of view, you can't do all of these things all at the same time.

A MR. MORRISON: Yes. What I'm telling you is we needed to spend that money to get improvements on reliability. And what also, I think I was saying, is there isn't a magic wand where we just spend a certain amount of money

one year and we solve every problem.

It's a big system, at least big for us. Maybe not big in comparison to other places, but big for us, big for the size of utility that we are. So there's a certain amount of work we can do every year, and the objective is to get a reliability level that's a lot more acceptable than the one that we have been experiencing, but it's going to take some time. And even when we get there, it isn't going to stop. We're going to have to keep spending money and keep, you know, a fairly diligent effort in terms of how we solve the -- or how we maintain the reliability levels we need to maintain.

Q So I'm just trying to be clear on what you are saying, because I'm sort of hearing two different things that are slightly different, in my mind anyway.

The level of reliability, number of outages over the past number of years, has been at an unacceptable level; is that your view?

A MR. MORRISON: In my mind, yes.

Q But, nonetheless, you have been spending what

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

O

A

I mean, there are certain ones that we have to do because as -- let me put it to you this way: They are mandated projects by some regulator. I'll give you an example, is we have to do a certain amount of work on the Aishihik watershed every year to

1 meet the terms of the water licence. It's a
2 capital project.

3 So there's a series of
4 projects that fit into that category. There is
5 a series of projects that fit into reliability.
6 There is a series that will fit into the
7 category, you know, around system enhancement.
8 So, yes, we do prioritize and categorize our
9 projects in our capital planning process.

10 Q Could I just move on to a couple of questions
11 about the hearing cost reserve issue, and I am
12 looking as well at your response to
13 YECL-YEC-1-28 REVISED.

14 And I think this was
15 updated as part of your April 24 filing as
16 well. If you have those references, I will add
17 another one to it because I have just found it;
18 it's page A3 and A4 of the update, being
19 Exhibit B-10, the April 24, '09 update.

20 And I just want to
21 understand. Like, currently you are proposing
22 or suggesting that your estimate for the
23 hearing costs will have gone from 800,000 to
24 1.1 million?

25 A MR. MOLLARD: That's correct.

1 Q And that is primarily because this case has
2 been more complex than you figured; is that --

3 A MR. MOLLARD: We did experience
4 significantly more IRs than we had planned on
5 having to deal with.

6 Q And as I understand your proposal now, it is to
7 amortize that amount over three years, '8, '9,
8 and '10, as 400, 400, and 300,000 respectively?

9 A MR. BOWMAN: Well, Mr. Keough, without
10 being too specific on the point, the updates,
11 page 84, estimated the hearing costs at
12 1.1 million, but of course they will be what
13 they will be, depending on the Board's orders
14 out of this hearing. So in order to help make
15 sure we could put together a revenue
16 requirement that could be known and could test
17 and know what the rates will arise from it, we
18 determined that it made sense to retain the
19 amortization at \$400,000 a year until such time
20 as the amounts are amortized.

21 If the costs the Board
22 approves for the hearing are less than what is
23 set out here or the costs go higher than what
24 is set out here, it will take less time or more
25 time to amortize those costs off.

Q I understand that, and fair enough. I am just trying to confirm your understanding of how this hearing cost reserve would work and whether or not it's, in your view, different than maybe other reserves.

A MR. BOWMAN: Well, Mr. Keough, I'm having recollections of a very similar discussion in 2005 at that hearing in regards to hearing costs on basically the same issue. And the answer is -- is the same as it was then: Yukon Energy incurs hearing costs, amortizes them over a period or at a rate approved by this Board, and when there is no cost left to amortize, the amortizations stop. The same as amortized costs, if you go to

1 tables, the ones we were at earlier today, 5.2
2 to 5.7, we have a study and we amortize it over
3 five years, at the end of the fifth year, there
4 is nothing left to amortize; it stops. The
5 same as these others, and others come in to
6 replace it.

7 It's a simple amortized
8 cost, the same way as any other deferred cost
9 in the cost structure.

10 **Q It is not a reserve similar to the reserve for**
11 **injuries and damages, where a provision is made**
12 **each year and continues throughout the non -- a**
13 **nontest-year period?**

14 **A MR. BOWMAN:** That's correct. It's not
15 like that. It's never been.

16 **Q Right.**

17 And so if your approach
18 is approved, the existing rates that are
19 established will result in customers paying the
20 400,000 in 2010 and 2011, if those are not test
21 years, correct?

22 **A MR. BOWMAN:** Well, again, this is --
23 the questions that we dealt with in 2005, and
24 again the answers are the same. 2010's costs
25 will be what 2010's costs will be. At that

1 time the forecast for 2008 or 2009 will not be
2 the same.

3 I think Mr. Morrison laid
4 out earlier on brushing, they will be brushing
5 a different section of line or brushing will be
6 down and something else will be up. The costs
7 change over time. Rate reviews deal with the
8 years in question, and in this regard, the end
9 of amortizing your GRA costs is the same as
10 amortizing any of these other studies you will
11 see ending in Table 5.7.

12 **Q So, basically, you are not asking for a**
13 **reserve, you are just asking for an**
14 **amortization; is that the difference?**

15 **A MR. BOWMAN:** This application does not
16 seek approval to do anything different than has
17 been in the past. GRA costs amortized over the
18 period it takes to amortize them off, given a
19 rate of \$400,000 a year.

20 **Q And you would agree with me that if one were to**
21 **look at a reserve like the reserve for injuries**
22 **and damages, in that case the Board approves an**
23 **appropriation each year, and it accumulates and**
24 **gets adjusted at the time of the subsequent**
25 **rate application, GRA?**

Q I would like to turn to Section 5 of the application now, and I would like to chat with you about some of the capital projects that are included therein, as well as some of the associated information responses that you have provided to Yukon Electrical.

And I am looking at
page 5-1 at the start. Now, I think we may
have clarified this this morning, but I just
want to be on the same page with you. You make
reference on lines 23 to 24 about certain

1 capital projects having been previously
2 reviewed by the Board, correct?

3 A MR. OSLER: Yes.

4 Q But you are not suggesting there that that
5 review in any way, shape, or form authorized
6 YEC to go ahead with any of these projects,
7 right?

8 A MR. OSLER: To go back over this
9 conversation this morning, the Board in the
10 sense that I think you are using the word,
11 doesn't have a statutory authority to authorize
12 either utility to do a capital project. What
13 it -- what we did intend with the resource plan
14 was that we would have honoured the commitment
15 that the company made to find a way to get
16 projects more than \$3 million, before the Board
17 before they were finally committed, for the
18 Board's review and recommendations. And that's
19 the best we can do under the statutory
20 framework in Yukon.

21 So we did intend that
22 that be done, and that would be the Board's
23 review on matters such as the ones we were
24 talking about this morning, the need of the
25 options and the prudence of going forward.

5 Q All right, sir.

L2 | A MR. OSLER: Yes.

15 A MR. OSLER: Yes.

18 A MR. MORRISON: Well, Madam Chair, I'm
19 not sure how to interpret the word "original,"
20 but let me talk about --

24 When we look at a
25 project, we start very early on in the project

1 stage, including Carmacks-Stewart, and we did,
2 with very little -- with little information,
3 put together what we thought were numbers. But
4 we were in front of this Board on the
5 Carmacks-Stewart project, and what we explained
6 was that as a go-forward basis for the project,
7 and we can start with a number today with very
8 little information.

9 But what we did was we
10 kept building on both our engineering
11 information, our design information, our
12 regulatory information. And when we decided to
13 proceed with this project, that we would not
14 proceed with the project prior to getting our
15 Board approval. And we wouldn't do that
16 without having tendered construction costs
17 available to us so that we would know exactly
18 what the cost of the project was, rather than
19 try to come up with a very early number and try
20 to suggest to people that that was a number
21 that was something we could hang our hat on and
22 justify. And that's not how the process works.

23 So with tendered numbers,
24 tendered information, and a very high level of
25 engineering information in front of us, we were

able to say to our board that the cost of the Carmacks-Stewart line was going to be, and I'm just -- if you give me a second, because I want to get the right number -- was, on the main spur -- on the main line, \$27.8 million, and on the spur line, 8.8, for a total of \$36.6 million.

And the cost of the project came in within a few hundred thousand dollars on the main line of the number we started out with.

If we take out of that number the requirement that we got from the YESAB process to reroute the Tatchun -- location of the line at the Tatchun Creek, and that requirement that we came out of the YESAB process with cost us \$1.9 million -- sorry, \$1.8 million.

And other than that we were within a few hundred thousand dollars of our budget on the cost of the line. But what was the -- I wouldn't be satisfied saying to anyone that we had a cost for that project until it was a cost approved by our Board.

Q Sir, I'm not sure in that lengthy response you

1

2

4

5

8

L3

L4

16

L8

20

21

22

25

1 here. I thought the question started off
2 looking at Carmacks-Stewart line, and the
3 answer was that the original amount in the
4 resource plan hearing was 22.6 million cost
5 estimate, and there was a range.

6 The final cost of that
7 line is 29.7 million, in round numbers,
8 including the Tatchun reroute, which is
9 1.8 million. Absent the Tatchun reroute it's
10 27.9 million. So the record will show that
11 that's the numbers between the first time
12 anybody saw any estimates back in the resource
13 plan, which had no preliminary engineering, as
14 we explained to the Board at the time, and the
15 final numbers that came in.

16 The board of directors of
17 Yukon Energy approved a cost, which had tenders
18 for most items, but not substations, in
19 September of 2007, in round numbers, of
20 27.8 million. Mr. Morrison's referring to the
21 performance of the project relative to the cost
22 approved by the board of directors at that
23 time, which was preknowledge of the YESAB's
24 final decisions on the Tatchun reroute.

25 **Q With regard to the spur line -- you gave me the**

4 A MR. OSLER: Using the same
5 information, and that's the time we were before
6 the Board, in the resource plan and the time
7 that the PPA was approved, signed, let alone
8 approved, the number was 3.8 million, in round
9 numbers. The final cost number, including any
10 changes made by YESAB, is 10.8 million, as set
11 out in LE-47.

L3 A MR. OSLER: The board of directors
L4 approved a cost in September of '07, based on
L5 tendered line construction, but still the
L6 substations had not been tendered, of
L7 \$8.8 million. And Minto, of course, is paying
L8 all of the spur costs.

23 A MR. MORRISON: The -- well, so
24 Madam Chair, the --

Calgary Independent Reporters 403.265.2550 **Edmonton Independent Reporters** 780.488.1464

1 set the stage, resource plan, we had no
2 engineering and final estimates.

3 A MR. MORRISON: Okay. Madam Chair, and
4 that's where I want to be clear here. Two
5 separate issues from the -- I think we have to
6 look at.

7 When we came to the
8 resource plan hearing, we had a number. And we
9 talked about those numbers, we had a range for
10 the main line and the spur line. And, again,
11 it's this -- to go back to what I was talking
12 about earlier about when in a process do you
13 have numbers that are really very preliminary
14 estimates versus very concrete information or
15 concrete numbers that you can rely on in terms
16 of contracting a project and going ahead.

17 And in the resource plan
18 process, our -- the information we had on the
19 spur line was very, very preliminary. And I
20 believe there was an assumption made at that
21 time that the cost of a smaller line, in terms
22 of the line and the poles, was going to be
23 significantly different than the cost of the
24 main line, which is a larger conductor, 138
25 versus 25, and poles and so on and so forth.

- 1
- 2
- 3
- 4

5
6
7
8
9
10
11
12
13
14

15
16
17
18
19
20
21
22

23

24

25

1 to ground that every pole we put in was put in
2 with a helicopter. So the crew had to be
3 helicoptered in every day, all the equipment
4 had to be helicoptered in, all of the nine-foot
5 diameter holes for the poles had to be done by
6 hand.

7 All of these things and
8 the amount of helicopter time, even in our
9 original thought, was significantly higher in
10 order to do this. So we incurred this
11 \$1.8 million cost overrun.

12 On the spur line the big
13 cost that we couldn't control -- and we're
14 building this probably in terms of Canada, and
15 perhaps North America, you know, at project
16 levels and pricing levels, we're building at a
17 time in Canada where you couldn't get
18 contractors, you couldn't get men and
19 equipment. The price of materials went out of
20 sight, and it was a substation cost that drove
21 it from what we thought was \$8 million to
22 \$10 million.

23 **Q What I'm struggling with is you appear now to**
24 **be distancing yourself from the validity of the**
25 **numbers in the resource plan, but on other**

occasions we have discussed today, the resource plan appears to be a very strong document that you are relying upon, because you are saying this Board examined these projects at that point. But now you are basically saying the projects are quite different, the costs are quite different, and the resource plan was preliminary. I am struggling to reconcile those two positions.

A MR. MORRISON: Madam Chair, I hope I haven't confused anything that way.

All I am talking about today is in the resource plan, when we talked about those projects, we had a certain amount of information, and we based the information we provided to the Board on what we understood those costs were to be, based on the preliminary stage they were at.

But when you look at a project, you can't just go outside and look at something and say, You know, we think it's going to cost X because we had a contractor come down here and look at it. These are very significant projects.

We refine the project as

1 we go forward based on the information we can
2 develop, and I think that's a big part of where
3 the difference is. I'm just trying to explain
4 that, not the fact that we didn't think the
5 numbers we had at the time were right.

6 They were very good
7 numbers based on the information and the state
8 of the project at that point in time, but they
9 devolve.

10 And Mr. Osler has a point
11 he'd like to make.

12 A MR. OSLER: It underlines probably
13 everything we were talking about earlier. The
14 difference between the numbers that we had
15 before the Board in the resource plan, the PPA,
16 and the Part 3 hearing, and the numbers the
17 board of directors had around June of 2007 was
18 that there was preliminary engineering that
19 cost whatever it cost, but it wasn't cheap. It
20 had been carried out.

21 YEC, in its wisdom, did
22 not want to undertake those commitments for
23 that preliminary engineering until it had a
24 PPA. It did not engage the engineer until
25 March of '07, didn't put out a tender for that

For all the other reasons, nobody could put that information in front of the bodies we were reviewing because it wasn't available. As soon as that information was available, the cost estimates for the projects we're talking about was materially increased.

The Board here and Mr. Morrison and I had a discussion at the very end of the Parts 3 hearing about the range of the possible costs, the 20 percent higher than midpoint, and how much higher could it go? The point of our investigation at that point in time is, How much latitude does this project have and still be -- have no adverse effect on ratepayers.

And we didn't answer forthrightly, I guess, the question about how high could the costs go before the project wasn't for sure a project anymore. And it's right at the very end of the transcript of the cross-examination -- Board's questions of us.

1 But we knew that it was a lot more than
2 20 percent. And it would still make a very
3 good project for ratepayers.

4 I can tell you,
5 Mr. Morrison can tell you, how happy his board
6 of directors was when the preliminary
7 engineering came in, and we went over the whole
8 thing for two weeks in terms of is this project
9 still viable or not, because it's more than
10 25 percent -- about 20 percent above the cost
11 estimates we were working on.

12 But we took a deep breath
13 and looked at the benefits to ratepayers and
14 all that stuff, and Mr. Morrison talked with
15 Minto, and they took a deep breath, and
16 everybody said, This is still a good project.
17 We don't like the numbers, but it's still a
18 very, very good project.

19 And from that point
20 forward, having spent that money on preliminary
21 engineering, but only after certain things had
22 been achieved, the parties then waited to see
23 what the bidding -- what the actual tenders
24 would be. The tenders came in very well on
25 line work relative to the engineering, the

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

The board of directors elected in September, for all the reasons you can understand about schedule, to go forward and commit the project, subject to the final permits from YESAB, in September, based on the line construction tenders, without having the substation tenders yet.

When the substation tendering was finally done in the spring of the next year, it was clear that there were material cost increases there compared to what the engineers had estimated. There was also the issue of the final changes that came from the final permitting.

Calgary Independent Reporters **Edmonton Independent Reporters**
 403.265.2550 780.488.1464

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

11
12
13
14
15

16
17
18

19
20
21
22
23
24
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q All right.

Q Could I get you to look at page 5-7. And I just had a couple of questions on the Minto diesel units over to 5-8.

A MR. MORRISON: Well, Madam Chair, in

And so those conditions that were outlined in the power purchase agreement, which was reviewed, were the -- were the -- were carried out or have been carried out by us, as my understanding, is all the work that has been done or is just about to be finished being done by Minto.

A MR. MORRISON: Maybe Mr. Osler can help me on the price, but the price was a negotiated

1 price.

2 A MR. OSLER: Not -- the original price
3 that was in the PPA approved was based on
4 original cost less some provisions for the fact
5 that they weren't going to be new, with extra
6 provisions in the agreement to deal with what
7 overalls they would have had to have executed,
8 and the implications in terms of reduction of
9 price if they haven't, and depending how many
10 hours were on each machine.

11 It was also cross-checked
12 against the alternative costs that the company
13 was aware of for other machines of a similar
14 type at that time, and the price was resolved
15 on that basis. And the -- the requirements in
16 the PPA, referring to PWP-21, has some of the
17 review of these matters.

18 But the requirements in
19 the PPA for Yukon Energy to be satisfied at the
20 condition of the machines is in the PPA. It's
21 in the article on diesel units.

22 **Q Has that condition been satisfied?**

23 A MR. MORRISON: Madam Chair, perhaps if
24 we can -- Mr. Osler said, we can refer people
25 to PWP-HML-YEC-1-21.

1 And the conditions
2 outlined there, as I indicated, there is a
3 minor or top-end overall on units with
4 8,000 hours of operation. And then for units
5 with 16,000 hours of operation or more, a major
6 overall, in accordance with the manufacturer
7 recommendations.

8 So what I can tell you is
9 this: three of the four units had a minor, or
10 8,000-hour overhaul, and completed -- and
11 that's been completed. And none of the units
12 is approaching the 16,000-hour threshold.

13 A MR. OSLER: And I just would say that
14 the units, at this moment, are still not --
15 have not been assigned to YEC. The primary
16 ration -- reason for that, as I understand it,
17 is relating to the environmental permits that
18 Minto had for the units, and the issue that
19 what we have to do for YEC to be able to take
20 over the units.

21 It's not related, I am
22 advised, to issues of concern about the quality
23 of units. But I can't -- I cannot tell you
24 that to date YEC has signed off on all of the
25 items.

1 The primary reason being
2 it's going to take a bit more time to get the
3 environmental permits in place that will allow
4 Minto to be able to give the assigned units.

A MR. MORRISON: Let me be clear, Madam Chair. We can't operate the units without a diesel emissions permit that YEC holds. And we have been in the process of getting that permit since early last fall or late last summer. And we expected that we will have that permit any day. We have been -- we are -- excuse me, maybe not any day, but soon, because it -- I shouldn't talk, you know, in those kinds of terms. There's no -- you know, there's a process, and we have to finish the process.

But once we get a permit to operate those diesels and we have -- we can't -- we can't have those diesels transferred to our possession until that happens, and that's the condition that we are trying to fulfill at the moment.

Q Now, on page 5-8 of the application, around lines 11 to 13, there is a discussion of Board Order 2007-5 and the requirement for a

1 demonstration of need and a business case
2 supporting the option to purchase.

3 Can you identify for me
4 where that business case and demonstration of
5 need is located? Is it meant to be satisfied
6 in the text that follows?

7 A MR. OSLER: Yes. The need issue is
8 addressed in page 5-10. The economics issue is
9 addressed in pages 5-8, 5-9, and some
10 additional factors contributing to the
11 assessment are listed at the top of page 5-11.

12 Some of it -- in summary,
13 the need for the units is based around the
14 capacity requirements of the system and where
15 we are in meeting those. And the point is made
16 at line 17 to 24 on page 5-10 that there is
17 indeed a need for these particular diesel units
18 at this point in time and that electing to go
19 with these units gives us flexibility in the
20 timing that we spend money on some other units
21 in Whitehorse, and so we just simply delay
22 their funding and upgrading or refurbishment
23 until such time as they would be needed to meet
24 the capacity requirements that we were talking
25 about earlier, capacity peak winter.

1 In terms of the cost
2 issue the Board had raised concerns about,
3 pages 5-8 and 5-9 address the comparability of
4 meeting this capacity need for peak winter
5 reliability based on the options that the
6 company has.

7 And, in summary, with all
8 of the upgrades and putting in SCADA and other
9 things that would be needed to have these units
10 be an effective part of the Yukon Energy
11 Whitehorse-Aishihik-Faro system, the cost is
12 about .498 million, it says in line 8 at
13 page 5-9, and that is shown to be competitive
14 with the Whitehorse Mirrlees units, which at
15 line 27 is shown at .482 million per megawatt
16 in each case.

17 So our understanding is
18 that, and I'm summarizing, that the need and
19 the cost efficiency are addressed. There are
20 other issues that we think are relevant, and
21 they are listed in page 5-11. They are near a
22 major load, and in that sense, two of the
23 three units, as we have said in other
24 testimony, would rank next to the top in the
25 diesel generation stacking order, so that

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

They could be run without an emissions impact in Whitehorse. We are not saying an emissions impact in Whitehorse, in our opinion, is a major issue from the point of view of meeting the requirements of the environmental permits and everything else, but we are well aware that several people in Whitehorse have said that they are concerned about those things.

And in the near term units, provide a cost-effective contingency protection in the event that we have other mines develop in the area who will not have on-site diesel to the same degree as this mine, we have extra contingency in the area.

The four -- some of the units we have to hold for, I think, two years, and the balance -- at that time we have flexibility in dealing with them. The balance of the units probably would be there for quite a long time period, unless Minto wants to take them over.

1 Q A couple of follow-up points, if I might.

2 You said that the units
3 are located near a major load. That would be
4 the Minto mine itself --

5 A MR. OSLER: Yes.

6 Q They are not near Whitehorse?

7 A MR. OSLER: No. It's a 30-gigawatt
8 hour load, which is not trivial, and it's going
9 to grow to be bigger. So it's -- relative to
10 the size of the diesels and everything else,
11 it's a material load.

12 Q Right. But they were located near that load
13 when they were owned by Minto, right?

14 A MR. OSLER: Correct, but once we hook
15 up Minto through the PPA, we have to serve --
16 that becomes our load.

17 Q Right.

18 Now, the -- you mentioned
19 in your comments about the flexibility. I
20 think you were talking about the flexibility to
21 move these units. And I was looking at
22 page 5-9, Footnote Number 9. There are certain
23 restrictions on YEC's ability to move those
24 units?

25 A MR. MORRISON: Yes, there are. Those

1 operation that we need in the area. But I
2 don't see as, at least at the moment, moving
3 the majority of those units any time in the
4 near future, unless there's no mine there,
5 which we would then have to rethink.

6 But it's very beneficial,
7 from an operability point of view, to have
8 those units in that area.

9 A MR. OSLER: The flexibility comment,
10 just to be clear, relates to what Mr. Morrison
11 just said at the end as well. Some day the
12 assumption is there will not be a mine there.
13 And if by chance there is still a couple units
14 there, they are not locked down the same way we
15 have had the issue in some other locations. So
16 that flexibility was judged to be not decisive
17 but worth noting from the point of view of an
18 assessment.

19 Q All right.

20 On page 5-9 there is a
21 discussion of the Whitehorse Mirrlees, and I
22 just wanted to chat about those for a moment.

23 I'm trying to understand
24 the rationale that YEC went through to conclude
25 that these were a deal, if you will, in terms

1 of the costs. Am I correct that what you are
2 doing is you take the cost, and you spread it
3 over the number of what megawatts and the
4 number of years that you forecast they will be
5 operated, and you then come up with a dollar
6 per megawatt number using that math?

7 A MR. MORRISON: Madam Chair, I am going
8 to let Mr. Bowman do the math because he is a
9 lot better at it than I am.

10 But, generally, what we
11 did is we looked at what -- we have -- we have
12 a capacity planning criteria that we have
13 reviewed here with the Board. When we look at
14 that capacity planning criteria, we need the --
15 we need so many megawatts of capacity to back
16 up the system. So in part of that analysis,
17 we -- these units, and there are three
18 35-year-old Mirrlees in the Whitehorse plant
19 and where we started this analysis.

20 And if we took those out
21 of service because they were at an age where
22 they should come out or be retired or they
23 could be retired and we had to replace it, we
24 came up with a cost for replacing those units.
25 And let's just say, in round numbers, it is

So when we looked at that, then we looked at what it would cost us to refurbish those units. And I think we had a very lengthy discussion here in front of this Board about the benefits of doing the refurbishment over providing new units at a higher cost, a substantially higher cost, considering that they were backup. They are backup units. They are there to provide capacity. And hopefully we don't run them, and if we do run them, we run them very little.

So that's the general
genesis of what I was talking about, but
Mr. Bowman might add some of his -- some of his
number skills.

A MR. BOWMAN: I'm not sure what else specifically to add in terms of numbers. I would just note that the -- from an economics type of analysis, what the resource plan was working on was establishing, in the first instance, that there was a need for capacity.

1 as Mr. Morrison said.

2 So that once that is
3 known, the question comes down to, What is the
4 alternative to get that capacity? You know you
5 have to do something, it is just what are the
6 costs of the different ways to do it.

7 At that time the Mirrlees
8 was -- when we first filed the resource plan,
9 the Mirrlees option related to 14 megawatts of
10 generation at Whitehorse, three units, two
11 5 megawatt units and a 4 megawatt unit, and an
12 estimated cost in the resource plan that's a
13 number I won't recall from the original
14 document, but there was an update done to it
15 which noted that there was actually even a
16 further 5 megawatts related to the Mirrlees
17 unit at Faro. So we are talking about a total
18 of 19 potential megawatts.

19 And by the time we got to
20 the resource plan hearing, the numbers that
21 people were working with was approximately
22 \$5 million, in 2005 dollars, to do the Mirrlees
23 at Whitehorse. And on top of that, another
24 1.4 million that was common systems related to
25 the entire diesel plant, some seismic, upgrades

1 to the building, and dealing with some
2 air-handling issues, for example. And a
3 further 2.3 million at Faro. These were the
4 numbers that we ran.

5 So when you put all of
6 that together, it comes to 8.7 million for
7 19 megawatts. It was just under half a million
8 a megawatt in 2005 dollars.

9 That was confirmed in the
10 resource plan to be the cheapest option
11 available to Yukon Energy, and it offered some
12 benefits in terms of flexibility and the like.

13 We -- when you're dealing
14 with the numbers in this filing that you are
15 dealing with, at page 5-9, what it's got now,
16 that Mr. Osler would know, is a lot better
17 numbers, after a lot more work, related to
18 these units.

19 In the resource plan
20 hearing, the numbers I just went through, that
21 led to 8.7 million, we did a further
22 sensitivity that said, What if it came in
23 \$5 million higher than that? What if we really
24 missed the mark? Because we knew that there
25 was a lot of uncertainty, 35-year-old units

What we now know, based on what's here, and what's underway, units that have been taken apart and basically a few of them put back together, or close there to, is that we are on track for the lower cost estimate that we went through the resource plan, approximately half a million a megawatt, still holding at approximately that level, for the Mirrlees that are being done. And that includes costs all the way out to 2012, as they are all done in an orderly sequence.

Given that we had set that benchmark, that this was the lowest cost way to get that capacity, half a million a megawatt, the Minto diesels were always viewed against that best alternative. So when the Minto diesels can come in as a key component of the PPA, or acquired component of the PPA, to bring on line the capacity at effectively the same price, and offer these additional benefits that Mr. Osler noted, like flexibility and ambitions and being close to load, for example,

1 they, if anything, matched, if not had a leg
2 up, on the Mirrlees. And I guess in that
3 regard my comment on the movement or
4 flexibility is -- it's not absolute. You can't
5 move them any day you want, but they are a lot
6 more movable than a Mirrlees is.

7 So when you are comparing
8 the Mirrlees benchmark, that's where the diesel
9 has got to leg up, and that's why they end up
10 being a useful acquisition. So I think that
11 may deal with the numbers that you were using.

12 **Q Now, you talked about the current cost estimate**
13 **being in line with what was forecast. And have**
14 **the units actually been refurbished, and are**
15 **there any of them up and running, so to speak,**
16 **in their backup capacity?**

17 **A MR. MORRISON:** No, Madam Chair. The
18 unit -- I mean to be very clear. Units are in
19 the process of being refurbished. The Faro
20 unit, while we started it before the Whitehorse
21 unit, we changed plans partway through. And
22 with the Whitehorse unit, I would say is a week
23 or two away from being operable. So it's very,
24 very close.

25 What we've done through

1 this process as well, is we have been able to
2 refine our process and systems on how we can
3 deal with these subsequent units, these
4 Mirrlees. You will recall that when we
5 discussed these -- whether or not to do these
6 units at the previous hearing, we talked about
7 the big issue, from our perspective, was, as
8 Mr. Osler noted, A) when we opened them up, are
9 there big surprises, because they are very big
10 units; they don't move. And B) could we
11 continue to get the parts?

12 So we have solved, and I
13 think discovered, two things that I think are
14 informative and, as Mr. Bowman mentioned, will
15 keep our costs down to these lower levels.
16 One, we've found that through some -- you know,
17 some process, and it wasn't always an easy
18 process, that we can get the parts, and that
19 probably the original equipment manufacturer is
20 the best source of the parts, even though
21 they -- you know, they don't have as big an
22 operation in Canada as they used to have, we
23 still seem to be able to get the parts and get
24 them in a fairly timely manner.

25 The second one in the

1 process that we discovered that we have an
2 unlikely source of assistance in Western Canada
3 for helping us with these Mirrlees, and that is
4 BC Ferries. And BC Ferries are run on Mirrlees
5 engines. Not all of them, but they certainly
6 have a very large fleet of Mirrlees within the
7 BC ferry operation. They also have a very,
8 very large and comprehensive cadre of qualified
9 Mirrlees mechanics and experts, because they
10 fix these engines all year long.

11 And, in fact, they are
12 the ones that have done the overall of WD3, the
13 Whitehorse Mirrlees. So we contracted with
14 them; they set up a crew; they have done the
15 work. It's worked out -- from my perspective,
16 it's worked very well. It's economic; it's
17 well within budget. As a matter of fact, it is
18 probably going to be a little bit under budget
19 that we set. And they will finish the Faro
20 unit for us as well.

21 So we have been able to
22 find -- solve some of the issues that we
23 thought we might be faced with during the last
24 time we discussed them, and they're coming in,
25 as Mr. Bowman indicated, you know, at the lower

1 end of the range.

2 Q Gentlemen, just to confirm, the analysis that
3 you did was, as we discussed previously, in
4 terms of deriving a comparable per-megawatt
5 cost, but there wasn't a stand-alone cost
6 benefit analysis done of this project?

7 A MR. OSLER: Before I make -- that --
8 we have described to the Board what we did.
9 The Board knows because it was here. I don't
10 know what a stand-alone cost benefit would mean
11 in the context of the time we were before the
12 Board trying to justify going ahead with this
13 in light of the options.

14 It's several projects
15 too, in the sense that the decisions that have
16 to be made are made separately for the Faro
17 unit and each one of the Whitehorse units, so
18 there are some synergies in Whitehorse.

19 So I think we have
20 described a process of rigorously going through
21 and assessing the costs, the options, the
22 benefit of this choice rather than that one,
23 trying to make sure we thought of all the
24 choices, and then all the risks, because the
25 numbers are always subject to risk. You just

1 repeated them all over again, and we've just
2 seen, in a learning sense, what happens, since
3 the last time we were before the Board, and in
4 this particular instance, the risks have been
5 managed and people were very happy with the
6 outcome, both with respect to part supplies and
7 the actual business of getting the job done.

8 I guess the one thing
9 that's been frustrating is it's taken time to
10 get that learning. It's probably driven some
11 management people to distraction at times. But
12 that's the biggest cost is management being
13 driven to distraction; it isn't ratepayer
14 cost.

15 **Q All right. Maybe we can move on.**

16 I am going to talk to you
17 a little bit about a couple of the revised
18 information responses you provided to
19 Yukon Electrical. The first being YECL-YEC-1-5
20 REVISED, and I am looking at page 2 of 12,
21 Part B of that question. This is on Mayo B.

22 My first question --

23 **A MR. MORRISON:** Madam Chair, could you
24 please give us a minute; we are just not quite
25 there.

A MR. OSLER: I am just having trouble finding it, sir.

Sorry.

A MR. MORRISON: Madam Chair, we are ready.

THE CHAIR: Please proceed,
Mr. Keough.

MR. KEOUGH: Thank you, Madam Chair.

Q MR. KEOUGH: My first question, actually, is on the footnote on page 3 of 12. And I am trying to understand if I am reading the footnote correctly. Is it YEC's position that the Mayo B project is dependent upon the Carmacks-Stewart transmission line Phase II?

A MR. OSLER: We think that the --
under normal circumstances we would say that to
make this project viable, you would need the
Carmacks-Stewart line completed because the
project provides the largest single source of
new renewable energy that we have available to
us in the near term, and we need that not only
on the Mayo system but also on the WAF system,
given the forecast.

Now, in this business,

1 Mr. Morrison may want to say something else, in
2 the sense of you have to think of all the
3 possibilities, and there may be a possibility
4 lurking somewhere out there that that answer
5 would have to be modified if somebody provided
6 contributions of something. So you have to be
7 very careful what you say when you are looking
8 for ways to try to make things happen.

9 But, basically, we have
10 said that in terms of normal economics,
11 normal -- our recommendations, as a company,
12 that this project is contingent on having
13 Carmacks-Stewart in place for the reason I
14 gave, and for an additional reason, you not
15 only have to have it in place, we want it in
16 place by the spring of 2011, so that when we
17 have to shut down the Mayo unit for the final
18 stage of construction of connecting the new
19 unit with the old facility, you have to shut it
20 down. We have access to summer power from the
21 hydro system down south, and they are not
22 running diesels on the Mayo-Dawson system that
23 would add to our costs. So there is a timing
24 issue and a basic requirement issue.

25 There is this

1 contingency, if somebody came along and
2 provided an awful lot of money to help build
3 this unit today to have it in place but we
4 didn't have the Carmacks-Stewart line, what
5 would the company do? The company would have
6 to think about it.

7 Is that fair?

8 A MR. MORRISON: Just to help answer the
9 question, the question is, Yes, and as
10 Mr. Osler indicated, but depending on the
11 circumstances, and depending on, you know,
12 what's available to us in terms of
13 contributions and all of those things, we may
14 have a different answer. But I really just
15 want to couch it in that -- you know, in that
16 context, that's all.

17 Q Based on the information we currently have,
18 should the Board and ratepayers be looking at
19 both projects jointly; are they tied at the hip
20 so that both should be assessed together?

21 A MR. OSLER: I think the
22 Carmacks-Stewart project as a general project
23 has been licenced, and the Board is provided
24 comments on it, recommendations on it. And it
25 has a different timing possibility for all

- 1
- 2
- 3
- 4

5
6
7
8

9
L0
L1
L2
L3
L4

L5
L6
L7
L8
L9
20
21
22
23
24
25

1 So we are finished with that process for that
2 purpose.

3 Now, for other purposes
4 there are regulatory issues that we still have
5 to face on Stage 2. The Mayo B project is in
6 an assessment process at the moment. It is
7 being assessed by YESAB.

8 **Q Thank you.**

9 Now, you acknowledge on
10 page 4 of 12 that government infrastructure
11 funding is needed in order to make the project
12 viable. What level of government
13 infrastructure funding are you talking about?
14 It says "material portion of the project...."
15 I wasn't sure what that meant.

16 **A MR. OSLER:** Well, the statement says
17 in order to get the purchase costs, the
18 generation costs in a levelized sense down to
19 the range of 8 to 10 cents a kilowatt hour,
20 those are the green power generation in
21 British Columbia for new green power.

22 Other than -- otherwise,
23 the couple of paragraphs up, it says the cost
24 level has to be 18.2. So we are talking when
25 you say material amount of the cost, it's in

1 the realm of 50 percent of the cost of the
2 project.

3 But it's essentially to
4 enhance the benefits to ratepayers; the project
5 is still less costly than diesel.

6 **Q Now, when you are saying that you want to get**
7 **the risks to ratepayers within acceptable**
8 **bounds, I think that's the terms you are using**
9 **there, is that expectation that if you got**
10 **50 percent of the costs funded, that would put**
11 **the risk within acceptable bounds?**

12 **A MR. MORRISON:** Madam Chair, what we're
13 being very clear about here is that we'd like
14 to get the cost into that 8- to 10-cent range,
15 because we think that's what is an acceptable
16 cost range for the hydro project that
17 ratepayers could accept. So if that's an
18 acceptable bound, I think that would be what we
19 are talking about.

20 There is no argument,
21 from our perspective, that \$120 million for the
22 size of the project that we can't go forward
23 with it if we can't get a major contribution,
24 because ratepayers can't afford that. So we
25 are looking at this major contribution. We

1 will see, hopefully, in the near future,
2 whether we will get that money or not. But
3 without that substantive contribution, we can't
4 go forward.

5 The real difficulty that
6 we have here is that we have increasing loads.
7 The only option that we have in front of us is
8 to get the quantity of energy that we need.
9 And when I mean that, in the 30- or
10 40-gigawatt-hour-a-year range is Mayo B.

11 If we could find another
12 project that was cheaper and we could do it in
13 the time frame, we would be looking at it.

14 This option, with some
15 government funding, gives us a real
16 possibility. You know, at \$120 million, we are
17 not trying to pretend it's economic. At 60 or
18 50, maybe it is getting down into that range,
19 and we think it is getting down into that
20 range. But the balance here is -- and I'm sure
21 we'll come back to this, you know, analysis of
22 the costs and the benefits. The balance is
23 that if we have to -- let me simply put it to
24 you that if we have to generate that 30 or
25 40 gigawatt hours of new load, additional

1 growing load, with diesel, that's the easy way
2 to do it, we just turn the diesels on. Really
3 simple. We could turn the diesels in Dawson
4 back on, and, you know, there is 3 or 4 or
5 5 megawatts there. We can use those. We've
6 got diesels in Mayo and can use those.

7 But I would put to you,
8 and other people who are probably more expert
9 than I in terms of quantifying numbers again, I
10 would put it to you that the fuel cost of
11 diesel, just the fuel cost of generating a
12 kilowatt hour of diesel, is roughly 25 to
13 30 cents, even today. So just do the math.
14 It's really simple: 30 cents times
15 30 gigawatt hours, that's \$10 million a year in
16 diesel costs. Ratepayers can't afford that.
17 We don't want to do it for greenhouse gas
18 emissions purposes, for compliance with all
19 kinds of regulations.

20 And when we look at this
21 project, we think that we can -- we have got
22 some -- a lot of work to do. We're nowhere
23 near making a decision to go ahead with it,
24 because we're looking at certain things falling
25 into place. And if those things fall into

1 place and at those levels, we think it does
2 some -- stand some chance of providing great
3 benefits for ratepayers.

4 Q Well, who would have the risks if the capital
5 costs are higher than your \$120 million current
6 forecast? I'm curious as to how much rigor has
7 gone into the 120 million number, given the
8 positions you have taken on your views on cost
9 maturing as you move forward regarding other
10 projects. So it seems to me they only go in
11 one direction.

12 But if the 120 million
13 increases materially, 25, 30 percent, who takes
14 the risk of that?

15 A MR. OSLER: It would all depend on
16 the final parameters put together for the
17 project. But the operating assumption, to be
18 prudent, is that if you're going to get a large
19 amount of government funding, you end up taking
20 the risk for the balance. And if the project
21 therefore ran into cost-escalation issues, we
22 have got to take that into account from the
23 point of view of assessing the risks.

24 And, frankly, when
25 looking at this project, it's quite different

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

14
15
16
17

18
19
20
21
22
23
24

25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

11
12
13
14
15
16
17
18
19

20

21

22

23

24

25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A MR. MORRISON: Madam Chair, we are not here today to talk about going forward with the Mayo B project, and we certainly understand very clearly at this point there's a whole lot of risks that we haven't dealt with or addressed and will get dealt with and will get address as we come forward. We don't have a definitive plan to go forward with this project. When we bring a comprehensive proposal forward, we will address all of those matters of risk, and right now there's lots of risk issues that have to be addressed.

Q You are spending 8.2 million on studies, right?

A MR. MORRISON: We may spent \$8.2 million on studies, and we may not spend \$8.2 million on studies, to be clear.

A MR. OSLER: Yeah.

A MR. MORRISON: So, again, I hope I'm not being tiresome in trying to reiterate that we look at the project and look at a certain set of information. We had to do some baseline, we had to do a series of tasks we had to complete in order to file an environmental application. We have done that with YESAB. We filed the

1 application.

2 We are not going very
3 much further down this road in terms of
4 expenditure, and I mean very much at all,
5 without getting some clear indication as to
6 whether or not we are going to get funding and,
7 therefore, this project is going to go ahead.

8 So part of the assumption
9 in the spending of the 8.2 or \$8.8 million is
10 that we will solve some of those questions, and
11 so we would continue to spend some money. But
12 there's a whole bunch of other decisions yet to
13 be made prior to us spending the money for sure
14 this year, just to be clear.

15 **Q The other thing I just wanted to clarify,**
16 **Mr. Osler, in following up on a point you made,**
17 **is that even with a significant government**
18 **contribution, you are not saying that the**
19 **ratepayers would not be at risk for cost**
20 **overruns, right?**

21 **A MR. OSLER:** I am not saying that the
22 ratepayers would not be at risk of double
23 negative for cost overruns, but I am not -- I'm
24 saying that the company is doing a whole bunch
25 of things to create the environment where there

1 would be -- where the decision-making would be
2 prudent in light of all the risks.

3 The project to be viable
4 has an element in it of ratepayer costs, and we
5 tried to define it. There is no way that any
6 utility is going to go forward saying, No,
7 well, we'll pick up all the overruns even if
8 they are prudently incurred in order to provide
9 the benefits to ratepayers saving all this
10 money on diesel.

11 So if the company is
12 going forward, it will be doing it on behalf of
13 its ratepayers to try and come up with the best
14 way possible for the ratepayers to save money.
15 And that takes some risks that the utility
16 board will have to comment on and will have the
17 ultimate say on as to how much for the to cost
18 go into rates.

19 **Q All right. Can we flip forward to your**
20 **response to YECL-YEC-1-8 revised, which is to**
21 **do with the Carmacks-Stewart Phase II.**

22 **A MR. OSLER:** Yes.

23 **Q And if I look at page 3 of 11 of the response**
24 **here, again, as I understand it, you are saying**
25 **the timing of this project is based on YEC, and**

1 I think the word you use is securing the mine
2 loads and contributions. So both of those are
3 prerequisites to the project moving forward?

4 A MR. OSLER: Just to be clear,
5 page 3-11 is reviewing the background and
6 saying that that was the basis upon which we
7 had discussed it before with the Board and the
8 basis upon which the Board would make
9 recommendations, okay? That it was contingent
10 on having the load that would justify this and
11 also the commitments of money from the customer
12 in terms of contribution and from others, if
13 needed, to make sure it had no adverse effect
14 on ratepayers.

15 Well, and so on pages 3
16 and 4 of 11, I think you will find that that
17 background is sort of reviewed. The world
18 today as we go on through this answer is
19 different in many respects. Compared to when
20 we were last before the Board, we now know that
21 there is a major mine development occurring on
22 Mayo Dawson called Alexco Resources, which will
23 utilize the surplus that we previously had
24 talked about being available on that system,
25 and that mine will probably be in service

1 before Carmacks Copper could ever be in
2 service.

3 **Q And we talked about --**

4 A MR. OSLER: I'm sorry, Mr. Keough. I
5 just wanted to finish.

6 **Q Sorry, I thought you were.**

7 A MR. OSLER: So we have made the point
8 on page 5-11 that the return economics today,
9 if we would have gone to the heart of it, is we
10 need to get the contributions that will let
11 this project have no adverse effect on
12 ratepayers. It's a value in terms of being
13 able to move surplus power around.

14 But we have actually said
15 there based on lines 22 and 25, based on
16 current project cost estimates of \$40 million
17 and forecast Alexco loads and sales revenues,
18 government and/or mine funding of at least
19 35 million of the project cost is viewed as a
20 prerequisite to IEC being able to proceed with
21 this kind of -- with Carmacks-Stewart Phase II.
22 So we have moved beyond what you saw on the
23 previous page to that position today.

24 **Q I am actually not sure I see much of a**
25 **distinction. You are still saying you need to**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A Q A Q A

C
f
d
B
\$
C
M
T
C
M
t
i
g
d
S

Q
A
Q
A

A
Q
A

Q
A

A

1

3

L4

19

20

25

2 A MR. OSLER: It was in that range,
3 yes, sir.

5 A MR. OSLER: Yeah, Yeah. Sorry, I
6 handed it back. I should have kept it. I'm
7 sorry.

9 So the original estimate
10 of 70.5, we're now at 40 odd, right?

L2 Q Now, also on page 4 of 11, lines 15, 16 --
L3 actually, I think we talked about this already,
L4 the Stage 1 substation.

Q Now, page 5 of 11 we are talking about ratepayer benefits. Again, I just want to be clear that the ratepayer benefits are based on the assumption that you would get the 35 million contribution from somewhere?

21 A MR. OSLER: For this project it would
22 be beneficial to ratepayers. We think the
23 contribution from somewhere, as you put it, of
24 35 million is a prerequisite. And it says "at
25 least," as somebody just pointed out to me.

24	The only thing
25	Yukon Energy did differently was some

1 difference in the monthly distributions and
2 updating the -- and for actuals and leading up
3 to the time we filed.

4 The 2009 forecast was
5 effectively the numbers that came from YECL
6 inflated to reflect a certain growth that
7 Yukon Energy thought necessary to reflect on
8 the forecast above what YECL had. All of those
9 are done at a wholesale level. We don't have a
10 mechanism for further weather normalizing
11 forecast coming from YECL at a wholesale level.

12 **Q So the simple answer to my question was yes,**
13 **you do not weather normalize your forecasts,**
14 **right?**

15 **A MR. BOWMAN:** Well, I'm saying we
16 didn't with the wholesale forecast. We are
17 working with numbers that largely coming from
18 YECL. To the extent they are weather
19 normalized before they're given to YEC, they're
20 weather normalized, otherwise they are not,
21 because YEC does not do any further weather
22 normalization.

23 **MR. KEOUGH:** Madam Chair, I am coming
24 to the end. I just want to take a look at my
25 questions and consult for one second to see if

2 THE CHAIR: Sure.

7 A MR. BOWMAN: We're good, Mr. Keough.

10 Now, am I correct that
11 your actuals came in 1.35 million, or
12 11 percent, higher than your forecast, even
13 though your forecast GRA number was filed on
14 October 6 of 2008?

L6 Q Now, I would like you to refer to Attachment B
L7 to page 14 of 14 of the same update.

20	Q I can. Must be getting late.

21 My question is, If I look
22 at the right-most set of columns, the "Diesel -
23 E.S.O.," I see that there was significant
24 diesel in the months of October, November, and
25 December of 2008, the actual numbers. And just

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A MR. BOWMAN: I -- this is dealt with back in the page B-1 that we were on originally. And I'm afraid the answer is as simple as, it was very cold. The fact of the matter is that December temperatures were well below normal, so the requirement for peaking diesel was well above what was forecasted and what had been experienced in previous months of that year.

Q And what about if you go up the chart to Whitehorse, you see in May, the 175,228 number; what would be the reason for that?

A MR. OSLER: You are referring to '08?

Q Yes. May of 2008 there appears to have been a spike in diesel.

A MR. MOLLARD: We will have to get back to you on that. I don't have that answer with me.

Q Maybe we can combine this with the second one, because you may not have this as well. I was skipping across to Dawson and seeing in April there was the 119,000-odd --

1 A MR. MOLLARD: We will get you an answer
2 on that one as well.

3 Q Okay. Thank you.

4 While you are at it, can
5 you confirm that the October, November,
6 December numbers were due to cold weather and
7 not due to some type of outages of some sort.

8 A MR. OSLER: Yes.

9 MR. KEOUGH: Thank you, Madam Chair.
10 I think that does it.

11 THE CHAIR: Thank you, Mr. Keough.
12 Good estimation of your time. I thought you
13 might lose it there.

14 I note it's almost time
15 for our break, so why don't we take one now,
16 and after, I presume, the City of Whitehorse,
17 you will presume cross-examination. So we will
18 have a 15-minute break at this time.

19 (BRIEF ADJOURNMENT)

20 THE CHAIR: Please be seated.

21 I do note we are taking a
22 little bit more than 15 minutes, and I
23 apologize for that, but some people may
24 appreciate it.

25 Mr. Marriott, are you

3 MR. MARRIOTT: Yes, I am, Madam Chair.

4 Thank you.

6 Q Now, you will no doubt be happy to hear my
7 prediction that I won't detain you nearly so
8 long as my learned friend Mr. Keough did. The
9 City of Whitehorse considers that we already
10 has quite an extensive record of many of the
11 issues of interest to us and sufficient for our
12 purposes in argument already.

13 But of course there are
14 some things that I want to clarify in the
15 evidence, and I think I'll start with your
16 opening statement, which was filed today as
17 Exhibit B-12, and a couple points arose from
18 that document. If I could take you first to
19 page 7 of 14. And in the --

20 THE CHAIR: Sorry, Mr. Marriott.
21 Which line are you looking at? You are at
22 page 7 of 14 in the opening statement?

23 MR. MARRIOTT: In the opening statement,
24 yes, and in the second paragraph.

25	THE CHAIR:	Second paragraph, thank

2 Q MR. MARRIOTT: And there Yukon Energy
3 indicates that it now understands through Board
4 Order 2009-1 and subsequent correspondence that
5 it's the Board's desire that a joint
6 cost-of-service study be undertaken now.

7 And I just want to
8 understand that a little bit. Order 2009-1 was
9 issued January 20 of 2009, so we know that, but
10 I'm wondering what the subsequent
11 correspondence is that's referred to?

L2 A MR. OSLER: I believe there was a
L3 letter from the Board to YEC or to its lawyer.
L4 I'm not aware of any beyond that.

L5 Q A letter to YEC or its lawyer from the Board;
L6 is that what you mean, or . . . ?

17 A MR. OSLER: Yes.

L8 Q You are not sure right now what that was
L9 referring to, what letter or what date?

20 If that's your answer,
21 that's fine. Maybe you could just let me know
22 when you've remembered what that was referring
23 to. Would that be okay?

24 A MR. OSLER: That would be fine.

25 Q Now, it also talks about in that paragraph that

1 Yukon Energy now understands what I have
2 already quoted from, and I was wondering when
3 Yukon Energy reached that understanding.

4 A MR. MORRISON: Madam Chair, I'm not sure
5 we're -- you know, we're not trying to play
6 with words there at all. It's just based on
7 the Board order, it's fairly clear that we need
8 to go ahead and do a cost-of-service study, and
9 that's what we're going to do.

10 I don't think we're --
11 we're not trying to play with words at all.
12 It's just very clear from the Board order that
13 that's what we need to do.

14 Q I'm not trying to play with words either, sir.

15 A MR. MORRISON: Yeah, no.

16 Q I'm just trying to understand what you said,
17 and it says you reached an understanding. I
18 just wondered when that was. And I guess maybe
19 I'll follow up with the next question that I
20 had in mind, and that was, When was the first
21 time that you advised intervenors that you had
22 reached that understanding, that in fact a
23 cost-of-service study should be undertaken now?

24 Because I would have to
25 say that this opening statement was the first

4 A MR. MORRISON: No, no, Madam Chair. And
5 that's -- I didn't mean to be trying to not
6 answer the question, if that's what I was
7 doing. Basically we are saying here that
8 subsequent to the Board order, it's fairly
9 clear we're going to go ahead and have a
10 cost-of-service study.

Q And as far as YECL or Yukon Electrical, I guess they would have got the letter of May 1, which is now Exhibit B-13, so they perhaps got a couple extra days' notice compared to the other intervenors, is that fair, or would they have known earlier?

23 Q Now, just moving to page 13 of 14. Just at the
24 top of that page, it's indicated there that the
25 updates do not change the 2008 or 2009 forecast

1 with respect to fuel.

2 And I guess I was
3 wondering why there wouldn't have been a more
4 updated or current forecast that could have
5 been used to update those forecasts going into
6 this hearing?

7 A MR. OSLER: I'm sorry, I'm not --
8 sorry?

9 I'm not sure. Is the
10 question why was not an update done to
11 something that -- you're not confused about the
12 fact that we didn't change any of these items?

13 Q No. I think I understand that you said that
14 the updates were done, but they didn't update
15 the forecast for fuel?

16 A MR. OSLER: Okay.

17 Q And I guess really the question is why not?

18 A MR. OSLER: All right. In terms of
19 fuel price or fuel volume, there would be no
20 rationale to change the forecast for fuel
21 volume unless you were changing either the
22 sales or some capability with respect to your
23 non-fuel generation, and there wasn't any
24 changes in those things.

25 With respect to the fuel

price, I mean, the approach that we have taken and others have taken is that we took the best price forecast available at the time we made the filing, and we go forward with that price given that the Rider F process is there to deal with the variances that will immerge inevitable between the GRA forecast and the final price. So that's the position that's been taken in hearings of this nature to do with fuel price.

Q I would ask that you turn up, please, your response to CW-YEC-1-16(e) as in England.

THE CHAIR: Sorry, B?

MR. MARRIOTT: E as in England or elephant.

THE CHAIR: Thank you. E as in England or elephant.

Q MR. MARRIOTT: So the question there had to do with what if you were to update based on then current, at the time of the question, diesel fuel prices, and the date used was January 22 of 2009.

It also talks there about updating the GRA for newer oil price changes requires revision to three components: fuel costs, secondary sales revenues, and fixed

1 industrial Rider F amounts.

2 So the question I had is
3 just really to confirm that you have also left
4 unchanged with respect to fuel costs those
5 other components listed there, the secondary
6 sales revenues and the fixed industrial Rider F
7 amounts?

8 A MR. OSLER: This was the response
9 that I referred to in the opening statement as
10 to the three things that oil-related price
11 forecasts affect. And I said that we had in
12 the update changed the Minto fixed Rider F to
13 reflect the final GRA price forecast in the
14 YECL approved GRA Order 99 -- 2009-2.

15 The effect of that change
16 is that the fixed Rider F was reduced point, I
17 believe, 585 cents per kilowatt hour to .0 --
18 sorry, .109 cents per kilowatt hour. So if you
19 were looking at page 3 of 4 in this answer, you
20 will see that the mixed -- the Minto fuel --
21 Minto fixed Rider F, taking the secondary sales
22 price that is assumed here, 77 cents for
23 furnace fuel oil, essentially would wipe out
24 the 170,000 of extra revenue that the .585
25 cents in the application assume to be coming

1 from the Minto fixed Rider F.

2 The numbers we are now
3 using don't totally wipe it out. They remove
4 \$138,000 of the 170 from the updated 2009 GRA
5 forecast. The Minto fixed Rider F number is
6 the most complicated of the three sets in the
7 page, and it is also affected by what is the
8 fuel price forecast for YEC's fuel and what is
9 the secondary sales price forecast.

10 We have not changed the
11 secondary sales rate forecast from the number
12 that we used in the original filing, which was
13 8.2 cents for wholesale, 9.3 cents for retail,
14 which was the actual price in place at the last
15 quarter of 2008.

16 And we have not changed
17 the fuel price forecast for generation actually
18 YEC does forecast, which was 117 cents a litre,
19 on average, based on the information we had
20 around August of 2008.

21 **Q Thank you.**

22 Now, if I could just ask
23 you a few questions about your forecast for
24 YEC's primary sales to Yukon Electrical. And I
25 will ask you, firstly, to turn up in the

1 application a page 2-5. And I am looking there
2 at Table 2.1.

3 And would you agree that
4 Table 2.1 shows the difference between
5 Yukon Energy and Yukon Electrical with respect
6 to their respective forecasts of what this
7 table refers to as "primary sales"?

8 A MR. BOWMAN: Yes, as it was filed in
9 YECL's GRA, yes.

10 Q Thank you.

11 So from Yukon Energy's
12 point of view, those forecasts are the
13 Yukon Energy's primary sales to
14 Yukon Electrical, and from Yukon Electrical's
15 point of view, those forecasts are for
16 Yukon Electrical's primary purchases from
17 Yukon Energy, fair enough?

18 A MR. BOWMAN: Correct.

19 Q Now, even though there are those different
20 perspectives, and even though the forecasts of
21 the respective utilities, as shown on that
22 table, are different for 2008 and 2009, you
23 will agree of course that the actual number,
24 once known in any year, will be the same for
25 both utilities?

1 A MR. BOWMAN: Correct.

2 Q Thank you.

3 Now, in the bottom half
4 of the table, the numbers representing the
5 Yukon Electrical forecast of primary purchases
6 from Yukon Energy, can you confirm that the
7 260,093 megawatt hours forecast for 2008 and
8 the 263,202 forecast for 2009 came from
9 Yukon Electrical's 2008-2009 GRA forecast?

10 A MR. BOWMAN: Yes, that's correct.

11 Q I'm not sure if you know this, the detail, but
12 would you agree or can you agree that it came
13 from, in fact, the Schedule 3.1 filed by YECL
14 in that proceeding?

15 A MR. BOWMAN: I can accept it. I don't
16 have any recollection of their schedule
17 numbering.

18 Q Thank you.

19 Now, YEC, Yukon Energy,
20 was of course a party in the last
21 Yukon Electrical GRA. And I take it you would
22 have examined Yukon Electrical's compliance
23 filing that arose from that decision.

24 A MR. BOWMAN: Yes. Sorry, I will just
25 say in brief. It was recent, and we have been

1 preparing for this. So to some extent, yes.

2 Q Sure.

3 Now, with respect to
4 their forecast, that is Yukon Electrical's
5 forecast, for its purchases, or primary
6 purchases, as we have called it, as shown in
7 its Revised Schedule 3.1, those forecasts,
8 would you agree, were impacted by Board
9 direction given in the decision in
10 Yukon Electrical's rate case?

11 A MR. BOWMAN: Yes.

12 Q And would you agree --

13 MR. MARRIOTT: And, Madam Chair, I could
14 tell you, I have copies, if it would be
15 helpful, of the particular schedule I am
16 talking about, but I think the witnesses are
17 familiar with the schedule and will agree with
18 the numbers I put to them. So I am in your
19 hands if you want that part of the record. I
20 think it will be clear on the text of the
21 transcript, but I am happy to provide the
22 document, if you like.

23 THE CHAIR: Seeing there is a
24 reference in the document, why don't we mark
25 it.

1 MR. MARRIOTT: Sure.

2 THE CHAIR: So I have that that would
3 be marked C1-10.

4 I would like to correct
5 the number on the exhibit. It's City of
6 Whitehorse, so it would be C2-7. Okay.

7 MR. MARRIOTT: Exhibit C2-7.

8 Exhibit Number C2-7:

9 YECL Revised Schedule 3.1 from
10 Yukon Electrical's compliance filing.

11 Q MR. MARRIOTT: Now, I simply wanted,
12 panel, for you to confirm, if you look at
13 line 1 on this Revised Schedule 3.1 from
14 Yukon Electrical's compliance filing, that the
15 Yukon Electrical forecast for the primary
16 energy purchases have been revised upward to
17 now, for 2008, 263,765 megawatt hours, and for
18 2009 the figure is now 267,747 megawatt hours;
19 do you agree?

20 A MR. BOWMAN: Yes.

21 Q And I am just wondering if the change in this
22 forecast made by Yukon Electrical in response
23 to Board directions in its decision has been
24 reflected in the Yukon Energy application
25 update.

1 A MR. BOWMAN: No.

2 Q Is there an explanation why that was not done?

3 A MR. BOWMAN: Yes. The -- we reviewed
4 this information coming out of the
5 Yukon Electrical compliance filing,
6 particularly with respect to 2009, because of
7 the exact matter you note; there is a certain
8 consistency with what is bought and what is
9 sold. They are attempting to track the same
10 thing.

11 For 2009 the number that
12 is in the schedule is 267.7, coming out of the
13 recent YECL decision, and that's up
14 considerably from the number that YECL had
15 used. Yukon Energy's forecast in its
16 application filed last October was already at
17 267.0. So within about .3 percent of that
18 level.

19 There is an offset in the
20 change of the secondary sales that's even
21 larger, but where Yukon Energy is forecasting
22 16 and Yukon Electrical's reflects about
23 7 gigawatt hours of sales. But looking at the
24 primary energy, if anything, it's served to
25 confirm and underline the reasonableness of

1 Yukon Energy's 2009 forecast.

2 With respect to 2008 the
3 situation is somewhat different.

4 Yukon Energy's forecast, which was incorporated
5 in the October filing, was to -- as you said,
6 259.0, compared to the YECL compliance of
7 263.8. But as we have covered already, there's
8 a -- the situation that we're in with respect
9 to timing of this GRA is challenging in respect
10 of dealing with the future forward test year
11 type of jurisdiction where you have a year of
12 actual behind you and you have -- you are
13 trying to deal with a set of forecasts and
14 testing the reasonableness.

15 With respect to the
16 filing, we have 2008 actuals behind us on a lot
17 of matters. We know there were a lot of items
18 that went up and a lot that went down, and that
19 at the end of the day, if anything, the actual
20 results served to underline the extent to which
21 Yukon Energy has underearned its return on
22 equity and that the net effect of the various
23 changes from forecast has gone against
24 Yukon Energy to the extent that we're now
25 talking about an actual ROE in 2008 of

1

2

3

4

5

1 time it filed its application were major
2 outstanding items and would be materially
3 affected and materially better informed by
4 getting the -- you know, the intervening
5 information in place: one being what came out
6 of YECL's hearing, one being the data
7 connection of the Carmacks-Stewart, one being
8 the ROE that was adopted by the BCUC, and the
9 fourth being the rate case costs, all of which
10 are effectively items beyond YEC's control.

11 The only fifth item we
12 threw in was a correction that we identified
13 when we went through the interrogatory round,
14 that there was a mathematical error in the
15 application; we corrected that. So it was
16 never meant to be a wholesale update to the
17 application, and as a result, this wouldn't be
18 a number that would get changed. It wouldn't
19 get triggered to be changed by that type of
20 process.

21 **Q Thank you for that.**

22 Now, I just wanted to
23 discuss the Yukon Energy's forecasting
24 methodology for this particular forecast. In
25 general terms, and let me just put some flesh

1 on those bones for you, because I don't want
2 you to necessarily go through every single
3 aspect of that. But what I'm interested in is
4 the cooperation, or lack thereof, between the
5 two utilities in coming up with these numbers.

6 Now, I think you said in
7 the response to YECL-YEC-1-19(f), (h), (j), and
8 (k) that Yukon Energy is not provided with
9 YECL's customer-specific data and cannot carry
10 out detailed assessments of the underlying
11 customer class growth underlying wholesale
12 growth, and then you went on to say that it was
13 not apparent that overall wholesale
14 forecasting, at least for the current
15 application, would necessarily be improved
16 through prior access to such additional
17 information.

18 So I'm not sure what you
19 are saying by that, but would it be fair to say
20 that you are indicating that your wholesale
21 forecasting is more accurate than
22 Yukon Electrical's despite not having access to
23 Yukon Electrical's customer-specific data, or
24 was there some other message intended there?

25 A MR. BOWMAN: Mr. Marriott, the numbers

1 tell the story the numbers tell. The fact of
2 the matter is that Yukon Energy has been
3 wrestling with the issue of Yukon Electrical's
4 wholesale forecast for some time.

5 Just in terms of helping
6 those in the room who weren't present, we had a
7 fair bit of discussion of this in the 2005
8 proceeding. During that proceeding
9 Yukon Energy used Yukon Electrical's forecast,
10 had adopted it directly into its own forecast.
11 We noted we had some concerns with it, but
12 given we didn't have access to the data, we
13 didn't have a reason to override it, if you
14 like, or to insert another number, and that
15 approach was accepted by the Board.

16 In the resource plan
17 hearing, a considerable more level of
18 discussion was had about the wholesale
19 forecasting matter between the two utilities.
20 There was an undertaking that was provided that
21 showed the forecast, long-term forecast,
22 prepared by each utility in relation to actuals
23 over time.

24 But, nonetheless, at that
25 point in time, Yukon Energy had started to --

By '07 Yukon Energy had actually started to insert an additional amount into the forecast because the numbers were just not holding up. The actuals were coming in persistently above the level of forecast to the point that it only made sense that we try to add an additional factor to those numbers.

Exactly the same situation occurred in 2009 when you looked at the -- what Yukon Energy knew of monthly sales to date and of what was going on in the load situation at a generic level. The forecasts that were filed by YECL in its hearing and that it was relying on did not seem to bear out as a reasonable forecast as what would occur with wholesale sales. I think the Board came to the same conclusion and, if anything, basically echoed the 2009 adjustment that Yukon Energy built into its own application.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

11
12
13
14
15
16
17
18

19
20
21
22
23
24
25

6 Q That was a fairly lengthy answer, and I wanted
7 to pick out perhaps a couple of points that I
8 heard, I think. One was that I think you're
9 saying that your experience has been that
10 Yukon Electrical attempts to underforecast this
11 number. Did I get that right?

L2 A MR. BOWMAN: I'm only talking about in
L3 respect of a mathematical relationship.
L4 Underforecast could -- I mean, could mean all
L5 sorts of things. But just looking at the
L6 mathematics, the exhibit that we've filed in
L7 the 2006 resource plan hearing and the case
L8 since then, which was reviewed in their -- the
L9 Yukon Electrical GRA, the tendency has been on
L10 a sustained basis that actual sales come out
L11 higher than was forecast at the beginning of
L12 the year. I don't want it to be overread, the
L13 comment. It's a mathematical relationship.

24 Q Right. But I guess what I'm looking for now
25 because you said that, and you could do this

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

Q

Q
A

A

Q

1 frame when you filed the GRA in your last
2 response?

3 A MR. BOWMAN: When we filed the GRA,
4 and this was discussed just before the table
5 you were noting was it for 2008, Yukon Energy
6 and Yukon Electrical had the same annual sales
7 forecast at the start of the year.

8 They may have used a
9 slightly different monthly distribution, but
10 the same annual sales forecast. The
11 differences in 2008 arise for effectively two
12 reasons as noted, that the primary one being we
13 had a half year of actuals.

14 Q If I could just confirm for the record, this is
15 in your April 24 updates filing, I gather that
16 in that filing, it included some 2008
17 preliminary actuals, including a 2008
18 preliminary actual for this primary energy
19 sales number that we have been talking about.
20 And it's found at the PDF pages 47 of 94 in
21 that update. It's Schedule 11, but I think
22 there may be more than one Schedule 11. So if
23 you go to page 47 of 94.

24 A MR. BOWMAN: For the paper version,
25 it's in Section B of the Filing Attachment B-1,

1 and it's page 13 of 15, but it's effectively
2 the same schedule that would be shown in
3 Table 2.2 of the application.

4 **Q And the 2008 preliminary actual for primary**
5 **energy sales has come in at 263,820 megawatt**
6 **hours?**

7 **A MR. BOWMAN:** Correct. That's the
8 positive variance I was talking about, which is
9 one of the things working for the numbers in
10 2008.

11 **Q And I think going back to a general discussion,**
12 **I think you told us in the response, when I say**
13 **"us," I mean all intervenors and the Board, to**
14 **YECL-YEC-1-19(g) that YEC did not discuss its**
15 **wholesale sales forecast assumptions with**
16 **Yukon Electrical prior to filing its**
17 **application.**

18 And I'm just wondering
19 going forward if -- and I think you may have
20 made mention of this in the opening
21 statement -- is that something that
22 Yukon Energy would hope to change going
23 forward, in that these forecasts could be done
24 more cooperatively by sharing information and
25 perhaps having the Board approve one forecast

1

2
3
4
5
6
7
8
9
10
11

L2
L3
L4
L5
L6
L7
L8
L9
20
21
22
23

24

25

1 can be achieved.

2 **Q Thank you.**

3 Now, I would like to move
4 to a different area and talk a little bit about
5 some dead issues, if I could. And I will take
6 you to Exhibit B-9, which is your letter of
7 April 1, 2009, responding, I think, to
8 application for further responses. And if I
9 could take you there to page 19.

10 A MR. BOWMAN: Mr. Marriott, I have the
11 April 1st letter listed as B-11. Give me a
12 moment.

13 A MR. OSLER: Page 19 of the letter,
14 Mr. Marriott?

15 **Q Yes, I thought it was B-9?**

16 A MR. BOWMAN: You are right. I just
17 have -- I apologize. My mistake.

18 A MR. OSLER: So we're --

19 **Q So at 19, and I just wanted to refer to the**
20 **statement that's made there that Yukon Energy's**
21 **(quoted):**

22 "...only external debt is the TD Note
23 {that's Toronto Dominion Note, I take
24 it} which is guaranteed by the Yukon
25 Government through YDC."

A MR. BOWMAN: On the matter of the TD note, yes. You will find it at Tab 9, which is the audited financial statements for the year ending 2007, and it's at Note 13 of the notes to the financial statements, which is -- it's at the bottom of the page. I'm not sure if you want to turn there.

"TD Canada Trust

"{It's a} \$12,400,000 term note bearing interest at 7.81% payable in monthly installments of \$102,000 interest and principle, with the balance due September 30, 2011. The note is guaranteed by the Yukon government."

So that would be where
the details are on that note are.

1 Q Give me a moment to turn it up.

2 Did you read the entire
3 footnote that you were referring to?

4 A MR. BOWMAN: I was reading the note in
5 respect of the TD Canada Trust note in the --
6 in Note 13, which is in long-term debt. There
7 is a discussion of each of the long-term debt
8 instruments; it is just the TD that I read the
9 entire note.

10 Q Okay. I see it.

11 A MR. OSLER: This was filed in Tab 9
12 of the application.

13 A MR. BOWMAN: This is Tab 9 of the
14 application.

15 Q The reason I was asking if you read the whole
16 thing, I wasn't sure if in there it actually
17 details the onerous repayment terms of this
18 note that you referred to in a couple of IR
19 responses.

20 Your responses to
21 YUB-YEC-1-14 and LE-YEC-1-38 talk about onerous
22 repayment terms of that note. And I am just
23 wondering what are those onerous repayment
24 terms?

25 A MR. MOLLARD: The note itself isn't

specific on -- doesn't allow for repayment, so we are bound by the terms of the interest act, which requires that we pay the greater of three months' interest or the interest differential. And given today's current low rates, that would be a fairly penal -- there would be no point, basically, in negotiating, because we would have to pay the full differential.

Q Is that a calculation that you could provide for us, perhaps using what you think you could reasonably replace the amount of the instrument for in terms of an interest rate, and then just do the calculation to demonstrate what you are telling us?

A MR. MOLLARD: If it works, I could probably use the rate from the most recent debt that we issued December 31st, '08, the 4.65 percent.

Q Why don't we do that. Would that be an acceptable undertaking?

A MR. MORRISON: Let me be clear. Let me just add a little something here.

We can do the calculation. We would do it based on what we

1 can get debt today for, not what we got that
2 last debt for, because clearly, from our bank
3 manager, we have been told that this last debt
4 that we got was very cheap. I'm not sure where
5 we are at today, so I don't want to get stuck
6 on the 4.65, and so I just want to look at
7 it.

8 **Q That's fair enough.**

9 A MR. MORRISON: That's fair enough?
10 Good.

11 **Q Just give us in your answer the explanation as**
12 **to why you are using whatever rate that you are**
13 **using, but it would be on the assumption that**
14 **it would be a rate that was achievable.**

15 A MR. MORRISON: That's fine.

16 **Q Fair enough?**

17 Now, if I could get you
18 to turn up your response to CW-YEC-1-27.
19 Really, I'm looking at the Attachment 1 to
20 that. The question was (quoted):

21 "Please provide the terms and
22 conditions of the Yukon Development
23 Flexible Promissory Note (for
24 Mayo-Dawson Project) and the 7%
25 Flexible Term Note that sets these

debt interest rates"

is the question, and you had provided us with the two attachments. Attachment 1 is the one I would like to look at first.

If I could take you in that document to Clause 9. I believe that's at page 3 of 5.

A MR. OSLER: Yes.

Q Now, there it refers to (quoted):

"...a first fixed and specific mortgage and charge containing all the terms of the encumbrance set forth in the schedule to the Security Agreement...."

Now, is the security agreement that's referenced there part of the record in this proceeding?

A MR. OSLER: No.

Q Is that something that could be produced?

A MR. OSLER: It wouldn't -- I don't know. I'd have to go and find it because it's -- no longer exists. The problem here is that this document was originally settled between Yukon, Yukon Development Corporation, or as they say here, Yukon Power Corporation

1 and Canada. So that was security agreements
2 that were all part of that package. I'm not
3 sure what the arrangements are now that Yukon
4 Development Corporation has purchased this from
5 Canada. But there is no security agreement
6 between the companies and Canada anymore, that
7 I'm aware of.

8 So the language here
9 reflects that earlier time period. I'm not
10 aware of any fixed or specific mortgage, either
11 from Yukon Development of this facility. That
12 was a Canada requirement in order to provide
13 this money at the time. So it's a lot of
14 history.

15 **Q So, basically, you are saying that that clause**
16 **does not reflect the security obligations, if**
17 **any, surrounding the borrowings that we were**
18 **asking about? Did I get that right, or have I**
19 **missed something?**

20 **A MR. OSLER:** Well, that -- this note
21 is now held by Yukon Development Corporation,
22 not by Canada. It was purchased by Yukon
23 Development Corporation from Canada without any
24 change to the terms and conditions.

25 **Q Sorry. Without any changes?**

Q Well, let me understand this.

A MR. OSLER: I have to say I don't know. It sounds like a legal question.

A MR. OSLER: Yeah.

A MR. OSLER: We could investigate and

1 let you know. But for everyone in the room,
2 this was a key term -- I didn't realize when I
3 was going to do a history I'd get this far
4 back, but this was a key term of the transfer
5 agreement that took NCPCs and transferred them
6 to Yukon and everything else. It was a note
7 that covered the Whitehorse 4 unit because
8 Yukon Government had intervened in a hearing of
9 the National Energy Board, which some people in
10 this room took part in, in many different ways.

11 And the National Energy
12 Board determined that the borrowings with
13 respect to the Whitehorse 4 unit should not be
14 used as part of the revenue requirement of NCPC
15 at that time because the asset had no useful
16 economic value at that time.

17 The flexible term note
18 effectively kept Canada bearing the risk with
19 respect to the usefulness of the asset. When
20 Yukon Development Corporation purchased this
21 asset, they purchased it under the
22 understanding with Canada that the asset didn't
23 look all that valuable, and they got it at a
24 lower price than the book value.

25 And Yukon Development and

everybody else has been doing a lot to enhance the value of this note since then, et cetera. There is a whole history behind it, but it's held now by the very party that owns Yukon Energy Corporation, so it's a totally different situation than when it was originally negotiated at arm's length with Canada.

A MR. MORRISON: Madam Chair, Mr. Marriott, we will have a look, see what we can find for you, and try and provide a response.

Q Thank you.

Now, in the response to CW-YEC-1-27(b), as in Bob, it states that (quoted):

"YDC has earnings from interest, investments and dividends {and then in brackets} (typically interest and dividends from YEC)."

My question is, Can you tell me if YDC ever incurs debt or otherwise borrows money on behalf of YEC?

A MR. MORRISON: Madam Chair, sorry, just to make a minute, we're just trying to recall and answer the question accurately. So is

1 the -- so the question -- let me try and answer
2 it this way: I'm not aware of instances where
3 YDC borrows money and then relends that money
4 to YEC. I can't think of any instances of
5 that. That's what we're trying to -- kind of
6 our collective memory, because Mr. Osler's
7 memory goes back a long, long way.

8 So I just can't remember
9 any -- and we generally don't -- I don't -- I
10 can't think of anything where we have done
11 that, if that's the question.

12 **Q So let me put it this way: You can't remember**
13 **any instances of that, and there are no plans**
14 **going forward that you're aware of for that to**
15 **occur?**

16 **A MR. MORRISON:** For YEC to borrow money
17 and relend that money to --

18 **Q Back to YEC?**

19 **A MR. MORRISON:** There is none that I'm
20 aware of at the moment.

21 **A MR. BOWMAN:** Certainly just to keep it
22 very sort of specific, none of the debt,
23 financing, ratebase, or anything of that sort
24 there would be in this application, there's any
25 on behalf of or any of that nature of the

1 question that you asked, you know, without
2 getting really into ancient history or
3 something. I don't recall any in ancient
4 history either, but very specifically there is
5 none in '08 or '09.

6 **Q Let me take you to Schedule 13 in the**
7 **regulatory schedules and just ask a specific**
8 **question.**

9 THE CHAIR: Sorry, Mr. Marriott,
10 what's the reference on that again?

11 MR. MARRIOTT: I'm just getting the
12 reference, sorry.

13 A MR. MOLLARD: It's page 7-17, I
14 believe.

15 THE CHAIR: I'm sorry?

16 A MR. MOLLARD: 7-17 of Tab 7.

17 MR. MARRIOTT: Under Tab 7 in the
18 application, 7-17. That's Schedule 13.

19 **Q MR. MARRIOTT: Now, at line 10 it lists**
20 **there a YDC Loan Number 18?**

21 A MR. BOWMAN: Yes.

22 **Q Of \$5.825 million.**

23 **Now, how does YDC finance**
24 **that loan?**

25 A MR. BOWMAN: If you don't mind, I just

1 want to deal with the number in the question,
2 and then I can deal with the specifics of it.

3 Q Sure.

4 A MR. BOWMAN: You had pulled out
5 Schedule 13 from the application, Loan 18, and
6 referenced at 5.825. 5.825 is a number that
7 arises in 2009 in the filing had YEC not had a
8 general rate application in '09.

9 The next column over,
10 which is called "Proposed," references what was
11 in the application with a general rate
12 application. So instead of 5.825, the number
13 would have been actually 5.043.

14 And if that's not enough
15 numbers to keep everyone confused, that number
16 would change slightly in the update as well,
17 which would be in Exhibit B-10, because it's
18 sort of a number that changes almost every time
19 you do something, and it's actually 4.963.

20 So in the final Tab 7
21 that is included in Exhibit B-10,
22 Attachment A-1, the number we would be talking
23 about that's expected to be -- we know it is
24 4.963. So I just wanted to deal with the
25 number side of it.

1 Now, your question was
2 how does YDC finance that number or that
3 amount; is that what you're . . . ?

4 Q Yes. That's really -- I was just using it as
5 an example, but thank you for the
6 clarification. I certainly don't want to
7 mislead anyone. But really the question had to
8 do with, you know, where do they get the money
9 for, you know, borrowings like this or lendings
10 like this I guess would be more appropriate
11 from their point of view?

12 A MR. MORRISON: Madam Chair, YDC has its
13 own sources of funds, as I think was indicated
14 in a reference made to an earlier IR. It gets
15 dividends and interest from other loans from
16 YEC. It had funds available to it over a
17 period of years that it generated. That's
18 where those monies come from.

19 Q And that's what I was trying to get at. You've
20 indicated -- and, you know, to be honest,
21 before I came in here, I wasn't sure if there
22 maybe was some access to money markets to get
23 some of that money. You're telling us no.

24 But you has said in your
25 earlier responses that it's earnings and

1 dividends and investments, and what we were
2 trying to ascertain, Is that the only source of
3 those funds? Because I don't think you said
4 expressly that it was in your responses.

5 You said -- we asked you
6 how they got the money. You said they have
7 these sources of income, but you didn't say
8 those were the only sources. And I just want
9 to know, is there some other source that we're
10 not hearing about?

11 A MR. MORRISON: Again, none that I can
12 think of, but, you know, was there sources of
13 funds that YDC had received, you know, back in
14 history that I'm not aware of? There may have
15 been. But I can't think of any in my memory.
16 That's not the normal.

17 Q All right. Thank you.

18 Mr. Osler, did you have
19 something more to say?

20 A MR. OSLER: Let me just -- whether
21 you needed to have any more explanation of what
22 goes on at the end of each year and the 60/40
23 process, this number that everybody is pointing
24 to, all these loans are done at the end of each
25 year to ensure that the debt equity ratio stays

So if you haven't been around and dealing with it, you might not even get that point, which is what my colleague had said. And the other thing is that traditionally we haven't gotten into it in front of the Board, the business of YDC, so some of the reticence you see in the answers just reflects that tradition. I mean YDC is a totally separate entity, and how it deals with its business is another matter.

But the fundamental thing you are getting at, YDC doesn't go out and borrow money in order to set this stuff up. The cash flow works the way everybody has been describing it.

Q All right. Now, I would like to explore a different topic, and it comes out of response to CW-YEC-1-13(a) and (b). If I could get you to turn that up, please.

So there the response

1 indicates in part the issue of efficient price
2 signals and the issue of conservation
3 activities are separate and distinct matters.
4 And we have raised this with respect to this
5 idea of the increase in the second block rates
6 for residential, and we were trying to get at
7 the rationale and so forth. And we asked had
8 you considered other conservation methods or
9 activities, and we received this response.

10 So the issue of efficient
11 price signals and the issue of conservation
12 activities are separate and distinct matters
13 was your statement.

14 Is it Yukon Energy's
15 position that its initiative to rebalance the
16 first and second blocks of the residential rate
17 was intended primarily to send out efficient
18 price signals and not as a conservation
19 measure?

20 A MR. OSLER: Essentially the -- given
21 those two choices, it would be price signal for
22 all the reasons that Mr. Morrison was talking
23 about in his opening statement.

24 But essentially this
25 matter was reviewed by the Board itself in

1 1992, which we attached to one of the answers,
2 their report, and they did address the reasons
3 why they thought one should have these type of
4 price signals. And I'm not sure whether they
5 use the words price signals or economy and
6 efficiency.

7 The order in council uses
8 the word economy and efficiency. It doesn't
9 use conservation. So I'm not sure anybody put
10 their mind to it at great length, but
11 efficiency has been the buzz word that
12 everybody has been focused on as far as I can
13 recall with this particular matter for a long
14 time.

15 **Q Well, we're trying to understand if you're**
16 **drawing a distinction, and, you know, maybe you**
17 **can help us if you are drawing a distinction to**
18 **explain what it is.**

19 You know, when I think
20 about price signal, I am thinking that the
21 price is sending a signal out to do something
22 or not do something, and I'm not sure in this
23 context what it would be other than to use less
24 energy, if that was something within the
25 customer's control.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

L3
L4
L5
L6
L7
L8
L9
L20
L21
L22
L23
L24
L25

18
19
20
21
22
23
24
25

1 diesel zones that block or runout rates should
2 be reflecting the incremental costs of diesel
3 in the areas that were being served by diesel
4 generation. It wasn't until after the Board's
5 recommendations in '92 that that concept got
6 carried over to the hydro zones, in part on
7 recommendation to this Board in its report in
8 '92.

9 **Q Now, with the proposal that YEC is still**
10 **carrying forward on the increase to second**
11 **block residential rates to the extent that that**
12 **is a signal that is being sent, what if any**
13 **response does Yukon Energy expect from**
14 **customers if their proposal is approved during**
15 **the test period?**

16 **A MR. OSLER:** Essentially the answers
17 we have provided I have said we have not made
18 any estimate or assessment of a change in
19 consumption in the test years. We would expect
20 that if there was such a change it would be
21 probably longer run. But we certainly don't
22 have the ability to at the moment predict it.
23 And secondly that the concept of doing what
24 we're talking about is not a novel new concept,
25 it is just getting back to what we were all

doing in the 1990s the last time we had a complete review of this.

So it's -- it was the norm to have this type of a price signal for the second block rate when we last had a GRA in '96, '97.

Q When you say "this type of a price signal," just so I am understanding, do you mean one that is moving towards a price based on the incremental cost of diesel, or do you mean something else?

A MR. OSLER: Well, in the application we are setting a price that's moving towards it, and in the Board's report in '92, which was attached to YUB-21(d) the Board said it this way (quoted):

"The Board considers that runout rates should reflect short-run incremental costs in each of the rate zones as specified in the OIC and that fixed costs incurred by the companies should be recovered by demand charges, fixed charges and energy charges in the first energy block. The Board recognized that this will result in

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q Well, let me take this maybe to a higher level. I am trying to understand why you don't think customers would react to this in the short term, so let me put something to you. Would you agree that a rational customer who finds that the cost of electricity above a certain level of consumption was increasing while the cost of consumption below a certain level of consumption was decreasing try and move their level of consumption below that particular level by eliminating discretionary electricity consumption like turning out lights when you are not in the room and turning down

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- L0
- L1
- L2
- L3
- L4
- L5
- L6
- L7
- L8
- L9
- 20
- 21
- 22
- 23
- 24
- 25

A MR. OSLER: As an economist I fervently believe that a rational customer will take account of price signals and make some decisions accordingly. But in the realm of electricity pricing, we have observed that, you know, there are limits to how much people really have the choice involved, and it's a gradual process. And the utility that -- the Manitoba Hydro Utility where they have very low rates relative to a lot of people, they claim that they get better power smart results than some of the utilities that have very high rates because they go out and pay attention and encourage people to do things. I'm not going to comment on whether that's absolutely the case, but that's their pitch.

People have faced very high oil prices recently, and they may have changed their behaviour. There's -- in terms of where there's choice, the modest changes that we're talking about here don't even come close to getting up to what we thought was the oil price signal range. Given the decline of the oil price, it's still what we were

1 proposing less than what would be the type of
2 price relationship to oil that existed in '97.
3 And for all I can recall from '97, people
4 weren't suggesting from the two utilities when
5 they came before the Board then that this
6 change would make a predictable amount of
7 reduction in the consumption of electricity on
8 the WAF system, in part because we didn't know
9 how to estimate it or perhaps because it wasn't
10 at an evidentiary basis to do it.

11 So yes, rationally the
12 price should make a difference if it goes up.
13 How much of a difference, though, is very hard
14 to talk about, and we're still a long way from
15 having a price relationship to oil as a
16 competing product that we in the past had
17 throughout the territory for second block
18 rates.

19 **Q Now, I don't want you to repeat yourself here,**
20 **but I am going to ask a question with respect**
21 **again to this idea of efficiency. If you have**
22 **got nothing more to tell us, you know, that's**
23 **fine. I just want to make sure I give you**
24 **every opportunity. But the next question was**
25 **whether Yukon Energy would consider that any of**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A Q A Q

Q

A

Q

A
Q

Q

1 customers did reduce their second block of
2 consumption, would this result in a reduction
3 in the volume of diesel generation?

4 A MR. OSLER: In the whole territory if
5 it happened in some of the diesel zones, the
6 answer is yes. Today in the test years given
7 the forecast with respect to the Whitehorse,
8 Aishihik, Faro, and the Mayo-Dawson system, the
9 answer would be no.

10 But what we are telling
11 you is that we think sooner than we like,
12 diesel could be indeed on the margin in those
13 systems, both of them. And if we don't start
14 planning to have rates that reflect the price
15 of diesel and if the diesel price starts to go
16 up again, we are running after it as it keeps
17 climbing, the answer will change the next time
18 we meet perhaps. And the answer will be if
19 they were more efficient in those areas they
20 would be saving diesel directly.

21 And that was the answer
22 that would have been given in '96, '97. And
23 that was the answer that was in the Board's
24 mind when it dealt in '92 with a situation
25 throughout the territory when diesel was on the

1 margin in all the rate zones except perhaps
2 Mayo-Dawson because of the closure of the mine
3 there. But otherwise of the Mayo system,
4 diesel was on the margin everywhere else.

5 MR. MARRIOTT: Madam Chair, I just want
6 to consult with my colleague here for a moment.
7 I may be done.

8 Q MR. MARRIOTT: I am going to ask you to
9 turn up another information response,
10 CW-YEC-1-13, the (c) and (d) portion of that in
11 lines 27 to 29. And there it states (quoted):

12 "To the extent that conservation
13 occurs due to consumer response to the
14 second block rate, it is expected that
15 this will occur over time as noted in
16 PWP/HML-YEC-1-6. Any revenue
17 reductions that occurred would form
18 part of future Yukon Energy GRAs."

19 And then if we go to that
20 referenced information response, the
21 PWP/HML-YEC-1-6, you there give the reason for
22 that belief that consumption won't change as a
23 result of an increase in the second block and
24 the reason given is (quoted):

25 "Yukon Energy does not anticipate

1 price elasticity of demand leading to
2 reduced second block use to be a
3 material factor in the test years.
4 This is because electricity as a
5 commodity is typically not
6 particularly elastic, and any consumer
7 price elasticity is normally
8 understood as a longer-term factor."

9 **And in making that**
10 **statement did Yukon Energy have any particular**
11 **econometric study in mind that shows that**
12 **electricity is inelastic?**

13 A MR. OSLER: Mr. Bowman can follow up
14 if -- I'm not aware we had a specific study in
15 mind. It was a comment made in the context of
16 would this particular change, given how far it
17 is behind oil, be likely to make any estimate
18 that anybody could make in the short term of
19 the test years and based on various hearings
20 and various experience, the answer was we
21 didn't think so.

22 Mr. Bowman can comment
23 whether he had some particular study in mind.
24 But this sort of generally speaking when you
25 listen to people talking about it in various

1 places is the type of framework that you get
2 used to hearing. We didn't do any specific
3 study or do any particular research to back it
4 up in this hearing.

5 A MR. BOWMAN: I have nothing to add.

6 Q So it sounds like this is a reference to an
7 impression or gut feeling earned over years of
8 experience from hearings and references to
9 unspecified studies. I am not trying to be
10 unfair, but that's what your answer sounded
11 like to me.

12 A MR. OSLER: Well, at my level it
13 would probably be that, because I'm not busy
14 researching the stuff. Mr. Bowman probably can
15 give you a lot better than just gut. Go ahead.

16 A MR. BOWMAN: Well, it's been the
17 subject of a fair number of the proceedings
18 that I have been involved in at various times
19 over the last few years, particularly in
20 Manitoba. And in those cases people were
21 reviewing specific studies. I didn't have any
22 specific study in mind. But it's -- for people
23 who are involved in the feeling, probably gut
24 is not the right characterization but sort of
25 common wisdom that regardless of the studies

You may see people turning out lights as you say, but those are not dramatic changes in the overall consumption. Where you really start to see those effects is when you get into elasticity type of studies is over the longer term. And you see it certainly more in industrial type of operations than you do in residential. The classic relationship is residential loads over the short term are among your least elastic. Residential loads over the longer term become somewhat more elastic because over the longer term, people have the opportunity to buy a more efficient fridge. They don't do that tomorrow. Tomorrow they might turn out the light. But a couple years from now when they replace the fridge, they might buy a more efficient fridge if the price is right.

In industrial operations

1 elasticity goes away, because in certain cases,
2 they'll shut down and stop using power
3 entirely. But residential loads are
4 notoriously inelastic, so it's not gut. It's
5 beyond gut but no specific study in mind.

6 **Q So are you saying, Mr. Bowman, that the studies**
7 **that you are thinking of would bear out the**
8 **statement that electricity as a commodity is**
9 **typically not particularly elastic more so in**
10 **the short term than the long term?**

11 **A MR. BOWMAN:** Yes.

12 **MR. MARRIOTT:** Thank you, Madam Chair.

13 That brings me to the end of my questions
14 subject to answers to undertakings. And I see
15 it's probably a convenient time to break for
16 the day.

17 **THE CHAIR:** Thank you, Mr. Marriott.

18 I note that we are at the time that you
19 mentioned that we would take a break for the
20 day, and we will reconvene tomorrow morning at
21 9 a.m.

22 (PROCEEDINGS ADJOURNED AT 5:56 P.M.)

23
24 * * * * *
25

INDEX

May 5, 2009

Exhibits A-1 to A-15, B-1 to B-13, C1-1 to C7-1,
and D1-1 to D3-1

Our File Number 6029-6

Volume 1

EXHIBITSPAGE

Exhibit Number A-1: 13

YUB letter to Minister of Justice
re YEC GRA, October 17, 2008.

Exhibit Number A-2: 13

Board Order 2008-15 re YEC
proceeding and regulatory schedule,
October 30, 2008.

Exhibit Number A-3: 14

Board Order 2008-16 re interim
refundable rates and Rider J,
November 14, 2008.

Exhibit Number A-4: 14

Letter from Minister approving
YEC GRA, December 19, 2008.

Exhibit Number A-5: 14

Memo to Parties of Pre-Hearing
Conference, January 2, 2008.

<u>Exhibit Number A-6:</u>	14
Pre-Hearing Conference Agenda, January 7, 2008.	
<u>Exhibit Number A-7:</u>	14
Board Order 2009-1, approval of Intervenors, Issues List, schedule, January 20, 2009.	
<u>Exhibit Number A-8:</u>	15
YUB IRs to YEC, January 30, 2009.	
<u>Exhibit Number A-9:</u>	15
YUB memo to all Parties re YEC request for extension to IR Response deadline, February 23, 2009.	
<u>Exhibit Number A-10:</u>	15
YUB Reply to YEC correspondence re Board Order 2009-1, Phase II, February 23, 2009.	
<u>Exhibit Number A-11:</u>	15
YUB memo to all Parties re YEC request for extension to IR Responses deadline, February 24, 2009.	

<u>Exhibit Number A-12:</u>	15
Board Order 2009-3 re YEC IR Response extensions, February 26, 2009.	
<u>Exhibit Number A-13:</u>	15
YUB memo to all parties re further information requests, March 25, 2009.	
<u>Exhibit Number A-14:</u>	16
YUB memo to all parties re further information requests, March 27, 2009.	
<u>Exhibit Number A-15:</u>	16
Board Order 2009-4 re further information responses, April 7, 2009.	
<u>Exhibit Number B-1:</u>	16
YEC cover letter to YUB re 2008-09 General Rate Application, dated October 6, 2008.	
<u>Exhibit Number B-2:</u>	16
YEC 2008-09 General Rate Application.	

<u>Exhibit Number B-3:</u>	16
YEC Workshop presentation, January 6, 2009.	
<u>Exhibit Number B-4:</u>	16
Landry e-mail re hearing dates, January 8, 2009.	
<u>Exhibit Number B-5:</u>	17
YEC letter re hearing dates, January 13, 2009.	
<u>Exhibit Number B-6:</u>	17
YEC letter re Board Order 2009-1 and Phase II, January 22, 2009.	
<u>Exhibit Number B-7:</u>	17
YEC request for IR Response deadline extension, February 20, 2009.	
<u>Exhibit Number B-8:</u>	17
YEC reply re request for extension to file IR Responses, February 24, 2009.	
<u>Exhibit Number B-9:</u>	17
YEC comments on further IR responses, April 1, 2009.	

<u>Exhibit Number B-10:</u>	17
YEC cover letter re Updates to filing and IR responses, April 24, 2009.	
<u>Exhibit Number B-11:</u>	18
YEC Complete IR Responses, April 24, 2009.	
<u>Exhibit Number B-12:</u>	24
YEC opening statement.	
<u>Exhibit Number B-13:</u>	146
May 1, 2009 letter from Yukon Energy to Yukon Electrical.	
<u>Exhibit Number C1-1:</u>	18
Yukon Electrical Company Ltd. request for Intervenor status, December 1, 2008.	
<u>Exhibit Number C1-2:</u>	18
YECL letter re hearing dates, January 9, 2009.	
<u>Exhibit Number C1-3:</u>	18
YECL letter re legal counsel, January 9, 2009.	
<u>Exhibit Number C1-4:</u>	18
YECL letter re Phase II matters, January 20, 2009.	

<u>Exhibit Number C1-5:</u>	18
YECL IRs to YEC, January 30, 2009.	
<u>Exhibit Number C1-6:</u>	19
YECL reply re YEC request for extension to file IR Responses, February 24, 2009.	
<u>Exhibit Number C1-7:</u>	19
YECL request for further information from YEC, March 19, 2009.	
<u>Exhibit Number C1-8:</u>	19
YECL comments re further information from YEC, April 6, 2009.	
<u>Exhibit Number C2-1:</u>	19
City of Whitehorse request for Intervenor status, November 25, 2008.	
<u>Exhibit Number C2-2:</u>	19
City of Whitehorse letter re runoff rates and hearing schedule, January 14, 2009.	
<u>Exhibit Number C2-3:</u>	19
City of Whitehorse IRs to YEC, January 30, 2009.	

<u>Exhibit Number C2-4:</u>	20
City of Whitehorse retainer letter, February 9, 2009.	
<u>Exhibit Number C2-5:</u>	20
City of Whitehorse reply re YEC request for extension to file IR Responses, February 24, 2009.	
<u>Exhibit Number C2-6:</u>	20
City of Whitehorse letter re YECL and UCG request for further information, March 27, 2009.	
<u>Exhibit Number C2-7:</u>	239
YECL Revised Schedule 3.1 from Yukon Electrical's compliance filing.	
<u>Exhibit Number C3-1:</u>	20
Utilities Consumers' Group request for Intervenor status, November 4, 2008.	
<u>Exhibit Number C3-2:</u>	20
Public Interest Advocacy Centre (IPAC) letter re Utilities Consumers' Group retainer letter, December 22, 2008.	

<u>Exhibit Number C3-3:</u>	20
UCG letter re hearing dates, January 12, 2009.	
<u>Exhibit Number C3-4:</u>	21
UCG letter re YEC correspondence re Board Order 2009-1, Phase II, January 26, 2009.	
<u>Exhibit Number C3-5:</u>	21
UCG IRs to YEC, January 28, 2009.	
<u>Exhibit Number C3-6:</u>	21
UCG letter reply re YEC request for extension to file IR Responses, February 23, 2009.	
<u>Exhibit Number C3-7:</u>	21
UCG request for further information, March 24, 2009.	
<u>Exhibit Number C3-8:</u>	21
UCG request for further information updates, March 24, 2009.	
<u>Exhibit Number C4-1:</u>	21
Maissan (Leading Edge) application for Intervenor status, October 18, 2008.	

<u>Exhibit Number C4-2:</u>	22
Leading Edge letter re Board Order 2009-1 and Phase II, January 23, 2009.	
<u>Exhibit Number C4-3:</u>	22
Leading Edge IRs to YEC, January 27, 2009.	
<u>Exhibit Number C4-4:</u>	22
Leading Edge reply re YEC request for extension to file IR Responses, February 23, 2009.	
<u>Exhibit Number C5-1:</u>	22
Percival request for Intervenor status, December 1, 2008.	
<u>Exhibit Number C5-2:</u>	22
Percival e-mail re representing Hamlet of Mount Lorne, January 8, 2009.	
<u>Exhibit Number C5-3:</u>	22
Percival e-mail re YEC correspondence re Board Order 2009-1, Phase II, January 26, 2009.	

<u>Exhibit Number C5-4:</u>	23
Percival IRs to YEC, January 31, 2009.	
<u>Exhibit Number C5-5:</u>	23
Percival reply re YEC request for extension to file IR Responses, February 23, 2009.	
<u>Exhibit Number C6-1:</u>	23
Cathers request for Intervenor status, December 4, 2008.	
<u>Exhibit Number C7-1:</u>	23
Giesbrecht request for Intervenor status, December 4, 2008.	
<u>Exhibit Number C1-9:</u>	52
Bundle of aids to cross.	
<u>Exhibit Number D1-1:</u>	23
Department of EMR request for Observer status, November 28, 2008.	
<u>Exhibit Number D2-1:</u>	23
Paul Kishchuk (Vector Research) request for Observer status, December 5, 2008.	

Exhibit Number D3-1:

24

Carcross/Tagish First Nation
request for Observer status,
December 5, 2008.

UNDERTAKINGS

<u>PAGE</u>	<u>LINE</u>
54	9
226	21
227	2
227	8
229	24
257	15
262	11

* * * * *

YUKON UTILITIES BOARD

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

and

General Rate Application for 2008-09 by Yukon Energy Corporation

PROCEEDINGS

May 6, 2009
Held at High Country Inn
Whitehorse, Yukon

Volume 2

TAKEN BEFORE:

Wendy Shanks	Chair
Robert Laking	Vice-Chair
Jody Woodland	Member
Kathleen Avery	Member
Richard Hancock	Member

APPEARANCES

Wendy Shanks	Chair
Robert Laking	Vice-Chair
Jody Woodland	Member
Kathleen Avery	Member
Richard Hancock	Member

Giuseppa Bentivegna, Esq.	Board Counsel
Dwayne Ward	Technical Consultant
Bob Clarke	Technical Consultant
Deana Lemke	Executive Secretary
Kori St. Jean, CSR(A)	Realtime Reporter
Georgina L. Lawrence, CSR(A)	Production Reporter
Julie Snijder, CSR(A)	Production Reporter

P. J. Landry, Esq.	For Yukon Energy Corporation
L. G. Keough, Esq.	For Yukon Electrical Company Limited
T. D. Marriott, Esq.	For the City of Whitehorse
M. Buonaguro, Mr.	For Utilities Consumers' Group
J. F. Maissan, P.Eng.	For Leading Edge Projects Inc.

TABLE OF CONTENTS - May 6, 2009 (Volume 2)

	<u>PAGE</u>	<u>VOL.</u>
OPENING REMARKS	299	2
PRELIMINARY MATTERS	299	2
 <u>YEC PANEL</u>		
<u>ED MOLLARD</u> , previously sworn.		
<u>PATRICK BOWMAN</u> , previously sworn.		
<u>CAM OSLER</u> , previously sworn.		
<u>DAVID MORRISON</u> , previously sworn.		
 <u>YEC PANEL</u>		
- cross-examined by Mr. Buonaguro	305	2
- questioned by Mr. Maissan	422	2
DISCUSSION	522	2
 <u>YEC PANEL</u>		
- questioned by Ms. Bentivegna	530	2
- further examined in chief by Mr. Landry	606	2
CLOSING REMARKS	608	2
INDEX	610	2

* * * * *

TABLE OF CONTENTS - May 5, 2009 (Volume 1)

(COMPILATION)

	<u>PAGE</u>	<u>VOL.</u>
OPENING REMARKS	4	1
PRELIMINARY MATTERS	4	1
REGISTRATION OF APPEARANCES	9	1
INTRODUCTION OF YEC PANEL	11	1
<u>YEC PANEL</u>		
<u>ED MOLLARD</u> , duly sworn.		
<u>PATRICK BOWMAN</u> , duly sworn.		
<u>CAM OSLER</u> , duly sworn.		
<u>DAVID MORRISON</u> , duly sworn.		
<u>YEC PANEL</u>		
- examined in chief by Mr. Landry	12	1
ENTERING OF EXHIBITS	13	1
YEC PANEL PRESENTS OPENING STATEMENT	25	1
<u>YEC PANEL</u>		
- cross-examined by Mr. Keough	47	1
- cross-examined by Mr. Marriott	228	1
CLOSING REMARKS	283	1
INDEX	284	1

* * * * *

(PROCEEDINGS RESUMED AT 9:05 A.M.)

THE CHAIR: Please be seated.

Good morning, everyone.

Just with respect to a couple preliminary matters. We would like to have our lunch break from 12 to 1:30 again, and take a short break around 10:30 this morning and an afternoon break around 3 o'clock, and adjourn today around 5.

Mr. Landry, do you have some comments?

MR. LANDRY: Yes, Madam Chair.

We have some undertakings we would like to deal with. We don't have all of them yet, but most of them. And just so that we have them for the record, first of all, I'll go through them and have the panel speak to them.

I'm going from the undertaking summary in the transcript, and the first one is at page 54, line 9, and that was a letter, Madam Chair, that Yukon Energy filed yesterday, so that undertaking has been done.

The next one is a combination of three. It's page 226, line 21;

1 227, line 2; and 227, line 8, and it related to
2 an undertaking given to Mr. Keough, and I think
3 Mr. Bowman will deal with that.

4 ED MOLLARD, previously sworn.

5 PATRICK BOWMAN, previously sworn.

6 CAM OSLER, previously sworn.

7 DAVID MORRISON, previously sworn.

8 A MR. BOWMAN: Yes. Thank you, good
9 morning, Madam Chair, members of the Board.

10 The undertaking in
11 question related to actual diesel generation in
12 2008, and the reference in the transcript, as
13 Mr. Landry noted, was page 226 to 227. But at
14 the time we were working with a table with very
15 small numbers out of Exhibit B-10, which was
16 the April 24th filing, and it is in
17 Attachment B of that filing, and Attachment
18 B-2, to be specific, page 14 of 14, in which
19 the actual diesel generation for 2008 by month
20 by plant was provided.

21 Mr. Keough had asked for
22 information on five of those entries. One
23 related to the diesel generation in Dawson of
24 120 megawatt hours that occurred in April 2008,
25 and that generation occurred as a result of the

1 Mayo hydro plant maintenance that took place
2 during the first week of April, and at the time
3 Dawson was, therefore, required to be on
4 diesel, and YEC also used this opportunity to
5 do transmission line maintenance on the
6 transmission line in the area as well. So the
7 generation at Dawson reflects the fact that the
8 hydro plant was being -- was going through
9 maintenance.

10 The second entry that
11 Mr. Keough asked about was generation occurring
12 at Whitehorse in May for 175 megawatt hours,
13 and that generation occurred as a result of
14 vandalism, a vandalized insulator on
15 Transmission Line L1-70. This is discussed in
16 the application at page 3-5, lines 6 to 8, and
17 it relates to an insulator on the system. And
18 that amount of diesel is being charged for
19 reserve for injuries and damages, as a result
20 of it being vandalism event. So although it
21 shows up in this table, it doesn't actually go
22 into the diesel expense for 2008.

23 The third entry that
24 Mr. Keough asked about was October of 2008. He
25 actually went through October, November, and

1 December. So just to fill those in, October
2 2008, there was generation at each of
3 Whitehorse and Faro for a total of 219 megawatt
4 hours. And that was due to the Whitehorse
5 Hydro Number 3 governor, which was on
6 October 20th the unit tripped off due to
7 governor issues, and it was at a time when
8 Whitehorse Hydro Number 4 was already out of
9 service. So the diesel generation was required
10 over the following couple of days in order to
11 supply the load, and during that period
12 secondary sales were interrupted as a result of
13 the lack of supply of hydro.

14 Sorry, it was out of
15 service because of repairs. The -- because it
16 was as a result of an outage, it would be
17 discussed in the response to Percival 13(a),
18 which lists the outage reports.

19 The diesel generation in
20 November, which was a relatively small amount,
21 was 30 megawatt hours, actually relates to two
22 items: the majority of it was a Whitehorse
23 Hydro Unit Number 4 tripping off, and as a
24 result, it was a -- it caused an outage
25 requiring both Whitehorse and Faro diesels to

1 be run; that was November 12th. And again that
2 one is discussed in response to Percival 13(a),
3 which lists the outage reports. And then a
4 small amount of the fields are in that period,
5 about a third of what's listed for that month,
6 so 10 megawatt hours, was as a result of the
7 connection of the Carmacks-Stewart project.
8 That was where the line was initially being
9 connected for the first time, so there was
10 diesel run for that event. And that was
11 November 5th, and that was just to energize the
12 main line.

13 December was the majority
14 of the diesel for the year. It was a total of
15 664 megawatt hours. In the response yesterday
16 I noted that that was due to, in particular,
17 cold weather, which is, you know, more than
18 half of that diesel. And it was a cold period
19 where diesels ran between December 14th and
20 31st of 2008. There was also an outage on
21 December 1st and 2nd, which required diesel.
22 It's about 300 megawatt hours of the 663. This
23 is related to a failure of equipment at the
24 Aishihik plant, discussed in response to LE-6,
25 a piece of equipment called a pothead failed.

1 This item was charged to reserve for injuries
2 and damages, or it will be once the project is
3 finally closed out. The repairs for that are
4 still underway. But as a result of it being
5 related to equipment failure, sudden accident
6 equipment failure, as Mr. Mollard noted
7 yesterday. And as I note, the remainder was
8 due to the cold period from December 4th
9 through 31st.

10 So I believe that covers
11 all the entries that were requested.

12 MR. LANDRY: And, Madam Chair, the
13 last one for this morning is from page 229,
14 line 14. I think Mr. Osler is going to respond
15 to that undertaking.

16 A MR. OSLER: Good morning.
17 The undertaking related
18 to Mr. Marriott. It was a question about
19 correspondence, a reference in the opening
20 statement to other correspondence after the
21 Board Order 2009-1. I can confirm that that
22 other correspondence is exhibit -- is the
23 letter from the Board to Yukon Energy, and it's
24 in the exhibit list as Exhibit A-10.

25 MR. LANDRY: Thank you.

24 I would actually like to
25 start by picking up on something I noticed

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q It occurred to me that I don't have a handle on how many of those accounts exist and what the individual and aggregate amounts being held to the credit of ratepayers for this purpose are, and I was wondering, is that something that is in the evidence already, or if not, is it something you can provide?

At this point in time, in terms of anything material, the only items that Yukon Energy deals with are the Faro dewatering account, which we talked about at some length

That amount, my recollection -- it will be listed at Tab 7. It's dealt with in the opening statement, and by the time -- sorry, page 11 of the opening statement. By the time this -- we come forward in this application, it was -- our recollection is 1.1 million is what was there. There is 467,000 looking to be credit against the reserve for injuries and damages.

The only other account that would qualify any way in the definitions you use, but it's a very different type of item, is the diesel contingency fund. The diesel contingency fund is an ongoing trust item. I use the word "trust," because that's the way that effectively it's accounted for. It is an account that's been around for a long time. It was first set up under a different name, the low-water reserve fund. It became a diesel contingency fund in '96, '97. It's amounts held to deal with uncertainties related to water flow, in the event there was a very severe drought. The fund effectively pays for the diesel required to deal with that drought.

In the meantime the cash that's in that fund is invested externally. It earns interest. It will be discussed at each of Tab 9 in the audited financial statements, because it gets specific treatment in there,

1 and at Tab 3 in page 3-21 to 3-22. There has
2 been no charges to that account for some time,
3 but we know from past experience that in the
4 event of a severe drought, even at the load
5 levels today, it could be required to burn
6 diesel for baseload reasons, and as a result,
7 the fund is still needed for the purpose it was
8 originally intended.

9 And the rules on that, on
10 those monies, are that it has effectively a
11 trigger at \$3 million plus or minus, so that it
12 can actually go to amounts owing to ratepayers,
13 owing from ratepayers, and at the time it
14 reaches \$3 million, the terms in the negotiated
15 settlement, '96 - '97, state that at that time,
16 some form of rate adjustment will be dealt with
17 to bring the fund back into line.

18 **Q Thank you.**

19 **And if I remember**
20 **correctly, that fund has something in the order**
21 **of 800,000 in it right now, approximately?**

22 **A MR. BOWMAN:** It's -- I have for the
23 number, page 3-22, was .856 million. But as I
24 note, it's externally invested and earns
25 interest, so the balance this month, whatever

1 it is.

2 **Q Those are the two counts that meet the**
3 **definition that I was looking for, right?**

4 **A MR. BOWMAN:** Yeah, and each of them
5 meet the definition in a sense that they're
6 monies or liabilities of Yukon Energy that are
7 only used pursuant to effectively orders of
8 this Board or rules established by this Board
9 in order to address items you note as rate
10 stability or other things at this Board
11 determines are suitable.

12 **Q Thank you.**

13 **I would like to turn to a**
14 **part of the opening statements where you**
15 **summarize 2008 actuals. And, specifically, I'm**
16 **looking at page 10, where you basically**
17 **summarize that the actual ROE for 2008 --**
18 **sorry, this would be Exhibit B-12. The actual**
19 **ROE for 2008 was 7.2 percent, I guess subject**
20 **to auditing the statements?**

21 **A MR. MOLLARD:** Yes.

22 **Q And I would like to turn to an interrogatory**
23 **response. This is the UCG-YEC-1-19. I think**
24 **from this point on, I'll just call it UCG-19.**
25 **It's just easier for me to say. So UCG-19.**

2 A MR. MORRISON: I'm getting beaten up
3 this morning.

5 THE CHAIR: I was wondering when you
6 guys would catch on to the convenience of the
7 computer.

9 Q MR. BUONAGURO: So I'm looking at
10 Answer B at that interrogatory, where we asked
11 for the actual ROEs for 2005, 2006, and 2007
12 compared to the last Board approved; you see
13 that?

L5 Q So am I to understand that this 7.2 percent
L6 that's in the update would fit into this 2008
L7 actual ROE? Is it calculated the exact same
L8 way?

Q Now, you have in that -- in the same update you talk about the Board-approved ROE of 8.64 percent, which is simply, I guess, the recalculation of the ROE with respect to the BCUC rules that you use plus the risk minus the OIE deduction?

1 A MR. OSLER: That is the ROE that
2 Yukon Energy has supplied to this Board for
3 approval in the 2008 GRA. So it isn't approved
4 yet; it's applied for.

5 Q Right. But it's based on -- it's calculated in
6 the same way that the last approved
7 9.05 percent --

8 A MR. OSLER: Yes.

9 Q -- in the table was calculated?

10 A MR. OSLER: The Board approve, in
11 2005, an ROE based on the same methods derived
12 from the BCUC annual determination of the
13 prospective ROE for the next calendar year,
14 with amounts for risks that the Board
15 determined was appropriate for Yukon Energy and
16 the reduction of a half, 50 basis points, or
17 one half of one percent, that the order in
18 council requires.

19 Q Thank you.

20 Now, in the question we
21 asked you to detail any weather normalization
22 that was going on in your response. I can tell
23 you, I added that to the interrogatory because
24 it is my understanding you can do it two ways.
25 You can report your ROE actuals on a

1 weather-normalized basis or a
2 nonweather-normalized basis; is that your
3 understanding?

4 A MR. OSLER: I have never
5 undertaken -- I have never heard that we would
6 be reporting anything on a weather-normalized
7 basis.

8 Q Let me try this. These are not weather
9 normalized, as you indicate the answer, right?

10 A MR. OSLER: The ROEs?

11 Q The actual ROEs that are reported in this
12 table, you have done nothing to, from your
13 perspective, weather normalize them?

14 A MR. OSLER: Correct.

15 Q So --

16 A MR. OSLER: I'm not even sure how we
17 would do it, but never mind. But no, the
18 answer is simple. It's not been weather
19 normalized.

20 Q Now, that means that the actual results that
21 you are reporting here may be over your ROE,
22 your Board-approved ROE from 2005, or they
23 might be closer to it, based on abnormal
24 weather in those years.

25 So, for example, in 2006,

1 the 10.59 percent ROE that you are reporting
2 there, that's actual results, and that's based
3 on the actual weather that was experienced in
4 2006?

5 A MR. OSLER: Yeah.

6 Q Which means that if, in theory, I don't know,
7 but it could have been that in 2006 you had
8 abnormally wet and cold weather, which means
9 that you had abnormally high throughput, which
10 means that your revenues would have been
11 abnormally high because -- is that possible?

12 A MR. OSLER: Yes, it's possible,
13 but -- and we used, I notice in the answer,
14 that we have to take responsibility for having
15 got you on the weather-normalization theme.

16 Yes, these can vary year
17 by year because of the effect of weather on
18 sales. And if there was a very cold period and
19 there was a lot of extra sales -- we didn't
20 have to incur because we have still got surplus
21 hydro, we didn't have to incur any material
22 increased generation costs, then the returns
23 would tend to be a bit higher.

24 There could be a lot of
25 other factors. Anything else that pushed sales

1 up beyond what we had forecast would tend to
2 have that effect, even if it wasn't weather,
3 just bigger growth than people expected, or
4 reductions in costs compared to what we had
5 anticipated, things like that.

6 So a lot of other things
7 could contribute to this result, and you would
8 have to go through an analysis of each year to
9 understand what caused what and how important
10 was each factor.

11 Q Okay.

12 So and if we're going
13 back to 2006, if you wanted to account for how
14 much of that deviation from the Board-approved
15 was as a result of abnormal weather, that
16 process would be weather normalization? It
17 would be accounting for the increase or
18 decrease relative -- or responsible -- sorry,
19 caused by abnormal weather and deducting that
20 or adding that back on to the actuals to
21 weather normalize it?

22 A MR. OSLER: If one was trying to
23 figure out the impact of weather, you'd have to
24 be able to determine what the sales would have
25 been at something called, you know, "normalized

1 weather" and how much that affected your
2 generation costs and your revenues. And then
3 you could determine -- you could say that in
4 that particular year, this portion of the
5 difference is due to that factor.

6 **Q And I take it from the way this conversation is**
7 **going that that's not something that YEC does**
8 **or normally does --**

9 A MR. OSLER: We don't.

10 **Q -- in reporting its actuals?**

11 A MR. OSLER: No.

12 **Q Thank you.**

13 A MR. OSLER: Part of it, not only do
14 they not normally do it, they don't normally
15 get into, even when looking at sales on a
16 forecasting basis, the normalization process,
17 as you have heard in other answers. So it's
18 not as though they have a weather-normalized
19 number sitting in their closet and they can
20 haul it out for this purpose, because there is
21 a lot of -- there's all the factors that went
22 into why they don't do that even for
23 forecasting that would have to be brought to
24 bear.

25 **Q Thank you.**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A
Q
A
Q
A
Q

Q **A** **Q** **A** **Q**

**My
a
M
O
t
p
i
w

M
N**

A Q A Q

Q

A

Q

tpiw

M

N

ms
ms
p
r
:
s

D
Y
D

AQ

Q

A MR. MORRISON: Madam Chair, we would, in thinking here, would just be talking about our impression that within the *YUB Act* that this -- this ability didn't exist, but whether it does or not is, you know, is not -- you know, we're not -- we are just giving what we thought. Whether it is, we might be proven to be wrong on that, but . . .

Now, the beginning of this interrogatory we quoted from the resource plan, the second reference, and it's part of the directions from the Board to YEC. And you'll notice that they talk about full cost of service, rate design, an update to electric service regulations. It also talks about maximum company investment. And these, the ones I have just mentioned, are all things that appear in your letter to YECL, Exhibit B-13?

1 A MR. OSLER: Is the question are all
2 these types of things cover in the letter?

3 Q Yeah, I'm asking to confirm that all those
4 things are in the letter.

5 A MR. OSLER: Let me just check.

6 Well, certainly the
7 issues of doing a joint full cost of service
8 and addressing rate design matters that flow
9 from that, update to electric service
10 regulations are all covered.

11 Q Right.

12 And I think even in
13 paragraph 2 you talk about maximum utility
14 investment?

15 A MR. OSLER: Yes, maximum company
16 investment, which is part of the *Electric*
17 *Service Regulations*, would be covered.

18 The performance-based
19 regulation mechanism in the middle is probably
20 a different thought process that really deals
21 much more with what we're in today.

22 Q You anticipated what I was going to ask.

23 A MR. OSLER: Sorry.

24 Q That seemed to be the one thing that you
25 weren't suggesting to YECL that you considered,

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

Q

But going with that terminology, Phase I would be the type of exercise required to review the revenue requirement of each utility.

Q
A

A

They might mean other things as well, but if they meant what I just said, they would be part of the revenue-requirement thought process.

In terms of Phase II,

1
2
3
4
5
6
7
8
9

L0
L1
L2
L3
L4
L5
L6
L7

18
19
20

21
22
23
24
25

1 1996/97 (and earlier GRAs) to address
2 revenue requirement, cost of service,
3 rate design and all other related
4 matters in a single integrated hearing
5 process."

6 Which suggests to me that
7 you will be talking to YECL, or you are
8 proposing to talk to YECL, about your next rate
9 proceeding and doing a joint basis?

10 A MR. OSLER: Yes, Madam Chairman, in
11 that sense you are quite correct. All of these
12 topics would be covered in that part of the
13 conversation.

14 Q When you say all these topics, that would
15 include the possibility of putting forward some
16 sort of incentive-based regulation?

17 A MR. OSLER: Well, Mr. Morrison?

18 A MR. MORRISON: No.

19 A MR. OSLER: If you were talking about
20 jointly filing at the same time, revenue
21 requirement matters, and finding areas where
22 you could facilitate cost-effective regulation
23 and keeping life simple for everyone who has to
24 deal with it, there would be a checklist of
25 topics. One of them would probably be, because

The companies might -- as I said yesterday, the fact that two utilities get together to try and do this doesn't mean they're going to agree on everything.

A MR. OSLER: So a list is a list, and you see what you can do with it, because the Board has asked you to see what you can do with it. That's as far as I can go.

A MR. OSLER: Mr. Morrison?

Q Thank you.

I have just a couple of small questions about cost of debt. There was some extensive cross-examination yesterday on cost of debt; I don't want to repeat any of that. I did want to clarify a couple of things, though.

First of all, almost all

1 the debt, and I think the plan is for all the
2 debt going into the future, is between YEC and
3 YDC, right?

4 A MR. MORRISON: I can't confirm that,
5 Madam Chair.

6 Q What part of it can't you confirm?

7 A MR. MORRISON: Well, all the debt going
8 into the future is going to be between YEC and
9 YDC.

10 Q Okay.

11 A MR. MORRISON: We can't -- you know, I'm
12 not prepared to indicate that that's the case.
13 We may have to borrow externally. I have no
14 idea.

15 Q So in terms of when you do obtain debt from
16 YDC, is there comparisons made on a regular
17 basis to what's available from third parties?
18 Is this part of your analysis?

19 A MR. MORRISON: Yes, Madam Chair. We
20 have -- in my recollection, somebody -- one of
21 my colleagues on the panel can be more
22 specific, but we have -- my recollection is
23 there is an established mechanism for a debt
24 rate at which we must borrow from YDC so that
25 it is competitive with the market.

- 1
- 2
- 3
- 4
- 5
- 6

7
8
9
L0
L1
L2
L3
L4
L5
L6
L7

18
19
20
21
22

23

24

25

1 that time, reviewed third party -- the
2 availability of third party debt at less -- or
3 at more favourable terms and determined that
4 they weren't available?

5 A MR. MORRISON: Madam Chair, I can only
6 speak for a period of time where I have
7 knowledge, and so we're talking about some
8 instruments that are older than my tenure. I
9 have no knowledge of that.

10 But during my tenure
11 here, we have looked at the market. We
12 actually, a few years ago, refinanced all -- a
13 lot of the debt that was on the books, because
14 specifically there was high-interest loans out
15 there, and we were able to get them down to a
16 lower interest rate.

17 So we have gone through
18 that exercise fairly recently, within the last
19 three or four years, pretty extensively. The
20 cost of the debt was pretty high over the last
21 few years. It started to come down again. I
22 know in the public's -- or there's a perception
23 out there that at zero or half a percent or
24 one percent bank of Canada rates that debt is
25 really cheap. Certainly not our experience in

1 recent months, talking to our bankers that it's
2 really cheap.

3 It's anecdotal, and I
4 know we are looking for information in response
5 to an undertaking that will be more specific.
6 But last discussions we had with our banker,
7 they are talking about 6 1/2, 7 1/2 range of
8 debt, and that's not tremendously cheap, from
9 our point of view. Although -- you know, we
10 have a perception, and we think that there's
11 cheaper money out there, but it's not that
12 cheap.

13 **Q Okay. So if I can call it this practice of**
14 **comparing the available rate from YDC to the**
15 **market, when appropriate, I expected that**
16 **that's not something that's been elevated to a**
17 **written policy.**

18 **A MR. MORRISON:** No. No, Madam Chair.

19 **Q But it would be something you would consider to**
20 **be part of your unwritten policy?**

21 **A MR. MORRISON:** I would consider it --
22 what we do is we look at things from a fairly
23 practical point of view, and we look at things
24 in the best interest of the ratepayer and where
25 we can get the best option of the ratepayer.

3	Q Thank you.

L3 In the actual policy, the
L4 idea was that the interest rates that you
L5 borrow from YDC at would be recalculated at
L6 every GRA, do you recall that part of the
L7 policy? And then there is a qualification in
L8 the interrogatory response that that is not the
L9 case because of certain concerns?

20 A MR. OSLER: Well, I recall the
21 discussion way back that that was what some
22 people thought the policy meant, and I recall
23 getting it clarified that that definitely
24 wasn't what the board of directors meant, and
25 there was a need to clarify to this Board, I

1 think at some point in history that point.

2 '92, my colleague tells me.

3 So I recall that
4 discussion in history, and the board -- I
5 recall being at the Board of directors meeting
6 way back then, and that certainly, in the
7 board's mind, was very clear, they weren't
8 planning to have it redone every time, and
9 eventually that point was made clear to this
10 Board.

11 **Q While you were talking, I found the reference,**
12 **so I thought maybe to be clear, it's CW-26. It**
13 **says, at Answer (a) (quoted):**

14 "The attached financial policy was
15 approved by Yukon Energy's Board at
16 the December 18, 1992 meeting. Note
17 that at the time this policy was
18 written, it was the intent to adjust
19 the long-term interest rates
20 periodically (at each GRA). However,
21 YEC's Board later updated this
22 component at the July 12, 1993 meeting
23 to ensure the rates were locked-in
24 over the long-term, in part to address
25 a concern arising at the 1993/94 GRA."

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

6
7

8
9
10
11
12
13
14
15

L6
L7
L8
L9

20
21
22
23
24
25

1 Dominion Securities about the appropriate rate
2 for doing that type of debt. That study was
3 filed with this Board, and it was a matter of
4 significant review during the '93/94 GRA.

5 In that GRA one of the
6 intervenors, my recollection is the City of
7 Whitehorse, one of the intervenors expressed
8 concern that the debt, as established, may not
9 fairly represent terms consistent with proper
10 long-term debt, because it had this sort of
11 resetting interest rate component of it. And
12 there was -- the IR asked for the policy, and
13 it references the policy and the subsequent
14 adjustment to the policy.

15 There was also a fair bit
16 of argument at that GRA. There was an argument
17 from the City of Whitehorse and a reply
18 argument in the companies where it was made
19 very clear that the intent is that this debt
20 between the two companies mimic long-term --
21 any long-term debt available through the
22 market, that it contained provisions that were
23 consistent with long-term debt that would be
24 available from the market, or at least no less
25 favourable, and that it would provide a means

1 to maintain Yukon Energy's equity levels
2 relatively strictly at 40 percent, so that they
3 didn't drift higher and, as a result, cause our
4 rates to be higher than they would need to be.

5 So that is the other side
6 of the story, which relates to the regulatory
7 review side of it, that isn't in this IR,
8 because it was asked more about the policy
9 side.

10 Q Thank you very much.

11 I'm going to switch now
12 to another interrogatory response. This is
13 UCG-35. And I would like to start with the
14 answer to (a), which is a table that shows
15 labour cost increases and labour charge,
16 capital and deferred projects.

17 A MR. OSLER: Yes.

18 Q Now, I just wanted some help in how I am to
19 understand how to read this table. So at --
20 the first three lines are "O&M labour," "admin
21 labour," and "Labour expense." And with labour
22 expense being the total of O&M and admin, and
23 then it shows the numbers for 2005 to 2009.

24 And as I follow it down
25 to the bottom of the page, at the bottom of the

1 table, it has several, I guess, distributor.

2 It says (quoted):

3 "Yearly increases as %

4 Economic increase January 1st each
5 year

6 Number of new positions added

7 Number of positions cancelled."

8 So the way I look at
9 this, and perhaps you can confirm whether I'm
10 right or wrong, is that, for example, when I'm
11 looking at the labour expense, or I guess the
12 total for 2006, of \$7.848 million; you see that
13 number?

14 A MR. OSLER: Mm-hmm.

15 Q I am looking at the increase in 2007 to
16 \$8.395 million. The explanation for that
17 increase is partly because of an economic
18 increase in January 1st of 2007 and partly as a
19 result of three positions added? Is that
20 essentially how I'm supposed to read that?

21 A MR. MOLLARD: That would be the
22 majority of it. There may be other smaller
23 components; for instance, if benefits
24 increased, that would also increase our labour
25 costs. But those two factors would be the

major contributors to the increase.

Q Okay. So again, sticking with 2007, so for the 7 percent total increase as a percentage, approximately 3 percent of that would be due to an automatic adjustment, this economic adjustment, and then the rest was subject to what you're talking about, the other smaller amounts, I guess, that would be factored in, the rest of it would be the three added positions?

A MR. MOLLARD: Yes, that would be correct.

Q Now, this economic increase each year, is that -- I'm going to hazard a guess. Is that something that would be built into the collective agreement and then carried over into the people who are not part of the collective agreement? Is that how that operated?

A MR. MOLLARD: That's correct.

Q And the 3 percent -- I see 2006 is 3 percent; then 3 percent 2007; 3.75 and 3.5. Presumably those are all embedded in the collective agreement?

A MR. MOLLARD: That's correct.

Q I haven't checked this, but is that -- are the

1 actual numbers embedded in the agreement, or is
2 that a calculation based on certain economic
3 factors each year?

4 A MR. MOLLARD: The percentages are in
5 the agreement.

6 Q So 3 percent for 2009, you are "stuck with " as
7 a result of the collective agreement?

8 A MR. MOLLARD: That agreement has been
9 signed, yes.

10 Q Sorry. That's -- I said 3 1/2. Sorry, I said
11 the wrong line there. Okay.

12 Now, there's no -- oh,
13 no. I'm sorry. Skip that.

14 Now, going to, then,
15 Part (b), you were asked to provide a bunch of
16 tables showing the -- for people who had
17 compensation over \$100,000 in each year, so
18 2005, 2006, 2007, all the positions that had
19 salaries over \$100,000. Sorry, compensation
20 amounts over \$100,000.

21 A MR. MORRISON: Total compensation, just
22 to be clear, Madam Chair. Total compensation.

23 Q Right.

24 I think maybe part of
25 what you described to me may answer this, but

1 I'm going to take an example so that you can
2 explain it to me. And I can't help myself.
3 I'm going to take the president and CEO. For
4 2008 and 2009 and just compare them.

5 So for 2008 the amount is
6 \$204,521.30 total compensation, and the 2009
7 forecast amount is \$223,542.55. Do you see
8 that?

9 A MR. MOLLARD: Right.

10 Q So as a strict percentage, that would be
11 approximately 9 1/2 percent, I think you can
12 take subject to check.

13 A MR. MORRISON: Maybe I'll just answer my
14 own question, okay?

15 Q Feel free.

16 A MR. MORRISON: Okay.

17 Q And so as I understand what we have been
18 talking about, part of that is a 3 1/2 percent
19 automatic increase to salary; is that right?

20 A MR. MORRISON: Yeah, Madam Chair, I
21 understand what my -- Mr. Buonaguro picked
22 mine, but mine's not a good example. It's done
23 differently. I have a separate contract. I
24 think we explained that in interrogatory, but
25 it doesn't work the same as everybody else's.

A MR. MORRISON: Well, and I think we explained that mine is done -- with the board -- especially for 2008 and 2009, my contract was looked at as in a hay plan performance-review process and it has very different elements. It certainly -- you know, it's just more difficult to explain. If you wanted to try to do a comparison of apples and apples, it's better to do anyone else.

Q So there's an interrogatory response in there somewhere that explains that?

A MR. MORRISON: That's correct, yes.

Q The one example I picked.

A MR. MORRISON: Yes.

Q So if I go through any one of the other ones, that would be generally the explanation, would be 3 1/2 percent plus or minus, I guess, an additional amount, possibly, due to variation of benefit amounts?

A MR. MOLLARD: As well as overtime for
the union contract employees.

Q Okay. Thank you.

Now, in Part (c) of that

1 same interrogatory, which you have to go back
2 from these tables, I think, we asked for a
3 table that shows the "Average OM&A costs per
4 customer." You are at that table? Okay.

5 A MR. MORRISON: Sorry, Mr. Buonaguro.

6 Q It's UCG-35, and it's Part (c).

7 A MR. MORRISON: Yes, thank you.

8 Q And there's a caveat where you say "Average
9 OM&A costs per customer are provided as
10 requested," and then I'll just paraphrase.
11 Basically, you are saying but because YECL is
12 one customer, which is much, much, much larger
13 than the rest of the customers, the results
14 don't actually have any meaning, something
15 along those lines, right?

16 And we asked in this part
17 of the procedure relating to the hearing if you
18 could do the weighting and that didn't happen.
19 Is the weighting process as simple as, for
20 example, if we wanted to fix the column for
21 actual 2005, where we have "Total customers*
22 1,786," would we basically take customer
23 number, 1,786, which is YECL, figure out how
24 many subcustomers are in that for that
25 customer, and add that amount to the total, and

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A MR. BOWMAN: Mathematically, if you were just looking to put a number in the numerator that was YEC's costs and a number in the denominator that was all Yukon ratepayers or all Yukon customers, that would get you to a number. I would have some questions or concerns about the meaning behind such a number, given these type of costs-per-customer ratio is typically linked to utilities whose costs are driven by the number of customers they have. At generation level, customers are not the thing that drives costs within Yukon Energy.

So if you wanted to come up with a metric, I presumably that would be the way one could come up with a cost-per-customer number that was driven down to the lower levels. I don't know what meaning one could ascribe to it.

Q Well, you talk about weighting in the response. Do you have a different way of weighting it that YEC felt would be meaningful?

A MR. BOWMAN: Well, there's -- there's

So there's lots of different ways to do it. It depends on what you're trying to use it for. And as I say, in a utility where the bulk of the costs are generation and transmission, a divisor that's based on number of customers would not usually track or not usually be a metric that reported anything that's of particular note for the generation system. It's not -- you know, adding -- adding a customer at Minto mine versus adding a customer at a house do not drive the same type of costs on a generation-level system.

So I think that's why you don't normally see generation level costs as opposed to, say, distribution costs design to follow a cost-per-customer type of metric.

1 Q Is there a way that you can take out YECL,
2 like, and have it -- and have -- I mean, you
3 seem to be telling me that you can't -- you
4 can't provide any meaningful metric that shows
5 what you were spending on OM&A per customer. I
6 find that hard to believe.

7 A MR. BOWMAN: I think the problem we're
8 running into, Mr. Buonaguro, relates -- just
9 relates to a general understanding of the -- of
10 the way that the system works in Yukon, where
11 Yukon Energy is basically a generation and
12 transmission utility. It serves some
13 customers, but they're by far the minority in
14 Yukon, 10 percent.

15 So the costs from adding
16 customers tend to be distribution-related
17 costs, and they tend to link reasonably well
18 for distribution-level changes in revenue
19 requirement, and that's why distribution
20 companies will often try to go to a metric of
21 cost per customer.

22 Generation-level
23 companies don't usually use that type of
24 metric. They usually use different types of
25 performance metrics, similar to some that

1 Yukon Energy tracks. And they of course have
2 their own sort of story embedded in them, cost
3 per kilowatt hour generated, let's say. That
4 has its own issues related to when you have a
5 system of surplus hydro.

6 But, nonetheless, those
7 type of metrics track generation-level costs,
8 at least, or costs per kilometre on a
9 transmission-level system.

10 Cost per customer are
11 typically more a distribution-level type of
12 metric, so you're effectively taking one type
13 of number, a generation and transmission cost
14 in the numerator and another type of number,
15 the number of customers, the denominator, and
16 they don't mesh really well. That's all I'm
17 getting at.

18 **Q All right. So you mentioned as part of your**
19 **answer the metrics that YEC actually tracks,**
20 **presumably because you find that those metrics**
21 **are meaningful?**

22 **A MR. BOWMAN:** Well, Yukon Energy does
23 have certain key performance indicators that
24 are filed with this Board, and I believe
25 Yukon Electrical has its own, and they come out

1 of much earlier discussions before this Board.
2 They come out of a time when the two utilities
3 were managed jointly. So whether they are
4 perfectly aligned to a generation company as
5 opposed to largely distribution company, I
6 can't say. It's not something I have spent a
7 lot of time on recently.

8 But costs per customer of
9 this type is -- you know, wouldn't be one that
10 probably carries a lot of meaning is --

11 **Q So, again, when you talk about the metrics that**
12 **Yukon Energy Corporation tracks, and you said**
13 **you file with the Board, is everything you**
14 **track already in the evidence?**

15 **A MR. BOWMAN:** There is an annual KPI
16 report filed with the Board. It's pursuant to
17 the template that was set out by the Board, but
18 it's a public document.

19 **Q Is it filed in this proceeding?**

20 **A MR. BOWMAN:** I don't recall that it's
21 filed in this proceeding, no.

22 **Q Perhaps you could file it in this proceeding,**
23 **the most recent.**

24 **A MR. MOLLARD:** Sure.

25 **A MR. BOWMAN:** That's fine, yeah.

1 Q Thank you.

2 A MR. BOWMAN: It's a public document,
3 yes.

4 THE CHAIR: Just to be clear,
5 Mr. Buonaguro, you are asking for what year,
6 the most recent KPIs?

7 Q MR. BUONAGURO: I would expect we would
8 want the most recent one, and then I am
9 assuming, and maybe I'm wrong in assuming, but
10 that that would show relative to previous
11 years' filings how performance has changed, or
12 am I completely wrong?

13 A MR. MORRISON: Madam Chair, if it's
14 helpful, could we give you a year or two back?

15 Q That would be good. Since we are basically
16 dealing with a gap between 2005 and 2009, we
17 would get whatever you have for those years,
18 that would be fine. Thank you.

19 A MR. MORRISON: That's fine.

20 Q Thank you for the clarification.

21 I would like to turn to
22 UCG Number 38. And, in particular, I'm looking
23 at Attachment 1, which is response to Part (b)
24 of the interrogatory.

25 And on this particular

So I was just wondering if you could explain why that particular position increased by, I think it is, something in the order of 30 or 40 percent in the one year.

Madam Chair, if I'm --

I'll check something at the break, just -- but

let me try to answer now, and I'll check it,

and if I have something to add to it, hopefully

I can add to it again for Mr. Buonaguro.

And a big part of what he
does is dealing with -- it's the chairman's job

1 to deal with the Minister, senior government
2 officials on issues relating to the
3 corporation. He, in our case, has some
4 specific expertise that we utilize, and so he's
5 very helpful on a number of matters, including
6 some of our water-related issues and
7 First Nation relations and public meetings that
8 we use him to go to. So there's a big jump.

9 What I'm getting at is
10 the board -- board fees changed in -- and I
11 can't remember whether it was 2006 to 2007 or
12 2007 to 2008, so part of it may be because some
13 of the board fees increased, and I'll check
14 that and just confirm, if that's all right.

15 **Q When you refer to "board fees," like fees for**
16 **particular --**

17 **A MR. MORRISON:** For meeting fees.

18 **Q I see.**

19 **A MR. MORRISON:** Their remuneration for
20 per diem for --

21 **Q I see. Like a tariff of some sort.**

22 **A MR. MORRISON:** Yes.

23 **Q I could appreciate the clarification, if we**
24 **could get that as an undertaking.**

25 **A MR. MORRISON:** I'll do my best.

1 Q And then -- okay.

2 So, basically, looking at
3 that table, between 2005 to 2008, it just so
4 happens that between 2005 and 2007, subject to
5 changing the tariff, the activity was
6 relatively stable, and then in 2008 the
7 activity went -- presumably there was increased
8 activity and that the chairman was then
9 charging or, I guess, docketing more time on
10 more different things and, therefore, incurring
11 more fees; is that generally the explanation?

12 A MR. MORRISON: Yeah, that's generally
13 the -- I mean, the amount of work that he does,
14 it seems like it's been pretty steady, although
15 the difference between 2006 and 2007 is, you
16 know, \$8,000. So it depends on what -- you
17 know, what kind of level of activity we have
18 going.

19 And in 2008 we were
20 building the line, and there was a lot of other
21 activity underway, and the chair is pretty
22 actively involved.

23 Q Now, the -- my understanding is that there is
24 an order in council that sets the YDC chair's
25 remuneration at 38,000? Not YEC but YDC?

1 A MR. MORRISON: That's correct.

2 Q Can you explain the difference between what the
3 YEC chair does and what the YDC chair does.

4 A MR. MORRISON: The YDC and YEC chair do
5 very similar things for their respective
6 corporations: chairs meetings; undertakes, you
7 know, briefings for ministers. Just given
8 corporation, does the same things.

9 Q Thank you.

10 I'm going to turn briefly
11 to UCG Number 94.

12 A MR. MORRISON: Sorry, 94?

13 Q Ninety-four.

14 This undertaking refers
15 to the costs of the out-of-court settlement
16 with respect to Mayo-Dawson transmission. And,
17 in particular, we just wanted to confirm that
18 the numbers at Part (b), do you see those,
19 "Internal Labour 17,758," for example?

20 A MR. MORRISON: Yes.

21 Q So that, internal labour costs, would have been
22 deducted from the labour costs that we referred
23 to earlier in, I think, the table at 1-35,
24 UCG-1-35. Has it been accounted for in that
25 way?

1 I ask because internal
2 costs would be something that somebody's
3 already getting a salary for, and then I'm
4 assuming that you've -- you've allocated an
5 amount of their time to this particular task
6 and then deducting that from your basic revenue
7 requirement. That's what I am assuming is
8 happened. I am trying to confirm that that's
9 in fact what happened.

10 A MR. MORRISON: If you could just give us
11 a second.

12 A MR. MOLLARD: Can you repeat the
13 question so we answer the right thing.

14 Q Sure.

15 So looking at Part (b),
16 you have identified all the different cost
17 categories for the claims process. And then in
18 Part (c) you have said that these costs are not
19 allowed in regulated operations and so are
20 excluded from this application.

21 So the first area of
22 clarification was to confirm that the internal
23 labour, which I have assumed is money that's
24 being paid to internal staff already and,
25 therefore, needs to be deducted from revenue

1 requirement in order to actually exclude it
2 from the application, to confirm that that was
3 done; that's the first part.

4 A MR. MOLLARD: There are no amounts in
5 2008 or 2009 revenue requirement that relate to
6 this settlement.

7 Q What I'm trying to confirm, that that means
8 that there was an exercise where somebody's
9 salary -- like, presumably internal labour of
10 \$17,758 means that somebody in terms of the
11 company whose salary is part of your overall
12 revenue requirement, part of that time was
13 allocated out of the revenue requirement. And
14 I just want to make sure that that happened.

15 A MR. MOLLARD: Just to be clear,
16 Mr. Buonaguro, the internal labour charges that
17 are recorded in UCG-94 (b) were all incurred
18 prior to 2008.

19 Q I see. So that means that the only, I guess,
20 usefulness of those numbers in terms of
21 evaluating 2008-2009 is with respect to -- I
22 guess there would be 2007 that that number
23 would have been included?

24 A MR. MOLLARD: Claims go back to, I
25 believe, 2005, so . . .

1 Q Okay. So to the extent that they would have
2 been removed from revenue requirement, they
3 would have been removed in 2005, 2006, 2007,
4 somewhere in there?

5 A MR. MOLLARD: They would have been
6 taken out in -- in previous years of '5, '6,
7 and '7.

8 Q Thank you.

9 For the rest of the
10 expenses, I think you are saying that they were
11 just never add -- are you saying they are also
12 out of period, they are not 2009 costs?

13 A MR. MOLLARD: As the settlement
14 occurred in 2008, there would have been some
15 2008 expenses. Those expenses were never
16 included in the revenue requirement before us.

17 Q Thank you.

18 At UCG Number 46 we asked
19 about payment in lieu of taxes. And I just
20 have a very simple question: We were trying to
21 figure out where exactly how it is that you are
22 required to do that and the process that's
23 required. We looked, for example, in the
24 *Assessment and Taxation Act* and couldn't
25 understand if that was what was directing you

1 to do payment in lieu of taxes.

2 Can you give me a summary
3 of how your payment in lieu of taxes is done
4 and under what act?

5 A MR. MOLLARD: If you give me a second,
6 I just want to review the IR.

7 Q Sure. It's UCG Number 46.

8 At Part (e) we've said
9 (quoted):

10 "Please provide documentation
11 outlining YEC's requirement to make
12 payments in lieu of property taxes to
13 municipalities."

14 And the answer at
15 Part (e) was (quoted):

16 "Yukon Energy is owned by the YTG and
17 therefore it makes payment in lieu of
18 property taxes to municipalities
19 instead of actually paying property
20 taxes."

21 And we just wanted a
22 little more understanding of where that
23 requirement comes from, that's all.

24 A MR. MOLLARD: So the
25 payment-in-lieu-of-taxes requirement,

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Now, we asked you some questions, or at least one question, about the wind turbines used for generation. Particular UCG Number 30, we asked for the production numbers. And I don't have actual questions specific to production, but I just wanted to reference that as where we asked about wind turbines.

1 Can you tell me, with
2 respect to ratebase, what, if anything, is in
3 ratebase for the test years with respect to
4 wind turbines?

5 A MR. MORRISON: operating costs or
6 capital and operating?

7 Q Well, I'm going to ask about both. So at
8 ratebase there would be or should be something,
9 or not, depending on whether it's been
10 depreciated, depending on how it was paid for.

11 I'm just trying to
12 confirm what part of ratebase, first of all, is
13 related to wind turbines?

14 A MR. MORRISON: I have -- Madam Chair, I
15 would have to get the number. It's not a
16 number I have at the top of my head.

17 Q Okay.

18 A MR. MORRISON: Just in -- for the
19 record, though, one of the wind turbines was
20 paid for by capital contribution. So I think
21 we've had this discussion previously, and we'll
22 dig out the numbers.

23 Q I think you anticipate the second part of the
24 question, the O&M costs, I guess, per turbine.

25 A MR. MORRISON: We'll -- I think we'll

1 have to do the same, Madam Chair.

2 Q Okay. Thank you.

3 And then as part of that
4 undertaking too, if you could, for the O&M
5 costs, if you could relate that to the kilowatt
6 hours produced or anticipated reduced, I guess,
7 over the test period 2008-2009, so we get a
8 sense of how much you are spending OM&A per
9 kilowatt hours for that particular area of
10 generation. Thank you.

11 A MR. MORRISON: Yes.

12 Q Now, I would like to talk a little bit about
13 customer complaints. Not that I have a
14 particular complaint, but rather the process
15 that's involved with respect to making customer
16 complaints.

17 My understanding is that
18 the *Electric Service Regulations*, for example,
19 don't address a complaints process, but rather
20 the complaints process is through the *Public*
21 *Utilities Act* -- part for the *Public Utilities*
22 *Act*; is that correct?

23 A MR. MORRISON: I'm not sure.

24 Q You're not sure?

25 A MR. MORRISON: I don't know the answer

1 to that. I can certainly find out for you, if
2 you would like.

3 **Q I think that's true, but let me put it this**
4 **way, then: From YEC's perspective, what do you**
5 **do to facilitate the reporting and resolution**
6 **of customer complaints with respect to this**
7 **service that YEC provides to its customers?**

8 **A MR. MORRISON:** Well, we -- A) we take
9 customer complaints and look at them and make
10 every attempt to resolve them. I can't recall
11 any that have been, at least in the recent
12 while that I have been around, that we have any
13 that have been resolved to a higher authority
14 to be -- to be dealt with.

15 **Q Now, in terms of --**

16 **A MR. MORRISON:** And, sorry, and
17 Mr. Mollard would like to jump in.

18 **A MR. MOLLARD:** Just if I can add to
19 that. We do -- customer services is in my
20 area, so my front-line staff usually get the
21 first-line complaints, and we have an
22 escalation within the company that we go
23 through if customers are dissatisfied with the
24 response they get from front-line staff. They
25 will elevate to a supervisor, to a manager, to

4 Q Now, in terms of this process, in particular
5 with respect to escalation and the ultimate
6 potential reference of the Utility Board, is
7 that something that's -- well, first of all, is
8 that something that's documented? Is there a
9 policy with respect to that?

11 Q So as a customer entering into that process, if
12 I have a complaint, then I call up YEC, there
13 is nothing in writing that I may have been able
14 to see in advance to understand what the
15 process I'm about to enter into is going to be
16 like?

19 Q And in terms of customer communication, do you
20 put anything out there to your customers to
21 explain that they have this process available
22 to them?

23 A MR. MOLLARD: We're pretty clear
24 that -- I mean, we try as much as possible to
25 indicate to customers the contact available to

5 Q Okay. But beyond the notice as to, You can get
6 a hold of us here if you have a problem, I
7 guess which I presumably --

9 Q Is that through advertising or through billing
10 services or --

L3 Q Beyond that, the process is something which
L4 is -- I'm going to call it "informal," only
L5 because you don't have a written policy; is
L6 that fair?

L9	Q Would you agree that it's informal?

23 Q When you say "involved in it," you mean from
24 the perspective of the company?

1 Q As opposed to the people who are complaining?

2 A MR. MOLLARD: I can't presuppose what
3 they would understand.

4 Q Okay. Thank you.

5 I would like to ask you
6 some questions about Rider J. We asked about
7 it at UCG Number 14, for example. Now, this is
8 the -- this is the rider that, I guess the way
9 I have understood it, replaces lost revenue
10 from the Faro mine; is that a simple way of
11 putting it?

12 A MR. OSLER: That would be a simple
13 way of putting it.

14 Q And throughout the interrogatory responses, I
15 note that you have been very specific that it
16 covers both recurring costs, so costs that have
17 been recurring since the mine left or closed
18 down, but also one-time costs, from --

19 A MR. OSLER: What you said the first
20 time was that it deals with the lost revenue
21 from the shutdown of the Faro mine. And today
22 that's essentially what Rider J, in simple
23 terms, is doing.

24 Initially, when it was
25 first instituted, it had some other functions

1 as well, to do with what you're calling
2 "one-time costs." But Yukon Energy came to the
3 Board when those one-time costs had been
4 amortized and completed and requested that the
5 rider be reduced to reflect the fact that those
6 were no longer appropriate. So I forget the --
7 about 2003.

8 Well -- and Mr. Bowman
9 reminds me, the Board, on an interim basis, has
10 recently reduced it to do with the revenue
11 reductions that the company has brought forward
12 in this application. So we're moving further
13 and further away from the relevance to the Faro
14 mine.

15 At the moment I think the
16 history is less relevant than the reality that
17 this is a method for collecting revenue, until
18 such time as somebody goes through the process
19 of adjusting rates to not need the rider. The
20 rates have to go up; the rider could go away.

21 You have just seen the
22 same thing happen, Madam Chair, with the
23 Rider F. I mean, since the two utilities were
24 before the Utility Board in '97 and had GRA
25 rates fuel price forecast then, we have not had

1 the opportunity for both utilities to be
2 brought whole in terms of fuel costs into their
3 revenue requirements until YECL was before the
4 Board last year.

5 Now that YECL's revenue
6 requirement has been determined, it includes
7 fuel price that are up to date, so to speak.
8 And as you have seen, the Rider F has now gone
9 to zero.

10 And, you know, there's a
11 proposal in compliance with Order 2009-2, a
12 proposal as of January 1, 2010, to increase --
13 put in a new rider of 10 percent in order to
14 recover all those fuel costs plus a little bit
15 more that the Board has allowed.

16 So, essentially, Rider J
17 is the same type of thing. It was an interim
18 measure that the company proposed to the Board,
19 the Board approved in 2008 as a quick way to
20 deal with the closure of the Faro mine, in a
21 simple, expedited manner. But we never
22 contemplated at the time that we did that that
23 this would be around this long, okay?

24 There was a general
25 expectation in the atmosphere in 1998 that we

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- L0
- L1
- L2
- L3
- L4
- L5
- L6
- L7
- L8
- L9
- 20
- 21
- 22
- 23
- 24
- 25

Q

A

Q

So, I mean, it sounds like I hit the nail on the head with my simple summary of it, which is that really it's -- it represents a portion of your normal revenue requirement, not related at all to costs anymore with the Faro closing, but rather costs that would normally be allocated across all classes based on the cost allocation, but since you don't have an up-to-date cost allocation.

And I also because presumably you are restricted through OIC from increasing costs, for example, to industrial customers, that you use a rider to allocate this missing revenue to remaining classes.

A
Q

The revenue-requirement issue and the rate issue, in the sense that we're talking about, are quite separate boxes.

Q

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

6
7
8
9
L0
L1
L2
L3
L4
L5
L6
L7

18
19
20
21
22
23
24
25

And it's adjusted in --
it can be adjusted from time to time over this
history as the Board authorizes adjustments in
how much should be collected. It just sort of
moves up and down.

This new rider that YECL is bringing in is a similar one. Rider R that's there right now and the new ones they are talking about are just simple methods of across the board, all customers, both companies, all rate blocks, all charges, customer charges, demand charges, first-rate block, second-rate block, everything gets applied this universal number. It's a very crude method of collecting money compared to redesigning rates.

But the redesigning rates, as we have just been talking about, is a different process from collecting -- from determining how much you should collect.

Q And I think, just for the reference, I think in

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q I am going to leave that now.

A MR. OSLER: Right. And the reason for that is that they have a very specific rate. It's based on value. Certain percentage of their alternative fuel cost. I has got nothing to do with cost of service; got nothing to do with revenue requirement or our cost. It is just a method of taking some surplus energy and collecting some money to keep rates down for everybody else.

A MR. OSLER: Yes, the OIC 2007-94 relating to the rates to be charged to them.

Q Okay, thank you.

MR. BUONAGURO: Thank you.

1 Q MR. BUONAGURO: I have a couple of
2 questions on Rider F, and I guess the best
3 place to be looking at while we are at the
4 questions is in the application at page 321, I
5 believe, at Section 3.6 has a description of
6 the rider.

7 My understanding, simply
8 put, is that in your rates, you have a forecast
9 fuel price and a forecast fuel consumption, and
10 that this rider tracks deviations from that; is
11 that correct?

12 A MR. MOLLARD: Just price; not
13 consumption.

14 Q Okay. So does that mean that when you
15 calculate the rider to be applied in order to
16 capture the variation in price, you are only
17 capturing the variation in price as it relates
18 to the amount of fuel you forecast over the
19 test period, to consume?

20 A MR. BOWMAN: Perhaps, Mr. Buonaguro,
21 just to help people out and make sure we're all
22 on the same page, Rider F is an account that
23 Mr. Osler referred to earlier is the account
24 that effectively is a pretty typical type of
25 fuel stabilization mechanism. Most utilities

Any variation in that price -- in the price, up or down, in terms of what Yukon Energy's purchasing fuel for or consuming fuel flows through the account. So if a litre of fuel is used out of the tank that was bought with an average price of 66 cents and the amount in rates would be 56 cents, Yukon Energy would book 56 and it would charge 10 cents to the Rider F account, what's

1 actually called the "deferred fuel price
2 account."

3 Once that account, which
4 has the 10 cents charged to it, and then all of
5 the other adjustments both ways, reaches a
6 certain trigger or balance or forecast between
7 Yukon Energy and Yukon Electrical who each have
8 these accounts and they manage them effectively
9 in a coordinated way, a rider or a refund will
10 be put in place with customers to deal with the
11 balance in the account.

12 So the rider side is
13 different than how the charges arise -- give
14 rise to the balances. But I hope that's
15 helpful to people in the room.

16 Q Well, I think so.

17 The problem I'm having
18 in, I guess, understanding it, and maybe it's a
19 small point, but I understand it tracks the
20 variation in price, but price by itself is
21 meaningless unless you have a volume and the
22 year that you are applying it to, so a volume
23 of diesel fuel consumed.

24 And maybe I'm
25 misunderstanding, but I assume that if you are

17 When actuals arise, the
18 way forecasts work, the price won't be right
19 and the volume won't be right. They never are.
20 That's the way forecasts work. So if the
21 price, instead of a \$1.15 went to .85 cents, so
22 you have a 30-cent gap, and if the litres,
23 instead of whatever number is in here, 300,000,
24 became 500,000, Yukon Energy would be crediting
25 back the account 30 cents for all 500,000 litre

1 consumed, every litre consumed, for operating
2 reasons.

3 Q Thank you. So that really helps, because the
4 stress has always been on the price, it seemed,
5 in the way it's described. But, in fact, you
6 are actually -- that account also accounts for
7 variations in volume.

8 A MR. BOWMAN: Well, no. I don't agree.

9 Q Okay.

10 A MR. BOWMAN: I want to --

11 Q I misunderstood what you just told me.

12 A MR. BOWMAN: Well -- the account
13 doesn't deal with variations in volume to the
14 extent that those variations in volume reflect
15 a change in cost to Yukon Energy at the
16 GRA-approved price. It deals with all units
17 consumed, so it deals with variations in volume
18 at the variation in price. And these
19 conversations can get hard to follow if we're
20 not careful.

21 But the -- at the end of
22 the day, Yukon Energy, as we have covered
23 before, is at risk for its load forecast and
24 how it supplies its load forecast. That's a
25 pretty typical standard in dealing with

At the same time, one thing that Yukon Energy does not take the risk for, similar to almost any utility that is in a similar position, is for changes in price that it can control. So this account is designed solely to deal with the risks related to changes in price. And in that regard, every litre of fuel that Yukon Energy books is at the GRA-approved price. It's at risk for changes in consumption, changes in volume at the GRA-approved price.

If there's costs related to changes in the price, it goes through the Rider F account. That's not something that the utilities are at risk for.

Q Okay. So that's -- I understood that differently than what you had said just prior

1 to that, so I am going to try an example again
2 to see.

3 So in 2009, for example,
4 what's the forecast fuel price that you're
5 using for the 2009 test year?

6 A MR. BOWMAN: For Whitehorse is \$1 and
7 14.9 cents.

8 Q And what's the forecast volume of diesel
9 consumption?

10 A MR. BOWMAN: Well, the forecast volume
11 for the entire company is 451,300 litres. And
12 that would be in CW-17.

13 Q Okay. It's just an example, so if -- it
14 doesn't need to be precise.

15 A MR. MOLLARD: Yeah.

16 Q So you have a forecast price, you have a
17 forecast volume. If the price doubles, the
18 account will capture that?

19 A MR. BOWMAN: If the price doubles, the
20 account will capture that for every litre
21 consumed, correct.

22 Q If the volume is cut in half but the price
23 remains the same, the contract's nothing?

24 A MR. BOWMAN: The contract's nothing.
25 That is a volume-related variance, so that's a

1 load-forecast related variance, which
2 Yukon Energy is at risk for. Whether that
3 volume of litres goes in half or doubles.

4 Q Okay. That's the clarification I was looking
5 for. Okay.

6 So if we can move on. I
7 have, I guess, something -- it's a related
8 question about the DCF, which we spoke of
9 briefly earlier, the diesel contingency fund,
10 which is on described on the same, page 3-21.
11 And you mentioned -- actually, in your earlier
12 description, you mentioned triggers, and that's
13 precisely what I wanted to confirm, because I
14 don't think -- it's not in here.

15 My understanding is that
16 that fund is supposed to protect against
17 variations in water flow, simply put, in the
18 first instance.

19 A MR. BOWMAN: Correct. Correct.
20 It's -- yes. It's called the diesel
21 contingency fund because it protects against
22 changes in the amounts the utility has to pay
23 for diesel as a result of water-flow
24 variations. The name sometimes causes
25 confusions; it's a water-related fund not a

1 fuel-related fund.

2 **Q So if water flow remains as forecast but load**
3 **doubles, for example, this fund isn't**
4 **triggered?**

5 **A MR. BOWMAN:** If water flow results in
6 hydrogeneration being equal to the long-term
7 average, which is the numbers that the DCF
8 works off of.

9 So if you still get as
10 much water as a long-term average would say you
11 should get but the load doubles, this fund is
12 not triggered.

13 **Q Right.**

14 **And, similarly, if your**
15 **production is cut in half because of a**
16 **technical failure in a turbine, that has**
17 **nothing to do with this fund?**

18 **A MR. OSLER:** We'll have to be careful.
19 It deals with generation, hydrogeneration being
20 able to produce based on assumed long-term
21 water. And certainly if there was a
22 transmission failure that led to a problem that
23 would not trigger the fund, I think we'd need
24 to check that in history there weren't -- how
25 do we deal with some problems with generator

1 units not being able to perform. You know,
2 there may have been some history there.

3 But this fund is only
4 relevant when there is diesel in the margin,
5 the way I was talking to Mr. Keough yesterday.
6 So back in the '90's when diesel was being used
7 in the Whitehorse-Aishihik-Faro system. So you
8 were running diesel, and the water flow -- you
9 know, secondly, it's not based on a forecast.
10 We changed all that in the early '90s. It is
11 just based on the long-term average, so that we
12 are not getting into the game of trying to
13 forecast water for each GRA or something.

14 This is the long-term
15 average. If we're above it or below it, and
16 you had diesel in the margin, you would have to
17 run more diesel or less diesel, if the water
18 flows better than long-term average, or more
19 diesel if the water flow was less. And this
20 fund picked up the difference so that people
21 weren't having GRA revenue requirements
22 bouncing up and down depending on water flows.
23 That's the essence of the point.

24 In the history of dealing
25 with it, I just don't remember -- I don't know

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q Is it filed in this proceeding?

1 A MR. OSLER: No. It's filed in -- no.
2 I would expect it's
3 attached to an order that approved it.

4 A MR. BOWMAN: I will just add on, the
5 negotiated settlement from the '96/97 GRA is
6 what Mr. Osler was referring to that dealt with
7 establishing the DCF out of the earlier
8 low-water reserve fund.

9 In implementing that
10 order, Yukon Energy ran the fund for three
11 years, '96, '97, '98, and came back to the
12 Board and got an order confirming how it had
13 used the fund. And it's an order from 1999
14 dating, if I recall correctly, and there's a
15 filing related to that that basically describes
16 the fund and how it was implemented, and that
17 was confirmed by the Board.

18 So, if anything, the
19 operating rules took a bit of time to get
20 confirm in the right way. But it is a way they
21 are now applied.

22 But every year the
23 additions and deletions to the fund, which have
24 basically been only interest for the last few
25 years, are filed with the Board.

1 A MR. OSLER: We -- okay.

2 Q Okay. So maybe if I could ask for a copy of
3 the original settlement and then the second
4 order you are talking about, which confirmed
5 how it was used, between the time of the
6 settlement and that order. I wasn't following
7 all the dates, but I think you know what happen
8 I'm talking about.

9 A MR. OSLER: We can give you the Board
10 order and the -- and the settlement that the
11 Board approved back in '96 and the one that
12 Mr. Bowman was referring to later on where the
13 Board -- we'll give you that order that --

14 Q Thank you.

15 A MR. OSLER: And whatever is related
16 to it that's useful.

17 Q Okay. Thank you.

18 Now, you did mention, you
19 said this account is only -- maybe I'm
20 mischaracterizing what you said, but I thought
21 you said that this is only an issue when
22 diesel's on the margin. But I think you agree
23 that when -- the second point at page 3-22 with
24 respect to the fund says (quoted as read):

25 "When diesel is not in the margin, the

1 account can, in certain circumstances,
2 be used to pay for the cost of
3 generation using diesel, i.e., in the
4 case of drought."

5 A MR. OSLER: Well, we're using the
6 language "on the margin" is being used here as
7 base-load diesel running all year round, and
8 it's just allowing for the possibility that
9 because of low water flows, there may be
10 certain months that diesel had to run. And if
11 that could be established, that it was due to
12 the low water and not due to something else,
13 there would be a basis for charging the fund.

14 Even when the Faro mine
15 closed, after it closed, the fund was charged,
16 if I'm not mistaken, in the subsequent spring,
17 because water flows were very low. So it
18 was -- it was even without a high load, if the
19 water gets low enough, there could be certain
20 months when the water flow, being low, is
21 what's causing the diesels to run.

22 Q Okay. Thank you.

23 I'm going to look at
24 UCG-1, UCG-1 (d), which I think is a quick
25 question. You are asking -- we asked (quoted):

1 "Please provide details of service
2 reliability criteria that YEC uses as
3 a policy guideline."

4 And the answer, I think,
5 quite simply was (quoted):

6 "YEC does not use service reliability
7 criteria as a policy guideline."

8 Could you describe that
9 more fully. Because I would have expected that
10 you would have some sort of reliability targets
11 or some such that you strive towards, something
12 like that, at a matter of policy, and this
13 suggest that you don't.

14 A MR. BOWMAN: I think, Mr. Buonaguro,
15 we might need you to repeat the question. I
16 think the 1 (d), which is about the criteria is
17 referenced as a policy guideline, and I think
18 the essence of the response is focusing on
19 there is no policy along these lines.

20 But I think your question
21 may not have been about that, so perhaps we
22 could --

23 Q Sorry.

24 A MR. BOWMAN: -- benefit from a repeat
25 of the question.

1 Q So what you just said suggests to me that you
2 do have service reliability criteria that you
3 use.

4 A MR. BOWMAN: Well, all I said is --

5 Q Whether it's uses as a policy guideline or not,
6 we can forget that part of the question first.
7 Does YEC have any kind of service reliability
8 criteria that it uses in any capacity?

9 A MR. MORRISON: We are having a little
10 internal debate. We are not exactly sure what
11 you are referring to when you mean reliability
12 standard. So I guess that would help if you
13 could help us with that a little bit.

14 Q Well, how do you measure your actual
15 reliability in a particular year and how do you
16 determine what reliability standard you want to
17 achieve, and then therefore how does that drive
18 your investment, presumably, or your spending
19 on reliability?

20 A MR. MOLLARD: So it actually is part of
21 the KPI documents that we're going to provide
22 to you. There will be reliability data in
23 there, the standard Canadian SAIDI, SAIFI, and
24 CAIDI, don't test me what those acronyms are.

25 Q I have heard of them. I'm not sure what the

1

2

3

4

9

L7

19

1 4-10 and 4-11, I think.

2 And this is where you
3 start to describe the runoff rates and the
4 requirement under the OIC and so on.

5 And over at page 4-11, at
6 the top, you talk about trying to provide --
7 and I'm paraphrasing, trying to provide a
8 strong economic disincentive to customers from
9 using electricity for space heating at that
10 time. And the impression I get from the
11 evidence is that the primary goal in -- or the
12 primary behaviour that hopefully the runoff
13 rate is supposed to incent is to refrain from
14 space heating for using electricity.

15 A MR. OSLER: I think the impression
16 that the filing gave was that -- I don't
17 dispute that, but in retrospect, it's not a
18 good impression in the sense of the full
19 purpose of the runoff rate.

20 First of all, the runoff
21 rate applies to customers in general service as
22 well as residential, and the concept, as buried
23 in Rate 39, even for industrial.

24 So the whole idea of
25 having an efficient price signal on the runoff

1 rate has got a lot to do with efficient price
2 signals for all customers and not just to do
3 with electric heating. So I think in that
4 respect the application focusing on electric
5 heating wasn't helpful to get people's minds
6 around the problem.

7 It was a useful example,
8 given that we were focused on the residential
9 runout rate, as it changed for this application
10 and was meant to be only nothing more than
11 that, as an example that people could relate to
12 it. But I think it, in some respects, has not
13 helped all the parties come to grips with
14 what's really at stake here.

15 **Q So I understand your point about it being a**
16 **concept across rate classes, but for the**
17 **residential rate class, the classes that we're**
18 **talking about, the -- I think it's fair to say,**
19 **or at least the assumption appears to be in the**
20 **evidence, that what puts people into the runoff**
21 **rate block in terms of energy use, i.e., using**
22 **more than a thousand per month on average is**
23 **space heating, largely?**

24 **A MR. OSLER:** Well, it may be a major
25 factor for the overall numbers, but there are a

1 lot of other equipments and electrical uses
2 that can push up electrical use per customer in
3 the residential sector that don't have to be
4 just electric heating. So the concept of an
5 appropriate efficiency price signal would apply
6 to all of those uses, not just electric
7 heating.

8 **Q I want to take you to a table, Table 4.11 in**
9 **the application. This table breaks down your**
10 **calculation of the bill impacts per consumption**
11 **level for residential nongovernment, use this**
12 **as an example.**

13 **A MR. OSLER:** Yes.

14 **Q And, presumably, you are looking at this,**
15 **people who fall under the thousand kilowatt**
16 **hours per month average and below are**
17 **getting -- or receiving a rate decrease as a**
18 **result of the proposal?**

19 **A MR. OSLER:** Yeah. If you look at the
20 table, a couple of points. The table shows,
21 down under "Cumulative percentage of
22 customers," down below all the table itself;
23 you see where I'm looking?

24 **Q Yes.**

25 **A MR. OSLER:** So it shows you that at

Q Sorry. I think we are at cross purposes in what I was trying to say.

A MR. OSLER: Yes, yeah, yes. If they exactly use that level, that's what the numbers should be.

A MR. OSLER: Right.
Cumulative.

A MR. OSLER: Yes, or up to a thousand,

2 Q Right. And I can tell that the people that are
3 in the 800 to 1,000 category are actually
4 70.1 percent minus 56.4 percent?

L2 Q Well, I was just pointing out that, for
L3 example, 1,000 -- if you hit 1,000 right on,
L4 you are saying someone in the high -- in the
L5 first zone will get a decrease of \$22.26?

L7 Q I just want to make sure I was reading that
L8 correctly.

21	Q Right.

22 A MR. OSLER: Because you can see it
23 all on the bottom and what the rates were
24 assumed. This is all changed now because of
25 the Rider F, you know, et cetera.

1 Q I am just using it as an example of how you
2 have done the calculation; that's fine.

3 A MR. OSLER: Good.

4 Q Now, when you say monthly consumption 1,000, is
5 the assumption that in each and every month of
6 the year the consumption is 1,000?

7 A MR. OSLER: If you were applying this
8 to an annual number, you would have to take
9 this and multiply it by 12. This is the
10 monthly bill.

11 Q Right.

12 A MR. OSLER: If you said what is the
13 effect on this on the customer for the year and
14 you multiplied it by 12, you would be assuming
15 that customer had 1,000 kilowatt hours each
16 month for 12 months.

17 Q Which is getting to my point, which the
18 assumption there would be that their
19 consumption is flat?

20 A MR. OSLER: Yes.

21 Q And now we have already talked about the fact
22 that for residential customers, one of the
23 major factors affecting their movement into the
24 runoff rate above a thousand is probably space
25 heating?

1 A MR. OSLER: It would certainly be one
2 factor, yes.

3 Q And you would agree with me that, well, space
4 heating, almost by definition, is a
5 weather-sensitive load?

6 A MR. OSLER: Yes.

7 Q Which means that the consumption for somebody
8 who's using space heating over the course of
9 the year isn't flat; it's depending on the
10 weather?

11 A MR. OSLER: Correct, and there are
12 probably other elements that deal with
13 temperature, light availability, and everything
14 else that would lead to variability, even if
15 somebody didn't have space heating.

16 Q Okay. That means if I'm trying to look at what
17 the annual impact of the changes are or the --
18 on a particular customer who has space heating,
19 for example, I can't just take -- for example,
20 if I look at -- let's assume, for the sake of
21 example, and I don't know this to be accurate
22 or not, but let's assume we are looking at
23 someone 1,250 kilowatt hours per month average,
24 and let's say that person is space heating.
25 This suggests that over the course of a year,

1 250 kilowatt hours will occur in the second
2 rate block, in the runoff block?

3 A MR. OSLER: The table itself just
4 tells you a monthly bill. It doesn't purport
5 to extend it to an annual bill, right?

6 Q Okay.

7 A MR. OSLER: So the table is there so
8 you can look at it and say, If you want to
9 assume that somebody's flat all year round, you
10 can calculate an annual number. If you want to
11 assume somebody's got half of the year where
12 they are at 2,000 kilowatt hours a month on
13 average versus the other half of the year they
14 are only -- you can do the calculations. It's
15 that type of use.

16 Q Okay. I think that's helpful to me.

17 So if I want to -- if I'm
18 a customer and I am looking at this to try to
19 figure out what my rate impact is going to be
20 as a result of your proposed changes, I
21 actually have to look at my winter peaking
22 months, I guess, would be January, December, so
23 see what my consumption is in that month to
24 determine the maximum impact on a particular
25 bill I'm going to get; I can't just look at my

1

2

3

4

L4

A MR. OSLER: No. The point was made that these are residential nongovernment customers in Yukon, YEC and YECL. They all pay this rate, and that's what this percentage is, and the same with general service, if it is in the general service.

A MR. OSLER: Well, yeah. I mean, the -- it's effectively, on an average basis, 84 percent of the customers are consuming between 1,000 -- consuming less than 1,300 kilowatt hours a month. This proposal is saying that, you know, 84 percent of Yukon residential nongovernment customers would end up with no higher rate or a rate decrease under the proposal. That's what it's telling you.

Q I'm afraid I'm a little confused now, because it strikes me that, particularly when you're talking about the heat-sensitive load, i.e., the people using electric space heating, that

1 the percentage of people that fall into any
2 particular category would depend on which month
3 you are looking at, and I'm trying to figure
4 out -- I can't tell that from here. This is
5 looking at the average month, right?

6 A MR. OSLER: This is looking at a
7 month when somebody is consuming that level of
8 consumption and what their bill would be before
9 and after the proposal.

10 Q Right. But the --

11 A MR. OSLER: The cumulative percentage
12 of customers is looking at the average
13 annual -- looking at all the customer bills
14 over the 12 months and saying what percentage
15 of those bills involve customers that didn't
16 consume more than, say, a thousand kilowatt
17 hours in a month over the whole year.

18 Q So, for example, if I look at "Monthly Consump.
19 (kW.h) 2000" --

20 A MR. OSLER: Yes.

21 Q -- and it says 96.1 percent of customers --

22 A MR. OSLER: Yes.

23 Q -- that means that only 3.9 percent of the
24 total annual bills were above 2,000, for
25 example?

1 A MR. OSLER: Total annual bills.
2 It means that 3.9 percent
3 of all the bills issued to nongovernment
4 residential customers were less than -- were
5 over 2,000 kilowatt hours a month.

6 Q In the year?

7 A MR. OSLER: In the year. This was
8 the year before the test year.

9 Q Okay. So you've got monthly consumption at the
10 top, and then in terms of where people fall,
11 it's based on the average -- based on the
12 numbers for the annual?

13 A MR. OSLER: Right, yeah.

14 Q Okay. Thank you.

15 A MR. OSLER: If you take all of the
16 bills that are issued in a year, each customer,
17 if they're around the whole year and they're
18 not temporary, some part of the year, they have
19 12 bills a year. So all those bills, it's
20 telling you that 3.9 percent of them were over
21 2,000 kilowatt hours.

22 Q Okay.

23 A MR. OSLER: And it's telling you that
24 all the bills issued in a year, if it's the
25 same percentage distribution in the future test

1 years as it was in the last year before, of all
2 the bills issued in a year, 84 percent of them
3 would have a rate decrease or no change in
4 rates under the proposal. That's what it's
5 telling you.

6 **Q Okay. Thank you.**

7 **I'm turning to UCG**
8 **Number 30. And we asked a number of questions.**
9 **And if you could skip down to the answer to**
10 **(b), (c), and (d), and (i), (j), and (k) --**
11 **sorry, (f), (g), and (h). Those questions had**
12 **to do with specifying the cost on one system**
13 **versus the other, the WAF system versus the MD**
14 **system.**

15 **And the general answer to**
16 **those six questions was -- and I'll just get**
17 **the exact wording here -- (quoted):**

18 "Yukon Energy cannot provide this
19 information as a substantial component
20 of YEC's costs are not functionalized
21 and separated by system."

22 **Do you see that?**

23 **A MR. BOWMAN: Yes.**

24 **Q So basically what I took that to mean is, when**
25 **you look at the costs of the system, you don't**

1 distinguish between, for the most part, WAF and
2 the MD systems; you are not separating them
3 that way?

4 A MR. BOWMAN: No, that's not what it
5 says.

6 Q Perhaps you can explain it. This is a
7 cost-allocation question, is it?

8 A MR. BOWMAN: This is exactly a
9 cost-allocation question of the way that one
10 would go through analyzing costs by function in
11 preparing a cost-of-service study, the
12 generation, transmission, and distribution
13 broken out effectively of sort of fully loaded,
14 if you like, so that administration costs are
15 built into there and allocated to the function
16 that is needed.

17 And in this case it asks
18 for them broken out by system. In Yukon --
19 even if we had done this in -- you know, had a
20 cost-of-service study up to date and handy and
21 ready to go, first of all, it probably would
22 not address all of the years there. It would
23 be to deal with a test year. And, second, it
24 would never break it out by system because the
25 cost-of-service study is done on a unified

1 basis for Yukon.

2 But the form of
3 functionalizing average cost per kilowatt hour
4 generation would have to take into account not
5 just an O&M budget for generation but a capital
6 amount for generation, the debt that gets
7 allocated to that system, the administration
8 costs that get allocated to that system, and
9 all those other functions, which is exactly the
10 work of the cost-of-service study that has not
11 been done.

12 **Q So can I take it from that answer that once you**
13 **have completed the cost-of-service study, as**
14 **contemplated, for example, in your letter to**
15 **YECL, May 1st, that this type of analysis will**
16 **be available, this part of the product?**

17 **A MR. BOWMAN:** In respect of the
18 questions that are asked here, the average cost
19 per kilowatt hour of generation, average cost
20 per kilowatt hour of generation, average cost
21 per kilowatt hour of transmission, average cost
22 per kilowatt hour of distribution would be able
23 to be derived from the cost-of-service study.
24 It probably wouldn't be oriented that way for
25 some of the things that you and I were talked

1 about earlier. Transmission costs are not
2 usually thought about as a kilowatt hour type
3 of cost. They are thought about as a peak type
4 of cost, let's say, so kilowatt. But the data
5 would be available to have a fully loaded
6 functionalized cost. So in regards to the
7 functions, yes.

8 In regards to doing it by
9 system, no. And that's because a
10 cost-of-service study for Yukon, in the way
11 that rates are set, is done for the Yukon as a
12 whole. It's not meant to set rates on each
13 system on their own. In regards for having one
14 for 2005, '06, '07, '08, and '09, no, it would
15 be done for a year where you have a consistent
16 set of costs between the two utilities,
17 presumably a test year for each utility.

18 A MR. OSLER: Let's be very specific.
19 We would propose it would be done for 2009,
20 when there has been an approved revenue
21 requirement for each utility for that full test
22 year. Secondly, it would be a consolidated
23 number for the two companies. It would not be
24 separated out. And, thirdly, it wouldn't be
25 separated out for system.

1 But it would be itemized
2 as to generation, the cost that went into the
3 generation number, the cost that went into the
4 transmission number, and the cost that went
5 into the distribution number. There would be
6 tables that would show where the heck did all
7 these numbers come from. But you couldn't
8 trace them back even to each company unless you
9 buried yourself in the bowels of the initial
10 melding of the numbers.

11 Q So I'm just going to test my understanding a
12 little bit. What I understand you to be saying
13 is that the reason why, for example, you
14 couldn't -- you wouldn't be able to separate
15 them out into system, so WAF versus MD systems,
16 is because the exercise that you will be going
17 through in the cost-of-service study would be
18 to take the costs and allocate them to customer
19 classes and not necessarily to take -- not
20 necessary to take your, for example, your
21 administration costs and allocate them to the
22 systems?

23 Like, you have direct
24 costs, direct identifiable costs, that are
25 directly attributable to the WAF system and the

1 MD. And to that level you have separate costs
2 for each of the systems, but you haven't fully
3 loaded -- you don't calculate fully loaded
4 costs for those systems. Instead you fully
5 load the costs to the customer classes?

6 A MR. OSLER: Yes. And the reasoning
7 is that you can theoretically do this at all
8 sorts of levels of data if you have the time
9 and the money. That's not -- the point isn't
10 could you do it. It isn't done because you are
11 not trying to waste money, essentially. And
12 the point of the cost of service is to inform
13 parties of how consolidated costs of the two
14 utilities affect customer -- if we looked at
15 them by customer class, where the customers
16 paying for those costs, or are they paying a
17 lot less for those costs or a lot more, and
18 perhaps to give advice on individual charges,
19 such as demand charge versus a customer charge,
20 although historically the charges have not
21 tended to track what cost of service shows.

22 So for that reason to do
23 what -- the job that's been assigned to people
24 to do and to do it as cost effectively as
25 possible, it focuses on what Mr. Bowman's

1 describing, the consolidated systems and the
2 consolidation of the two companies, because
3 that's how the rates have to be set.

4 **Q I think I understand.**

5 A MR. OSLER: Then somebody will come
6 in inevitably and ask us to do it at some
7 other, and if the Board so directs, we would do
8 it. But we wouldn't do it automatically
9 because it's costly to get more detail.

10 **Q So, for example, if the Board were convinced**
11 **that it was important to understand how one**
12 **system is more or less expensive than the other**
13 **on a fully allocated basis, that's when you**
14 **would undertake that kind of study?**

15 A MR. OSLER: Yes. And if you look
16 back on the sort of mid-1992 or '93 when there
17 was a generic cost-of-service review, some of
18 those questions were asked, and a lot of
19 different tables were produced, but we didn't
20 keep doing it for each GRA thereafter.

21 So if there was a major
22 hearing process to sort of get everybody
23 comfortable, you might have a lot more things
24 looked at than if you were just doing a regular
25 ongoing GRA.

1 Q Thank you.

2 I would like to take you
3 to UCG Number 38(a). And you provide a table
4 in response and the only part of it I'm
5 actually interested, in at the moment is the
6 qualifier at the bottom. It says (quoted):

7 "There are no profit sharing or
8 incentive plans in the GRA revenue
9 requirement."

10 Do you see that?

11 A MR. BOWMAN: Yes.

12 Q Does that mean -- does that mean that these
13 numbers have been "scrubbed clean" of profit
14 sharing or incentive plans but they do exist?

15 A MR. MORRISON: No.

16 Q Or simply --

17 A MR. MORRISON: They don't.

18 Q -- YEC doesn't have those things, YEC doesn't
19 have profit sharing or incentive plans?

20 A MR. MORRISON: No. No, we don't.

21 Q Okay. Thank you. That was the clarification I
22 was looking for.

23 At UCG Number 47, we
24 asked about depreciation rate study, and the
25 answer is that, to paraphrase Yukon Energy

1 currently has no plans to undertake a further
2 depreciation study at this time, and you refer
3 to the fact that the current depreciation rates
4 were approved -- established and approved by --
5 in reference to the 2003 Garrett-Fleming study.
6 Do you see that answer?

7 A MR. MORRISON: Yes.

8 Q Now, my understanding is that that same report
9 suggested the completion of a full depreciation
10 review should be undertaken every three to
11 five years. Does that sound familiar?

12 A MR. BOWMAN: I notice that you
13 reference it in the question from an
14 interrogatory from McMahon-YEC-16 in the 2005
15 application. So I have not reread the report
16 to see if it's indeed in the report or whether
17 it's just in that interrogatory response. But
18 people who do depreciation studies recommend
19 you do depreciation studies quite often.

20 Q Right. So that depreciation study was done in
21 2003 which would put it at the five-year --
22 this is five years or more than when that
23 depreciation study was done the last time; is
24 that right?

25 A MR. BOWMAN: 2003.

1 A MR. OSLER: Well, it was done 2003
2 for a 2005 hearing. So the time period since
3 the 2005 hearing isn't that long. I mean they
4 always do it for a period earlier than the
5 period of the hearing, because they have to use
6 the numbers. They have to have actual numbers.

7 Q So it may be you may be at the three-year, you
8 may be at the five-year range depending on when
9 the start date is?

10 A MR. OSLER: Yeah.

11 Q So when would Yukon Energy's plans be to update
12 it's depreciation study?

13 A MR. MOLLARD: We have no plans at the
14 current time to update those.

15 Q UCG Number 72(b). We asked for analysis that
16 YEC had made to verify that the miscellaneous
17 charges within the electric service regulations
18 are still appropriate given associated costs.
19 And the answer was (quoted):

20 "This type of analysis is not
21 available and cannot be provided."

22 When was the last time
23 that type of analysis was available and
24 provided to the Board in support of what's in
25 the electric service regulations?

A MR. BOWMAN: I want to add, Mr. Buonaguro, in case that wasn't clear. The charges are in the electric service regulations, which as I say, consolidated for the two utilities, it would relate primarily to dealing with customers and customers charges. So they are actually a very small item for Yukon Energy. Most of the charges that occur in Yukon under any of these are related to Yukon Electrical, not Yukon Energy required -- because Yukon Energy deals with very few customers.

Q Okay. I will take that point, thank you.

1 So this is something that
2 if it's going to be reviewed would be reviewed
3 in connection with Yukon Electrical. So just
4 looking at the B-13 letter, you refer to
5 (quoted):

6 "...jointly proposed changes to the
7 Electric Service Regulations (Terms
8 and Conditions of Service)...."

9 Would that come under
10 that heading?

11 A MR. OSLER: Yes.

12 Q Thank you.

13 I think you can tell I'm
14 picking up the last little pieces here. UCG
15 Number 77. At Number (a) it talks about line
16 losses. (Quoted):

17 "No detailed calculation of line
18 losses has been performed. In general
19 terms, Yukon Energy's transmission
20 level losses on WAF approximates
21 7%-8%...."

22 The background data that
23 leads to the conclusion, is that on the record?
24 Obviously that's the result of some sort of
25 analysis.

1 A MR. BOWMAN: Well, it's the result of
2 operating experience. The data required to
3 calculate loss numbers is included in Table
4 2.5, and it shows that on a company as a whole
5 it's 8.42 percent, and there's some discussion
6 of losses by system in one of the
7 interrogatories. And I can look that up in a
8 minute. That would include any distribution
9 system losses that Yukon Energy incurs related
10 to the small amount of distribution it owns.
11 At the transmission level, 7 to 8 percent is a
12 number that is routinely used, and it was
13 discussed at some length in the resource plan
14 hearing is my recollection. I think there is
15 even an exhibit filed in regards to it.

16 But certainly there is an
17 interrogatory in the materials that deals with
18 the losses by system.

19 Q Okay. Thank you.

20 Now, can I take you to
21 UCG Number 81(b). And this line of questioning
22 actually applies to a number of questions that
23 follow it. And I think maybe once you see what
24 I'm talking about you will understand. So
25 UCG-81(b) we asked for confirmation (quoted):

1 "...that the budgets for customer
2 extensions would be less of a
3 contributor to YEC's revenue
4 requirement if this budgeted amount
5 was removed and a deferral account was
6 established to collect actual customer
7 extension costs as they are incurred
8 for disposition in a subsequent year."

9 **And the answer for this**
10 **one was (quoted):**

11 "Not confirmed. The amounts are
12 already capital and consequently
13 depreciated over time."

14 **Do you see that?**

15 **A MR. OSLER:** Yes.

16 **Q So there was a series of questions after that**
17 **that a very similar question and answer were**
18 **given. And it was based on the idea, for**
19 **example, that -- the question was based on the**
20 **idea, for example, that (a), if you have a**
21 **budget for 2008 of 400,000 and you have actual**
22 **spending of only 84,100, the presumption was,**
23 **well, if you'd used the actual, one way or**
24 **another there would be savings to a customer in**
25 **that example. And the answer was no.**

1 (Quoted):

2 "The amounts are already capital and
3 consequently depreciated over time."

4 Could you maybe explain
5 more fully what that answer means? Because I
6 have sort of an idea what you may mean, but I
7 don't want to mischaracterize it.

8 A MR. OSLER: Could I suggest that we
9 explain first what we do.

10 Q Okay.

11 A MR. OSLER: And then see if you have
12 other further questions. So from the gentlemen
13 to my right, you know, how do we actually just
14 explain simply what we do?

15 A MR. MOLLARD: In any given year we'll
16 have a varying number of customers that will
17 show up on our door requesting service. We
18 don't know what that number is going to be at
19 any given year, but we are required to serve
20 those customers, and it also varies in
21 complexity in terms of somebody might be right
22 next to a line or they might be quite a
23 distance away, so we don't know what that cost
24 is. However we are required to forecast that.
25 That's a cost that we're going to incur. So we

1 look at our historical spending in that area
2 and come up with a number to forecast what we
3 think it will be. Now, those costs are capital
4 in nature. Generally customer connections are
5 an asset that has about a 45-year life. So we
6 will capitalize those costs on any given year,
7 and it will be added into revenue requirement
8 at a 45-year rate.

9 **Q When you say they are adding into ratebase at a**
10 **45-year rate, the critical question is what**
11 **number is put into the ratebase. And I think**
12 **what your answer to (b) means is that for 2008,**
13 **for example, even though the budget was**
14 **400,000, are you telling me that from a**
15 **ratebase perspective that doesn't matter**
16 **because what actually goes into ratebase is the**
17 **184,100 was actually spent?**

18 **A MR. BOWMAN:** Well, you want to be
19 careful when you talk about ratebase as opposed
20 to spending, because these are largely offset
21 by amounts the customer pays in order to be
22 connected. So these are very small amounts
23 when we get down to it. I realize just as a
24 correction 2008 we list the budget of 400,000
25 in that IR. That is actually a typo. It

The issue is that although Yukon Energy forecast to spend \$475,000 on these hooking up customers, it forecast that the customers themselves would hand back 400,000 of that 475. So the total amount that would go into ratebase would be 75,000, because it's offset by customer contributions. That 75,000 that goes into ratebase would then be amortized over the life that Mr. Mollard notes. This asks for the actual spending in 2008, which was 184,000. I can also note that the actual contributions in 2008 were on the order of 130,000. So the amounts that went into ratebase in -- in actual 2008 was closer to 50,000 rather than 75,000. And that amount would be amortized over the 45 years or whatever the number that Mr. Mollard had.

Your question had gone to what if it was done using a deferral account. Well, in effect, because it's capital, it's already deferred. There is no expense of 75,000 or 50,000 in the test years. It's

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A MR. BOWMAN: Well, what is in ratebase for 2009 or 2008 is what was forecast, 475,000 to be spent, 400,000 received from the customers, a net of 75. By the time we use the next GRA, those would be trued up for actuals in ratebase the same way that 2005 numbers are here. But it's 475 to be spent offset by 400,000. The remainder is the maximum company investment that we talked about in the --

Q So just to close it off, then, to the extent that the budget amount is higher than the actual amount in the year, there would be an

A MR. BOWMAN: Yes, and it's only the variation in the net that matters. So as Mr. Osler noted, this GRA forecast, a net spending in 2008 of \$75,000 amortized over 45 years, that's \$1,500 a year plus return on 75,000. But -- so it ends up being a very small amount. Even if spending is under, because you connect less customers, it's still the net that matters. And the net as I said for '08 is still in the order to 60,000 compared to 75,000.

A MR. BOWMAN: Correct.

Q And I am assuming that the offsetting customer contribution forecast is accounted for when you

A MR. BOWMAN: Well, correct. It's at Table 5.1.

A MR. BOWMAN: Well, without turning them up, I can't confirm what each of them was about. It's not any given item in capital. Not all of them have the same offsetting contributions like we talked about --

A MR. BOWMAN: -- for contributions.

But I issue is -- the question effectively goes to deferral accounts. And rather than taking a whack of a cost in one year, can't you defer it over time to make things more stable? When you

1 are talking about stuff that's capital, it's
2 not taking a whack of the cost in one year.
3 It's already deferred over its life. So the
4 question -- in that regard the question -- the
5 answer would be the same.

6 **Q Thank you. I think that was the curdle of my**
7 **clarification I was looking for, thank you.**

8 In UCG-86, 87, 88, and 90
9 we asked you about actual expenditures for
10 certain projects, and in each of those cases
11 the project spending that was illustrated for
12 2008 was it appeared to be coming in under
13 budget. I don't know if you want to look at an
14 example first. Turn to Number 86. The
15 spending in 2008 for disaster recovery
16 plan/business continuity plan was forecast to
17 be 150,000 in 2008 and the actual spending,
18 it's at (b), was 73,000; do you see that?

19 **A MR. BOWMAN:** Mr. Buonaguro, yes. I
20 have those responses. This same set of
21 questions went from UCG-85 to 88 on a series of
22 projects.

23 **Q Right.**

24 **A MR. BOWMAN:** Three of them, the '08
25 spending was below forecast in the GRA. One of

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A MR. BOWMAN: That's --

A MR. MOLLARD: I believe in the case of those examples that it's a deferral. The spending will still happen. It's just been pushed to later.

So maybe I can -- that is with respect to the projects referenced in Number UCG-86, 87, 88 and 90 are the ones that I think are coming in under budget, and I'll take that subject to your checking if you want to check each of those to make sure that's the case in all four. I don't want you to leave it

1 out there.

2 A MR. BOWMAN: We can confirm the first
3 three. UCG-90 we haven't had a chance to look
4 at. But for the first three we can confirm.

5 Q So do you want to look at 90 right now or do
6 you want to take it as an undertaking? I don't
7 need it right now.

8 A MR. BOWMAN: Well, I know you have got
9 am plane so perhaps we --

10 Q No, no. I still have five minutes and less
11 than five minutes of questions.

12 A MR. MORRISON: Mr. Buonaguro, we would
13 have to get back to you. I can't answer that
14 one right now.

15 Q That's fine. So is that just with respect to
16 the project at UCG-90?

17 A MR. MORRISON: Yes.

18 Q Okay.

19 MR. BUONAGURO: Thank you. Those are my
20 questions.

21 THE CHAIR: Thank you for sticking to
22 your self-imposed time lines, and I hope that
23 there will be some people left around for some
24 Board questions later on as well and people
25 don't exit as well.

1 And we'll take a break
2 for lunch and we will return around 1:30.

3 (PROCEEDINGS ADJOURNED AT 11:54 A.M.)

4 (PROCEEDINGS RESUMED AT 1:33 P.M.)

5 THE CHAIR: Please be seated.

6 Just before we get
7 started, I just wanted to put everybody on
8 notice that it will be the Board's intent to
9 sit later this evening, until maybe 6, 6:30,
10 and it appears, based on estimations of
11 cross-examination times, that that should
12 complete our hearing. But I will have a better
13 update at the break to see how
14 cross-examination is going.

15 Mr. Landry it looks like
16 you want to jump to your feet there.

17 MR. LANDRY: Yes, Madam Chair.

18 I just have one
19 undertaking to deal with, and that was the
20 undertaking to Mr. Buonaguro regarding the key
21 performance indicator reports. I have given a
22 copy to Ms. Lemke, a hard copy. I would ask
23 that it be marked as the next exhibit. But I
24 did it a little differently. Because it's a
25 little lengthy, we emailed it to everyone,

1 including the Board. If somebody would like a
2 hard copy, we can do that. But in speaking
3 with others, they have already received it
4 electronically, and the Board would have
5 received it electronically. But Ms. Lemke has
6 a paper copy that can be mark as an exhibit.

7 THE CHAIR: Do we have a number for
8 that?

9 B-14, so marked.

10 Exhibit Number B-14:

11 Key performance indicator report.

12 MR. LANDRY: That is the only
13 undertaking we have at this point in time.
14 Hopefully before the break we will have more.

15 THE CHAIR: Thank you Mr. Landry.
16 Mr. Maissan, are you
17 prepared to proceed?

18 MR. MAISSAN: Yes, I am ready.
19 I would like to start
20 with, I guess, filing an exhibit. During the
21 break this morning, I confirmed with the panel
22 that they could access an Excel spreadsheet
23 that they had provided as part of responses to
24 interrogatories. It seemed it was going to be
25 difficult. So what they did for me is make

1 paper copies of my notes on the subject. So I
2 think for everyone's convenience, if we
3 circulate this as an exhibit, when the time
4 comes, then we can -- then we can just refer to
5 the paper copy rather than dragging up an Excel
6 spreadsheet.

7 THE CHAIR: So if I understand you
8 correctly, it comes from an answer, an OIC
9 answer?

10 MR. MAISSAN: Correct.

11 THE CHAIR: How would you like to
12 mark that, Mr. Maissan, then?

13 MR. MAISSAN: I think from the exhibit
14 list it would be C4-5.

15 MR. LANDRY: I'm fine with that,
16 Madam Chair.

17 THE CHAIR: Maybe we will just mark
18 it C4-5 for reference.

19 Exhibit Number C4-5:

20 Paper copy of OIC response.

21 MR. MAISSAN: The other thing I would
22 like to say at the outset, for my convenience
23 and probably for time saving as well, when I'm
24 referring to interrogatories, I shall refer to
25 the initial acronym and the final number,

25 A MR. MORRISON: I just want to make sure

1 we are talking about the same line.

2 Q YECL-17 is one of these, and Leading Edge-33,
3 and YECL-18. One of those line's numbers is
4 likely referring to the
5 Aishihik-Haines Junction line and the other to
6 the Faro-Ross River line, but just to keep the
7 numbers straight.

8 A MR. MORRISON: Mr. Maissan, we are going
9 to have to take a look at it and come back to
10 you.

11 Q Sure. That's not a problem.

12 And I wondered if there
13 is a number for the new 138-kV line from
14 Carmacks to Pelly Crossing. Is there a line
15 number for the that or will there be?

16 A MR. MORRISON: I'm sure there is because
17 we number everything, so I'll get you that as
18 well.

19 Q One final comment, then, is in response to
20 YECL-17, there is a list of substations, both
21 by Number S and a particular number and a
22 description of the substation. Having a list
23 like that for lines and for plant numbers as
24 well, we get into P numbers as well, would be
25 convenient at future proceedings.

4 A MR. MORRISON: Well, let me give you the
5 nontechnical version of the pot -- well, you
6 know, I guess I was going to -- never mind. I
7 won't go there.

9 A MR. MORRISON: Let me give you the
10 nontechnical version of what we refer to as a
11 pothead. It is a connector for cabling.

L4	Q Does Yukon Energy carry spare potheads?

Q Now, you anticipated my last questions, which was, Are these maintained on a regular basis or

1 **on a preventive-maintenance basis, et cetera?**

2 A MR. MORRISON: No. We try and maintain
3 everything on a maintenance basis, but these
4 are similar to -- I feel like I'm explaining
5 something to the expert. I'm -- you know. So
6 the -- you know, what they are is an enclosed
7 metal connector, and so the maintenance piece
8 on it is an infrared scan, and we do them. But
9 if between doing the infrared scan and doing
10 the next one you have a problem -- you can't
11 see inside it, I guess, is my point.

12 **Q Thank you.**

13 **These questions of course**
14 **stem from the pothead failure at Aishihik that**
15 **caused the outage.**

16 A MR. MOLLARD: Correct.

17 **Q Secondary sales, I understand that the notice**
18 **period for secondary sales customers that are**
19 **not SCADA connected is 24 hours; is that**
20 **correct?**

21 A MR. BOWMAN: Trying not to rely on my
22 memory, it is 24 hours, and it would be the
23 Secondary Sales Rate Schedule 32, which is
24 attached to Tab 4.

25 **Q Thank you.**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q Fifteen minutes, right.

Q The ones that are SCADA connected.

Q Yes.

A MR. MORRISON: I guess we could interrupt them at any time within that 15-minute period, as long as, let's say, as an example, it was in the middle of the summer and didn't need their heating system and we called them and said, Is it okay if we just turn it

1 off. Or B) in the winter, the 15 minutes is to
2 give them time to switch on their alternative
3 source of heat.

4 So the capability is
5 there, but the fairness option is we have to
6 let them turn on whatever they need to turn
7 on.

8 **Q Right. So I'm thinking of the situation in**
9 **which there is perhaps a failure of a**
10 **generating unit. I understand the system as a**
11 **whole operates by a load-shedding mechanism and**
12 **drops certain areas, say, Riverdale or**
13 **Porter Creek or whatever to try to maintain the**
14 **rest of the system whole and keep it operating,**
15 **minimize the outage numbers in terms of**
16 **customers interrupt, and I just wondered if**
17 **secondary sales -- SCADA-controlled secondary**
18 **sales had some potential to be of assistance in**
19 **that?**

20 **A MR. MORRISON:** I think it's very
21 difficult to get it closer than that. You
22 know, you are talking about the hospital, to
23 start with, which is, you know, pretty
24 important that we know that they've got their
25 heat on, and I'd be loathe to even talk about

Q Fair enough.

Am I correctly interpreting this to mean that during our cold winter weather, for instance, in December through January, when the diesels were being run in the daytime, that it was still possible to sell secondary sales to a SCADA-controlled customer?

When I look at the question and the answer, I'm not sure that -- I'm just not sure what you are asking me in relation to this question.

Q Well, I understand that diesel -- when diesel

2 A MR. MORRISON: Right.

5 A MR. MORRISON: Right.

L1 A MR. MORRISON: Well, it would depend.
L2 And let me say that. First of all, if we -- if
L3 we're in a situation where we have secondary
L4 sales turned off, we can certainly turn the
L5 SCADA customer back on and off.

L6 We don't generally,
L7 because it's a manual disconnect and reconnect,
L8 we don't do that with all the other customers
L9 until we're sure we're out of the woods in
L10 terms of the peaking.

21 So yes, we can with a
22 SCADA customer and yes, we would with a SCADA
23 customer.

24 Q Thank you.

25	Could I ask you to turn

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

A

1 otherwise sell for secondary is really better
2 used to help refill Schwatka for the next day's
3 bit of daily peaking.

4 **Q Understood. Yes, I think that's also explained**
5 **in another IR.**

6 **Leading Edge-14, if you**
7 **could turn to that. We were talking here about**
8 **the Aishihik storage. And the answer in the**
9 **second paragraph, and I should read it for**
10 **everyone's benefit (quoted):**

11 "In regards to the test years,
12 Yukon Energy assessed the situation
13 where Aishihik started fall 2008 at
14 full levels, and using forecast loads
15 (including secondary sales) determined
16 that even with Aishihik inflows at 50%
17 of normal during the following 1.5
18 half year period (to spring 2010)
19 Aishihik would reach its lower supply
20 level by that time."

21 **I understand that answer,**
22 **but what I'm not sure about is the practical**
23 **implications of that. Would that mean that if**
24 **there were secondary sales customers available,**
25 **you would continue to serve secondary sales**

1 customers during drought period, even if it
2 meant drawing Aishihik Lake down to its lower
3 licence limits; i.e., at what point do
4 secondary customers get cut off out of concern
5 for the water storage at Aishihik?

6 A MR. BOWMAN: Yes, your question, if I
7 have it right, was, If you were in the drought,
8 would you keep making those secondary sales?
9 And the answer is, It would have to be
10 something that was assessed on an ongoing
11 basis.

12 What we know in terms of
13 this filing is that we were in -- making the
14 filing in preparing the filing in the middle of
15 2008. We were looking forward to a future
16 situation once Minto mine connected and the
17 Carmacks-Stewart was up and running, that would
18 bring the WAF system to a load level that
19 hasn't -- in fact, has never really been
20 experienced. The WAF system has traditionally
21 either been Faro mine is on, you are burning
22 100 gigawatt hours of diesel, you are running
23 diesel whether it is good water or bad water,
24 basically, and so there are no secondary sales
25 at all. Or it has been the situation where

At the same time you
don't want to be caught in a situation where

And what we concluded in going through it is we're not quite at that threshold yet in 2008 needing to be able to deal with that. Looking through this application, looking forward, this application, we assessed whether secondary sales would stay on in a substantial way through 2008 and 2009 for the purposes of setting rates. We concluded that it would. We concluded that even under a very extreme water flow scenario, 50 percent of normal inflows for a sustained year and a half period, we would not today forecast an interruption to secondary sales. So we were confident that we could file the information that's here.

Now, that doesn't mean it doesn't have to be continually assessed. And if you did reach a situation where we had filed in October, and that winter it had been, you know, low in-flows and next spring there was

1 low in-flows and you got to summer 2009 and
2 Aishihik was getting low, and you were looking
3 forward to where the next water was coming
4 from, that's where Yukon Energy will have to
5 continually assess and decide, Is it time now
6 to say we are approaching a situation where we
7 need to cut off secondary sales for energy
8 reasons.

9 And it is a process that
10 people need to pay attention to. Thankfully we
11 are not there. The water is there at Aishihik
12 right now, so we didn't run into that situation
13 in any event.

14 **Q Right. So you would not automatically just run**
15 **it to the low supply level, correct?**

16 **A MR. BOWMAN:** No, absolutely not. The
17 water at Aishihik gets monitored quite
18 carefully, and this would be a key item on
19 people's minds as they watch the water coming
20 down.

21 **Q Thank you.**

22 **UCG-29, could you turn to**
23 **that, please.**

24 **On page 2 of 2 in the**
25 **response -- or in that IR, which, under (b),**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q Right.

"Please provide details of the amount
of surplus power available..."
as opposed to the amount of surplus power sold.

A MR. BOWMAN: Yes, they can be quite different. But the question, as asked, could not be addressed or presented in a format similar to the answer that it's given. The question with respect to what could be made available if you were trying to make as much secondary power available.

And the reason is that

1 in -- was particularly with respect to
2 Aishihik, we are not dealing with the run of
3 the river plant. We are dealing with a
4 multiyear storage, although -- or at least more
5 than annual storage.

6 So what power is
7 available in any given month is a function of
8 how much you made available the previous month.
9 You can only use any bit of water once.

10 So trying to say in May
11 '08 there is this much available, and then go
12 to June '08 you say, How much is available,
13 well, it depends on whether it was used in May
14 '08 or not. So the numbers sort of start to
15 become very hypothetical or scenario based.

16 And what you really need
17 to do is consider your load levels, what power
18 is being used in any given month, as well as
19 your in-flow levels, which could be anything
20 from very low to very high in order to do that.
21 It becomes a fairly complicated exercise very
22 quickly, and it is a matter that has been
23 talked about in other places here that people
24 have put a lot of time into doing longer term
25 water modelling to be able to figure some of

1 that stuff out.

2 It will never get you to
3 the point where you could do a short-term type
4 of number like this, because it depends on if
5 it rains or not, and it depends on if you used
6 it last month. It doesn't lend itself to a
7 presentation of this sort.

8 **Q So can I also assume from the information here,**
9 **given the relatively low sales in the**
10 **summertime, that had you had more secondary**
11 **sales customers, your secondary sales could**
12 **have been higher?**

13 A MR. BOWMAN: Yes. Absolutely.

14 A MR. OSLER: Just for the record,
15 UCG-8 (d) did discuss sort of the broader
16 question of how much surplus is there versus
17 long-term average generation, for those that
18 are interested, because the numbers are
19 different, as has been pointed out, from how
20 much we sell.

21 And, secondly, you would
22 have to get the load up quite a long way before
23 the summer sales are all absorbed, as they were
24 when we had the Anvil mine on -- Faro mine on,
25 so that even when we're looking forward to

1 base-load diesel situations the next few years,
2 some of the models that we're seeing are
3 showing still some surplus, but it's all in the
4 summertime when there's no customers looking
5 for it, yet.

6 **Q Now, one further question on secondary sales,**
7 **YECL-2.**

8 **On page 3 of 5, in the**
9 **paragraph underneath the table of long-term**
10 **average hydro capability, and the short**
11 **paragraph following that, there is a discussion**
12 **about how much -- at what load there would no**
13 **longer be secondary sales available. And if I**
14 **understand correctly, what's being stated here**
15 **is that when the overall load reaches**
16 **380 gigawatt hours a year, we would be at a**
17 **point where the hydro is -- and I think this is**
18 **a situation with the Aishihik third turbine in**
19 **operation -- we would be in a situation where**
20 **there would be no surplus hydro available**
21 **essentially at any time?**

22 **The (quoted):**

23 "...380 GW.h is consistent with a
24 long-term average hydro capability of
25 356..., "

2 A MR. BOWMAN: Yeah, no, that's not
3 quite correct.

5 A MR. BOWMAN: And this is -- this is a
6 matter that we were -- we're still learning our
7 ways to be able to talk about and explain this,
8 because it's a fairly complicated topic.

17 That requires some
18 complicated modelling, and that's been a number
19 people have used ever since. But how much your
20 hydro system can produce is dependent on how
21 much load you have to put on the hydro system.
22 The more load you have, you start to squeak
23 those last bits of energy out of those other
24 bits of water, and so at lower load levels,
25 your hydro system long-term average number

1 doesn't look very high. At really high load
2 levels, or if we had an export market or
3 something of that nature, it starts to come up.

4 What this response is
5 saying is, it's at about 380 gigawatt hours of
6 system load that one would calculate, through
7 the model, that the hydro system long-term
8 average generation is about 356, and that
9 includes the Aishihik.

10 That doesn't mean that
11 there's still no surplus or no water that could
12 be used to generate that isn't being used to
13 generate. If you had a load, instead of
14 380 gigawatt hours, if you had a tie line to
15 British Columbia and you could sell as much
16 power as you possibly could, you would see the
17 generation even a little bit higher than 356.

18 Without that type of load
19 or that tie line, that bit of water that you
20 would have used just south of BC is available
21 for secondary sales. So you could still have
22 some summer evenings, warm summer evenings,
23 where there is still opportunity for some
24 secondary sales, like where Whitehorse is not
25 using every bit of water it could running

1 through every turbine.

2 When you get to those
3 levels, you also have to think about things
4 like that's also the opportunity, the time when
5 your people want to do maintenance on the unit
6 and the like. So you are right at the margins
7 or you are right at the edge of the system's
8 capability.

9 A MR. OSLER: Let me adjust one thing,
10 if I might.

11 Sitting outside
12 Whitehorse you have got four units, and we all
13 know that we don't sell -- we can't sell all
14 the power that those units could generate
15 during the summertime. As the system load goes
16 up, we manage to sell more and more of that
17 power that is used -- that's there in the
18 summertime.

19 The secret to this answer
20 is that the 380 gigawatt hours has recently
21 been figured out to be the number for the
22 system load on WAF where this long-term
23 average, 351, is relevant. If the load is
24 higher than that, we can get a bit more out of
25 this existing system. If the load is lower

1 than that, we get a bit less, in terms of
2 talking about useful energy that we could use
3 to serve customers based on long-term average
4 hydro flows.

5 **Q Right. Okay.**

6 **The reason I was asking**
7 **is that I recall when the Faro mine was on and**
8 **our loads were in, I can't remember, 420,**
9 **430 gigawatt hours per year, on paper we**
10 **required 90 gigawatt hours a year of diesel**
11 **generation, and yet there were still times in**
12 **the summer where we had the capability of**
13 **surplus sales.**

14 **A MR. OSLER:** And that's -- at times
15 people used to say we used diesel all year
16 round, and other times some people said we had
17 some power in the summertime; we could never
18 sell it. But that's the point we are getting
19 at is that we can't store the water that's used
20 in Whitehorse, so therefore we use it or we
21 lose it. And if we lose it, it's because we
22 don't have a load for it.

23 The load maintains the
24 characteristics we have historically and
25 doesn't suddenly shift. In terms of

1 seasonality these numbers make sense.

2 It also means that we
3 have got to get more sophisticated in talking
4 about what is the long-term average generation
5 we can get from hydro. The answer is, it's
6 starting to become internally now, it depends
7 on what the load is. As Mr. Bowman says, this
8 is a challenge for communications. So welcome
9 the opportunity to keep trying.

10 **Q Right.**

11 **Aishihik. The Aishihik**
12 **monitoring group that was examining the results**
13 **of the fisheries studies, have they made a**
14 **determination yet whether they are accepting**
15 **the analysis by Yukon Energy's consultant or**
16 **not in respect of the health of the fishery?**

17 **A MR. MORRISON:** No, they haven't,
18 Madam Chair.

19 **Q So at this point you don't know whether there**
20 **is going to be an impact on storage range?**

21 **A MR. MORRISON:** At this point, that's
22 correct, I do not.

23 **Q All right.**

24 **Can you tell me how the**
25 **costs for these kinds of periodic studies are**

2 A MR. MORRISON: I'm going to -- you want
3 to --

4 A MR. MOLLARD: They're included in our
5 licencing differed costs.

6 Q So they are amortized over the licencing
7 period?

8 A MR. MOLLARD: Over the life of the
9 licence, yes.

10 Q For a study like this that was done partway
11 through a licence, is it amortized over the
12 remainder of the licence period?

13 A MR. MOLLARD: That would be correct.

14	Q Thank you.

15 I have some questions
16 about hydro systems generation. And, in
17 particular, I would like you to turn to YUB-29.
18 I'm sorry. That should be YUB-31. I
19 apologize.

20 A MR. MORRISON: You are disappointing
21 Mr. Bowman. He was going to explain the graph
22 for you.

23 Q I know he was keen to discuss those load
24 duration curves. Right.

25	On page 2 of 3 there is a

1 coloured graph called "Hydro Plant
2 Utilization." And on the left-hand axis there
3 is a "% of Maximum." And I just wanted to
4 confirm that the percent of maximum is based on
5 the installed capacity as opposed to the energy
6 available. For instance, I understand that
7 approximately 246 gigawatt hours a year is
8 available at Whitehorse Rapids. Installed
9 capacity is 40 megawatts. So the full
10 utilization of the hydro energy available
11 through that plant would result in the
12 utilization of 70.3 percent, as opposed to a
13 number like 100 percent; am I correct?

14 YUB-31, page 2 of 3 at
15 the top.

16 A MR. MORRISON: We're there.

17 A MR. OSLER: I don't know that there's
18 anybody on the panel who can answer this
19 specific question. It does say "rated
20 capacity," and the implication is that it's
21 based off a simple number like the plant
22 capacity. But unless somebody knows something
23 that -- for sure.

24 A MR. BOWMAN: We could put it this way:
25 I am almost certain it is megawatts in each of

1 the numerator and denominator. And if that's
2 not correct, I will come let you know -- I will
3 come back and let us know.

4 **Q Yeah. The point I was getting to, I guess, is**
5 **it looks, from this graph, as though the**
6 **Aishihik facility is being underutilized,**
7 **because the numbers are relatively small, and**
8 **that's really a factor of the large installed**
9 **capacity and the limited water flows, i.e.,**
10 **energy available. So when you divide the**
11 **energy available by megawatt capacity, you get**
12 **a relatively low percentage utilization factor,**
13 **but it is in fact a very valuable plant and**
14 **fully used to the extent possible.**

15 **A MR. MORRISON:** Thank you for that,
16 Mr. Maissan.

17 **Q Is that not correct?**

18 **A MR. MORRISON:** That's correct, yes.
19 Just for the record, so
20 that everybody does understand how we operate
21 Aishihik, we generally don't run Aishihik all
22 through the summer. So basically Aishihik
23 stores water all summer, and we operate it in
24 the winter, which is exactly the point
25 Mr. Maissan was getting at, is, so where it

1 might look like the utilization isn't
2 100 percent, well, if you had the plant
3 available 12 months of the year, utilization
4 would be a lot higher, but it's based on that
5 six-month operation.

6 A MR. OSLER: And just to give why we
7 think we know what the answer is here but we
8 will come back to you if it isn't, if you took
9 Aishihik and the system is fully loaded and you
10 are looking at long-term average, it would be
11 under 40 percent, I think, would be the
12 utilization that you'd get.

13 At the moment it's not
14 being used the same way because we don't have
15 the same load. It's not surprising, therefore,
16 that its utilization is quite low. It has got
17 nothing to do with the energy available; it's
18 just to do with the fact that plant was
19 designed to be run that way.

20 Q All right. The Mayo hydro plant, could you
21 tell me what the long-term average energy
22 available, hydro available is from that plant,
23 gigawatt hours per year.

24 A MR. BOWMAN: The Mayo plant is -- it's
25 going through some of the same type of work we

But in general it is -- if you have it loaded, which is not particularly difficult when you have one plant compared to when you balance two plants, it's up in the upper 30s, but we have been talking in the range of, you know, 35 to 40, but it's depending on the particular load. And that's sort of a long-term average in gigawatt hours.

A MR. OSLER: Just so the record in the future is clear, that's the Mayo plant that exists today, which is sort of analogous to the Whitehorse situation before we built the fourth unit. The three units of Whitehorse can pretty

1 well take the river flow, even at its lowest
2 level; add the fourth unit and you are into
3 sensitivity as to all sorts of things.

4 If we get a Mayo B, we
5 will be doing the same thing at Mayo that
6 happened -- we will be roughly doubling if we
7 keep building the capability of the plant, and
8 it will be more sensitive to water flows.

9 **Q In answer to PWP-18, there is an estimate of**
10 **short-term incremental costs for**
11 **hydrogeneration of about .5 cents per kilowatt**
12 **hour. And I just wanted to understand that**
13 **this .5 cents, just what goes into that**
14 **.5 cents. Is that essentially the incremental**
15 **maintenance cost? Does that include any**
16 **allocation of operating, labour, system**
17 **controls centre, insurance, water licence**
18 **costs, et cetera?**

19 **A MR. BOWMAN:** I'm not sure we're going
20 to be able to answer that to a level of detail.
21 This is a number that has been used for a long
22 period of time. Determining the costs -- the
23 incremental costs of operating a hydro unit to
24 generate a kilowatt hour is not like
25 determining the incremental costs to operate a

1 diesel unit to generate a kilowatt hour.

2 If you want to run a
3 diesel unit and generate a kilowatt hour, you
4 know you need the fuel to operate it, and it's
5 reasonably easy to calculate the fuel, and then
6 you know that you need oil changes at certain
7 hours of intervals and the like, so that you
8 can come up with some estimates of what it
9 costs to generate a kilowatt hour versus not
10 generate a kilowatt hour.

11 Hydro units are much,
12 much more difficult to do that with. In any
13 given moment the question is, How much more
14 would it cost to take a bit of water that is
15 otherwise going over a spillway instead of run
16 it through a unit to produce a kilowatt hour.
17 It's not insurance. It's not any of those
18 types of items, because those don't vary with
19 generation. It's not water licence fees,
20 because those don't vary with generation.

21 But it's intended to
22 capture operating and maintenance costs you
23 incur as a result of that one bit more water
24 going through the turbines. But this number is
25 not something that is particularly robust,

The answer, it's effectively a way of simply portraying that the incremental cost of generating a kilowatt hour with hydro is very, very low. How low it really depends on a multitude of factors.

Turning now to oil

A MR. OSLER: If the fuel price stays below the GRA forecast price for the two utilities, the fuel rider would become negative. And in, say, the number you gave, I think was in the 70s, as you said, if it stayed --

A MR. OSLER: Yeah. And so the GRA fuel prices in both utilities' applications are higher than that by significant degree. And, therefore, if the fuel price stayed at that level, there would -- there would be a requirement to pay the companies based on their fuel prices and give a rebate to the customers through the fuel -- Rider F until the situation changed.

A MR. OSLER: And, secondary, as well, there would be an issue of keeping track of what the price is for secondary, if the -- in the case of Yukon Energy's application, the price for secondary is also -- which is based on the last quarter of last year in terms of what was being charged to customers, is also higher than the actual price that's being paid by customers so far in 2009, first quarter, second quarter, and what we can see in the third quarter, and the price has been going down, which means that the company -- the customers, in effect, are not paying the price

Q Thank you.

A MR. BOWMAN: Yes, I can deal with that. The classic definition of baseload diesel in the system is when diesel is being run for energy purposes that there is an inability from the hydro system over the course of a period of time, typically a year, to be able to produce enough energy to supply the load and as a result diesel has to be run for energy purposes.

1 Q And whether or not that happens over a period
2 when you need diesel anyway for peaking is
3 immaterial, correct?

4 A MR. BOWMAN: Well, the classic other
5 definition is peaking diesel, which is diesel
6 that is run for capacity reasons, not energy
7 reasons. And we spent some time on this, in
8 the resource plan going through the difference
9 between capacity and energy. There are times
10 like now or like last December where the system
11 did not have enough units of hydro on the
12 system, enough wheels turning to be able to
13 produce the instantaneous load of the system
14 and had to run diesel. That's a demand-related
15 quantity of diesel, and we call that -- that's
16 classic peaking diesel. Back when the Faro
17 mine was on and there was 100 gigawatt hours of
18 diesel being run on the system a year, that
19 was -- there is simply not enough water over
20 the course of the year, so we have to run
21 diesel to make up the difference. That's
22 classic baseload diesel.

23 Somewhere between the two
24 is a grey area as to whether you are running it
25 for peaking or baseload. But classic baseload

1 diesel is wouldn't matter when you are running
2 it, because you are simply running it to be
3 able to hold back some water. I don't care
4 whether they hold back that water at night or
5 during the day. Each of them goes to keep the
6 lake up.

7 A MR. OSLER: The models you used in
8 the resource plan, you are correct. Once we
9 got to the point where we were predicting that
10 the energy situation demanded that we start
11 running diesels, we started to create all of
12 the diesel for the sake of just talking about
13 it as baseload diesel. But we would be subject
14 to questioning as to precision in doing that.

15 Q Yes. The reality of the system is that we now
16 already require diesel peaking in extreme cold
17 weather. If energy requirements increase more,
18 peaking diesel requirements are likely to
19 increase. So one could over periods of cold
20 weather run diesels both for peaking and
21 energy?

22 A MR. BOWMAN: Yes, that's correct.

23 Q Thank you.

24 Now I would like to take
25 you to that Exhibit C4-5 which is the Excel

1 spreadsheet which was an attachment to
2 YECL-23(b). It's in fact an Excel workbook
3 with three spreadsheets in it. And I apologize
4 for my scribbles. These are from my own notes,
5 and I just made -- copies were just made today.

6 The first page in that
7 exhibit is what is a tab called "Summary
8 Table," the first spreadsheet. I do not have
9 any questions on that one. But if we go to
10 Tab 2 which is -- well, I'd like to take you to
11 the third page in, which says across the top,
12 "January First Part" which is a screen print
13 from a very large Excel spreadsheet. And in
14 the middle of the page roughly there is a
15 column called "Max Capacity" which I believe is
16 in megawatts, and I just wondered if somebody
17 could confirm to me how that Number 56 was
18 derived and whether it is in fact megawatts.

19 A MR. BOWMAN: Yes. Maybe I'll, just to
20 be thorough, note the Excel file that this
21 exhibit comes from is the response to
22 YECL-23(b), and it was provided in Excel format
23 with the interrogatory responses as when that
24 response was filed.

25 What the question was

1 asking was showing detail how the secondary
2 sales forecast was developed for the test
3 years, but in fact as you note, there's a lot
4 more going on in here than just the secondary
5 sales forecast. The column that you're
6 referencing, as you say, it's a screen shot.
7 The first couple of columns are simply have
8 been data that that goes into this. The first
9 dark column is effectively a number that is an
10 indexed amount of energy over the course of an
11 hour that would need to be generated at some
12 point during the month in question. This is a
13 January month.

14 **Q Yes, January.**

15 **A MR. BOWMAN:** And what it's saying is
16 that if -- we don't do a hourly forecast for a
17 test year. There is a monthly forecast amount
18 of energy, but there's not an hourly forecast.
19 So how do you know how much peaking diesel
20 you're going to use or how do you know how many
21 hours you're going to have interrupted of
22 secondary sales becomes quite a tough question.

23 And so what this is
24 effectively doing is trying to say that based
25 on what the forecast says we're going to sell

1 in January 2009. And based on what Januaries
2 typically look like, starting from the highest
3 hour to the lowest hour and ignoring what order
4 those hours occur in, but what is the highest
5 we tend to have in January and what's the
6 lowest, what megawatts do we think we'd be
7 running at any -- from highest to lowest during
8 all of the hours in January without thinking
9 about whether that would be on the 6th of the
10 month or the 9th of the month. And that's
11 what's in the 2009 forecast with secondary
12 sales.

13 It compares that to a
14 number that's 56 megawatts, max capacity as you
15 note, which is our benchmark number for how
16 much the hydro systems would be maxed out at
17 before people start turning on diesels. And
18 that number depends a bit on the water flow for
19 the year. It depends a bit on the time of the
20 year and how much one is drawing down Marsh
21 Lake.

22 But typically when this
23 system starts to get to the mid-50s, diesels
24 have to start being turned on. So 56 is the
25 number that's being used there, megawatts.

1 Q If we turn the page, I've had to paste the
2 header in. This is in fact from the middle of
3 the spreadsheet, and it's for the last part of
4 the month of July. And I see the max capacity
5 is still at 56 which surprised me. I expected
6 the max capacity available in summer months to
7 be the 40 megawatts from Whitehorse plus if you
8 had the water available up to 30 megawatts
9 capacity from Aishihik.

10 A MR. BOWMAN: Yes. I know what you are
11 referring to there. If this sheet was being
12 used with a particular focus on July and how
13 the system would be dispatched over the hours
14 in July, 56 would not be the right number. I
15 appreciate that. At the end of the day because
16 it seems to forecast secondary sales
17 interruptions over the winter, it was really
18 only five months that mattered with respect to
19 this part of the sheet. The load duration
20 curves that arise from the index numbers under
21 load ration, those were used in another
22 response, and it gives an idea of what the load
23 duration curve in June or July or August might
24 look like. But if you are only trying to track
25 this portion of the page, the 56 is not a fair

2	Q Thank you.

L0 A MR. BOWMAN: No. Secondary sales
L1 potential as the term used on this sheet, the
L2 fifth page of your exhibit, is the potential in
L3 terms of the market. That is what the
L4 potential sales given the customers we have and
L5 given the loads they have and given the fact
L6 that customers don't buy all the time have a
L7 tendency to be broken down once and a while,
L8 the potential market is 22.

23 A MR. BOWMAN: Correct.

24 Just Mr. Osler was noting
25 for me that you can -- you can see that when we

1 turn to the tab -- take you to Tab 2 numbers
2 that of that 22 gigawatt hour potential market,
3 Yukon Energy forecast being able to supply
4 basically 16 of that 22. The remainder will go
5 unserved because it will occur at times when we
6 have to interrupt for diesel -- for running
7 peaking diesel.

8 **Q In answer to Leading Edge-16, Yukon Energy**
9 **states that the output of Whitehorse Rapids has**
10 **varied as much as 7 megawatts from peak to low.**

11 **Is this, in effect, the**
12 **24 megawatt long-term average that's sometimes**
13 **talked about plus or minus 3 1/2 megawatts?**
14 **Would that be a fair characterization?**

15 **A MR. BOWMAN:** It is the -- it is the
16 generation average for the day plus or minus
17 3 1/2 megawatts related to the matters that we
18 discussed in terms of overnight secondary sales
19 being able to use Schwatka Lake and the like.
20 It is not necessarily varying around 24.

21 Twenty-four megawatts is
22 an output one can rely on depending, you know,
23 if the -- given the water at Marsh, one can
24 rely on 24 for the winter. In any given year
25 it could be a bit, if not a fair bit, higher.

1 Q But that number would be the midpoint of the
2 7 megawatt range?

3 A MR. BOWMAN: It is not plus or minus
4 7. It's plus or minus 3 1/2.

5 Q Thank you.

6 At this time in terms of
7 hydro capability, there has been no discount
8 for possible loss of licence range due to
9 fisheries constraints because we don't have the
10 answer yet. And I understand from an IR that
11 this might be in the range of I think it was 3
12 to 6 megawatts was quoted.

13 So if a third turbine --
14 when the third turbine is in operation, I note
15 that it will produce an estimated 5 gigawatt
16 hours a year additional energy from the water
17 available. It sort of balances, I suppose, the
18 loss from possible range of the licence.
19 Has -- is -- was that the consideration for not
20 making any adjustments to the long-term average
21 energy available from Aishihik at this point in
22 time?

23 A MR. OSLER: Just to be really careful
24 here, long-term averages that we have been
25 using change when we add in the Aishihik third

1 turbine, if we're looking in a forward-planning
2 sense.

3 The issue that you are
4 talking about to do with Aishihik licencing
5 matters is that there is a constraint right now
6 on the operation at Aishihik in the licence
7 relating to fish issues, and I think the number
8 you are talking about that's in an IR somewhere
9 would probably be in gigawatt hours, not
10 megawatts.

11 **Q Sorry, gigawatt hours.**

12 **A MR. OSLER:** Something like
13 386 gigawatt hours, somebody may have
14 estimated. It may even be, you know, more than
15 that.

16 But right now the
17 long-term average that Yukon Energy can
18 generate, if we were getting into situations
19 where we were talking about it as a constraint,
20 is in fact constrained by that licence. What
21 the whole exercise of the fish studies that you
22 were talking about is to try and see if we can
23 use those studies to justify getting rid of
24 that constraint so we could get back to the
25 351 gigawatt hours.

1 But if in a couple of
2 years' time that constraint hasn't been removed
3 and we were sitting before this Board, or even
4 sooner, talking ability long-term averages and
5 planning it, we would have to talk about that
6 constraint being in place. And until it gets
7 rid of that constraint, that's all we've got.
8 If we got Aishihik third turbine, it still adds
9 5 gigawatt hours to whichever situation we're
10 in.

11 It hasn't been this focal
12 point of the attention today because that
13 constraint, we aren't quite at that stage yet.
14 But everything that we have been talking about
15 is that we are getting there very soon, and
16 those types of issues will be very much front
17 and centre.

18 **Q Thank you.**

19 **I have some questions**
20 **about wind generation now. In answer to**
21 **Leading Edge-26, Yukon Energy lists a number of**
22 **difficulties to explain why the wind turbine**
23 **generation has been decreasing in recent years.**

24 **Has Yukon Energy ever**
25 **contacted wind turbine operating and**

1 maintenance companies for assistance with these
2 turbines?

3 A MR. MORRISON: Madam Chair, I don't have
4 the answer to that. I would be happy to find
5 out if the operational people have been talking
6 to the turbine manufacturer.

7 Q I wasn't referring to turbine manufacturers,
8 but to turbine operation and maintenance
9 companies. There are companies that specialize in
10 operating and maintaining wind farms.

11 A MR. MORRISON: Okay. I would be happy
12 to find out if we have done either.

13 Q Thank you.

14 I understand from the
15 response to Leading Edge-28 that there are no
16 plans to bring the wind turbines under SCADA
17 control. Do you know what it would cost to
18 bring the turbines under SCADA control?

19 A MR. MORRISON: I don't have that number
20 at my fingertips. If you would like me to --

21 Q Would you --

22 A MR. MORRISON: -- get it, I'll -- let me
23 say this: I will see if I can get that number,
24 you know, in the purview of these hearings. It
25 may take some time to get that number if we

2 | Q Okay. Thank you.

L1 A MR. MORRISON: I'm not sure if that
L2 makes sense or not.

L4 I understand that
L5 Yukon Energy has done a prefeasibility study on
L6 wind and is looking seriously at the potential
L7 for wind energy; is this correct?

18 A MR. MORRISON: Yes, Madam Chair, we
19 have. As part of our resource plan, we have
20 followed up on all of the items that were in
21 that resource plan that we indicated that we
22 were going to follow up on, and we have looked
23 at all of the -- for the most part, all of the
24 hydro and all of the other resource options
25 that we have.

1 Q On April 20th there was an article called "Wind
2 power is not quite an energy cure-all" in the
3 *Yukon News*. Let me quote, in part, what that
4 says (quoted):

5 "When wind power goes head-to-head
6 with hydroelectricity, there is really
7 no competition; hydropower is easier
8 and cheaper to produce, said
9 Janet Patterson of the Yukon Energy
10 Corporation."

11 And further down
12 (quoted):

13 "Finally, she said, hydroelectricity
14 costs 10 cents per kilowatt-hour while
15 wind power costs 30 cents per
16 kilowatt-hour.
17 'The economics just aren't
18 there,'...."

19 Could you please
20 elaborate a little bit.

21 A MR. MORRISON: On, what, Mr. Maissan?

22 Q On the -- well, two things. First of all, it
23 appears that, from these comments, that
24 Yukon Energy has already determined that wind
25 energy is not competitive, and I'm surprised

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

We also know what it costs us on calculation of kilowatt hours of output from the wind and what our costs are if we had to pay for the wind, you know, both on a capital and operating -- if you take both capital and operating costs into consideration.

And our output costs are around 30 cent a kilowatt hour. But that doesn't mean that you wouldn't go and look at a different wind option, or a series of wind options, and see whether or not those costs were going to be the same.

One of the issues -- and I'm not the wind expert; Mr. Maissan is. But one of the issues with the current wind turbines is their location. And as I understand it, part of the reason for putting

And that's an impediment or a constraint that we have with these turbines. They're not very big; they don't produce a lot of output for us. The real difficulty with wind on a go-forward basis in this system is what we need now is energy not capacity. And the energy from these from our current wind turbines is intermittent. So it's intermittent from A) the wind blowing or not blowing and B) from the operability in winter conditions of the turbines.

That doesn't mean that all wind would be -- you know, you could put all the wind into is the same category. So we looked at -- we made a commitment to look at wind options and whether or not they were feasible, and we have got a draft feasibility, and we will look at it some more. We are still

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q
A
Q
A
Q
T

A
Q
A
Q
T

Q
A
Q
T

A
Q
T

Q
T

T

1 have Mr. Morrison agreeing to do that.

2 A MR. MORRISON: Yes, sorry, I did.

3 THE CHAIR: Just clarifying.

4 Q MR. MAISSAN: I understand from the
5 various responses about demand side management
6 that in recent years, Yukon Energy has not
7 contributed financially to DSM type of
8 programs; am I correct?

9 A MR. MORRISON: That's correct, yes.

10 Q The Board has recently issued an order which
11 requires Yukon Energy to work with
12 Yukon Electrical on demand side management.
13 And in answer to UCG-20, I believe Yukon Energy
14 indicates that it is looking for further
15 direction from the Board.

16 Can you please explain
17 what direction you require from the Board to
18 pursue DSM further?

19 A MR. MORRISON: Let me just say this: We
20 will be looking for some further clarification,
21 but not on whether or not we should undertake a
22 joint DSM initiative with YECL. We will look
23 for some clarity around exactly, you know,
24 the -- I guess the breadth and depth of what
25 we're going to do. But we have been asked by

1 the Board to do it; we will do that.

2 **Q Thank you.**

3 I believe the board order
4 requires or asks Yukon Electrical and
5 Yukon Energy to table their plans at the next
6 GRA. And I suppose I am wondering when the
7 next GRA is going to be. It seems unlikely it
8 would be for a 2010 test year; likely to be
9 later.

10 If the utilities wanted
11 to institute, implement a DSM program prior to
12 the next GRA being tabled, what do you think
13 would be required from the Board?

14 **A MR. MORRISON:** Sorry, just so I'm clear,
15 were you asking if we wanted to implement
16 something along the DSM lines before the next
17 GRA?

18 **Q Correct.**

19 **A MR. MORRISON:** Well, I may be wrong, but
20 my understanding of DSM costs the last time we
21 talked to the Board was we weren't very
22 successful. So I would say to you at this
23 point, in my thinking, that before we moved
24 into a -- you know, a formal DSM program, that
25 we would be back asking the Board whether or

1 not that was appropriate or not.

2 Q Thank you.

3 Can you turn, please, to
4 UCG-59 (d). UCG-59 (d) asks about various
5 things, including discouraging consumption
6 overall or shifting demand to less costly
7 periods, and they also talk about other things,
8 including critical period rates.

9 The answer provided
10 addresses the critical period rates but doesn't
11 specifically talk about seasonal rates or daily
12 rates. We already know the diesel peaking is
13 not required for 24 hours a day. So it would
14 seem that a daily rate, daytime rate, versus a
15 nighttime rate might have some applicability.
16 We also know that diesel is required in winter
17 and not in summer, so some kind of seasonal
18 rate may also have some kind of applicability.

19 Could you explain why you
20 would not consider these kinds of options, or
21 would you?

22 A MR. MORRISON: Just again so I'm clear,
23 Madam Chair, we are talking about options that
24 would increase our sales or options that would
25 look at different rates for different periods

of the day from a conservation point of view?

Q We're looking generally at rate structures that would, I guess, discourage consumption during high periods and perhaps, by difference, encourage consumption during periods when hydro power is say available, i.e., encourage the summertime, discourage wintertime; discourage daytime, encourage nighttime.

And demand-side management is not just increasing or decreasing sales. It could be just shifting sales around to less costly periods.

A MR. OSLER: Right. That's -- the full concept of efficient -- encouraging efficient use includes the concept of encouraging more use when you have a surplus. So it's -- secondary sales is part of -- in many jurisdictions, part of an DSM concept.

Right now our minds are fixed on the secondary block and efficient price signals for that level of use. The concept of time-of-use pricing of some type or seasonal pricing of some type has been raised by many parties for ten or more years. It hasn't had much relevance during the period of

1 surplus, so the question is, Will it now have
2 relevance as we move into the type of future we
3 are talking about? I suspect it will be part
4 of a discussion, so, you know, because people
5 will raise it and we will have to examine it is
6 the first part. It won't be dismissed out of
7 hand.

8 I would just say this at
9 the moment: In hydro-based jurisdictions, such
10 as Manitoba or British Columbia, the
11 time-of-use concept hasn't tended to take off
12 to the same extent as some other jurisdictions.
13 So to the extent that we are really relying on
14 the grids on time of use -- sorry, on hydro
15 based resources, we may see that it isn't
16 really worth the effort to go through
17 time-of-use pricing. And if you are looking at
18 the other systems that are relying entirely on
19 diesel, there is no particular apparent reason
20 to think of time-of-use pricing.

21 So although it sounds
22 like it's logical and we should all jump for
23 it, there is a cost to implementing it. There
24 is a whole bunch of rate-design issues that
25 come with it, and I have experienced the

1 situation more than once, Manitoba one case,
2 where people looked at this seriously at the
3 industrial level and the utility level for a
4 year, and in the end everybody came to the
5 conclusion at that time that it just wasn't
6 worth it.

7 So, you know, it wouldn't
8 surprise me that we will talk about it, and it
9 wouldn't surprise me if it didn't get acted on
10 in the near term, for those types of reasons.
11 But we weren't trying to suggest it would be
12 dismissed out of hand in the answer here.

13 **Q Thank you.**

14 **In Leading Edge-25**
15 **Yukon Energy says it uses electric heat itself**
16 **only when available from surplus hydro. Can**
17 **you confirm, then, that there is no electric**
18 **heating in any of the hydro plants or other**
19 **pieces of Yukon Energy equipment? For instance**
20 **spillway gates and trash racks?**

21 **A MR. MOLLARD:** Sorry, Mr. Maissan, just
22 to be clear, the question refers to space
23 heating in the plants?

24 **Q Just let me refer to that, sorry.**

25 **Your answer provides --**

3 A MR. MOLLARD: To be clear, it says
4 "such as space heating".

6 A MR. MOLLARD: Yes. There is a
7 qualifier there.

9 A MR. MOLLARD: Yes.

13 A MR. MOLLARD: That is correct.

Turning now to staffing levels and Leading Edge-32. On page 2 of 6 of Leading Edge-32, at the bottom, I see in the -- sorry, you have that?

Calgary Independent Reporters **Edmonton Independent Reporters**
 403.265.2550 780.488.1464

1 A MR. MORRISON: So, Mr. Maissan, are you
2 looking for something more than has been
3 supplied in the answer?

4 Q Yes, please.

5 A MR. MORRISON: Can you help me out a
6 little bit?

7 Q Well, you have listed the positions.

8 A MR. MORRISON: Yes.

9 Q And you go through each of them. But, you
10 know, on a big-picture perspective, I don't
11 understand, I guess, why the overall numbers
12 just, you know, look really huge.

13 A MR. MORRISON: I'm happy to -- I'm happy
14 to try to help you, but I'm not sure what you
15 are looking for. You are looking for a better
16 explanation of what we have got here? Are you
17 looking for more? I mean, we have given you
18 the position; we have given you the reason.

19 Q Yes. And each of the -- each of the
20 explanations doesn't sound unreasonable. But
21 when you look at the overall numbers, it
22 seems -- it seems a very large increase.

23 A MR. MORRISON: Well, if you want to --

24 A MR. MOLLARD: Just some of the general
25 things we think about when we look at our

1 staffing levels, if this is perhaps helpful, I
2 mean, we have added significantly to our asset
3 base in terms of kilometres in transmission
4 line that we are dealing with. We have
5 mentioned on a number of occasions the ages of
6 our asset and the assets that we need to do
7 continued maintenance on those and our
8 reliability issues that we need to deal with.

9 We have new regulation
10 all the time that we have to deal with. That
11 doesn't speak necessarily specifically to
12 operations, but we do have new regulatory
13 regimes that we are having to deal with, and
14 those sorts of things that are coming up sort
15 of that we have to deal with and need people to
16 deal with them, if that helps.

17 A MR. MORRISON: And, Mr. Maissan, sorry.
18 Let me try to help as well too. I was just
19 trying to look at kind of where you were
20 zeroing in on.

21 Q Maybe I can help a little bit here, because the
22 next question would be that I am surprised with
23 the technical expansion, all the additional
24 equipment, that in fact engineering services
25 have gone down. And when you see is a decrease

A MR. MORRISON: Yeah, I would suggest that part -- just excuse me for a minute.

We have also -- it's been very, very difficult to hire electrical engineers, specifically over this period of time that we're looking at. So some of that work is being done by contractors out of necessity, because it's been almost impossible to hire electrical engineers.

I don't know why specifically through this whole period electrical engineers, but there was a period when we were having a difficult time hiring power linemen as well. And I understand that, because it was a very busy period in the

1 industry, and there was lots of -- a lot of
2 line construction and, you know, just a
3 shortage of personnel. But just generally we
4 have difficulty with that.

5 But in all this
6 expansion, when I look at this in terms of
7 people, it's been -- I mean, there is a number
8 of things, and Mr. Mollard alluded to them,
9 about additional -- not only additional
10 facilities in terms of two large new
11 transmission lines but we have also had a very
12 significant increase in our load and our
13 operation of the facilities has been on a
14 higher level over the last number of years as
15 well. And that also requires additional
16 maintenance, additional capital planning, and
17 all of those resources.

18 But on the regulatory
19 side of things, we have experienced, you know,
20 a really substantive increase in what I would
21 call "regulatory affairs." Not just -- and I
22 don't mean by that proceedings such as this. I
23 mean on the environmental side the amount of
24 permitting and environmental management issues
25 that we have to deal with through environmental

You know, we at one time thought we could deal with health and safety and environment all in one little position, and we can't deal with either one in a position barely these days. The amount of work that has to get done to comply with regulators, to comply with occupational health and safety regulations and WCB processes, as I said within environmental regulations, we can barely keep up.

In all the workload increase has been very significant for Yukon Energy. We are not a very big company. I would say to you that for a number of years the staff complements were far too low to get the work done that had to get done in order to efficiently operate the asset base that we have and to comply within the regulatory and legislative regime that we have to comply with. And that's strictly what all this is what you're seeing.

Q Thank you.

A couple of questions of

1 clarification on brushing. Could you tell me
2 roughly what the total length of transmission
3 lines were before the Carmacks-Stewart line was
4 added.

5 A MR. MORRISON: We are just going to see
6 very quickly if we have got that number.

7 Q In the order of 5 or 600 kilometres?

8 A MR. MOLLARD: I believe it's 600
9 including the new line.

10 Q And I understand from the information provided
11 in the application that you are looking at
12 brushing about 80 kilometres per year. Is this
13 sort of the -- is that the brushing level that
14 you feel is necessary on an ongoing basis to be
15 done each year, about 80 kilometres a year to
16 keep up?

17 A MR. MOLLARD: We are -- our operations
18 personnel advises us this is sort of the
19 leading edge of a cycle and that the
20 80 kilometres would represent a reasonable
21 level in order to get caught up over the next
22 three to four years, starting in 2009.

23 Q Right. Okay.

24 So the average frequency
25 of brushing is, if it was 600 kilometres

1

Q Yeah.

Q Yes.

25

1 capital programs has a risk that the budgets
2 that they establish for a program may
3 experience overruns in the actual result. So,
4 I mean, I don't think it's unique to generation
5 and transmission utilities, except that it may
6 be relatively more important if the generation
7 utility and the transmission utility involved
8 as a primary activity in capital development
9 that is -- in development of new facilities
10 that are very capital intensive, which would be
11 a bit different than perhaps the relative
12 distribution of costs within a distribution
13 utility.

14 So if that's what you are
15 getting at, in that sense it may be a bit more
16 relevant to a generation and transmission
17 utility that's in a development phase.

18 **Q Right.**

19 **And in regards to the**
20 **substantial capital projects that have been**
21 **completed and are being anticipated, we have**
22 **seen some significant levels of government**
23 **funding. Do you think that in any way**
24 **mitigates any of that risk?**

25 **A MR. OSLER:** Well, my mind's getting

1 technical, but Madam Chair, the risk exists
2 independent of the budgets that are set. The
3 risk is that you will develop a budget that is
4 firmly developed with all the engineering and
5 tendering and everything else, and you then
6 approve at the board of directors' level going
7 forward.

8 So if we're talking about
9 cost overruns in the question, I think that's
10 the context we should assume we are talking
11 about it in. a decision made to go forward with
12 the right information and then experiences an
13 overrun.

14 You would know what
15 funding contributions you are going to get at
16 that point as part of that decision, you would
17 normally assume. The risk of an overrun is
18 still the risk of an overrun. It isn't
19 mitigated because somebody agreed to pay for
20 20 percent of your cost based on the budget.

21 And if I go one step
22 further, I'd say, to the extent that you are
23 getting a lot of contributions, it's clear that
24 the contributors usually are not agreeing to
25 pay for the overruns. That isn't always the

1 case, but it's -- it's not abnormal to assume,
2 if you are using government as an example, that
3 they agree to a fixed amount. They don't agree
4 to, you know, a contingent amount, up to a
5 certain amount, I'll put it that way.

6 So from a utility point
7 of view, developing something with those types
8 of contributions, first of all, the risk hasn't
9 been mitigated at all by the contributor; they
10 just contributed to reducing the total cost
11 based on the budget, and the utility still has
12 to deal with the risk to the total program in
13 terms of possible overrun. I think we talked
14 about that a bit yesterday with Mr. Keough.

15 **Q So an absolute amount reduction, for instance,**
16 **the Phase II transmission project, if it's a**
17 **\$40 million budgeted project and you received**
18 **contributions of 35, then the risk of going**
19 **from a net cost of 5, say, to 10 million, you**
20 **would view no differently as a risk of going**
21 **from 40 to 45 ratepayer costs?**

22 **A MR. OSLER:** It would be the risk of
23 going from -- having a \$5 million overrun
24 imprudently incurred costs. Because if it's
25 not prudently incurred, there is no risk to

1 ratepayers; the Utility Board won't allow it to
2 be included.

3 But assuming it's
4 prudently incurred costs, the \$5 million risk
5 is a risk the utility has to observe and
6 monitor and manage on behalf of ratepayers
7 because nobody else is going to pick it up.

8 Q All right. Thank you.

9 Canada Trust note, that
10 was talked about at length. The one thing I
11 was a bit uncertain about was when this note
12 becomes due in 2011, are there plans in place
13 to refinance it with YDC, or are there any
14 plans at all yet in place what to do with that
15 facility when it comes due?

16 A MR. MORRISON: We have no firm plans on
17 what to do with that note when it comes. We
18 will look at financing at that time and see
19 where we -- see where we're at.

20 Q Thank you.

21 In YEC's application at
22 page 515, there is an indication that vehicle
23 purchase in 2008 would cost \$209,000, whereas
24 in response to UCG-83, there is an indication
25 that the actual cost, if I'm reading this

1 correctly, was 110,700. Is this correct? Is
2 this the same vehicle purchase that's being
3 referred to?

4 A MR. MORRISON: If you can just give us a
5 minute.

6 Q Sure.

7 The application page 515
8 and UCG-83 were the two references.

9 A MR. MOLLARD: Just to be clear, those
10 do refer to the same budget. I believe the
11 application refers to service bodies. I don't
12 believe the three units purchased were all
13 service bodies.

14 The -- my recollection,
15 subject to check, is that the -- when the
16 forecast was done for the 2008 business plan,
17 they -- they have to anticipate which units are
18 going to hit their limits for replacement in a
19 given year. And for two of the units that
20 didn't happen, so they weren't required to be
21 replaced.

22 Q All right.

23 I wondered whether that
24 was a saving that was realized in 2008 and
25 wondered whether a similar percentage of saving

A MR. MOLLARD: I believe we still have the same plans as in the application to buy two service bodies, and I don't believe we're getting a deal on those.

One of the things in the capital plan as well is a tracked vehicle that is proposed to be purchased. Let me find the reference. It's in the application on page 5-16, off-road maintenance vehicle purchase. I just wanted to understand a little bit more about this vehicle.

A MR. MOLLARD: Its purpose built. Its brand name is a Nodwell, with a flat deck and a crane on it, so it can do similar functions to a digger-type truck.

And how is it moved

1

2

4

5

6

L7

19

21

1 A MR. MOLLARD: That's correct.

2 Q Have you a rough idea of what percentage of
3 time you expect it to be in use versus on
4 standby?

5 A MR. MOLLARD: I don't have that number,
6 no.

7 Q In regards to the Carmacks-Stewart transmission
8 project, in YECL-9, on page 2 of 3, there is a
9 description of the scope changes.

10 A MR. MORRISON: We will get there as
11 quick as we can.

12 Q Sure.

13 A MR. MORRISON: I think we're there,
14 Mr. Maissan.

15 Q Are you there?

16 Yes. And there are a
17 couple of scope reductions that are described
18 here: one which was deferral of the
19 Pelly Crossing substation, differed to Stage 2
20 and the \$2 1/2 million saving, and there was
21 also the more complex substation at Carmacks
22 that was reduced to a switching station. And I
23 wondered if there was a ballpark number as to
24 the cost saving on that substation.

25 A MR. MORRISON: That's not a number I

2 Q Is that one that you could provide or ballpark?

6 So if you go back to the
7 initial cost estimates brought to this Board,
8 Madam Chair, the substations in general were
9 very low-budgeted amounts. The ultimate result
10 is that the substations were considerably above
11 even the cost estimates in the preliminary
12 engineering.

18 The bigger numbers in the
19 original cost estimate, and they were still
20 very small numbers, were at Minto Landing and
21 at Pelly. And the Minto Landing number was
22 assumed, Madam Chair, to be part of the spur
23 line.

24 So when people would get
25 to preliminary engineering stage in June of '07

1 and started seeing even the preliminary
2 engineering estimates and were looking for ways
3 to manage the budgets and everything else for
4 Stage 1, decisions were made at that point to
5 take the approach we took at Pelly Crossing.

6 I don't know that
7 \$2 1/2 million was saved in the gross sense.
8 It sounds to me that it was somebody's estimate
9 at that time of what it would cost at
10 Pelly Crossing. We did incur costs as part of
11 the package to do the work at Minto Landing.
12 They were nowhere near 2 1/2 million, but I
13 don't know what they were, and I don't know how
14 we'd -- you would have to go and talk to a
15 bunch of people to get an estimate of that.

16 The final costs, of
17 course would affect this also. So it had
18 become an analysis rather than something you
19 just go and find. We don't have it sitting --
20 the decisions were made on a decision basis
21 step by step, but they weren't necessarily all
22 documented in a final nice way that we could
23 discuss today.

24 **Q And -- sorry?**

25 **A MR. MORRISON:** Just to be clear,

specifically at Carmacks, one of the reasons that there is the scope changes is when we got our heads around what we really needed in terms of the operability of the system, and we had some of our -- some of the engineering people look at it and some of our engineering advisors look at it, there was a realization that they really didn't need the Carmacks substation that was previously proposed. And what we went to was a -- you know, from a design engineering point of view, was what was needed versus what somebody thought we had needed previously.

Q So there were no compromises in terms of operating the system?

A MR. MORRISON: Absolutely not.

MR. MAISSAN: Madam Chair, I estimate I probably have about half an hour left. Should we take a break at this time, or would you like to --

THE CHAIR: We had indicated we would like to have a break at 3:30. So could you try and finish up around 3:30?

MR. MAISSAN: Sure.

Q MR. MAISSAN: Minto diesels. I asked about the RPM of these units, and it wasn't

1 clear from the specs provided; are these
2 1,200 RPM units?

3 A MR. MOLLARD: They are high-speed
4 units, but I can't recall off the top of my
5 head.

6 Q High speed might mean 1,800 versus 1,200. Can
7 you get back to me on that?

8 A MR. MOLLARD: I can get back to you.

9 Q The other question I have is, fuel efficiency,
10 when they are running in baseload operation,
11 would you have a number for that as well or
12 could you provide that?

13 A MR. MOLLARD: We can get that for you.

14 Q All right. Thank you.

15 In the application on
16 page 510, Yukon Energy says that new diesels
17 for the Minto project would have cost an
18 estimated 6.6 million, or 1.035 million per
19 megawatt. Does this estimate include the
20 issues like winterization and heating systems,
21 more solid buildings, foundations, data
22 connection, remote start, and visibility that
23 are things that you needed to add to the used
24 diesels as well? I just wondered if that
25 comparison is an apples-to-apples comparison.

1 A MR. MORRISON: Sorry, Madam Chair. I'm
2 not sure, apples comparison to what?

3 Q To apples -- for instance, you had to add these
4 additional features to the used diesel units,
5 and I wondered whether the same features were
6 part of the 6.6 million estimate for new
7 diesels, i.e., or would these new diesel have
8 cost 6.36 million plus these other
9 modifications?

10 A MR. MORRISON: I understand. It's my
11 understanding, and subject to checking with my
12 other, colleagues here, that the 1.1 per
13 megawatt, the \$1.1 million per megawatt, is for
14 the diesels themselves. So whether they're new
15 or old, we still have to do the other work.

16 Q Right. Okay. So the new diesels would have
17 needed the same --

18 A MR. MORRISON: They would have needed a
19 building. They would need all the other things
20 that arises with that.

21 A MR. OSLER: And in this case of this
22 situation, you were looking at a building and
23 certain installations in place, you weren't
24 creating a new diesel plant, so the rationale
25 for that assumption isn't far off.

So, if anything, if we're correct, and we'll get back to you if we're not, this number should be for the reasons you just gave a bit low for the new diesel. And if you were trying to build a new diesel plant that didn't exist, it would certainly be more than this because you'd have to spend all the money for the building and everything else. So, you know, you'd have to keep in mind the context of this estimate.

A MR. OSLER: We'll get back to you.

1 Q Thank you.

2 In Leading Edge 53, you
3 described the process that you would go through
4 for specifying large transformers for energy
5 efficiency at, you know, the lowest life cycle
6 cost, et cetera. Is this something for which
7 you might have an example that could be
8 provided?

9 A MR. MORRISON: Can you just give us a
10 second.

11 Q Sure.

12 A MR. MORRISON: Sorry, I think in looking
13 at the question, we have lost your question.
14 Could you repeat it for us. It was LE-53?

15 Q Leading Edge 53, yes. The process for
16 specifying transformers is described, and I
17 wondered whether there was an example available
18 that you could provide from a recent purchase?

19 A MR. MORRISON: You want to see the
20 specifications of a transformer; is that what
21 it is?

22 Q Yes. Yes. See what would have gone out to
23 the -- to the manufacturer.

24 A MR. MORRISON: I guess we can provide
25 it. We have it. We can certainly provide it.

1 I'm not certain how much benefit it will be for
2 you, but . . .

3 **Q All right.**

4 **A MR. MORRISON:** We will certainly do
5 that, if it's all right.

6 **A MR. OSLER:** But wouldn't you
7 really -- you know, you're trying to get at how
8 do you know what the most economical approach
9 is taken, and you asked something about life
10 cycle costs. Are you asking whether or not the
11 specifications put out request the people to
12 tell us life cycle costs? Is that what you're
13 getting at?

14 **Q Well, what's described here is -- well, let me**
15 **just reread it and I can be more specific in my**
16 **question.**

17 **You provide to the**
18 **manufacturer, it says the load and no-load**
19 **costs based on the kilowatts quoted to you on**
20 **energy by the manufacturer. Yukon Energy uses**
21 **a quoted loss bigger in the costs provided to**
22 **determine the overall cost of the transformer**
23 **over its life.**

24 **So what I'm looking for**
25 **is just what does -- what are the numbers that**

1 Yukon Energy provides to the manufacturer as
2 part of requesting the quote?

3 A MR. MORRISON: We'll get that,
4 Madam Chair.

5 Q Thank you.

6 Leading Edge 56
7 references the page 515, line 6 of the
8 application, and it has to do with spill
9 regulation at Whitehorse dam, and it seems to
10 imply that a study is to be done on the spill
11 regulation, and I wondered whether that was
12 complete now and whether the expected
13 expenditures in 2009 would happen as planned or
14 whether this project has been deferred?

15 A MR. MORRISON: Madam Chair, this study
16 hasn't been completed.

17 Q So will the anticipated \$200,000 worth of work
18 to be done in 2009 take place still this year,
19 or --

20 A MR. MORRISON: I would anticipate that
21 it would, yes.

22 Q So you still expect the study to be completed
23 this year in order to do the work for this
24 year?

25 A MR. MORRISON: Yes.

1 Q Thank you.

2 Question Leading Edge 58,
3 electronic document management. This
4 references the application page 517, line 15.
5 And it appears that a consultant was to be
6 hired to review the -- and assess the records
7 management and to come up with proposed
8 solutions, and I just wondered whether this has
9 taken place.

10 Obviously from the
11 response, that there has been no report, but I
12 just wondered if the activity has taken place
13 in a form other than a provision of a report?

14 A MR. MORRISON: No, not yet, Madam Chair.

15 Q Not yet, thank you.

16 In regards to the power
17 line carrier system, Leading Edge Question 59
18 references the application page 517 and
19 incorrectly, Madam Chair, references line 15.
20 That should have been line 28.

21 I understand that
22 Yukon Energy is replacing the Takhini to Faro
23 power line carrier system. Do I correctly
24 interpret that from the answer, as opposed to
25 the Takhini-Aishihik system?

1 A MR. MORRISON: Sorry, Mr. Maissan, just
2 could you repeat that again. I thought I
3 missed the first part of it, so . . .

4 Q From the answer, the application proposes to
5 replace the Takhini to Aishihik power line
6 carrier system?

7 A MR. MORRISON: Right.

8 Q I understand from this response that that is
9 now on hold and that the Takhini to the Faro
10 substation is being looked at I think,
11 including the new Carmacks-Stewart Phase I
12 project. Is --

13 A MR. MORRISON: Yes, that's --

14 Q Is that right?

15 A MR. MORRISON: Thank you for that. Yes,
16 Madam Chair, that's correct. We're having some
17 technical questions around what is the best
18 solution for Aishihik. We thought we had a
19 solution working with Northwest Tel, but as it
20 turned out, there were some technical problems
21 more from the line of sight of Aishihik and how
22 we get there, so we're having to reassess the
23 options for that. That's why it's delayed,
24 because we don't have the correct technical
25 solution yet.

A MR. MORRISON: Changes in cost in terms of instead of doing Takhini to Aishihik to Takhini --

A MR. MORRISON: -- to Faro?

A MR. MORRISON: I don't have that number
at the top of my head, so . . .

The next question I have is in regards to the Whitehorse-Aishihik-Faro transmission upgrades. I understand that there are these various projects described as in the application at page 518 and after that. And I was wondering whether this work is being done by contractors or by some of the Yukon Energy crews, the additional linesmen, et cetera, that have been hired?

A MR. MOLLARD: I believe that the answer is both. Some of the items specifically I can say. With respect to the insect infestation, they have to get contractors because it's a specialized technique, but the general upgrades

1 we'll be doing with internal crews.

2 Q And will your new track vehicle be in use on
3 these projects?

4 A MR. MOLLARD: We're supposed to get it
5 at the end of this month.

6 Q My next question is on deferred costs, and
7 first of all, sort of a more general question.
8 This references the application page 520. The
9 deferred expenditures of 6.8 million are
10 referenced here, and I understand from response
11 to YUB-38 that this figure is now down to
12 4.3 million?

13 A MR. OSLER: YUB-38 has indicated that
14 the number has been reduced to 4.3 million at
15 the moment. You know, that's the more -- the
16 most recent estimate.

17 Q Thank you.

18 Is there any capital cost
19 range estimate for the Gladstone project? I
20 notice it says that it's potentially very
21 cost-effective energy, and I just wondered if
22 there was a number you were prepared to or a
23 range that you were prepared to mention at this
24 time?

25 A MR. MORRISON: Madam Chair, no. I'm

So it's very early days. We have done very little work on the Gladstone project. It's one of those projects that isn't -- won't have a high capital cost just because you don't have to do a lot of work. It's the same as building a little -- it's a little control structure, a small weir.

If we just look at -- if we had to provide 18 gigawatt hours of energy and we could get this energy in the winter out of Aishihik, which is very valuable, and let's just say instead of getting it from the hydro

1 plant we had to get it from the diesel, we're
2 talking about, you know, in the neighbourhood
3 of \$5 million to \$6 million worth of diesel per
4 year every year to generate that same
5 18 gigawatt hours.

6 So if the diversion at
7 Gladstone costs even 10 or 12 million dollars,
8 it's very valuable energy. It has a very quick
9 payback. It's energy we get in the winter,
10 which is tremendously valuable for us.

11 Now, technically it is
12 not a difficult project, but it's an issue --
13 well, this is an issue, and Atlin and I would
14 put Marsh in the same category, they will be
15 very difficult to licence because they're --
16 they don't -- you know, the getting people to
17 understand, you know, why we need to do these
18 things and why we want to reverse water flows
19 is very difficult.

20 There are a whole bunch
21 of stakeholders in each of these that are
22 involved, none of whom are particularly, you
23 know, joyous about us going ahead and doing a
24 project in their area where they have interest.
25 So Gladstone will be a regulatory process that

1 will be very difficult, and so will Atlin from
2 that point of view. Atlin is virtually the
3 same kind of project. It's a small control
4 structure on a river that controls water.

5 We have -- we are in the
6 process of engaging some consultants to help us
7 develop those projects on a technical basis and
8 we'll have some more information. But I wanted
9 to -- just add to this, this is about the most
10 important thing that we do outside of, you
11 know, our mandate of keeping a reliability and
12 cost -- providing cost-effective electricity.

13 This is the long-term
14 planning that we are mandated to do in YDC's
15 legislation, that we are required to provide to
16 ensure there's enough power available on the
17 system for Yukoners. And if we don't do these
18 things and if we can't implement some of these
19 things, the solution is diesel, and I don't
20 think that's our mandate.

21 I think our mandate is to
22 look forward on the long term, make sure that
23 we've got enough power at least always coming
24 forward whether -- you know, we're not a big
25 system. We can't be sitting out there with a

1 100-megawatt dam that we can just grow into
2 because we have to pay for it.

3 So it's really tricky
4 from our perspective trying to stay 5 and
5 10 megawatts ahead of growth because you can't
6 build a hydro plant or you can't develop these
7 projects as quickly as you can develop a diesel
8 plant. So if we wait until growth catches us,
9 that means we'll be running diesels, and so
10 it's this very tricky balance.

11 And I know we talked
12 quite a bit yesterday about the risk and who
13 should take the risk and whether there were
14 government contributions. Well, a big part of
15 our strategy has been if we can get
16 infrastructure contributions to build these
17 projects, including Carmacks-Stewart, including
18 Mayo B or the Aishihik project, which we have a
19 5 million contribution from Canada and the
20 Yukon government to help build, those help
21 offset that risk of the small system where we
22 don't have very many customers, we're not
23 connected to a big grid, and at the same time,
24 we can get some projects into the system which
25 don't put a lot of ratepayer -- they don't add

Thinking about the benefit of a contribution that the government and the -- and the customer Minto made to the -- keep the Minto or the Carmacks-Stewart line down to a 3 or 4 million dollar asset from the ratepayer's point of view in terms of cost, it's a benefit that the ratepayers get forever. I mean, that line is always there. It's always available to sell power over. And, you know, the ratepayers are paying 3 or 4 million dollars for it.

We have to be able to plan and find -- and we've been trying to find strategies to minimize costs to ratepayers, but one of the strategies that we feel very strongly about and is very important is the need to do these studies, the need to be looking very, very critically. And we have very critically looked at them, because if you recall, we came to you in 2005 with all of these in the resource plan and said they needed to be looked at, and we're looking at them.

We try not to overspend

1 on them. We try to balance what we're going to
2 spend in one year by keeping it to a reasonable
3 level and trying to find ways to mitigate that
4 risk going forward with capital contributions
5 for new projects. But these projects are
6 absolutely some of the most important things
7 that we're doing right now, specifically those
8 projects.

9 **Q** Thank you. That's the next lead into my last
10 couple of questions on Mayo B. And, you know,
11 by comparison to these other projects you
12 describe, and Aishihik third turbine among
13 them, Mayo B is, you know, on a cost per
14 megawatt and a cost per gigawatt hour per year
15 basis, extremely expensive.

16 And even the Aishihik
17 third turbine, which is principally for
18 capacity, produces energy at, well, less than
19 2/3 the cost that the energy from the Mayo
20 plant has gone to cost based on \$120 million
21 and 9 million for the third turbine.

22 And so I wondered whether
23 we were really focusing on the right projects,
24 because when you take Gladstone and Marsh and
25 third turbine and Atlin and put them all

And so I was just wondering about priorities of where we're spending our capital dollars, regardless of whether they are ratepayer dollars or taxpayer dollars.

A MR. MORRISON: Madam Chair, you know, it is a very valid question and very valid concern. I think we talked yesterday again about the fact that Mayo B at 100 or 120 million dollars is not a project that we could even consider going forward with without a significant capital contribution from someone else, and that at the moment is probably the Federal Government and perhaps the Yukon government in terms of assisting us to acquire the kind of dollars we need to do Mayo B.

We are very cognizant of the fact that we can't -- that Mayo B's expensive per megawatt of installed capacity if you look at it, but it has some real advantages from our point of view. A, from a hydro perspective, basically it's a brown field

1 development. It already has a dam. We don't
2 have a rebuild a dam. And I would say to you
3 that anywhere we have to think about a dam, it
4 just adds years of regulatory time into the
5 process.

6 So one of the reasons
7 we're looking at Mayo B is we can build it
8 quickly because the basic infrastructure is
9 there. We have to -- we have to build a canal
10 and a tunnel and a new powerhouse, but we
11 already have a powerhouse, we already have an
12 operation and an intake in that area, so yes,
13 it's expensive. But from a regulatory point of
14 view, it will take time, but it will take not
15 as much time as trying to start from scratch.

16 The other important part
17 about Mayo B is it's the only hydro project
18 that we have in the development stage that can
19 be built within the time frames that we have
20 where we're going to -- where we anticipate or
21 forecast we're going to need the power. So we
22 have a lot of other hydro studies, but none of
23 them advanced to the stage and none of the
24 projects advanced to the stage where they're
25 ready in a two- or three-year period to bring

1

2
3
4
5
6
7
8
9

10
11
12
13
14
15
16

17
18
19
20
21
22
23
24
25

And, you know, whether it's 70 or 80 cents today, you know, it's not coming back to the 20 cent level. Maybe it's not going to be 1.50, but it's certainly -- you know, it's going to be high, and ratepayers can't afford that diesel cost on the margin.

And Cam might --

A MR. OSLER: I'll just add one thing to the question itself. Yukon Energy's assessment as of mid '07 was that they needed

1 to go out and get a priority of what they could
2 get in terms of energy from renewable resources
3 in the period 2010, 15 in, say, 25 to
4 50 million kilowatt hours range. And as we
5 went through the next year after that, we
6 realized that probably we should be asking the
7 question more like 50 to 100 million kilowatt
8 hours.

9 So the board of directors
10 when we look at these matters is saying, We
11 need all of these projects. We need the
12 Gladstone, we need the Atlin, and we need the
13 Mayo. And it's not that we're giving one more
14 priority than the other. It's just that, you
15 know, the Mayo project can be acted on in a
16 decisive manner by doing some work and then
17 filing an application with, yes, I've been
18 trying to get some government funds.

19 The others ones are being
20 acted on too, but they require us to go through
21 some relatively prolonged regulatory processes
22 that we can't predict the outcomes of. If we
23 get through the regulatory processes in
24 12 months, you could probably have the facility
25 in place at "a very simple cost." You just got

1 to get through Step 1.

2 A MR. MORRISON: And just to re-emphasize
3 I think the point that Mr. Osler is making, we
4 don't need Mayo or Atlin, Gladstone, Marsh. We
5 need Mayo and all of those just to meet a
6 very -- what I would say to you is a very
7 conservative load forecast going forward for
8 the next five -- four or five years, a very
9 conservative, because it has two mines in it,
10 that's it, one of which we know for sure and,
11 you know, is moving ahead or we feel pretty
12 comfortable with, and the other one is sitting
13 there, you know, in kind of a holding pattern.
14 But that accounts for nothing else going on in
15 the Yukon.

16 And, you know, estimates
17 I have seen even within the City of Whitehorse
18 more recently and just a few days ago, if some
19 of those loads happen, you know, we're going to
20 have to add -- quickly add to those projects.

21 A MR. OSLER: And bottom line behind
22 those things is in the last 12 months, we know
23 that Minto is planning to increase. They are
24 going to be making their applications so that
25 the number they are looking at right now is not

1 the number you should be assuming for a couple
2 of years from now.

3 And there is a Faro
4 reclamation plan that we're told will add a
5 material amount of energy requirements to this
6 system and will go on for some considerable
7 number of years. So in the last 12 months, I
8 haven't had anybody coming in telling me why we
9 should really reduce this except for the fact
10 that Minto's numbers when we started up were a
11 little bit lower than we thought they were
12 going to be given what they had told us, but
13 they're learning like everybody else what they
14 actually will need.

15 And they have to be
16 conservative when they're talking to us, they
17 have to make sure that we've provided enough
18 for them, and then they'll do their best to
19 keep it as low as possible. That's fair.

20 A MR. MORRISON: Just to be clear, the
21 Faro reclamation load is as big as the Alexco
22 mine load in the near term, and I have no idea
23 what they're doing there, but they are doing a
24 lot. And we're scrambling as fast as we can,
25 but these studies are really important.

1 Q One final question on Mayo B. Is there a
2 peaking capacity being installed as part of the
3 project; i.e., will it be able to peak in
4 wintertime with the fluctuating water levels in
5 the four-bay Wareham Lake such as is being done
6 at Schwatka? You are allowed to say you don't
7 know.

8 A MR. BOWMAN: It's actually a bit of a
9 complicated question, but the plant is not
10 being designed at this point to make peaking a
11 priority by any stretch of the imagination.
12 And the main reason is because by the time you
13 hook Mayo into the WAF system, which is the
14 premise that we talked about yesterday with
15 respect to the project, it's a relatively small
16 plant. Even Mayo B is a relatively small plant
17 on a relatively big system.

18 So you are designing the
19 plant and figuring out installed capacity to
20 put into it and trying to figure out the best
21 way to make sure you're getting winter energy.
22 There was an additional cost to trying to put
23 in a peaking capability. The actual output or
24 the number of megawatts you might be able to
25 get towards a peaking capability is relatively

1 low in relation to the overall system. And for
2 some other technical reasons related to the
3 intake, it's questionable whether you could
4 actually try to use that plant on a peaking
5 basis.

6 And it's matters that the
7 engineers are working through, but it is far
8 and away down the list of sort of minor
9 considerations by comparison to trying to make
10 sure that the energy that comes out of it is
11 maximized through the winter.

12 A MR. OSLER: But we are in a general
13 sense of all the things we've been talking
14 about, we are trying to look at the issue as
15 part of the project of making sure we can get
16 the best long-term average energy from the
17 plant that's now being developed, which
18 includes issues of storage at Mayo Lake, and
19 I'll just leave it at that.

20 But it's not that we are
21 just looking at energy and consolidating
22 facility. We are looking at licencing issues
23 that would allow the plant to achieve for
24 reasonable costs the best long-term average
25 energy, which includes some storage issues, and

1 Mayo Lake's the only opportunity that exists.
2 Wareham doesn't really do that.

3 MR. MAISSAN: That concludes my
4 questions, Madam Chair. Thank you for your
5 indulgence.

6 THE CHAIR: Thank you, Mr. Maissan.
7 And we will have a
8 15-minute break at this time.

9 (BRIEF ADJOURNMENT)

10 THE CHAIR: Thank you very much.
11 Mr. Landry, do you have
12 some undertakings?

13 MR. LANDRY: I do. Thank you,
14 Madam Chair.

15 The first one I would
16 like to deal with is -- it will be dealt with
17 ultimately by Mr. Osler, but it's going to
18 require the entering of an exhibit, but it is
19 in reference to an undertaking at page 262,
20 line 11. And it relates to, I think it was
21 called, I don't have the transcript in front of
22 me, but the security agreement that
23 Mr. Marriott that talking about yesterday.

24 So what I will do is -- I
25 think the best thing to do is enter it as an

1 note that the paragraph required.

2 The date of this document
3 is 1993, so you can know that this was a
4 registration that took place pursuant to the
5 original transfer agreement when the note was
6 still held by Canada. Yukon Development
7 Corporation and Canada were the parties.

8 Since then this mortgage
9 was in fact registered I'm told. Since then
10 the flexible term note was purchased by Yukon
11 Development Corporation from Canada, and at
12 that time I'm told that this mortgage was
13 assigned to the Yukon parties and away from
14 Canada and has subsequently been registered in
15 the land titles office.

16 MR. LANDRY: Mr. Bowman, I understand
17 that you have a few undertakings that you can
18 provide to the Board.

19 A MR. BOWMAN: Yes. Thank you.

20 There are two that arise
21 from today, so I'm -- of course I don't have
22 the transcript references for where they arise,
23 but one was in regards to your
24 cross-examination of Mr. Maissan just earlier
25 today after lunch, and it was in regards to

1 line numbers.

2 And the numbers in
3 question were line number L355. That is the
4 number that's given to the line through
5 Haines Junction. L356, which is the line to
6 Ross River. And the question was whether the
7 Carmacks-Stewart transmission project has a
8 line number, and it does. It is L173. I
9 believe that addresses that one undertaking
10 from Mr. Maissan.

11 We also had an
12 undertaking from Mr. Buonaguro this morning in
13 regards to the diesel contingency fund, and it
14 was seeking some rather older documents that
15 set out the rules around the fund and how it
16 operates.

17 And in order to complete
18 this set, it -- I'll make reference to five
19 documents, three of which are -- I have copies,
20 one copy here which we can give the Board, and
21 we'll email them out to people. They're not
22 short documents. They are not long, but
23 they're not -- they're submissions made that
24 were made to this Board. And two of which are
25 Board orders, so I'm assuming those will speak

1

2

3

4

5

6

7

1

0

9

10

11

L2

L3

L4

L5

16

17

18

19

20

21

22

...

1 which was additional comments filed by
2 Yukon Energy in response to submissions
3 received by the Board.

4 So it's those two other
5 documents, the June 6th, '99, and the
6 October 7th, '99, that set out how the fund
7 operates, and the Board ultimately made its
8 decision on Order 1999-3.

9 So those two submissions
10 from Yukon Energy again I have a paper copy I
11 can give Ms. Lemke, and those will be
12 circulated in a scanned version via email and,
13 we can make paper copies for anyone who wants
14 them on paper the same way as the further
15 exhibits were dealt. It be easiest to do them
16 by email given that the size adds up.

17 MR. LANDRY: Perhaps, Madam Chair, to
18 help Ms. Lemke, I just took a note of the
19 documents, we could mark the documents as an
20 exhibit. We will get you the hard copies now.
21 You can put them in that way. When they come
22 electronically, we know what exhibit numbers
23 they have.

24 So if we go in the order
25 of the documents that were referred to by

1 Mr. Bowman, the first one would be the
2 settlement agreement, and which exhibit number
3 would that be, B-16?

4 THE CHAIR: B-16 so marked.

5 Exhibit Number B-16:

6 Response to undertaking containing
7 documents dated June 6, 1999, and
8 October 7, 1999.

9 MR. LANDRY: The next one would be
10 Board Order 1999-3, which would be B-17,
11 Madam Chair?

12 THE CHAIR: B-17 so marked.

13 Exhibit Number B-17:

14 Board Order 1999-3.

15 MR. LANDRY: The next one would be the
16 June 6th, '99, correspondence report, so that
17 would be Exhibit B-18?

18 THE CHAIR: B-18 so marked.

19 Exhibit Number B-18:

20 June 6, 1999, correspondence report.

21 MR. LANDRY: And the last one that was
22 referenced was an October 7th, '99, additional
23 comments.

24 Exhibit B-19,

25 Madam Chair?

1 THE CHAIR: B-19 so marked.

2 Exhibit Number B-19:

3 October 7, 1999, additional comments.

4 A MR. BOWMAN: Thank you. And then
5 there's two more undertakings we can deal with
6 now.

7 Mr. Mollard?

8 A MR. MOLLARD: The first item I have is
9 dealing with an undertaking from Mr. Buonaguro
10 this morning. He was asking regarding some
11 capital projects. We had provided some actual
12 spending in 2008, and he -- that was lower than
13 the forecast in the application.

14 We had one we had to go
15 back and check on, and we discovered that there
16 was an error in the response to the
17 interrogatory. It was UCG-YEC-1-90. The table
18 lists the actual spending for the Aishihik
19 water licence renewal project at 118,325. That
20 actually should read 165,764, which is
21 approximately the budget that we quote in the
22 application of 167,000, so I think that
23 addresses the undertaking.

24 THE CHAIR: Thank you, Mr. Mollard.

25 A MR. MOLLARD: I also had one other

1 item, the request from Mr. Maissan regarding
2 the Minto diesels. I can confirm they are
3 1,800 RPM units, and the fuel efficiency is
4 3.7 kilowatt hours per litre.

5 THE CHAIR: Thank you, Mr. Mollard.

6 MR. LANDRY: Madam Chair, there will
7 be just on our count a number of undertakings
8 that will be outstanding presumably if we do
9 finish this evening, and maybe when we can --
10 before we break we can just set a date by which
11 we get the balance of the undertakings. And I
12 don't expect that it's going to take long, but
13 we can do that before we leave.

14 THE CHAIR: Certainly.

15 In that case, we will
16 proceed with the Board questions.

17 Ms. Bentivegna, are you
18 prepared to proceed?

19 MS. BENTIVEGNA: Yes. Thank you,
20 Madam Chair.

21 YEC PANEL QUESTIONED BY MS. BENTIVEGNA:

22 **Q Good afternoon, panel.**

23 **First I want to refer you**
24 **to YUB-YEC-1-4(b), Attachment 2.**

25 A MR. BOWMAN: I think we're there.

Now, based on that information in that attachment, it seems that YEC has paid InterGroup 3,189,000 for the years 2005 to 2008 inclusive. Now, do you believe that's correct, subject to check of course?

Q Thank you.

Now, of that total, 190,000 is classified as administrative. The remainder is capitalized. Now, the descriptions for the capital work implies items largely of a regulatory nature, so I'm wondering what kind of administrative services would InterGroup be providing to YEC?

A MR. MORRISON: I think Mr. Mollard will answer a little bit, but nonadministrative services are classed address administration?

A MR. MOLLARD: Yes.

A MR. MORRISON: In --

Q If you could explain.

A MR. MORRISON: Sorry. So not providing administrative services but services that were provided would be categorized within the administration category of expenses. And I

1 will see if my colleague Mr. Mollard can give
2 you some details.

3 Q Thank you.

4 A MR. MOLLARD: I will just take a minute
5 with the IR, please.

6 Okay. I think I can
7 respond to this. I would classify the costs in
8 the administration categories in two forms. On
9 a regular basis, they would provide --
10 InterGroup would provide us with support for
11 our regulatory filings, which is our annual
12 filings due to the Board, running the
13 regulatory model, making sure our results make
14 sense. That would be one aspect.

15 The other aspect is
16 support. What happens when we have a project
17 such as a GRA filing, we have costs that are
18 incurred that are included as the costs that we
19 present to you and say, These are our actual
20 costs for the GRA process. There's always
21 follow-up work that comes out of Board orders,
22 making sure that we're doing all our filings
23 and making sure that we're complying with
24 everything.

25 I can't charge those

1 costs to the project because the project is
2 closed, so I spend that -- I carry that charge
3 on my administration budget. So it would be
4 that sort of thing on administration.

5 **Q All right. Thank you.**

6 **Now, would YEC seeing**
7 **that amount, that 3,189,000 I referred to**
8 **previously, would YEC and the Yukon as a whole**
9 **be better served with in-house expertise if it**
10 **were developed and the resources and experience**
11 **retained in the Yukon rather than consulting**
12 **using a consulting group?**

13 **A MR. MORRISON:** You may find that this is
14 strictly my opinion, but my opinion, I think,
15 based on at least my experience over the years
16 that I have been involved in these utilities,
17 and A, being able to hire and maintain a core
18 of regulated -- of regulatory staff is A, a
19 challenge in not just here, but across the
20 North.

21 The second issue from my
22 perspective is that we're -- we have not -- we
23 have gone through a period of having basically
24 no regulatory experience in the sense of no
25 experience before the regulator. For years we

The other issue that I would have is that -- that most of the -- not most. Certainly a large number of the questions that have been answered have been provided or are -- we're able to answer them because of InterGroup's continuity over the years of they know the -- they have been

1 involved in these hearings even though we've
2 had different people sitting at this table from
3 the Utilities' point of view in terms of
4 utility staff. So they have been the one piece
5 of continuity that we have had.

6 So if we think good value
7 for the money, I think it's very good value.
8 And could we do it with internal staff? I
9 think it would be very, very difficult.

10 A MR. MOLLARD: I could also add
11 something to that. I have had the benefit of
12 working with another small Northern utility,
13 and that utility did actually have a regulatory
14 affairs group and still did rely quite heavily
15 on consulting advice, especially for the
16 processes that Mr. Morrison referred to.

17 Q And does YEC have any type of regulatory
18 capacity, any in-house or any staff that deal
19 with regulatory matters?

20 A MR. MORRISON: The only staff that we
21 have that we would classify that deal with
22 regulatory matters are our day-to-day
23 accounting staff. So they certainly provide
24 some of the input here, but it becomes very
25 onerous on a very small accounting staff when

1 we start looking at the amount of work that
2 goes into these rate filings.

3 Q Now, under the capitalized costs from
4 InterGroup from 2005 to 2008, again this is the
5 YUB-YEC-1-4, the revised attachment to, it
6 includes work on the 20-year resource plan, the
7 2005 revenue requirement, the CSTP Stage 1,
8 Minto PPA, and the 2008-2009 GRA.

9 And my first question is,
10 Why are these costs not applied to a regulatory
11 hearing account? Why is there no deferral
12 account? Why are these costs capitalized?

13 A MR. MOLLARD: Sorry, in our parlance,
14 those are what is charged to capital. That
15 includes deferral accounts. So those charges
16 where they reference to specifically, for
17 example, GRAs, those are ultimately charged to
18 deferral accounts. We only have two
19 categories. We have admin or capital, so the
20 deferred costs include our regulatory accounts.

21 Just for clarity, the
22 CSTP is a capital project, so it would be
23 included in our fixed assets: property, plant,
24 and equipment.

25 Q Now, are you saying that when you want to use

1 the funds in the deferral account then you will
2 ask the Board to use those funds as any other
3 deferral account if we're talking regulatory
4 costs to recover the costs out of that and to
5 apply them against the costs that were actually
6 allowed by the Board?

7 A MR. MORRISON: Ms. Bentivegna,
8 Madam Chair, I think we just need a minute.

9 Q Sure.

10 A MR. MORRISON: I think we're getting the
11 terminology off track here.

12 Q Certainly. Go ahead.

13 A MR. MORRISON: Ms. Bentivegna, I think
14 we are having a debate around deferring costs
15 versus a deferral account, so could you maybe
16 help us a little bit here. Can you give us a
17 little assistance as to kind of what you are
18 looking for.

19 Q Certainly. Well, I mean, I can take you to
20 each of the costs that you've put in as these
21 capital costs that appear to refer to
22 regulatory matters or proceedings. So, for
23 example, and you can go to your Table 5.7.
24 That might be of assistance.

25 A MR. MORRISON: It's late in the day. I

1 don't think our brains are working very well.

2 THE CHAIR: Another reason for a
3 computer, Mr. Morrison.

4 A MR. MORRISON: As usual, Madam Chair, I
5 got your message the first time.

6 THE CHAIR: That's debatable.

7 A MR. MORRISON: I know. I know. I just
8 thought I'd make my point.

9 I think we're there,
10 Ms. Bentivegna, thank you.

11 Q MS. BENTIVEGNA: All right. So if you
12 look at the bottom where it say "Rate case
13 completed," so the first amount you'll see is
14 GRA Phase I revenue review 800,000. And I
15 understand this to be, and it was updated in
16 your updated amounts to over a million, that
17 this would be costs related to this GRA?

18 A MR. MORRISON: Correct.

19 A MR. MOLLARD: That's correct.

20 Q So now looking at that cost, would that be
21 considered a deferral account item over which
22 before the money was used in that deferral
23 account there would be Board oversight?

24 A MR. MOLLARD: Well, we -- if I
25 understand correctly, we would apply to the

1 Board with our actual costs of which the money
2 we spent on InterGroup to assist in the process
3 would come to the Board for their approval to
4 be included in that account.

5 Q And I guess now I've meant it to a broader
6 question as well. All the costs, for example,
7 that are included in your application and the
8 updated amounts of over a million for this GRA,
9 you mean all those costs would come to the
10 Board and would be determined and that's what
11 would be reflected in a deferral account for
12 hearing costs?

13 A MR. MOLLARD: Yes, that's correct.

14 Q All right.

15 Now, when you estimate
16 the 800,000, or now the million and so, of such
17 costs, are you estimating the costs of
18 consultants and legal services to be at the
19 scale of costs the Board's scale of cost rate,
20 or are these the actual charges that you
21 estimate will be charged to you?

22 A MR. MOLLARD: They are intended to
23 reflect the Board's scale of costs.

24 Q All right. Thank you.

25 Now, the next item listed

1 under that rate case on Table 5.7, I'm still
2 there, it talks about YUB-2007-7 and 9 resource
3 plan, 643,000. Now, again, is that -- was that
4 a cost award since that's been completed, that
5 proceeding, was that -- at that amount of
6 643,000, was that -- was there a cost claim,
7 was there a cost award in that proceeding and
8 this number reflects that?

9 A MR. MOLLARD: I just need to check one
10 thing there.

11 Q Sure.

12 A MR. MOLLARD: Mr. Bowman just provided
13 me with a reference, under Tab 6, directives,
14 Table 6.1, the costs of the -- at page 6-8,
15 sorry, there is a listing of the resource plan
16 costs, PPA costs, and Part 3 costs and the
17 respective board orders in which those costs
18 were approved.

19 Q So just to confirm, those costs that are
20 reflected here are the same as in the cost
21 awarded by the Board and those pages that you
22 are referring me to?

23 A MR. MOLLARD: Yes, that is correct.

24 Q Now, what about -- what is the -- I see
25 reference to YUB-2007-8 Part 3 hearing. What

1 is that in reference to?

2 A MR. MORRISON: That --

3 Q Sorry. Go ahead.

4 A MR. MORRISON: Sorry, Madam Chair, that
5 is the Carmacks-Stewart transmission line
6 project energy certificate Part 3 hearing under
7 the --

8 Q And does the Tab 6 at page 6 -- sorry, 6-8 also
9 refer to the hearing costs on that?

10 A MR. MOLLARD: Yes, it does.

11 Q And they are the same as the 185?

12 A MR. MOLLARD: That's correct.

13 Q Now, I notice in your April 24th update, and
14 still on costs, and it refers to the GRA
15 application at page B-3 under "Administration,"
16 the third bullet, and it says (quoted as read):
17 "Regulatory Affairs .094 million
18 expenses to participate in YECL
19 hearing without seeking cost recover."

20 A MR. MOLLARD: Yes, I have that.

21 Q Now, why did you not seek cost recovery. And
22 what I mean by that is put in a cost claim, if
23 your intention was to put it in your hearing
24 reserve account. I assume that that's where
25 it's going?

1 A MR. MOLLARD: No, it is not in our
2 hearing reserve account.

3 Q Okay.

4 So how are these costs
5 different from the costs we have just spoken
6 of?

7 A MR. MOLLARD: It wasn't our process, so
8 we discussed it internally and decided that we
9 would not put a claim in.

10 Q All right.

11 So how do you arrive,
12 then, at the .094 million costs, and what do
13 those reflect, and can we have a break down?
14 Can you undertake to have a break down?

15 A MR. MORRISON: Madam Chair, we can
16 certainly undertake to provide a breakdown.
17 That would be the easiest.

18 Q Can you give me any indication of how that sum
19 was arrived at?

20 A MR. MOLLARD: It was largely a cost
21 associated with drafting IRs and reviewing IRs
22 in participation of the hearing for legal
23 counsel and consultants.

24 Q And again how are those costs different than
25 the rate case?

1 A MR. MOLLARD: These costs are charged
2 to our operations and maintenance budgets.
3 They are not deferred in any fashion.

4 Q And though there is a mechanism, can you
5 clarify whether those costs are according to
6 the scale of costs?

7 A MR. MOLLARD: Those are actual costs,
8 so they are what we paid.

9 Q All right. And would you have recovered your
10 actual costs had you put in a cost claim?

11 A MR. MOLLARD: Not all of, I believe,
12 with respect to legal. The rate would have
13 been above the Board-approved scale of costs,
14 so that wouldn't have been approved in total.

15 Q Thank you.

16 Then I noticed as well,
17 in that same bullet, that it says (quoted as
18 read):

19 "Legal and other services related to
20 the Minto PPA."

21 And that's .078 million.
22 Sorry. Do you see that? It's on the same page
23 as that update. It's just under it.

24 A MR. MORRISON: Madam Chair, that's, just
25 so that we're clear, and I want to make sure

So it's not part of a regulatory -- that regulatory process.

Are there any other costs in your O&M that do not relate to regulatory proceedings, however are legal costs or other consulting costs other than what's listed in that 5.7?

Q That's what I want to clarify is what do you consider, because -- what do you consider rate-case costs and what do you consider regulatory costs?

A MR. MORRISON: Okay. And to me that's

When you say "regulatory costs," I may have -- we may have costs related to getting a permit or something even just something entirely small operationally, but it may have a regulatory cost but not the same regulatory cost. So I'm just trying to be careful.

A MR. OSLER: And just we started with an exhibit on interim costs, and some of those costs have nothing to do with rate regulation at all or appearances before this Board. I don't know off the top of my head what portion, but a material portion deals with the other type of regulation, environmental, the filings for the two permits that have been filed for so far, one succeeded, the Carmacks-Stewart YESAB filing, and now the Minto -- the Mayo B YESAB filing, as well as a bunch of other stuff that

1 would not come to the Board but would be
2 related to those projects.

3 Some of the -- the
4 corporation does have regulatory staff. If you
5 start using the word broader than we are using
6 it at a moment, in the environmental and the
7 permitting field, and Mr. Morrison can address
8 that. But there may be some need to be very
9 clear about what we're talking about.

10 A MR. MORRISON: So I just want to make
11 sure I'm clear from Mr. Mollard when he is
12 answering that question on that number, just to
13 make sure that he's clear with you.

14 A MR. MOLLARD: Could you repeat the
15 question. Sorry.

16 Q I wanted to know what -- how the service --
17 legal and other services related to the
18 Minto PPA, how that .078 million was arrived
19 at.

20 A MR. MORRISON: So the .78 related to the
21 PPA.

22 A MR. OSLER: 078.

23 A MR. MORRISON: 078, sorry.

24 Is arrived at from legal
25 costs that are related to the development, the

1 actual writing of the power purchase agreement.

2 A MR. OSLER: This is 2008 --

3 A MR. MORRISON: I'm sorry. Yeah. So
4 this -- again, but it's to do with the
5 agreement itself and costs related to working
6 on that agreement and working with Minto on
7 issues surrounding that agreement, but not in a
8 regulatory proceeding is what I'm trying to get
9 at.

10 Q Would it be very onerous for YEC to provide to
11 the Board a breakout of costs, not rate case,
12 but the regulatory costs that it has that you
13 put under O&M for permits and matters related
14 and other matters such as what we're talking
15 about here?

16 A MR. MORRISON: For 2008-2009?

17 Q Yes.

18 A MR. MORRISON: Madam Chair, we're having
19 a debate over here. If it's -- if it's O&M,
20 I'm not -- we don't necessarily -- other than
21 rate cases and major regulatory proceedings,
22 like the YESAB process, we don't necessarily
23 classify them as regulatory costs separate
24 from, you know, general admin costs.

25 A MR. MOLLARD: I could perhaps give an

1 example. In my own department, within the
2 finance group, I will have a consulting budget
3 of, I'll say, 25,000. Now, I may spend 5,000
4 of that on InterGroup to assist me in my annual
5 regulatory files as part of my normal O&M. I
6 also may have occasion to hire an IT consultant
7 to help with my financial information system or
8 a local CA to help me if I need some help with
9 a complicated accounting matter.

10 As a matter of practice,
11 we don't differentiate at the budgeting stage
12 what that 25,000 is going to be spent on. It's
13 just budgeted as a bucket of dollars that the
14 manager can draw on, or consulting dollars. I
15 couldn't tell you what the split is, whether
16 it's regulatory or IT or other matters. So
17 that's sort of where we're struggling with the
18 '08-'09.

19 A MR. MORRISON: I think probably, from my
20 perspective, the more difficult pieces, we have
21 a whole series of regulatory items that we deal
22 with, and so let me use a couple of examples.
23 And I'm just trying to think as I think through
24 this of how difficult it might be to do what
25 you are asking me to do, because if we could do

1

2
3
4
5
6
7
8

9
L0
L1
L2
L3
L4
L5

L6
L7
L8
L9
L20
L21
L22
L23
L24
L25

1 projects. So picking it all out would -- may
2 be very difficult. We could certainly have a
3 very good look and see what we could give you,
4 but I'm not certain it would be very easy to
5 do.

6 THE CHAIR: Are you undertaking? I
7 think the question was, was it too onerous.

8 A MR. MORRISON: We will look at that, if
9 you don't mind.

10 Q MS. BENTIVEGNA: You can use your best
11 efforts and see what --

12 A MR. MORRISON: See what we can do.

13 Q Exactly.

14 Leaving those costs, now
15 going to YUB-1-3 (c) regarding the Alexco mine.

16 A MR. MORRISON: 1-3?

17 Q 1-3.

18 A MR. MORRISON: Thank you.

19 YUB-1-3?

20 Q Yes.

21 A MR. MORRISON: I'm sorry.

22 Q That's okay. I just didn't rattle off the
23 whole chain.

24 A MR. MORRISON: I was listening to
25 Mr. Maissan's explanation. I got the 1-3 as

1 13.

2 THE CHAIR: We should standardize
3 this in the future.

4 Q MS. BENTIVEGNA: Sorry, are you there?

5 A MR. MORRISON: Yes, we are.

6 Q All right.

7 With the potential of the
8 Alexco mine in 2010, are there any forecast
9 regulatory costs in 2009 for this customer
10 addition, including progression of the
11 Carmacks-Stewart transmission project,
12 Phase II.

13 A MR. OSLER: We are having one
14 problem. The question seems to deal with the
15 Carmacks Copper mine, and you are asking us
16 about Alexco mine. So I want to be clear,
17 before we start answering, which mine you are
18 after.

19 Q It's the Alexco mine, and -- but also I'm
20 referring to the progression of the Phase II of
21 the Carmacks-Stewart transmission project.

22 A MR. OSLER: Okay. So, sorry, could
23 you -- does it? Okay. Sorry.

24 Can you please repeat the
25 question.

1

2
3
4
5
6
7

8
9

10

11
12
13

14

15

16
17
18
19
20
21
22
23
24
25

So we don't have anything
other than that. I'm looking at these guys.
They are not answering.

A MR. OSLER: There are budgets -- to the best of my knowledge, there are budgets that are referred to in Tab 5 for Stage 2, Carmacks-Stewart, as well as Alexco, I guess. And I think those are what you gentlemen are looking at when you look at the schedule.

Those costs in each instance, I think, are stated to be -- assumed

1 to be offset by customer contributions. But
2 not Stage 2, in the case of the line.

3 Beyond that I don't think
4 anybody has broken those costs down in the GRA
5 purposes, as developed last year, into
6 subheadings or anything else, that I'm aware
7 of, particularly with respect to Alexco.

8 Alexco, there are some
9 issues that may involve some transformers or
10 other things that they would pay for as well,
11 so there is a series of different things that
12 have to be worked out that might be a part of
13 the cost picture.

14 In terms of affecting the
15 GRA, the bottom line was that Alexco certainly
16 didn't affect it net, and I think
17 Carmacks-Stewart Stage 2 is only in work in
18 progress through the test years.

19 **Q I guess just to follow up, does this potential**
20 **of the Alexco mine enhance or promote the**
21 **Phase II Carmacks-Stewart transmission project?**

22 **A MR. MORRISON:** It provides the prospect
23 for some near-term benefits if the line is
24 developed fast enough and the loads of Alexco
25 are what we are forecasting. But it is not

1 determinative of whether one would go forward
2 or not go forward with the line, for all of the
3 reasons we have talked about.

4 **Q All right.**

5 **And can the load for the**
6 **mine be managed without construction of any new**
7 **facilities? I thought I heard you just say**
8 **something about a transformer or . . .**

9 **A MR. OSLER:** Well, the mine --
10 Alexco's mine is essentially a mine and a mill
11 at different locations, and each has to be
12 connected into the existing system at Keno. It
13 would be very much the nature of a normal type
14 of connection situation where you have to
15 add -- you do have to increase for the mill.
16 You have to get a transformer and provide a
17 connection.

18 For the mine we are busy
19 examining exactly what it would be. It might
20 require some upgrades to a transformer.

21 So in that sense there
22 are some requirements that are being discussed
23 from the point of view of the customer paying
24 for them. But there is nothing like a spur
25 line or major development of the type we had

1 for either Minto or we would need for
2 Carmacks Copper.

3 **Q All right. Thank you.**

4 **Now I would like to take**
5 **you to YUB-YEC-1-12. It's regarding the Minto**
6 **diesel business case.**

7 **A MR. OSLER:** We are there.

8 **Q Now, is YEC planning to continue refurbishing**
9 **all the Mirrlees units?**

10 **A MR. MORRISON:** Well, I think -- and
11 Mr. Osler can jump in on this, he talked about
12 it a little bit, I believe yesterday if not
13 today. The part of the benefit of the Minto
14 diesels is we can -- we can look at and delay
15 timing on the Mirrlees units.

16 And the reason for
17 refurbishing the Mirrlees and looking at the
18 Minto diesel is to provide capacity, as we
19 talked about. So they are there to provide the
20 backup and the capacity on the system. So
21 depending on the timing, whether or not we need
22 to do Mirrlees in addition to Minto, whether we
23 need to do Mirrlees two years from now and
24 three years from now, is also going to depend
25 on the load. But we would do them if we needed

1 additional capacity, that's for certain.

2 A MR. OSLER: The basic plan is still
3 to do them. The timing of the last one is the
4 major question mark, as discussed in the
5 application.

6 Q Now, are the Minto diesels and the Mirrlees,
7 based on the planning criteria N minus 1, are
8 they needed? Are they both needed?

9 A MR. MORRISON: I'm going to -- I think
10 while I'm going to let Mr. Osler, or perhaps
11 Mr. Bowman, add something to this, but I just
12 want to make sure that we're careful that when
13 you say needed, it's when they're needed is
14 important. So I'm going to -- based on that,
15 I'm going to let my colleagues jump in.

16 A MR. OSLER: We'll do it. I'm not
17 going to have my mind around the actual
18 numbers, so Mr. Bowman can check on that.

19 But the short answer is,
20 they are needed in the time periods that are
21 being discussed in the application, to the best
22 of our understanding. In the case of the
23 sequence with the Minto and the first two
24 Mirrlees units, it looks like they would be
25 needed in a pretty predictable time period.

1 And the actual timing of the third Mirrlees
2 unit at Whitehorse -- sorry, the Faro unit plus
3 the two units at Whitehorse, are fairly
4 predictable in terms of their timing, it
5 appears. But the fourth Mirrlees unit, the
6 third one at Whitehorse, the timing is the one
7 issue which we are retaining some flexibility
8 around.

9 I understand that they
10 meet the tests of the criteria when we say
11 "needed."

12 Do we have any other
13 numbers we could add?

14 A MR. BOWMAN: Probably the easiest
15 thing to do in respect of numbers is refer you
16 to page 5-10, which deals with the criteria, as
17 you say. It references in respect to the
18 N minus 1 criteria, which is the driving
19 criteria on the system today, and it is the one
20 on which there is basically no debate on how to
21 apply it.

22 So that has left us with
23 some comfort as to how the criteria is to be
24 applied for at least this time period.

25 The peak that was

1 forecast, and as noted there, for the end of
2 2009 effectively said, if you did the Faro
3 Mirrlees, as is underway, and you did the first
4 of the Whitehorse Mirrlees, WD-3, as is also
5 underway or basically done, by the time you got
6 to the end of 2009, you would have a surplus of
7 three megawatts, based on the forecast at that
8 time, if you didn't have the Minto diesels.

9 That is a problem, first,
10 because the peak this last winter was about
11 2 megawatts higher than had been forecast;
12 second, because if you only have a surplus of
13 3 megawatts, you don't have an easy ability to
14 take out of service a 5 megawatt unit and do
15 the work that's needed on it. Because when you
16 take it out of service, you are driving
17 yourself into a deficit, or you bound yourself
18 into having to do it over the course of the
19 summer, when the capacity is not required, with
20 no ability to have it take longer or run into
21 any trouble.

22 So the Minto diesels have
23 provided that cushion, that flexibility, that
24 once the Faro Mirrlees is done and the
25 Whitehorse Mirrlees is done and we head into

And it gives you the flexibility to then decide, do we want to incur the costs on WD-1 at a half a million a megawatt to get it back in service, or can we defer those costs, having spent a half a million a megawatt on the Minto diesels, and

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

7
8
9
L0
L1
L2
L3
L4
L5
L6
L7

18
19

20
21
22
23
24
25

1 try to -- we try to do as best we can. With no
2 disrespect to the \$1 million level, we spent a
3 lot of time on the \$3 million level, trying to
4 find a way to get in here with large projects
5 where there was no requirement.

6 We would, I say to you
7 this -- maybe say it this way: we would be in
8 here -- a consideration is major projects that
9 aren't more operational in nature than in terms
10 of capital, and that's where we are trying to
11 find this balance. So what's the difference
12 between just a general -- we call "maintenance
13 capital," which is our general capital budget
14 that has projects in it that might be, you
15 know, overhauling the Whitehorse 4 hydro unit
16 on a -- which happens on a regular basis after
17 so many hours of operation, that project could
18 be a million dollars. Now, do I have to come
19 to the Board to overhaul a unit because it's
20 got to -- you know, it's holed out? I
21 don't -- I don't think that's what the Board
22 means either. And so we're trying to find that
23 balance.

24 We're happy to make --
25 we're happy to try to find a number. If it's

1 not 3 million, is it 1? Is it 2? We're -- I
2 think we're -- our offer of coming before the
3 Board for 3 million was an offer to make sure
4 that we were getting in here with major capital
5 projects and getting them reviewed by the Board
6 prior to us building them. But it didn't
7 generally relate, our thinking, to operational
8 capital items. And that's where we tried to
9 find the balance.

10 Now, you know, we
11 certainly are happy to have a discussion with
12 the Board about that and see if we can find
13 some definition around what it is the Board is
14 thinking versus what we're trying to do. I
15 don't think we have built anything in addition
16 to what we have said that's over a million
17 since then. I can't -- I can't think of
18 anything where we've not come back to the Board
19 with a project that's a million or more since
20 that plan.

21 Have we rethought about
22 it? We have. We've struggled with it. As I
23 say, what is it that the Board is looking for
24 us to do. And certainly we would be happy
25 to -- and I think that was my commitment, was

1 major capital projects, we're happy to come
2 into the Board, because I think it's a -- I
3 think it's a wiser process, from our
4 perspective, because it gives us a review of
5 those projects and an erring of whether or not
6 the Board looks at them in a positive light
7 prior to us building them and then coming back
8 and arguing the need for the project and the
9 money.

10 So I think that's where
11 we're at. You know, we haven't -- as I say, we
12 haven't not followed the order, because we
13 haven't built anything over a million that we
14 haven't brought here, but we are having that
15 struggle between how we get from our number to
16 the Board's number and deal with those kinds of
17 operational issues.

18 And Mr. Osler, I think,
19 has a point he wants to make.

20 A MR. OSLER: In order for the company
21 to be able to exercise what it's trying to do,
22 it has to rely on the government to also
23 provide the order in council framework for
24 appearing before the Board, either through the
25 type of thing we had on the resource plan,

1 which was setting for a hearing, or through the
2 energy certificate route, which the government
3 used on the Carmacks-Stewart.

4 And there is a series of
5 parallel conversations and questions going on
6 about the Minister's letter to the Board in the
7 summer of '06, saying that the government is
8 committed on major energy projects. And I
9 don't know what -- I don't have the wording in
10 front of me, to require in the future energy to
11 be order in council declared as energy projects
12 that would require us to come before the Board.

13 So in the overall
14 context, the one comment I think we should make
15 is we would like to find an overall framework
16 in all of these things that would work and
17 achieve the objectives we are talking about,
18 however that's done. Because it requires the
19 government, not just us, and anything we can do
20 to facilitate that, so that there is a clear
21 set of rules and we can all plan with.

22 The intent is, I think,
23 clear, and the problem is how to execute it.
24 And whether it's 1 million or 3 million or
25 whether it's some other type of wording as to

Q Thank you.

YUB-YEC-1-15.

Q Thank you.

required revenues and related matters application, YEC applied for and received approval to have its ROE based on the BCUC benchmark for a low-risk utility. The Board in Order 2009-2 directed YECL to use a similar approach in its 2008-2009 GRA compliance filing. YEC, for its 2008-2009 GRA, has applied for the same approach in determining its return on common equity.

Part (b) of that question, YEC responded that Board Order 2005-12 did not necessarily impose a precedent in the Yukon for the determination of return on equity. Given the direction in Order 2009-2 in YEC's current request before

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A

We know that in 2005 everybody around the table said this isn't a precedent, so that's not the issue. But now that the Board has made a determination for both utilities using the same approach, it would be good, from our point of view, if that was viewed as precedential so that we can all rely on that going forward as a simple method.

It doesn't necessarily involve all of the things that happened in British Columbia flowing from that determination. But it just simply means when we come for a GRA, we all know how we're going to determine an ROE for that GRA purposes at the moment. That's a baby step.

So if it is viewed as a precedent, Yukon Energy, as far as I'm advised, has no problem with it.

Q

1 Now, is YEC requesting
2 the Board use 8.47 percent based on the BCUC
3 Letter L55-08 to determine YEC's ROE for
4 2009?

5 A MR. BOWMAN: The simple answer is yes.
6 It's addressed in Exhibit B-10, page A-1 to
7 A-2. The update that Yukon Energy filed reran
8 the numbers for Tab 7, recalculated the revenue
9 requirement, as was stated in the opening
10 statement, and it's based now on an ROE of
11 8.47, which was the 2009 number that we
12 calculated based on the BCUC letter for that
13 year. And I note it is November 20th, BCUC
14 Letter L55-08. I didn't catch if that was the
15 same number you used, but Letter L55-08.

16 I apologize. Hang on one
17 moment. I was referencing the wrong number.
18 8.47 is what the letter sets out for a low-risk
19 utility. Yukon Energy's process for '08, the
20 same it's proposing for '09, and the same it
21 used in '05 would be -- have to adjust that for
22 two items: One is that Yukon Energy, similar to
23 any of the utilities, has an adder for not
24 being the benchmark low-risk utility, and
25 separately has an item subtracted from its ROE

1 pursuant to the order in council, which
2 requires it to be lowered by one half percent.
3 So the end result is not 8.47, it is 8.49, and
4 it is in the same paragraph. It is at the end
5 of the paragraph.

6 **Q Thank you.**

7 **Now, if I can take you to**
8 **YUB-YEC-1-27, part (c) of that question.**

9 A MR. MORRISON: We are there,
10 Ms. Bentivegna, sorry.

11 **Q All right. Now, in that part (c) it states**
12 **(quoted):**

13 "The development of an Independent
14 Power Producer's policy is being
15 addressed by the Yukon Government as
16 part of the recently released 'Energy
17 Strategy for Yukon.'"

18 **What has YEC's role been**
19 **in that process?**

20 A MR. MORRISON: We haven't had any role
21 yet in that process. I don't know whether we
22 will have or not. But we understand there is a
23 process.

24 I would like to add
25 something to the issue, if it's helpful. We

1 don't have a -- I get asked this question quite
2 often, you know, What's Yukon Energy's
3 independent -- do we have an IPP policy. And
4 the good news is we don't. The good news is
5 that we don't have anything that says we can't
6 do -- we can't entertain proposals from IPPs,
7 and there's no rules around that you have to do
8 this or you have to do that.

9 To me what that tells us
10 is we can certainly entertain submissions or
11 proposals from IPPs, and we would happily do
12 that. We would happily -- be more than happy
13 to sit down and chat with someone if they have
14 an independent power producer proposal of any
15 kind, and we've never had any in all the time I
16 have been here. And we have had people come in
17 and ask us, Is -- you know, do you have a
18 restriction? Because they seem to think that
19 there is a restriction. Do you have any
20 restrictions about independent power producers
21 hooking up to the grid? And we tell them
22 absolutely not. If you have got a proposal and
23 you would like to bring it to us, we would be
24 happy to.

25 And particular today. To

1 be -- you know, to be kind of very clear,
2 several years ago we did have a discussion with
3 a group that said they were going to do -- they
4 had a proposal to do a project, and I said to
5 them, You know, we would be very happy to talk
6 to you, but please consider this -- and this
7 was five or six years ago: we have a surplus in
8 hydro, and, you know, you need to consider at
9 what price we can duplicate hydro production.
10 So if you were looking at timing-wise, we would
11 be glad to talk to you, bring your project
12 forward, but right now we're probably not going
13 to buy it if you are telling me that you are
14 going to have something to connect to the grid
15 today.

16 That's a very different
17 story, and that was several years ago. Today
18 if we had somebody come along and say they had
19 an independent power producer policy, and that
20 wasn't, in my mind, just to be clear, turning
21 on a diesel somewhere, because we can do that,
22 we'd be very happy to entertain them, just
23 based on the load forecasts that we're looking
24 at and the need to get all of those Mayo B and
25 Atlin and Granite [sic] and everything else

1 onto the system. If somebody else has got a
2 good idea, you know, there is nothing to stop
3 them from coming to us, and there is nothing to
4 stop us from entertaining.

5 Even without a policy, I
6 say we have one: we would be able to talk to
7 people.

8 **Q Do I take from your answer that YEC hasn't at**
9 **this point undertaken any demand-side**
10 **management initiatives?**

11 A MR. MORRISON: You would be correct,
12 yes. Yes.

13 **Q Thank you.**

14 **Now, if I could take you**
15 **to YUB-YEC-1-40.**

16 A MR. MORRISON: We are there.

17 **Q Now, it states in that IR that (quoted):**

18 "At the September 2007 Board of
19 Directors meeting, this estimate had
20 increased to \$8.8 million. This
21 amount was based on tendered cost for
22 most major components (excluding
23 substations). The construction
24 decision was based on this figure, not
25 \$3.83 million. Updated economics

1 assessments confirmed that even with
2 the final cost number, the project
3 still yields Minto material cost
4 savings over its life."

5 Now, are all the costs
6 for the Minto spur paid by Minto?

7 A MR. MORRISON: That's correct.

8 Q Thank you.

9 Now if I can refer you,
10 this one is CW to YEC-1-23 (a).

11 A MR. MORRISON: Could you repeat the
12 number again, please.

13 Q Sure.

14 1-23 (a).

15 A MR. MORRISON: We are there.

16 Q Now, in that response you refer to (quoted):

17 "Professional development is a
18 contractual obligation related to
19 employment. The budget was used in
20 2005, but no activities occurred in
21 2006 and only limited professional
22 development was taken in 2007. The
23 2008 and 2009 budgets include the
24 expense as a required component of
25 Yukon Energy's costs."

A MR. MORRISON: It -- Madam Chair, we were talking about my contract, and it's part of a -- it's in my contracted that I'm provided -- or I have an allowance for professional development training every year, and it's \$15,00, and it's in here. Some years I have used it and some years I haven't.

A MR. MORRISON: Well, to the best of my ability, I would answer that question yes. The only reason it isn't used is that I just, you know, find myself without the time to do it. And I keep getting chastised for that, but some years it's just busy. But there are plans to use it, and that's why it's there, yes.

Q Now, I want to take you to the energy project certificate for the Carmacks-Stewart transmission project Stage 1. And I did give your counsel some aids to cross so that you

Now, page 1 of the application for the energy certificate describes Stage 1 of the CSTP as approximately 98 kilometres of 138 kilovolt line and substations at Carmacks, Minto spur, and Pelly Crossing. Schedule 1 of that application shows the high-end costs for the project to be 25.9 million.

Now, at what point in time did YEC approach this Board for its recommendation to proceed with the project. And what I mean by that, was it at the preliminary stage or had final engineering, had it been substantially completed?

A MR. OSLER: So, essentially, as I think I said earlier, the resource plan numbers and the numbers that were used in the energy project certificate in Schedule 1, because these were the same numbers as has been used in the resource plan, just calculated to 2007 dollars and in-service dollars, those numbers were developed, obviously, by the fall, I think, of 2006, when we made an update filing

They did not include preliminary, let alone final, engineering. They were estimates that had been initially developed based on information the company had. And the company's senior people visited with some engineering firms and potential people that could be involved in the design of the plan, of the development I believe in the fall of '06, and they updated the estimates at that time, and we filed an exhibit with the Board in early November that effectively reflected those new -- any new information we had in that regard at that time, and those became the numbers that we used for the resource plan hearing. And they were the same numbers that were effectively incorporated into Schedule 1 of the certificate application.

Q So then how are those numbers developed if it wasn't even with preliminary engineering? I mean, you mentioned that there was, I think you said, visiting, some people were sitting down with some people, but how can the Board rely on numbers that are in an application as to what

1 costs a project might be if the underlying or
2 underpinning for those costs isn't established?

3 A MR. MORRISON: Well, let me talk about
4 that for a little bit. We were -- when we came
5 before the Board with the resource plan
6 application and this energy certificate
7 application, we were -- we were -- we did not
8 allude to the veracity of these numbers being
9 any more than what we just talked about. We
10 were very clear that we didn't have anything
11 more than very preliminary numbers here.

12 And I seem to recall a
13 debate that we were having about whether or not
14 we were prepared to provide certain amounts of
15 tendering information or budgeting information,
16 which we weren't, because we didn't want to get
17 numbers being driven up.

18 We engaged some of our
19 internal engineering staff along with external
20 engineers to give us preliminary estimates on
21 these costs, and that's what we brought forward
22 were these preliminary estimates. We didn't
23 make them up. You know, we had some
24 engineering expertise that went out and looked
25 at, you know, pricing, current, you know, jobs

1 of similar size, you know, length, wires, and
2 substations.

3 But by the time we got to
4 building these things, we were in the middle of
5 a very heated economy that had prices going out
6 of sight. We always committed to the Board,
7 and to everyone else, including our own Board,
8 and our own Board held us to those terms, is
9 that we would not go forward on this project
10 without tendered information. So as concrete a
11 number as we could get.

12 So not just preliminary
13 engineering and somebody doing an estimate, not
14 final engineering and somebody doing an
15 estimate, actual tendered costs. So we
16 tendered the line construction, and we brought
17 that back. And so we had -- we had what we
18 thought were very -- you know, 80 percent
19 certainty that our numbers were pretty good.

20 We still didn't get
21 the -- I guess, the grace of an economy that,
22 you know, kind of went along for a period of
23 time and we were able to keep those numbers.
24 There was a lot of inflation, a lot of prices
25 being driven up.

1 But when we went forward
2 with the project, we did not go forward except
3 and until we had tendered numbers. And the
4 number that we got Board approval for was
5 \$8.8 million for the spur line, not 3.8.

6 Now, 3.8 was what we
7 entered into discussions with Minto with, and
8 we told them it was very preliminary numbers,
9 and they wanted to go ahead. We have never had
10 them tell us stop; we don't want to do this.
11 And we have been very, very clear. Minto,
12 during the process of the construction of this
13 line, got a monthly report from us, and that
14 monthly report was comprehensive, where we were
15 at, what was being done, what the costs were.
16 We have -- they have been informed all along as
17 to where this project went.

18 And all I can say to you
19 is that, you know, if you have years and years
20 and years of advance time, we could go out and
21 we could do preliminary estimates and final
22 estimates and tender and get all the numbers
23 and then come in and see if we could get
24 permission to build something, but that
25 generally hasn't been the case. We don't have

Q Now, with respect again still talking about the Carmacks-Stewart transmission project.

Q We understand from the filing that the connection to Pelly Bay Crossing from Carmacks --

Q -- was to be 138 kV transmission line and 138 substation, kV substation, be constructed at Pelly Crossing.

Q Just to clarify, did I understand correctly yesterday that you indicated that Pelly Crossing is currently connected by a line built to 138 kV transmission specification but it's energized only at 25 kV voltage?

A MR. MORRISON: That's correct. The line -- the line to Pelly Crossing is the 138-kV line, and it's just energized at a lower

1 level because to step it down at Pelly, it's a
2 lot easier to be energized at 25 than it is at
3 138.

4 **Q And does the decision to energize it at**
5 **25 kilovolt imply higher line losses for that**
6 **segment?**

7 **A MR. MORRISON:** I'd have to get back to
8 you on that.

9 **Q Certainly.**

10 **A MR. MORRISON:** The decision to energize
11 it at 25 is a decision -- is a practical
12 decision of we can't -- if we're -- you could
13 look at the project. You could look at the
14 hookup at Pelly different ways.

15 We think of the project
16 as continuing on to -- from Pelly to
17 Stewart Crossing. So there's no point at this
18 time of doing something different than
19 continuing the 138 kV line from Minto Landing
20 to Pelly. If we -- if we wanted to energize it
21 all the way to Pelly at 138, we would have had
22 to put in a more expensive either substation or
23 a more expensive transformer to step it down to
24 the small voltage that the community needs.

25 So it's -- I would say

1 that it would be cheaper to have higher line
2 losses, if in fact we have them, and I don't
3 know that, than to put in the equipment at
4 Pelly that we would have to do to stop the
5 higher line -- you know, to offset is all I am
6 saying.

7 **Q If you could undertake to let us know.**

8 A MR. MORRISON: I can do that.

9 **Q Thank you.**

10 Now, how -- approximately
11 how much of the total expense incurred for this
12 project was capitalized from the generation
13 feasibility budgets in prior years?

14 A MR. OSLER: There is a lot of
15 different questions going on here about how you
16 would define, in a practical sense, what you
17 just asked.

18 There wasn't extensive
19 feasibility study work done, from an
20 engineering point of view, until engineers were
21 engaged specifically on the project, and they
22 were engaged in March of '07. So they really
23 were all part of the last stage of the
24 project's thrust.

25 The earlier costs that

So how much of the costs of the main line are planning costs? I'm told at construction approval they were 2.3 million, 2.4 million, and the final costs that were planning costs were 2.5 million. And we -- those are all available in LE-46 for the main line and LE-47 for the Minto spur.

But if you wanted to get down to sort of how much is planning costs, you

1 have to go to the LE-46 and LE-47. It will
2 tell you how much was at each stage. So what
3 portion of those planning costs is really what
4 your question is getting at, and we need
5 clarity that -- they are all in the final --
6 there wasn't much spent before we were into the
7 home stretch in 2007 is what I'm sort of
8 suggesting.

9 It's a bit different when
10 we're doing Mayo B, but it was much more
11 engineering reporting early on.

12 **Q You just offered to file the table?**

13 **A MR. OSLER:** I would be happy to right
14 now if you want.

15 **Q Certainly. If you have it, we'll take it.**

16 **A MR. OSLER:** It helps us keep it
17 clear, so . . .

18 **THE CHAIR:** We have B-20. B-20 is so
19 marked.

20 Exhibit Number B-20:

21 Stage I Carmacks-Stewart/Minto Spur
22 Transmission Projects Initial Cost
23 Estimates, Construction Budgets, and
24 Final Costs (\$million).

25 **Q MS. BENTIVEGNA:** Now, because of the scope

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Q And changes to the substation and --

The estimate in the original budget for substations for the main line was 1.9 million I gather from LE-46. The preliminary engineering which would have reflected the changes in scope reduced that to 1.65 million by the time the board of directors

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

2
3
4
5
6
7
8
9
10

L1
L2
L3
L4
L5
L6

17
18
19
20
21
22
23
24

25

22 When they implement a
23 change to Rider F, it's based on the two
24 companies getting together, saying the balance
25 is not tracking, you know, within a range that

1 people are satisfied with, and over the next
2 12 months, we see it going in a direction that
3 will not keep the account at a low balance, so
4 we'll implement a rider to aim to bring us back
5 to zero within 12 months.

6 So, in fact, the trigger
7 is effectively the balance in the account, if
8 you'd like. Now, of course one level deeper,
9 the balance in the account arises because of
10 transactions that the utilities make with their
11 respective fuel price accounts. In the case of
12 Yukon Electrical, that's solely related to fuel
13 price. In the case of Yukon Energy, it's
14 related to both fuel price that -- for fuel
15 that's consumed and variations in the secondary
16 sales rate as was approved by this Board in
17 '05, so it's actually those two factors.

18 A MR. OSLER: Can I just make one
19 addition in the history sense. There is an odd
20 thing in Yukon -- the order in council's --
21 going way back in the order in council in
22 95-90. Clause 8 requires that a fuel price
23 adjustment be put there, so that's why we don't
24 come to the Board for approval of each one of
25 these.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

A MR. OSLER: That is correct.

A MR. MOLLARD: As a matter of practice, we try to keep, I believe, a balance of plus or minus 200,000 in the account.

A MR. OSLER: But that's a practice, not a --

A MR. MOLLARD: That is practice. That is not an approved policy in any respect.

Q That's what my next question was, if there was either an administrative or operational policy for Rider F, and I believe you just said there isn't --

A MR. MOLLARD: There is not.

1 Q -- this business practice?

2 Thank you.

3 Now, with respect to

4 Rider J, in your next rate application, would
5 you be applying to eliminate Rider J?

6 A MR. OSLER: Madam Chairman, we assume
7 that the process that -- of discussion with
8 YECL will include looking at rate matters that
9 would allow the riders to be removed and
10 normal, proper rates put in place.

11 If that -- if that
12 discussion and that consultation process leads
13 to a proposal to the Board and the Board
14 accepts it, what you are talking about might
15 happen before the next rate applications. You
16 know, it would be a process following from
17 what -- this discussion process.

18 But I can't -- the
19 utility cannot -- YEC cannot predict beyond
20 that. I mean it's -- it needs some overall
21 discussion and framework in order to remove it,
22 and it would require rate matters to be
23 approached in order to remove it, and it
24 probably should be considered as a joint
25 discussion with the two utilities and not just

1 a matter for YEC to change on its own, in an
2 ideal world anyway. So that's about as
3 responsive as we can be, I think, at the
4 moment.

5 **Q All right. Thank you.**

6 **Now, this morning you**
7 **provided the annual reports of the key**
8 **performance measures, and I wondered if YEC has**
9 **an internal key performance measures other than**
10 **those that are set out in the annual report?**

11 **A MR. MORRISON:** We have a recently --
12 we've had a couple of different attempts at
13 this over the last few years. We are in the
14 process of developing a KPI report that we are
15 working through with our board. It's in the
16 pretty early stages, I would say even draft.
17 We gave the first one to our board as a draft
18 at the last board meeting, which was a month
19 ago.

20 **I'm waiting for the next**
21 **question which is can I give it to.**

22 **Q Well, since you asked the question, can you**
23 **answer it now.**

24 **A MR. MORRISON:** Since I asked the
25 question. When's the other shoe going to drop.

Q Well, at this point --

Q Yes.

A MR. MORRISON: So we'll get you a copy.

Now, in your opening

A MR. MORRISON: Yikes. Well, I guess, you know, to be fair, we're going to have to sit down with YECL to see, you know, what

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

17
18
19
20
21
22
23
24
25

1 have to meet and discuss that and, you know,
2 maybe inform the Board of what they think --
3 what the game plan is, what they propose as a
4 work plan. And I think that was implied in the
5 letter if not in the opening statement and then
6 inform the board and other parties how they
7 propose to proceed. And if there's any other
8 directions anybody wants to give them, then
9 they have time to give it to them.

10 **Q All right. So from your experience you can't**
11 **give us -- thinking that the last time there**
12 **was a cost-of-service study was 1992, but you**
13 **don't have any indication, any parameters at**
14 **all as to what you are working for or aiming**
15 **for?**

16 **A MR. OSLER:** The last time we had a
17 big cost-of-service hearing was '92, but the
18 last time we did one together was the '96-'97
19 GRA, and we did them fairly expeditiously in
20 those days. And we had been working together,
21 you know, for nine or ten years, and we also
22 had resolved the big policy issues in front of
23 the Board in '92. So we were very focused in
24 those days on the issue of the focal point was
25 getting the cost of services required for the

1 major customer Faro mine so that when the
2 contract ended in that mine there would be a
3 basis for the Board to enforce or to approve a
4 rate that at least met the cost-of-service
5 requirement of the order in council.

6 I think the issues that
7 both companies would face right now is that I
8 guess I'm probably the only person around who
9 was there at that time, so -- and I didn't do
10 the computing work. So we have to sit down and
11 go through all the issues, and it may take more
12 time than would be normally the case. And I'm
13 assuming that's why three months was the type
14 of parameter that was put forward.

15 So the best we have is
16 what you have in front of you at the moment,
17 and we have to have some meetings and
18 discussions that would allow us to give you
19 something better.

20 **Q Can you provide any indication -- again, in the**
21 **opening statement it talks about that the**
22 **discussions will have to include rate design**
23 **changes and based on current relevant order in**
24 **council directives and as well as planning for**
25 **future rate designs once the order in council**

1 expires in 2012.

2 Can you give us any
3 indication of the type of rate design issues
4 and options that YEC intends to bring to the
5 table.

6 A MR. OSLER: At a high level, yes.

7 Q Yes.

8 A MR. OSLER: The one that we have been
9 emphasizing in this application is the runout
10 rate issues which this application does not
11 purport to resolve for the general service
12 class or resolve in terms of a long-term
13 approach beyond in dealing with what's been --
14 the requirements in the past.

15 In dealing with the
16 general service class, the fundamental issue is
17 that most of the sales are in the second block.
18 The Board has the -- in our application we have
19 that type of information in tables, which have
20 been provided in Tab 4. 4.9, Table 4.9,
21 provides the volumes by class, and you can see
22 in there what percentage of the general service
23 class is in the second block. And I believe
24 it's, you know, upwards of over 70 percent.

25 When you have that high a

1 percentage of sales in the second block, the
2 ability to increase the runout rate and still
3 not have the whole class have problems, you
4 have to reduce something else if you are going
5 to increase the runout rate.

6 If we were to increase
7 the runout rate by the same number, 5.61 cents
8 that we proposed for the residential class,
9 there would be no first block rate. We'd have
10 to reduce the demand rate or do something else.
11 It's that big of a swing.

12 So we think that we will
13 have to sit down and discuss more rate blocks
14 for the general service class to make this
15 work. That's not an easy issue to discuss
16 quickly, but it's not surprising. We have seen
17 it in other jurisdictions. So that's a big
18 issue that we flagged in this application, and
19 we would intend to be discussing it. It's not
20 really cost of service related. It's very much
21 rate design related.

22 The Rider J issues that
23 UCG has asked us questions about, you know, how
24 do we get rid of those riders and deal with
25 them in the basic rates given the constraints

1 of the Order in Council 2008-149 where we have
2 to keep each customer class with no difference
3 in its overall revenues that are collected from
4 it, that problem the utilities faced together
5 in the early '90s when the same constraint was
6 there.

7 It didn't stop us from
8 second block rate changes and it didn't stop us
9 from other developments at the time. But the
10 issues today given the lag of ten years are
11 much -- appear to be much bigger, and the gap
12 between where the rates were at and the diesel
13 costs are much bigger, so that's a big
14 challenge.

15 Those are probably the
16 two biggies from Yukon Energy's point of view,
17 as well as trying to find ways to do all of
18 this without having to have three separate
19 hearings in the future. I think we flagged
20 that issue too because of the concern about
21 regulatory costs and other things. So we were
22 trying to see if we can get back to where we
23 used to be where these things got handled from
24 an overall public interest point of view more
25 efficiently.

A MR. OSLER: I can add one more thing for the transcript that we also will deal with wholesale rates, which Mr. Keough questioned us about. Just it slipped my mind as a topic, but I'm sure it will get discussed.

Q Now, there was a discussion that occurred with Mr. Maissan on the need for the Mayo B, the Atlin-Gladstone and other hydro projects. Can YEC undertake to provide a table indicating YEC's estimate of when the hydro project is required, project timelines, including regulatory process, estimates of cost of the project, the energy output of the project, and the expected external load driving the project. And that would be for each project that we would ask that each of those be indicated.

A MR. MORRISON: My answer generally is
going to be no.

Q All right. Can you explain.

A MR. MORRISON: Well, it's the first time
I've said no.

THE CHAIR: Are you saying it's not relevant?

A MR. MORRISON: No. I just -- all of

I don't have a timeline other than we can tell you when we need them. We can certainly undertake to do that in terms of our forecast when we need those gigawatt hours, and I would be happy to do that.

A MR. OSLER: The biggest problem we

1 have in answering you is that they are project
2 specific. The discussions that had taken place
3 so far aside from Mayo B or Carmacks-Stewart
4 have been as a package of projects to deal with
5 a specific set of requirements.

6 So we tried in the
7 answers to questions to give you most of that
8 information and we could consolidate it like we
9 did with B-20 and maybe add a few bits more
10 information that is readily available at the
11 moment. I think Mr. Morrison commented on the
12 requirements side. I think we can give you a
13 clean simple description of the load
14 requirements as we see them emerging in some of
15 the risks over the period we are talking about
16 to 2015. We could probably -- we have put on
17 the record the timelines with Carmacks-Stewart
18 and Mayo B so we can just reiterate what we
19 have said to you. The other projects are the
20 ones where we don't have project-specific time
21 lines or things. We have endeavours to try and
22 get them done as soon as possible.

23 We could probably -- I
24 don't think there is anywhere in this
25 transcript that says what the generic levelized

1 costs are that we have assumed for Gladstone or
2 Atlin or things like that. We could probably
3 tell you that which would help explain. They
4 are in the resource plan initially, but I don't
5 know if we updated them or just relying on the
6 resource plan. We can pull that together so
7 everybody doesn't have to go all over the place
8 looking for it.

9 **Q That would be useful.**

10 **As well can you indicate**
11 **what the external load driving each project so**
12 **that what would be the -- what would indicate**
13 **to you so that you can plan the timing? What**
14 **point is the load going to the need, the**
15 **external load then and relate it to the**
16 **particular project? So what will trigger all**
17 **the different -- for example, the -- a mine**
18 **load.**

19 **A MR. MORRISON:** Yeah.

20 **Q Would that then trigger one of these, so that**
21 **type of information?**

22 **A MR. OSLER:** I will give you this much
23 on the transcript right now, because it's
24 fairly simple. Mayo B project,
25 Carmacks-Stewart project if the funding is

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

It's a very major leap if you add Carmacks Copper to the picture. And that is something we are told we have to plan for. Beyond that, the load is growing at about, you know, 6, 7 gigawatt hours a year on the main system. So it ended up with us saying without any development at all before 2015, without any new resources being put in place at all on the Aishihik third turbine, we seem to need 50 to 100 gigawatt hours of load. So it's not so much the triggering of one project of the other project. You might say they are very valuable core projects, and where do we get the

1 rest, because people are worried that if we
2 develop problems in the project we still end up
3 with a fair amount of diesel. And that's why
4 they are looking at geothermal, and that's why
5 they are looking at other longer term projects
6 to be able by -- as soon as possible be ready
7 for those types of things.

8 But we're just looking at
9 Alexco and Carmacks Copper as big triggers, and
10 Alexco is already on the way to commitment.
11 Carmacks Copper is such a big lump that it --
12 if it comes along, I don't think we can meet it
13 in renewable resources at least in the initial
14 years. We will be running diesels. Is that --

15 A MR. MORRISON: Yeah, I think that's
16 fair.

17 This is the real trick in
18 terms of our planning as I was talking about
19 earlier is, you know, how do we get the right
20 amount of surplus on the system or coming onto
21 the system at the same time loads are coming
22 on. And this system is so small, that's really
23 difficult to do. It's really difficult to say,
24 Okay, we have this. I can tell you today that
25 I have exactly this much power coming onto the

1 system from new hydro, and here's my load
2 exactly the same. It's virtually impossible.

3 So a year ago I would
4 have said Western Copper's coming onto the
5 system. We better get 40 more gigawatt hours
6 of hydro on. You know, things change. You
7 know, it's -- maybe it's a year later now.
8 Maybe it's a year and a half later.

9 But trying to balance how
10 we get, you know, new resources and new
11 customers at the same time has been a real
12 challenge over the last couple of year. And
13 we'll do our best to map all this out for you,
14 but it's not as easy as all -- it's not as easy
15 as saying, Okay, we're going to do this and
16 here's the timeline and here's how much it cost
17 and here's the customer. This is not Alberta
18 or BC or Quebec where they -- the years of
19 planning time ahead of things and the system
20 can absorb all of those costs to putting a new
21 project on and the customer is growing into it.
22 We don't have that luxury.

23 **Q All right. Thank you.**

24 MS. BENTIVEGNA: Thank you, panel. Those
25 are my questions, Madam Chair.

1 THE CHAIR: Thank you,
2 Ms. Bentivegna.

3 I will ask at this time
4 if there are any further questions from the
5 Board. There appear to be none.

6 Mr. Landry, any redirect?

7 MR. LANDRY: I do have a couple of
8 questions in redirect, Madam Chair.

9 YEC PANEL FURTHER EXAMINED IN CHIEF BY MR. LANDRY:

10 Q I will go with the most recent one first, and
11 it arises out of a question from Board counsel.
12 And I guess I would put it to you, Mr. Mollard.
13 There was a reference to a certain amount of
14 expense I believe in 2008 relating to the YECL
15 intervention. Do you recall that?

16 A MR. MOLLARD: Yes, I do.

17 Q I think it was approximately, if I have the
18 number right, 94,000.

19 A MR. MOLLARD: That's correct.

20 Q Now, that 94,000, is that in the 2008 or 2009
21 forecast revenue requirement?

22 A MR. MOLLARD: It is not.

23 MR. LANDRY: The second item,
24 Madam Chair, relates to a question yesterday
25 arising out of Exhibit C1-9 which was the aid

1 to argument or aid to cross-examination
2 Mr. Keough introduced and it is in reference
3 to -- I don't have the specific transcript
4 reference. I thought I was going to be able to
5 get to the break and I could get that, but I
6 think we could centre in on that.

7 Q MR. LANDRY: It's to you, Mr. Osler.
8 There was a discussion with Mr. Keough about
9 the scenarios relating to Rate Schedule 42, and
10 you had indicated a reference to an OIC that
11 dealt with the issue of the requirement that
12 the rates charged to YECL collect effectively
13 all of the costs. I wonder if you can just for
14 the record inform the Board what OIC that is
15 and what reference you were making in that OIC.

16 A MR. OSLER: Madam Chairman, I was
17 referencing OIC 95-90, but the same thing was
18 in some earlier OICs, but that's the current
19 one. I am referencing Section 7 of that OIC
20 which deals with the setting of wholesale rates
21 and in effect says those rates must be -- Order
22 in Council 95-90, Section 7, which is dealing
23 with the Board fixing rates of Yukon Energy
24 Corporation for the wholesale power customer in
25 accordance with the following rate policies,

6	Q Thank you.

9 THE CHAIR: Thank you, Mr. Landry.

14 MR. LANDRY: The last one gave me a
15 little bit of a hiccup. So I'm wondering
16 whether or not we might say by next Friday.

19 MR. LANDRY: May 15th, sorry. May
20 15th.

23 And I just want to remind
24 parties that simultaneous argument, written
25 argument will be due May 22nd and written reply

**CLOSING REMARKS
VOLUME 2**

1 June the 5th. Are there any other matters any
2 party wishes to bring forward to the hearing?

3 Mr. Maissan?

4 MR. MAISSAN: I have a question in
5 regards to reply argument. I am going to be
6 travelling around the time when that is due,
7 and I am going to have to prepare any reply
8 very shortly after final argument is due.
9 Should I be doing the same time as I did last
10 time when I had the same problem, forward it to
11 the Board to be circulated on June the 5th?

12 THE CHAIR: Would the logistics of
13 that work, Ms. Lemke? That would be around
14 June the 5th. It appears to be a workable
15 solution.

16 MR. MAISSAN: Thank you.

17 THE CHAIR: I would like to adjourn
18 this hearing, then, and I look forward to
19 receiving everybody's written argument. Thank
20 you for the last two days.

21 (PROCEEDINGS ADJOURNED AT 6:09 P.M.)

22
23 * * * * *
24
25

INDEX

May 6, 2009
 Exhibit Numbers B-14 to B-20 and C4-5
 Our File Number 6029-6
 Volume 2

<u>EXHIBITS</u>	<u>PAGE</u>
<u>Exhibit Number B-14:</u>	420
Key performance indicator report.	
<u>Exhibit Number B-15:</u>	523
Answer to undertaking given	
to Mr. Marriott re security agreement.	
<u>Exhibit Number B-16:</u>	528
Response to undertaking	
containing documents dated	
June 6, 1999, and October 7, 1999.	
<u>Exhibit Number B-17:</u>	528
Board Order 1999-3.	
<u>Exhibit Number B-18:</u>	528
June 6, 1999, correspondence	
report.	
<u>Exhibit Number B-19:</u>	529
October 7, 1999, additional	
comments.	

Exhibit Number B-20:

584

Stage I Carmacks-Stewart/Minto Spur
Transmission Projects Initial Cost
Estimates, Construction Budgets, and
Final Costs (\$million).

Exhibit Number C4-5:

421

Paper copy of OIC response.

UNDERTAKINGS

<u>PAGE</u>	<u>LINE</u>
344	19
346	25
354	22
355	1
355	11
379	16
418	18
423	10
423	18
466	13
467	2
472	2
497	8
497	13
501	5
502	5
542	15
550	10
582	6
592	13
602	7

* * * * *

INDEX - COMPILATION

	<u>PAGE</u>	<u>VOL.</u>
<u>Exhibit Number A-1:</u> YUB letter to Minister of Justice re YEC GRA, October 17, 2008.	13	1
<u>Exhibit Number A-2:</u> Board Order 2008-15 re YEC proceeding and regulatory schedule, October 30, 2008.	13	1
<u>Exhibit Number A-3:</u> Board Order 2008-16 re interim refundable rates and Rider J, November 14, 2008.	14	1
<u>Exhibit Number A-4:</u> Letter from Minister approving YEC GRA, December 19, 2008.	14	1
<u>Exhibit Number A-5:</u> Memo to Parties of Pre-Hearing Conference, January 2, 2008.	14	1
<u>Exhibit Number A-6:</u> Pre-Hearing Conference Agenda, January 7, 2008.	14	1
<u>Exhibit Number A-7:</u> Board Order 2009-1, approval of Intervenors, Issues List, schedule, January 20, 2009.	14	1
<u>Exhibit Number A-8:</u> YUB IRs to YEC, January 30, 2009.	15	1
<u>Exhibit Number A-9:</u> YUB memo to all Parties re YEC request for extension to IR Response deadline, February 23, 2009.	15	1
<u>Exhibit Number A-10:</u> YUB Reply to YEC correspondence re Board Order 2009-1, Phase II, February 23, 2009.	15	1
<u>Exhibit Number A-11:</u> YUB memo to all Parties re YEC request for extension to IR Responses deadline, February 24, 2009.	15	1
<u>Exhibit Number A-12:</u> Board Order 2009-3 re YEC IR Response extensions, February 26, 2009.	15	1

<u>Exhibit Number A-13:</u>	15	1
YUB memo to all parties re further information requests, March 25, 2009.		
<u>Exhibit Number A-14:</u>	16	1
YUB memo to all parties re further information requests, March 27, 2009.		
<u>Exhibit Number A-15:</u>	16	1
Board Order 2009-4 re further information responses, April 7, 2009.		
<u>Exhibit Number B-1:</u>	16	1
YEC cover letter to YUB re 2008-09 General Rate Application, dated October 6, 2008.		
<u>Exhibit Number B-2:</u>	16	1
YEC 2008-09 General Rate Application.		
<u>Exhibit Number B-3:</u>	16	1
YEC Workshop presentation, January 6, 2009.		
<u>Exhibit Number B-4:</u>	16	1
Landry e-mail re hearing dates, January 8, 2009.		
<u>Exhibit Number B-5:</u>	17	1
YEC letter re hearing dates, January 13, 2009.		
<u>Exhibit Number B-6:</u>	17	1
YEC letter re Board Order 2009-1 and Phase II, January 22, 2009.		
<u>Exhibit Number B-7:</u>	17	1
YEC request for IR Response deadline extension, February 20, 2009.		
<u>Exhibit Number B-8:</u>	17	1
YEC reply re request for extension to file IR Responses, February 24, 2009.		
<u>Exhibit Number B-9:</u>	17	1
YEC comments on further IR responses, April 1, 2009.		
<u>Exhibit Number B-10:</u>	17	1
YEC cover letter re Updates to filing and IR responses, April 24, 2009.		
<u>Exhibit Number B-11:</u>	18	1
YEC Complete IR Responses, April 24, 2009.		

<u>Exhibit Number B-12:</u>	24	1
YEC opening statement.		
<u>Exhibit Number B-13:</u>	146	1
May 1, 2009 letter from Yukon Energy to Yukon Electrical.		
<u>Exhibit Number B-14:</u>	420	2
Key performance indicator report.		
<u>Exhibit Number B-15:</u>	516	2
Answer to undertaking given to Mr. Marriott re security agreement.		
<u>Exhibit Number B-16:</u>	521	2
Response to undertaking containing documents dated June 6, 1999, and October 7, 1999.		
<u>Exhibit Number B-17:</u>	521	2
Board Order 1999-3.		
<u>Exhibit Number B-18:</u>	521	2
June 6, 1999, correspondence report.		
<u>Exhibit Number B-19:</u>	521	2
October 7, 1999, additional comments.		
<u>Exhibit Number B-20:</u>	584	2
Stage I Carmacks-Stewart/Minto Spur Transmission Projects Initial Cost Estimates, Construction Budgets, and Final Costs (\$million).		
<u>Exhibit Number C1-1:</u>	18	1
Yukon Electrical Company Ltd. request for Intervenor status, December 1, 2008.		
<u>Exhibit Number C1-2:</u>	18	1
YECL letter re hearing dates, January 9, 2009.		
<u>Exhibit Number C1-3:</u>	18	1
YECL letter re legal counsel, January 9, 2009.		
<u>Exhibit Number C1-4:</u>	18	1
YECL letter re Phase II matters, January 20, 2009.		
<u>Exhibit Number C1-5:</u>	18	1
YECL IRs to YEC, January 30, 2009.		
<u>Exhibit Number C1-6:</u>	19	1
YECL reply re YEC request for extension to file IR Responses, February 24, 2009.		
<u>Exhibit Number C1-7:</u>	19	1
YECL request for further information from YEC, March 19, 2009.		

<u>Exhibit Number C1-8:</u>	19	1
YECL comments re further information from YEC, April 6, 2009.		
<u>Exhibit Number C2-1:</u>	19	1
City of Whitehorse request for Intervenor status, November 25, 2008.		
<u>Exhibit Number C2-2:</u>	19	1
City of Whitehorse letter re runoff rates and hearing schedule, January 14, 2009.		
<u>Exhibit Number C2-3:</u>	19	1
City of Whitehorse IRs to YEC, January 30, 2009.		
<u>Exhibit Number C2-4:</u>	20	1
City of Whitehorse retainer letter, February 9, 2009.		
<u>Exhibit Number C2-5:</u>	20	1
City of Whitehorse reply re YEC request for extension to file IR Responses, February 24, 2009.		
<u>Exhibit Number C2-6:</u>	20	1
City of Whitehorse letter re YECL and UCG request for further information, March 27, 2009.		
<u>Exhibit Number C2-7:</u>	239	1
YECL Revised Schedule 3.1 from Yukon Electrical's compliance filing.		
<u>Exhibit Number C3-1:</u>	20	1
Utilities Consumers' Group request for Intervenor status, November 4, 2008.		
<u>Exhibit Number C3-2:</u>	20	1
Public Interest Advocacy Centre (IPAC) letter re Utilities Consumers' Group retainer letter, December 22, 2008.		
<u>Exhibit Number C3-3:</u>	20	1
UCG letter re hearing dates, January 12, 2009.		
<u>Exhibit Number C3-4:</u>	21	1
UCG letter re YEC correspondence re Board Order 2009-1, Phase II, January 26, 2009.		
<u>Exhibit Number C3-5:</u>	21	1
UCG IRs to YEC, January 28, 2009.		

<u>Exhibit Number C3-6:</u>	21	1
UCG letter reply re YEC request for extension to file IR Responses, February 23, 2009.		
<u>Exhibit Number C3-7:</u>	21	1
UCG request for further information, March 24, 2009.		
<u>Exhibit Number C3-8:</u>	21	1
UCG request for further information updates, March 24, 2009.		
<u>Exhibit Number C4-1:</u>	21	1
Maissan (Leading Edge) application for Intervenor status, October 18, 2008.		
<u>Exhibit Number C4-2:</u>	22	1
Leading Edge letter re Board Order 2009-1 and Phase II, January 23, 2009.		
<u>Exhibit Number C4-3:</u>	22	1
Leading Edge IRs to YEC, January 27, 2009.		
<u>Exhibit Number C4-4:</u>	22	1
Leading Edge reply re YEC request for extension to file IR Responses, February 23, 2009.		
<u>Exhibit Number C4-5:</u>	421	2
Paper copy of OIC response.		
<u>Exhibit Number C5-1:</u>	22	1
Percival request for Intervenor status, December 1, 2008.		
<u>Exhibit Number C5-2:</u>	22	1
Percival e-mail re representing Hamlet of Mount Lorne, January 8, 2009.		
<u>Exhibit Number C5-3:</u>	22	1
Percival e-mail re YEC correspondence re Board Order 2009-1, Phase II, January 26, 2009.		
<u>Exhibit Number C5-4:</u>	23	1
Percival IRs to YEC, January 31, 2009.		
<u>Exhibit Number C5-5:</u>	23	1
Percival reply re YEC request for extension to file IR Responses, February 23, 2009.		
<u>Exhibit Number C6-1:</u>	23	1
Cathers request for Intervenor status, December 4, 2008.		

<u>Exhibit Number C7-1:</u>	23	1
Giesbrecht request for Intervenor status, December 4, 2008.		
<u>Exhibit Number C1-9:</u>	52	1
Bundle of aids to cross.		
<u>Exhibit Number D1-1:</u>	23	1
Department of EMR request for Observer status, November 28, 2008.		
<u>Exhibit Number D2-1:</u>	23	1
Paul Kishchuk (Vector Research) request for Observer status, December 5, 2008.		
<u>Exhibit Number D3-1:</u>	24	1
Carcross/Tagish First Nation request for Observer status, December 5, 2008.		

* * * * *

ERRATA

Page 248, Line 10: "attempts" should be "tends"

* * * * *