YUKON ENERGY CORPORATION (YEC)
2012-2013 GENERAL RATE APPLICATION

CITY OF WHITEHORSE ("CW" or the "City") INFORMATION REQUEST NO.1 TO YEC

CW-YEC-01

Issue: Industrial Sales

Reference: Application page 1-6, lines 12-17

YEC states:

> More specifically, from 2005 to 2010, grid non-industrial sales steadily increased from 273 GW.h/year to 314 GW.h/year (a 41 GW.h increase over the period reflecting higher growth than was even forecast in the 2006 Resource Plan), while grid industrial sales were minimal until late 2008 when the Minto mine was connected to the grid. Industrial sales grew thereafter to 30 GW.h in 2010 and 43 GW.h in 2011 (including the Alexco mine which connected to the grid in October 2010). Industrial load growth to date continues to bring higher revenues that tend to more than offset any related incremental costs.

Preamble: The City wishes to test the benefits associated with YEC's industrial sales.

Request:

Please quantify by year any excess or deficiency of industrial revenues over incremental costs that YEC experienced during the 2005-2011 period. Please distinguish between capital and operating expenses.

CW-YEC-02

Issue: Secondary Sales

Reference: Application page 1-8, footnote 18

YEC states:

> The 2008/2009 GRA forecast secondary sales for the test years, but noted the opportunity to sell secondary energy on an interruptible basis would be basically eliminated. The application noted at page 11 that there may remain for a few years a small amount of secondary energy available in summer months, during off-peak hours, but the quantities will be limited. In September 2010, due to low water conditions on the WAF and Mayo Dawson grids secondary sales were required to be shut off for an extended period (until August 2011) resulting in a loss of $1 million in net revenue compared to 2009 (however, approximately only half of this revenue was included in 2009 rates). Secondary sales were briefly available in fall 2011 and are only expected to be available on a limited basis going forward.

Preamble: The City wishes to test YEC's secondary sales forecast.

Request:

a) Please confirm that the reference to page 11 of the 2008/2009 Application should be to pages 10-11 of that application.

b) What was the volume of forecast secondary sales approved in YEC's 2008/2009 Application? What was the actual volume of secondary sales in 2009?

c) How did YEC dispose of or recover any revenue difference between 2009 actual and forecast Secondary Sales?

d) What was the actual volume of secondary sales in 2010? How did YEC dispose of or recover any revenue difference between 2010 actual and forecast Secondary Sales?

e) What was the actual volume of secondary sales in 2011? How did YEC dispose of or recover any revenue difference between 2011 actual and forecast Secondary Sales?

CW-YEC-03

Issue: Industrial Sales

Reference: Application page 1-12, lines 21-22

YEC states:

> In 2008/2009 GRA it was noted that diesel would soon be "on the margin" on the integrated grid due to ongoing growth.

Preamble: The City requires confirmation of this statement.

Request:

Please provide the specific reference or references in the 2008/2009 Application where "it was noted that diesel would soon be 'on the margin' on the integrated grid due to ongoing growth."

CW-YEC-04

Issue: International Financial Reporting Standards (IFRS)

Reference: Application page 1-14,

YEC states:

> In lieu of earning a rate of return on assets under construction, the utility charges WIP projects at the weighted average cost of capital during the period the asset is being constructed. Under IFRS, entities are not permitted to charge projects for equity returns; accordingly, Yukon Energy has amended this policy to use a debt-only rate for AFUDC (Allowance for Funds Used During Construction) starting in 2011. At current rates, this will result in lower charges to capital (debt rates are less than equity); the overall impact is not expected to be material.

Preamble: The City wishes to determine the effect of IFRS on revenue requirement.

Request:

a) If IFRS results in lower charges to capital, will IFRS correspondingly raise revenue requirement by a reduction in the AFUDC component of operating income (Tab 7, Schedule 6, line 12) when large projects are undertaken?

b) If yes, please quantify the charges that have been shifted from capital to revenue requirement due to the implementation of IFRS.

c) What are the costs that YEC incurred in implementing IFRS by year? How does YEC propose recovering these costs? Please cross-reference to Appendix 6.2.

CW-YEC-05

Issue: Secondary Sales

Reference: Application page 2-2, lines 18-21

YEC states:

> Secondary sales have been interrupted on a sustained basis since September 2010 (except for temporary resumption in September 2011 due to high water in Aishihik Lake), and as a result of this sustained interruption a number of secondary sales customers have converted to primary supply for their electric heating loads.

Preamble: The City requires quantification of the amount of secondary sales converted to firm load.

Request:

a) What was the firm demand added by secondary sales customers converting to primary supply? Please provide converted sales by year for 2009, 2010, 2011 and 2012 to date.

b) Are there still secondary sales contracts? If yes, what is the total demand of these remaining secondary sales contracts?

CW-YEC-06

Issue: Wholesale Sales

Reference: Application page 2-3, line 22 to page 2-4, line 7

YEC states:

> Each year Yukon Electrical provides Yukon Energy with an Integrated Grid firm wholesale purchase power forecast reflecting its forecast grid firm retail sales less its forecast generation from its Fish Lake hydro plant. Yukon Energy reviews and adjusts the Yukon Electrical forecasts in light of the most recent information available.
>
> For GRA forecast purposes, available preliminary actual results for 2011 were considered and the 2011 actual YECL wholesale sales were adjusted to reflect expected in-service of a new Fish Lake hydro unit #1 in 2013 and to reflect adjustments for weather conditions based on 10 year average Heating Degree Days (HDD). A percentage growth increase of 2.26% per year was then applied to the adjusted 2011 actual wholesale sales (normalized assuming operation of both Fish Lake units) for each of 2012 and 2013 and additional sales were included for 2012 to reflect continuing shut down of Fish Lake Unit #1 until January 2013.

Preamble: The City wishes to examine the basis for YEC's retail sales forecast.

Request:

a) Please provide in detail YECL's actual retail sales forecast for each test year and the adjustments YEC applied to YECL's forecast to develop the wholesale sales forecast contained in this Application.

b) Did YEC consult with YECL concerning these adjustments? Please document the consultations.

c) Does YECL use the 10 year average Heating Degree Days to normalize its retail sales? Please explain the need to adjust YECL's forecast for Heating Degree Days.

d) Has the YUB approved the use of 10 year average Heating Degree Days as a method of normalizing temperature-sensitive sales?

CW-YEC-07

Issue: Industrial Rate 39

Reference: Application page 2-5, lines 1-4

YEC states:

> The GRA forecast also does not include any potential reduction in revenues related to use of the peak shaving rate option included in Rate Schedule 39 Industrial Primary. Electing to take service under this provision requires at least six months advance notice from the customer, and to date, such notice has not been provided.

Preamble:

Request:

a) Why, in YEC's opinion, have industrial customers not elected to take the peak shaving rate option?

b) What could YEC do within the test years to make this option more attractive and what would be needed to gain approval for these changes?

CW-YEC-08

Issue: Demand Side Management (DSM)

Reference: Application page 2-5, lines 5-9

YEC states:

> Yukon Energy is working to develop and deliver an audit pilot program as part of ongoing DSM initiatives. At the current time, an audit of the Alexco mine facilities has been undertaken. However, audit recommendations have not yet been implemented, and consequently, no provision for savings has been forecast in the test years.

Preamble: The City wishes to understand YEC's Industrial DSM initiative.

Request:

a) What were the audit recommendations for the Alexco mine facilities?

b) Can any of these recommendations be implemented during the test years? If not, why not?

c) What revenues does YEC expect from the Alexco pilot program? What would be the cost of implementing any or all of these measures?

CW-YEC-09

Issue: Industrial Load

Reference: Application page 2-6, lines 4-9

YEC states:

> Alexco is expected to develop further mines and mills in the Mayo-Keno area (as described in Figure C-1 Schedule C of the PPA) during its operating life; however, at this time due to uncertainty regarding the timing of such developments, power requirements for additional mines are not assumed in the load forecast. These additional mines are also expected to require development of mine electrical distribution facilities (that pursuant to the Alexco PPA would be fully paid for by the mine). Such facilities have yet to be developed.

Preamble: The City wishes to evaluate this uncertainty surrounding YEC's Industrial load forecast.

Request:

a) Is it possible that any expansion of the Alexco facilities will occur within the test years?

b) Are there any electrical facilities that will be required by the Alexco mines that will not be fully paid for by Alexco?

c) What would be the capital and operating costs of these additional assets including the assets contributed by Alexco.

CW-YEC-10

Issue: Industrial Load

Reference: Application page 2-6, lines 19-21

YEC states:

> It is expected that Whitehorse Copper Tailings would commence service in Q3 of 2013 as an industrial customer of Yukon Energy and that a PPA will be negotiated in 2012 in order to facilitate delivery of power to the mine site. The expected forecast load requirement for 2013 is 4.8 GW.h per year from the start of July to the end of November with 2.0 MW of peak demand.
>
> The expected mine life is six to seven years commencing in July 2013. After 2013, the mine is expected to operate nine months out of each year (March through November) at a typical annual load of 8.6 GW.h.

Preamble: The City wishes to examine the effect of Whitehorse Copper Tailings on required facilities and rates.

Request:

a) When in 2012 does YEC expect to execute a PPA with Whitehorse Copper Tailings?

b) Is it anticipated that Whitehorse Copper Tailings will trigger the need for any additional diesel generation in the months they will operate?

c) Will the PPA provide the customer with a credit for using any surplus hydro power during the months of operation?

CW-YEC-11

Issue: Industrial Load Forecast

Reference: Application page 2-8, lines 7-10

YEC states:

> Victoria Gold has filed its Project Proposal with YESAB (December 2010), and on December 16, 2011, commenced the Screening Report stage of review. Victoria Gold has also announced a Letter of Intent with Yukon Energy and is expected to enter into a Power Purchase Agreement with Yukon Energy in 2012[20].

Footnote 20 states:

> Victoria Gold announced LOI with Yukon Energy February 7, 2011 noting expectation to complete PPA by Q2 2011.

Preamble: The City wishes to examine the difference between the text and the footnote.

Request:

Please explain the difference between the expected dates of the Victoria gold PPA provided at line 10 with the expected date provided in footnote 20.

CW-YEC-12

Issue: Retail Load Forecast

Reference: Application page 2-8, lines 16-23

YEC states:

> Yukon Energy firm retail sales are comprised of sales to residential, general service, street light and space light customer classes served directly by Yukon Energy. The 2013 forecast indicates a 2.6% average annual increase in Yukon Energy's non-industrial retail sales over 2009 (actual).
>
> In sum, retail sales grew by 7.95% in 2010 over 2009 (actual), declined by 0.26% in 2011 over 2010, and are forecast at the same level for 2012 as in 2011. Retail sales are expected to grow by 2.9% in 2013 over 2012. The decline in retail sales in 2011 relates primarily to a decrease in retail sales in the general service class due to a decrease in Faro mine dewatering sales in combination with Alexco mine commencing service as an industrial customer in October 2010.

Preamble: The City wishes to understand YEC's retail sales forecast.

Request:

a) Please demonstrate in detail how YEC developed its retail load forecast from the economic growth and historical growth factors employed in forecasting.

b) Please explain in detail how "a decrease in Faro mine dewatering sales in combination with Alexco mine commencing service as an industrial customer in October 2010" caused a decline in retail sales.

CW-YEC-13

Issue: Secondary Sales Forecast

Reference: Application page 2-10, lines 10-14

YEC states:

> To the extent secondary sales become available in the test years, YEC proposes to credit the secondary sales revenue directly to the Diesel Contingency Fund (DCF). It is expected that secondary sales would only become available due to higher water flows. Crediting any additional revenues on this basis is consistent with the principles underlying the DCF and would serve to stabilize revenues and rates in the test years.

Preamble: The City wishes to understand YEC's proposal for the disposition of secondary sales revenue.

Request:

a) What are the "principles underlying the DCF" that YEC's proposal for secondary sales is consistent with?

b) Please provide a numerical example of how YEC's proposal would "stabilize revenues and rates in the test years". Would YEC's proposal provide similar stability beyond the test years?

c) Would a deferral account solely for secondary sales revenue provide similar stability in the test years and beyond? Please provide a numerical example in support of YEC's answer.

CW-YEC-14

Issue: System Generation

Reference: Application page 2-11, lines 13-15

YEC states:

> Seasonal water storage is typically needed for hydro facilities to be fully utilized in winter. In Yukon, controlled seasonal storage exists at Aishihik and to a much lesser extent at Mayo, but is largely unavailable at Whitehorse.

Preamble: The City wishes to understand the operation of the Integrated System.

Request:

a) Is seasonal hydro at both Aishihik and Mayo or just Mayo "largely unavailable at Whitehorse"? Please explain fully.

b) In either case, please demonstrate by a numerical example how seasonal hydro from both Aishihik and/or Mayo is not available at Whitehorse.

CW-YEC-15

Issue: Fuel Price Forecast

Reference: Application page 3-5, line 8 to 11

YEC states:

> Forecast fuel prices for the 2012/2013 test years are $1.0513 per litre for Whitehorse, $1.0885 per litre for Faro, $1.168 per litre for Dawson and $1.0966 per litre for Mayo and reflect the most recent fuel prices for YEC. This is higher than the fuel price forecast at the 2009 approved fuel prices of $0.96/litre, $0.992/litre, $0.975/litre and $0.967/litre respectively.

Preamble: The City wishes to analyze YEC's salary increases.

Request:

a) When YEC states "Forecast fuel prices…. reflect the most recent fuel prices for YEC", what was the actual price of fuel at the time this forecast was made?

b) What was the actual price of fuel for Whitehorse, Faro, Dawson and Mayo for the first six months of 2012?

c) Is the 2012 and 2013 fuel price forecast based on any acknowledged forward price such as the NYMEX Refined Product Futures? If not, what is the transportation differential for Whitehorse, Faro, Dawson and Mayo compared to the NYMEX price?

d) Does YEC undertake to revise its fuel price forecasts at the time of the hearing?

CW-YEC-16

Issue: Employee Salaries

Reference: Application page 3-6, line 19 to 3-7, line 1

YEC states:

> The average annual increase in salaries per FTE is 4.3% from 2009 approved to 2013 forecast.

Preamble: The City wishes to analyze YEC's salary increases.

Request:

Please provide a table similar to Table 3.4 that provides percentage salary increases by year by department. Please add an additional line that provides the Yukon CPI by year and the forecast inflation rates used in this application.

CW-YEC-17

Issue: Operating and Maintenance (O&M) Expenses

Reference: Application page 3-8, Table 3.4

YEC provides the following table:

Table 3.4
Employee Complement History

	2009 GRA compliance	Actual 2009	Actual 2010	FYF 2011	GRA 2012	GRA 2013
President	2.50	4.50	5.50	5.50	4.50	4.50
Communications	1.00	1.00	1.00	1.00	1.00	1.00
Human Resources & Info. Mgmt.	7.00	5.00	6.00	7.10	6.25	6.25
Resource Planning and Environment	1.00	2.00	2.00	6.00	7.00	7.00
Finance, Cust. Acctg. & Purchasing	12.81	14.08	13.69	15.75	17.00	17.00
Operations	40.10	40.61	41.49	41.44	41.25	41.25
Engineering Services	12.00	12.00	15.44	14.00	13.00	13.00
Health, Safety & Environment	3.33	2.00	2.00	2.00	2.00	2.00
Total	79.74	81.19	87.12	92.79	92.00	92.00

Note:
1. The employee complement numbers are net of allocation to YDC.

Preamble: The City wishes to understand YEC's employee complement.

Request:

a) Please provide a detailed explanation of the FTE additions or decreases to each department by year and why the additions were necessary.

b) Please provide the FTE vacancies in each department by year.

c) Please provide a current organization chart for the corporation and indicate which positions are currently vacant.

CW-YEC-18

Issue: Operating and Maintenance (O&M) Expenses

Reference: Application page 3-8, Table 3.6

YEC provides the following table:

Table 3.6
Transmission Costs
($000)

	2009 GRA compliance	Actual 2009	Actual 2010	FYF 2011	Forecast Existing 2012	Forecast Proposed 2012	Forecast Existing 2013	Forecast Proposed 2013
Labour	$ 482	$ 453	$ 319	$ 396	$ 431	$ 431	$ 440	$ 440
Brushing	377	387	268	434	505	505	639	639
Other Non-Labour	235	369	208	280	255	255	214	214
Total Transmission	$ 1,094	$ 1,208	$ 795	$ 1,110	$ 1,190	$ 1,190	$ 1,293	$ 1,293

Preamble: The City wishes to analyze YEC's transmission costs.

Request:

a) Please provide a detailed explanation of the increases/decreases year by year for Transmission Labour, Brushing and Other Non-Labour expenses in Table 3.6.

b) Please provide Table 3.6 showing each category of annual transmission costs on a $/km of transmission line basis.

CW-YEC-19

Issue: Operating and Maintenance (O&M) Expenses

Reference: Application page 3-9, Table 3.7

YEC provides the following table:

Table 3.7
Distribution Costs
($000)

	2009 GRA compliance	Actual 2009	Actual 2010	FYF 2011	Forecast Existing 2012	Forecast Proposed 2012	Forecast Existing 2013	Forecast Proposed 2013
Labour	$ 521	$ 546	$ 477	$ 473	$ 579	$ 579	$ 592	$ 592
Brushing	46	17	16	68	93	93	113	113
Other Non-Labour	132	97	96	116	108	108	113	113
Total Distribution	$ 699	$ 660	$ 588	$ 657	$ 780	$ 780	$ 819	$ 819

Preamble: The City wishes to analyze YEC's distribution costs.

Request:

a) Please provide a detailed explanation of the decreases in brushing and other non-labour costs from that forecast for 2009 and actually incurred in 2009 and 2010.

b) Please provide Table 3.7 showing each category of annual distribution costs on a $/km of distribution line basis.

CW-YEC-20

Issue: Insurance and Reserve for Injuries & Damages

Reference: Application page 3-17, Table 3.10

YEC provides the following table:

Table 3.10
Insurance and Reserve for Injuries & Damages
($000)

	2009 GRA compliance	Actual 2009	Actual 2010	FYF 2011	Forecast Existing 2012	Forecast Proposed 2012	Forecast Existing 2013	Forecast Proposed 2013
Insurance	$ 952	$ 787	$ 787	$ 774	$ 835	$ 835	$ 895	$ 895
Reserve Appropriation (RFID)	100	100	100	100	100	231	100	231
Total	$ 1,052	$ 887	$ 887	$ 874	$ 935	$ 1,066	$ 995	$ 1,126

Note:
1. Actual 2009 reserve appropriation was reduced from $0.150 million to $0.1 million to comply with YUB Order 2009-8.

Preamble: The City wishes to analyze YEC's insurance costs.

Request:

a) Please provide a detailed explanation of the variances in insurance costs between that approved in 2009 and the actual amounts in 2009, 2010 and 2011. How did YEC dispose of the difference between the forecast and actual Insurance costs?

b) Please provide the invoice for insurance for 2012.

c) Please provide a continuity schedule in Excel format of the Reserve for Injuries and Damages account from its inception to date (2Q 2012) that clearly sets out all additions, charges, opening and closing balances on a yearly basis.

d) Please provide a history of claims against the existing property and liability policies with an explanation as to why a claim was made rather than charging the loss to the Reserve for Injuries and Damages.

CW-YEC-21

Issue: Regulatory Costs

Reference: Application page 3-22, lines 19-22

YEC states:

> **Regulatory costs ($0.972 million in 2012 and $1.252 million in 2013 compared to $0.489 million in 2009 approved),** including the impacts of amortizing the current GRA over 2 years, 2008/09 Phase II GRA costs over 2 years, the Resource Plan cost over 5 years and DSM proceeding over 10 years and other projects as set out in Tab 5.

Preamble: The City wishes to analyze YEC's regulatory costs.

Request:

a) Please provide a continuity schedule in Excel format of YEC's regulatory costs account showing additions, amortizations and opening/closing balances. Please provide cross-references for additions.

b) What is the basis for YEC's forecast of regulatory costs for 2012 and 2013?

CW-YEC-22

Issue: Depreciation Study

Reference: Application page 3-23, lines 15-7

YEC states:

> Yukon Energy has undertaken a review of its depreciation rates and provisions, using an external expert (KPMG). The result of this review is a significant change in the Corporation's service lives for certain major assets. The updated Yukon Energy depreciation study is provided in Tab 10 of this filing.

Preamble: The City requires more information to analyze YEC's proposed changes in depreciation and amortization.

Request:

a) Please prepare a summary table that compares YEC's existing depreciation rates by asset class to YEC's proposed depreciation rates, the reasons for each change and a cross-reference to the depreciation study in Tab 10.

b) Does YEC retain its Fund for Removal, Salvage and Remediation (FRSR)? If yes, please provide a continuity schedule in Excel format of additions, withdrawals and opening and closing balances since 2009.

CW-YEC-23

Issue: Insurance and Reserve for Injuries & Damages

Reference: Appendix 3.1, page 3.1-2

YEC provides the following table:

4.0 Criteria

4.1 Uninsured and uninsurable losses and associated costs will be charged to the RFID if they meet the following criteria:
(a) The loss exceeds $10,000;
(b) The loss was sudden and accidental and not the result of normal wear and tear;
(c) The incident was of significance to the operation of the unit; and
(d) The loss was one of low probability, not normally expected to occur in a typical operating year.

4.2 The deductible portion of insured losses and any portion of a loss not covered by insurance and not related to betterment of the asset, and any extra expense related to an uninsurable or uninsurable unplanned plant outages[3] will also be charged to the RFID.

Preamble: The City wishes to analyze YEC's insurance costs.

Request:

a) Has YEC applied any of these criteria to its charges to the Reserve for Injuries and Damages? If yes, which criteria were implemented and when were they implemented?

b) When YEC expenses losses and damages under the threshold, what account is charged with the loss?

c) How did YEC determine that $10,000 is the appropriate threshold of materiality?

d) Does YEC propose charging all of a loss exceeding $10,000 to the Reserve for Injuries and Damages or will YEC expense the portion below $10,000?

e) What is the maximum amount that YEC will charge to the Reserve for Injuries and Damages?

f) Please provide examples of the types of losses that YEC proposes charging to the Reserve for Injuries and Damages under criterion 4.2.

g) What losses has YEC experienced in the past that would qualify under criterion 4.2? Did YEC claim these against the Reserve for Injuries and Damages or were these expensed?

h) What losses and damages does YEC's property and liability insurance cover? Please provide the appropriate documentation from YEC's policies.

CW-YEC-24

Issue: Diesel Contingency Fund (DCF)

Reference: Appendix 3.2

Preamble: The City requires more information on how the Diesel Contingency Fund will operate.

Request:

a) Based on the description and parameters set out in Appendix 3.2, please provide numerical examples of Diesel Contingency Fund additions, withdrawals, opening and closing balances and secondary sales credits for the following conditions:

   i. 20% lower than average water flow.
   ii. 10% lower than average water flow.
   iii. Average water flow.
   iv. 10% higher than average water flow.
   v. 20% higher than average water flow.

b) Please provide a pro forma monthly report as described at page 3.2-3.

CW-YEC-25

Issue: Diesel Contingency Fund (DCF)

Reference: Application page 3.2-2, lines 19-22

YEC states:

> On March 29, 2010, Yukon Energy filed its 2008 Diesel Contingency Fund Filing and noted the potential need to update methods of operation of the DCF. It was noted that the DCF operating rules would require attention in the future to address a number of new circumstances, including updating long-term average hydro generation values, fund triggers, and potentially a means to address secondary sales.

Preamble: The City requires more information on the Diesel Contingency Fund.

Request:

a) Please provide a copy of the filing of March 29, 2010 referenced above.

b) What changes does YEC propose in this application from the filing of March 29, 2010?

CW-YEC-26

Issue: CSTP Stage 2

Reference: Application page 5-5, lines 9-12 and CW-YEC-5 (a) Table 1 (Mayo B)

YEC states:

> The project was energized on June 16, 2011.
>
> Project costs are not yet final. The present estimates of the final completion cots are approximately $41.9 million. The full $41.9 million is funded by the federal and Yukon government contributions and, accordingly, there is no impact to rate base and no impact on rates.

Preamble: The City requires more information on this project.

Request:

a) Please provide a detailed explanation of the variance in costs between the $41.9 million and the $40 million estimated cost noted at line 3 of page 5-5.

b) Please provide the original costs of this project approved by YEC's Board of Directors by component and the actual costs in the same detail with explanations for variances greater than ±5% between estimated and actual.

c) Please provide a copy of the response to YECL-YEC-1-8 REVISED from YEC's 2008/2009 Application.

d) Please explain why the cost of the project has not been finalized if the project has been in service since June 16, 2011.

e) Are the federal and Yukon government contributions final or are they subject to change based on final project costs?

f) Has this project and its associated contribution(s) been placed in rate base?

CW-YEC-27

Issue: Mayo B

Reference: Application page 5-5, line 14 to page 5-6, line 22 and CW-YEC-5 (a) (Mayo B) Table 1 (see Attached)

YEC states:

> The project's completed cost is forecast at approximately $116.6 million (excluding the Mayo Lake project), or $1.9 million less than $118.5 million budget (excluding Mayo Lake project costs). The net rate base cost is forecast at $35 million, as project costs are forecast to be offset by federal and Yukon Government/YDC contributions of approximately $81.6 million.

Preamble: The City requires more information on this project.

Request:

a) Please provide a side-by-side comparison of the cost breakdown provided as CW-YEC-5 Table 1 in the Mayo B Facilities hearing (attached) and the 116.6 million actual costs, as stated above.

b) Please provide an explanation of any variance greater than ±5%.

c) When did the project enter service and when was it and its associated contribution(s) placed in rate base?

d) Please provide a table of generation output from Mayo B since entering service.

e) Please provide an analysis of the costs and benefits of the Mayo B project based on actual costs, contributions and forecast sales in the same format as YUB-YEC-25 Attachment 1 in the Mayo B hearing.

CW-YEC-28

Issue: Aishihik Third Turbine Construction

Reference: Application page 5-5, line 23 to page 5-9, line 21

Preamble: The City requires more information on this project

Request:

a) What peaking capacity and "long-term average hydro energy supply" has been added to the system by this project (page 5-6, lines 25-26)?

b) Please provide the NPV analysis of the benefits of this project mentioned in footnote 3, page 5-7.

c) Please provide the analysis that led YEC to conclude in August 2010 that this project was still beneficial (page 5-8, lines 16-19).

d) Please provide the original costs of this project as of August 2010 by component and the actual costs in the same detail with explanations for variances greater than ±5% between estimated and actual.

e) Please provide the output of this project by month since December 2011 (page 5-9, line 10).

f) Has this project and its associated contribution(s) been placed in rate base? If yes, please advise when this project and its associated contribution(s) have been placed in rate base?

CW-YEC-29

Issue: Mayo Hydro – Substation Enhancements

Reference: Application page 5-11, lines 5-8

YEC states:

> The spending profile over the three year period is projected to total $10.15 million:
>
> - $0.163 million in 2010;
> - $3.647 million in 2011(net of $0.750 million cost assigned to Mayo B Project); and
> - $6.342 million in 2012.

Preamble: The City requires more information on this project

Request:

a) What part of the project listed at page 5-10, line 23 to page 5-11, line 4 was assigned to Mayo B and why?

b) Please provide a continuity of Construction Work in Progress (CWIP), Allowance for Funds Used During Construction (AFUDC) and additions to rate base for this project.

CW-YEC-30

Issue: Aishihik Generation Station Redundancy

Reference: Application page 5-16, lines 1-12

YEC states:

> In August 2009, based on AECOM preliminary estimates Yukon Energy set its preliminary budget at $2.9 million. However, when the construction contract was tendered, the bid prices came in materially higher than AECOM's preliminary estimates. The tender process was cancelled and direct discussions were held with individual contractors to determine if the project scope could be refined to reduce the cost of the project. This was not possible and as a result of these discussions the estimate had to be materially increased.
>
> Some of the material challenges that caused difficulties in AECOM estimating the costs included necessary changes to the building location and design, additional grading and related costs for a retaining wall (to address contaminated soil and soil integrity), and changes in base metal prices which increased the cost of cables and cable tray. Further, due to the complexity and importance of electrical work additional Yukon Energy resources had to be committed to the project to advise, plan and lead the work.
>
> With all relevant cost information now compiled, the forecast project cost estimate is now $6.356 million.

Preamble: The City requires more information on this project.

Request:

a) Please provide the original business case for this project and a breakdown of the original estimated cost if the original business case does not provide it. If the business case has a different estimated cost than the 2009 estimate of $2.9 million quoted above, please provide a detailed explanation of the changes in costs.

b) Please provide a detailed history of the estimated costs of this project showing how each factor in the quote above increased costs from $2.9 million to $6.356 million.

c) Please provide a continuity schedule of expenditures, AFUDC and additions to rate base from 2009 to 2013 for this project.

CW-YEC-31

Issue: GRA Phase 1 Revenue Requirement Review – $1.1 million

Reference: Application page 5-47, line 18-20

YEC states:

> This spending addresses the costs of preparing and filing a 2012/2013 Phase I GRA, as well as a full regulatory review. Any joint YEC/YECL cost of service and rate design filing is to be undertaken at a future date to be determined, and is not included in this projected cost.

Preamble: The City requires more information concerning this project and its associated costs.

Request:

a) Please provide a detailed breakdown and description of the costs included in the "GRA Phase 1 Revenue Requirement Review" project and the year(s) in which the expenditures occurred or are forecast to occur.

b) Has YEC obtained approval of these costs yet? If not, is YEC seeking approval of these costs in these proceedings or in the related costs proceeding?

c) Has YEC included this project in Appendices 5.4 or 5.5?

CW-YEC-32

Issue: Rate Case

Reference: Application page 5-49, lines 10-14

YEC states:

> **Rate Case** (from 2009 to 2011 of $1.02 million (excluding GRA reviews), and with an additional $0.23 million in 2012) – spending in the test years is focused on the preparation of the 2011 Resource Plan Update required to facilitate decision making on major infrastructure projects by providing new an additional information on load forecasts, generation and transmission options as well as an assessment of alternatives.

Preamble: The City requires more information concerning this project and its associated costs.

Request:

a) How do these costs differ from the costs discussed at page 5-47, line 18-20?

b) Please provide a detailed breakdown and description of the 1.02 million of spending between 2009 and 2011.

c) What will the "additional $0.23 million in 2012" be spent on in 2012?

d) Has YEC included this project in Appendices 5.4 or 5.5?

CW-YEC-33

Issue: Planning Policy

Reference: Appendix 5.1

Preamble: The City wishes to evaluate YEC's proposed Planning Policy.

Request:

a) Please provide YEC's current planning policy. When was this policy developed?

b) What would be the amount of deferred project costs amortized in 2012 and 2013 under the current planning policy? What is the change in amortization under the proposed planning policy?

c) What is the Reasonable Assurance test and what are the parameters that YEC applies?

d) Have all the studies in Tables 5.1 to 5.7 passed the Reasonable Assurance Test? If not, which studies have not?

e) Which studies in Tables 5.1 to 5.7 are associated with projects that are feasible and will provide service to customers at a future date?

f) Please explain the choice of a five-year amortization period for projects that do not meet the Reasonable Assurance Test.

g) Please explain the choice of a ten-year amortization period for project costs that are abandoned after meeting the Reasonable Assurance Test.

h) Section 4.0 of Appendix 5.1 discusses a "Transition Policy for 2012 & 2013 Test Years". How does this policy result in intergenerational equity for customers?

CW-YEC-34

Issue: Demand Side Management Accounting

Reference: Appendix 5.2

Preamble: The City wishes to evaluate YEC's proposed Demand Side Management Accounting Policy.

Request:

a) How does YEC's proposed Demand Side Management Accounting Policy ensure that the costs of developing a DSM project are matched to the benefits of the same project?

b) Please explain the choice of a ten-year amortization period for projects that "Management has indicated its intention to proceed with the program."

c) Please provide examples of "Research related activities not associated with a specific program".

d) How will YEC dispose of costs associated with a specific project which management decides not to proceed with?

e) Does YEC have a test for DSM projects similar to the Reasonable Assurance test?

f) Are there any projects or research underway currently in YEC that fall under this policy? Please identify and indicate how the costs and any associated revenues will be accounted for.

CW-YEC-35

Issue: Directive # 3 Demand Side Management

Reference: Application Tab 6, pages 6-3 to 6-7

Preamble: The City wishes to evaluate YEC's proposed Demand Side Management Program in response to Directive # 3.

Request:

a) At page 6-6, lines 20-23, YEC states: "a policy document will be completed in early Q2 2012 and it is anticipated that before the end of 2012 Yukon Energy in collaboration with others will have determined the specific DSM programs to be implemented in the near-term. The policy document and any further updates regarding DSM programming will be filed with the Board once available." As it is now late in Q2 2012, has the policy document been completed? Please provide if completed. If not completed, please advise why not and when the policy document will become available.

b) Footnote 5 on page 6-7 states with respect to YEC's LED Streetlight project: "YEC pilot project undertaken with input from ESC. Yukon Electrical has also undertaken its own pilot program." Has YEC co-ordinated its LED Streetlight project with that of YECL to share results and avoid duplication?

CW-YEC-36

Issue: Directive # 8 Reserve for Injuries and Damages

Reference: Application Tab 6, pages 6-9 to 6-11

YEC quotes Directive 8:

> The Board concludes that a policy outlining the criteria for charging items to the Reserve [for Injuries and Damages] is needed. The Board directs YEC to undertake a risk management study (Study) of other utilities. The Study should examine and provide results that among other things:
>
> - Maximizes the benefits of trade offs between the deductible amounts proposed to be used on property insurance, the additional costs of making claims on its existing insurance and the size of uninsured claims; and
>
> - Outlines the criteria used to include an item in the Reserve, i.e. materiality threshold, probability of the event occurring, etc.

Preamble: The City wishes to evaluate YEC's response to Directive # 8.

Request:

a) What are the deductible amounts on YEC's existing property and liability insurance? Please provide any supporting documents.

b) What are the additional costs of making claims on YEC's existing property and liability insurance? Please provide any study or studies undertaken.

c) How does YEC maximize the tradeoff between making insurance claims and the charges to the Reserve for Injuries and damages? Please provide any study or studies undertaken or cross-reference to Appendices 12.4 and 12.5.

CW-YEC-37

Issue: Financial Schedules

Reference: Application Tab 7

Preamble: The City wishes to analyze YEC's regulatory schedules in detail.

Request:

Please provide the regulatory schedules in Tab 7 in Excel format with all formulae and internal links intact.

CW-YEC-38

Issue: Forecast Cost of debt

Reference: Application Tab 7, Schedule 11, page 7-15

YEC provides the following table:

Line No.	Description	Cross Ref.	2009 Approved	Actual 2009	Actual 2010	Prelim. Actual 2011	Forecast Existing 2012	Forecast Proposed 2012	Forecast Existing 2013	Forecast Proposed 2013
	General Purpose Long-Term Debt Balance									
1	Canada Flexible Term Note		25,126	25,111	24,111					
2	TD Canada Trust		6,471	6,471	5,724	4,891	3,938	3,938	2,945	2,945
3	YDC Loan			59,836	57,779	78,891	75,891	75,891	72,891	72,891
4	Mayo B Flexible Term Note					21,900	21,563	21,563	21,226	21,226
5	New YDC Loan					19,148	18,510	18,510	17,871	17,871
6	New YDC Loan						21,623	22,911	20,902	22,147
7	New YDC Loan								8,254	10,093
8	YDC Loan #12 (5.88%)		22,493							
9	YDC Loan #13 (6.03%)		3,649							
10	YDC Loan #14 (5.40%)		2,841							
11	YDC Mayo-Dawson Note (6.55%)		15,157							
12	YDC Loan #15 (5.34%)		3,585							
13	YDC Loan #16 (5.28%)		4,251							
14	YDC Loan #17 (5.28%)		4,304							
15	YDC Loan #18 (5.28%)		4,704							
16	Current year-end balance		92,581	91,418	87,614	124,830	141,525	142,813	144,090	147,174
17	Previous year-end balance		91,602	91,159	91,418	87,614	124,830	124,830	141,525	142,813
18	Mid Year		92,092	91,288	89,516	106,222	133,177	133,821	142,807	144,993
	Interest Costs									
19	Canada Flexible Term Note		1,726	1,742	1,758					
20	TD Canada Trust		535	535	479	371	180	180	140	140
21	YDC Loan			3,398	3,473	3,461	3,371	3,371	3,225	3,225
22	Mayo B Flexible Term Note						11	11	212	212
23	New YDC Loan						960	960	925	925
24	New YDC Loan								1,081	1,146
25	New YDC Loan									
26	YDC Loan #12 (5.88%)		1,393							
27	YDC Loan #13 (6.03%)		220							
28	YDC Loan #14 (5.40%)		153							
29	YDC Mayo-Dawson Note (6.55%)		1,022							
30	YDC Loan #15 (5.34%)		191							
31	YDC Loan #16 (5.28%)		224							
32	YDC Loan #17 (5.28%)		200							
33	YDC Loan #18 (5.28%)									
34	Minto Diesel		155							
35	**Total Cost of Interest**		5,820	5,675	5,710	3,833	4,522	4,522	5,584	5,648
36	Mid-Year Cost of Debt		6.15%	6.22%	6.38%	3.61%	3.40%	3.38%	3.91%	3.90%

Preamble: The City wishes to examine YEC's debt costs.

Request:

a) Have YDC Loans #12 through #18 (lines 8-15) been merged into one loan (line 3) by the YDC? If yes, what is the rate of the consolidated loan? If not, please redo Schedule 11 showing each debt issue separately with its corresponding year-end balance and yearly cost of interest.

b) Has the Canada Flexible Term Note (line 1) been merged into the YDC loan (line 3) for 2012 and beyond? If yes, please explain.

c) Why are different amounts shown for existing 2012 and forecast 2012 YDC New Loan?

d) Why are different amounts shown for existing 2013 and forecast 2013 YDC New Loan?

e) What is the timing of the forecast new loans from YDC and how have YEC and YDC forecast the cost of these new issues?

CW-YEC-39

Issue: Risk

Reference: Application page 8-1, lines 11-14 and Schedule 4B, page 7-7

YEC states:

> In past General Rate Applications (GRA), including the 1996/97 GRA, Yukon Energy's allowed return on equity (ROE) has been set by the Board based on being 0.5% below the ROE awarded for Yukon Electrical (YECL), notwithstanding that Yukon Energy as a generation utility would typically be understood to face considerably higher risk levels than Yukon Electrical with its focus on distribution.

Preamble: The City wishes to understand YEC's discussion of risk.

Request:

a) Please provide supporting materials or precedents for YEC's submission that "Yukon Energy as a generation utility would typically be understood to face considerably higher risk levels than Yukon Electrical with its focus on distribution."

b) Is YEC a transmission utility as well as a generation utility? If yes, please provide any materials or precedents that would aid the Board in evaluating the risks of a transmission utility relative to generation and distribution utility.

c) Is YEC a distribution utility as well as a generation utility?

d) In Schedule 4B, YEC forecasts a 40% equity ratio. Is this equity ratio commensurate with YEC's perceived risk of itself as a generation-only utility?

CW-YEC-40

Issue: Return on Equity

Reference: Application page 8-2, lines 16-24

YEC states:

> Since 2009, there has been a material shift in how return on equity is determined in British Columbia. In effect, the Terasen ROE decision (Order G-158-09) eliminated the automatic adjustment mechanism and ordered Terasen Gas Inc[3] to complete a study of alternative formulae for an automatic adjustment mechanism and report results to the BCUC by December 31, 2010[4]. However, the BCUC determined that the 2009 approved ROE for Terasen (9.5%) may continue to be used as the Benchmark ROE in establishing the ROE for rate-setting purposes for other BC utilities[5]. BC utilities continue to reference this benchmark and apply utility-specific risk premiums as approved by the BCUC. The BCUC has recently initiated a generic cost of capital proceeding; however, an up-to-date low risk benchmark is not expected before the end of 2012[6].

Preamble: The City wishes to understand the BCUC's determinations.

Request:

a) Please provide Order G-158-09.

b) Has Terasen completed its study of alternative ROE formulae? If yes, please provide.

c) What are the "other utilities" referenced in footnote 5? What equity ratios did the BCUC allow these utilities listed in footnote 6? What were the utilities' actual equity ratios since Order G-158-09?

d) What utility-specific risk premiums has the BCUC applied to the utilities listed in footnote 6 since Order G-158-09?

CW-YEC-41

Issue: Return on Equity

Reference: Application page 8-3, lines 15-20

YEC states:

> Yukon Energy has reviewed recent ROE decisions from other jurisdictions. Based on this review, the Application proposes to use the most recent low risk utility benchmark ROE established in Canada set by the Alberta Utilities Commission (AUC) in December 2011 (Decision 2011-474[8]) in order to determine a fair ROE for the test years. This would modify the benchmarking approach used since 1998 by referencing the Alberta Utilities Commission generic ROE rather than the BCUC generic ROE before applying the previously approved utility-specific risk premium of 52 basis points[9].

Preamble: The City wishes to understand YEC's use of the Alberta benchmark.

Request:

a) Please provide a table of the benchmark ROEs, associated allowed equity ratios for each utility regulated by that jurisdiction and any adjustment mechanism for each jurisdiction examined by YEC.

b) What were the resultant ROEs for each jurisdiction examined in a) for the 2009-2012 period and 2013, if available?

c) Please provide YEC's reasons for choosing the AUC's benchmark ROE over other jurisdictions reviewed.

d) Please summarize the method employed by the AUC in Decision 2011-474 to determine a fair return to a utility.

e) Did the AUC, in Decision 2011-474, employ utility-specific risk premiums to the utilities under its jurisdiction? If yes, what utility-specific risk premiums were applied to each utility?

f) Did the AUC determine or provide an adjustment mechanism for a 2013 benchmark return on equity in Decision 2011-474?

CW-YEC-42

Issue: KPMG Depreciation study

Reference: Tab 10 Depreciation study

Preamble: Important background information appears to be missing from this study.

Request:

a) Please provide complete supporting information that led KPMG to its recommendations on depreciation rates. This should include, but is not limited to:

i. Service life analysis
ii. Calculated annual accrual rates
iii. Composite remaining life calculations
iv. Calculated depreciation reserves
v. Salvage analysis

b) Has KPMG netted out costs of removal from the salvage values in the Results by Account (pages 10-16 and 10-17)? Which accounts did KPMG include costs of removal and how much was included in each account?

CW-YEC-43

Issue: General Liability and Commercial Property Retention Analysis and Actuarial Valuation

Reference: Appendix 12.4 and 12.5

Preamble: CW wishes to better understand the conclusions of these studies.

Request:

a) Please provide a glossary of the technical terms used in these studies. This glossary should include but not be limited to:

   i. Inherent Uncertainty
   ii. Extraordinary Future Emergence
   iii. Expected retained losses at various retention levels
   iv. Technical premium
   v. Retained RFID Loss
   vi. Technical Premium Insured Layer
   vii. Insured layer

b) Please provide the same background data as supplied to AON on past losses charged to the RFID and the property and liability insurance policies.

c) What was the materiality threshold that was applied to the past losses set out in b)? If the change to the materiality threshold proposed in Appendix 3.1 is approved, how would the recommendations of AEON in Appendices 12.4 and 12.5 change? Please explain in detail with numerical examples showing the changes.

CW-YEC-44

Issue: Map of System

Reference: General

Preamble: CW wishes to better understand YEC's proposed capital additions and system operation.

Request:

Please provide a current system map or maps appropriately showing the locations of each of the communities served, transmission facilities by number and generating units (size of units) at each location.