



The Yukon Electrical Company Limited

An **ATCO** Company

December 14, 2011

Lawrence Joudry
Director of Engineering Services
Yukon Energy Corporation
P.O. Box 5920
Whitehorse, YT Y1A 6S7

Dear Mr. Joudry:

Re: Invoice #YECL2011-1 to Yukon Energy relating to costs incurred by Yukon Electrical in support of Yukon Energy's Interconnection of the Mayo Dawson and WAF Transmission Lines and the Interconnection of Pelly Crossing to the Grid.

As a result of construction of a new Yukon Energy substation at Pelly Crossing, the Yukon Electrical standby diesel plant in Pelly Crossing was put into service for an extended period of time. The plant was put into service at the request of Yukon Energy to allow Yukon Energy to proceed with its transmission line and substation construction projects. It was agreed by Yukon Electrical and Yukon Energy that the operation of the standby diesel plant was the most economic solution to meet customer needs in Pelly Crossing.

During meetings in January and April of 2011, Yukon Electrical recommended to Yukon Energy the incremental cost of diesel generation, as a result of Yukon Energy's capital projects, can and should be capitalized to Yukon Energy's capital projects and recovered from customers over the life of the assets. While Yukon Energy did not agree, Yukon Electrical nevertheless proceeded with running its plant in good faith on the premise that Yukon Energy would work together with Yukon Electrical to arrive at a reasonable and fair agreement of the costs incurred.

Further to the above capitalization recommendation, Yukon Electrical notes that Yukon Energy itself has been very clear over the years with its position, on the regulatory record, that extra diesel generation costs incurred as a result of a capital project are to be charged to the capital project.



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Yukon Electrical acknowledges that it owns and maintains a standby diesel plant in Pelly Crossing to meet the needs of its customers and forecasts a small amount of dollars each year to cover off generation running costs incurred due to loss of transmission line supply for short durations of time. Yukon Electrical does not and did not, however, forecast the loss of supply and costs incurred for an extended period of time due to a Yukon Energy transmission and substation capital project.

For the above reasons, Yukon Electrical has prepared and attached an invoice to Yukon Energy for the incremental costs incurred in Pelly Crossing in support of Yukon Energy's capital projects. The amount only includes the approved regulated fuel costs (i.e.: GRA approved parameters) and not any other costs such as labour associated with running the plant for the extended period of time. Yukon Electrical also notes the costs that it would have incurred due to purchase power have been removed from this invoice.

In conclusion, Yukon Electrical believes the determination of the attached invoice amount and capitalization justifications thereof have been well considered and are reasonable in the circumstances. If you have concerns with the calculations and or justification of the invoice, we would be pleased to sit down with Yukon Energy to discuss the matter further.

Yours truly,

THE YUKON ELECTRICAL COMPANY LIMITED

Phil Borgel P.Eng
Supervising Engineer
Yukon Electrical Company Limited
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Encl: Invoice **YECL2011-1**

cc: W. Tonsi YECL



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INVOICE # YEC2011-1
DATE: 20-Dec-11

To:
YUKON ENERGY CORPORATION
PO BOX 5920
WHITEHORSE, YT
Y1A 6S7

ATTENTION: LAWRENCE JOUDRY

TO RECOVER INCREMENTAL FUEL COSTS FOR PELLY (MAY - AUG 2011)

Incremental fuel costs	59,232.49
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SUB TOTAL	59,232.49
GST	-
TOTAL DUE \$	59,232.49

Terms: Net 30 days. 2% interest per month charged on overdue accounts

GST NUMBER - R105778294

Please ensure that your cheque is made payable to: **THE YUKON ELECTRICAL COMPANY LIMITED**
If you have any questions concerning this invoice, call: Randi Outerbridge @867-633-7007

Serving the Yukon since 1901

100, 1100 First Avenue, Whitehorse, YT Y1A 3T4 tel: 867.633.7000 or 1.800.661.0513 fax: 867.668.3965

