YUKON UTILITIES BOARD

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

and

IN THE MATTER OF Yukon Energy Corporation's General Rate Application for 2012 and 2013

BOOK OF CROSS-EXAMINATION MATERIALS

UTILITIES CONSUMERS' GROUP

November 9, 2012

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TAB 1

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2008-0241

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Peterborough Distribution Inc. for an order approving or fixing just and reasonable rates and other charges for the distribution of electricity to be effective May 1, 2009.

BEFORE: Paul Vlahos
Presiding Member

Ken Quesnelle
Member

DECISION

June 1, 2009

Specific Service Charges

PDI proposed to consolidate its currently approved Specific Service Charges to be applicable to all its service areas.

Board staff submitted that this approach is reasonable.

Board Findings

The Board accepts PDI's proposal as reasonable given the harmonization of rates for the three service areas in all other respects.

Implementation

PDI's application was for the new rates to be effective May 1, 2009. The Board had declared rates interim effective May 1, 2009. PDI filed its application almost two months after the Board's established filing date of August 15, 2008. Given the date of this Decision, instituting a May 1, 2009 effective date would cause rate retroactivity, which would be particularly problematic in this case where there is harmonization of rates resulting in additional rate impacts for some customers. Therefore, the Board finds that the new rates shall be effective the same date as the implementation date. Given that there would be some time required for the Rate Order to be finalized, the Board finds an effective date of July 1, 2009. For additional clarity, there will be no recovery of any foregone distribution revenue from May 1, 2009 to July 1, 2009.

The Board's findings outlined in this decision are to be reflected in material, commonly referred to as a Draft Rate Order. The Board expects PDI to file detailed supporting material, including all relevant calculations showing the impact of this Decision on PDI's proposed revenue requirement, the allocation of the approved revenue requirement to the classes and the determination of the final rates, including rate impacts. Supporting documentation shall include, but not be limited to, filing a completed version of the Revenue Requirement Work Form excel spreadsheet, which can be found on the Board's website. PDI should also show detailed calculations of the revised retail transmission rates reflecting this Decision.

TAB 2

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2008-0246

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Tillsonburg Hydro Inc. for an order approving or fixing just and reasonable rates and other charges for the distribution of electricity to be effective May 1, 2009.

BEFORE: Paul Vlahos
Presiding Member

Ken Quesnelle
Member

DECISION

July 10, 2009

Board's findings throughout this Decision will result in a lower revenue requirement than proposed by THI, and a lower smart meter rate adder than proposed. The result of these will be lower bill impacts for affected customers than what was included in THI's application. The Board does not anticipate that typical customers, as customarily measured by the Board, will experience bill impacts greater than 10%. Should that be the case, the Board expects THI to identify and report these situations when it files its draft rate order and the Board will be guided by those reports.

Implementation

THI's application was for the new rates to be effective May 1, 2009. The Board had declared rates interim effective May 1, 2009. In declaring the rates interim, the Board stated that the interim rate order "should not be construed as predictive, in any way whatsoever, of the final determination of this application with regards to the effective date".

SEC submitted that the application was delayed significantly as a result of the Applicant effectively not having filed until December 15, 2008 – a four month delay from the initial filing. SEC submitted that, under the circumstances, the effective date of the new rate order should be either September 1 or the first month after the Board's Decision is rendered, whichever is sooner. SEC submitted that, if the Board determines that the effective date should be a date that is earlier than the implementation date, the lost revenue from the effective date to the implementation date of the new rate order should be collected over a two-year period.

THI responded that it is inappropriate to make rates effective on any day other than May 1, 2009. THI filed its application on August 22, 2008. It provided a comprehensive Update on December 15, 2008. The Update was not a delayed submission; it was filed to provide the Board and intervenors with the most current information on a significant change in circumstances. THI had no other prudent choice but to inform the Board of this material change. If the Board makes rates effective as of a date after May 1, 2009 it will penalize THI, continue THI's under earning and will effectively discourage and dis-incent other LDCs from relying on the best available information to support their rates applications – in short rates will not satisfy the just and reasonable standard.

Board Findings

Given the date of this Decision, the time that it will take for THI to file a draft rate order; for parties' submissions on the draft rate order, for THI's reply submission and for Board review of all the material, it does not appear that the new rates can be implemented prior to September 1, 2009. The Board will assume September 1, 2009 as the target implementation date.

As the Board has made the rates interim as of May 1, 2009, there are no legal impediments for the Board to find an effective date of May 1, 2009. However, this would constitute retroactivity. As the Board has stated on many occasions, even if there are no legal impediments, the Board does not condone retroactivity. While there may be some legitimacy for the causes of delay in this case, THI should not be totally absolved of the adverse consequences caused by retroactivity. It is not reasonable to expect customers to be burdened with retroactivity, no matter how the retroactivity is morphed into rates or bills. The Board finds that, on balance, an effective date of June 15, 2009 is reasonable in the circumstances. The reasons for the delay in completing this proceeding primarily lie with THI. Therefore, the Board finds that the new rates shall be effective June 15, 2009. For additional clarity, there will be no recovery of any foregone distribution revenue from May 1, 2009 to June 14, 2009.

Throughout the decision, the Board has used a "nominal" term of two years in relation to the disposal of the deferral and variance accounts. As the 2009 rates will be implemented as of September 1, 2009, for the rate riders to dispose of the deferral and variance account balances THI is directed to calculate the rate riders on the basis of a duration until April 30, 2011.

In developing its Draft Rate Order, THI is directed to establish the 2009 rates assuming a 12 month recovery period. As the effective date of the rates will be June 15, 2009 and the implementation date will be September 1, 2009, THI is directed to calculate rate riders that would recover the foregone distribution revenue from June 15, 2009 until August 30, 2009 and should propose an appropriate time period for recovery, giving due consideration to bill impacts. THI must include supporting materials to satisfy the Board that the revenues received would recover only the foregone revenues.

TAB 3

Ontario Energy Board

Commission de l'énergie de l'Ontario

EB-2009-0177

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Middlesex Power Distribution Corporation for an order approving just and reasonable rates and other charges for electricity distribution that are charged within the Dutton Hydro Limited service area to be effective October 1, 2009.

BEFORE: Paul Vlahos
Presiding Member

DECISION

January 25, 2010

calculated the amount overcharged through non-Board-approved rates up to December 31, 2009. Later in this Decision, the Board finds that the new rates will be effective March 1, 2010. Consequently, the Applicant shall provide an updated calculation in the draft Rate Order of the amount overcharged including the period January 1, 2010 to February 28, 2010.

The Board does not need to make a finding in this proceeding on the appropriate commencement date or time period over which the residual amount of regulatory assets will be recovered. The regulatory treatment of that residual amount will be the subject of a future rate proceeding. The Applicant may propose its two year recovery plan at the time it files its next rates application.

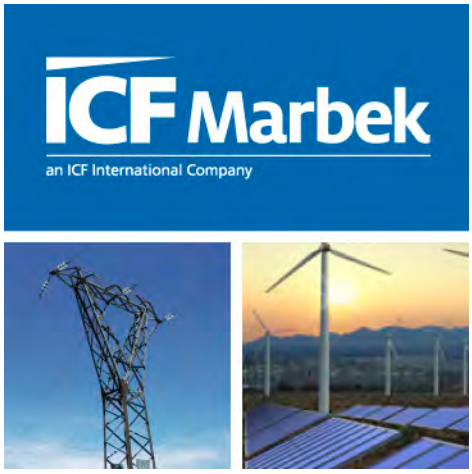
IMPLEMENTATION

The Applicant's original application was filed on June 11, 2009 and it requested rates effective October 1, 2009. It is not procedurally feasible to process a rate application in 112 days, even a straight forward, well documented application. In this particular case, processing and review was delayed due to the late filing of interrogatory responses and the complication of dealing procedurally with the matter of charging non-Board-approved rates. Given the date of this Decision, instituting an October 1, 2009 effective date would cause rate retroactivity. The Board has stated on many occasions that it does not endorse rate retroactivity. Therefore, as has often been the case for other distributors, the Board finds that the new rates shall be effective on the same date as the implementation date. Given that there will be some time required for the Rate Order to be finalized, the Board approves an effective date of March 1, 2010. For additional clarity, the foregone revenue from October 1, 2009 to February 28, 2010 is not recoverable.

In filing its draft Rate Order, it is the Board's expectation that the Applicant will file detailed supporting material, including all relevant calculations and excel spreadsheets.

A Rate Order will be issued after the steps set out below are completed.

TAB 4



Yukon Electricity Conservation and Demand Management Potential Review (CPR 2011)

Residential Sector Final Report

9 January 2012

Submitted to:
Yukon Energy, Yukon Electrical Company, Government of Yukon

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10.4.5 Wall Insulation

Workshop participants were more interested in discussing a "deep retrofit" approach rather than the doubling of wall insulation levels originally proposed as the measure to discuss. The deep retrofit involves adding approximately R-40 (RSI 7) to the outside of the walls. This deeper measure does pass the economic screen, so the previous wall insulation measure was replaced.

Achievable workshop participants provided 2030 participation rate estimates of 17% for the upper Achievable Potential scenario and 3% for the lower Achievable Potential scenario. Participants thought the most likely adoption curve both scenarios would be B.

The depth of the insulation measures considered in the study was greatly increased because of the discussions in the workshop. Several participants had direct experience with deep retrofits that had good results.

Barriers that tend to lower adoption included a lack of contractors experienced in doing this kind of retrofit; most are accustomed to installing far less insulation and will therefore charge more than necessary for this unfamiliar type of job.

Strategies to encourage adoption of deep retrofit wall insulation might include offering financing, demonstrations, education of homeowners and contractors, utility pre-qualification or certification of contractors, and partnerships with other entities such as the Climate Change Secretariat, the Yukon Energy Solutions Centre, and the Cold Climate Research Centre. The wall insulation measure should likely be considered as part of a package that would also improve the rest of the house envelope.

The initial discussion focused on existing single detached homes on the hydro grid. Participants believed participation would be somewhat lower in attached homes. The measure does not apply off the hydro grid because electric heating is negligible there. Participants also discussed some of the other building envelope measures. Most of them were thought to have similar adoption rates. Basement insulation might be adopted somewhat faster than wall insulation. Attic insulation would also likely be adopted somewhat faster.

10.4.6 DHW Recirculation

Achievable workshop participants provided 2030 participation rate estimates of 30% for the upper Achievable Potential scenario and 5% for the lower Achievable Potential scenario. Participants thought the most likely adoption curve both scenarios would be B.

Barriers that tend to lower adoption included a lack of familiarity with the technology and a lack of trades people who can install it. It may also be difficult to obtain the products in Yukon. Many recently-built homes have manifold plumbing systems, which would require more pumps than a system with several fixtures in series along the same run of pipe. The systems require an electrical supply to the location of the pump (e.g., under a sink in the bathroom), along with the installation and configuration of the controls.

Strategies to encourage adoption of DHW recirculation include marketing it as a luxury or convenience item that can differentiate high-end homes from the rest of the market, marketing the system with other DHW measures, or selling it based on its water conservation features for people on water delivery or well systems.

The initial discussion focused on existing single detached homes on the hydro grid. Participants believed participation would be somewhat lower in apartments, as some of them have central DHW systems. Participants thought adoption would be somewhat faster in the homes on the large diesel grid and higher still in homes on the small diesel and Old Crow systems, because of the larger number of homes that have their water supplied by truck.

Participants did not have time to discuss the other DHW measures. In extrapolating to the other measures, experience from other jurisdictions suggests that adoption of measures such as low-flow showerheads, pipe insulation and tank insulation would be faster than DHW recirculation. DHW piping optimization would likely be adopted at approximately the same rate as recirculation, and wastewater heat recovery would likely be adopted more slowly.

10.4.7 High-Performance New Homes

Achievable workshop participants provided 2030 participation rate estimates of 95% for both Achievable Potential scenarios. Participants thought the most likely adoption curve of both scenarios would be D, with the curve leveling off in 2017 in the upper Achievable Potential scenario but not until 2022 in the lower Achievable Potential scenario.

Barriers that tend to lower adoption include resistance in the contracting community and a perception of higher cost. Demand for housing is very high and there is urgency in building housing to meet this demand.

New construction in Yukon between now and 2030 is expected to include a great deal of electric heat. If efficiencies are not captured in these new homes when they are built, the opportunities will probably be lost for decades.

Strategies to encourage adoption of high-performance new homes may include working with other stakeholders, such as the Yukon Housing Corporation and municipalities. Whitehorse has very successfully implemented a building code that requires EGH-80 for new homes. A move to EGH-85 was seen as a strong option for implementing this measure. Other approaches might include contests among builders, green mortgages, labelling and branding, testimonials and free rating services. The high-performance homes could be marketed based on their comfort, simple mechanical systems, indoor air quality, and durability as well as their electric energy savings.

The initial discussion focused on existing single detached homes on the hydro grid. Participants did not note any likely differences in the adoption rate for attached homes or government homes. The measure does not apply in the diesel grid communities because of the lack of electric heat in those communities.

Participants did not discuss other new construction measures. The participation rates for LEED certified apartment buildings were drawn from the commercial sector discussions. Net zero homes likely rely on the cost-effectiveness of photovoltaic systems, which were a topic of discussion in the CSRAE workshop.

10.4.8 Cold Climate Heat Pumps

Achievable workshop participants provided 2030 participation rate estimates of 75% for the upper Achievable Potential scenario and 25% for the lower Achievable Potential Scenario. Participants thought the most likely adoption curve both scenarios would be B.

Barriers that tend to lower adoption include first cost, lack of installers, low awareness and customer understanding, and a perception that heat pumps do not work in northern climates.

TAB 5

REFERENCE: **YEC GRA**

ISSUE/SUB-ISSUE: **Capital Additions, Section 5.2.2**

QUESTION:

a) Please provide Table 5.2 in an Excel spreadsheet complete with formulae that underpin the calculations.

b) Please provide an explanation as to why the Mirrlees Electrical Upgrades expenses are not included in the associated Mirrlees project that is greater than $1 million (Section 5.2.1.3).

c) Please provide a business case that justifies the $1-million Financial Systems Software Replacement expenditure.

d) With respect to L170 Line Assessment Phase 2 Carmacks - Faro, please explain what is included in the line assessment and how often a transmission line assessment is performed. Please present the findings of the 2006-07 line assessment and what type of maintenance that is required on the line.

e) Please describe YEC's pole-replacement and brushing programs in detail.

ANSWER:

(a)

As noted in response to UCG-YEC-1- 81(a), page 5-25 in the Application, which shows customer extension spending for 2005 to 2007, contains an error in the categorization of certain elements of distribution spending. A corrected version of Table 5.2 will be provided once available.

(b)

The Whitehorse Mirrlees Refurbishment is not one single project, but involves a staged refurbishment of three separate units (WD3, WD2 and WD1) over a period of years, as well as separate smaller projects (i.e., less than $1 million) involving upgrades to

common systems. Page 5-9 of Tab 5 of the 2008/2009 General Rate Application details the Mirrlees Refurbishment being undertaken by Yukon Energy at this time, noting in addition to refurbishment activities specific to each of unit #3, unit #2 and unit #1, "a series of projects on "common" systems occurring in 2007 (0.468 million), 2008 ($0,450 million) and anticipated for the following years (2010 – 2012, $1.465 million)."

(c)

Yukon Energy purchased and installed the JDEdwards financial package in 1999. Since that initial installation, JDE & Co has been "acquired" twice – once by Peoplesoft who were in turn bought out in a hostile takeover by Oracle Corporation in late 2004. At the time of the acquisition, Oracle announced intention to amalgamate the three products into one. These acquisitions created concern for Yukon Energy around:

1. How long JDEdwards would be supported as a stand-alone product. The current version that Yukon Energy uses (XE) has not been supported by Oracle since February 2007;

2. The fact that Oracle database structures are not compatible with Yukon Energy's current database structure; and

3. The perception that Oracle products are too "up-scale" for a small company like Yukon Energy.

Management made the decision at that point not to invest in large scale upgrades of the existing system, with the view that a replacement system would be necessary in the next few years. In addition, the quote below is an extract from the Business Impact Assessment, dated January 2006:

> While the financial systems are based on JDEdwards One World, it is not fully utilized but is in place and managed internally with some help from outside contractors. On more than one occasion the corporation has unsuccessfully tried to modify JDEdwards to fit its mode of operations. As a result of these failed attempts and the perceived rigidity of the product YEC finds itself with a sub-optimal JDEdwards configuration. Furthermore, One World is at end of life and a replacement is planned for 2008. One World is the source of several challenges from a Business

> Impact Assessment point of view. With a chart of accounts that is described by users as clumsy or awkward, there is little incentive to use JDE as it is intended to be used, a fully functional Enterprise Resource Planning (ERP) system which touches most, if not all aspects of the business. Because of this, a number of isolated stand alone systems are also in use – HRManager for example which disintegrates the business functionality of the Human Resources group. A fully disintegrated model might even be preferable to the patchwork that is now in place supported by spreadsheets and errant databases. Without JDE Finance would find functioning to be a challenge but the system is not used for the tasks required of it.

Specifically, the purchase of a new system is planned to correct a number of deficiencies in existing programming:

1. Integrated system will eliminate duplication of data in key areas such as budgeting, forecasting, inventory and maintenance;

2. New system will have the functionality to track projects against committed costs;

3. New system will have enhanced reporting capabilities that will allow project managers to access data on a more timely basis without intervention from Finance staff;

4. Eliminate manual processes and “work-arounds”; and

5. Optimize chart of accounts for utility business.

(d)

Yukon Energy’s transmission line assessments involve a ‘fine toothed comb’ field inspection and audit of every structure, pole, and piece of hardware on the line. The inspectors are trained and experienced to spot hardware issues on each component of the line, and to rate issues from ‘fix immediately’ to ‘repair/replace in 5-10 years’, or ‘information only’. A photographic library of each structure at the time of inspection is compiled, and GPS location data of each asset recorded to include in our mapping system. As the line is quite old (original construction in 1968), certain components either

wear out, become loose, degrade, or succumb to stress over time and need to be repaired or replaced. A detailed inspection is a way of finding those issues, tracking the condition of the line, and prioritizing repair and replacement of defects to avoid an in-service failure.

The priority system used by the consultant is as follows:

Priority 1
Indicates a very serious reliability or safety concern. Repairs or modifications should be made immediately (probably within 1 to 2 days). Examples - broken pole or cross-arm, trees burning in the line, etc.

Priority 2
Indicates a reliability or safety concern which is serious enough it should be rectified in the not too distant future (possibly within 3 months). Condition is serious enough that it would probably be dealt with prior to the next scheduled routine maintenance. Examples include trees within limits of approach to line, ground clearances which do not appear to meet the ECUC, seriously damaged conductor, etc.

Priority 3
Indicates a reliability or safety concern which should be corrected, but that is minor enough that it could be rectified as part of a planned maintenance program (possibly within the next 1 to 5 years). Examples include cross-arms which do not appear to be in good shape but will probably last a few more years, loose hardware, synthetic insulators with corona damage, etc.

Priority 4
Indicates a reliability or safety concern which is minor enough it would only be corrected if convenient to do so. Corrections would only be made if other work were being done in the same area or on the same pole. Examples include flashed or chipped insulators, danger trees which appear stable, etc.

Priority 5
Indicates a comment which is recorded for information only – no corrective action is required. Examples include synthetic insulators which have corona rings, swamp guys which are slightly slack, etc.

Priority 9

Indicates work was minor enough that it could be completed as part of the inspection being done. In this case it is a list of corrective work which was completed by EHV Line Consultants when doing the line inspection. Examples include re-tensioning guys, replacing structure number tags, digging out buried pre-form grips, etc.

Based on the above-noted priority system, the number of priority issues found are as follows:

1- 0
2- 120
3- 1280
4- 1890
5- 449
9- 586

A plan is being formulated to deal with the highest priority of these issues.

(e)

All transmission lines are inspected both from the air (annually) and on the ground (particular sections identified from the air). Brushing requirements and any other issues or problems, such as poles that need replacement, are identified. These inspections are then converted into work plans for the highest priority areas and issues. All transmission line right-of-ways are brushed every 3-4 years.

TAB 6

Chronology of Events - Atlin Lake Storage Project

2009

A tender process was undertaken to engage a third party consultant to provide project management services and integrated engineering, environmental/socio-economic and related technical consulting services for all three southern lakes projects (Marsh Lake Storage, Atlin Storage and Gladstone Diversion).

2009 – 2011

Feasibility studies conducted to assess the design and environmental licensing requirements, forecast costs and potential benefits.

June 1, 2010

At an open meeting in Atlin, attendees expressed strong disapproval of the proposed project to Yukon Energy representatives.

August 2010

A group of concerned Atlin citizens formed a society, Protect Atlin Lake Society (PALS), to preserve Atlin Lake in its natural state rather than an "experimental reservoir for the benefit of YEC". Their concerns included:

- Holding warmer summer water into the winter will change the annual average temperature of the lake affecting the health of all the species of fish in the lake, as well as to the food chain that supports them.
- Potential change to annual freeze-up time and could even stop it.
- Higher water during the windy fall months will increase wave action on shore resulting in flooding and damage.
- Formation of ice at high lake levels and warmer temperatures would result in ice movement and damage to high beaches. The development of weak ice that would melt earlier in the year.
- Muddy water near shore would affect the quality of drinking water.

August 30, 2010

PALS writes YEC President David Morrison regarding concerns of this proposed project and crucial information related to the British Columbia Park Act which was put in place to prevent the disturbance of natural resources within parks.

November 25, 2010

British Columbia's Minister of Environment writes letter to PALS which confirmed Atlin Park as a Class A park within which water was considered a natural resource. This letter confirms that YEC had not yet submitted an application for a Park Use Permit which would be required since "it appears that a natural resource in a Class A park will be disturbed or exploited".

December 6, 2010

PALS writes YEC President David Morrison notifying YEC that they had received a letter from the BC Minister of Environment.

December 6, 2010
PALS writes a letter to Atlin residents updating them on the efforts to protect and preserve Atlin Lake and the Atlin River from YEC's proposed project.

January 26, 2011
In a Whitehorse Star article, YEC's president acknowledges that there is resistance to the Atlin Lake storage project but implies that YEC does not intend to concern itself with the concerns of the people who live on the shore of the Atlin Lake by stating "*I know you've all be reading the people of Atlin are not very keen on this, but we are keen*".

February 1, 2011
PALS writes YEC President David Morrison declining an invitation to YEC's energy charrette, updating YEC on the opposition to its proposed project, encouraging YEC to pursue other energy supply alternatives, and requesting that YEC cease pursuing the project.

March 7-9, 2011
The Yukon Energy Charrette was held in Whitehorse. The objectives of the charrette were:

- To educate Yukoners about the territory's current energy circumstances and the potential options to meet future energy demand.
- To inform the Yukon Energy Resource planning process.
- To develop energy planning principles Yukon Energy can use when making energy planning decisions and that can help with risk and trade off assessments.
- To hear how Yukoners want to be engaged in future energy planning and energy decisions.

The Atlin Lake Storage Project was still included by YEC as a possible supply option.

April 20, 2011
In a Yukon News article, YEC is quoted as saying that it didn't know whether Park Use Permit would be required despite the BC Minister of Environment indicating that YEC's proposed project would disturb a natural resource in a Class A park.

April 28, 2011
PALS issues a news release outlining the concern expressed by British Columbians and Yukoners to the proposed Atlin Lake storage project.

July 19, 2011
The Government of British Columbia announces the completed Atlin-Taku Land Use Plan, one of the last large land use plans in the province, which does not provide for any future hydroelectric development on the Atlin River.

August 11, 2011
In a Whitehorse Star article, it was noted that the recently completed Atlin-Taku Land Use Plan did not provide for any future hydroelectric development on the Atlin River.

In another article within the same newspaper, Yukon Energy's president was quoted as saying that he was "surprised and disappointed" by the Atlin-Taku land use plan which put an end to the plans for a submerged weir in the Atlin River.

TAB 9

BRITISH COLUMBIA
The Best Place on Earth

Reference: 131803

NOV 2 5 2010

Wayne Merry
President
Protect Atlin Lake Society (PALS)
PO Box 404
Atlin BC V0N 1A0

Dear Mr. Merry:

Thank you for your letter of September 25, 2010, addressed to the Honourable Barry Penner, former Minister of Environment, regarding Yukon Energy Corporation's (YEC) proposed project on the Atlin River. As the newly appointed Minister of Environment, I am pleased to have this opportunity to respond.

While I can confirm that the Ministry of Environment has received preliminary advice from counsel for the Government of British Columbia (BC) on YEC's proposed project, I am unable to outline the legal advice that counsel provided. In order for me to do so, that would require the Province to waive solicitor-client privilege, which we are not prepared to do at this time.

YEC has not submitted an application to BC Parks for a Park Use Permit, with regards to their proposed project. Consequently, BC Parks likely does not have all of the facts pertinent to the project. Similarly, my comments on the application of the *Park Act* regarding the proposed project are of a general sense.

The project proposal indicates that the natural water levels of Atlin Lake would change within Atlin Provincial Park. Atlin Park is established as a Class A park, as described in the *Park Act*, and water is a natural resource, as defined in the *Park Act*. If a natural resource in a Class A park will be disturbed, damaged or exploited within the meaning of Section 9(1) of the *Park Act*, the proponent would need authorization by way of a Park Use Permit. With that said, a Park Use Permit may only be issued under Section 9(2) of the *Park Act* if the proposed activity is necessary for the preservation or maintenance of the recreational values of the park. If this requirement cannot be satisfied, a Park Use Permit to authorize the change in the natural water levels of Atlin Lake will not be issued. Based on the information available to me at this time, it appears that a natural resource in a Class A park will be disturbed or exploited.

Thank you for writing and sharing your concerns.

Yours sincerely,

Murray Coell

Murray Coell
Minister

This is an important statement by the Minister (even though it is carefully worded) It indicates that YEC's proposal would not be approved due to the contravention of provisions ~~in the PARK~~ ACT

Ministry of Environment | Office of the Minister | Mailing Address: Parliament Buildings Victoria BC V8V 1X4 | Telephone: 250 387-1187 Facsimile: 250 387-1356

YEC, however, continued to conduct studies on the lake.

TAB 17

Background on Yukon Energy's Rate Application

Summary of rate increases requested:
For all customers throughout Yukon (residential, commercial, industrial and government) – an increase of 6.4 percent in 2012 and an additional 6.5 percent in 2013. Apart from our industrial customers, this is the first time we have asked for rate increases since 1999.

Without a rate increase we'll have a $3.45 million shortfall this year and a $7.68 million shortfall in 2013.

Why Yukon Energy requires a rate increase:
Demand from all sectors: the need for power by Yukon's mining industry is only part of the story.* Increased residential, business and government consumption has also strained the power grid.

This rise in demand has depleted the surplus hydro we've had since the Faro mine shut down in the late 1990s. Our new hydro assets (Mayo B and the Aishihik third turbine) have helped address this problem, but diesel generation is still required to supply an increasing share of the new growth.

**Note that it is because of our mining customers that we have been able to keep rates low to date. By selling surplus power to the Minto mine we secured a 2.47 percent rate decrease for residential and commercial customers.*

Maintaining existing assets: the cost of keeping our aging infrastructure efficient and up-to-date has increased faster than energy rates. Yukon Energy's assets need substantial investment in order to maintain them in good working order and ensure a high standard of reliability for Yukoners. Both the Mayo A and Whitehorse hydro plants are more than

50 years old, except for our 4th Whitehorse turbine that was built in the 1980s. The Aishihik hydro plant is 37 years old. With the exception of the Mayo to Dawson line and the new Carmacks to Stewart line, our transmission grid is over 30 years old.

Thirteen years of inflation: the costs of salaries, materials and services keep climbing. This has proven to be a challenge that Yukon Energy can no longer ignore. This chart shows examples of how much costs have increased since the late 1990s.

	Unit	1998	2012	Change	% Change
Bacon	500g	$3.19	$5.20	$2.01	63.01%
Milk	Litre	$1.39	$2.30	$0.91	65.47%
Eggs	Dozen	$1.80	$3.22	$1.42	78.89%
Bread	Loaf (675g)	$1.31	$2.76	$1.45	110.69%
Regular Unleaded Gasoline*	Litre	$0.66	$1.26	$0.60	91.63%
Average Rental Unit		$675.00	$800.00	$125.00	18.52%
Average house cost(1999)		$184,888.97	$432,600.00	$247,711.03	133.98%

* Whitehorse only, as reported by Statistics Canada

Cost increases in labour are related to two things: annual wage increases negotiated through the collective bargaining process, and the addition of about a dozen positions since 2009. As our system grew so did our workload and we required extra staff to take on this additional load.

Funding tomorrow's energy: finding sufficient clean, affordable and reliable energy requires years of public and stakeholder consultation, research, engineering and project approval. All this work comes with a price tag.

In 2009, the Yukon Utilities Board agreed that Yukon Energy does not have the luxury of waiting for new loads to materialize before taking action. It accepted our argument regarding the benefits of having shelf-ready projects that can proceed at some future date.

What we have Done to Defer Rates Increases:

Refinancing: Yukon Energy has refinanced our debt twice over the past 10 years as interest rates have declined and the terms and conditions of loans have allowed renegotiation. Debt refinancing in 2003 reduced annual operating costs in 2004 by $700,000. In 2011 we were able to reduce annual operating costs for that year by $1.6 million and by $1.5 million for both 2012 and 2013 because of debt refinancing.

Depreciation studies: In 2005 we received approval from the Yukon Utilities Board for new depreciation rates, which allows assets to depreciate over longer periods of time and thereby reduce operating costs. This has reduced operating costs by $1.2 million per year. In our latest application to the YUB we have asked for updates to the depreciation rate, which – if granted – brings our approach in line with other North American utilities and will reduce operating costs by a further $2.4 million per year in 2012 and 2013.

Partnership and contributions: Yukon Energy has been able to build major new legacy assets over the last few years without raising retail rates, with the help of funding partners. In fact last year we added approximately $172.3 million worth of new assets (Carmacks-Stewart line Stage 2, Mayo B, and Aishihik 3) to our system, at a cost to electricity customers of only $43.8 million.

Mayo B and Carmacks to Stewart line Stage 2 included:
$71 million from the Federal government (Green Infrastructure fund)
$52.5 million from the Yukon government

Aishihik third turbine included:
$5 million from the federal government (Eco-trust Fund)

While Yukon Energy will continue to look for funding partners for future capital projects, government fiscal restraint is a reality we cannot ignore.

Diesel savings: Yukon Energy has, over the last 10 years, worked to eliminate diesel from our grid wherever possible. This effort has resulted in major cost savings for electrical customers along with significant new assets for future generations. They include:

Mayo to Dawson line - $2.76 million in diesel savings since 2004

Without the construction of the Carmacks to Stewart Line Stage 1 we would have had an additional $1.2 million in costs per year and would have required a rate increase of 3.2 percent in 2009.

Without connecting our two grids and without Mayo B and our Aishihik third turbine we would have incurred additional diesel costs of $7.6 million in 2012 and $8.2 million in 2013.

How Yukon rates compare with other jurisdictions:

Residential Electricity Bills in Comparison to Yukon

(1000 kWh/month consumption, Residential Non-Government, $)

		Monthly Bills before rate relief and taxes
1	Yukon - existing	$136.05
2	Yukon, Proposed 2012	$144.76
3	Yukon, Proposed 2013	$154.17
4	Yellowknife	$254.29
5	NWT Thermal zone	$491.90
6	Iqaluit, Nunavut	$541.90
7	Baker Lake, Nunavut	$635.50
8	Winnipeg	$73.05
9	St. John's	$109.86
10	Toronto	$129.01
11	Halifax	$136.23
12	Regina	$137.92
13	Charlottetown	$145.07
14	Edmonton	$164.04
15	Calgary	$174.69

Notes:

1. Monthly Bills are before Rate Relief and taxes.
2. Rates for NWT and Nunavut as of January 2012. On March 23, 2012 NWT filed a GRA with proposed rate increases of seven percent for the first three years (2012/13, 2013/14, 2014/15) and five percent in Year 4 (2015/16).
3. Rates for the other cities as of April 2011 (Source: Hydro Quebec).

TAB 18

Yukon Energy Corporation

Summary of Customers, Energy Sales and Revenues (excluding Riders) - Company

Table 2.2
September 2008

Line No.	Description	Approved 2005	Actual 2005	Actual 2006	Actual 2007	Forecast Existing 2008	Forecast Existing 2009
1	**Residential**						
2	Customers	1,302	1,336	1,365	1,390	1,416	1,432
3	Sales in MWh	10,201	10,169	10,665	10,908	11,155	11,183
4	MWh sales per customer	7.8	7.6	7.8	7.8	7.9	7.8
5	Revenue ($000s)	1,208	1,215	1,267	1,313	1,319	1,335
6	Cents per KWh	11.84	11.95	11.88	12.04	11.83	11.94
7	**General Service**						
8	Customers	447	450	447	450	450	457
9	Sales in MWh	16,808	18,438	17,037	17,507	18,193	19,543
10	MWh sales per customer	37.6	41.0	38.1	38.9	40.4	42.8
11	Revenue ($000s)	2,305	2,470	2,301	2,376	2,442	2,637
12	Cents per KWh	13.71	13.40	13.51	13.57	13.42	13.49
13	**Industrial**						
14	Sales in MWh	0	0	0	0	6,845	29,023
15	Revenue ($000s)	0	0	0	0	709	3,142
16	Cents per KWh	7.00	7.00	7.00	7.00	10.36	10.83
17	**Street lights**						
18	Sales in MWh	252	257	270	275	278	278
19	Revenue ($000s)	65	66	69	71	71	71
20	Cents per KWh	25.75	25.64	25.64	25.62	25.64	25.63
21	**Space lights**						
22	Sales in MWh	13	14	14	14	14	15
23	Revenue ($000s)	2	3	3	3	3	3
24	Cents per KWh	19.76	21.89	21.48	22.00	21.82	21.54
25	**Total Company - Firm Retail & Ind.**						
26	Customers	1,749	1,786	1,812	1,840	1,866	1,889
27	Sales in MWh	27,274	28,878	27,987	28,705	36,485	60,042
28	Revenue ($000s)	3,580	3,754	3,641	3,763	4,545	7,188
29	Cents per KWh	13.13	13.00	13.01	13.11	12.46	11.97
30	**Wholesale sales**						
31	Sales in MWh	234,542	237,419	251,861	254,914	258,989	266,926
32	Revenue ($000s)	16,043	16,239	17,227	17,436	17,715	18,258
33	Cents per KWh	6.84	6.84	6.84	6.84	6.84	6.84
34	**Total Company - Firm**						
35	Sales in MWh	261,816	266,296	279,847	283,619	295,474	326,968
36	Revenue ($000s)	19,623	19,993	20,868	21,199	22,259	25,446
37	Cents per KWh	7.49	7.51	7.46	7.47	7.53	7.78
38	**Secondary**						
39	Sales in MWh	20,613	18,933	22,185	24,225	20,557	16,613
40	Revenue ($000s)	854	767	917	1,000	850	688
41	Cents per KWh	4.14	4.05	4.13	4.13	4.13	4.14
42	**Total Company**						
43	Sales in MWh	282,428	285,229	302,032	307,844	316,031	343,581
44	Revenue ($000s)	20,477	20,760	21,785	22,200	23,109	26,134
45	Cents per KWh	7.25	7.28	7.21	7.21	7.31	7.61

Note:

Excludes revenues from Rider J, Industrial Rider F, and offsets in new Revenue Reduction Rider as set out in Tab 4

TAB 19

Dimensions of Social Inclusion and Exclusion In Yukon 2010

Yukon
Health and Social Services

What is social inclusion?

Social inclusion describes how a society values all of its citizens, respects their differences, ensures everyone's basic needs are met, and welcomes and enables full participation in that society.

Using a social inclusion lens, we must consider whether people have ***access*** to society's assets. This includes access to necessities, such as:

- nutritious food
- suitable housing
- essential material goods
- health, medical care and addiction services

We also need to consider whether people have access to participatory activities, such as:

- employment
- education, including continuing education
- arts and cultural activities
- sports and recreation
- elections, consultations, and decision-making groups

Barriers to access can serve as a proxy for social exclusion, and in many cases, barriers are measurable. Barriers may exist in areas such as:

- literacy and numeracy skills
- availability of time
- scarcity of resources (such as affordable housing)
- proximity, remoteness and the availability of transportation
- communication infrastructure, such as phone and internet
- financial considerations
- health, wellness and disability
- social support
- stigma and discrimination

The concept of social inclusion is used broadly in a policy context by the European Union (*Social Indicators: the EU and Social Inclusion*, Atkinson et al., 2002).

> "In line with our pragmatic objective of contributing to the policy-making process, we simply accept here the use of the terms [social exclusion and social inclusion] as shorthand for a range of concerns considered to be important in setting the European social agenda. There is, we believe, broad agreement about the list of such concerns, which encompass poverty, deprivation, low educational qualifications, labour market disadvantage, joblessness, poor health, poor housing or homelessness, illiteracy and innumeracy, precariousness, and incapacity to participate in society." (Atkinson et al., 2002; p.3)

The Canadian Institute of Wellbeing uses the concept of social inclusion when considering community vitality, one of the eight domains of the Canadian Wellness Index. The Index, which is currently under development, is a multi-faceted measure of the well-being of Canadian society.

> "A social inclusion framework focuses attention on the differential life experiences of all citizens within a community and in so doing, highlights the need to remove barriers to equal participation, free from discrimination. A socially inclusive society is thus one that develops the talents and capacities of all members, promotes inclusive participation in all walks of life, actively combats individual and systemic discrimination, and provides valued recognition to groups such as ethno-racial communities." (*Community Vitality: A Report of the Institute of Wellbeing*, 2009; p. 29)

A socially inclusive society is therefore one which cultivates the skills and abilities of its citizens and communities, and works towards a goal of equal opportunity and freedom from discrimination.

c. Low income households

A popular way of estimating the number of low-income households in a community or population is to use Low Income Cut-offs (LICOs). LICOs are Statistics Canada's most widely recognized approach to estimating low income cut-offs.

The LICO is an income threshold below which families devote 20 percent more of their income on food, clothing and shelter than the average family of the same size. This table is based on after-tax household income. Statistics Canada is not able to calculate LICOs that are specific to Yukon.

For this report, we have used income and family size information from the 2006 Census, and applied it to the national LICOs for communities with less than 30,000 people. The cost of living in Yukon is not identical to what is seen nationally, so these numbers are a rough estimate of the true number of Yukon households living in poverty. The LICOs used for this report are as follows:

2005 after-tax LICOs, for urban areas with less than 30,000 people

Size of family unit	After-tax household income, 2005
1 person	12,899
2 people	15,700
3 people	19,548
4 people	24,388
5 people	27,772
6 people	30,799
7 or more people	33,827

Source: Statistics Canada, Catalogue No. 75F0002M

The following table provides a useful comparison for identifying family types that are more likely than others to experience severe poverty. Lone-parent families stand out, as they are more likely to be in severe poverty than other Yukon families.

Yukon households living below the low-income cutoff (LICO) in 2005

	Total households	Economic families in low income	
		Number	Percent
Total — All economic families	8,300	360	4.3%
Couple economic families	6,510	205	3.1%
Couples only	2,900	105	3.6%
Couples with children	3,300	100	3.0%
Couples with other relatives	305	10	3.3%
Lone-parent economic families	1,620	150	9.3%
Male lone-parent families	390	35	9.0%
Female lone-parent families	1,100	115	10.5%
Other economic families	170	0	0.0%

Source: 2006 Census

TAB 21

loads are served with long-term capital facilities.[22] Given all of the above, the Board remains convinced that DSM is a vital component in a comprehensive load and facilities planning strategy that complements YEC's strategy to displace forecast baseload diesel generation.

40. Furthermore, the Board finds DSM to be a critical issue for all electric rate payers in Yukon. The Board directs YEC in conjunction with YECL, to consult with stakeholders and develop a policy paper with respect to DSM initiatives. YEC and YECL are to jointly lead this process and submit a policy paper (Plan) in their next GRA. Further the utilities are to be cognizant of and work with ESC where necessary so as not to duplicate efforts.

41. The Plan should include initiatives developed through negotiations with intervenor groups and communities in the Yukon. The Plan should provide a wide range of energy efficiency and conservation measures that will assist ratepayers in dealing with the high cost of energy in the Yukon and also provide support for local initiatives identified through community energy planning initiatives.

42. The Board finds the UCG and LE proposals for deferral accounts in support of the DSM initiatives acceptable and both YEC and YECL can propose appropriate treatment of these accounts at the time of their next GRA.

3 REVENUE REQUIREMENT

3.1 Overview

43. There are three major components to YEC's revenue requirement:

- Operating and maintenance expenses, including fuel costs, labour and costs for administering the utility;
- Depreciation and amortization of assets and deferred costs included in rate base; and
- Return on rate base to cover the costs of the YEC's various sources of capital (long-term debt issuances and equity) required to finance the rate base.

44. YEC stated that it had experienced increasing cost pressures since 2005; these were primarily due to increased operational costs, and feasibility and planning costs necessary to bring on the next generation of bulk power infrastructure. Identified cost pressures include higher fuel costs, increased labour costs and employee requirements, other non-fuel O&M cost increases, amortization cost increases related to deferred costs and increased average costs of debt.[23] The following table illustrates YEC's proposed Revenue Requirement for the test years.

[22] "Both cost and environmental reasons provide strong incentives for Yukon Energy to expand the available complement of renewable generation, as well as transmission interconnections that support enhanced use of renewable generation in Yukon to displace forecast baseload diesel generation."; YEC Argument, page 52.

[23] YEC Argument, page 17

TAB 22

> determined on the basis of a detailed analysis of the **Annual Cost** of such extension and the revenue expected to be derived therefrom. If the **Annual Cost** of serving a customer is higher than the revenue expected to be received from such service, then the Maximum Company Investment shall be the **Cost** of the extension less the present value of the annual amounts over the expected life of the service by which the **Annual Cost** is expected to exceed the revenue [emphasis added].

Based on the information presented, the Board cannot verify that this is being adhered to. Further, given the length of time since the last review of Phase II matters, there is some uncertainty whether the policy is still applicable.

The Term Sheet filed on December 21, 2006, provides a contribution amount, a new firm mine rate, and a low grade ore secondary energy rate. None of these rates have been approved as YEC has yet to file an application with the Board.

Now is an appropriate time for YEC and YECL to have a complete review of all GRA Phase I and Phase II matters. The Board recommends that YEC and YECL file a full GRA application before October 31, 2007. The application should include a full cost of service, rate design and an update of the Electric Service Regulations. The Board also suggests that YEC and YECL consider a performance-based regulation mechanism. As well, the Board recommends that evidence be provided as to what other utilities provide for Maximum Company Investment and model theirs accordingly.

12. YEC contracting policies and project management

UCG introduced the Auditor General's report[50] on the MD line and submitted that the Board must review major projects undertaken by YEC until YEC has fully responded to the points outlined in the Auditor General's report, has the appropriate resources to undertake major projects, and has established appropriate procedures and controls.

UCG acknowledged that YEC has updated its contracting procedures since the MD project, but stated that the Board must review the application of those procedures in the context of a large project.

In response, YEC indicated that while its commitment to undertake an audit of project management policies had not been carried out, this was still a commitment of the YEC Board of Directors. Further, in reply, YEC stated[51]:

> The Board maintains full control to ensure that all aspects of every project undertaken by YEC are fully assessed and analyzed before they will ever be included in the rates charged to ratepayers in Yukon [also see Section 4.6.5 of this reply]. In this regard the Board has all controls required to ensure ratepayers are protected from any form of issues on any project, be they related to

[50] In argument, YEC responded to Exhibit C3-13 (*Mayo-Dawson City Transmission System Project*, February 2005; Office of the Auditor General of Canada).
[51] YEC Argument, page 31.

TAB 23

REFERENCE: October 6, 2008 Application, Introduction, Page 1-9

YEC states that "Notwithstanding ongoing cost pressures, robust sales have allowed the Return on Equity ("ROE") earned in recent years by Yukon Energy to exceed the 9.05% level approved by the Board in 2005, permitting Yukon Energy to operate without any requirement for rate adjustments in the interim" and that actual ROE was 9.48% in 2005, 10.59% in 2006 and 9.45% in 2007.

REFERENCE: Yukon Utilities Board Report on Yukon Energy Corporation 20-Year Resource Plan, January 15, 2007, Page 50

"Now is an appropriate time for YEC and YECL to have a complete review of all GRA Phase I and Phase II matters. The Board recommends that YEC and YECL file a full GRA application before October 31, 2007. The application should include a full cost of service, rate design and an update of the Electric Service Regulations. The Board also suggests that YEC and YECL consider a performance-based regulation mechanism. As well, the Board recommends that evidence be provided as to what other utilities provide for Maximum Company Investment and model theirs accordingly."

REFERENCE: Hansard, Yukon Legislative Assembly, June 12, 2007
Archie Lang, Minister of Energy, Mines and Resources

"…and we're looking forward to a general rate application that will give money back to the consumers. At the end of the day, that will be a rate reduction for all ratepayers in the Yukon."

QUESTION:

a) Please provide the actual ROE for 2008.

b) Please provide a table that shows the allowed and actual ROE for 2005, 2006, 2007 and 2008 and the actual dollars associated with the under / over earnings. Please explain how these results have been weather normalized if applicable.

c) Please provide details of YEC's efforts to date to consider a performance-based regulation mechanism including earnings sharing.

d) Please describe mechanisms that would enable YEC to "give money back to the consumers" when earnings are higher than the levels determined as fair by the YUB.

ANSWER:

(a)

The 2008 financial statements are in the process of being finalized but are not yet complete and therefore the requested information based on final 2008 results is not available at this time. However, the Yukon Public Utilities Act sets out a requirement at section 25(1) for each utility to file a statement showing various financial information for the preceding year by March 31. Yukon Energy is currently preparing (unaudited) financial statements for this purpose and expects to meet the requirements of the Act. Once that material has been prepared, it will be possible to update and confirm the 2008 unaudited results in the form of Tab 7 to the Application. As was done in 2005, these schedules will be updated as soon thereafter as possible prior to the May hearing. It is presently expected that these updates will be filed in late March or early April.

(b)

The requested table is provided below.

	Last Approved	2005 Actual	2006 Actual	2007 Actual
ROE	9.05%	9.46%	10.59%	9.45%
Difference in Earnings Compared to Last Approved ROE ($000)		227	868	229

The results have not been weather normalized, as this is not applicable to actual ROE results.

(c)

As noted in response UCG-YEC-1-32 provided during the 2005 Required Revenues and Related Matters proceeding, a multi-year performance-based regulatory framework is not currently in place in Yukon. Implementing this form of regulation would likely require

significant changes to the regulatory framework in the Yukon that have not yet been assessed. Yukon Energy has not assessed measures that the Yukon Government might adopt to bring in legislation or policy related to performance-based regulation.

(d)

The regulatory framework in the Yukon does not currently provide mechanisms that would enable Yukon Energy or YECL either (i) to "give money back to the consumers" where earnings are higher than Board-determined ROE's, or (ii) to "get more money from the consumers" where earnings are lower than Board-determined ROE's. Such an approach would in effect result in a guaranteed ROE - which is not an approach that YEC has advocated.

The current Application provides an example where the utility set out to secure material net benefits and to propose rate reductions that reflect the outcome.

TAB 24

Now, just to close this off, YEC, as I understand it, takes on what I call the "weather risk" in its forecast.

A MR. OSLER: Generally speaking, yes, and it takes on all other risks relating to forecast.

Q Right.

At the same time, though, you are forecasting, you are not forecasting, as you said, on a weather-normalized basis?

A MR. OSLER: No.

Q Okay. Thank you.

Now, in the Part (c) of this response, we asked about multiyear performance-based regulation. And the answer, in part, and the part that piqued my interest was the last sentence of Part (c) (quoted):

> "Yukon Energy has not assessed measures that the Yukon Government might adopt to bring in legislation or policy related to performance-based regulation."

Do you see that?

A MR. OSLER: Yes.

Q Now, that suggested to me that YEC might have

the position or understanding that unless the Yukon government specifies or requires performance-based regulation or implements some sort of policy related to that that you were prevented from entering into performance-based regulation. Am I incorrect in that?

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 . . .

Q Okay.

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?

TAB 25

REFERENCE: **Yukon Utilities Board Report on Yukon Energy Corporation 20-Year Resource Plan, January 15, 2007, page 51**

PREAMBLE:

"Now is an appropriate time for YEC and YECL to have a complete review of all GRA Phase I and Phase II matters. The Board recommends that YEC and YECL file a full GRA application before October 31, 2007. The application should include a full cost of service, rate design and an update of the Electric Service Regulations. The Board also suggests that YEC and YECL consider a performance-based regulation mechanism. As well, the Board recommends that evidence be provided as to what other utilities provide for Maximum Company Investment and model theirs accordingly".

QUESTION:

a) Please identify where in the current Application the Applicants have addressed a performance-based regulation mechanism or set out a plan for its discussion and development.

ANSWER:

(a)

Yukon Energy Response

The item noted (performance based regulation) is fundamentally a matter for revenue requirement reviews, and not a Phase II application.

It is also noted that this form of regulation may not be feasible in Yukon outside of specific legislative changes or directions related to rate policy and rate regulation. A multi-year performance-based regulatory framework is not currently in place in Yukon. Implementing this form of regulation would likely significant changes to the regulatory framework in the Yukon that have not been assessed.

Yukon Electrical Response

The Companies have not considered or addressed a performance-based regulation mechanism in this Application. As noted in response to UCG-YEC/YECL-1-3, the last joint application was the 1996/1997 GRA. In essence, existing base rates have been sufficient to recover base revenue up until the requirement for the 2009 GRA. At this time, the Companies do not believe a performance-based regulation mechanism is required.