



PUBLIC INTEREST ADVOCACY CENTRE
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April 20, 2007

Yukon Utilities Board
Box 31728
Whitehorse, Yukon
Y1A 6L3

Attention: Deana Lemke, Board Secretary

YUKON UTILITIES BOARD		
EXHIBIT C2-3		
DAY	ENTERED BY UCG	DATE Apr 20/07

Re: CS Transmission Line Project

Dear Ms. Lemke:

Please find enclosed information requests submitted by the UCG with respect to the YEC's proposed CS Transmission Line Project.

Yours very truly,

A handwritten signature in black ink, appearing to be 'M' followed by a flourish.

Michael Buonaguro
Counsel for UCG
CC: all parties

**APPLICATION BY YUKON ENERGY CORPORATION
FOR AN ENERGY PROJECT CERTIFICATE AND AN ENERGY OPERATION
CERTIFICATE REGARDING THE PROPOSED CARMACKS-STEWART TRANSMISSION
PROJECT**

**Utilities Consumers' Group
Information Request No. 1**

UCG 1-1

Reference: Application, page 2

YEC indicates that the YESAB review process to date has included a pre-screening adequacy review of the Project Proposal Submission (October to December 2006), Supplementary Addendum provided January 24, 2007, and completion of YESAB's pre-screening Adequacy Review February 2, 2007. YEC also states that the public comment period on the Project Proposal Submission has been extended to April 4th, 2007 and that the YESAB continues to prepare a Draft Screening Report.

Reference: Application, page 3, footnote 2

YEC indicates that the "YESAB Project Proposal Submission is for environmental and socio-economic assessment of the entire Carmacks-Stewart / Minto Spur Transmission Project".

Request:

- (a) Please describe the difference between the transmission project being addressed in this Part 3 review and the project being addressed by the YESAB.
- (b) Please provide details of the amount of YESAB-related costs that have been incurred to date and forecast, separated by year.
- (c) Please provide details of the amount of YESAB-related costs related to the transmission project being addressed in this Part 3 review to date and forecast, separated by year.
- (d) Please explain how the YESAB-related costs incurred for facilities not being addressed in this Part 3 review will be tracked, accounted for and recovered from ratepayers.

UCG 1-2

Reference: Application, page 2

YEC indicates that "the Yukon Government has committed to provide new funding as required for up to \$10 million of the capital costs for Stage One of the CSTP".

Request:

- (a) Please provide all available detail on the conditions associated with the \$10 million commitment.
- (b) Please confirm that the Yukon government's funding commitment to the transmission project being addressed in this Part 3 review now totals \$10.45 million.

UCG 1-3

Reference: Application, page 3

YEC indicates that a detailed description of the Stage One route of the 138 kV transmission line from Carmacks to Pelly Crossing is provided in the YESAB Supplementary Addendum, Map Line Segments (Attachment YESAB-YEC-1-3).

Reference: Application, page 3, footnote 5

This footnote refers to photomosaics of the Project Site Area in Appendix 78 of the YESAB Project Submission.

Request: Please provide a copy of the referenced material from the YESAB proceeding.

UCG 1-4

Reference: Application, page 3, footnote 4

YEC indicates that the Stage One CSTP and Mine Spur will provide long-term opportunities to supply new retail distribution customers in the Minto Landing area east of the Yukon River.

Request:

- (a) Please provide the number of retail customers now available in Minto Landing area east of Yukon River.
- (b) Please provide the cost associated with hooking up customers at Minto.
- (c) Please confirm that total costs of the transmission project being addressed in this Part 3 review include the costs identified in (b).

UCG 1-5

Reference: Application, page 3, footnote 6

YEC indicates that the connection of the new substation facilities at Carmacks to the distribution facilities serving Carmacks will require a new distribution line connection by YECL and the decommissioning and removal of the existing Carmacks substation.

Request:

- (a) Please provide details of the costs associated with the new distribution line connection by YECL and the decommissioning and removal of the existing Carmacks substation.
- (b) Please confirm that total costs of the transmission project being addressed in this Part 3 review includes the costs identified in (a).

UCG 1-6

Reference: Application, page 3, footnote 7

YEC indicates that connection of the new substation facilities at Pelly crossing on Selkirk First Nation settlement land to distribution facilities (and the diesel plant) at Pelly Crossing will require a new distribution line connection by YECL.

Request:

- (a) Please provide details of the costs associated with the new distribution line connection by YECL.
- (b) Please confirm that total costs of the transmission project being addressed in this Part 3 review includes the costs identified in (a).

UCG 1-7

Reference: Application, page 4

YEC has provided a Project Area Map that identifies a substation at McGregor Creek.

Request:

- (a) Please provide specific details of the proposed location for this substation.
- (b) Please provide a breakdown of the estimated costs of the proposed substation.
- (c) Please provide details on who will be responsible for paying the costs of the proposed substation.

UCG 1-8

Reference: Application, page 5

YEC indicates that Chapter 5 of the YESAB Project Proposal Submission and Supplementary Information YESAB-YEC-2-1 provide a detailed description of the Project. YEC also indicates that the project proposal to the YESAB includes a full description of the route selection (Chapter 7) and consultation (Chapter 4) and that YEC's preferred transmission route selection was based on an iterative route selection and assessment process.

Request:

- (a) Please provide a copy of the referenced material from the YESAB proceeding.
- (b) Please provide material from the YESAB proceeding which describes the iterative route selection and assessment process.

UCG 1-9

Reference: Application, page 5

YEC indicates that the route selection process included several rounds of consultation with the three Northern Tutchone First Nations (NTFN).

Request: Please provide copies of the agenda and minutes of all consultations with the three NTFNs.

UCG 1-10

Reference: Application, page 5

YEC indicates that, in May 2006, a Memorandum of Understanding ("MOU") was concluded between Yukon Energy and the three NTFNs and that all parties agreed that the development of this Project would provide meaningful benefits and opportunities for the NTFNs and their members, as well as all Yukoners, for a number of years. YEC also indicates that the MOU provided for joint support of the CSTP (as well as the Minto Spur), and established commitments with regard to a consultation process for the route selection and for a YESAB filing process.

Request:

- (a) Please provide a copy of the referenced MOU.
- (b) If the referenced MOU does not specifically identify the agreement by all parties that the development of this Project would provide meaningful benefits and opportunities for the NTFNs and their members, as well as all Yukoners, for a number of years, then please provide documentation outlining this agreement.
- (c) If the referenced MOU does not specifically identify the joint support of the CSTP (as well as the Minto Spur), and established commitments with regard to a consultation process for the route selection and for a YESAB filing process, then please provide documentation outlining this support.
- (d) Please confirm that, if requested, the signatories to this MOU will be made available for cross-examination at the oral hearing scheduled to commence May 15, 2007.

UCG 1-11

Reference: Application, page 5

YEC indicated that the NTFNs provided letters of support for the Project to YESAB in October, 2006.

Reference: Application, Page 5, footnote 8

YEC states that the Selkirk First Nation (SFN) and the Little Salmon / Carmacks First Nation (LSCFN)

indicated the need to continue discussions on the topics of route selection (in three specific areas), access management and trap line mitigation measures, however each First Nation indicated that this could be done as part of the YESAB process and should not prevent the Project from proceeding with the YESAB screening.

Request:

- (a) Please provide copies of the referenced letters of support.
- (b) Please confirm that, if requested, the signatories to these letters of support will be made available for cross-examination at the oral hearing scheduled to commence May 15, 2007.
- (c) If the concerns identified in footnote 8 are not outlined within these letters of support, please provide the related documentation.

UCG 1-12

Reference: Application, pages 5 - 7

YEC indicates that an updated overview of the CSTP project economics was provided to the YUB as Exhibits B-16 and B-22 of the Resource Plan Hearing and that updates were also filed during the Board's review of the proposed Power Purchase Agreement and with the YESAB in the Supplementary Filing (as YESAB-YEC-2-5). YEC has now provided a further update in its Schedule 1

Request:

- (a) Please confirm YEC's understanding that evidence filed as part of the reviews of the Resource Plan, the PPA and the YESAB application form part of the record of this Part 3 review.
- (b) Please provide a copy of the referenced Supplementary Filing to the YESAB.
- (c) Please provide a chart comparing cost estimates (low, mid point and high) for each stage of the proposed transmission project for cost estimates from the 20-Year Resource Plan, the PPA review, the YESAB application and the updated costs in the current Application.
- (d) Please provide detailed explanations for the changes in cost estimates between the 20-Year Resource Plan and the current Application.

UCG 1-13

Reference: Application, pages 5

YEC refers to increased payments to YDC under the Flexible Term Note.

Reference: Application, page 5, footnote 10

YEC indicates that the terms of the Flexible Term Note provide for payments of interest and principal to be deferred and abated, respectively, if YEC's power sales on the WAF distribution system are less than specified amounts.

Request:

- (a) Please provide details of the level of YEC's electricity sales that would result in the referenced deferral and abatement of interest and principal payments.
- (b) Please explain how this will affect YEC's annual revenue requirement and the costs to be recovered from each rate class.
- (c) Please provide an analysis of the payments on interest and principal assuming mine loads of 75%, 50% and 25% of the current forecast are supplied through the proposed facilities.

UCG 1-14

Reference: Application, page 6

YEC refers to potential net ratepayer benefits under stipulated assumptions.

Reference: Application, page 6, footnote 11

YEC indicates that net ratepayer benefits in Stage 1 reflect use of WAF hydro resources to displace diesel generation at Pelly Crossing and the Minto mine.

Request:

- (a) Please provide a chart showing the forecasted annual projected ratepayer benefits from 2008 through 2016.
- (b) Please provide an analysis of ratepayers benefits assuming mine loads of 75%, 50% and 25% of the current forecast are supplied through the proposed facilities.

UCG 1-15

Reference: Application, page 6

YEC indicates that the Yukon government has committed to provide new funding for Stage Two of the CSTP.

Request: Please provide documentation of this referenced financial commitment to Stage Two.

UCG 1-16

Reference: Application, page 6, footnote 13

YEC provides an example of the load and capital contribution that could be expected if the Carmacks Copper Mine were connected to the proposed facilities and that Carmacks Copper is currently in the initial permitting stage based on a proposal which assumes use only of on-site diesel generation.

Request: Please confirm that for purposes of this Part 3 review, the referenced load and capital contributions should not be considered by the Board when addressing the feasibility of the proposed facilities under review.

UCG 1-17

Reference: Application, page 7, footnote 14

YEC indicates that updated timelines for Stage Two will be developed when warranted based on discussions with industry and the Yukon Government and that the project proposal submission to the YESAB (Figure 5.4-2) assumed in-service in quarter 3 of 2009.

Request:

- (a) Please explain the timelines associated with applications to the Yukon government, the YUB and other regulators regarding Stage 2 of the proposed transmission project.
- (b) Please provide a copy of the referenced material from the YESAB proceeding.

UCG 1-18

Reference: Application, page 8

YEC indicates that delays in bringing the proposed transmission project into service will adversely affect the Minto mine and existing ratepayers.

Request: Please describe in detail the adverse impacts that would be realized by the mine and existing ratepayers if the project's completion date was delayed by 1 month, 6 months and 1 year.

UCG 1-19

Reference: Application, page 8

YEC discusses the activities leading up to an in-service date for the proposed facilities.

Request:

- (a) Please explain why YEC is requiring a quick response from the YUB and Yukon government on the proposed project when the YESAB review process will not be completed until mid to late-summer.
- (b) Please explain how a YUB report of recommendations to the Yukon government acts as rationale for Yukon Energy to pre-order materials and equipment when any decision from the YESAB would still be pending.
- (c) Please provide YEC's current best estimate of the timelines to acquire all required permits, certificates and approvals.
- (d) Please provide a copy of the Access Agreement with NTFN when completed.
- (e) Please provide a copy of the Project Agreement with NTFN when completed.
- (f) Please explain why YEC is requiring a quick response from the YUB and Yukon government on the proposed project when the required permits will not be acquired until mid to late-summer.

UCG 1-20

Reference: Application, page 8

YEC indicates that in order to secure the earliest possible construction start date, Stage One construction preparation involving preliminary engineering and costing has been planned to begin in March 2007.

Request:

- (a) Please confirm that YEC is currently incurring costs for preliminary engineering and costing prior to the YUB and YESAB issuing and decisions / recommendations regarding the proposed facilities.
- (b) Please provide details of the costs and cost commitments to date.

UCG 1-21

Reference: Application, page 8

YEC indicates that prior to completion of the YESAB review process, it will order long-lead equipment (with cancellation provisions) in May / June.

Request: Please provide details of the referenced long-lead equipment and its cost as well as the cancellation provisions.

UCG 1-22

Reference: Application, page 9

YEC indicates that a Request for Proposal for engineering services was released in February, 2007 and an award of contract to Wardrop Engineering was completed in March 2007.

UCG understands that the RFP was issued to five short listed and pre-qualified bidders.

Request:

- (a) Please provide details of the Expression of Interest process conducted by YEC including a copy of the notice, details of the firms that responded, and how this list was narrowed down to those invited to bid on the work.
- (b) Please explain how the short-listed bidders were pre-qualified. Provide all related correspondence and submissions related to the pre-qualification process.
- (c) Please provide a copy of the contract with Wardrop Engineering.

- (d) Please confirm that the contract with Wardrop Engineering is worth over \$450,000 and the timeframe for deliverables.
- (e) Please provide a breakdown of the contracted costs that are associated with the transmission project being addressed in this Part 3 review.
- (f) Please provide details of how much of this Wardrop contract is considered "take-or-pay" (i.e., how much would need to be paid if the need for the required services was postponed indefinitely).
- (g) Please provide details of the other bidders to provide these services.

UCG 1-23

Reference: Application, page 11

YEC indicates that Chapter 8 of the YESAB Project Proposal Submission provides a detailed explanation of the expected environmental and socio-economic impacts of the proposed project.

Request:

- (a) Please provide a copy of the referenced evidence.
- (b) If not already included in the referenced evidence, please provide details of the costs associated with addressing the expected environmental and socio-economic impacts of the proposed project.

UCG 1-24

Reference: Application, page 12

YEC indicates that the proposed project will provide opportunities for local jobs and business activity during construction and subsequent periodic right-of-way clearing and maintenance.

Request:

- (a) Using the activity listing at the bottom of page 9 of the Application, please provide details of the local hires and business opportunities.
- (b) Please describe the hiring policies that will be used to ensure job opportunities for all Yukoners.

UCG 1-25

Reference: Application, page 12, section 4.1

YEC suggests that evidence provided during the review of the 20-Year Resource Plan confirmed "the technical, economic and financial feasibility of proceeding at this time with Stage One of the CSTP, subject to negotiation and approval of the PPA with Minto"

Reference: Application, page 12, footnote 19

"In the absence of an approved PPA, the Board cannot make a firm recommendation on the Carmacks-Stewart line."

Request: Please explain YEC's position that the review of the 20-Year Resource Plan, the YUB's resulting recommendations and the Yukon government's decision to call for a further review of the project confirmed the technical, economic and financial feasibility of the proposed project.

UCG 1-26

Reference: Application, page 12, section 4.1

YEC indicates that the WAF system can provide significant surplus hydro electric generation over at least the next 12 years under expected non-industrial load growth and that this surplus hydro generation capability provides the near term opportunity to support Stage One development of the proposed transmission project.

Request:

- (a) Please confirm that the proposed facilities will not adversely affect the surplus hydro electric generation position and the current WAF system's ability to provide service to non-industrial load.
- (b) Given the anticipated surplus generation for at least the next 12 years, please explain the need to add the third turbine at Aishihik within that 12-year period.
- (c) Please explain why non-industrial ratepayers would be required to pay for any of the costs associated with or resulting from the proposed third turbine at Aishihik.

UCG 1-27

Reference: Application, page 13

YEC submits that its analysis (using the proposed Mine Net Revenue Account) indicates that ratepayers will now benefit throughout the Mine's life from offsets to YEC's regulated rate base and that the Mine Net Revenue Account is now projected at \$15.6 million by the year 2016 under the 32.5 GWh/yr Mine load.

Request: With capital contributions of \$10.45 million from the Yukon government, \$7.2 million from Minto Explorations and the \$5 million in YDC flexible funding:

- (a) On an annual basis, please provide the total net amount that YEC proposes to place into its regulated rate base related to the proposed project.
- (b) Please provide the annual returns on equity expected to be included in YEC's revenue requirement for 2008 – 2016 related to the transmission project being addressed in this Part 3 review.
- (c) Please provide details of the financing that will be required to support the construction of this proposed project including amounts and parties providing the financing.
- (d) Please provide annual costs of financing to be included in YEC's revenue requirement for 2008 – 2016.
- (e) Please provide details of the annual operation and maintenance costs of this proposed transmission project for 2008 – 2016.
- (f) Please provide details of the annual operation and maintenance costs of generation / transmission / distribution infrastructure to provide electricity to Minto for 2008 – 2016.
- (g) Please provide the annual personnel-related costs (new and current) associated with the operation and maintenance of the proposed facilities, including management time and costs, for 2008 – 2016.
- (h) Please provide the annual cost to service the \$5 million YDC flexible note for 2008 – 2016.
- (i) Please provide the amount of YUB-related costs related to the proposed project to date and forecast, separated by proceedings and by year.
- (j) Please provide details of the estimated annual mitigation costs incurred by existing resource users (i.e., First Nations trap line, outfitting, agriculture, etc.).
- (k) Please provide annual mitigation costs for the Environmental Protection Plan.
- (l) Please provide details of any other annual costs associated with the proposed project.

UCG 1-28

Reference: Application, page 13

YEC submits that its analysis (using the proposed Mine Net Revenue Account) indicates that ratepayers will now benefit throughout the Mine's life from offsets to YEC's regulated rate base and that the Mine Net Revenue Account is now projected at \$15.6 million by the year 2016 under the 32.5 GWh/yr Mine load.

Request:

- (a) Please provide an analysis of the proposed Mine Net Revenue Account assuming mine loads of 75%, 50% and 25% of the current forecast are supplied through the proposed facilities.

- (b) Please provide details of the benefits and costs to ratepayers of the proposed transmission project under each of the load forecasts in (a).

UCG 1-29

Reference: Application, page 13

YEC identifies 2 alternatives to the Stage One development of the CSTP and the Mine Spur.

Request:

- (a) Please provide construction costs per kilometer for power line facilities in other jurisdictions. Provide detail for various line voltage levels (i.e., 25 to 35 kV, 69 kV, and 138 kV).
- (b) Please provide updated engineering costs per kilometer by Wardrop Engineering for 138 kV line.

UCG 1-30

Reference: Application, page 14

YEC submits new mine developments and Yukon government funding will enable potential in-service of Stage Two by Fall 2009.

Request:

- (a) Please provide details and timing of the mine developments and Yukon government funding that would be required to enable this Fall 2009 in-service date.
- (b) Please provide details of the timing for applications to the Yukon government and the YUB related to Stage Two to enable a Fall 2009 in-service date.
- (c) Please provide details of the timing of Stage 2 assuming Minto mine loads of 75%, 50% and 25% of the current forecast are supplied through the proposed Stage One facilities.

UCG 1-31

Reference: Application, page 14

YEC submits that a full analysis of the expected capacity and load requirements (demand and energy) of the Yukon systems under various load scenarios is discussed in Chapters 4 and 5 of the Resource Plan and these capacity and load requirements were fully reviewed by the YUB at that time.

Request: Please confirm that all referenced analysis was conducted without obtaining current and forecast load information from YECL.

UCG 1-32

Reference: Application, page 15 and footnote 24

YEC indicates that the YUB recommended proceeding with the Aishihik 3rd Turbine in service in 2013 unless YEC can justify an earlier in service date. YEC suggests that an earlier in-service date would be based on "economic reasons" – specifically additional near-term industrial mine load (e.g., Carmacks Copper) and/or any government grant assistance to facilitate such infrastructure development.

Request:

- (a) Please confirm that there are no near-term industrial mine loads driving the consideration of advancing the in-service date of the third turbine.
- (b) Please confirm that the announced \$5 million government funding will not cover all costs of the third turbine.

UCG 1-33

Reference: Application, page 16

YEC submits that the major regulatory risk with regard to the Stage One CSTP remains material delays in schedule which could adversely affect project costs and benefits.

Request: Please explain why YEC does not consider the YUB's total / partial denial or conditional approval of the proposed Purchase Power Agreement a significant risk for the proposed project.

UCG 1-34

Reference: Application, page 16

YEC indicates that the YUB recommended in its January 2007 report to the Yukon government that YEC adhere to all outstanding recommendations as outlined in the Auditor General's report and, in addition, in any subsequent major project YEC should detail how it has adhered to the direction in the Auditor General's report.

Request:

- (a) Please identify where in the current application YEC has detailed how it has adhered to the direction in the Auditor General's report.
- (b) If this detail has not been submitted, please provide it.

UCG 1-35

Reference: Application, page 16

YEC acknowledges that some degree of risk remains for Stage One of the CSTP under certain "extreme" scenarios where the Mine permanently closes prematurely in its initial years of operation and Minto defaults on the YEC Security.

Request: Please confirm that by "extreme", YEC means "significantly adverse" rather than "unlikely".

UCG 1-36

Reference: Application, page 16

YEC submits that the Mine Net Revenue Account acts to protect ratepayers in this regard by ensuring that net incremental revenues are retained in order to provide a cushion, to the extent feasible at any time, against risk related to the Mine operation as well as against the balance of YEC's Stage One capital costs not yet depreciated.

Request:

- (a) Please explain how the proposed Mine Net Revenue Account protects Yukoners who are both ratepayers and taxpayers.
- (b) Please explain why the proposed Mine Net Revenue Account only addresses incremental revenues and costs instead of average embedded costs upon which industrial rates must be based.
- (c) Please confirm that the proposed Mine Net Revenue Account is worthless if the mine operates for only a couple of years at a time when commodity costs warrant.

UCG 1-37

Reference: Application, page 16

YEC submits that risks remain during the Stage One development despite the provision of funding by the Yukon government and that these risks reflect YEC's financing of the Minto capital cost contribution.

Request:

- (a) Please provide reasons why other ratepayers (through YEC) should be responsible for this risk to the benefit of a single customer (i.e., the Mine).
- (b) Please explain how ratepayers could be fully protected from being responsible for this risk.

UCG 1-38

Reference: Application, page 17

YEC submits Stage One of the CSTP provides for a major infrastructure development that “facilitates” future interconnection of the WAF and Mayo-Dawson grids.

Request:

- (a) Please explain whether the Stage One portion of the proposed project is feasible without other proposed stages of this project.
- (b) Please confirm that rather than “facilitates”, Stage One “obligates” future interconnection of the WAF and Mayo-Dawson grids

UCG 1-39

Reference: Application, page 17

YEC submits that timely completion of Stage One CSTP and the Minto Spur Project will yield material ratepayer benefits of approximately \$250,000 per month of avoided delay.

Request:

- (a) Please confirm that the referenced \$250,000 is simply the anticipated gross revenues to YEC per month from the Mine.
- (b) Please provide annual estimates (2008 – 2016) of the net revenues per month from the Mine after accounting for fully loaded costs of providing service. Please be specific on the costs that YEC assumes will be covered by the revenues.

UCG 1-40

Reference: Application, page 17

YEC submits it requires approval by the YUB of the terms and conditions of the PPA Agreement by April 30, 2007.

Reference: Application, page 24

YEC submits that before any Yukon, federal or First Nation permit or approval can be issued, YESAB must complete its report and make recommendations to the relevant Decision Bodies under the YESAA. Further, unless delays are to occur, all of these Decision Bodies must also issue Decision Documents agreeing with the YESAB recommendations before any permits or approvals can proceed.

Request:

- (a) Please confirm that regulatory permits and approvals required for the proposed project cannot be finalized until the YESAB Final Report is issued and the relevant Decision Bodies have accepted its recommendations.
- (b) Please provide the current estimate of when the YESAB Final Report is expected to be released and the expected timeline for all decision bodies to review and accept the YESAB recommendations.
- (c) Please explain whether the April 30 requirement in the proposed PPA will have been met if the YUB issues an interim approval subject to the review and acceptance of the YESAB Final Report.

- (d) Please confirm whether the April 30 requirement in the proposed PPA requires that the YUB approve the proposed PPA as originally submitted.
- (e) Please confirm that if the parties to the PPA cannot agree to waive or extend the time period for obtaining YUB approvals, the PPA will be terminated.

UCG 1-41

Reference: Application, page 18

YEC submits it is assuming risk during Stage One of the CSTP with regard to the up front capital cost payments for the Mine Spur. YEC indicates that Minto has consistently said that it did not have the capability to obtain conventional debt financing to pay YEC at the outset (or to provide a letter of credit for same) for the capital requirements to interconnect to the grid.

Request:

- (a) Please explain how any business operation that is supposed to be financially viable for the longer term cannot obtain conventional debt financing or a letter of credit.
- (b) Please provide details of the options to providing financing for Minto that were reviewed and reasons why these options were discarded.
- (c) Please explain why Minto was not able to secure conventional debt financing given the size of the organization of which it is a part.
- (d) Please explain why Minto is not able to use the annual \$3 million savings by connecting to the grid to help secure conventional debt financing.
- (e) Please confirm that material cost saving benefits are still available to the Minto Mine from grid electricity service even if the Carmacks to Minto Landing 138 kV portion of Stage One was not built and the Mine was required to pay 100% of the cost estimated for the basic additional facilities (i.e., for additional 35 kV line facilities between Carmacks and Minto Landing) to connect the Mine with the WAF grid.

UCG 1-42

Reference: Application, page 18

YEC submits it is assuming risk during Stage One of the CSTP with regard to the up front capital cost payments for the Mine Spur. YEC was only able to provide one recent example of a regulator approving this type of upfront financing by a utility in support of providing service to an industrial customer.

Request:

- (a) Please provide a copy of the referenced Order No. P.U.12 (2005) of the Board of Commissioners of Public Utilities in Newfoundland and Labrador.
- (b) Please provide any other regulatory decisions / orders related to this project.
- (c) Please provide a copy of the transmission construction contribution agreement associated with the transmission interconnection with the Duck Pond Mine.
- (d) Please confirm whether the regulator was asked to approve the transmission construction contribution agreement and provide the Board's decision.
- (e) Please confirm that the regulator in the Duck Pond Mine proceeding directed that the owners of the mine pay the full costs of preliminary engineering and related work associated with the construction of a transmission interconnection to the mine site.
- (f) Please provide a comparison between Newfoundland and Labrador Hydro and YEC (i.e., number of customers – industrial, non-industrial, rate base, annual capital budget, revenue requirement, return on rate base).
- (g) Please provide any examples found during YEC's searches of similar applications that were not approved by the regulator.

UCG 1-43

Reference: Application, page 18

YEC submits it is assuming risk during Stage One of the CSTP with regard to the up front capital cost payments for the Mine Spur and that the Power Purchase Agreement protects it if the Minto Mine shuts down prematurely.

Request:

- (a) If the Minto mine shuts down prematurely, where is the evidence that Macquarie Bank or some other firm will honour Minto's commitments?
- (b) Is Macquarie a mining firm as well as a financial institution?
- (c) Please explain how the proposed Power Purchase Agreement puts YEC at a disadvantage rather than an advantage.

UCG 1-44

Reference: Application, page 18

YEC submits that the Yukon government funding for Stage Two is assumed to address the specific risks related to other concurrent mine developments on the Mayo-Dawson system (e.g., UKHM) combined with the potential impact of new added mine loads on renewed base load diesel generation requirements.

Request: Please provide a fuller explanation of these referenced risks.

UCG 1-45

Reference: Application, page 19

YEC submits that opportunity projects are pursued solely based on the ability to make the most of existing assets, and to have long-term beneficial impacts on ratepayers. In the event such positive rate benefits cannot be secured, these projects would not be pursued.

Request: Please explain what is meant by "rate benefits" and what is included under "long-term beneficial impacts on ratepayers".

UCG 1-46

Reference: Application, page 19

YEC indicates that one of the key principles underlying the PPA was that the cost of the Transmission Project required to provide grid electricity to the Mine would not adversely impact other ratepayers in Yukon. YEC also submits that "the Mine Net Revenue Account is one of the key measures included in the PPA to ensure that there would be no impacts (adverse or beneficial) on ratepayers".

Request: Please explain why ratepayers should not receive any beneficial impacts resulting from the proposed facilities.

UCG 1-47

Reference: Application, page 20

YEC indicates that updated projections of the Mine Net Revenue Account reflect the PPA provisions with the Yukon government's new funding.

Request: Please confirm that no updates of the proposed Mine Net Revenue Account reflecting the Yukon government's new contributions were submitted during the PPA review process for testing by

intervenors or consideration by the Board.

UCG 1-48

Reference: Application, page 21

YEC indicates that it is continuing to consult with the NTFNs on topics which include specific route finalization and route impact mitigation issues (i.e., access management and buffers), as well as trap line mitigation. YEC also indicates that it will be concluding discussions with the NTFNs on a Project Agreement as provided for in the MOU.

Request:

- (a) Please provide copies of the agenda and minutes / notes of the referenced consultations with the NTFNs.
- (b) Please provide an update on the issues being addressed in the referenced Project Agreement and a copy of the Project Agreement upon completion.
- (c) Please provide details of consultations that have been undertaken with residents living in the Riverdale area of Whitehorse – the largest group to be potentially adversely impacted by diesel generation requirements in Whitehorse as a result of the proposed project.

UCG 1-49

Reference: Application, page 21

YEC indicates that it developed a Public Involvement Plan and distributed newsletters in May 2006 and in March 2007.

Request:

- (a) Please provide a copy of the Public Involvement Plan.
- (b) Please provide a copy of the May 2006 newsletter.
- (c) Please provide the distribution list for the newsletters and an explanation of how they were made available.
- (d) Please provide a breakdown of the costs of the Public Involvement Plan and newsletters between the transmission project being addressed in this Part 3 review and all other facilities.

UCG 1-50

Reference: Application, Attachment A

YEC indicates that the proposed project “will benefit all Yukon ratepayers, Minto Mine, governments and others”.

Request: Please provide details of the benefits being provided to “governments” and “others” and who these parties are.

UCG 1-51

Reference: Application, Attachment A

YEC indicates that the “Northern Tutchone First Nations will have the opportunity to provide, on a sole source basis, all route clearing and brushing activities related to the project”.

Reference: Auditor General’s Report on Mayo-Dawson Transmission Line Project

Paragraph 44 – Although the YEC did issue a request for proposal in a few cases, for this project we found that it awarded 12 contracts (each with payments over \$50,000) on a sole-source basis. We found no explanation in the Corporation’s files to justify this approach. The lack of a competitive process diminishes opportunities to identify the best contractor or get the best possible price for

quality services. We are particularly concerned about certain contracts and payments discussed in the following sections of this report.

Paragraph 59 – Recommendation. The Yukon Energy Corporation should establish and follow a contracting policy and clear contracting procedures that provide for transparency and competition and ensure best value.

Request:

- (a) Please provide the justification to sole source these activities to the NTFNs.
- (b) Please provide details of any other project-related services for which opportunities to provide on a sole basis have already been guaranteed.
- (c) Please explain how YEC's sole-sourcing process follows the intent of the Auditor General's recommendation.