

UTILITIES BOARD		
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ENTERED BY	DATE	
CW	Jan 30/09	

**YUKON ENERGY CORPORATION
2008-2009 GENERAL RATE APPLICATION**

CITY OF WHITEHORSE INFORMATION REQUESTS NO.1 TO YEC

CW-YEC-1

Issue: Purchase Power Agreement

Reference: PPA referred to in the Application, page 1, Introduction To Application

Request: Please produce a copy of the approved and amended Purchase Power Agreement for the record.

CW-YEC-2

Issue: Sales Forecasts – Forecasting Methods

Reference: Application, Tables 2.3 and 2.4

Preamble: CW wishes to understand YEC's forecasting methods.

Request:

- a) Please provide a full explanation and demonstration of the statistical forecasting methods used by YEC to forecast energy sales and/or MWh sales per customer in these tables.
- b) If no statistical forecasting methods were used by YEC, to forecast energy sales and MWh sales per customer in these tables, please explain why not.

CW-YEC-3

Issue: Sales Forecasts – Wholesale Sales to YECL

Reference: Application Section 2.2.1, p.2-4

Preamble: **“2008 Actuals Year-to-Date:** Yukon Energy's load forecasts for 2008 incorporate actual sales through June 2008, which were not available to YECL as of their filing date of April 30, 2008.

2009 Forecast Load Growth: Yukon Energy's 2009 load forecasts are markedly higher than the YECL forecasts in their GRA reflecting Yukon

Energy's analysis of wholesale load growth, including the WAF load growth analysis for the 2001-2004 period (averaging 2.2% per year), as reviewed in the Yukon Energy 20-Year Resource Plan 2006-2025 ("Resource Plan") and the more recent experienced growth rate in WAF wholesales from 2004 to 2007 actuals, at 2.5% per year. Yukon Energy has utilized a growth rate in this range (2.39%) as the basis for estimating load increases from 2008 to 2009 based on this evidence of the experienced longer-term load trends."

Request:

- a) For 2008, YEC forecast Wholesale sales growth (1.38%)¹ to be less than that forecast by YECL (2.39%).² Is there any reason for YEC's lower forecast other than the incorporation and consideration of actual sales through June 2008?
- b) Absent the incorporation of these actual sales through June 2008, would YEC have expected growth for 2008 to be greater than that forecast by YECL, as is the case in 2009. Please explain.
- c) How does YEC account for the seeming anomaly of reduced growth in 2008?
- d) Please provide an explanation and rationale for the use of the forecast growth of 2.39% for 2009. Please explain exactly what YEC means by the "evidence of the experienced longer-term load trends" and how it was used to determine the 2.39%.

CW-YEC-4

Issue: Sales Forecasts – Summary of Customers, Energy Sales and Revenues

Reference: Application, Tables 2.2 to 2.4, pages 2-16 to 2-18

Preamble: CW wishes to understand YEC's forecasting accuracy.

Request:

- a) Please expand Tables 2.2 to 2.4 to include "Forecast" columns for the years 2006 and 2007.
- b) For these expanded tables, please provide an explanation for any variances greater than 5% between forecast and actual energy sales for the years

¹ Table 2.1, Page 2-5

² Table 2.1, Page 2-5

2006 and 2007 for the Residential, General Service, Street Lights and Secondary Sales classes.

- c) Please provide an explanation for any variances greater than 5% between forecast and actual “MWh sales per customer” for the years 2006 and 2007 for the Residential and General Service Classes.
- d) Please provide an explanation for any variances greater than 5% as per (b) and (c) above for the year 2008, at the time the 2008 update information is provided.

CW-YEC-5

Issue: Summary of Customers, Energy Sales and Revenues, Mayo-Dawson

Reference: Application, Tables 2.3, p.2-17

Preamble: CW wishes to understand YEC’s forecasting accuracy.

Request:

- a) Please provide an explanation for the 32% variance between the 2005 approved Wholesale sales of 581 MWh and the actual 2005 Wholesale sales of 390 MWh.
- b) Please provide an explanation for the 28% variance between the 2005 approved Secondary Sales of 800 MWh and the actual Secondary Sales of 570 MWh.

CW-YEC-6

Issue: Summary of Customers, Energy Sales and Revenues, WAF

Reference: Application, Tables 2.4, page 2-18

Preamble: CW wishes to understand YEC’s forecasting accuracy.

Request:

- a) Please provide an explanation for the 21.2% variance between the 2005 approved sales for the General Service class of 6,022 MWh and the actual 2005 sales of 7,299 MWh. Also please explain the 17% variance between the approved and forecast “MWh sales per customer” for the General Service class.

- b) Please provide an explanation for the variance of 3,067 MWh between 2005 approved Wholesale sales of 233,961 MWh and 2005 actual Wholesale sales of 237,028.
- c) Please provide an explanation for the 7.3% variance between the 2005 approved Secondary Sales of 19,813 MWh and 2005 actual Secondary Sales of 18,363 MWh.

CW-YEC-7

Issue: Secondary Sales

Reference: Overview, p. 10

Preamble: YEC states, “**Secondary Sales:** With the increased utilization of surplus hydro generation in coming years, the existing opportunity to sell secondary energy on an interruptible basis will be basically eliminated. There may remain for a few years a small amount of secondary energy available in summer months, during off-peak hours, but the quantities will be limited. In the test years, Yukon Energy forecasts an ability to maintain secondary sales through most hours of the year, but during cold winter periods there is increased anticipated use of diesel generation for firm load peaking requirements, and consequently much greater forecast interruptions of secondary sales than in recent years (with consequent reductions in secondary sales revenues in the test years).

Request:

- a) Please explain how surplus hydro has benefited YEC and its customers to this point and please specify which customers and/or classes of customer have benefited from it and demonstrate how.
- b) Please explain how Yukon Energy’s forecast decrease in surplus hydro in the test years and the ultimate elimination of surplus hydro in coming years will negatively affect the customers and/or classes of customers cited in a) above.
- c) Will YEC be negatively affected by the decrease of surplus hydro in the test years and the ultimate elimination of surplus hydro in coming years? Please explain.

CW-YEC-8

Issue: Secondary Sales

Reference: Section 2.2.4, p.2-9

YEC states, “After the Faro mine closure in 1998, Yukon Energy took significant efforts to market surplus hydro available from Yukon Energy’s facilities, with net revenues derived from sales going towards lowering rates compared to what would otherwise be required for firm customers throughout the Yukon.

Yukon Energy total secondary sales (i.e., sales sold at special rates on condition that these sales can be interrupted at any time that surplus hydro generation is not available) increased substantially leading up to the 2005 Required Revenues and Related Matters hearing, to a forecast level of 20,613 MW.h in 2005. As reviewed at that time, further increases in secondary sales quantities were not being aggressively targeted as the remaining surplus on the system was diminishing. Since the 2005 Required Revenues and Related Matters hearing, only two new secondary customers have been added, and total secondary sales increased at a slower pace, increasing to 22,185 MW.h in 2006 and to 24,225 MW.h in 2007.”

- emphasis added

Reference: Application, p.10

“Secondary Sales: With the increased utilization of surplus hydro generation in coming years, the existing opportunity to sell secondary energy on an interruptible basis will be basically eliminated.”

Request:

- a) Please confirm that YEC’s “significant efforts to market surplus hydro” after the Faro mine closure in 1998 involved “aggressively” targeting and convincing customers to utilize electric heating on the premise that secondary sales would be available for that purpose. If not confirmed, please explain.
- b) In particular, please confirm that YEC made representations to the City of Whitehorse that secondary sales would be available to serve the heating load in the Canada Games Centre and that YEC encouraged the City to utilize electric heating for that facility on the basis of such representations.
- c) If a) or b) are confirmed, and in light of YEC’s statement cited above that: “in coming years, the existing opportunity to sell secondary energy on an interruptible basis will be basically eliminated”, please comment on the fairness of the predicament these electric heating customers find themselves in, after installing electric heating in response to the urging of YEC and the promise that inexpensive surplus hydro would be available.

- d) What will happen to these captive customers when surplus hydro is no longer available? Please provide estimates of cost increases for a number of typical Industrial and General Service secondary sales customer loads.
- e) Please describe the types of customers that purchase secondary sales, the purposes to which secondary sales are put and any economic impact upon the Yukon that the “basic elimination” of secondary sales might have.
- f) Is YEC planning to assist secondary sales customers to switch to alternative sources of energy, financially or otherwise? Please explain.

CW-YEC-9

Issue: Secondary Sales

Reference: Section 4.2.1, p.4-4

Preamble: YEC states, “In order to address fuel price related variance in income, the Rider F Deferred Fuel Price mechanism was used to normalize the secondary sales revenues and act as a natural hedge to the Rider F account, reducing variability that would otherwise be charged through the joint Yukon Energy/YECL rate rider.

Request:

Please fully explain and demonstrate by using an example(s) what YEC means by the comment that, “the Rider F Deferred Fuel Price mechanism was used to normalize the secondary sales revenues and act as a natural hedge to the Rider F account.”

CW-YEC-10

Issue: Secondary Sales

Reference: Section 4.2.1, p.4-5

Preamble: YEC states, “In the 2005 proceeding, Yukon Energy received approval for a procedure related to determining the timing of scheduled secondary sales interruptions based on forecasting the quantity (hours) of diesel generation expected to be required over the coming seven day period in winter (i.e., interruptions were to be initiated if YEC forecast a requirement to dispatch diesel generation for more than 10% of the hours over the coming seven day period). It has become apparent that a seven day forecast period is not practical, given the Environment Canada long-range forecasts are focused on the coming five days. Accordingly, Yukon Energy is seeking approval to adjust the rate schedule provision to reflect interruptions being initiated for any forecast requirement to use diesel for more than 10% of the hours

over the subsequent five day period. No material effect is expected on the amount of time secondary energy is expected to be made available.

- emphasis added

Request:

- a) Please describe what difficulties, if anything arose from the use of a seven day forecast period that would be rectified with the use of a 5 day forecast?
- b) On what evidence does YEC base its expectations that there will be no material effect on the amount of time secondary energy is to be made available as a result of changing to the 5 day forecast period?
- c) If there is no material effect on the amount of time secondary energy is to be made available, please explain the value added to making this change?

CW-YEC-11

Issue: Rate restructuring within rate classes

Reference: Application page 1-6

Preamble: YEC states: “Accordingly, given the latest Directive to the Board, Yukon Energy is not, as part of the current GRA submissions, addressing COS and rate design work related to any rate shift program or rate rebalancing as between customer classes. The Application, however, addresses rate design issues within each retail customer class related to OIC 1995/90 directives regarding runoff rates.”

Request:

- a) Please discuss how rate design issues within each retail customer class, such as recovery of costs at the margin by the second block rate and the appropriateness of customer charges, can be addressed in the absence of a cost of service study?
- b) YEC has proposed no change to the customer charges applied to Residential Services (Appendix 4.1, Rate Schedules). Please demonstrate that these fixed charges recover an appropriate share of customer-related costs.
- c) Please demonstrate that YEC has applied the amended OIC 1995/90 directives regarding runoff rates equally and fairly to each rate class.
- d) Has YEC performed a recent load study in support of its rate restructuring within rate classes? If yes, please provide this study.

CW-YEC-12

Issue: Rate restructuring within rate classes

Reference: Application page 4-12, Table 4.9 and Table 4.10

Preamble: YEC states: "Given the Yukon Hydro zone electrical systems are now approaching the point where diesel generation will be required for more peaking occasions, and ultimately for near-term baseload generation (absent the development of added new renewable generation), current run out rates in all rate zones simply are not in keeping with the conservation principles of OIC 1995/90 nor are such rates consistent with the overriding principles outlined in the YTG's climate change policy."

Request:

- a) Please confirm that these changes will or will not be revenue neutral for the residential rate class as a whole. Please demonstrate.
- b) Please confirm that these changes will or will not be revenue neutral for each separate Residential Service shown in Appendix 4.1, Rate Schedules. If not revenue neutral, please explain YEC's rationale for allowing this to happen.
- c) Please confirm that at times during the last 13 years, residential customers were encouraged by YEC to use electric heating. If so, please describe the circumstances of that occurrence(s).
- d) YEC proposes to transfer the cost responsibility of collecting \$1.488M from Residential block 1 customers to Residential block 2 customers for 2009 as per Table 4.10. Please confirm that the purpose of the proposed increase in block 2 rates to Residential services is to create an incentive for electric heating customers who consume over 1000 kW.h per month to use less electricity in heating or to switch to a different method of heating altogether.
- e) If d) is confirmed, please comment on the fairness or unfairness of these proposed changes to these captured customers, whose houses have been built to provide electric heating. How would YEC explain to these customers that this proposed change to rates is appropriate, and that these customers are not being specifically targeted?

CW-YEC-13

Issue: Rate restructuring within rate classes

Reference: Application page 4-12, Table 4.9 and Table 4.10

Preamble: YEC states: “Given the Yukon Hydro zone electrical systems are now approaching the point where diesel generation will be required for more peaking occasions, and ultimately for near-term baseload generation (absent the development of added new renewable generation), current run out rates in all rate zones simply are not in keeping with the conservation principles of OIC 1995/90 nor are such rates consistent with the overriding principles outlined in the YTG’s climate change policy.”

Request:

- a) As a means of accomplishing the conservation principles set out in OIC 1995/90, did YEC investigate any conservation strategies other than its proposed increase to run-off rates for residential customers? If yes, please provide the results of this investigation. If no, please explain why not.
- b) As a means of accomplishing the conservation principles set out in OIC 1995/90, did YEC investigate adopting any types of conservation rate structures other than “Increasing Block Rates?” If yes, please provide the results of this investigation.
- c) The billing determinants for the second block of energy for the Residential rate class in Table 4.9 (Sales at Existing Rates) are identical to those in Table 4.10 (Sales at Proposed Rates). Does this mean that YEC is forecasting no reduction of demand in the second block and, therefore, no meaningful conservation to take place?
- d) Assuming YEC’s strategy to reduce electric heating demand actually succeeds, and meaningful conservation occurs, which results in significant reductions to demand in the residential second block, please explain how YEC is preparing to address the reduced revenue collected from residential customers? Is YEC concerned that if the Board approves its rate proposal, it may not collect its revenue requirements for the test period?

CW-YEC-14

Issue: Billing determinants and rates

Reference: Tables 2.2 to 2.4

Preamble: YEC indicates that it serves street lighting and space lighting customers. The rate schedules for these customers are not included in Appendix 4.1.

Request:

Please provide the rate schedules that these customers are served under.

CW-YEC-15

Issue: Aishihik Water Storage Facility

Reference: Application Section 2.3.1

Preamble: YEC discusses the relationship between drought conditions, the levels in the Aishihik Water Storage Facility and secondary sales.

Request:

What were the water levels during 2008 in the Aishihik Water Storage Facility relative to long-term average levels?

CW-YEC-16

Issue: Fuel and Purchased Power

Reference: Application page 3 - 4, lines 16 - 18

Preamble: YEC states: "Forecast fuel prices for the 2008/2009 test years are approximately \$1.108 per litre for 2008 and \$1.149 per litre for 2009 for Whitehorse. For other Yukon Energy locations, additional costs of 3.2 cents/litre (Faro), 1.5 cents/litre (Dawson) and 0.7 cents/litre (Mayo) apply.

Request:

- a) When were these fuel price forecasts for 2008 and 2009 made? What was the basis for these price forecasts at the time the forecasts were made?

- b) Are the “additional costs” mentioned additional to the Whitehorse price? If not, please explain the use of the term “additional”?
- c) What was the actual average price of diesel fuel for Whitehorse, Faro, Dawson and Mayo during 2008?
- d) What was the actual Fuel and Purchased Power cost to YEC during 2008?
- e) What is the current (January 2009) wholesale diesel fuel price for Whitehorse? Please revise the 2009 Fuel and Purchased Power revenue requirement forecast to reflect this current price of diesel fuel.
- f) Please provide YEC’s best current forecast for the average wholesale price of diesel fuel in Whitehorse for 2009. Please advise if such a forecast is or can be derived from the Short-Term Energy Outlook document, page 20, Table 2 which can be accessed at the following link: <http://www.eia.doe.gov/emeu/steo/pub/jan09.pdf>

CW-YEC-17

Issue: Fuel and Purchased Power

Reference: Application Page 3-5, lines 13-15

Preamble: YEC states: “For 2009, total forecast diesel generation is 1.262 GW.h, which is forecast to require 350,600 litres of diesel fuel. In addition, 100,700 litres of diesel fuel are forecast for mechanical maintenance purposes. Total forecast fuel consumption for 2009 is 451,300 litres, at an average price of \$1.170/litre.”

Request:

- a) Please provide details of how the forecast fuel requirements are calculated based on the fuel efficiencies provided at page 3-5, lines 1-4.
- b) Please provide details of how the total cost of fuel is calculated based on the forecast cost of fuel set out at page 3-4, lines 16-18 and the forecast fuel requirements.

CW-YEC-18

Issue: Non-Fuel and Operating Costs – Labour

Reference: Application Table 3.4

Preamble: CW wishes to understand the labour costs of YEC.

Table 3.4
 Employee Complement History

	Actual 2005	Actual 2006	Actual 2007	GRA 2008	GRA 2009
President	1.60	1.50	2.50	2.50	2.50
Communications	1.00	1.00	1.00	1.00	1.00
Human Resources & Info. Mgmt.	6.06	6.01	6.00	7.00	7.00
Business Development	1.08	1.00	1.00	1.00	1.00
Finance, Cust. Acctg. & Purchasing	11.05	11.49	11.63	12.81	12.81
Operations	34.82	39.43	38.60	40.20	40.10
Engineering Services	13.21	13.58	14.00	12.67	12.00
Health, Safety & Environment	1.00	1.00	3.00	3.33	3.33
Total	69.82	75.01	77.73	80.51	79.74

Request:

- a) What is YEC’s historical vacancy rate for FTEs for 2005-2007 and the forecast rate for 2008 and 2009?
- b) Have these vacancy rates been applied to the above employee complements?
- c) Please discuss the reasons for any increases or decreases in employees and relate to growth in output, if possible.
- d) Please provide a breakdown of the number of Operations employees by Production, Transmission, Distribution and General Operations and Maintenance.
- e) Please provide a current organization chart for YEC that shows the location of each FTE in Table 3.4.

CW-YEC-19

Issue: Non-Fuel and Operating Costs – Labour

Reference: Application page 3-6, lines 7-12

Preamble: YEC states: “Increases in labour expense make up the remainder of the increase totalling \$1.244 million, or 62%. Most of this increase occurred between 2005 and 2007 (\$0.996 million). This reflects additional positions, as well as negotiated and step increases. A further \$0.248 million is the forecast increase in labour expenses over 2007-2009 (about 1.9% per year). Detailed information on the labour increases by function is provided in the following sections. The Yukon Energy employee complement (FTE) is shown in Table 3.4.”

Request:

- a) Please provide a table of the average number of FTEs per year (including the test years), the total cost of labour separated by base salaries, overtime, bonuses and the average cost and year to year increases in average cost of an FTE.
- b) What is the 1.9% inflation rate of the cost of an FTE based upon?
- c) Please provide copies of any labour agreements that apply to YEC's employees.

CW-YEC-20

Issue: Non-Fuel and Operating Costs – Labour

Reference: Application Table 3.5

Preamble: CW wishes to understand the labour costs of YEC.

Table 3.5
 Production Costs
 (\$000)

	Actual 2005	Actual 2006	Actual 2007	Forecast		Forecast	
				Existing 2008	Proposed 2008	Existing 2009	Proposed 2009
Labour	\$ 2,161	\$ 2,416	\$ 2,468	\$ 2,114	\$ 2,114	\$ 2,179	\$ 2,179
Diesel	173	189	147	191	191	194	194
Hydro	602	551	602	423	423	560	560
Wind	22	5	21	8	8	8	8
Operation Supervision	0	16	23	35	35	36	36
Total Production	\$ 2,958	\$ 3,179	\$ 3,281	\$ 2,771	\$ 2,771	\$ 2,977	\$ 2,977

Request:

- a) Please discuss the cause of every year-over-year increase/decrease in each category of Production expense in Table 3.5 greater than 10%.
- b) What is the inflation factor applied to each category of Production expense between 2008 and 2009? Why are these inflation factors appropriate?

CW-YEC-21

Issue: Non-Fuel and Operating Costs – Labour, Transmission

Reference: Application Table 3.5

Preamble: YEC states: “Transmission labour costs for 2008 and 2009 are well above the actual 2005-2007 levels due to having a full complement of line crew in 2008 and 2009.”

Request:

- a) Why wasn't there a full complement of line crew during the 2005-2007 period? What was the vacancy rate for transmission FTEs during the 2005-2007 time period?
- b) Why does YEC expect to have a full complement of line crew during the test period? What has changed from the 2005-2007 time period?
- c) Did YEC in fact have full complement of line crew throughout 2008? If not, please provide the vacancy rate.

CW-YEC-22

Issue: Non-Fuel and Operating Costs – General Operating and Maintenance

Reference: Application page 3-9, Table 3.8

Preamble: CW requires details of YEC's expenses. YEC provides the following table in support of these costs:

Table 3.8
 General Operating and Maintenance
 (\$000)

	Actual 2005	Actual 2006	Actual 2007	Forecast		Forecast	
				Existing 2008	Proposed 2008	Existing 2009	Proposed 2009
Labour	\$ 135	\$ 139	\$ 116	\$ 92	\$ 92	\$ 94	\$ 94
Transportation	291	321	370	386	386	394	394
Maintenance of Company Owned Properties	230	242	290	342	342	384	384
SCADA Communication and Special Projects	71	81	72	79	79	80	80
Total General O&M	\$ 727	\$ 783	\$ 848	\$ 899	\$ 899	\$ 952	\$ 952

Request:

- a) Please discuss the cause of every year-over-year increase/decrease in each category of General Operating and Maintenance in Table 3.8 greater than 10%, as well as the cause for every increase/decrease from 2007 to 2008 for each category.
- b) What is the inflation factor applied to each category of General Operating and Maintenance expense between 2008 and 2009? Why are these inflation factors appropriate?

- c) Please break down SCADA communication and special projects by year into these two categories.
- d) Please provide a full description of the special projects undertaken in each year from 2005-2007 and those special projects forecast for the test years?

CW-YEC-23

Issue: Non-Fuel and Operating Costs – Administration

Reference: Application page 3.8, lines 10-11

Preamble: YEC provides the following table in support of its Administration expenses:

**Table 3.9
Administration
(\$000)**

	Actual 2005	Actual 2006	Actual 2007	Forecast		Forecast	
				Existing 2008	Proposed 2008	Existing 2009	Proposed 2009
Labour	\$ 2,691	\$ 2,846	\$ 3,288	\$ 3,498	\$ 3,498	\$ 3,605	\$ 3,605
Resource Planning	1	6	21	17	17	17	17
Communications	72	87	118	87	87	105	105
Customer Accounting	164	170	189	201	201	206	206
Environmental Mgmt	46	7	30	35	35	92	52
General	673	808	697	745	746	734	734
Information Systems	213	265	341	351	351	425	425
Fish Hatchery	126	106	132	130	130	136	136
Fish Ladder	10	33	11	25	25	26	26
Safety	38	54	133	59	59	162	162
Training	177	139	142	201	201	211	211
Recruitment	170	19	181	165	165	169	169
Board of Directors	198	91	166	145	145	140	140
Union	54	27	22	25	25	26	26
Regulatory Affairs	0	5	106	93	93	57	57
Material Management	200	155	14	42	42	43	43
Contracting	25	9	5	11	11	11	11
Professional Development	10	0	4	15	15	15	15
Total Administration	\$ 5,141	\$ 4,824	\$ 5,511	\$ 5,045	\$ 5,045	\$ 6,140	\$ 6,140

Request:

- a) Please discuss the cause of every year-over-year increase/decrease in each category of Administration expense in Table 3.9 greater than 10%, as well as every increase/decrease from 2007 to 2008 for each category not already documented on pages 3-11 to 3-12 of the Application.
- b) What is the inflation factor applied to each category of Administration expense between 2008 and 2009? Why are these inflation factors appropriate?
- c) Please provide the IT Strategic Plan, IT Security Policy and Business Impact Assessment mentioned at page 3-11, lines 15-16 of the Application.
- d) How often is the periodic assessment of YEC’s safety procedures mentioned at page 3-11, lines 21-23 of the Application required? Please discuss the basis for the \$100,000 cost of performing this assessment.

CW-YEC-24

Issue: Insurance and Reserve for Injuries and Damages

Reference: Application page 3-12 to 3-15

Preamble: YEC states: “The Reserve for Injuries and Damages (“RFID”) is an account maintained as approved by the Board, in order to address uninsured and uninsurable losses as well as the deductible portion of insured losses. The reserve serves two purposes: (1) it allows for a balance to be struck between purchasing additional insurance vs. using a self-insurance type approach via the reserve; and (2) it allows the costs of unforeseen events to be smoothed out over a number of years to avoid rate instability for ratepayers.”

Request:

- a) What is the deductible or deductibles in YEC’s insurance policy or policies? Has YEC conducted any reviews of its insurance policies with regard to increasing deductibles to reduce purchased insurance costs? If yes, please provide the results of these reviews.
- b) How is the function of risk assessment and insurance requirements performed in YEC? What position in the organization chart is responsible for risk assessment?
- c) Please provide a continuity schedule of the Reserve for Injuries and Damages account that clearly sets out all additions, charges, opening and closing balances on a yearly basis.

CW-YEC-25

Issue: Rate Base, Depreciation and Amortization

Reference: Application page 3-16, line 22 – page 3-17, line 4

Preamble: YEC states: “As well, the Board directed a termination of any further appropriations to Yukon Energy’s Reserve for Future Removal and Site Restoration (‘Salvage’) which Yukon Energy had forecast at \$0.533 million for 2005, until such time as the ‘balance of the site removal liability account reaches \$2.0 million’. The account is not forecast to reach this level in the test years.”

Request:

- a) Please provide a continuity schedule of the Reserve for Future Removal and Site Restoration account since 2005, including the test years, that clearly sets out all additions, charges, opening and closing balances on a yearly basis.
- b) Please extend the continuity schedule requested to the crossover point, i.e. until the year additional appropriations may be required.

CW-YEC-26

Issue: Return on Rate Base

Reference: Application page 3-18, footnote 15

Preamble: YEC states: "Yukon Energy's practice with respect to dividends and issuances of long-term debt is to declare dividends out of equity and issue long-term debt annually, as required in order to maintain a 60% debt: 40% equity capital structure at year end, while retaining a minimum of cash in the utility outside of amounts required to finance the ongoing capital programs."

Request:

Has YEC set out its financial policies in written form with respect to issuance of debt, dividends and capital structure? If yes, please provide.

CW-YEC-27

Issue: Return on Rate Base – Cost of Debt

Reference: Application page 3-19, footnote 16

Preamble: YEC states: "Debt issued between Yukon Development and Yukon Energy is priced based on a "spread" over long Canada bonds of 120 basis points. The long Canada bond yield during the preparation of this filing was 4.08%, supporting a rate for new long term debt of 5.28%."

Request:

- a) Please provide the agreement between Yukon Development and Yukon Energy that sets out this pricing arrangement.

- b) Please advise as to the source of the funds that Yukon Development lends to Yukon Energy.
- c) Does Yukon Development guarantee the debt of Yukon Energy?
- d) Does Yukon Development “reflect down” its own debt in the same manner as Canadian Utilities reflects down debt to ATCO Electric and, hence, Yukon Electrical?
- e) What was the actual interest rate and amount of debt obtained from Yukon Development in 2008 [e.g. YDC Loan #17 (5.28%) as shown in the Application Section 7, Schedule 13]?
- f) Please confirm that BCUC Letter No. L-55-08 uses a 2009 forecast yield of 4.35% on long Canada bonds.
- g) Please provide the terms and conditions of the Yukon Development Flexible Promissory Note (for Mayo-Dawson Project) and the 7% Flexible Term Note that sets these debt interest rates.

CW-YEC-28

Issue: Financial Schedules

Reference: Application Section 7.0, Schedule 13

Preamble: CW wishes to better understand YEC’s calculation of mid-year cost of debt.

Request:

- a) For all the issues listed in Schedule 13, please provide detailed calculations as to how the mid-year cost of debt is calculated.
- b) Is YEC’s method of calculating mid-year cost of debt consistent with the method employed by YECL in its general rate application? If not, please provide YEC’s reason(s) for any inconsistencies.
- c) Why hasn’t YEC calculated any mid-year interest in 2009 for YDC Loan #18 (5.28%)? By the mid-year convention, shouldn’t YEC include half the annual interest charges?
- d) Why hasn’t YEC paid any principal in most years for the following issues: YDC Loan #12 (5.88%), YDC Loan #13 (6.03%), YDC Loan #14 (5.40%), YDC Mayo-Dawson Note (6.55%), YDC Loan #15 (5.34%), YDC Loan #16 (5.28%) and YDC Loan #17 (5.28%)?

CW-YEC-29

Issue: Capital Projects

Reference: Application Section 5.2.1

Preamble: CW wishes to better understand YEC's proposed capital projects.

Request:

For each of the major projects over \$1 million listed in Section 5.2.1, please provide comprehensive business cases to the level of detail provided in YECL business cases during the YECL 2008/09 GRA.

CW-YEC 30

Issue: Capital Projects

Reference: Application Section 5

Preamble: CW wishes to better understand YEC's proposed capital projects.

Request:

To the extent not covered in the preceding information request, and if any new information is available, please provide detailed updates or YEC's plans to develop new renewable generation, including for each project: i) the potential capacity; ii) forecast costs of construction, iii) timelines and iv) money forecast to be spent within the test years.

CW-YEC-31

Issue: Capital Projects

Reference: YEC Technical presentation January 6, 2009, Slide 29; Application, page 5-20

Preamble: In the referenced slide YEC states: "No other industrial loads forecast for test years; further mine loads expected after test years" and at page 5-20 of the Application YEC states: "Mayo B has been identified as a potential priority near term hydro generation expansion opportunity to displace about 38 GW.h/yr. of baseload diesel generation that would otherwise be required when additional industrial loads such as the Keno Hill and/or Carmacks Copper mines connect to the grids." (emphasis added)

Request:

- a) When is this additional industrial load currently forecast to be connected to the YEC system?
- b) Please provide the latest forecast information on which specific industrial loads are anticipated, when each is expected to be connected to the grids and quantify the anticipated load or power requirements for each.
- c) What will be the effect of this additional industrial load on YEC's energy surplus and operating reserves? Aside from the information cited above from page 5-20 of the Application, what steps is YEC taking to address any requirement for additional base load and peaking generating facilities?
- d) What types of generation is forecast to be installed? If more than one type of generation is contemplated, what would be the capital cost and construction lead time for each type of generation?

CW-YEC-32

Issue: Financial Schedules

Reference: Application Section 7.0

Preamble: CW wishes to better understand YEC's revenue requirement schedules.

Request:

Please provide the financial schedules of Section 7.0 in Excel format.

CW-YEC-33

Issue: Rate Base, Amortization and Depreciation

Reference: Application Section 7.0, Schedule 2

Preamble: CW wishes to better understand YEC's revenue requirement schedules.

Request:

Please provide complete details of YEC's calculation of the components of necessary working capital (lines 1-7 of Schedule 2) for both test years. If any of the components of necessary working capital have been determined by means of a lead/lag study, balance sheet method or the 1/8 rule, please provide, including the year in which the lead/lag study was performed.

CW-YEC-34

Issue: Return on Equity

Reference: Application page 8-4, lines 3-7

Preamble: YEC states: "Yukon Energy proposes to file amendments to this Application as required after BCUC releases its determination for 2009, incorporating the adjusted ROE for 2009 in the requested approvals for 2009 at that time. This will allow the updated values to be available in advance of required Board determinations on this application."

Request:

- a) Please confirm that BCUC Letter No. L-55-08 regarding 2009 return on equity for a low-risk utility was issued November 20, 2008.
- b) When does YEC propose filing the amended Application?

CW-YEC-35

Issue: Accounting and Regulatory Practices

Reference: Application Tab 9, p.9-9, Change in Accounting Policies

Preamble: CW desires to understand the effects of the change in accounting policy discussed.

Request:

- a) Please explain how YEC's financial statements for the year ending December 31, 2007 are different from what they would have been had this change to accounting policy not occurred.
- b) Please confirm there is no financial impact on the Company or its customers as a result of this change to accounting policy. If not confirmed, please provide a full explanation as to the financial impact and how it will affect the Company and/or its customers.
- c) Please discuss any other changes to accounting and regulatory practices that have occurred since the last GRA.

CW-YEC-36

Issue: Audited Financial Statements

Reference: Application, Tab 9

Preamble: YEC provides Audited financial statements for the year ending December 31, 2007.

Request:

- a) Please provide Audited Financial Statements for the years ending December 31, 2005 and 2006.
- b) Please provide Pro-Forma Financial Statements for the years 2008 and 2009, including a statement of Earnings and Retained Earnings, Balance Sheet and Cash Flows.

CW-YEC-37

Issue: **Map of System**

Reference: **General**

Preamble: CW wishes to better understand the proposed capital additions and system operation.

Request:

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