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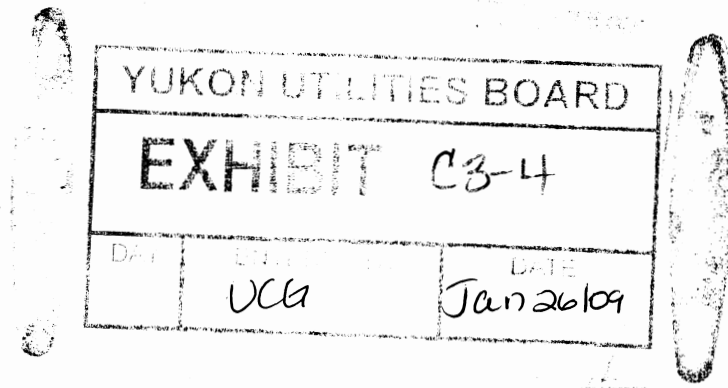
VIA EMAIL

Yukon Utilities Board
Box 31728
Whitehorse, Yukon
Y1A 6L3

Attention: Deana Lemke, Board Secretary

Dear Ms. Lemke:

Re: Board Order 2009-01



We have received several correspondence setting out both applicant and intervenor positions in relation to the matters of cost allocation and rate design following the issuance of Board Order 2009-01, and on behalf of UCG feel compelled to state our own view for the record.

UCG submits that Board Order 2009-01 is unambiguous; there will be a Phase 2 to this proceeding, Phase 2 will encompass the issues of cost allocation and rate design, and both YEC and YECL are to file jointly with respect to Phase 2.

The only ambiguity, if there is any, is the precise timing of the filing and subsequent hearing related to Phase 2. Our understanding of YEC's position is that their specific rate design proposals should be heard in the current "Phase 1" proceeding, and that all cost allocation issues are irrelevant as a result of Orders in Council that effectively prevent re-allocation of costs between existing rate classes such that a Phase 2 process is unnecessary.

With respect to Rate Design issues, it appears to UCG from Board Order 2009-01 that YEC's specific rate design proposals are still a part of the present hearing, albeit as a low priority and with the caveat that actual changes in rate design will be effected, if at all, in Phase 2.

With respect to cost allocation, UCG strongly disagrees that recent Orders in Council make the issue of cost allocation irrelevant. It may be the case that the YUB is restricted from making certain rate changes as a result of recent OICs. It

is, however, certainly the case that the YUB is currently unable to provide information to the public in any precise or reliable manner with respect to the current state of the allocation of costs to YEC and YECL customers. Without that information ratepayers remain in the dark as to whether one rate group is subsidizing another, and to what extent. Without identifying the subsidy that may be, apparently through OICs, enforced by regulation, the ability of ratepayer groups to make effective submissions to the Government outside the regulatory sphere on energy policy is compromised.

In UCG's submission one of the most important aspects of the YUB in regulating the energy sector is to identify the fair cost of providing electricity to Yukon's ratepayers, not only at the total revenue requirement level during Phase 1 of the hearing process, but also at the level of appropriately constructed ratepayer classifications. Whether the government, through subsidies outside the regulatory construct or specific restrictions of the YUB's ability to shift costs between customer classes, chooses to deviate from cost causality in the final rates experienced by ratepayers does not derogate from the YUB's obligation to identify the fair cost of energy.

Accordingly UCG respectfully submits that the direction of the Board, reflected in Board Order 2009-01, that YEC and YECL jointly file cost allocation and rate design proposals for a Phase 2 to the current hearing remains entirely relevant. UCG furthermore submits that the relevance of these issues is independent of the effects of OICs that may "freeze" status quo cost allocations such that there is no need to wait for the expiry of any such "freezes" before requiring the commencement of Phase 2.

Yours very truly,

Michael Buonaguro
Counsel for UCG