

YUKON ENERGY CORPORATION
2008-2009 GENERAL RATE APPLICATION

YUKON UTILITIES BOARD

EXHIBIT C35

Utilities Consumers' Group
Information Request No. 1

DAY	ENTERED BY	DATE
	UCG	Jan 28/09

- 1) *Reference:* Yukon Energy Corporation Profile (YEC Web Site), Mission Statement

According to its Mission statement, YEC undertakes a number of things including:

- “to be responsive to our customers and their changing needs and expectations”; and
- “to place priority on the fundamentals; that is, safe and reliable electrical services”

Board Order 2009-1: Issues 1(e), 3(i), 4(g)

Request:

- (a) Please provide YEC’s understanding of the expectations of its customers with respect to the affordability of electricity and customer expectations of what YEC should be doing to reduce electricity bills paid by Yukon ratepayers.
 - (b) Please provide an analysis of YEC’s 2005, 2006, 2007, 2008 and 2009 (forecast) operating and capital expenditures which identifies the amount and percentage of overall expenditures made on safety and reliability of service.
 - (c) Please provide details of the planned and unplanned outages that have occurred in the Yukon in 2005, 2006, 2007 and 2008. This analysis should include but not be limited to duration of outages, the number of electricity consumers impacted and specifics on how much diesel generation (and its cost) was required to be provided to make up for lost hydro generated electricity.
 - (d) Please provide details of any service reliability criteria that YEC uses as a policy guideline.
- 2) *Reference:* October 6, 2008 Application Cover Letter, Page 1
YEC states “This GRA deals primarily with ‘Phase 1’ Yukon Energy revenue requirement matters for the test years of 2008 and 2009, and does not address ‘Phase 2’ cost of service and general rate design matters that would require joint work by Yukon Energy and the Yukon Electrical Company Limited”.

Reference: Yukon Utilities Board Report on Yukon Energy Corporation 20-Year Resource Plan, January 15, 2007, Page 51

The YUB states “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: Order in Council 2008/149 – Directive to Amend the Rate Policy Directive (1995)

Reference: December 8, 2008 Hansard, Yukon Legislative Assembly

Mr. McRobb: Let's talk about some consumer issues. I have a question starting with the general rate application. We know there was a separate filing by Yukon Electrical and Yukon Energy and it seems this is becoming normal in recent years. Does this speak to a somewhat less-than-amicable relationship between the two companies? Why don't they file an application jointly as in years past?

Mr. Morrison: Perhaps in years past, their interests were common. What I suggest by that doesn't mean that we have anything less than a good working relationship with Yukon Electrical. Our interests are different. We have the benefit of a new industrial customer which has created additional revenue for the corporation and following the Yukon Utilities Board practices, rules or regulation, we would earn more than our rate of return; therefore, when you do that, you would normally come in and return those additional funds to the ratepayers. Our interest was to file a rate application that would reduce rates. For whatever their own internal reasons are, Yukon Electrical's interest was to file a rate application that increased rates. **I don't know how you would do that together.** We have some very different interests and we have different approaches to rates and consumers, just in general.

Board Order 2009-1: Issues 1(a), 4(g), 6(d), 10

Request:

- (a) Please provide specific details of efforts made by YEC to comply with the Board's recommendation to prepare and file materials to allow for a review of all GRA Phase 1 and Phase 2 matters. Please include details of when the decision was made to proceed with a Phase 1 GRA with rate components not supported by Phase 2 analysis and the reasons why YEC believed that to be the best approach.
- (b) Please provide all internally generated reports or documents prepared for or by senior management or otherwise in 2007 and 2008 which discuss in any way how YEC should proceed with respect to an application to the YUB regarding 2008 and 2009 rates.
- (c) Please explain how YEC's current application could be considered a General Rate Application when YEC is not proposing to review rate design and terms and conditions of service nor provide cost of service data.
- (d) Please provide details of any discussions that YEC participated in and the input that YEC made regarding the development of OIC 2008/149.
- (e) Please identify the parts of OIC 2008/149 that YEC feels prohibit the YUB and other parties from reviewing the cost allocation and rate design of YEC.
- (f) Please confirm YEC's understanding that none of the Orders-in-Council issued to amend the Rate Policy Directive (OIC 1995/90) have affected the YUB's overarching jurisdiction to determine electricity rates that are just and reasonable for all Yukon electricity ratepayers.
- (g) To YEC's knowledge, have there ever been any discussions related to changing any of the provisions in the rate policy directive to allow for greater flexibility in

revenue-to-cost ratios incorporated in rates? For example, charging industrial customers something different than 100% of costs in order to ease the burden on residential customers, to allow for the development of commodity-based industrial rates, etc.

- (h) Please explain how YEC's proposal ensures that "rate adjustments for retail customers apply equally, when measured as percentages, to all classes of retail customers" especially when combined with rate adjustments proposed by YECL.
- (i) Please explain whether the impacts of the fuel adjustment rider have been incorporated into YEC's proposal regarding equal rate adjustments.
- (j) Please provide an indication of the anticipated timing of YEC's next general rate application and timing of YEC's discussions in this regard with Yukon Electrical Company Limited.
- (k) Please confirm YEC's President's position on December 8, 2008 that YEC does not know how it would prepare and submit a consolidated general rates application to the YUB that would incorporate a net revenue increase from YEC's operations and a net cost increase from YECL's operations.

3) *Reference:* October 6, 2008 Application Cover Letter, Page 2

YEC states "Yukon Energy previously committed to apply the benefits that accrue from providing grid service to Minto towards overall rate reductions".

Reference: Yukon Utilities Board Report on Yukon Energy Corporation 20-Year Resource Plan, January 15, 2007, Page 31

The YUB states "YEC submitted that the Minto PPA would result in material benefits, over and above the cost of the line, so that ratepayers will not be adversely affected by the expenditures required to implement this project".

Board Order 2009-1: Issues 2(f), 4(g), 5(a), 6(d)

Request: Issues 2(f), 4(g), 5(a), 6(d)

- (a) Please provide evidence of when YEC made its commitment regarding applying benefits from serving Minto (Capstone Mining) towards overall rate reductions.
- (b) Please provide quantified details of all the benefits and costs to ratepayers of the Minto connection and explanations of where the net benefits have been incorporated in the Application material.
- (c) Please confirm that YEC's commitment to "overall rate reductions" does not mean the same as a commitment to "overall bill reductions".
- (d) Please provide calculations of the total bill (including all riders, rate relief, and taxes) for a residential customer living in Whitehorse using 1000 kWh, 1200 kWh and 1400 kWh per month in January 2005, January 2006, January 2007, January 2008, January 2009 and August 2009 assuming that the Rate Stabilization Fund expires in July 2009 and the rate adjustments proposed by YEC and YECL are approved. Please provide details of the bill calculations.
- (e) Given YEC's proposed bill increases for Yukon electricity ratepayers that consume higher amounts of electricity (especially those using electricity as a primary source for space heating), please explain how Yukon ratepayers have not been adversely impacted by the capital and O&M expenditures decisions made by YEC.

- 4) *Reference:* October 6, 2008 Application, Page 3
 YEC states “By reducing the surplus hydro generation, new industrial loads also advance the timing for potential renewed diesel generation in Yukon”.

Board Order 2009-1: Issues 2(c), 2(e)

Request:

- (a) Please explain what is meant by this statement.
 - (b) Please explain what YEC is doing to reduce the need for diesel generation now and in the future.
 - (c) Please provide details of diesel generation use in 2005, 2006, 2007 and 2008. This information should include, but not be limited to amount of diesel fuel used, cost of diesel-fired generation, kWh generated using diesel, and percentage of total generation provided by diesel.
- 5) *Reference:* October 6, 2008 Application, Page 3
 YEC states “To promote economy and efficiency as directed by OIC 1995/90, Rider U rate reductions are therefore proposed (where feasible) only for first block rates”.

Reference: October 22, 2008 Letter from YEC to YUB

YEC states “Yukon Energy's interim rate proposals are directed at rate stability objectives, i.e., the Application seeks to implement one set of YEC-related rate adjustments for both 2008 and 2009 (starting with the interim rates), and to **avoid use of across-the-board rate riders that are clearly not appropriate and contrary to current rate design requirements reflective of the 1996/97 GRA rate design structure as well as OIC 1995/90 rate directives.**”

Board Order 2009-1: Issues 4(g), 10

Request:

- (a) Please provide YEC’s understanding of what is meant by “promote economy and efficiency” per OIC 1995/90.
- (b) Please explain YEC’s proposal to use an across-the-board rider instead of establishing cost-based, rider-free base rates.
- (c) Please explain and illustrate the impact on base rates of eliminating each rider currently in use.

- 6) *Reference:* October 6, 2008 Application, Page 3
 YEC states “After all current riders, rebates and subsidies, but prior to GST, the net effects are as follows for retail residential and general service customer classes...”

Board Order 2009-1: Issue 4(g)

Request:

Please confirm that the impacts referenced are to the rates of YEC’s customers and not to the rates of customers of Yukon Electrical Company Limited.

- 7) *Reference:* October 6, 2008 Application, Page 4
 YEC states “...in 2007, 84% of non-government residential monthly bills used no more than 1,300 kW.h”.

Board Order 2009-1: Issue 2(b)

Request:

- (a) Please provide billing data used to determine this conclusion.
- (b) Please provide similar billing data and analysis for 2005, 2006 and 2008.

- 8) *Reference:* October 6, 2008 Application, Page 4
 YEC states “With completion of CSTP Stage I and connection of the Minto mine, Yukon Energy’s Whitehorse-Aishihik-Faro (“WAF”) system is reaching a point where the material existing surplus hydro generation is becoming greatly diminished. Although sales of this surplus hydro at firm rates bring clear net benefits, evidenced by the rate reductions proposed in the Application, with ongoing load growth and expressed interest from other future industrial customers, the existing hydro generation is likely to be fully utilized within the next few years, necessitating new renewable supply sources in order to avoid reliance on high cost baseload diesel generation and the resulting GHG emissions issues.”

Board Order 2009-1: Issues 2(b), 2(e), 2(f), 4(g), 5(a)

Request:

- (a) Please provide details of the dates of completion of the CSTP Stage 1 project and the connection of the Minto (Capstone) mine.
- (b) Please provide details of Minto billing data to date.
- (c) Please provide details of the “expressed interest from other future industrial customers” including anticipated load, timing of connection and location on system.
- (d) Please provide data which illustrates that “existing hydro generation is likely to be fully utilized within the next few years”.

- 9) *Reference:* October 6, 2008 Application, Page 5
 YEC states “A total incurred cost of \$0.643 million related to the regulatory review of Yukon Energy’s 2006-2025 Resource Plan, as required by the Minister of Justice, to be amortized over 10 years consistent with the anticipated frequency of full Resource Plan updates.”

Board Order 2009-1: Issues 5(b), 6(d)

Request:

Please explain why this cost is not charged out to the capital projects reviewed as part of the Resource Plan.

- 10) *Reference:* October 6, 2008 Application, Page 5
 YEC states “A total incurred cost of \$0.243 million related to the regulatory review of the Minto Explorations Power Purchase Agreement, to be amortized over 12 years which is the currently anticipated economic life of the substantial terms of the PPA.”

Board Order 2009-1: Issues 5(b), 6(b)

Request:

Please explain why this cost is not charged directly to Minto (Capstone).

- 11) *Reference:* October 6, 2008 Application, Page 5
 YEC states “A total incurred cost of \$0.185 million related to the regulatory review of the Carmacks-Stewart Transmission Project (“CSTP”) under Part 3 of the Public Utilities Act, as required by the Minister of Justice, to be amortized over 45 years consistent with the approximate average life for the project assets.”

Board Order 2009-1: Issues 5(b), 6(e)

Request:

Please explain why this cost is not charged to the CSTP.

- 12) *Reference:* October 6, 2008 Application, Page 11
 YEC states “Extension of efficient price signals to the General Service rate classes, however, will require future review as soon as feasible with YECL to assess rate redesign options that cannot be addressed in this Yukon Energy Application.

Board Order 2009-1: Issues 4, 6(d)

Request:

Please provide details of planning and/or discussions held to date with YECL in this regard.

- 13) *Reference:* October 6, 2008 Application, Pages 13 and 14

YEC states “Yukon Energy proposes that, as a first priority, future joint YEC/YECL attention be directed as soon as practicable at identifying and assessing rate design options for General Service rate classes as required to promote economy and efficiency in accordance with OIC 1995/90, taking into consideration current and near term forecast incremental system costs in Yukon in the same manner as such costs were considered by the Board and YEC/YECL in the 1996/97 General Rate Application. Yukon Energy further proposes that joint YEC/YECL action to prepare a Cost of Service Study be assigned a lower priority, with delayed timing as appropriate, to reflect the timely need to address the above near term rate design priorities that are not tied to Cost of Service Study assessments as well as the fact that OIC 2007/94 and the latest Rate Policy Directive in effect defer until after 2012 any cost-of-service based rate rebalancing adjustments or other rate shift programs affecting the percentage of overall rate revenues allocated to major industrial customers or to any retail customer class”.

Board Order 2009-1: Issue 4

Request:

Please explain how cost-based rates could be designed for review without going through a detailed cost of service study.

- 14) *Reference:* October 6, 2008 Application, Introduction, Page 1-2

When describing Rider J, YEC states “...that rider was set only to recover specific identifiable and major adverse impacts on Yukon Energy from the Faro mine closing”.

Board Order 2009-1: Issues 1(e), 4

Request:

- (a) Please identify and quantify the specific adverse impacts that needed to be recovered / will need to be recovered through Rider J during 2005, 2006, 2007, 2008 and 2009.
- (b) Please provide the amount actually recovered through Rider J in 2005, 2006, 2007 and 2008.
- (c) Please identify rate classes that pay the Rider J. If there are classes that do not pay Rider J, please provide an explanation for their exclusion.
- (d) Please explain why YEC does not propose eliminating Rider J and simply recover cost of service through base rates.

- 15) *Reference:* October 6, 2008 Application, Introduction, Page 1-3
YEC references the revenue to cost ratios report filed August 24, 2005 in response to a Board directive.

Board Order 2009-1: Issues 4(b), 4(g)

Request:

- (a) Please identify any Board Orders or directions that resulted from this report.
 - (b) Please provide an update to Table 1 of the August 2005 report which shows the actual revenue to cost ratios for 2005, 2006, 2007 and 2008.
 - (c) Please explain YEC's position that a rate shift program could be properly designed without a current picture of how much of a shift is required by using the results of an updated cost allocation / rate design analysis.
 - (d) Please explain YEC's position that potential rate impacts on customer classes could be determined without having the latest cost and revenue allocation data.
- 16) *Reference:* October 6, 2008 Application, Introduction, Pages 1-2 and 1-3
YEC references the Board's January 15, 2007 report regarding YEC's 20-year Resource Plan 2006-2025.

Board Order 2009-1: Issues 2(c), 2(g), 4(h), 5(a), 6(d), 6(f)

Request:

- (a) Please provide an update on all 2008 and 2009 capital projects that are expected to exceed \$1 million in cost and what steps YEC has taken / what processes have been implemented to adhere to the Board's recommendation that the threshold for capital expenditures to be reviewed by the Board be set at \$1 million.
 - (b) Please identify all capital projects initiated in 2007, 2008 and 2009 for which YEC has submitted an application to the Minister per Part 3 of the *Public Utilities Act*.
 - (c) Please provide an update on the Marsh Lake Fall / Winter Storage Licence Revision project that the Board removed from near term projects.
 - (d) Please provide an update to YEC's development of an independent power producer policy recommended by the Board.
 - (e) Please provide an update on YEC's participation in the Board's recommended study of the potential for DSM initiatives in the Yukon.
 - (f) Please explain why no evidence has been submitted regarding the Board's recommendation that evidence be provided as to what other utilities provide for Maximum Company Investment and that Yukon utilities model theirs accordingly.
- 17) *Reference:* October 6, 2008 Application, Introduction, Page 1-7
YEC references the installation of the Aishihik Third Turbine in 2010.

Reference: Yukon Utilities Board Report on Yukon Energy Corporation 20-Year Resource Plan, January 15, 2007, Page 30

"The Board's analysis in Sections 4 and 5 above, which was conducted assuming the base-case load forecast, has shown that YEC's proposed expansion

plan would be more economic than the alternative plan provided that the Aishihik third turbine is installed in 2013. It should be noted, however, that the addition of the third turbine under YEC's plan is not a capacity requirement determined by the planning criteria, but rather **a requirement driven strictly by economic reasons, namely to offset future diesel generation** that is expected to increase under the base-case load forecast. However, should the actual loads turn out higher or lower than the loads under the base-case forecast, the optimal timing of the third turbine would move earlier or later than 2013. Therefore, to minimize the uncertainty around timing of the third turbine, the **final decision to proceed with this project should be made closer to the date when economic reasons indicate that the turbine is needed**. Therefore, the Board recommends that this project not proceed until that time unless YEC can justify an earlier in-service date."

Board Order 2009-1: Issues 3(d), 5(a), 6(d)

Request:

- (a) Please identify the economic reasons that justify moving forward with this project in 2010.
 - (b) Please identify the regulatory approvals that YEC will be seeking for this project and the timing of related applications.
 - (c) Please describe the process used to identify projects that were potentially eligible for the \$5 million Eco-trust fund.
 - (d) Please identify the projects other than the Aishihik Third Turbine that were considered for funding through the \$5 million Eco-trust fund and explain why they were not recommended and/or accepted for funding.
- 18) *Reference:* October 6, 2008 Application, Introduction, Page 1-8
YEC states that "Forecast oil prices for 2009 are materially above levels approved for the 2005 Yukon Energy revenue requirement".

Board Order 2009-1: Issues 2(c), 3(b)

Request:

- (a) Please provide details of the actual prices paid for diesel fuel in 2005, 2006, 2007 and 2008. Please include references to locations and amounts.
 - (b) Please identify YEC's procurement practice and policy with respect to diesel fuel.
- 19) *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.”

Board Order 2009-1: Issues 6(d), 8(b), 8(c)

Request:

- (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.

20) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-2

YEC states that its “Total forecast sales are 316,031 MW.h for the 2008 test year and 343,581 MW.h for the 2009 test year. Total forecast sales for 2008 include 258,989 MW.h of primary (firm) wholesale sales, 6,845 MW.h of primary Major Industrial sales, 29,640 MW.h of firm Retail sales (i.e., all firm sales other than wholesale or Major Industrial), and 20,557 MW.h of secondary sales (most sold on a wholesale basis to YECL), while total forecast sales for 2009 include 266,926 MW.h primary wholesale sales, 29,023 MW.h Major Industrial sales, 31,019 MW.h firm Retail sales, and 16,613 MW.h of wholesale and retail secondary sales.”

Reference: Hansard, Yukon Legislative Assembly, December 10, 2008

Willard Phelps, Chair of Yukon Development Corporation and Yukon Energy Corporation

“We are dealing firstly with demand-side concerns. I certainly agree with the member that, as we get to a situation where our surplus is rapidly disappearing -- and it will be disappearing with more industry, more people and more mines -- the whole issue of demand-side management is increasingly important. Of course, one of the big arguments that many in the green movement in North America agree with is that it's a bad thing when rates are too low and don't

reflect the real cost of the generation of electricity, which is certainly a strong argument in favour of not having subsidies. When people don't pay enough -- the real cost of their electricity -- they tend to waste it.”

Board Order 2009-1: Issues 2(b), 2(g)

Request:

- (a) Please provide details of demand-side management efforts that have been promoted to Yukon electricity ratepayers by YEC and others. In particular, please provide details of any DSM-related discussions / activities undertaken with the Yukon government regarding their own facilities.
 - (b) Please provide details on the audit processes that have been completed on these DSM efforts.
 - (c) Please provide details on how the impacts of DSM efforts are reflected in the load forecasts of YEC's customer classes including secondary sales customers.
 - (d) Please provide details of YEC's DSM-related expenditures in 2005, 2006, 2007 and 2008 and their percentage of revenue requirement
- 21) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-4
 YEC states that its “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”.

Board Order 2009-1: Issue 2(b)

Request:

- (a) Please provide a table showing load forecasts by customer class and by energy rate block for 2008 forecast, 2008 actual and 2009 forecast. Please explain how this data has been weather normalized if applicable.
- (b) Please provide a comparative table of the forecast and actual load forecast by customer class for 2005, 2006, 2007 and 2008. Please explain how this data has been weather normalized if applicable.
- (c) Please provide a comparative chart showing the differences between YEC's and YECL's load forecasts.
- (d) Please explain what discussions YEC has had with YECL to determine how best to forecast load in the Yukon.

22) *Reference: October 6, 2008 Application, Sales and Generation, Page 2-5*

Board Order 2009-1: Issues 2(b)

Request:

- (a) Please provide an update to Table 2-1 which includes actual 2008 sales for the full year.
- (b) Please provide a table showing the total actual monthly kWh usage in 2005, 2006, 2007 and 2008 of all residential customers in each Yukon community and the average Yukon residential monthly usage. Please identify the source of the information provided.
- (c) Please provide a table for 2005, 2006, 2007 and 2008 showing:
 - the number of customers in each community at or below 1000 kWh usage for each month during the year;
 - the number of customers in each community using between 1000 and 1300 kWh for each month during the year;
 - the number of customers in each community using between 1300 and 1500 kWh for each month during the year; and
 - the number of customers in each community using more than 1500 kWh for each month during the year.

Please identify the source of the information provided.

23) *Reference: October 6, 2008 Application, Sales and Generation, Page 2-5*

YEC states that “Forecast industrial sales as provided in July 2008 by Minto Explorations Ltd. for the last three months of 2008 are 6,845 MW.h and forecast industrial sales for 2009 are 29,023 MW.h” and that “Based on Industrial Primary Rate Schedule 39 as provided for in OIC 2007/94, the forecast loads will pay an average of 10.36 cents per kWh in 2008 (\$0.709 million) and 10.83 cents per kWh in 2009 (\$3.142 million), excluding Rider F charges proposed to be set at 0.671 cents/kW.h in the August 25, 2008 Rate Schedule 39 filing with the Yukon Utilities Board”.

Board Order 2009-1: Issues 2(b)

Request:

- (a) Please provide monthly details of Minto Exploration’s (Capstone Mining’s) electricity use, demand and bill component totals for 2008 (actual) and 2009 (forecast).
- (b) Please provide the calculations used to determine the average rates paid.
- (c) Please provide similar average rate calculations for the residential service classes for 2008 actual and 2009 forecast.

- 24) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-7
 YEC states that “On the MD grid, the Keno Hill property being developed by Alexco Resource Corp. (“Alexco”) following its purchase of the UKHM assets in 2006, is not expected to be operational over the test years. Alexco has indicated plans to Yukon Energy that could potentially result in commencement of mining and milling operations at the Keno Hill property in early 2010, with a resultant electricity load in the 21-25 GW.h/yr range and a mine life of at least five years. Yukon Energy plans to discuss purchase power agreement arrangements with Alexco later this year”.

Board Order 2009-1: Issues 2(b), 2(f)

Request:

Please provide an update on discussions with Alexco and the forecast of electricity requirements.

- 25) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-8
 YEC states that “Firm residential retail sales have grown from 10,169 MW.h in actual 2005 to 11,155 MW.h in forecast 2008 and 11,183 MW.h in forecast 2009. This reflects ongoing modest growth in the number of customers, and basically consistent use per customer over the period”.

Board Order 2009-1: Issues 2(b), 3(a)

Request:

- (a) Please provide monthly details of firm residential retail sales for 2005, 2006, 2007 and 2008.
 - (b) Please provide monthly details of the number of firm residential customers for 2005, 2006, 2007 and 2008.
 - (c) Please provide monthly details of the number of residential customers using electricity for space heating for 2005, 2006, 2007 and 2008.
 - (d) Please provide a table showing revenue requirement per customer for 2005, 2006, 2007 and 2008. Please include details of the calculation of these averages.
- 26) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-8
 YEC states that “Firm general service retail sales were 18,438 MW.h, in actual 2005, and are forecast at 18,193 MW.h in 2008 and 19,543 MW.h in 2009. Lower general service sales starting in 2006 and 2007 compared to 2005 can be attributed to a decline in total Faro load, related to the varying load for dewatering activities at the Faro mine site. Total Faro general service load dropped from 7,091 MW.h in 2005 to 5,488 MW.h in 2006 and 5,398 MW.h in 2007. This change in load is fundamentally due to changes at the Faro Mine site”.

Board Order 2009-1: Issue 2(b)

Request:

- (a) Please provide monthly details of firm general service retail sales for 2005, 2006, 2007 and 2008.
- (b) Please provide monthly details of the number of firm general service customers for 2005, 2006, 2007 and 2008.
- (c) Please provide monthly details of the number of general service customers using electricity for space heating.

27) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-8

YEC states that “A portion of the increase in general service sales during the test years is due to forecast sales to Alexco for bulk sampling operations as a general service customer on the MD system. Over the 2009 period Alexco is expected to commence bulk sampling operations at Keno Hill. The GRA forecasts that such operations will occur over the period from January 2009 to December 2009. The customer is not expected to exceed a 1 MW peak demand, and as such is classed as a general service customer for the purposes of bulk sampling operations.

Yukon Energy anticipates approximately 3 GW.h of sales to Alexco during 2009 (1 GW.h of base load plus 2 GW.h for bulk sampling)”.

Board Order 2009-1: Issues 2(b), 2(d), 2(f)

Request:

- (a) Please provide details of the monthly demand and energy sales levels expected to the Keno Hill operations in 2008 and 2009.
- (b) Please provide all correspondence with Alexco as well as internally generated reports or documents prepared for or by YEC related to the expected demand and energy requirements of the Keno Hill operations.
- (c) Please provide a comparative analysis of the monthly bills to Alexco in 2008 and 2009 assuming they are billed: (1) as a general service customer; and (2) as an Industrial Primary Service customer. Please provide calculations of the total bill including all applicable riders and taxes.

28) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-9

With respect to secondary sales, YEC states that “For test year 2008, forecast sales decline to 20,557 MWh, primarily due to equipment outages at a small number of the largest secondary customers through the early part of the year. In test year 2009, the availability of surplus power is expected to decrease with increased firm loads (including grid service to Minto Mine)”.

Reference: October 6, 2008 Application, Sales and Generation, Page 2-9

With respect to secondary sales, YEC states that it has “rules in place, as approved by the Board pursuant to Rate Schedule 32 that interrupt secondary sales as required to ensure these sales are not served by high-cost diesel generation but only by surplus hydro”.

Board Order 2009-1: Issues 2(b), 2(e), 6(d), 10

Request:

- (a) Please provide details of the monthly secondary sales levels and number of customers for 2005, 2006, 2007 and 2008.
- (b) Please provide a listing of secondary sales customers and their individual sales levels in the Yukon. If privacy legislation prevents the identification of these customers, please list them generically.
- (c) Please provide details of the periods during 2007 and 2008 that electricity was not available for secondary sales.
- (d) Please provide an estimate of the additional costs incurred by secondary sales customers when the secondary energy has not been available.

29) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-9

With respect to secondary sales, YEC states “While Yukon Energy has in the past pursued opportunities to increase the sale of surplus power to general service secondary customers, this marketing effort is no longer active as future opportunities for secondary sales on the WAF system have become severely limited as winter peak demands approach levels that would require some peaking diesel generation. Similarly, limits on Mayo generation in future are also anticipated to result in reduced availability of secondary sales on the Mayo-Dawson system, and as such this rate offering is also not being actively marketed on that system”.

Board Order 2009-1: Issues 2(b), 2(e)

Request:

- (a) Please confirm that surplus power is available throughout the year.
- (b) Please provide details of the amount of surplus power available per month in 2005, 2006, 2007, 2008 and 2009 (forecast).
- (c) Please provide details of the costs incurred to actively market surplus power.

30) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-11

YEC states “Yukon Energy produces power on two independent systems – the Whitehorse – Aishihik – Faro (“WAF”) system and the Mayo-Dawson (“MD”) system. For both systems the predominant source of generation forecast for the test period is hydro, supplemented as necessary by a small amount of diesel for peaking or maintenance purposes. There is also a small amount of wind generation on the WAF system”.

Board Order 2009-1: Issues 2(b), 2(c), 3(a), 3(b)

Request:

- (a) Please provide monthly data for WAF diesel use and price per litre for 2005, 2006, 2007, 2008 and 2009 (forecast).

- (b) Please provide the average cost per kWh of generation on the WAF system for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (c) Please provide the average cost per kWh of transmission on the WAF system for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (d) Please provide the average cost per kWh of distribution on the WAF system for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (e) Please provide monthly data for MD diesel use and price per litre for 2005, 2006, 2007, 2008 and 2009 (forecast).
- (f) Please provide the average cost per kWh of generation on the MD system for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (g) Please provide the average cost per kWh of transmission on the MD system for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (h) Please provide the average cost per kWh of distribution on the MD system for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (i) Please provide monthly diesel use data for individual communities served by diesel-fuelled generation and price per litre for 2005, 2006, 2007, 2008 and 2009 (forecast).
- (j) Please provide the average cost per kWh of generation in the diesel communities for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (k) Please provide the average cost per kWh of distribution in the diesel communities for 2005, 2006, 2007, 2008 and 2009 (forecast). Please provide all relevant calculations.
- (l) Please provide monthly data on generation from each of the two wind turbines for 2005, 2006, 2007, 2008 and 2009 (forecast).
- (m) Please provide annual revenue requirement (by component) for each of the two wind turbines for 2005, 2006, 2007, 2008 and 2009 (forecast).
- (n) Please provide the average cost per kWh of generation from each of the two wind turbines for 2005, 2006, 2007, 2008 and 2009 (forecast).

31) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-12

YEC states “Separately, as noted to the Board in Yukon Energy’s application for approval of the Minto PPA, Yukon Energy has determined that 6.4 MW of diesel capacity can be added to the system in a flexible manner through purchase of the currently installed diesel units at the Minto mine-site. While this purchase was a term of the Minto PPA, it is also highly advisable for a number of reasons, as set out in Tab 5, including reducing line losses, reducing diesel generation near major population centers such as Whitehorse, as well as being the least cost source of new capacity available to Yukon Energy. This purchase will be completed in 2008”.

Board Order 2009-1: Issues 2(f), 6(b)

Request:

- (a) Please confirm that the Minto PPA requires Minto (Capstone) to pay for all costs associated with the referenced diesel units at the mine if these units are required to supply the Minto (Capstone) mine site.
- (b) Please confirm that Minto (Capstone) is not required to pay any costs associated with the referenced diesel units if they are used by YEC to supply the grid.
- (c) Please explain the process YEC uses to determine the costs associated with the Minto diesel generators.
- (d) Please provide details of the costs incurred to operate the referenced diesel units in 2008 and who was responsible for the costs and reasons why.

- 32) *Reference:* October 6, 2008 Application, Sales and Generation, Page 2-15
 YEC states “One capacity-related matter was noted in the Resource Plan in respect of the hydro systems. At that time, Yukon Energy established a reliable firm output for its Whitehorse Hydro plant at 24 MW in winter, but noted that investigations were required to determine if further revisions were needed, or possible, based on ice conditions on the Yukon River. Further investigation into Yukon River icing indicate that the 24 MW value remains valid for planning the system as a reliable winter peak output for this plant”.

Board Order 2009-1: Issue 2(c)

Request:

Please provide all internally generated reports or documents prepared for or by senior management or otherwise related to the “further investigation” that concluded that 24 MW remains a valid winter peak output.

- 33) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-2
 YEC states “Completion of the Stage One CSTP, which contributes to these increased revenue requirements, is the key factor leading to an overall 2009 rate reduction (see Tab 4) due to additional revenues and cost savings derived from commencement of grid service to the Minto mine and Pelly Crossing.”

Board Order 2009-1: Issues 3(a), 5(a), 6(e)

Request:

- (a) Please confirm that Yukon Electrical Company Limited is responsible for operating the diesel generators at Pelly Crossing and for distribution of power in the community.
- (b) Please provide details of the savings and costs to be realized at Pelly Crossing by YEC as well as by YECL as a result of the Stage One CSTP.

- 34) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-3
 YEC states “The 2005 revenue requirement was based on fuel prices forecast in the 60 cent per litre range (the 2005 forecast prices) rather than the more recent forecast price of approximately \$1.11 per litre in 2008 and \$1.15 per litre in 2009”.

Board Order 2009-1: Issue 3(b)

Request:

Please provide the actual cost of fuel in 2008 and a more current update of the price for 2009 for all Yukon locations. Please provide the source of data used to develop the forecast for 2009.

- 35) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-3
 YEC states “The forecast Non-Fuel Operating and Maintenance cost increase from 2005 to 2009 of \$1.995 million (18% increase) accounts for the largest share (about 38%) of the overall revenue requirement change from 2005 to 2009. As noted in Table 3.3, over 60% of this Non-Fuel Operating and Maintenance cost increase is related to increased Labour costs and requirements for administration and other company operations, with 80% of this increase occurring by 2007”.

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please explain the increase in labour costs and the amount of labour costs that have been transferred to capital and deferred cost projects.
- (b) Please provide position titles and total compensation amounts for all positions that were compensated at more than \$100,000 annually in 2005, 2006, 2007, 2008 and 2009 (forecast).
- (c) Please provide a table showing non-fuel operating and maintenance costs per customer for 2005, 2006, 2007 and 2008. Please include details of the calculation of these averages.
- (d) Please provide a comparison of YEC’s forecast revenue requirement in 2008 and 2009 had the conditions and cost levels within the previous management services agreement with Yukon Electrical Company Limited / Canadian Utilities been maintained.

- 36) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-3
 YEC states “The forecast Return on Rate Base cost increase from 2005 to 2009 of \$1.241 million (13% increase) accounts for about 24% of the overall revenue requirement change from 2005 to 2009. Mid-year rate base increases by 8.5% from 2005 to 2009. Debt costs, as part of Return on Rate Base, increase by \$1.287 million (about 30%); in contrast, equity return decreases by \$0.046 million, due to the reduced return on equity forecast for 2009 (8.64%) compared to the equity return allowed in 2005 (9.05%) and actually earned in 2005 (9.46%)”.

Board Order 2009-1: Issue 3(i)

Request:

- (a) Other than the Auditor General’s review of the Mayo-Dawson transmission line project and regular internal audits, have there been any independent audits completed on YEC’s operating and capital expenses or YEC’s debt management program?
- (b) Please provide a copy of any independent audits conducted in 2005, 2006, 2007 and 2008.
- 37) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-6
 Table 3-3 - Non-Fuel Operating, Maintenance and Administration Expenses

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the revenue requirement approved for 2005 remained the approved amount for 2006 and 2007.
- (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Non-Fuel Operating, Maintenance and Administration cost level last approved by the YUB for 2005.
- (d) Please explain what is meant by using columns labelled “existing” and “proposed” for 2008; in particular, explain the significance the reader is supposed to draw when the existing and proposed values in the same year are identical.
- 38) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-6
 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)”.

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please provide details of total remuneration by component (i.e., base salary, overtime, profit sharing or incentive payments, etc.) for each of the YEC employee groupings for 2005 (allowed), 2005 (actual), 2006 (actual), 2007 (actual), 2008 (actual) and 2009 (forecast).
- (b) Please provide individual amounts paid by YEC to each member of the Board of Directors for 2005 (allowed), 2005 (actual), 2006 (actual), 2007 (actual), 2008 (actual) and 2009 (forecast).
- (c) Please explain how YEC and YDC-related costs are tracked and allocated within YEC's revenue requirement.

- 39) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-7
Table 3-4 – Employee Complement History

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the employee complement included in the revenue requirement approved for 2005 remained the approved complement for 2006 and 2007.
- (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Employee Complement level last approved by the YUB for 2005.

- 40) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-7
Table 3-5 – Production Costs

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the production costs included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.
- (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Production cost level last approved by the YUB for 2005.
- (d) Please explain what is meant by using columns labelled “existing” and “proposed” for 2008 and 2009; in particular, explain the significance the reader is supposed to draw when the existing and proposed values in the same year are identical.

- 41) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-8
Table 3-6 – Transmission Costs

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
 - (b) Please confirm that without Board approvals since 2005, the transmission costs included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.
 - (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Transmission cost level last approved by the YUB for 2005.
 - (d) Please explain what is meant by using columns labelled “existing” and “proposed” for 2008 and 2009; in particular, explain the significance the reader is supposed to draw when the existing and proposed values in the same year are identical.
- 42) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-8
Table 3-7 – Distribution Costs

Board Order 2009-1: Issues 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
 - (b) Please confirm that without Board approvals since 2005, the distribution costs included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.
 - (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Distribution cost level last approved by the YUB for 2005.
 - (d) Please explain what is meant by using columns labelled “existing” and “proposed” for 2008 and 2009; in particular, explain the significance the reader is supposed to draw when the existing and proposed values in the same year are identical.
- 43) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-9
Table 3-8 – General Operating and Maintenance

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the general operating and maintenance costs included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.
- (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the General Operating and Maintenance cost level last approved by the YUB for 2005.

- (d) Please explain what is meant by using columns labelled “existing” and “proposed” for 2008 and 2009; in particular, explain the significance the reader is supposed to draw when the existing and proposed values in the same year are identical.

- 44) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-10
Table 3-9 – Administration

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the administration costs included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.
- (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Administration cost level last approved by the YUB for 2005.
- (d) Please provide details and explanations of the cost incurred to operate the fish hatchery that were included in the approved 2005 revenue forecast, 2008 actual and 2009 forecast.
- (e) Please provide an explanation and details of the spending on training in 2005, 2006, 2007 and 2008. Was any of this training available and / or taken within the Yukon? Why or why not?
- (f) Please provide details of the training forecast for 2009.
- (g) For what positions were staff recruited in 2005, 2006, 2007 and 2008? What were the compensation levels for these positions?
- (h) For what positions are staff anticipated to be recruited in 2009? What are the anticipated compensation levels for these positions?
- (i) Please provide the amount of cost for the Board of Directors included in the YUB-approved revenue requirement for 2005.
- (j) Please provide details of costs identified under regulatory affairs for 2005, 2006, 2007, 2008 and 2009 (forecast).
- (k) Please explain what is meant by using columns labelled “existing” and “proposed” for 2008 and 2009; in particular, explain the significance the reader is supposed to draw when the existing and proposed values in the same year are identical.

- 45) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-13
Table 3-10 – Insurance and Reserve for Injuries & Damages

Board Order 2009-1: Issue 3(g)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the insurance and reserve for injuries & damages costs included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.

- (c) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Insurance and Reserve for Injuries & Damages cost level last approved by the YUB for 2005.
- (d) Please provide all internally generated reports or documents prepared for or by senior management or otherwise related to the determination of the two-part “solution to the Reserve account”.

- 46) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-15
Table 3-12 – Property Taxes

Board Order 2009-1: Issue 3(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the property tax provision included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.
- (c) Please provide details of the property tax paid by community for 2005 (allowed), 2005 (actual), 2006 (actual), 2007 (actual), 2008 (actual) and 2009 (forecast).
- (d) Please provide an explanation for any variances between the 2008 actual and 2009 forecast and the Property Tax cost level last approved by the YUB for 2005.
- (e) Please provide documentation outlining YEC’s requirement to make payments in lieu of property taxes to municipalities.

- 47) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-16
YEC states “Yukon Energy’s depreciation costs continue to be based on depreciation rates approved by the YUB in Order 2005-12”.

Reference: October 6, 2008 Application, Revenue Requirement, Page 3-3
YEC states “The forecast Depreciation and Amortization cost increase from 2005 to 2009 of \$1.551 million (29% increase) accounts for about 30% of the overall revenue requirement change from 2005 to 2009. Over 50% of the Depreciation and Amortization cost increase is due to amortization cost increases, including costs for planning studies, regulatory activities and licensing costs related to Yukon Energy’s ongoing generation and transmission requirements. Although fixed asset depreciation increases by \$1.504 million (30%) from 2005 to 2009, net depreciation costs after customer contributions only increase by \$0.733 million (about 16%), reflecting in part contributions to the CSTP costs from Minto Explorations, the Yukon Government and Yukon Development Corporation”.

Board Order 2009-1: Issue 3(d)

Request:

- (a) Please confirm that the depreciation rates approved in Order 2005-12 were based on a study conducted by Gannett Fleming related to YEC's plant as of December 31, 2003.
- (b) Given Gannett Fleming's suggestion that the completion of full depreciation reviews should be undertaken every 3 to 5 years (per YEC's response to MCMAHON-YEC-1-16 in the 2005 Required Revenues and Related Matters proceeding), please explain why YEC did not undertake a depreciation study for this current application.
- (c) Please indicate when YEC intends to undertake its next full depreciation study.

- 48) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-17
 YEC states "The largest component of deferred charges relates to planning and study costs, regulatory hearing costs and licencing costs related to maintaining licences of YEC's hydro facilities and air emission permits. The cost for amortization of deferred charges has increased \$0.818 million, from \$0.889 million in actual 2005 to \$1.707 million forecast in 2009 as set out in Tab 5. The largest component of this increase since 2005 (\$0.547 million) relates to planning and study costs, which is primarily studies of the existing system and options for expanding the quantity of renewable generation, as well as studies related to the safety and reliability of the system, the Minto Mine PPA negotiations, and other small projects, offset by the termination of amortization since 2005 on old study amounts as they become fully amortized".

Board Order 2009-1: Issue 5(b)

Request:

- (a) Please provide a detailed listing of all deferred charges, descriptions of the charges incurred and a description of the reason for incurring the costs for 2005 (allowed), 2005 (actual), 2006 (actual), 2007 (actual), 2008 (actual) and 2009 (forecast).
- (b) Please explain why "Minto Mine PPA negotiations" and the "PPA proceeding" would be a cost to be paid by ratepayers versus the Minto (Capstone) mine.

- 49) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-19
 Table 3-14 – Cost of Capital

Board Order 2009-1: Issue 8(c)

Request:

- (a) Please update this table by adding columns for 2005 Allowed and 2008 Actual.
- (b) Please confirm that without Board approvals since 2005, the capital structure, cost of debt and return on equity provisions included in the revenue requirement approved for 2005 remained the approved amounts for 2006 and 2007.
- (c) Please provide YEC's understanding of the YUB's role in determining and approving the deemed capital structure of YEC for rate-setting purposes.

- 50) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-19
 YEC states “Yukon Development has provided long-term advances totalling \$40.032 million as at December 31, 2007, with interest rates ranging from 5.28% to 6.03%. Additional advances of \$3.515 million from Yukon Development are forecast at December 31, 2008 and a further \$5.043 million at December 31, 2009, with forecast interest rates of 5.28% to maintain the 60% debt and 40% equity balance” and that “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%”.

Reference: Schedule 13 of Tab 7

Board Order 2009-1: Issue 8(c)

Request:

- (a) Please provide a detailed description of the purpose for each of the unsecured advances from YDC.
 - (b) Please describe in detail the calculations of the interest rates attached to each of the unsecured advances from YDC. Please include references to all source documents.
 - (c) Please explain how this method of interest calculation was determined.
 - (d) Please provide all internally generated reports or documents prepared for or by senior management or otherwise related to the determination of method of interest calculation for the unsecured advances from YDC.
- 51) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-19
 YEC states “Yukon Energy has agreed to purchase the diesel units currently installed at the Minto mine (the “Minto Diesels”) and finance the \$2.24 million purchase price of these units with Minto over 7 years. The rate on this financing is 7.5%, equal to all interest rates on advances contained in the Minto Power Purchase Agreement (“PPA”) as reviewed by the YUB in early 2007, and payments are equal blended principal and interest monthly. The outstanding balances on this advance total \$2.179 million at year-end 2008 and \$1.921 million in 2009, with interest costs of \$0.042 million (partial year 2008) and \$0.155 million (full year 2009) respectively”.

Board Order 2009-1: Issue 8(c)

Request:

- (a) Please confirm that the 7.5% cost of capital rate incorporated into the Minto Power Purchase Agreement was deemed to be YEC’s average weighted cost of debt and equity for new capital projects.
- (b) Please provide a calculation of YEC’s actual average weighted cost of debt and equity for new capital projects in 2008.

- 52) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-20
 YEC states: “In order to provide the 60% long-term debt component of the Mayo-Dawson project capital costs, and to ensure ratepayers would not be worse off in any year as a result of the Mayo-Dawson project than they would have been had Dawson remained on diesel fuel generation, Yukon Development provided an \$18 million advance with flexible terms with respect to interest payable (“Mayo Dawson Note”). The forecast balance on the Mayo-Dawson Note is \$15.607 million as at year-end 2008 and \$15.157 million at year-end 2009. The face interest rate on the note is 6.55% and, due to the present substantial benefits to ratepayers arising from the Mayo-Dawson line given current and forecast diesel fuel prices, the full 6.55% face interest rate is forecast to be paid in 2008 and 2009”.

Board Order 2009-1: Issue 8(c)

Request:

- (a) Please explain how the interest rate on the reference note was determined.
- (b) Given the ongoing reductions in interest rates, has YEC considered refinancing this debt at a more favourable interest rate?

- 53) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-20
 YEC states: “The outstanding balance on the TD Canada Trust term note at year-end 2008 is \$7.163 million and \$6.471 million at year-end 2009. This note has an effective interest rate of 7.81% with equal blended monthly principal and interest payments, and is due in 2011”.

Board Order 2009-1: Issues 8(c)

Request:

Given the ongoing reductions in interest rates, has YEC considered refinancing this debt at a more favourable interest rate?

- 54) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-20
 YEC states: “Yukon Energy’s cost of equity in 2009 is a function of the risks inherent in Yukon Energy’s business, the returns that could be earned elsewhere with equity investments of equivalent risk, and the requirement in OIC 1998/32 that Yukon Energy receive a fair return on equity less 0.5%.”

Board Order 2009-1: Issues 8(b), 8(c)

Request:

To YEC’s knowledge, have there ever been any discussions related to increasing the 0.5% adjustment to YEC’s rate of return on equity as a means for reducing overall costs to be recovered from ratepayers? If yes, please provide details.

- 55) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-21
 YEC states: “In particular, in the 2005 proceeding, the fair ROE for test year 2005 was proposed by Yukon Energy to be set by reference to the British Columbia Utilities Commission (“BCUC”) formulaic ROE approach, based on Yukon Energy receiving a 52 basis points premium due to its risk compared to low risk utility. This was accepted by the Board in Order 2005-12. As set out in Tab 8, Yukon Energy has maintained this same approach to set the proposed ROE for 2008, at 8.64%. For 2009, Yukon Energy proposes that the ROE be set using the same approach, based on the BCUC calculations to be completed approximately at the end of November, 2008, and that this ROE be incorporated in the requested approvals for 2009 at that time. For the purposes of this filing document, a 2009 “placeholder” ROE of 8.64% has been utilized, to be consistent with 2008”.

Board Order 2009-1: Issues 3(e), 8(b), 8(c)

Request:

- (a) Please confirm that the BCUC has determined that the allowed return on common equity for a low-risk benchmark utility in 2009 is 8.47% which results in a proposed 8.49% ROE for YEC in 2009.
 - (b) Please provide a calculation of YEC’s average weighted cost of capital for 2009 assuming a proposed 8.49% ROE.
 - (c) Please provide a calculation of YEC’s return on rate base using an 8.49% ROE for 2009.
 - (d) Please provide justification for YEC’s proposed 52 basis points premium related to risk in 2008 and 2009. Please provide the qualifications of the person providing this justification.
 - (e) In what way was YEC or data specific to YEC included in the statistical analysis or deliberations conducted by the BCUC when developing and then enhancing its formulaic approach? If YEC-related data used in BCUC deliberations, please provide details of utilities comparable to YEC that have been included in the BCUC’s analysis.
- 56) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-21
 YEC states that the Deferred Fuel Price Account (Rider F) was “established pursuant to Order in Council 1995/90 section 8. This account captures all variations in fuel price per litre for each actual litre consumed, compared to the most recent GRA-approved fuel prices. Pursuant to Board Order 2005-12, Yukon Energy also credits this account with all variations (positive or negative) in the ongoing quarterly adjustment to the prices of secondary sales, compared to the most recent GRA-approved price. As with the typical situation where final rates are put in place following the start of the test year, once final approvals are received for new test year fuel prices, Yukon Energy recalculates the balances in these accounts to ensure that all charges to the accounts are precisely equal to what would have occurred had the ultimate YUB approvals been known at the start of the first test year”.

Board Order 2009-1: Issues 3(b), 5(b)

Request:

- (a) Please confirm that Rate Schedule 39 for industrial customers includes a provision that Rider F is set to \$0.00 for this class of customer.
- (b) Please provide a calculation of what the Rider F charge would be in 2007, 2008 and 2009 for industrial customers under Rate Schedule 39 if it was not eliminated by Order-in-Council.
- (c) Please calculate the total amount of Rider F revenue that would have been collected from the industrial class in 2007, 2008 and 2009 under Rate Schedule 39 if the rates calculated in (b) had been charged.
- (d) Please provide a calculation of Rider F for the residential and commercial classes for 2007, 2008 and 2009. Please fully explain any differences in the calculations for the different customer classes.
- (e) Please provide YEC's rationale for keeping secondary sales customers immune from Rider F.
- (f) Please identify when the referenced "most recent GRA-approved price" was set.
- (g) Please confirm that the benchmark upon which Rider F is determined would be adjusted to match fuel costs approved for 2008 and 2009 in this proceeding.

- 57) *Reference:* October 6, 2008 Application, Revenue Requirement, Page 3-21
 YEC states: "For the test years, no use of the DCF is forecast. The DCF has a balance of \$0.856 million as at December 31, 2007 (including interest earned monthly); this balance is proposed to be retained in the fund as it is intended to be available in the event of a drought. The DCF will not be advanced in the "diesel on the margin" mode until such time as the system has firm loads that exceed the long-term average capability of the system over the course of a long period (many months to years). This will not occur until after secondary sales have been basically fully interrupted over the long-term on the WAF system. The DCF could be required in the event of a drought within the test years."

Board Order 2009-1: Issues 3(b)

Request:

- (a) Please confirm that secondary and industrial sales customers will not receive any benefits from the Diesel Contingency Fund.
- (b) Please describe how the DCF will be allocated if triggered.

- 58) *Reference:* October 6, 2008 Application, Rates, Page 4-11

Table 4.4 – Equivalent Price of Electricity for Heating - August 13, 2008 Oil Prices

Board Order 2009-1: Issue 4

Request:

- (a) Please update this table with current oil prices.
- (b) Please provide the referenced Yukon Housing Corporation data used to create table 4.4.

59) *Reference:* October 6, 2008 Application, Rates, Page 4-12

YEC states “In summary, runoff rates no longer conform with the 1996/97 GRA principles and OIC 1995/90, and as a result it is now actually cheaper to heat with electricity at current runoff rates (even including all riders) than it is with oil, which has the effect of encouraging inefficient and inappropriate use of electric heating in Yukon homes”.

Board Order 2009-1: Issues 2(g), 4(b)

Request:

- (a) Please provide YEC’s understanding of the reasons why Yukon homeowners have installed electricity over the years as a source for space heating including any incentives that have been made available over the years.
- (b) Please describe what efforts YEC has taken to encourage Yukoners, construction companies and land developers to move away from electric heating systems as a primary source of space heating since the Yukon government’s Cabinet Commission on Energy identified this issue as part of its recommendations in 1998 and the Yukon government accepted all of the Commission’s recommendations in November 1998 with its *Implementation Plan for the Final Report on the Cabinet Commission on Energy*.
- (c) Please describe efforts being undertaken by other Yukon government departments and agencies to either lessen the burden on ratepayers using electricity for space heating or to assist these ratepayers to shift to another fuel source.
- (d) Please explain why YEC has not proposed / considered other pricing structures to discourage consumption overall, or to shift demand to less costly periods. In particular, please describe YEC’s evaluation of alternatives such as stepped rates for rate classes, critical period rates, tariffs focused on promoting energy efficient new construction, and the consideration of the benefits of ‘smart’ or advanced metering technology which offer potential for greater consumption information and control being available to the consumer.

60) *Reference:* October 6, 2008 Application, Rates, Page 4-12

YEC states “...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”.

Board Order 2009-1: Issues 4(b), 4(e)

Request:

- (a) Please confirm that by “overriding principles”, YEC is referring to the Guiding Principles referenced on page 5 of the referenced Climate Change Strategy document.
- (b) Please explain how current run out rates are not consistent with these Guiding Principles.
- (c) Please provide YEC’s rationale for keeping 1000 kWh as the year-round size of the first energy block.

61) *Reference:* October 6, 2008 Application, Rates, Page 4-12

YEC states “It is also important to note that without proper economic signals there may be a tendency in new construction for electric heating to be preferable to customers due to the lower capital cost of electric heating (baseboards) compared to oil (furnaces)”.

Board Order 2009-1: Issues 4(b), 4(e)

Request:

- (a) Please describe the discussions that YEC has had with builders and land developers concerning the “proper economic signals” they feel are required.
- (b) Please provide YEC’s cost analysis for the installation of electric heating versus oil-fired heating. Please provide the source of any referenced data.

62) *Reference:* October 6, 2008 Application, Rates, Page 4-13

YEC states “...electricity prices today should at least be in the 20-22 cents/kW.h range (i.e., at least 25 to 40% higher than oil heating costs) to promote in the short term “economy and efficiency” by once again starting to discourage electric heating. Further, given the system realities these rates should be planned now to be set in the near term at even higher levels (e.g., in excess of 30 to 35 cents per kW.h based on the current GRA diesel fuel price forecasts), if the rate design principles adopted by the Board in the 1996/97 GRA are to be followed in the future”.

Board Order 2009-1: Issues 4(b), 4(e)

Request:

- (a) Please update YEC’s 20-22 cents per kWh price range based on current heating oil costs. Please provide details of source data used for calculations.
- (b) Please identify bill impacts if YEC’s estimate of where rates should be (i.e., 30-35 cents per kWh) is realized.
- (c) Please provide the calculations and sources of data for YEC’s conclusions.
- (d) Please provide details of the rate rebalancing efforts by BC Hydro that were initiated in 2007 by the BC Utilities Commission.

- 63) *Reference:* October 6, 2008 Application, Rates, Page 4-13
 YEC states “In the residential class, by far the minority of sales are made at the second block rates. As shown in Table 4.9, less than 20% of the residential energy sold in Yukon at second block rates for the non-government class, and only slightly higher (approximately 23%) for the government class”.

Board Order 2009-1: Issues 2(b), 4(e)

Request:

Please provide the billing data upon which YEC has determined the distribution of residential energy sales by rate block.

- 64) *Reference:* October 6, 2008 Application, Rates, Page 4-13
 YEC states “This can be done by establishing an offsetting decrease to first block rates so as to ensure the residential share of overall electricity charges remain the same”.

Board Order 2009-1: Issue 4(e)

Request:

- (a) Please confirm that YEC is not suggesting that the residential class’ share of YEC’s actual cost of service nor residential bills will remain the same.
- (b) Please explain why YEC is maintaining the current rate block structure given the variation in seasonal use and the adverse impacts identified for users of more electricity.

- 65) *Reference:* October 6, 2008 Application, Rates, Page 4-13
 YEC states “...the General Service class is dominated by sales at second block rates (approximately 71% of sales in the non-government class, and 87% of sales in the government class)”.

Board Order 2009-1: Issues 2(b), 4(e)

Request:

Please provide the billing data upon which YEC has determined the distribution of general service energy sales by rate block.

- 66) *Reference:* October 6, 2008 Application, Rates, Page 4-13
 YEC states “...when dealing with a large and relatively non-homogenous group, rate structures that impose a notable inverted structure require careful attention given the range of impacts on the different profiles of customers in the class. For example, in order to provide fair price signals it may require establishing multiple general service rate subclasses, or further rate blocks. Yukon Energy does not believe that it is practical to properly analyze and implement an

appropriate rate design package in a Yukon Energy Revenue Requirement proceeding”.

Board Order 2009-1: Issue 4(e)

Request:

- (a) Please explain whether this current proceeding is to address a general rate application or a revenue requirement application.
- (b) Please explain how the YUB can ignore the issue of the non-homogenous ratepayer groups identified by YEC in this application when making decisions on the rate issues proposed by YEC.

67) *Reference:* October 6, 2008 Application, Rates, Page 4-14

YEC states “In conclusion, although it is patently clear that run out rates must be changed, a second block level today for residential customers based on 2009 diesel price forecasts and full implementation of 1996/97 GRA principles is not reasonably achievable in one rate change, given obvious potential rate impacts to individual customers of a required 160% increase in the Hydro/Large Diesel zone runoff rate. However, a more gradual transition to higher runoff rates based on the cost of diesel generation is both necessary and feasible today for the residential classes, with a first step designed to increase Hydro zone residential runoff rates by 40 to 50%, i.e., to the 20 to 22 cents/kW/h range net of GST”.

Board Order 2009-1: Issue 4(e)

Request:

- (a) Please explain how a gradual and stable transition to cost-based rates can be realistically and fairly designed without first establishing the actual level of cost based rates.
- (b) Please provide an analysis of how the proposed runoff rates compare to the actual marginal cost of providing electricity.

68) *Reference:* October 6, 2008 Application, Rates, Page 4-14

YEC states “With the completion of the Carmacks-Stewart Transmission Project and the connection of the Minto mine, Yukon Energy is able to implement substantial rate reductions for all retail customer classes throughout Yukon. For 2009, this reduction totals \$1.334 million, or 3.48% of total Yukon-wide base rate revenues as forecast by Yukon Energy”.

Board Order 2009-1: Issues 5(a), 6(e)

Request:

- (a) Please provide the cost and revenue data used to determine the \$1.334 million benefit to non-industrial customers.
- (b) Please provide a breakdown of the data contain in Table 4.6 between YEC and YECL.

(c) Please provide a table similar to the table provided in response to part (b) for 2008 benefits.

- 69) *Reference:* October 6, 2008 Application, Rates, Page 4-17
 YEC states “Yukon Energy proposes to implement a system-wide revenue-neutral adjustment to firm residential non-government and residential government rates for both Yukon and YECL retail customers”.

Board Order 2009-1: Issues 4(e), 10

Request:

- (a) Please confirm that the application should read “...rates for both YEC and YECL retail customers”.
- (b) Please provide an explanation for YEC’s interpretation of OIC 2008/149 that rate adjustments designed and proposed only by YEC are supposed to be (i) revenue neutral and (ii) applicable to customers of both YEC and YECL.
- (c) Please provide details of discussions and correspondence between YEC and YECL on YEC’s rate design proposals.
- 70) *Reference:* October 6, 2008 Application, Rates, Page 4-21 and 4-22

Table 4.9 – Primary Sales by YEC/YECL Rate Class & Billing Determinants - 2009 Existing Rates

Table 4.10 – Primary Sales by YEC/YECL Rate Class & Billing Determinants - 2009 with Proposed Rate Rebalancing

Board Order 2009-1: Issue 2(b)

Request:

Please explain why YEC accepted YECL’s sales forecast except within the hydro zones (to which YEC added a 1.2% escalation factor).

- 71) *Reference:* October 6, 2008 Application, Rates, Pages 4-23, 4-24, 4-26, 4-27

Table 4.11 – Bill Comparisons: 2009 Proposed Rates Vs. Existing – Residential Non-Government

Table 4.12 – Bill Comparisons: 2009 Proposed Rates Vs. Existing – Residential Non-Government (Absent RSF)

Table 4.14 – Bill Comparisons: 2009 Proposed Rates Vs. Existing – General Service Non-Government

Table 4.15 – Bill Comparisons: 2009 Proposed Rates Vs. Existing – General Service Non-Government (Absent RSF)

Board Order 2009-1: Issue 4(g)

Request:

Please update the referenced tables assuming that the first energy block for residential customers is 1100, 1200 and 1300 kWh and the first block for general service customers is 2200, 2400 and 2600 kWh.

- 72) *Reference:* October 6, 2008 Application, Rates, Appendix 4.1 – Rate Schedules
 YEC's rate schedules state that "The Company's Electric Service Regulations approved by the Yukon Utilities Board form part of this rate schedule and apply to the Company and every customer supplied with electric service by the Company in the Yukon and British Columbia. Copies of the Electric Service Regulations are available for inspection in the offices of the Company during normal working hours".

Board Order 2009-1: Issue 4(h)

Request:

- (a) Please provide a copy of YEC's current Electric Service Regulations as approved by the YUB.
 - (b) Please provide any analysis that YEC has made to verify that the miscellaneous charges (e.g., connection fees, reconnection charge, meter test fee, late payment charge, dishonoured cheque charge, maximum company investments) within the Electric Service Regulations are still appropriate given associated costs.
 - (c) Please explain how customers resolve billing or service disputes with provider (i.e., does the service provider make final decision or is there an independent arbitrator available besides the Yukon Utilities Board?).
 - (d) Please explain how a dispute is to be brought to the YUB and if there are informal processes available.
 - (e) Has YEC ever been involved in a dispute with a residential customer that has been taken to the YUB? If yes, please describe the circumstances and process.
 - (f) Please provide YEC's rationale for not having a Customer Bill of Rights as is the case in many other jurisdictions.
- 73) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-3
 YEC states "The Stage One CSTP involves a new 138 kV transmission line of approximately 98 km between the WAF grid at Carmacks and Pelly Crossing, and a new switching station at Carmacks. It has been developed in conjunction with the 25 kV transmission line and related YEC substations (the "Minto Spur") required to connect Stage One of the CSTP in the Minto Landing area to the copper-gold project operated by Minto Explorations Ltd. ("Minto Explorations"). This stage is scheduled for completion by October, 2008".

Reference: October 6, 2008 Application, Capital Projects, Page 5-7

YEC states “Currently, the net capital cost to Yukon Energy of the Stage One CS/MS development being brought into service in fall 2008, after all customer and other capital contributions, is forecast at \$3.744 million (as compared to zero net cost as forecast in the Part 3 hearing). Since the Part 3 hearing, forecast Stage One CSTP costs have increased by approximately \$5.8 million (from \$22.60 million (2007\$) to approximately \$28.394 million)...”

Reference: April 30, 2007 Reasons for Decision on the Power Purchase Agreement between YEC and Minto exploration (Board Order 2007-5)

The Board states on page 5 that it “agrees with Intervenor concerns regarding the lack of a complete COS study. The Board is of the view that due to the articulating nature of a COS study, rates cannot be developed in isolation. Therefore, the Board reiterates its earlier direction that YEC and YECL must provide a complete COS study and rate design with their next GRA. The COS is to include updated studies on allocators, and will look at the feasibility of direct assigning assets, where applicable to certain rate classes. Further, the Board expects to see justification on the allocation of transmission assets. In addition, the Board questions the rationale of defining the CSTP project as one of diesel displacement in light of YEC’s comments that the project is to serve system requirements. The Board would like to explore the COS evidence in this regard when it is filed in YEC’s next GRA”.

Board Order 2009-1: Issues 2(f), 3(d), 5(a), 6(b), 6(e)

Request:

- (a) Please confirm that your references to “Stage One CS/MS” and “Stage One CSTP” refer to the same project.
- (b) Please provide an update on the in-service dates of Stage One CSTP and the Minto (Capstone) spur.
- (c) Please provide a breakdown of all budgeted and actual costs (i.e., project development, preliminary engineering, surveying, regulatory costs, clearing right-of-way, construction, etc.) associated with the Stage One CSTP and the Minto (Capstone) spur. Please provide an explanation of variances from budget and clearly identify the specific costs that will be paid by Minto Explorations.
- (d) Please describe what YEC has done in response to the Board’s recommendation (on page 13 of its Report on the CSTP Part 3 review) that YEC was to consult with the Minister before making any decision to proceed if the tendering process results in a capital cost that is materially above the high end of the estimate of \$25.9 million.
- (e) Please provide a schedule showing the timing of rate base additions for Stage One CSTP and the Minto (Capstone) spur and the associated calculations of how these rate base addition amounts have been determined.
- (f) Please provide a calculation of any revenue requirement impact of this project in 2008 and 2009.
- (g) Please comment on how the response to part (f) compares to YEC’s testimony at the Part 3 review hearing that at a simple level, the project will bring \$3-to \$4 million in additional revenues with absolutely no capital costs and insignificant operating costs (Transcript, page 219).

(h) Please explain why YEC ignored the Board's specific direction in Board Order 2007-5 that "YEC and YECL must provide a complete COS study and rate design with their next GRA. The COS is to include updated studies on allocators, and will look at the feasibility of direct assigning assets, where applicable to certain rate classes".

74) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-4
 YEC states "Stage Two of the CSTP entails construction of a new 138 kV transmission line of approximately 74 km from Pelly Crossing to Stewart Crossing, including new substations at Pelly Crossing and Stewart Crossing. Stage Two of the project is anticipated to occur concurrent with the development of a second industrial customer, either Carmacks Copper mine owned by Western Copper Corporation, or the reopening of the Elsa/Keno mine now owned by Alexco Resource Corp."

Reference: December 8, 2008 Hansard, Yukon Legislative Assembly
 Mr. Morrison: The Carmacks-Stewart line — when we went to the Yukon Utilities Board two and a half years ago with the project as a whole, we anticipated that the costs for the second phase would be about \$30 million. My guess is, at the moment — because I don't know much more than that; we haven't had engineers look at tendering equipment or anything — because costs over this period have gone up, it's probably closer to \$40 million.

Board Order 2009-1: Issue 5(a)

Request:

- (a) Please identify any costs that have been incurred to date with respect to Stage Two of the CSTP.
- (b) Please provide an update on the expected total cost for this project.

75) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-7
 YEC states "Since the PPA and Part 3 hearings, forecast Minto Spur capital costs have increased by \$6.159 million (from the PPA estimated in-service costs of \$3.83 million to current forecast costs of \$9.989 million). This increase reflects higher substation costs as well as higher line costs. Minto Explorations is responsible for the entire cost increase for the Minto Spur capital costs pursuant to the PPA. Section 5.4 of the PPA provides for an adjustment to the time period within which Mine Spur capital cost financing must be paid by Minto Explorations if the Mine Spur Capital Costs exceed \$4.8 million" and "Under Section 5.4, a two year extension will be provided for payments under Section 5.2(b)(i) where (a) Minto has provided confirmation by December 31, 2008 under section 5.2(d) regarding its ability and commitment to process Additional Reserves at the Mine prior to December 31, 2017, sufficient to sustain an additional three years of processing at the Mine at the Daily Processing Level, and (b) the extension of the payments will not go beyond the date which Minto confirms in writing to the satisfaction of YEC that ore

reserves at the Mine are planned to be processed at the Mine, provided the processing level planned is not less than the Daily Processing Level. Any extension of such payment period is now also limited under the provisions of the May 25, 2007 PPA amendment”.

Board Order 2009-1: Issues 2(f), 3(d), 6(b), 6(e)

Request:

- (a) Please provide a copy of any correspondence received from Minto (Capstone) regarding a commitment to process additional reserves at the mine.
- (b) Please provide a calculation of the carrying costs associated with the higher cost of the Minto (Capstone) spur project. Please confirm that all carrying and administrative costs of financing will be recovered from Minto (Capstone) and explain how YEC will be tracking these costs.

- 76) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-10
 YEC states “In short, the costs per MW for the Minto diesels (\$0.498 million/MW) remain fully competitive with the Mirrlees refurbishment costs (\$0.482 million / MW), and well below costs for 6.4 MW of new diesel generation at the mine site (estimated at \$6.6 million, or \$1.035 million per MW). Purchase of the Minto diesels adds additional low cost options for YEC to augment its winter peaking diesel capacity to meet growing WAF loads”.

Board Order 2009-1: Issues 2(f), 3(b), 5(a)

Request:

- (a) Please provide detailed calculations of the \$6.6 million cost for new diesel generation.
- (b) Please identify the advantages / disadvantages from an operational and cost perspective between the Minto (Capstone) diesels and new diesels.
- (c) Please provide details of all other options considered in YEC’s efforts to justify the purchase of the Minto (Capstone) units as the least cost option.
- (d) Please provide a schedule showing the timing of rate base additions for the acquisition of the Minto (Capstone) diesels and the Mirrlees refurbishment projects and the associated calculations of how these rate base addition amounts have been determined.
- (e) Please provide a calculation of any revenue requirement impact of these projects in 2008 and 2009.

- 77) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-11
 YEC states “The diesel units are located near key major loads at the end of long transmission line. At times when WAF diesel generation is required, having these units at this location reduces line losses in addition to providing greater grid support”.

Board Order 2009-1: Issues 2(c), 5(a)

Request:

- (a) Please provide YEC's calculations related to the reduction in line losses.
- (b) Please provide more explanation of what is meant by grid support provided by the Minto (Capstone) diesels and under what circumstances this support would be provided.
- (c) Please describe the support provided by the Minto (Capstone) diesels during outages on the YEC system during 2007 and 2008.

- 78) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-11
YEC states "These units can be run without any emissions impact in Whitehorse".

Board Order 2009-1: Issues 2(f), 3(b), 5(a)

Request:

Please provide the data that supports this statement concerning the Minto (Capstone) diesels.

- 79) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-12
YEC states that work on the Faro Mirrlees Diesel (FD1) Recommissioning began in 2007 and will be completed in 2008, with \$0.407 million in costs in 2007 and \$1.158 million budgeted for 2008. The project is expected to be complete in 2008.

Board Order 2009-1: Issue 5(a)

Request:

- (a) Please provide a breakdown of all budgeted and actual costs (i.e., project development, preliminary engineering, regulatory costs, etc.) associated with the Faro Mirrlees Diesel Recommissioning. Please provide an explanation of variances from budget and the timing of when the expenditures occurred.
- (b) Please confirm whether an application for an energy project certificate or energy operation certificate associated with this project was ever forwarded to the Minister per Part 3 of the *Public Utilities Act*. If not, then please elaborate on why this application was not made.
- (c) Please identify any regulatory reviews of this project other than the cursory review as part of YEC's 20-Year Resource Plan.
- (d) Please provide details on efforts made by YEC to sell the Faro diesel generator to another party and the reasoning behind these efforts.

- 80) *Reference:* October 6, 2008 Application, Capital Projects, Pages 5-12 and 5-13
 YEC states “This near term project was identified in Yukon Energy’s 20-Year Resource Plan. During the Part 3 hearing process for CSTP, the implications of the relationship between Stage One of the CSTP and the need for and timing of the Aishihik 3rd Turbine was reviewed. In the YUB report to the Minister regarding the Part 3 Review of the CSTP, the YUB recommended that, “if Stage One of the CSTP were to go forward, then by implication, there is an accelerated need for the third turbine at Aishihik. The Board accepts the submissions that on an opportunity basis for diesel displacement, with connection of new mine loads, there is economic justification to accelerate the construction of the Aishihik third turbine. This view and recommendation is consistent with the view expressed by the Board in its 20-Year Resource Plan Report. The addition of a seven megawatt turbine installed at the existing Aishihik generation station at a cost of approximately \$8.5 million will help to reduce future diesel generation through both more efficient use of water at Aishihik, as well as better ability to use the plant to meet short-term peak loads (as an alternative to diesel generation)”.

Reference: Yukon Utilities Board Report on Yukon Energy Corporation 20-Year Resource Plan, January 15, 2007, Page 30

“It should be noted, however, that the addition of the third turbine under YEC’s plan is not a capacity requirement determined by the planning criteria, but rather a requirement driven strictly by economic reasons, namely to offset future diesel generation that is expected to increase under the base-case load forecast. However, should the actual loads turn out higher or lower than the loads under the base-case forecast, the optimal timing of the third turbine would move earlier or later than 2013. Therefore, to minimize the uncertainty around timing of the third turbine, the final decision to proceed with this project should be made closer to the date when economic reasons indicate that the turbine is needed. Therefore, the Board recommends that this project not proceed until that time unless YEC can justify an earlier in-service date.”

Board Order 2009-1: Issues 3(d), 5(a), 6(d)

Request:

- (a) Please provide a comparative chart of the Aishihik 3rd turbine project’s \$8.5 million budget (7 MW) in the current application against the \$3.5 million budget (5 MW) in the 1992 Resource Plan and the \$7 million budget (7 MW) in YEC’s 20-year Resource Plan 2006-2026. Please provide descriptions of the variances in project scope and budget as well as the drivers of these variances.
- (b) Please provide a schedule showing the timing of rate base additions for the Aishihik 3rd turbine project and the associated calculations of how these rate base addition amounts have been determined.
- (c) Please provide a calculation of any revenue requirement impact of this project in 2008 and 2009.

- 81) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-14
 YEC states that customer extensions are budgeted to cost \$475,000 in each of 2008 and 2009 (offset by customer contributions of \$400,000 in each year). YEC states that it “is required to provide service to new customers coming onto the system, and consequently, customer extensions are forecast and budgeted as a capital items without identifying specific projects. Most costs of customer extensions are covered by customer contributions pursuant to the Electrical Service Regulations”.

Board Order 2009-1: Issues 5(a), 5(b)

Request:

- (a) Please provide details of the budgeted and actual costs of customer extensions in 2005, 2007, 2007 and 2008 as well as the number of customers connected.
 - (b) Please confirm that the budgets for customer extensions would be less of a contributor to YEC’s revenue requirement if this budgeted amount was removed and a deferral account was established to collect actual customer extension costs as they are incurred for disposition in a subsequent year.
- 82) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-14
 YEC states that the Land Management and Easement Project (\$100,000 in each of 2008 and 2009) will “secure easements for Yukon Energy’s distribution lines over 2008 and 2009”

Board Order 2009-1: Issues 5(a), 5(b)

Request:

- (a) Please provide details of the specific easements being secured.
 - (b) Please provide details of budget actually spent in 2008.
 - (c) Please confirm that the budget for securing easements would be less of a contributor to YEC’s revenue requirement if this budgeted amount was removed and a deferral account was established to collect actual easement costs as they are incurred for disposition in a subsequent year.
- 83) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-15
 YEC states that budgets for Vehicle Purchases (\$209,000 in 2008 and \$288,000 in 2009) are based on three service bodies “expected to need replacing” in 2008 and two service bodies “expected to need replacing” in 2009.

Board Order 2009-1: Issues 5(a), 5(b)

Request:

- (a) Please provide details of budget actually spent in 2008.
- (b) Please confirm that the budget for vehicle purchases would be less of a contributor to YEC’s revenue requirement if this budgeted amount was removed and a deferral

account was established to collect actual vehicle purchase costs as they are incurred for disposition in a subsequent year.

- 84) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-16
 YEC states that the budget for an Off-Road Maintenance Vehicle Purchase (\$150,000 in 2008 plus \$300,000 in 2009) is to replace a leased 1979 Nodwell from Arctic Power that is at end of life.

Board Order 2009-1: Issues 5(a), 5(b)

Request:

- (a) Please provide details of budget actually spent in 2008.
 - (b) Please provide details of the analysis performed that concludes that it is more economical for YEC to purchase a new unit and boom than to lease it.
 - (c) Please confirm that the budget for this vehicle purchase would be less of a contributor to YEC's revenue requirement if this budgeted amount was removed and a deferral account was established to collect actual vehicle purchase costs as they are incurred for disposition in a subsequent year.
- 85) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-16
 YEC states that the budget for SCADA Replacement (\$150,000 in 2008 and \$118,000 in 2009) is to replace the existing VMS-based SCADA system that has been in service since 1997.

Board Order 2009-1: Issue 5(a)

Request:

- (a) Please provide details of budget actually spent in 2008.
 - (b) Please provide details of the analysis performed to establish the budget for this system.
 - (c) Please identify if any of the referenced lower annual maintenance costs are included in the proposed revenue requirements for 2008 and 2009.
- 86) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-16
 YEC states that the budget for the development of a Disaster Recovery Plan / Business Continuity Plan (\$150,000 in 2008 and \$75,000 in 2009) is an important part of an overall framework for identifying and managing risk.

Board Order 2009-1: Issue 5(a)

Request:

- (a) Please confirm whether YEC has an existing disaster recovery plan and/or business continuity plan. If yes, please identify when it was developed, the costs incurred and how these costs were treated from a recovery perspective.
- (b) Please provide details of budget actually spent in 2008.

- 87) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-17
 YEC states that the budget for the replacement of its Financial Systems Software (\$125,000 in 2008, \$450,000 in 2009 and \$425,000 in 2010) will involve the completion of replacement system needs assessment, a product review and the presentation of recommendations to the Board of Directors in 2008 and implementation beginning in 2009.

Board Order 2009-1: Issues 3(d), 5(a)

Request:

- (a) Please explain the treatment of this project for rate base purposes and the timing of it being added to rate base.
 (b) Please provide details of budget actually spent in 2008.
- 88) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-17
 YEC states that the budget for an Electronic Document Management (\$125,000 in 2008, \$100,000 in 2009 and \$100,000 in 2010) will be spent on a records management consultant in 2008 to assess records management issues and propose solutions with implementation starting in 2009.

Board Order 2009-1: Issues 3(d), 5(a)

Request:

- (a) Please explain the treatment of this project for rate base purposes and the timing of it being added to rate base.
 (b) Please provide details of budget actually spent in 2008.
 (c) Please provide a copy of the assessment of the records management consultant and describe any research they conducted into the electronic document repositories now in use by various energy regulators throughout Canada.
- 89) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-20
 YEC states that the Mayo B hydro generation enhancement project (\$1.7 million in 2008 and \$6.5 Million in 2009) has been identified as a potential priority near term hydro generation expansion opportunity.

Reference: December 8, 2008, Hansard, Yukon Legislative Assembly

Mr. McRobb: Still with capital plans, the officials mentioned **Mayo B**, which of course is an enhancement of the existing facility to provide a greater amount of generation. Can the officials indicate what the anticipated cost, timelines and process are for that facility?

Mr. Morrison: Well, timelines are difficult because it depends on where loads are and, with this mining environment, things are shifting a little bit. But the costs that we have seen so far, which are very expensive, are **\$100 million**.

Mr. McRobb: And does that cover basically all of the expenses to upgrade the facility itself, including any shoreline mitigation or improvements to the transmission line or anything? Can the officials comment on that?

Mr. Morrison: To be clear, it **doesn't include the cost of a transmission line**. That's something separate. Secondly, it does cover all of the costs, as we know it, for the purposes of upgrading the capacity of the Mayo plant. I want to be clear, though, that from our perspective — we haven't looked at shoreline mitigation. We haven't made any decision that would, at least in the current plan, even include the possibility of shoreline mitigation.

Board Order 2009-1: Issues 5(a), 6(d)

Request:

- (a) Please provide cost details and descriptions of components of the proposed Mayo B hydro generation enhancement project.
- (b) Please provide details on costs incurred to date, during the 2008 and 2009 test years, and estimated for subsequent years.
- (c) Please explain how this project fits in with YEC's 20-Year Resource Plan.
- (d) Please explain the treatment of this project for rate base purposes and the timing of it being added to rate base.
- (e) Please explain why Mayo B is now on the potential priority near term expansion opportunities when it was not even on the radar during the review of the 20-Year Resource Plan process.

- 90) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-22
YEC states that the Aishihik Water License Renewal project (\$167,000 in 2008 and \$130,000 in 2009) includes monitoring the fish populations in Aishihik Lake and undertaking a subsistence fishery monitoring program.

Board Order 2009-1: Issue 5(a)

Request:

- (a) Please provide details of budget actually spent in 2008.
- (b) Please explain how the Aishihik 3rd Turbine project can be initiated prior to completion of this water license renewal.

- 91) *Reference:* October 6, 2008 Application, Capital Projects, Pages 5-25 to 5-32

Board Order 2009-1: Issue 5(a), 6(f)

Request:

- (a) Please provide details of YEC's project management policy.

- (b) Has YEC had its contracting and purchasing practices reviewed by a consultant? If yes, please provide the results of that review and the actions taken by YEC as a result.
- (c) Please confirm that YEC uses an internal Project Review Committee to review and assess capital projects.
- (d) Please confirm that \$100,000 has been established as a limit whereby projects forecast above this limit require more detailed scope and costing within YEC.
- (e) Please provide the project identification / cost-benefit worksheets used by the Project Review Committee for all projects with costs greater than \$300,000 proposed to have expenditures in 2008 and 2009 and / or are being added to rate base in 2008 and 2009.

92) *Reference:* October 6, 2008 Application, Capital Projects, Page 5-28 to 5-32

Tables 5.3 through 5.7 – Continuity Schedule of Planning and Study Costs

Board Order 2009-1: Issues 5(a), 5(b)

Request:

Please identify any current or planned capital projects to which these planning and study costs are associated.

93) *Reference:* October 6, 2008 Application, Board Directives, Page 6-1

YEC states that “YEC/YECL jointly filed a required report with the Board in August 2005 that provided information on the revenue to cost ratios by customer class for both companies using the most recent cost of service allocation study, including comments on the implementation of a rate shift program over 10 years”.

Board Order 2009-1: Issues 4(b), 6(a)

Request:

- (a) Please update the August 2005 revenue to cost ratios report using proposed revenue requirement data available for 2008 and 2009. Revenues should be based on existing rates and utility proposed rates.
- (b) Please update the August 2005 revenue to cost ratios report using proposed revenue requirement data available for 2008 and 2009. Revenues should be based on existing rates and rates assuming that residential rates use a first energy block of 1300 kWh.

- 94) *Reference:* October 6, 2008 Application, Board Directives, Page 6-2
 YEC states that “Yukon Energy has recorded all further project-related costs, including all costs associated with the claims process, outside of rate base and revenue requirement. The claims process with Chant Construction is now complete, and there were no recoveries to Yukon Energy. Accordingly, no interest bearing account has been established”.

Board Order 2009-1: Issues 5(a), 9(a)

Request:

- (a) Please confirm that the out of court settlement related to the Mayo-Dawson transmission line resulted in YEC paying Chant Construction \$3 million.
 - (b) Please provide details of the total cost associated with this claim process. Please identify how much in costs internal to YEC (e.g., labour, overhead, general plant, etc.) have been incurred for this process and the amount allocated to this process.
 - (c) Please identify where these capitalization transfers are reflected in the Application.
 - (d) Please confirm that YEC’s parent, Yukon Development Corporation is paying the full cost of this dispute.
 - (e) Please provide details of the payments / transfers made by YEC to YDC (dividends and other) for 2005, 2006, 2007 and 2008.
- 95) *Reference:* October 6, 2008 Application, Board Directives, Page 6-4
 YEC states that “OIC 2007/94 in effect defers, until after December 31, 2012, any cost of service based rate rebalancing adjustments or rate shifts affecting major industrial customers”.

Board Order 2009-1: Issue 10

Request:

Please confirm that while the YUB’s hands have been tied with respect to rates it can approve for the industrial customers, nothing in OIC 2007/94 prevents the Board from investigating cost of service issues or determining the parameters for a rate rebalancing program.

- 96) *Reference:* October 6, 2008 Application, Board Directives, Page 6-6
 With respect to Maximum Utility Investment, YEC states that “Yukon Energy is continuing to examine options, based on the current PPA experience with Minto, where joint partnership of industry, Yukon Energy and the Yukon Government can best enable development of critical new bulk power supply infrastructure in a cost effective manner as regards all Yukon ratepayers”.

Board Order 2009-1: Issue 6(b)

Request:

- (a) Please describe the efforts that YEC have made to address Maximum Utility Investment since Board Order 2007-5 was issued on April 30, 2007.

(b) Please provide an estimate on the amount of time that YEC staff and consultants have spent on this issue.

97) *Reference:* October 6, 2008 Application, Board Directives, Page 6-8

Table 6.1 – Cost Awards 2007-7, 2007-8, 2007-9 and 2008-1

Board Order 2009-1: Issue 6(c)

Request:

Please confirm that the cost award amount for UCG's lawyer should be \$19,517.52 for the Resource Plan and \$7,189.98 for the PPA proceeding.

98) *Reference:* October 6, 2008 Application, Board Directives, Tab 7

Schedule 2 – Computation of Allowance for Working Capital

Board Order 2009-1: Issue 3(d)

Request:

- (a) Please confirm that the calculation on line 5 is based on a net revenue lag calculated for 2005.
- (b) Please provide the actual net revenue lag for 2005, 2006, 2007 and 2008. Please provide the detailed calculations used to determine these revenue lags and the sources of data used in these calculations.