

**Yukon Utilities Board Review in The  
Matter of an Electricity Purchase  
Agreement between Yukon Energy  
Corporation and Tlingit Homeland  
Energy Limited Partnership**

**FINAL ARGUMENT OF**

**YUKON UTILITIES CONSUMERS' GROOUP (UCG)**

**July 25, 2022**

## BACKGROUND

The UCG has reviewed all the public information available as well as the transcripts of the hearing on the YEC/THELP Electric Purchase Agreement ("EPA") and have this final argument submission to offer the Board.

## UCG SUBMISSION

The Minister's referral letter states:

### Other Recommendations

5. The YUB may make any other recommendations or provide any other information that it considers advisable in the circumstances.

1. Accordingly, UCG submits that our main concern is that the cost of purchasing power from this project does not reflect the revenues that can be collected from the sales of this power.

The reluctance of Yukon Energy to come forth with the necessary information on this issue to give the public the confidence that sales will reflect the costs, make it uncertain if this project is indeed viable.

**A. MR. OSLER: Okay. Thank you. We'll -- I presume we'll undertake that.**

**Q. Thank you.**

**UNDERTAKING - TO PROVIDE, USING AN AVERAGE RATE, INCLUDING RIDERS OR A WEIGHTED AVERAGE BASED ON CONSUMPTION BY RATE CLASS, PROVIDE THE APPROXIMATE REVENUES THAT WOULD BE COLLECTED FROM THE 34 GIGAWATT HOURS OF CONSUMED ENERGY (SEE TRANSCRIPT)**

**A. MR. HALL: That's good. Thank you.<sup>1</sup>**

Although Yukon Energy has provided in Undertaking # 27 that:

***Yukon Energy Response:***

*Based on YEC's May 12, 2022 Compliance Filing for its 2021 GRA, as approved by Board Order 2022-07, Yukon Energy's average rate revenue for its sales is \$0.146/kWh.<sup>1</sup> On this basis, average revenue of \$4.964 million would be collected from 34 GWh of consumed energy.*

Reported by Yukon Energy in their application:

### **2.2 PROJECT CAPABILITIES**

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<sup>1</sup> YEC-THELP EPA; Transcript Volume 2, July 20, 2022

*The Project's planned capability for electricity delivery to the YIS at Jakes Corner includes 8.750 MW of dependable capacity for the Peak Winter Period ("PWP") from December 16 until the end of February, and long-term average ("LTA") energy of 41.536.2 GWh/year if operated throughout the year.<sup>2</sup>*

In yet another area from the proposal of the YEC, it discusses replacement value of a 12.5 MW Thermal to be 28.7 GWhr. of energy.<sup>3</sup>

*Winter Period energy of 34.00.8 GWh to displace between 17.35.0 and 24.219.6 GWh/year of LTA thermal generation otherwise expected to be required on the YIS to supply forecast electric load. (The Project, if required and approved, can also provide LTA annual Summer Period (June 1st to August 31st) energy of up to 7.55.45 GWh/year – this capability, which in the Amended EPA is limited to a combined period of two weeks.*

Green power and climate change is a definite consideration for going ahead with the seemingly low environmental risk of constructing this facility and corresponding transmission line. We shall wait patiently to see what the Taku River Tlingits have to offer in their final say on this project.

UCG understands that Yukon Energy is proposing the cost of this energy to Yukon Energy, thus the ratepayer, would be tied to the cost associated with the building of the least costly alternative, that of a 12.5 MW diesel plant. But we question the apples and oranges of an 8.5 MW hydro plant versus a 12.5 MW thermal plant. This is 47% difference in capacity. Using the threshold, as such, makes for mixed economics of the project proposal. It appears to us as if the government grants that will be allocated bodes well for THELP in making this viable to their bottom line, but does not do anything to alleviate the cost pressure to YEC for their purchase of the goods.

Since the purchase of this energy is \$6.5 million<sup>4</sup> and the projected revenues is \$4.964 million, there appears to be a shortfall of \$1.5 million annually or 30%, which is \$125,000 per month. we are not certain how this will be recovered.

All of these issues above do not give the UCG nor ratepayers a level of comfort with this agreement to be in the public interest.

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<sup>2</sup> YEC-THELP EPA Amended Application, p,5 and Appendix B (Section 1.1)

<sup>3</sup> YEC-THELP EPA Amended Application<sup>16</sup> The price is within the range for estimates of YEC levelized cost of capacity (i.e., fixed capital and O&M costs, excluding fuel costs) for a 12.5 MW new diesel generation facility of \$175 per kW (2019\$) if located at Takhini without any property taxes, and \$199.8 per kW (2019\$) if located in Whitehorse with related property tax costs (see response to Undertaking #7 in BESS proceeding). The 2019 LCOC costs escalated at 2% per year for inflation to 2024 equal \$193 and \$220.6 per KW respectively. The Amended EPA CPI escalation uses December 2023 as the base month, with the initial escalation occurring for December 2024 (in order to ensure that adjusted prices are available for January 2025).

<sup>4</sup> YEC-THELP EPA Amended Application, p,5<sup>41</sup> The \$6.45.3 million/year (2024\$) until the end of 2034 (and \$5.0 million thereafter) assumes 8.750 MW dependable capacity (\$1.756 million/year) plus 34.00.8 GWh/year winter delivered energy (\$4.63.7 million/year for years until the end of 2034 and \$3.3 million for the years thereafter as per Appendix A, Table A3-2).

2. The UCG other major concern is that of not knowing the outcomes of the five Conditions Precedent and Terms, thus the risks associated with these particular considerations.<sup>5</sup> As the YEC states: *The Amended EPA has no legal force until the various Conditions Precedent provisions in Section 2.1(d) are completed to the mutual satisfaction of YEC and THELP, with the last deadline for such condition completion in the Original EPA being prior to approximately mid-August 2022.11 Key Condition Precedents are summarized in Section 2 of Appendix B of this Submission and include ones related to completion of other related agreements, Project Funding Plan, environmental authorizations, TRTFN approval, and any required Yukon government approvals.*<sup>6</sup>

UCG understands that we made these concerns known through a notice of motion, but we would like our continuing concerns on this issue to go on the public record of this hearing process.

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<sup>5</sup> Proposed Atlin Hydro Expansion Project, YEC Amended Application, p. 13 and 14

<sup>6</sup> Proposed Atlin Hydro Expansion Project, YEC Amended Application, p. 15