



Office of the Minister
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YUKON UTILITIES

APR 02 2007

BOARD

April 2, 2007

Ms. Wendy Shanks
Acting Chair
Yukon Utilities Board
19 - 1114 1st Ave.
Whitehorse, YT
Y1A 1A3

YUKON UTILITIES BOARD		
EXHIBIT		A-1
DAY	ENTERED BY YUB	DATE April 6/07

Dear Ms. Shanks:

**RE: YUKON UTILITIES BOARD REVIEW OF THE
CARMACKS-STEWART TRANSMISSION PROJECT**

Further to my letter of March 20, 2007, please find enclosed Yukon Energy Corporation's application for an energy project certificate and an energy operation certificate for the Carmacks-Stewart transmission line project.

As required by Part 3 of the *Public Utilities Act*, I am referring the application for the certificates to the Board for a review and hearing in accordance with the attached Terms of Reference.

Yours truly,


Marian C. Horne
Minister of Justice

(Attach: 2)



Terms of Reference

IN THE MATTER OF the Public Utilities Act

and

IN THE MATTER OF an Application by Yukon Energy Corporation for an Energy Project Certificate and an Energy Operation Certificate regarding the Proposed Carmacks-Stewart Transmission Project

Background

A. On June 5, 2006, the then Minister of Justice requested that the Yukon Utilities Board (“YUB” or the “Board”) carry out a review and hold a hearing on Yukon Energy Corporation’s (“YEC”) 20-year Resource Plan: 2006-2025. As part of that Resource Plan, the YEC sought approval for Stage One of the proposed Carmacks-Stewart Transmission Project (“CSTP” or the “Project”).

B. The proposed CSTP would connect the 138 kV Whitehorse-Aishihik-Faro (“WAF”) and the 69 kV Mayo Dawson electricity grids. The proposed Project would involve a new 138 kV transmission line of approximately 172 km between Carmacks and Stewart Crossing; new transmission substations to be located in Carmacks and at Pelly Crossing; and expansion of the existing Stewart Crossing substation.

C. The proposed Project is to be developed in two stages. Stage One consists of the transmission line from Carmacks to Pelly Crossing, in conjunction with the Minto Spur transmission project. Stage Two (to be built subsequently when and if market conditions so permit) involves a transmission line from Pelly Crossing to the existing Mayo-Dawson grid substation at Stewart Crossing.

D. After a public review of the Resource Plan, including a review of Stage One of the CSTP, the YUB issued its Report to the Commissioner in Executive Council on January 15, 2007 giving conditional support for Stage One of the proposed Project, subject to a review of the associated final Power Purchase Agreement (“PPA”) between YEC and Minto Explorations Ltd. (“Minto”). Minto is the proponent of a copper-gold mine, the load of which is central to the need for Stage One of the CSTP.

E. On February 8, 2007, YEC filed the PPA application with the YUB. The Board is currently undertaking a review and adjudication of the PPA and it is anticipated that the Board will issue its decision prior to April 30, 2007.

F. The proposed Project has been referred to the Yukon Environmental and Socio-Economic Assessment Board which will review the environmental and socio-economic impacts of the proposed Project.

G. The proposed Project has been designated as a regulated project under Part 3 of the *Public Utilities Act*.

H. The Yukon Government has committed to providing a contribution of up to \$10 million for Stage One of the proposed Project, contingent upon YEC obtaining the Board's approval of the PPA and receiving all necessary permits and approvals for the proposed Project, including certificates under Part 3. The Yukon Government has also committed to working with YEC and industry to ensure that Stage Two can also be constructed without any direct cost to other ratepayers.

I. On April 2, 2007 YEC applied under Part 3 of the *Public Utilities Act* for an energy project certificate and an energy operation certificate regarding the proposed Project.

THEREFORE, as required by Part 3 of the *Public Utilities Act*, the YEC application for an energy project certificate and an energy operation certificate is hereby referred to the Board for a review and hearing as follows:

General purpose of review and hearing

1. The general purpose of the review and hearing is to obtain the YUB's report and recommendations on whether the CSTP should proceed as proposed by the YEC.

Oral public hearing

2. The Board shall hold a public oral hearing as part of its review and shall receive submissions from any person or groups or classes of persons who, in the opinion of the YUB, have an interest in the matter.

Integration with current PPA review

3. It is recognized that the Board currently has a procedure in place for the review and adjudication of the PPA. The Board shall endeavour to integrate, where feasible and relevant, the review and hearing on the CSTP with the review and adjudication of YEC's PPA application.

Board to consider PPA

4. The Board shall consider the implications to the Project of the findings of the Board in the current review and adjudication of the PPA application in relation to the following matters

- a. The Firm Mine Rate proposed in the PPA for 2008 and the impacts, if any, of the PPA on the YUB's ability to adjust this rate after 2008;
- b. The Low Grade Ore Processing Secondary Energy Rate proposed in the PPA and its impacts, if any, on other secondary energy customers and industrial customers other than Minto;
- c. The Mine Net Revenue Account proposed in the PPA as a regulatory account of YEC, and its impacts, if any, on rates and risks to ratepayers;
- d. The Capital Cost Contribution proposed in the PPA for Minto to provide YEC with customer contributions to the capital costs of the Mine Spur and Stage One of the CSTP capital costs, and the implications to feasibility and risks of Stage One of the CSTP as a result of these contributions and the related proposed payment schedules;
- e. The Minimum Take-or-Pay Amount and the YEC Security proposed in the PPA, and the implications to feasibility and risks of Stage One of the CSTP as a result of these proposals and related billing, payment and security provisions in the PPA and related agreements;
- f. The PPA provisions regarding YEC purchase of the Diesel Units at the Minto Mine and the impacts, if any, on Minto, YEC and other ratepayers, taking into consideration the impact of PPA on grid surplus hydro generation and projected diesel generation requirements;
- g. The provisions in the PPA regarding Mine Spur Decommissioning Costs and the extent to which these provisions reasonably address related risks and costs; and
- h. The extent to which the PPA in its entirety addresses its stated intent that other ratepayers in Yukon will not be adversely impacted by the costs of the Transmission Project required to provide Grid Electricity to the Mine.

Specific aspects of the Project to be reviewed

5. The YUB shall report on and make recommendations about the necessity for the CSTP and its timing and design, with particular regard to

- a. The public need for the project under various reasonable electric load forecasts, including requirements related to both the Minto mine and to other potential major industrial customers;
- b. The capability of existing transmission and generation facilities to provide reliable electric power generation to meet the forecast load requirements, taking into account the new planning criteria as proposed by the YEC and recommended by the YUB. In particular, the YUB shall report on
 - i. The implications of the relationship between Stage One of the CSTP and the need for and timing of the Aishihik 3rd turbine,
 - ii. The implications of the relationship between Stage One of the CSTP and the need for and timing of Stage Two of the CSTP, and
 - iii. The implications of the on-going use of diesel generation at Minto and other locations that could receive grid service from Stage One of the CSTP;
- c. The risks facing the CSTP including, but not limited to, those arising from
 - i. Changes to general economic, market, or financial conditions,
 - ii. Potential modifications to design or schedule resulting from environmental and socio-economic review and regulatory approvals,
 - iii. The timelines contained in Part 3 of the PPA, and
 - iv. Bankruptcy or other failure of the Minto mine;
- d. What, if any, alternatives to the CSTP might be advisable given reasonable load assumptions and risk assessments. In particular, the YUB shall report on
 - i. Possible alternative configurations for the timing and structure of the two-stage approach proposed by YEC, and

- ii. If it is prudent to extend the line from Minto to Pelly Crossing at this time.

Timing of report and recommendations

6. The YUB shall endeavour to submit its report and recommendations to the Minister of Justice by April 30, 2007, but in any event shall do so by no later than May 31, 2007.

Recommendation respecting certificates

7. The YUB shall provide a recommendation on whether the YEC should be granted an energy project certificate and an energy operation certificate for the CSTP and if so, whether the certificates should be subject to any terms and conditions.

Other recommendations

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

Issued by Marian Horne, Minister of Justice

April 2, 2007