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YUKON UTILITIES BOARD

CARMACKS-STEWART TRANSMISSION PROJECT

PART 3 REVIEW

Held at High Country Inn Convention Centre

Whitehorse, Yukon

May 16th, 2007

Volume 3 - Afternoon Session

Page 186 - 297

BEFORE BOARD MEMBERS:

Wendy Shanks	Chairperson
Malcolm Florence	Vice-Chairperson
Richard Hancock	Member
Jody Woodland	Member

BOARD COUNSEL:

Renee Marx

BOARD STAFF:

Shawn Allen &	
Dwayne Ward	Technical Consultants
Deana Lemke	Executive Secretary

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APPEARANCES:

Yukon Energy Corporation	John Landry
	David Morrison
	Cam Osler
Utilities Consumers' Group	Michael Buonaguro
The Yukon Electrical Company Limited	Doug Tenney
Peter Percival	Peter Percival

TRANSCRIBER:

Doug Ayers Reporting Services

Preliminary Matters

1 (PROCEEDINGS RESUMED AT 1:27 P.M.

2 ON MAY 16TH, 2007)

3 THE CHAIRPERSON: Good afternoon. Just
4 with respect to some preliminary matters, we will
5 look to adjourn today around 4:30, depending on how
6 the preliminary argument and reply is going, and
7 perhaps aim for a break around 2:45 or three
8 o'clock.

9 Mr. Landry, I understand that you have some
10 comments you would like to make.

11 MR. LANDRY: Thank you,
12 Madam Chair. There is a clarification that
13 Mr. Osler would like to make in relation to an item
14 that he read in the transcript last evening, and it
15 relates to one of the questions from Board counsel,
16 so I will let Mr. Osler -- and he does have a
17 document, Madam Chair, and I have given a copy to
18 the Registrar, and I will hand out copies here, and
19 I guess it would be the next exhibit, which would
20 be B-9.

21 THE CHAIRPERSON: B-9, so marked.

22 EXHIBIT NO. B-9:
23 SUMMARY OF AISHIHIK THIRD TURBINE
24 ASSESSMENT CASES, UPDATE TO
25 APPENDIX C ANALYSIS

26 MR. OSLER: Yesterday, I was being

1 asked questions by Ms. Marx, at around page 170 and
2 following, on the matter of Aishihik third turbine
3 and what happens when you bring it on earlier, what
4 might happen to the volume of diesel if we now have
5 the Minto Mine, what happens if the Carmacks Copper
6 Mine comes along, how does it interconnect with the
7 Carmacks-Stewart Project; and, later on, a question
8 about how it ties into rates. At page 172, lines 8
9 to 9, I talked about the earlier analysis we had --

10 MR. MORRISON: Madam Chair, Mr. Osler
11 is referring to the transcript, so that everybody
12 is clear.

13 MR. OSLER: Of the transcript, page
14 172, lines 8 and 9. I was referencing an answer
15 that we had given to YUB-YEC 1-3, and I started
16 talking about some numbers, and I talked about the
17 example from the earlier analysis that we had done
18 in the Resource Plan in Appendix C, about base load
19 diesel with the two mines, at that time, on the
20 system, and with Aishihik third turbine. And
21 I misspoke and said, talked about we had 64 million
22 kilowatt hours a year of base load diesel under
23 that analysis.

24 If you read the actual answer, it is talking
25 about of 64 million kilowatt hours of mine load,
26 which leads to a certain level of diesel somewhere

1 between 37 and 32 million kilowatt hours, depending
2 on whether you got Aishihik on. So that is just a
3 correction that I wanted to make sure was made.

4 And later on on page 183 at line 7, I talked
5 about the Aishihik third turbine having a life of
6 50 years, and our analysis had assumed earlier it
7 was 65 years.

8 But the point that came out of those questions
9 was that we had done some analysis back in January
10 of 2006, which we keep referring back to, and then
11 saying, but it isn't really reflecting the
12 assumptions we have today. And I know that
13 internally we had done some work, so I pulled it
14 together and put it in this Exhibit B-9, so that
15 everybody in the room is looking at this update to
16 the Appendix C analysis that we did back way back
17 in January of 2006, but using the assumptions we
18 are using today, so that I can stop saying the
19 earlier analysis is all you have got on the record
20 but it is not quite accurate.

21 So what this exhibit shows is a summary table
22 similar to what was in Appendix C of the earlier
23 Resource Plan analysis. The focus of Appendix C
24 was to assess the Aishihik third turbine, so the
25 project that is being talked about here is the
26 Aishihik third turbine, but it does inform this

1 hearing in terms of the relationship between that
2 project and the Carmacks-Stewart project.

3 The summary table talks about four cases, and
4 I will come to them in a minute, where the Aishihik
5 third turbine would be developed under different
6 assumptions but, in each case, it assumes it is
7 available by the end of 2009, to answer the
8 question I was given yesterday. So that is the
9 earliest we could do it, so the assumptions looked
10 at the impact starting at the beginning of 2010.

11 The first table is looking at it without any
12 mines. The second table is looking at it with the
13 Minto Mine that we now assume -- with an assumed
14 load of 32 million kilowatt hours, 32 and a half,
15 rather than the assumed load of only 14 million,
16 which was in the earlier appendix in January of
17 2006.

18 The third table looks at the combination of
19 the Aishihik third turbine, Minto at the load
20 I just talked about, and the Carmacks Copper Mine
21 at the load we assumed back in January 2006,
22 roughly, 48 million kilowatt hours. And Table 4
23 shows all of those things combined with the
24 Carmacks-Stewart Stage Two Project, not the full
25 Carmacks-Stewart interconnection.

26 All of these things were -- Table 1 is the

1 equivalent to what was tabled, Section C.2 in the
2 initial analysis, Table 3 is the equivalent of
3 Section C.3 in the initial analysis, and Table 4 is
4 the equivalent of Section C.7 in the initial
5 analysis. We never did an analysis, before, in
6 that table, of just looking at the Minto Mine
7 itself, which is Table 2 here.

8 The summary shows the IRR or internal rate of
9 return over the lifetime of the project. In these
10 cases, they are all brought back to 2005 dollars,
11 and all of these dollars in this table are in
12 thousands of dollars. So there's pretty good IRR,
13 17 and a half percent internal rate of return,
14 climbing all the way up to the 60s depending upon
15 which case you are looking at.

16 The second column looks at ratepayer costs, or
17 savings if it is in brackets, net present value
18 over the lifetime of the project. The third column
19 is just over the 20 years of the Resource Plan. In
20 each case, with the new funding of the \$5 million
21 by government, which is in this analysis, they are
22 all showing positive savings even in 20 years, let
23 alone over the full lifetime. Even the base case
24 is showing it.

25 The second-last column is showing how many
26 years until the rate impact is positive; in other

1 words, you can have a project where the present
2 value of the savings is material over its life, but
3 it takes several years before the costs impact are
4 offset by revenue impacts or benefits. In this
5 case, the benefits are saving diesel.

6 So in the initial analysis of the base case,
7 we had shown that it took about eight years before
8 the diesel savings offset the annual costs that
9 went into revenue requirement. Here it says six
10 years because of the reduced costs. If we had
11 Table 2 with a third turbine and 2010 in Minto, it
12 shows it takes two years, and I will talk about
13 that in a minute. If we had Carmacks Copper on the
14 system, you are saving diesel all the way through,
15 and it is beneficial to the ratepayer, in terms of
16 saving costs, right from the get-go.

17 This analysis assumes the Aishihik third
18 turbine cost at \$7 million, escalated at 2 percent
19 a year to 2010, which is 7.7 million, and reduced
20 that amount by \$5million, which is the minimum
21 government contribution announced to date.

22 So the net amount that is in here for the
23 costs that would go into rate base, in 2010, is
24 \$2.7 million.

25 This analysis is consistent with Attachment B
26 to the PPA application in terms of the assumptions

1 used, in terms of systems analysis, secondary
2 sales, et cetera.

3 In each of these cases, the first table, the
4 first page that is shown in landscape like that, in
5 terms of the A table, 1A or 2A or 3A, will show
6 you, in the columns in the details, the base load
7 diesel or the peaking diesel requirements, year by
8 year, with and without the Aishihik third turbine.

9 So in the first Table 1A, you see peaking
10 diesel requirements climbing from about 22 megawatt
11 hours, without this project, all the way up to, by
12 2020, in the realm of 5600 megawatt hours. And to
13 refresh everybody's memory, this is the case
14 without any mines, and it says that the surplus on
15 the WAF system will be used up by about 2020; in
16 other words, we will start running base load
17 diesel. We have said it all before, and it is the
18 same thing again.

19 So peaking diesel stops being used about 2020
20 without any mines, and you start running base load
21 diesel, and it starts off at about 700 megawatt
22 hours and climbs to about 27, 28 by 2025, the end
23 of the Resource Plan period.

24 Bringing the Aishihik third turbine on has
25 peaking diesel benefits, it reduces the amount of
26 peaking diesel, and eventually, when the peaking

1 diesel is no longer relevant, it saves 5.4 million
2 kilowatt hours a years, on average, of base load
3 diesel requirements. All of this we showed
4 earlier, it is just updated in terms of the
5 economics, because now we are showing the Aishihik
6 third turbine only costs 2.7 million in rate base
7 rather than 7.7 million.

8 That table is the one you should look at for
9 each one of the other cases, to see what is
10 happening to the diesel requirement. And I am not
11 going to walk through it in detail, but when you
12 get to the Minto case, you have seen all of this in
13 Attachment B to the PPA application, but we have
14 some peaking diesel requirements with the mine,
15 under Table 2A, but they are reduced materially by
16 the Aishihik third turbine.

17 We have some base load diesel by 2016, the
18 last year of the mine, about 7 million kilowatt
19 hours. It is reduced to about 1.8 million kilowatt
20 hours by the Aishihik third turbine.

21 If you go to Table 3A, and you add in Carmacks
22 Copper at the assumption that we used back then,
23 base load diesel is being used all of the way
24 through the mine's life, and that is the point
25 I was making yesterday. And the Aishihik third
26 turbine reduces it by 5.4 million kilowatt hours

1 but there is still 20 million kilowatt hours of
2 base load diesel.

3 And Table 4A shows the effect of having Stage
4 Two of this project that is before us in this
5 hearing, and it reduces the base load diesel. The
6 base case there is the Carmacks-Stewart Project,
7 and the effect of the Aishihik third turbine is
8 still having a positive effect because there is
9 still base load diesel in the system.

10 I would just say, for anybody that reads Table
11 4A in detail, it also starts to show combined
12 effects of the two systems in later years.

13 So that should provide up-to-date information
14 on diesel use with the Aishihik third turbine, with
15 the Minto Mine, with the Carmacks Copper Mine, and
16 with the Carmacks-Stewart connection with the
17 Carmacks Copper Mine in place.

18 The second table, in each case, shows
19 ratepayer impacts, year by year, of the Aishihik
20 third turbine. And I said yesterday, I thought
21 I wouldn't be surprised if it turns out to be
22 positive pretty quickly, and that is what it is
23 showing.

24 Table 2B is the key one for Stage One
25 development of the Carmacks-Stewart project, and it
26 shows that, in the first year of the Aishihik third

1 turbine, there might be -- the analysis says
2 \$106,000 net increase in costs, in a revenue
3 requirement assessment, that would fall to 46,000,
4 and then turn around and become savings every year
5 thereafter, so revenue requirement would go down.

6 I would caution anybody from -- this is an
7 update to the numbers earlier, but I do not think
8 that that number, those two years, would end up
9 actually being negative, for a couple of reasons:
10 one, I suspect that by the time we are finished all
11 the analysis and the funding, it won't be 2.7
12 million.

13 The second reason is that costs for the
14 project -- the second reason is that our diesel
15 price assumptions, in all of this earlier analysis,
16 were 65 cents a litre. The current price for
17 diesel in the Territory, that we have filed in
18 answer to a question, is in the 80, 88 cents
19 range. So the benefits from diesel saving are
20 bigger in practice than this sort of basic analysis
21 shows.

22 So read all of this with caution in that
23 sense, but at least we are using updated numbers
24 that show why Stage Two is important if you have a
25 Carmacks Copper or an extra mine load, and
26 secondly, why the Aishihik third turbine is

1 economical without waiting, given the government
2 money.

3 Thank you.

4 THE CHAIRPERSON: Thank you, Mr. Osler.

5 Do you have any follow-up questions,
6 Ms. Marx?

7 MS. MARX: No, I do not.

8 THE CHAIRPERSON: At this time, I would
9 like to give the Board members any opportunity to
10 ask any questions of the panel that they might
11 have. Are there many questions for them?

12 MR. FLORENCE: I have one question.

13 YEC PANEL EXAMINED BY THE BOARD:

14 Q MR. FLORENCE: In YEC's opening, it
15 was stated that the Stage One development is
16 projected to cost 22.6 million, and that all of
17 these projected costs are to be paid by parties
18 other than Yukon residential and commercial
19 ratepayers.

20 Could Yukon Energy confirm the Board's
21 understanding that Yukon Energy will not be
22 proceeding with Stage One if the project costs are
23 such that there is a net cost to
24 residential/commercial ratepayers?

25 A MR. MORRISON: Madam Chair, I just
26 wanted to confer around the choice of words. And

1 Mr. Florence's question relates to -- if I heard it
2 collectively, is, if there is any cost to
3 ratepayers. And I believe what the terminology
4 that we have used prior to this is "no adverse
5 impact to ratepayers", and I want to be clear about
6 the difference.

7 If the project costs, using the \$22.6 million,
8 go from -- let's just say they go up by a million
9 dollars, to 23, as mentioned yesterday in response
10 to another question, we would come back to the
11 Board at an appropriate time, in a GRA or a revenue
12 requirement hearing, and ask for that million
13 dollars to be put into rates. In other words, into
14 our costs. Does that mean there is an adverse
15 impact to ratepayers, no, because we have
16 substantially more revenue coming in than that
17 cost.

18 In regulatory principles, there is a balance
19 of risk. How much risk should the ratepayer take
20 in regards to potential revenues, and how much
21 potential revenues are there available. In this
22 case, there is no ratepayer contribution until we
23 reach a point that is greater than \$22.6 million.
24 So that the million dollars, let's say if it
25 happens to be this, comes back and goes into rates
26 over time, the way that it is calculated in the

1 revenue requirement would be such a minuscule
2 amount as compared to the revenue we are getting,
3 of three-and-a-half to 4 million dollars a year.
4 So what we have consistently said is, there will be
5 no adverse effect to ratepayers. So that my point
6 here being that the benefits will be larger than
7 any costs. I do not know if Mr. Osler wants to add
8 anything?

9 A MR. OSLER: That is the essence of
10 the point. The answer is that any increase beyond
11 the government funding of up to 10 million, so 9.9,
12 if it is more than \$100,000, according to what we
13 now have, the rest of it would have to be borne by
14 the utility. The utility would have to come before
15 the Board, when it has its costs, in the next rate
16 application and apply to have it included in
17 revenue requirement. Otherwise we would be saying
18 that the project couldn't go forward if it had
19 anything like a \$100,000 cost increase or something
20 over the midpoint cost estimate, and that wouldn't
21 be the proposition that we are putting out.

22 The key thing is that it doesn't have an
23 adverse effect on ratepayers, and our PPA
24 application, way back before we had \$10 million,
25 our submission was that it would not have an
26 adverse effect on ratepayers. It would be

1 beneficial during the time period that the mine was
2 operating and, when the mine was finished, the mine
3 revenue account would pay off the balance of the
4 capital cost. The government has paid off the
5 balance of the capital costs up to 10 million,
6 anyway, up front. So it is still a good
7 proposition from the point of view of ratepayers,
8 it is just a lot better.

9 And secondly, the risks of the financing, at
10 least, are now being borne by the government
11 through the Yukon Development Corporation, which
12 wasn't in the initial application. So we are
13 saying the same thing, and it is a very important
14 point.

15 A MR. MORRISON: If I may, just an added
16 point. I think it is very important here, I am
17 concerned that we are getting -- we, and I do not
18 mean we, everybody in the room, we, Yukon
19 Electric (sic), are getting ourselves into a
20 situation where we -- it's almost like if there is
21 any cost to ratepayers, we can't build the project,
22 and ratepayers have to assume some risk.

23 As I said, it is a balance. We have to make
24 sure that the balance, and as much of the risk as
25 possible, is mitigated, but it is really important,
26 from our perspective, to approach this from the

1 most practical point of view, and I am going to
2 divert a little bit to the Aishihik third turbine
3 project.

4 As you have just seen on the tables, the
5 Aishihik third turbine project would be a -- over
6 time, is beneficial to ratepayers. We can't -- I
7 don't think -- I think we would be -- it would be
8 very limiting for us, if we were building
9 infrastructure projects or capacity or generation
10 projects, where we had to have all of the costs
11 covered so that ratepayers had no risk.

12 I think there is a real fundamental issue
13 there with that. And I hope, as Mr. Osler pointed
14 out, everyone understands clearly that this
15 project, even with a \$10 million ratepayer
16 investment, was a good investment for ratepayers.

17 Q Just for clarification, so there is the possibility
18 that costs in excess of \$22.6 million would be paid
19 by residential ratepayers, retail ratepayers?

20 A Yes, I believe there is, and as I said earlier,
21 that would be subject to us getting approval from
22 the Board to add that to our revenue requirement.

23 Q Thank you. I just wanted to clarify your opening,
24 because it seemed fairly definite in your opening,
25 and I didn't think it wasn't actually quite that
26 definite.

1 Q THE CHAIRPERSON: I have a question.
2 Mr. Morrison, based on everything that you know to
3 date, at what point does the project no longer
4 become financially viable?

5 A MR. MORRISON: I would have to do a
6 calculation of that, but it's quite -- well, it's
7 quite a bit more than what the current cost is, and
8 I don't have the number in front of me, I guess is
9 what I am saying to you. But at some point there
10 is a crossover, is what you are asking, where is
11 that crossover point, and I don't have that number
12 at my fingertips, but it's several million dollars
13 higher than 22.6, and "several" would be -- I don't
14 even know if I should guess, but it has to be 10.
15 It has to be more than 10.

16 A MR. OSLER: If the Board is looking for
17 a number that is in the evidence, that isn't quite
18 the same as trying to answer the question, but it's
19 20 million -- \$19.7 million, in Schedule 1, is the
20 present value of the benefits over the costs. So
21 if you just did the math, the costs have got to go
22 up a long way before they don't match the benefits
23 that are in this table.

24 Whether anybody would do the project -- at
25 what point would the Board of Directors say, no, if
26 there are any contractors out there, this is not an

1 invitation to increase one's costs, and that is a
2 serious concern in terms of trying to discuss at
3 what point would the Board of Directors say, no, we
4 are not proceeding with this project.

5 So we have answered -- mathematically, I can
6 give you a number from a table. It is not the same
7 thing as saying at what point would the Board of
8 Directors say we are not prepared to go forward
9 with the project. It would be somewhat less than
10 that number, that would give serious concerns,
11 obviously.

12 Q So I assume that balancing the number would be the
13 financial viability with concerns to some net cost
14 to ratepayer?

15 A MR. MORRISON: Yes, that would be
16 right.

17 THE CHAIRPERSON: Is there any other
18 inquiries from the Board.

19 Q MR. WOODLAND: I have some questions
20 regarding the long-term benefits of connecting the
21 grids, the WAF and MD grids.

22 In response to some questions from Ms. Marx
23 yesterday, Mr. Morrison mentioned benefits such as
24 increased flexibility in terms of choices as to
25 where to generate and how to transmit power, and I
26 think you mentioned, very briefly, general economic

1 benefits to other stakeholders along the corridor.
2 And what I am trying to do is understand if there
3 has been any work done to try to estimate those, in
4 a quantified way, on an a stand-alone basis?

5 A MR. MORRISON: Thank you.

6 Madam Chair, no, that's what I was saying
7 yesterday, we haven't tried to quantify those. Our
8 difficulty is trying to find a scenario that we can
9 work with. We know a lot of different things, but
10 the stages of that information is, in my
11 estimation, very preliminary. So it's difficult to
12 kind of sit down and say, well, you know, there is
13 some relevance.

14 What I was trying -- the point I was trying to
15 convey yesterday, and it's a bit of maybe my
16 personal enthusiasm for trying to look forward a
17 little more than we have been, is that there are
18 benefits that are there. I can't come back to you
19 today and say, okay, what's the benefit of the
20 utility being able to connect a hydro project at
21 Drury Creek to serve customers in Mayo? Well, it's
22 a huge benefit if that's the best project that
23 I have got. And I don't know how to quantify
24 whether or not it's the best project I have at the
25 moment because I haven't done that analysis. So
26 I haven't done that comparative, I guess is what I

1 am saying.

2 Q I guess I wasn't so much interested in comparisons
3 to other possible projects, as whether or not you
4 had, say, looked at scenarios where you projected
5 the possibility for load, and then the different
6 possibilities for how you would generate and
7 deliver that load, and then what the difference in
8 capital and operating costs would be under a
9 scenario where the grids were already connected as
10 opposed to ones where they weren't. Because you
11 mentioned yesterday that, you know, if your load
12 was localized in the north and you basically end up
13 having to build diesel generating power in order to
14 deliver that load.

15 A Thank you for that clarification. No, we haven't
16 done that.

17 Q Okay.

18 A And part of our difficulty has been trying to get
19 information that I believe has enough substance.
20 You know, we have a lot -- you know, there's a lot
21 of things going on out there, but how much
22 substance they have is really difficult. And, you
23 know, it's hard for us to kind of nail down some of
24 this information. We really haven't done very much
25 on that.

26 Q I think I can appreciate your position. I come

1 from the Telecom world where, in the work that we
2 do, there are a lot of projects and builds that we
3 would like to undertake that have long-term and
4 tangible benefits, but we end up not being able to
5 do them when we might like to because of that, that
6 lack of hard economic justification.

7 So just finally then, one thing I wanted to be
8 clear on, it strikes me from the map that the
9 Carmacks Copper Mine could be added to the grid,
10 presuming Stage One proceeds, without any need to
11 move forward on Stage Two; is that correct?

12 A Logistically it could be, yes, on a straight
13 logistics basis. But where we are coming back to,
14 and part of the reason for needing to get to
15 Stage Two is related to this issue that we just
16 talked about on Aishihik, we need to maximize the
17 use of our hydro resource. And the benefit to
18 completing Stage Two, when we have Carmacks Copper,
19 is that there is surplus hydro in the Mayo-Dawson
20 system that can be moved down to help supply the
21 load to Carmacks Copper, on a hydro-related basis
22 versus a mix of hydro and diesel. That's the
23 benefit. And that's the primary benefit of
24 finishing Stage Two along with -- that's why it's
25 linked to Carmacks Copper. Because the loads are
26 getting to a point, as you heard earlier, that we

1 are going to be burning diesel. So if we can
2 maximize that use of the hydro resource and move it
3 back down, and that is in the calculations that we
4 did through the Resource Plan and the tables that
5 we presented, to show the benefit of that, and how
6 many gigawatt hours -- you are not going to get it
7 out of this that we have shown you today, but it
8 certainly is in the Resource Plan, and if the Board
9 would like a little further clarification around
10 that, we can point you to some of these
11 references. But that's part of the calculation we
12 did on the benefits of Stage One and Stage Two,
13 showing that there's a very significant benefit of
14 those, and I think it's 6 gigawatt hours -- 5 or 6,
15 from Mayo back down?

16 A MR. OSLER: 14.

17 A MR. MORRISON: 14 gigawatt hours of
18 potential hydro that we could move back down. Now,
19 that assumes that nothing happens at Keno Hill.
20 And this is our dilemma in trying to get people to
21 give us concrete information on what their plans
22 are. So we are trying to get that information, but
23 it's really pretty difficult because those people
24 won't make any commitments in terms of what they
25 are doing either. So we see that that is a very
26 substantive benefit. We have outlined that

1 information to the Board in other presentations,
2 but that's why we want to link it. And you are
3 right, if we just wanted to hook them to the grid
4 and turn some hydro on and turn some diesel on, we
5 could do that, but we need that extra diesel.

6 A MR. OSLER: Just maybe give you one
7 other image of the same thing. The objective of
8 linking the two grids has been around for a long
9 time. The issue of how to finance it and do it, I
10 think you can appreciate, given your background,
11 that it is quite challenging. Because if there is
12 surplus on both grids, there's no need to build a
13 line to connect the two surpluses. And if there's
14 diesel on both grids, we don't need the connection
15 in order to move diesel back and forth. So in
16 order to meet this challenge, we have to come up
17 with some strategic opportunities that work. And
18 that's what everybody has been racking their brains
19 on for the last couple of years.

20 The Minto Mine really helps. It gets us a
21 definition of a Stage One. The Northern Tutchone
22 insist that we go to Pelly, so, fine, we get to go
23 to Pelly as part of Stage One, and we get it paid
24 for, which is nice.

25 Carmacks Copper certainly creates an
26 opportunity to complete Stage Two at no long-term

1 costs to ratepayers, because Carmacks Copper,
2 according to our rules, have to put up a certain
3 amount of money, 8 and a half million, just like
4 Minto did, and the government initially, in terms
5 of a broad commitment, without saying they've
6 committed to any specific numbers, has said they
7 will be at the table for Stage Two if there's
8 industry there, so there would be no long-term cost
9 to ratepayers at least under midpoint cost
10 estimates.

11 So that's one scenario that has been
12 identified, that is not completely ridiculous, that
13 could get the job done, get the thing paid for, and
14 get the connection done. Once the connection is
15 done, everybody knows what the long-term benefits
16 are to the people in the area and to both systems
17 and to long-term planning. But how do you get it
18 paid for so it isn't hanging over your head?

19 There probably are other scenarios that, if
20 Carmacks Copper didn't come along but United
21 Keno Hill or other developments happened up there,
22 and they needed some of the surplus hydro from the
23 WAF system, we could perhaps see that. But once
24 the surplus hydro vanishes, the opportunities
25 change or the difficulty of doing the job gets more
26 difficult. So we have about ten years to come up

1 with one or more strategies that allow you to go
2 through Stage Two. But looking at the last several
3 weeks and months, I am happy we have got Stage One
4 where it's at.

5 A MR. MORRISON: If I might take another
6 minute, because all of this planning and trying to
7 be strategic is a very difficult issue for, as
8 I said yesterday, for regulated utilities. Trying
9 to balance this, how much money can I invest on
10 behalf of the ratepayer, but making sure that
11 I have customers at the end of that that won't
12 provide -- you know, so there won't be any
13 adverse -- you know, there won't be a substantial
14 adverse impact on ratepayers? We are at a
15 crossover point here, that we are about the end of
16 the line in terms of maximizing the resources that
17 we have, and we are going to have to spend some
18 money. The risk, and it's difficult, this risk, is
19 Minto is the perfect customer. From a utility
20 point of view, we couldn't get a better customer.
21 They had permits, so we knew they could mine. They
22 got financing, so we knew they had the money to
23 mine. And they got started, they started, and will
24 be in production ahead of us being there. So we
25 know that there's a solid customer there.

26 Everything else is in a different stage of

1 development. And we said to Minto that certain
2 things had to be in place before we considered
3 them -- that we would consider having a serious
4 discussion with them. Because how do I have
5 serious discussion with somebody I don't know
6 whether they are going to mine or they are not
7 going to mine? I have to spend money in order to
8 get prepared and get plans developed, and permits
9 and all of that kind of stuff. So I need some
10 sense of seriousness, something substantive that
11 I can hold on to if I am going to spend money,
12 because I am going to have to come here and justify
13 to you why I have spent that money. And it can be
14 a very difficult situation when we are like this.

15 We said to Western Copper, we don't even want
16 to talk until you file a YESAB application. File a
17 YESAB application, and we will come and talk to
18 you, because now we know you are serious. You are
19 at least spending some money. You are going to
20 permit this mine. We have used those kind of
21 benchmarks. But what's going on in Keno Hill and
22 other resource development projects around the
23 territory, we hear about things every day, but we
24 cannot afford to spend ratepayers' money. But at
25 some point, there's a crossover where we have to do
26 something to get some new capacity into this

1 system, more than what we are getting now.

2 Q Would it be fair to say, then, that the need for
3 another industrial or mine-type load, in order to
4 help justify Stage Two, its location isn't really
5 that important; basically, as long as it's close to
6 somewhere on around one of the grids --

7 A Grids.

8 Q -- then that would be part of your building a case
9 to justify Stage Two transmission, the
10 interconnection?

11 A That would be absolutely correct, yes.

12 A MR. OSLER: The only caveat I would say
13 is that it's sure nice if they are somewhere along
14 the line so we can get a justification for the
15 extra capital contribution. The further away they
16 are, we may see system benefits that would help
17 swing it while we still have some surplus, but we
18 may have more and more difficulty getting any
19 capital contribution out of the customer. So that
20 would be the only material difference that I would
21 make.

22 And, secondly, it takes -- we have a time
23 window here, I am suggesting, so it's not like
24 somebody is going to come along that we don't even
25 know about, but they have to come along to a
26 certain level that's further along than most of

1 them are.

2 Q Thank you.

3 Q THE CHAIRPERSON: I just have one further
4 question. In the 20-Year Resource Plan, I remember
5 a reference to discussions that you had had, I
6 think at that time, with United Keno Hill.

7 I wonder if you've had any discussions since then?

8 A MR. MORRISON: No. I haven't had any
9 further discussions with them, but only to be in
10 touch with them to say we would really like to
11 have -- we would like to get an update, we would
12 like to know where they are in their plans. This
13 is the Alexco Group that have the Keno Hill Mine.
14 And I can only tell you that they called and said
15 they wanted to have a meeting yesterday, and I said
16 I was a little busy. But we are trying to schedule
17 something with them, but nothing on an update.

18 Q Your scheduling is certainly interesting.

19 A Yes, it is.

20 Q I don't know who does it for you.

21 THE CHAIRPERSON: I think that's the
22 extent of our questioning.

23 Mr. Landry, would you have any re-examination
24 you would like to do?

25 MR. LANDRY: None for me,
26 thank you.

1 THE CHAIRPERSON: Are there any other
2 matters anybody would like to bring before the
3 Board before we move on to the preliminary oral
4 argument and reply?

5 There doesn't appear to be any other matters.

6 I think we will push on, and put the break off
7 until later. Mr. Landry, would you like to proceed
8 with your -- I have asked parties to try and keep
9 their presentations within the 20-minute time frame
10 if possible.

11 MR. LANDRY: Thank you, Madam
12 Chair, I will try to keep it within the
13 20-minute time frame. I will do my best. I
14 cannot promise.

15 But, Madam Chair, what I would like to do, if
16 possible, would be to have the Members of the Board
17 have before them two documents that I will be
18 referring to. Both should be relatively close at
19 hand. One is the opening statement of Yukon
20 Energy, which is Exhibit B-6, and the other is the
21 terms of reference that we have talked about in
22 relation to this Part 3 review.

23 THE CHAIRPERSON: You can proceed,
24 please.

25 MR. LANDRY: Thank you, Madam
26 Chair.

1 YEC ORAL SUBMISSIONS BY MR. LANDRY:

2 MR. LANDRY: Now, Madam Chair, the
3 structure of my argument will basically follow
4 three parts. The first part will be effectively
5 some preliminary observations, and I just want to
6 make a couple of overall points regarding the
7 nature of the review that this project has seen,
8 and why, given the new amended PPA, and the recent
9 announcements by government, it's such as
10 extraordinarily good project for Yukon ratepayers
11 and Yukon generally.

12 The second part of my argument will go to
13 Section 5 of the Terms of Reference, which you
14 referred to, Madam Chair, in your opening statement
15 yesterday, and I will go through the items listed
16 there, and provide some of YEC's positions in
17 relation to those specific items in Section 5 of
18 the Terms of Reference.

19 And then finally, I will quickly review the
20 amended PPA and the recent announcements in a way
21 which will demonstrate how the parties responded to
22 the Board Order 2007-5, which really will
23 encapsulate, in my view, issues arising out of
24 Section 4 of the terms of reference. So that's
25 effectively the structure of my oral argument.

26 I would like to begin by stating something

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1 which is abundantly clear, from a regulatory
2 perspective, in terms of the scrutiny with which
3 the Carmacks-Stewart Project has received before
4 you as a regulator. Once the Part 3 is completed,
5 this project, and probably more specifically Stage
6 One, will have been reviewed more extensively by
7 the Board than any other capital project ever
8 committed in the Yukon, and that is in a
9 jurisdiction where there is no general legal
10 requirement, outside of government direction, for a
11 project to receive endorsement of the regulator
12 before construction.

13 For those people who work in other
14 jurisdictions or other regulatory forums, where
15 certificates of public convenience and necessity
16 are required, such as British Columbia, in my
17 experience, this project, through the three
18 regulatory reviews, has received more scrutiny than
19 any project that I am aware of.

20 It's in that context that it's important to
21 emphasize that many of the issues relevant to this
22 review, and that will be relevant to the report the
23 Board is required to make to government, have
24 already been extensively canvassed and decided upon
25 by the Board. There is no need to redo the work,
26 that has been done, for the purposes of your

1 report.

2 Now, if we go back to where the odyssey began
3 in the Resource Plan review, all of the relevant
4 issues relating to the Carmacks-Stewart Project,
5 including need, benefits, risks, and costs, were
6 debated extensively through a comprehensive IR
7 process, a full public hearing, and lengthy final
8 argument. As a result of that, the Board
9 recommended, in effect, that Stage One of the
10 Carmacks-Stewart Project proceed as long as an
11 appropriate PPA with Minto could be negotiated.

12 Now, the appropriateness of the PPA with Minto
13 was then extensively dealt with in the PPA
14 application that was brought forward by Yukon
15 Energy. And once again, after that extensive
16 review, although the Board did not approve the
17 proposed PPA, it set out, in very clear terms, the
18 guidelines of what the PPA would have to look like
19 if it was to be approved.

20 Now, the witnesses for Yukon Energy have gone
21 through, in some detail, how the parties responded
22 to the directions of the Board, and I will come
23 back to them in more detail in the third part of my
24 argument, but safe it to say, Yukon Energy believes
25 that the amended PPA, and recent announcements,
26 deal with all material issues raised by the Board,

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1 and therefore there are no remaining impediments to
2 the endorsement of the project by the Board.

3 Now, in a preliminary way it's also important
4 to keep in mind a couple of fundamental realities,
5 one of which was discussed today in response to
6 questions from the Board. The first one is that
7 the Minto Mine is going ahead with or without
8 interconnection. And without interconnection, it
9 will run on diesel at a level that exceeds the
10 amount of diesel now being used by both utilities
11 in the Yukon. This is a one-time opportunity which
12 is not waiting for Yukon Energy to interconnect.

13 And the second fundamental reality is, given
14 the latest announcements and the amended PPA, at
15 forecast costs, there are no capital costs that
16 will be borne by ratepayers. There is absolutely
17 no material risk left.

18 At a simple level, the project will bring 3 to
19 \$4 million in additional revenues with absolutely
20 no capital costs and insignificant operating
21 costs. From a regulatory perspective, in my
22 experience, I have never seen such an opportunity.
23 From a ratepayers' perspective, it is understated
24 to say it is an incredible opportunity that should
25 not be missed.

26 Now, Madam Chair, I would like to go to

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1 Section 5 of the Terms of Reference if you have
2 that before you, and I am going to actually go
3 through each of the items listed there, and it
4 might be a little clipped, and there might be some
5 overlap, but for the purposes of your report, in my
6 submission, it's better that I provide some
7 comments under each heading. So I apologize for
8 some of the overlap that may occur, but it's the
9 nature of the items that are listed in the Terms of
10 Reference.

11 And the first one, obviously, is sub item (a)
12 on Section 5, which deals effectively with the need
13 and the load forecast, et cetera. And there are
14 certain specific items that are asked to be dealt
15 with, and I will come to the specific items, but
16 just as an overview, here are a few of my
17 comments.

18 At its essence, the Carmacks-Stewart Project
19 is an opportunity project being pursued to displace
20 diesel generation at Pelly Crossing and the Minto
21 Mine using surplus WAF hydro. And thereby, it
22 provides both short-term and long-term ratepayer
23 benefits. As we know, the project is proceeding in
24 two stages; each stage will be pursued only when
25 and if positive rate benefits can be secured. And
26 these rate benefits are obviously greatly enhanced

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1 by commitments of the Yukon Government in their
2 commitment to funding in each stage of the
3 project.

4 Now, Stage One obviously, as I have indicated,
5 Madam Chair, given the amended PPA and the latest
6 announcements of the issues raised by YUB in its
7 recent decision on the PPA application, we say it
8 have now been resolved, and therefore there is no
9 reason not to support Stage One of the project.

10 Stage Two of the project, which will proceed
11 when justified by additional industrial customer
12 loads, will complete the connection of the two
13 grids, as you know, and provide long-term benefits
14 and better ongoing utilization of available
15 hydroelectric facilities; it will encourage
16 economic development along the corridor; and
17 enhance/overhaul Yukon power system reliability and
18 flexibility.

19 Now, in relation to Stage One, the Resource
20 Plan hearing provided information which confirmed
21 the technical, economic and financial feasibility
22 of proceeding with Stage One, and, of course, that
23 was subject to the negotiation of a PPA. And the
24 only issue raised by the Board in the review of
25 Stage One at that time was the PPA issue. No other
26 outstanding issues were identified as regards to

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1 need, technical, economic or financial feasibility,
2 or with regard to options or risks.

3 Now, in terms of the benefits, again,
4 realizing that we are under section (a) of
5 Section 5 of the Terms of Reference, not only will
6 Stage One materially utilize surplus hydro, it will
7 not adversely affect the current WAF system's
8 ability to service non-industrial loads. And as
9 I have indicated a couple of times, and as you have
10 heard in evidence, it will significantly reduce the
11 amount of diesel generated in the Yukon by
12 approximately 34 gigawatt hours, a very substantial
13 amount. And as reviewed even as late as today by
14 the YEC witnesses, benefits arising from the
15 project also include tax and royalties for
16 government, and employment and other business
17 opportunities for local businesses.

18 And I would just note for the record,
19 Madam Chair, and for your consideration, that
20 detailed information on job and business
21 opportunities relating to the project is provided
22 in the project proposal submission to the YESAB
23 committee and dated September 20th, 2006,
24 Chapter 5, Sections 5.8 and 5.9, and Chapter 8,
25 Section 8.3.2, all of which has been made part of
26 the record in this proceeding.

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1 And as we indicated, obviously Stage One
2 provides very substantial financial benefits which
3 has been estimated to be approximately \$250,000 a
4 month, and that obviously is an important
5 consideration when looking at the timing that we
6 have all discussed ad nauseam at these hearings and
7 these reviews.

8 Going to the second item listed in Section 5,
9 Madam Chair, which is the item (b), which is the
10 capability of the existing transmission and
11 generation facilities to provide electrical power
12 generation to meet the forecast load requirements,
13 taking into account the new planning criteria as
14 proposed by the YEC and recommended by the YUB.
15 Now, as noted in YEC's application, the full
16 analysis of the expected capacity and load
17 requirements, and that means demand and energy, of
18 the Yukon systems, under the various load scenarios
19 is discussed, for the record, in Chapters 4 and 5
20 of the Resource Plan, and these were fully reviewed
21 by the YUB at that time.

22 The impact that the Minto Mine would have on
23 the WAF system was discussed in, again for the
24 record, Attachment (b) of the PPA application, and
25 that is that this mine would use up the surplus
26 energy on the WAF grid and is forecast to require,

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1 in 2015 or '16, 1.8 gigawatt hours of base load
2 diesel under 32.5 gigawatt hour per year Minto
3 sales and 6.6 gigawatt hour per year under the 42
4 gigawatt hour per year Minto sales.

5 Now, Chapter 3 of the Resource Plan, again
6 which was made part of the record, reviewed the
7 capability of the key Yukon assets to meet capacity
8 and energy requirements of the various systems, and
9 indicated that the generating assets and service
10 are required to meet both capacity and energy of
11 the individual systems, that would be both WAF and
12 Mayo-Dawson.

13 Now the capacity planning criteria adopted by
14 YEC, and I would say in absence of the inclusion of
15 industrial loads and calculation of the LOLE, which
16 I will come to in a moment, which was supported in
17 the Board's January 2007 report, provides that the
18 WAF and Mayo-Dawson systems each will plan not to
19 exceed a loss of load expectation of 2 hours per
20 year. In Yukon Energy's case, they did include
21 industrial loads in that calculation.

22 In addition, each grid system will be planned
23 to be able to carry the forecast peak winter loads
24 under the largest single contingency, known as the
25 N-1, that you have heard about. The N-1 criteria
26 determines system capability assuming the loss of

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1 the system's single largest generating or
2 transmission related generation source.

3 Now, in the Resource Plan hearing, Yukon
4 Energy indicated, with the new criteria, there was
5 a need to have WAF generation peak winter capacity
6 additions occurring in 2007. However, as long as
7 the WAF system with the current Aishihik line,
8 i.e., no twinning of the line, can meet the
9 wholesale and retail peak under the N-1 criteria,
10 up to 6 to 7 megawatts of major industrial loads
11 can be served without driving new generation
12 investment for capacity reasons. And also in the
13 Resource Plan, in terms of energy, it was confirmed
14 that the forecast WAF and Mayo-Dawson energy
15 requirements can be supplied from existing
16 facilities for the next 20 years under each of the
17 four load cases.

18 And using 2005 as a base, surplus hydro
19 generation under normal flow conditions was
20 approximated at 90 gigawatt hours on WAF and 17
21 gigawatt hours on the Mayo-Dawson system. And
22 I repeat these items, although it's a bit lengthy,
23 really to respond to the specific item that was
24 raised in the Terms of Reference under item 5(b).

25 Now, there is three items listed under 5(b) of
26 the Terms of Reference that were specifically to be

1 dealt with by the Board in its report, and I will
2 go through each of those.

3 The first one is the implications of the
4 relationship between Stage One of the
5 Carmacks-Stewart Project, and the need for and
6 timing of the Aishihik third turbine. Now, we went
7 through this a little bit in quite a bit detail
8 actually today, but I would like to repeat some of
9 the items that we have gone through.

10 First of all, obviously, the Aishihik third
11 turbine is an opportunity project being pursued to
12 displace diesel generation and provide near-term
13 and long-term ratepayer benefits. It's an economic
14 opportunity project, not a capacity-driven project,
15 and reflects ongoing diesel displacement benefits
16 both in the short term -- and you heard the
17 short-term being peaking diesel use -- and in the
18 long-term when the surplus hydro generation is no
19 longer available.

20 Now, we havetalked a little bit about the
21 ability to accelerate that project, including as a
22 result of the government funding, and I won't go
23 through that in any great detail.

24 There was a debate, both in the Resource Plan
25 and here, in terms of timing, and I would only
26 point out that Part 3 of the application, and

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1 that's, more specifically again for the record,
2 page 15, states that bringing the Aishihik third
3 turbine on earlier, that is earlier than the 2013,
4 in conjunction with Stage One of the
5 Carmacks-Stewart Project, results in less diesel
6 usage and slightly increased savings. And those
7 things are outlined there, including, again for the
8 record, footnote 23, where it deals with this
9 issue.

10 The issues surrounding timing, that we had
11 before the announcement of the government funding
12 under the eco-trust for the Aishihik third turbine,
13 have now basically been, to a certain extent, set
14 aside. The funding will allow, in Yukon Energy's
15 submission, and in the evidence that you had
16 presented before you, allow the project to proceed
17 basically as soon as reasonably possible. That's
18 what the numbers are showing in the numbers that
19 Mr. Osler reviewed earlier today.

20 Now, the second item, under Section 5 of the
21 Terms of Reference, that specifically had to be
22 dealt with was the implications of the relationship
23 between Stage One of the Carmacks-Stewart Project
24 and the need and timing for Stage Two. Obviously
25 Stage One provides over half of the full
26 development of the Carmacks-Stewart full project

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1 and marks a major step, obviously, towards
2 interconnection.

3 But, again, Stage One does not necessitate or
4 set the timing for Stage Two of the project, as has
5 been talked about at some length here. The
6 opportunity, as I said earlier, or need for the
7 timing of Stage Two, will be determined by the
8 timing, as we just went through, of an additional
9 new industrial and development and/or government
10 funding, so that there is no adverse ratepayer
11 impact that comes from Stage Two.

12 The Board actually agreed with Yukon Energy's
13 strategy in its Resource Plan report, and I quote
14 from that report where it said, and I quote: "With
15 respect to the second stage of the Carmacks-Stewart
16 line, the Board concurs with YEC's strategy not to
17 pursue this project unless there is a firm
18 commitment to connect the Carmacks Copper Mine if
19 and when the mine is built, and under the same
20 condition that ratepayers will not be adversely
21 affected."

22 Now, the application references the Carmacks
23 Copper Mine, as we have talked about earlier, and
24 the contributions expected from that, and I would
25 note, for the record, the information provided in
26 that regard. And, first of all, the Board report,

1 at page 32, is where the Carmacks-Stewart Project
2 was dealt with, at Stage Two, and it's also
3 reviewed at page 14 of the Part 3 application.

4 In Yukon Energy's view, the Board should
5 continue to consider this information that is
6 provided in the application when assessing the
7 terms and conditions to be recommended to the
8 Minister for proceeding with Stage Two.

9 Now, going to the third item that is
10 referenced in Section 5, which is the implications
11 of the ongoing use of diesel generation at Minto
12 and other locations that could receive grid service
13 from Stage One of the project, just a couple of
14 comments under that. I have reviewed with you,
15 earlier, the reductions in diesel generation that
16 would occur once Stage One is completed in relation
17 to both the Minto Mine and Pelly Crossing, and that
18 is approximately, as I said earlier, 34 gigawatt
19 hours.

20 Just turning to the issue of the Minto diesel
21 units, it's also worth noting that the purchase of
22 the diesel units at Minto would also allow YEC to
23 reduce its need to rely on Whitehorse diesel
24 generation at times when WAF loads require use of
25 base load diesel generation. I say that because,
26 when diesel generation is required, YEC's

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1 operation, and this is in the evidence, of at least
2 two of the diesel units at the mine site,
3 especially for base load operation, is expected to
4 be cost-effective due to the minimization of line
5 losses, and related additional diesel generation
6 requirements, as between two and three of the
7 diesel units at the mine site, would rank next to
8 the top of the WAF diesel generation stacking
9 order, reflecting their capacity to supply expected
10 mine load levels at efficient fuel operation
11 levels.

12 And I would note in relation to the diesel
13 units at Minto, once again, that the Board, in the
14 PPA application order, noted that Yukon Energy was
15 free to purchase the units, but the Board could not
16 assure YEC that the units would be approved to be
17 addition in rate base.

18 So the Board has left open the possibility for
19 Yukon Energy to develop a business case that
20 supports the diesel units, and that is what, as you
21 have heard in the opening statement, that's what
22 Yukon Energy intends to do, and it intends to bring
23 that forward, obviously, at the next General Rate
24 Application.

25 Now, Madam Chair, the next main item under the
26 Section 5 was risks facing the Carmacks-Stewart

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1 Project. And, again, under that section, it's
2 section (c), and under that section there was four
3 different subheadings which were dealt with there.
4 And I would only point out, Madam Chair, that the
5 Part 3 application, more specifically, again for
6 the record, Section 4.2, pages 15 to 19, address
7 the range of risks relating to the Carmacks-Stewart
8 Project, and specific risks relating to each of the
9 two stages, and also Yukon Energy's strategies to
10 mitigate the risks. And they considered -- the
11 plan had considered all of the potential risks, and
12 the major regulatory risks for at least Stage One
13 remain, at this time, material delays, as we have
14 indicated, in the scheduling, which could adversely
15 affect the project costs and benefits.

16 And in your Board Order 2007-5, on the PPA
17 application, obviously the risk relating to the
18 development funding, provided by Yukon Energy under
19 that original PPA to Minto, was something raised,
20 and the Board determined, that that type of a
21 funding arrangement imposed an additional risk on
22 ratepayers that the Board is not prepared to
23 accept. And, as you know, and as was indicated in
24 the opening presentation, and in the amended PPA,
25 that issue has been dealt with, and that risk is no
26 longer the risk of ratepayers. That risk is being

1 picked up, in effect, by Yukon Development
2 Corporation.

3 Sub item 2 of part (c) deals with the
4 potential modifications to design or schedule
5 resulting from environmental and socio-economic
6 review and regulatory approvals. And, Madam chair,
7 based on the evidence, and you have heard the
8 evidence, YEC does not anticipate material risks of
9 major design modifications resulting from
10 regulatory approvals and review. As I just noted,
11 the major regulatory risks remain just the delays
12 in schedule which will affect costs and benefits.

13 The third item in relation to sub item (c),
14 which I have generally described as the risk
15 section, concerns the time lines contained in
16 Part 3 of the PPA. And I guess, in relation to the
17 time lines in Part 3 of the PPA, even as amended by
18 the amended PPA, the conditions, particularly as
19 regards to securing the needed permits and
20 approvals by various dates, are generally provided
21 for the benefit of Yukon Energy and Yukon
22 ratepayers, and protect Yukon Energy from any
23 obligation to proceed with construction if such
24 permits and approvals are unduly delayed. And YEC
25 has indicated to the Board, in evidence, that if
26 necessary, and if it is in the best interests of

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1 Yukon Energy and the ratepayers, those time lines
2 can be extended -- will be extended by YEC, as long
3 as, obviously, the extensions don't seriously
4 undermine the viability of the project.

5 The last item, Madam Chair, under Section 5,
6 relates to bankruptcy, and I quote, "bankruptcy or
7 other failure of the Minto Mine". And I would say
8 to that, Madam Chair, that given the terms of the
9 amended PPA and the announcements of the
10 government, this risk is no longer relevant to
11 ratepayers. YDC is bearing the risk of losses
12 relating to the capital cost contributions, and in
13 addition to that, there are protections under the
14 PPA in relating to the provision of electricity on
15 an ongoing basis, on a monthly basis. They will
16 have the normal protections in a circumstance like
17 this, the most important of which would be
18 protection under the Miners' Lien Act.

19 Now, Madam Chair, the last section in
20 Section 5 relates to what alternatives there are to
21 the Carmacks-Stewart Project, and I would just say
22 that Part 3 of the application reviewed the
23 alternatives that were considered in the Resource
24 Plan hearing, which were, obviously, a 35 kV
25 transmission line to service Minto; or another
26 alternative was not proceeding with Stage One

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1 project at all. And I think simply put, given the
2 amended PPA and the YTG funding, there's no real
3 alternative now. And as I said earlier, not acting
4 would result in not only the loss of a significant
5 revenue source opportunity for ratepayers, the
6 Yukon will have lost the opportunity to
7 significantly reduce greenhouse gas emissions.

8 Sub item (i) under part (d) of Section 5 deals
9 with, effectively, talking about possible
10 alternative configurations to timing, and the
11 structure that has been put in place, of a
12 two-staged approach proposed by YEC. In YEC's
13 submission, the two-stage approach, which has been
14 adopted and, in our submission, approved by the
15 Board in the January '07 report, is the most
16 prudent course of action in the circumstances. And
17 this is especially so, I would submit to you,
18 because of the amended PPA and the recent
19 government announcements with respect to both Stage
20 One and Stage Two.

21 The second item under sub item (d) dealt with
22 the prudence to extend the line from Minto to Pelly
23 Crossing at this time. And I would only say that,
24 by connecting Pelly Crossing at this time, given
25 the funding that is in place now under the amended
26 PPA and the recent government announcement, there

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1 will be a benefit to all ratepayers in the Yukon by
2 connecting Pelly Crossing, because there will be a
3 reduced amount of diesel generation required in
4 that village.

5 So I guess on that point, Madam Chair, for the
6 purposes of your report, in Yukon Energy's view,
7 there's no doubt that it is prudent to extend the
8 line from Minto to Pelly Crossing when Stage One is
9 constructed.

10 So those are the specific items that were
11 referenced in Section 5 of the Terms of Reference,
12 Madam Chair, and that is a summary of some of the
13 points under each one of those. I would like to
14 just quickly turn to, effectively, the issues
15 surrounding Section 4 of the Terms of Reference and
16 the amended PPA. And really, Madam Chair, it's
17 nothing more than to go back over, in argument,
18 what we started with in the opening presentation,
19 which is how the parties actually responded to the
20 Board's directions, and what had to be changed in
21 the original PPA, in order to obtain the Board's
22 approval of the PPA. And as I said in my opening
23 comments, that the Board's conclusions had made it
24 abundantly clear that the YTG had to play a more
25 substantive role in the issues relating to Minto
26 Mine. And the parties effectively accepted that

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1 determination, and negotiated an amended PPA, and
2 from that, there is obviously the government's
3 announcement.

4 But if I may, Madam Chair, take you to the
5 opening statement, which is Exhibit B-6, page 7,
6 and just reference, for the record, exactly the
7 type of responses that were made to the directions
8 of the YUB, and they are highlighted, Madam Chair,
9 starting about a third of the way down under the
10 heading "Highlights of the Revised PPA Include".
11 And each one of these items, starting from the
12 first one, which effectively dealt with the
13 requirement that the capital cost contribution for
14 the main line be indexed, which was dealt with in
15 the amended PPA, and is now being effectively
16 assumed by YDC, and each one of the other items in
17 there is listed, and for the record, Mr. Morrison
18 reviewed them in detail, but from the perspective
19 of the implications from the PPA decision, which is
20 what Section 4 of the Terms of Reference deal with,
21 each one of those items should be reviewed by the
22 Board in that context.

23 So in conclusion, Madam Chair, Yukon Energy,
24 Minto, and the government, believe that the new
25 PPA, and the government's announcements, have
26 clearly and appropriately responded to the issues

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1 identified in the Board's PPA decision. Given the
2 previous findings of the Board, combined with the
3 response of the parties to the PPA decision, this
4 means that all of the issues identified by the
5 Board have now been appropriately dealt with, and
6 YEC believes that the Board is now in a position to
7 strongly endorse Stage One of the project, and
8 recommend to the Minister in its report, to be
9 filed later this month, that it proceed as quickly
10 as possible with that project.

11 In relation to Stage Two, YEC believes that it
12 should also be endorsed in a way that is consistent
13 with the Board's recommendation in its January 2007
14 report; that is that Stage Two not be pursued
15 unless there is a firm commitment from a
16 substantive industrial customer, such as Carmacks
17 Copper, and there's no adverse impact on ratepayers
18 rising from the project.

19 And, Madam Chair, I want to conclude by
20 speaking of one thing that was raised by
21 Mr. Morrison in the opening statement which did
22 not receive, to my knowledge, any
23 cross-examination, and that is the issue
24 relating to LOLE. Madam Chair, it is dealt with in
25 the written summary of the opening statement at
26 page 5.

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1 Although this issue will not have an impact on
2 the PPA which has been negotiated between the
3 parties, on the assumption that it's ultimately
4 approved by the Board it won't have an impact on
5 this project, this issue is of fundamental
6 importance to Yukon Energy, and I would only ask
7 the Board to look at, once again, the issues raised
8 by Mr. Morrison on page 5 of the opening, going
9 over on to page 6 near to the end of the bottom,
10 and to take those positions into account when it
11 turns its mind to making recommendations to the
12 Minister.

13 And, Madam Chair, those are the submissions of
14 Yukon Energy.

15 THE CHAIRPERSON: Thank you, Mr. Landry.

16 We will take a short break for the
17 court reporter and return at 10 to 3:00.

18 (PROCEEDINGS ADJOURNED AT 2:45 P.M.)

19 (PROCEEDINGS RESUMED AT 3:10 P.M.)

20 THE CHAIRPERSON: I can feel the
21 anticipation in the room that we are near the end
22 of the day.

23 Ms. Marx, could you please call the next
24 intervenor up.

25 MS. MARX: YECL will be the first
26 intervenor to present argument.

1 YECL ORAL SUBMISSIONS BY MR. TENNEY:

2 MR. TENNEY: Thank you, good
3 afternoon, Madam Chair and Members of the Board.
4 There are a number of issues that arise as a result
5 of the April 2nd, 2007 application by YEC, and the
6 subsequent revised PPA involving Minto, YEC, YDC
7 and YTG. YECL submits that the following issues
8 must be addressed by the Board in its
9 recommendations to the Minister. YECL will address
10 each of the matters of concern to it separately as
11 follows:

12 Number 1, is the LOLE and N-1 planning
13 criteria. YECL was quite interested to hear YEC's
14 panel describe yesterday that it continues to
15 include industrial load in its LOLE calculations,
16 despite the Board's desire to do otherwise, as
17 detailed in its recommendations to the Minister,
18 and confirmed in the Reasons for Decision included
19 with Order 2007-5. While it was thought that this
20 matter was resolved in Order 2007-5, it is clear
21 that this is an issue that continues to be
22 unresolved.

23 Number 2, the impact of capital cost overruns
24 on the financial viability of Stage 1. To ensure
25 that electrical ratepayers in the Yukon are not
26 unduly burdened, it must be determined at what

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1 capital cost level the Carmacks-Stewart
2 transmission project is no longer viable.

3 In YECL-YEC-1-11 of the PPA hearing, YECL asks
4 YEC at what project capital cost does the
5 transmission project become uneconomic. YEC
6 responded on March 8th, 2007 saying, and I quote,
7 "At this time, analysis the application suggests
8 that the project remains economic within the range
9 of costs considered to date, and YEC has not
10 determined at what capital cost the transmission
11 project would become uneconomic. YEC will continue
12 to review this matter during the coming months."

13 In YUB-YEC-1-4(b) of this proceeding, the YUB
14 asked at what cost estimate would YEC determine
15 that the project was no longer financially viable.
16 YEC responded on April 27th, 2007 stating, and I
17 quote, "The \$10 million Government of Yukon funding
18 materially enhances the project economics such that
19 the project could remain feasible even if the costs
20 exceed \$25.9 million. YEC has not determined the
21 specific cost level where the Stage One project was
22 no longer financially viable. Project feasibility
23 may be affected by many factors aside from capital
24 costs, including timing for development and the
25 assumed level and duration of industrial loads
26 expected to be served."

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1 In yesterday's proceeding, Board counsel once
2 again asked a question on project economics for
3 Stage One and why YEC hadn't established a stop
4 point. YEC responded by stating, and this is at
5 transcript Volume 2, page 174, lines 1 and 2,
6 "...we don't have an answer." And
7 further, "...trying to tell you what that number
8 would be today is not a challenge that we have been
9 allowed to undertake today."

10 Given that the Board is of the view that there
11 are other options available to ensure reliability
12 of supply beyond the Carmacks-Stewart transmission
13 line, as noted on page 55 of its January 15th, 2007
14 recommendations to the Minister, YECL believes it
15 is important for YEC to clearly determine at what
16 cost estimate the Carmacks-Stewart transmission
17 line project is no longer financially viable,
18 assuming that the project timing and the duration
19 of the expected load remain constant.

20 To date, YEC has not answered the above
21 question on three separate occasions. They have,
22 today, given an answer that the capital costs could
23 go up by about \$19.7 million but, of course, that
24 assumes that the revenues from Minto occur for a
25 number of years, which may or may not happen.

26 In its response to YEC-YUB-1-4(b), YEC does,

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1 however, say that the project could remain feasible
2 even if the costs exceed \$25.9 million.

3 While this statement suggests YEC has
4 completed some sort of an analysis, it does not
5 explain why this is the case or how this conclusion
6 was reached. The Yukon Utilities Board, on behalf
7 of ratepayers, should not issue a blank cheque to
8 YEC for construction of the Carmacks-Stewart
9 transmission project.

10 Yesterday, the YEC panel stated at transcript
11 Volume 1, page 98, lines 13 to 15, and I quote,

12 "...my Board reserves the right to not go forward
13 with this project if the costs are too high."

14 Surely the Yukon utilities Board should have the
15 same right.

16 Given that, number one, YEC has yet to provide
17 reasonable evidence on this issue, and number two,
18 that more accurate cost estimates will be available
19 once the preliminary engineering is completed by
20 May 18th, 2007, and that was a response in
21 YEC-YUB-1-4(a) and UCG-YEC-1-22(d), YECL recommends
22 that if YEC's updated cost estimate from its
23 engineering consultant's report exceeds \$25.9
24 million, that YEC be directed to submit the revised
25 capital cost estimate to the YUB, along with
26 reasons as to how and why the project remains

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1 financially viable, prior to the Board issuing its
2 recommendations to the Minister.

3 As well, YEC should be prepared to defend the
4 prudence of any expenditure over the \$25.9 million
5 amount at its next General Rate Application.

6 Number 3, WAF customer power quality and the
7 need for YEC to adopt dynamic system power quality
8 standards. YECL believes that YEC has an
9 obligation to existing customers connected to the
10 grid to ensure that new, as well as existing
11 customer loads, do not negatively impact the power
12 quality of other customers.

13 YECL is concerned that Minto's processes may
14 cause unacceptable voltage fluctuations on the grid
15 that will be seen by other customers.

16 In its response to YEC-YECL-1-7(c), YEC states
17 and I quote, "Yukon Energy's engineers are
18 currently conducting a dynamic system modeling
19 study that will identify power quality issues and
20 ensure that their design addresses the need for
21 acceptable power quality for all other electrical
22 customers connected to the grid. The PPA also
23 includes provision, Section 4.6, regarding Minto
24 standards for usage of electricity supplied by YEC,
25 so as to limit the disturbances that are permitted
26 and to confirm Minto's responsibility, at its cost,

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1 to operate its equipment so as not to have
2 unacceptable disturbance impacts on the grid
3 system."

4 In reviewing Section 4.6 of the PPA, the
5 following is stated with respect to standards of
6 operation, quote, "Minto will operate its equipment
7 and use the grid electricity at the mine site so as
8 not to endanger any of YEC's plant or equipment or
9 cause any unacceptable fluctuations of YEC's
10 electrical system. Minto will comply with
11 reasonable standards of operation, as provided by
12 YEC to Minto, by written notice from time to time.
13 If Minto fails to comply with these requirements or
14 standards of operation so as to endanger any of
15 YEC's plant or equipment, or cause any unacceptable
16 fluctuations of YEC's electrical system, YEC may,
17 by written notice to Minto, require that Minto
18 remedy the situation."

19 The above response in Section 4.6 of the PPA
20 clearly shows that both the customer, Minto, and
21 the supplier, YEC, have to design and operate their
22 respective systems to meet and maintain particular
23 standards.

24 In reviewing YEC's answers to YEC-YECL-1-7(a)
25 and (b), YECL accepts the fact that YEC does not
26 own the International Electro-technical Commission,

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1 IEC, Standards 1003-7 and 1004-15. They are a
2 public domain standard similar to the steady state
3 voltage standard CAN-3-C235-83 referenced and used
4 by YEC. The key unresolved issue is that YEC has
5 not provided or disclosed the standards it intends
6 to follow in a dynamic voltage situation that will
7 arise as a result of the interconnection of a mine,
8 such as Minto, that utilizes large motors for their
9 processes. The starting and stopping of these
10 motors, together with their characteristics when
11 the motor currents rise above running currents and
12 approach locked rotor currents, gives rise to a
13 potential impact on the power quality for the
14 entire electrical grid.

15 YECL notes that YE's response to
16 YEC-YECL-1-7(c) include statements like, in
17 quotes, "limit the disturbances that are permitted;
18 and unacceptable disturbance impacts on the grid
19 system".

20 As well, Section 4.6 of the PPA includes
21 wording such as "Minto will comply with reasonable
22 standards of operation as provided by YEC" and "If
23 Minto fails to comply with these requirements or
24 standards". YEC is clearly concerned about the
25 potential power quality impacts of serving an
26 industrial customer like Minto. YECL would have

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1 thought that the standards would have already been
2 adopted by YEC and clearly communicated to Minto
3 and all other Yukon Electrical customers.

4 Regardless of the status of Wardrop
5 Engineering's dynamic modelling exercise and
6 whether it is completed on or before May 18th,
7 2007, the dynamic power quality standards YEC
8 intends to use should already be known.

9 This information will be used to determine
10 whether particular transmission facility's designs
11 are acceptable or not and whether there will be
12 limits on the size and type of motors allowed to be
13 operated at the customer's site.

14 Yukon Electrical is of the opinion that the
15 standards should have been known up front, so that
16 the capital cost of the facilities required to meet
17 those standards was also known prior to the
18 customer contribution being determined. Yukon
19 Electrical encourages the Board to require YEC to
20 provide these proposed standards, as they will not
21 only determine the power quality that all the
22 customers can expect on the grid, but also the
23 impact on the ultimate design and resultant
24 estimated cost of the proposed system.

25 Further to the above, Yukon Electrical also
26 would expect the Board to attain a copy of Wardrop

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1 Engineering's preliminary engineering study once it
2 is available, as well as YEC's comments, as to
3 whether the results of the study indicate whether
4 there will be an impact on power quality for the
5 grid. Detailed explanations should also be
6 provided in this regard. The impact should address
7 what additional infrastructure is required to serve
8 Minto, and the associated costs; or conversely,
9 whether Minto will have to limit motor sizes or
10 adjust its operations.

11 If there is an adjustment to capital cost, YEC
12 should explain how this impacts the economic
13 viability of the project, as discussed in Section 2
14 of this argument.

15 Number 4, the need for Stage Two of the
16 Carmacks-Stewart Transmission Project. Although
17 there has been limited detailed discussion of Stage
18 Two of the Carmacks-Stewart Transmission Project in
19 the other two proceedings, the Justice Minister's
20 April 2nd, 2007 Terms of Reference set out certain
21 fundamental principals that all parties need to be
22 mindful, including, and I quote, "Stage Two (to be
23 built subsequently when and if market conditions so
24 permit) involves...", and "The Yukon Government has
25 also committed to working with YEC and industry to
26 ensure that Stage Two can also be constructed

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1 without any direct cost to other ratepayers."

2 YEC has even stated previously, in its March
3 13, 2007 letter to the Board, that Stage Two would
4 not proceed until a PPA was concluded with Western
5 Copper, and I quote, "The Board's January 15th,
6 2007 report on the resource plan addressed the
7 Carmacks-Stewart project by stage and recommended
8 that Stage Two only proceed after YEC has a firm
9 commitment to connect the Carmacks Copper Mine,
10 which implies a power purchase agreement as well,
11 and then comes back to the Board for a review of
12 specific proposals to develop Stage Two. YEC is
13 currently not in a position to proceed with Stage
14 Two as recommended by the YUB."

15 At this time, it is not known what these
16 market conditions need to be or when they will
17 occur. YECL submits that it is premature for the
18 Board to recommend that YEC receive a project
19 energy certificate or an energy operation
20 certificate for Stage Two of the Carmacks-Stewart
21 Transmission Project at this time.

22 Granting of these certificates should wait
23 until such time as YEC submits an executed PPA with
24 Western Copper for Board approval, and provides
25 detailed capital cost estimates, and government
26 contribution agreements are submitted.

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1 Should the Board recommend otherwise, then
2 certain terms or conditions should be imposed prior
3 to the commencement of construction of Stage Two.
4 These conditions should include a requirement that
5 the capital costs for Stage Two should be fully
6 offset by the capital contributions provided by
7 Western Copper, YDC and YTG to ensure that the
8 Minister's intentions are met.

9 As well, until the LOLE issue is resolved, no
10 diesel fuel savings as a result of the
11 interconnection to the Mayo-Dawson grid, caused as
12 a result of serving industrial load, should be
13 counted as a reduction of direct costs to other
14 ratepayers, as the Board has indicated that no new
15 generation is to be planned for industrial
16 customers.

17 Finally, Number 5, the timing of the Aishihik
18 third turbine. As discussed previously, the
19 inclusion or exclusion of industrial load in the
20 LOLE calculations is an issue that appears to be
21 unresolved. It is YECL's understanding that the
22 tables in both Attachment B in the PPA, and
23 Exhibit B-9, excluding Table 1, the exhibit that
24 was handed out today by YEC's panel, support the
25 need for and timing of the third turbine as soon as
26 reasonably practical.

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1 These tables were all predicated on the
2 inclusion of industrial load in the LOLE
3 calculations and, thus, the generation planning
4 process to serve that load. It is YECL's
5 understanding that Decision 2007-5 indicated
6 otherwise, and the result was that no generation is
7 to be planned for industrial load and that any
8 incremental costs to serve this industrial load,
9 including incremental diesel fuel, is to be charged
10 directly to that industrial load.

11 Installing the third turbine would not result
12 in any substantive fuel savings to all other
13 customers, only that of industrials. As such, the
14 resolution of the treatment of industrial load in
15 the planning process is critical to the need for
16 and the timing of the third turbine at Aishihik.
17 Thank you.

18 THE CHAIRPERSON: Thank you, Mr. Tenney,
19 and you are within the 20 minutes, I thank you for
20 that.

21 Ms. Marx, can you call the next intervenor,
22 please.

23 MS. MARX: Yes, I will call
24 Mr. Percival next.

25 ORAL SUBMISSIONS BY MR. PERCIVAL:

26 MR. PERCIVAL: I thank the Board for

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1 the opportunity to make a very brief, more of a
2 statement rather than argument.

3 I support the YUB recommending to the Minister
4 that the third wheel at Aishihik proceed as soon as
5 practical. I think it will lead to a better
6 management of the water regime, and increase the
7 security of supply as well, and displace diesel.
8 So I am in favour of that, and I hope the Board
9 will recommend that to the Minister.

10 I support the YUB recommending that Stage One
11 of the Carmacks-Stewart Transmission Project
12 proceed and the certificates granted, but at this
13 time the certificate should not include the Stage
14 Two.

15 However, while I recognize that the capital
16 funding structure now in place for the -- through
17 the PPA and through the government's announcements,
18 protects the electrical ratepayers, it does so at
19 the largess and risks of the Canadian and Yukon
20 taxpayers.

21 In my opinion, the funding arrangement
22 provides a sizeable subsidy to the mining company
23 for whom the first stage of the transmission
24 project is primarily being constructed. Until the
25 second stage is constructed, the security of supply
26 it will afford, by interconnecting the two grids,

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1 will not accrue to any of the ratepayers on either
2 system.

3 The Minto Mine, in my opinion, will not pay
4 its fair share of the capital costs of this
5 project, nor will it shoulder its fair share of the
6 risks. Nevertheless, if the mine is successful,
7 and as by all appearances it should be, there will
8 be both short and long-term benefits to all
9 ratepayers and taxpayers; therefore, providing a
10 subsidy to a winner is far superior to providing a
11 subsidy to a loser.

12 So let's get on with the first stage of the
13 Carmacks-Stewart project and get it moving. That's
14 it, thank you very much.

15 THE CHAIRPERSON: Thank you,
16 Mr. Percival. That would leave Mr. Buonaguro.

17 UCG ORAL SUBMISSIONS BY MR. BUONAGURO:

18 MR. BUONAGURO: Thank you.

19 On behalf of the UCG, I thank the Board for
20 this opportunity to provide submissions.

21 In general, the UCG supports the concept
22 behind the project. Taking the opportunity to use
23 capital contributions from a mine to pay for an
24 infrastructure project of this nature, in order to
25 capture several system-wide benefits, is a good
26 idea and worth pursuing.

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1 However, the UCG, as a ratepayer group, finds
2 itself in the same position as the YEC Board of
3 Directors, it appears; namely, we do not feel that
4 we have enough information concerning the project
5 costs, benefits and risks to conclude as a final
6 recommendation, from our perspective as an
7 intervenor group, that the project should either
8 proceed or stop. What we can do, in what is
9 admittedly an expedited proceeding, is put our
10 concerns on the record through cross-examination
11 and argument and, where possible, make some
12 recommendations to the Board.

13 As a second general comment, the UCG believes
14 that the Board should consider the relationship
15 between the YEC, the YDC and the Yukon Government
16 funding, when assessing the project. While it may
17 be that Yukon Government contributions negate
18 ratepayer impact, there will be a corresponding
19 taxpayer impact, direct or otherwise.

20 Similarly, commitments by the YDC, to
21 subsidize the responsibilities of Minto under the
22 PPA, Purchase Power Agreement, impact on the funds
23 available to the YDC to benefit other ratepayers.
24 The result, it may be argued, is that the programs
25 benefiting existing ratepayers, like the Rate
26 Stabilization Fund, are depleted or discontinued,

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1 offsetting the benefits, to some degree, of adding
2 the industrial customer to the system in the first
3 place.

4 I would like to speak generally about costs of
5 the project and specifically costs to ratepayers.
6 It is UCG's submission that one of the main issues
7 for the Board to consider is the fact that total
8 costs to ratepayers as a result of the project, and
9 the other projects that it triggers, is not known
10 at this time.

11 YEC admits the final costs have not yet been
12 determined for the project, given that there has
13 been no bids submitted on the construction
14 contract, the final costs of regulatory reviews,
15 namely Yukon Utilities Board and YESAB Board, have
16 not yet been determined, and negotiations are
17 ongoing with Yukon First Nations regarding route
18 selection, access management, trap line mitigation,
19 socio-economic agreements, training, sole source
20 contracts and rights of first refusal on
21 construction employment.

22 YEC was clear in its oral testimony that its
23 Board of Directors has, itself, not made a final
24 decision to proceed with the project, based, in
25 part, on the fact that the final projected costs
26 are not known.

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1 The total costs of the project, submitted by
2 YEC for this Part 3 review, do not include costs
3 for any distribution facilities to connect new
4 customers in the Minto Landing area to the
5 project. While these facilities will be required,
6 YEC has not consulted with the distribution
7 utility, YECL, to determine the costs to ratepayers
8 for this distribution activity.

9 YEC indicates that the connection of the new
10 substation facilities at Carmacks, to the
11 distribution facilities serving Carmacks, will
12 require a new distribution line connected by YECL,
13 and the decommissioning/removal of the existing
14 Carmacks substation. However, the cost to
15 ratepayers of the new distribution line connection
16 by YECL, and the decommissioning/removal of the
17 existing Carmacks substation by YEC, have not been
18 developed by YEC and so have not been submitted as
19 part of the project currently under review in this
20 proceeding.

21 YEC indicates the connection of the new
22 substation facilities at Pelly Crossing, on Selkirk
23 First Nation settlement land, to distribution
24 facilities and the diesel plant at Pelly Crossing,
25 will require a new distribution line connection;
26 however, the costs to ratepayers of the new

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1 distribution line connection required at Pelly
2 Crossing have not been provided by YEC as part of
3 the project being reviewed in this proceeding.

4 Cost estimates and Yukon Government funding on
5 the proposed Stage Two of this project are even
6 more preliminary, with no current negotiations for
7 the mine to anchor Stage Two, similar to how Minto
8 anchors the proposal for Stage One. Accordingly,
9 the UCG considers this process to relate only to
10 the licensing of Stage One and expects that,
11 presumably once an anchor mine becomes apparent, a
12 certificate would be required and applied for Stage
13 Two, including a review of any Purchase Power
14 Agreement with the required mine.

15 YEC indicated through UCG-YEC-1-23 that there
16 are no estimates available at this time for any
17 costs associated with addressing expected
18 environmental and socio-economic impacts of the
19 project.

20 Additionally, YEC has not provided details
21 with regard to annual operation of maintenance
22 costs, beyond a rough estimate of \$100,000, which
23 they say may vary over the life of the facilities,
24 annual costs to provide electricity to Minto,
25 annual personnel-related costs, new and current,
26 associated with the operation and maintenance of

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1 the proposed facilities, and estimated annual
2 mitigation costs or other annual mitigation costs
3 of the environmental protection plan.

4 From a Yukon ratepayer perspective, the Board
5 should be given a better understanding of all
6 direct costs, and costs resulting from the
7 construction of the project, so that it knows the
8 short and long-term impacts of its recommendations.

9 If actual Stage One project capital costs
10 exceed the contributed funds by YTG, YDC and Minto,
11 the net resulting capital cost would go into
12 regulated rate base at the project's inservice
13 date, and earn an annual debt and equity return.

14 The UCG submits that the Board's
15 recommendations should include confirmation that
16 none of the cost overruns, resulting in projected
17 rate base additions, should be included in YEC's
18 rate base until after the YUB, and perhaps the
19 Auditor General, has had an opportunity to review
20 the prudence of the expenditures, and I think this
21 is a position that YEC doesn't necessarily dispute,
22 and I think they confirmed earlier today that
23 that's what would happen; there would be a YUB
24 review before additions to rate base were made.

25 Under the circumstances, the UCG recommends
26 that if the Board is persuaded to recommend

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1 approval of the project, that it do so on the basis
2 that the recovery of project-related costs, in rate
3 base, be capped to the high level cost estimate
4 provided by YEC in its application; namely, \$25.9
5 million pursuant to Schedule 1 of its filing, or a
6 maximum of \$3.22 million in rate base.

7 The February 2005 Auditor General's report on
8 the Mayo-Dawson Transmission Line Project made
9 several recommendations with respect to the
10 handling of projects, like the current one, by YEC,
11 including the recommendation, for example, that YEC
12 establish and follow a contracting policy and clear
13 contracting procedures that provide for
14 transparency, completion and ensure best value (and
15 that is from paragraph 59 of that report).

16 It is in the spirit and intention of that
17 report that the UCG respectfully submits that the
18 YUB recommend to the Yukon Government that it
19 establish, as a condition of any certificate, a
20 reporting scheme, between YEC and the Yukon
21 Government, directly or through the YUB and
22 stakeholders, on an ongoing basis through a
23 qualified intermediary, as a measure that will help
24 avoid a project result in the nature of the
25 Mayo-Dawson line. In this way, information
26 relating to the project, including the costing as

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1 it becomes firm, will be made available to the
2 appropriate parties in a transparent, ongoing
3 manner. Rather than assuming the project audit
4 after the fact, the appropriate parties will have
5 the opportunity to make informed recommendations to
6 the YEC, through the intermediary, as issues
7 arise.

8 The UCG contemplates that the YEC would still
9 retain its authority over decision-making. The
10 process is not envisaged as a mechanism to usurp
11 the YEC. Rather, it is simply a mechanism to make
12 the project process accessible to those with
13 legitimate interests in it, in a transparent and
14 useful way, allowing those parties to provide input
15 to the YEC when issues arise. The YEC assumes that
16 the YTG would employ its own auditor at its own
17 cost.

18 With respect to the topic of benefits to
19 ratepayers, the Purchase Power Agreement, IR YUB to
20 YEC 1-4, sets out that timely completion of the
21 project will yield material ratepayer benefits
22 equal to at least \$250,000 per month of avoided
23 delay, reflecting expected minimum Minto payments.

24 As was confirmed by YEC, this \$250,000 figure
25 is a gross revenue amount that ignores the avoided
26 costs of any delay (and that is from

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1 UCG-YEC-1-39). Given that total costs to
2 ratepayers resulting from the project are unknown,
3 UCG submits that it is premature for YEC to be able
4 to identify the financial benefits to ratepayers.
5 UCG submits that once you start to track in the
6 incremental diesel generation used per year, with
7 Minto on the grid, costs associated with the fixed
8 term note, costs to run mine diesels -- mine site
9 diesels, costs of regulatory proceedings and the
10 costs of all resulting distribution and
11 transmission facilities, the proposed financial
12 benefits to ratepayers could become net
13 liabilities.

14 Given the Yukon Government's recently
15 announced proposed directive setting industrial
16 customer rates over the next four years, outside
17 the consideration of the total cost of service as
18 outlined by the Board in its PPA decision, there is
19 no clear picture where non-industrial electricity
20 rates will end up after a full review of the next
21 General Rate Application. With this rate
22 uncertainty, it is premature to suggest, as the
23 Yukon Government has done in press releases, that
24 non-industrial ratepayers will only face an
25 approximate 30 percent increase to their bills by
26 next summer with the elimination of the Rate

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1 Stabilization Fund, particularly since YEC has not,
2 as of yet, calculated the forecast rate impact of
3 the project.

4 With respect to the topic of the public need
5 for the project, the YUB has been directed by the
6 Minister to report on and make recommendations
7 about the necessity for the project and its timely
8 design, with particular regard to the public need
9 for the project under various reasonable electric
10 load forecasts, including requirements related to
11 both the Minto Mine and to other potential major
12 industrial customers.

13 UCG submits that given the lack of coordinated
14 effort between the two electricity utilities, there
15 has been very little in the area of reliable load
16 forecast scenarios entered into evidence upon which
17 to test the public need for this project.

18 In its Reasons for Decision in the Purchase
19 Power Agreement review, the Boards's view is that
20 the project was a project to supply new load, and a
21 project to serve system requirements (and that is
22 from Board Order 2007-5 Reasons, page 13).

23 In its report of recommendations regarding the
24 20-Year Resource Plan, the Board said, quote,
25 "Where cost of service and rate design issues
26 apply, the shortcomings of not including YECL load

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1 forecast information needs to be addressed at the
2 next General Rate Application"; and also,
3 quote, "For rate design and cost of service
4 purposes, applications cannot properly proceed
5 without load forecasts jointly prepared by YEC and
6 YECL documented at the rate class level."

7 UCG submits that it is impossible to
8 accurately predict system needs for facilities
9 without establishing an accurate and robust load
10 forecast. Given the continued lack of involvement
11 of YECL, the Yukon Government, the Energy Solutions
12 Centre and other stakeholders, the YEC load
13 forecasts remain deficient to establish a true
14 public need for the project.

15 It is the UCG's understanding that, however,
16 quite apart from the issues of the reliability of
17 YEC load forecasts, that the project is not so much
18 related to customer need, but rather is an
19 opportunity-based project related to the ability of
20 the YEC to use the capital contribution from the
21 mine to partially fund the project in order to
22 capture what could be generally described as
23 interconnection benefits, including the sharing of
24 generation resources between both grids, diesel
25 fuel displacement, et cetera. And I think we got a
26 good summary of that in today's redirect.

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1 That the project is opportunity-based, rather
2 than need-based, is highlighted by the candid
3 position of the YEC, that the project would not go
4 ahead without the involvement of the Minto Mine and
5 the injection of capital by the Yukon Government to
6 protect ratepayers from the cost of the project.

7 The YUB has also been directed to report on
8 and make recommendations about the necessity for
9 the project, and its timing and design, with
10 particular regard to the implications of the
11 relationship between Stage One of the project and
12 the need for and timing of the Aishihik third
13 turbine.

14 YEC has submitted that the need to build the
15 Aishihik third turbine, while there is surplus
16 generation on the system, is to displace peaking
17 diesel generation that is expected to increase
18 under the base case load forecast, without mine
19 loads, as reviewed in the resource plan hearing.
20 YEC classified the third turbine as an economic
21 opportunity project, not a capacity-driven project,
22 and reflects ongoing diesel displacement benefits
23 in both the short term and the long term when the
24 surplus hydro generation is no longer available
25 (and that is from UCG-YEC-1-26).

26 The Board recommended Aishihik third turbine

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1 proceed in 2013 unless the actual load turns out
2 higher or lower than the load under the base case
3 forecasts, i.e., the forecasts with no mine loads
4 (and that is from the YUB report to commissioner
5 regarding the 20-Year Resource Plan, page 30).

6 Now, as a result of further funding of what
7 the UCG understands to be at least \$5 million, the
8 reasons and timing for the Aishihik project, in our
9 view, have changed from the time of the Resource
10 Plan. Again, as a result of YTG policy and
11 funding, the project will proceed at sometime in
12 the near future, at the behest of the Yukon
13 Government. The precise rate impact is not known,
14 although presumably largely defrayed by the
15 funding.

16 With respect to project alternatives, when
17 asked to provide construction costs per kilometre
18 for power line facilities in other jurisdictions,
19 and to provide updated engineering costs per
20 kilometre by Wardrop Engineering for the proposed
21 138 kilovolt line, YEC indicated the comparable
22 costing information from other jurisdictions is not
23 available for these voltage ranges, as different
24 utilities allocate and report costs differently, in
25 particular with respect to owner's costs. The
26 update engineering costs per kilometre are not yet

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1 completed by Wardrop and so are not available to
2 the Board.

3 And YEC has provided no details on the
4 alternative of not building the Carmacks project,
5 and building the 35 kilovolt line with facilities
6 between Carmacks and the Minto Mine to serve this
7 customer, although I think they have presented it
8 in concept, and the obvious choice or the obvious
9 alternative would be to build a spur line, at the
10 sole expense of Minto, to the grid.

11 This alternative would enable the YEC to
12 capture all of the energy consumption from Minto,
13 without the corresponding risks to the ratepayer,
14 or the Yukon Government to the extent it is funding
15 the project, assuming that Minto would not be
16 financed under that scenario.

17 Granted, the opportunity to interconnect the
18 grids, with the corresponding benefits, would not
19 be realized; however, in assessing the project, it
20 is important for the Board and the now major
21 investor in the project, the Yukon Government, to
22 consider this option as it weighs the risks of the
23 project.

24 Now, with respect to the amended Power
25 Purchase Agreement that was submitted to the Board
26 a few days ago, it is UCG's understanding that the

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1 elements for the Board's consideration, relating to
2 unresolved issues surrounding the amended Purchase
3 Power Agreement, to the extent that the amended PPA
4 does not strictly reflect the recommendations of
5 the Board, are the Rate 39 proposal, the reduction
6 of the minimum take-or-pay amount, and the payment
7 of capital cost escalation amounts by YDC rather
8 than Minto. The Rate 39 proposal, and the capital
9 cost escalation YDC payments, result, in our view,
10 from the intervention of the Yukon Government in
11 the negotiation.

12 The Yukon Government, it appears, has made a
13 policy decision to set industrial mine rates
14 without a full cost of service study. This begs
15 the question of how, for example, additions to rate
16 base will be treated in the next four years.
17 Should the Aishihik third turbine be completed
18 prior to 2012, as an example, whatever capital
19 spending in excess of the Yukon Government
20 contribution, that makes it into the rate base, can
21 only, it appears, be allocated to non-industrial
22 customers. And this would be true for any rate
23 base addition proposed over the next four years.

24 UCG recognizes that YEC has presented the
25 Firm A proposal, directed as it is by the YTG, as
26 necessary to secure the Minto Mine and take

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1 advantage of its capital contribution, and its
2 business to fund the project, and benefit existing
3 customers.

4 The UCG also believes, however, that it is
5 necessary to recognize that such policies may have
6 consequences to the regulation of the utility.
7 Insofar as the Board is required to account for
8 rates, they are not governed by regulation, and as
9 such, do not necessarily fit into the overall
10 principles of rate design that the Board would
11 otherwise apply.

12 Likewise, that the Yukon Government would
13 protect Minto from cost overruns, suggests to the
14 UCG that ratepayers, too, should be protected,
15 which is, in part, the reason we have really
16 recommended a cap to the addition of rate base,
17 based on YEC's high level estimate, the overage
18 being assumed by the YDC.

19 On behalf of the UCG, we thank the Board for
20 the opportunity to participate in this proceeding
21 and hope that our efforts in the IR process, the
22 oral hearing, and our argument are helpful to the
23 Board when it makes its decision in this matter.
24 Subject to any questions, those are our
25 submissions.

26 THE CHAIRPERSON: Thank you for your

1 submission, Mr. Buonaguro.

2 Mr. Landry, that brings us to your reply.

3 Would you be in need of a little bit of time?

4 MR. LANDRY: Madam Chair, I would
5 appreciate a bit of time to, you know, focus in on
6 the required elements of the reply. So I see it is
7 20 to four, so I don't suspect the reply will be
8 long but I would like to have a few minutes to
9 confer.

10 THE CHAIRPERSON: 15 minutes, 20
11 minutes?

12 MR. LANDRY: That's fine.

13 THE CHAIRPERSON: We will reconvene at
14 four.

15 MR. LANDRY: Thank you.

16 (PROCEEDINGS ADJOURNED AT 3:40 P.M.)

17 (PROCEEDINGS RESUMED AT 4:05 P.M.)

18 THE CHAIRPERSON: It appears like
19 everybody is having way too much fun out here
20 without us. So I am glad we are back to control
21 that.

22 Mr. Landry, would you like to proceed.

23 YEC REPLY SUBMISSIONS BY MR. LANDRY:

24 MR. LANDRY: I will, Madam Chair. I
25 must say that that is the first time I ever had
26 music to introduce my reply argument.

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1 THE CHAIRPERSON: A lot of firsts here.

2 MR. LANDRY: And Madam Chair, I will
3 try to deal with the key issues that arose in the
4 arguments of the intervenors, and not necessarily
5 in any particular order.

6 The first issue I would like to talk about,
7 which was raised by two of the intervenors, is the
8 cap issue on the \$25.9 million, the high cost
9 estimate, and it was pushed both by, I guess, YECL
10 and UCG. The way it was pushed was, I guess from
11 the perspective of UCG, there would be a cap on it,
12 you couldn't go any higher than that. In other
13 words, effectively, that would put the cap on the
14 amount of money that could be put in rate base, the
15 difference between 22.6 and 25.9. Whereas YECL
16 suggested that the way to deal with the issue was
17 that YEC should be required to report to the Board
18 if, indeed, the high estimate was exceeded.

19 Madam Chair, not only does YEC not -- cannot
20 accept either of those propositions, in my
21 submission, it is not good regulatory practice to
22 do it. And let me just explain a little bit why.

23 At the moment, as you heard in great detail,
24 there are preliminary estimates that have been
25 provided. You have also heard of the very, very
26 significant benefits that go to ratepayers if,

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1 indeed, this project goes ahead based on those
2 estimates. You have also heard that they could go
3 well beyond, well beyond, the present estimates,
4 and it would still be a benefit to ratepayers.

5 Now, to put a cap on the amount that would be
6 allowed, in order to go forward with this project,
7 would, in my submission, not be in the best
8 interests of not only YEC but ratepayers. And I
9 say that because if, for example, a cap was put at
10 \$25.9 million, what that means is if, for example,
11 the costs come in, in the environment --
12 construction environment we are in, in western
13 Canada and in the North, at say \$30 million, why
14 would any prudently operated utility go forward
15 with that proposal, notwithstanding the fact that
16 it may be \$30 million and those \$30 million, if
17 expended, would be prudently incurred under any
18 regulatory test that might be out there?

19 So, effectively, you have put a disincentive
20 into the situation, such that the management -- the
21 Board of Directors, why would they ever go ahead?
22 I say that in this context, Madam Chair. You
23 always, as you did in Mayo-Dawson -- the Board
24 always has the capability, and that's what the
25 regulatory contract is all about, has the
26 capability, at the time that costs are put into --

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1 or tried to be put into rate base, to test those
2 costs on the basis of prudence. It was done in
3 Mayo-Dawson, it will be done in all capital
4 projects going forward from this day.

5 It is at that point in time that you can test
6 the decisions made by the corporation, as to
7 whether or not they went ahead at \$28 million or
8 \$30 million if, indeed, that ever happens. And if
9 you determine that it was not a prudent decision,
10 then those amounts will not go into rate case,
11 period. That is the way all utilities that are in
12 a similar rate base regulated environment deal with
13 issues like this, it is the way this Board should
14 deal with issues like this. There is just
15 absolutely, in my submission, no reason to follow
16 either the recommendation of YECL or UCG in that
17 regard.

18 The second issue I would like to deal with,
19 Madam Chair, dealt with the issue of standards
20 raised by YECL. And I guess I would refer, for the
21 record, Madam Chair, to two information responses.
22 One is YEC-YECL-7(b), as in Bob, the other one is
23 YEC-YECL-8, and that would be (a), (b) and (c).

24 Fundamentally, contrary to the submissions
25 made to you by YECL, there are standards, and those
26 standard are outlined in those information

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1 responses. I would only say, Madam Chair, that the
2 Utility Board is there to regulate, the utility is
3 there to manage its systems, which it is required
4 to do. YEC has extensive experience in dealing
5 with mine loads and what effect they have on system
6 reliability; much, much larger mine loads than what
7 is being contemplated in the situation of Minto.
8 And the perfect example being Faro.

9 YEC has the experience, there are standards,
10 and there is no conceivable reason, in my
11 submission, that the type of conditions suggested
12 by YECL should be put on YEC, in this case, in your
13 recommendations to the Minister.

14 And I would only say this, Madam Chair, not to
15 be overly critical of the YECL representative, but
16 if you go through the submissions he made, his
17 submission depends on many opinions that he
18 presented to you in terms of these standards. What
19 the YECL representative said was nothing more than
20 submissions. YEC does not accept those opinions
21 and, quite frankly, from the perspective of natural
22 justice, if they wanted to rely on those opinions
23 in order to suggest to you that conditions should
24 be put on the certificate that is ultimately put
25 out by the Minister, it should have brought those
26 opinions forward so they could be tested as YEC's

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1 witnesses were tested over the last couple of
2 days. You cannot rely on submissions which
3 contain, in effect, an attempt to put in evidence
4 in order to come to the conclusions that YECL
5 suggested.

6 Madam Chair, YECL also indicated to you that
7 it was premature to grant a certificate for
8 Stage Two, realizing that it is the Minister who
9 grants this certificate, but that you should say so
10 in your recommendations to the Minister.

11 And the representative also said that you
12 should put a condition, if you decided that you
13 would recommend that the certificate go forward, a
14 condition that would suggest that the requirement
15 that the capital cost of Stage Two be completely
16 offset by government funding and/or an industrial
17 contribution. Again, I say, with respect, that it
18 just doesn't make good sound regulatory sense to
19 suggest such a thing.

20 If, indeed, from the beginning, and Mr.
21 Morrison explained the point again today in
22 evidence, the position of Yukon Energy has been,
23 and the YUB put in its report in the quote that I
24 gave to you earlier, that the concept of Stage Two,
25 although conditional on an industrial coming
26 forward, such as Carmacks Copper, would always have

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1 no adverse impact on ratepayers, that doesn't mean
2 there might not be costs that would have to be
3 incurred in order to get benefits for ratepayers.
4 And to put a condition, again, on this stage of the
5 project, such that it could not go ahead unless
6 there was -- the full costs are picked up by
7 government and industry, again doesn't make sense.
8 That is not, in my submission, in the best
9 interests of ratepayers, because there could be
10 substantive benefits that would, once again, be
11 realized by the interconnection with the funding
12 from both industry an government.

13 So in our submission, not only should the
14 certificate be -- you should recommend that the
15 certificate be issued in respect of Stage Two, no
16 such condition should be put on it.

17 And I would say to you, Madam Chair, there is
18 no need for another hearing. This is, effectively,
19 the third lengthy legal process that has been put
20 in place to deal with this project. If there are
21 still issues that the Board has, as regulator, in
22 relation to Stage Two, then you should put them as
23 recommendations for conditions to be put to the
24 certificate.

25 Madam Chair, the next item is the issue raised
26 by UCG, and I am using my words a little bit here,

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1 that the representative of UCG was suggesting that
2 there should be some sort of audit or monitoring
3 process involving stakeholders and/or the Board.

4 I guess the first thing I would say in
5 response to that is, as Mr. Morrison indicated,
6 that that, from Yukon Energy's perspective, would
7 be totally unacceptable. Obviously, it would add
8 significant costs, in my submission, to the
9 project, added involvement of parties and, at the
10 very core of what is being suggested, it would
11 usurp Yukon Energy's role as the manager of the
12 assets.

13 You, as regulator, always have the capability,
14 in this case it would be in terms of the costs that
15 were being tried to put into rate base, to see
16 whether or not what was done was prudently done.
17 But it is the utility's role, in a rate base
18 regulated environment, to manage the system, not
19 the regulator or the stakeholders. And it would
20 be, in my submission, just contrary to normal
21 regulatory practice to put either the Board and/or
22 stakeholders into the middle of the management of a
23 project like this because it would also be an
24 incredible precedent to put in place.

25 Would that mean that any decision that
26 stakeholders thought was a difficult decision, that

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1 there would be a monitor put in place to see
2 whether or not Mr. Morrison and other people within
3 Yukon Energy were doing it according to what is
4 right in the stakeholders' mind? It just would not
5 work and it is why it is not, in my submission, at
6 least in my experience, utilized in other
7 jurisdictions.

8 The next item, Madam Chair, was an item raised
9 again by UCG, and there was reference to the
10 \$250,000 a month lost revenue concept. And UCG --
11 again I am summarizing here without a transcript,
12 but UCG was taking the position that you had to be
13 careful because it did not include potential
14 liabilities such as diesel and issues relating to
15 flex term note, et cetera.

16 I would only ask the Board to look at
17 Attachment C to the application, where you will see
18 all of those issues were dealt with, and what you
19 will see in the first year of operation, first full
20 year of operation, there is a net benefit to
21 ratepayers of two and a half million dollars.

22 The final point, Madam Chair, that I would
23 like to deal with, is with respect to LOLE and
24 YECL's comments in that respect.

25 Now, as I understood YECL's comments, they
26 said that, because of the LOLE and the Board's

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1 recommendation, that no generation should be built
2 for industrials. And they take that proposition
3 and they leap to, effectively, conclude that you
4 should not include diesel fuel savings, when
5 serving industry, when you are trying to assess
6 projects like the Aishihik third turbine.

7 I just want to say, Madam Chair, that Yukon
8 Energy fundamentally disagrees with that
9 proposition. LOLE is only for capacity planning,
10 not energy planning. If you use hydro to displace
11 diesel fuel generation, that should be accounted
12 for, in the circumstances that we are talking
13 about.

14 And I guess I would only pause there to say
15 this, Madam Chair; I would ask once again for the
16 Board to consider the positions or the evidence of
17 Mr. Morrison in relation to LOLE, and that I
18 pointed out to you earlier, because this is one
19 good example where it is clearly, in our
20 submission, what YECL said is incorrect, but the
21 confusion created by the situation around LOLE is
22 just one indication of that type of confusion. And
23 so I would again ask the Board to look very
24 carefully at the evidence of Mr. Morrison in that
25 regard.

26 Madam Chair, those are my submissions.

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1 THE CHAIRPERSON: Thank you, Mr. Landry.
2 That brings us to the conclusion of our preliminary
3 argument and reply.

4 Are there any other matters that anybody
5 wishes to bring before the Board at this time? In
6 which case, as parties are aware, we will reconvene
7 for a public input session at five o'clock this
8 evening, and following that we will have final
9 argument and reply, which will be oral as well.
10 Thank you.

11 (PROCEEDINGS ADJOURNED AT 4:20 P.M.)

12 (PROCEEDINGS RESUMED AT 5:05 P.M.)

13 THE CHAIRPERSON: I am sorry, I forgot to
14 excuse the panel.

15 (YEC PANEL EXCUSED)

16 THE CHAIRPERSON: We are in the public
17 input session now.

18 I don't see any new faces in the room, so
19 I won't introduce counsel and the Board again.
20 Welcome to the public input session, and thanks for
21 coming back in so short a time.

22 Ms. Marx, could you please have the first
23 person come forward that would like to have some
24 input into the Board's public input session.

25 MS. MARX: Yes. I understand
26 Mr. Rondeau has a submission to make on behalf of

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1 another party.

2 SUBMISSION BY MR. R. RONDEAU ON BEHALF OF

3 MR. CHARLES EGLI:

4 MR. RONDEAU: Thank you. My name is
5 Roger Rondeau. I just want to indicate up front
6 that this submission is not on behalf of the
7 Utilities Consumers' Group. I am just representing
8 a group of private citizens that live on the Haines
9 Highway, between Haines Junction and Haines,
10 Alaska.

11 It comes from Mr. Charles Egli, who is a
12 Haines Road resident and general contractor.
13 However, there is a petition in the back with 20
14 some odd names, and I will present a copy of this
15 to the Board so that you will have this on file.

16 Mr. Egli writes:

17 Greetings from beautiful Kluane! I would
18 like to comment on two issues that have
19 come before the Yukon Utilities Board
20 recently that my neighbours and I felt
21 should be taken into consideration for
22 your future deliberations.

23 The first issue relates to the
24 Board's review of the agreement between
25 Yukon Energy Corp. and Sherwood Copper
26 Corporation with respect to the proposed

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1 Carmacks-Stewart Transmission Project.

2 We have a concern as to whether the YUB
3 is absolutely certain that this project's
4 diversion of surplus grid capacity from
5 Kluane's Aishihik generation station
6 (AGS) may not eventually leave Kluane
7 somewhat deprived of usable capacity just
8 at the time when the district is
9 preparing modest growth plans of its
10 own.

11 The second issue is frankly more
12 self-serving and arose from our concern
13 that the map (page 2-2) and text of the
14 YEC's recent 20-Year Resource Plan
15 (approved by the Board) fail to demark
16 the Haines Road as one of the favourite
17 future grid extensions. It is our desire
18 to see the Haines Road corridor
19 designated as a territorial
20 infrastructure improvement area, and as
21 such, absolve the pioneering
22 entrepreneurs on this artery from the
23 conventional treatment under the Rural
24 Electrification and Telecommunications
25 Program.

26 And he elaborates:

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1 Reserving surplus capacity for Kluane
2 growth: While many Yukoners believe that
3 everyone on our main arterial roads and
4 highways enjoys electrical service and
5 high speed internet, there is, in fact, a
6 group of regions that are still wanting.
7 One of these is a 102-kilometre stretch
8 of highway from Haines Junction to the
9 B.C. border, which they call the
10 Haines Road corridor. The snow packed
11 peaks, lakes and creeks are a natural
12 magnet, and the forested right-of-way
13 shields travellers from most of the
14 approximately 25 developed commercial and
15 residential tracts. These homes, cabins
16 and motels, lodge about 100 citizens,
17 year-round and seasonal residents. As
18 well, this artery is the home of the
19 Champagne and Aishihik First Nation's
20 Klukshu Village, with its new community
21 centre. It has, within its boundaries,
22 the Kluane National Park, Lake Kathleen
23 Campground, NorthwESTel relay towers and
24 the Blanchard River grader station at the
25 southern terminus. In all, the artery
26 has hunger pains for sustained

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1 development and dependable electrical
2 power; and new enterprises are appearing
3 on this corridor every year.

4 Being off-grid has its own set of
5 hardships and issues: It is estimated
6 that the environment could benefit from a
7 savings of 900 tonnes of CO2 emissions by
8 the phase-out of the current diesel and
9 gasoline generator plants that this grid
10 extension would get rid of.

11 Batteries and/or generators must be
12 replaced approximately every three to ten
13 years.

14 Number 3, resale of homes and
15 businesses is hampered. The caveat on
16 the MLS form, where realtors forewarn of
17 the need to maintain a power plant and
18 solar panels, make many purchasers wary.

19 Number 4, residents, their children,
20 employees and business patrons must
21 endure the incessant drone of these
22 generators.

23 Financing becomes a chore as well,
24 Number 5. Lenders prefer to lend on
25 grid, knowing that the resale will be
26 difficult in case of sale or foreclosure

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1 proceedings. Fiduciary role requires
2 lenders-in-possession to be vigilant
3 guardians of vacant premises in case of a
4 power plant failure and very real hazard
5 of freezing and bursting of the pipes.

6 Number 6, 95 percent of all Yukoners
7 enjoy high speed internet; but on the
8 Haines Road, it's dial-up, going without,
9 or paying \$95 a month for the satellite
10 provider.

11 Number 7, even taking a vacation,
12 attending trade shows or travelling for
13 outside hospital care, can be a trying
14 experience, as one must search for
15 responsible caretakers to maintain the
16 plant and facilities.

17 A chicken and egg phenomenon
18 surrounds most linear development grid
19 extensions. Premature constructions by a
20 utility provider ensures a financial loss
21 situation in the early years. On the
22 other hand, there comes a time when lack
23 of grid threatens both the
24 expansion/existence of present activities
25 and impedes the potential new
26 development.

Submissions
(Rondeau for Egli)

1 My plea today to you, the Board
2 Members, is to ascertain that this
3 project, the CSTP, will not hamper the
4 future electrical needs of the residents
5 and the businesses in Kluane's watershed
6 area from whence the hydro is generated.
7 Diversification of the Yukon's economy
8 will be better served when commerce of
9 all types has yet another venue within to
10 flourish. The jewel known as the
11 Haines Road corridor is such an
12 opportunity, in our mind.
13 He outlines some activity and planning that is
14 occurring in this area:
15 Number 1, current facilities that would
16 likely benefit from grid extension
17 include the Kathleen Lake Lodge, the
18 Kathleen Lake Retreat, the Cabins Bed and
19 Breakfast, Dalton Trail Lodge,
20 NorthwestTel relay towers, Klukshu Village
21 and the Blanchard River grader station.
22 Number 2, the First Nation, CAFN, has
23 the beginnings of a traditional village
24 re-creation in Klukshu. To the north,
25 they have plans on the shelf for a
26 lakeside hotel and convention centre. It

Submissions
(Rondeau for Egli)

1 is but one of a plethora of economic
2 development proposals to augment their
3 financial sustainability. All parties
4 are cognizant that the 15-year funding
5 under the Land Claim Agreement incurs in
6 its final agreement in 2008. CAFN also
7 has developable residential tracts at
8 Quill Creek and Lower Kathleen.
9 That is on the Haines, towards -- closer towards
10 Haines.

11 At both the recent Municipal Election
12 All-candidates Night and the Haines
13 Junction Economic Study Open House, it
14 was clear from the public feedback that
15 Haines Junction residents have come to
16 the realization that continuance of
17 certain services, and feasibility of
18 desired new facilities, is likely
19 dependent on growth of their
20 jurisdiction, to ultimate population of
21 1500 or more, is the prudent economics of
22 scales. The addition of 700 residents by
23 2016 will impose significant direct and
24 indirect demand requirements on the AGS.
25 YTG and Forestry are funding harvest
26 strategy plans dealing with the Spruce

Submissions
(Rondeau for Egli)

1 Beetles - damaged tracts of land, which
2 may impact favourably with greater local
3 milling volumes. One example, Dimok
4 Timber at Canyon Creek.

5 Another local demand growth component
6 will be the eventual and equidistant
7 122-kilometre grid extension to
8 Burwash Landing and Destruction Bay, to
9 extinguish the financial burden of CO2
10 emissions of their diesel-generated local
11 grids.

12 Number 6, the Rural Secretariat and
13 Tourism are funding roundtable and Alaska
14 Highway economic development strategy
15 efforts in the Haines Junction region.

16 In the broader context, it would be
17 extremely consoling to Kluane
18 policy/decision makers if they could
19 entrust the Board to be on the watch that
20 sufficient reserve was in place, on the
21 AGS, for the eventuality when growth
22 plans for Kluane come to fruition. While
23 the CSTP itself may not deprive future
24 Kluane developmental plans, the
25 cumulative effect of these reallocations
26 of the AGS capacities is somewhat of a

Submissions
(Rondeau for Egli)

1 worry to us.

2 The Aishihik watershed has a wealth
3 of power generation potential; enough to
4 be shared. There has been no visible
5 political or media dialogue with respect
6 to Kluane's future electrical needs. It
7 seems an oversight that a major diversion
8 of our watershed's power availability is
9 being considered without addressing
10 Kluane's medium term situation, and
11 acknowledgment of the growing needs of
12 our vicinity.

13 Will decisions in May of 2007, by
14 your Board, impact negatively on the
15 aforementioned Kluane electrical demand
16 needs from 2008 to 2028? Will Kluane
17 proponents be told, sorry, the well is
18 dry, when they are ready to tap on to
19 this Aishihik extension?

20 The Board has approved Yukon Energy's
21 20-Year Resource Plan, albeit there is
22 not a mention of the various Kluane
23 growth nodes that I have discussed above,
24 let alone my own personal concern for the
25 Haines Road grid extension. Absence from
26 the Resource Plan gives the impression to

Submissions
(Rondeau for Egli)

1 the southwestern observers that this
2 extension will not be granted, without
3 full contribution by the affected
4 landowners, within a 20-year time frame.

5 I hereby request that approval of any
6 agreement between YEC and SCC be deferred
7 until YEC presents broad time lines that
8 illustrates it is prepared to address the
9 aforementioned Kluane growth nodes; in
10 particular, that YEC's natural growth in
11 the 20-Year Resource Plan includes demand
12 requirements of also the
13 Burwash/Destruction grid extension,
14 Haines Junction's desired 700 residents
15 by 2016 expansion and, more pointedly,
16 the Haines Road grid extension.

17 Classifying the Haines Road as an
18 infrastructure project: While I write
19 today solely on my own behalf, I enclose
20 an informal petition signed on
21 October 25th, 2005, by 16 other
22 Haines Road residents, businesses,
23 including the CAFN, as an expression of
24 interest to purchase electrical power
25 from Yukon Electrical. The follow-up
26 response correspondence is also attached

Submissions
(Rondeau for Egli)

1 from Yukon Electrical Corporation
2 Limited. It indicates that a grid
3 extension was immediately available,
4 provided YTG, Indian and Northern Affairs
5 Canada, and any other cooperating
6 stakeholders, ante up the approximately
7 \$36,000 per kilometre.

8 I should add that it is inconceivable
9 that the Haines Road participating
10 stakeholders should bear the total of
11 these construction costs. Haines Road is
12 a major link from the tidewater to
13 central Alaska. During 60 years of life,
14 this area has been slow to flourish,
15 mainly due to the Kluane National Park
16 and Reserve occupying much of its western
17 frontage, and the domination of Dezadeash
18 Lake on the east. While the Rural
19 Electrification Program assists in
20 bringing power to hamlets, this corridor
21 is a lengthy linear corridor of sparse
22 density. There seems to be a case for it
23 being treated as an infrastructure
24 situation, much like the stretch between
25 Pelly Crossing and Stewart Crossing.

26 Current facilities, that would likely

Submissions
(Rondeau for Egli)

1 benefit from grid extension, includes the
2 Kluane Lake Lodge, Kathleen Lake Retreat,
3 the Cabins B&B, Dalton Trail Lodge, the
4 NorthwestTel relay towers and Klukshu
5 Village and Blanchard River grader
6 station.

7 I mentioned that earlier. It is repeated here.

8 We live today in the world of
9 environmental concerns. Just Dalton
10 Trail Lodge and the grading station,
11 together, burn approximately 600 litres
12 of diesel per day. That accumulates
13 4,200 litres per week, approximately
14 18,000 litres per month. They also have
15 the yearly figures, 216,000 litres. It
16 is quite easy to imagine that the total
17 consumption for all of the premises on
18 the route in this vicinity, of
19 approximately 300,000 litres annually,
20 that is about 900 tonnes of CO2
21 emissions. It is in the interest of both
22 the environment and family/employees, who
23 live here, to have health and to see the
24 time in the future when the exhaust from
25 these generators are gone.

26 To give some perspective of

Submissions
(Rondeau for Egli)

1 residential or small enterprise fuel
2 usage, the 7/24 operation of an
3 8-kilowatt 40-amp generator requires
4 about 15,000 litres of diesel annually,
5 at a cost of approximately \$14,000. The
6 power plant cost of \$9,000 is re-incurred
7 every three to five years.
8 Alternatively, a substantial investment,
9 of \$28,000, can be made in 40-amp service
10 solar collectors, inverter and storage
11 battery, which lasts approximately four
12 to ten years.

13 If one examines the RETP, the Rural
14 Electrification Program, it does not work
15 well in a sparse-density linear
16 development. To illustrate: By
17 conventional application of simple
18 averaging, the estimated 3.6 million cost
19 of a 102-kilometre grid extension would
20 result in a levy of approximately \$60,000
21 for each of the 60 landowners.

22 An alternative optional agreement is
23 the grouping of the larger users and
24 owners, Parks Canada, Kathleen Lake
25 Campground, the lodges, NorthwEstel, the
26 CAFN First Nations, the lodges at

Submissions
(Rondeau for Egli)

1 Kathleen and Blanchard River grading
2 station, where they share 50 percent of
3 the cost, which would be approximately
4 \$250,000 each.

5 If not, a far superior strategy is
6 for the federal government and YTG to
7 deem the Haines Road corridor an
8 infrastructure project, similar to the
9 \$10 million contribution for the Pelly
10 Crossing-Stewart Crossing link, and based
11 on our sparse density. A YTG/Fed
12 contribution of say 50 percent,
13 approximately 1.8 million, would reduce
14 the above levies to a more reasonable
15 129,000 for the larger shareholders, and
16 17,000 for the individuals,
17 respectively. This would bring down the
18 payback period tremendously and present a
19 justified business plan for many of us.

20 I conclude that the new grid
21 infrastructure may be subject and
22 corresponded to limited federal annual
23 funding to the territory or via municipal
24 GST rebates. To that end, it would be
25 envisioned that the Haines Road grid be
26 implemented in three stages: the

Submissions
(Rondeau for Egli)

1 Junction to Dalton Trail Lodge; then
2 extended to Klukshu; and finally extended
3 to the Blanchard River grader station. A
4 fringe benefit for YTG's designation of
5 the Haines Road as somewhat of a broader
6 infrastructure project would be
7 eventually enhanced, and the subsequent
8 increased property taxes that should
9 inflate the newly gridded land parcels.

10 In closing, approval of Yukon
11 Energy's request to divert spare capacity
12 from the Aishihik generating station, for
13 the Stewart Crossing grid extension,
14 should be incumbent on such approval not
15 conflicting with the local watershed
16 energy requirements. Meanwhile, it must
17 be remembered that the Haines Road
18 pioneer stakeholders have been patient.
19 60 years. Please take caution that,
20 should the current agreement under
21 negotiation be approved without
22 satisfactory time line proposals for our
23 own grid extensions, and safeguards of
24 reserve capacity, it is intended to
25 pursue the available resources with full
26 vigour.

Submissions
(Rondeau for Egli)

1 Thank you for your consideration,
2 Board. Regards, Charles Egli.
3 His addressed letter has been or will be copied to
4 Premier Dennis Fentie and Cabinet Ministers and
5 also YTG Tourism Department.

6 I have a copy of the petition and the Yukon
7 Electric letter, as well, that I will give to
8 Ms. Lemke. And anyone who wishes a copy, I can
9 e-mail a copy of this. Thank you.

10 THE CHAIRPERSON: Thank you, Mr. Rondeau,
11 for taking time out to deliver that for Mr. Egli,
12 and I trust you can pass on the Board's thanks to
13 Mr. Egli, as well, for preparing such a detailed
14 submission for this hearing.

15 Do any parties have any comments they wish to
16 make on the submission?

17 In which case I would like to thank all
18 participants to the oral public hearing, that we
19 have had, to the Carmacks-Stewart Transmission
20 Line, and this hearing is thereby adjourned.

21 (PROCEEDINGS ADJOURNED AT 5:25 P.M.)

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REPORTER'S CERTIFICATION

I, the undersigned, hereby state that the foregoing pages 1 through 294 were taken down by shorthand and transcribed to the best of our skill and ability.

DATED at the City of Whitehorse, Yukon Territory, this 16th day of May, A.D., 2007.

Doug Ayers,
Court Reporter

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