

YUKON
ENERGY



YUKON ENERGY
CORPORATION

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Our File: 2700-05-03

March 29, 2010

Yukon Utilities Board
P.O. Box 31728
Whitehorse, YT
Y1A 6L3

Attention: Mr. Bruce McClennan, Chair

Re: 2008 Diesel Contingency Fund Filing

In accordance with the negotiated settlement resulting from the 1996/97 Revenue Requirement and Rate Design Application, Yukon Energy is to file with the Board a report on the operation of the Diesel Contingency Fund for each year.

For the 2008 year, Yukon Energy was involved in a general review of its rates, which includes activities extending well beyond the 2008 year-end (the 2008/09 General Rate Application and follow up joint YEC/YECL Phase II Rate Application). These regulatory reviews include consideration of matters related to diesel generation forecasts and the potential need to update the methods of operation of the DCF. The Phase II Rate Application document has now been finalized and submitted to the Board for review. As part of that process, the utilities have not sought any changes to the DCF at this time.

No DCF report was filed at year-end 2008 pending YEC's and the Board's review of these matters. While the DCF operating rules will require attention in future to address a number of circumstances, including updating long-term average hydro generation values, fund "triggers", and potentially a means to address secondary sales, no changes are yet being proposed to the fund.

Consequently, in order to ensure a complete record for the Board's files, please find attached the schedules and tables related to the Diesel Contingency Fund for 2008:

1. Diesel Contingency Fund Continuity Schedule for 2008,
2. Diesel Contingency Fund Calculation Tables for 2008, and
3. As required by the DCF negotiated settlement, also attached is an internal memo regarding the 2009 forecast of available water.

Following is the general information on Diesel Contingency Fund operations for 2008:

- The opening balance of the Diesel Contingency Fund as at January 1, 2008 was \$856,020.84.
- The Closing Balance of the Fund as at December 31, 2008 was \$882,693.40.
- The net change in the Fund of \$26,672.56 is attributable to interest of \$29,389.43 net of account service fees of (\$2,716.87). There was no other activity impacting the fund.
- Long term average annual non-diesel generation for purposes of this report remains unchanged as follows:
 - Whitehorse Rapids Hydro – 246 GWh
 - Aishihik Hydro – 105 GWh
 - Fish Lake Hydro – 10 GWh
 - Haeckel Hill – Wind Turbine – 0.3 GWh
- Actual diesel generation for 2008 was 1,214,174 kWh. Diesel was not on the margin for any month of the 2008 period.
- During December 2008 diesel generation exceeded the on the margin threshold of 250 MW.h/month used within the Diesel Contingency Fund as a determinant to indicate that all diesel generation during a month is presumably required only for baseload serving purposes. Upon review it is evident that the diesel generation was for unplanned maintenance or peaking purposes and not due to low water flow variances. As this generation does not meet the overall intent and purpose of the Diesel Contingency Fund it has been excluded from the December 2008 calculation so that there is no impact on the Diesel Contingency Fund for this generation.
- As per the attached memorandum written by Ron Gee, Resource Management Engineer, diesel consumption for generation or capacity requirements is not expected in 2009.

If there are any questions related to the filing of this report or management of the Diesel Contingency Fund please contact the undersigned.

Sincerely,



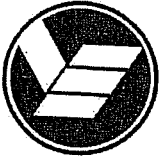
Ed Mollard, CGA
Chief Financial Officer

**YUKON ENERGY CORPORATION
DIESEL CONTINGENCY FUND
CONTINUITY SCHEDULE**

<u>FOR THE YEAR</u>		
<u>2008</u>	Opening balance	856,020.84
	DCF Rider Drawdown	-
	YEC buildup - Fuel	-
	YEC buildup - O&M	-
	YECL Net withdrawals	-
	Interest Income/Service Fees	<u>26,672.56</u>
	Ending Balance	<u><u>882,693.40</u></u>

2008 DCF Calculations	Line#	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	TOTAL
Actual generation - kWh	1													
Hydro	1a	33,165,929	29,610,041	26,877,857	23,666,146	21,345,655	21,790,016	21,745,269	22,940,550	22,307,493	25,080,823	23,532,970	35,346,689	313,708,326
Wind	2	0	0	0	0	0	0	0	0	0	0	0	0	0
Diesel	3	37,293	76,111	174,669	174,669	174,669	39,760	70,500	18,800	101,390	436,890	669,618	1,214,174	436,890
Total	3	33,203,251	29,686,152	26,992,957	23,686,146	21,706,313	21,829,776	21,915,769	22,959,350	22,307,493	25,298,491	23,955,016	36,016,139	313,359,390
Forecast Generation - kWh	4													
Hydro	4a	39,406,623	27,721,714	26,693,170	23,678,498	24,702,218	30,659,932	30,771,956	30,671,503	31,799,615	32,502,676	30,765,226	29,775,138	351,087,956.00
Wind	4b	30,000	26,000	26,000	24,000	24,000	15,000	15,000	20,000	25,000	30,000	30,000	30,000	307,956.00
Diesel	4c	11,839,446	10,561,268	11,937,833	11,597,539	9,502,321	1,203,010	1,346,054	1,350,512	1,418,675	3,611,765	7,995,231	11,951,208	84,205,322.00
Total	4	42,275,069	38,310,982	38,657,763	35,407,737	34,226,539	32,177,942	32,133,010	32,242,342	32,237,290	36,144,441	38,780,457	41,656,346	435,592,818.00
Variance - kWh	5													
Hydro and wind	5a	3,795,995	2,721,714	2,693,170	2,369,352	2,476,218	3,066,964	3,071,956	3,021,503	3,180,940	3,292,197	3,075,216	2,978,138	35,107,902.00
Total (forecast)	5	(11,502,933)	(10,824,830)	(11,937,833)	(11,564,239)	(9,315,663)	(1,203,010)	(1,346,054)	(1,346,054)	(1,418,675)	(3,392,037)	(7,559,231)	(11,187,950)	(69,591,148)
Expected diesel generation - kWh:	6	(6,072,818)												
Greater of (savings to a maximum of forecast diesel):	7	(6,072,818)												
(VEC generation requirement at long term average Hydro capability)	8													
Forecast generation	9													
Total variance	10	11,839,446	10,561,268	11,937,833	11,564,239	9,502,321	1,203,010	1,346,054	1,350,512	1,418,675	3,611,765	7,995,231	11,851,208	84,205,322.00
Expected generation	11	(6,072,818)												
Maximum savings available	12	2,766,623												
Actual diesel generation	13	11,839,446	10,561,268	11,937,833	11,564,239	9,502,321	1,203,010	1,346,054	1,350,512	1,418,675	3,611,765	7,995,231	11,851,208	84,205,322.00
Diesel savings (excess) (kWh)	14	37,923												
Standard efficiency (kWh)	15													
Standard lines - 000 lines	16													
Standard price(\$ per ltr)	17													
Manual input	18													
Reserve Balance (Excluding interest and service fees)	19	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84
Beginning reserve	20													
Reserve Building (drawdown)	21													
Power drawdown	22													
Line 25	23													
Line 26-27-28-29	24													
Interest Calculations:	25													
Monthly interest rate	26	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Monthly interest earned	27													
Service fees	28													
Net interest earned	29													
Cumulative net interest earned	30													
Ending reserve balance including interest	31	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84	856,020.84
Line 30-35	32													
Line 36 p1cr period	33													
Line 37-38	34													
Line 39-40	35													
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YUKON
ENERGY



YUKON ENERGY CORPORATION
MEMORANDUM

DATE: May 5, 2008

TO: Melaine Fillion

FROM: Ronald Gee

RE: 2008 Forecast of Available Water on WAF Grid

The present sales forecast for 2008 on the Whitehorse-Aishihik-Faro (WAF) system is approximately 312.9 GWh's.

The Aishihik Lake reservoir is currently near its low for the year at an elevation of 914.27m. Inflows for 2008 are expected to be above average and therefore the forecasted peak elevation in October will reach the peak operating level of 915.1m. With the Carmacks to Stewart Crossing transmission line and Minto Mine spur expected to be in operation in 2008, the Aishihik Lake level will be brought up to near full supply level. The Aishihik system is expected to have full use of energy and capacity from the plant for the winter of 2008/09. Operationally, there is no scheduled maintenance of the Aishihik hydro units that would impact the winter generating capability of the hydro plant.

Marsh Lake reservoir is presently at 653.91m. The lake level will begin rising in the next week and is forecast to be completely full by the fall. Winter drawdown of the lake will begin in November and continue through to May 2009. Energy and capacity at Whitehorse Rapids will be constrained by the decreasing water flow in the Yukon River as the winter progresses. This decrease in generating capability is the normal operating situation for Whitehorse Rapids. Scheduled hydro maintenance is not expected to impact the winter generating capability of the Whitehorse Rapids Hydro Plant.

With the current sales forecast and the expectation of full hydro reservoirs in the fall, there is no forecast diesel generation for energy requirements expected in 2008.

Diesel generation in 2008 may occur for the following reasons: For maintenance purposes to ensure operational readiness, diesel peaking during periods of unseasonably cold temperatures and in the event of an unplanned hydro shut down. The total amount of diesel for the above purposes is not expected to exceed the thresholds specified in the calculation of the Diesel Contingency Fund. Attached is a forecast of the WAF generation levels for 2008.

WEEK	ACTUAL	PROJ	ACTUAL		PROJ		PROJ	ACTUAL
	OR	OR FORE	OR FORE	ACTUAL	AISH	PROJECT	OR FORE	OR FORE
ENDING	PROJ	SYST GEN	WHSE GEN	AISH	AISH	AISH	AISH GEN	DIES GEN
2008	SYST GEN	AVG	AVERAGE	INFLOW	OUTFLOW	ELEV	AVG	AVG
	(GWH)	(MW)	(MW)	CMS.W	CMS	(m)	(MW)	(MW)
5-Jan	33.203251	43.886	25.768	3.221	8	914.824	18.118	0.000
12-Jan		44.193	24.621	3.169	8	914.793	19.570	0.002
19-Jan		42.098	23.761	4.305	8	914.767	18.336	0.000
26-Jan		43.625	23.952	0.761	8	914.727	19.673	0.000
2-Feb	29.686152	51.714	25.272	1.646	8	914.691	25.957	0.485
9-Feb		50.776	24.248	2.889	8	914.643	26.367	0.160
16-Feb		40.893	23.452	-0.850	8	914.579	17.425	0.016
23-Feb		35.832	23.105	0.126	8	914.539	12.728	0.000
1-Mar	26.902957	38.750	22.153	1.501	8	914.512	16.597	0.000
8-Mar		37.120	21.666	-3.643	8	914.465	15.455	0.000
15-Mar		35.866	20.902	2.359	8	914.443	14.964	0.000
22-Mar		35.808	20.665	3.517	8	914.426	15.143	0.000
29-Mar		35.109	20.800	0.537	8	914.397	14.309	0.000
5-Apr	25.382887	34.207	21.273	-4.190	8	914.349	12.934	0.000
12-Apr		33.606	20.760	0.608	8	914.321	12.846	0.000
19-Apr		33.277	19.553	4.681	8	914.310	13.724	0.000
26-Apr		31.252	19.922	-2.930	8	914.268	11.330	0.000
3-May	22.70213	30.351	19.131	9.205	8	914.276	11.220	0.000
10-May		30.514	18.314	13.215	6	914.306	12.200	0.000
17-May		30.514	18.314	14.540	6	914.341	12.200	0.000
24-May		30.514	19.914	16.283	5	914.387	10.600	0.000
31-May		30.514	19.914	21.686	5	914.455	10.600	0.000
7-Jun	20.879176	28.999	19.299	25.666	5	914.540	9.700	0.000
14-Jun		28.999	19.299	26.666	5	914.628	9.700	0.000
21-Jun		28.999	21.049	24.095	5	914.711	7.950	0.000
28-Jun		28.999	21.049	25.743	4	914.542	7.950	0.000
5-Jul	21.54486	28.970	25.401	24.154	4	914.625	3.569	0.000
12-Jul		28.958	25.389	24.837	4	914.675	3.569	0.000
19-Jul		28.958	25.389	27.676	4	914.730	3.569	0.000
26-Jul		28.958	25.389	24.308	4	914.813	3.569	0.000
2-Aug	21.435453	28.916	28.916	22.165	4	914.888	0.000	0.000
9-Aug		28.811	28.811	19.706	4	914.952	0.000	0.000
16-Aug		28.811	28.811	19.230	4	914.809	0.000	0.000
23-Aug		28.811	28.811	17.744	4	914.865	0.000	0.000
30-Aug		28.811	28.811	17.071	4	914.919	0.000	0.000
6-Sep	23.306207	31.861	28.292	16.672	4	914.971	3.569	0.000
13-Sep		32.370	28.801	15.053	4	915.016	3.569	0.000
20-Sep		32.370	25.051	12.654	6	915.043	7.319	0.000
27-Sep		32.370	25.051	11.586	6	915.066	7.319	0.000
4-Oct	27.945126	35.336	25.636	10.278	6	915.084	9.700	0.000
11-Oct		37.561	27.861	10.982	6	915.104	9.700	0.000
18-Oct		37.561	27.861	7.664	6	915.111	9.700	0.000
25-Oct		37.561	27.861	6.211	6	915.112	9.700	0.000
1-Nov	30.949948	38.336	28.636	4.585	6	915.106	9.700	0.000
8-Nov		42.986	24.036	4.432	12	915.075	18.950	0.000
15-Nov		42.986	24.036	4.579	12	915.045	18.950	0.000
22-Nov		42.986	24.036	5.037	12	915.016	18.950	0.000
29-Nov		42.986	24.036	4.890	12	914.987	18.950	0.000
6-Dec	33.357305	44.571	23.871	4.606	13	914.953	20.700	0.000
13-Dec		44.835	24.133	4.655	13	914.918	20.702	0.000
20-Dec		44.835	24.133	4.778	13	914.885	20.702	0.000
27-Dec		44.835	24.133	4.132	13	914.848	20.702	0.000