

YEC dodging regulatory authorities: critics

By Chuck Tobin
Whitehorse Star

Yukon Energy is being accused of sidestepping the territory's normal regulatory authorities.

The Yukon Conservation Society and the New Democratic Party have both expressed a concern with the decision by the publicly owned utility to move forward with the Mayo B hydro expansion without having any permits in hand.

"It is unknown whether it is prudent to build Mayo B at this time and no energy project certificate has been issued," the conservation society points out in a letter sent last week to the Yukon Utilities Board.

"However, Yukon Energy Corporation, a utility regulated by the Yukon Utilities Board, is, in the view of the Yukon Conservation Society, prematurely proceeding with awarding contracts for Mayo B."

The society points out in its letter that the board was instructed back in December by Justice Minister Marian Horne to conduct a full review of the Mayo B proposal.

The review was to include an assessment of whether the project makes sense at this time, whether there are any alternatives to the expansion, and whether there need to be any changes to the design, or timing for the project, the society points out.

The board has not concluded its review but Yukon Energy has already entered in an \$85.4-million construction contract. It has also ordered the two new five-megawatt turbines required from a Chinese company.

"The Yukon Conservation Society respectfully submits to the Yukon Utilities Board that direction be provided by the board to all parties on how these facts affect this hearing."

NDP energy critic Steve Cardiff said this morning he doesn't buy Yukon Energy's contention that it needs to get going now to make sure it can complete the project in time to receive the \$71-million federal fund.

If Mayo B wasn't complete by the stroke of midnight on March 31, 2012, it's doubtful Ottawa would yank the funding, he said.

"That would be totally unreasonable, and I do not believe they are that unreasonable," Cardiff told the Star. "They may be unreasonable, but they are not that unreasonable."

The territorial government is pushing this project, but it's putting Yukoners at financial risk by doing so, said the critic.

Sheila Fraser, the auditor general of Canada, has already admonished the Yukon government for exposing Yukoners to risk through its contract practices, and here it goes again, he said.

Cardiff suggested by moving forward, the corporation is pushing the utility board into a corner, and putting pressure on members of the board to rubber stamp the project.

It's his hope, however, the board resists the pressure and completes an unbiased assessment.

One has to ask who will be responsible for any cost increases in the construction contract if the board directs substantial changes to the proposal, Cardiff said.

Yukon Energy spokesman Janet Patterson said the draft report from the Yukon Environmental Socio-economic Assessment Board (YESAB) that is out for public review has not made any recommendations which alters the project proposal to any great degree.

And the corporation fully anticipates approval from the utilities board, as the Mayo B project was reviewed and accepted by the board as part of the Yukon Energy's 20-year-resource approved in 2006.

The federal deadline to receive the funding is real, said Patterson, emphasizing that to meet the schedule, Yukon Energy needs to be moving forward with preparations now.

She said without the federal funding, there is no Mayo B, and with no Mayo B, the utility would have to burn more diesel fuel to generate enough electricity to supply mounting demand, she said.

Patterson said all parties and regulatory authorities are fully aware of Yukon Energy's schedule and how it is currently proceeding.

Yukon Energy, she said, is surprised to hear that the conservation society was surprised to learn of the construction contract with Peter Kiewit Sons.

"From our point of view, we do not think there is anything that causes the Yukon Utilities Board to say this is a bad project; do not proceed," she said.

Patterson emphasized Yukon Energy is looking at other projects to expand generating capacity, though there is nothing that can be brought as quickly as Mayo B.

The utilities board, she added, is charged with looking out for the best interests for consumers.

The Mayo B proposal is in the best interest of consumers, she insisted.

Patterson pointed out with the federal and Yukon governments' contributions, ratepayers are getting a \$120-million improvement for \$36.5 million that will be put into the rate base, but because it will be paid back over 50 years, there will be no need for a rate increase.

Lewis Rifkind, the conservation society's energy co-ordinator, said this morning Yukon Energy's decision to proceed in this manner raises several concerns.

Horne asked the utilities board to determine if there are alternatives to Mayo B – perhaps a wind farm – that can generate as much electricity at a lower cost with less environmental impact, he said.

Rifkind said it's difficult to talk about alternatives when Yukon Energy has already signed a construction contract for its preferred project.

Mining companies, he insisted, do not proceed with projects until they've gone through the process and have received a ruling, and neither should Yukon Energy.

"They are not above the regulatory process," he said.

Rifkind said hydro is always described as clean and green energy. It's clean, but it's not always green, he said.

In this case, there is the water flow in the Mayo River to be concerned about and what impact altering those flows further might have on the salmon-bearing river, he said.

The water board, he added, may restrict the volume of water Yukon Energy is permitted to use down to a point where the project isn't financially feasible.

Rifkind said there are concerns the new tunnel needed to dig to redirect flows will expose acid-generating rock.

The utilities board has scheduled a four-day public hearing into the proposal beginning April 6.

Yukon Energy has stated its intention to do the necessary earthwork this year after it receives final approval from the YESAB and the Yukon government. It's planning on doing the river work in 2011 if and when it receives approval from the Yukon Territory Water Board.

The construction contract with Peter Kiewit calls for completion of the project by the end of 2011, three months ahead of the federal deadline for funding.

Also underway is the second phase of the grid extension between Pelly Crossing and Stewart Crossing, which will tie the Whitehorse-Aishihik-Faro grid to the Mayo-Dawson grid.

3. Yukon environmentalists do not want actions by the Yukon Energy Corp. to become a precedent. The government corporation is awarding contracts for construction of the Mayo B hydro electric project. The problem is the contracts are being awarded even before the regulatory process has had a chance to consider the merits of the project. The YCS is concerned that could place pressure on the Yukon Utilities Board to approve projects if the money is already committed. Lewis Rifkind speaks for the Conservation Society. (Rifkind) "It is our perception that the proponent Yukon Energy seems to be awarding a lot of this work without waiting for the board to do its work and that is our concern and we're just waiting to hear from the board what direction will they give all the interveners about this issue." Rifkind says the board could recommend alternatives or even that the project not go ahead. The Mayo B project was made possible when Ottawa announced it was chipping in half the cost with the Yukon government paying the other half and that infrastructure money must be spend this year or be lost.

4.(6:30) The Yukon Conservation Society believes the Yukon Energy Corp. may have been stepping out of line on the Mayo B project. The environmental group has written to the Yukon Utilities Board asking for clarification of its rules in light of recent media reports. A spokesperson for the society says they're hoping to avoid a precedent for side stepping future regulatory processes. (Leonard Linklater) Lewis Rifkind is the society's energy coordinator. He was disturbed to see media reports saying the Yukon Energy Corp. is awarding contracts for construction on its Mayo B project. The project is under tight time lines and could lose federal funding unless construction starts this summer but Rifkind says Yukon Utilities Board has not had a chance to consider the corporation's application to build the project and he doesn't think that's right. (Rifkind) "That until the boards get their rulings and their recommendations we just don't know and you can't pre-suppose what their decisions will be." Rifkind says the board may decided it's not prudent to go ahead with the project or it could recommend alternatives to what's proposed. On top of that the Energy Corp. must also get a water license for the project. Rifkind says by moving ahead with contracts the corporation could set a precedent. (Rifkind) "We are a bit concerned, is this a precedent. If it is we definitely don't want to see it repeated. We don't want it to be a precedent but we do want the board to do its work and then let us know on this issue." The Yukon Utilities Board got the letter seeking clarification earlier this week. So far no one from the board has returned calls and they have yet to respond to the Conservation Society.

2. NDP MLA Steve Cardiff calls it a classic case of putting the cart before the horse. The Mount Lorne members says he feels the Mayo B project is being rushed in an effort to meet the federal government's funding deadline. The federal government has committed \$71 million dollars towards Yukon Energy's Mayo B and Carmacks Stewart transmission line projects but that funding is conditional on completion by the end of March, 2012. Cardiff says he's concerned because there's no guarantee all environmental and regulatory approvals will be granted for the \$120 million dollar project. (Cardiff) "I understand the time lines are tight. My understanding is that the Utilities Board is holding a hearing within the next 3 weeks and hopefully they'll have a decision but what I'm saying is that the Yukon Corp. and the government who seems to be pushing this project needs to follow due process which is one of the premier's favorite lines is that they're following due process. In this case they're not." Yukon Energy announced a \$85 million construction contract with Peter Kiewit Sons Construction for the Mayo B project on Friday. The same day YESAB released its draft screening report for public comment. The public comments on that document is open until April 12th. Meanwhile, the Yukon Utilities Board has yet to issue a project certificate or hold public hearings on the Mayo B project.