



# CITY OF WHITEHORSE

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SECOND AVENUE

4 January 2007

## **Yukon Utility Board**

### **Re: Power Purchase Agreement between YEC and Minto Exploration Ltd.**

#### **Comments from the City of Whitehorse**

The City of Whitehorse recommends that the Board review separately, and in more detail, the implications of the YEC/Minto proposed Power Purchase Agreement so that the impact on existing and new power rates can be more thoroughly considered. Given the tight time frame identified by YEC for approval of this Agreement, it is recommended that a hearing be reconvened as soon as possible.

The City of Whitehorse continues to support the connection of the two power grids by completing the Carmacks – Stewart Transmission Main, and it will be very beneficial if the Minto Mine Project is able to not only contribute to the cost of the Transmission Main project, but can purchase the excess available hydro power. However, the City recommends that YUB should ensure that both YEC and all Yukon rate payers will not have to subsidize the rate set for the mines, nor pay the costs for constructing and decommissioning the infrastructure necessary to accommodate the Minto Mine Project should the mine shut down prior to fulfilling the term of the proposed Purchase Agreement. It may also be necessary for the Agreement to consider capital and operating costs that may have to be addressed with the completion of the environmental assessment for the proposed project, and following discussions with the First Nations.

From the City's perspective, we do not wish to see a repeat of what happened with power rates when previous mining projects shut down earlier than forecast. Specifically, the City suggests that Minto should, during the first 4 years of operation, be required to pay more than just the interest on the cost of the Minto Contribution, as the contribution includes both their spur line and the Carmacks-Minto Landing segment of the overall Carmacks to Stewart Transmission Main Project.

#### **New Mine Rates and New Secondary Power Rates**

The City is concerned that the approval process for this Agreement, together with new rates, are not being adequately addressed as was identified by the Minister at the onset of the 20 year Resource Plan review process. These rates will have a precedent setting impact for other new mines, and other industries. Further, these new rates should include the environmental costs of operating the diesels, and should also consider setting rates that change depending on when surplus

hydro power is available. These new rates should also consider the impact on other Yukon rates and other Yukon ratepayers.

This agreement appears to be setting another secondary power rate that is lower than the rate currently being charged to existing secondary power users. Further, there is no established process on prioritizing the use of available secondary power between the users. So the question, “who gets the surplus hydro power when available” needs to be addressed.

The Purchase Agreement identifies a maximum Winter Contract Load, yet there is no explanation or justification as to how the load was determined and why it is based on a temperature of minus 30 degrees C. It is recommended that this Load should be based on the availability of surplus hydro power regardless of the temperature.

### **Mine Diesels**

YEC’s 20 year Resource Plan notes that if power is being largely generated by diesel YEC’s plant in Whitehorse, then the same power could be generated at the industrial user’s site (*page 37, Section 5.0, of the Resource Plan Overview*) without the associated line losses. This would result in cost savings, less pollution, and less greenhouse gas emissions.

As noted in the City’s November 2006 response, the City supports YEC’s Resource Plan’s position of using diesel at the large industrial site, and the City recommended that all large industrial users, like the Minto mine, should ensure that they supply their own power when excess hydro power is not available. If power can be generated at the site, the negative environmental and health problems would not directly affect the people who live, work and visit the City of Whitehorse, particularly when considering the air and temperature inversions that occur often in the downtown core of Whitehorse.

Further, unlike the use of clean energy alternatives, operating diesel turbines have a significant environmental and health impact along with greenhouse gas production. The British Columbia Utilities Commission considers environmental costs in addition to capital costs when reviewing energy supply options (*refer to City’s previous correspondence*). Therefore, YUB and YEC should consider the environmental costs associated with air and noise pollution and greenhouse gas production when constructing projects, as a way to encourage green power options.

It is not clear whether Minto Exploration Ltd. actually owns the mine’s diesels, as on the first page of the Purchase Agreement, it is noted that these diesels are leased. It is also not clear how the purchase price for these diesels was arrived at, whether that cost is reasonable, and whether they could potentially be resold at value equal to or greater than the purchase price.

It is also not stated whether these diesels are energy efficient and environmentally friendly. But, purchasing and operating diesels outside of the downtown core of the City of Whitehorse was recommended by the City as it does benefit the people who live, work and visit the City.

The City understands that YEC may be refurbishing the existing diesels in Faro. Therefore, it is recommended that the 20 year Resource Plan should be revised to address how the Faro diesels, the diesels at Pelly Crossing, and now these Minto diesels affect the overall network supply. It should be clarified whether it is advantageous for YEC to purchase Minto's diesels. Further, with these diesels now in the system, the refurbishing all Murlees located in Whitehorse may not be warranted.

### **Green Power and Demand Site Management Activities**

The City notes that the Agreement does not provide for any activities to be taken to reduce the demand for power at the site, nor does it encourage the production of green power alternatives to the operation of diesels, concerns that were addressed by the YUB in 1992 and re-iterated again by the City during the Hearing held in November 2006 on YEC's 20 year Resource Plan. Reducing diesel power use is necessary from not only an operational cost perspective, but from an environmental cost perspective, particularly during the winter and spring months when significant surplus hydro power is no longer available.

This concludes the City's submission. Please contact the undersigned regarding any questions or clarifications regarding our submission.

Sincerely

**The City of Whitehorse**

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Manager - Engineering and Environmental Services

c: Dennis Shewfelt, City Manager