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**IN THE MATTER OF YUKON ENERGY AND THE APPLICATION
FOR ESCALATION OF RATE SCHEDULE 39 DEMAND AND
ENERGY CHARGES**

A proceeding before the

YUKON UTILITIES BOARD

December 2010 to March 2011

**ARGUMENT OF JOHN MAISSAN
LEADING EDGE PROJECTS**

Requested Approvals

1. Escalate Rate Schedule 39 Demand and Energy charges.

The requested adjustments to Rate Schedule 39 demand and energy charges are a stipulated requirement in Schedule A attached to OIC 2007/94 which adds subsection 6(3) to OIC 1995/090. Thus Leading Edge supports Yukon Energy's request to escalate Rate Schedule 39 demand and energy charges by 2.8%. The escalation rate was correctly identified from the Statistics Canada table specified in Schedule A to OIC 2007/94. In the view of Leading Edge it does not make practical or financial sense to have a proceeding on such a limited scope.

Recommendations

- 1. That the Yukon Utilities Board (the Board) approves the requested escalation in Rate Schedule 39 Demand and Energy charges.*
- 2. That future escalations of Rate Schedule 39 demand and energy charges pursuant to OIC 2007/94 be considered administrative matters by the Board and that the Board approve them following verification that the appropriate escalation rates have been identified.*

Other Matters

2. Industrial Rate Schedule 39 and issues stemming therefrom.

In a letter dated January 10, 2011 Leading Edge Projects Inc. requested Intervenor Status in this Rate Schedule 39 proceeding and identified several issues of concern with respect to Rate Schedule 39 including the interpretation of OICs that address the Industrial Customer class (1995/090 and 2007/94), and consequential impacts to non-industrial rate classes. Yukon Energy (by letter from its counsel Mr. Landry dated January 14, 2011) objected to the broadening of the scope of this proceeding to include the other matters raised by Leading Edge. Leading Edge responded (in a letter also dated January 14, 2011) that the issues it identified would need to be dealt with before OIC 2007/94 expires. In Board Order 2011-02 the Board responded to Yukon Energy's objection by limiting the proceeding to the escalation of Rate Schedule 39 demand and energy charges.

In the time following the issuance of Board Order 2011-02, Yukon Energy's representatives have stated publicly that they have an agreement (not clear to the author whether this is a memorandum of understanding or a PPA) with Victoria Gold. We are given to understand that Victoria Gold would be a Major Industrial Customer requiring some 10 or 11 MW of capacity and about 100 GWh per year of energy. Yukon Energy has also said that their interpretation of the *Public Utilities Act* is that they have an obligation to serve any industrial customer who builds a power line to Yukon Energy's grid and wants to connect to the grid. Other parties disagree with this interpretation.

In light of Yukon Energy's intent to serve Victoria Gold from the power grid the issues raised by Leading Edge in its letter of January 10, 2011 (and further discussed in its letter of January 14, 2011), particularly with respect to the implications for non-industrial customer classes, are even more relevant today. The potential cost implications to all power customers of either the cost of increased diesel generation or the cost of other new power supplies driven by this one industrial customer is very significant indeed. It is Leading Edge's view that these matters need to be heard and considered by the Board and that the Board needs to rule on them before a PPA is developed and agreed to between Yukon Energy and Victoria Gold.

Leading Edge believes that it is the Board's responsibility to ensure that everyone clearly understands, as soon as possible, what the legal obligations and rights of each of the parties (Yukon Energy, Industrial Customers, and non-industrial customers) are. This will determine what the implications are for present and future rates for all customer classes. All parties deserve to know as soon as possible what is to happen to costs, cost allocations, and rates as new industrial customers are connected to the consolidated grid.

Recommendations:

- 1. That the Board, using its good judgment, determines an appropriate course of action to deal with the rapidly growing Major Industrial Customer Class related issues (OICs 1995/090, 2007/94, the Public Utilities Act and the obligation to serve Major Industrial Customers, among others) and the implications for all customer classes as soon as possible.***

Respectfully submitted,



John Maissan
Leading Edge Projects
March 17, 2011