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**IN THE MATTER OF YUKON ENERGY AND THE ALEXCO
POWER PURCHASE AGREEMENT (PPA) APPLICATION**

A proceeding before the

YUKON UTILITIES BOARD

September - December, 2010

**ARGUMENT OF JOHN MAISSAN
LEADING EDGE PROJECTS**

Requested Approvals

1. Fixed charge of \$7,289 per month

Leading Edge supports Yukon Energy's proposed fixed monthly charge of \$7,289 per month. The calculations of the annual capital cost of the Mayo-Elsa-Keno City line (Attachment B to the Application and response to YUB-YEC-1-3(b)) are appropriate, and Leading Edge accepts the precedent of 85% of the costs of this line being allocated to directly to Alexco. Leading Edge considers it appropriate that Alexco will also pay a share of the pooled costs.

2. Customer contribution for all of the costs of the Initial Mine Facilities Spur as well as any other future Other Mine Facilities Spurs

Leading Edge is in support of Alexco paying for 100% of the costs for the Initial Mine Facilities Spur and the schedule of payments for the recovery of these costs agreed between Yukon Energy and Alexco (PPA sections 5.1(a), (b), (c), and (d)).

Leading Edge is also in support of Alexco paying for 100% of the capital costs for any future Other Mine Facilities Spurs as agreed between Yukon Energy and Alexco in section 5.2 of the PPA.

3. Customer contribution to pay for Yukon Energy's costs to negotiate and conclude the PPA

Leading Edge does not accept that Alexco should be required to pay Yukon Energy's costs for negotiating the PPA. As Yukon Energy noted in response to LE-YEC-1-4 (c), there is no precedent for Alexco to be charged this cost, and no other industrial customer, including the Minto mine, has ever been charged these costs. In Leading Edge's view it is perverse for Yukon Energy to charge a customer simply to negotiate with that customer. This removes any incentive for Yukon Energy to be cost effective and expedient in its negotiations. No customer, in any class of customers, of a public utility should be treated this way. Yukon Energy's proposal to charge Alexco would be an inappropriate precedent to set without this matter being discussed specifically and fully in a Phase II public hearing. Furthermore, we note that based on information provided in the recent Phase II hearing the industrial class pays about 109% of the COS, perhaps more, thus there are already benefits in excess of negotiation costs to all other customer classes as a result of Alexco becoming an industrial customer.

4. Customer to pay decommissioning costs

The PPA includes measures that require Alexco to be responsible for all decommissioning costs (PPA Part 11). Leading Edge agrees that Alexco should pay for all decommissioning costs.

5. One bill for two points of delivery separated by a radius of more than one-half mile

Section 6.1 of the PPA proposes that one bill be issued for two points of delivery to Alexco which are separated by a radius of more than one-half mile. In response to YUB-YEC-1-1(a) Yukon Energy compares two separate bills to one consolidated bill. In Leading Edge's view it would be very inappropriate for Alexco to be charged twice the 85% allocation of the transmission costs (total 170% of actual costs). Only one 85% allocation is appropriate, and on that premise both billing approaches would recover exactly the same amount of \$97,664 per month. Since there is or should be no difference between the two approaches Leading Edge supports the consolidated billing proposed in section 6.1 of the PPA.

In response to LE-YEC-1-5 Yukon Energy indicates that Yukon Energy and Alexco did not fully contemplate electronically integrating the meters at the two different points of delivery to one derive one consolidated demand for the Alexco operations. In Leading Edge's view a consolidated demand record for an industrial operation having more than one point of delivery (such as Alexco), would encourage and help the industrial customer to minimize their coincident peak demand through energy management and conservation activities. This would lead to reduced peaking (diesel) requirement which will ultimately benefit all customers. In our view it is appropriate for the customer (in this case Alexco) to be responsible for the costs of electronically integrated metering. It is our view that it is appropriate for electronically integrated metering facilities to be required for industrial operations with more than one point of delivery. However, it would be appropriate for this issue discussed publicly at a future Phase II hearing.

Other Matters

6. Definition of Ampere

Clause 1.1(h) of the PPA provides a definition of ampere which includes the words "*one ampere is 6.023×10^{23} [sic] electrons per second*". In response to LE-YEC-1-1 Yukon Energy indicates that it obtained this definition from the Bonneville Power Administration (BPA) website, and Leading Edge has verified that this definition is on the website as indicated. However, Leading Edge has checked with a number of other sources all of which indicate that the number is about 6.241×10^{18} electrons per second and not 6.023×10^{23} . References checked by Leading Edge include Encyclopedia Britannica, Oxford Dictionary of Units and Measures, an on line technical encyclopedia, and Wikipedia. It appears that BPA may have made an error in its definition and since Yukon Energy has electrical engineers on staff it should consult its electrical engineers and correct the apparent error. An alternative would be to define ampere in words only, including perhaps, the clause that one ampere is a flow of one coulomb per second.

Recommendations

- 1. That the Yukon Utilities Board (the Board) accepts the proposed fixed monthly cost of \$7,289.***
- 2. That the Board approves Alexco paying for all capital costs for the Initial Mine Facilities Spur as proposed.***

3. *That the Board approves Alexco paying all capital costs for future Other Mine Facilities Spurs as proposed.*
4. *That the Board approves Alexco paying for all decommissioning costs.*
5. *That the Board approves the totaling of the electric demand and energy at the points of delivery into one bill.*
6. *That the Board requires Yukon Energy (and Yukon Electric if appropriate) to bring forward to the next Phase II Rate Application the issue of what metering and billing techniques are appropriate to industrial customers (and perhaps General Service customers) with multiple points of delivery.*
7. *That the Board rejects Yukon Energy requiring Alexco to pay for Yukon Energy's costs for negotiating the PPA and requires Yukon Energy to allocate these costs to the same accounts that the Minto PPA negotiation costs were allocated. In the alternative, if the Board does not agree with the rejection of the entire Yukon Energy negotiation cost, that the Board allocates a portion of it (based on the Board's judgment) to be paid by Alexco and the remainder to be paid by Yukon Energy and allocated as described above so that Yukon Energy retains an incentive to minimize negotiation costs.*
8. *That the Board requires Yukon Energy to bring to the next Phase II Rate Application its proposals with respect to requiring industrial customers to pay for the Utilities' PPA negotiation costs for discussion.*
9. *That the Board requires Yukon Energy to consult its electrical staff regarding the definition of ampere and correct it as required.*
10. *That the Board accepts all aspects of the proposed PPA not specifically addressed above.*

Respectfully submitted,



John Maissan
Leading Edge Projects
December 8, 2010