YEC-YECL-1

Topic: **YUB Report to Executive Commissioner and Planning Criteria**

Reference: **YUB Report to Executive Commissioner YEC 20-Year Resource Plan**

Preamble: On January 15, 2007, the YUB presented its recommendations regarding the hearing into YEC's 20-Year Resource Plan.

Request:

(a) Does YEC view these recommendations as an equivalent to a Board Order? Please elaborate as to why or why not.

(b) Does YEC agree that the fundamental premise of a Cost of Service Study is cost causation? Please elaborate as to why or why not.

(c) Does YEC agree that cost causation is predicated upon planning criteria? Please elaborate as to why or why not.

YEC-YECL- 2

Topic: **YUB Report to Executive Commissioner and Planning Criteria**

Reference: **YUB Report to Executive Commissioner YEC 20-Year Resource Plan – Page 10 of 55**

Preamble: "The Board recommends that, in order to ensure that no new generating capacity is added for the purposes of ensuring reliable supply to major industrial customers and to ensure consistency with the N-1 criterion, major industrial loads should not be included in the LOLE calculation."

Request:

(a) Does YEC agree with the Board's above noted recommendation? More specifically, does YEC agree that no new generating capacity be planned or added to the system for the purpose of ensuring reliable supply to major industrial customers served under Rate Schedule 39?

(b) In light of the Board's recommendation, please explain why you have allocated any generation or transmission costs classified as demand related to Rate Schedule 39.

(c) In light of the Board's recommendation, please explain how YEC can propose a firm mine rate when you have not planned for a reliable supply to customers served under Rate Schedule 39?

(d) If no new generation or transmission is planned for major industrial customers, does YEC agree that this could likely change Minto Explorations' position on the PPA? If yes, please explain YEC's understanding of this change? If not, please explain why not?

(e) Please explain how the Board's recommendation impacts the planning and timing of construction of the Aishihik #3 hydro unit.

YEC-YECL- 3

Topic: **YEC's financing of Minto Explorations' Capital Cost Contribution**

Reference: **Part 5 of the PPA and Section 5.1.1 of the Application**

Preamble: YEC has agreed to finance the Mine Spur Capital Cost Contribution plus the Carmacks-Minto Landing Capital Cost Contribution (Collectively known as the "Capital Cost Contribution") for varying periods of time.

Request:

(a) In YEC's opinion, does this decision to finance Minto Explorations expose YEC or Yukon ratepayers to additional financial risk?

(b) Does YEC's proposed subordinated security arrangement bring YEC and electrical customers back to a neutral position similar to what would be the case if Minto Explorations paid the contribution up front?

(c) Does YEC believe this decision to finance Minto Explorations will have any impact on the YEC risk profile and allowed rate of return? Please elaborate as to why or why not.

(d) Please quantify the impact this decision to finance Minto Explorations will have on YEC's capital structure.

(e) Please quantify the impact this decision to finance Minto Explorations will have on YEC's debt coverage ratios, bond ratings and the associated impact on YEC's cost of borrowing.

(f) In the past, has YEC financed other customers in a similar manner? If so, please provide the details of such arrangements.

(g) Given this proposed arrangement, does YEC anticipate financing other industrial customers such as Carmacks Copper? Please elaborate as to why or why not. Does YEC consider that it must treat other industrial customers interconnecting to other locations (ie. Not the Carmacks – Stewart Crossing line) on the system in a consistent manner? If not, why not?

(h) Given this proposed arrangement, does YEC anticipate financing residential and commercial customers in the future? Please elaborate as to why or why not.

YEC-YECL- 4

Topic: **Consideration of other possible financing sources for Minto Explorations**

Reference: **Part 5 of the PPA and Section 5.1.1 of the Application**

Preamble: YEC has agreed to finance the Mine Spur Capital Cost Contribution plus the Carmacks-Minto Landing Capital Cost Contribution (Collectively known as the "Capital Cost Contribution") for varying periods of time. The Economic Development Act and associated regulation OIC 1993/099 contain provisions to establish Energy Infrastructure Loans for Resource Development Regulation ("Energy Infrastructure Loan Program").

Request:

(a) Please provide YEC's understanding of why Minto Explorations was unable or unwilling to go to the markets to obtain financing for their Capital Cost Contribution?

(b) Please provide YEC's understanding of why Minto Explorations has not paid up front even a small percentage of the Capital Cost Contribution?

(c) Why did YEC not access or attempt to access this existing program for at least a portion of the proposed financing of Minto Explorations' Capital Cost Contribution?

(d) Does YEC agree that the use of the Energy Infrastructure Loan Program would put the financial risk of financing Minto Explorations on taxpayers as opposed to rate payers?

(e) Please explain YEC's views on why YTG created this program if YEC was willing to finance contributions?

(f) Under what circumstances does YEC see the Energy Infrastructure Loan Program being used?

(g) Why did YEC not access or attempt to access its parent, the Yukon Development Corporation, to finance Minto Explorations' Capital Cost Contribution?

(h) Does YEC agree that the use of the Yukon Development Corporation would put the financial risk of financing Minto Explorations on taxpayers as opposed to rate payers?

(i) Please describe why YEC did not use Part III of Schedule B of the Electrical Service Regulations to determine an appropriate utility investment for the extension of service required for Minto Explorations?

(j) Is YEC aware of any other utility investment levels that have been approved in other jurisdictions for investment in service to industrial customers with a non standard service life? If so, please elaborate.

YEC-YECL- 5

Topic: **Consideration of other possible financing sources for Minto Explorations**

Reference: **Part 5 of the PPA and Section 5.1.1 of the Application**

Preamble: YEC has agreed to finance Minto Explorations for the Mine Spur Capital Cost Contribution plus the Carmacks-Minto Landing Capital Cost Contribution (Collectively known as the "Capital Cost Contribution" for varying periods of time. Under the Rural Electrification Program, the Government of the Yukon provides loans to rural residential, small load commercial and other non-industrial property outside incorporated communities where the Yukon Government is the property taxation authority to help cover the customer contribution required to connect to electrical utility service. Funding to any project, excluding any contribution by the utility, is limited to a loan maximum of 25% of the total assessed value of land and improvements within the project area.

Request:

(a) Please explain YEC's view on why the government started this program that keeps the financing of rate payers separate and distinct from the two regulated electrical utilities?

(b) Please explain YEC's view on why the Yukon electrical utilities have not provided additional loans to residential customers to fund customer contributions?

(c) Please explain YEC's view on why the government has limited the loan to a maximum of 25% of the total assessed value of land and improvements within the project area?

(d) Once it becomes more widely known that YEC has financed 100% of Minto Explorations' customer contribution, does YEC anticipate pressure will be brought to bear on the utilities as well as the Yukon Utilities Board to allow utility financing of residential and commercial customer contributions? If yes, what is YEC's position on this possibility? If not, please explain why this would not be the case.

YEC-YECL- 6

Topic: **Creation and operation of a Mine Net Revenue Deferral Account**

Reference: **Mine Net Revenue Account approval – page 3 of Application; Page 11 -12 of the Application; Attachment C of Application; Page 17 of the PPA**

Preamble: YEC seeks approval of provisions respecting the Mine Net Revenue Account as set out in Section 3.6 of the PPA.

Request:

(a) In YEC's opinion, please elaborate on any and all circumstances that would result in the Mine "Net Revenue" Deferral Account being a Mine "Net Expense" Deferral Account.

(b) Besides YEC's commitment with the Mayo/Dawson transmission line that committed that rate payers would be no worse off with the construction of the Mayo/Dawson transmission line vs. continuing to run the diesel plant in Dawson City, is YEC able to provide any other existing example(s) where there is a "no net cost to ratepayers" statement or policy or commitment that has been approved by a Public Utilities Board?

(c) Given that YEC has made statements that represent at least three separate projects will have "no adverse impact to ratepayers" (e.g. (1) Mayo to Dawson Transmission Line (2) Stage One of the Carmacks to Stewart Transmission Line (Carmacks to Pelly Crossing) / Minto Spur Line and (3) Stage Two of the Carmacks to Stewart Transmission Line (Pelly Crossing to Stewart Crossing) , how is YEC proposing to track and regularly report to the Yukon Utilities Board on these statements to ensure the commitments are met and incremental revenues and incremental costs are allocated to the proper project?

(d) Please confirm that as part of the next GRA filing, two separate cost of service studies will be required? (E.g. A first cost of service study that will include the load of Minto Explorations and be used to determine the costs allocated to Minto

Explorations. A second cost of service study that will exclude the load of Minto Explorations and will be used to determine the costs allocated to all other classes of customers. That is, on Schedule A-17, YEC forecasts a 2008 Total Yukon Cost of Service of $48,966,200 of which $3,250,000 is allocated to the Industrial Class. On the same page, YEC forecasts a Total Yukon Cost of Service of $46,693,000 without the Minto mine on the system which would then be recovered from all other non-industrial rate classes.)

(e) Given that current customers are paying for the infrastructure that is being used to generate and transmit the surplus energy used to serve the mine, does YEC agree that its proposal creates intergenerational inequities between the customers who are paying for the system today and those who may benefit in the future?

YEC-YECL- 7

Topic: **Planned Termination of the Mine Net Revenue Account**

Reference: **Attachment C of the Application (Table C-1 - Page C-4)**

Preamble: As proposed by YEC, the Mine Net Revenue Account will be applied against the undepreciated balance of the CS transmission project or for any new generation infrastructure developed by YEC on an accelerated basis due to the Minto mine or the CS Project.

Request:

(a) As current customers are paying the carrying costs of the generation that is providing the surplus energy, please explain how these customers will benefit from YEC's termination proposal?

YEC-YECL- 8

Topic: **The Unplanned Termination of the Mine Net Revenue Account due to bankruptcy of Minto Resources**

Reference: **Attachment C of the Application (Table C-1 - Page C-4)**

Preamble: YECL wishes to better understand how the YEC/Minto Agreement will operate. Assuming there was a significant decrease in the price of copper such that the off-take agreements Minto Explorations has secured go unrealized and, as a result, Minto Explorations is forced to declare bankruptcy with YEC having not realized any of its security due to its subordinated position and electrical service is discontinued on December 31, 2010

Request:

(a) Please calculate the cost impact as of December 31, 2010.

(b) Please describe who would be responsible for this cost impact.

(c) Assuming that it is YEC's shareholder that is responsible for this cost impact as there are to be no adverse impacts to rate payers, please indicate whether it would be treated as "disallowed assets" or whether YDC, YEC's shareholder, would make a cash payment to YEC?

(d) If there is to be a cash payment to YEC, can YEC please provide a copy of the agreement with the supplier of the funds?

(e) If the treatment is one of "disallowed assets", please indicate how rate payers will be protected from the impacts on capital structure, debt coverage ratios, possible lower bond ratings and the associated higher cost of borrowing money.

YEC-YECL-9

Topic: **YEC Purchase of On-Site Diesels at the Minto Mine**

Reference: **Section 10 of the PPA (Pages 29 – 34) and Section 4.2.2 of the Application**

Preamble: Upon the start of YEC's delivery of Grid Electricity to the Mine, YEC will assume from Minto the Cat Leases for the four 1.6 MW trailer mounted diesel units at the Mine. Under the PPA, Minto will be allowed to require YEC run the Diesel Units to supply the Mine with electricity at Minto's sole cost for fuel and operator assistance when YEC is unable to supply Grid Electricity and for so long as the units are not required by YEC to supply electricity to the WAF grid.

Request:

(a) Please explain why this proposed source of capacity and energy was not proposed or discussed as part of YEC's 20 Year Resource Plan?

(b) Will YEC ever allow Minto to exceed their contracted demand by running the on-site diesel simultaneous to providing grid energy? Please elaborate as to why or why not.

(c) The unplanned outage of the Aishihik transmission line may prevent YEC from supplying Grid Electricity to the Mine and thus Minto may elect to have the Mine-site Diesel Units run to supply Minto. In YEC's opinion, does this negate the intent of the exclusion of industrial load in the N-1 portion of the New Planning Criteria? Please elaborate as to why or why not.

(d) For each of the 1.6 MW diesel units to be leased and or purchased by YEC, please provide the estimated total amount of hours on each of the major components at the Commencement of Delivery. For greater clarity, please confirm the percentage of each asset's remaining life at the time of Commencement of Delivery.

(e) Please provide a copy of the business case completed by YEC to support the inclusion of the mine site diesel units within the PPA. This analysis should include the impact of purchasing used vs. new diesel generation equipment.

(f) As the Mine-site Diesel Units are not "needed" at the currently envisaged Commencement of Delivery date, why should customers effectively commence paying for them at that time in the Mine Revenue Deferral Account?

(g) Under what circumstances would YEC not purchase the diesels from CAT?

YEC-YECL-10

Topic: **Low Grade Ore Processing Secondary Energy Rate (Rate Schedule 35)**

Reference: **Section 4.1 of the PPA (Pages 18) and Page 8 of the Application**

Preamble: YEC is proposing a new rate that would be only available to customers supplied under Rate Schedule 39 with availability determined by YEC based on surplus hydro as well as transmission capacity as well as meeting the electrical demand of customers served by Rate Schedule 32. The rate is only to be used at a mine site engaged primarily in copper production for processing ore with less than 1% copper content.

Request:

(a) Secondary Sales Rate Schedule 32 is based on the premise of avoided costs. The rate changes on a quarterly basis to reflect changes in the underlying avoided costs. Please explain why this rate, selling the same product, is not based on the premise of avoided costs?

(b) Given the PPA does not propose to have separate revenue class metering for energy delivered under Rate Schedules 35 and 39, please explain, in detail, how YEC proposes it will be able to determine what portion of measured energy and measured demand will be allocated to Rate Schedule 39 as opposed to Rate Schedule 35.

(c) Can YEC provide any examples where a utility charges for electricity delivered on anything other than revenue class metering?

(d) Can YEC provide any examples where a utility allows a customer to be responsible for allocating the amount of energy between two rate schedules?

(e) How in real time, can YEC determine that there is enough surplus hydro generated energy after serving secondary sales customers on Rate 32 to allow energy sales to Rate 35 customers?

(f) Why has YEC proposed to have Rate Schedule 35 only be applicable to the processing of low grade "copper"? Were any other metals considered?

(g) Why was a copper content of less than 1% chosen as the threshold?

(h) For greater clarity, please provide a numerical example that shows the maximum amount of Rate Schedule 35 demand and energy that Minto Explorations would be able to receive in a given calendar year.

(i) For greater clarity, please provide a numerical example that shows the weighted average energy rate Minto Explorations will be paying for electricity assuming it takes the maximum amount of energy allowed under Rate Schedules 35 and 39 in a given calendar year.

YEC-YECL-11

Topic: **Project Capital Costs**

Reference: **Schedule 1 (Page 4) of the Application**

Preamble: YEC has provided estimated Project capital costs ranging from $17.2 million to $23.1 million. Per Section 3.2 of the Application, by July 31, 2007, YEC will have received tenders for equipment and materials and as otherwise required for construction of the Transmission Project and the YEC Board of Directors will have approved contracts for the construction of the Transmission Project.

Request:

(a) In YEC's opinion, at what Project capital cost does the Transmission Project become uneconomic?

YEC-YECL-12

Topic: **$7.2 million Carmacks-Minto Landing Cost Contribution**

Reference: **Schedule 1 (Page 4) of the Application; Page 3 of the PPA**

Preamble: Regardless of the actual costs incurred by YEC in constructing the transmission line from Carmacks to Minto Landing, Minto Explorations' contribution is fixed at $7.2 million.

Request:

(a) Please explain how this arrangement is consistent with the I long established principle of customers paying actual costs incurred to provide service.

(b) Given the design, procurement and construction of the transmission and the spur line are expected to happen simultaneously, please explain, in detail, how YEC intends to demonstrate appropriate costs will be allocated to the spur line as opposed to the transmission line.

(c) If there are cost overruns (or savings) on actuals vs. estimates on the transmission line between Carmacks and Minto Landing, does YEC agree it is reasonable to allocate a consistent percentage increase (or decrease) to the $7.2 million estimate? If not, why not?

YEC-YECL-13

Topic: **Mine Net Revenue Account**

Reference: **Attachment C Mine Net Revenue Account Examples**

Preamble: The PPA defines the Mine Net Revenue in any YEC fiscal year as the amount, if any, equal to:

(a) The Minto Power Bills plus any take-or pay payments by Minto in that fiscal year, less

(b) The Incremental YEC Costs in that fiscal year. These specific incremental costs are defined as incremental YEC expenses and return on rate base in that year, if any, due to the supply of Electricity to Minto by YEC (1).

Request:

(a) If Carmacks Copper becomes a customer of YEC, please explain whether the revenue from their power bills flows into this Mine Net Revenue Account. If not, will YEC commit to filing GRA at that time so that other customers will have their rates reduced accordingly?

(b) In footnote 1 on page C-1, YEC has committed to including any incremental increase in expenses and return on rate base related to accelerated development of other YEC generation projects to displace diesel generation that would otherwise not have been required if YEC was not supplying Electricity to Minto. Assuming that YEC intends to include industrial load in its LOLE calculations, why has YEC not included the cost of capacity related generation projects that will be accelerated due to the supplying of Electricity to Minto?

(c) With respect to the "Incremental Decrease in Secondary Sales" associated with serving the Minto Mine as opposed to Rate Schedule 32 customers, please explain why the base case secondary sales have been reduced from 30 GW.h in the 20 Year Resource Plan to 20 GW.h in YEC's latest application?

(d) Please explain how current ratepayers are held harmless under YEC's Mine Net Revenue Account if they are no longer going to benefit from additional secondary sales as secondary sales move from their current level of approximately 20 GW.h's per year up to a future total of 30 GW.h's per year?

YEC-YECL-14

Topic: **Minto Grid Power Savings with PPA**

Reference: **Attachment D of Application**

Preamble: Attachment D estimates Minto Explorations' electricity power cost savings with and without the PPA as well as with and without YEC buying the on site diesel units.

Request:

(a) Please indicate, in YEC's opinion, the reasonableness of MInto Explorations' on site diesel cost estimate of the $.24 /for on-site diesel generation. YEC's analysis should include a breakdown of the unit cost into O & M, fuel and capital. Please also indicate the diesel cost per liter and the assumed heat rate.

(b) Please provide the Internal Rate of Return (IRR) and the payback period for Minto Explorations on this PPA. Please comment on the reasonableness of this IRR compared to other projects.

(c) Please provide this Table D-1 with the assumption that the contribution for the Spur Line and Minto's portion of the Carmacks to Pelly portion was 100% paid for at the commencement of grid service.

(d) Please provide the Table D-1 in response to C but with fuel and O & M costs escalating at 2% as opposed to the 0% used in the provided analysis. (Note: YEC used an inflation rate of 2% in Attachment B – Minto Mine Impact on the WAF System.)

Please comment on the rate of increase in grid rates versus the escalation of the cost of diesel.

(e) In YEC's opinion, please elaborate what risk, if any, Minto Explorations has accepted with the proposed PPA.

YEC-YECL-15

Topic: **Minto Load**

Reference: **Schedule A-1 of the Application**

Preamble: The load of Minto is expressed as 32,500 MWh, coincident peak demand of 4,004 kW and a peak annual demand of 4,400 kW (non-coincident peak).

Request:

(a) Please indicate what due diligence YEC did to verify this load level.

(b) Please indicate what analysis YEC has done to justify such a high load factor.

YEC-YECL-16

Topic: **Attachment E Purchase Power Agreement**

Reference: **Schedule C Firm Mine Rate Schedule 39 and OIC 1995/90**

Preamble: YEC states that the rate is available throughout the YEC service area and the OIC states that "6.(1) ...and the rates charged by both utilities must be the same."

Request:

(a) Please describe the rate design principles YEC used in designing the proposed demand vs. energy charges. That is, the proposed demand charge is decreasing whereas the proposed energy charge is increasing.

(b) Please indicate why Rate Schedule 39 does not state that it is available throughout YECL service area?

(c) Please indicate why under the Fixed Charge that there is not a statement that reads "A fixed monthly charge as determined for each customer based on fixed customer-specific costs of service. To date, the following amount has been determined:"

(d) Contrary to the current Rate Schedule 39, please explain why YEC has chosen to exclude the fuel rider (Rider F) from the proposed revised rate.

(e) Does YEC propose to include Rider F for future Rate Schedule 39 customers that are ineligible for the Mine Net Revenue Account? Please elaborate as to why or why not.

YEC-YECL-17

Topic: **Attachment E Purchase Power Agreement**

Reference: **Schedule D Rate Schedule 35 and OIC 1995/90**

Preamble: YEC states that the rate is available in parts of the Whitehorse-Aishihik-Faro and Mayo-Dawson systems as determined by Yukon Energy Corporation and the OIC states that "6.(1) ...and the rates charged by both utilities must be the same."

Request:

(a) Please indicate why Rate Schedule 35 does not state that it is available in all parts of the two grids?

(b) Please indicate why it states as determined by only YEC?

(c) Please indicate if this rate will be offered to other mines that are processing other "low grade" ore bodies?

YEC-YECL-18

Topic: **Generally Accepted Accounting Principles and the Mine Net Revenue Account**

Reference: **Section 5.1.2 of the Application and the Yukon Development Corporation Regulation**

Preamble: In the Yukon Development Corporation's Regulations, reference is made that the Board of Directors of the Yukon Development Corporation is responsible to ensure the Yukon Energy Corporation adopts generally accepted accounting procedures appropriate for an electric utility.

Request:

(a) Does YEC believe the proposed accounting treatment of the Mine Net Revenue Account is in accordance with Generally Accepted Accounting Principles? Please elaborate as to why or why not.

(b) Has YEC confirmed or had discussions with its auditor, the Auditor General of Canada, as to whether the accounting treatment associated with its proposed Mine Net Revenue Account is in accordance with Generally Accepted Accounting Principles? If yes, please elaborate as to the Auditor General's recommendations and or position on the matter. If not, please elaborate as to when these discussions are expected to take place.

(c) If the proposed accounting treatment is not in accordance with Generally Accepted Accounting Principles, how does YEC intend on meeting the requirements of the Yukon Development Corporation's Regulations?

(d) If the proposed accounting treatment is not in accordance with Generally Accepted Accounting Principles, please explain, in YEC's opinion, the financial and or other impacts expected as a result of receiving a qualified audit opinion.

YEC-YECL-19

Topic: **Decommissioning Costs**

Reference: **Section 5.1.5 of the Application and Part 11 of the PPA**

Preamble: In Section 5.1.5 of the Application, YEC states "Estimated Decommissioning Costs, established prior to actual decommissioning, equal 25% of the Capital Cost to build the Mine Spur"

(a) Please detail how the 25% of Capital Cost was derived

(b) Please confirm whether this rate is consistent with what YEC currently has in its most recent depreciation study and associated rates. If there is a difference, please elaborate as to why.

YEC-YECL-20

Topic: **Carmacks-Minto Landing Capital Cost Contribution of $7.2 million**

Reference: **Section 5.1.1 (Page 13) of the Application and Definitions in the PPA**

Preamble: Yukon Electrical would like to better understand the capital cost estimate associated with this portion of the line.

(a) Please provide a detailed cost estimate of a 35 kV line for this segment of the CS Project.

(b) Please confirm whether this estimate was derived in house or whether there was any input from third parties.

YEC-YECL-21

Topic: **Costs incurred by YEC and YDC to negotiate the PPA with Minto Explorations**

Reference: **PPA**

Preamble: Costs have been incurred by both parties in negotiating the PPA

(a) Please detail the costs incurred by YEC to negotiate the PPA.

(b) Please detail where these costs have been allocated or charged.

(c) Please indicate if YEC or YDC have paid for any of the costs incurred by Minto Explorations in negotiating the PPA.

YEC-YECL-22

Topic: **Peak Shaving Rate Option**

Reference: **Section 4.1.2 (Page 7) of the Application**

Preamble: YEC states "The Peak Shaving Rate Option benefits YEC by lowering the need to plan for running peaking diesels".

(a) Please explain how this statement fits into the LOLE planning criteria included in the YUB's Recommendations.

(b) Please explain how this statement fits into the N-1 planning criteria included in the YUB's Recommendations.