



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

Michael Buonaguro
Counsel for UCG
(416) 767-1666
mbuonaguro@piac.ca

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Yukon Utilities Board
Box 31728
Whitehorse, Yukon
Y1A 6L3

Attention: Deana Lemke, Board Secretary

Re: YEC / Minto Power Purchase Agreement – Percival Motion

Dear Ms. Lemke:

The Utilities Consumers' Group is in receipt of the motion submitted by Peter Percival on March 15 as well the Board's directions of March 16 regarding responses.

PWP-YEC-1-9 and 1-10

The UCG supports Mr. Percival's request for the detailed information.

In response to Mr. Percival's requests for detailed breakdowns of project costs, Yukon Energy replied:

Detailed preliminary engineering and related cost estimates have not yet been prepared (this work is targeted to be done by the engineering consultant currently being selected as part of the initial work to be completed in May 2007).

Yukon Energy provided a breakdown of the 2005\$ estimated in-service cost for the Mine Spur (\$3.421 million) that consisted of 4 very broad components of the project plus an additional \$410,000 as an allowance for "approx. 12% for inflation and interest during construction" assuming a 2008 Q3 in-service date.

Given the lack of experience with the detailed work involved in these types of projects, the UCG questions how the Board and other stakeholders can evaluate the risk proposed to be assumed by Yukon Energy (and all ratepayers) by initially incurring all

the Mine Spur-related costs (Application, Page 18) without a firm understanding and testing of the costs.

The general principle that proceedings before the Board should be transparent and open to the public requires that all relevant materials be available on the public record. The need for transparency is especially important where the material is directly relevant to understanding risk assumed by the utility on behalf of ratepayers and setting rates for a regulated monopoly such as YEC.

It is assumed that Yukon Energy's management has developed the \$3.83 million cost estimate from the ground up and that it has more details of the cost estimate readily available. For example, in response to UCG-YEC-2-34, Yukon Energy stated that the cost of the required metering for Minto is part of the "Mine Spur" pursuant to the PPA and is included in the estimated costs of \$3.83 million; it cannot be determined on its face which section of the breakdown in PWP-YEC-1-9 includes metering, although YEC must have this information.

It is counterproductive to the current review process for the utility to keep information to itself that is readily available. Yukon Energy has made no claim that the requested breakdown would somehow expose confidential information and there has been no disclosure of any perceived harm from the disclosure of this information to the public record.

It is unclear to the UCG how specific costs have been determined. For example;

- a) What is the breakdown of the assumed 12% escalation in costs between inflation and IDC?
- b) If the inflation and IDC amount included in the cost breakdown provided in response to Mr. Percival's question was 12%, what would the cost breakdown be assuming the 13% escalation in costs due to inflation and interest during construction that was indicated in the footnote to the response to UCG-YEC-1-1?
- c) Are there two cost breakdowns available?

It is also unclear what breakdown of costs was used to establish the \$4.8 million cost threshold that would trigger the provision for adjustment to timing of Minto's payments (section 5.5 of the PPA).

The UCG is aware that there is provision in the purchased power agreement to adjust the \$3.83 million estimate after construction tenders are received. There is also a commitment by YEC to provide Minto with a revised estimate within 30 days of the Transmission Project Start Date based upon received tenders. It is unclear to the UCG how many cost updates Yukon Energy will be calculating, but in any event the details of each update should be provided to all stakeholders.

The requested cost breakdown is indispensable to the consideration of the issues and unless the most compelling reasons can be advanced by YEC in support of its position to not provide it, an overarching public interest in disclosure should prevail.

PWP-YEC-1-27

The UCG supports Mr. Percival's request for the detailed information.

In response to Mr. Percival's question, Yukon Energy has admitted that there are dollar amounts available for each of the Prior Security Interests:

The amounts owing under these prior equipment contracts will be relatively minimal compared to the amounts owing to Macquarie Bank and all of these charges are for specific pieces of equipment which relate to the construction or operation of the mine.

As is argued above for project cost estimates, it is counterproductive to the current review process for the utility to keep information to itself that is readily available. Yukon Energy has made no claim that the requested breakdown would somehow expose confidential information and there has been no disclosure of any perceived harm from the disclosure of this information to the public record.

It should be left to interested parties to determine if the associated amounts and corresponding risk are significant issues to raise in any related arguments concerning to the proposed purchased power agreement.

Should you have any questions on this submission, please do not hesitate to contact me.

Yours very truly,



Michael Buonaguro
Counsel for UCG
CC: all parties