

**YUKON UTILITIES BOARD**

**YUKON ELECTRICAL COMPANY LTD.  
GENERAL RATE APPLICATION 2008-09  
HELD AT HIGH COUNTRY INN  
WHITEHORSE, YUKON  
OCTOBER 9, 2008**

**VOLUME 3**

**PAGES 257 - 399**

**BEFORE BOARD MEMBERS:**

Wendy Shanks	Chair
Robert Laking	Vice-Chair
Richard Hancock	Member
Jody Woodland	Member
Kathleen Avery	Member

**BOARD COUNSEL:**

Giuseppa Bentivegna

**BOARD STAFF:**

Dwayne Ward	Technical Consultant
Bob Clarke	Technical Consultant
Deana Lemke	Executive Secretary

**APPEARANCES:**

Yukon Electrical Company Ltd.	Loyola Keough
Yukon Energy Corporation	John Landry
City of Whitehorse	Thomas Marriott Greg Garbutt
Dept. Energy, Mines and Resources	Val Mather
Leading Edge Projects Inc.	John Maissan
Utilities Consumers' Group	Roger Rondeau

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Lois Cameron

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1 **(PROCEEDINGS RESUMED OCTOBER 9, 2008, 8:30 A.M.)**

2 **Preliminary matters**

3 MS. SHANKS: Good morning, everyone. I would like to call the hearing back to  
4 order.

5 Just with respect to some preliminary matters, we will look to take our normal  
6 morning and afternoon breaks, but I would like to restrict the lunch break to an hour  
7 again, so it would be lunch from 12:00 to 1:00.

8 Today we'll be resuming the cross-examination on the first YECL panel that was  
9 presented on Tuesday, and just before we do that I'd like to turn the mike over to Mr.  
10 Keough.

11 Do you have any reportings?

12 MR. KEOUGH: Thank you, Madam Chair.

13

14 **YECL PANEL 1, RESUMED:**

15 **CRAIG STEINBACH**

16 **JEROME W. BABYN**

17 **JAMES R. GRATTAN**

18 **DAVID FREEDMAN**

19

20 Q MR. KEOUGH: I understand the witnesses — or at least one, maybe two — have  
21 some responses to the undertakings that they can provide at this point. You guys better  
22 take the lead on this.

23 A MR. FREEDMAN: Yes. I just want you to go to page 230 from yesterday's  
24 transcripts where I was giving an undertaking to confirm —

25 MS. SHANKS: Mr. Freedman, could you give us a minute? We will get to the  
26 page here.

27 A MR. FREEDMAN: On page 230, I was giving an undertaking to confirm the debt  
28 rate used in ATCO Electric's 2009-10 GTA. That debt rate is 6.6% for these years,  
29 excluding issue costs. The effective rate, with issue costs, in that Application is 6.66%.

1        On line 28 of that same page, I provided the equity structure for Transmission in 2008  
2 and said it was 35%, but in 2008, the equity structure in ATCO Electric Transmission is  
3 33%. I was then asked to provide: what did we provide as placeholders in the 2009-10  
4 GTA? For Transmission, ATCO Electric has used 35% equity structure for Transmission  
5 as a placeholder in '09 and '10, and for Distribution, ATCO Electric has used 40% equity  
6 structure as a placeholder for '09 and '10, and the ROE that was used in that Application,  
7 as a placeholder, was the 2008 approved ROE from Board formula at 8.75%. And that  
8 was my undertaking.

9        MS. SHANKS:        Thank you, Mr. Freedman.

10      A MR. GRATTAN:        There were a couple of items I was responsible for, and  
11 unfortunately I don't have the exact page reference, so I will describe it. The first item  
12 that I undertook to address related to Yukon Energy's re-presentation of our Application  
13 numbers: Exhibit C1-13, I believe. It's related to percent primary retail rate increase over  
14 existing rates, including fuel price increase from 1997 GRA to January 1, 2008. That  
15 number per Yukon Energy's exhibits is 19.9.

16        So if I could ask folks to take a look at Schedule 2.1 of our Application — I will just  
17 give you a second to get there. The math that I believe is employed with regard to this is  
18 on line 46, where we say, "Rate Increase from Existing Rates" for 2009 proposed is  
19 \$7,518,000. So that's your numerator. Your denominator is down on line 52, where it  
20 says "Retail Revenue", \$37,687,000. That's your denominator and results in a number of  
21 19.95%, which corresponds with Yukon Energy's 19.9%. I am confirming what Yukon  
22 Energy said in Exhibit C1-13.

23        MS. SHANKS:        Thank you.

24      A MR. GRATTAN:        The other thing that I was responsible for following up was the  
25 1997 capital structure. I believe Mr. Landry pointed me in the direction of Exhibit 148  
26 from the 1996-97 GRA. Exhibit 148 showed the capital structure for Yukon Electrical per  
27 the negotiated settlement at that point in time. I am able to confirm that per that  
28 negotiated settlement, the capital structure was: debt — 48.62%; preferred shares —  
29 15.30%; common shares — 36.13% and no-cost capital — negative .04%. If the math  
30 works, I think that adds up to 100. That's all that I had.

1 MS. SHANKS: Thanks, Mr. Grattan.

2 MR. KEOUGH: Thank you. The witnesses are available, Madam Chair.

3 MS. SHANKS: At this point we'll ask YEC, Mr. Landry, to resume with his  
4 cross-examination of the panel.

5 **YECL Panel 1 cross-examination by Mr. Landry, resumed**

6 MR. LANDRY: Madam Chair, I'm going to start off with another aid to cross-  
7 examination, which I provided to my friend a couple of days ago, and that I would ask be  
8 marked as the next exhibit. And, just for the record, the document is entitled  
9 "Comparison of YECL Purchase of Power Sales Forecasts to Actuals (MW.h)".

10 MS. SHANKS: And do we have a number for that exhibit? C1-16. So marked.

11 **EXHIBIT NO. C1-16:**

12 **COMPARISON OF YECL PURCHASE OF**

13 **POWER SALES FORECASTS TO ACTUALS (MW.h)**

14 Q MR. LANDRY: Thank you. Panel, I gave your counsel copies of this. Do you  
15 have a copy there, or do you need another one?

16 A MR. GRATTAN: What tab are we on here? Oh, no — sorry, not a tab. I think I  
17 know what you're talking about. Just one second, please.

18 MR. LANDRY: Does the Board have that before them?

19 MS. SHANKS: Yes, we do. Please proceed.

20 MR. LANDRY: The other thing I will be referring to, Madam Chair, as I did on  
21 my other cross-examination, will be YEC-YECL-II(e) revised. So that's going to be  
22 another exhibit I will be referring to, and also the binder, which is C1-11.

23 A I'm going to be asking some questions, panel, on issues of forecasting, so I'm not  
24 sure who is the appropriate person — Mr. Babyn, are you the person I should ask these  
25 questions of?

26 A MR. GRATTAN: I'm the person —

27 Q LANDRY: Mr. Grattan? Okay.

28 Mr. Grattan, would you agree with the general statement, without getting into the details  
29 yet, that YECL, at least historically, has forecasted lower overall sales in the last 10 years  
30 or so than what actually occurred?

1 A MR. GRATTAN: No.

2 Q MR. LANDRY: Okay. Let's go back to 1996-97, when you were last before the  
3 Board, where your forecasts, both in terms of sales and costs, were being discussed. So if  
4 you could turn to YEC-YECL-II(e) Revised Attachment 1.

5 MS. SHANKS: I'm sorry, Mr. Landry, where does it indicate we're on the  
6 revised one?

7 MR. LANDRY: Well, my reference has it effectively at the top right-hand  
8 corner, and it just says 2(e), and then it has capitalized "R-E-V-I-S-E-D".

9 MS. SHANKS: There's no indication on it that it says "revised" on the one that  
10 we're looking at.

11 MR. KEOUGH: Madam Chair, I think it is part of Exhibit B-10. Mr. Maissan  
12 was correct.

13 MS. SHANKS: Okay.

14 MR. LANDRY: I apologize. I thought it was a little easier to get to than —

15 MR. KEOUGH: I don't mind helping my friend.

16 MS. SHANKS: You're helping all of us, Mr. Keough.

17 MR. LANDRY: I actually saw that over the last couple of days, Mr. Keough,  
18 thank you.

19 MS. SHANKS: Believe me, we're all deeply grateful.

20 MR. KEOUGH: I'm not planning on letting Mr. Landry hug me yet.

21 MR. LANDRY: You don't have to worry about that, sir.

22 Panel, do you have it? Mr. Grattan, sorry, do you have it?

23 MS. SHANKS: We're very, very close. Some of us are there and others are just  
24 on the fringe, in more ways than one. We're here. Please start.

25 MR. LANDRY: Okay.

26 MR. GRATTAN: I'm there.

27 MR. LANDRY: Okay.

28 Q Sir, the forecasts that were used in the discussions that were ultimately approved by  
29 the Board are indicated there in terms of your sales, correct?

30 A MR. GRATTAN: "There" being —

- 1 Q MR. LANDRY: "There" being YEC-YECL-II(e) Revised Attachment 1.
- 2 A MR. GRATTAN: So I'm looking at the summary of customers, energy sales and  
3 revenues.
- 4 Q MR. LANDRY: Yes.
- 5 A MR. GRATTAN: Actual — forecast versus actual for 1996 and 1997.
- 6 Q MR. LANDRY: Yes.
- 7 A MR. GRATTAN: Yes, okay.
- 8 Q MR. LANDRY: Okay, so if we go down to — I'll be a little bit more careful  
9 then, sir. If we go down to line 36 —
- 10 A MR. GRATTAN: Correct.
- 11 Q MR. LANDRY: Do you see line 36?
- 12 A MR. GRATTAN: I do.
- 13 Q MR. LANDRY: Okay. Do you see sales in megawatt hours, sir?
- 14 A MR. GRATTAN: I do.
- 15 Q MR. LANDRY: Yes. And you see that the forecast in 1996 was — I guess this is  
16 megawatt hours — 230,461. Do you see that?
- 17 A MR. GRATTAN: I do.
- 18 Q MR. LANDRY: And in fact your actual sales in 1996 turned out to be quite a bit  
19 higher than that, correct?
- 20 A MR. GRATTAN: I see 239,384.
- 21 Q MR. LANDRY: Quite a bit higher than that, correct?
- 22 A MR. GRATTAN: I see 239,384.
- 23 Q MR. LANDRY: We're going to fight over adjectives again today, I guess. Okay.  
24 So, sir, in 1997, the forecast that was approved by the Board was 232,028 — correct?
- 25 A MR. GRATTAN: Correct.
- 26 Q MR. LANDRY: And, again, the sales were higher than that — 235,563. Correct?
- 27 A MR. GRATTAN: I see — so, yes. Correct.
- 28 Q MR. LANDRY: So would you agree with the proposition that at least in 1996  
29 and 1997, without getting into adjectives, the sales of your company were higher than  
30 what you forecasted for wholesale?

1 A MR. GRATTAN: The forecast for 1996 and 1997, as detailed in the Application  
2 at that period of time, was based on a normalized regression, similar to what is going on  
3 today, in 2008-09. So I will most definitely agree with you that the actuals, that reflected  
4 the actual weather in those two years, resulted in sales being higher than what was  
5 forecast.

6 Q MR. LANDRY: Sir, would you agree with me on this proposition — at least, as I  
7 understand it — in excess of 90% of the sales that you make generally, without getting  
8 too far into the detail, are off the WAF?

9 A MR. GRATTAN: Well, before I agree with that, I guess I'll go to one of the  
10 schedules. So if I can take folks to Schedule 3.2 of the Application, and you'll see on the  
11 far right there, approximately 90% — as Mr. Landry has pointed out — of our purchases  
12 come from Yukon Energy on the WAF system, or Mayo-Dawson, depending on — a  
13 very small amount with regard to Mayo-Dawson.

14 Q MR. LANDRY: So the sales you make to your customers — over 90% come  
15 from the WAF. Is that a fair statement?

16 A MR. GRATTAN: That's a fair statement, sir.

17 Q MR. LANDRY: Okay. Sir, just going back to 1996 and the variance — without  
18 getting into adjectives — between actuals and forecasts, effectively as a result of that  
19 variance, that was a positive benefit on Yukon Electrical. Would you agree with that —  
20 financially?

21 A MR. GRATTAN: Agreed.

22 Q MR. LANDRY: And, in fact, in that year, sir, the approved return on equity  
23 was 11.25% and, in fact, Yukon Electrical actually earned 13.03% — correct?

24 A MR. GRATTAN: That was what was filed by Yukon Electrical — correct.

25 Q MR. LANDRY: I'd like you to now, sir, go to the document that was just marked  
26 as an exhibit, which is C1-18. It's the one that was just handed out, Mr. Grattan.

27 A MR. GRATTAN: Yes, I have it. Thank you.

28 Q MR. LANDRY: And have you had a chance to review this, Mr. Grattan?

29 A MR. GRATTAN: On a cursory basis. I believe it's very similar to what Yukon  
30 Electrical responded to in YEC-YECL-7, if I'm not mistaken.

1 Q MR. LANDRY: So have you taken a look at this to see whether or not it's  
2 accurate?

3 A MR. GRATTAN: I didn't look at it very carefully, because we've already  
4 provided the information in YEC-YECL-7.

5 Q MR. LANDRY: Okay. Have you looked at it to see if it's accurate?

6 A MR. GRATTAN: I believe that what I just said is that we've provided the same  
7 information, as I understand, in YEC-YECL-7.

8 Q MR. LANDRY: Sir, I know we like to go back and forth. I'm asking for  
9 something on the record: have you looked at this and, from your perspective, is it  
10 accurate?

11 A MR. GRATTAN: If YEC can read YEC-YECL-7, it's accurate. So I'll assume  
12 that — yes, it's accurate, sir.

13 Q MR. LANDRY: It's accurate. So for the record, it's accurate.

14 A MR. GRATTAN: I'm assuming — yes.

15 Q MR. LANDRY: So, just so we know what we're talking about here, sir, for the  
16 record, if you go in the various columns — let's start up at the top. We have the actual  
17 sales, or actual purchases, vis-à-vis YEC, are in the first column by the years — correct?

18 A MR. GRATTAN: Correct.

19 Q MR. LANDRY: And then what we have in this exhibit — we'll take 2003 as the  
20 example. This is a forecast from YECL's business plan that was provided to YEC, and it  
21 indicated what YECL was forecasting the purchases to be, both in the 2003 year and in  
22 the 2004, 2005, 2006 year — correct? Is that what it is, first?

23 A MR. GRATTAN: The information I believe is — what you're stating is that  
24 Yukon Energy, on an annual basis, asks Yukon Electrical for what it believes the sales  
25 will be for the following year. That's been going on for many years, probably since about  
26 1998 or 1999, and we provide that information to Yukon Energy on a total basis. So this  
27 information has been provided by Yukon Electrical to Yukon Energy on an annual basis  
28 since that point in time, so you are correct.

1 Q MR. LANDRY: Okay, and that's what happens. I'm using 2003 as an example,  
2 provided for the 2003 year and then, at least in this case, three subsequent years. That's  
3 what your forecast was at the time.

4 A MR. GRATTAN: That was what Yukon Electrical provided to Yukon Energy at  
5 the time, yes.

6 Q MR. LANDRY: That was what your forecast was at the time, wasn't it, sir?

7 A MR. GRATTAN: Yes, that is correct, sir.

8 Q MR. LANDRY: And again, in 2004, same thing, but in this year not only did you  
9 provide a forecast for the 2004 year, you went right out to 2008, I believe, if I have that  
10 right — five years. Correct?

11 A MR. GRATTAN: Sorry, can you say that again?

12 Q MR. LANDRY: In 2004, sir, you provided a forecast to Yukon Energy, which  
13 had not only the 2004 year, it had forecasts for the years 2005 through 2008. Correct?

14 A MR. GRATTAN: It would appear that that's what you're saying, so I'll agree  
15 with you.

16 Q MR. LANDRY: Well, sir, do you need me to take you to a record to get it —

17 A MR. GRATTAN: I'm agreeing with you, Mr. Landry.

18 Q MR. LANDRY: Well, I didn't take that as an agreement, sir.

19 In 2005, you did the 2005 year and then you had, again, the subsequent five years you  
20 were forecasting. Correct?

21 A MR. GRATTAN: Can you take me to the line, sir?

22 Q MR. LANDRY: Sir, the column entitled "2005" — do you see that?

23 A MR. GRATTAN: Yup.

24 Q MR. LANDRY: And do you see that there's actually one, two, three, four, five  
25 — five different numbers under that column?

26 A MR. GRATTAN: I do.

27 Q MR. LANDRY: Okay. So can we go back to my question then? In 2005, you  
28 provided a forecast to Yukon Energy, which had not only the 2005 year, it had four other  
29 years, from 2006 to 2009.

1 A MR. GRATTAN: I'll assume that in 2005, Yukon Electrical provided Yukon  
2 Energy with a forecast for 2005, 2006, 2007, 2008, 2009. So, agreed.

3 Q MR. LANDRY: You're going to assume that, sir, or it did happen?

4 A MR. GRATTAN: I'm assuming. I do not recollect providing Yukon Energy,  
5 myself, with regards to five years of forecast.

6 Q MR. LANDRY: We can do this easily, sir, or we can do it in a difficult way, so if  
7 you want to do it that way, would you please turn to C1-11, Tab 17.

8 A MR. GRATTAN: Seventeen. Okay.  
9 I'm there.

10 MR. LANDRY: I'll wait for the Board.

11 MS. SHANKS: Yes, we're there, thank you.

12 Q MR. LANDRY: If you go to — first of all, this is an exhibit from Yukon  
13 Energy's Resource Plan Hearing, and it is effectively a similar type [inaudible] to start  
14 with, and attached to it are the various documents that were provided by Yukon Electrical  
15 to Yukon Energy in relation to the issue we are talking about. Do you see that, sir?

16 A MR. GRATTAN: I do.

17 Q MR. LANDRY: Could you go, then, to the one we're having difficulty with,  
18 which is the 2005 business plan several pages in. Do you see that, sir?

19 A MR. GRATTAN: Yes, I do.

20 Q MR. LANDRY: Just holding that there, I am going to Exhibit C1-18. Would you  
21 now agree with me, sir, that the numbers under the column "2005" are accurate and are  
22 the forecast that was provided by Yukon Electrical to Yukon Energy?

23 A MR. GRATTAN: So I see a title on there that says "Yukon Electrical 2005  
24 business plan" and I see a spread sheet and I see at the bottom "2005 POP from YECL". I  
25 assume that sometime, as part of Yukon Electrical's 2005 business plan, Yukon Electrical  
26 provided Yukon Energy with this information, and Yukon Energy put it into this format.  
27 That's all I can provide to you.

28 Q MR. LANDRY: You didn't provide this — you — that is the company — did not  
29 provide this document to Yukon Energy? Just so you know, do you see down below  
30 where it says "2005 POP from YECL"? Do you see that?

1 A MR. GRATTAN: Yes, exactly. That's a reference, yeah.

2 Q MR. LANDRY: So that was the forecast for the record that was provided by  
3 Yukon Electrical to Yukon Energy. Correct?

4 A MR. GRATTAN: I am going to say I believe you are probably right. I cannot  
5 confirm that this was the spreadsheet that was provided by Yukon Electrical in 2005. But  
6 I think, for all intents and purposes, we are splitting hairs. Fair enough, information was  
7 provided by Yukon Electrical to Yukon Energy as part of Yukon Electrical's 2005  
8 business plan.

9 Q MR. LANDRY: I am trying to get a document onto the record and get answers  
10 and confirmations as to whether or not it's accurate. Under 2005, is that the accurate  
11 forecast that was provided to Yukon Energy by Yukon Electrical? It's a simple question;  
12 it's either "yes" or "no".

13 MR. KEOUGH: Well, Madam Chair, it's not a simple question if the witness has  
14 not gone back and gone through the documents that may have been exchanged in 2005  
15 and verified the numbers. I wonder if we could alleviate this back-and-forth by taking  
16 numbers subject to check or something along that line.

17 Q MR. LANDRY: Is that what you want to do, sir?

18 A MR. GRATTAN: I think that would be — well, as I was just chatting with Mr.  
19 Babyn about whether in fact this is exactly what we provided, we can certainly agree that  
20 it certainly appears to be what we provided, but I haven't gone back and taken a look at  
21 the records, so subject to check, as has been suggested, we can agree with those numbers.

22 Q MR. LANDRY: Subject to check, could you also agree with the differences  
23 between actual and forecast, as provided for in the second major column and, subject to  
24 check, agree with the percent differences between actuals and forecast?

25 A MR. GRATTAN: Yes.

26 Q MR. LANDRY: So at least in terms of the forecast, sir, it appears that the  
27 forecasts that have been provided to YEC by YECL for purchase power sales — the  
28 actuals have been higher than what Yukon Electrical has forecast during those years.  
29 Would you agree with that?

1 A MR. GRATTAN: In those years, but not in previous years provided to Yukon  
2 Energy.

3 Q MR. LANDRY: Well, sir, for the record, the question was asked of Yukon  
4 Electrical to provide actual information pre-2003, and Yukon Electrical decided — and  
5 the Board agreed with them — that they didn't have to provide that information. Fair  
6 statement?

7 A MR. GRATTAN: Fair statement.

8 Q MR. LANDRY: Given that history and using Yukon Electrical's forecast — let's  
9 say, for 2009, which is included in your Application here — does it surprise you that  
10 Yukon Energy has used, in its General Rate Application, an increased forecast of power  
11 sales from Yukon Electrical? Does it surprise you?

12 A MR. GRATTAN: I haven't had an opportunity to look at Yukon Energy's sales  
13 forecast.

14 Q MR. LANDRY: In the document they filed with the YUB?

15 A MR. GRATTAN: No, sir, I haven't.

16 Q MR. LANDRY: Would it surprise you that it's higher?

17 A MR. GRATTAN: Yes.

18 Q MR. LANDRY: I see. Would it surprise you that instead of 263,202 megawatt  
19 hours, it's actually 266,011 megawatt hours?

20 MR. KEOUGH: Madam Chair, I am not sure what surprises Mr. Grattan or not is  
21 really relevant to the record. Is there really a question here?

22 MS. SHANKS: Mr. Landry, would you like to clarify your question a bit more?

23 MR. LANDRY: I will leave it at that, Madam Chair.

24 Q Mr. Grattan, all other things being equal, if the forecast that goes into rates for 2008-  
25 09 test year — if the forecast ultimately turns out to be low and sales turn out to be  
26 higher, there is an incremental benefit to Yukon Electrical, correct? Assuming again 90%  
27 of the — sorry?

28 A MR. GRATTAN: There is a mirroring effect with regard to Yukon Electrical  
29 sales that Yukon Electrical, as part of this Application, has gone through a large amount  
30 of due diligence with respect to preparing a GRA quality forecast. If our sales are lower

1 than what is forecast, we will not make quite as much money as we thought from the  
2 perspective of sales revenues. It's a simple mathematical formula — kilowatt hours times  
3 a rate per kilowatt.

4 Conversely, if actual sales are higher than what was forecast, there will be additional  
5 revenues and maybe additional costs associated with all of that, i.e. higher purchase  
6 power costs, higher generation costs or, conversely, on the other side, lower purchase  
7 power costs or lower generation costs. To answer your question, you asked me whether  
8 Yukon Electrical will make more money if actual sales are higher than forecast. There  
9 will be additional sales revenues — correct.

10 Q MR. LANDRY: Sir, if the sales are on the WAF, all other things being equal,  
11 there will be a net benefit to Yukon Electrical — correct — for higher sales?

12 A MR. GRATTAN: A net benefit with regard to return? What are you suggesting,  
13 sir?

14 Q MR. LANDRY: Well, let's go with return. We saw it in 1996 when I went  
15 through that with you. There will be an added benefit to Yukon Electrical. Your average  
16 sale and the revenue received from that is more than the cost, for example, of purchase  
17 power from Yukon Energy — correct?

18 A MR. GRATTAN: That is correct, sir.

19 Q MR. LANDRY: I wonder if you could do one further thing for me, Mr. Grattan.  
20 If we look again at that attachment to YEC-YECL-II(e) Revised Attachment 1, these are  
21 total company sales. Would you please take as an undertaking: I would like to know —  
22 the forecast that was put in the 1996-97 GRA, which was the last time you were before  
23 the Board, for sales on WAF versus actuals and for sales off of WAF versus actuals, as  
24 per the table that we have with all the breakdowns that are in that table that you provided?  
25 Can you do that?

26 A MR. GRATTAN: Number one, I am not sure, quite honestly, given what was  
27 pulled together back in 1995 for purposes of the 1996-97 GRA. I am not sure if I can do  
28 that.

29 I can tell you and the Board that, as part of the regulatory forecast that was pulled  
30 together for this GRA, there is a large amount of documentation — in fact there are 30

1 attachments — with regard to the forecast: normalizing weather in certain circumstances,  
2 looking at the sales on the WAF system, looking at the sales in each one of our  
3 communities, looking at the use per customer in every community, looking at the  
4 commercial sales in every community. That is what is relevant, in my humble opinion,  
5 with regard to this proceeding.

6 We are spending a lot of time with regard to what happened in 1996-97. I wasn't  
7 there, Mr. Landry — you were. You were part of the joint Application and Yukon Energy  
8 was a part of the joint Application. You haven't yet asked me any questions with regard  
9 to how we've gone about preparing our 2008-09 sales forecast, which is — to be brutally  
10 frank — what is relevant here from the perspective of testing the forecast. I honestly  
11 don't know whether I can provide you with what you just asked for, relating to the 1996-  
12 97 years.

13 Q MR. LANDRY: Are you finished?

14 A MR. GRATTAN: Yes, I am.

15 Q MR. LANDRY: Okay. Could you please take that as an undertaking?

16 A MR. GRATTAN: I just said I don't think I can do it for you.

17 Q MR. LANDRY: That's not what you said, sir. Could you take it —

18 A MR. GRATTAN: I don't think I can do it.

19 Q MR. LANDRY: Sir, could you take it as an undertaking and see if you can, if it  
20 can be done?

21 MR. KEOUGH: For clarification, is the undertaking to investigate whether it is  
22 possible for Mr. Grattan to do it, as opposed to the undertaking to do it? If it's the first  
23 one, I'm okay with it.

24 MR. LANDRY: Madam Chair, I'm not sure why we went into that little tirade  
25 there, but it's a fairly simple question and if Yukon Electrical actually can come back  
26 here and say on the record that it cannot do that, we'll take it. But I know what they can  
27 do: they can provide at least the actuals. We'll have to go back, I guess, and go through  
28 the GRA and see whether or not we can do something further than that, but it's a very  
29 valid question.

1           And let me just emphasize this point: Madam Chair, many utilities in Canada were  
2 away from regulation for a long period of time, and some of the ones that you know —  
3 Yukon Energy is one example, BC Hydro is another example, Manitoba Hydro —  
4 everybody had this difficulty of going back to the date they were last before the Board,  
5 but it is relevant, Madam Chair, because if, as we will argue, Yukon Electrical is  
6 underforecast, that's a problem, and we want to show with this evidence — we want to  
7 show what the evidence was back then for the 1996-97 GRA, whatever that evidence is.

8           So I would say to you, Madam Chair, that the undertaking should be on the record  
9 and they should give us whatever they can, relative to the question that was asked.

10          MR. KEOUGH:           Madam Chair, this is about the tenth time we've gotten either  
11 Mr. Landry giving evidence about what other jurisdictions are doing, with no evidence to  
12 support it, or theatrically performing a preview to his written argument, which we could  
13 do without.

14          What we haven't heard is whether or not this Board considers that a forecast variance  
15 from 11 years ago — or maybe the forecast was done in 1995, 12 or more years ago when  
16 it was done — whether a forecast variance back then has any probative value in terms of  
17 testing whether or not the test years for 2008 and 2009 contain forecasts that have been  
18 rigorously prepared.

19          That's what you're here to decide: whether or not the 2008-09 forecasts are  
20 supportable and have evidence behind them, and you will decide whether or not those  
21 forecasts should be accepted or should be varied by you. That's the job here.

22          And I'm asking you whether or not information on a variance from at least 10 years  
23 ago has any probative value in assisting you in making that decision. And I'm suggesting  
24 it doesn't. And I'm suggesting, therefore, the information shouldn't be required and the  
25 effort to try and go and search it out shouldn't be required.

26          MS. SHANKS:           In this instance, the Board will concur with Mr. Landry because  
27 the Board has already made a determination that load forecasts for 10 years may be  
28 relevant, and I would direct Mr. Grattan to undertake that undertaking and provide YEC  
29 with the information — or most of it that they can provide in this instance.

30          MR. LANDRY:           Thank you, Madam Chair.

1 Q I'm going to switch topics now and I'd like to talk a little bit about Fish Lake, so I'm  
2 not sure who on the panel — Mr. Babyn, would you be the person to speak to on that?

3 A MR. BABYN: I'll attempt to do that for you, Mr. Landry, giving Mr. Grattan a  
4 little bit of a break, but we certainly will be using the team approach here.

5 Q MR. LANDRY: Okay. Sir, I'm going to be referring to a couple of things, and let  
6 me just get my references, so I don't get you going for something that you don't need to  
7 go to. YEC-YECL-5, sir — and the binder of documents Exhibit C1-11.

8 A MR. BABYN: I'm just looking that up. Okay, Mr. Landry, I think we're there.

9 MR. LANDRY: Sir, I'd like to start with — Madam Chair, does the Board have  
10 that?

11 MS. SHANKS: Yes, it appears we do.

12 Q MR. LANDRY: First of all, let's get a starting point here. As I understand it,  
13 Yukon Electrical is proposing to use 6.2 gigawatt hours as the forecast for the test years  
14 for Fish Lake?

15 A MR. BABYN: That is correct.

16 Q MR. LANDRY: And if you go to YEC-YECL-5(d), and I'm looking at,  
17 effectively, the answer. It was provided there. That's where I see you say the 6.2 gigawatt  
18 hours. Sir, do you see that? I'm looking at the first sentence at the top of page 3 of 3.

19 A MR. BABYN: Yes, I see that, Mr. Landry.

20 Q MR. LANDRY: Sir, it says, "Yukon Electrical is proposing to use 6.2GWh as the  
21 forecast for the test years based on down time that is required to complete necessary work  
22 on the Fish Lake system. It is not meant to be a long term average." Do you see that, sir?

23 A MR. BABYN: I see that.

24 Q MR. LANDRY: And that's Yukon Electrical's evidence?

25 A MR. BABYN: It is because of the down time that it may be different in the  
26 future.

27 Q MR. LANDRY: I was sort of focusing on the second sentence. I apologize. "It is  
28 not meant to be a long term average" — is that your evidence?

29 A MR. BABYN: What the evidence, and what it was meant to be, is that with the  
30 down time in 2008 and 2009 — assuming that that same down time will not occur in the

1 future — that those additional sales or output during the test years would have that  
2 impact.

3 Q MR. LANDRY: Okay, let me try it a little differently, sir. 6.2 gigawatt hours is  
4 not meant to be a long-term average — correct?

5 A MR. BABYN: 6.2 gigawatt hours is the forecast for the test period because of  
6 down time. So, assuming there is no down time in 2010, as an example, I would assume  
7 that the output would be higher.

8 Q MR. LANDRY: I'm not sure why this is a difficult question, but I'm going to do  
9 it one more time — it is not meant to be a long-term average — correct?

10 MR. KEOUGH: I'm not even sure why there is a question. This evidence has  
11 been adopted, and that's the statement in it.

12 MR. LANDRY: That's why I thought it was pretty simple.

13 MR. KEOUGH: That's why I don't think you need to ask it.

14 Q MR. LANDRY: Simple questions don't seem to be answered, but I'll go on. Sir, as  
15 I understand the starting point — before you take off .8 gigawatt hours to get to 6.2  
16 gigawatt hours — is you've looked at the last 10 years of actuals — to get to a 6.9  
17 gigawatt hour level. Is that a fair statement?

18 A MR. BABYN: I think it's important, just to be a little bit helpful here, in terms of  
19 that 10-year average. That 10-year average was provided by senior YEC officials,  
20 indicating that they felt that the 10-year average was a reasonable way to estimate the  
21 usage of Fish Lake on a go-forward basis.

22 Yukon Electrical looked at that information and that recommendation, and we looked  
23 at our current operating regime for Fish Lake, and we said, "Well, that 10-year average  
24 makes the most sense, because it is reflective of the current operating conditions of Fish  
25 Lake." And because we've also entered a water licence time period that has some  
26 restrictions, in terms of the amount of water that will be available to us in Fish Lake over  
27 the next number of years, that 10-year average — that we agreed with YEC — was an  
28 appropriate way to forecast this.

29 So we work together all the time on forecasts. There is probably not a day goes by  
30 when we're not communicating and talking to YEC. We operate the system jointly, so

1 when it's appropriate, and when we agree with some things, we come forward with the  
2 proper forecast. This is one of those cases.

3 Q MR. LANDRY: Sir, is that the long-term forecast — 6.962?

4 A MR. BABYN: That is the 10-year forecast that we're using.

5 Q MR. LANDRY: Fine, sir. What is the long-term forecast then?

6 A MR. BABYN: Based on the best information that we put forward here, we would  
7 say that our best information at the time, as supported by this 10-year forecast, is that we  
8 would be looking at seven gigawatt hours as the long-term forecast.

9 Q MR. LANDRY: And what information did you rely on — just the 10 years or  
10 something else?

11 A MR. BABYN: Just the 10 years that we've agreed to with YEC.

12 Q MR. LANDRY: And, sir, would you agree with this, sir, that you do — that is,  
13 Yukon Electrical — does have records for Fish Lake that go back to the beginning of  
14 when Fish Lake was first put in service?

15 A MR. GRATAN: I can answer that. There would be long-term actual output from  
16 Fish Lake going back to its conception in 1950 — early 1950s. But as Mr. Babyn has just  
17 pointed out, what has taken place in the past, after we vetted it with senior officials at  
18 Yukon Energy — and Mr. Landry, I'm not quite sure what the debate about this is all  
19 about — after vetting with Yukon Energy, on a go-forward basis, both companies  
20 confirmed that a seven-gigawatt-hour forecast, on a go-forward basis, was reasonable.  
21 That's what we did.

22 Q MR. LANDRY: Sir, I think we're splitting hairs here a little bit but I'm looking  
23 for the long-term forecast. That's what I'm looking for, and what I'm getting back is a  
24 10-year forecast, so maybe we can start at a different point in time.

25 Sir, could you go to Tab 16 of C1-11?

26 This is an extract, sir, from the GRA filing in 1996-97, where the issue of long-term  
27 forecasts for the various parts of the generation on the system were, and at the top you'll  
28 see that what was indicated there was, and I quote: "Generation forecasts for Fish Lake in  
29 1996 and 1997 reflect long-term average water availability."

30 Do you see that, sir?

1 A MR. BABYN: Yes.

2 Q MR. LANDRY: Yes, and if you go to the next page, you'll see the "Schedule of  
3 Energy Balance, Losses, Peak and Load Factor", and you look down to "Fish Lake" and  
4 the forecast shows that the long-term forecast reflecting that statement is actually 10  
5 gigawatt hours. Do you see that?

6 A MR. BABYN: I see that.

7 Q MR. LANDRY: In that forecast, Yukon Electrical would have looked at its  
8 records, from the time that perhaps Mr. Grattan was talking about, perhaps earlier, in  
9 order to come up with that long-term forecast. Would you agree with that?

10 A MR. BABYN: Based on specific operating conditions.

11 Q MR. LANDRY: And, sir, would you agree with this proposition, that if it turns  
12 out — and I understand the mirror issue, okay? But I'd like you to answer my question,  
13 which is: if it turns out that Fish Lake actually has, in the forecast time frame, let's use  
14 eight gigawatt hours instead of 6.2, that is a net benefit to Yukon Electrical?

15 A MR. BABYN: Just to explain to the Board, as you've pointed out, if we don't  
16 generate our own electricity from Fish Lake, we buy it from Yukon Energy. So if Fish  
17 Lake generates more electricity than what is forecast, we will buy less electricity from  
18 Yukon Energy. So, as Mr. Landry says, for every kilowatt hour less that we buy from  
19 Yukon Energy, our purchase power will go down, based on the old rates and the filed  
20 rates — 6.84 cents per kilowatt hour, so —

21 Q MR. LANDRY: And that would be —

22 A MR. BABYN: — I'm going to agree with you and it's the same — the mirror  
23 issue — as last time.

24 Q MR. LANDRY: And just so it's clear on the record, sir, and there — in that  
25 example that I've given you — would be a net benefit there for Yukon Electrical.

26 A MR. GRATTAN: Our purchase power expense goes down when we generate  
27 more electricity; our purchase power expense goes up if we generate less electricity.

28 Q MR. LANDRY: I don't know why we have to quibble with —

29 A MR. GRATTAN: There is a reduction in expenses and that would flow through  
30 so, yes, Mr. Landry.

1 Q MR. LANDRY: Now, sir, Mr. Babyn, maybe you're the person to speak to on  
2 this. If I go back to the IR that I was referring to, there's a number of questions —  
3 obviously a number of answers — but as I understand the issue, the reduction from this  
4 10-year forecast that Yukon Electrical is proposing to use here, 0.8 gigawatt hours relates  
5 to so-called down time that is going to happen for — I think it's called "rebuids", if I've  
6 got it right. Is that a fair statement?

7 A MR. BABYN: That's a fair statement.

8 Q MR. LANDRY: And rebuids that are going to effectively enhance the Fish Lake  
9 into the future — a fair statement?

10 A MR. BABYN: It will — it's replacing old parts so that Fish Lake can continue in  
11 its current state.

12 Q MR. LANDRY: Yes, so there'll be new parts, which will allow Fish Lake to  
13 continue on into the future.

14 A MR. BABYN: Fair enough.

15 Q MR. LANDRY: Fair enough. And, sir, I gather you have made a decision that the  
16 amount of down time and the cost of that down time, in terms of increased power  
17 purchases from Yukon Energy, should be reflected in the forecast as opposed to reflected  
18 in the capital rebuild — correct?

19 A MR. BABYN: Yes, that was our position.

20 Q MR. LANDRY: Sir, do you know the — well, let me ask this: how did you come  
21 to that? Did you talk to other power generators — and when I mean "power generators", I  
22 mean "hydro generators" — to see what they did when such a situation happened?

23 A MR. BABYN: No, we didn't, but what we did do is we looked at what the  
24 practicality was of doing anything when that unit's down, and it would make sense that  
25 connected — an interconnected grid between YECL and YEC — that the logical solution  
26 would be to purchase power from Yukon Energy.

27 Q MR. LANDRY: Sorry. Maybe I wasn't very articulate, and I apologize for that. I  
28 wasn't getting at that, sir. I don't have any difficulty with that. The issue I'm talking  
29 about is the cost, i.e., the down time, which means that the increased purchase power cost  
30 — there's two options, right? One is that you have the ratepayers during the test year pay

1 for that, in effect. Another possibility would be to take the purchase power cost and put it  
2 into the capital amount for the rebuild.

3 A MR. FREEDMAN: Maybe I can come from an accounting perspective — it's  
4 kind of an accounting question — this is whether we should capitalize these incremental  
5 expenses as part of the capital project or whether we should expense them. Now, from  
6 Yukon Electrical's perspective, with capital, you know, is there an enduring benefit?  
7 There's always these questions. Does this benefit last beyond the year and, at one  
8 extreme, it's clear that some expenses are capital. On another extreme, it's clear that  
9 some expenses are expensed in the year. And then there's the grey area where there can  
10 be interpretations of treatment.

11 In this particular case, you know, Yukon Electrical put these expenses and feel that  
12 we are complying with GAAP in this case to expense them.

13 Q MR. LANDRY: I appreciate that answer, sir. That's a lot more clear than my  
14 question was. I accept the issue you were struggling with here. But the point is that one  
15 other possibility could have been to put those costs into the cost of the rebuild — correct?

16 A MR. FREEDMAN: Well, from Yukon Electrical's perspective — from an  
17 accounting perspective — we thought it best matched the expense in the year, but a  
18 possibility that could have been explored further. We think that we are complying with  
19 GAAP with that treatment. That would be another treatment that we could potentially  
20 comply with GAAP because it could be a grey area that it's possible.

21 Q MR. LANDRY: But sir, for example, the capital costs — and, again, the capital  
22 costs that are incurred to do the rebuild that everybody wants to be done — the capital  
23 costs that are incurred to do the rebuild, they are amortized over time, correct?

24 A MR. FREEDMAN: They are a direct cost relating to that project. This kind of  
25 purchase power expense is related to that, but is it directly related to that project? That's  
26 what we were saying — it's a bit removed.

27 Q MR. LANDRY: Sir, can we just go at one at a time?

28 A MR. FREEDMAN: Okay.

1 Q MR. LANDRY: The capital costs that are incurred for the rebuild are amortized  
2 over time, because there is an enduring benefit that effectively the facility, and ultimately  
3 to the ratepayers, get over time. Correct?

4 A MR. FREEDMAN: Correct.

5 Q MR. LANDRY: And one of the costs that has to be incurred in order to do that  
6 rebuild during that time — okay — is the fact that you have to shut the unit down.  
7 Correct, Mr. Babyn?

8 A MR. BABYN: That is correct, Mr. Landry.

9 Q MR. LANDRY: Yes, you have to shut the unit down and, during the down time,  
10 you then have to purchase power from Yukon Energy that you wouldn't otherwise have  
11 to purchase if you didn't do the rebuild. Is that a fair statement, Mr. Babyn?

12 A MR. BABYN: I think generally I would agree with that.

13 Q MR. LANDRY: Okay. Mr. Babyn, you are also involved obviously in the  
14 Northwest Territories?

15 A MR. BABYN: Yes, I am.

16 Q MR. LANDRY: And your company intervenes in Northwest Territories Power  
17 Corporation proceedings on a regular basis?

18 A MR. BABYN: We are an interested party, for sure. I mean, I don't know that we  
19 intervene per se. We are there, we participate, we ask a few IRs from time to time, but I  
20 wouldn't say that we are actively engaged in intervention.

21 Q MR. LANDRY: Can you confirm that NTPC does it the way I was talking about  
22 — that they put the extra purchase power cost in the cost of capital for their rebuilds?

23 A MR. BABYN: I couldn't confirm that, Mr. Landry.

24 Q MR. LANDRY: I would like to go to another topic, Mr. Babyn. If you could  
25 please have before you C1-11, which is the binder. It's Tab 19. In your ongoing  
26 discussions that you were talking about with Yukon Energy, you were aware — and I  
27 guess it was fairly widely known that Yukon Energy was also going to be coming  
28 forward with a General Rate Application this year?

29 A MR. BABYN: Yes, I think that was generally our discussion, you know, that they  
30 would be coming forward at some point.

1 Q MR. LANDRY: And you knew that they were sitting down and looking at detail,  
2 as Yukon Electrical attempted to do, in things like forecasts and how the connection of  
3 the mine to the system was going to work its way through rates?

4 A MR. BABYN: I personally don't know what their process is internally for that  
5 preparation; however, I mean, it's widely known that certainly the addition of the Minto  
6 Mine would have probably been something that they would obviously be seeing as an  
7 important issue to look at.

8 Q MR. LANDRY: And obviously the addition of the mine, we all know from the  
9 various proceedings that were before this Board and otherwise, that has a benefit because,  
10 of course, there is surplus hydro on the WAF system, correct?

11 A MR. BABYN: I think the connection of the customer to the system has a benefit.

12 Q MR. LANDRY: Because effectively it's using some of that surplus hydro that's  
13 there, correct?

14 A MR. BABYN: Fair enough.

15 Q MR. LANDRY: And, sir, when Yukon Energy filed their Application on this  
16 Monday with this Board, there was also a letter that was sent to you regarding the  
17 forecast on secondary sales.

18 A MR. BABYN: I saw the letter, Mr. Landry, it's just I really haven't taken a lot of  
19 time to read it but, because it was sort of based on sales and Mr. Grattan has taken the  
20 sales portion of this, I'll just let him respond to that, if that's all right.

21 A MR. GRATTAN: Actually, I have read this letter, Mr. Landry.

22 Q MR. LANDRY: In any event, sir, you were informed by Yukon Energy that, after  
23 looking at the surplus hydro and Minto being connected to the system, they revised their  
24 secondary sales forecast.

25 A MR. GRATTAN: I think this letter goes to the heart of what we just spent the  
26 better part of a half hour or 45 minutes discussing, Mr. Landry, so yes.

27 Q MR. LANDRY: Well, before we go back there, could you just answer the  
28 question and then I guess we'll have to go back there. Could you answer the question  
29 first, please?

30 A MR. GRATTAN: Yes.

1 Q MR. LANDRY: Say yes? Sorry, I didn't hear.

2 A MR. GRATTAN: Can you repeat the question, Mr. Landry?

3 Q MR. LANDRY: Yukon Electrical was notified on Monday as a result of — or  
4 Yukon Energy's General Rate Application, that they had revised their secondary sales  
5 forecast for 2008 and 2009, correct?

6 A MR. GRATTAN: Yes, on Monday, it looks like you tested your assumptions  
7 rigorously and were able to determine that, in fact, significant sales were still expected to  
8 occur in the test years with Minto Mine on the system. Yes.

9 Q MR. LANDRY: Thank you for that additional evidence, sir.

10 A MR. GRATTAN: I'm just reading what was in the letter, sir.

11 Q MR. LANDRY: So, sir, now that the — well, I won't go there. So you've gone  
12 through the sales forecasts, and obviously I know it doesn't have a huge benefit to Yukon  
13 Electrical, but there is some benefit to Yukon Electrical of increased secondary sales — a  
14 fair statement?

15 A MR. GRATTAN: A small benefit — fair statement.

16 MR. LANDRY: Madam Chair, what time was the break that you wanted to take?  
17 I should be, hopefully, no more than about 15 minutes.

18 MS. SHANKS: I assume my watch is correct, because it actually only says 9:30.

19 MR. LANDRY: Yes.

20 MS. SHANKS: So we were going to look for a break at maybe 10:00 or 10:30, so  
21 —

22 Q MR. LANDRY: Let me see where we go from here. I just want to take us to the  
23 Application and, Mr. Babyn, hopefully it'll be you that will be able to answer these  
24 questions, but if we could start, and what I'm going to be asking some questions about is  
25 your deferral accounts, and if you could refer to Application 1, pages 4 and 5.

26 A MR. BABYN: We have them, Mr. Landry, just it could be an area that both Mr.  
27 Grattan and I are discussing with you.

28 Q MR. LANDRY: Okay. Now, sir, let me try with a couple of simple questions  
29 with you, Mr. Babyn. You have five deferral accounts proposed?

30 A MR. BABYN: That is correct.

1 Q MR. LANDRY: And if I could start you where you summarize the justification  
2 for these accounts, and if you could go to page 1-5, at line 15.

3 A MR. BABYN: I see that.

4 Q MR. LANDRY: And I quote, it says, “The above noted ongoing and new deferral  
5 accounts meet the typical criteria for the establishment of a deferral account and are  
6 required as the costs related to these deferral accounts are:

7 “1) Not under the control of the company and are not reasonably forecastable;

8 or

9 “2) An error in forecasting could produce a loss or gain of a substantial magnitude.”

10 Do you see that, sir?

11 A MR. BABYN: We see that.

12 Q MR. LANDRY: So, if these deferral accounts obviously are approved by the  
13 Board, that is, from a forecast point of view, a very significant benefit for Yukon  
14 Electrical?

15 A MR. FREEDMAN: We don’t see it as a significant benefit. We see it as  
16 balancing risks. Ms. McShane was here talking about the return on capital structure. She  
17 factors these in when she comes up with her evidence, so this is balancing the risks and  
18 where they best fall. We don’t see it as a significant benefit. If they weren’t there, there  
19 would be other things that would have to be adjusted. So this is balancing the appropriate  
20 risks.

21 Q MR. LANDRY: But when you say that, sir — what’s happening with these  
22 deferral accounts is that the risk that you’re talking about is transferred from Yukon  
23 Electrical to the ratepayers — fair statement?

24 A MR. FREEDMAN: No, not entirely. Deferral accounts can go either way.  
25 Income tax deferral account is an example.

26 Q MR. LANDRY: So benefit or the cost?

27 A MR. FREEDMAN: Well, correct. That’s what I’m talking about — benefits or  
28 the cost.

1 Q MR. LANDRY: Now I just want to ask a couple of questions on a couple of —  
2 first of all, the purchase power flow-through is effectively the purchase power that is  
3 obtained from Yukon Energy, Mr. Freedman?

4 A MR. FREEDMAN: That's correct.

5 Q MR. LANDRY: And the fuel price flow-through as it's called here, is what we  
6 normally call the Rider F situation?

7 A MR. FREEDMAN: Yes.

8 Q MR. LANDRY: I would like to talk to you, Mr. Babyn, about a couple of the new  
9 ones that you're proposing. One is the increased fuel costs associated with Pelly  
10 Crossing. Do you see that, sir?

11 A MR. BABYN: I see that.

12 Q MR. LANDRY: Do I assume from what Mr. Freedman is saying that if, indeed,  
13 Pelly Crossing is hooked up to the grid sooner than November 1, the deferral account will  
14 take the benefit of that and provide it to ratepayers?

15 A MR. FREEDMAN: That's correct.

16 Q MR. LANDRY: Okay. And just so everyone has some idea of the benefit that is  
17 realized by connecting to the grid for your company, I've done a quick calculation based  
18 on 19 — sorry, 2007 actuals. I see the benefit being in reduced fuel costs alone, if we use  
19 2000 as an example, of about \$585,000. Does that sound right, Mr. Grattan?

20 A MR. GRATTAN: Yes, it does.

21 Q MR. LANDRY: Of course, that was based on the fuel price during 2007, which  
22 — one moment. I'm sorry; I thought it was based on the old fuel price.

23 Of course, there will be certain O&M savings once the grid is connected to Pelly  
24 Crossing?

25 A MR. GRATTAN: When the plant in Pelly Crossing goes on to a standby backup  
26 basis, obviously there will be O&M related savings — most definitely.

27 Q MR. LANDRY: And presumably your forecast for revenue requirement, both for  
28 2008 and 2009, takes that into account? That saving.

29 A MR. GRATTAN: Yes.

1 Q MR. LANDRY: Now one that I am not sure that I fully understand, even with the  
2 IRs and the information that's there — maybe you could help me with it. I am not sure  
3 that I fully understand what the income tax rate variance deferral account is. Perhaps —  
4 and I'm not sure who would be best to answer that. Mr. Freedman?

5 A MR. FREEDMAN: Yes.

6 Q MR. LANDRY: Could you try to give it to me in a way that's easy to  
7 understand?

8 A MR. FREEDMAN: If I can take you to page 10-2 of the Application.

9 Q MR. LANDRY: If you can give me one second, I'll get there. I have it, sir.

10 A MR. FREEDMAN: I'm also wanting to take you to Schedule 10 —

11 Q MR. LANDRY: 10.1?

12 A MR. FREEDMAN: 10.1. The rates that we've used in this Application show a  
13 federal income tax rate of 19.5% in 2008, and 19% in 2009, and a territorial income tax  
14 rate of 15% in 2008 and 15% in 2009. Now, given that there probably isn't going to be  
15 any budget-related changes to 2008, there will probably not be any deferral account  
16 applying to '08.

17 But if there should be budgetary changes to these rates, through federal budgets and  
18 territorial budgets that impact these rates, then the forecasted taxable income that's shown  
19 on line 25 on Schedule 10.1 would be adjusted. If the rate in '09 was — instead of 19%,  
20 if the budget said that the '09 rate was 15% to come to a 30% tax rate, we would then re-  
21 calculate the taxable income shown in this forecast at 30% versus the 34% shown here  
22 and refund that back to customers.

23 Q MR. LANDRY: Okay, I understand now. So, obviously, everybody hopes that  
24 the rates will go down, and that's the example that you gave, and that benefit would go to  
25 ratepayers, obviously, through the deferral account.

26 A MR. FREEDMAN: Correct.

27 Q MR. LANDRY: And if it went up, it would effectively go into the deferral  
28 account, and then, ultimately, that would have to be dealt with in a future General Rate  
29 Application. Is that the way I understand it?

1 A MR. FREEDMAN: General Rate Application or, you know, an annual filing  
2 during a non-test year.

3 Q MR. LANDRY: I guess maybe I was probably — I went too broad — in some  
4 sort of filing with the Board that would have to take care of the deferral account.

5 A MR. FREEDMAN: Correct.

6 Q MR. LANDRY: Thank you. Now, you have this Pelly Crossing deferral account,  
7 Mr. Grattan or Mr. Babyn, for when the grid gets hooked up to Pelly, so that effectively,  
8 either the benefit or the cost goes into the deferral account and will be dealt with in some  
9 way — fair way to describe it?

10 A MR. GRATTAN: Correct.

11 Q MR. LANDRY: Now, sir, when did the Mayo-Dawson grid get hooked up to  
12 Stewart Crossing?

13 A MR. GRATTAN: Originally, we were advised by Yukon Energy that Stewart  
14 Crossing would be hooked up in 2002, if memory serves me correctly. And, if memory  
15 serves me correctly, Stewart Crossing was hooked up to the grid — I think in one of our  
16 interrogatories — in 2005 — the fall of 2005.

17 Q MR. LANDRY: Okay. And sir, obviously, similar to Pelly Crossing, when it gets  
18 hooked up to the Mayo-Dawson grid, there is a similar reduction in cost to Yukon  
19 Electrical — not the actual numbers, but there is a reduction in cost?

20 A MR. GRATTAN: With respect to Pelly Crossing?

21 Q MR. LANDRY: With respect to Stewart Crossing.

22 A MR. GRATTAN: Oh, yes. When Stewart Crossing was connected to the Mayo-  
23 Dawson grid in 2005, the Stewart Crossing plant would have gone into standby mode and  
24 backup mode, and we would have started purchasing power from Yukon Energy at that  
25 time. I suspect the figures are documented in Section 4, Schedule 4.2. And you'll note on  
26 line — if people are there — Stewart Crossing, which is on line 11.1 — we generated  
27 433,000 kilowatt hours in 2004, and then it dropped to 351,000 in 2005 and thereafter has  
28 been a standby plant.

29 So, yes, the fuel consumption — the diesel generation costs dropped in Stewart  
30 Crossing.

1 Q MR. LANDRY: And at least in relation to Stewart Crossing, obviously there'd be  
2 a significant cost reduction as a result of that — fair statement?

3 A MR. GRATTAN: Significant — it's one of our — it's a relatively small plant.  
4 The costs, I think — I'm just trying to get cost to show up on here. I'd have to do the  
5 math on the stand, but it looks like the cost of a litre of fuel was approximately 50 cents  
6 or 65 cents in those years, and we consumed 160,000 litres of fuel, so \$70,000 or  
7 \$80,000, roughly, would have been the reduction in fuel cost.

8 Q MR. LANDRY: And, sir, of course, since that time obviously the price of fuel  
9 has gone up from that, from 50 to 60 — I don't know what it is now, but it's quite a bit  
10 higher than that.

11 A MR. GRATTAN: Most definitely, sir.

12 Q MR. LANDRY: And, sir, I guess — and there would be, similar to Pelly  
13 Crossing, there would be O&M savings that would, once it went on standby — correct?

14 A MR. GRATTAN: From a generation point of view, we worked through a variety  
15 of issues in those years when we connected with Yukon Energy to deal with the  
16 complexities of syncing that plant on to the grid, so there was a period of time where, I  
17 think, we probably were spending more attention on Stewart Crossing. But now that  
18 we've gotten through that point, most definitely there would be a reduction in generation  
19 O&M.

20 Q MR. LANDRY: And, sir, you had to spend a certain amount of capital  
21 expenditures to hook to the grid, correct? In that case?

22 A MR. GRATTAN: Yes, we did.

23 Q MR. LANDRY: And those capital expenditures are, in effect, in the forecast  
24 we're talking about here, because they would be amortized over time.

25 A MR. GRATTAN: That is correct.

26 Q MR. LANDRY: Sir, did you set up a deferral account for Stewart Crossing when  
27 you hooked up?

28 A MR. FREEDMAN: If I could just answer that, no. The last GRA, the last hearing,  
29 was 1996-97. A multitude of things happened between 1996-97 to this point in time. We  
30 can set up deferral accounts, whether we can come in — you know, it is our choice to not

1 come in or it was Intervenors' choices not to call us in or the Board not to call us in. We  
2 managed with all these things — you know, that helped us stay out and appear before the  
3 Board on maybe a costly rate hearing, because we didn't come in for increased O&M  
4 costs or return on increased capital additions.

5 So when we're staying out, we're not going to implement deferral accounts, because  
6 we don't have approval to do that in periods where they're non-test years. But it was one  
7 of the factors that potentially would have, you know, assisted in us not — I would say it  
8 was a benefit in, you know, not getting involved in regulatory proceedings on a regular  
9 basis.

10 Q MR. LANDRY: Well, let me take issue with that a little bit, Mr. Freedman. What  
11 it did do is it allowed Yukon Electrical to actually earn a return in 2006-07, given that it  
12 happened — I heard from Mr. Grattan — in the fall of 2005, of 10.69% and 10.37%. It  
13 helped in that respect, didn't it?

14 A MR. FREEDMAN: It was one of the factors.

15 Q MR. LANDRY: Yes. And that was during a year where your parent company had  
16 an allowed rate of return that was 20% to 25% lower than what Yukon Electrical was  
17 actually earning, correct?

18 A MR. FREEDMAN: That's correct, and this rate proceeding is costing seven or  
19 eight hundred thousand dollars; we could have come in and spent that, but we forewent  
20 that expense and we filed our results and that's just one of the items we deal with in non-  
21 test years.

22 MR. LANDRY: Madam Chair, those are the questions that I have.

23 MS. SHANKS: Thank you, Mr. Landry. I note that it's 10 minutes to 10:00 a.m. I  
24 know it's a little bit before I wanted us to take a break, but I think we still will. So, we'll  
25 take a 15 minute break and return about 10:05 a.m.

26

27 (PROCEEDINGS ADJOURNED)

28 (PROCEEDINGS RESUMED)

29

30

1 MS. SHANKS: I didn't really want to presume the order of cross-examination, so  
2 I thought we would just arrive and see who was here. I see that the City of Whitehorse is  
3 here. Are you prepared to proceed, Mr. Marriott?

4 MR. MARRIOTT: I am. Thank you, Madam Chair. I was prepared to defer to  
5 Mr. Rondeau, but it doesn't appear that he is here, so I thought somebody had better take  
6 charge.

7 MS. SHANKS: Thank you.

8 **YECL Panel 1 cross-examined by Mr. Marriott**

9 Q MR. MARRIOTT: Gentleman, I think we'll start with the determination of UPC  
10 usage per customer, if I could. I would ask you to turn to Schedule 2.1 from Exhibit B-4,  
11 which is the July revised information. Do you have that?

12 A MR. GRATTAN: Yes, I do.

13 Q MR. MARRIOTT: So on line 4, we have residential megawatt hour sales per  
14 customer shown. Those numbers are simply a function of sales in megawatt hours for the  
15 residential class from line 3 divided by the average number of customers from the  
16 residential class from line 2, right?

17 A MR. GRATTAN: That is correct.

18 Q MR. MARRIOTT: We are told in the Application, on page 2.2 at line 17 to 18,  
19 and again in Information Response CW-YECL-14(d) that really the calculation of  
20 residential UPC for 2003 through 2007 and the forecast for 2008 and 2009 are on a  
21 community-by-community basis. Is that correct?

22 A MR. GRATTAN: To clarify, your first question was the total kilowatt hours  
23 divided by the total amount of customers — average number of customers kicks out the  
24 number on Schedule 2.1, but that's just a mathematical calculation that's a  
25 numerator/denominator result. The forecast, as we explained in our Application, and as  
26 well in the interrogatory response that you mentioned — we determined use per customer  
27 on a community-by-community basis. It's all rolled up and the resulting figures are  
28 shown on 2.1. So, hopefully, I have clarified that.

29 Q MR. MARRIOTT: Could you just repeat the last part of what you just said?

1 A MR. GRATTAN: On a community-by-community basis, where we look at the  
2 use per customer, the results are rolled up to determine what you see on Schedule 2.1. I  
3 think, maybe to help, I can refer to one of the interrogatory responses. I am going to go to  
4 CW-YECL-14.

5 Q MR. MARRIOTT: Just before you go there, Mr. Grattan, a moment ago, when  
6 you were talking about Schedule 2.1 from the Exhibit B-4, you mentioned that it was just  
7 a matter of taking the sales in kilowatt hours. I think the chart shows it in megawatt  
8 hours.

9 Is that right?

10 A MR. GRATTAN: Yes.

11 Q MR. MARRIOTT: Yes, go ahead.

12 A MR. GRATTAN: So on Part D of CW-YECL-14, you'll note that, on a  
13 community-by-community basis, there are residential use per customers normalized for  
14 certain communities and not normalized for others. I know that's a bit confusing, because  
15 we didn't have weather data for every community, but for a large number of them we did.  
16 On a community-by-community basis, there was a use per customer. And on a  
17 community-by-community basis, there were a number of customers. The use per  
18 customer, per community, times the average number of customers per community was  
19 used to determine the sales forecast.

20 So, for example, in Whitehorse, where we've seen use per customer normalized —  
21 weather normalized — go from 10,585 kilowatt hours — sorry. Yes, 10,585 kilowatt  
22 hours per year, down to 10,515 in 2006, down to 10,472 in 2007 — all normalized — we  
23 determined, on a go-forward basis, that the average for Whitehorse customers would be  
24 10,524. So that's how it was done on a community-by-community basis.

25 In that particular example, the use per customer normalized is going down for  
26 Whitehorse customers, but to be consistent with our methodology, we chose a three-year  
27 average. We chose to go with 10,524. And that three-year average normalized approach  
28 is consistent with the way the 1996-97 GRA forecast that we discussed earlier this  
29 morning was derived as well.

1 Q MR. MARRIOTT: Why did the company choose to forecast residential UPC on a  
2 community-by-community basis rather than on a consolidated basis for the entire  
3 residential class?

4 A MR. GRATTAN: Number one, I would put forth as — it's going to give us the  
5 most accurate forecast on a go-forward basis. By analyzing every community's use per  
6 customer, normalizing where it was possible, we are providing an as accurate and as  
7 transparent as possible, we believe, forecast for the test period.

8 Q MR. MARRIOTT: Now, if you had done what I had suggested and forecast  
9 residential UPC on a community-by-community basis — or, sorry, on a consolidated  
10 basis, rather than on a community-by-community basis, would that perhaps have had  
11 benefits because a larger data set would be less affected by irregularities and  
12 inconsistencies? I think you've already mentioned that they're using some numbers that  
13 are normalized and some that aren't.

14 A MR. GRATTAN: Sorry — what was the question, before I —

15 Q MR. MARRIOTT: Well, the question is simply: if you were to simply take, on a  
16 consolidated basis, all of the usage and all of the customers, and forecast on that basis,  
17 wouldn't that perhaps smooth out some of those irregularities or inconsistencies in the  
18 data that you're using?

19 A MR. GRATTAN: I don't believe so, and one thing that's important to recognize,  
20 and I know this is an important point with regard to Yukon Electrical's diesel  
21 communities, is that Yukon Electrical needs to forecast, as accurately as possible, its  
22 isolated diesel communities, whether it be Watson Lake, Old Crow, Destruction Bay —  
23 because we are generating with diesel in those communities and, as we've talked about  
24 earlier this morning, fuel is an important component to the revenue requirement.

25 So, for purposes of the GRA — and this is obviously very different than what we  
26 would have done at any point prior to the last GRA — we took the time to go through  
27 each community to do exactly what I've just described.

28 Q MR. MARRIOTT: Right, and just so we get clear what you did do, on page 2-2,  
29 you indicate that with regard to Whitehorse, you undertook a process of normalizing

1 UPC, using a normal temperature, which is a 20-year average in degree day value for  
2 Whitehorse — is that right?

3 A MR. GRATTAN: That is correct, and that's detailed in attachments.

4 Q MR. MARRIOTT: Are you looking for YUB-YECL-4 attachments?

5 A MR. GRATTAN: No. Sorry; just bear with me for two seconds, please. If I could  
6 take you and the Board to Attachment 28. It's actually quite an interesting little story with  
7 regard to looking at all of the cold years or the warmer years or whatever it happens to be.  
8 You'll note on that —

9 MS. SHANKS: Mr. Grattan, sorry, could you give us a further reference of the  
10 attachment?

11 MR. GRATTAN: Attachment 28, which is in Section 2, and it should say on the  
12 top of it "Yukon Electrical Company Limited, Whitehorse, Heating Degree Days".

13 MS. SHANKS: Yes, we're with it. Thank you very much.

14 MR. GRATTAN: So when we talk about coming to a 20-year normal HDD, for  
15 purposes of this forecast, we used 6,601.9, which is the 20-year, as we've documented.  
16 And just to bring you back to what Mr. Landry and I were talking about earlier, if you  
17 take a look at 1996, you're going to see 7,800.4. I just wanted to highlight that, when  
18 you're doing a normalized approach with regard to forecasting, and 1996 does what it did  
19 — it was the year before I got here, so I just heard stories about 1996 — that dramatic  
20 winter, for those that were here. It shows up like a sore thumb in this particular schedule.

21 Q MR. MARRIOTT: Now, you use 20 years for Whitehorse, but you also indicated  
22 with respect to Watson Lake, communities, you state, "As Environment Canada had  
23 multiple missing data points prior to 1996, the use of a 20-year average was not  
24 possible," and so what you did was use a 12-year average, is that right?

25 A MR. GRATTAN: That is correct.

26 Q MR. MARRIOTT: So that's one of those inconsistencies that I mentioned.

27 A MR. GRATTAN: I'm not sure what you meant by inconsistencies.

28 Q MR. MARRIOTT: I'm just saying that you're using different data sets for  
29 different places.

1 A MR. GRATTAN: And that was actually, from our opinion, from our perspective,  
2 actually trying to do an improvement from last time around, that we were just using  
3 weather normalized approach for residential sales for Whitehorse customers as part of the  
4 1996-97 GRA. This time we were able to grab, from Environment Canada, weather  
5 heating degree days for purposes of forecasting Watson Lake and area sales. So yes, it  
6 most definitely is inconsistent — 12 versus 20 years — but the availability of the data in  
7 Watson Lake is not there.

8 With respect to the 20-year consistency, that is consistent with the last time around,  
9 the 1996-97 GRA, for Yukon Electrical.

10 Q MR. MARRIOTT: Now you had an Information Response to YUB-YECL-4, in  
11 which you provided a number of attachments, and the odd numbered attachments there  
12 provide XL analyses showing how the residential annual sphere normal UPC were  
13 calculated — correct?

14 A MR. GRATTAN: Correct.

15 Q MR. MARRIOTT: As we mentioned a moment ago, CW-YECL-14(d) also  
16 provides a table that shows residential UPC numbers under the column “forecast 2008  
17 and 2009”. But what we noticed was that several of the communities listed in the CW-  
18 YECL-14(d) response were not included in the YUB-YECL-4 attachments. The ones that  
19 we noticed were Keno, Stewart Crossing, Beaver Creek, Destruction Bay, Pelly Crossing,  
20 Swift River and Old Crow. We wondered why that was.

21 A MR. GRATTAN: Good question. The only heating degree day information that is  
22 available — or was available — to us, was for Whitehorse. So we made the decision that,  
23 for all Whitehorse and area communities, effectively what is on the WAF grid, we used  
24 the Whitehorse heating degree days to normalize weather. We did the same with regard to  
25 the heating degree days that were available in the Watson Lake area — so Upper Liard  
26 and Lower Post — all within 30 or 40 kilometres of one another. Then with respect to the  
27 isolated diesel communities — Keno is not an isolated diesel; it’s on the Mayo-Dawson  
28 grid — but Beaver Creek, Old Crow, Destruction Bay, the various communities that you  
29 just mentioned, we did not have access to heating degree days, so we took a three-year  
30 average. That approach is consistent with what was done as part of the 1996-97 GRA.

1           So, it is a bit confusing, but we tried to use all available information to us to complete  
2 the forecast. Just to add to that, that process was quite a detailed and long and drawn out  
3 process that we have done for the purposes of preparing this regulatory Application. Just  
4 to clarify with regard to what was discussed earlier this morning with regard to the  
5 business plans that Yukon Electrical was involved with and providing information to  
6 Yukon Energy, we did not employ that type of process. The statistical analysis was not  
7 used for purposes of the business plan information and preliminary numbers provided to  
8 Yukon Energy.

9           MR. MARRIOTT:           Well, Mr. Grattan, I would appreciate it if you would just  
10 answer my questions instead of thinking of answers to other questions that were asked  
11 earlier and providing those. I don't think that's appropriate.

12          Q   Looking at the annual normalized UPC that you used as inputs to calculate the  
13 forecast residential UPC for 2008 and 2009, would you accept, subject to check if you  
14 like, that they range from 4,163 kilowatt hours in Tagish in 2005 to 10,585 kilowatt hours  
15 in Whitehorse in 2005?

16          A   MR. GRATTAN:        Yes, subject to check. Yes.

17          Q   MR. MARRIOTT:           I just wondered if the company turned its mind to the  
18 explanation for those types of differences in the usage.

19          A   MR. GRATTAN:        Sure. The reality is that Whitehorse customers on the WAF  
20 grid are some of the largest electrical consumers. That is clearly shown on the residential  
21 UPC, as I mentioned earlier — the approximately 10,500 kilowatt hours per year. That's  
22 a function of the lifestyles of people sitting around this room who live in Whitehorse are  
23 living. Some of the smaller communities — I'll give you an example — Old Crow, where  
24 Old Crow goes from 7,200 to 7,100 and around 7,000 over a three-year period. That's  
25 also a function of a lifestyle in that community — smaller homes, less electrical  
26 consumption per person. It's also a factor of the socio-economic, I suspect, of the people  
27 living in Old Crow. You know, it goes on and on with regard to the various communities.  
28 It's a function of where they are and the lifestyles they're living.

29          Q   MR. MARRIOTT:           Now, I think we maybe have gotten to the answer to this  
30 question, but I'd like to get it on the record. We added up the total annual residential

1 megawatt hour sales for 2007 by community that was provided in the YUB-YECL-4  
2 attachments. They totalled 118,837 megawatt hours, which was obviously somewhat less  
3 than the sales in megawatt hours shown in Schedule 2.1, which was 122,334 megawatt  
4 hours. So is the difference made up by the communities, for which you did not perform  
5 regressions?

6 A MR. GRATTAN: That is correct.

7 Q MR. MARRIOTT: And those communities were: Keno, Stewart Crossing,  
8 Beaver Creek, Destruction Bay, Pelly Crossing, Swift River and Old Crow?

9 A MR. GRATTAN: You went quickly, so —

10 Q MR. MARRIOTT: Let me try again.

11 A MR. GRATTAN: Actually, if we could go to the residential UPC, CW-YECL-  
12 14, I can go through it reasonably quickly.

13 Q MR. MARRIOTT: Right. So the ones we thought — maybe you can just confirm.

14 A MR. GRATTAN: Sure.

15 Q MR. MARRIOTT: Keno.

16 A MR. GRATTAN: Correct.

17 Q MR. MARRIOTT: Stewart Crossing.

18 A MR. GRATTAN: Correct.

19 Q MR. MARRIOTT: Beaver Creek.

20 A MR. GRATTAN: Correct.

21 Q MR. MARRIOTT: Destruction Bay.

22 A MR. GRATTAN: Correct.

23 Q MR. MARRIOTT: Pelly Crossing.

24 A MR. GRATTAN: Correct.

25 Q MR. MARRIOTT: Swift River.

26 A MR. GRATTAN: Correct.

27 Q MR. MARRIOTT: And Old Crow.

28 A MR. GRATTAN: Correct.

29 Q MR. MARRIOTT: And were there any others?

30 A MR. GRATTAN: No.

1 Q MR. MARRIOTT: So can you provide us with the usage numbers for those  
2 communities that I've just mentioned, that added to what we already have in — the YUB-  
3 YECL-4 attachments would add up to what we see on Schedule 2.1?

4 A MR. GRATTAN: I could.

5 Q MR. MARRIOTT: So I'll take that as an undertaking, please. So we'd like to  
6 know the average number of customers by community for those communities, which  
7 reconciles to the total average number of the residential customers on Schedule 2.1, line  
8 2, when added again to the ones in the YUB-YECL-4 attachments, if you could, as part of  
9 that.

10 A MR. GRATTAN: I can do that.

11 MR. MARRIOTT: Thank you.

12 Q Now, I'm not sure who on the panel — Mr. Grattan, you've been answering these  
13 questions, so it may be you — was most familiar with or in charge of this determination  
14 of UPC, but I'm going to ask some questions about the regression analysis now, so is that  
15 still you?

16 A MR. GRATTAN: Yes.

17 Q MR. MARRIOTT: So, if we look at the YUB-YECL-4 response and have regard  
18 for the even-numbered attachments — 2, 4, 6, 8 and so forth — would you accept,  
19 subject to check, that the range of  $R^2$  value in these community-by-community analyses is  
20 from a high of 0.87094 to a low of 0.54862?

21 A MR. GRATTAN: Subject to check, I could agree with that, yes.

22 Q MR. MARRIOTT: And those even-numbered attachments that I mentioned, they  
23 show the results of the community-by-community regression analyses involving actual  
24 UPC and heating degree days.

25 A MR. GRATTAN: That is correct.

26 Q MR. MARRIOTT: Now, do you agree that an  $R^2$  value measures the amount to  
27 which the model explains or accounts for the amount of variability in the Y variable?

28 A MR. GRATTAN: I think I had better — if you're going to be asking these  
29 specific statistical analysis questions, I'll try to answer, but that particular question I  
30 wouldn't feel comfortable answering, based on my level of knowledge, sir.

1 Q MR. MARRIOTT: Okay. Well, let me ask you it this way: what does the  $R^2$   
2 value mean to you, Mr. Grattan?

3 A MR. GRATTAN: A fit. Fit, as to whether there is a correlation between heating  
4 degree days in this particular situation and consumption. So what you're trying to  
5 determine, as I understand it, is how much electrical consumption varies due to just  
6 heating degree days. And there are obviously lots of other variables out there, but  
7 whether there's a good fit with heating degree days.

8 The other aspect — and maybe you're going to get to this question, I don't know, but  
9 as I understand it, the t Stats that's also detailed in those respective attachments also talk  
10 about the statistical significance of a variable — the independent variable being  
11 dependent on the HDD.

12 So as I understand it, a t Stat greater than 2 — like I'll take you to Whitehorse  
13 regression results, which is in Attachment 2; and if you go down to the t Stats, which are  
14 35 and 22, a t Stat greater than 2 indicates with 95% confidence that the variable is  
15 statistically significant.

16 So it's all based on stats in regression, and the folks that were involved in helping  
17 Yukon Electrical prepare this filing, under my direction, at least, with regard to the sales  
18 forecast, are quite confident that the use of HDD for the various communities that we've  
19 chosen is, in fact, statistically relevant to the final results.

20 Q MR. MARRIOTT: Well, let's look at that a little bit more. My question actually  
21 wasn't about t Stat, it was about  $R^2$ . I think you said that  $R^2$  equals fit and I think you  
22 would agree with me that the larger the  $R^2$  value, the better the fit — right?

23 A MR. GRATTAN: That is correct, yes.

24 Q MR. MARRIOTT: So, would you agree that, as a general rule of thumb, an  $R^2$   
25 value greater than .70 is considered a good result and less than that value would be  
26 considered not a good result?

27 A MR. GRATTAN: Assuming the variables that you have provided me, subject to  
28 check, that some of them were lower than .7?

29 Q MR. MARRIOTT: Yes.

1 A MR. GRATTAN: I would have to say that, based on our — pardon the pun —  
2 take on the system, or the forecast, that the figures provided are reasonable for the  
3 purposes of including them in the forecast. I guess I would have to disagree with you with  
4 regard to the .7.

5 Q MR. MARRIOTT: Alright. Well, would you accept, subject to check, that half of  
6 the  $R^2$  values in the regression run in the Application in the Section 2 attachments that are  
7 the even-numbered attachments — show  $R^2$  values greater than .7 and half of them show  
8 values less than .7?

9 A MR. GRATTAN: Subject to check, sure.

10 Q MR. MARRIOTT: I appreciate that. I think we counted right, but you can check  
11 of course. So you are saying then that you consider it, as a company, a good result for the  
12  $R^2$  value to be .54862, which is the lowest of the results that you had?

13 A MR. GRATTAN: I would have to say that, yes, most definitely.

14 Q MR. MARRIOTT: And would you agree that that essentially shows that an X  
15 variable explains only 54.862% of the variability of the Y variable? Or is that again going  
16 beyond —

17 A MR. GRATTAN: It sounds reasonable, but I will say, “Subject to check.”

18 Q MR. MARRIOTT: That’s fine. Now instead of engaging in this complicated  
19 regression analyses by community with  $R^2$  numbers that do go below the .7, I know you  
20 haven’t agreed with me that that is a problem, but wouldn’t it be a lot simpler simply to  
21 do a trend line over the 10 years — or over 10 years, rather, or whatever appropriate  
22 number of years the company felt, and extend that line over into the future — into the test  
23 years — to determine the UPC?

24 A MR. GRATTAN: I guess the simple answer would be no; we’ve done it the way  
25 that we believe is the most reasonable way of forecasting it. It’s consistent with regard to  
26 the Whitehorse HDD, as compared to the 1996-97 GRA. I think what we’re debating here  
27 — and maybe it’s not fair from your perspective — the  $R^2$  for Watson Lake, for example,  
28 is 93%. It’s Yukon Electrical’s largest isolated community, so going with your statement,  
29 “greater than 70%”, that’s a good fit. With regard to Whitehorse, the  $R^2$  is 86%. Based on  
30 your .7, that’s a good fit.

1 Q MR. MARRIOTT: I don't think there's a debate there. It's the ones that are  
2 outside of that that we are having some trouble with.

3 A MR. GRATTAN: And that's what I was getting to, because while we're  
4 comfortable with what we're proposing as part of this Application, the number of  
5 customers in these outlying areas — and I've undertaken to give you the number of  
6 customers in these smaller areas, whether it be Carmacks or Ross River or Takhini River,  
7 they are relatively small in the grand scheme of things. But I appreciate that that may not  
8 have come across as part of the Application.

9 Q MR. MARRIOTT: I take your point. Let's move to the commercial UPC, sir.  
10 Now, with respect to that, it states at page 2-3 of the Application: "Weather normalization  
11 was used in Whitehorse as there was a higher coefficient of determination in the  
12 regression ( $R^2 = 0.656$ ) vs. that of the smaller communities" — I think it's cut off. I just  
13 need that page. Yes, it starts at line 5 — "which ranged from 0.0002 to 0.589 or 0.307 on  
14 average."

15 Now, that suggested to me that YECL considered the  $R^2$  value for Whitehorse for the  
16 commercial UPC regression analysis of 0.656 to be, if you will, a good fit number. I take  
17 it that's your view?

18 A MR. GRATTAN: For purposes of normalizing it based on weather — yes.

19 Q MR. MARRIOTT: But that, for example, 0.589 was not considered a good fit.  
20 Or, was there some other reason you didn't use that analysis?

21 A MR. GRATTAN: I think you said .589?

22 Q MR. MARRIOTT: 0.589.

23 A MR. GRATTAN: So, yes. Based on our take for that particular community that  
24 was the .589, and I'm not sure — I know which one it is. We chose not to weather  
25 normalize that particular community.

26 Q MR. MARRIOTT: And was that because you didn't think it was a good fit?

27 A MR. GRATTAN: Yes, I think that would be consistent with what I've been  
28 saying. Yes.

1 Q MR. MARRIOTT: So where do these numbers that are given on the page — the  
2 .0002 number or .589 number — where, if at all, do they appear, other than on this page  
3 2-3? Like, those results weren't provided, I take it.

4 A MR. GRATTAN: I'm trying to recollect whether we provided them in any of the  
5 undertakings. I don't believe so. What we did, as part of our sales forecasting process, we  
6 tried to determine whether, in fact, there was a correlation between each HDD and  
7 commercial sales for various communities where we had weather data, and we didn't see  
8 it. So the figures that are provided are from those regressions run by our staff.

9 Q MR. MARRIOTT: Can I just get you to turn to CW-YECL-15(c)? I'll let you get  
10 there.

11 A MR. GRATTAN: I am there, thanks.

12 Q MR. MARRIOTT: Okay. Now, there is a list of communities there, for which a  
13 commercial UPC was determined. Now, am I correct that on that list, then, Whitehorse is  
14 the only one where the forecast commercial UPC comes from a regression analysis?

15 A MR. GRATTAN: That is correct.

16 Q MR. MARRIOTT: And that would be Attachment 29, page 1, in the Application,  
17 Section 2?

18 A MR. GRATTAN: That is correct.

19 Q MR. MARRIOTT: And for all of the other communities listed there, the forecast  
20 commercial UPC are simply three-year averages of historical UPC, correct?

21 A MR. GRATTAN: That is correct. The choice of three years was consistently  
22 applied both on the residential side and commercial side, except for Whitehorse.

23 Q MR. MARRIOTT: Let me get to that one. So for Whitehorse, you didn't use a  
24 three-year average, but just the 2007, weather "normalized" and adjusted UPC is the  
25 words on page 2-3.

26 A MR. GRATTAN: That is correct.

27 Q MR. MARRIOTT: Now, when you use the words "weather normalized" and  
28 "adjusted", I understand the weather normalized part. Is there another adjustment being  
29 made there?

30 A MR. GRATTAN: Yes, there is.

1 Q MR. MARRIOTT: And what is that? Is that the summer games adjustment?

2 A MR. GRATTAN: Winter games.

3 Q MR. MARRIOTT: Yes, winter games, pardon me.

4 A MR. GRATTAN: Yes. As I believe we've talked about in this interrogatory, the  
5 2007 Winter Games resulted in a number of one-time cells that we could determine;  
6 namely, with regard to the opening and closing ceremony sites, as well as a hotel that  
7 Yukoners will appreciate is typically closed in the winter that was opened up for the  
8 games. We pulled the sales associated with those two customers out of the calculations to  
9 determine use per customer. We pulled out the customer and we pulled out the sales,  
10 because based on our take on it, they would not be representative of what would happen  
11 on a go-forward basis.

12 Q MR. MARRIOTT: And are those calculations shown in the Application or in one  
13 of the IR responses?

14 A MR. GRATTAN: I believe we did, but I will see if I can find it. The reference is  
15 in Part (d) of CW-YECL-15: to remove the "one time load specifically attributable to the  
16 Canada Winter Games. These adjustments resulted in a reduction of the Whitehorse  
17 normalized commercial average UPC from 68,054 kWh customer in 2007 to 67,572  
18 kWh". So, that's where we have highlighted it.

19 Q MR. MARRIOTT: Yes, that gives us a total, but what I was wondering was:  
20 could you just provide the calculation? How do you get to that total? What is the rationale  
21 in the numbers?

22 A MR. GRATTAN: Well, as I mentioned, the calculation was just as I explained —

23 Q MR. MARRIOTT: It's removing basically two items? Is that what I heard?

24 A MR. GRATTAN: Yes.

25 Q MR. MARRIOTT: Okay, and if you just give us the numbers, perhaps just do that  
26 by way of an undertaking. I wonder also, for the commercial UPC, we have the UPC  
27 shown in the Information Response CW-YECL-15(c) by community, but I wonder if  
28 what you could do for us is provide a calculation showing the total energy by community  
29 that reconciles to Schedule 2.1, line 9, which is the total commercial sales in megawatt  
30 hours and the calculation showing the average number of customers by community,

1 which reconciles to the average number of commercial customers shown on that same  
2 schedule at line 8.

3 A MR. GRATTAN: I should be able to do that.

4 MR. MARRIOTT: Thank you very much.

5 Now, if I could get you to turn — maybe I'll let you finish your note. Are you done?

6 MR. GRATTAN: Yes.

7 Q MR. MARRIOTT: Thank you. I'd like to get you to turn to CW-YECL-20(a). So  
8 there we had asked that —

9 MS. SHANKS: Mr. Marriott, was that 20(a) or 28?

10 MR. MARRIOTT: 20(a) as in apple.

11 MS. SHANKS: Thank you.

12 Q MR. MARRIOTT: So the question was to expand Schedule 2.1 to include  
13 forecasts and actuals for 2005 and 2007, and the response was that there were no  
14 forecasts available, since those weren't test years. I guess our question would be: does  
15 YECL have accuracy targets or tolerance ranges?

16 A MR. GRATTAN: Somewhere in the interrogatories we said no.

17 Q MR. MARRIOTT: And how often would the actual sales and revenues be —  
18 sorry, strike that.

19 YECL has stated that it strives to prepare as accurate a forecast as possible, but it  
20 doesn't have an accuracy target or tolerance range, if I have that correct. Is that right?

21 A MR. GRATTAN: Correct.

22 Q MR. MARRIOTT: So you're basically saying that you do not monitor the  
23 accuracy of your forecasts?

24 A MR. GRATTAN: That's a different question, I believe.

25 Q MR. MARRIOTT: Okay. So you do monitor the accuracy of your forecasts? And  
26 how do you do that — in the non-test years?

27 A MR. GRATTAN: In non-test years, we would be looking at our actual sales and  
28 looking at what we thought our sales would be.

29 Q MR. MARRIOTT: How can you do that if you don't have a forecast?

1 A MR. GRATTAN: I believe the answer was that we don't have a GRA-quality  
2 forecast.

3 Q MR. MARRIOTT: Well, no, I think the answer was "no forecast is available". Is  
4 that the same thing?

5 A MR. GRATTAN: From a regulatory point of view.

6 Q MR. MARRIOTT: So you have some kind of a forecast but not one that you felt  
7 you wanted to share in this Application because it wasn't GRA quality — is that  
8 essentially what you're saying?

9 A MR. GRATTAN: Your last statement, or your last qualifier with regard to the  
10 quality of the work that would go into it is most definitely fair.

11 Q MR. MARRIOTT: I'm sorry?

12 A MR. GRATTAN: Not GRA quality.

13 Q MR. MARRIOTT: All right. I'm going to leave it there, sir. Could I get you to  
14 look again at that Schedule 2.1 and the actual UPC — or, as the schedule puts it,  
15 megawatt hours per customer, from 2003 to 2007?

16 A MR. GRATTAN: Okay.

17 Q MR. MARRIOTT: Now, there is a considerable rise in the UPC from 2005 to  
18 2006. I'm looking at the residential numbers on line 4, and I wondered — did the  
19 company have an explanation that they considered explained that rise?

20 A MR. GRATTAN: Just bear with me for a second. I'm going to go back to our  
21 original Application, page — So if I could take you to page 2-3 of the Application and, so  
22 I don't mess myself up here, I'll just re-read what we did. We used 2007 UPC to capture  
23 "the impact of the larger commercial customers who have come online in 2005, 2006 and  
24 2007."

25 Now, this is an important departure from what I just said earlier, when it came to us  
26 using a three-year average for all of our calculations for a determination of use per  
27 customer.

28 Q MR. MARRIOTT: Mr. Grattan, can I just stop you for a moment? I think you  
29 may be on the wrong track, sir. You're referring us now to a page that is discussing the

1 commercial forecast, but my question was about the residential — and the residential  
2 actual numbers —

3 A MR. GRATTAN: Okay, I am on the wrong spot. Sorry.

4 Q MR. MARRIOTT: — from 2005 and 2006. And we just wondered if the  
5 company knew why there was that jump in the UPC or the megawatt hours sales per  
6 customer over that period of time — 2005 through 2006. It may be that you don't have an  
7 explanation. I just wondered if you did.

8 A MR. GRATTAN: I'm just quickly going to take a quick look at — just one  
9 second. I'm going to take a look at CW-YECL-14. So the first thing I'm going to take a  
10 look at between 2005 and 2006 is the Whitehorse use per customer — Whitehorse,  
11 because it's the largest in our sales forecast. The normalized Whitehorse use per customer  
12 in 2005 was 10,585 kilowatt hours, and it drops down to 10,515 in 2006. So what that  
13 tells me is that, on a normalized basis, the use per customer is dropping slightly in  
14 Whitehorse.

15 So I'm going to use that as my starting point, and the next place I'm going to go to is  
16 Attachment 28 of the — Section 2, Attachment 28, and I'm going to look at our heating  
17 degree days between 2005 and 2006. The heating degree days in 2005 is 6,123. I'll just  
18 let you catch up to me. The heating degree days in 2005 is 6,123; the heating degree days  
19 in 2006 is 6,985. So, all things being equal, 2006 was far colder than 2005.

20 So, to answer your question, I would say that a pretty good educated response is that  
21 the jump you see between 2005 and 2006 — actuals — is due to 2006 being colder.

22 Q MR. MARRIOTT: All right, thank you for that. Now, just going back to the  
23 Schedule 2.1, looking at the year-over-year increase in the average number of residential  
24 customers — that's shown in line 2 — can you accept, subject to check, that the average  
25 increase in the number of residential customers from 2003 through 2007 is 229?

26 A MR. GRATTAN: Subject to check, yes.

27 Q MR. MARRIOTT: Now, if I look at your forecast, you forecast an additional 241  
28 customers for 2008, but then the number of customer increase drops to 143 for the 2009  
29 test year, and I wondered why that was.

1 A MR. GRATTAN: I think we respond to this question somewhere in the  
2 interrogatories, as well, but the reason why we're forecasting a slight decrease with  
3 regard to our new customers in 2009 versus 2008 is the developed land situation, or lack  
4 of developed land situation, in the Whitehorse area. I was quite surprised to be up in  
5 Copper Ridge earlier this week, and the old neighbourhood was pretty much full, and  
6 noticed that YTG is working on their Arkell infill down Hamilton Boulevard there, but  
7 that will not be coming — be made available — for a period of time.

8 So Yukon Electrical has made a conscious forecasting decision to reduce slightly the  
9 amount of new customers that will come on to the system in 2009 versus 2008 due to that  
10 issue.

11 Q MR. MARRIOTT: Well, I know there's been some debate about adjectives in  
12 this proceeding, and I hate to add to that, but I'm not sure I would agree with the  
13 characterization of a drop from 241 to 143 as being slight in this context. But we'll leave  
14 it there: it is what it is.

15 So you're saying that the company looked at the developable land in Whitehorse and  
16 that's the basis of this drop? So essentially you don't think there's enough capacity in the  
17 housing market in Whitehorse to accommodate an increase of another 100 people over  
18 your forecast in 2009?

19 A MR. GRATTAN: It's 100 new houses or 100 new customers — that's not 100  
20 new people.

21 Q MR. MARRIOTT: Okay, 100 new houses, fair enough. Houses or apartments or  
22 condos, presumably.

23 A MR. GRATTAN: It depends on — the condo situation can actually be on a  
24 commercial basis as opposed to a residential basis, where condos would not be measured  
25 residentially.

26 Q MR. MARRIOTT: Okay, fair enough. That's what you're basing this on?

27 A MR. BABYN: I think just to add to what Mr. Grattan said, I mean, certainly we  
28 — you know, and I think we've outlined it in our Application — that we have had  
29 various and ongoing discussions with the key developers — the City of Whitehorse,  
30 Yukon Territorial Government. It takes quite awhile to bring these lots into the

1 marketplace. So, you know, what we're seeing is kind of a general kind of slowdown  
2 based on the availability of land, as Mr. Grattan has said, and so that is factored into,  
3 really, the number of lots that are physically available for development and having not  
4 come to market yet, and the infrastructure not even being provided to several of these  
5 larger proposed subdivisions that, you know, could come on presumably after the test  
6 years.

7 Q MR. MARRIOTT: I may possibly come back to that if I can find some notes that  
8 I had on that situation. We'll move on for now.

9 Could I get you to look at CW-YECL-4(a) and specifically I'll have you look, firstly,  
10 as an example, at Attachment 5, page 17 of 29.

11 This is really just by way of illustration of a point. First of all, these attachments that  
12 are in this Information Response are financial statements for YECL over several years.  
13 And this particular one is for 2007. What I'm looking at are under Note 11 to the  
14 financial statements, the revenues from affiliates. My question is simply: in the  
15 Application, firstly, what are the total forecast affiliate revenues for 2008 and 2009?

16 A MR. FREEDMAN: Okay. Just to follow up: the first item that was on that note in  
17 the financial statements —

18 Q MR. MARRIOTT: I hope we're not getting off again on a tangent. Just so you  
19 know, the question — what I'm asking is —

20 A MR. FREEDMAN: How much is —

21 Q MR. MARRIOTT: — where in the Application do you account for the affiliate  
22 revenue forecast for the test years?

23 A MR. FREEDMAN: Well, the ATCO Frontec would be in Schedule 2.2 and it  
24 would be part of the "Other Revenue" in that schedule.

25 Q MR. MARRIOTT: Okay, so the ATCO Frontec is on Schedule 2.2 and it is part  
26 of line number 4, "Other"?

27 A MR. FREEDMAN: Correct.

28 Q MR. MARRIOTT: And what is the forecast for the ATCO Frontec, then? How  
29 much do you forecast in revenue from that source? Let's break it out of the total in the  
30 schedule.

1 A MR. FREEDMAN: Subject to check, it's around \$45,000 in the test period,  
2 similar to the number for 2007. It's a relatively flat number but I'll take that subject to  
3 check.

4 Q MR. MARRIOTT: Okay. And is that for both years?

5 A MR. FREEDMAN: Correct.

6 Q MR. MARRIOTT: And that is a rent number so there is no built-in increase or  
7 inflation increase or anything? But if there —

8 A MR. FREEDMAN: It is a small number, but yes.

9 Q MR. MARRIOTT: You'll let us know if there is?

10 A MR. FREEDMAN: I'll let you know if it is something significantly different than  
11 45.

12 Q MR. MARRIOTT: Why don't you give us the number, whatever it is?

13 A MR. FREEDMAN: Okay.

14 Q MR. MARRIOTT: Is that fair?

15 A MR. FREEDMAN: Fair enough.

16 Q MR. MARRIOTT: Now, with respect to the administration and financial  
17 management, does that also go into Schedule 2.2 somewhere?

18 A MR. FREEDMAN: Again, subject to check, I think that the way it physically  
19 occurs is we have a general manager whose salary goes to expense here, but only 80% of  
20 his salary goes to expense; 20% goes to give charge to Northland Utilities enterprise. So  
21 subject to check, I don't believe that revenue shows up in these revenue requirement  
22 schedules. What shows up is only 80% of the salary on the expense side but, for  
23 regulatory purposes — and it'll be subject to check — I don't believe we record — we're  
24 not recording 100% of the expense and then recording the 20% revenue on the revenue  
25 schedule.

26 But if that's not the case, I'll get back to you.

27 Q MR. MARRIOTT: Okay, so I'll accept that as an undertaking to determine the  
28 treatment for this Application of what is shown on these financial statements as a revenue  
29 from Northland Utilities to YECL for administration and financial management. Does  
30 that capture it?

1 A MR. GRATTAN: Yes.

2 Q MR. MARRIOTT: Now, while you're providing us with the treatment of the rent  
3 revenue from ATCO Frontec, would you be able to tell us too what are the other numbers  
4 that get plugged into line 4 in Schedule 2.2, just so we can reconcile that? I'm talking  
5 about for 2008 and 2009.

6 A MR. GRATTAN: So we're going to take you to UCG-YECL-5.

7 Q MR. MARRIOTT: Okay.

8 A MR. GRATTAN: And within UCG-YECL-5, if you're there yet —

9 Q MR. MARRIOTT: No.

10 A MR. GRATTAN: So you've got \$5,000 of penalty revenue and, as we just talked  
11 about, approximately \$45,000 for the test years 2008 and 2009, relating to ATCO  
12 Frontec, and then in addition to ATCO Frontec, Yukon Electrical rents to the  
13 Government of the Yukon. That would make up, I believe, the balance of that figure.

14 Q MR. MARRIOTT: Thank you. Now, just staying with the Attachment 5 that we  
15 had up on CW-YECL-4(a) at page 17, that also illustrates the billing services increase  
16 from 2006 to 2007. I think this may be explained in the Application in terms of the  
17 transfer to the new billing system. Would that account for all of that dramatic jump in  
18 cost?

19 A MR. GRATTAN: There's a bit of a disconnect and I'll do my best to explain it.  
20 So I presume you're making reference to the billing service change from \$434,000 up to  
21 \$916,000?

22 Q MR. MARRIOTT: That is what I had in mind, yes.

23 A MR. GRATTAN: That's a fair question. So I would like to take — that's from a  
24 financial statement perspective, we did \$916,000 of business with I-Tek Business  
25 Services in 2007. That is made up of the following numbers, and I am just going to go to  
26 5.3 in the Application.

27 Q MR. MARRIOTT: Are you talking about a page number or schedule?

28 A MR. GRATTAN: Schedule 5.3 in the Application.

29 MR. MARRIOTT: Got it.

1 A MR. GRATTAN: And the actual expense that was booked with regard to  
2 customer billing and accounting was \$366,000, if I have the number correct.

3 MR. MARRIOTT: That's what I'm seeing, yes.

4 A MR. GRATTAN: Then there was also the capital component that I-Tek would  
5 have been working on with regard to the billing system conversion through to December  
6 31, 2007.

7 Q MR. MARRIOTT: And where does that show up?

8 A MR. GRATTAN: In capital. It's \$480,000 and that shows up on Schedule 9.1.

9 Q MR. MARRIOTT: So the numbers were \$366,000 and \$480,000, did you say?

10 A MR. GRATTAN: Those are two figures, yes.

11 Q MR. MARRIOTT: All right. There seems to be some amount of that \$916,000  
12 that's unaccounted for. Can you do that for us?

13 A MR. GRATTAN: Since I've been answering the question, I guess I'll take the  
14 undertaking.

15 Q MR. MARRIOTT: Thanks, I appreciate that. So the undertaking is to explain  
16 where the remainder of the \$916,000 is shown in the Application. Perhaps, for the  
17 convenience of parties, you could just include the two parts of the \$916,000 that you've  
18 already mentioned and then just account for the difference.

19 A MR. GRATTAN: No problem.

20 Q MR. MARRIOTT: Thank you. Now we also noticed that there was some  
21 inconsistency from one of these statements to the other with respect to an item. I would  
22 like to ask you about that. It's in Attachment 2 to this same Information Response.  
23 There's an item listed for administration, financial management, meter reading, computer  
24 services and equipment rent of \$253,000. Then in 2005, that same amount is shown for  
25 that same year as \$308,000. We wondered if you could explain that.

26 I'll give you the page numbers. Did you find the references? In 2004, Attachment 2, it  
27 was at page 13.

28 A MR. GRATTAN: Sorry — we're in CW-YECL-4, Attachment 2, page 13 of  
29 25.

1 Q MR. MARRIOTT: It's that item at the bottom of the page there. So,  
2 administration, financial management, meter reading and computer services, and the  
3 number listed is \$253,000 for 2004. So that's the first piece. And then —

4 A MR. GRATTAN: Sorry, you said —

5 Q MR. MARRIOTT: \$253,000.

6 A MR. GRATTAN: Okay, sorry — yes, got it.

7 Q MR. MARRIOTT: Okay. And then go to Attachment 3 — so at page 15 of 27, at  
8 the bottom of the page again. And then if you look at the 2004 column, it looks like that  
9 number is now \$308,000.

10 A MR. FREEDMAN: Yes, I mean, there are always certain reclassifications and  
11 things that happen, but to be more specific, I would have to take an undertaking, if you  
12 want to know precisely what caused that.

13 Q MR. MARRIOTT: I'd appreciate that, sir.

14 A MR. FREEDMAN: Okay.

15 Q MR. MARRIOTT: Now, I'd like to take you to a different area now. If we could  
16 go to YEC-YECL-11(b).

17 A MR. FREEDMAN: I have that.

18 Q MR. MARRIOTT: Okay. So there, YECL states: "An independent consultant  
19 was selected to prepare a benchmark report for the years 2003-2007 and an Evergreen  
20 Strategy to cover the process for the years subsequent to 2007. This benchmark report  
21 provided the market value for the prices to be charged by ATCO I-Tek." — and then you  
22 provide a table comparing the Application to the revised rates, and those reductions are to  
23 be incorporated into a compliance filing.

24 Now, firstly, the revised rates — are they based on the benchmarking report, or based  
25 on the rates for the Evergreen study?

26 A MR. FREEDMAN: For ATCO I-Tek, they're based on the report from the  
27 Evergreen study.

28 For ITBS, it's a bit different. We based it on the report for 2003. In the study, the  
29 report had rates from 2003 to 2007. We used the 2003 rates as a starting point, given that

1 that was the last year that there were light-for-light services between Yukon Electrical  
2 and their parent due to the retail sale that occurred in ATCO Electric.

3 So there were additional charges put into ATCO Electric for market transactions that  
4 we didn't feel would be representative of what Yukon Electrical should be charged. So  
5 we used '03 as a base, and we built up the rate that's in the Application of \$1.72 from the  
6 rate that arose from that benchmarking report for the year 2003.

7 Q MR. MARRIOTT: So you applied an inflation factor? Or how did you build it  
8 up?

9 A MR. FREEDMAN: Now, what may be helpful — I may have anticipated this  
10 question. I have a schedule here that I prepared to show how the rate was built up, and  
11 maybe I could hand this out, or —

12 Q MR. MARRIOTT: I think I would like to know, so why don't we do that.

13 A MR. FREEDMAN: Hand it out or just me try and tell it.

14 Q MR. MARRIOTT: Well, maybe you could provide it to me, firstly.

15 A MR. FREEDMAN: Okay. I think you'll recognize it.

16 MR. LANDRY: It sounds a bit familiar, yes. This is something that happened in  
17 the Northwest Territories.

18 MR. KEOUGH: We've been there, done this, a couple of times, Madam Chair.

19 MR. MARRIOTT: So what I'm looking at is an explanation of how YECL built  
20 up this ITBS rate, and I think it would be helpful, Madam Chair, actually if we could get  
21 the witness to take us through that and to mark this as an exhibit.

22 MS. SHANKS: I guess we're looking at Exhibit numbered here C2-15. So  
23 marked.

24 **EXHIBIT C2-15:**

25 DOCUMENT TITLED YUKON ELECTRICAL

26 DETERMINATION OF ITBS RATES

27 MS. SHANKS: So marked.

28 MR. KEOUGH: Madam Chair, I'm not sure how many copies we have.

29 MR. FREEDMAN: I think there may be 20.

1 MR. KEOUGH: Madam Chair, at this point we'll get enough for the — hopefully  
2 one for me — but enough for Mr. Marriott and the Board and others. We'll get some  
3 made at the break. Thank you.

4 MR. FREEDMAN: So the way the benchmarking for these ITBS services are  
5 designed, they're based on five years —

6 MS. SHANKS: Excuse me, I'm sorry to interrupt, Mr. Freedman. Mr. Landry, do  
7 you want to get a copy of that right now?

8 Anybody short of a copy? Mr. Maissan? Because we have lots.

9 Mr. Mather?

10 Thank you. Please proceed, Mr. Freedman.

11 MR. FREEDMAN: So the way the benchmarker, when he did his benchmarking  
12 study, the way that the market prices ITBS contracts is in five-year terms. So what we did  
13 is, in 2003, the rate on the report was \$1.52. That would have been a rate for a five-year  
14 term that would have expired in 2007. So at the top of that schedule, we see how that rate  
15 would have been built up over the years.

16 So the rate started off in 2003 at \$1.46; and the CPI that was applied to these rates is  
17 shown in the first line; and we grossed up for inflation: \$1.46, \$1.49, \$1.52 in 2005, \$1.55  
18 in 2006, and \$1.58 in 2007, so that would have given us a five-year average rate of \$1.52.

19 And the way these services are priced is that \$1.52 would have been in place for five  
20 years.

21 So what we were trying to do for the test period and what we've done for the test  
22 period is negotiated with I-Tek for the next five years. Because that's how these contracts  
23 are written. So our starting point for 2008 was the 2007 base of \$1.58. We've highlighted  
24 the services that make up this fee: billing processing and a split between labour and then  
25 mainframe kinds of services, licensing and hardware, so the labour gets the CPI, licensing  
26 gets CPI and then hardware, there is no inflation. And there's account management, CIS  
27 maintenance, remittance and market transactions, and it's split between processing and  
28 labour.

29 So we used the base of \$1.58 and applied the CPI to those items in the contract that  
30 would be subject to inflation, and that arrives at \$1.63 in 2008, \$1.68 in 2009, \$1.73 in

1 2010, \$1.77 in 2011, and \$1.81 in 2012 for the ITBS rates. Again, the way they're  
2 structured, we've averaged the rates over the five-year term and implemented a rate with  
3 ITBS and, commencing in 2008, with the new billing system for \$1.72. And that rate will  
4 be in place from 2008 through to the end of 2012. It already has inflation applied to it so  
5 there is no inflation and it yields the savings from the original costs that we're being  
6 charge and are shown in YEC-YECL-11. We proposed in the Application that we update  
7 in the compliance filing for these new lower costs.

8 Q MR. MARRIOTT: So the inflation rates that are used in this exhibit are at the  
9 bottom of the page?

10 A MR. FREEDMAN: That's correct. We used CPI and as you see they actually are  
11 applied to labour but the rate that was in the contract is CPI.

12 Q MR. MARRIOTT: CPI, where? In Alberta?

13 A MR. FREEDMAN: That's the rates we've used.

14 Q MR. MARRIOTT: And the forecasts are simply that? Where did you get those  
15 forecast numbers?

16 A MR. FREEDMAN: Well, we used the 5% forecast that is used in the Application  
17 for 2011 and 2012. In discussions with I-Tek to do this contract, we dropped it down in  
18 the forward years to 3.5%.

19 Q MR. MARRIOTT: Now, is there a proceeding underway at present that could  
20 change the IT and ITBS rates for ATCO Gas, ATCO Electric and ATCO Pipelines in  
21 Alberta?

22 A MR. FREEDMAN: This was a long, lengthy collaborative process in Alberta.  
23 There was a negotiated settlement filed with the AUC in February where these rates were  
24 filed. Those rates have not been approved so, given that they've not been approved, there  
25 could be some adjustments to the rates, given that they've not been approved. But it was  
26 a negotiated settlement that was signed.

27 Q MR. MARRIOTT: Let's back up a moment. There was a negotiated settlement  
28 with rates that have not been approved, but they are not the rates that are shown in this  
29 schedule, are they?

1 A MR. FREEDMAN: The rates in the schedule we've used for the ITBS costs —  
2 we've used the results of the benchmarking study, which wasn't really benchmarking the  
3 services that Yukon Electrical are getting. We've really negotiated with ITBS based on  
4 these new lower rates for Yukon Electrical. Because the rates in the benchmarking report  
5 have higher amounts for market transactions — you know, we've got 11 cents here. They  
6 are higher in the benchmarking report but that wasn't thought to be appropriate for  
7 Yukon Electrical, given that they are not in the retail, you know, they don't have to deal  
8 with retailers like ATCO Electric does. So, we used the results of the benchmarking  
9 report from 2003 to 2007 on the belief that the substantive savings that are in that report  
10 will be captured in this agreement. They are not really subject to the ongoing process that  
11 is in front of the AUC for ITBS.

12 Q MR. MARRIOTT: So, I take it that YECL's position is that they would not  
13 regard the rates in this exhibit as placeholders to be changed at the time that those rates  
14 are fixed in Alberta?

15 A MR. FREEDMAN: You know, that would be Yukon Electrical's position. Again,  
16 given the exposure to more proceedings, given that I-Tek — the I-Tek does mirror the I-  
17 Tek rates that are in the benchmark report, because it is the same services for I-Tek that  
18 Yukon Electrical receives — that ATCO Electric receives. I do appreciate that there is an  
19 ongoing process, but to put it in perspective, from an ATCO position, we think the rates  
20 are final. Agreed they're not approved, so there could be some adjustments, but we're  
21 looking at \$300,000 in costs for Yukon Electrical compared to around \$50 million of I-  
22 Tek costs for the ATCO Utilities. So within that \$50 million, that number could change  
23 slightly. It's been a four-year process. I don't think it's going to be substantive, but there  
24 could be some slight changes. We felt that, rather than let Yukon Electrical get wrapped  
25 up in another process, the substantive savings have been captured and are reflected in this  
26 filing.

27 A MR. GRATAN: We've been talking about ITBS and IT — we all know what  
28 we're talking about, but just to put things in context, we are talking in this particular  
29 discussion about the billing system and the costs associated with the billing system that  
30 effectively are going through a two-part test here. As part of this Application, in response

1 to the Yukon Utilities Board IR, we provided the business case associated with choosing  
2 I-Tek for IT services, as well as billing services — ITBS billing services. That business  
3 case detailed the costs provided by I-Tek as well as other service providers. We ran the  
4 numbers and made a decision to go with ITBS for billing services.

5 What Mr. Freedman is talking about here — correct me if I'm wrong, Mr. Freedman  
6 — is a process associated with further reducing the billing service costs that were  
7 originally included in our business case. Those costs are subject to a proceeding that's  
8 going on in Alberta. As Mr. Freedman has pointed out, the services provided in Alberta  
9 are quite different than what are being provided to Yukon Electrical. There is no call  
10 centre associated with the service being provided to Yukon Electrical and there are retail  
11 aspects that are provided by the billing service provider down there that are not the case  
12 with regard to a fully-integrated utility up here.

13 I just wanted to put that in context. We have a two-step process going on here:  
14 number one, we made the decision to go with I-Tek based on the business case that is  
15 before you; and number two, what is just being discussed is those costs that were  
16 originally put there — should they be lower than what was included in the business case?  
17 Sorry.

18 Q MR. MARRIOTT: Just following up on something that Mr. Freedman said, and I  
19 just want to get some clarity around it, Mr. Freedman, if I could? I think you indicated  
20 that on this Exhibit C2-15, this reflects costs that you thought were appropriate coming  
21 out of the Alberta process, but does not reflect costs that you felt were not appropriate to  
22 YECL, if I understood you correctly. You mentioned the 11 cent number under market  
23 transactions, and I'm wondering what was the number that you did not accept? If you  
24 could tell us that?

25 A MR. FREEDMAN: In 2006 or 2007, it was around 26 to 30 cents that ATCO  
26 Electric was being charged.

27 MR. MARRIOTT: Thanks.

28 Madam Chair, I'm getting close to — well, maybe I shouldn't make promises I can't  
29 keep. I'm not as close as I thought.

1 I probably should just ask one more question and then I can get into a fairly  
2 prolonged area. So I wonder if I can just do that and then maybe take the break.

3 MS. SHANKS: We can in most cases. Could you give me an estimate of how  
4 much time after that one question you might need?

5 MR. MARRIOTT: Well, it could be another hour.

6 MS. SHANKS: Okay.

7 Q MR. MARRIOTT: So I'm just going to ask you again, panel, to look at CW-  
8 YECL-4(a), Attachment 5, this time at page 18.

9 Looking at the pension benefit plan expense, I'm seeing, in 2006, a pension benefit  
10 plan number of \$9,000 and in 2007 of \$520,000. Could I get the explanation for that,  
11 please?

12 A MR. FREEDMAN: The short answer is that we have an actuarial evaluation in  
13 our pension plan every three years. That resulted in a new pension plan payment effective  
14 2007. The payments went from 0% in 2006 to 27% in 2007, so that caused a hit to Yukon  
15 Electrical in that year, given that it wasn't a test year, but it had to be recorded. That 27%  
16 will be in place for 2007, 2008 and 2009.

17 Q MR. MARRIOTT: So I guess I'm wondering if you can give me any more detail  
18 about that actuarial evaluation that was driving that increase. What in essence was the  
19 actuary saying?

20 A MR. FREEDMAN: I think we have provided that in an IR, but basically we went  
21 from a surplus to a deficit in that plan. Let me try and find the report.

22 Q MR. MARRIOTT: Maybe we'll leave it there, Madam Chair, and take the break.  
23 We can come back to this after lunch.

24 MS. SHANKS: Thank you. In that case, we will break for lunch and be back at  
25 1:00 p.m.

26

27 (PROCEEDINGS ADJOURNED)

28 (PROCEEDINGS RESUMED)

29

30 MS. SHANKS: Please be seated.

1 MR. KEOUGH: Madam Chair, I think at least certain of the witnesses might  
2 have verbal responses to some undertakings. Thank you.

3 MS. SHANKS: Please proceed with them.

4 MR. FREEDMAN: Yes, Mr. Keough, I do. The first one I had to get back to Mr.  
5 Marriott on was, I believe, to confirm the accounting treatment of affiliate revenues with  
6 Northland Utilities Enterprises, and the response would be: for regulatory purposes,  
7 Yukon Electrical Company records the expense on a net basis, so that labour support for  
8 Northland Utilities Enterprises is charged directly to Northland Utilities Enterprises, so  
9 that there are not costs or revenues associated with this support included in this filing.

10 The second undertaking to Mr. Marriott was to provide the Frontec revenues in the  
11 Application. The Frontec rent for 2008 and 2009 is \$47,000.

12 The final undertaking I have is relating to the affiliate transactions with ATCO  
13 Electric, which showed \$253,000 in 2004 yet showed \$308,000 for 2004 in the 2005  
14 financial statements. The undertaking was to explain what caused this difference.  
15 Expenses associated with the lease of non-regulated diesel units for Good Hope Lake of  
16 \$45,000 were not included in the financial statements in 2004. They were shown as part  
17 of the 2005 statements. These costs are not part of Yukon Electrical revenue requirement.  
18 These are my undertakings.

19 Q MR. MARRIOTT: So is the panel done with the undertakings then? I could just  
20 say, Mr. Freedman, that where we had left off, you had indicated that there was an IR  
21 response. I think that we found that the IR response in question — and I think we're  
22 satisfied that our answer lies within YUB-YECL-28(d) Attachment 1, so I'll leave it at  
23 that and if we could just move on then. I would like to get the panel to turn to CW-  
24 YECL-24.

25 A MR. BABYN: Got that, Mr. Marriott.

26 Q MR. MARRIOTT: So, in that Information Response, YECL provided several  
27 reports, including a 2007 salary survey by Sierra Systems Group, a 2006 compensation  
28 review for ATCO Electric by Towers Perrin and some information from the Conference  
29 Board of Canada. What I would like to turn to is Attachment 1, which is the Sierra  
30 Systems Group survey. I noted that YECL Northland (NWT) and Northland

1 (Yellowknife) were included in the survey and I wonder: would that not skew the results  
2 of the survey toward what your companies are already doing? It struck us that if you were  
3 looking to see information that you could compare to your own, you might leave those  
4 ones out.

5 A MR. BABYN: I think that, in terms of the survey, we wanted to go to comparable  
6 marketplaces. I think that there are altogether 13 organizations involved. I wouldn't say  
7 that — certainly we weren't the largest of the organizations that were surveyed. I don't  
8 feel that they were skewed results.

9 Q MR. MARRIOTT: As you say, there were 13 organizations, three of which were  
10 the affiliated companies that I've just mentioned. Now, at page 3 of that report —  
11 Attachment 1 to the IR Response — it says that: "A final participation list appears on the  
12 following page." But when you go to the following page, there is no list. Now, is YECL  
13 prepared to tell us which companies participated in the survey?

14 A MR. BABYN: The participation in the survey by the member companies is on the  
15 basis that they are all provided with the results of the survey. But it's deemed to be a  
16 confidential document, in that, you know, the management groups from these various  
17 organizations would be using these, in terms of their collective bargaining processes, et  
18 cetera. So that was on the basis — the understanding on which the survey was  
19 undertaken. In terms of naming some of the organizations, we certainly, you know,  
20 surveyed some of the larger companies here in the Yukon, some of the larger companies  
21 in the Northwest Territories.

22 Q MR. MARRIOTT: So all of the companies were in either the Yukon or the  
23 Northwest Territories?

24 A MR. BABYN: That is correct.

25 Q MR. MARRIOTT: Can you tell us what kind of companies we're talking  
26 about?

27 A MR. BABYN: They would be other utility companies in both territories —  
28 electric utility companies; they would be a communication company; they would be  
29 government, both at the municipal and territorial levels.

1 Q MR. MARRIOTT: Now, in the IR Response, CW-YECL-24, at page 3, YECL  
2 lists some of the things that it says it was told employers were offering, but did not wish  
3 to include in the survey. And some of those things include: personal use of company  
4 vehicles, including fuel; payment of travel flights to anywhere in the world, in some cases  
5 once and some cases twice a year, and so forth. Now, was there a reason given why the  
6 companies did not want those included in the survey?

7 A MR. BABYN: Generally, our discussions with individuals from those companies  
8 were that some of them deemed the benefits — and what we're talking about here are  
9 primarily benefits that would be outside of base salaries — that they see those as  
10 competitively sensitive, from the point of view that, you know, everybody in the market  
11 group that we surveyed, and some that we didn't, are competing for similar-type  
12 resources at any point in time. So it was sort of "off the record," if you will, that we were  
13 able to gather some of the data that wasn't included in that Sierra survey.

14 Q MR. MARRIOTT: Those pieces of information were provided off the record and  
15 then you included them on the record here. I'm having a little trouble with that. Do you  
16 think those companies were okay with that? It sounds like they gave you this information  
17 on a confidential basis. We're not told which companies you got them from, and we're  
18 told you won't give us that but, nonetheless, this information that doesn't even appear in  
19 the survey, we're to rely on.

20 A MR. BABYN: I think what I was trying to do was to be confidential and I didn't  
21 — We tried to be as confidential from the point of view that we didn't include specific  
22 names of companies. What you are always trying to do, of course, is to try to find out  
23 what is going on in the marketplace so that you can, in turn, be competitive. So these type  
24 of benefits, I don't think, other than maybe by some of the companies that will recognize  
25 them, I don't feel was a breach of any confidentiality.

26 Q MR. MARRIOTT: Now, does YECL rely on this Sierra salary study to make the  
27 statement on the bottom of page 2 of 3 of the IR Response CW-YECL-24 that Yukon  
28 Electrical is behind in several wage range categories.

29 A MR. BABYN: That would be correct, Mr. Marriott. I mean, there were sort of  
30 two components, if you will, to the Sierra survey. There was a look at base salary

1 information, and there was a look at northern benefits or additional benefit type of  
2 information. So we do a couple things there. We certainly surveyed the base salaries of  
3 the various companies, trying to match the specific jobs to the local market. When we did  
4 this particular survey, initially for the Northland Utilities companies, what we found was  
5 that we were behind the marketplace in terms of the base salary and in some cases the  
6 other portions. So, I guess, I would be agreeing with you that that would be — certainly,  
7 this survey, along with the baseline survey, would have been a component of what we  
8 would have looked at for the local type of market. We would then — also as I had  
9 indicated the first day of the hearing, we also are looking at the non-local market for  
10 technical trades type positions. So there is a whole bunch of data that kind of comes  
11 together so that we then can make good business judgement and enter collective  
12 negotiations in good faith and with good information so that we can try to achieve a  
13 balanced approach.

14 Q MR. MARRIOTT: So just focusing on the survey, which I thought you said was  
15 the basis for your statement — maybe now you've qualified that — but in that survey I  
16 don't see anywhere where it says that Yukon Electrical is behind in several wage range  
17 categories. Can you point something out to me where you would get that information?

18 A MR. BABYN: What I can do, maybe to be helpful, Mr. Marriott, and I'll refer  
19 you to YUB-YECL-8(a). That was — I'll give you a minute to turn it up, if you like.  
20 What that —

21 Q MR. MARRIOTT: Okay. Well, first of all, does that address the question of  
22 where in this salary survey you get the information that appeared on our Information  
23 Response at page 203?

24 Are you saying this is a different source? I mean, let's answer one question at a time.

25 A MR. BABYN: I think that if we look at the full response that's on the record in  
26 terms of page 2 of 3, response (a) and (b), it talks about a number of things and then it  
27 concludes that, in addition to the above — so all of the things that are listed there, which  
28 are many and varied and all kinds of information that we would bring together, based on  
29 that information —

1 Q MR. MARRIOTT: Let me stop you for a second, because I'm not sure I'm with  
2 you. You're at the YUB-YECL-8 response?

3 A MR. BABYN: Oh no, sorry, Mr. Marriott, I'm still on the CW-YECL-24.

4 Q MR. MARRIOTT: Okay, yes. What page?

5 A MR. BABYN: Page 2 of 3. I'm just going back to your comment. You were  
6 asking me about the last sentence there.

7 Q MR. MARRIOTT: Yes, okay.

8 A MR. BABYN: And what I'm saying is that the last sentence there includes all of  
9 the paragraphs above it, in that the information that we rely on is wide and varied and it's  
10 — and so that's the basis on which we have been able to determine that we are behind the  
11 marketplace on many types of job classifications at this point.

12 Q MR. MARRIOTT: Okay. Well, I was trying to understand the statement itself,  
13 though. The last statement on that page says, "Yukon companies were surveyed and the  
14 results have shown that Yukon Electrical is behind in several wage range categories."

15 So the study that I saw that had Yukon companies surveyed was the one I pointed you  
16 to, and I was just trying to see if there was somewhere in that study that supported the  
17 statement that was made at that page. But I think what your answer is, is it may not be in  
18 that study but it may be that you gathered that information some other way.

19 A MR. BABYN: Yes, I think that it was gathered in a wide variety of ways.

20 Q MR. MARRIOTT: Right. Now in that same Information Response, YECL states  
21 that it implemented a community skills premium plan that's similar to a program that  
22 ATCO Electric has in order to fill vacancies in certain trade positions. First of all, have I  
23 got that correct?

24 A MR. BABYN: That is correct, Mr. Marriott.

25 Q MR. MARRIOTT: And then if you turn up CW-YECL-26(a) Attachment 1,  
26 there's only one page to that attachment and that's the policy related to that community  
27 skills premium.

28 A MR. BABYN: That is correct.

1 Q MR. MARRIOTT: And, according to that, the premium's to be based on a base  
2 salary and is to be paid in two lump sums in July and January. Now, is that of 2008 that  
3 that was paid?

4 A MR. BABYN: The policy was implemented on January 1, 2008, that's correct.

5 Q MR. MARRIOTT: And so when it says that the payments will be made in July  
6 and January, was it January 1 of '08 that the first payment was made?

7 A MR. BABYN: The policy started on January 1, '08, but just as it's worded there,  
8 the first payout was July 1.

9 Q MR. MARRIOTT: Okay. So the next payment will be January 1, 2009.

10 A MR. BABYN: Yes. December 31, January 1.

11 Q MR. MARRIOTT: Now, so that program basically involves those two payments  
12 and then that is the end of it, right? It doesn't carry forward again into '09 beyond that  
13 January 1 date, if at all?

14 A MR. BABYN: It is our intent to carry on the policy. I will just try to explain. You  
15 can see — I mean, we've got a 16.25% premium that was paid out. Essentially that was  
16 to the journeyman lineman as well as the electrical technologists, some diesel positions.  
17 That market is not available here in Yukon. Those positions — very rarely you can attract  
18 those from Yukon. These are very specialized positions that we require to run our utility.

19 In 2008, because of some critical circumstances, we had to play a bit of catch-up  
20 there, because there was such a disparity between what we were paying our line people  
21 and what was being paid in other jurisdictions that we could not compete. So we had to  
22 them come forward with this community skills premium and add a 6.25% premium onto  
23 what typically would be a 10% premium. So on a go-forward, the community skills  
24 premium portion of compensation will be 10%. We propose in 2009 that we would roll  
25 the 6.25%, which is the disparity between a lineman in the markets that we can compete  
26 and compare ourselves in to our own lineman. We're assuming that in our collective  
27 bargaining — and I've got to be careful because we're going to be entering negotiations  
28 soon — but it would be our intent that that would roll in then to the base salary. I think  
29 that is reflected in the chart we were provided in YEC-YECL-8 where it shows the

1 community skills premium at a certain level and then a reduction of that premium for  
2 2009.

3 Q MR. MARRIOTT: So you said that you showed that in a certain schedule? Is that  
4 what you said? I'm sorry.

5 A MR. BABYN: Yes. In YEC-YECL-8.

6 Q MR. MARRIOTT: In YEC-YECL-8. One the reasons I asked the question was  
7 the expiry date of the policy document was December 31 of 2008 and it looked like it  
8 might not carry forward. You are saying it will.

9 A MR. BABYN: Yes. The reason that it was dated that way, Mr. Marriott, was that  
10 we needed to review it at that time in order to roll that portion, the 6.25, into base rates.  
11 We didn't want to complicate the policy. We're just saying, "Hey, we're going to open it  
12 up again." We believe our intent is to roll the disparity into the base salaries in 2009;  
13 however, the community skills premium, as it exists at a 10% level, will go forward into  
14 2009 and we will continue to assess it, depending on market conditions.

15 Q MR. MARRIOTT: Now, there seems to be a bit of problem with that policy page.  
16 I just want to clear up. You'll note that it references certain schedules from the collective  
17 bargaining agreement and certain job classes. The two don't seem to match up. When we  
18 looked at the collective bargaining agreement, schedule 56 at page 60 of 69 of that  
19 agreement which is an attachment to CW-YECL-25(b) — it is Attachment 1. They relate  
20 to maintenance positions which aren't the same as the ones referenced below on the  
21 policy page.

22 A MR. BABYN: That is correct. So, what we had, Mr. Marriott, again, because this  
23 policy is intended to match the market in hard-to-staff communities — so there is a  
24 difference between the types of jobs. The premium that we had to pay, for instance the  
25 16.25%, would relate to those schedules shown, which are the journeyman line positions  
26 and your electrical technologist positions. In addition to that, we also are having difficulty  
27 attracting/retaining individuals who are the diesel maintenance, diesel mechanic type  
28 roles within our organization, and that has been deemed to be about a 10% community-  
29 based adjustment there. So that is why you would see the two differences.

1 Q MR. MARRIOTT: Well, so, let me see if I get this right. On the policy document,  
2 it says, "Schedule 56, Job Class is 586100 - 586701". As we see it, Schedule 56 doesn't  
3 show those job classes; it shows "566100, 566300" and so forth. It appeared to us that it  
4 was just a misdirection to the wrong schedule. If I'm understanding what you're saying,  
5 the job classes are the thing that we should look at more than the schedule that is  
6 referenced. Maybe you could just have a look at that and undertake to come back and see  
7 if I'm right about that.

8 A MR. BABYN: It could be just a numbering error, Mr. Marriott.

9 Q MR. MARRIOTT: But I would like to know for sure, on the record, you know,  
10 who's being paid these premiums. So if you could just look at that, and if I'm right that  
11 there is a discrepancy there, just let us know. I think what you're going to end up telling  
12 us is that it's the job classes on that policy document that are properly referenced, not  
13 necessarily the schedules. Would you do that, please?

14 A MR. BABYN: I will do that.

15 Q MR. MARRIOTT: Thank you. Now, in CW-YECL-26(a), we asked for the  
16 incremental cost for that "community skills premium" proposal. I wonder if you could do  
17 this for us, because I don't think that answer was forthcoming. Can you tell us the  
18 number of positions that are forecast to receive a 10% premium; the base salary of those  
19 positions; and for 2008 and 2009, also the number of positions forecast to receive the  
20 16% premium and the base salary of those positions. Would you be able to do that?

21 A MR. BABYN: If you just want to have a look, Mr. Marriott — if it might be  
22 helpful, before I undertake to do that for you — is YEC-YECL-8. So if we go to YEC-  
23 YECL-8 it might be helpful. Maybe it will be help with what you were looking for there,  
24 because it just then would be a matter of doing the math there. So YEC-YECL-8, and I'm  
25 going to give you the specific number there. It would be the chart that is provided.

26 Q MR. MARRIOTT: Okay, so what sub-part are we looking at?

27 A MR. BABYN: Yes, I'm just looking it up right now, Mr. Marriott. So it's  
28 actually on page 11 of 11.

29 Q MR. MARRIOTT: Sorry, YUB?

1 A MR. BABYN: YEC-YECL-8 and it's at page 11 of 11 and there's a chart there  
2 that breaks down all the various components of compensation. And at line 8, I guess —  
3 viii — there's the community skills premium. And it shows the amount to be paid. In  
4 2008, it's \$285,000.

5 Q MR. MARRIOTT: Right.

6 A MR. BABYN: And in 2009, it's \$220,000. Now, what that is — that's the  
7 reduction that I explained, where in 2009, you see a rollover of a portion of that  
8 community skills premium related to a journeyman lineman and electrical technologist  
9 being rolled — we anticipate — into the base salary. So then we're comparable to the  
10 other journeyman classifications from a base salary point of view.

11 MR. MARRIOTT: Okay.

12 A MR. BABYN: Does that provide you with enough information for —

13 Q MR. MARRIOTT: Could we at least get the number of positions? I think we  
14 could probably live without getting the base salary necessarily. But if you could give us  
15 the number that is getting each of the two levels of increase.

16 A MR. BABYN: Yes, we can sure do that.

17 MR. MARRIOTT: Okay.

18 Q I would like to take you to CW-YECL-46(g). Sorry, let's not go there, because that  
19 just redirects us to another IR response, which is YUB-YECL-15(c), Attachment 1. So, if  
20 we could turn to that and turn to page 1 — that's YUB-YECL-15(c).

21 A MR. GRATTAN: Yes.

22 Q MR. MARRIOTT: Now, that Attachment 1 is a cost-benefit analysis that  
23 compares the AMR alternative with a no-AMR alternative, right?

24 A MR. GRATTAN: That is correct.

25 Q MR. MARRIOTT: On page 1, the results are shown at the right and provide the  
26 cumulative present value for years 1 to 25 under the AMR option versus the status quo, if  
27 you will, option. Is that fair?

28 A MR. GRATTAN: That is fair.

29 Q MR. MARRIOTT: And the data indicates that the crossover point occurs in year  
30 9? Is that correct?

1 A MR. GRATTAN: Well, there's a bit of an anomaly in year 1 of AMR — for  
2 taxation reasons, AMR is lower than no-AMR. Then year 2, it's pretty much the same.  
3 Then it goes back to no-AMR being slightly more expensive, and then there is a final  
4 crossover point in year 9.

5 Q MR. MARRIOTT: Right. I thought that first year might also have to do with the  
6 capitalization. I don't know if it does. Is that all the income tax that's driving that?

7 A MR. GRATTAN: It's tax-related, yes.

8 Q MR. MARRIOTT: Okay. In any case, as you say, the final crossover appears at  
9 year 9. That's when AMR from that point forward is less expensive.

10 A MR. GRATTAN: That is correct.

11 Q MR. MARRIOTT: Now, would you undertake to re-run the model to determine  
12 at what capital cost the AMR would break even with the CPV of the no-AMR  
13 alternative? How much would the capital costs have to go up before there's no benefit  
14 over the 25 years shown on the graph? That would be the object of the exercise.

15 A MR. GRATTAN: And, believe it or not, I can provide you with that number, so if  
16 you could just bear with me for two seconds.

17 MR. KEOUGH: Madam Chair, the ESP wasn't working that well — we've heard  
18 these questions before, as well.

19 MR. MARRIOTT: We had similar questions in the Northwest Territories is what  
20 he's talking about.

21 A MR. GRATTAN: Okay, so the answer to your first question: a break-even capital  
22 is \$5,255,000.

23 Q MR. MARRIOTT: Would you be able to provide two runs of your model that  
24 would provide the CPVs and crossover point at a 10% cost overrun and a 20% cost  
25 overrun?

26 A MR. GRATTAN: I can provide you those numbers right now. The first figure,  
27 with respect to a 10% cost overrun, the CPV AMR is \$13,182,500; no-AMR is  
28 \$13,733,000. The final crossover point is year 15 for a 10% overrun.

29 Q MR. MARRIOTT: Thank you. And for 20%?

1 A MR. GRATTAN: For a 20% cost overrun, the CPV for AMR is \$13,532,500;  
2 CPV for no AMR is \$13,733,000; and the crossover point under a 20% cost overrun  
3 would be year 22.

4 Q MR. MARRIOTT: Thank you, sir. Now, could I just take you to CW-YECL-47  
5 — I'm sorry, it's one of those references again. I should just take you to YUB-YECL-  
6 16(b) Attachment 1.

7 A MR. GRATTAN: Yes.

8 Q MR. MARRIOTT: The reason I started to reference the CW Information Request  
9 is we had asked the same question as requested here for the business case for this AMR  
10 project. At page 5 —

11 A MR. GRATTAN: Sorry, is it AMR project or billing system?

12 Q MR. MARRIOTT: I'm sorry, billing system, North 60 new billing system. It's  
13 late in the hearing, I guess. North 60 new billing system, pardon me. So the business case  
14 for that — on page 5 it says, "... the project team performed an evaluation to determine if  
15 the business requirements were met by the vendor's project without modification."

16 Now, at page 7, it states that "... the forecast costs for Vendor 1, Vendor 2 and ATCO  
17 CIS were all relatively close ..." and so what I'm wondering is, were the vendor prices  
18 that were close to the ATCO CIS alternative based on no modifications to their software?

19 A MR. GRATTAN: To be consistent with the discussion that we had on this on the  
20 record in Yellowknife, the approach that we took with regard to business functionality at  
21 the get-go was: could you get the same business functionality out of the third party billing  
22 service providers that is being provided, or would be provided, via the I-Tek solution?

23 So, at the get-go, the evaluation that was done was out of the box, i.e., comparing  
24 apples — I'm sorry, no modifications to any of the billing service providers. Then we got  
25 into the cost evaluation, and looking at what it would take to potentially modify certain of  
26 the business functionalities with respect to the third party billing service providers. So try  
27 and figure out, okay, if we were to try to make modifications, what would that service  
28 provider charge us for that. And we got to a point where we kept going through the  
29 various modifications, the costs became very similar to what the ATCO I-Tek solution  
30 was affording us with respect to business functionality, and we stopped.

1       So from our perspective, what we did is, we said, “Okay, there’s some modifications;  
2 we’re going to cost out those modifications; we’re now at a point where we’re at  
3 comparable costs to what I-Tek is charging for us, and we still have a large amount of  
4 additional functionality afforded with the I-Tek solution.”

5       So that was the approach that we took.

6 Q MR. MARRIOTT:       Thank you, panel, and thank you, Madam Chair. Those are  
7 the questions.

8 MS. SHANKS:       Thank you, Mr. Marriott. I’m going to leave it open for the next  
9 Intervenor. Mr. Maisson and Mr. Rondeau, have you considered what order — UCG will  
10 be cross-examining the panel next?

11 **YECL Panel 1 cross-examined by Mr. Rondeau**

12 Q MR. RONDEAU:       Good afternoon, panel. My questions will be asked with  
13 various headings. The first questions — I would like to ask some question on cost of  
14 debt. Yesterday, we were told by Ms. McShane that this regulatory board has the mandate  
15 to explore and decide if Yukon Electrical’s proposed 6.6% financing from its parent  
16 company, who in turn receives its funding from another parent company, is prudent.  
17 Would that be correct?

18 MR. KEOUGH:       Madam Chair, I will let the question stand at this point, but I’m  
19 not sure if Mr. Rondeau was in the room or not when some of the discussion took place,  
20 but matters related to capital structure rate of return — and cost of debt, I suppose, as  
21 well — were supposed to be directed to the panel yesterday. We will let it stand and see  
22 how many there are and that type of thing. We’ll let it go.

23 MS. SHANKS:       Mr. Rondeau, the Board does note Mr. Keough’s objection and  
24 the rate of return and cost of capital panel was yesterday.

25 Q MR. RONDEAU:       Now if you look at Schedule 8.2 of the Application, you will  
26 see some of the loans from your parent company. Can you tell us some of the recent  
27 financing activity? Just a short summary.

28 A MR. FREEDMAN:       It is as laid out in Schedule 8.2; that is, the activity and these  
29 other debt issues Yukon Electrical has received, as we discussed yesterday — these

1 issues are mirrored down from its parent company, ATCO Electric. So Schedule 8.2 is  
2 the actuals and 8.3 also includes the forecast and the test period. That is the activity.

3 Q MR. RONDEAU: Okay, so you would agree that in 2005 the loans from your  
4 parent company were 5.23% and 5.07%.

5 A MR. FREEDMAN: Yes, 5.18% plus the issue clause, so an effective cost rate of  
6 5.23% and 5.07%.

7 Q MR. RONDEAU: Now, your forecasted range for the two test years is 6.6%.  
8 Would that be correct?

9 A MR. FREEDMAN: That's correct.

10 Q MR. RONDEAU: Okay, my question is — the market conditions, as you are well  
11 aware at this time are going down — would you say that trends are much lower in the  
12 stock prices?

13 A MR. FREEDMAN: Well, we're talking about debt rates, so I think we discussed  
14 this yesterday. The yields are going down but the spreads — the long Canada yields are  
15 going down — but the spreads that corporations have to pay to issue debt is going up, so  
16 there is not an agreement there that the corporate debt issue costs are going down.

17 It's becoming harder for companies to raise debt, so the spreads that they can raise it  
18 at is increasing.

19 Q MR. RONDEAU: Did YECL approach any other institution to see what type of  
20 loan rate would be available?

21 A MR. FREEDMAN: As Ms. McShane talked yesterday, CU Inc. has got one of  
22 the best debt-rated companies in Canada, and it has the lowest rate of —

23 Q MR. RONDEAU: You didn't answer my question. I asked you if YECL  
24 approached any other institutions — banks, et cetera?

25 A MR. FREEDMAN: Yukon Electrical — did Yukon Electrical go on its own?

26 Q MR. RONDEAU: Yes.

27 A MR. FREEDMAN: That would have been out — Yukon Electrical gets the  
28 advantage of the best, you know, of a very highly rated company in CU Inc. so, no, it did  
29 not go on its own to try and get the debt.

1 Q MR. RONDEAU: How do you know you got the best advantage if you didn't go  
2 out and see?

3 A MR. FREEDMAN: Now, I'm not the expert in this area, but the better the debt  
4 rating of a company, the lower costs that you pay. CU Inc. has got one of the best ratings  
5 for all utilities, so Yukon Electrical on its own is not a rated company and would not be  
6 able to raise debt at the same rates as a company such as CU Inc. can raise capital at.

7 Q MR. RONDEAU: I'll leave it at that for now. My next range is on revenue  
8 requirement. Now, if one looks up the Yukon Electrical Web home page, there is no  
9 vision statement or mission statement, so what I would like to ask is: what is the YECL  
10 mandate?

11 A MR. BABYN: I know our Web site is probably being updated, and I can provide  
12 you, I suppose, an official copy, if you like, of our mission statement. I don't have it in  
13 front of us, but I mean, generally, what we want to do is we want to provide safe and  
14 reliable service to customers at the lowest rates that are possible. We want to ensure that  
15 we're managing not only the needs of customers but those of our shareholders, and we try  
16 to keep all of those things in balance.

17 Q MR. RONDEAU: Would you not add on to this that customer service is a very  
18 important part of your company?

19 A MR. BABYN: I would say that it's sort of implicit in terms of the way that we do  
20 it, but I would agree with you, Mr. Rondeau: customer service is very important to us.

21 Q MR. RONDEAU: Have you filed, or do you file, yearly or monthly customer  
22 service reports to your regulator?

23 A MR. BABYN: We make an annual filing to the regulator in accordance with what  
24 we've been directed to do, and we do quarterly filings for reliability statistics, outage  
25 statistics and things of that nature, and key performance indicators.

26 Q MR. RONDEAU: Now, you stated in your premise — your mandate — that there  
27 should be a balance between the cost of service and the amount of profits for your  
28 shareholders. Can you categorically state that in this Application, YECL has achieved  
29 this balance between customer needs and the wants of the utility owner?

1 A MR. BABYN: I can tell you, Mr. Rondeau, that we have put forward our best  
2 efforts to ensure that we have a revenue requirement that provides enough funding to  
3 provide safe, reliable service for our customers, that allows us to construct projects,  
4 replace aging infrastructure, do all of the things that we need as a utility. We balance that  
5 with what we believe is a reasonable rate of return that our shareholders would expect. So  
6 it is with confidence that I tell you my intent, as the general manager of this company, is  
7 to keep all of those things in balance to the best of our ability.

8 Q MR. RONDEAU: Do you consider Yukon Electrical as a natural monopoly? In  
9 other words, do your customers have a choice to go somewhere else?

10 A MR. BABYN: In this jurisdiction where we operate, Mr. Rondeau, we are a  
11 regulated monopoly, so there are not a lot of choices from that point of view.

12 Q MR. RONDEAU: So as such would you agree that this monopoly market  
13 structure should provide the most efficient way to provide electrical service to your  
14 customers?

15 A MR. BABYN: I would say that the proxy for competition is regulation, and in  
16 this jurisdiction we are before this Board to have our costs and revenues discussed and  
17 approved to meet the needs of not only our customers but our company.

18 Q MR. RONDEAU: Now, in normal market or economics, when demand increases,  
19 the unit cost of production and delivery should decrease. Is that a correct assumption?

20 A MR. BABYN: Can you give me an example, Mr. Rondeau, to help me with this?

21 Q MR. RONDEAU: Well, if your demand increases, if you have more income  
22 coming in, your unit costs for production should generally decrease.

23 A MR. BABYN: I guess that assumes that, as revenues are increasing, that there is  
24 no additional cost? Is that what you are saying?

25 Q MR. RONDEAU: Cost escalations such as what? Are you telling me there would  
26 be costs?

27 A MR. BABYN: The only thing that I was saying is that in our business, usually, in  
28 order to have revenues go up, we have to build utility infrastructure to do that. We have  
29 to build poles and wires and provide other infrastructure in order to accommodate those  
30 other sales. Certainly, when you have the customer finally connected, you have those

1 additional revenues coming into the company. But you also have costs that are occurring  
2 on the other side. So I don't know that I could get there —

3 Q MR. RONDEAU: So there is no economies of scale, is what I'm asking. The cost  
4 of production simply maintains or goes higher? Always?

5 A MR. GRATTAN: You're talking about the cost of production in relationship to  
6 Yukon Electrical generation of electricity?

7 Q MR. RONDEAU: I'm speaking of a unit cost — what it costs the ratepayer for a  
8 kilowatt hour.

9 A MR. GRATTAN: So, at a macro level, Yukon Electrical has a number of hydro  
10 and diesel plants that have been built over the last 100 and some years. At a macro level,  
11 Yukon Electrical has 20,000 poles; at a macro level, we've got about 5,000 or 6,000  
12 transformers; at a macro level, we've got 2,000 kilometres of power lines throughout the  
13 territory. And then I think what is showing up as part of this Application is the cost to  
14 operate that infrastructure, whether they be labour related or other components of it,  
15 whether it be training or brushing or a myriad of other things — those variable costs; that  
16 is what we are testing before the Board as part of this Application as to whether they are  
17 reasonable as to what we have forecast.

18 So you've got a large amount of fixed infrastructure out there; we're proposing to add  
19 additional infrastructure and the cost associated with operating that infrastructure are  
20 what we're talking, to a large extent, as part of this Application. Hopefully that was  
21 helpful.

22 Q MR. RONDEAU: I understand. Has the demand for power increased in the last  
23 number of years?

24 A MR. GRATTAN: Yes, it has.

25 Q MR. RONDEAU: Is the demand for power forecast to increase in your two test  
26 years?

27 A MR. GRATTAN: Yes, it is.

28 Q MR. RONDEAU: Operation and maintenance: can you just give us a quick  
29 review of what YECL has done in the last few years to increase their efficiencies and cut  
30 costs?

1 A MR. STEINBACH: I might be able to help out, Mr. Rondeau. In regard to  
2 operation and maintenance over the past few years, Yukon Electrical has certainly looked  
3 at a number of different programs that have been tested in other regions. And fortunately  
4 we have the luxury of looking at some of these programs and extracting what makes  
5 sense for a utility of this size.

6 Let me give you an example of that: brushing. We have certainly looked at brushing  
7 over the past, since '05 forward, looked at it a little differently, perhaps, than it has in the  
8 past. What we have certainly accomplished there — and I actually have a nice little graph  
9 I could share with you that clearly illustrates that, by adopting little different practices  
10 around vegetation control, vegetation management, if you will, whatever you want to  
11 frame it, it has certainly brought down customer interruptions and power outages.

12 It's been slightly challenging; it's a fundamental change in what we do; but it is one  
13 of those things that you've just mentioned, and it certainly has brought in more efficient  
14 operations.

15 Q MR. RONDEAU: That's quite odd, because brushing is one of the things that I'm  
16 going to go on to next. As you know, in our area, in Crestview, brushing took place in  
17 mid-June. The company came in — YECL came in — and they also hired a  
18 subcontractor to do the chipping. They spent one day and then on August 11, for  
19 approximately two weeks, your company commenced to dig up the streets and lay the  
20 power line underground. Is this correct?

21 A MR. STEINBACH: That's correct.

22 Q MR. RONDEAU: Now, would you say that that is efficient?

23 A MR. STEINBACH: I would say that that needs to be captured in the right  
24 context, Mr. Rondeau, in order for everyone here to understand how that was efficient.

25 Q MR. RONDEAU: Please explain to us then.

26 A MR. STEINBACH: If we go back 12 months prior to the activity that happened  
27 this summer, brushing was planned in the exact same area. However, there was quite a bit  
28 of, you know, resistance, to be quite frank with you. Rather than stall our program, we  
29 simply moved on to other areas. However, what we had to deal with there were some safe

1 limits of approach violations that needed to be addressed. People were at risk. It's that  
2 simple. The power line was at risk of going out — line contacts.

3 What we did was regroup, and this year dealt with it as you've seen. We brushed first  
4 to eliminate immediate hazards and then we buried the line. Was it efficient? It would  
5 have been better to have brushed it the year before, but like I mentioned there are some  
6 challenges to brushing. It is not simply go remove trees.

7 Q MR. RONDEAU: It had been some 15 years before that this was done.

8 A MR. STEINBACH: I think you'll see in our Application where there are a  
9 number of very specific guidelines and recommendations and rules that a utility in  
10 Canada needs to operate within. Some suggest trimming within certain parameters or  
11 certain distance of a line. But at any rate, what you saw there was certainly something  
12 that had been identified in our patrols and needed to be addressed and that, I guess, a year  
13 ago this summer is when we wanted to address it.

14 Q MR. RONDEAU: Okay. Thank you for your honesty in that.

15 Capital costs — does increasing your capital cost increase the rate base?

16 A MR. FREEDMAN: Yes. That's correct.

17 Q MR. RONDEAU: Now, from your Application, I haven't had the option to look  
18 at the transcripts. It is not on the Web as of yet, so excuse me if I am asking. I know that  
19 some of the other Intervenors asked similar questions. I notice in the Application that  
20 there are three major capital projects in these two test years. There is the Genset in  
21 Carcross. There is the new computer system and there is the new smart meters. Would  
22 that be a correct assumption?

23 A MR. BABYN: I think there is many, many other projects in the capital budget as  
24 well, Mr. Rondeau. I mean, those were three that I guess I would call, sort of new, or a  
25 different type of project. But certainly, there is the ongoing capital projects and we've  
26 outlined, you know, kind of a pretty good breakdown, I think, in various YUB responses  
27 and City of Whitehorse responses. So I think there's lots of information to say there is  
28 several capital projects in our Application and that we need to do on an ongoing basis, but  
29 certainly we recognize those three projects that you have mentioned.

30 Q MR. RONDEAU: I guess they are my three pet projects here.

1 Can I ask you for each of these capital projects, the three that I've named, if they are  
2 absolutely necessary to provide what your mandate stated: safe, reliable, affordable  
3 power?

4 Can you go through each one individually and tell us? And perhaps explain a bit why.

5 A MR. BABYN: I guess I'll start with, I guess, an obvious one in terms of  
6 reliability would be the Carcross generator. Without a doubt, customers are exposed to  
7 significantly more outages in the Carcross-Tagish area than other customers that have a  
8 standby generator. I don't know if it would be helpful, Mr. Rondeau, but we do have a  
9 graph that shows, you know, sort of the outage statistics over a 10-year period for the  
10 Carcross-Tagish system versus a similar type system where we have a standby, let's say,  
11 in Haines Junction, Carmacks or Teslin.

12 So I don't know if that would be helpful to provide you at this time, just so you had it.

13 Q MR. RONDEAU: Yes, I would like to see that. So in other words you're saying  
14 the Genset is absolutely necessary in Carcross?

15 MS. SHANKS: Would you like to mark that as an exhibit, Mr. Rondeau?

16 MR. RONDEAU: Please.

17 MS. SHANKS: Could we have a number for that? Are you going to take this as  
18 your exhibit, Mr. Rondeau?

19 MR. RONDEAU: I think it would be provided by YECL.

20 MR. KEOUGH: I think it probably should be a YECL one, because it was  
21 generated by the company.

22 MS. SHANKS: C1-19; so marked. [Corrected to B-17]

23 **EXHIBIT NO. B-17:**

24 YUKON ELECTRICAL: NUMBER OF CUSTOMERS

25 AFFECTED BY OUTAGES LONGER THAN 1 HR.

26 (1998-2007)

27 A MR. BABYN: Just for clarification, Mr. Rondeau, because I know sometimes a  
28 graph can be confusing there, so if you look at the axis there, the number of customer  
29 outages, that's not necessarily accurate. It's customer outages including over 100  
30 customers. So when you have an outage for over an hour affecting 100 customers, that

1 would represent 100 on this axis, so I just wanted to make sure that I was clear on that  
2 and there hasn't been 16,000 outages. But we're just saying the number of customers  
3 impacted over 100 is the number here, but certainly we're using the same basis to look at  
4 Haines, Carmacks and Teslin, so I think it's fairly obvious.

5 So I would say, in answer to your question, does that project, will it provide safe,  
6 reliable service? It'll certainly enhance reliability. It's in the customer's best interest for  
7 that reason, certainly. And then you wanted me to comment on the other projects, as  
8 well?

9 Q MR. RONDEAU: We may as well just stay on this topic. I have a few more  
10 questions.

11 A MR. BABYN: Okay.

12 Q MR. RONDEAU: Do not the diesel generators in Whitehorse provide a backup  
13 for this area?

14 A MR. STEINBACH: I wonder if it would be helpful if I could — I think in YUB-  
15 YECL-2, this map exists but, for those who may not have it or just for illustration  
16 purposes, I could probably highlight the exact feed to the Carcross-Tagish area. Also on  
17 that graph that Jerome handed out, when you're speaking of efficiencies, Mr. Rondeau,  
18 you'll note that, in 204, we had quite a tree issue in that area, and our brushing program  
19 has helped. Let me show you another graph.

20 At any rate, Carcross —

21 MR. KEOUGH: Sorry. You're going to need to be speaking into the mike. I'm  
22 not sure this is going to —

23 A MR. STEINBACH: Carcross-Tagish is on the end of that radial feed, Mr.  
24 Rondeau. The Whitehorse generators are quite a ways from the line. It actually tees off  
25 toward Carcross and Tagish, so no, in essence, they won't pick it up on their own.  
26 They're not solely able to pick up that area. The generation would need to be more  
27 localized.

28 MR. RONDEAU: We can move on now to the computer system, I guess.

29 MR. KEOUGH: Excuse me, Mr. Rondeau.

30 MR. RONDEAU: Yes?

1 MR. KEOUGH: I am advised that the exhibit should have been B1-19, not the C  
2 series, being a YECL series.

3 MS. SHANKS: Of course. Thank you, Mr. Keough.

4 MR. KEOUGH: We can thank Mr. Landry.

5 MS. SHANKS: Just for the record — I am getting two numbers here. The exhibit  
6 should have been marked as B-17 and not C1-19.

7 MR. KEOUGH: Thank you, Madam Chair. Sorry, Mr. Rondeau.

8 MR. RONDEAU: That's fine.

9 Q MR. RONDEAU: The computer system — again, I'll ask you — can you state  
10 that this project is absolutely necessary to provide safe, reliable, affordable energy for  
11 your customers?

12 A MR. GRATAN: I will talk a bit to that, Mr. Rondeau. It is absolutely necessary  
13 in order for us to continue being able to bill our customers. The legacy system, as  
14 documented in the business case, has been in place since the 1970s. It is a mainframe  
15 system that was used by the ATCO Utilities in Alberta. We were advised a number of  
16 years ago that that billing system would no longer be used by the big utilities in Alberta,  
17 specifically ATCO Electric and ATCO Gas. As a result of that loss of a significant  
18 amount of customers — you talked earlier about economies of scale — the legacy, the  
19 old CIS billing system, lost its economies of scale when the big utilities migrated off it.

20 So what Yukon Electrical, as well as the other north of 60 ATCO utilities had to do,  
21 beginning in 2006 and continuing on into 2007, was to figure out what the best solution  
22 was. One of the solutions was to look at running the old CIS on our own. That was one of  
23 the options looked at. It was incredibly expensive and that's detailed in the business case.

24 In addition to that, we also looked at third party suppliers — third party vendors —  
25 and looked at the business functionality, technical requirements, ongoing support and  
26 most definitely cost, and came to our conclusions with respect to ATCO CIS as being the  
27 best solution for our customers and for the company obviously, not only from a technical  
28 — sorry, business functionality perspective — but also cost. That was included in the  
29 business case. That's the high level, Mr. Rondeau.

1 Q MR. RONDEAU: I think I gathered in your statement that you put this out for  
2 contract to not only your subsidiaries but to other companies as well?

3 A MR. GRATTAN: Yes, we did.

4 Q MR. RONDEAU: Can you give us some names?

5 A MR. GRATTAN: I can say Vendor 1 and I can say Vendor 2.

6 Q MR. RONDEAU: So besides ATCO I-Tek?

7 A MR. GRATTAN: Yes, it's detailed in the business case. The Vendor 1 and  
8 Vender 2 provide billing services to other utilities, not only in Canada, but also the  
9 United States.

10 Q MR. RONDEAU: Now, this billing system — is it going to allow you to bill  
11 directly to us or are we still going to have to rely on getting our bills from Alberta?

12 A MR. GRATTAN: To simply answer your question, the bills will continue to be  
13 generated and printed in Alberta. That goes to part of the economies of scale associated  
14 with taking advantage of all the facilities in Alberta that do that.

15 Q MR. RONDEAU: Now, is this computer system brand new?

16 A MR. GRATTAN: The computer system was implemented for the big ATCO  
17 utilities — ATCO Electric, ATCO Gas — in the late '90s, if I'm not mistaken. And we  
18 — the north of 60 companies, including Yukon Electrical, were able to stay off it through  
19 to 2008 because certain aspects of the old billing system were continuing to be used by  
20 ATCO Gas and ATCO Electric. So we were sheltered from the full cost of the legacy  
21 system.

22 The ironic part of all of this is that we wouldn't have migrated off the billing system  
23 we'd had in place for the last 20-some — almost 30 years, if it had not been for the loss  
24 of economies of scale with the big utilities going off it in Alberta. So we tried to stay on it  
25 for as long as possible. From a cost perspective, we didn't have to go through a billing  
26 system conversion. But the day came, and we were forced to look at alternatives.

27 Q MR. RONDEAU: So, in other words, these are not new. How old are they? Three  
28 years? Two years? Five years?

29 A MR. GRATTAN: Sorry — "they" being what?

30 Q MR. RONDEAU: The computers.

1 A MR. GRATTAN: Oh, it's a mainframe system. In Alberta, I couldn't tell you  
2 whether the computer is a year old or two years old. It's a software program and  
3 hardware that's based in Alberta. But I can assure you that with respect to that same  
4 billing system and hardware being used for billing of retail customers in Alberta, it would  
5 be of a substantive calibre.

6 Q MR. RONDEAU: Okay, if I look at your projections for the two test years, there  
7 remains to be higher operating costs, not only for Yukon Electrical, but there are extra  
8 costs for your subsidiaries. Perhaps, I believe, if we look at UCG-YECL-12-1 and UCG-  
9 YECL-19 —

10 A MR. GRATTAN: You're asking a question with regard to the billing system  
11 costs for —

12 Q MR. RONDEAU: For operation and maintenance. In other words, not only are  
13 we going to be paying \$1.5 million for this new computer system, we're also going to be  
14 paying more in these two test years to operate and maintain.

15 A MR. GRATTAN: That is correct, yes.

16 Q MR. RONDEAU: And we are also going to pay extra fees to ATCO I-Tek. If you  
17 look at —

18 A MR. GRATTAN: Yes. Just to potentially help you here, and I don't have the  
19 updated — big picture, I'll take you to Schedule 5.3 in the Application. This is very  
20 important to appreciate because I know, Mr. Rondeau, you correspond with our company  
21 on a regular basis.

22 If you take a look at Schedule 5.3, line 11. I guess I'll start with this one. On line 11  
23 — and Mr. Freedman is just leaning over to me. There have been slight decreases to these  
24 figures in an updated IR, but I'll just use these figures for illustrative purposes right now.

25 The cost of the billing system — the billing engine and all of the hardware, printing  
26 — full meal deal — associated with running Yukon Electrical's relationship with our  
27 customers through our bills was \$366,000 in 2007.

28 So that is full meal deal for all billing services associated with getting the meter reads  
29 through the system and a bill out to the customer. As you know, Mr. Rondeau, we also

1 have a number of customer service advisors here in Whitehorse that deal with customers  
2 from a customer care perspective.

3 For 2008 and 2009, per this schedule we go up to \$434,484. And, as Mr. Freedman is  
4 going to point out to me, those figures drop to \$416,448 per YEC-YECL-11. So, I have to  
5 agree with you that the ongoing operating costs associated with going to the new billing  
6 system are going up and we also are incurring a share of the capital costs associated with  
7 doing the billing system conversion. We are sharing those costs with the other utilities,  
8 the other north of 60 ATCO utilities.

9 Q MR. RONDEAU: As a consumer perspective, what we're looking at in this  
10 hearing is the two test years. Am I correct?

11 A MR. GRATTAN: Yes.

12 Q MR. RONDEAU: So, what you're proposing is to put a new system in that is  
13 going to cost your customers more money.

14 A MR. GRATTAN: That is the cold, hard reality of the process that Yukon  
15 Electrical went through as part of the business case. We knew that we were going to be  
16 paying more. Right from the get-go we would be paying more. We didn't know how  
17 much more and that's why we went through all the work that we did to assess the options  
18 available to Yukon Electrical and ultimately chose ATCO CIS as the solution.

19 Q MR. RONDEAU: Okay. We'll move on to the new meters. Again, with the  
20 perspective of are these absolutely necessary now, to provide safe, reliable, affordable  
21 electricity. Could you answer that, for the meters?

22 A MR. GRATTAN: The business case — the need associated with AMRs is  
23 predicated on not only forecast cost savings over the life of the AMR system but also a  
24 large amount of other benefits that we believe will provide much better service to our  
25 customers, as soon as we are able to implement the system. Those benefits are detailed in  
26 the business case. We talk about accuracy of meter reads, which I believe, Mr. Rondeau,  
27 we've had discussions with in the past — accuracy of manual meter versus an electronic  
28 meter read that would be proposed as part of this system. The business case talks about  
29 long term —

30 Q MR. RONDEAU: Are you telling us the meters now are not accurate?

1 A MR. GRATTAN: I believe our position has always been that the meters are  
2 accurate with respect to what we're charging our customers for level of consumption.

3 A MR. BABYN: May I just add — I think the point was that it eliminates the  
4 human error. Right now we're reading manually. The new system is an electronic system.

5 A MR. GRATTAN: It'll go. I'll let you finish and then — So long-term savings,  
6 and Mr. Marriott asked me some questions with regard to capital overruns and as to how  
7 those savings might be eroded if we have capital overruns. We talk about access; we talk  
8 about eliminating the need to access a meter on a regular basis, reducing, from our staff's  
9 perspective, the challenges that go on with neighbourhood dogs; or people complaining  
10 about us coming into their backyards, which I know from my experience, I have heard  
11 from a customer or two over the years about our meter reader entering a premise.

12 Customer service and planning — the AMR system provides voltage readings and  
13 momentary outage or blinks that we refer to, so we can use that electronic information for  
14 engineering studies, operational requirements — that Mr. Steinbach would appreciate —  
15 as well as, hopefully, more easily resolving customer conflicts.

16 AMR technologies have advanced to the point where the outage system — if we have  
17 a big outage like back in the fall of 2004 where we had customers out throughout the  
18 Southern Lakes and we were never really 100% sure whether we had ever single  
19 customer back online if they didn't phone us. So there was a risk that we could have  
20 freeze-up for a customer that we didn't know about, because they weren't around or they  
21 were on holidays.

22 What this technology will allow us to do is, for lack of a better word, "ping" every  
23 customer and make sure that the meter sends back a message to us. So if the meter sends  
24 back a message to us, we know that the power is on.

25 That one is certainly near and dear to my heart with regard to some of the challenge  
26 we've had in the past. The other thing is that we can do remote connect and disconnect,  
27 so a serviceman would not have to go out to the actual premise to turn on a customer or,  
28 conversely, turn off a customer. And while we endeavour to turn customers on and turn  
29 customers off when requested, sometimes there can be a lag of 24 hours or 48 hours. We  
30 try to be as quick as possible.

1       And I could go on here, but the other interesting thing about AMR is that, should it be  
2 required in the future in the Yukon, AMR technology allows for the eventual  
3 implementation of time-of-use rates. So we would be able to send a signal out, obtain a  
4 meter reading at a particular point in time and send a signal out and get another meter  
5 reading, so that time-of-use rates could be used.

6       I think what I wanted to — Mr. Babyn's going to say something — what I want to  
7 clarify, though, is the platform allows for the future implementation of time-of-use rates.  
8 I'm sure you would appreciate that the database that we're going to need to actually grab  
9 all this information and be able to generate time-of-use rates, that would have to be a  
10 separate and distinct business case at that point in time to share with the Board as well as  
11 with other parties whether that in fact — the cost associated with that was deemed  
12 prudent.

13       Mr. Babyn, is there anything else?

14 A MR. BABYN:       No, I think you've captured it well, Mr. Grattan, and as we said, I  
15 mean, the primary purpose at this point is to just replace the way that we read the meters.  
16 The technology facilitates all of those other things; however, you know, there could be  
17 specific costs associated with proceeding with those different options that Mr. Grattan  
18 referred to and we're going to have to assess those on an ongoing basis to see if  
19 customers perceive them to add value and if indeed they're worth implementing.

20 Q MR. RONDEAU:       That's quite a few things. I'm trying to remember questions  
21 along the way, but that's fine; I appreciate that. Let me see if I get this straight. Now, you  
22 won't need anyone to read these meters any longer — is this correct?

23 A MR. GRATTAN:       For the conversion area, so the conversion area is any customer  
24 in the Whitehorse area south all the way to Teslin, south all the way to Carcross, and then  
25 on into the Tagish area. And then west toward Takhini River Crossing and north up the  
26 Mayo Road to the end of the distribution system. So that would be the area that the  
27 conversion is being planned for. Communities like Old Crow, Destruction Bay, Beaver  
28 Creek we would continue to read the old-fashioned way via manual meter read.

29 Q MR. RONDEAU:       Will all these other benefits that you stated be immediate? As  
30 soon as we get a smart meter in our homes we'll be able to benefit from all these other —

1 A MR. GRATTAN: I rattled off about five or six benefits that would be available  
2 upon implementation. Time-of-use rates, to be very clear, requires additional  
3 infrastructure to implement.

4 A MR. BABYN: As does, I think, the remote connect and disconnect. I mean, we  
5 can certainly take a reading of a customer, but to physically connect and disconnect,  
6 that's sort of a whole different technical process. But we could be able to do that in the  
7 future, just not included as part of the economics of doing that in our business case at this  
8 point.

9 Q MR. RONDEAU: So that lowers some of the benefits here? Are we going to end  
10 up with any benefits?

11 It's basically going from analog to digital, is that —

12 A MR. GRATTAN: It's going from a pair of eyes punching it in to a hand-held  
13 meter-reading piece of equipment that is uploaded into the billing engine where, on a go-  
14 forward basis, should this be approved, an electronic signal would be sent out on the  
15 power line and it would grab the information electronically from the meter.

16 Q MR. RONDEAU: That's what I'm after. Thank you. Would it not be more  
17 beneficial — or more economically beneficial at least to your consumers — if you simply  
18 replace these as they are required or put them in the new subdivisions, which I'm sure  
19 you are doing now, or new customers that come online or when an old meter is not  
20 working properly?

21 A MR. GRATTAN: Fair question, but the major infrastructure that's required for  
22 this project — you have obviously got a pile of meters at each customer's location,  
23 approximately 13,200 meters, if I remember correctly. At two substations — one near  
24 Yukon Energy's Whitehorse Rapids facility — we will have to build infrastructure there  
25 to sort of — and I don't want to oversimplify it — have a home base there and then  
26 another home base of electronic equipment at the McIntyre substation, which is just off  
27 the Fish Lake Road. So, you've got fixed costs at each one of those two substations that,  
28 if you don't go the next step and change everybody's meter, you are losing out on the  
29 benefits.

1           The other thing is that one of the major benefits is not having a meter reader or meter  
2 readers on a go-forward basis to go out and read the meters, so if you only convert five or  
3 10 customers — I shouldn't say that — a couple of hundred customers a year, you're not  
4 really gaining the efficiencies that we've put forth in the business case.

5   Q MR. RONDEAU:           You need these two stations, as you call them, to access the  
6 information. Is that —?

7   A MR. STEINBACH:         What they are is — transformers. They are a little different  
8 type of transformer that sends a signal to the meter, gathers data and the signal comes  
9 back on the power line. It travels on the power line. There needs to be one of two distinct  
10 substations, as James mentioned, and that's just because of the path — how power flows  
11 around. It's just the nature of the beast. That is what they are. They are a little larger  
12 component of what's going to happen, especially in 2008, but they send a signal, get  
13 some stuff, bring it back and then we need to take all that data and send it to the billing  
14 system that he just mentioned.

15   Q MR. RONDEAU:         Are these meters adaptable to net metering?

16   A MR. GRATTAN:         Yes.

17   Q MR. RONDEAU:         Eventually? Meaning at what cost? What has to be done? Is it  
18 simple?

19   A MR. BABYN:            I don't know that it's simple. The technology will allow it, but it  
20 will certainly be our understanding at this point that there will be another piece of  
21 equipment that would have to be installed along with the meter and then you have to look  
22 at things — you mentioned the smart meter technology. Is that the way you want to go  
23 with that? That means in-home display and so on. Those discussions have to be held, I  
24 think, at a global level to say, does that make sense? That whole approach of the things  
25 that we call net metering and time-of-use metering and everything else, I think we need  
26 collectively to work as utility companies, as customer groups and as this Board to  
27 determine what makes sense on a go-forward. So it's a bit more complex than saying, can  
28 we do it tomorrow? I think there are a whole bunch of things that have to go into it.

29   A MR. GRATTAN:         But I do stand by my original statement that it would work —  
30 just to follow up with Mr. Babyn. The meter that would be installed is a meter that is

1 measuring the electricity going into a home and with regard to net metering — if a person  
2 should choose to go a net metering route, whether they've got a windmill or a solar array  
3 or whatever it happens to be, you'd also be wanting to measure the electricity being  
4 delivered to the grid. So you would have to have another meter or a meter that is able to  
5 track bi-directionally. But regardless, the technology to gather that information via the  
6 AMR would be the same.

7 Q MR. RONDEAU: You could do the net metering with the old system,  
8 however, just as well.

9 A MR. GRATAN: Most definitely, yes.

10 Q MR. RONDEAU: Okay, I'll move on to sales of property. If you look at the IR  
11 preliminary response, YECL stated that it would not have any impact on the ratepayer.  
12 Now, in a revised IR, UCG-YECL-6, you have revealed some \$506,000 in income from  
13 land and property sales since the last GRA. Is that the correct figure?

14 A MR. FREEDMAN: That's correct.

15 Q MR. RONDEAU: Now, in my books, this is no chump change. This is definitely  
16 — has a reflection on ratepayers. Would you not say that this original purchase of the  
17 property or the land — getting some feedback here — originally, when it was purchased,  
18 went onto the rate base?

19 A MR. FREEDMAN: That's correct. Now, this is non-depreciable property, and  
20 this is — this issue has gone all the way up through the courts, and the court decision on  
21 this has said that gains on non-depreciable property go to the shareowners. So that has  
22 been a court decision — that has heard this issue and decided on this issue.

23 Q MR. RONDEAU: This is a court case in Alberta that you're referring to. How  
24 does that have any reflection on us in Yukon?

25 A MR. FREEDMAN: It's Canadian — you know, it's a precedent of Canada.

26 Q MR. RONDEAU: But, I mean, the whole thing could have been different. We  
27 don't know what the land sold in Calgary or Edmonton was, or whether it was purchased  
28 the same way. You're making an assumption.

29 A MR. FREEDMAN: Well, as I understand it, the issue is: where does gains or  
30 losses of non-depreciable property reside? And non-depreciable property — the courts

1 have decided, in their opinion, that they go to the account of the shareowner. Depreciable  
2 property — customers are getting a return back or are paying for that through the  
3 depreciation. There is no payment through depreciation on non-depreciable property. As  
4 such, the gains associated with non-depreciable property go to the account of the  
5 shareowner.

6 Q MR. RONDEAU: So the ratepayers never paid taxes on this property or  
7 improvements through your operation and maintenance budgets or your revenue  
8 requirements? You paid this on your own?

9 A MR. FREEDMAN: We never paid back the capital associated with this property.  
10 And, you know, we're — from Yukon Electrical's perspective, this issue has been  
11 decided through these court decisions, and we're following that — you know, these  
12 decisions. You know, there would have been arguments heard on both sides from  
13 customer groups from the utilities, and this is a decision we're following.

14 Q MR. RONDEAU: I'm sorry, but I believe you are regulated by the Board sitting  
15 in front of you. Not by Alberta decisions or — It would seem to me that you should be  
16 obligated to go through this Board for such sales of property.

17 A MR. FREEDMAN: This isn't a regulatory decision; it is a legal decision, which  
18 would apply. It is not like we're taking precedent from a utility board in Alberta. We're  
19 taking precedent from what has gone through the legal system and been decided in the  
20 courts. So, that for us is the authority to follow in how we treat certain aspects of our  
21 business. So, when a court decides a certain way, that's what we would follow.

22 Q MR. RONDEAU: Okay, I'll leave this to the Board legal and request that they  
23 look into this.

24 Rate case costs — the \$30,000 rate case costs forecast for 2007 on Schedule 8-10 is  
25 that internal or external costs?

26 A MR. FREEDMAN: Could you give me the schedule number again?

27 Q MR. RONDEAU: 8-10.

28 A MR. FREEDMAN: I believe it would be Schedule 8-8, if I've got the right  
29 reference.

30 Q MR. RONDEAU: Possibly.

1 A MR. FREEDMAN: Yes. Okay. So that \$30,000 that was incurred in 2007?

2 Q MR. RONDEAU: Correct.

3 A MR. FREEDMAN: Yes. They would have been internal, related to the Phase II  
4 aspect of getting ready for the filing.

5 Q MR. RONDEAU: Phase II?

6 A MR. FREEDMAN: Well, the cost-of-service studies are treated in this rate  
7 hearing account versus the support that we provide on this proceeding internally,  
8 generally, just go through the normal affiliate support costs.

9 Q MR. RONDEAU: Maybe I'll jump right to one of the questions I had, then,  
10 farther down. Does this cost cover — this \$30,000 plus the \$750,000 that you have  
11 estimated — does this cover Phase II? Does this cover YECL's Phase II as well?

12 A MR. FREEDMAN: Yes, it does.

13 Q MR. RONDEAU: Let's just go back for a minute to the \$30K. You told us it was  
14 internal. Now, from what I remember, YECL had a rate case fund. Am I not correct?

15 A MR. FREEDMAN: When you say, this is the rate hearing, the rate hearing  
16 reserve account or the rate hearing fund. So this is that fund.

17 Q MR. RONDEAU: But it is being charged to the ratepayer? It is not coming out of  
18 any fund that I can see. It is coming out of our —

19 A MR. FREEDMAN: In Schedule 8.8, there is no balance in that fund so the costs  
20 go into this fund and then will get amortized over the test period. So the total costs of this  
21 proceeding are estimated at \$750,000 — \$30,000 from 2007 plus another \$720,000 in  
22 2008. We take these costs and then we'll amortize them over the two-year test period.

23 So you have a rate case fund or reserve that has zero money in it?

24 A MR. FREEDMAN: Well, this was a discussion that was had earlier. Effective  
25 2005, there effectively was no fund. We are proposing in this proceeding that it would be  
26 treated as a reserve account in this test period again.

27 Q MR. RONDEAU: Okay. Can you tell me if your estimation of 750K is still  
28 online?

29 A MR. GRATAN: I can answer, at least with regard to Phase II. We don't know  
30 exactly what's going to happen with respect to the Phase II proceeding, based on the

1 recent order-in-council issued by the Government of Yukon to the Utilities Board. So the  
2 estimate that was provided — and I believe there's a detailed interrogatory response that  
3 asks for a breakdown associated with that — includes Phase II. How Phase II is all going  
4 to turn out, I'm not in a position to share with anybody at this point, because I don't  
5 know.

6 Q MR. RONDEAU: Are we in the ballpark, though?

7 A MR. FREEDMAN: I mean, the details of this \$750,000 are highlighted in YEC-  
8 YECL-45. So out of this \$750,000, we have about \$135,000 in total for the Phase II  
9 aspect. And another thing to keep in mind with this deferral — with this reserve account  
10 process that we're proposing in this filing, any difference that's estimated would flow. If  
11 we came in lower, the customer would get that savings.

12 MR. RONDEAU: Thank you. My last heading is rate of return. I'd like you to  
13 reference Table — pardon me, UCG-YECL-35(b), Attachment 5 and UCG-YECL-30.

14 MS. SHANKS: Mr. Rondeau, did you say UCG-YECL-35(b)?

15 MR. RONDEAU: YUB-YECL-35(b) — sorry — Attachment 5.

16 MS. SHANKS: Thank you. And the second one was —

17 MR. RONDEAU: UCG-YECL-30.

18 MS. SHANKS: Thank you.

19 Q MR. RONDEAU: Now, some of these questions were briefly discussed yesterday,  
20 but I'd like to go through a few of them again. Would it be proper to say that YECL  
21 received a higher rate of return than the national average for utilities nearly every year  
22 since the last GRA?

23 MR. FREEDMAN: What is the reference in Attachment 5? Is there a page?

24 MR. RONDEAU: Page 13. It gives you the chart of average allowed utility rates  
25 in Canada since 1992.

26 A MR. FREEDMAN: Again, this is part of Ms. McShane's testimony. What this  
27 chart shows is the allowed returns and the response in UCG-YECL-30 is the actual  
28 return. So what this is showing, if you're just looking at numbers, is the actual returns for  
29 Yukon Electrical. If you're saying: are they slightly higher than what was allowed in  
30 Canada, that's correct, but it's not an apples and apples comparison.

1 Q MR. RONDEAU: In the last two years, on these charts 2006-07, it's more than  
2 just a small amount. It's 2% each year.

3 A MR. FREEDMAN: That's fair.

4 Q MR. RONDEAU: I would suggest —

5 A MR. FREEDMAN: Sorry, I did up this 2007 — and it probably doesn't change  
6 your line of thinking — but just to change it on this IR in our response that I had with Mr.  
7 Landry, the 10.70% in 2007 should actually be 10.37%. It probably doesn't change much,  
8 but just for your records.

9 Q MR. RONDEAU: 37 now?

10 A MR. FREEDMAN: 10.70 —

11 Q MR. RONDEAU: On your other revised, it said 10.74%. Which is it?

12 A MR. FREEDMAN: No, it's — yes, I apologize, but I clarified. There was a  
13 formula error. I provided it in earlier, but it was 10.37%. We didn't update all the IRs  
14 when that number showed up.

15 Q MR. RONDEAU: Okay, thank you. Does this 2% — or nearly 2% — suggest to  
16 you that YECL received a fair rate of return in these two years from your ratepayers'  
17 perspective?

18 A MR. FREEDMAN: Yukon Electrical has not been in front of this Board since  
19 1996-97. Customers have been charged the rates that were in place in 1996-97, so one of  
20 the things with cost of service regulation that we are regulated by is that if the company  
21 can manage to carry on with existing rates by whatever means, we can do that if we feel  
22 that we're getting a fair return. Similarly, we file information on an annual basis that if  
23 intervenors or the Board feels that the returns are excessive, they can call us in for a re-  
24 application.

25 Q MR. RONDEAU: Has this ever been done?

26 A MR. FREEDMAN: Where companies have been called in?

27 Q MR. RONDEAU: Yes.

28 A MR. FREEDMAN: Yes, it has.

29 Q MR. RONDEAU: In the Yukon?

1 A MR. FREEDMAN: I'm not aware. But we have filed the information annually.  
2 These returns — you know, utilities can earn higher than allowed returns in any given  
3 test period. If it's within the range of reasonableness, that's what they're intended to do.  
4 That is what occurred during these years while the Yukon has been operating on existing  
5 1996-97 rates.

6 Q MR. RONDEAU: Yes, I understand. So you received 2% more than the average  
7 company. Now, I guess my question as a consumer and a ratepayer organization: should  
8 you not be prepared now for the next two years to take a lower rate of return than —

9 A MR. FREEDMAN: No. Yukon Electrical's customers have been, you know,  
10 from our perspective, on the same rates that we had in place since 1996-97. From our  
11 perspective, that's a benefit customers have received because of the way maybe Yukon  
12 Electrical has been operating the company in that 12 years. They've seen the benefit of  
13 seeing no rate increases for 12 years. Yes, that has afforded Yukon Electrical a  
14 reasonable rate of return in that time, but still be able to operate existing rates that were in  
15 place since 1996-97. We are now in front of this Board for the test period 2008-09.  
16 Yukon Electrical has provided rate-of-return evidence to support what it feels would be a  
17 reasonable return in the test period.

18 Q MR. RONDEAU: So you are not willing to take a lower rate of return, in other  
19 words.

20 A MR. FREEDMAN: I think that is fair to say.

21 Q MR. RONDEAU: Please look at YUB-YECL-1. It gives you the allowed return  
22 and the actual returns and rate base for the two test years of the last GRA. Now in both  
23 these years, you over-earned. Is that correct? Considerably, I would say, in the first year.

24 A MR. FREEDMAN: Ah, we've had issues with adjectives before, but I would just  
25 dispute the word "over-earned". We did earn higher than what was allowed or approved  
26 in the GRA. To say that it "over-earned", I think Mr. Grattan has discussed one of the  
27 reason in '96. It was a very much colder than normal year. So for that year, that colder-  
28 than-normal weather would have contributed to Yukon Electrical achieving higher than  
29 approved returns for that year.

1 Q MR. RONDEAU: Would you not say that it is this Board's discretion to say  
2 where this extra earnings should go?

3 MR. KEOUGH: No. And this is a legal issue. You may, obviously, not be  
4 familiar with all the details, but there is a concept of retroactive ratemaking and when  
5 final rates have been established for a period, this Board or other Boards have no  
6 authority to go back and take back money from past periods. It is pretty standard law.

7 Q MR. RONDEAU: And yet, you were allowed to go forward and ask for an  
8 increase. That doesn't make logical sense to me. You are getting in an interim. You are  
9 already charging us 5% on our bills ahead of the ball game.

10 MS. SHANKS: Mr. Rondeau, I think the question has been answered. Can you  
11 move on to your next question?

12 Q MR. RONDEAU: How does Yukon Electrical get along with Yukon Energy?

13 A MR. BABYN: Based on the last few days, I'd say admirably. But, in all  
14 seriousness, we run an integrated utility system with Yukon Energy Corporation. Our  
15 lines are interconnected. We share resources. For instance, when YEC doesn't have the  
16 manpower necessary to run standby, because we know there are big issues in terms of  
17 getting linemen, et cetera, we have provided linemen to make sure the areas that they are  
18 responsible for serving are managed on a standby basis. We share our equipment, our  
19 manpower to restore services. We work with YEC on an ongoing basis, so I think from  
20 an operational point of view, certainly, there are synergies to us doing some things  
21 together, and I think we work well together in that regard.

22 Q MR. RONDEAU: Did you confer with YEC about the time of this Application and  
23 the Application itself?

24 A MR. GRATTAN: Yes, we did. We did have meetings with Yukon Energy early  
25 in the year where both companies discussed the timing of their respective Phase I  
26 applications. As a result of those discussions, it was clear that Yukon Electrical would be  
27 ready prior to Yukon Energy. Yukon Energy, in all fairness, was also trying to firm up  
28 what was going on with Minto Explorations. So that is why Yukon Energy, without  
29 speaking for them — I guess I have to be careful because they are all over there — but  
30 we were first in.

1 Q MR. RONDEAU: Would you not say that this duplication of these Phase I  
2 hearings is very costly to your customers, the ratepayers — it's going to cost us more?

3 A MR. GRATAN: Well, there was one Phase I as a jointly-run utility as part of  
4 the 1996-97, and there was one Phase II as part of the joint utilities filings back in the day  
5 when the two companies were far closer together than they are today. Once again, you  
6 need to ask this question also to Yukon Energy, but both companies — or at least our  
7 company recognized that we could proceed, each of us with separate Phase I proceedings,  
8 and that will involve the cost that they're going to involve but, conversely, both  
9 companies — at least the last time we spoke — are in agreement that a joint Phase II  
10 proceeding is the way to go.

11 But what you have to appreciate is they're two totally separate companies now, each  
12 with different managements, different objectives, et cetera — both obviously to provide  
13 safe, reliable electricity, but we are separate and that is the reality of 2008 and 2009.

14 Q MR. RONDEAU: So it would be fair to say that there will be no duplication in  
15 having two Phase I hearings?

16 A MR. GRATAN: We haven't done it yet, so it's hard to say, sir.

17 Q MR. RONDEAU: How many management changes has YECL undergone since  
18 the last GRA?

19 A MR. BABYN: What's your specific — like, what management?

20 Q MR. RONDEAU: Well, we can go — let's start with the manager of sales. How  
21 many managers since the last GRA?

22 A MR. BABYN: General managers?

23 Q MR. RONDEAU: Yes.

24 A MR. BABYN: I guess I'm number four, lucky number four.

25 Q MR. RONDEAU: And how many other management personnel have changed in  
26 this time period?

27 A MR. BABYN: Managers come and go, Mr. Rondeau. I don't have the numbers. I  
28 mean, you're always changing. We're part of the ATCO group of companies. There's lots  
29 of opportunities for people to grow and to move on to other positions in the organization,

1 so it's sort of an ongoing thing. We know Mr. Grattan was here and has since been  
2 replaced by Mr. Steinbach. There's been a number of changes over the years.

3 Q MR. RONDEAU: Would you say that such a turnover leads to at least the  
4 perception of poor customer relations?

5 A MR. BABYN: It shouldn't, would be my first response to that. I mean, what you  
6 have, certainly from our point of view within the ATCO Group, I think that managers  
7 having similar experience and understanding the expectations that ATCO places on  
8 management in general, that they actually should bring some of those customer service  
9 benefits to the table. That doesn't mean that, from time to time, you're not going to have  
10 disagreements and that, from time to time, you're not going to have to make different  
11 types of decisions but, as I mentioned when you asked me about what I believed our role  
12 was, customer service is an important part.

13 Q MR. RONDEAU: So a lot of Yukon Electrical management do their training here  
14 and then move on to greener pastures in the ATCO Group?

15 A MR. BABYN: I would phrase it this way: we get a lot of managers that come  
16 from the ATCO Group, provide the Yukon and other areas with the immediate expertise  
17 that they bring. So customers benefit right away from that, in my opinion. At the same  
18 time, because these are stand-alone companies and that — you get involved. You have  
19 the fortunate ability to get involved in so many aspects of the business when you're up  
20 north here that you do learn some things, and you learn how to manage, and there are  
21 some of those things that naturally will occur.

22 So I'd say it's a mutual benefit. And again, like with any good company, there are  
23 opportunities. And in these tight labour markets, and as we see many retirements  
24 happening, there are going to be more opportunities, not only within the ATCO Group,  
25 but across Canada. So that will — you know, you're going to see lots of movement,  
26 probably, in the next few years.

27 And I can say that, you know, we've had some changes in management, we've had  
28 some changes in our front-line employees, but we've also had some people that have  
29 been here a long time and have given their whole life to this company.

1 Q MR. RONDEAU: My question wasn't to jump on you guys. I don't want that  
2 perception. But your answer — your last answer hit on what I'm getting at. Now, you  
3 claim, in your rate of return and through the history of this hearing that you are a stand-  
4 alone company, but yet all your personnel move around within the companies; you have  
5 two — or at least one — I think two ATCO personnel here. How can you stand in front  
6 of us and tell us that you are a stand-alone company?

7 A MR. BABYN: I think we are a stand-alone company every day, outside of some  
8 of these formal proceedings. Our people are the front-line people that keep the lights on.  
9 They're the same people who are out there providing 24-hour-a-day service to their  
10 customers in keeping those lights on. There is no doubt about that.

11 We have the benefit, being affiliated with ATCO, to have some huge economies of  
12 scale, where we can bring in expertise on an as-needed basis. When you talk about  
13 governance, we don't have a president here; we don't have a vice-president here or a  
14 controller here; we don't have a large human resources department here. But we still have  
15 access to all of those skills — that governance, that expertise — whenever we need it.  
16 And we only pay a fraction of the cost that we would have to if we had all of those people  
17 right here helping us run our company.

18 MR. RONDEAU: Thank you for being so candid.

19 MS. SHANKS: Mr. Rondeau, can you give me an idea of how much longer you  
20 would have in your questioning?

21 MR. RONDEAU: I don't want to get into the same thing as last time. I have one  
22 more question, but it's actually separated into a few parts — five minutes.

23 MS. SHANKS: Mr. Maissan, how long would your cross-examination take, do  
24 you think?

25 MR. MAISSAN: I would guess in the order of half an hour, perhaps a bit less,  
26 based on what's been covered already.

27 MS. SHANKS: Okay, well, I'll hold you to your five minutes.

28 MR. RONDEAU: My last one.

29 MS. SHANKS: Or less.

1 Q MR. RONDEAU: I think I can beat that, even. Does your firm have a consumers'  
2 bill of rights?

3 A MR. BABYN: We have the electric service regulations that are approved by this  
4 Board.

5 Q MR. RONDEAU: So are you aware of these types of things in many  
6 jurisdictions? In most electrical jurisdictions and telephone nowadays, the companies  
7 have a bill of rights, which protects the consumer when there is a monopoly or a natural  
8 monopoly. What I'm asking is: are you willing to sit with the Board, or with the  
9 stakeholders, and write up a clear bill of rights for the consumers?

10 A MR. BABYN: I am not sure I understand, you know, just exactly what would be  
11 in that, but I can say that electric service agreements and electric service regulations, or  
12 terms and conditions of service depending on what jurisdiction you're in or whatever  
13 they're called, are intended to protect the interests of both the customer and the company.  
14 Those are put forward to regulatory tribunals, such as the YUB, for input from everyone  
15 and the changes can then be incorporated that I would hope achieve what you're saying.  
16 Whether you would call it a bill of rights or you call it regulations that apply consistently  
17 for company and customer, so that there is that balance — there always is that balance —  
18 then I would say that we're already involved in that process. But to go further than that  
19 we, Yukon Electrical, would participate in anything that this Board put forward where  
20 they would like our input and our thoughts and involve customers. We're all in favour of  
21 that anytime.

22 Q MR. RONDEAU: Good. Where does the consumer go now if they disagree with  
23 your, basically, discretion?

24 A MR. BABYN: I don't know if you have an example. I don't know what you  
25 mean by discretion. Where does the consumer go? A consumer has the right to go to the  
26 Public Utilities Board certainly. That would be, in Yukon Electrical's opinion, sort of the  
27 last place. We would like to work with our customers to resolve issues. If we're not  
28 successful with that, then that would be the next logical step that we would have to go to.  
29 It's certainly something that we would fully participate in. We want to resolve issues. It's  
30 very unproductive to carry on with circumstances where customers are unsatisfied, so we

1 want to resolve those. Between our interactions with our customers first and then, second,  
2 having this Board if need be as a last resort to be the mediator, then that would be the  
3 mechanism that I'm familiar with in a regulated utility environment.

4 MR. RONDEAU: Thank you.

5 MS. SHANKS: Thank you, Mr. Rondeau. I note that we are two hours into the  
6 afternoon, but I would like to proceed with Mr. Maissan's cross-examination before the  
7 break.

8 MR. KEOUGH: Madam Chair, I think it was a smart decision to start at 8:30  
9 a.m., if I do say so myself.

10 MS. SHANKS: Well, we see how many people in the room agree with you, Mr.  
11 Keough.

12 MR. LANDRY: Madam Chair, I just want to inform the Board that the new  
13 exhibit that was introduced by Yukon Electrical I do have a couple of questions on. It's  
14 just a couple of questions and I can do it after Mr. Maissan.

15 MS. SHANKS: We'll see how Mr. Maissan makes out with his time requirement.  
16 Maybe we'll do it after the break?

17 MR. LANDRY: I am fine. Believe me, it won't take long.

18 **YECL Panel 1 cross-examined by Mr. Maissan**

19 Q MR. MAISSAN: Good afternoon panel. I will not drag these proceedings on any  
20 further than necessary. I have gone through all the Information Requests — or cross-  
21 examination — that I wanted to do. A large majority has already been covered, so we will  
22 stay as brief as possible. My first question — sorry, let me go back. As I did yesterday, I  
23 would like to use my IRs as sort of a guide to cross-examination. My first question is  
24 related to Leading Edge-YECL-4. This is on full-time equivalents.

25 In this IR, we are referred to City of Whitehorse-YECL-8(d) Attachment 1. I would  
26 also like to reference the Application, which is Exhibit B1, Section 1 and Attachment 1.

27 These are the organizational charts. My first question is this: the organizational chart  
28 provided in CW-YECL-8(d), page 1 of 1, shows a number of positions. If I do my math  
29 correctly — and I hope I have — I get 49.15 full-time equivalents in 2003. Is that  
30 correct?

1 A MR. BABYN: That would be the number, Mr. Maissan, I guess, that Yukon  
2 Electrical would have targeted as our optimal for that year, in terms of what we would  
3 like for staff.

4 Q MR. MAISSAN: Correct. So it would have been actual full-time equivalents of  
5 people working would be less than that because of vacancy rates. Is that correct?

6 A MR. BABYN: As we talked about it, I guess, we don't have an approved vacancy  
7 rate per se but, I mean, but like any business, we would have changes to what we had  
8 actually sort of put into our business needs in any given year.

9 Q MR. MAISSAN: Right. Thank you.

10 In the attachment from your Application, which is Exhibit B-1, Section 1, Attachment  
11 1, there is a similar chart. And, when I do the math here, it adds up to the numbers that  
12 are there in the bottom left of 56.43 in 2008 and 57.43 in 2009. Now, in relation to these  
13 numbers I am having trouble aligning them with YEC-YECL-8, Revised, which is on  
14 page 4 of 11.

15 MS. SHANKS: Could you repeat the reference?

16 MR. MAISSAN: The reference is YEC-YECL-8, revised — the one dated  
17 September 9, page 4 of 11.

18 MS. SHANKS: It looks like we're all there now.

19 Q MR. MAISSAN: In item C, in the middle of that page there is a table. It shows  
20 actual full-time equivalents for 2003 as 43.8; whereas, the chart showed 49.15 positions.  
21 Do I take it then that the difference is the nominal vacancy rate? Which would be about  
22 5.5 full-time equivalents?

23 A MR. GRATAN: That would be fair.

24 Q MR. MAISSAN: Now, for a forecast 2008 and 2009, the numbers there don't  
25 seem to match with that other table. The 56.43 for 2008 is 54.2 in the forecast. Is that  
26 difference the forecasted vacancy rate?

27 A MR. FREEDMAN: Yeah, that's correct.

28 Q MR. MAISSAN: Is that also true for 2009?

29 A MR. FREEDMAN: Yes, that's correct.

1 Q MR. MAISSAN: Thank you. Do I take it, when I look at these two charts — first  
2 the 2003 — on the right hand side in the middle of the page, you have nine journey  
3 linemen and one apprentice. So you have a total of 10 line people as your target. Is that  
4 right?

5 A MR. BABYN: That's what it shows there.

6 Q MR. MAISSAN: And, if we look at the exhibit from the Application 2008-2009,  
7 I see a lead lineman, 11 journey linemen and 2 apprentices. So, a total of about 14 line  
8 people. Is that correct?

9 A MR. BABYN: There are 14, and I just want, just for clarification, Mr. Maissan,  
10 the servicemen are linemen too, right, so I just don't want to — we call them service and  
11 linemen, but they're journeymen linemen, all of them.

12 Q MR. MAISSAN: Right. So in each case, then, the senior serviceman, being also a  
13 lineman, should be added to that total so, essentially, 13 in 2003 and 17 in 2008-09?

14 A MR. BABYN: That looks right.

15 Q MR. MAISSAN: Right. So the increase in round numbers you're looking for, or  
16 that we're looking at over those five years, is four positions.

17 A MR. BABYN: Yes, that's the line crew that we added, Mr. Maissan.

18 Q MR. MAISSAN: Now, this seems like quite a significant increase for the increase  
19 in the number of customers in that same period. Could you explain why the difference?

20 A MR. BABYN: I think a short time ago we made a conscious decision as a  
21 company that, because of the strain on resources and the strain on not being able to hire  
22 qualified journeymen, the troubles that we are experiencing in terms of finding even  
23 qualified line contractors, that that drove our decision as a company to say, you know, we  
24 need, because it's the core of our business, we need linemen to run our system, we need  
25 linemen to construct our system. So we needed to look at that and make some  
26 comparisons, to say we know we're going to still need line contractors to do our business,  
27 but I mean, it was a deliberate approach to try to say, okay, the high cost of contractors,  
28 the availability of contractors has changed dramatically in the last two or three years, and  
29 I think there's probably not a utility company that would tell you different.

1           So what we had to do is we had to make some decisions, because we needed to get a  
2 certain quantum of work done — our capital plan, essentially — as well as make sure we  
3 operate and maintain the system. So what we did there is it basically was a shift from a  
4 company that used a number of contractors on an ongoing basis and on a fairly costly  
5 basis and moved to our own line crews so that we can more efficiently and make sure that  
6 we are able to deliver the business plan.

7           So as Mr. Grattan rightfully points out, I mean, we have sort of one construction line  
8 crew, but we still rely on contractors. So you know we can't even get it done, I mean, not  
9 that we're doing it all internally — I don't want to give you that impression, but we have  
10 reduced our dependence on contractors.

11 Q MR. MAISSAN:       So the increase in staff, if they are working on capital projects,  
12 would then not be reflected in increased O&M cost but simply be substitution of in-house  
13 cost for these linemen in capital projects for contractors you would otherwise have used?

14 A MR. BABYN:        Not exactly, Mr. Maissan. I mean, you know, our linemen work  
15 on the system in its entirety, so certainly there's some focus in the construction season  
16 where they're charging off to capital. However, they are charging also to operation and  
17 maintenance activities on an ongoing basis because what you've seen here is you've seen  
18 a system that's growing. You've seen, as we've outlined in quite some detail in our  
19 Application, that our maintenance needs have changed, that we have an increased focus  
20 on an enhanced brushing program, we have an increased focus on enhanced line patrols  
21 that need to be done. There are a number of drivers that have caused us to look at the way  
22 that we do maintenance quite a bit differently. So those resources are both on capital and  
23 on O&M.

24 Q MR. MAISSAN:       So the increase is really split between capital and O&M in some  
25 portion, which you wouldn't have at your fingertips.

26 A MR. BABYN:        We've provided a response that shows the O&M from a capital  
27 point of view — sorry, the labour from a capital point of view and O&M. So it is on the  
28 record.

29 Q MR. MAISSAN:       Right. Thank you. Could you perhaps — do you have the  
30 reference at your fingertips? If not, it doesn't matter; I'll find it.

1 A MR. BABYN: It might be the IR you're looking at.

2 Q MR. MAISSAN: Is that under (b) above there, on this page 4 of the —

3 A MR. BABYN: YEC-YECL-8.

4 Q MR. MAISSAN: Yes, all right. So that's the information there. Thank you.

5 A MR. STEINBACH: If I might add something here, from an operational  
6 perspective, the lack of manpower, the lack of trained, qualified power linemen to restore  
7 — never mind operate or maintain or construct, but the lack of qualified linemen is a  
8 potential — is a risk. There are many occasions where that head count that you see there  
9 is taxed. These people — they're the guys out in the middle of the night restoring your  
10 power. These are the people who are at the front line.

11 I can reference January 12 of this year, where we literally ran out of bodies in the  
12 middle of the night to respond to trouble calls. And that, in my 27 years in the industry, is  
13 troubling. So, these are the people at the core of the business who do the restoration. They  
14 won't necessarily understand these proceedings or what's going on, but they are truly the  
15 people who keep the lights on.

16 And one of the risks when these guys are out there is — and remember, they are in  
17 the middle of the night, they're in the worst possible conditions. The expectation is that  
18 they respond. Clearly, no one pushes back. They're at risk.

19 I would like to expand on the importance of these front-line people.

20 Q MR. MAISSAN: Thank you. My last question on this topic is related to meter  
21 readers. I see a reduction in 2008 to 2009 — from two down to one. But I see field  
22 service representatives going up. Because they're side by side, it looks like you're saying,  
23 “Oh, well, we freed somebody up here. Now we can slot them in here and do other  
24 things,” rather than take the cost saving of needing only one meter reader. So could  
25 somebody please expand and convince me that this is not just freeing up somebody and  
26 using them somewhere else, as opposed to realizing the cost savings that are embedded in  
27 the AMR project.

28 A MR. STEINBACH: A fair and reasonable observation. And what you're seeing is  
29 that we're shifting a lot of non-journeyman activities to that FSR — that field service  
30 representative. And that's only recently been introduced in other jurisdictions. It's not

1 necessarily that old a concept, but the idea is to use qualified journeyman — possibly for  
2 more capital or restoration — use them in their capacity — what we've trained them for,  
3 rather than doing the meter re-reads, which is a high-cost activity for a journeyman. So  
4 that is the intent of that FSR.

5 A MR. GRATTAN: I will just follow up with your question, Mr. Maissan, that the  
6 business case with respect to AMR in 2009 is not assuming meter-reading savings in the  
7 year of implementation. We had a long discussion with our parent company that has gone  
8 through this AMR process on many occasions. It has implemented it over the last 10  
9 years. They did not advise that in year one, year of implementation, that you reduce your  
10 meter reading. One thing that I would like to point out, on Schedule 5.1 of the  
11 Application — it's line 15, and it's meter and meter testing. And what we're saying there  
12 is that for those meters that are going to be changed out as part of the AMR project, we're  
13 not going to go off and obviously test them in 2009 because we know that we're pulling  
14 them out. So we're going to see a reduction in meter testing expense in 2009 and then on  
15 a go-forward basis, as you have correctly pointed out, there will be a reduction in meter-  
16 reading personnel, because obviously that task will be done electronically.

17 Q MR. MAISSAN: Thank you. My next question is related to Leading Edge-  
18 YECL-20. Some of this has already been covered, but it logically leads from the  
19 discussion we were just having and the automatic meter-reading conversion project. You  
20 described a power line carrier type of system — power line communication system. Can I  
21 assume that you've had discussions with Yukon Energy and have confirmation that the  
22 power line carrier system they use, or had when I was there, will not be interfered with by  
23 your system and vice versa?

24 A MR. GRATTAN: Interesting question. I will just explain a little bit to you what  
25 voltage we're talking about. The power line carrier technology that we're going to  
26 employ will go from the 34kV voltage all the way down to the meters in and around  
27 Whitehorse and then, obviously, down the Southern Lakes region. So it will not be on the  
28 high side. It won't be involved with the transmission voltage that Yukon Energy has.

29 Q MR. STEINBACH: Actually, John, we did an extensive bit of testing prior to  
30 introducing this. We were able to, from the vendor, bring his unit up, set it up at the

1    respective substations and read. We were taking something like 24 reads a minute, for 24  
2    hours a day, just to establish patterns to be sure that it would work. It's been acid-tested,  
3    if you will. It currently works over a number of different carriers in other jurisdictions  
4    who do, I believe, what you're suggesting — the transmission switching and that kind of  
5    stuff, possibly?

6            Actually, at the time of the testing there was interest from YEC as to whether it had  
7    potential in there, the communities they serve.

8    Q   MR. MAISSAN:            Thank you. Referring to the Attachment 1 in YUB-YECL-  
9    15(c), which is the, I think, business case for the AMR project, on page 4 of 5 of that  
10   document.

11   A   MR. GRATTAN:            Yes.

12   Q   MR. MAISSAN:            The second bullet from the top talks about savings. Are those  
13   the savings that we discussed earlier —

14   A   MR. GRATTAN:            With Mr. Rondeau—that is correct.

15   Q   MR. MAISSAN:            Not just with Mr. Rondeau but also with the City of Whitehorse,  
16   you showed MPVs, I think over 25 years.

17   A   MR. GRATTAN:            That is correct.

18   Q   MR. MAISSAN:            Including cost overruns. Those are the ones?

19   A   MR. GRATTAN:            Yes.

20   Q   MR. MAISSAN:            Thank you. I was a bit confused about remote connects and  
21   disconnects. It sounded from the description in the business plan case here that you could  
22   do that but, from the discussion with Mr. Rondeau, I got the impression that you would  
23   need to add other equipment to the AMR system to do that. Am I correct?

24   A   MR. STEINBACH:            In regard to remote disconnect, and as mentioned, these  
25   things — there will be a premium to some of these things. But one of the issues with  
26   remote disconnect — and keep in mind the technology keeps evolving — is the  
27   disconnect inside the meter or inside the house? Then it becomes a liability issue so that  
28   if you remotely turn somebody back on after they have been disconnected and there is a  
29   box on the stove, for example, or in the oven and the house burns down — there is a  
30   bunch of other issues. There is potential. Furthermore, the Application: it suggests

1 disconnects might be for customers who may be not current with their billing. So, you  
2 know, how do you — there are other issues related to it, but it is there. The technology is  
3 there and it keeps evolving.

4 Q MR. MAISSAN: All right, I'm just getting a little bit confused, Madam Chair,  
5 when benefits are listed and now we're hearing that maybe that benefit isn't really fully  
6 there. That is my concern. I'm just wondering if this provides the full picture.

7 Well, with time-of-use rates, it sounded like the same thing: more equipment needed.  
8 With net metering, it sounded the same thing: more equipment is needed. So these are  
9 listed as benefits, but what I'm hearing is that there are other costs. Maybe those benefits  
10 aren't really there until we spend a bunch more money.

11 A MR. GRATAN: Mr. Steinbach and I were just talking, and with respect to the  
12 business case and the savings associated with AMR, it relates to the costs associated with  
13 meter reading — not having to go out and read a meter. So the dollars to be saved are  
14 there regardless of when we implement an automated disconnect or reconnect.

15 Q MR. MAISSAN: All right. You mentioned, on page 4 or 5 again, improved  
16 accuracy. That was discussed earlier. Do you know what the present error rate is of meter  
17 reads? Do you track that?

18 A MR. STEINBACH: Not necessarily. It's not a piece of data that I rely on often.  
19 But what I can tell you is that our turnover in that group — meter reading — has been  
20 rather significant and the training process has caused those things that you mentioned. So  
21 I would say that when we have some people who are in there who have been doing it for  
22 a while, read errors are significantly lower than they are when we keep retraining.  
23 Furthermore, there's always that confirmation, if you will, or re-read: I don't think I use  
24 that much power, but forgot that I plugged in my diesel for two weeks, right? So that is  
25 the re-read that we speak of.

26 Q MR. MAISSAN: Right. So you don't track error rates, then, at present?

27 A MR. STEINBACH: Not necessarily, no.

28 Q MR. MAISSAN: Thank you. With AMR in place, will you be able to do the  
29 billing on exact 30-day cycles, or will it vary between 28 and 34 as it does now?

1 A MR. GRATTAN: So, if I am to understand your question, Mr. Maissan, right  
2 now meters are read over 20 cycles. Even though it's not one-twentieth of the meters  
3 every day, over 20 days meters are read and in each one of those cycles, if a meter reader  
4 falls behind because of inclement weather or a meter reader is sick for a day and we're  
5 not able to have somebody get out there and read meters — sometimes you can be one or  
6 maybe two days off your normal cycle. You can, on occasion, get a longer period of time  
7 between one read and the next read, if you understand me?

8 Q MR. MAISSAN: Yes.

9 A MR. GRATTAN: So, that's the way the world is now. With regard to AMR —  
10 and I don't know whether it would be over 20 cycles or whether you would do it over 5  
11 cycles, but the same meter would be read on the same cycle month after month. So you  
12 should in theory have less — sorry.

13 MR. MAISSAN: So there should be less variation for the customer. For instance,  
14 in my own experience here in a number of years in Whitehorse, I see a variation in any  
15 given year from a 28 to at least 33 days, usually the long period being December through  
16 the Christmas days. It does have an impact when there are programs such as a rebate  
17 program in effect, which is based on monthly consumption. When you get a high winter  
18 month and you go over these various trigger levels, it has a financial impact on the  
19 customer, so if a customer can reliably get 30-day bills, then these programs will be  
20 administered in a more fair fashion. Thank you.

21 Q My next question is YEC-YECL-52, and it also relates to AMR. They mention  
22 operational efficiencies. Could you just explain — is this the disconnect we're talking  
23 about?

24 A MR. GRATTAN: No, I would say, if you go back to the business case on page 4  
25 or 5 —

26 Q MR. MAISSAN: Yes, it's in your Application in Section 9 page 9-21 that you  
27 mention operational efficiencies, so —

28 A MR. GRATTAN: Correct, yes. So from an operational efficiency — Mr.  
29 Steinbach, you can jump in at any time — we talk about the improved accuracy; we just  
30 talked about the potential of human errors. You could have hopefully a reduction in

1 billing inquiries or disputes, hopefully a reduction in manual re-estimations. If you have  
2 somebody or if you need an estimation, you can actually go grab it with AMR as opposed  
3 to going out there to the site.

4 From an engineering perspective, monitoring of meter performance, such as stopped  
5 or failing meters — so there's a number of them that are detailed there, Mr. Maissan.

6 A MR. STEINBACH: Probably we've got two meter readers who are reading 20  
7 cycles a month now and I don't know exactly the kilometres they drive, but it's a number.  
8 I mean, there's some emissions that are going to stop. I don't know what we'll do with  
9 the two small trucks they have. A bunch of things will flow into this as it becomes  
10 implemented and efficient and is up and running. It's ongoing.

11 Q MR. MAISSAN: Right, thank you. My next question references Leading Edge-  
12 YECL-21. This is on Section 5 and this is related to revenue collections and collection on  
13 delinquent accounts. I was questioning why increases and, in particular, on Schedule 5.2  
14 on page 4 of 5, the increases in revenue collections goes up — sorry, I should let people  
15 get to that.

16 MS. SHANKS: It appears that we have it in front of us.

17 Q MR. MAISSAN: Looking at the two right-hand columns for the test period, from  
18 2008, \$162,000 increases to \$258,000, an increase of 59%, and that seems almost  
19 \$100,000 — \$96,000. Are these all fees that get paid to credit card companies for  
20 transactions?

21 A MR. BABYN: Essentially, Mr. Maissan, that's what's happening. So what we've  
22 done, I mean, is we've implemented the credit card program in the Northland companies  
23 over the last few years. We felt it was time, based on feedback from customers that we  
24 bring this forward. It seems that people want that ability to pay by credit card, and you're  
25 exactly right: it's looking at the residential revenue because it would be our intent to only  
26 allow residential customers to use this service. The residential revenue — what we've  
27 seen is about a 30% takeup in credit card usage, and that's based on our own experience  
28 in the Northland companies as well as in discussions with other utilities who have credit  
29 cards in the north. Then we would multiply that by a factor, I think, of 1.9%, which  
30 would be like the average kind of credit card rate that we could get.

1       So it's introducing a new service, if you will, to customers based on the demand that  
2 we've seen not only here, in terms of people asking for it, but also in terms of what's  
3 been implemented north of 60 in other utilities.

4   Q MR. MAISSAN:       Thank you. Obviously, this does not result in a reduction in  
5 collection of delinquent accounts — or, it does not appear, because there is also an  
6 increase in that. So getting paid by credit card doesn't mean more secure payments.

7   A MR. BABYN:       Our experience has been that it doesn't necessarily correlate. I  
8 mean, there is probably some advantage, in terms of lead lag, et cetera, but I think it's  
9 very much specific to the customers — you know, their patterns of payment and things of  
10 that nature.

11   Q MR. MAISSAN:       My next question — I have two remaining questions. One is  
12 LE-YECL-51. I was asking in relation to pages 9 to 18 to 9 to 20 of the Application. I  
13 think this in respect to brushing and pole replacements. I understand that like-for-like is  
14 generally replaced, in terms of pole heights. My question had been: if you use taller  
15 poles, don't you get away from some of this more frequent brushing and reduce the risk  
16 of tree contact, simply because the lines are a little bit higher off the ground? It sounded  
17 like that's not something that you take into consideration or don't consider cost effective.

18   A MR. STEINBACH:     Generally, the height of the pole is determined by whatever  
19 it's carrying. In that case, you know, often it may be communication or, if it's in the city  
20 here or industrial, it may be communication or some other means of — whatever — a  
21 second utility, I guess. Generally, the height of the pole is determined by that. And as far  
22 as a higher pole to avoid brushing, I guess the concept may have some merit, too, but  
23 we've had more success with a wider, clean right-of-way for our men to work on and,  
24 you know — not tree-free. I mean, the next step is tree-free, John. That means you go —  
25 the furthest tree you assume that could fall on the line, you cut right back to it. That's  
26 simply not economical or feasible or reasonable, I think, in the Yukon.

27   Q MR. MAISSAN:       Yes, I know a little bit about that, because the Mayo-Dawson  
28 line was tree-free.

29

1 My last question relates to Yukon Conservation Society, YCS-YECL-10. On page 1  
2 of 2, sort of toward the bottom of the page, it mentions that, “Yukon Electrical does have  
3 a design for Net-Metering as well as interconnection standards.” And I wondered if those  
4 have been filed with the Board, and are they available to the public? If so, could they be  
5 provided?

6 A MR. GRATTAN: Number one, they are available to the public; and number two,  
7 they have not been filed with the Board there. They’re interconnection standards that  
8 have been borrowed from — subject to check — from Alberta.

9 Q MR. MAISSAN: Okay. So they are available?

10 A MR. GRATTAN: Yes.

11 MR. MAISSAN: Thank you. Now that concludes my questions. Thank you,  
12 Madam Chair.

13 MS. SHANKS: Thank you, Mr. Maissan. You kept well within your time. Mr.  
14 Landry — we’ll have a short follow-up from him, and then we’ll have a break.

15 **YECL Panel 1, cross-examination by Mr. Landry resumed**

16 MR. LANDRY: Madam Chair, the questions I have relate to the new exhibit that  
17 was filed today by YECL. I believe the number is B-17, the graph.

18 MS. SHANKS: Correct.

19 Q MR. LANDRY: I know this is late in the day and, panel, I don’t want to get into  
20 a debate one more time on justifying the Carcross diesel. What I would like to know is  
21 what is and what is not, not on the record. Okay, so that is what I’m trying to get  
22 confirmed here.

23 Mr. Babyn is probably the person to deal with this. You have B-17?

24 A MR. BABYN: Yes. Yes, I do.

25 Q MR. LANDRY: Sir, would you agree with me that there is nothing on the written  
26 record which gives the data that supports the outages in all of these various communities?

27 A MR. BABYN: Not specifically in this format.

28 Q MR. LANDRY: No. And sir, there is no information on the written record which  
29 talks about the causes of the various outages that are listed here, that are referred to here.  
30 Fair statement?

1 A MR. BABYN: The only question on the record, I guess, is why YUB-YECL-1 —  
2 where we were asked for the performance stats of the system of which these would be  
3 imbedded in.

4 Q MR. LANDRY: Besides that, there is nothing else on the written record. You  
5 would agree with me?

6 A MR. BABYN: Not that I'm aware of.

7 Q MR. LANDRY: And there is no analysis on the record as to the options to  
8 resolve the outages that we're talking about in this document. A fair statement?

9 A MR. BABYN: Could you repeat your question?

10 Q MR. LANDRY: There is nothing on the record, sir, that I was able to find on the  
11 written record that talks about various options that could have been utilized to correct the  
12 problems, the outages that are referred to any of the communities here. Is that fair  
13 statement?

14 A MR. STEINBACH: I think, subject to check, there was discussion around a tie  
15 from Jake's Corner in this scenario back to that area. That would be about it.

16 Q MR. LANDRY: Okay. Subject to that one, there is nothing else.

17 A MR. STEINBACH: Yes.

18 Q MR. LANDRY: There is no cost-benefit analysis that was given to the Board to  
19 say that the Carcross diesel option to sort the problem out was the best analysis. You  
20 would agree with that? There is nothing on the record?

21 A MR. BABYN: The project is before this Board, because we think it is the best  
22 option to improve reliability—

23 Q MR. LANDRY: Sir, I understand your argument. Okay. I want to know what is  
24 on the record and what is not on the record. There is no cost-benefit analysis on the  
25 record showing this is the most cost-effective solution. Would you agree with that?

26 A MR. BABYN: Not in particular.

27 Q MR. LANDRY: And, sir, also, I'm going away from Carcross for the moment.  
28 There is nothing on the record, to my knowledge — and I would like to confirm this —  
29 where we see any information to suggest that the operations of the diesels in either

1 Haines Junction, Carmacks or Teslin reduce the outages or the durations. Correct? In  
2 those communities?

3 A MR. BABYN: It is our opinion and based on our experience —

4 MR. LANDRY: Sir, can I just stop?

5 Madam Chair, can I — I haven't asked for the indulgence of the Chair in the cross-  
6 examination of these witnesses. I accept the fact that I am getting tired and it is late in the  
7 day. I really just want an answer to that specific question. I ask the Chair to ask the panel  
8 to answer that question.

9 MR. KEOUGH: Well, I haven't asked for indulgence of the Chair for you to stop  
10 interrupting the witness before they get three words out of their mouth as has become  
11 your habit throughout the proceeding.

12 MS. SHANKS: Mr. Keough, I do note we're just before the break and I take note  
13 of your comments, as well as Mr. Landry's. I think that it is fair to ask the witness panel  
14 to answer the question that Mr. Landry has posed to them.

15 A MR. BABYN: Standby diesel plants, in our opinion, improve reliability.

16 Q MR. LANDRY: Madam Chair, that was not an answer to the question. I will try  
17 one more time. Is there anything — I put it to you, sir, there isn't anything on the record  
18 which shows the operation of the diesels in either Haines Junction, Carmacks or Teslin,  
19 reduced the outage durations that are referenced in this document. It is a simple question.  
20 Would you agree with me?

21 A MR. BABYN: Okay. I'm not aware of anything.

22 MR. LANDRY: Thank you. Those are my questions, Madam Chair.

23 MS. SHANKS: Thank you. I thank everybody for sitting a bit longer this  
24 afternoon. In that case, we'll have a 20-minute break.

25

26 (PROCEEDINGS ADJOURNED)

27 (PROCEEDINGS RESUMED)

28

29 MS. SHANKS: At this time I'd like to proceed with the cross-examination by  
30 Board staff. Ms. Bentivegna.

1 **YECL Panel 1 cross-examined by Ms. Bentivegna**

2 Q MS. BENTIVEGNA: Thank you, Madam Chair. Good afternoon, panel.

3 If you can first go to your Application, page 2-1, lines 11 to 14. It is regarding the  
4 secondary sales forecast of YEC. Just let me know when you are there.

5 A MR. GRATTAN: I am.

6 Q MS. BENTIVEGNA: I'll just read the lines I was referring to: "Total primary  
7 sales are forecast to increase 0.8% in each of 2008 and 2009. Secondary sales are forecast  
8 to decrease by 28.5% in 2008 and 58.7% in 2009 as Yukon Energy is forecasting a  
9 decrease in surplus hydro and as a result has significantly reduced its forecast of  
10 secondary sales." My question to you is: is the YEC secondary sales forecast on the  
11 public record?

12 A MR. GRATTAN: The information provided as part of the Application that details  
13 the two forecast figures for each the 2008 and 2009 came from Yukon Energy, so I guess  
14 I would have to say yes.

15 Q MS. BENTIVEGNA: You mean, yes, in that they are in the Application and they  
16 provided them to you but other than that there is nothing —

17 A MR. GRATTAN: Sorry. Fair enough. Yes.

18 Q MS. BENTIVEGNA: All right.

19 Now, still on the sales forecast, not the secondary sales forecast, but just sales forecast  
20 in general. Does weather affect your sales forecast?

21 A MR. GRATTAN: Yes.

22 Q MS. BENTIVEGNA: And, is the weather — I assume it is not under YECL's  
23 control.

24 A MR. GRATTAN: As —

25 Q MS. BENTIVEGNA: Just asking.

26 A MR. GRATTAN: No, it's not Yukon Electrical's control. The original question  
27 that you just asked me with regards to weather impacting Yukon Electrical's sales  
28 forecast and I said, "Yes." If I may just comment on that.

29 MS. BENTIVEGNA: Go ahead.

1 A MR. GRATTAN: The sales forecast is based on a weather normalized regression  
2 for a large number of our customers: 20 years in the Whitehorse area, 12 years in the  
3 Watson Lake area. The impact of weather on a go-forward basis, the actuals, is what  
4 really results either in your actuals being higher or lower than forecast given the normal  
5 approach taken to forecasting.

6 MS. BENTIVEGNA: Thank you.

7 Q Would YECL like a deferral account for the sales forecast to mitigate the risk?

8 A MR. FREEDMAN: I would go to our criterion on page 1-5 of the Application,  
9 and what we see is, for the first one, is that it's not under the control of the company and  
10 not reasonably forecastable. What we would say with the sales forecast and the regression  
11 analysis is that it's reasonably forecastable, so that would be where Yukon Electrical  
12 would not be coming forth and seeking a deferral account for the sales.

13 Q MS. BENTIVEGNA: And do you use both criteria, then, when determining  
14 whether to ask for a deferral account, or do you use one or the other?

15 A MR. FREEDMAN: Well, there are two criterion, but the first criteria was not  
16 under the control of the company and/or not reasonably forecastable. The second criterion  
17 is "or" and that was an error in forecasting could produce a loss or gain of substantial  
18 magnitude. But the first criteria was "and" so you'd have to meet both "not under our  
19 control" and "not reasonably forecastable".

20 Q MS. BENTIVEGNA: Okay, thank you. Now moving on to the shortfall Rider J  
21 on your Application page 3-1, lines 10 to 12, which reads, "The amounts for the Shortfall  
22 Rider J relate to Yukon Energy's Shortfall Rider J and are a flow through for Yukon  
23 Electrical. That is, these amounts are fully collected from Yukon Electrical's customers  
24 ..." and it refers to Schedule 2.1.

25 Is the source for this forecast Yukon Energy?

26 A MR. GRATTAN: No.

27 Q MS. BENTIVEGNA: Then if you can provide what the source of the forecast is,  
28 and you can do it in an undertaking, if need be.

29 A MR. GRATTAN: I'll try to answer it. The source of the forecast is based on  
30 Yukon Electrical's forecast sales, the base rates that are currently in effect, multiplied by

1 14.93%, which is the Rider J rate. So it's a — the amount shown on page 3-1, \$5,028,000  
2 and \$5,067,000, is simply Yukon Electrical's forecasted base rate sales times 14.93%.  
3 That's the source of the forecast.

4 Q MS. BENTIVEGNA: I see. Thank you. Now, the next topic is vacancy rate. So if  
5 I can refer you to YUB-YECL-8(d) and (e).

6 A MR. GRATAN: I got that.

7 Q MS. BENTIVEGNA: Now, before I get on with the questions, I just didn't want  
8 to repeat the information you are already providing with regard to the undertaking to Mr.  
9 Landry — I was wondering what the status of that was.

10 A MR. BABYN: We haven't yet completed it, but we plan to file it shortly.

11 Q MS. BENTIVEGNA: Okay, thank you. Now, you state in that IR that, "Vacancy  
12 rates are calculated based on an approved complement for FTEs." And I think you've  
13 said this a number of times during this hearing. As such vacancy rates are not — and then  
14 you continue to state: "As such vacancy rates are not applicable given that there were no  
15 Board approved FTEs for this period." My question is: when you look at the answer in  
16 the (e)-part of the IR, there are references to two vacant journeyman lineman positions.  
17 How long have these positions been vacant?

18 A MR. BABYN: To answer your question, right now we have one vacant  
19 journeyman lineman position. So one was filled in August, and we're still seeking the  
20 second one.

21 Q MS. BENTIVEGNA: Okay, and when you prepared your Application, how long  
22 had the positions been vacant?

23 A MR. BABYN: They've been vacant since we filed our Application.

24 Q MS. BENTIVEGNA: What I meant was — before that. Had it been six months, a  
25 year?

26 A MR. BABYN: I guess there was one vacancy in 2007, and then 2008 was an add,  
27 if that helps.

28 Q MS. BENTIVEGNA: Okay, thank you. Now, can you undertake to provide a list  
29 of all of the vacant positions and the duration of each vacancy for the years 2006 to now

1 — well, last month — September 2008. And this is again referring to your response in  
2 the IR.

3 A MR. BABYN: Yes, we can provide that. I think it's probably similar to what  
4 we're already providing, I think.

5 Q MS. BENTIVEGNA: Thank you. Now, just going on again — you know, on the  
6 question and your position that there were no approved complement of FTEs, how did  
7 YECL develop its vacancy rates for the year 2008 and 2009, given that fact?

8 A MR. FREEDMAN: Well, given that 2008 and 2009 — we're coming before here,  
9 and these are test periods, what we're seeing is — we're looking for an approved  
10 complement of X FTEs, and we've applied the rate to that approved complement. So if  
11 it's 56.4 that we are looking at, and we're saying that there is one FTE vacancy, so that's  
12 how we developed it for this period. So that would be what we would term the vacancy  
13 rate.

14 Q MS. BENTIVEGNA: Can you explain or elaborate a little further how you  
15 determined that one FTE was the appropriate vacancy rate on a complement of 56.4?

16 A MR. BABYN: So I think the way we looked at it was, because of a number of the  
17 programs that we had implemented in terms of trying to fill some of our critical  
18 vacancies, is that we brought that thinking together. We knew that we were having some  
19 success with the programs that we implemented to fill some of our outstanding vacancies  
20 in a difficult market. So it was just basically on where we felt we would be in terms of  
21 vacancies. Right now, as I said, we've got only one vacancy, which is one lineman  
22 position.

23 Q MS. BENTIVEGNA: Okay, thank you. Now back to your Application, page 1-5.  
24 This is regarding Phase II rates. The first question I had for you — I believe it was Mr.  
25 Freedman who mentioned earlier today that there had been some work done, I think  
26 \$30,000 worth, to prepare for Phase II. What is the current status of the Phase II work?

27 A MR. GRATAN: I'll answer that, since that falls under my responsibilities. The  
28 current status — Yukon Electrical and Yukon Energy, as I mentioned earlier, have met  
29 with regard to Phase II aspects. We have had for sure one meeting — maybe two  
30 meetings — on the subject, where we agreed that it would be most appropriate for it to be

1 a joint filing. The thinking was that a Phase II Application would be a normal Phase II  
2 proceeding where you would do a full cost-of-service study, associated rate design and  
3 updated terms and conditions or electric service regulations, so three large components of  
4 a Phase II proceeding. The thinking was that we would follow up or include in that  
5 proceeding the Phase I revenue requirements applied for by both companies and we  
6 would march forward.

7 The government has issued an order-in-council stating that — I will just be careful  
8 here with what the government said — it says that the Board must ensure that rate  
9 adjustments for retail customers apply equally when measured as a percentage to all  
10 classes of retail customers. We haven't really had a chance to discuss it with Yukon  
11 Energy. We haven't had a chance to discuss it with the government. We haven't had a  
12 chance to discuss it with the Board, so I honestly don't know what this means, but it's  
13 certainly going to result in some interesting conversations.

14 Q MS. BENTIVEGNA: In your view, might it obviate the need for a Phase II?

15 A MR. GRATAN: In my view. Without setting my mind to it and without  
16 canvassing the other parties, I don't know. There are many parts of a Phase II that are part  
17 and parcel of it, as I just mentioned. Whether this results in one or more of them being  
18 avoided — that is the question that needs to be answered.

19 Q MS. BENTIVEGNA: If there was no Phase II, would that reduce the costs that are  
20 in your current Application as being included for Phase I and Phase II — that \$750,000  
21 that has been mentioned?

22 A MR. FREEDMAN: Yes. There was about \$135,000 from — I think that was  
23 detailed in YEC-YECL-45. So, if there was less — if there was less parts to the Phase II,  
24 than what was included in that estimate, then that estimate could be higher than what the  
25 actuals might come in at.

26 Q MS. BENTIVEGNA: Thank you.

27 Now, still in your Application in Attachment 1, the organizational chart. I just had a  
28 question for clarification. When you refer to information technology included in head  
29 office personnel, I wondered, given that IT services are solely contracted to ATCO I-Tek,  
30 why are head office personnel required?

1 A MR. FREEDMAN: I know there is a small amount for use of systems. Like, if  
2 you go to Schedule 5-3, there is a small amount for use of systems. I am just trying to  
3 think. So there is a minimal amount, you know. We are supported by — Within ATCO  
4 Electric there is a small department that isn't part of I-Tek; they are part of ATCO  
5 Electric who provide support to both ATCO Electric and to Yukon. A very small part of  
6 the 1.67, approximately — maybe even 0.1 of an FTE — these people give us some  
7 support in dealing with I-Tek on some I-Tek issues. I think that it is Schedule 5-3. The  
8 number is about \$2,000 and \$3,000.

9 Q MS. BENTIVEGNA: Thank you. Now, moving on to your reply to YUB-YECL-  
10 11(a), with regards to brushing. I don't know if you want to call it up?

11 What I was interested in was your statement, "In recent years Yukon Electrical has  
12 enhanced the brushing program to include the widening of many existing right of ways to  
13 upgrade the right of ways to today's standards." I was wondering, what brushing  
14 standards is YECL referring to?

15 A MR. STEINBACH: The standards adopted — I think there is an attachment as  
16 well, in there, that speaks to a brushing program. I think that I mentioned it earlier that we  
17 have the luxury of looking at the programs that have been implemented in other  
18 jurisdictions and adopting portions that seem to make sense or have an impact on the  
19 performance or —

20 From where I sit down there [inaudible] outages and how many times the guys are out  
21 there removing trees and that kind of thing. So what we've done — what was recognized  
22 is that we were brushing some right of ways that were currently, you know, five and nine  
23 metres and still having outage problems. When we looked closer at it, or when we started  
24 to adopt these other standards, which go to just 12 and 15 meters — and I need to qualify  
25 those, I guess — one is cross-country and three-phase line, and one will be a single phase  
26 line cross-country, or roadside. We moved to that standard. We went from that traditional  
27 right of way, this wide, to a bigger one. It has had a positive impact. I have another item  
28 that I could share with you that shows the drop in tree-related outages since 2005.

29 Q MS. BENTIVEGNA: Okay, so you've had the program; you've implemented the  
30 program since 2005?

1 A MR. STEINBACH: We really started to look at it in 2005; yes, that's correct, and  
2 we started to widen them out.

3 Q MS. BENTIVEGNA: And you mentioned that you adopted these standards from  
4 other jurisdictions. Can you clarify?

5 A MR. STEINBACH: I certainly can. Prior to coming to the Yukon, I spent 20-  
6 some odd years in Yukon Electrical service territory, bordering TransAlta at that time at  
7 — I'm sorry, ATCO Electric territory, and bordered TransAlta, even Saskatchewan, for  
8 that matter, so that's where those standards were adopted from. And I think that the  
9 package is in here, the standard is in here.

10 Q MS. BENTIVEGNA: And did you have to do any adaptation of those standards  
11 for the Yukon and for its geography, or did you just — did they apply as they did in  
12 Alberta?

13 A MR. STEINBACH: For the most part they apply. I think by the time I had left  
14 Alberta, they started to go back to a variable-width brushing for various reasons,  
15 depending upon who the owner of the forest was, the FMA holder, but generally  
16 speaking, they apply.

17 Q MS. BENTIVEGNA: Thank you. Now is it your experience that Yukon Electrical  
18 may defer brushing programs or maintenance programs to meet earning targets?

19 A MR. BABYN: No.

20 Q MS. BENTIVEGNA: Thank you. Now I'm moving on to capital projects and you  
21 provided 2006 to 2009, so including the test years 2008 and 2009, so my questions will  
22 go to those years. So on page 9-5 of your Application, there is an item "Generation  
23 Plants", \$638,000.

24 Sorry, I'm just waiting for you to find it.

25 A MR. GRATTAN: I think we're there.

26 Q MS. BENTIVEGNA: All right. Now, of the total amount, approximately two-  
27 thirds of the total is identified as projects over \$75,000 and the remaining one-third, or  
28 about \$200,000 — this is for 2006 — projects under \$75,000. I was interested in what  
29 kind of projects are we talking about? Because this is an item that keeps coming back and

1 increases as the test years go along and under the different items. So I'll tackle each item,  
2 but this one — we can start with this one.

3 A MR. GRATAN: So I'm recollecting that this was an IR — an interrogatory —  
4 from the Board and we're going to try to find the details associated with it?

5 The IR that I was recollecting was "Generation Improvements for 2007," where we  
6 provided a detailed listing. But we may not have provided a more detailed listing with  
7 regard to 2006.

8 Q MS. BENTIVEGNA: Right. But what type of projects would one be — would  
9 you be referring to? That was my question.

10 A MR. GRATAN: Maybe we should listen a little more carefully, and I apologize.  
11 Typically, what we would be doing is wiring upgrades in existing diesel plants — I'm  
12 trying to remember in 2006 as to whether we did any small upgrades to the hydro. It's not  
13 ringing any bells to me. We were doing, definitely, in 2006 — the larger projects that we  
14 identified were fuel system related, leak detection related. Significant effort was  
15 embarked by Yukon Electrical in those years to improve the spill detection/spill  
16 prevention aspects of our plants. That's what we talk about in a couple of the larger ones,  
17 but I'm struggling with regards to what the smaller ones would have been.

18 Q MS. BENTIVEGNA: Okay. Maybe we can take it, then, for 2007-08 forecasted  
19 and 2009 — like, the type again — the type of projects that fall under this \$75,000 for  
20 generation. Then we'll do the distribution.

21 A MR. GRATAN: Okay, I can talk to 2007. In 2007 — that's under YUB-YECL-  
22 47(a), Attachment 1, page 1 of 1. And you'll note there that the Watson Lake plant is  
23 detailed with regards to the fuel system upgrades that I just talked about. Generator  
24 protection — so basically ensuring that the units are adequately protected, if they should  
25 see a fault on the system — a couple of projects with regard to Haines Junction, one of  
26 them being the fuel system and then a generation upgrade that we talk about — Teslin  
27 unit breaker replacement, et cetera. So for 2007, that's the details — just bear with me for  
28 a second.

29 I can talk to 2008 and 2009. So in YUB-48(a), Attachment 1, I believe we're  
30 providing the details associated with the work that is planned for 2008.

1 A MR. STEINBACH: There's a number of small projects then. For example here,  
2 Fish Lake dike widening, rise two feet, is an item, brushing along Fish Lake on one side  
3 of the dam as per the dam safety review report. There's some brushing that needs to take  
4 place there. The staff gauge — there's some equipment to be replaced out there. There  
5 are a number of smaller items, such as psometers that go into the dike itself to measure  
6 water flow through it. There are a number of things. There is a survey that goes into it for  
7 some of the other planned work in the future, if you will. I think there's a report in our  
8 submission here that speaks to our water relicensing. It has a bunch of very detailed  
9 information that we need to provide. Even the dam safety report has more information, as  
10 well, that needs to be provided to keep operating Fish Lake.

11 So there are a number of small things I guess listed in there that come to those totals.

12 Q MS. BENTIVEGNA: All right, thank you. Is there an overhead factor that's  
13 applied to these projects — any and all? If there's a difference, could you explain?

14 A MR. STEINBACH: Yes, there is an overhead factor. It's called the ES&G. I  
15 believe it's 11%. Sorry, it's 10%.

16 Q MS. BENTIVEGNA: That's okay. You said 11%?

17 A MR. STEINBACH: I think 10% is the right number.

18 Q MS. BENTIVEGNA: All right, 10%. Is that the current ES&G or does it differ  
19 from 2006-07, 2008 and 2009, or is that a constant?

20 A MR. GRATTAN: I can comment on that. I believe that in the years you are  
21 referring to, it was 11%, subject to what we just said — the 10% on a go-forward basis,  
22 so there's very little variability.

23 Q MS. BENTIVEGNA: Thank you. Just for my purposes, I was struggling a little  
24 after he said it was ES&G. Can you define what the acronym stands for?

25 A MR. BABYN: It's "Engineering Supervision and General".

26 Q MS. BENTIVEGNA: So this is —

27 A MR. BABYN: Our overhead.

28 Q MS. BENTIVEGNA: Right. So this is applied to each project.

29 A MR. BABYN: That's correct.

1 Q MS. BENTIVEGNA: And that's the figure that's in your Section 9 — it includes  
2 that amount.

3 A MR. BABYN: Yes, it does.

4 Q MS. BENTIVEGNA: Thank you. I notice that for purposes now, you've spoken  
5 of generation. Now there's distribution, new extensions. There is an amount — and I  
6 believe — I'm just looking for the year. In 2006 again, there's an amount of \$2,433,000  
7 under that heading. Again, about half of the total is identified as projects over \$75,000.  
8 The remaining one-half, or about \$1,225,000, are projects under \$75,000. Again, can you  
9 explain what kind of projects you're referring to?

10 A MR. GRATTAN: Basically, what they are, are customers coming through the  
11 door at Yukon Electrical looking for service — small customers; it could be commercial  
12 customers; it could be residential customers looking for a 1-, 2-, 3-, 4-, 5-pole tap in a  
13 country residential subdivision; it could be a customer coming at us in the Argus  
14 property; it could be a customer coming to us in Copperbelt, the new country residential  
15 subdivision.

16 So it's just a variety of residential and commercial customers that are seeking service,  
17 and we provide service based on the terms of the electric service regulations.

18 Q MS. BENTIVEGNA: I see. And would that also apply — for 2007, I noticed that  
19 51% of the \$3.1 million, again, are projects under \$75,000.

20 A MR. GRATTAN: It's the bread-and-butter of what Yukon Electrical does — just  
21 a large amount of small customers coming at us, and we hook them up in accordance with  
22 the electric service regulations. So no difference between 2006 and 2007.

23 Q MS. BENTIVEGNA: All right. And there wouldn't be any difference in 2008  
24 and 2009 with the types of projects?

25 A MR. BABYN: Not necessarily a difference, in terms of the type of projects. I  
26 think when we put together our forward-looking forecast — you know, based on the work  
27 that we do, in terms of talking with customers, talking with the City and the government  
28 and others, that, you know, we identify the specific projects, as we've listed there in  
29 YUB-YECL-48(b), Attachment 1, where we're talking "Distribution New Extensions,"  
30 and further on 2009.

1 But one thing that does occur when you're looking at this is, there is some historic  
2 experience included in this. So that we know that we will — as Mr. Grattan says — we  
3 know on an ongoing basis, based on our historical growth, that we are going to have so  
4 many customers coming into the door and to be connected on an ongoing basis. So we  
5 factor that in, as well, based on our history.

6 So we're forward-looking, looking particularly at what we know is coming up, plus  
7 we do include some historical, because it's inevitable that the customers do come in —  
8 walking in through your shop looking for service on a continuous basis.

9 Q MS. BENTIVEGNA: And is the ES&G also applied to these types of projects?

10 A MR. BABYN: Yes, it is.

11 Q MS. BENTIVEGNA: And is it still 10%? It was 11%.

12 A MR. BABYN: Yes, it would be the same rate.

13 Q MS. BENTIVEGNA: Now, there's also another category of "Distribution  
14 Improvements". And again, it has large — well, there are amounts for under \$75,000. So,  
15 again, can you explain to us what type of projects these are? And maybe just for 2008-09,  
16 what you're anticipating.

17 A MR. BABYN: I think we — in terms of 2008-09, we've kind of broken it down.  
18 We'll talk a little bit about the other projects. If I'm correct, that's what you're asking for  
19 — you know, what are the other type of things that come into that? I think, again — at  
20 least on a forward-looking — and I think it applies to the discussion we can have on  
21 what's happened in the past — is that you also have things that happen on the system on  
22 an ongoing basis. And that's sort of historical and of an unplanned nature. And that's  
23 pretty much the history of any utility.

24 So, for instance, you have a switch failure as a result of the outage — like, even the  
25 other night, we had a switch failure. So, a gang switch that failed. You know, it's a  
26 \$20,000 cost for the switch that's absolutely critical for operations. That would be the  
27 type of thing that would go forward. If we had a section of line that went down, for  
28 whatever reasons, and we had to restore it, we would do that. So you have sleeve failures  
29 that can happen on a conductor. You have poles that fail, and although you have a  
30 miscellaneous pole replacement — appropriation — within these budgets, you can also

1 have poles that are of an unplanned nature. So you'll have those specific — what we  
2 would call “distribution improvement projects” on an ongoing basis.

3 A MR. STEINBACH: I might have a little bit more to add to Mr. Babyn's  
4 comments. I think there was a question from the Board regarding heavy loading. Let me  
5 define “heavy loading”. That's a classical distribution improvement and that's a piece of  
6 line that goes from here to Teslin. What we recognized in a particular area is that, for  
7 some reason, there's continually ice and snow loading and our guys spend a lot of time  
8 trying to get the snow, or the ice load, off the wire.

9 We've gone forward with a distribution improvement work order to replace portions  
10 of that line that we feel are being affected the most with this new construction standard.  
11 So it's one of those things that, you know, after recognizing the issues in the area, you put  
12 into the cycle and then do some work. And there's two steps, or two phases, to that  
13 particular project. So those are the type of projects that we focus on.

14 A MR. BABYN: The other thing that can occur here, and it's very typical, I think,  
15 when it comes to this budget, is that if lines have to be moved and if they are on rights-of-  
16 way that are controlled by other jurisdictions, that we would go in and we would have to  
17 replace that infrastructure. So I mean, that would be like a replacement project — so a  
18 line move, if you will. So there's those things that, you know, continually are coming up  
19 on a distribution system that need attention.

20 And the same thing happens, really, on the generation system as well.

21 Q MS. BENTIVEGNA: Thank you. And again, you apply the ES&G factor?

22 A MR. BABYN: Yes, we do.

23 Q MS. BENTIVEGNA: It's the same?

24 A MR. BABYN: Yes.

25 Q MS. BENTIVEGNA: Now I'm moving on to the AMR and the business case that  
26 was provided in YUB-YECL-15. I was just wondering why you didn't submit the  
27 business case in support of the project with your Application.

28 A MR. GRATTAN: Well, we included it as part of an interrogatory response with  
29 regard to the Northland proceeding in Yellowknife, which is also proposing before that

1 Board to implement an AMR system. And we went through the same process here, I  
2 guess, so I'm not sure it was much more complicated than that.

3 Q MS. BENTIVEGNA: It's not YECL's practice to support proposals of this nature  
4 with a business case? It's the Application I'm talking about; I realize we have it now.

5 A MR. GRATTAN: Well, given that it's been since 1996-97, I'm not sure I know  
6 what Yukon Electrical's practice was. Obviously with regard to this Application, the  
7 business case was submitted as part of the interrogatory process.

8 Q MS. BENTIVEGNA: All right. Thank you. Now in the business case, are the  
9 business drivers listed in order of priority?

10 A MR. GRATTAN: I would say no, and the reality of what we're proposing based  
11 on the capital estimates and the business case CPV calculations shows a savings to  
12 customers over the long term. So in its absolute dollars and cents, we were asked about  
13 what we're doing to improve efficiency for this utility — this is one project that falls, in  
14 our opinion, under that goal.

15 In addition to that, and they cannot be minimalized, there are a variety of other  
16 benefits, we believe, that are detailed there. So, once again, to answer your question, no.

17 Q MS. BENTIVEGNA: Now, I know some form of this question was asked, but  
18 I'm still not clear. Is it the view of YECL that its current meter reading is very inaccurate  
19 and therefore this is one of the reasons for AMR?

20 A MR. BABYN: I think, as Mr. Steinbach had pointed out, I think, you know, we  
21 have, when you've got the human error factor that perhaps, in readings, you can have  
22 some complications in regard to that. You know, I think we do the best job that we can  
23 with the resources that we have. When you have changes in staff, metering reading, that  
24 can cause you some lower success rating when it comes to getting accurate reads. I just  
25 think that what AMR does, is that it takes out that element, I think.

26 Q MS. BENTIVEGNA: But you, if I understood previously one of the responses —  
27 that you don't have any measurement for inaccuracies in meter readings or errors.

28 A MR. STEINBACH: I don't rely on any indices such as you've just described, but  
29 I can check with our billing system, you know. Subject to check, I can see if there are.  
30 But just let me respond to that again. We just came out of an era where we had a couple

1 of meter readers who had been there for a couple years and they were solid. The odd time  
2 something didn't go right and they made a mistake — a zero for a nine kind of thing —  
3 but generally speaking, they were good. Then we went through some time where we had  
4 some turnover, right? So there is that learning curve. But the general statement that our  
5 manual meter reading, if you will, is not accurate or is not good, I don't think is accurate  
6 at all.

7 Q MS. BENTIVEGNA: All right, now, do you have an approximate amount of how  
8 much of the YECL's annual cost is for re-estimations or to cancel/rebills.

9 A MR. GRATAN: Cancel/rebills, manual re-estimations, all of those costs are part  
10 and parcel of our customer accounting group of costs. We have attempted to recognize  
11 that they will likely drop when it comes to the new — if this is approved, there will be  
12 savings — but the business case can't really incorporate those potential costs, because we  
13 don't really know what they are. They are all grouped in our normal, ongoing operations.  
14 The business case is more predicated on: day one, you have a meter reader or two and  
15 day two, you don't. That is what the business case is predicated on. On a go-forward  
16 basis, we should, in theory — in theory — see reduced costs that we've just talked about,  
17 or that I've just mentioned.

18 Q MS. BENTIVEGNA: Right. Now just to go back a second. Is there, I think, Mr.  
19 — sorry, I can't see your sign — Mr. Steinbach, sorry. It has been a long day. You  
20 mentioned that you could check to see if there were any, either measures of error in meter  
21 reading or that type of metric.

22 A MR. STEINBACH: I could see if a report is generated now that currently lists the  
23 number of high low failed kind of things. You see, sometimes we'll get — I think it is  
24 actually quite common here, as well, we get a re-read request, if you will, because there is  
25 a number of sort of seasonal locations. So people are there in the summer and they leave  
26 in the winter but they leave their meter in and the equipment that we read it on is  
27 designed to kick out a reading that is not within a certain parameter. So that causes us  
28 some — we had to go back and re-read or there could be another issue. There could be a  
29 failed meter or an energy diversion — a bunch of things happen. So, I can certainly see  
30 what kind of report I can dig up.

1 Q MS. BENTIVEGNA: Certainly, that would be helpful, thank you.

2 A MR. GRATTAN: Just to add to the whole accuracy issue is that this AMR and  
3 the decision to proceed with AMR and the proceed benefits, they — our parent  
4 companies, as well as a large amount of other utilities — have chosen to go down this  
5 road. One of the reasons why we've waited as long as we have with regard to Yukon  
6 Electrical is: let the parent company work out the bugs. Their experiences, if this project  
7 should be approved, we will benefit from. So with regard to the softer benefits that you're  
8 mentioning, those are the testimonials we're getting from not only our parent, but  
9 anecdotally through other utilities.

10 Q MS. BENTIVEGNA: Just to follow up on that, are there any other utilities that  
11 you're aware of — stand-alone utilities — of the same size as Yukon Electrical that have  
12 implemented an AMR?

13 A MR. GRATTAN: Smaller than us. As I understand it, NTPC — the Northwest  
14 Territories Power Corporation — has implemented AMR in a number of its communities.  
15 Mr. Babyn would know a bit more about this.

16 A MR. BABYN: That's true. NTPC has of course, and Northland Utilities in  
17 Yellowknife has also applied through our last rate application to install the technologies.  
18 Certainly we see it being implemented in the smaller utilities in the north, such as NTPC,  
19 as a good example of that.

20 Q MS. BENTIVEGNA: All right, thank you. Now under the risk of not proceeding,  
21 will AMR costs increase over time?

22 A MR. GRATTAN: I am not sure I understand the question. Under the risk of not  
23 proceeding — could you rephrase it, please?

24 Q MS. BENTIVEGNA: Yes. I was wondering if it's your understanding that AMR  
25 costs will increase over time. Will they?

26 A MR. GRATTAN: Well, there's a large capital component associated with the  
27 implementation of AMR. The meters — so you've got a fixed cost at a point in time that  
28 will be amortized over the life of the asset. The processing costs associated with that — I  
29 couldn't tell you if they're going to go up or they're going to go down. I don't know.

30 Q MS. BENTIVEGNA: All right —

1 A MR. GRATTAN: I apologize for interrupting you: I think we did include in our  
2 business case an escalation in the ongoing operating costs of the AMR system in our  
3 business case.

4 Q MS. BENTIVEGNA: Thank you. Will YECL be paying any fees to ATCO  
5 Electric for the use of the AMR?

6 A MR. GRATTAN: As we have proposed, Yukon Electrical will get a charge from  
7 ATCO Electric, based on its proportionate share of costs it's incurring to run its 175,000  
8 or 200,000 customers, so we will get a small subset. If everybody will pay the same unit  
9 rates, we will enjoy the economies of scale with us piggybacking on our parent  
10 company's already built, tried, tested and true processes.

11 Q MS. BENTIVEGNA: Now, for the capital costs of this project, as well as billing  
12 CIS, will there be a reduction in capital cost due to the benchmarking that's been referred  
13 to?

14 A MR. FREEDMAN: So the costs in here have not been reduced as a result of the  
15 benchmarking process. We just reduced the operating and maintenance cost — the O&M  
16 costs — associated with the benchmarking.

17 Q MS. BENTIVEGNA: But not the capital costs?

18 A MR. FREEDMAN: This project hadn't been reduced for that process.

19 Q MS. BENTIVEGNA: Sorry, Mr. Freedman, I didn't understand your answer  
20 there. I couldn't hear it.

21 A MR. FREEDMAN: Sorry. This project has not — the forecast cost in here has  
22 not been reduced for any impacts of benchmarking.

23 A MR. GRATTAN: Sorry, and just to clarify that, Mr. Freedman was making  
24 reference to the billing system project. The AMR project does not involve ATCO I-Tek.  
25 It's going off and purchasing AMR meters and installing them here in the Yukon. So it's  
26 not an I-Tek related project.

27 Q MS. BENTIVEGNA: Okay. I thought that there were O&M I-Tek fees for the  
28 AMR project.

29 A MR. GRATTAN: Unless I've misunderstood, there was a question of capital with  
30 regard to both projects, and then with respect to the ongoing cost from ATCO Electric.

1 Now granted, I'm not 100% sure what those — how ATCO Electric is being charged for  
2 its share of the 175,000 customers that they've got on the go, but I would point out with  
3 regard to the AMR project, the business case assumes a particular processing charge  
4 beginning in year 2010, going out into the future.

5 So if there are costs being charged from I-Tek to ATCO Electric and ATCO Electric  
6 is passing on our share of that, it would do nothing but actually improve the business case  
7 results on a go-forward basis — if you're following me.

8 Q MS. BENTIVEGNA: Right, but I just want to go back to the billing CIS system.  
9 Mr. Freedman, should those costs — the capital costs, the I-Tek costs — be reduced?  
10 You said they weren't, but should they be?

11 A MR. FREEDMAN: No, because Mr. Grattan just explained that capital costs are  
12 not being billed from — we're not using ATCO I-Tek to build those capital projects. It  
13 was a third party —

14 Are you talking about the billing system?

15 Q MS. BENTIVEGNA: Yes. Sorry. I know it's getting late and I am switching back  
16 and forth. This is the billing system I was asking about.

17 A MR. FREEDMAN: The rates for the billing system came in — have already  
18 reflected the reduced I-Tek rates.

19 Q MS. BENTIVEGNA: Thank you.

20 Now, on page 2 of the business case, page 2 of 11 — it's a little hard to read that but  
21 we tried once, we enlarged it. But anyway, part G of the assumption reads, "Embedded  
22 distribution capital and O&M costs are not considered in analysis" And I was wondering  
23 what that meant?

24 A MR. GRATTAN: I'm just trying to find — which project are we talking about?

25 Q MS. BENTIVEGNA: Page 2.

26 A MR. GRATTAN: Of?

27 Q MS. BENTIVEGNA: Part G. Sorry, business case — AMR. We're back to  
28 AMR.

29 A MR. GRATTAN: Okay.

30 Q MS. BENTIVEGNA: I've left the billing for now.

1 A MR. GRATTAN: Okay. Thank you. AMR, page 2. Oh, so there is page 2 of 5? I  
2 don't think I'm in the right spot.

3 MS. BENTIVEGNA: Sorry, 2 of 11.

4 MR. GRATTAN: 2 of 11?

5 MS. BENTIVEGNA: It's a table. I believe.

6 MR. GRATTAN: Okay. Okay. Yes. I've got it.

7 Q MS. BENTIVEGNA: Now, if you look at that part G of the assumptions.

8 A MR. GRATTAN: Yes. Okay. So, I think it is not meant to be a trick or confusing  
9 but maybe it is. This project is just looking at simply the ongoing costs to meter read or  
10 the incremental capital costs and associated O&M costs for implementation of an AMR  
11 system. So anything that is already existing with regards to the overall capital of the  
12 organization is not included in the analysis.

13 Q MS. BENTIVEGNA: Okay. Now, again, in the business case, there seem to be  
14 no freight and customs charge for AMR meters — well, \$5 — where there is one for  
15 conventional meters. I was wondering, can you explain the difference? Seeing that there  
16 is a large number of meters that we're talking about.

17 A MR. GRATTAN: I'm just going to make it a little bit larger here so I can—

18 Okay, so, with respect to the AMR module and meters, we've included — like, it is  
19 100% of the cost to get it into Whitehorse. For example, the residential AMR module and  
20 meters, \$135.44 per meter. That is a into-Whitehorse cost that we've budgeted. And then,  
21 thereafter we've got the cost of installing it, depending on whether it is a residential meter  
22 or a commercial meter. Then, I think your second question — and you asked a question  
23 with regard to the other side. It just may have been displayed a little bit differently in the  
24 case.

25 MS. BENTIVEGNA: Now, again, just comparing the conventional meters — I  
26 believe they're \$345 per meter; however, the commercial AMR meters are \$343 per  
27 meter, before the AMR component. Is that correct?

28 A MR. GRATTAN: I'll just double-check here. It should be, but I'll double-check.

29 Q MS. BENTIVEGNA: Sure, and if you can explain the differences.

1 A MR. GRATTAN: Actually, I think I can explain. There is no difference in the  
2 meter; it's the module — they're both electronic meters for commercial purposes. And  
3 then you add the module thereafter — the EMR module thereafter.

4 Q MS. BENTIVEGNA: Okay, and has ES&G been applied to AMR?

5 A MR. GRATTAN: Yes.

6 Q MS. BENTIVEGNA: Okay. And what is the project management fee or cost  
7 entail if you're applying ES&G? Are we talking the same thing, or are they two different  
8 things?

9 A MR. GRATTAN: Well, you've got a couple of components here. In the case of  
10 installation — the residential meters. Like, you've got meters when they arrive here. The  
11 meters will need to be installed by staff or contractors here in the Yukon, and that will  
12 attract an ES&G rate — Yukon Electrical's ES&G rate.

13 Because we are proposing to do this project in conjunction with our parent company,  
14 ATCO Electric, they have estimated they will incur the project management costs that are  
15 included here. So that's a charge from ATCO Electric to Yukon Electrical for purposes of  
16 this project.

17 Q MS. BENTIVEGNA: What will they be providing — I guess — for that fee?

18 A MR. GRATTAN: They will be — with respect to the — I'll just try to phrase my  
19 words properly here. Given that they have done this 178,000 times, they will take a lead  
20 role with regards to managing the project. We, on the other hand, in the Yukon, will be  
21 responsible for ensuring that the labour and the resources are required.

22 A MR. STEINBACH: If I might add to Mr. Grattan's comments, what will happen  
23 is the meters will be "spec'd"?, if you will — come into ATCO Electric, who is  
24 accredited by Weights and Measures Canada, if you will. The meter goes through our  
25 Grande Prairie meter shop, where — I'm not exactly sure if they'll test them all. They  
26 may do sample testing. But they test — almost commission, if you will, seal, and ship it  
27 up. When we get a meter here, it will be ready with — it will be sealed — government  
28 seal — for whatever the test program will be. It will have a specific ID number, if you  
29 will.

1 I'm just trying to think of what else — when they go through the meter shop. And as I  
2 say, they are accredited. At one time, all that would have had to have gone through  
3 Weights and Measurements Canada. But after going through the proper processing and  
4 everything, then you can earn accreditation. So that's sort of their involvement in it.

5 A MR. BABYN: Just to add to what Mr. Steinbach was saying, you know, as Mr.  
6 Grattan said, there are individuals who are sort of the in-house experts, if you will, in  
7 ATCO. They will be coming out into the field. They will be coming to Whitehorse and  
8 they will be training our people. They will be telling them what the process is for  
9 installing the meters properly, doing some quality control type of checks; they will be  
10 helping us with the communications to customers and things of that nature. So there are  
11 also those specific roles in addition, too. So we just need someone to help us get the  
12 project off the ground. They are the right people to do it because of their expertise and  
13 they literally will be here helping us along managing the project.

14 We do then have to understand how to troubleshoot the technology. It's not foolproof.  
15 We do have failures. You know you are going to have failures in meters when you do the  
16 install. We need to understand and train our electrical technologists, as well, to make sure  
17 they understand how to troubleshoot the system, because it's a totally different system  
18 than we are familiar with operating.

19 Q MS. BENTIVEGNA: All right, thank you, if you could just give me a moment.  
20 Now, we're still on the AMR business case. Under the risks of not proceeding, it stated  
21 that O&M costs will increase over time due to inflation, no opportunity to implement  
22 TOU rates. My question is: how important are TOU rates to YECL? I believe I  
23 understood earlier today that you don't have such rates at this time.

24 A MR. GRATTAN: That's correct. The WAF — the Whitehorse-Aishihik-Faro  
25 system — has been in a surplus hydro situation for many years. The need for time-of-use  
26 rate to send a price signal to consumers when diesel is on the margin has not been an  
27 issue. Whether that will be an issue on a go-forward basis, it could be. The AMR  
28 platform that we're proposing would facilitate that, but the business case is not predicated  
29 on that.

1 Q MS. BENTIVEGNA: Okay. Have any residential or commercial customers  
2 approached YECL about TOU rates?

3 A MR. GRATTAN: I can speak to my 11 years up here. It has come up on a variety  
4 of occasions with regard to sending the right price signal to consumers, so yes, it has  
5 come up in the past. Has it been looked at seriously? Recently, no, for the aforementioned  
6 reasons — we just haven't had the need to send a price signal to customers as a result of  
7 the system being hydro.

8 Q MS. BENTIVEGNA: Okay. Thank you. Now YECL, in its Application, refers to  
9 an inflation rate of 5% — that's at page 1-3, "Other inflation". Can you explain why only  
10 a 3% escalation was used for the AMR business case?

11 A MR. GRATTAN: The 3% escalation — the business case was to look at the life  
12 of the project over 25 years. As Mr. Freedman has pointed out I think on a couple of  
13 occasions, while ATCO — sorry, while Yukon Electrical is forecasting an inflation rate  
14 of 5% for the test periods on a go-forward basis, that would not be in our opinion  
15 reasonable to look at the life costs of a 25-year project. That is why we chose the lower  
16 inflation rate.

17 Q MS. BENTIVEGNA: I'm on to CIS and the billing system. Now, will YECL  
18 own a part of the ATCO-CIS system, if you were to, well, implement the new billing  
19 system?

20 A MR. GRATTAN: The simple answer is no.

21 Q MS. BENTIVEGNA: All right, thank you. Now, did ATCO I-Tek set the  
22 specifications for the new billing system?

23 A MR. GRATTAN: No, they did not.

24 Q MS. BENTIVEGNA: Okay. So then was it Yukon Electrical solely that set the  
25 specifications?

26 A MR. GRATTAN: Not Yukon Electrical solely. The business functionality  
27 requirements that are detailed in the business case were originally developed by Yukon  
28 Electrical, back actually in the late 1990s, in conjunction with a consultant out of Alaska.  
29 That was done in conjunction — those specifications at that time were done in  
30 conjunction with the two other northern-based electrical utilities — Northland Utilities

1 Yellowknife Ltd. and Northland Utilities NWT Ltd. So the billing solution needed to  
2 meet the needs of three companies, and actually it might have even — at that point in  
3 time we were thinking that it also needed to meet the needs of the Yukon Energy  
4 Corporation. Subsequently that actually proved fortuitous, because Yukon Energy  
5 continues to be a customer of the billing system.

6 So, to get back to your original question, I think I've already answered it, but it was  
7 developed by Yukon Electrical as well as the other north of 60 companies.

8 Q MS. BENTIVEGNA: And ATCO I-Tek didn't evaluate the vendors when you  
9 were deciding which system to go with?

10 A MR. GRATTAN: ATCO I-Tek, as detailed in the business case, we used ATCO  
11 I-Tek to help us out on the technical functionality as well as, to a lesser extent, the  
12 ongoing support aspects. They helped us with regard to the terms of reference for those  
13 functionalities. We used them because, I think as I mentioned, we don't have any IT  
14 support people based here in the Yukon. So we used them for purposes of the technical  
15 aspects of it. We used our own people for purposes of the business functionality and then,  
16 when it came down to evaluating the options, I can quite clearly state that ATCO I-Tek  
17 was not in the room, evaluating the results of the evaluation.

18 Q MS. BENTIVEGNA: Okay, but were they — did they provide any input on  
19 evaluating the other vendors?

20 A MR. GRATTAN: On the technical aspects of the other vendors — as I just  
21 mentioned, we don't have a large amount of that experience, and ironically all of the  
22 potential service providers did well with regard to technical functionality. All of the  
23 vendors did well with regard to ongoing support. But they were not involved with regard  
24 to business functionality.

25 Q MS. BENTIVEGNA: All right. Now, what were the direct costs for each of the  
26 billing options?

27 MR. GRATTAN: Just bear with me for a second here and I'll get where I need to  
28 go.

29 MS. SHANKS: Certainly.

1 A MR. GRATTAN: I'm going to the business case. So it is on YUB-YECL-16(b),  
2 Attachment 1, summary. It is on the revenue requirement model, page 122. As mentioned  
3 in the business case write up, there were four options that went through the detailed  
4 evaluation. For old CIS, there were no capital costs associated with that option, although,  
5 as the business case says, the ongoing O&M was going to be very high. Vendor 1 — the  
6 capital costs was \$1,581,786. Although, for all intents and purposes, when you are doing  
7 these things, I would not want to convey that exact degree of accuracy, but it is what it is.  
8 Vendor 2 — 1,679,012 and Vendor 3 — ATCO-CIS at \$1,488,207.

9 So then we plugged — well, those capital costs.

10 Q MS. BENTIVEGNA: Okay.

11 And were there differences in the expected operating costs of each of the options?

12 A MR. GRATTAN: Yes. Yes, there were.

13 Q MS. BENTIVEGNA: Okay. And, what? Can you give us an idea of what they  
14 were?

15 A MR. GRATTAN: Sure, they are also detailed in the business case. Under each of  
16 the options on the O&M page — I don't know whether I need to go to it. But, for  
17 example, on page 4 of 22 we had the ongoing O&M costs for option 1, detailed. Then for  
18 each of the other options we detail the O&M charges and then, obviously, had that in the  
19 overall revenue requirement model.

20 Q MS. BENTIVEGNA: All right, thank you. I'm moving on. With regards to  
21 property taxes — you responded to YUB-YECL-19 that the primary cause of property tax  
22 increases from the City of Whitehorse's 2008 budget forecast at 7.5% increase in  
23 property taxes in 2008 and 4 in 2009.

24 Now, can you tell me what the actual property tax increase was for 2008?

25 A MR. BABYN: I think when we checked this, it was for 2008 it was 3.8%, I think.  
26 So, again, just a forecast that we had. That was just based on, I think, some of the —  
27 when we were preparing our Application, that was the discussions that were going on  
28 within the city at the time.

29 Q MS. BENTIVEGNA: Okay, so you say that the actual was 3.8%?

30 A MR. BABYN: Yes, when we just checked it recently.

1 Q MS. BENTIVEGNA: All right. Thank you. Now, with regard to reliability  
2 improvements, and I'm going back to the right-of-way widening. YECL states that the  
3 new standard of 6.1 meters for the single phase and 7.5 meter for the three-phase line has  
4 proven much better in other areas, as well as the Yukon. Risks of wildfires and reliability  
5 are the main drivers. We were wondering what other areas that the Yukon was referring  
6 to in this quote?

7 A MR. STEINBACH: I may have mentioned earlier it was ATCO Electric,  
8 TransAlta and a little bit of information out of Saskatchewan. Those are some of the  
9 general areas where they were using a different standard of opening up the right-of-ways,  
10 if you will.

11 Q MS. BENTIVEGNA: And can you provide us with any detail with regard to your  
12 submission that this new standard has proven much better in the Yukon? You mentioned  
13 outages, but I wasn't sure if you've got any details with regards to —

14 A MR. STEINBACH: I have an item that I could submit as an article, if you will, or  
15 evidence, if you will — whatever you call it. In regard to brushing, I actually have quite a  
16 bit of little bits of information here. We have a program. These are some of the outage  
17 stats.

18 Q MS. BENTIVEGNA: I am not sure. You might want to — I don't want to open  
19 another can of worms. Can you just give me some details, as opposed to providing  
20 exhibits, as other parties haven't seen them and we haven't seen them?

21 A MR. STEINBACH: All things being equal, and I can't speak to a wind storm or  
22 anything of that nature in the years that I have highlighted here — and I won't go year to  
23 date — but from 2006 to 2007, we probably have 18 less outages recorded through our  
24 data as related to trees.

25 Q MS. BENTIVEGNA: Sorry, was that 18 less outages each year or is that from  
26 2005 — I think that's when you said you started the program — to the present?

27 A MR. BABYN: I think just to give some order of magnitude, in 2004 we had  
28 approximately 120 tree-related outages in the Yukon. We started to begin implementation  
29 of the program I think in 2005. By 2006, when we had started it, we were down at that  
30 point to approximately 70 tree-related outages. In 2007, that number reduced again by the

1 number Mr. Steinbach said, which was an additional 18, so we were down to just around  
2 50 or so. So definitely some statistically significant information saying that we are having  
3 a lot less tree-related outages, which we attribute to the enhanced brushing program that  
4 we've undertaken in our company.

5 Q MS. BENTIVEGNA: Thank you. Now, in your Application on page 9-17, there  
6 were, under miscellaneous O&H services, various subdivisions. I am looking at that line.  
7 It had zero. I will wait for you to find it.

8 A MR. BABYN: 9-17 — I'm sorry?

9 Q MS. BENTIVEGNA: Yes, page 9 of 17 in your Application. I was looking under  
10 the category "Distribution New Extensions," and, when looking under that for — there  
11 was, in 2006 — there was an amount for miscellaneous O&H services — various  
12 subdivisions. But there was no amount, and it came to later — to 2008. So just asking  
13 clarification as to why that — what happened to —

14 A MR. GRATTAN: If I'm understanding you correctly, in 2006 we detailed  
15 miscellaneous overhead and underground services that were greater than \$75,000. In  
16 2007, miscellaneous underground services we've got at \$165,000, and the miscellaneous  
17 above-ground services would be included in the \$996,475 at the bottom. That's the  
18 simple answer.

19 Q MS. BENTIVEGNA: How come there's — unless I've misunderstood you. How  
20 come there's nothing for 2008? I'm just wondering — like, did you phase out that  
21 program, category? Was it now moved somewhere else?

22 A MR. GRATTAN: Right. So, if on page 9-17, you're asking the question: why is  
23 there no miscellaneous underground services included in the details?

24 Q MS. BENTIVEGNA: No, overhead.

25 A MR. GRATTAN: Sorry. Yes, you're right. I'm reading it, and I'm not reading it.  
26 So, no, overhead. I think what I'm trying to say, and I apologize — that it would be  
27 included in the \$996,475 below. Now, I'm just trying to remember whether we provided  
28 more details than that \$996,000 for 2008.

29 Q MS. BENTIVEGNA: If you can't find it, we'll take it in an undertaking.

1 A MR. GRATTAN: We found it. We found it. So, it's on YUB-YECL-48(b), and in  
2 that particular IR we provide — we have overhead services at \$160,000 and  
3 miscellaneous underground services at \$165,000. So I apologize for a rather long-winded  
4 answer, but there it is.

5 Q MS. BENTIVEGNA: Thank you. Now, there was an item — and again, it's just a  
6 question of clarification as to what it is — regarding land rights distribution, and it was  
7 \$90,000. And if you can just explain what that refers to and what it means. What is that  
8 money for?

9 A MR. GRATTAN: Sure. It's licences of occupation — basically, a large amount  
10 of payments that Yukon Electrical makes to have its poles on somebody else's property  
11 — government property.

12 Q MS. BENTIVEGNA: Okay. And again, these dollars don't seem to appear in the  
13 two test years. Again, I was just wondering: is it rolled in somewhere else?

14 A MR. BABYN: I think, in 2008, the land rights under "Distribution New  
15 Extensions" — there is a line item on the same attachment — that YUB-YECL-48(b),  
16 Attachment 1 — land rights, \$90,000.

17 Q MS. BENTIVEGNA: Okay, so it was — okay. Now, on page 9-18 of the  
18 Application, with respect to the Carcross distribution improvement, kilometre 129 to  
19 131.5 and, as well, as 2009 distribution improvements — those are at page 9-25 — and  
20 Carcross re-locate, 34kV, stage 2.

21 Now, my question is: what is the main driver for YECL undertaking these two  
22 projects?

23 A MR. STEINBACH: What's happened along that stretch of line, if you will, is that  
24 — and I think this is typical in many jurisdictions — at one time, the line was likely  
25 constructed along the road, and then over time the road gets rebuilt and the line is  
26 abandoned cross-country, if you will, or off the road. So we had some real access  
27 challenges in the area. We had some reliability issues. There are some — I'm going to  
28 say — weather issues there as well.

29 So what this is all about is that, based on the age of the structures and, you know,  
30 they're at the end of their useful life, if you will, so we're re-investing and moving it out

1 to the road where we have better access for operations reasons and trouble-shooting and,  
2 you know, dependability, at the end of the day. So that's what both those projects are, if  
3 you will.

4 Q MS. BENTIVEGNA: Okay. And are these lines for one fee to the Carcross-  
5 Tagish substation?

6 A MR. STEINBACH: Are they which — I'm sorry?

7 Q MS. BENTIVEGNA: If they are lines for the P2 Carcross-Tagish substation.

8 A MR. STEINBACH: Yes, it is. That's the main line to that. That, I guess, is in  
9 here somewhere, if you will. It's this piece right here.

10 Q MS. BENTIVEGNA: Okay, thank you. Now, with regard to the proposed  
11 Carcross power plant — the new 1.5 megawatts that's in your test years. Now, based in  
12 your testimony, Mr. Grattan, YECL did not participate in the 20-year resource plan, nor  
13 provide a position on it. Is that correct?

14 A MR. GRATTAN: Yes, Yukon Electrical did not participate in the 20-year  
15 resource plan.

16 Q MS. BENTIVEGNA: Okay. In your view, even though you didn't participate,  
17 how does this project fit in with the overall recommendation in the plan?

18 A MR. GRATTAN: In the company's view, the macro planning associated with  
19 generation for the WAF grid, because that's what that planning study was about — as I  
20 understand it, because we weren't participants — as I understand it, suggested that  
21 communities with one megawatt or more of load should be considered, whether it's a  
22 priority or however you want to phrase it, for new diesel generation on a go-forward  
23 basis, if capacity is required. That's the way that I understand it, and I'm looking over at  
24 the YEC guys. But that's the way I understand it. But as we were speaking to the other  
25 day, in addition to that, and separate and distinct from that, there is a reliability issue in  
26 that part of the Yukon, in our opinion, and the construction and installation of a diesel  
27 plant in that part of the Yukon would facilitate improved service.

28 A MR. STEINBACH: If I might add something — based on the map that I think is  
29 out there, you might note as well that that area has 625 customers, which is only 150

1 customers less than Watson Lake. There are a few residences. It's probably one of the  
2 faster growing outlying areas, if you will.

3 A MR. GRATTAN: So it's at the end of a long radial line. Quite frankly, through  
4 nobody's fault, other than possibly trees, service levels to that area are substandard  
5 compared to what we would expect them to be, based on the analysis that we've done.

6 Q MS. BENTIVEGNA: You just mentioned the length of the line. Is that line  
7 longer than the Teslin line?

8 A MR. GRATTAN: The Teslin line, I think, is about 179 kilometres, last time I  
9 looked at the road map. The Carcross — I think it takes about an hour to get to Carcross,  
10 so I'll say somewhere between 90 and 100 kilometres to Carcross and then on to Tagish  
11 from there, I think, is another 30 or 40 kilometres. It's somewhere in that neighbourhood.

12 Q MS. BENTIVEGNA: All right, thank you. Now, how many communities in  
13 YECL's service charge area have a load that's in the area of, say, give or take one  
14 megawatt and that are connected to the grid — let's say within .1 megawatt?

15 A MR. GRATTAN: Well, definitely Haines Junction.

16 A MR. STEINBACH: Other communities that are on the WAF grid that are of  
17 similar load — I guess, the closest would be Haines Junction. From there they really do  
18 get smaller. Haines does have a backup generation. Teslin would be the next, and it's  
19 probably around 500 kilowatts, I guess — load. I'm not 100% sure. But I think that  
20 Haines would be the next closest community to resemble that area from Carcross to  
21 Tagish.

22 Q MS. BENTIVEGNA: Now, you mentioned Haines Junction having a backup  
23 generator. Can you tell me what the size of the generator is in relation to the 2007 winter  
24 peak load?

25 A MR. GRATTAN: So, Haines Junction, the size of the plant is 1.75 megawatts  
26 and I don't have a peak for, recent peak, but it's ranged over the last number of years  
27 between 1,100 and 765. I don't have 2007 data in front of me, unfortunately.

28 MS. BENTIVEGNA: Thank you.

1 Q Now, you describe Watson Lake as your largest isolated community and I was  
2 wondering how long have you considered Watson Lake as your largest isolated  
3 community?

4 A MR. STEINBACH: Watson Lake's source has always been generation. So I  
5 guess, since its existence, it has been on generators in the community. It is just away from  
6 any type of grid.

7 A MR. GRATAN: It would be Yukon Electrical's, as far as corporate history goes  
8 back, I believe Yukon Electrical's largest off-grid community.

9 Q MS. BENTIVEGNA: Okay. Thank you. Now, if there were an outage to occur,  
10 and we're still talking about Watson Lake, that would see the loss of the generator:  
11 what's YECL's contingency plan?

12 A MR. STEINBACH: Watson Lake has six generators — it is sort of one big power  
13 plant. So, we actually have one unit there that has the capability, in the summer months,  
14 of carrying almost the complete load of the community. So you combine it with just a  
15 small 500 kilowatt unit. So, our contingency there is pretty much based on multiple  
16 generators. However, we have, in the past, accessed mobile generation and I think the last  
17 time that we brought some in, just for contingency reasons as we were working on  
18 engines, it took us probably, oh, 18 to 20 hours and it was on-site and ready to go. So,  
19 that's — that's another G — you know, we'd have to bring a unit in again, I guess.

20 Q MS. BENTIVEGNA: That unit you were just referring to, where would you have  
21 gotten that from?

22 A MR. STEINBACH: That particular unit we brought in from a vendor. It was a  
23 rental. It came out of Vancouver, actually.

24 Q MS. BENTIVEGNA: Thank you. Now, the last few questions, you'll be happy to  
25 hear. With regard to the Carcross 1.5 power plant that's in your forecast. Can you provide  
26 any details as to what stage in the construction process the power plant is at? For  
27 example, have RPFs been issued? That type of information.

28 A MR. STEINBACH: It's at this point, I guess. We've spoken to vendors and  
29 we've got some preliminary costs. Even prior to this, I mean, the shopping we did eight  
30 or nine months ago was kind of different than it might be today and that's an assumption.

1 Then, the delivery time was a little further out and everybody was quite busy. We have  
2 done some knocking on doors and then they cautioned us on how long it would take to  
3 deliver, so that's been taken care of. We have at least three vendors who we would ask to  
4 submit RFPs. The next is design. Part of the design is that we want to incorporate the  
5 ability to hook onto that generator and drag it to Watson, just as you've described, or  
6 other communities if we should need it. So the conception is that it will be on wheels,  
7 portable and quick to move, yet parked in Carcross. Its primary function would be grid  
8 outages for outages in that area. So there is a preliminary design.

9 There's a bit of other things that go along with the design, like its ability — when it  
10 doesn't see the grid any more, it has to, through a series of controls — PLCs if you will  
11 and I think you've asked about PLCs in the past — it has to start itself up and  
12 synchronize on to turn the grid back on, start itself up, open up from the grid and get the  
13 community back on. And when the grid comes back on, it does that all backwards and  
14 shuts itself off. So that's all taking place, but that's probably where it's at.

15 Q MS. BENTIVEGNA: And do you believe that it would be in place for the test  
16 years for 2009?

17 A MR. STEINBACH: I think that it's not unreasonable to think that we could have  
18 the bulk of the infrastructure there. We might have to wait on a unit. I can't — it's tough  
19 to comment on that, you know. I think what happened not long ago just in idle  
20 conversation with a vendor was that there happened to be something that someone backed  
21 out of similar to what we want. That was it; it went no further.

22 Q MS. BENTIVEGNA: Are you aware if the Yukon Environmental and Socio-  
23 economic Assessment Board has approved this Carcross-Tagish generator capital  
24 addition?

25 A MR. STEINBACH: We haven't put an application forward at this point. Just  
26 recently, we received some information that YESAB is probably going to become more  
27 involved in some of our air emission permits and we would certainly build all the fuel  
28 containment to a current standard — the standard that we've adopted — so I really can't  
29 comment on what that would look like, to tell you the truth.

30

1 Q MS. BENTIVEGNA: One last question: in your test years, 2008-09, there are  
2 quite a number of capital additions. Do you believe that you will be able to carry those  
3 out in the test period? And if there are any that already you know you probably would  
4 not, can you please advise the Board of that?

5 A MR. BABYN: I think that the forecast that we put forward is a plan that we  
6 would like to implement. I think we can get the work done. We do need contractors to  
7 help us, for instance, on the generation side. We talked about the support we would get on  
8 AMR should we take that on, so I think we've thought that through to the point that we  
9 would like to proceed with those projects.

10 Q MS. BENTIVEGNA: So you don't foresee now any changes in carrying out your  
11 capital cost plan?

12 A MR. BABYN: Not that I could comment on with any specifics. I think, you  
13 know, that we put the forecast in some time ago. We've been doing some work on some  
14 of the larger projects on an ongoing basis. You know, we're still hopeful that we can  
15 complete those within the test periods.

16 MS. BENTIVEGNA: All right. Thank you. Thank you, panel. Those are my  
17 questions.

18 MS. SHANKS: Thank you, Ms. Bentivegna.

19 I'll ask at this time if there's any questions from the Board for the panel?

20 There appear to be no questions. I'll turn the mike over to Mr. Keough for his  
21 redirect.

22 **YECL Panel 1 redirect examination by Mr. Keough**

23 MR. KEOUGH: Thank you, Madam Chair. I do have a couple of, hopefully,  
24 quick items to address in redirect. Maybe I can check and see if the panel has a copy of  
25 the transcript from day one handy?

26 Q Could I get you to turn to page 115, if I might, please? You may need to go back to  
27 113 to get the context, because this is Mr. Landry discussing, primarily — and I think Mr.  
28 Grattan — the diesel plant that is owned and operated by Yukon Electrical at Haines  
29 Junction. I wanted to take you to page 115, and specifically if you could focus on lines 13  
30 to 15. There you will see that Mr. Landry stated that he did not “see any analysis that was

1 prepared or put on the record, which justified the purchase of a 1.5-megawatt diesel on  
2 the grid that was needed for system support.” If you see that? Then I’m going to ask to  
3 flip down to lines 20 and 21. Mr. Landry, again, refers to the justification for the purchase  
4 of a diesel on the grid for purposes of system support. I would ask if you could clarify the  
5 record, please. Could you indicate to the Board whether or not this plant was constructed  
6 for purposes of system capacity or if not, why was it constructed?

7 A MR. GRATTAN: The plant, as I understand, was constructed not for system  
8 capacity but as a result of extended outages and lengthy restoration time in the  
9 community of Haines Junction.

10 Q MR. KEOUGH: All right, sir, could I ask you to flip over to page 123 of the  
11 transcript? And sir, I’m just trying to — yeah, okay, here it is. It is lines 11 down through  
12 lines 17. Mr. Landry is discussing with you, again, Mr. Grattan, the proposed Carcross  
13 diesel. It started a few pages back. What was occurring at that point, he was talking about  
14 YEC’s plans to refurbish certain plants: the Whitehorse Mirrlees and I think, if you look  
15 up above, the Faro unit. And, if you go down, he then puts to you numbers discussing  
16 costs in the \$450,000 to \$500,000 per megawatt on line 12. Then, when he talks about  
17 Carcross on line 16, he says that would be “\$1.3 million — correct?” And you say, “You  
18 are comparing apples and oranges, sir.” Could you clarify for the Board what you mean  
19 when you said, “You are comparing apples and oranges”?

20 A MR. GRATTAN: Mr. Landry, as I understood his question, was referencing  
21 overhauls of existing diesel units in existing plants, complete with roofs, leak detection  
22 systems, fuel tanks, et cetera. That’s the way I understood the question.

23 In the case of what is proposed with regard to Carcross — the diesel plant, as Mr.  
24 Steinbach has just pointed out — it is proposed to be a self-contained mobile plant, to be  
25 stationed — complete with fuel tank, et cetera. It is proposed to be based in Carcross and  
26 that it will be designed in a way that it can be moved in an emergency response situation  
27 to other locations. That’s why I said what I said.

28 MR. KEOUGH: Thank you, Madam Chair. Those are my questions in redirect.

29 MS. SHANKS: Thank you. In that case, if there are no other matters — Mr.  
30 Landry. Did you have something? If no other matter is before the Board, that would close

1 our evidentiary session of the oral hearing, subject to receiving the response to the further  
2 undertakings.

3 I'm going to propose to you, Mr. Keough and YEC fellows that we use October 14 as  
4 the deadline for those undertakings to be filed.

5 MR. KEOUGH: I can't even remember what day it is today. That, hopefully, is  
6 doable, Madam Chair. I know we are working on them and, hopefully, we'll have them  
7 prepared certainly by then.

8 MS. SHANKS: Okay, so we'll look for the filings October 14. On that basis, I'd  
9 like to adjourn this hearing.

10 MR. KEOUGH: Madam Chair, before you rise, I should, on behalf of Yukon  
11 Electrical, thank the Board for its time and attention and the Board staff as well, and  
12 particularly Ms. Lemke, who has put up with us for the last few days, and certainly, the  
13 court reporters who are doing yeoman duty.

14 MS. BENTIVEGNA: I'm just reminding everybody of the dates of argument and  
15 reply.

16 MS. SHANKS: Simultaneous argument and reply — argument October 27 and  
17 reply November 10.

18 MS. BENTIVEGNA: Thank you. I just wanted that to be clear.

19

20 (PROCEEDINGS ADJOURNED AT 6:20 P.M.)