



March 7, 2014

Mr. Bruce McLennan, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. McLennan:

Re: Yukon Energy Application for an Energy Project Certificate and Energy Operation Certificate regarding the Proposed Whitehorse Diesel – Natural Gas Conversion Project – Utilities Consumers Group (“UCG”) Motion for Further Disclosure

In correspondence dated March 4, 2014, UCG made application for further information from Yukon Energy Corporation (“YEC” or “Yukon Energy”) arguing that the information provided in responses filed February 27, 2014 was not fully responsive. The Yukon Utilities Board (“YUB” or the “Board”) by letter dated March 4, 2014 invited Yukon Energy and intervenors to provide comments by March 7, 2014 and provided UCG with the opportunity to respond to any comments by March 11, 2014.

Outlined below is Yukon Energy’s response to each specific concern raised by UCG.

UCG-YEC-1-8(d)

UCG requests that “a copy of any spill risk assessment for the proposed facilities and related transport activities conducted by YEC be provided.” UCG asserts that referencing the information available on the YESAB registry is not sufficient and the actual reports should be provided as they “provide important information that will allow the YUB to assess an important risk factor associated with the proposed project.”

Yukon Energy Response

Yukon Energy's available "spill risk assessment" information is included as part of overall filings with Yukon Energy's YESAB Project Proposal, is publically available on the YESAB registry, and is currently being reviewed by YESAB. The Project Proposal does not include specific reports on either of the requested "spill risk assessments".

To assist all parties in the Board's current proceeding, Yukon Energy has noted in the Application and in IRs that non-discretionary legislation, standards and codes will apply to the Project to mitigate adverse effects on health and safety, including the Occupational Health and Safety Act, the Occupational Health and Safety Regulations, the Environment Act, Spills Regulations, Storage Tank Regulations, The Yukon Gas Processing Plant Regulation and CSA Z276-11 requirements for LNG Production, Storage and Handling. Yukon Energy's activities related to the transportation, storage and use of LNG will be constrained by the terms and conditions of required permits, as well as requirements of relevant legislation and codes. In summary, Yukon Energy will use equipment that meets safety and industry standards making spill or unwanted ignition highly unlikely, and will comply with site design requirements set out in existing regulations to mitigate and control the impacts of worst probable spill or ignition events on the site.

To elaborate on the response to UCG-YEC-1-8(d), Yukon Energy has undertaken specific technical studies and filed with YESAB the results of the vapour dispersion modeling and thermal radiation calculations undertaken to ensure that potential hazards from probable worst case spills or ignition events on the site are confined, as required by CSA Z276-11, to an area within property lines that can be built upon. This is the only specific spill risk assessment as such that Yukon Energy has available, and can be found on the YESAB online registry for the Project which can be access through the link below (reference document 2013-0115-053-1, YEC Change in Project Scope – 2013-11-12 filed on the registry November 13, 2013).

<http://www.yesab.ca/>

UCG-YEC-1-9(c)

UCG requests that YEC provide "actual documents as requested." UCG-YEC-1-9(c) asked for "a detailed cost breakdown and risk assessments of alternative systems YEC considered before moving forward with the proposed project... and to provide a full business case analysis on all alternatives considered". UCG states that "the only cost and risk analysis provided was related to the diesel generation alternatives", and that there has been no such analysis provided for any other alternative.

UCG quotes the Minister's Terms of Reference regarding "...what, if any, alternatives to the Whitehorse Diesel-NaturalGas Conversion Project might be advisable given reasonable load assumptions and risk assessments", and submits that "it is inadequate for YEC to simply make statements regarding exposing all grid customers to unreliable generation capacity as well as higher O&M fuel costs under the status quo option without providing the requested analysis". UCG also submits that the Board and other parties do not have adequate information to respond to the Terms of Reference, and it is "inadequate to simply state that there are no feasible renewable resource alternatives within the relevant time period without providing the related analysis".

Yukon Energy Response

First, YEC is not “simply” making statements regarding exposing customers to unreliable grid generation capacity or higher O&M fuel costs under the status quo option. The updated near-term grid load forecasts are provided in Appendix C of the Application - this detailed information regarding grid energy and capacity requirements provides an important element of the basis for the Project justification as reviewed in the Application in Section 4.1 (Yukon Grid Context & Changing Grid Load Conditions), Section 4.2 (Need for and Alternatives to the Project) and Section 4.3 (Risks and Potential Impacts on Ratepayer Cost Savings).

As acknowledged in UCG's motion, Section 4.2.3 in the Application provides cost and risk analysis related to the diesel generation alternatives to the Project. Sections 4.2.1 and 4.2.2 provide the rationale as to why the status quo is not a feasible alternative, and why there is no feasible renewable resource alternative.

With regard to consideration of renewable options, the Application notes that Yukon Energy's 2011 Resource Plan examined a wide range of near-term resource supply options, none of which (other than new diesel engines) is a viable alternative today to the Project¹. The Application provides information regarding near term hydro enhancements, but indicates that these projects would not materially affect grid requirements for new generation capacity in 2015 and subsequent years, and are consequently not alternatives to the Project².

In short, Yukon Energy has no information to indicate that any alternative to the Project other than diesel generation might be advisable given what is known today. And, as noted in the response to UCG-YEC-1-9(c), there is no basis, or requirement, for YEC to provide a formal business case for alternatives that YEC is not proposing, and YEC therefore has not prepared any such analysis, i.e., there is no further documentation that can be provided.

UCG-YEC-1-11(a)

UCG requests a more detailed breakdown of the costs identified in Table 3-1, including YEC's internal costs, as well as any interest and contingency component of the identified cost categories. UCG has also requested a complete breakdown of all "Planning Costs" incurred to date, including documentation and receipts associated with all in house costs

¹ Pages 23-24 of the Application note that no feasible renewable resource alternatives to the Project have been identified within the relevant time period. To support this key point, the Application noted as follows: of the near-term supply options, LNG was the only option with the capability to meet all of the forecast Yukon grid load scenarios in Yukon Energy's 2011 Resource Plan (these scenarios included Victoria Gold, with loads considerably higher than those included in the November 2013 update in Appendix C) without requiring significant diesel generation, and was also the only option (other than diesel) to rank high on both reliability and flexibility (which are key requirements related to the near term generation capacity needs being addressed by the Project); at forecast grid loads in Yukon Energy's 2011 Resource Plan, none of the non-hydro renewable resource options (e.g., wind and biomass were both examined) could provide levelized costs of energy over their life competitive with diesel generation.

² As noted at page 24 of the Application, potential near term hydro enhancements would not provide sufficient capacity to meet the forecast shortfall (Mayo Lake Enhanced Storage Project would not provide any new firm winter capacity to the grid. Marsh Lake (Southern Lakes) Storage might potentially provide 1 MW of added firm winter grid capacity).

and consultants/ professional fees, asserting that YUB cannot possibly address the costs and resulting impacts on ratepayers as directed by the Minister if YEC refuses to provide the requested information to allow parties to do some analysis regarding risk to ratepayers.

Yukon Energy Response

As noted in the response provided, YEC is not seeking approval of any costs in the Application, and therefore sees no basis in the context of this proceeding for providing the detail requested on Planning Costs to date. Further, the level of detail and documentation requested with regard to Planning Costs incurred to date is unprecedented for even a GRA revenue requirement review (where, outside of a specific cost awards process, there is no precedent for utilities to provide copies of specific receipts for amounts spent, or the specific division of labour for in house costs or services retained), let alone for a Part 3 review (which is focused primarily on the business case or the need and justification for the Project going forward).

Aside from UCG's request for details on Planning Costs incurred to date, Yukon Energy notes that the response to YUB-YEC-1-1(d) provides an update to the Project capital costs (which includes detail regarding owners costs [including AFUDC] and contingencies), and the response to YUB-YEC-1-2(c) provides an update regarding sunk costs to date. In response to this specific IR, there is no basis to provide any additional information on these matters.

UCG-YEC-1-12(d-f)

UCG requested copies of three presentations made at the January 2012 Liquefied Natural Gas Workshop as well as Excel versions, with formulae intact, of all schedules and tables in these presentations.

Yukon Energy Response

The referenced presentations from the January 2012 Liquefied Natural Gas Workshop are publically available on Yukon Energy's website. This is the extent of the information available on these presentations each of which was prepared by third parties over two years ago.

<http://www.yukonenergy.ca/energy-in-yukon/public-engagement/liquefied-natural-gas-workshop/>

As noted in the response, the January 2012 workshop focused on LNG as a potential supply option (and did not relate specifically to the Project as defined in the Part 3 Application), and is not directly relevant to understanding and assessing the Project being proposed in the Application. Yukon Energy is not relying in the Application on any information included in these presentations.

UCG-YEC-1-15(c)

UCG requested details of YEC's analysis of the upstream impacts and emission of natural gas extraction, processing and liquefaction related to the LNG to be used in the Yukon, and notes that while YEC's response indicates that the assessments undertaken by third party experts are "publically available", it did not provide a copy of the reports or where they were located. UCG submits that if YEC refers to assessments done by other parties and uses this information to develop its proposals, then parties to this proceeding should be given an opportunity to review these assessments and ask questions of YEC witnesses on their findings in light of the Minister's Terms of Reference.

Yukon Energy Response

Yukon Energy has made results of life cycle assessments undertaken by third party experts (ICF Marbek and Pembina Institute) publically available. This material was reviewed during the public consultation process for the Project (undertaken in July 2013, prior to preparation and filing of the Project Proposal with YESAB), and is publically available on YEC's website at the link below.

<http://yukonenergy.ca/energy-in-yukon/our-projects-facilities/back-up-electricity/liquid-natural-gas/why-are-we-looking-at-it/>

It is noted that the information contained in the reports did not directly inform any of the analysis provided in the Part 3 Application, and was not "used to develop its proposals" since such information is not required or relevant to any regulatory submissions that YEC must provide for the Project. For example, as indicated in the response to UCG-YEC-1-15(c), YESAB has indicated that it is not considering natural gas extraction, processes and liquefaction within the scope of the Project as these activities occur outside of Yukon, and are beyond the authority of the Executive Committee to consider. YESAB also noted it would not consider hydraulic fracking in Yukon in the assessment of the Project (as this is not the LNG supply source identified in the Project proposal, and the possibility of hydraulic fracking as an activity connected to this Project is simply too remote and speculative for the Executive Committee to include it in its assessment).

Given YESAB is not considering these activities occurring outside of Yukon to require assessment as part of the Project, Yukon Energy has not considered these reports in its filings with YESAB or the Board.

Request for Consolidation of IR responses with Hyperlinks

UCG notes that "YEC has not allowed for a more efficient review of the IR responses (as has been directed by the YUB in past proceedings)" and requests that YEC be directed to provide access to a consolidated version of all IR response with cross referencing similar to what was directed in Order 2012-07.

As noted in the cover letter Yukon Energy provided with the IRs filed February 27, 2014, a consolidation of IRs was provided to the Board on March 3, 2014 and the document has been made available on the Board's website at the link below.

http://yukonutilitiesboard.yk.ca/pdf/YEC_LNG_Application/YEC_Consolidated_IR_Responses.pdf

Please direct any questions on this communication to the undersigned.

Yours truly,

A handwritten signature in black ink, appearing to read "Ed Mollard". The signature is written in a cursive style with a large initial "E".

Ed Mollard
Chief Financial Officer