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**IN THE MATTER OF YUKON ENERGY CORPORATION – VICTORIA GOLD
CORPORATION GROUP POWER PURCHASE AGREEMENT**

Before the

YUKON UTILITIES BOARD

November - December, 2017

REPLY ARGUMENT OF JOHN MAISSAN

Reply Argument introductory comments

In this written reply argument, the Yukon Utilities Board is referred to as the “Board”, Yukon Energy Corporation as Yukon Energy, and Victoria Gold Corporation Group as VGC. Interrogatory responses (IR) will be referenced by their identifying numbers.

In this reply argument I address issues discussed in the Utilities Consumers Group (UCG) and Yukon Energy final arguments which I feel need some additional comment. My silence on issues not addresses is not to be interpreted as agreement with, or disagreement with, the stated positions. I leave these matters to the Board to address based on all the information on the record.

I remain of the view that it is appropriate for Yukon Energy to be providing power service to VGC through the YIS.

UCG Final Argument matters

1. No Cost of Service (COS) study

UCG notes in some detail the concerns that it has with the absence of a Board accepted COS study. This should be of concern to all parties including the Board. I would like to see the Board take whatever steps it considers necessary to rectify this situation as it affects not just this PPA but also other Yukon Energy and ATCO Electric Yukon matters that come before the Board.

2. Potential cost impacts on other ratepayers

UCG contends that there are risks and costs that potentially affect all ratepayers that have not been fully or properly quantified by Yukon Energy. This concern aligns with concerns that I have raised in my Final Argument about risks to ratepayers having been downplayed. Included is the cost of this regulatory proceeding which is to be paid for by all ratepayers according to UCG (paragraph 59); I do not recall this being included in Yukon Energy’s analyses of ratepayer costs.

Yukon Energy Final Argument matters

3. Stewart Keno Transmission Project (SKTP) and default option

On page 6 of their Final Argument Yukon Energy presents the SKTP and the default option of a 138 kV transmission line from the Mayo Substation to the McQuesten Substation. The complete SKTP project is to be pursued if federal funding (and Yukon government funding?) for the project can be secured and if not a 138 kV transmission line from Mayo to McQuesten is to be built (the default option).

At the top of page 14 of Yukon Energy's Final Argument the basis for the 138 kV H-frame transmission line is that it "... ***will increase the total transmission capacity of the line to facilitate additional (future) industrial load and/or local renewable resource supply development***". At present there are no other potential mining projects in this region that are in the advanced exploration or permitting stages and Yukon Energy's recently completed (and just filed) 20-Year Resource Plan contains no renewable energy projects in this region that would require such a transmission line.

The 69 kV single-pole transmission line from Stewart Crossing to Dawson City was designed to carry 15 MW over that 180 km distance. A similar 69 kV line from the Mayo (hydro) substation to McQuesten, perhaps with larger conductors, a distance of only 31 km, could be built to carry more than sufficient power to meet both VGC and Alexco's requirements. Building a 138 kV H-frame transmission line is overkill and is not justifiable at ratepayer expense.

It is possible that the existing 69-kV line between Stewart Crossing and Mayo which was designed with a carrying capacity of 10 MW would not be adequate if the Mayo hydro plant was out of service. If the SVC/Statcom being installed at Stewart Crossing South substation cannot increase its carrying capacity to adequate levels, it may be necessary to install new larger conductors on this line or to twin it (or replace it). A new 138 kV line is certainly not required.

The \$25 million default option involving the building of a 138 kV H-frame transmission line from Mayo to McQuesten at ratepayer expense is simply not justifiable. The least ratepayer cost option of a 69 kV single pole line should be selected.

The 138 kV H-frame SKTP is at best a "nice to have" as it is not required to supply both VGC and Alexco, and there is no other mining projects imminent, nor are there any renewable energy supply projects in any plans. It should simply not be built at ratepayer expense. The least cost viable option, rebuilding or replacing the 69 kV single-pole transmission line, is the only justifiable ratepayer expense.

If no-cost federal money is available for this project then there is no direct ratepayer impact. However, I would even question the wisdom of this. If such no-cost federal money is available why is it not being channeled into building new renewable energy generation projects to reduce LNG and diesel generated energy requirements? Surely these will have immediate and longer lasting ratepayer benefits.

4. Risks to ratepayers downplayed

Yukon Energy continues to downplay the risks to ratepayers and is not forthcoming with calculations to show what potential impacts are. For example, at the bottom of page 18 of their Final Argument Yukon Energy states that at the closure of the mine the ratepayers will be paying transmission costs that have already been depreciated. On page 10 we are told that VGC will pay \$1.402 million per year (to start) and the

ratepayers will pay \$0.248 million per year. After 10 years depreciation on the line to be depreciated over 65 years the remaining cost will be about 84.6% or about \$1.4 million per year. All now to be paid for by remaining ratepayers. Yukon Energy should have been forthcoming with this information.

Similarly, at the bottom of page 16 of their Final Argument Yukon Energy states that the ratepayer benefit in the year 2020 would be \$1.96 million. This is based on a series of optimistic assumptions including federal money to pay for the entire transmission project, fuel prices, and LNG – diesel generation mix.

5. SVC/Statcom at Stewart Crossing South Substation included in transmission facilities fixed cost

Section 3.1.2 on pages 12 and 13 of Yukon Energy’s Final Argument says that the SVC/Statcom at the Stewart Crossing South Substation is required to increase the import capability of the Mayo-Dawson City transmission system. The clear implication is that it is required to increase the import capacity between Stewart Crossing and Mayo, a line that was designed to carry 10 MW. If this is so, it is only necessary because of the VGC load because it was not necessary without it. That being the case, the SVC/Statcom will not be required after VGC closes (even if Alexco is still operating at that time). Therefore the entire cost of the SVC/Statcom at Stewart Crossing South should be paid for by VGC by way of a customer contribution. The ratepayers would be paying for most of the cost of this unit over its 65-year life (55 out of 65 years) and that is simply not fair to the ratepayers.

Recommendation: That the Board orders that the entire cost of the SVC/Statcom at Stewart Crossing South be recovered from VGC by Yukon Energy.

Conclusion

I remain of the view that providing electrical power service to VGC is the right thing to do. However, in my view Yukon Energy is not going about it in the smartest way possible. The matters discussed above deserve and require the Board’s attention in addressing the details of the PPA in coming to its decision.

Respectfully submitted,



John Maissan
January 5, 2018