

1989-5

THE YUKON ELECTRICAL COMPANY LIMITED
and YUKON ENERGY CORPORATION

DECISION 1989-5

DATED OCTOBER 20, 1989

YUKON UTILITIES BOARD

DECISION 1989-5

FRIDAY, THE 20TH DAY OF OCTOBER, A.D. 1989.

IN THE MATTER OF the "Public Utilities Act",
being Chapter 143 of the Revised Statutes of
Yukon, as amended;

AND IN THE MATTER OF applications by The Yukon
Electrical Company Limited and Yukon Energy
Corporation to the Yukon Utilities Board for
Orders approving changes in existing rates,
tolls or charges for electric light, power or
energy and related services supplied to its
customers within Yukon.

BEFORE:

THE YUKON UTILITIES BOARD

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4 pages

APPEARANCES

For The Yukon Electrical Company Limited	:	C.K. Sheard
For Yukon Energy Corporation	:	M.D. Romanow
For the City of Whitehorse	:	E.J. Walter, Q.C.
For Yukon Chamber of Mines	:	Randy Clarkson
For NEW ERA Hydro Corporation	:	Randy Clarkson
For United Keno Hill Mines Limited	:	Ken Watson
For Peter W. Percival	:	Robert Laking
For Yukon Chamber of Commerce	:	Robert Laking
For the Town of Dawson City	:	Mayor Peter Jenkins

WITNESSES

For The Yukon Electrical Company Limited and Yukon Energy Corporation	:	Gary Bauer Ken Christensen George Constantinescu
For United Keno Hill Mines Limited	:	Ken Watson Robert Stirling Larry Crowther
For Yukon Chamber of Mines	:	Randy Clarkson
For NEW ERA Hydro Corporation	:	Randy Clarkson
For the Town of Dawson City	:	Mayor Peter Jenkins
For Yukon Chamber of Commerce	:	Robert Laking

DECISION

1. INTRODUCTION

The Yukon Electrical Company Limited (YECL) and Yukon Energy Corporation (YEC) (the Companies) filed Applications dated December 30, 1988 with the Yukon Utilities Board (the Board) for Orders of the Board fixing and approving just and reasonable rates, charges or schedules thereof, for electric light, power or energy and related services to be supplied by YECL and YEC, including terms and conditions of service.

YECL and YEC requested that the Board approve the proposed rates for bills issued on and after April 1, 1989 for consumption on and after March 1, 1989. YECL also requested that if the Board is unable to approve the proposed rates on a final basis prior to April 1, 1989, the Board approve them on an interim basis.

Notice of an Interim Hearing was published in the Yukon News and the Whitehorse Star on January 27, 1989. Both papers are regularly circulated throughout the Territory. Pursuant to the public notice an Interim Hearing and Pre-Hearing Conference were held on March 10, 1989 in Whitehorse.

As a consequence of the Interim Hearing the Board issued Interim Orders 1989-1 and 1989-2 on March 17, 1989 wherein the Board fixed and approved the requested rates as interim rates to be effective for billings issued on and after April 1, 1989 for consumption on and after March 31, 1989. The Electric Service Regulations contained in the Applications were also approved on an interim basis effective April 1, 1989. The Board ordered that the interim rates, tolls or charges and Electric Service Regulations were subject to further review by the Board and may be changed as the Board may direct.

At the hearing of the interim application, YECL and YEC filed their general rate applications, including their proposed rate schedules and proposed Electric Service Regulations, as Exhibits 2 and 3. Various other documents in support of the general rate applications were filed at the hearing of the interim application and subsequently at the hearing of the main application. Intervenors were provided with an opportunity to make written information requests of YECL and YEC and these requests elicited written responses which were made available to all parties prior to the hearing of the main application. Written information requests by the Board, together with responses thereto, were also made available to all parties prior to the hearing of the main application.

The hearing of the main application was held in Whitehorse June 6 - 9, 1989. Subsequent to the Hearing, the Applicants and Intervenors were provided with the opportunity to submit written Argument and Reply Argument. During the course of the Hearing, members of the public who were not registered as Intervenors were invited to participate in the proceeding.

The Board in this Decision will deal with the matter of rates and Electric Service Regulations of both YECL and YEC, and will provide reasons with respect to the Board's Decision on these matters. The Board will deal with the matter of rate base, fair return on rate base and total electric utility revenue requirement for the approved test years for YECL and YEC in Decisions 1989-3 and 1989-4, respectively.

The Board considers it appropriate to deal with rate matters relating to YECL and YEC on a joint basis due to the relationship between the two corporations and the directions contained in Order-In-Council 1988/150. In particular, in an opening statement to the Board at Page 61 of the transcript Mr. Bauer made the following comment:

"The relationship between Yukon Energy Corporation and Yukon Electrical Company Limited has provided a fully-integrated system for planning, customer service and operation of power supply facilities. Costs related to operation of all assets in the Yukon are managed on a combined basis and all subject to regulation."

Order-In-Council 1988/150 states at Paragraph 3:

"The Board shall regulate retail power rates of Yukon Energy Corporation and The Yukon Electrical Company Limited with respect to residential, general service and street lighting power customers in accordance with the following power rate policy for Yukon, effective for rates after April 1, 1989:

- (a) one rate zone shall apply for all Yukon power customers other than government accounts;
- (b) retail rates for non-government accounts of Yukon Energy Corporation shall equal the same rates approved for The Yukon Electrical Company Limited, such rates to be determined based on The Yukon Electrical Company Limited's costs of service; ..."

With respect to the design of rates for the 1989-1990 general rate applications of the two companies, Mr. Christensen made the following statement at Page 259 of the transcript:

" In designing the rates for the 1989/'90 general rate applications of Yukon Electrical and Yukon Energy, we used three primary criteria. Firstly, rates that yield the overall revenue requirement of each company. Secondly, rates that meet the policy direction of the Yukon Territorial Government as outlined in the Order-in-Council respecting the Public Utilities Act. And thirdly, rates that are as simple as possible, free from controversy and easy to understand.

In addition the utilities attempted to design rates that were stable, and because of the many changes made owing to the Order-in-Council, did not attempt to undertake any other major rate design changes. In particular the utilities believe they have designed rates which meet both the letter and the spirit of the Order-in-Council.

The utilities believe that the Order-in-Council, to put it simply, cannot be violated. The utilities, however, also believe that the Order-in-Council was drafted with the understanding that not every circumstance could be foreseen. The wording appears to have been left general, and we believe in designing the rates that the Yukon Territorial Government has obviously relied heavily on the good judgment of the Board to approve rates according to sound regulatory practice. The utilities believe that they have presented to the Board rates which were based on sound regulatory practice, ..."

The Companies also emphasized that the rate design as presented is only the first step toward full rate rationalization.

2. ORDER-IN-COUNCIL 1988/150

Sections 17.(1) and (2) of the Public Utilities Act provides:

" 17.(1) Notwithstanding any other provision of this Act, the board shall comply with any general or special direction of the Commissioner in Executive Council with respect to the exercise of the powers and functions of the board.

(2) A direction under subsection (1) is a regulation within the meaning of the Regulations Act."

Pursuant to Section 17 of the Public Utilities Act the Commissioner in Executive Council issued a Rate Policy Directive dated the 12th day of September, A.D. 1988, a copy of which is attached to this Decision as Appendix A. The Board exercises its jurisdiction under the provisions of the Public Utilities Act and Regulations, which includes Order-In-Council 1988/150.

Submissions by Intervenors in the proceeding contain numerous criticisms of the rate design principles established by Order-In-Council 1988/150. The Board acknowledges these criticisms and thanks the Intervenors for having raised them in the context of this proceeding. However, the Board is bound by the Public Utilities Act and Regulations.

3. PROPOSED CHANGES IN RATES

3.1 General

Base rates were designed by the Companies to recover their 1990 revenue requirement. In general, the Applications seek average rate reductions of 9.8% for residential - non-government customers and 6.0% for general service - non-government customers effective April 1, 1989 for consumption on and after March 1, 1989. No changes are proposed for rates charged to customers in other rate classes.

The base rates proposed by the Companies, when applied to 1989 forecast sales, will result in forecast revenue in excess of the 1989 forecast revenue requirements of the Companies. Accordingly, the Companies propose Temporary Rate Reduction Rider D which will reduce rates for residential - non-government and general service - non-government customers by 7.05% for the period April 1, 1989 to December 31, 1990.

In addition, the Companies propose that commencing in 1989 they will recognize revenue when the related energy is consumed rather than when it is billed. Because of this change, the revenue from unbilled consumption at the end of 1989 will be recorded in 1989 thereby reducing the billed revenue that would have to be collected from customer rates for 1989. In order to equate forecast revenues of the Companies with their revenue requirements for 1989, the Companies propose that the Board approve Temporary Rate Reduction Rider E (unbilled revenue) which will reduce all residential and general service rates by 8.09% for the period April 1, 1989 to March 31, 1990.

The rates proposed by YECL and YEC were approved on an interim refundable basis in Orders 1989-1 and 1989-2, respectively, dated March 17, 1989.

3.2 Government Rates

The Companies proposed that government rates should be unchanged from those previously applicable. Section 3.(g) of Order-In-Council 1988/150 deals with government rates and states:

"Yukon Energy Corporation and The Yukon Electrical Company Limited rates applicable to government accounts shall be excluded from retail rate equalization and shall continue as at present, with adjustments in future to reflect changes in applicable costs and any increases in rates approved for all retail customers."

The Companies submitted that rates submitted for retail customers are in fact less than those previously in effect and no change in government rates is required.

The Board accepts the position of the Companies and considers that no adjustment is required to be made to government rates at this time.

In response to cross-examination, witnesses for the Companies explained that the Companies had not yet fully considered whether it would be necessary for the Companies to prepare cost of service studies by location in order to measure the changes in costs to be incorporated in the government rates pursuant to Section 3.(g) of Order-In-Council 1988/150. The Board does not consider it possible to adjust government rates in future to reflect changes in applicable costs unless such costs are known on a location basis. Accordingly, the Board directs that a cost of service study be prepared by the Companies prior to the time of their next general rate applications which clearly shows the changes in applicable costs of serving government customers of YECL and YEC at each location.

3.3 Industrial Rates

3.3.1 General

Section 4.(c) of Order-In-Council 1988/150 deals with the matter of rates to industrial customers and states:

"... the rates charged to major industrial customers shall be in conformance with any contract between such industrial customers and Yukon Energy Corporation, and no increase or decrease in the existing rates charged to such industrial customers shall occur unless such modification is requested by Yukon Energy Corporation and is in conformance with such contract."

The Companies submitted that the only rates appropriate for their major industrial customers are those proposed by the Companies since they are the only ones which do not violate the conditions of Section 4.(c).

The Companies further submitted that rates should be left unchanged for YEC's major industrial customers without contracts (United Keno Hill Mines) as well as for YECL's industrial customers.

The Companies also submitted that inasmuch as existing industrial customer rates will not cover the costs incurred by the utilities in serving them, existing industrial rates do not necessarily provide a sound basis for establishing other industrial rates.

The Board notes that Section 4.(c) requires that no change be made to existing rates charged to major industrial customers unless a rate modification is requested by YEC, and further that the modification is in conformance with a contract between such industrial customers and YEC.

The Board accepts the position of the Companies that in the absence of any request by YEC for a rate modification to a major industrial customer, which modification is in conformance with a contract between YEC and that customer, no rate modification is possible.

3.3.2 United Keno Hill Mines Rates

During the course of the proceeding, United Keno Hill Mines (UKHM) submitted that its rates should be adjusted downward for two principal reasons:

- "1) U.K.H.M.'s future re-opening and continued operation depends to a large extent on readily available, equitably priced, cost based, electrical energy. ... Ideally, power should be provided to U.K.H.M. at the cost of operating the Mayo system. ...

- 2) Yukon Energy Corporation's demand for pre-payment by U.K.H.M. of the 1.1 to 1.3 million dollar repair to the transmission line between the Mayo Dam and Elsa/Keno is both highly irregular and contrary to Yukon Development Corporation's mandate."

In their Joint Argument the Companies addressed the matter of the UKHM rate and raised the following points:

1. UKHM, a large industrial customer, does not have a contract for the supply of electrical energy from YEC.
2. UKHM has asked the Board to consider a rate reduction for its primary power supply to bring it in line with Curragh Resources' non-interruptible power rates.
3. The UKHM mine has shut down its operations and it cannot estimate when the mine will reopen.
4. Prior to shutting down its mine, UKHM had no specific objections to the primary rate which it was paying for power.
5. YEC has conducted extensive negotiations with UKHM since 1987 to establish a fair and reasonable long-term power sale contract.
6. Prior to shutdown of the mine, UKHM consumed approximately 80% of the energy produced in YEC's Mayo system.

During the course of the Hearing, UKHM argued that industrial rates expressed in terms of average cents per kilowatt hour paid by different customers should be the same and, in particular, that UKHM's rate expressed in these terms should be the same as that of Curragh Resources.

YEC submitted that setting rates on an average cents per kilowatt basis would not be in accordance with normal regulatory principles applicable in Canada for similar power utilities, and accordingly would not be in accordance with Section 3.(f) of Order-In-Council 1988/150. YEC further submitted that "... normal regulatory principles require the adoption of comprehensive rate and contract packages for large industrial customers, including separate rate components to track different cost factors (customer costs, energy costs, demand costs, use of interruptible versus firm power)."

YEC further submitted that Rate Schedules YEC-32 and YEC-32 Sec. contain simple cents per kW.h rates whereas Rate Schedule YEC-39, which is applicable to Curragh Resources, contains a monthly demand charge, a monthly fixed charge, and an energy charge. Accordingly, a meaningful comparison cannot be made between the rates by simply comparing the resulting total charges under the two rates in terms in cents per kilowatt hour. YEC also submitted that a reduction in UKHM's rate would be unfair to other customers.

The Board agrees with YEC that it would be inappropriate at this time for it to alter the rate charged to UKHM. However, the Board urges YEC and UKHM to continue to try to negotiate an agreement which will provide some certainty and protection for UKHM as well as other YEC customers. The Board expects that any agreement between YEC and UKHM as to rates will also be reflective of the load characteristics of UKHM.

The Board also urges YEC and UKHM to continue to negotiate an appropriate arrangement with respect to the rebuilding of the Mayo-Elsa transmission line, giving due consideration to the cost of the line, the loads for which it will be used, and the customers who will ultimately pay the costs associated with the construction of the line.

3.4 Wholesale Rate

As explained in the Joint Argument of the Companies at Page 15 "... the wholesale rate balances revenues to cost of service and satisfies Section 4(a) of OIC 1988/150 which states that 'such rates shall be sufficient to recover Yukon Energy Corporation's regulated costs not otherwise recovered from other Yukon Energy Corporation customers;'. " The Board views the wholesale rate as a method of balancing revenues to costs as between YECL and YEC, and accordingly considers the proposed demand charge of \$0.00 per kW to be appropriate for the purpose of this Decision.

3.5 Residential and General Service - Non-Government Rates

3.5.1 General

Section 3 of Order-In-Council 1988/150 deals with the manner in which the Board shall regulate retail power rates of YECL and YEC with respect to residential, general service and street lighting power customers. APL's witness, Mr. Christensen, explained the approach taken by the Companies to the establishment of residential, general

service and street lighting rates pursuant to Section 3 as follows:

"A. Okay. Section 3, and I spoke briefly about this yesterday, states that: 'The Board shall regulate retail power rates of ...', the two utilities, but I think the important portion there is: '...with respect to residential, general service and street lighting power customers...', those are the only customers for which Section 3 applies. And it says: 'One rate zone shall apply for all Yukon power customers other than government accounts'. That's fairly self-explanatory, and that's, of course, what we did in the filing.

Section 3(b): 'Retail rates for non-government accounts of Yukon Energy Corporation shall equal the same rates approved for the Yukon Electrical Company Limited.' We took that to mean that there could be no rates, the rates as defined residential, general service and street lighting, there could be no rates of Yukon Energy that could stay by themselves, that is Dawson, for example, couldn't exist as a separate rate zone. There had to be rates in Yukon Electrical that Yukon Energy could copy or be equal to. So we felt that was fairly important.

Such rates to be determined based on Yukon Electrical Company Limited's cost of service. This one is fairly important, maybe I will go through a bit of a wheel here, although that sounds fairly simple because of the other clauses or the other paragraphs or other sections in the OIC, it is not as simple as it might appear. 3(b) as we already mentioned says that YEC's rates shall be based on YECL's rates. Then it goes on to state that YECL's rates must be based on the cost of service, however YECL's cost of service, a good portion, about half, is purchase power, and that power is purchased from YEC. And in Section 4(b) it states that the wholesale rate shall be sufficient to recover Yukon Energy Corporation's regulated costs not otherwise recovered from other Yukon Energy Corporation customers. So we now have Yukon Energy's rates based on Yukon Electrical's rates, but Yukon Electrical's rates are based on their cost of service which is based on a good percentage of purchase power which is a residual so that Yukon Energy may recover its cost of service after its revenue from its retail rates which are a copy of Yukon Electrical's rate. So this is the circle that I was talking about yesterday, or maybe more appropriately it's a spiral, an intricate process that got smaller until we came up with a rate."

(Transcript pages 529 - 531)

Due to the interdependence of the rates charged by YECL and YEC pursuant to Order-In-Council 1988/150, it is necessary to balance the revenues received by the two Companies with their respective revenue requirements. This balancing takes place through the mechanism of the wholesale rates of YECL and YEC, and Rider G which reflects the impact of Riders D and E on the wholesale rates. The Board is satisfied that the balancing mechanism proposed by the Companies accomplishes the desired objective. The Board directs the Companies to clearly label the component parts of Rider G so as to indicate the reason for each part.

3.5.2 Fully Distributed Cost of Service Study

In response to a Board information request the Companies provided a fully distributed Cost of Service Study for YECL and YEC on a single rate zone basis. Witnesses for the Companies assured the Board that the Study was prepared in accordance with generally accepted cost allocation procedures. In summary, the Study indicated that the revenue forecast to be derived from the proposed rates as a percentage of the fully distributed cost of providing service to customers in each class was as follows:

Residential - Non-Government	84%
Residential - Government	113%
General Service - Non Government	139%
General Service - Government	176%
Industrial	72%
Street Lights	58%
Space Lights	<u>94%</u>
TOTAL	100%

The Board notes that although regulators typically recognize that costs are only one of the factors to be considered in determining

customer rates they typically encourage utilities to design rates which will produce revenue to cost ratios within a reasonable margin of unity.

The Board recognizes that the rates currently being proposed by the Companies are considered by them to be only the first step in rate rationalization. However, the Board urges the Companies to commence a plan of action whereby customer rates will be adjusted over a period of years so that the revenue cost ratios will move toward unity. The Board directs that the Companies address this matter at the time of their next general rate applications.

3.5.3 Run-Off Rates

Section 3.(c) of Order-In-Council 1988/150 directs that:

"... separate energy run-off rates reflecting short term incremental energy costs in communities supplied primarily by generation other than hydro, such run-off rates to be applicable only to levels of use in excess of 1,000 kW.h per month for residential customers and 2,000 kW.h per month for general service customers;"

Witnesses for the Companies explained that the run-off rates in the various communities do not consist entirely of the recovery of short-term incremental energy costs. Accordingly, such rates are not the same for residential, general service and industrial customers.

Witnesses for the Companies further explained that it was sufficient that the rates reflect short-term energy costs and they need not be equal to such costs. The witnesses also indicated that it was common to find instances where run-off rates for residential, general service and industrial customers differ.

The Board accepts the explanation of the Companies on this matter for the purpose of this Decision. However, the Board directs that at the time of the next general rate applications the Companies provide a plan whereby run-off rates can be expected to reflect changes in short-term incremental energy costs in communities supplied primarily by generation other than hydro.

3.5.4 Rate Forms

Witnesses for the Companies acknowledged under cross-examination that there is a proliferation of rate forms currently in use. Not only do the number of energy blocks vary, but the rates applicable to the blocks increase in some cases and in some cases they decrease. The witnesses explained that this area of rate design has not yet been addressed by the Companies. The Board directs that at the time of the next general rate application the Companies should present to the Board a plan by which rate blocks will be modified in order to gain the appropriate degree of consistency and simplicity.

3.5.5 Watson-Dawson Rates

The Yukon Chamber of Commerce and P.W. Percival, P.Eng., in their evidence (Exhibit 44) made the following statement:

"...the Board should require that Dawson be deemed a separate service area and that Watson Lake, which should include Upper Liard and Lower Post, British Columbia ought to be another service area on its own."

The Companies requested the Board to combine Watson Lake and Dawson City into a single Large Diesel Rate Zone and include Lower

Post and Upper Liard in the proposed Small Diesel Rate Zone in order to comply with the provisions of Section 3.(b) of Order-In-Council 1988/150. The Companies also submitted that by utilizing appropriate groupings of communities, the number of rates would be lowered to a more manageable level.

The Board agrees with the position of the Companies.

4. ELECTRIC SERVICE REGULATIONS

Witnesses for the Companies explained that the Service Regulations of YECL and YEC are the same, and are substantially the same as those of Alberta Power Limited. With respect to customer security deposits for residential service, it was explained that such deposits are not required unless a customer has an unsatisfactory payment record or is resident in a community with a "fairly high turnover of customers". It was also explained that the Companies were currently reviewing their deposit policies.

The Board is concerned that there may have been inconsistent treatment of customers respecting the requirement for security deposits. Accordingly, the Board directs the Companies to review their policies and practices respecting security deposits and provide a clear explanation of such policies and practices to the Board within sixty (60) days of the date of this Decision.

The Board approves the Companies' Electric Service Regulations for the purpose of this Decision.

5. FUEL CLAUSE ADJUSTMENT RIDER (Rider F)

The Companies' rate schedules contain a fuel clause adjustment rider (Rider F) whereby rates may be adjusted without a public hearing to reflect changes in the Companies' unit cost of fuel from time to time.

The Board directs that the Companies report their actual unit costs of fuel on a quarterly basis, together with appropriate proposals for adjustments to Rider F as required from time to time for Board approval.

The Board further directs that details of all future arrangements for the purchase of fuel be provided to the Board on a timely basis.

6. QUALITY OF SERVICE

The Board is concerned with the number of unscheduled service interruptions being experienced by the Companies. The Board directs that commencing November 1, 1989 the Companies file with the Board on a timely basis a monthly report containing details of all service interruptions, including the time, duration and cause of the interruption, together with any remedial action taken by the Companies.

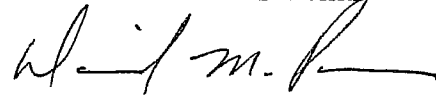
ORDER

NOW THEREFORE IT IS ORDERED THAT:

The Yukon Electrical Company Limited and Yukon Energy Corporation shall prepare and file with the Board within thirty (30) days a schedule of just and reasonable rates and appropriate riders for the test years 1989 and 1990 in accordance with Decisions 1989-3, 1989-4 and this Decision.

DATED AT WHITEHORSE, YUKON THIS 20TH DAY OF OCTOBER, 1989

YUKON UTILITIES BOARD

A handwritten signature in dark ink, appearing to read 'W. J. M. P.', is written over the printed name of the Chairman.

CHAIRMAN

FOLLOWING IS

APPENDIX "A"

(Consisting of 4 Pages)

ATTACHED TO AND FORMING PART OF

YUKON UTILITIES BOARD

DECISION 1989-5

DATED OCTOBER 20, 1989

YUKON UTILITIES BOARD

A handwritten signature in dark ink, appearing to read 'H. J. M. P.', is written over the printed title 'CHAIRMAN'.

CHAIRMAN

YUKON TERRITORY

C A N A D A

Whitehorse, Yukon

ORDER-IN-COUNCIL 1988/150

PUBLIC UTILITIES ACT

Pursuant to section 17 of the Public Utilities Act, the Commissioner in Executive Council orders:

1. The annexed Rate Policy Directive is hereby made and established.

Dated at Whitehorse, in the Yukon Territory, this 12 day of September, A.D., 1988.

Filed: 88 09 12

I hereby certify that the foregoing is a true copy of the original instrument of which it purports to be a copy.

M. R. C. C.
Registrar of Regulations

J. McInnis
Commissioner of the Yukon

PUBLIC UTILITIES ACT

RATE POLICY DIRECTIVE

1. The Board shall regulate rates of Yukon Energy Corporation subject to the terms and conditions of the Purchase and Sale Agreement between Yukon Energy Corporation, Canada, Yukon and Northern Canada Power Commission, dated March 31, 1987, including the valuation therein of assets acquired by Yukon Energy Corporation, the constraints therein on Yukon Energy Corporation rates up to March 31, 1989, and the terms and conditions of any contracts entered into by Yukon Energy Corporation as contemplated by the Agreement of Purchase and Sale or therein assigned to Yukon Energy Corporation.
2. The Board shall deem the equity of Yukon Energy Corporation as at March 31, 1987, to be the sum of \$39,000,000.00, and shall include in the rates of Yukon Energy Corporation provision to recover a normal commercial return on Yukon Energy Corporation's equity as such equity may vary from time to time.
3. The Board shall regulate retail power rates of Yukon Energy Corporation and The Yukon Electrical Company Limited with respect to residential, general service and street lighting power customers in accordance with the following power rate policy for Yukon, effective for rates after April 1, 1989:
 - (a) one rate zone shall apply for all Yukon power customers other than government accounts;
 - (b) retail rates for non-government accounts of Yukon Energy Corporation shall equal the same rates approved for The Yukon Electrical Company Limited, such rates to be determined based on The Yukon Electrical Company Limited's costs of service;

- (c) excluding government accounts, The Yukon Electrical Company Limited rates within each customer class shall be the same throughout Yukon, subject only to provision of separate energy run-off rates reflecting short term incremental energy costs in communities supplied primarily by generation other than hydro, such run-off rates to be applicable only to levels of use in excess of 1,000 kWh per month for residential customers and 2,000 kWh per month for general service customers;
- (d) the Board shall not authorize any increase in average retail rates charged to residential customers by The Yukon Electrical Company Limited in excess of the increase in the average retail rate charged by The Yukon Electrical Company Limited to all of its customers;
- (e) the Board shall permit Yukon Energy Corporation and The Yukon Electrical Company Limited to adjust their rates so as to reflect fluctuations in the prices for which they contract for the supply of diesel fuel from time to time, without the requirement for specific application to and approval of the Board. Subject to the foregoing, the procedures respecting such rate adjustments shall be determined by the Board;
- (f) within the policy framework set out herein, retail rates other than those applicable for government accounts shall be reviewed and approved by the Board in accordance with normal regulatory principles applicable in Canada for similar power utilities, and the Board shall aim to review rates once every two years, with an initial hearing to occur during 1988 or early 1989 to approve rates applicable starting on April 1, 1989 or such earlier date as may be agreed upon between the Government of the Yukon and the Government of Canada;
- (g) Yukon Energy Corporation and The Yukon Electrical Company Limited rates applicable to government accounts shall be excluded from retail rate equalization and shall continue as at present, with adjustments in future to reflect changes in applicable costs and any increases in rates approved for all retail customers.

4. The Board shall regulate bulk power rates of Yukon Energy Corporation affecting wholesale and industrial power customers in accordance with the following power rate policy for Yukon, effective for rates after April 1, 1989:

- (a) all wholesale charges to The Yukon Electrical Company Limited shall be pooled to provide one demand rate and one energy rate applicable throughout Yukon and such rates shall be sufficient to recover Yukon Energy Corporation's regulated costs not otherwise recovered from other Yukon Energy Corporation customers;
- (b) the wholesale rate to The Yukon Electrical Company Limited shall include appropriate provisions to ensure that Yukon Energy Corporation will recover its costs for retail power service with adoption of The Yukon Electrical Company Limited rates as specified herein;
- (c) the rates charged to major industrial customers shall be in conformance with any contract between such industrial customers and Yukon Energy Corporation, and no increase or decrease in the existing rates charged to such industrial customers shall occur unless such modification is requested by Yukon Energy Corporation and is in conformance with such contract.

5. The Board shall treat any monies to be received by The Yukon Electrical Company Limited from the Government of the Yukon, pursuant to the Government of the Yukon's prevailing policy with respect to rebate of income tax paid by The Yukon Electrical Company Limited, as acting in corresponding reduction, in the year in which such income tax is paid, of The Yukon Electrical Company Limited's revenue requirements as determined from time to time by the Board.