

**IN THE MATTER OF the Public Utilities Act
Revised Statutes of Yukon, 2002, c.186, as amended**

and

**An Application by Yukon Energy Corporation
for review of its 20-Year Resource Plan: 2006-2025**

BEFORE: W. Shanks, Acting Chair) September 20, 2006
 B. Morris)
 R. Hancock)
 M. Phillips)

BOARD ORDER 2006-8

WHEREAS:

- A. On June 1, 2006, Yukon Energy Corporation (YEC, or the Company) filed an application with the Yukon Utilities Board (the Board) to review its 20-Year Resource Plan: 2006-2025 (Resource Plan) to address Yukon's major electrical generation and transmission needs;
- B. The Resource Plan sets out YEC's expected near-term and longer-term requirements. Four near-term projects are proposed in the Resource Plan. Four alternatives, based on various scenarios to meet the needs of industrial customers, are set out to meet longer-term requirements. Certain near-term planning activities are proposed to protect longer-term options to address new load requirements;
- C. On June 5, 2006, the Minister of Justice of the Government of Yukon requested the Board to review and hold a hearing on the Resource Plan. The Board is to forward its report on its findings to the Commissioner in Executive Council, and make the report public, by October 31, 2006. Specifically, the Minister of Justice requested the Board review the proposals in the Resource Plan with emphasis on:
 - i) those projects related to the Resource Plan which require commitments by YEC before the year 2009 for major investments with anticipated costs of \$3 million or more for feasibility assessment and engineering, environmental licensing, or construction; and
 - ii) planning activities related to the Resource Plan which YEC may be required to carry out in order to commence construction on other projects before the year 2016 to meet the needs of potential major industrial customers or other major potential developments in Yukon.

Further specifics regarding the scope of the review requested are stated in the June 5, 2006, letter from the Minister of Justice, which shall form part of the application materials; and

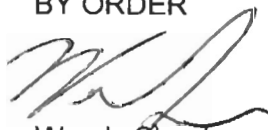
- D. In Board Order 2006-5, the Board established a procedural schedule for this proceeding. In Board Orders 2006-6 and 2006-7, the Board revised its procedural schedule.
- E. On August 29, 2006, the Board received a letter from the Minister of Justice noting that "prior to the implementation of any significant energy projects by YEC (e.g. construction of the Carmacks to Stewart transmission line), it is the government's intention to refer the details of such projects to the YUB for review and recommendation under provisions of Part 3 of the *Public Utilities Act*";
- F. The Board requested written comments from parties on the August 29, 2006, letter from the Minister of Justice and on the potential overlap of roles between the Board and the Yukon Environmental Socio-Economic Assessment Board (YESAB);
- G. At the Pre-Hearing Conference on August 30 and further, in Board Order 2006-7, the Board requested comments from YEC with respect to the August 29, 2006, letter from the Minister of Justice and with respect to whether the review provided by YESAB precludes the YUB from considering environmental, social and economic issues in this proceeding by September 8, 2006. Interested Parties were to provide comments by September 15, 2006, and YEC was to reply to those comments by September 19, 2006.
- H. The Board received submissions from YEC, Yukon Electrical Company Limited and the Utilities Consumers' Group and has reviewed those submissions.
- I. The Board has reviewed the comments and submissions on the draft issues list dated July 26, 2006, and requires that a final issues list be established.

NOW THEREFORE the Board orders as follows (Reasons attached as Appendix A):

- 1. That none of the projects identified in the Resource Plan have been designated by the Commissioner in Executive Council under Part 3 of the Act. Therefore, this section of the Act does not apply in this proceeding before the Board, according to the scope outlined in the Minister's letter of June 5.
- 2. Further, the Board has determined that its current review of the Resource Plan is to include environmental considerations, as outlined in the Minister's June 5 direction to the Board.
- 3. The final issues list for the oral public hearing into YEC's Resource Plan is as set out in Appendix B to this Order.

DATED at the City of Whitehorse, in the Yukon Territory, the *21st* day of September, 2006.

BY ORDER


Wendy Shanks
Acting Chair

**IN THE MATTER OF the Public Utilities Act
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and

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For review of its 20-Year Resource Plan: 2006-2025**

Reasons for Decision

1.0 Part 3 of *Public Utilities Act*

1.1 YEC's September 8 submission

On September 8, YEC submitted that there is no legislative framework currently in place in the Yukon outside of a revenue requirement or rate hearing process to mandate that the Board review or approve capital projects of YEC or YECL. YEC submitted that it was within this context that its Resource Plan was prepared, to provide a clear planning context within which the Board could review and make recommendations on such projects. Further, YEC submitted that the June 5 letter from the Minister established the mandate to proceed with the Board's review and the scope of the review of the projects identified in the Resource Plan.

Further, YEC submitted that for Part 3 to apply, a project must first be designated by order of the Commissioner in Executive Council (OIC) as a regulated project under Part 3 of the Act. Prior to such OIC designation, no application pursuant to Part 3 can be made.

1.2 YECL's September 15 submission

On September 15, YECL submitted that it is concerned with the level of detail that will be considered by the Board in the review of the Resource Plan. Further, YECL is of the view that Part 3 of the Act is structured to provide the Board with the necessary framework and mandate to review such projects, following a designation by the Minister under Part 3.

YECL also submitted that the limited information presently available would make it difficult to appropriately test the need for and timing of the projects identified in the Resource Plan.

1.3 UCG September 15 submission

On September 15, UCG submitted that it was evident from the Minister's August 29 letter that the Minister believes planning still must be undertaken following the Board's review of the Resource Plan, and that the "Minister wants to make sure that the utility has the benefit of the YUB review prior to proceeding with anything."

1.4 YEC's September 19 reply

On September 19, YEC submitted a reply to YECL and UCG's submissions. In its reply, YEC indicated that the Board has the capacity to carry out the full scope of the review, as directed by the Minister's letter of June 5, as the Board's statutory powers to seek information for the purposes of the review are not restricted regardless of whether the review is undertaken under Section 18 or Part 3 of the Act.

2.0 YESAB legislation and environmental issues

2.1 YEC's September 8 submission

YEC submitted that the Board does not have the jurisdiction under the Act or the review mandated by the Minister to undertake a detailed environmental review of the projects. The full environmental review process is mandated to the YESAB. However, the Board has jurisdiction to consider certain overall environmental issues in its assessment of the Resource Plan.

Further, YEC submitted that, "as part of the Resource Plan type of assessment, general comparative information on environmental impacts (as opposed to detailed, project-specific impact assessments) is a useful consideration and is expected to be addressed as part of the hearing scope."

2.2 YECL's September 15 submission

YECL concurred with YEC's viewpoint of the scope of the environmental review that would be part of the Board's review of the Resource Plan.

2.3 UCG's September 15 submission

UCG's September 15 submission stated that, "while YESAB reviews specifically address the impacts the projects have on the broader Yukon, the YUB's reviews, per its mandate under the *Public Utilities Act*, and related regulations, look at the impact projects have specifically on energy costs of Yukoners." Further, UCG submitted that the Board has the jurisdiction to enquire into any aspect of a project under section 51 of the Act.

UCG also stated that the Board should not attempt to "make a determination on the value of any project within the proposed 20-year resource plan without first seeing the results of the YESAB review."

2.4 YEC's September 19 reply

In its September 19 reply to YECL and UCG's submissions, YEC added that YESAB is not currently in receipt of any submissions from YEC on any of the relevant projects in its Resource Plan. It also states, "It would be entirely impractical to require all projects in the Resource Plan to have completed all YESAB reviews before the YUB could undertake its review."

3.0 Conclusions

The Board finds that its mandate and the scope of the current review are provided in the letter from the Minister dated June 5, 2006. In this letter, the Minister makes reference to the level of review necessary, by stating: The Government of Yukon feels that it is imperative that the plan be subjected to a detailed and thorough review by the Yukon Utilities Board, as has been the practice in the past.

The Board is of the opinion that the Information Request and Response process, along with the oral hearing, will facilitate the review of the Resource Plan to a level that will be valuable in assisting YEC in its planning and decision making for the future.

None of the projects identified in the Resource Plan have been designated Part 3 projects under the Act; therefore, the Board's current review is limited to that set out in the Minister's June 5 letter pursuant to Section 18 of the Act.

Further, the Board has determined that the scope of the review includes environmental considerations, as indicated in the Minister's June 5 letter. This review of environmental considerations will be limited to general comparative information in terms of potential economic impacts to ratepayers. This would be in accordance with the Board's review of YEC's 1992 capital resource plan, of which the Board stated in its report that it "must be fully aware of all potential environmental costs that may impact the company's resource plan."

Yukon Utilities Board Review of Yukon Energy Corporation 20-Year Resource Plan

Issues List September 21, 2006

1. Framework for YUB Review of the Resource Plan
 - 1.1. Lack of joint planning process
2. Load Forecast, Accuracy, and Methodology
 - 2.1. Sharing of load data between YEC and YECL
 - 2.2. Consideration for alternative fuel supplies (eg: propane) and alternative energy supplies including green power
 - 2.3. Sales forecast
3. Assessment of New Planning Criteria
4. Capability of Existing and New Facilities and Resources to Supply Forecast Loads
5. Demand-Side Management
 - 5.1. Near-term peak shaving consideration
6. Environmental Issues

Although the YUB recognizes the mandate of YESAB in its role to assess environmental and socio-economic on projects in the Yukon, the YUB has a responsibility to look at environmental issues as they impact the economic analysis of projects and the impact that these issues will have on Yukon ratepayers and the rates for services consumed by the people of the Yukon.

- 6.1. Water levels at Marsh Lake and Aishihik Lake and associated issues regarding fisheries and wetlands
- 6.2. Reconditioning of the Whitehorse diesel-electric generators and issues related to greenhouse gas emissions and fuel efficiencies
- 6.3. Potential to address diesel reduction in all Yukon communities and related issues regarding greenhouse gas emission target reductions

- 6.4. Issues regarding the proposed Carmacks-Stewart transmission line and issues related to right-of-way clearing, timber salvage, and connection of communities along the ways
- 6.5. Ability for independent power providers to access the proposed line and the possibility of this project being used to indirectly subsidize mines
- 6.6. Provisions to limit the use of non-renewable fuels such as coal, gas and oil to their current levels
- 6.7. Issues around integration of resource extractions industries and power generation, such as the timber industry and the development of bio-fuels
- 6.8. Impact of pollutants from diesel generation/Impact of diesel operations in urban centres
- 7. Secondary Energy
 - 7.1. How many customers converted?
- 8. Short-Term Supply Options
 - 8.1. Alternative sources for energy generation
- 9. Assessment of Near-Term Projects (need and timing)
 - 9.1. \$3 million capital spending threshold
 - 9.2. Aishihik Third Turbine Project
 - 9.3. Marsh Lake Fall/Winter Storage Licence Revision
 - 9.4. Carmacks-Stewart Transmission Project
 - 9.5. Mirrlees Life Extension Project
 - 9.6. Alternatives to proposed projects (provisions for independent power producers of renewable energy)
- 10. Assessment of Long-Term Planning
 - 10.1. Methodology used to assess energy requirement

11. Industrial Contributions

- 11.1. What is the obligation of the utility to serve industrial customers?
- 11.2. Means to provide service to industrial transmission or generation

12. Other Procedural Issues Raised

- 12.1. Concern that the 20-Year Plan must be open to regular review, both for meeting the criteria it established and to meet changing conditions

13. Other

- 13.1. Prudency and priorities for these investments
- 13.2. Impact on rates
- 13.3. YEC project management skills
- 13.4. YEC contracting policies
- 13.5. Potential advantages/disadvantages of alternative ownership scenarios for these projects
- 13.6. In future, rather than examine a resource plan of a utility on a piece-meal basis, should proposed projects be evaluated as part of a coordinated energy planning policy of the Yukon government? Should a different process be considered?
- 13.7. How does YEC's resource plan compare to the principles and strategic actions contained in the proposed energy policy framework of the Northwest Territories? Are there comparative learnings?