

determined on the basis of a detailed analysis of the **Annual Cost** of such extension and the revenue expected to be derived therefrom. If the **Annual Cost** of serving a customer is higher than the revenue expected to be received from such service, then the Maximum Company Investment shall be the **Cost** of the extension less the present value of the annual amounts over the expected life of the service by which the **Annual Cost** is expected to exceed the revenue [emphasis added].

Based on the information presented, the Board cannot verify that this is being adhered to. Further, given the length of time since the last review of Phase II matters, there is some uncertainty whether the policy is still applicable.

The Term Sheet filed on December 21, 2006, provides a contribution amount, a new firm mine rate, and a low grade ore secondary energy rate. None of these rates have been approved as YEC has yet to file an application with the Board.

Now is an appropriate time for YEC and YECL to have a complete review of all GRA Phase I and Phase II matters. The Board recommends that YEC and YECL file a full GRA application before October 31, 2007. The application should include a full cost of service, rate design and an update of the Electric Service Regulations. The Board also suggests that YEC and YECL consider a performance-based regulation mechanism. As well, the Board recommends that evidence be provided as to what other utilities provide for Maximum Company Investment and model theirs accordingly.

12. YEC contracting policies and project management

UCG introduced the Auditor General's report⁵⁰ on the MD line and submitted that the Board must review major projects undertaken by YEC until YEC has fully responded to the points outlined in the Auditor General's report, has the appropriate resources to undertake major projects, and has established appropriate procedures and controls.

UCG acknowledged that YEC has updated its contracting procedures since the MD project, but stated that the Board must review the application of those procedures in the context of a large project.

In response, YEC indicated that while its commitment to undertake an audit of project management policies had not been carried out, this was still a commitment of the YEC Board of Directors. Further, in reply, YEC stated⁵¹:

The Board maintains full control to ensure that all aspects of every project undertaken by YEC are fully assessed and analyzed before they will ever be included in the rates charged to ratepayers in Yukon [also see Section 4.6.5 of this reply]. In this regard the Board has all controls required to ensure ratepayers are protected from any form of issues on any project, be they related to

⁵⁰ In argument, YEC responded to Exhibit C3-13 (*Mayo-Dawson City Transmission System Project*, February 2005; Office of the Auditor General of Canada).

⁵¹ YEC Argument, page 31.

YUKON UTILITIES BOARD		
EXHIBIT		C3-13
DAY	ENTERED BY	DATE
	UCG	NOV 5, 2013

TAB 10

53