



**PUBLIC INTEREST ADVOCACY CENTRE**  
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May 4, 2007

Yukon Utilities Board  
Box 31728  
Whitehorse, Yukon  
Y1A 6L3

Attention: Deana Lemke, Board Secretary

YUKON UTILITIES BOARD		
EXHIBIT C2-4		
DAY	ENTERED BY	DATE
	UCG	May 4/07

**Re: CS Transmission Line Project**

Dear Ms. Lemke:

Please find enclosed a second round of information requests, further to the Board's decision with respect to the PPA, submitted by the UCG.

Yours very truly,

A handwritten signature in black ink, appearing to be 'M. Buonaguro'.

Michael Buonaguro  
Counsel for UCG  
CC: all parties

**APPLICATION BY YUKON ENERGY CORPORATION  
FOR AN ENERGY PROJECT CERTIFICATE AND AN ENERGY OPERATION  
CERTIFICATE REGARDING THE PROPOSED CARMACKS-STEWART TRANSMISSION  
PROJECT**

**Utilities Consumers' Group  
Information Request No. 2**

**UCG 2-1**

Reference: Board Order 2007-5, Page 3

The Board has denied the Power Purchase Agreement (PPA) as applied for by Yukon Energy.

Request:

- (a) Please identify the costs and liabilities incurred to date and are expected to be incurred by YEC with respect to the proposed Carmacks-Stewart transmission facilities (including the Mine Spur and the proposed PPA) through 2007.
- (b) Please identify the source of funding to cover specific costs identified in (a).
- (c) Please confirm that costs incurred by Minto related to the PPA are not being funded by YEC.
- (d) Please explain how Yukon Energy will account for money spent on the proposed facilities and the associated carrying costs prior to receiving all regulatory approvals required.

**UCG 2-2**

Reference: Board Order 2007-5, Page 3

The Board has denied the Power Purchase Agreement (PPA) as applied for by Yukon Energy.

In its response to UCG-YEC-2-2 (PPA Review), YEC stated:

"YEC's current focus on April 30, 2007 is to enable the YEC Board to proceed, if it so decides, in May to order (with cancellation provisions) long-lead equipment such as power transformers. Ordering such long-lead equipment this May is expected to be required to ensure that the equipment will be available for installation on site within the next year during the expected construction schedule."

In its response to UCG-YEC-2-3 (PPA Review), YEC stated:

"YEC in any event will not proceed with ordering of long lead equipment prior to YUB approval of the PPA."

Request:

Please confirm that there has been no decision to order long-lead equipment related to the proposed Carmacks-Stewart transmission facilities.

### **UCG 2-3**

Reference: Board Order 2007-5, Page 3

The Board has denied the Power Purchase Agreement (PPA) as applied for by Yukon Energy.

In its response to UCG-YEC-2-30 (PPA Review), YEC stated:

“There is no doubt that Minto can, in short, proceed if the PPA is not approved as proposed.”

#### Request:

- (a) Please confirm that it is still YEC’s understanding that the Minto mine can still proceed towards operating given the Board’s decision.
- (b) Please confirm when the Minto mine commenced or will commence operations using on-site electricity generation.

### **UCG 2-4**

Reference: Board Order 2007-5, Page 3

The Board has denied the Power Purchase Agreement (PPA) as applied for by Yukon Energy.

In its response to YUB-YEC-1-1 (PPA Review), YEC stated:

“Without the PPA, YEC is also not prepared to proceed with construction of the Transmission Project.”

#### Request:

Please confirm that if YEC and Minto are unable to agree to a revised PPA, YEC is not prepared to proceed with construction of the proposed transmission facilities.

### **UCG 2-5**

Reference: Board Order 2007-5, Reasons, pages 3 - 5

In its decision on the proposed PPA, the Board only accepted the proposed Firm Mine Rate (Rate 39) on an interim basis subject to a decision being rendered in the next General Rate Application (GRA) review.

The Board also stated that it is not prepared to accept Section 3.5 of the proposed PPA which deals with any future adjustment of the Firm Mine Rate after 2008.

In its decision, the Board quoted from YEC’s argument that both YEC and Minto required “certainty regarding the nature of, and basic levels for, the rates that would be in effect for the Minto mine in 2008 when delivery of Grid Electricity is assumed to commence. Without that certainty Minto was not willing to commit to being responsible for the obligations it has undertaken under the PPA, and without those commitments YEC could not proceed with development of Stage One of the CS project”.

#### Request:

- (a) Please explain how YEC will account for the revenues received and Minto’s energy use under the interim rates in order to allow for reconciliation when the rates are finalized.
- (b) With the Board not accepting Section 3.5 of the proposed PPA, please explain how the rates and charges applied to Minto will be adjusted going forward and when these adjustments are expected to take place.

## **UCG 2-6**

Reference: Board Order 2007-5, Reasons, page 5

In its decision, the Board agreed with Intervenor concerns regarding the lack of a complete cost of service study to justify proposed rates. The Board reiterated its direction from its Recommendations on YEC's 20-Year Resource Plan that YEC and YECL must provide a complete cost of service study and rate design with their next GRA.

In its January 15, 2007 Recommendations regarding YEC's 20-Year Resource Plan, the Board stated on page 50: "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."

Reference: Board Order 2007-5, Reasons, page 14

The Board directs both YEC and YECL to review and refine their investment policies for industrial customers and to include recommendations within their next GRA, which is expected to be filed by October 31, 2007.

### Request:

- (a) Please provide details of the work that YEC has initiated / completed in order to provide the Board and interested parties a complete GRA later this year.
- (b) Please confirm whether rate rebalancing requirements identified by the Board over a decade ago will be addressed as part of the next GRA by YEC.
- (c) Please describe the public consultation that will be undertaken prior to filing of the next GRA.

## **UCG 2-7**

Reference: Board Order 2007-5, Reasons, page 5

In its decision, the Board directed that the cost of service study to be filed in the next GRA is to include updated studies on allocators including justification on the allocation of transmission assets.

In its response to YUB-YEC-1-1 (PPA Review), YEC stated:

"YEC is not planning at this time to undertake classification factor studies to determine appropriate classifications of transmission assets. Such studies have not been carried out in the past in any detail in Yukon, and YEC would need to assess jointly with YECL the scope, costs and potential benefits for any such future studies involving both YEC and YECL transmission assets (as these are assigned to the transmission function in Yukon for COS purposes)."

### Request:

Given the Board's decision and direction, please confirm YEC's understanding that there is no longer a need to assess potential benefits for any such future studies involving both YEC and YECL transmission assets.

## **UCG 2-8**

Reference: Board Order 2007-5, Reasons, page 10

In its decision, the Board denied YEC's request for an approval of the proposed Mine Net Revenue Account (MNRA). The Board indicated that it was not supportive of YEC's proposed option of using the MNRA for future investment projects. The Board does support the view that revenues collected from rates should be applied to the cost of service that derived those rates.

In its decision, the Board referenced YEC's response to YUB-YEC-1-6(2) which states:

"Without the Mine Net Revenue Account, positive incremental net revenues from the Mine and the Stage One CS/MS Project could be used to lower rates initially for all rate classes. Yukon ratepayers would thereby receive immediate direct benefits so long as such positive incremental net revenues continued."

and

"Under the PPA as concluded, and for which Board approval is being sought for the Mine Net Revenue Account as set out in Section 3.6 of the PPA, Mine Net Revenue funds cannot become part of the ongoing revenue requirement calculations as would be applicable for setting rates for other ratepayers (except as otherwise provided for in Section 3.6 after the Commercial Operation Cessation Date). The account does provide, however, for its use to fund annual Incremental YEC Costs that the Board approves to include in revenue requirements of YEC for the CS Project and potentially other future generation projects."

### Request:

- (a) Please confirm YEC's understanding that the funds that YEC had proposed to be collected in the MNRA will now become part of the ongoing revenue requirement calculations used to set rates for all Yukon ratepayers.
- (b) Please explain how these funds will find their way into the rates charged to all Yukon ratepayers on an ongoing and immediate basis.
- (c) Please explain what will happen to the net revenues if annual rate reviews are not conducted by the YUB to allow for annual rate adjustments.

## **UCG 2-9**

Reference: Board Order 2007-5, Reasons, page 10

In its decision, the Board denied YEC's request for an approval of the proposed Mine Net Revenue Account (MNRA). The Board does support the view that revenues collected from rates should be applied to the cost of service that derived those rates.

In its response to YUB-YEC-1-15 (PPA Review), YEC stated:

"...the purpose of this deferral account is to ensure that incremental annual Mine Net Revenue (or net costs) does not affect YEC earnings..."

### Request:

- (a) Please explain how the Board's decision regarding the MNRA will have any impact on YEC's earnings.
- (b) Please confirm that YEC is not subject to financial penalties as a result of the Board's decision on the proposed PPA.

## **UCG 2-10**

Reference: Board Order 2007-5, Reasons, pages 14-15

In its decision, the Board states that it generally does not consider the utility financing of customer contributions to be appropriate and that the costs for such agreements (for example, legal, financial and management due diligence costs) bring about increased costs that may be more appropriately handled by entities that are in the business of financing, rather than being handled by a regulated utility.

The Board has determined that providing this type of funding as being beyond the scope of regulated activities of a utility and imposing an additional level of risk on ratepayers that the Board does not consider appropriate and is not prepared to accept. The Board has directed that any losses YEC may suffer due to the financing of the contributions will not be allowed into YEC's revenue requirement.

### Request:

- (a) Please explain the "losses" that could be incurred by YEC as a result of this financing and the potential magnitude of these amounts.
- (b) Given the Board's decision, please outline the alternatives available for recovery of these losses.
- (c) Please confirm that if YEC's shareholder (Yukon Development Corporation) pays the costs associated with these losses, the funds used to pay the costs will be from dividends paid to YDC by YEC and that these dividends are paid by YEC using revenues recovered from Yukon electricity ratepayers.

## **UCG 2-11**

Reference: Board Order 2007-5, Reasons, page 20

In its decision, the Board did not accept the proposed purchase of the Diesel Units as part of the PPA and the Board could not provide any assurance to YEC that the units would be approved as an addition to rate base.

In its response to UCG-YEC-1-25 (PPA Review), YEC stated:

"Generally, YEC is responsible for all costs of operating and maintaining the Diesel Units, except under the special circumstances addressed in Sections 4.8 and 10.4(b). These operating costs would become part of YEC's overall costs, and would also be subject to being considered for inclusion as Incremental YEC Costs when determining the Mine Net Revenue in a fiscal year.

"Section 10.4 of the PPA provides that subject to 10.4(b), YEC will be responsible for operation and maintenance costs for the Diesel Units for so long as the Diesel Units are leased by YEC from Caterpillar or owned by YEC and remain at the Mine Site. Minto is fully responsible under Section 10.3(b) for all payments to Caterpillar for these units."

### Request:

Please provide YEC's opinion on whether the operating and maintenance costs of diesel generating units that it does not own nor have any assurance of allowance into rate base should be the responsibility of Yukon ratepayers.

### **UCG 2-12**

Reference: Board Order 2007-5, Reasons, page 20

In its decision, the Board did not accept the proposed purchase of the Diesel Units as part of the PPA and the Board could not provide any assurance to YEC that the units would be approved as an addition to rate base.

In its response to UCG-YEC-1-25 (PPA Review), YEC stated:

“After the Mine is connected to the WAF grid, the Diesel Units will in effect add 6.4 MW of reasonably low cost and low risk diesel capacity to the WAF system and also provide added security to YEC and Minto with regard to reliable supply at the Mine.”

#### Request:

Please confirm that, even if YEC is not allowed to add these diesel units to its rate base, these diesel units will still provide additional diesel capacity to the WAF grid.

### **UCG 2-13**

Reference: Board Order 2007-5, Reasons, page 20

In its decision, the Board did not accept the proposed purchase of the Diesel Units as part of the PPA and the Board could not provide any assurance to YEC that the units would be approved as an addition to rate base.

In its response to UCG-YEC-2-23 (PPA Review), YEC stated:

“Under the Public Utilities Act the Board must set rates and determine the rate base for a public utility. Beyond these matters, the YUB does not have specific authority at this time to approve utility spending.”

#### Request:

- (a) Please confirm YEC’s understanding that the Board has full jurisdiction to not allow recovery of utility spending in rates charged to Yukon ratepayers.
- (b) If YEC proceeds to purchase these diesel fuelled generating units, please explain the source of funding and how they will be accounted for within YEC’s accounting records.

### **UCG 2-14**

Reference: Board Order 2007-5, Reasons, page 20

In its decision, the Board did not accept the proposed purchase of the Diesel Units as part of the PPA and the Board could not provide any assurance to YEC that the units would be approved as an addition to rate base.

#### Request:

Please explain whether this decision will require YEC to reassess the timing of its diesel refurbishment plans.