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YUKON UTILITIES BOARD

CARMACKS-STEWART TRANSMISSION PROJECT

PART 3 REVIEW

Held at High Country Inn Convention Centre

Whitehorse, Yukon

May 15th, 2007

Volume 1 - A.M. Session

Page 1 - 104

BEFORE BOARD MEMBERS:

- |                  |                  |
|------------------|------------------|
| Wendy Shanks     | Chairperson      |
| Malcolm Florence | Vice-Chairperson |
| Richard Hancock  | Member           |
| Jody Woodland    | Member           |

BOARD COUNSEL:

Renee Marx

BOARD STAFF:

- |               |                       |
|---------------|-----------------------|
| Shawn Allen & |                       |
| Dwayne Ward   | Technical Consultants |
| Deana Lemke   | Executive Secretary   |

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APPEARANCES:

Yukon Energy Corporation	John Landry
	David Morrison
	Cam Osler
Utilities Consumers' Group	Michael Buonaguro
The Yukon Electrical Company	
Limited	Doug Tenney
Peter Percival	Peter Percival

TRANSCRIBER:

Doug Ayers Reporting Services

## Preliminary Matters

1 (PROCEEDINGS COMMENCED AT 9:20 A.M.

2 ON MAY 15TH, 2007)

3 THE CHAIRPERSON: Good morning. I would  
4 like to call this hearing to order. Today starts  
5 the oral public hearing phase of Yukon Energy  
6 Corporation's application for an energy project  
7 certificate and an energy operation certificate for  
8 the Carmacks-Stewart Transmission Project.

9 On April 2nd, 2007, YEC applied for the  
10 certificates under Part 3 of the Public Utilities  
11 Act. On that same date, the Minister of Justice,  
12 Marian Horne, referred the matter to the Yukon  
13 Utilities Board for review and hearing, and  
14 prescribed the terms of reference for the review  
15 and hearing.

16 The Minister stated that the purpose of the  
17 review and the hearing is to obtain the YUB's  
18 report and recommendations on whether the  
19 Carmacks-Stewart Transmission Project should  
20 proceed as proposed by YEC. The Minister  
21 recognized that YEC's PPA application was before  
22 the Board and asked the YUB to integrate, where  
23 feasible and relevant, the review and hearing on  
24 the Carmacks-Stewart Project with its review and  
25 adjudication of the YEC's PPA application. The  
26 Board released its decision on the PPA application

## Preliminary Matters

1 in Board Order 2007-5 dated April 30th, 2007.

2 The Board was asked to consider the  
3 implications of the Carmacks-Stewart Project, of  
4 the findings of the Board, on the matters from the  
5 PPA. The Board has been asked to make  
6 recommendations about the necessity for the  
7 Carmacks-Stewart Project, on its timing and design,  
8 with particular regard to the following: Item 1,  
9 the public need for the project under the various  
10 reasonable electric load forecasts, including  
11 requirements related to both the Minto Mine and to  
12 other potential major industrial customers; the  
13 capability of existing transmission and generation  
14 facilities to provide reliable electric power  
15 generation to meet the forecast load requirements,  
16 taking into account the new planning criteria  
17 proposed by YEC and recommended by the YUB.

18 In particular, the YUB is requested to report  
19 on the following: (a), the implications of the  
20 relationship between Stage One of the  
21 Carmacks-Stewart Project and the need for and the  
22 timing of the Aishihik third turbine; (b), the  
23 implications of the relationship between Stage One  
24 of the Carmacks-Stewart Project and the need for  
25 the timing of Stage 2; and, (c), the implications  
26 of the ongoing use of diesel generation at Minto

## Preliminary Matters

1 and other locations that could receive grid service  
2 from Stage One of the Carmacks-Stewart Project.

3 Item 3, the risks facing the Carmacks-Stewart  
4 Project, including but not limited to those arising  
5 from general economic market or financial  
6 conditions, potential modifications to design, or  
7 schedule, resulting from environmental or  
8 socio-economic review and regulatory approvals; the  
9 time lines contained in Part 3 of the PPA; and (d),  
10 bankruptcy or other failure of the Minto Mine.

11 As well as Item 4, what if any alternatives to  
12 the Carmacks-Stewart Project might be advisable  
13 given reasonable load assumptions and risk  
14 assessments? In particular, the YUB is directed to  
15 report on possible alternative configurations for  
16 the timing and the structure of the two-stage  
17 approach proposed by YEC; and, (b), if it is  
18 prudent to extend the line from Minto to Pelly  
19 Crossing at this time.

20 The Board was directed to submit its report  
21 and recommendations to the Minister by May 31st,  
22 2007. The Board is to provide recommendations on  
23 whether the energy project and energy operation  
24 certificates should be granted for the  
25 Carmacks-Stewart Project, and whether the  
26 certificates should be subject to any terms and

## Preliminary Matters

1 conditions, and make any other recommendations to  
2 provide other information that it considers  
3 advisable in the circumstances.

4 Yesterday, the Board received a filing from  
5 YEC reflecting a revised PPA agreement, reached  
6 with Minto Explorations to reflect the Board's  
7 decision in Board Order 2007-5. The Board will  
8 advise parties shortly as to how the Board will  
9 proceed with the consideration of the revised PPA.

10 For the purposes of this hearing, the Board  
11 expects any questioning on this filing to remain  
12 within the confines of the terms of reference  
13 provided in the Minister's letter of April 2nd,  
14 2007. As parties are aware, the Board has decided  
15 to have oral argument and reply following the  
16 evidentiary portion of this hearing. The Board  
17 appreciates if each party would use Section 5 on  
18 page 5 of the Minister's letter of April 2nd, 2007,  
19 as an outline.

20 Now, I would like to introduce my fellow  
21 Board Members. On my left is Malcolm Florence,  
22 the Vice Chair; to my immediate right is Jody  
23 Woodland; and to my far right is Richard Hancock.  
24 Board counsel is Renee Marx, and Board staff are  
25 Shawn Allen and Dwayne Ward. The court reporter  
26 is Doug Ayers. Parties wishing copies of the

## Preliminary Matters

1 transcript for this hearing should speak to  
2 Mr. Ayers in that regard. Any questions with  
3 regard to procedure should be directed to the  
4 Board's executive secretary, Deana Lemke, or to  
5 Ms. Marx.

6 For this hearing, we intend to sit from 9:00  
7 to 5:00 p.m. each day. We have planned a  
8 mid-morning break for about 15 minutes around  
9 10:30, and a lunch break from 12:30 until about  
10 2:00, with a 15-minute break in the afternoon  
11 around 3:45.

12 On Wednesday, to allow for public input, we  
13 will recess around 4:30 and allow for public input  
14 to commence around 5:00.

15 If any party has a cell phone, I ask that it  
16 be turned off for the proceeding. And, finally, to  
17 facilitate the marking of exhibits, Ms. Lemke has  
18 circulated a list of the exhibits received to date,  
19 and I believe that is marked as Exhibit A-7. Is  
20 that correct?

21 I understand that YEC has a half-hour  
22 presentation that they would like to make, but  
23 before we do that, I would like to ask Ms. Marx to  
24 call for appearances.

25 MS. MARX: We can begin with Yukon  
26 Electrical Company.

## Preliminary Matters

1 MR. TENNEY: Doug Tenney,  
2 Vice-President and General Manager, Yukon  
3 Electrical Company.

4 MS. MARX: Mr. Percival? If you  
5 could just come to the microphone just to identify  
6 yourself.

7 MR. PERCIVAL: Peter Percival.

8 MS. MARX: And the Utilities  
9 Consumers' Group?

10 MR. BUONAGURO: Michael Buonaguro,  
11 counsel for the Utilities Consumers' Group, and  
12 with me today is Roger Rondeau from the Group.  
13 Thank you.

14 MS. MARX: Are there any  
15 other parties that wish to register an appearance  
16 today?

17 I see none.

18 THE CHAIRPERSON: Thank you.  
19 Mr. Landry, would you like to proceed with  
20 your presentation?

21 MR. LANDRY: Thank you, Madam Chair.

22 THE CHAIRPERSON: Sorry to interrupt,  
23 would you like to swear your witnesses in before  
24 the presentation?

25 MR. LANDRY: We could do that, if  
26 Ms. Lemke could do that, please.



1 YEC PANEL

2 DAVID MORRISON, SWORN

3 CAMERON OSLER, SWORN

4 YEC PANEL EXAMINED BY MR. LANDRY:

5 MR. LANDRY: Madam Chair, I have a  
6 couple of preliminary comments, and then the panel  
7 will have a short presentation for the Board.

8 I guess just as a bit of an overview, Madam  
9 Chair, as a result of Board Order 2007-5, the  
10 parties have been working diligently towards an  
11 amended PPA which is consistent with the directions  
12 that were provided in the reasons to that Board  
13 Order. And it was clearly obvious to Yukon Energy  
14 that the Board considered the role of the Yukon  
15 Territorial Government to be more substantive than  
16 was contemplated in the original PPA, and as a  
17 result of that, as the Board and the intervenors  
18 are now aware, the parties, including the  
19 government and Yukon Development Corporation, have  
20 had substantive discussions since that time, and  
21 have been able to agree to an amended PPA which YEC  
22 believes is consistent with the directions in  
23 Order 2005-7, and therefore, YEC believes that the  
24 Board is in a position to approve the amended PPA  
25 which was contemplated in the reasons for the  
26 decision for Board Order 2007-5.

YEC Panel  
In Chief (Landry)

1           Now, as you can see, Madam Chair, Yukon Energy  
2 will be calling one panel of witnesses. It will be  
3 Mr. Morrison and Mr. Osler.

4           In addition, as I have informed Board counsel,  
5 at the request of YEC, a representative of Minto  
6 has agreed to come to join the panel of witnesses  
7 for any questions that may be relevant to be put to  
8 Minto, and Mr. Stephen Quinn, who is the President  
9 of Minto, will be here to join the panel, but he  
10 could only get here into the Yukon for tomorrow,  
11 and he will be available, subject to the Board's  
12 direction, at 10:00 a.m. tomorrow. I have informed  
13 the other parties who are here today of that  
14 possibility.

15           I should only state that, Madam Chair,  
16 Mr. Quinn, although he has been directly involved  
17 in the negotiations that Yukon Energy has had over  
18 the last couple of weeks, he has not been at all  
19 involved in the preparation of the YEC application  
20 or any of the information exchanged by way of  
21 information request. So he is coming here on a  
22 volunteer basis to answer questions that the Board  
23 and others may have, to help the Board provide the  
24 required report under the terms of reference.

25           So, Madam Chair, I would like to introduce the  
26 panel that is here today that has already been

YEC Panel  
In Chief (Landry)

1 sworn in, and they are familiar to the Board  
2 members, having testified at the Resource Plan  
3 hearing in November.

4 Firstly, the President and CEO of Yukon  
5 Energy, David Morrison; and, secondly, Mr. Cameron  
6 Osler, who is a consultant for Yukon Energy and has  
7 been involved in regulatory matters for Yukon  
8 Energy since the late '80s. They will be the panel  
9 today, and as I indicated, subject to the Board's  
10 approval of this, Mr. Quinn will join the panel  
11 tomorrow at ten o'clock.

12 THE CHAIRPERSON: Thank you, Mr. Landry.

13 Q MR. LANDRY: Mr. Morrison.

14 A MR. MORRISON: Thank you.

15 Good morning, Madam Chair. I just have I  
16 think a fairly brief presentation, about ten  
17 minutes or so, so if that is all right.

18 Yukon Energy's application to the Minister of  
19 Justice for an energy project certificate and an  
20 energy operation certificate for the proposed  
21 Carmacks-Stewart Transmission Project is the first  
22 such application under Part 3 of the Public  
23 Utilities Act. We are happy to be here today to  
24 address this application, and to assist the Board  
25 in its review.

26 As set out in the Minister's terms of

YEC Panel  
In Chief (Landry)

1 reference, the general purpose of the Board's  
2 review is to provide a report and recommendations  
3 to the Minister on whether the project should  
4 proceed as proposed by YEC. The Carmacks-Stewart  
5 Transmission Project is a system enhancement  
6 opportunity project, and a new legacy transmission  
7 asset for the long-term benefit of all Yukon power  
8 customers.

9 Building on hydro generation power grids  
10 previously developed to serve earlier industrial  
11 loads, YEC and YTG are using new mine loads as the  
12 impetus to develop long-term infrastructure that  
13 will remain long after the mine loads have  
14 vanished.

15 The strategy as set out in the YEC application  
16 will see the new infrastructure essentially funded  
17 by industry and government and not by the  
18 ratepayers.

19 Given the revised PPA in response to the  
20 Board's recent Order, and the Yukon Government's  
21 \$10 million funding commitment, the Yukon  
22 Government's decision now to allow Yukon  
23 Development Corporation to assume the financing  
24 risks related to Minto's capital cost contributions  
25 will ensure near-term benefits for Yukon ratepayers  
26 from Stage One development of the Carmacks-Stewart

YEC Panel  
In Chief (Landry)

1 Project without the threat or risk of material new  
2 long-term asset cost burdens.

3 When fully developed, the Carmacks-Stewart  
4 Project will connect Yukon's WAF,  
5 Whitehorse-Aishihik-Faro, and Mayo-Dawson grids,  
6 thereby encouraging economic development along this  
7 transmission corridor, enhancing overall power  
8 system reliability and flexibility, and enabling  
9 Yukon, over time, once again to increase its  
10 hydroelectric capacity.

11 The Carmacks-Stewart Project will be developed  
12 in two stages, with each stage being pursued only  
13 when positive rate benefits can be expected, when  
14 new industrial loads create the opportunity to use  
15 available surplus hydro generation to displace  
16 diesel generation.

17 Stage One of the project can proceed today  
18 using available surplus Whitehorse-Aishihik-Faro  
19 hydro to displace approximately 34 gigawatt hours  
20 of diesel generation at the new Minto Mine and  
21 Pelly Crossing. Development of Stage One will also  
22 reduce CO2 emissions in Yukon by up to 24,000  
23 tonnes per year, an amount one and a half times the  
24 level of CO2 emissions currently produced by Yukon  
25 Energy and Yukon Electric combined in the Yukon,  
26 and will put in place over half of the full

YEC Panel  
In Chief (Landry)

1 Carmacks-Stewart Project development facilities  
2 from Carmacks to Pelly Crossing, and all of the  
3 land-related permits and approvals and preliminary  
4 engineering needed for this major transmission  
5 infrastructure connection to be completed at the  
6 earliest feasible opportunity.

7 Stage Two will complete the connection between  
8 Pelly Crossing and the Mayo-Dawson grid at Stewart  
9 Crossing as soon as justified by further new  
10 committed industrial load opportunities and other  
11 government funding.

12 YEC's application before the YUB today  
13 reflects work started many years ago. Intense  
14 efforts were initiated in late summer/fall of 2005,  
15 using Yukon Government infrastructure funding to  
16 carry out initial consultations with industry and  
17 First Nations and to start planning for a YESAB  
18 application. As a result of these efforts, a  
19 letter of intent was signed with Minto Explorations  
20 in March 2006. An MOU was signed with the Northern  
21 Tutchone First Nations in May 2006, and a YESAB  
22 project proposal submission was filed last  
23 October.

24 In addition, two comprehensive YUB proceedings  
25 have been carried out since last June, both of  
26 which were, amongst other things, focused on the

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1 Carmacks-Stewart Project.

2 YEC's 20-year Resource Plan, 2006:2025  
3 submission, which the YUB reviewed starting last  
4 June, and reported on in January 2007, included the  
5 Carmacks-Stewart Project as a major near-term  
6 project proposal. It also reviewed overall  
7 generation and transmission planning requirements  
8 and opportunities in the Yukon, including new  
9 capacity planning criteria proposed by YEC and the  
10 implications of new industrial development  
11 opportunities. In its January 2007 report, the YUB  
12 recommended that YEC's proposed first stage of the  
13 Carmacks-Stewart Project should proceed as applied  
14 for by YEC subject to the negotiation of an  
15 appropriate PPA with Minto.

16 The Minto/YEC Power Purchase Agreement  
17 application was filed in February 2007, addressing  
18 this one outstanding issue from the Resource Plan  
19 hearing. Although the Board recently denied the  
20 PPA as applied for, it set out certain changes  
21 required in order for the Board to approve the  
22 PPA. Accordingly, most of the issues relevant to  
23 YEC's Part 3 application and the current YUB review  
24 have already been extensively addressed in these  
25 earlier proceedings.

26 As reviewed in these earlier YUB proceedings

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1 prior to recent developments, the feasibility for  
2 Stage One of the Carmacks-Stewart Project was  
3 dependent on a PPA with Minto, providing adequate  
4 capital cost funding as well as secure revenues  
5 over several years. The PPA, as submitted to the  
6 YUB, attempted to address these needs and also  
7 included a proposed regulatory account, the Mine  
8 Net Revenue Account, designed to address specific  
9 risk and ratepayer protection concerns.

10 In the application as filed last February, it  
11 was projected that the PPA provisions would result  
12 in net positive benefits to ratepayers. The  
13 accrued balance forecast in the Mine Net Revenue  
14 Account at the end of 2016 was \$10.7 million, which  
15 more than covered the balance of the Stage One  
16 Carmacks-Stewart Project cost.

17 In short, based on the PPA as originally  
18 filed, Stage One costs were expected to be fully  
19 covered from Minto's secured capital cost  
20 contributions and minimum take-or-pay revenues of  
21 \$24 million.

22 Today, the feasibility of Stage One of the  
23 Carmacks-Stewart Project from the perspective of  
24 Yukon ratepayers is even better than was described  
25 in the PPA application. And YEC also has a much  
26 improved foundation as a regulatory utility for



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1 Stage Two Carmacks-Stewart development.

2 Prior to YEC submitting this application for  
3 Part 3 certificate, on April 2nd, the Yukon  
4 Government committed up to \$10 million of new funds  
5 for Stage One, and as well committed to work with  
6 industry and YEC to ensure Stage Two can be  
7 constructed in the future without direct cost to  
8 ratepayers.

9 Ratepayer benefits and the overall feasibility  
10 of the Carmacks-Stewart Project were generally  
11 enhanced by these new commitments of the Yukon  
12 Government funding.

13 As reviewed in Schedule 1 of YEC's Part 3  
14 application, based on mid-point cost estimates, and  
15 the PPA with Minto as filed in February, Stage One  
16 development by late fall 2008 is projected to cost  
17 \$22.6 million. All of these projected costs are  
18 now to be paid by parties other than Yukon's  
19 residential and commercial retail ratepayers.  
20 Minto's contribution is \$7.2 million; the Yukon  
21 Government's is \$9.9 plus the \$450,000 previously  
22 provided; and YDC's contribution is \$5 million; for  
23 a total of 22.6 million.

24 Stage One, Carmacks-Stewart benefits, provided  
25 now at no cost to retail ratepayers, equal the  
26 24 million secured minimum take-or-pay payments by

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1 Minto, plus any additional Minto purchases beyond  
2 this minimum, and a further \$2.6 million present  
3 value cost savings from displacing diesel at Pelly  
4 Crossing.

5 Stage Two of the project development is  
6 similarly expected to occur in conjunction with  
7 Yukon Government funding and added power loads and  
8 capital contributions from other new mine  
9 developments in the Carmacks-Stewart Project area.

10 In summary, the Part 3 Carmacks-Stewart  
11 application, as filed in April, confirms  
12 substantial ratepayer as well as public interest  
13 benefits from each stage of this project's  
14 development. Overall net present value benefits  
15 for ratepayers in 2007 dollars, at the mid-point  
16 cost estimates in Schedule 1, approach \$20 million  
17 for Stage One. Consideration of high cost  
18 estimates in Schedule 1 reduces but does not come  
19 close to eliminating these positive net benefits  
20 for ratepayers.

21 The Board's Order 2007-5 issued on April 30th  
22 denied the PPA as applied for, setting out certain  
23 changes required in order for the Board to approve  
24 the PPA. The Board directed YEC to revise the PPA  
25 and file the revision with the Board by May 31st.  
26 Since that time, YEC has been in discussion with

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1 Yukon Government and Minto officials in an attempt  
2 to amend the PPA in a manner consistent with the  
3 Board's determination in Board Order 2007-05.

4 Although the Board's findings on the PPA  
5 application confirm the acceptability of many  
6 elements of the PPA, and while Minto was willing to  
7 accept some of the changes suggested by the Board,  
8 our discussions with Minto clearly demonstrated  
9 that the Board's findings left Minto with  
10 insufficient certainty on rates and investment  
11 risks, more particularly, its findings that the  
12 firm mine rate should be set as interim, that the  
13 minimum take-or-pay amount should not be tied to  
14 the firm mine rate, and that Minto's capital  
15 contribution for the main line should be indexed.

16 Order 2007-5 left the parties with several key  
17 issues to resolve including: The Board's  
18 determination that no industrial firm rate will be  
19 made final until the Board receives and reviews GRA  
20 filings from both YECL and YEC, including a  
21 complete cost of service filing as directed, the  
22 timing for which remains uncertain at this time;  
23 Minto's substantive concerns about the Board's  
24 determination that there can be no link between the  
25 secured minimum take-or-pay commitment and material  
26 changes to the principles and methods used to

YEC Panel  
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1 determine its firm mine rate; Minto's substantive  
2 concerns about the Board's findings that Minto  
3 should be treated the same as all other customers  
4 in terms of risks related to the regulated rates,  
5 given that Minto's commitments are far beyond those  
6 required from any other customer, more  
7 particularly, its \$24 million minimum take-or-pay  
8 commitment, its commitment to provide security for  
9 that obligation, and its 7.2 million capital cost  
10 contribution towards a system asset that will serve  
11 other customers and classes long after Minto ends  
12 its operations; YEC's substantive concern, not  
13 addressed in the PPA, relating to the Board's  
14 determination relating to LOLE and its relationship  
15 to YEC's commitment to provide reliable firm power  
16 supply to new industrial customers.

17 Contrary to any other impression that may have  
18 emerged from the Resource Plan hearing, YEC wants  
19 to make it very clear on the record that, under  
20 planning criteria adopted by its Board of  
21 Directors, new generating capacity will be planned  
22 or added to the system for the purpose of ensuring  
23 reliable supply to major industrial loads in Yukon  
24 supplied with firm power service.

25 To this end, major industrial loads supplied  
26 with such firm service have been fully considered

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1 in the previous planning criteria approved by the  
2 YUB when the Faro Mine was in operation, and as the  
3 Board recognized in the Resource Plan report,  
4 material benefits to Yukon ratepayers have occurred  
5 as a result of past generation and transmission  
6 infrastructure planned and added to the system in  
7 response to industrial developments.

8 Similarly, major industrial loads were  
9 included in the LOLE calculations carried out for  
10 the planning studies conducted for the Resource  
11 Plan, and in the new planning criteria adopted by  
12 YEC's Board of Directors. Specifically, the report  
13 prepared for YEC in July 2005, which conducted a  
14 basic annual reliability assessment of the WAF  
15 system considering the system and loads as they  
16 existed in 1996, included the loads of the Faro  
17 Mine and the LOLE calculations as it was a firm  
18 load obligation of YEC at the time.

19 YEC's understanding is that proper application  
20 of LOLE calculations for comparison to established  
21 risk indices is to include all firm load  
22 obligations of the utility in the LOLE  
23 calculations. This is true regardless as to  
24 whether the loads to be served are industrial loads  
25 or other classes of customer. Further, the  
26 approved Northwest Territories planning criteria,

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1 which YEC largely based its own criteria on,  
2 includes all firm industrial loads in the LOLE  
3 calculation. In addition to this, we have  
4 confirmed this point specifically with  
5 Dr. Billinton. And just to make it clear,  
6 Dr. Billinton is very clear in his note to us, that  
7 industrial firm loads are part and would normally  
8 be part of a LOLE firm supply calculation.

9 Accordingly, YEC's understanding is that to  
10 exclude any firm service load obligations,  
11 including major industrial loads, from such LOLE  
12 calculations for capacity planning purposes, would  
13 not be consistent with the June 5, 2006, terms of  
14 reference from the Minister for review of the  
15 Resource Plan requiring the Board to consider  
16 capacity planning criteria appropriate and adequate  
17 to establish parameters for such electrical power  
18 generation capacity in accordance with principles  
19 established in Canada or of a province or of a  
20 territory regulating hydro and non-hydroelectric  
21 utilities.

22 Focusing on the PPA with Minto, the parties  
23 assumed that YEC would continue to supply firm  
24 power service for electricity delivered under the  
25 Firm Mine Rate, and the agreed upon rate and cost  
26 of service assessment in the PPA reflected this

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1 assumption. Absent this assumption, and the  
2 related YEC commitments, YEC would assume that  
3 Minto, and other industrial customers, would need  
4 to reassess their interest in any such PPA  
5 arrangements, and that any cost of service base  
6 rate for so-called "firm service" to such customers  
7 would be considerably lower than that set out in  
8 the PPA application.

9 In short, this matter is of fundamental  
10 importance to YEC power resource planning related  
11 to new industrial loads in Yukon and to any  
12 cost-of-service based rates to be charged to such  
13 loads pursuant to Order-in-Council 1995/90.

14 The findings requiring YEC's shareholder, the  
15 Yukon Development Corporation, on behalf of the  
16 Yukon Government, to accept certain new risks: The  
17 ongoing risks over the next several years, as  
18 highlighted in the Part 3 application, due to  
19 financing of the Minto Spur and Carmacks-Stewart  
20 Transmission Project capital cost contributions;  
21 and the short-term risks related to YEC purchase of  
22 the diesel units as part of the PPA.

23 I am pleased to inform the Board, and all  
24 stakeholders, that the parties were able to resolve  
25 these concerns, and on May 14th, Minto and YEC,  
26 with the support of the Yukon Government, agreed to

YEC Panel  
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1 an amendment to the PPA consistent with the Board's  
2 Reasons for Decision in the PPA application. A  
3 copy of the agreement was sent to the Board and all  
4 intervenors yesterday afternoon, and, Madam Chair,  
5 my apologies, we couldn't get it to anyone sooner,  
6 but it was finished yesterday morning, and we have  
7 sent it immediately upon getting the deal agreed  
8 upon.

9 Highlights of the revised PPA include: Yukon  
10 Government, through the Yukon Development  
11 Corporation, will assume the financing risks  
12 related to Minto's capital cost contributions, as  
13 well as the risk that Minto's required contribution  
14 to the Carmacks-Stewart Project may increase above  
15 the 7.2 million if tendered line costs exceed the  
16 high costs in Schedule 1.

17 The PPA is amended to index the 7.2  
18 Carmacks-Stewart Project capital cost contribution  
19 to the detailed high cost estimate for the  
20 Carmacks-Minto Landing segment, as required by the  
21 Board, on the understanding that any such increased  
22 amount will be paid to YEC by YDC on Minto's  
23 behalf.

24 The Yukon Government has announced that in  
25 response to Minto's requested certainty regarding  
26 their power rate, it will fix Rate Schedule 39 as



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1     agreed in the PPA, and as accepted on an interim  
2     basis by the YUB, and that this direction will be  
3     for four years with an escalator clause after the  
4     first year.

5             The revised Rate Schedule 39 also includes  
6     provision to include Rider F as directed by the  
7     Board.

8             In recognition of the four-year period of  
9     certainty, Minto's minimum take-or-pay commitment  
10    is retained at 12 million within the first four  
11    years of YEC service. Section 3.5 of the previous  
12    PPA is deleted along with Schedule E. Consistent  
13    with the Board's findings, the PPA also now  
14    provides for the secondary rate, Rate 35, to be  
15    approved on an interim basis and includes specific  
16    provisions for any proposed audit control measures  
17    to be approved by the Board.

18            As directed by the Board, Section 3.6 on the  
19    Mine Net Revenue Account is deleted from the PPA.

20            Finally, under the amended agreement, YEC  
21    still intends to purchase the diesel units and, as  
22    suggested by the Board, will provide justification  
23    for that purchase in its next GRA.

24            In summary, with the Yukon Government's new  
25    commitments announced on May 14th, the parties are  
26    able to bring forward a new PPA which we believe is

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1 consistent with the Board's April 30th findings,  
2 and which will result in significant near-term  
3 benefits from the Stage One of the Carmacks-Stewart  
4 Project for other Yukon ratepayers without the  
5 threat or risk of any material new long-term asset  
6 cost burdens.

7 Ratepayers no longer face any risks related to  
8 YEC financing of the Minto capital cost  
9 contributions. In effect, all material risks are  
10 now borne by either Minto or the Yukon Development  
11 Corporation.

12 The Firm Mine Rate to be paid by Minto would  
13 also no longer be uncertain, up to December 31st,  
14 2012. It will reflect the rate of approximately  
15 10 cents per kilowatt hour that Minto agreed to pay  
16 in the original PPA, with provisions as well for  
17 fuel rider energy rate fluctuations and overall  
18 demand and energy rate price indexed escalation  
19 starting January 1st, 2010. Based on these Firm  
20 Mine Revenues and removal of the Mine Net Revenue  
21 Account, YEC can now target a rate reduction  
22 application to the YUB for early 2008 so that when  
23 the Minto Mine goes on line with hydro, the  
24 ratepayer benefits from the PPA and Stage One  
25 Carmacks-Stewart Project can be passed on to Yukon  
26 retail, residential, and general service

1 customers.

2 Overall, the justification for the  
3 Carmacks-Stewart Project, and particularly for  
4 Stage One, as soon as it can reasonably be carried  
5 out, has been established far beyond any reasonable  
6 doubt. Project capital costs to develop these new  
7 legacy systems are expected to be borne by industry  
8 and government. Project financing risks related to  
9 Minto's capital cost contributions will be borne by  
10 YDC. As a result, and due to the use of surplus  
11 hydro generation, the material benefits from Stage  
12 One, Carmacks-Stewart Project development, will  
13 flow to retail, residential, general service  
14 ratepayers throughout Yukon without risk or cost to  
15 these other ratepayers.

16 Thank you, Madam Chair.

17 THE CHAIRPERSON: Mr. Landry, do you have  
18 anything further? Mr. Osler?

19 MR. LANDRY: Mr. Osler has a further  
20 response to make.

21 A MR. OSLER: Madam Chair, just to  
22 conclude our presentation, you remarked in your  
23 opening comments that you would like argument to  
24 focus on Section 5 of the Minister's terms of  
25 reference. Given that this is the first time a  
26 Part 3 application has been before anybody,

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1 I thought I would take a couple of minutes at the  
2 end of our presentation to just go over the  
3 application and relate it to the Minister's terms  
4 of reference which, of course, only came out after  
5 we had filed the application, the way the world has  
6 to work.

7 The general outline of the application, as  
8 filed April 2nd, reflects the information  
9 requirements as prescribed in Order-in-Council  
10 2007/50 for an application for such certificates  
11 for any project designated as a regulated project  
12 under Part 3 of the Public Utilities Act. The  
13 party then files this material, and the outline of  
14 what we put in the application follows the outline  
15 in the Order-in-Council, of the requirements for  
16 information for a project certificate filing. The  
17 Minister then sets terms of reference which  
18 accompany the application to the Board for a public  
19 review. That's the process.

20 So Section 2 of the application, as filed,  
21 just provided basic information on the Applicant as  
22 required.

23 Section 3 provided project description  
24 information. Section 3.1 is a summary of the  
25 project description as was filed with YESAB last  
26 fall, including a project area map, a review of the

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1 route selection process, which is fairly important,  
2 and related consultations to ensure that the route  
3 selection process dealt with any concerns, as well  
4 as the MOU with the First Nations in the area.

5 Schedule 1 provided an update on the  
6 Carmacks-Stewart Project economics for each stage,  
7 an update of what we provided this Board with in  
8 the Resource Plan hearing, but we reflected  
9 in-service costs this time in 2007 dollars, and  
10 also included provision for the new Yukon  
11 Government funding which was announced at the very  
12 time we were completing this application.

13 Section 3.2 reviewed the anticipated time line  
14 for the project, basically flowing out of the YESAB  
15 filings. They had reviewed it for permitting and  
16 approvals, for final design and tendering stages,  
17 for separation of the design and construction  
18 contracts, and for the construction stages and  
19 schedule for the project.

20 Section 3.3 addressed the requirement in the  
21 OIC, "Is there any new or expanded public works  
22 that would be affected?" The answer was no.

23 Section 3.4 provided a summary of  
24 environmental and socio-economic impacts, again  
25 based on the YESAB filing from last year, and  
26 updates to that filing and response to questions

1 from the YESAB Board.

2 In summary, these filings showed no likely  
3 significant adverse effects from this project on  
4 the environment or on the socio-economic situation,  
5 largely as a result of the careful routing and  
6 consideration of mitigation measures that were  
7 built into the filing.

8 It also outlined the benefits, in the  
9 socio-economic context, from the Stage One  
10 development, particularly the reduced CO2  
11 emissions, the ratepayer benefits, the enhanced  
12 mine development feasibility, the improved  
13 conditions for other economic development along the  
14 corridor in the Northern Tutchone First Nation  
15 region, the opportunities for local jobs and  
16 business activity during construction and  
17 subsequent right-of-way clearing and maintenance.  
18 And also it outlined the type of benefits that the  
19 Stage Two development would bring, which had been  
20 put before this Board in the Resource Plan filing.

21 Section 4 of the filing dealt with project  
22 justification. And I would suggest, Madam Chair,  
23 that Section 4.1, which talks about the need for  
24 the project, also reflects the Minister's terms of  
25 reference, Section 5, specifically with respect to  
26 Items A, on public need for the project under

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1 various reasonable electric load forecast, and  
2 Item B, on the capability of existing transmission  
3 and generation facilities to provide reliable  
4 electric power generation to meet the forecast load  
5 requirements taking into consideration the new  
6 planning criteria. And Item D, on what, if any,  
7 alternatives to the Carmacks-Stewart Project might  
8 be advisable given the load and risk assessments.

9 Just to outline this section, Resource Plan  
10 information is provided to start with, which is the  
11 full analysis of expected capacity and load  
12 requirements, that is demand and energy, for WAF  
13 and Mayo-Dawson, which I submit were fully reviewed  
14 by the Board in its previous Resource Plan hearing  
15 and are just summarized in the application.

16 Two, the PPA application information is again  
17 summarized. Full analysis of expected impacts of  
18 the Minto Mine on the WAF system forecast diesel  
19 generation that would flow from the Minto Mine and  
20 the Carmacks-Stewart, as regards WAF and Yukon in  
21 general, and other impacts.

22 Three, Stage One Mine Net Revenue Account:  
23 expected net incremental Mine Net Revenue impacts  
24 per year, by year, per Attachment C of the PPA  
25 application as updated by Attachment C to the  
26 Part 3 application. The update dealt with the

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1 impact of the government funding.

2 I would just say that the Mine Net Revenue  
3 information in the filing is still, in my opinion,  
4 relevant to the parties in the room, and the Board,  
5 as the best available information from which to  
6 derive assessment of rate effects likely to follow  
7 now that the Mine Net Revenue Account has been  
8 deleted. It provides assessment, year by year, of  
9 what incremental revenue effects, after  
10 consideration of all related costs, would flow from  
11 the mine's connection to the WAF grid. That's our  
12 best available information of the potential  
13 positive net benefits, by year, for other  
14 ratepayers, retail, residential, commercial  
15 ratepayers. And using the general rule of thumb  
16 that we used in the Resource Plan hearing, that  
17 roughly a 360 to \$400,000 benefit, or cost, added  
18 to the system, adds roughly 1 percent, or deducts 1  
19 percent, from overall general rates, it's the best  
20 available indicator we have of the effect of  
21 removing the Mine Net Revenue Account and flowing  
22 these benefits through to customers sooner.

23 Further in this Section 4.1, Stage One,  
24 alternatives to the Carmacks-Stewart Project, as  
25 proposed, are noted; option of the 35 kV line, or  
26 no transmission at all, is noted. I would also



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1 note that, in response to interrogatories in this  
2 hearing, from YECL, namely 1-5(b) and (c), which  
3 dealt with a separate 34 1/2 kV line to each mine  
4 option, YECL/YEC 1-3 which dealt with the Aishihik  
5 second transmission line option, and YECL/YEC 1-4  
6 which addressed, specifically, service to Pelly  
7 Crossing, extension of the line from Minto to Pelly  
8 Crossing, which is a specific item in the  
9 Minister's terms of reference, that those should be  
10 considered along with what's in the actual  
11 application on this matter.

12 Another point covered in this section is  
13 Stage One sensitivity to timing considerations:  
14 that each month of delay results in at least  
15 \$250,000 less ratepayer benefits, and 2,000 tonnes  
16 more CO2 emissions. The costs and other impacts of  
17 delay of in-service beyond September 30, 2009, is  
18 also referenced, but the Board had all of this  
19 information in the PPA hearing.

20 Stage Two, proposed development approach and  
21 conditions: potential example, assuming Carmacks'  
22 Copper Mine is used in the application, the  
23 implications of the relationship between Stage One  
24 and the need for and timing of Stage Two, which is  
25 in the Minister's letter, is also implicitly  
26 addressed in the filing. Essentially, Stage One of

1 this project does not necessitate or presume the  
2 need to proceed with Stage Two. It facilitates  
3 Stage Two by constructing over half of the  
4 facilities needed to connect the two grids, but it  
5 is a project that has been designed to be able to  
6 be pursued on its own merit, and to confine the  
7 risks and benefits to that stage.

8 The relationship of the Carmacks-Stewart  
9 Stage One to other projects is also addressed in  
10 Section 4.1 of the application, namely the  
11 relationship to the WAF system as reviewed in the  
12 PPA application, the relationship to the Aishihik  
13 third turbine, and the implications, in that  
14 context, of how does Stage One of the  
15 Carmacks-Stewart Project affect the need for and  
16 timing of the Aishihik third turbine. This has  
17 been assessed in the Resource Plan hearing and in  
18 the PPA hearing, looking at the impacts on diesel  
19 use; the impacts that the new mine loads accelerate  
20 Aishihik benefits by allowing the Aishihik third  
21 turbine to displace diesel.

22 The new government funding, the application  
23 points out, however, for Aishihik, as a separate  
24 from the funding for the Carmacks-Stewart Project,  
25 the new eco-trust funding for Aishihik that was  
26 announced in the last few months, materially

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1 accelerates the development timing for Aishihik  
2 independent of the Carmacks-Stewart Project, such  
3 that, whether we are talking Stage One or Stage  
4 Two, it probably has no material impact now on the  
5 timing for the Aishihik project.

6 Finally, diesel generation development  
7 impacts, another matter addressed in parts of the  
8 Minister's term of reference, are addressed in  
9 Section 4.1. Mine diesel units that are at the  
10 mine, that YEC plans to purchase, will lead to the  
11 reassessment of the Mirrlees life extension  
12 timing. Earlier assessments regarding the WAF  
13 impacts, in the PPA filing, addressed diesel  
14 generation with and without Stage One of this  
15 project. So there's lots of information on the  
16 record for that.

17 Section 4.2 of the application deals with  
18 risks, and in this context I would say it deals  
19 also with the Minister's terms of reference,  
20 Section 5, specific aspects regarding the risks  
21 facing the Carmacks-Stewart Project, including  
22 general conditions, YESAB/Regulatory Modifications  
23 to design or schedule, the time lines in Part 3 of  
24 the PPA risks, and bankruptcy or other failure of  
25 the Minto Mine risk, which are all in the  
26 Minister's terms of reference.

1           Again, Section 4.2 of the application  
2 summarizes briefly the Resource Plan hearing  
3 evidence on these very specific matters,  
4 particularly general risks, cost escalation  
5 risks, Minto market risks, as well as YESAB  
6 regulatory risks and risks about YEC contracting  
7 policies and project management.

8           The PPA hearing information is reviewed  
9 regarding risks and the Minto capital cost  
10 contributions being financed by YEC and other  
11 matters, and the worst case or extreme scenarios  
12 are noted involving Minto default or bankruptcy.  
13 The direct agreement with Minto's bankers, terms  
14 and conditions, the Miner's Lien Act, protections,  
15 et cetera, are summarized.

16           The filing does not consider the recent PPA  
17 amendment in response to Order 2007-5 and does not,  
18 of course, consider the YDC now taking on all such  
19 financing risks as affect the Minto capital cost  
20 contributions, so the filing in that respect has to  
21 be updated by the filings that were made yesterday  
22 and the comments in the opening statement.

23           Stage One of the Minto capital cost  
24 contribution financing risks, reference is made in  
25 the application, of April, to Attachment C to that  
26 application. The risks of the capital cost

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1 financing are clearly identified there. And they  
2 are balanced against benefits. The time line risks  
3 are addressed in the sense that Section 3 of the  
4 PPA provides time lines, but it also provides them  
5 largely for Yukon Energy's benefit, to protect it  
6 from being obligated to proceed with the project  
7 unless the conditions necessary are in place. And  
8 YEC, to that end, has said in the PPA hearing, and  
9 again in this one, that it would extend those time  
10 lines as required and would not proceed with the  
11 project unless it was prudent and reasonable in the  
12 circumstances to proceed.

13 Finally, Stage Two risks are also addressed by  
14 the new Yukon Government funding and talked about  
15 in the application filing.

16 Finally, Section 4.3, effects on ratepayers.  
17 In the application filed in April, it focuses on  
18 the Mine Net Revenue Account and talks about  
19 information on ratepayer impacts from the Resource  
20 Plan hearing, the PPA hearing, and the updated  
21 Attachment C to the filing. As I just finished  
22 saying, I think that information is now not  
23 irrelevant, it's useful in a new context. Without  
24 the Mine Net Revenue Account, it still tells us the  
25 implications for other ratepayers.

26 So I think that section of the application and

1 the related IRs to it, fundamentally help the  
2 parties address the points noted in the Minister's  
3 terms of reference that you referenced for final  
4 argument.

5 The balance of the application deals with  
6 Sections 5 and 6 on either consultation matters,  
7 which is largely YESAB related, but the  
8 Order-in-Council requires us to file information on  
9 consultations.

10 And, finally, the list of other applications  
11 and approvals is also required and is provided in  
12 Section 6. And the point is made in that section  
13 that, once again, Yukon Energy does not anticipate  
14 material risks of major design modifications  
15 resulting from regulatory approvals and review  
16 processes for this project. Major regulatory risks  
17 for Stage One remains material delays in schedule,  
18 which could adversely affect project costs and  
19 benefits; and perhaps the inability to successfully  
20 conclude agreements with the First Nations who we  
21 need to conclude agreements for access rights  
22 needed on settlement lands.

23 So that's my quick overview, Madam Chair, of  
24 the application and how it relates to the terms of  
25 reference of the Minister.

26 THE CHAIRPERSON: Thank you, Mr. Osler.

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1           Mr. Landry, you have some further comments?

2       MR. LANDRY:                               No, Madam Chair. The  
3       panel is now available for cross-examination.

4       THE CHAIRPERSON:                        Ms. Marx, are you aware  
5       of any preliminary issues, matters, before the  
6       Board?

7       MS. MARX:                                No, I am not.

8       THE CHAIRPERSON:                        We can proceed with our  
9       first cross-examination.

10           Mr. Buonaguro, do you have some matters you  
11       would like to bring before the Board, concerning  
12       timing?

13       MR. BUONAGURO:                         Thank you,  
14       Madam Chair.

15           As I understand it, I think in terms of  
16       cross-examination, I think it's just UCG and Board  
17       Staff, unless I am mistaken. And I believe the  
18       Board Staff is reserving the right to go last,  
19       which puts me on the spot to go first.

20           A couple of things. I heard today, as  
21       Mr. Landry pointed out, that Minto is providing a  
22       witness who will be available tomorrow, so  
23       presumably we are going to be coming back tomorrow  
24       in any event.

25           Second, the new PPA was filed, as it happened,  
26       while I was in the air, so I haven't actually

1 looked at it yet other than to get a brief  
2 overview. So at some point I would like to have  
3 some time to look at it and go over it with my  
4 client.

5 Third, as I mentioned, I actually flew in last  
6 night around two, and I have not actually had a  
7 chance, because of the way -- because of the tight  
8 time lines for this proceeding, been able to meet  
9 with the client and actually go through the  
10 material other than through e-mail. So I was  
11 hoping to get some time to meet with the client and  
12 go over some of the details for the  
13 cross-examination.

14 Having said all of that, what I would propose  
15 in terms of timing, I have a series of questions  
16 related to following up on some of the undertakings  
17 that we submitted to the company, which should take  
18 up some time, but then after that, I would ask that  
19 perhaps we could break, depending on when this  
20 happens, for the day and come back tomorrow and  
21 finish up the cross-examination. Because, as I  
22 understand it, we have tomorrow, plus public  
23 comment on the evening, and then argument would  
24 proceed on Thursday, unless I am mistaken.

25 THE CHAIRPERSON: Well, the Board has not  
26 actually scheduled a time for argument, those are



1 parameters put out for the hearing.

2 Do any other parties have some comments they  
3 would like to add in terms of Mr. Buonaguro's  
4 comments on timing and need for more time?

5 I think what will happen right now is the  
6 Board will take a short recess, and we will  
7 consider your request in light of the new  
8 information we have had filed yesterday, and we  
9 will -- Mr. Percival? I beg your pardon, can you  
10 come to the mike?

11 MR. PERCIVAL: I would support UCG's  
12 request.

13 THE CHAIRPERSON: Thank you.

14 MR. BUONAGURO: I did not mention, but  
15 with respect to the Minto witness, we had no idea  
16 until this morning, obviously, that there was going  
17 to be a witness from Minto, so part of the time  
18 would be trying to figure out what we would like to  
19 ask him.

20 THE CHAIRPERSON: I see we are coming up,  
21 it is quarter after 10:00, and we had indicated we  
22 would have a break around 10:30. In this case, we  
23 will take a half-hour break, actually, we will  
24 reconvene at quarter to 11:00.

25 (PROCEEDINGS ADJOURNED AT 10:15 A.M.)

26 (PROCEEDINGS RESUMED AT 10:50 A.M.)

1 THE CHAIRPERSON: Mr. Buonaguro, I am  
2 going to ask that you proceed with the additional  
3 questions that you have for the YEC panel, and that  
4 should take us up to the lunch time that I have  
5 indicated earlier this morning, at which time the  
6 Board is prepared to give you a two-hour lunch  
7 break to address the concerns that you raised this  
8 morning.

9 The Board wishes to advise all parties as well  
10 that we have no questions for the Minto  
11 representative, and perhaps, after the lunch break,  
12 any other parties to the hearing could give an  
13 indication to our counsel as well as to whether  
14 they think they are going to have any questions for  
15 the Minto representative.

16 Based on that, I would like you to proceed,  
17 Mr. Buonaguro.

18 MR. BUONAGURO: Thank you.

19 MR. LANDRY: Madam Chair --

20 THE CHAIRPERSON: I'm sorry, Mr. Landry,  
21 I can't hear you.

22 MR. LANDRY: I'm sorry. I wonder if  
23 before Mr. Buonaguro starts, I could suggest that  
24 perhaps, because the witnesses did effectively read  
25 from script, if I could file as the next exhibit a  
26 copy of the opening presentation that was made. I

1 think it's Exhibit B-6. Do I have it right,  
2 Ms. Lemke?  
3 THE CHAIRPERSON: B-6. So marked.  
4 MR. LANDRY: Thank you.  
5 EXHIBIT NO. B-6:  
6 WRITTEN PRESENTATION BY MR. OSLER AND  
7 MR. MORRISON  
8 MR. LANDRY: And I will provide  
9 copies to the Board and to the people in the  
10 hearing room.  
11 THE CHAIRPERSON: Thank you.  
12 MR. LANDRY: Sorry, Madam Chair.  
13 THE CHAIRPERSON: Mr. Buonaguro are you  
14 prepared to proceed?  
15 MR. BUONAGURO: Thank you, I am.  
16 YEC PANEL CROSS-EXAMINED BY MR. BUONAGURO:  
17 Q MR. BUONAGURO: I am going to ask the  
18 panel to turn up page 7 of the application, which  
19 is Schedule 1, summary of Carmacks-Stewart update  
20 project economics, and I believe this is an updated  
21 page which includes the new YTG funds and the  
22 calculation.  
23 THE CHAIRPERSON: I am sorry,  
24 Mr. Buonaguro, what page?  
25 MR. BUONAGURO: Page 7.  
26 THE CHAIRPERSON: Ms. Lemke, can we get a

1 copy of the application?

2 Thank you, we have it now.

3 Q MR. BUONAGURO: Just to make sure we  
4 are on the same one, it has a date of April 2nd,  
5 2007, at the top, because I think there was an  
6 earlier version. It looks similar to another  
7 version that doesn't have certain things in it,  
8 that's why.

9 A MR. OSLER: It looks similar to the  
10 one in the PPA application, but it isn't the same.

11 Q Right. That's why I want to make sure we have the  
12 same one. This one says April 2nd, 2007, on it.  
13 It's in the project certificate application.

14 THE CHAIRPERSON: Schedule 1.

15 MR. BUONAGURO: Yes.

16 Q MR. BUONAGURO: I am going to try and  
17 ask you some questions on this based on my limited  
18 understanding of the new PPA that was submitted.  
19 Again, I haven't been able to sit down and read it  
20 start to finish, but you did make some submissions  
21 on it, so perhaps we can try.

22 As I understand it, for example, you have  
23 under net ratepayer benefits, present value of 7.5  
24 percent per year. It says Minto Mine net revenues  
25 at Firm Mine Rate set at \$17.1 million, correct?

26 A MR. OSLER: Correct.

1 Q And the \$17.1 million would have been based, at  
2 this time, on the \$24 million minimum take-or-pay  
3 amount?

4 A It would have no effect on this calculation, the  
5 minimum take-or-pay. This calculation assumes an  
6 average rate of 10 cents with no escalation, and  
7 32 and a half million kilowatt hours a year over  
8 the time period noted, and discounted back at the  
9 discount rate noted to 1997 -- to 2007, sorry,  
10 excuse me.

11 So, in other words, it is assuming that Minto  
12 produces power -- requires power at the level we  
13 had in the PPA application, 32 and a half million  
14 kilowatt hours a year, and then it does it for the  
15 time period noted.

16 Q When you say "the time period noted", do you mean  
17 under sub note 2?

18 A Well, in Exhibit B-22 in the other hearing, we set  
19 it out for the time period we discussed, which was  
20 2016, I believe, up until that time, and assuming  
21 that we started service in the fall of 2008.

22 Q So it assumes -- I think if I am reading the note  
23 here, is assumes eight and a half years?

24 A Eight and a half years, yes.

25 Q Now, the original minimum take-or-pay amount, how  
26 long was that for?

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- 1 A The minimum take-or-pay assumed \$24 million  
2 commitment to be honoured within eight years of  
3 service commencing, at an average of no less than 3  
4 million dollars a year during that time period.
- 5 Q And the current --
- 6 A The minimum take-or-pay is a commitment to pay at  
7 least a certain amount of money whether they  
8 consume the power or not, but -- and there has been  
9 confusion in various IRs over the last few months.  
10 It is not a minimum payment that they make. They  
11 pay 10 cents per kilowatt hour, and if they used  
12 32 and a half million kilowatt hours in a year,  
13 they will pay more than \$3 million. They will pay  
14 3.25 million in that year. So the two are -- one  
15 is a security guarantee to make sure that they are  
16 at least paying us a certain amount of money per  
17 year. The other one is a rate charge for the power  
18 that they purchase.
- 19 Q I think I understand that. What I am just trying  
20 to understand is, of the \$17.1 million projected,  
21 which is based on a projected -- I guess a forecast  
22 of how much they are going to use over the  
23 projected reasonable life span of the mine, how  
24 much of that is secured. An my understanding is  
25 that by reducing the minimum take-or-pay amount  
26 from \$24 million over, I think you said eight

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1 years, seven or eight years, to \$12 million over  
2 four years, four or five years, this -- how much of  
3 the \$17.1 million is secured as part of the PPA  
4 agreement as changed?

5 A In round numbers, starting with this exhibit in  
6 front of you, at the time that it was written, when  
7 there was the PPA as originally written, the  
8 security would have applied to the first \$24  
9 million out of the purchases that we are seeing  
10 here. You have eight and a half years of purchases  
11 at 3.25 million in a full year, so you can multiply  
12 3.25 times 8.5 and you will get the total amount of  
13 purchases that were assumed. The first 24 million  
14 of that is secured, the rest wasn't.

15 Essentially, you can take the same calculation  
16 and say, if we are having \$12 million of security  
17 for take-or-pay, rather than 24, then the first 12  
18 million would be so secured, but if they still  
19 consumed over eight and a half years, you know, the  
20 amount of power we are talking about, they would  
21 still pay the same number we are talking about here  
22 and we'd still have the same result in this  
23 schedule.

24 The only difference between the situation on  
25 April the 2nd, and the situation on May 15th, is  
26 that during the first four of those years, their

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1 rate will escalate starting January 1, 2010 by an  
2 index. So that would be higher than you are seeing  
3 here, during the years 2010, '11 and '12.

4 Secondly, the fuel price risk is totally  
5 covered in the situation today, and it wasn't  
6 addressed in the rate as applied for back in the  
7 PPA.

8 So that, essentially, the situation has  
9 improved somewhat both from the risk point of view  
10 and from the point of view of the present value  
11 number that you see here, and I would -- Mr.  
12 Morrison is reminding me that this calculation is  
13 conservative in the context of 32 and a half  
14 million kilowatt hours a year, which is the level  
15 of -- minimum level that the PPA anticipated their  
16 requirements would be, but it provides that they  
17 could also be consuming more, sooner, like 42  
18 million kilowatt hours a year, in which case this  
19 present value number would also grow because the  
20 payments would be made sooner to today and,  
21 therefore, the present value today would be  
22 higher.

23 So, generally speaking, we haven't redone this  
24 calculation based on any of the things I am telling  
25 you about but, if we did do it, it would be  
26 slightly higher as a result, today, of the



1 situation announced yesterday.

2 Q I think I understand all that. I guess my simple  
3 point is that, by reducing the minimum take-or-pay  
4 amount in the event that the mine were to stop  
5 operation before expected, say in the first or  
6 second year, the security, or the secured amount,  
7 would be \$12 million instead of 24, which is  
8 obvious, and that, in that event, the cost benefit  
9 analysis relating to an early closure of the mine  
10 is worse than it was before?

11 A Well, there is a reason for me to say no to that.  
12 The reason is that if we go back to the PPA as  
13 originally filed, there wasn't any government  
14 funding. The government funding in this schedule,  
15 when we filed on April the 2nd, essentially covered  
16 off all of the costs at the midpoint cost estimate  
17 for the project between Minto and any other costs  
18 that would occur for the Carmacks-Stewart Project.

19 So that on paper, it says the project costs  
20 nothing, and every kilowatt hour that you sell,  
21 even if it is only for six months, would yield a  
22 ratepayer benefit, plus the benefits of getting  
23 diesel off at Pelly. But in this application, as  
24 filed on April 2nd, is an attachment C that  
25 outlines the risks that ratepayers still then faced  
26 if the mine was to close prematurely, because the

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1 costs that they are assumed to pay here, for their  
2 share in the 7.2 million, wouldn't have been fully  
3 paid. In the first four years, they are only  
4 paying interest and they don't start paying  
5 principal under the PPA arrangements until the  
6 fifth, sixth, and seventh year. So if it closed  
7 early, as we had to answer in many questions, that  
8 risk would still be there, and Schedule C graphed  
9 that and showed how big that amount would be  
10 outstanding for each year during the first seven or  
11 eight years.

12 May 15th, May 14th, the situation has  
13 radically changed. Ratepayers bear no risk with  
14 respect to that amount. So that, regardless of  
15 whether the mine closes or operates, ratepayers  
16 will have zero costs under the cost estimates. If  
17 it operates for six months, they will get six  
18 months worth of benefits, if it operates for eight  
19 and a half years, they will get 17 million plus  
20 from the mine, plus the benefits from serving  
21 Pelly.

22 So it is quite a lot different today than it  
23 was then, and it is positive if the mine connects  
24 and we sell them anything.

25 Q Now you mentioned a couple of times there, in the  
26 original, I guess I will call it the examination in

1 chief or the original presentation, that there is  
2 no cost to ratepayers, and I understand that that  
3 is because costs, that may have been borne by  
4 ratepayers, are now being borne by the government,  
5 right?

6 A Correct. But that's in this application here, you  
7 can see that the net YEC costs for Stage One are  
8 zero under the midpoint cost estimates.

9 Q Now, in terms of doing this cost benefit analysis,  
10 my understanding of your position is that if it is  
11 not borne by ratepayers, it is not something to be  
12 considered in terms of a cost?

13 A The analysis in Schedule 1 is a ratepayer-focused  
14 analysis done for an application -- originally done  
15 in the PPA application for something that the Board  
16 has jurisdiction over, which is rates and costs for  
17 ratepayers.

18 In the context of this hearing,  
19 recommendations to the Minister, I think I would  
20 acknowledge that other costs and benefits, outside  
21 of those that only affect ratepayers, would  
22 certainly be within the purview of evidence the  
23 Board would consider and take into account in its  
24 recommendations.

25 So this schedule isn't designed for that  
26 purpose but the evidence that one would need to

1 have that discussion is readily available here.  
2 Q Okay. So in terms of making a recommendation to  
3 the government, we can look at, for example, the  
4 midpoint cost analysis, if you would. And if we  
5 are looking at a \$22.6 million projected cost of  
6 the project, in terms of cost to not only  
7 ratepayers, but I guess we can also call them  
8 taxpayers, and this is the type of submission we  
9 made in the PPA review, we would actually say that  
10 the only deduction here would be the \$7.2 million  
11 from the Minto capital contribution, in terms of  
12 seeing what the cost is to not only ratepayers but  
13 also taxpayers to the YTG.

14 Would you agree with that as a way of  
15 conceptualizing it when making a presentation to  
16 the government as to whether or not the costs  
17 outweigh the benefits, or whether the benefits  
18 outweigh the costs?

19 A I wouldn't completely agree. I think the YDC  
20 costs, to some material extent, not 100 percent,  
21 are a recognition of increased benefits to YDC from  
22 the flexible term note, and making sure that those  
23 benefits, in terms of increased payments, are  
24 offset by a no cost capital contribution toward the  
25 project.

26 I would also say that to do a proper economic

1 assessment from the public interest perspective,  
2 you would have to take into account the benefits  
3 secured by the Government of Yukon, by the Selkirk  
4 First Nation and by others, presumably the  
5 Government of Canada, from the savings accruing  
6 from Minto using hydro power at ten cents rather  
7 than diesel costs at whatever.

8 Minto's advice to us is that a good portion of  
9 their savings, 50 percent or more, would go out  
10 from Minto to others, through taxes and royalties,  
11 and wouldn't accrue to Minto shareholders.

12 So if we were going to get into the analysis  
13 of a full public interest perspective, you would  
14 have to get into thinking about those things as  
15 well as any increased job benefits or other things  
16 that flowed from the project's construction and  
17 development.

18 And to the extent that the cost contribution  
19 here, for what is shown as 9.9 million, up to 10  
20 million of new Yukon Government funds, to the  
21 extent that that comes from infrastructure funds  
22 funded through Canada, at least from the Yukon  
23 perspective, it would be a zero cost to this  
24 region. So you have to take into account a number  
25 of things of that nature to get into that broader  
26 analysis.

1           The information requirement set out in the OIC  
2           for such an application didn't seem to call for  
3           getting into all of that so -- and I am not sure  
4           that we have the time or the ability to pull all  
5           that together. But I have seen such analysis in  
6           other jurisdictions when people are being asked  
7           these types of questions, so I give you those  
8           comments.

9   Q   You mentioned something along the lines of, to the  
10       extent that the YTG funds maxed out at \$10 million  
11       comes from federal funding. Can you tell us how  
12       much, if that's -- let's say, for example, that  
13       funding is \$10 million, how much comes from the  
14       Federal Government as opposed to the Yukon  
15       Government?

16   A   I personally can't tell you any particular ratio  
17       but I do know that my understanding is that the  
18       impetus for a series of commitments was the federal  
19       budget's commitment of funds on many fronts, from  
20       eco-trust funds to infrastructure funds and,  
21       therefore, my understanding is that the impetus for  
22       these funding commitments is very closely tied to  
23       federal funding availability but I can't tell you  
24       -- I don't have personal knowledge of how much and  
25       everything else. I never asked the question and  
26       haven't gotten into it.

- 1 Q So it would be fair to say that you were offered,  
2 in this case, \$10 million, and you have a general  
3 understanding that it is tied to various funds, and  
4 I don't mean to be cynical, but you don't really  
5 care where it comes from?
- 6 A I think the Yukon Energy Corporation, on behalf of  
7 the ratepayers it serves, is always interested, I  
8 gather, in funds that come from honorable and  
9 respectable sources, without necessarily trying to  
10 get into all the details of how the government has  
11 arranged these things.
- 12 Q Now looking at the \$7.2 million Minto capital  
13 contribution -- and this is pre new PPA, so it is  
14 7.2 million across the Board here but that  
15 obviously would change, right, based on my  
16 understanding of the new PPA?
- 17 A My understanding is, no, it wouldn't change.
- 18 Q Will there be a new column or new row?
- 19 A You would have to have higher than high, for there  
20 to be a change. You would have to have a new  
21 column to the right, which isn't necessarily the  
22 direction you go in for higher numbers.
- 23 Q How is that?
- 24 A My understanding of the arrangement in the new PPA,  
25 and the Board's recommendations or directions in  
26 this regard, were that the indexing effect on the

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1 7.2 million would only come into effect to the  
2 extent that costs, tendered costs, ended up being  
3 higher than the high costs in the schedule.

4 So you would have to have a new column over  
5 there to the right that said, if the costs came in  
6 higher than we had here, Minto would then be  
7 charged some extra amount above the 7.2 million,  
8 and in the context of the arrangements agreed to,  
9 YDC would, on Minto's behalf, pay that extra  
10 amount.

11 Q Now, the Firm Mine Rate that is proposed as part of  
12 the new PPA, I am hoping you have a short answer  
13 for this question, is it -- it is the same as that  
14 was proposed in the original PPA, right?

15 A Subject to a couple of changes that the Board had  
16 directed, yes. And when you look at the new PPA,  
17 it will have attached to it a new Schedule C, which  
18 is the Firm Mine Rate. It is exactly the same  
19 schedule that you would have seen in the PPA except  
20 for two changes.

21 In response to the Board's direction, the  
22 available part, the very first part of the rate  
23 schedule, now includes the service areas of Yukon  
24 Electrical Company as well as Yukon Energy.

25 And the other change is on the last page of  
26 the rate schedule under the heading Rate



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- 1 Modifications Applicable. Effectively beforehand,  
2 without me trying to remember the -- if I could  
3 find it, it said there aren't any. Now it says,  
4 effectively, Fuel Rider F will be applied, set to  
5 00 for fuel price forecast filed November 20th,  
6 2006, which was the fuel price forecast that we  
7 used for the cost of service analysis in the  
8 application and, therefore, the basis for the ten  
9 cent rate.
- 10 Q And again, you are partly refreshing my memory.  
11 Did the -- I understand that the base for Mine Rate  
12 in this new PPA is same as the base one, subject to  
13 the modifications you set out?
- 14 A Yes.
- 15 Q To what extent were additions in rate base to -- as  
16 a result of the project, included in that rate?  
17 Were they included at all, first?
- 18 A The short answer is no because the rate doesn't do  
19 that. The cost of service used to support the rate  
20 might, but the rate itself is just a number in a  
21 schedule, so it doesn't get changed because of  
22 anything.
- 23 Q Maybe that is the way I put the question. Did the  
24 cost of service, which led you to the rate, include  
25 rate base additions as a result of the project?
- 26 A I am not sure I understand -- let's to understand

1 each other, start with the time of the PPA  
2 application. What are you asking me in that  
3 context back then, a few months ago?

4 Q Well, a few months ago, there would have been  
5 implications with respect to rate base additions.

6 A Rate base additions such as, what are you thinking  
7 of?

8 Q The project costs, the Part 1 project costs?

9 A Yes, at the time that the cost of service was done  
10 for the PPA application in Attachment A, the cost  
11 of service analysis included provisions for  
12 forecast costs of both Yukon Energy and Yukon  
13 Electrical, based on their most recent filings with  
14 this Utility Board, plus provisions for rate base  
15 additions that weren't yet considered in those  
16 filings, such as the Mirrlees life extension, for  
17 example, such as the Carmacks-Stewart Project with  
18 net costs that were then considered to be still  
19 borne by ratepayers, the 9.9 million, for example,  
20 and maybe some others that my memory doesn't  
21 recall.

22 Taking together all of those costs and  
23 considerations, the average rate for 2008, for  
24 Minto, the average of demand and the energy charges  
25 and the rate schedule that I just referred to,  
26 averaged out at 10.0 cents, and the average of

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1 service averaged out at about 10.0 cents. So that  
2 was the basis for the cost of service based rate  
3 being approximately 10 cents.

4 If I can help you by just saying, if we were  
5 to do that all over again, which we have not done  
6 for the purposes of any filings, the number would  
7 go down because the government is paying for 9.9  
8 million of costs that we heretofore were charging  
9 through the cost of service, and it would go down  
10 by the amount in Schedule A-1 of the PPA filing, at  
11 page A-17, for the Carmacks-Stewart Stage One line,  
12 where Minto's average rate impact from that one  
13 cost item was about 0.29 cents per kilowatt hour.  
14 So it would go down. But given the arrangements  
15 announced yesterday, the rate will stay at 10 cents  
16 and, indeed, it will go up effective January 1,  
17 2010.

18 Q As a result of escalators built into the rate?

19 A Yes. And it will fluctuate depending on what the  
20 fuel price is, just like anybody else, in terms of  
21 a fuel price rider.

22 Q Now, following up -- I think I am going to leave  
23 these PPA-related questions for now. That was sort  
24 of based on my initial understanding on your  
25 presentation, and I understand I will have some  
26 time to take a look at -- actually look at the PPA

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1 revisions later and hopefully come back with some  
2 more questions.

3           What I would like to do -- it may be helpful  
4 if you turn up your list of interrogatory responses  
5 to UCG in this proceeding. What I have is a series  
6 of questions which, based on your responses, we  
7 have some clarification or follow-up questions. So  
8 it may be easier for you to follow along if you are  
9 looking at your responses while I am asking the  
10 question.

11           I am looking at UCG to YEC 1-1 and, in here,  
12 you were asked about YESAB-related costs, and in  
13 Response No. B, you have mentioned management's  
14 forecasts is that it will cost approximately \$1.32  
15 million to complete the YESAB review; and then in  
16 Response C, as we understand it, you have said, to  
17 the same question, that the number is \$1.194  
18 million. And the simple question is whether you  
19 could reconcile those two figures for us?

20 A Bear with me as I get my mind back on each one of  
21 these. I am somewhat distracted by other matters  
22 recently.

23           B and C we are dealing with two different  
24 things. Question B was, provide the details of the  
25 amount of the YESAB-related costs that have been  
26 incurred to date and forecast, separated. C asked

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1 us, please provide the details of these same costs  
2 related to the transmission project being addressed  
3 in Part 3. So B gave you a number of a forecast of  
4 1.382 million to complete the YESAB review, keeping  
5 in mind all the uncertainties related that to.

6 But the YESAB review is dealing with an  
7 application for the Carmacks-Stewart Project as  
8 filed for in this Part 3 hearing, and the Minto  
9 Spur Project in addition. It is seeking the YESAB  
10 review and all of the land use permits for both of  
11 those two projects. Okay?

12 So the people that prepared this in Yukon  
13 Energy therefore interpreted C as the need to  
14 allocate the common Carmacks-Stewart/Minto Spur,  
15 and that's how they refer to it all the way --  
16 CS/MS is the standard acronym used in the YESAB  
17 submission for the project. The  
18 Carmacks-Stewart/Minto Spur cost, to the Minto Spur  
19 and the Carmacks-Stewart Project, has not been  
20 finalized, but, based on an initial assessment,  
21 they did that estimate of 1.194, out of the 1.382,  
22 as the portion that would pertain to the  
23 Carmacks-Stewart Project. The balance would be the  
24 Minto Spur project.

25 Q I see. Can you describe how you separate those  
26 costs between the two?

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1 A My understanding, in a preliminary manner, subject  
2 to its review by the corporation in detail and its  
3 Board of Directors, is this was done based on the  
4 line lengths for Minto Spur compared to the total  
5 of the Carmacks-Stewart Project. In other words,  
6 there is a 170 something kilometre line for  
7 Carmacks-Stewart, there is a 27 kilometre line for  
8 Minto Spur. The total of those is whatever it is.  
9 I don't do math on the stand. And the portion  
10 charged to the Carmacks-Stewart line would be the  
11 Carmacks-Stewart distance over the total of the  
12 two, is my understanding.

13 Q Okay. So would it be safe to assume, then, that  
14 based on that, that the ratio of costs allocated to  
15 one or the other will remain consistent as the  
16 number grows?

17 A Assuming that that method is confirmed by detailed  
18 management review and the Board of Directors, yes,  
19 subject to a couple of provisos. Common costs  
20 would be allocated using some method of that  
21 nature, and, at the moment, that is as good a  
22 method as anybody can put forth.

23 But costs that are specific, for mapping or  
24 aerial photography or permits, that can be  
25 specifically allocated because they clearly pertain  
26 to one project or the other, would not be so

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1 assigned, they would be specifically assigned. So  
2 subject to that, the common costs have to be  
3 allocated using some method and that is about as  
4 good a method as anybody I have heard discuss to  
5 date.

6 Q Thank you. I am looking at UCG to YEC 1-2, and  
7 this is a response related to the Minister's letter  
8 committing \$10 million in YTG funding. And we took  
9 it from that response that, at least at that time,  
10 there was no information as to how much money, up  
11 to 10 million, was going to be available; like what  
12 factors would determine which amount between zero  
13 and \$10 million would be provided. Can you explain  
14 the determining factor? Is it -- well, perhaps you  
15 can just explain how it is that the government is  
16 supposed to determine how much of the \$10 million  
17 they are actually going to put in?

18 A Well, you may be reading a lot more into it than  
19 needed. As far as YEC understanding, is that the  
20 government is committed to pay us up to 10 million,  
21 means they are not going to pay us 10 million if we  
22 don't incur 10 million of costs, but they will pay  
23 us 10 million if we incur 10 million or more. So  
24 that's simple.

25 Q So whatever outstanding costs are, after the Minto  
26 contribution, up to a maximum of \$10 million?

1 A Right. And YDC's costs, and the 450 already  
2 committed before it.

3 Q So less, less, less of the 10 million?

4 A Yes, that's our understanding.

5 Q Now, --

6 A Just a thought, that one would sit worrying about  
7 how they might interpret "up to". It would not be  
8 a very good deal if we had to wait to find out what  
9 the "up to" meant. Sorry, I just never thought of  
10 it that way.

11 Q Well, it doesn't hurt to be careful.

12 Now, in response to -- and this is a similar  
13 topic -- in response to UCG to YEC 1-27, it was  
14 estimated that the annual operating costs  
15 associated with Stage One facilities are \$100,000  
16 per year. Now, the assumption, I understand it, or  
17 perhaps you can confirm, the assumption is that  
18 ratepayers would pay that on an ongoing basis,  
19 correct?

20 A Yes. And that is an average over a long time  
21 period. The number would be probably less at the  
22 beginning and grow some time in the future. It was  
23 meant to be an average, so don't assume every year,  
24 starting at Year 1, it is a \$100,000. I am told  
25 that is not the case at all. On the long-term  
26 average, that is a good number for planning



1 purposes.

2 Q Perhaps you can explain, it said several times that  
3 the project will have no adverse impact on  
4 ratepayers, but presumably having to pay \$100,000  
5 per year per project is an adverse, or potentially  
6 adverse impact. Could you explain or reconcile  
7 those two ideas?

8 A MR. MORRISON: Madam Chair, I am going  
9 to let Mr. Osler answer this, but I am dying to  
10 answer.

11 A MR. OSLER: Go ahead.

12 A MR. MORRISON: \$4 million in revenue,  
13 minus \$100,000, doesn't provide much of a net  
14 impact for ratepayers. And I am using a different  
15 number because, you know, \$3.2 million is the  
16 earlier -- 32 gigawatt hours is an earlier number.  
17 I am quite confident, by the time the mine is up  
18 and running, it is going to be using 40 gigawatt  
19 hours a year. So 10 cents times 40 is \$4 million a  
20 year. To get a \$100,000 cost to operate, I don't  
21 think that is a net impact on ratepayers.

22 A MR. OSLER: I just would add, in  
23 case you eventually get there, that there are  
24 savings as well from Pelly with or without the  
25 Minto mine, and those levels of savings are in --  
26 are well above \$100,000. So I mean there would be

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1 ongoing savings, so long as there is surplus hydro  
2 on the system, in serving at least Pelly Crossing.

3 Q Moving on to a related topic, the \$5 million  
4 contribution from the Yukon Development  
5 Corporation, are there any conditions on that, or  
6 is that confirmed?

7 A MR. MORRISON: No conditions that I am  
8 aware of. No, sorry, I just wondered if my mike  
9 was on. I wasn't sure if the court reporter heard.

10 THE CHAIRPERSON: Can everybody hear the  
11 panel? It seems appropriate. I'm sorry, Mr.  
12 Buonaguro, which IR was that you were referring  
13 to?

14 MR. BUONAGURO: These are related to  
15 1-2, still. I haven't moved on. I referred  
16 briefly to YEC-127 because that quantified the  
17 \$100,000 annual operating, but in terms of -- I am  
18 still sort of asking questions related to the Yukon  
19 Government funding.

20 Q MR. BUONAGURO: Now, and perhaps you  
21 can take this subject to check, we understand that  
22 the annual dividends paid by YEC to the Yukon  
23 Development Corporation are, and I will give you  
24 the year and the amount, for 2005 was 2.839  
25 million, 2004 was 3.649 million, for 2003 was 3.444  
26 million, and for 2002, .169 million, for 2001 was

1 2.196 million. Can you take those subject to  
2 check?

3 A MR. MORRISON: Sure.

4 Q Do you have a figure for 2006, or an estimate?

5 A No, I don't yet, not in front of me.

6 Q Sorry?

7 A Not in front of me.

8 Q That means that for the last five years, 2001 to  
9 2005, the dividends totalled \$12.297 million. Can  
10 you take that subject to check?

11 A Sure.

12 Q Now, the \$5 million being provided by YDC is  
13 primarily -- or is it safe to assume that that is  
14 primarily sourced from money transferred to YDC  
15 from YEC? So the \$5 million presumably comes from  
16 the 12 point something million dollars that it  
17 receives in dividends?

18 A You asked two different things, and I can't answer  
19 yes to both of them. I can answer yes to the first  
20 part, it is money that is being transferred somehow  
21 from YEC to YDC, but it is not dividends. And I  
22 think if you refer back to the answer previously,  
23 that Mr. Osler provided, it is related to the flex  
24 term note payments that YEC makes to YDC, and the  
25 idea behind it is that YDC, because of increased  
26 generation on the system, will receive higher flex

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1 term note payments, and they have agreed to return  
2 some of that back to YEC in the form of a note cost  
3 contribution.

4 Q So is that calculation outside of the revenue that  
5 is paid to YDC?

6 A No. It is part of a loan payment -- I am just  
7 trying to be careful, Mr. Buonaguro and Madam  
8 Chair. I don't want to create a misunderstanding.  
9 It is separated -- it is part of the revenues that  
10 the Development Corporation acquires. It is a loan  
11 payment calculation but it is not dividends. If I  
12 am being unclear, perhaps you might --

13 Q No, I think I have it. Thank you.

14 A MR. OSLER: For the record, there  
15 are payments from YEC to YDC for various purposes.  
16 One of them you have noted is dividends, another  
17 one would be interest payments on loans that YDC  
18 has provided to YEC, and the third one would be,  
19 given that YDC has acquired the flexible term note  
20 from Canada, any payments made under the flexible  
21 term note now go to YDC.

22 There are also payments from YDC back to YEC  
23 in terms of reinvestments and new loans, so I would  
24 caution you that you have to look at the full flow  
25 of funds both ways to know what is going on, rather  
26 than just the dividend payments.

- 1 Q So in a general sense, the dividend payments and  
2 the \$5 million going back to YEC are two separate  
3 streams?
- 4 A That would be my understanding of the long-term  
5 analysis, yes.
- 6 Q Thank you. Now, I don't think you have to refer to  
7 it, but on the Schedule 1 that we were looking at  
8 before, which was, I believe, page 7 of the  
9 application, the estimated contribution from the  
10 Yukon Government for that, to ensure that no costs  
11 were added to rate base, was \$9 million. Do you  
12 have --
- 13 A 9.9 actually.
- 14 Q Sorry, what was it?
- 15 A 9.9 under the midpoint cost estimates.
- 16 Q No, I am actually looking at Stage Two, sorry, I  
17 didn't say that. I can't remember if I said that  
18 or not.
- 19 A Believe it or not, I know what you are talking  
20 about now.
- 21 Q Sorry, I am a little slow today from my flight, but  
22 I think I am doing okay. It is \$9 million for  
23 Stage Two. Do you have an estimate of the  
24 operating costs associated with Stage Two, similar  
25 to the estimate for Stage One?
- 26 A MR. MORRISON: I think that it is

1 relatively safe to say yes, it is going to be  
2 similar to Stage One. It is a similar length. It  
3 is a little bit different in length, but more or  
4 less \$100,000. I don't think we are talking about  
5 anything of material effect.

6 Q Perhaps this is a good time to ask this question.  
7 With respect to Stage Two, how do you anticipate  
8 Stage Two will be treated in terms of regulation?  
9 Is it part and parcel of this process? Because I  
10 understand it was applied for in this process. But  
11 would it be coming back for a second certificate if  
12 the government were to require it?

13 A MR. OSLER: Well, we will do  
14 whatever is required by law, first of all. But our  
15 understanding is that Yukon Energy has applied for  
16 all of the permits -- it has applied through the  
17 YESAB process application for the full  
18 Carmacks-Stewart Project plus the Minto Spur, and  
19 all of the permits and approvals needed from the  
20 various levels of government and the First Nations,  
21 for that entirety, are being sought through that  
22 process. So that we would not anticipate, if Stage  
23 Two proceeded in a reasonable period of time,  
24 subject to whatever rules may exist as to how long  
25 permits are valid, et cetera, that there would be  
26 any subsequent YESAB-related application process

1 when it went forward with Stage Two.

2 Similarly, given the government's funding  
3 commitment letter attached to this application for  
4 the certificates, Yukon Energy has filed for the  
5 full certificates required for Stages One and Two  
6 of the Carmacks-Stewart Project, one would assume  
7 that the recommendations of the Board and the  
8 ultimate disposition by the Minister will put terms  
9 and conditions on when Stage Two should be acted  
10 on, but we would not anticipate the need for a  
11 subsequent filing with the Minister of an  
12 application for certificates, or for the Minister's  
13 reference to this Board of such applications,  
14 pursuant to Part 3 of the Act at such time as Stage  
15 Two was to be ready to go forward.

16 The one item that I could see a potential  
17 requirement for Yukon Energy to revisit this Board  
18 would be an application for approval of a PPA with  
19 a major industrial customer that was critical to  
20 the development of Stage Two. And since it is  
21 envisaged that Stage Two's development would be  
22 likely contingent on both commitments from a new  
23 industrial customer and from the Yukon Government  
24 to commit certain funds, these are just example  
25 numbers in Schedule 1 for Stage Two, they are not  
26 commitments of specific amounts, I would assume

1 that Yukon Energy would want to have such a  
2 commitment, from the industrial entity involved,  
3 made firm through an agreement and approved by the  
4 Board, as it did in this instance, through a Power  
5 Purchase Agreement approval. So in that sense,  
6 there might be one more need to -- for regulatory  
7 review for Stage Two to proceed, but that's the  
8 only one I can foresee.

9 Q I see. So it may not take the form specifically as  
10 a project certificate, energy project certificate  
11 proceeding?

12 A MR. MORRISON: Mr. Buonaguro, Madam  
13 Chair, I think to help to be clear, if we are  
14 talking about, to be specific, Western Copper Spur  
15 into the Western Copper mine, if we are talking  
16 about that as an example, that wouldn't qualify  
17 under the terms of the Act as an energy project.  
18 It is a very small -- it is about an 11 kilometre  
19 line. Certainly would be substantive in terms of  
20 voltage, 138 kV, but it is a very short spur, so I  
21 don't think you would be able to qualify it as an  
22 energy project under the terms of the Act.

23 It will require a Power Purchase Agreement  
24 with the customer, and we will bring that Power  
25 Purchase Agreement back to this Board for approval,  
26 just as we have with this Power Purchase



1 Agreement.

2 I do want to be clear, though, for Mr.  
3 Buonaguro's benefit, Madam Chair, that it will also  
4 require a YESAB application for the 11 kilometres,  
5 just to be specific.

6 So if we do enter into any kind of an  
7 agreement or discussions with Western Copper for  
8 that 11-kilometre section of line, it will require  
9 a full YESAB application in addition to bringing  
10 the PPA document back here.

11 Q Thank you. I am looking at UCG to YEC 1-5 and 1-6,  
12 because they are related. The first one talks  
13 about the decommissioning and removal of existing  
14 Carmacks station, and the second one, the Pelly  
15 Crossing decommissioning costs. And I think your  
16 answers to those two questions basically say that  
17 those are the responsibility of YECL, correct?

18 A MR. OSLER: Correct.

19 Q But these are costs that will be incurred by  
20 ratepayers with respect to, I guess, the  
21 decommissioning, in order to account for the impact  
22 of the transmission line, right?

23 A Let's be very clear. The new distribution  
24 connections in each instance of these two  
25 questions, one at Carmacks and one at Pelly  
26 Crossing, are the distribution responsibility of

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1 YECL and would be applied for separately, would not  
2 be part of the certificates here or the YESAB  
3 applications that we have made, and would involve  
4 costs that ratepayers would ultimately be  
5 responsible for.

6 The decommissioning of the Carmacks --  
7 existing Carmacks substation, that is a YEC  
8 substation on top of the hill, so you can't  
9 decommission it, can't consider decommissioning it,  
10 until a new distribution line connects the new  
11 Carmacks substation into the YECL system there.  
12 But once that took place, it would be feasible and  
13 likely a good idea to decommission that  
14 substation. That would be a YEC responsibility and  
15 be dealt with separately, and it would ultimately  
16 have costs for the decommissioning process that,  
17 net of salvage or other things that I don't have my  
18 mind on, would be borne by ratepayers.

19 Q And that holds true for Pelly Crossing as well,  
20 that sort of analysis?

21 A At Pelly Crossing, YEC does not have any facilities  
22 in the neighbourhood. It is a YECL-served isolated  
23 community, as part of the small diesel zone, and so  
24 essentially, my understanding or expectation is  
25 that the diesel facility there would remain as a  
26 security, you know, reliability measure, and that

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1 the connection into that system that YECL would do,  
2 where they have to decide whether they take it to  
3 the diesel plant or what.

4 Mr. Morrison is just suggesting that I make  
5 the point that, under rate directives in Yukon,  
6 Order in Council 1995-50, I guess it is, a cost  
7 saving in Pelly Crossing on diesel use, even though  
8 it is an isolated community served by one utility,  
9 has beneficial effects for all Yukon ratepayers,  
10 through rate equalization, effectively.

11 So it is not a cost that only makes a  
12 difference for the people there. What makes a  
13 difference for the people there is not having the  
14 diesels running 24/7, and also the opportunity to  
15 have access to hydro zone rates, without  
16 limitations, before you start paying diesel fuel  
17 prices. So those are the two big effects for a  
18 resident of Pelly Crossing. But all Yukoners share  
19 in the saving of fuel costs that would arise from  
20 serving Pelly Crossing through hydro surpluses  
21 rather than running diesel.

22 Q I am going back just briefly to the Carmacks  
23 substation, which you said would be your  
24 responsibility assuming that you would have to  
25 decommission it. Do you have a high level estimate  
26 of what kind of a cost that is?

1 A No, I don't.

2 Q Is it something you can do in the next day, just so  
3 I have the number?

4 A Personally, no. Whether anybody else in the Yukon  
5 Energy -- I can ask.

6 A MR. MORRISON: No, Madam Chair, sorry,  
7 it is not something that we can do that quickly.  
8 We would have to go out and have a look at it and  
9 pull together some costs.

10 But I would point out again, I think the costs  
11 are insignificant, again, in terms of it is not  
12 millions of dollars to do this. You know, it is  
13 not a material cost, you know, it is very minor in  
14 relation to the amount of revenue that is being  
15 generated by the sale of power to both Pelly and  
16 the mine.

17 A MR. OSLER: I have been told, while  
18 working on this project, that that particular  
19 substation is on the top of the hill, which I have  
20 looked at, I haven't ever gone up to it, but on a  
21 road that is not considered all year round reliable  
22 and, on that grounds, for all sorts of good reasons  
23 independent of this project, the corporation had  
24 been looking at changing the substation in any  
25 event, just for a long-term planning and  
26 reliability purposes.

1           So I think it is a useful thing to keep in  
2 mind that there are other reasons for considering a  
3 change in substations independent of building a  
4 Carmacks-Stewart Project.

5 Q Thank you. I am referring to UCG-YEC 1-17, and  
6 this asks -- the question asked you about the  
7 Carmacks Copper mine and I guess the time lines  
8 with respect to that.

9           Can you give us an idea, and I think you  
10 actually referred to it briefly in Schedule 1 that  
11 we were referring to earlier, in terms of providing  
12 an updated time line for Stage Two, is there  
13 anything you can give us now in terms of the status  
14 of Carmacks Copper as it relates to Stage Two?

15 A MR. MORRISON:                   Madam Chair, we haven't  
16 had any discussions with Carmacks Copper for  
17 several months, and several months is not one, two,  
18 but three or four. I have no relevant information  
19 to provide to the Board or this hearing in regard  
20 to that.

21           I did recently hear from them that they would  
22 like to meet and discuss some issues, but, given  
23 the workload that is in front of us, I have told  
24 them it will be at least another two or three  
25 months before we would be ready to talk to them.  
26 We just don't have the ability to deal with the

1 Carmacks Copper Project at the moment given the  
2 YESAB and the YUB processes and the permitting that  
3 we are going through. I really don't know where  
4 they are at in terms of whether they are trying to  
5 get into production by any given date, or where  
6 their targets are at this time.

7 So I really would hesitate to speculate on  
8 that, and I don't think I really have anything  
9 substantive to offer today. Thank you.

10 Q Thank you. You mentioned the YESAB again, and this  
11 is referring to UCG-YEC 119(b), do you have any  
12 update information about the timing for the draft  
13 and final YESAB reports?

14 A MR. MORRISON: All I can tell you is  
15 that our application, Madam Chair, is moving  
16 through the process at a rate, you know, a little  
17 bit slower than we would think but not, at the  
18 moment, materially slower, and I think given that  
19 YESAB is a new process, I think we are relatively  
20 pleased with where we are at today.

21 We have been answering information requests  
22 from the Board and have been satisfying them, but  
23 we anticipate that, if not by the end of April, it  
24 will be very shortly in May that we would hear from  
25 YESAB in terms of our anticipation of a draft  
26 screening report, which is another step along the

1 way.

2 A MR. OSLER: Item C in that answer  
3 said that our current best estimate at the time we  
4 did this answer, which was April 27th, was current  
5 time lines seem to be delayed by about two to four  
6 weeks from those estimated in our application. We  
7 have nothing new to add to that today.

8 Q And with respect to parts D and E, and this has to  
9 do with the access agreement within TFN prior to  
10 completion of the current YUB proceeding, do you  
11 have any update on that?

12 A MR. MORRISON: No, Madam Chair. We  
13 are dealing with the Northern Tutchone First  
14 Nations on an ongoing basis. We have, several  
15 weeks ago, met with them, discussed the access  
16 application process. Again, this is a new process  
17 for them, they have never been through this before,  
18 so we have provided them with a document that we  
19 feel would suit their requirements, and we are  
20 waiting to hear back from them.

21 Q Do you have -- forgive me if this is in the  
22 application, but I don't remember seeing it. In  
23 terms with respect to these agreements, is there a  
24 cost associated with them, either -- I guess there  
25 would be two sets, negotiating them, or there could  
26 be cost implications as a result of them?

1 A MR. OSLER: Which agreements? If  
2 you are talking about, say, the Northern Tutchone  
3 MOU or the project agreement, yes, there are costs,  
4 and they are part of the total cost packages that  
5 you were asking about earlier for the whole "YESAB  
6 process".

7 In terms of an access permit from Yukon  
8 government or from a First Nation, there are costs  
9 to prepare it and there can be other charges  
10 relating to it, yes, and they would be part of the  
11 permitting cost process for the relevant project.

12 Q Are they known?

13 A No, not always. And in the case of a new process  
14 like the Northern Tutchone First Nation, the  
15 application itself is not known, it has never been  
16 done before, and we are not -- we can be optimistic  
17 that there will be only the cost to prepare the  
18 application.

19 Q Okay. I am referring to YCG-YEC 1-22(b).

20 A UCG?

21 Q UCG 1-22(b). This asks you about the contractors.  
22 And you have given a response, and I have a few  
23 follow-up questions. Can you explain what the  
24 specific criteria you used to determine "competent  
25 service providers"?

26 A MR. MORRISON: Not off the top of my



1 head. Are you referring to in the Expressions of  
2 Interest?

3 Q Yes.

4 A I mean we can certainly provide you with a copy of  
5 the Expression of Interest. I am not --

6 Q You must have -- did you not have selection  
7 criteria?

8 A We have selection criteria, yes. After we got the  
9 Expressions of Interest, yes, we did. I can't give  
10 you that off the top of my head but we certainly  
11 went through a process. All of these individual  
12 firms that submitted Expressions of Interest were  
13 reviewed and ranked according to a set of criteria  
14 that they had to meet. I don't have them.

15 Q Can we get them? Is it something that is in a  
16 document?

17 A I need to think about that, Madam Chair. I am a  
18 little concerned that, you know, we are giving  
19 something that we use to rank contractors and I  
20 really -- there is a process, we certainly ask them  
21 to meet a certain number of requirements in their  
22 Expression of Interest, but let me see if we can't  
23 find something that would help Mr. Buonaguro.

24 MR. LANDRY: Madam Chair, if I may, I do  
25 have some difficulty in that area because I am  
26 familiar with it being requested in other

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1 jurisdictions and I would only say that obviously,  
2 whatever the Board requires in order to make its  
3 recommendation, if it is confidential information,  
4 and relevant, Yukon Energy would supply it in  
5 confidence to the Board, but it is not in the  
6 ratepayers' interests or in Yukon Energy's  
7 interests to be releasing proprietary and  
8 commercial information that may have an impact.

9 In the case of ranking firms, let's use this  
10 one as an example, I mean these rankings are not  
11 shared with the other engineering firms, as an  
12 example. It doesn't mean that Yukon Energy could  
13 not provide, for the public, the type of criteria  
14 it uses, but the rankings would be commercially  
15 sensitive information.

16 A MR. MORRISON: Madam Chair, in order to try  
17 to be helpful, I mean, I am not sure where Mr.  
18 Buonaguro is going in this regard, but clearly, one  
19 of the criteria was that these companies had worked  
20 on and had been involved in the engineering and  
21 design of transmission lines, and the -- we had, in  
22 terms of the response to this Expression of  
23 Interest, all of the pre-eminent engineering  
24 companies in this country that provided an interest  
25 in the project. The bidders for the project are  
26 absolutely eminently qualified to do engineering

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1 work on transmission lines. They have all done  
2 this numerous times for numerous small and large  
3 transmission line projects.

4 So if Mr. Buonaguro is trying to determine  
5 whether or not we have actually got somebody who is  
6 qualified to do the work, I am absolutely confident  
7 that we had the best companies in the country  
8 bidding on this work.

9 Q I guess two things. One, I don't think I am so  
10 interested in the actual rankings that were done, I  
11 am more interested in the process used to obtain  
12 or, I guess, to go through the ranking.

13 Second, this is, I guess in reference, and  
14 this came up in the resource plan hearing, the  
15 report on the Mayo-Dawson transmission line with  
16 respect to the Auditor General's report, and I can  
17 quote, from that, paragraph 58 of the February 2005  
18 report which says: In summary, we identified  
19 significant deficiencies in contracting for  
20 construction and services. The corporation had no  
21 established contracting policy and no clear  
22 contracting procedures to provide for transparency  
23 and competition and ensure best value. It awarded  
24 many contracts on a non-competitive basis. That is  
25 obviously with respect to the Mayo-Dawson  
26 Transmission Project.

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1           This question goes to how the process was done  
2           in this case, and we just wanted to see what kind  
3           of criteria they were applying?

4 A   As I said, we can certainly provide the actual  
5           Expression of Interest, which outlined to  
6           prospective bidders what they were expected to  
7           provide to the Energy Corporation as a matter of  
8           that.

9           I am not going to let Mr. Buonaguro hang that  
10          one in the air on me, his little Auditor General  
11          statement. I think we have been through this. We  
12          have addressed all of those issues. We have  
13          contracting policies, we have provided all of that  
14          information to this Board in the different hearings  
15          that we have been at over the last little while.  
16          Very specifically in this case, we are not doing a  
17          design build contract, which was the Mayo-Dawson  
18          issue. This a specific separated engineering  
19          and -- engineering design and construction  
20          project.

21          We went through a process where we asked  
22          engineering companies to express their interest to  
23          us in bidding on the job, and in that process, we  
24          were able to determine their qualifications in  
25          order to bid on the job. We then short-listed that  
26          down to, I believe, five engineering companies, and

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1 asked them to actually put forward proposals, all  
2 of which was done in a very, I would say to you, in  
3 a manner consistent with good contracting policies  
4 and procedures.

5 We received those proposals, they were all  
6 ranked, and we awarded an engineering company,  
7 Wardrop, as everyone knows, we awarded them a  
8 contract for preliminary engineering and design.

9 The bidders -- we had a two-stage process,  
10 Expression of Interest and Qualifications first,  
11 and then a number of those firms were asked to bid,  
12 all of which I have said are very competent  
13 engineering firms, every last one of them. And I  
14 think, you know, we'll consider if there's further  
15 that we can help Mr. Buonaguro with, and I am happy  
16 to try to help him, but it may be limited.

17 Q Thank you for your answer, and I would be happy to  
18 get a copy of the Expression of Interest if that  
19 can be done quickly, which I assume it can.

20 THE CHAIRPERSON: Thank you.

21 MR. LANDRY: Can I assume, Madam  
22 Chair, that the only undertaking on the record is  
23 for the Expression of Interest, just to make the  
24 record clear?

25 THE CHAIRPERSON: That's correct.

26 MR. LANDRY: Thank you, Madam

1 Chair.

2 Q MR. BUONAGURO: I thought I heard  
3 somebody talking. I couldn't tell where it was  
4 coming from.

5 A MR. MORRISON: Mr. Osler is trying to  
6 help me.

7 Q I am referring to UCG 1-22(e) which asked you for a  
8 breakdown of the contracting costs that are  
9 associated with the transmission project being  
10 addressed, and the review, and you gave us an  
11 answer of \$393,000 allocated to the  
12 Carmacks-Stewart Project and \$61,000 to the Minto  
13 Spur. And you may have already answered this in my  
14 previous question, but maybe not. Can you explain  
15 how the division was determined between the two  
16 projects?

17 A MR. OSLER: To the best of my  
18 knowledge, the same method I described earlier for  
19 the allocation of the common cost; namely, based on  
20 line length, and the fact that these are early  
21 stage costs where it would be probably not useful  
22 to try and get more precise. I know that if we get  
23 into the final design costs, they will be specific  
24 to each of the two projects and will be assigned  
25 directly. But I think the preliminary engineering  
26 was treated as a common cost and allocated as I

1 have described earlier for common costs.

2 MR. BUONAGURO: I am sorry, Madam  
3 Chair, I can't recall when you intended to break  
4 for lunch.

5 THE CHAIRPERSON: I believe we had  
6 indicated this morning around 12:30, but can you  
7 give me -- I would like to get your questioning on  
8 your follow-up questioning completed. Can you give  
9 me an idea how much time you might still require?

10 MR. BUONAGURO: It's possible that I  
11 will be done in a half an hour for 12:30, which  
12 would be your projected time.

13 THE CHAIRPERSON: I propose we proceed  
14 until 12:30 in that case.

15 MR. BUONAGURO: All right, thank you.

16 Q MR. BUONAGURO: I am referring to  
17 1-23(b). I am now dropping the UCG-YEC nomer, so  
18 if it's something other than that, I will let you  
19 know.

20 You were asked about the details of the costs  
21 associated with the expected environmental and  
22 socio-economic impacts of the project, and your  
23 response was: "No estimates available at this  
24 time", and you said, "Not expected to be material  
25 in the context of overall project costs". And we  
26 just wanted to get an idea of what you mean by

1 "material" in the context of this costs. Would  
2 material be something less than 10 percent of the  
3 overall costs, less than 5 percent?

4 A MR. OSLER: Your question is what  
5 might one consider material. And in a broad sense,  
6 the term would usually mean something that might  
7 change your decision making in whether to go  
8 forward or not go forward with a project. In this  
9 context, that could be quite a big number.

10 The other way in which the term is used is  
11 that, in the context of a project for 20 million  
12 plus dollars, we are talking about something that's  
13 50,000, 100,000 or whatever, a year, like the O&M  
14 costs that we discussed earlier, it's not something  
15 that is going to swing the project one way or the  
16 other.

17 In this particular context, I would add,  
18 though, that really, with a transmission line  
19 project in general, and with this one specifically,  
20 we really don't anticipate any material estimating,  
21 cost estimating, with respect to the issues  
22 addressed for environmental and socio-economic  
23 impacts. I know there will be trappers'  
24 compensation and mitigation issues to be addressed,  
25 but they are not large numbers, based on experience  
26 throughout Canada, in terms of the project costs we



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1 are talking about. Beyond that, there will be some  
2 monitoring requirements of authorities and things  
3 like that, but again those are not large costs.

4 So there's additional reasons for saying it's  
5 not going to be material in the context of a  
6 transmission line in an area such as we are talking  
7 about, with all the work that has gone into the  
8 planning of it. You just can't envisage any way in  
9 which the word "material" could apply to what we  
10 are talking about here.

11 Q Thank you. I think you may have partially answered  
12 this, but I will just make sure. I am looking at  
13 1-26(b) and (c), and this relates to the Aishihik  
14 third turbine.

15 I think your answer was: "The opportunity to  
16 accelerate development of this project prior to  
17 2013 is defined by new industrial mine load. This  
18 opportunity is materially further enhanced by  
19 recently announced trust funding for this project  
20 by the federal government". And my question, and  
21 now my understanding from your earlier answers on  
22 this, or maybe it was your examination in chief,  
23 was that moving it up -- the reasons for moving it  
24 up now have changed because you have got the  
25 eco-funding. Is that right?

26 A In a nutshell, yes, that's the key. It's a

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1 \$7 million project in 2005 dollars. It makes sense  
2 to do, based on what we discussed in the Resource  
3 Plan hearing, without any Carmacks-Stewart Project  
4 or Minto Mine, by the date, say, 2013; it makes  
5 sense because the diesel savings for peaking use  
6 and long-term baseload diesel use, the savings from  
7 this project would more than offset, in the long  
8 run, the \$7 million. That's the point. The  
9 eco-funding at least puts up \$5 million of the  
10 \$7 million as a Federal Government grant. It  
11 radically transforms the issue of timing into the  
12 project, makes sense pretty easily without getting  
13 into finicking timing debates. Add to that  
14 Carmacks-Stewart, with the Minto Mine adding some  
15 extra load anyway, the eco-funding makes the timing  
16 issue no longer something worth spending a lot of  
17 time debating.

18 Q Thank you. Now, in 1-27(a), you were asked about  
19 the Stage One capital costs. And your answer was,  
20 and I am of the understanding this was at the time  
21 when you were still applying for the Mine Net  
22 Revenue Account, if actual Stage One CSTP capital  
23 costs exceed the contributed funds by  
24 YTG/YDC/Minto, the net resulting capital costs  
25 would go into regulated rate base at the project's  
26 in-service date, and earn an annual debt and equity

1 return. This annual return, along with related  
2 depreciation, will be charged under the PPA to the  
3 Mine Net Revenue Account during the life of the  
4 mine.

5 Obviously this has changed, right?

6 A Yes.

7 Q Perhaps you can give me a synopsis of how it has  
8 changed. You may have already done it, but...

9 A In essence, everything is the same except there is  
10 no Mine Net Revenue Account to pick up the costs.  
11 So if there was a cost overrun, it would go into  
12 rate base as it says here. It would be depreciated  
13 over 50 years. It would earn a return, whatever  
14 the return was on rate base. It would go into the  
15 revenue requirement of Yukon Energy, therefore, it  
16 would have to be picked up through rates. Of  
17 course, at the same time, this project is throwing,  
18 into the revenue requirement, a whole bunch of new  
19 revenue from Minto Mine, et cetera, so there would  
20 be still -- whatever we are talking about here  
21 would have to be one heck of a big overrun to come  
22 close to even touching the revenue that is being  
23 generated by the project. But it would go into  
24 rate base, it would be charged, and it would become  
25 part of the Yukon Energy's revenue requirement for  
26 the years in question, and would go into the

1 calculation of whether what Yukon Energy needed  
2 more or less rate charges in order to meet its  
3 revenue requirement.

4 A MR. MORRISON: And, Madam Chair, I  
5 just wanted to qualify Mr. Osler's statement by  
6 saying, as long as the Public Utility Board  
7 approved it.

8 A MR. OSLER: That is true.

9 Q That actually was my next question. You would  
10 actually apply to have it put into the rate base?

11 A Yes. In a revenue requirement context, we would  
12 bring forth the items to be included in rate base,  
13 and this paragraph, as before it, lines 12 through  
14 14 assume that that process would apply. It would  
15 have applied with a Mine Net Revenue Account, and  
16 it applies certainly without it.

17 Q Forgive me if I look surprised occasionally, but  
18 sometimes when you start talking, I look to the  
19 stereo equipment sitting in front of me, and I  
20 think maybe the Board is talking to me, so I keep  
21 looking to see who is talking.

22 I am referring to 1-27(e), and you were asked  
23 about the operation and maintenance costs, various  
24 sort of ongoing costs that related to the project,  
25 and the answer was that you hadn't done any details  
26 with regards to them. And, again, you talked about

1 material impact on the feasibility assessment. So  
2 I guess the answer in terms of materiality is  
3 similar to your answer earlier.

4 A Yes.

5 Q And I would like to confirm that whatever the O&M  
6 costs are with respect to the facilities,  
7 ratepayers pay them as part of the cost of service  
8 and supply for it?

9 A Yes.

10 Q Thank you. Now, at YEC 1-29, you were asked to  
11 provide construction costs per kilometre for power  
12 line facilities in other jurisdictions, and your  
13 response was that there was no comparable costing  
14 information available for these voltage ranges, as  
15 different utilities allocate and report costs  
16 differently, in particular with respect to owner's  
17 costs. I guess the result is there's no -- you  
18 have no comparative for the project?

19 A The result is that -- and the question, as asked,  
20 got that answer -- in the process of doing our  
21 updated cost estimates that we filed with the Board  
22 in the Resource Planning hearing, Exhibit B-16, as  
23 reported then, Yukon Energy's staff met with  
24 various people and engineering firms and others who  
25 were knowledgeable about current cost conditions,  
26 and received information that we used for the

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1 purposes of the low, medium and high cost estimates  
2 that were filed at that time, and are still being  
3 relied upon in the Schedule 1 exhibit here. So in  
4 that sense, without trying to get into specific  
5 jurisdictions and all sorts of details of the type  
6 that are applied here, current information on what  
7 to expect in the marketplace at the moment was  
8 utilized as an initial preliminary update. Of  
9 course, now we are going through preliminary  
10 engineering cost estimating which advances this to  
11 another level.

12 So I think there is information available, at  
13 the level I just described, that has been used, and  
14 certainly the engineers working on the problem  
15 right now will be looking at the cost information  
16 that is most recent and available to them. But the  
17 question is asked, Yukon Energy did not have that  
18 type of information available for it.

19 Q I think you touched on Part B of that question,  
20 which was updated engineering costs per kilometre  
21 by Wardrop Engineering, and the response at the  
22 time was they weren't completed by Wardrop. Is  
23 there any update available with respect to that  
24 answer?

25 A No. I mean it is scheduled to be done this month,  
26 and it hasn't been done yet.

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1 Q 1-32(b), it was asking about the costs of the third  
2 turbine estimated at \$7 million. Does that cost  
3 estimate still apply in terms of the cost, because  
4 I think there was maybe an issue about what year it  
5 was valued at?

6 A MR. MORRISON: Madam Chair, we haven't  
7 updated these numbers since we last provided them  
8 because we haven't refocused our minds on this  
9 project as yet, but we would certainly update those  
10 costs, you know, once we get through this process  
11 and turn our minds to Aishihik third turbine, but  
12 we haven't got there yet.

13 A MR. OSLER: There was an update  
14 filed, if I'm not mistaken, in one of the  
15 supplementary tabs filed in the June 2006 filing  
16 for the Aishihik third turbine costs. So that's  
17 the last update I am aware of, if you are looking  
18 for it. I think it's Supplementary Tab 1 if I'm  
19 not mistaken.

20 Q I think in 2005 dollars, it's \$7 million. Would it  
21 be something in the order of 8 or \$9 million now?

22 A In terms of just cost escalation, no. And it's not  
23 the same -- talking about a transmission line,  
24 et cetera, it's some equipment inside an existing  
25 facility. We can't help you trying to speculate  
26 what it might or might not be. We hire people to

1 do that.

2 Q Part of how you answered the question suggested  
3 that this would be something that would be done in  
4 some other forum, the updating, when you are  
5 actually going to do the project?

6 A The project has its licenses, and before the Board  
7 of Directors approved someone to go the next step,  
8 they would want to get updated cost information.  
9 Certainly before one ever hired a contractor, there  
10 would be engineering and updating the costs,  
11 getting very specific engineering. So I was only  
12 implying that type of normal process before you  
13 authorized someone to issue a tender and before you  
14 authorized the approval of the company to award the  
15 contract to do the work.

16 I think we said at 24 months, I think is the  
17 time period in the Resource Plan, for the time that  
18 somebody seriously decided to come forward and how  
19 long it would take before it could be built and in  
20 service. Given the eco-funding, when Yukon Energy  
21 is finished dealing with all the matters in front  
22 of it, I would assume this would come up for  
23 review, but it hasn't come up yet.

24 Q Now, I have a few questions that arise out of the  
25 Resource Plan filing with respect to this  
26 particular project. I think it's September 2006,



1 it may be the YESAB, I don't have the reference  
2 here. No, it's the YESAB submissions, and it has  
3 to do with the MOU with the various First Nations.

4 The first question: Have First Nations been  
5 given preference to be employed by Yukon Energy  
6 contractors working on the Carmacks-Stewart  
7 Project?

8 A MR. MORRISON: No.

9 Q At Chapter 1, page 1-6, which was Project  
10 Introduction Overview, the statement was  
11 made: "Prior to any final decision by Yukon  
12 Energy's Board of Directors on the project, the  
13 following tasks will all need to be completed in  
14 addition to securing all required regulatory  
15 approvals and decisions, final engineering design,  
16 costing and construction contract tendering, the  
17 completion of the current YUB review of the Yukon  
18 Energy's 20-Year Resource Plan, the completion of  
19 the PPA with Sherwood Copper, the finalization of  
20 Yukon Government funding related to the project,  
21 and approval of the minister responsible for Yukon  
22 Development Corporation, pursuant to  
23 Order-in-Council 93-108." Given that, can you  
24 confirm that the YEC Board has not made any final  
25 decision on the Carmacks project?

26 A That's correct.

1 Q How is it that you can award a contract for the  
2 project without having finalized the direction to  
3 do the project?

4 A Well, Madam Chair, again, Mr. Buonaguro asked me a  
5 very specific question, has the Board given their  
6 final approval to go ahead, and they have not.  
7 They have given a series of approvals, as we have  
8 reached a series of benchmarks, that they have put  
9 forward to us in order for us to keep going on the  
10 project. The Board has approved the project -- our  
11 Board. Their final approval, in my mind, relates  
12 to the fact that once we have final engineering and  
13 we go out to tender, my Board reserves the right to  
14 not go forward with this project if the costs are  
15 too high. So that's what I mean when I say they  
16 haven't given final approval. We still have some  
17 benchmarks to meet.

18 You can't develop a project without spending  
19 some money on it. We can't develop and keep moving  
20 forward without doing a certain amount of work to  
21 make sure that the project is, indeed, viable, and  
22 continues to be viable over time.

23 Construction projects are not static. They  
24 don't -- you don't start in Year 1 and the costs  
25 stay the same over time. I mean we all know  
26 there's inflation and cost increases for materials

1 and equipment and labour and all of that.

2 So we have laid this project out very  
3 carefully, and we have spent our dollars very  
4 carefully on an incremental basis, based on the  
5 fact that when we have reached certain milestones  
6 such as an LOI, a letter of intent, with Minto, or  
7 a PPA with Minto, or an MOU with First Nations, or  
8 approval of the YUB, that our Board will let us go  
9 a little bit further.

10 We are trying, again, to deal with the issues  
11 that were raised both in this forum, regarding the  
12 Mayo-Dawson project, and such forums as in our  
13 dealings with the Auditor General. We didn't put  
14 the project to the Board and say give us a blank  
15 cheque and let us do whatever we want. We have  
16 been very careful in getting all of our approvals  
17 not just from regulators, and First Nations, and  
18 customers, but we also get incremental approval  
19 from our Board in order to keep going forward.

20 A MR. OSLER: If I could, in the  
21 Resource Plan overview, at page 4, there was a  
22 diagram that tried to say, What does the 20-Year  
23 Resource Plan involve, what comes out of that, and  
24 what does a decision of the project involve? It  
25 all came down in the end that the final decision of  
26 the Board of Directors, after doing a list of

1 things on a project, is the decision that counts.

2 When we are doing consultation with Northern  
3 Tutchone, or with the public in Yukon, or appearing  
4 before this Board, or anybody else, it is of  
5 critical importance that people understand that a  
6 final decision has not yet been made. These  
7 exercises we are going through are not trivial.  
8 They are not a waste of time, and they can make  
9 fundamental differences to whether the project goes  
10 forward or not, as can cost information that comes  
11 into the Board of Directors for the final award.

12 So skeptical people think that, because  
13 somebody is spending some money, everybody has made  
14 final decisions. This language is absolutely  
15 critical. It is not just critical in this  
16 jurisdiction, it was critical for the billion  
17 dollar Wesquotum (phonetics) project in Manitoba  
18 that went on for several years before final  
19 decisions were made to start construction last year  
20 on that generation and transmission project. And  
21 everybody had to learn the language. A final  
22 decision has not been made.

23 Ms. Patterson's press releases always say a  
24 final decision has not been made on this project,  
25 and will only be made when the Board of Directors,  
26 with all the steps in place, with a tender that it

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1 can accept in good conscience, given the price of  
2 the project, the qualifications of the person doing  
3 the work, and they are prepared to accept it, then  
4 the project, a final decision has been made. This  
5 is absolutely essential for public communication.  
6 And if we can't spend the money to get each step  
7 done, there will never be a decision made on any  
8 project.

9 Q So I take it from that, that the contract that was  
10 awarded is subject to final Board approval?

11 A MR. MORRISON: The contract that was  
12 awarded to Wardrop, and was approved by the Board,  
13 was to do preliminary engineering, nothing else.

14 A MR. OSLER: It wasn't a contract to  
15 go and do all the work and finish the project. The  
16 question you asked technically, I can't tell you  
17 it's subject to it, the guy deserves to be paid if  
18 he does that work. The fact that the Board of  
19 Directors doesn't go forward --

20 A MR. MORRISON: Let's just be clear,  
21 Wardrop will be finished their work fairly shortly,  
22 they will be paid. Their work will be finished.  
23 There will be a set of decisions that have to be  
24 made subsequent to that, and subject to the work  
25 that Wardrop does. But they have no contract to go  
26 past that work at the moment.

1 Q That helps, thank you.

2 This will seem like a nonsequitor to that, but  
3 in consultation with the Selkirk First Nations,  
4 there was produced a long list of concerns as of  
5 August 9th, 2006?

6 A Madam Chair, I would like to see the reference,  
7 please.

8 A MR. OSLER: Is this YESAB again?

9 Q Yes. It's reference material 4R-1, page 4R-18-8.

10 A MR. MORRISON: I think I would like to  
11 see it.

12 THE CHAIRPERSON: Mr. Buonaguro, I am  
13 having trouble with that reference as well.  
14 Mr. Morrison would like a copy of it in front of  
15 him as well.

16 MR. BUONAGURO: I don't know if I have  
17 it here.

18 THE CHAIRPERSON: Can you give me an  
19 indication of how much time you actually do have  
20 left in your follow-up questions?

21 MR. BUONAGURO: On this stuff? My last  
22 question is, is it likely that a new PPA will be  
23 submitted to the Board by May 31st, and I think we  
24 got the answer to that.

25 A MR. MORRISON: Madam Chair, I would  
26 like to see the reference only because I am not

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1 exactly sure of what he is referring to, and there  
2 have been a number of references made. But I can  
3 tell you, if we are talking about issues raised by  
4 Selkirk, that Selkirk have no issues.

5 Q MR. BUONAGURO: That actually was the  
6 point of the question. I just wanted to follow up  
7 on the issues that they raised, and you are saying  
8 that they have been addressed, or they have been  
9 withdrawn?

10 A They have been withdrawn, if I understand the  
11 reference correct, but I would like to see it, that  
12 was why. But if that satisfies Mr. Buonaguro,  
13 that --

14 Q That's fine, thank you.

15 THE CHAIRPERSON: So I take it that's the  
16 extent of your follow-up questions?

17 MR. BUONAGURO: Yes, yes.

18 THE CHAIRPERSON: Pretty good timing. On  
19 that we will take a two-hour lunch break, so we  
20 will reconvene at 2:30.

21 (PROCEEDINGS ADJOURNED AT 12:30 P.M.)

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