

Joint Panel Opening Comments

Yukon Energy and Yukon Electrical filed a joint Phase II Application on February 19, 2010 in accordance with Board Order 2009-8.

The Companies diligently worked together over the course of 2009 and 2010 to prepare and file a joint Phase II Rate Application. This was a challenging experience for both Companies. The last full GRA application was filed in 1996/97 meaning there was little recent experience with how cost of service was applied in Yukon. Further, the Companies also have different perspectives on issues such as rate design and terms and conditions).

- On February 19, Yukon Energy and Yukon Electrical submitted their joint Phase II Rate Application. At that time, three items remained outstanding – Tab 4 (Rate Design) and Tab 5 (Terms and Conditions of Service) for the Joint Phase II Rate Application, and the concurrent YECL Application for Rider D – Diesel Generation Energy Cost Recovery Rider.
- Subsequently, on March 1, these items were filed with the Board with the utilities setting out separate Rate Design Tabs (Tab 4YEC and Tab 4YECL), a joint Tab 5 (with specific identified areas where the utilities did not have a joint position), and a separate Rider D application by YECL.
- In the joint filing and Interrogatory Responses, the Companies identified specific outstanding issues where they did not have a joint position. The utilities worked together to resolve these issues and in correspondence to the Board filed September 30 outlined additional issues on which the Companies had come to a joint position.

As indicated, there will be three panels of witnesses. This panel will deal with all of the issues on which the Companies have a joint position including the issues dealt with in the September 30 correspondence. As noted in the September 30 correspondence the only outstanding area where the Companies do not have a joint position relates to rate design matters. Accordingly, rate design matters including issues arising from YEC Preferred option filed on Friday October 1 will be addressed by the separate YEC and YECL panels. Rider D related issues will also be dealt with by YECL's separate panel.

Overview of Application:

1. **Relevant Background:** Tabs 1 and 2 of the Application review relevant background material leading up to the Phase II Application.
 - a. **Review of recent Board Orders and Rate Policy OICs** – The Application was prepared based on the 2009 Board-approved revenue requirements for each utility, to address the Board's directives provided in Order 2008-9 in light of the specific near term framework for rate setting in Yukon (OIC 2007/94 and 2008/149). Given the current rate policy framework the 2009 Cost of Service cannot be used to adjust the current major industrial customer rates or to implement rebalancing today of rate revenues between retail rate classes. The rate proposals included in Tab 4YEC and Tab 4YECL

comply with this framework and also recognize the general rate policy framework set out in OIC 1995/90.

- b. Review of changes on the system since the last full GRA** - The last full GRA Application with both Companies was in 1996/97. In the interim major changes have occurred in Yukon including the closure of the Faro mine and related cost impacts and availability of surplus generation on WAF, the filing of the Yukon Energy 20-Year Resource Plan (and adopting of new capacity planning criteria), material increase in diesel prices (reflected in each Companies 2008/2009 GRA), and extension of the grid through completion of the Mayo Dawson Transmission Line and Stage 1 of the Carmacks Stewart Transmission Line. The Application notes that while baseload diesel generation has generally not been required since the closure of the Faro mine, surplus hydro on the WAF and MD systems is diminishing and annual variability in hydro generation due to water flow variations is once again becoming an issue on the system.
- 2. Up to Date Cost of Service Study** – Tab 3 provides an up to date cost of service study with updated revenue/cost ratios for all rate classes receiving firm service, based on the 2009 Consolidated Firm Rate Revenue Requirement for the Companies as set out in Tab 2, and reviews where applicable updated COS methods applicable in Yukon in light of changes on the system since 1996/97.

 - a. Bulk Power and Transmission Methods** - Yukon Energy took the lead in preparation of material related to the review and update of bulk power and transmission cost of service methods; this update included changes to classification for transmission and certain generation assets (Mayo Plant and Aishihik Plant) to take into consideration changes on the system since the 1996/97 GRA.
 - b. Distribution Methods** - Yukon Electrical took the lead in preparing materials in respect of distribution cost of service;
 - c. Allocation Methods** – The summary of COS results provided at page 2 of the Application indicates, as expected, that residential non-government customer class has an R/C ratio well below the zone of reasonableness (at 79%) and General Service Government has an R/C ratio well above the zone of reasonableness (at 144%). These values have not changed significantly since the 1996/97 GRA. The summary of COS results also indicates that industrials have an R/C ratio above 100% (at 109). For ease of reference the summary of COS results from the Application is provided in Attachment 1 to this Opening Statement.

Up to Date Terms and Conditions of Service – As reviewed in Tab 5, the Companies are seeking approval of the revised terms (currently the Electric Service Regulations, but updated to “the Terms and Conditions of Service”) under which the Companies provide service to customers (including Maximum Company Investment levels which was one of the proposed changes that attracted the most attention and has been updated based on the approach agreed to by YEC and

YECL). Yukon Electrical took the lead in updating the Terms and Conditions of Service (including the Maximum Investment Level Study filed in support of the updated retail investment levels). Yukon Energy took the lead in the review of Yukon principles of industrial investment.

3. **Stakeholder Input** - Board Order 2009-8 noted an expectation that the Phase II Application to be filed by the Companies include stakeholder input. As reviewed in Tab 7, leading up to the filing the Companies undertook a stakeholder involvement program that included:
 - a. A briefing with the Yukon Government where the Companies presented background information related to the process to representatives of YG (Energy, Mines and Resources and Energy Solutions Centre) and
 - b. An open house where the Companies met with stakeholders to gather input related to COS, rate design and terms and conditions; the open house included a wide range of discussion on a variety of COS and Rate Design issues, and many of the attendees provided written submissions, or emails relating further views and considerations related to rate design and cost of service issues for Yukon. The issues raised by intervenors during the consultation process (and the Companies' response) are summarized in Table 7.2 of the Application.

ATTACHMENT 1

**Table 1:
Revenue to Cost (R/C) Ratios by Rate Class – 1997 and 2009 (%)**

Customer Class	1997 Final Approved	2009
Residential Government	100%	105%
Residential Non Government	81%	79%
General Service Government	143%	144%
General Service Non Government	110%	117%
Industrial	100%	109%
Street Lights	110%	69%
Sentinel Lights	110%	148%