

**Yukon Electrical Company Limited (YECL)**  
**Opening Statement**  
**YEC/YECL 2009 Phase II Application**

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Mr. Chairman and Panel members, YECL appreciates the opportunity to sit as a separate panel to discuss certain issues that are important to YECL relating to matters that the Companies were not able to come to a joint agreement. As noted in the joint Phase II Application, the Companies have worked diligently in an effort to present a uniform and consistent approach throughout all areas of this Phase II to the extent possible. However, this was not always achieved. The differences have been noted throughout the Application including the information requests and subsequent responses. This opening statement is intended to provide a brief summary of YECL's position regarding the following areas:

**1. Rate Design**

To help re-establish efficiency-based price signals to customers, YECL's rate design proposal seeks to reflect the degree to which the optimal level of current incremental costs of diesel should be reflected in the base rates at this time. The logic behind YECL's proposed rate design is based on taking a prudent balanced approach between sending customers an effective price signal that tells them that costs increase as consumption increases and the economic considerations regarding the price of diesel generation today. This is done while ensuring that customers do not unnecessarily and unexpectedly see material rate shock impacts while allowing customers the opportunity and time to get the right information for making better resource allocation decisions for their electric consumption needs today for the time when expensive diesel generation is forecasted to be more predominant on the system. YECL requests that the Board approve YECL's proposed Option B rate design as filed.

## **2. Diesel Generation Energy Cost Recovery Rider D**

The Energy Reconciliation Adjustment (ERA) as part of Rate Schedule 42 was designed to provide a more stable balance of costs and revenues between YEC and YECL in the event that YEC power sales to YECL vary from forecasts (plus or minus). This was predicated on a strong link between rate design and the incremental cost of diesel. With the inclining rate structure proposed for the Yukon, incremental diesel costs are not offset sufficiently by incremental rate revenue.

In Board Order 2009-2 regarding YECL's 2008-2009 General Rate Application, on Page 11 of 49, the Board approved YECL's deferral account to deal with variances between the actual and forecast cost of purchase power for the hydro zone during the period when diesel generation is on the margin. Subsequent charges to Yukon Electrical, when the ERA from Rate Schedule 42 is invoked, is collected in the deferral account relating to either the increases or decreases to the cost of purchase power. In order to deal with balances collected in the Board approved deferral account, YECL has proposed a mechanism called Rider D to ensure that unforecasted diesel costs incurred by Yukon Energy that is flowed through to Yukon Electrical via the ERA in Rate Schedule 42 are flowed through to Yukon customers. Rider D provides a degree of protection to both YECL and customers from circumstances beyond YECL's control. YECL's requests the Board approve YECL's proposed Rider D as a mechanism to dispense of balances accumulated in the Board approved purchase power deferral account.