

YUKON UTILITIES BOARD

IN THE MATTER OF the Public Utilities Act
Revised Statutes of Yukon, 2002, c. 186, as amended

and

General Rate Application for 2008-09 by Yukon Energy Corporation

PROCEEDINGS

May 6, 2009
Held at High Country Inn
Whitehorse, Yukon

Volume 2

TAKEN BEFORE:

Wendy Shanks	Chair
Robert Laking	Vice-Chair
Jody Woodland	Member
Kathleen Avery	Member
Richard Hancock	Member

APPEARANCES

Wendy Shanks	Chair
Robert Laking	Vice-Chair
Jody Woodland	Member
Kathleen Avery	Member
Richard Hancock	Member

Giuseppa Bentivegna, Esq.	Board Counsel
Dwayne Ward	Technical Consultant
Bob Clarke	Technical Consultant
Deana Lemke	Executive Secretary
Kori St. Jean, CSR(A)	Realtime Reporter
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Julie Snijder, CSR(A)	Production Reporter

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L. G. Keough, Esq.	For Yukon Electrical Company Limited
T. D. Marriott, Esq.	For the City of Whitehorse
M. Buonaguro, Mr.	For Utilities Consumers' Group
J. F. Maissan, P.Eng.	For Leading Edge Projects Inc.

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<u>PATRICK BOWMAN</u> , previously sworn.		
<u>CAM OSLER</u> , previously sworn.		
<u>DAVID MORRISON</u> , previously sworn.		
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1 (PROCEEDINGS RESUMED AT 9:05 A.M.)

2 THE CHAIR: Please be seated.

3 Good morning, everyone.

4 Just with respect to a couple preliminary
5 matters. We would like to have our lunch break
6 from 12 to 1:30 again, and take a short break
7 around 10:30 this morning and an afternoon
8 break around 3 o'clock, and adjourn today
9 around 5.

10 Mr. Landry, do you have

11 some comments?

12 MR. LANDRY: Yes, Madam Chair.

13 We have some undertakings
14 we would like to deal with. We don't have all
15 of them yet, but most of them. And just so
16 that we have them for the record, first of all,
17 I'll go through them and have the panel speak
18 to them.

19 I'm going from the
20 undertaking summary in the transcript, and the
21 first one is at page 54, line 9, and that was a
22 letter, Madam Chair, that Yukon Energy filed
23 yesterday, so that undertaking has been done.

24 The next one is a
25 combination of three. It's page 226, line 21;

1 Mayo hydro plant maintenance that took place
2 during the first week of April, and at the time
3 Dawson was, therefore, required to be on
4 diesel, and YEC also used this opportunity to
5 do transmission line maintenance on the
6 transmission line in the area as well. So the
7 generation at Dawson reflects the fact that the
8 hydro plant was being -- was going through
9 maintenance.

10 The second entry that
11 Mr. Keough asked about was generation occurring
12 at Whitehorse in May for 175 megawatt hours,
13 and that generation occurred as a result of
14 vandalism, a vandalized insulator on
15 Transmission Line L1-70. This is discussed in
16 the application at page 3-5, lines 6 to 8, and
17 it relates to an insulator on the system. And
18 that amount of diesel is being charged for
19 reserve for injuries and damages, as a result
20 of it being vandalism event. So although it
21 shows up in this table, it doesn't actually go
22 into the diesel expense for 2008.

23 The third entry that
24 Mr. Keough asked about was October of 2008. He
25 actually went through October, November, and

1 December. So just to fill those in, October
2 2008, there was generation at each of
3 Whitehorse and Faro for a total of 219 megawatt
4 hours. And that was due to the Whitehorse
5 Hydro Number 3 governor, which was on
6 October 20th the unit tripped off due to
7 governor issues, and it was at a time when
8 Whitehorse Hydro Number 4 was already out of
9 service. So the diesel generation was required
10 over the following couple of days in order to
11 supply the load, and during that period
12 secondary sales were interrupted as a result of
13 the lack of supply of hydro.

14 Sorry, it was out of
15 service because of repairs. The -- because it
16 was as a result of an outage, it would be
17 discussed in the response to Percival 13(a),
18 which lists the outage reports.

19 The diesel generation in
20 November, which was a relatively small amount,
21 was 30 megawatt hours, actually relates to two
22 items: the majority of it was a Whitehorse
23 Hydro Unit Number 4 tripping off, and as a
24 result, it was a -- it caused an outage
25 requiring both Whitehorse and Faro diesels to

1 be run; that was November 12th. And again that
2 one is discussed in response to Percival 13(a),
3 which lists the outage reports. And then a
4 small amount of the fields are in that period,
5 about a third of what's listed for that month,
6 so 10 megawatt hours, was as a result of the
7 connection of the Carmacks-Stewart project.
8 That was where the line was initially being
9 connected for the first time, so there was
10 diesel run for that event. And that was
11 November 5th, and that was just to energize the
12 main line.

13 December was the majority
14 of the diesel for the year. It was a total of
15 664 megawatt hours. In the response yesterday
16 I noted that that was due to, in particular,
17 cold weather, which is, you know, more than
18 half of that diesel. And it was a cold period
19 where diesels ran between December 14th and
20 31st of 2008. There was also an outage on
21 December 1st and 2nd, which required diesel.
22 It's about 300 megawatt hours of the 663. This
23 is related to a failure of equipment at the
24 Aishihik plant, discussed in response to LE-6,
25 a piece of equipment called a pothead failed.

1 This item was charged to reserve for injuries
2 and damages, or it will be once the project is
3 finally closed out. The repairs for that are
4 still underway. But as a result of it being
5 related to equipment failure, sudden accident
6 equipment failure, as Mr. Mollard noted
7 yesterday. And as I note, the remainder was
8 due to the cold period from December 4th
9 through 31st.

10 So I believe that covers
11 all the entries that were requested.

12 MR. LANDRY: And, Madam Chair, the
13 last one for this morning is from page 229,
14 line 14. I think Mr. Osler is going to respond
15 to that undertaking.

16 A MR. OSLER: Good morning.
17 The undertaking related
18 to Mr. Marriott. It was a question about
19 correspondence, a reference in the opening
20 statement to other correspondence after the
21 Board Order 2009-1. I can confirm that that
22 other correspondence is exhibit -- is the
23 letter from the Board to Yukon Energy, and it's
24 in the exhibit list as Exhibit A-10.

25 MR. LANDRY: Thank you.

1 So, Madam Chair, just for
2 the record, that leaves two undertaking,
3 page 257, line 15, and page 262, line 11. And
4 we're hopeful we'll be able to respond to those
5 by this afternoon.

6 THE CHAIR: Thank you, Mr. Landry.

7 Mr. Buonaguro, are you
8 prepared to proceed with your
9 cross-examination?

10 MR. BUONAGURO: Thank you, Madam Chair.

11 YEC PANEL CROSS-EXAMINED BY MR. BUONAGURO:

12 Q Good morning, panel. I'm Michael Buonaguro,
13 counsel for UCG.

14 Similar to what was
15 indicated yesterday by one of my friends, we
16 also feel that there is quite a bit of material
17 on the record already, so most of my
18 cross-examination is going through and picking
19 up on some clarification points and such, for
20 the most part. And I anticipate -- or I am
21 required by my own plans to be done by
22 lunchtime, because I will be flying out in the
23 afternoon, so I am under my own deadline.

24 I would actually like to
25 start by picking up on something I noticed

1 yesterday. A lot of the -- there was some
2 discussion at various points about amounts that
3 are held to the credit of ratepayers which are
4 periodically applied against other amounts in
5 order to achieve rate stability. For example,
6 I think the Faro dewatering account, for
7 example. Do you remember those
8 conversations?

9 A MR. OSLER: Yes.

10 Q It occurred to me that I don't have a handle on
11 how many of those accounts exist and what the
12 individual and aggregate amounts being held to
13 the credit of ratepayers for this purpose are,
14 and I was wondering, is that something that is
15 in the evidence already, or if not, is it
16 something you can provide?

17 A MR. BOWMAN: Mr. Buonaguro, I'm going
18 to be a bit careful as we work through with
19 regard to definitions, just so we make sure
20 that the two accounts that I talk about are
21 clear.

22 At this point in time, in
23 terms of anything material, the only items that
24 Yukon Energy deals with are the Faro dewatering
25 account, which we talked about at some length

1 yesterday, amounts held, as I noted,
2 effectively to the credit of ratepayers. It
3 serves as a form of no-cost capital to
4 Yukon Energy such that it -- some portion of
5 the assets are effectively being financed by
6 this cash being held, and as a result, the
7 ratebase is lower. And that's one of the ways
8 that ratepayers get a benefit from. And the
9 other is it can be used one time until the
10 money's gone.

11 But as I said yesterday,
12 it arises from sales of the corporation to the
13 Faro mine site and the people who were in
14 charge of that site at various points in time
15 from the period '98 to 2004.

16 That amount, my
17 recollection -- it will be listed at Tab 7.
18 It's dealt with in the opening statement, and
19 by the time -- sorry, page 11 of the opening
20 statement. By the time this -- we come forward
21 in this application, it was -- our recollection
22 is 1.1 million is what was there. There is
23 467,000 looking to be credit against the
24 reserve for injuries and damages.

25 A MR. OSLER: 463.

1 A MR. BOWMAN: 463,000, and a further
2 87,000 to deal with the 2008 rate stability
3 issue, as you note. So the residual would be
4 whatever the math works out to there, somewhere
5 just north of half a million dollars.

6 The only other account
7 that would qualify any way in the definitions
8 you use, but it's a very different type of
9 item, is the diesel contingency fund. The
10 diesel contingency fund is an ongoing trust
11 item. I use the word "trust," because that's
12 the way that effectively it's accounted for.
13 It is an account that's been around for a long
14 time. It was first set up under a different
15 name, the low-water reserve fund. It became a
16 diesel contingency fund in '96, '97. It's
17 amounts held to deal with uncertainties related
18 to water flow, in the event there was a very
19 severe drought. The fund effectively pays for
20 the diesel required to deal with that drought.

21 In the meantime the cash
22 that's in that fund is invested externally. It
23 earns interest. It will be discussed at each
24 of Tab 9 in the audited financial statements,
25 because it gets specific treatment in there,

1 and at Tab 3 in page 3-21 to 3-22. There has
2 been no charges to that account for some time,
3 but we know from past experience that in the
4 event of a severe drought, even at the load
5 levels today, it could be required to burn
6 diesel for baseload reasons, and as a result,
7 the fund is still needed for the purpose it was
8 originally intended.

9 And the rules on that, on
10 those monies, are that it has effectively a
11 trigger at \$3 million plus or minus, so that it
12 can actually go to amounts owing to ratepayers,
13 owing from ratepayers, and at the time it
14 reaches \$3 million, the terms in the negotiated
15 settlement, '96 - '97, state that at that time,
16 some form of rate adjustment will be dealt with
17 to bring the fund back into line.

18 **Q Thank you.**

19 **And if I remember**
20 **correctly, that fund has something in the order**
21 **of 800,000 in it right now, approximately?**

22 **A MR. BOWMAN:** It's -- I have for the
23 number, page 3-22, was .856 million. But as I
24 note, it's externally invested and earns
25 interest, so the balance this month, whatever

1 it is.

2 **Q Those are the two counts that meet the**
3 **definition that I was looking for, right?**

4 **A MR. BOWMAN:** Yeah, and each of them
5 meet the definition in a sense that they're
6 monies or liabilities of Yukon Energy that are
7 only used pursuant to effectively orders of
8 this Board or rules established by this Board
9 in order to address items you note as rate
10 stability or other things at this Board
11 determines are suitable.

12 **Q Thank you.**

13 I would like to turn to a
14 part of the opening statements where you
15 summarize 2008 actuals. And, specifically, I'm
16 looking at page 10, where you basically
17 summarize that the actual ROE for 2008 --
18 sorry, this would be Exhibit B-12. The actual
19 ROE for 2008 was 7.2 percent, I guess subject
20 to auditing the statements?

21 **A MR. MOLLARD:** Yes.

22 **Q And I would like to turn to an interrogatory**
23 **response. This is the UCG-YEC-1-19. I think**
24 **from this point on, I'll just call it UCG-19.**
25 **It's just easier for me to say. So UCG-19.**

1 And that's . . .

2 A MR. MORRISON: I'm getting beaten up
3 this morning.

4 Q And I have only just started.

5 THE CHAIR: I was wondering when you
6 guys would catch on to the convenience of the
7 computer.

8 A MR. MORRISON: We're a little dated.

9 Q MR. BUONAGURO: So I'm looking at
10 Answer B at that interrogatory, where we asked
11 for the actual ROEs for 2005, 2006, and 2007
12 compared to the last Board approved; you see
13 that?

14 A MR. MORRISON: Yeah.

15 Q So am I to understand that this 7.2 percent
16 that's in the update would fit into this 2008
17 actual ROE? Is it calculated the exact same
18 way?

19 A MR. OSLER: Yes.

20 Q Now, you have in that -- in the same update you
21 talk about the Board-approved ROE of
22 8.64 percent, which is simply, I guess, the
23 recalculation of the ROE with respect to the
24 BCUC rules that you use plus the risk minus the
25 OIE deduction?

1 A MR. OSLER: That is the ROE that
2 Yukon Energy has supplied to this Board for
3 approval in the 2008 GRA. So it isn't approved
4 yet; it's applied for.

5 Q Right. But it's based on -- it's calculated in
6 the same way that the last approved
7 9.05 percent --

8 A MR. OSLER: Yes.

9 Q -- in the table was calculated?

10 A MR. OSLER: The Board approve, in
11 2005, an ROE based on the same methods derived
12 from the BCUC annual determination of the
13 prospective ROE for the next calendar year,
14 with amounts for risks that the Board
15 determined was appropriate for Yukon Energy and
16 the reduction of a half, 50 basis points, or
17 one half of one percent, that the order in
18 council requires.

19 Q Thank you.

20 Now, in the question we
21 asked you to detail any weather normalization
22 that was going on in your response. I can tell
23 you, I added that to the interrogatory because
24 it is my understanding you can do it two ways.
25 You can report your ROE actuals on a

1 weather-normalized basis or a
2 nonweather-normalized basis; is that your
3 understanding?

4 A MR. OSLER: I have never
5 undertaken -- I have never heard that we would
6 be reporting anything on a weather-normalized
7 basis.

8 Q Let me try this. These are not weather
9 normalized, as you indicate the answer, right?

10 A MR. OSLER: The ROEs?

11 Q The actual ROEs that are reported in this
12 table, you have done nothing to, from your
13 perspective, weather normalize them?

14 A MR. OSLER: Correct.

15 Q So --

16 A MR. OSLER: I'm not even sure how we
17 would do it, but never mind. But no, the
18 answer is simple. It's not been weather
19 normalized.

20 Q Now, that means that the actual results that
21 you are reporting here may be over your ROE,
22 your Board-approved ROE from 2005, or they
23 might be closer to it, based on abnormal
24 weather in those years.

25 So, for example, in 2006,

1 the 10.59 percent ROE that you are reporting
2 there, that's actual results, and that's based
3 on the actual weather that was experienced in
4 2006?

5 A MR. OSLER: Yeah.

6 Q Which means that if, in theory, I don't know,
7 but it could have been that in 2006 you had
8 abnormally wet and cold weather, which means
9 that you had abnormally high throughput, which
10 means that your revenues would have been
11 abnormally high because -- is that possible?

12 A MR. OSLER: Yes, it's possible,
13 but -- and we used, I notice in the answer,
14 that we have to take responsibility for having
15 got you on the weather-normalization theme.

16 Yes, these can vary year
17 by year because of the effect of weather on
18 sales. And if there was a very cold period and
19 there was a lot of extra sales -- we didn't
20 have to incur because we have still got surplus
21 hydro, we didn't have to incur any material
22 increased generation costs, then the returns
23 would tend to be a bit higher.

24 There could be a lot of
25 other factors. Anything else that pushed sales

1 up beyond what we had forecast would tend to
2 have that effect, even if it wasn't weather,
3 just bigger growth than people expected, or
4 reductions in costs compared to what we had
5 anticipated, things like that.

6 So a lot of other things
7 could contribute to this result, and you would
8 have to go through an analysis of each year to
9 understand what caused what and how important
10 was each factor.

11 **Q** Okay.

12 So and if we're going
13 back to 2006, if you wanted to account for how
14 much of that deviation from the Board-approved
15 was as a result of abnormal weather, that
16 process would be weather normalization? It
17 would be accounting for the increase or
18 decrease relative -- or responsible -- sorry,
19 caused by abnormal weather and deducting that
20 or adding that back on to the actuals to
21 weather normalize it?

22 **A** MR. OSLER: If one was trying to
23 figure out the impact of weather, you'd have to
24 be able to determine what the sales would have
25 been at something called, you know, "normalized

1 weather" and how much that affected your
2 generation costs and your revenues. And then
3 you could determine -- you could say that in
4 that particular year, this portion of the
5 difference is due to that factor.

6 **Q And I take it from the way this conversation is**
7 **going that that's not something that YEC does**
8 **or normally does --**

9 A MR. OSLER: We don't.

10 **Q -- in reporting its actuals?**

11 A MR. OSLER: No.

12 **Q Thank you.**

13 A MR. OSLER: Part of it, not only do
14 they not normally do it, they don't normally
15 get into, even when looking at sales on a
16 forecasting basis, the normalization process,
17 as you have heard in other answers. So it's
18 not as though they have a weather-normalized
19 number sitting in their closet and they can
20 haul it out for this purpose, because there is
21 a lot of -- there's all the factors that went
22 into why they don't do that even for
23 forecasting that would have to be brought to
24 bear.

25 **Q Thank you.**

1 the position or understanding that unless the
2 Yukon government specifies or requires
3 performance-based regulation or implements some
4 sort of policy related to that that you were
5 prevented from entering into performance-based
6 regulation. Am I incorrect in that?

7 A MR. MORRISON: Madam Chair, we would, in
8 thinking here, would just be talking about our
9 impression that within the *YUB Act* that this --
10 this ability didn't exist, but whether it does
11 or not is, you know, is not -- you know, we're
12 not -- we are just giving what we thought.
13 Whether it is, we might be proven to be wrong
14 on that, but . . .

15 Q Okay.

16 Now, the beginning of
17 this interrogatory we quoted from the resource
18 plan, the second reference, and it's part of
19 the directions from the Board to YEC. And
20 you'll notice that they talk about full cost of
21 service, rate design, an update to electric
22 service regulations. It also talks about
23 maximum company investment. And these, the
24 ones I have just mentioned, are all things that
25 appear in your letter to YECL, Exhibit B-13?

1 A MR. OSLER: Is the question are all
2 these types of things cover in the letter?

3 Q Yeah, I'm asking to confirm that all those
4 things are in the letter.

5 A MR. OSLER: Let me just check.

6 Well, certainly the
7 issues of doing a joint full cost of service
8 and addressing rate design matters that flow
9 from that, update to electric service
10 regulations are all covered.

11 Q Right.

12 And I think even in
13 paragraph 2 you talk about maximum utility
14 investment?

15 A MR. OSLER: Yes, maximum company
16 investment, which is part of the *Electric*
17 *Service Regulations*, would be covered.

18 The performance-based
19 regulation mechanism in the middle is probably
20 a different thought process that really deals
21 much more with what we're in today.

22 Q You anticipated what I was going to ask.

23 A MR. OSLER: Sorry.

24 Q That seemed to be the one thing that you
25 weren't suggesting to YECL that you considered,

1 and you said a "different thought process."
2 Maybe you can explain why that particular
3 suggestion from the Board was omitted from this
4 letter.

5 A MR. OSLER: Well, we didn't have this
6 in front of us when writing the letter. But
7 the letter was based in the context of,
8 Madam Chair, the issues of what people have
9 called Phase I and Phase II, which is a bit
10 different terminology than we were used to.

11 But going with that
12 terminology, Phase I would be the type of
13 exercise required to review the revenue
14 requirement of each utility.

15 Q Well, in --

16 A MR. OSLER: In that sense,
17 performance-based regulation mechanism could
18 mean the ROE type of approach and certain ways
19 of setting revenue requirements such that they
20 could be adjusted based on performance.

21 They might mean other
22 things as well, but if they meant what I just
23 said, they would be part of the
24 revenue-requirement thought process.

25 In terms of Phase II,

1 you'd be saying, Okay, having given discussions
2 of the revenue requirements of each utility,
3 how would that work its way through a joint
4 cost of service, and how would you design rates
5 on a consolidated basis, and what would be the
6 joint electric service regulations for the two
7 utilities, more to do with how do you recover
8 their costs through rates and all of the issues
9 relating to that.

10 There may be a
11 performance-based element to that that's not in
12 my mind at the moment. If there is, it should
13 be cover in the joint discussions that we are
14 planning with YECL. But the thought was, we
15 are dealing with what everybody asked us to
16 deal with, which was the Phase II type of
17 exercise, the way I have just described it.

18 **Q Although going back to B-13, the letter, on the**
19 **second page, the last paragraph, you do talk**
20 **about -- or the company talks about (quoted):**

21 "...in the interest of controlling
22 future regulatory costs in the Yukon,
23 we will need to examine potential
24 future options where YEC and YECL once
25 again can work together, as in the

1 1996/97 (and earlier GRAs) to address
2 revenue requirement, cost of service,
3 rate design and all other related
4 matters in a single integrated hearing
5 process."

6 Which suggests to me that
7 you will be talking to YECL, or you are
8 proposing to talk to YECL, about your next rate
9 proceeding and doing a joint basis?

10 A MR. OSLER: Yes, Madam Chairman, in
11 that sense you are quite correct. All of these
12 topics would be covered in that part of the
13 conversation.

14 Q When you say all these topics, that would
15 include the possibility of putting forward some
16 sort of incentive-based regulation?

17 A MR. OSLER: Well, Mr. Morrison?

18 A MR. MORRISON: No.

19 A MR. OSLER: If you were talking about
20 jointly filing at the same time, revenue
21 requirement matters, and finding areas where
22 you could facilitate cost-effective regulation
23 and keeping life simple for everyone who has to
24 deal with it, there would be a checklist of
25 topics. One of them would probably be, because

1 since the Board has asked about it, What is the
2 company's approach in each case to
3 performance-based regulation?

4 The companies might -- as
5 I said yesterday, the fact that two utilities
6 get together to try and do this doesn't mean
7 they're going to agree on everything.

8 **Q I'll take that point.**

9 A MR. OSLER: So a list is a list, and
10 you see what you can do with it, because the
11 Board has asked you to see what you can do with
12 it. That's as far as I can go.

13 **Q I just want to confirm that it will be part of**
14 **the conversation. What the results will be, I**
15 **guess you will find out later?**

16 A MR. OSLER: Mr. Morrison?

17 A MR. MORRISON: That's correct.

18 **Q Thank you.**

19 I have just a couple of
20 small questions about cost of debt. There was
21 some extensive cross-examination yesterday on
22 cost of debt; I don't want to repeat any of
23 that. I did want to clarify a couple of
24 things, though.

25 First of all, almost all

1 And we always look at the
2 market and see where we can get, if it's
3 cheaper or we can be competitive, we'd look at
4 alternatives. But my recollection is that we
5 have to borrow from YDC at a competitive market
6 rate.

7 Q I think that's my understanding too. There is
8 an actual formula that figures out a base rate,
9 and it adds 120 basis points to it, and that's
10 the rate that you have to borrow from YDC. And
11 I think what you are telling me is that at any
12 point in time, when you are looking to borrow
13 money, you calculate that rate, assuming that
14 YDC has the funds available to lend, which is
15 required, and then you actually do and compare
16 it to the availability of third party debt to
17 see if there is any favourable?

18 A MR. MORRISON: We do. We constantly
19 check the market. We have, you know, I would
20 say, these days a relatively close relationship
21 with our banker on the YDC side and the YEC
22 side, so . . .

23 Q So from that can I infer that whenever we see a
24 debt instrument in the evidence between YEC and
25 YDC, is it true, then, that the company, at

1 recent months, talking to our bankers that it's
2 really cheap.

3 It's anecdotal, and I
4 know we are looking for information in response
5 to an undertaking that will be more specific.
6 But last discussions we had with our banker,
7 they are talking about 6 1/2, 7 1/2 range of
8 debt, and that's not tremendously cheap, from
9 our point of view. Although -- you know, we
10 have a perception, and we think that there's
11 cheaper money out there, but it's not that
12 cheap.

13 **Q Okay. So if I can call it this practice of**
14 **comparing the available rate from YDC to the**
15 **market, when appropriate, I expected that**
16 **that's not something that's been elevated to a**
17 **written policy.**

18 **A MR. MORRISON:** No. No, Madam Chair.

19 **Q But it would be something you would consider to**
20 **be part of your unwritten policy?**

21 **A MR. MORRISON:** I would consider it --
22 what we do is we look at things from a fairly
23 practical point of view, and we look at things
24 in the best interest of the ratepayer and where
25 we can get the best option of the ratepayer.

1 So we do that as part of our normal course of
2 business.

3 **Q** Thank you.

4 Now, in the evidence you
5 were asked to produce the actual policy that
6 sets out how you borrow from YDC, and I
7 don't -- I can't -- I don't have the reference
8 on me, so I'm not going to take you to it, but
9 I did notice one clarification in the
10 interrogatory response which I found
11 interesting, and I just wanted to understand
12 why this once.

13 In the actual policy, the
14 idea was that the interest rates that you
15 borrow from YDC at would be recalculated at
16 every GRA, do you recall that part of the
17 policy? And then there is a qualification in
18 the interrogatory response that that is not the
19 case because of certain concerns?

20 **A** **MR. OSLER:** Well, I recall the
21 discussion way back that that was what some
22 people thought the policy meant, and I recall
23 getting it clarified that that definitely
24 wasn't what the board of directors meant, and
25 there was a need to clarify to this Board, I

1 think at some point in history that point.

2 '92, my colleague tells me.

3 So I recall that
4 discussion in history, and the board -- I
5 recall being at the Board of directors meeting
6 way back then, and that certainly, in the
7 board's mind, was very clear, they weren't
8 planning to have it redone every time, and
9 eventually that point was made clear to this
10 Board.

11 **Q While you were talking, I found the reference,**
12 **so I thought maybe to be clear, it's CW-26. It**
13 **says, at Answer (a) (quoted):**

14 "The attached financial policy was
15 approved by Yukon Energy's Board at
16 the December 18, 1992 meeting. Note
17 that at the time this policy was
18 written, it was the intent to adjust
19 the long-term interest rates
20 periodically (at each GRA). However,
21 YEC's Board later updated this
22 component at the July 12, 1993 meeting
23 to ensure the rates were locked-in
24 over the long-term, in part to address
25 a concern arising at the 1993/94 GRA."

1 Dominion Securities about the appropriate rate
2 for doing that type of debt. That study was
3 filed with this Board, and it was a matter of
4 significant review during the '93/94 GRA.

5 In that GRA one of the
6 intervenors, my recollection is the City of
7 Whitehorse, one of the intervenors expressed
8 concern that the debt, as established, may not
9 fairly represent terms consistent with proper
10 long-term debt, because it had this sort of
11 resetting interest rate component of it. And
12 there was -- the IR asked for the policy, and
13 it references the policy and the subsequent
14 adjustment to the policy.

15 There was also a fair bit
16 of argument at that GRA. There was an argument
17 from the City of Whitehorse and a reply
18 argument in the companies where it was made
19 very clear that the intent is that this debt
20 between the two companies mimic long-term --
21 any long-term debt available through the
22 market, that it contained provisions that were
23 consistent with long-term debt that would be
24 available from the market, or at least no less
25 favourable, and that it would provide a means

1 to maintain Yukon Energy's equity levels
2 relatively strictly at 40 percent, so that they
3 didn't drift higher and, as a result, cause our
4 rates to be higher than they would need to be.

5 So that is the other side
6 of the story, which relates to the regulatory
7 review side of it, that isn't in this IR,
8 because it was asked more about the policy
9 side.

10 Q Thank you very much.

11 I'm going to switch now
12 to another interrogatory response. This is
13 UCG-35. And I would like to start with the
14 answer to (a), which is a table that shows
15 labour cost increases and labour charge,
16 capital and deferred projects.

17 A MR. OSLER: Yes.

18 Q Now, I just wanted some help in how I am to
19 understand how to read this table. So at --
20 the first three lines are "O&M labour," "admin
21 labour," and "Labour expense." And with labour
22 expense being the total of O&M and admin, and
23 then it shows the numbers for 2005 to 2009.

24 And as I follow it down
25 to the bottom of the page, at the bottom of the

1 table, it has several, I guess, distributor.

2 It says (quoted):

3 "Yearly increases as %

4 Economic increase January 1st each
5 year

6 Number of new positions added

7 Number of positions cancelled."

8 So the way I look at
9 this, and perhaps you can confirm whether I'm
10 right or wrong, is that, for example, when I'm
11 looking at the labour expense, or I guess the
12 total for 2006, of \$7.848 million; you see that
13 number?

14 A MR. OSLER: Mm-hmm.

15 Q I am looking at the increase in 2007 to
16 \$8.395 million. The explanation for that
17 increase is partly because of an economic
18 increase in January 1st of 2007 and partly as a
19 result of three positions added? Is that
20 essentially how I'm supposed to read that?

21 A MR. MOLLARD: That would be the
22 majority of it. There may be other smaller
23 components; for instance, if benefits
24 increased, that would also increase our labour
25 costs. But those two factors would be the

1 major contributors to the increase.

2 Q Okay. So again, sticking with 2007, so for the
3 7 percent total increase as a percentage,
4 approximately 3 percent of that would be due to
5 an automatic adjustment, this economic
6 adjustment, and then the rest was subject to
7 what you're talking about, the other smaller
8 amounts, I guess, that would be factored in,
9 the rest of it would be the three added
10 positions?

11 A MR. MOLLARD: Yes, that would be
12 correct.

13 Q Now, this economic increase each year, is
14 that -- I'm going to hazard a guess. Is that
15 something that would be built into the
16 collective agreement and then carried over into
17 the people who are not part of the collective
18 agreement? Is that how that operated?

19 A MR. MOLLARD: That's correct.

20 Q And the 3 percent -- I see 2006 is 3 percent;
21 then 3 percent 2007; 3.75 and 3.5. Presumably
22 those are all embedded in the collective
23 agreement?

24 A MR. MOLLARD: That's correct.

25 Q I haven't checked this, but is that -- are the

1 actual numbers embedded in the agreement, or is
2 that a calculation based on certain economic
3 factors each year?

4 A MR. MOLLARD: The percentages are in
5 the agreement.

6 Q So 3 percent for 2009, you are "stuck with " as
7 a result of the collective agreement?

8 A MR. MOLLARD: That agreement has been
9 signed, yes.

10 Q Sorry. That's -- I said 3 1/2. Sorry, I said
11 the wrong line there. Okay.

12 Now, there's no -- oh,
13 no. I'm sorry. Skip that.

14 Now, going to, then,
15 Part (b), you were asked to provide a bunch of
16 tables showing the -- for people who had
17 compensation over \$100,000 in each year, so
18 2005, 2006, 2007, all the positions that had
19 salaries over \$100,000. Sorry, compensation
20 amounts over \$100,000.

21 A MR. MORRISON: Total compensation, just
22 to be clear, Madam Chair. Total compensation.

23 Q Right.

24 I think maybe part of
25 what you described to me may answer this, but

1 I'm going to take an example so that you can
2 explain it to me. And I can't help myself.
3 I'm going to take the president and CEO. For
4 2008 and 2009 and just compare them.

5 So for 2008 the amount is
6 \$204,521.30 total compensation, and the 2009
7 forecast amount is \$223,542.55. Do you see
8 that?

9 A MR. MOLLARD: Right.

10 Q So as a strict percentage, that would be
11 approximately 9 1/2 percent, I think you can
12 take subject to check.

13 A MR. MORRISON: Maybe I'll just answer my
14 own question, okay?

15 Q Feel free.

16 A MR. MORRISON: Okay.

17 Q And so as I understand what we have been
18 talking about, part of that is a 3 1/2 percent
19 automatic increase to salary; is that right?

20 A MR. MORRISON: Yeah, Madam Chair, I
21 understand what my -- Mr. Buonaguro picked
22 mine, but mine's not a good example. It's done
23 differently. I have a separate contract. I
24 think we explained that in interrogatory, but
25 it doesn't work the same as everybody else's.

1 Q So do you have a different escalator between
2 2008 and 2009?

3 A MR. MORRISON: Well, and I think we
4 explained that mine is done -- with the
5 board -- especially for 2008 and 2009, my
6 contract was looked at as in a hay plan
7 performance-review process and it has very
8 different elements. It certainly -- you know,
9 it's just more difficult to explain. If you
10 wanted to try to do a comparison of apples and
11 apples, it's better to do anyone else.

12 Q So there's an interrogatory response in there
13 somewhere that explains that?

14 A MR. MORRISON: That's correct, yes.

15 Q The one example I picked.

16 A MR. MORRISON: Yes.

17 Q So if I go through any one of the other ones,
18 that would be generally the explanation, would
19 be 3 1/2 percent plus or minus, I guess, an
20 additional amount, possibly, due to variation
21 of benefit amounts?

22 A MR. MOLLARD: As well as overtime for
23 the union contract employees.

24 Q Okay. Thank you.

25 Now, in Part (c) of that

1 same interrogatory, which you have to go back
2 from these tables, I think, we asked for a
3 table that shows the "Average OM&A costs per
4 customer." You are at that table? Okay.

5 A MR. MORRISON: Sorry, Mr. Buonaguro.

6 Q It's UCG-35, and it's Part (c).

7 A MR. MORRISON: Yes, thank you.

8 Q And there's a caveat where you say "Average
9 OM&A costs per customer are provided as
10 requested," and then I'll just paraphrase.
11 Basically, you are saying but because YECL is
12 one customer, which is much, much, much larger
13 than the rest of the customers, the results
14 don't actually have any meaning, something
15 along those lines, right?

16 And we asked in this part
17 of the procedure relating to the hearing if you
18 could do the weighting and that didn't happen.
19 Is the weighting process as simple as, for
20 example, if we wanted to fix the column for
21 actual 2005, where we have "Total customers*
22 1,786," would we basically take customer
23 number, 1,786, which is YECL, figure out how
24 many subcustomers are in that for that
25 customer, and add that amount to the total, and

1 Q Is there a way that you can take out YECL,
2 like, and have it -- and have -- I mean, you
3 seem to be telling me that you can't -- you
4 can't provide any meaningful metric that shows
5 what you were spending on OM&A per customer. I
6 find that hard to believe.

7 A MR. BOWMAN: I think the problem we're
8 running into, Mr. Buonaguro, relates -- just
9 relates to a general understanding of the -- of
10 the way that the system works in Yukon, where
11 Yukon Energy is basically a generation and
12 transmission utility. It serves some
13 customers, but they're by far the minority in
14 Yukon, 10 percent.

15 So the costs from adding
16 customers tend to be distribution-related
17 costs, and they tend to link reasonably well
18 for distribution-level changes in revenue
19 requirement, and that's why distribution
20 companies will often try to go to a metric of
21 cost per customer.

22 Generation-level
23 companies don't usually use that type of
24 metric. They usually use different types of
25 performance metrics, similar to some that

1 Yukon Energy tracks. And they of course have
2 their own sort of story embedded in them, cost
3 per kilowatt hour generated, let's say. That
4 has its own issues related to when you have a
5 system of surplus hydro.

6 But, nonetheless, those
7 type of metrics track generation-level costs,
8 at least, or costs per kilometre on a
9 transmission-level system.

10 Cost per customer are
11 typically more a distribution-level type of
12 metric, so you're effectively taking one type
13 of number, a generation and transmission cost
14 in the numerator and another type of number,
15 the number of customers, the denominator, and
16 they don't mesh really well. That's all I'm
17 getting at.

18 **Q All right. So you mentioned as part of your**
19 **answer the metrics that YEC actually tracks,**
20 **presumably because you find that those metrics**
21 **are meaningful?**

22 **A MR. BOWMAN:** Well, Yukon Energy does
23 have certain key performance indicators that
24 are filed with this Board, and I believe
25 Yukon Electrical has its own, and they come out

1 of much earlier discussions before this Board.
2 They come out of a time when the two utilities
3 were managed jointly. So whether they are
4 perfectly aligned to a generation company as
5 opposed to largely distribution company, I
6 can't say. It's not something I have spent a
7 lot of time on recently.

8 But costs per customer of
9 this type is -- you know, wouldn't be one that
10 probably carries a lot of meaning is --

11 **Q So, again, when you talk about the metrics that**
12 **Yukon Energy Corporation tracks, and you said**
13 **you file with the Board, is everything you**
14 **track already in the evidence?**

15 **A MR. BOWMAN:** There is an annual KPI
16 report filed with the Board. It's pursuant to
17 the template that was set out by the Board, but
18 it's a public document.

19 **Q Is it filed in this proceeding?**

20 **A MR. BOWMAN:** I don't recall that it's
21 filed in this proceeding, no.

22 **Q Perhaps you could file it in this proceeding,**
23 **the most recent.**

24 **A MR. MOLLARD:** Sure.

25 **A MR. BOWMAN:** That's fine, yeah.

1 Q Thank you.

2 A MR. BOWMAN: It's a public document,
3 yes.

4 THE CHAIR: Just to be clear,
5 Mr. Buonaguro, you are asking for what year,
6 the most recent KPIs?

7 Q MR. BUONAGURO: I would expect we would
8 want the most recent one, and then I am
9 assuming, and maybe I'm wrong in assuming, but
10 that that would show relative to previous
11 years' filings how performance has changed, or
12 am I completely wrong?

13 A MR. MORRISON: Madam Chair, if it's
14 helpful, could we give you a year or two back?

15 Q That would be good. Since we are basically
16 dealing with a gap between 2005 and 2009, we
17 would get whatever you have for those years,
18 that would be fine. Thank you.

19 A MR. MORRISON: That's fine.

20 Q Thank you for the clarification.

21 I would like to turn to
22 UCG Number 38. And, in particular, I'm looking
23 at Attachment 1, which is response to Part (b)
24 of the interrogatory.

25 And on this particular

1 table, which is "TOTAL HONORARIA PAID TO YEC
2 BOARD MEMBERS FOR 2005-2008." We noticed a
3 significant jump with respect to the chairman
4 between 2007 to 2008, from \$38,200 to \$57,197.

5 So I was just wondering
6 if you could explain why that particular
7 position increased by, I think it is, something
8 in the order of 30 or 40 percent in the one
9 year.

10 A MR. MORRISON: Madam Chair, just can you
11 just give me a minute? I just want to check
12 something.

13 Madam Chair, if I'm --
14 I'll check something at the break, just -- but
15 let me try to answer now, and I'll check it,
16 and if I have something to add to it, hopefully
17 I can add to it again for Mr. Buonaguro.

18 Generally, the chairman's
19 fees are simply based on the amount of work
20 that he does. So he's involved in a number of
21 different things that he does. As you can see,
22 obviously a lot more work than chairing
23 meetings.

24 And a big part of what he
25 does is dealing with -- it's the chairman's job

1 to deal with the Minister, senior government
2 officials on issues relating to the
3 corporation. He, in our case, has some
4 specific expertise that we utilize, and so he's
5 very helpful on a number of matters, including
6 some of our water-related issues and
7 First Nation relations and public meetings that
8 we use him to go to. So there's a big jump.

9 What I'm getting at is
10 the board -- board fees changed in -- and I
11 can't remember whether it was 2006 to 2007 or
12 2007 to 2008, so part of it may be because some
13 of the board fees increased, and I'll check
14 that and just confirm, if that's all right.

15 **Q When you refer to "board fees," like fees for**
16 **particular --**

17 **A MR. MORRISON:** For meeting fees.

18 **Q I see.**

19 **A MR. MORRISON:** Their remuneration for
20 per diem for --

21 **Q I see. Like a tariff of some sort.**

22 **A MR. MORRISON:** Yes.

23 **Q I could appreciate the clarification, if we**
24 **could get that as an undertaking.**

25 **A MR. MORRISON:** I'll do my best.

1 Q And then -- okay.

2 So, basically, looking at
3 that table, between 2005 to 2008, it just so
4 happens that between 2005 and 2007, subject to
5 changing the tariff, the activity was
6 relatively stable, and then in 2008 the
7 activity went -- presumably there was increased
8 activity and that the chairman was then
9 charging or, I guess, docketing more time on
10 more different things and, therefore, incurring
11 more fees; is that generally the explanation?

12 A MR. MORRISON: Yeah, that's generally
13 the -- I mean, the amount of work that he does,
14 it seems like it's been pretty steady, although
15 the difference between 2006 and 2007 is, you
16 know, \$8,000. So it depends on what -- you
17 know, what kind of level of activity we have
18 going.

19 And in 2008 we were
20 building the line, and there was a lot of other
21 activity underway, and the chair is pretty
22 actively involved.

23 Q Now, the -- my understanding is that there is
24 an order in council that sets the YDC chair's
25 remuneration at 38,000? Not YEC but YDC?

1 A MR. MORRISON: That's correct.

2 Q Can you explain the difference between what the
3 YEC chair does and what the YDC chair does.

4 A MR. MORRISON: The YDC and YEC chair do
5 very similar things for their respective
6 corporations: chairs meetings; undertakes, you
7 know, briefings for ministers. Just given
8 corporation, does the same things.

9 Q Thank you.

10 I'm going to turn briefly
11 to UCG Number 94.

12 A MR. MORRISON: Sorry, 94?

13 Q Ninety-four.

14 This undertaking refers
15 to the costs of the out-of-court settlement
16 with respect to Mayo-Dawson transmission. And,
17 in particular, we just wanted to confirm that
18 the numbers at Part (b), do you see those,
19 "Internal Labour 17,758," for example?

20 A MR. MORRISON: Yes.

21 Q So that, internal labour costs, would have been
22 deducted from the labour costs that we referred
23 to earlier in, I think, the table at 1-35,
24 UCG-1-35. Has it been accounted for in that
25 way?

1 I ask because internal
2 costs would be something that somebody's
3 already getting a salary for, and then I'm
4 assuming that you've -- you've allocated an
5 amount of their time to this particular task
6 and then deducting that from your basic revenue
7 requirement. That's what I am assuming is
8 happened. I am trying to confirm that that's
9 in fact what happened.

10 A MR. MORRISON: If you could just give us
11 a second.

12 A MR. MOLLARD: Can you repeat the
13 question so we answer the right thing.

14 Q Sure.

15 So looking at Part (b),
16 you have identified all the different cost
17 categories for the claims process. And then in
18 Part (c) you have said that these costs are not
19 allowed in regulated operations and so are
20 excluded from this application.

21 So the first area of
22 clarification was to confirm that the internal
23 labour, which I have assumed is money that's
24 being paid to internal staff already and,
25 therefore, needs to be deducted from revenue

1 requirement in order to actually exclude it
2 from the application, to confirm that that was
3 done; that's the first part.

4 A MR. MOLLARD: There are no amounts in
5 2008 or 2009 revenue requirement that relate to
6 this settlement.

7 Q What I'm trying to confirm, that that means
8 that there was an exercise where somebody's
9 salary -- like, presumably internal labour of
10 \$17,758 means that somebody in terms of the
11 company whose salary is part of your overall
12 revenue requirement, part of that time was
13 allocated out of the revenue requirement. And
14 I just want to make sure that that happened.

15 A MR. MOLLARD: Just to be clear,
16 Mr. Buonaguro, the internal labour charges that
17 are recorded in UCG-94 (b) were all incurred
18 prior to 2008.

19 Q I see. So that means that the only, I guess,
20 usefulness of those numbers in terms of
21 evaluating 2008-2009 is with respect to -- I
22 guess there would be 2007 that that number
23 would have been included?

24 A MR. MOLLARD: Claims go back to, I
25 believe, 2005, so . . .

1 Q Okay. So to the extent that they would have
2 been removed from revenue requirement, they
3 would have been removed in 2005, 2006, 2007,
4 somewhere in there?

5 A MR. MOLLARD: They would have been
6 taken out in -- in previous years of '5, '6,
7 and '7.

8 Q Thank you.

9 For the rest of the
10 expenses, I think you are saying that they were
11 just never add -- are you saying they are also
12 out of period, they are not 2009 costs?

13 A MR. MOLLARD: As the settlement
14 occurred in 2008, there would have been some
15 2008 expenses. Those expenses were never
16 included in the revenue requirement before us.

17 Q Thank you.

18 At UCG Number 46 we asked
19 about payment in lieu of taxes. And I just
20 have a very simple question: We were trying to
21 figure out where exactly how it is that you are
22 required to do that and the process that's
23 required. We looked, for example, in the
24 *Assessment and Taxation Act* and couldn't
25 understand if that was what was directing you

1 to do payment in lieu of taxes.

2 Can you give me a summary
3 of how your payment in lieu of taxes is done
4 and under what act?

5 A MR. MOLLARD: If you give me a second,
6 I just want to review the IR.

7 Q Sure. It's UCG Number 46.

8 At Part (e) we've said
9 (quoted):

10 "Please provide documentation
11 outlining YEC's requirement to make
12 payments in lieu of property taxes to
13 municipalities."

14 And the answer at
15 Part (e) was (quoted):

16 "Yukon Energy is owned by the YTG and
17 therefore it makes payment in lieu of
18 property taxes to municipalities
19 instead of actually paying property
20 taxes."

21 And we just wanted a
22 little more understanding of where that
23 requirement comes from, that's all.

24 A MR. MOLLARD: So the
25 payment-in-lieu-of-taxes requirement,

1 Madam Chair, comes from the Yukon *Assessment*
2 *and Taxation Act*.

3 Q That's what we thought, but I guess -- and
4 maybe it's just a -- is there a particular
5 section I should be looking at?

6 A MR. MOLLARD: I believe I have a
7 reference, if you just give me a moment.

8 Q Sure.

9 It's not something I need
10 right this second. If you want to do it at the
11 break or by way of undertaking, that's fine. I
12 don't want to dwell on --

13 A MR. MOLLARD: Sorry, I have found it.

14 Q Okay, great.

15 A MR. MOLLARD: It is sections 63 (1),
16 64 (2), and 66.

17 Q Thank you.

18 Now, we asked you some
19 questions, or at least one question, about the
20 wind turbines used for generation. Particular
21 UCG Number 30, we asked for the production
22 numbers. And I don't have actual questions
23 specific to production, but I just wanted to
24 reference that as where we asked about wind
25 turbines.

1 Can you tell me, with
2 respect to ratebase, what, if anything, is in
3 ratebase for the test years with respect to
4 wind turbines?

5 A MR. MORRISON: operating costs or
6 capital and operating?

7 Q Well, I'm going to ask about both. So at
8 ratebase there would be or should be something,
9 or not, depending on whether it's been
10 depreciated, depending on how it was paid for.

11 I'm just trying to
12 confirm what part of ratebase, first of all, is
13 related to wind turbines?

14 A MR. MORRISON: I have -- Madam Chair, I
15 would have to get the number. It's not a
16 number I have at the top of my head.

17 Q Okay.

18 A MR. MORRISON: Just in -- for the
19 record, though, one of the wind turbines was
20 paid for by capital contribution. So I think
21 we've had this discussion previously, and we'll
22 dig out the numbers.

23 Q I think you anticipate the second part of the
24 question, the O&M costs, I guess, per turbine.

25 A MR. MORRISON: We'll -- I think we'll

1 have to do the same, Madam Chair.

2 Q Okay. Thank you.

3 And then as part of that
4 undertaking too, if you could, for the O&M
5 costs, if you could relate that to the kilowatt
6 hours produced or anticipated reduced, I guess,
7 over the test period 2008-2009, so we get a
8 sense of how much you are spending OM&A per
9 kilowatt hours for that particular area of
10 generation. Thank you.

11 A MR. MORRISON: Yes.

12 Q Now, I would like to talk a little bit about
13 customer complaints. Not that I have a
14 particular complaint, but rather the process
15 that's involved with respect to making customer
16 complaints.

17 My understanding is that
18 the *Electric Service Regulations*, for example,
19 don't address a complaints process, but rather
20 the complaints process is through the *Public*
21 *Utilities Act* -- part for the *Public Utilities*
22 *Act*; is that correct?

23 A MR. MORRISON: I'm not sure.

24 Q You're not sure?

25 A MR. MORRISON: I don't know the answer

1 to that. I can certainly find out for you, if
2 you would like.

3 **Q I think that's true, but let me put it this**
4 **way, then: From YEC's perspective, what do you**
5 **do to facilitate the reporting and resolution**
6 **of customer complaints with respect to this**
7 **service that YEC provides to its customers?**

8 **A MR. MORRISON:** Well, we -- A) we take
9 customer complaints and look at them and make
10 every attempt to resolve them. I can't recall
11 any that have been, at least in the recent
12 while that I have been around, that we have any
13 that have been resolved to a higher authority
14 to be -- to be dealt with.

15 **Q Now, in terms of --**

16 **A MR. MORRISON:** And, sorry, and
17 Mr. Mollard would like to jump in.

18 **A MR. MOLLARD:** Just if I can add to
19 that. We do -- customer services is in my
20 area, so my front-line staff usually get the
21 first-line complaints, and we have an
22 escalation within the company that we go
23 through if customers are dissatisfied with the
24 response they get from front-line staff. They
25 will elevate to a supervisor, to a manager, to

1 myself. And if at that level they're still not
2 satisfied, I generally will refer them to the
3 Utilities Board to forward their complaints.

4 **Q** Now, in terms of this process, in particular
5 with respect to escalation and the ultimate
6 potential reference of the Utility Board, is
7 that something that's -- well, first of all, is
8 that something that's documented? Is there a
9 policy with respect to that?

10 A MR. MOLLARD: There is not.

11 **Q** So as a customer entering into that process, if
12 I have a complaint, then I call up YEC, there
13 is nothing in writing that I may have been able
14 to see in advance to understand what the
15 process I'm about to enter into is going to be
16 like?

17 A MR. MOLLARD: Outside of the *Utilities*
18 *Act* Rules, there's not.

19 **Q** And in terms of customer communication, do you
20 put anything out there to your customers to
21 explain that they have this process available
22 to them?

23 A MR. MOLLARD: We're pretty clear
24 that -- I mean, we try as much as possible to
25 indicate to customers the contact available to

1 them, to the company, so that there's multiple
2 ways via email, our web blog, and via our
3 customer service hotline; they can get in touch
4 with us if they have an issue.

5 **Q Okay. But beyond the notice as to, You can get**
6 **a hold of us here if you have a problem, I**
7 **guess which I presumably --**

8 A MR. MOLLARD: Yeah.

9 **Q Is that through advertising or through billing**
10 **services or --**

11 A MR. MOLLARD: It would be on our bills;
12 it would be on all our communication.

13 **Q Beyond that, the process is something which**
14 **is -- I'm going to call it "informal," only**
15 **because you don't have a written policy; is**
16 **that fair?**

17 A MR. MOLLARD: I would agree it's not
18 written.

19 **Q Would you agree that it's informal?**

20 A MR. MOLLARD: It's well understood by
21 the people that are -- that are involved in it,
22 if I could say that.

23 **Q When you say "involved in it," you mean from**
24 **the perspective of the company?**

25 A MR. MOLLARD: Correct.

1 Q As opposed to the people who are complaining?

2 A MR. MOLLARD: I can't presuppose what
3 they would understand.

4 Q Okay. Thank you.

5 I would like to ask you
6 some questions about Rider J. We asked about
7 it at UCG Number 14, for example. Now, this is
8 the -- this is the rider that, I guess the way
9 I have understood it, replaces lost revenue
10 from the Faro mine; is that a simple way of
11 putting it?

12 A MR. OSLER: That would be a simple
13 way of putting it.

14 Q And throughout the interrogatory responses, I
15 note that you have been very specific that it
16 covers both recurring costs, so costs that have
17 been recurring since the mine left or closed
18 down, but also one-time costs, from --

19 A MR. OSLER: What you said the first
20 time was that it deals with the lost revenue
21 from the shutdown of the Faro mine. And today
22 that's essentially what Rider J, in simple
23 terms, is doing.

24 Initially, when it was
25 first instituted, it had some other functions

1 as well, to do with what you're calling
2 "one-time costs." But Yukon Energy came to the
3 Board when those one-time costs had been
4 amortized and completed and requested that the
5 rider be reduced to reflect the fact that those
6 were no longer appropriate. So I forget the --
7 about 2003.

8 Well -- and Mr. Bowman
9 reminds me, the Board, on an interim basis, has
10 recently reduced it to do with the revenue
11 reductions that the company has brought forward
12 in this application. So we're moving further
13 and further away from the relevance to the Faro
14 mine.

15 At the moment I think the
16 history is less relevant than the reality that
17 this is a method for collecting revenue, until
18 such time as somebody goes through the process
19 of adjusting rates to not need the rider. The
20 rates have to go up; the rider could go away.

21 You have just seen the
22 same thing happen, Madam Chair, with the
23 Rider F. I mean, since the two utilities were
24 before the Utility Board in '97 and had GRA
25 rates fuel price forecast then, we have not had

1 the opportunity for both utilities to be
2 brought whole in terms of fuel costs into their
3 revenue requirements until YECL was before the
4 Board last year.

5 Now that YECL's revenue
6 requirement has been determined, it includes
7 fuel price that are up to date, so to speak.
8 And as you have seen, the Rider F has now gone
9 to zero.

10 And, you know, there's a
11 proposal in compliance with Order 2009-2, a
12 proposal as of January 1, 2010, to increase --
13 put in a new rider of 10 percent in order to
14 recover all those fuel costs plus a little bit
15 more that the Board has allowed.

16 So, essentially, Rider J
17 is the same type of thing. It was an interim
18 measure that the company proposed to the Board,
19 the Board approved in 2008 as a quick way to
20 deal with the closure of the Faro mine, in a
21 simple, expedited manner. But we never
22 contemplated at the time that we did that that
23 this would be around this long, okay?

24 There was a general
25 expectation in the atmosphere in 1998 that we

1 were just about to have another GRA. So
2 that's -- forecasting is not always an exact
3 science.

4 Q Thank you. I found that quite useful.

5 So, I mean, it sounds
6 like I hit the nail on the head with my simple
7 summary of it, which is that really it's -- it
8 represents a portion of your normal revenue
9 requirement, not related at all to costs
10 anymore with the Faro closing, but rather costs
11 that would normally be allocated across all
12 classes based on the cost allocation, but since
13 you don't have an up-to-date cost allocation.

14 And I also because
15 presumably you are restricted through OIC from
16 increasing costs, for example, to industrial
17 customers, that you use a rider to allocate
18 this missing revenue to remaining classes.

19 A MR. OSLER: Okay. I'll try and keep
20 it simple.

21 The revenue-requirement
22 issue and the rate issue, in the sense that
23 we're talking about, are quite separate
24 boxes.

25 Q Okay.

1 A MR. OSLER: One tells us how much we
2 are allowed to collect and need to collect from
3 customers in order to make the company whole,
4 or YEC whole, and the other one is the
5 authorized method of doing it through rates.

6 To keep it simple, 1997,
7 the Board had approved, assuming the Faro mine
8 was there, a revenue requirement and a bunch of
9 rates without any of these riders. Faro mine
10 closed. The company lost a lot of revenue. It
11 had some costs reduced as well. The net
12 difference was in the order of magnitude, and
13 I'm speaking entirely from fading memory, 5, 6,
14 \$7 million out of 13 or 12 or something total
15 revenue. So there was a net amount we still
16 had to pick up from other customers because of
17 the fixed cost to the system.

18 We were all alone, YEC,
19 before the Board. YECL wasn't there anymore.
20 The Board had let them off. And, essentially,
21 Madam Chair, we had to pick up that amount of
22 money. And the simplest way to do it was
23 simply to have a Rider J that applied to all
24 retail customers in the Yukon, there was the
25 amount of percentage that would recover that

1 UCG-5 (c) you explained, I guess, the
2 complexities of trying to incorporate Rider J
3 into base rates?

4 A MR. OSLER: Oh, yes. I can remember
5 that.

6 Q I am going to leave that now.

7 Now, and also through
8 interrogatories, you have confirmed that -- and
9 I'm just going to reiterate from my
10 understanding, secondary energy users are
11 charged Rider J, correct?

12 A MR. OSLER: Right. And the reason
13 for that is that they have a very specific
14 rate. It's based on value. Certain percentage
15 of their alternative fuel cost. I has got
16 nothing to do with cost of service; got nothing
17 to do with revenue requirement or our cost. It
18 is just a method of taking some surplus energy
19 and collecting some money to keep rates down
20 for everybody else.

21 Q And industrial customers are exempt
22 specifically because of the OIC?

23 A MR. OSLER: Yes, the OIC 2007-94
24 relating to the rates to be charged to them.

25 Q Okay, thank you.

1 A MR. OSLER: Well, Mr. Buonaguro, just
2 there was a fuel element in the rate that is
3 charged to the industrial customers up to
4 November 2006, and there is an adjustment
5 mechanism for adjusting what they are charged
6 based on fuel price changes. So the concept
7 was that that particular element does fluctuate
8 in their charges, but all the rest of it was
9 locked down by the order in council.

10 Q Okay. Thank you for that clarification.

11 My clock says 1:30 p.m. I
12 think that's central.

13 THE CHAIR: We are coming up to the
14 time that I think we would take a 15-minute
15 break, if that is an appropriate time in your
16 questioning.

17 MR. BUONAGURO: That would be great,
18 thank you.

19 THE CHAIR: In that case we will take
20 a 15-minute break.

21 (BRIEF ADJOURNMENT)

22 THE CHAIR: Please be seated.
23 Would you like to
24 proceed, Mr. Buonaguro?

25 MR. BUONAGURO: Thank you.

1 Q MR. BUONAGURO: I have a couple of
2 questions on Rider F, and I guess the best
3 place to be looking at while we are at the
4 questions is in the application at page 321, I
5 believe, at Section 3.6 has a description of
6 the rider.

7 My understanding, simply
8 put, is that in your rates, you have a forecast
9 fuel price and a forecast fuel consumption, and
10 that this rider tracks deviations from that; is
11 that correct?

12 A MR. MOLLARD: Just price; not
13 consumption.

14 Q Okay. So does that mean that when you
15 calculate the rider to be applied in order to
16 capture the variation in price, you are only
17 capturing the variation in price as it relates
18 to the amount of fuel you forecast over the
19 test period, to consume?

20 A MR. BOWMAN: Perhaps, Mr. Buonaguro,
21 just to help people out and make sure we're all
22 on the same page, Rider F is an account that
23 Mr. Osler referred to earlier is the account
24 that effectively is a pretty typical type of
25 fuel stabilization mechanism. Most utilities

1 actually called the "deferred fuel price
2 account."

3 Once that account, which
4 has the 10 cents charged to it, and then all of
5 the other adjustments both ways, reaches a
6 certain trigger or balance or forecast between
7 Yukon Energy and Yukon Electrical who each have
8 these accounts and they manage them effectively
9 in a coordinated way, a rider or a refund will
10 be put in place with customers to deal with the
11 balance in the account.

12 So the rider side is
13 different than how the charges arise -- give
14 rise to the balances. But I hope that's
15 helpful to people in the room.

16 **Q** Well, I think so.

17 The problem I'm having
18 in, I guess, understanding it, and maybe it's a
19 small point, but I understand it tracks the
20 variation in price, but price by itself is
21 meaningless unless you have a volume and the
22 year that you are applying it to, so a volume
23 of diesel fuel consumed.

24 And maybe I'm
25 misunderstanding, but I assume that if you are

1 fixing a price in your rates; for example, you
2 are proposing a new price for this rate
3 proceeding to be embedded in rates, correct?

4 A MR. BOWMAN: Correct.

5 A MR. OSLER: Yes.

6 Q But that price is to go along, I would assume,
7 and maybe I'm horribly wrong, with a certain
8 volume to create an amount that's simply
9 recovering rates.

10 A MR. BOWMAN: Yes. When you're
11 developing a revenue requirement, you need a
12 total number of dollars. So in this
13 application there is a price for -- forecast
14 price for Whitehorse for 2009 that would be \$1
15 and 14.9 cents per litre for a given number of
16 litres forecast.

17 When actuals arise, the
18 way forecasts work, the price won't be right
19 and the volume won't be right. They never are.
20 That's the way forecasts work. So if the
21 price, instead of a \$1.15 went to .85 cents, so
22 you have a 30-cent gap, and if the litres,
23 instead of whatever number is in here, 300,000,
24 became 500,000, Yukon Energy would be crediting
25 back the account 30 cents for all 500,000 litre

1 consumed, every litre consumed, for operating
2 reasons.

3 Q Thank you. So that really helps, because the
4 stress has always been on the price, it seemed,
5 in the way it's described. But, in fact, you
6 are actually -- that account also accounts for
7 variations in volume.

8 A MR. BOWMAN: Well, no. I don't agree.

9 Q Okay.

10 A MR. BOWMAN: I want to --

11 Q I misunderstood what you just told me.

12 A MR. BOWMAN: Well -- the account
13 doesn't deal with variations in volume to the
14 extent that those variations in volume reflect
15 a change in cost to Yukon Energy at the
16 GRA-approved price. It deals with all units
17 consumed, so it deals with variations in volume
18 at the variation in price. And these
19 conversations can get hard to follow if we're
20 not careful.

21 But the -- at the end of
22 the day, Yukon Energy, as we have covered
23 before, is at risk for its load forecast and
24 how it supplies its load forecast. That's a
25 pretty typical standard in dealing with

1 utilities. So if there is an outage and you
2 have to burn fuel, Yukon Energy pays for
3 burning that fuel. If loads come -- it gets
4 cold, so there's peaking diesel, Yukon Energy
5 pays for that diesel. If loads are higher than
6 forecast or lower than forecast, Yukon Energy
7 absorbs the change in revenue and the change in
8 cost to supply that.

9 At the same time, one
10 thing that Yukon Energy does not take the risk
11 for, similar to almost any utility that is in a
12 similar position, is for changes in price that
13 it can control. So this account is designed
14 solely to deal with the risks related to
15 changes in price. And in that regard, every
16 litre of fuel that Yukon Energy books is at the
17 GRA-approved price. It's at risk for changes
18 in consumption, changes in volume at the
19 GRA-approved price.

20 If there's costs related
21 to changes in the price, it goes through the
22 Rider F account. That's not something that the
23 utilities are at risk for.

24 **Q Okay. So that's -- I understood that**
25 **differently than what you had said just prior**

1 to that, so I am going to try an example again
2 to see.

3 So in 2009, for example,
4 what's the forecast fuel price that you're
5 using for the 2009 test year?

6 A MR. BOWMAN: For Whitehorse is \$1 and
7 14.9 cents.

8 Q And what's the forecast volume of diesel
9 consumption?

10 A MR. BOWMAN: Well, the forecast volume
11 for the entire company is 451,300 litres. And
12 that would be in CW-17.

13 Q Okay. It's just an example, so if -- it
14 doesn't need to be precise.

15 A MR. MOLLARD: Yeah.

16 Q So you have a forecast price, you have a
17 forecast volume. If the price doubles, the
18 account will capture that?

19 A MR. BOWMAN: If the price doubles, the
20 account will capture that for every litre
21 consumed, correct.

22 Q If the volume is cut in half but the price
23 remains the same, the contract's nothing?

24 A MR. BOWMAN: The contract's nothing.
25 That is a volume-related variance, so that's a

1 load-forecast related variance, which
2 Yukon Energy is at risk for. Whether that
3 volume of litres goes in half or doubles.

4 Q Okay. That's the clarification I was looking
5 for. Okay.

6 So if we can move on. I
7 have, I guess, something -- it's a related
8 question about the DCF, which we spoke of
9 briefly earlier, the diesel contingency fund,
10 which is on described on the same, page 3-21.
11 And you mentioned -- actually, in your earlier
12 description, you mentioned triggers, and that's
13 precisely what I wanted to confirm, because I
14 don't think -- it's not in here.

15 My understanding is that
16 that fund is supposed to protect against
17 variations in water flow, simply put, in the
18 first instance.

19 A MR. BOWMAN: Correct. Correct.
20 It's -- yes. It's called the diesel
21 contingency fund because it protects against
22 changes in the amounts the utility has to pay
23 for diesel as a result of water-flow
24 variations. The name sometimes causes
25 confusions; it's a water-related fund not a

1 fuel-related fund.

2 **Q So if water flow remains as forecast but load**
3 **doubles, for example, this fund isn't**
4 **triggered?**

5 A MR. BOWMAN: If water flow results in
6 hydrogeneration being equal to the long-term
7 average, which is the numbers that the DCF
8 works off of.

9 So if you still get as
10 much water as a long-term average would say you
11 should get but the load doubles, this fund is
12 not triggered.

13 **Q Right.**

14 **And, similarly, if your**
15 **production is cut in half because of a**
16 **technical failure in a turbine, that has**
17 **nothing to do with this fund?**

18 A MR. OSLER: We'll have to be careful.
19 It deals with generation, hydrogeneration being
20 able to produce based on assumed long-term
21 water. And certainly if there was a
22 transmission failure that led to a problem that
23 would not trigger the fund, I think we'd need
24 to check that in history there weren't -- how
25 do we deal with some problems with generator

1 units not being able to perform. You know,
2 there may have been some history there.

3 But this fund is only
4 relevant when there is diesel in the margin,
5 the way I was talking to Mr. Keough yesterday.
6 So back in the '90's when diesel was being used
7 in the Whitehorse-Aishihik-Faro system. So you
8 were running diesel, and the water flow -- you
9 know, secondly, it's not based on a forecast.
10 We changed all that in the early '90s. It is
11 just based on the long-term average, so that we
12 are not getting into the game of trying to
13 forecast water for each GRA or something.

14 This is the long-term
15 average. If we're above it or below it, and
16 you had diesel in the margin, you would have to
17 run more diesel or less diesel, if the water
18 flows better than long-term average, or more
19 diesel if the water flow was less. And this
20 fund picked up the difference so that people
21 weren't having GRA revenue requirements
22 bouncing up and down depending on water flows.
23 That's the essence of the point.

24 In the history of dealing
25 with it, I just don't remember -- I don't know

1 A MR. OSLER: No. It's filed in -- no.
2 I would expect it's
3 attached to an order that approved it.

4 A MR. BOWMAN: I will just add on, the
5 negotiated settlement from the '96/97 GRA is
6 what Mr. Osler was referring to that dealt with
7 establishing the DCF out of the earlier
8 low-water reserve fund.

9 In implementing that
10 order, Yukon Energy ran the fund for three
11 years, '96, '97, '98, and came back to the
12 Board and got an order confirming how it had
13 used the fund. And it's an order from 1999
14 dating, if I recall correctly, and there's a
15 filing related to that that basically describes
16 the fund and how it was implemented, and that
17 was confirmed by the Board.

18 So, if anything, the
19 operating rules took a bit of time to get
20 confirm in the right way. But it is a way they
21 are now applied.

22 But every year the
23 additions and deletions to the fund, which have
24 basically been only interest for the last few
25 years, are filed with the Board.

1 A MR. OSLER: We -- okay.

2 Q Okay. So maybe if I could ask for a copy of
3 the original settlement and then the second
4 order you are talking about, which confirmed
5 how it was used, between the time of the
6 settlement and that order. I wasn't following
7 all the dates, but I think you know what happen
8 I'm talking about.

9 A MR. OSLER: We can give you the Board
10 order and the -- and the settlement that the
11 Board approved back in '96 and the one that
12 Mr. Bowman was referring to later on where the
13 Board -- we'll give you that order that --

14 Q Thank you.

15 A MR. OSLER: And whatever is related
16 to it that's useful.

17 Q Okay. Thank you.

18 Now, you did mention, you
19 said this account is only -- maybe I'm
20 mischaracterizing what you said, but I thought
21 you said that this is only an issue when
22 diesel's on the margin. But I think you agree
23 that when -- the second point at page 3-22 with
24 respect to the fund says (quoted as read):

25 "When diesel is not in the margin, the

1 account can, in certain circumstances,
2 be used to pay for the cost of
3 generation using diesel, i.e., in the
4 case of drought."

5 A MR. OSLER: Well, we're using the
6 language "on the margin" is being used here as
7 base-load diesel running all year round, and
8 it's just allowing for the possibility that
9 because of low water flows, there may be
10 certain months that diesel had to run. And if
11 that could be established, that it was due to
12 the low water and not due to something else,
13 there would be a basis for charging the fund.

14 Even when the Faro mine
15 closed, after it closed, the fund was charged,
16 if I'm not mistaken, in the subsequent spring,
17 because water flows were very low. So it
18 was -- it was even without a high load, if the
19 water gets low enough, there could be certain
20 months when the water flow, being low, is
21 what's causing the diesels to run.

22 Q Okay. Thank you.

23 I'm going to look at
24 UCG-1, UCG-1 (d), which I think is a quick
25 question. You are asking -- we asked (quoted):

1 "Please provide details of service
2 reliability criteria that YEC uses as
3 a policy guideline."

4 **And the answer, I think,**
5 **quite simply was (quoted):**

6 "YEC does not use service reliability
7 criteria as a policy guideline."

8 **Could you describe that**
9 **more fully. Because I would have expected that**
10 **you would have some sort of reliability targets**
11 **or some such that you strive towards, something**
12 **like that, at a matter of policy, and this**
13 **suggest that you don't.**

14 A MR. BOWMAN: I think, Mr. Buonaguro,
15 we might need you to repeat the question. I
16 think the 1 (d), which is about the criteria is
17 referenced as a policy guideline, and I think
18 the essence of the response is focusing on
19 there is no policy along these lines.

20 But I think your question
21 may not have been about that, so perhaps we
22 could --

23 **Q Sorry.**

24 A MR. BOWMAN: -- benefit from a repeat
25 of the question.

1 Q So what you just said suggests to me that you
2 do have service reliability criteria that you
3 use.

4 A MR. BOWMAN: Well, all I said is --

5 Q Whether it's uses as a policy guideline or not,
6 we can forget that part of the question first.
7 Does YEC have any kind of service reliability
8 criteria that it uses in any capacity?

9 A MR. MORRISON: We are having a little
10 internal debate. We are not exactly sure what
11 you are referring to when you mean reliability
12 standard. So I guess that would help if you
13 could help us with that a little bit.

14 Q Well, how do you measure your actual
15 reliability in a particular year and how do you
16 determine what reliability standard you want to
17 achieve, and then therefore how does that drive
18 your investment, presumably, or your spending
19 on reliability?

20 A MR. MOLLARD: So it actually is part of
21 the KPI documents that we're going to provide
22 to you. There will be reliability data in
23 there, the standard Canadian SAIDI, SAIFI, and
24 CAIDI, don't test me what those acronyms are.

25 Q I have heard of them. I'm not sure what the

1 acronyms mean either sometimes.

2 All right. Thank you.

3 That will be very helpful.

4 I haven't seen those
5 documents yet, but presumably the reports don't
6 just set out the criteria but talk about how
7 you use them and what you intend to use them
8 for, is it?

9 A MR. MORRISON: Well with, again,
10 Madam Chair, I'm not exactly sure of the
11 question. But what the reports outline is what
12 our reliability experience is and compares it
13 to other parts of the country, and there are
14 discussions around that, and it also explains
15 what the standards mean and how they're
16 measured.

17 Q Okay. I guess I'll see when I read it. Thank
18 you.

19 Now, I would like to ask
20 you some questions about the proposed runoff
21 rates for residential customers, which you went
22 through, I think, a bit yesterday already, so
23 I'd only have some what I call "follow-up"
24 questions. And I think a useful place to be
25 looking at would be the application, 4-10, page

1 4-10 and 4-11, I think.

2 And this is where you
3 start to describe the runoff rates and the
4 requirement under the OIC and so on.

5 And over at page 4-11, at
6 the top, you talk about trying to provide --
7 and I'm paraphrasing, trying to provide a
8 strong economic disincentive to customers from
9 using electricity for space heating at that
10 time. And the impression I get from the
11 evidence is that the primary goal in -- or the
12 primary behaviour that hopefully the runoff
13 rate is supposed to incent is to refrain from
14 space heating for using electricity.

15 A MR. OSLER: I think the impression
16 that the filing gave was that -- I don't
17 dispute that, but in retrospect, it's not a
18 good impression in the sense of the full
19 purpose of the runoff rate.

20 First of all, the runoff
21 rate applies to customers in general service as
22 well as residential, and the concept, as buried
23 in Rate 39, even for industrial.

24 So the whole idea of
25 having an efficient price signal on the runoff

1 rate has got a lot to do with efficient price
2 signals for all customers and not just to do
3 with electric heating. So I think in that
4 respect the application focusing on electric
5 heating wasn't helpful to get people's minds
6 around the problem.

7 It was a useful example,
8 given that we were focused on the residential
9 runout rate, as it changed for this application
10 and was meant to be only nothing more than
11 that, as an example that people could relate to
12 it. But I think it, in some respects, has not
13 helped all the parties come to grips with
14 what's really at stake here.

15 **Q So I understand your point about it being a**
16 **concept across rate classes, but for the**
17 **residential rate class, the classes that we're**
18 **talking about, the -- I think it's fair to say,**
19 **or at least the assumption appears to be in the**
20 **evidence, that what puts people into the runoff**
21 **rate block in terms of energy use, i.e., using**
22 **more than a thousand per month on average is**
23 **space heating, largely?**

24 **A MR. OSLER:** Well, it may be a major
25 factor for the overall numbers, but there are a

1 lot of other equipments and electrical uses
2 that can push up electrical use per customer in
3 the residential sector that don't have to be
4 just electric heating. So the concept of an
5 appropriate efficiency price signal would apply
6 to all of those uses, not just electric
7 heating.

8 **Q I want to take you to a table, Table 4.11 in**
9 **the application. This table breaks down your**
10 **calculation of the bill impacts per consumption**
11 **level for residential nongovernment, use this**
12 **as an example.**

13 **A MR. OSLER: Yes.**

14 **Q And, presumably, you are looking at this,**
15 **people who fall under the thousand kilowatt**
16 **hours per month average and below are**
17 **getting -- or receiving a rate decrease as a**
18 **result of the proposal?**

19 **A MR. OSLER: Yeah. If you look at the**
20 **table, a couple of points. The table shows,**
21 **down under "Cumulative percentage of**
22 **customers," down below all the table itself;**
23 **you see where I'm looking?**

24 **Q Yes.**

25 **A MR. OSLER: So it shows you that at**

1 750 kilowatt hours a month, you are talking
2 about, you know, 56 percent of the customers
3 over the year in the last year of record. So
4 the average is not a thousand; it is somewhere
5 down in the lower level, the average use per
6 customer. It's not a thousand kilowatt hours,
7 it's closer to 700.

8 **Q Sorry. I think we are at cross purposes in**
9 **what I was trying to say.**

10 If I look at that have
11 column, "Monthly Consump. (kW.h) 1000," that is
12 a customer who averages exactly a thousand
13 kilowatt hours should have those bill impacts,
14 according to your calculation?

15 **A MR. OSLER: Yes, yeah, yes. If they**
16 **exactly use that level, that's what the numbers**
17 **should be.**

18 **Q What you are saying at the bottom here is that**
19 **approximately 70 percent of the customers are**
20 **in the 800 to 1,000 --**

21 **A MR. OSLER: Right.**
22 Cumulative.

23 **Q Sorry. Seventy percent of the customers are**
24 **below a thousand?**

25 **A MR. OSLER: Yes, or up to a thousand,**

1 yeah.

2 **Q Right. And I can tell that the people that are**
3 **in the 800 to 1,000 category are actually**
4 **70.1 percent minus 56.4 percent?**

5 A MR. OSLER: Yes. And the final part
6 of what you originally asked was, looking at
7 this table, where does the proposal lead to a
8 customer getting -- up to what level on this
9 table does a customer get savings on a monthly
10 basis from the proposal in the application.
11 And -- if I heard you correctly.

12 **Q Well, I was just pointing out that, for**
13 **example, 1,000 -- if you hit 1,000 right on,**
14 **you are saying someone in the high -- in the**
15 **first zone will get a decrease of \$22.26?**

16 A MR. OSLER: Yeah.

17 **Q I just want to make sure I was reading that**
18 **correctly.**

19 A MR. OSLER: And these numbers are all
20 based on the bill that existed at that time.

21 **Q Right.**

22 A MR. OSLER: Because you can see it
23 all on the bottom and what the rates were
24 assumed. This is all changed now because of
25 the Rider F, you know, et cetera.

1 Q I am just using it as an example of how you
2 have done the calculation; that's fine.

3 A MR. OSLER: Good.

4 Q Now, when you say monthly consumption 1,000, is
5 the assumption that in each and every month of
6 the year the consumption is 1,000?

7 A MR. OSLER: If you were applying this
8 to an annual number, you would have to take
9 this and multiply it by 12. This is the
10 monthly bill.

11 Q Right.

12 A MR. OSLER: If you said what is the
13 effect on this on the customer for the year and
14 you multiplied it by 12, you would be assuming
15 that customer had 1,000 kilowatt hours each
16 month for 12 months.

17 Q Which is getting to my point, which the
18 assumption there would be that their
19 consumption is flat?

20 A MR. OSLER: Yes.

21 Q And now we have already talked about the fact
22 that for residential customers, one of the
23 major factors affecting their movement into the
24 runoff rate above a thousand is probably space
25 heating?

1 A MR. OSLER: It would certainly be one
2 factor, yes.

3 Q And you would agree with me that, well, space
4 heating, almost by definition, is a
5 weather-sensitive load?

6 A MR. OSLER: Yes.

7 Q Which means that the consumption for somebody
8 who's using space heating over the course of
9 the year isn't flat; it's depending on the
10 weather?

11 A MR. OSLER: Correct, and there are
12 probably other elements that deal with
13 temperature, light availability, and everything
14 else that would lead to variability, even if
15 somebody didn't have space heating.

16 Q Okay. That means if I'm trying to look at what
17 the annual impact of the changes are or the --
18 on a particular customer who has space heating,
19 for example, I can't just take -- for example,
20 if I look at -- let's assume, for the sake of
21 example, and I don't know this to be accurate
22 or not, but let's assume we are looking at
23 someone 1,250 kilowatt hours per month average,
24 and let's say that person is space heating.
25 This suggests that over the course of a year,

1 250 kilowatt hours will occur in the second
2 rate block, in the runoff block?

3 A MR. OSLER: The table itself just
4 tells you a monthly bill. It doesn't purport
5 to extend it to an annual bill, right?

6 Q Okay.

7 A MR. OSLER: So the table is there so
8 you can look at it and say, If you want to
9 assume that somebody's flat all year round, you
10 can calculate an annual number. If you want to
11 assume somebody's got half of the year where
12 they are at 2,000 kilowatt hours a month on
13 average versus the other half of the year they
14 are only -- you can do the calculations. It's
15 that type of use.

16 Q Okay. I think that's helpful to me.

17 So if I want to -- if I'm
18 a customer and I am looking at this to try to
19 figure out what my rate impact is going to be
20 as a result of your proposed changes, I
21 actually have to look at my winter peaking
22 months, I guess, would be January, December, so
23 see what my consumption is in that month to
24 determine the maximum impact on a particular
25 bill I'm going to get; I can't just look at my

1 yearly consumption?

2 A MR. OSLER: Right. You are right.

3 Q Okay.

4 A MR. OSLER: So these annual averages,
5 so if you looked at the percentage of customers
6 in each group, that's an annual average. So if
7 we were looking at the picture for the winter
8 months or the -- there would be a higher
9 percentage of customers in the higher levels
10 than you see here. And if you looked at it
11 during the summer months, it would be the other
12 way around. There just is a lot of different
13 data, depending what you're trying to do.

14 This type of a table has
15 been used in previous GRAs to provide customers
16 and the Board and intervenors with an
17 understanding of how does their monthly bill
18 change, and then given the range of different
19 consumption levels that might be relevant to
20 different people, they can see how it affects
21 them. And it's also to help the Board and
22 intervenors understand the extent to which the
23 rate changes are universal across all these
24 levels or whether they are focused on certain
25 levels of consumption.

1 Q Now, forgive my ignorance, but when you say
2 continual percentage of customers, I'm assuming
3 that you are talking about YEC residential
4 customers, as opposed to Yukon-wide, or I'm
5 wrong?

6 A MR. OSLER: No. The point was made
7 that these are residential nongovernment
8 customers in Yukon, YEC and YECL. They all pay
9 this rate, and that's what this percentage is,
10 and the same with general service, if it is in
11 the general service.

12 Q Thank you for that clarification.

13 A MR. OSLER: Well, yeah. I mean,
14 the -- it's effectively, on an average basis,
15 84 percent of the customers are consuming
16 between 1,000 -- consuming less than
17 1,300 kilowatt hours a month. This proposal is
18 saying that, you know, 84 percent of Yukon
19 residential nongovernment customers would end
20 up with no higher rate or a rate decrease under
21 the proposal. That's what it's telling you.

22 Q I'm afraid I'm a little confused now, because
23 it strikes me that, particularly when you're
24 talking about the heat-sensitive load, i.e.,
25 the people using electric space heating, that

1 the percentage of people that fall into any
2 particular category would depend on which month
3 you are looking at, and I'm trying to figure
4 out -- I can't tell that from here. This is
5 looking at the average month, right?

6 A MR. OSLER: This is looking at a
7 month when somebody is consuming that level of
8 consumption and what their bill would be before
9 and after the proposal.

10 Q Right. But the --

11 A MR. OSLER: The cumulative percentage
12 of customers is looking at the average
13 annual -- looking at all the customer bills
14 over the 12 months and saying what percentage
15 of those bills involve customers that didn't
16 consume more than, say, a thousand kilowatt
17 hours in a month over the whole year.

18 Q So, for example, if I look at "Monthly Consump.
19 (kW.h) 2000" --

20 A MR. OSLER: Yes.

21 Q -- and it says 96.1 percent of customers --

22 A MR. OSLER: Yes.

23 Q -- that means that only 3.9 percent of the
24 total annual bills were above 2,000, for
25 example?

1 A MR. OSLER: Total annual bills.
2 It means that 3.9 percent
3 of all the bills issued to nongovernment
4 residential customers were less than -- were
5 over 2,000 kilowatt hours a month.

6 Q In the year?

7 A MR. OSLER: In the year. This was
8 the year before the test year.

9 Q Okay. So you've got monthly consumption at the
10 top, and then in terms of where people fall,
11 it's based on the average -- based on the
12 numbers for the annual?

13 A MR. OSLER: Right, yeah.

14 Q Okay. Thank you.

15 A MR. OSLER: If you take all of the
16 bills that are issued in a year, each customer,
17 if they're around the whole year and they're
18 not temporary, some part of the year, they have
19 12 bills a year. So all those bills, it's
20 telling you that 3.9 percent of them were over
21 2,000 kilowatt hours.

22 Q Okay.

23 A MR. OSLER: And it's telling you that
24 all the bills issued in a year, if it's the
25 same percentage distribution in the future test

1 years as it was in the last year before, of all
2 the bills issued in a year, 84 percent of them
3 would have a rate decrease or no change in
4 rates under the proposal. That's what it's
5 telling you.

6 **Q Okay. Thank you.**

7 **I'm turning to UCG**

8 **Number 30. And we asked a number of questions.**

9 **And if you could skip down to the answer to**

10 **(b), (c), and (d), and (i), (j), and (k) --**

11 **sorry, (f), (g), and (h). Those questions had**

12 **to do with specifying the cost on one system**

13 **versus the other, the WAF system versus the MD**

14 **system.**

15 **And the general answer to**

16 **those six questions was -- and I'll just get**

17 **the exact wording here -- (quoted):**

18 "Yukon Energy cannot provide this
19 information as a substantial component
20 of YEC's costs are not functionalized
21 and separated by system."

22 **Do you see that?**

23 **A MR. BOWMAN: Yes.**

24 **Q So basically what I took that to mean is, when**
25 **you look at the costs of the system, you don't**

1 distinguish between, for the most part, WAF and
2 the MD systems; you are not separating them
3 that way?

4 A MR. BOWMAN: No, that's not what it
5 says.

6 Q Perhaps you can explain it. This is a
7 cost-allocation question, is it?

8 A MR. BOWMAN: This is exactly a
9 cost-allocation question of the way that one
10 would go through analyzing costs by function in
11 preparing a cost-of-service study, the
12 generation, transmission, and distribution
13 broken out effectively of sort of fully loaded,
14 if you like, so that administration costs are
15 built into there and allocated to the function
16 that is needed.

17 And in this case it asks
18 for them broken out by system. In Yukon --
19 even if we had done this in -- you know, had a
20 cost-of-service study up to date and handy and
21 ready to go, first of all, it probably would
22 not address all of the years there. It would
23 be to deal with a test year. And, second, it
24 would never break it out by system because the
25 cost-of-service study is done on a unified

1 basis for Yukon.

2 But the form of
3 functionalizing average cost per kilowatt hour
4 generation would have to take into account not
5 just an O&M budget for generation but a capital
6 amount for generation, the debt that gets
7 allocated to that system, the administration
8 costs that get allocated to that system, and
9 all those other functions, which is exactly the
10 work of the cost-of-service study that has not
11 been done.

12 **Q So can I take it from that answer that once you**
13 **have completed the cost-of-service study, as**
14 **contemplated, for example, in your letter to**
15 **YECL, May 1st, that this type of analysis will**
16 **be available, this part of the product?**

17 **A MR. BOWMAN:** In respect of the
18 questions that are asked here, the average cost
19 per kilowatt hour of generation, average cost
20 per kilowatt hour of generation, average cost
21 per kilowatt hour of transmission, average cost
22 per kilowatt hour of distribution would be able
23 to be derived from the cost-of-service study.
24 It probably wouldn't be oriented that way for
25 some of the things that you and I were talked

1 about earlier. Transmission costs are not
2 usually thought about as a kilowatt hour type
3 of cost. They are thought about as a peak type
4 of cost, let's say, so kilowatt. But the data
5 would be available to have a fully loaded
6 functionalized cost. So in regards to the
7 functions, yes.

8 In regards to doing it by
9 system, no. And that's because a
10 cost-of-service study for Yukon, in the way
11 that rates are set, is done for the Yukon as a
12 whole. It's not meant to set rates on each
13 system on their own. In regards for having one
14 for 2005, '06, '07, '08, and '09, no, it would
15 be done for a year where you have a consistent
16 set of costs between the two utilities,
17 presumably a test year for each utility.

18 A MR. OSLER: Let's be very specific.
19 We would propose it would be done for 2009,
20 when there has been an approved revenue
21 requirement for each utility for that full test
22 year. Secondly, it would be a consolidated
23 number for the two companies. It would not be
24 separated out. And, thirdly, it wouldn't be
25 separated out for system.

1 MD. And to that level you have separate costs
2 for each of the systems, but you haven't fully
3 loaded -- you don't calculate fully loaded
4 costs for those systems. Instead you fully
5 load the costs to the customer classes?

6 A MR. OSLER: Yes. And the reasoning
7 is that you can theoretically do this at all
8 sorts of levels of data if you have the time
9 and the money. That's not -- the point isn't
10 could you do it. It isn't done because you are
11 not trying to waste money, essentially. And
12 the point of the cost of service is to inform
13 parties of how consolidated costs of the two
14 utilities affect customer -- if we looked at
15 them by customer class, where the customers
16 paying for those costs, or are they paying a
17 lot less for those costs or a lot more, and
18 perhaps to give advice on individual charges,
19 such as demand charge versus a customer charge,
20 although historically the charges have not
21 tended to track what cost of service shows.

22 So for that reason to do
23 what -- the job that's been assigned to people
24 to do and to do it as cost effectively as
25 possible, it focuses on what Mr. Bowman's

1 describing, the consolidated systems and the
2 consolidation of the two companies, because
3 that's how the rates have to be set.

4 **Q I think I understand.**

5 A MR. OSLER: Then somebody will come
6 in inevitably and ask us to do it at some
7 other, and if the Board so directs, we would do
8 it. But we wouldn't do it automatically
9 because it's costly to get more detail.

10 **Q So, for example, if the Board were convinced**
11 **that it was important to understand how one**
12 **system is more or less expensive than the other**
13 **on a fully allocated basis, that's when you**
14 **would undertake that kind of study?**

15 A MR. OSLER: Yes. And if you look
16 back on the sort of mid-1992 or '93 when there
17 was a generic cost-of-service review, some of
18 those questions were asked, and a lot of
19 different tables were produced, but we didn't
20 keep doing it for each GRA thereafter.

21 So if there was a major
22 hearing process to sort of get everybody
23 comfortable, you might have a lot more things
24 looked at than if you were just doing a regular
25 ongoing GRA.

1 Q Thank you.

2 I would like to take you
3 to UCG Number 38(a). And you provide a table
4 in response and the only part of it I'm
5 actually interested, in at the moment is the
6 qualifier at the bottom. It says (quoted):

7 "There are no profit sharing or
8 incentive plans in the GRA revenue
9 requirement."

10 Do you see that?

11 A MR. BOWMAN: Yes.

12 Q Does that mean -- does that mean that these
13 numbers have been "scrubbed clean" of profit
14 sharing or incentive plans but they do exist?

15 A MR. MORRISON: No.

16 Q Or simply --

17 A MR. MORRISON: They don't.

18 Q -- YEC doesn't have those things, YEC doesn't
19 have profit sharing or incentive plans?

20 A MR. MORRISON: No. No, we don't.

21 Q Okay. Thank you. That was the clarification I
22 was looking for.

23 At UCG Number 47, we
24 asked about depreciation rate study, and the
25 answer is that, to paraphrase Yukon Energy

1 A MR. OSLER: Well, it was done 2003
2 for a 2005 hearing. So the time period since
3 the 2005 hearing isn't that long. I mean they
4 always do it for a period earlier than the
5 period of the hearing, because they have to use
6 the numbers. They have to have actual numbers.

7 Q So it may be you may be at the three-year, you
8 may be at the five-year range depending on when
9 the start date is?

10 A MR. OSLER: Yeah.

11 Q So when would Yukon Energy's plans be to update
12 it's depreciation study?

13 A MR. MOLLARD: We have no plans at the
14 current time to update those.

15 Q UCG Number 72(b). We asked for analysis that
16 YEC had made to verify that the miscellaneous
17 charges within the electric service regulations
18 are still appropriate given associated costs.
19 And the answer was (quoted):

20 "This type of analysis is not
21 available and cannot be provided."

22 When was the last time
23 that type of analysis was available and
24 provided to the Board in support of what's in
25 the electric service regulations?

1 A MR. OSLER: The miscellaneous charges
2 you are talking about would be various items in
3 here. The last time this was reviewed at best
4 would be the '96-'97 GRA. I mean in the 2005
5 GRA, Yukon Energy addressed some specific items
6 in here and got some changes approved for them,
7 but they weren't the miscellaneous charges. It
8 would be a matter that would probably -- would
9 definitely require the involvement of the two
10 utilities. And if the planning was going
11 forward, it would be next addressed in the
12 context of this upcoming Phase II review.

13 A MR. BOWMAN: I want to add,
14 Mr. Buonaguro, in case that wasn't clear. The
15 charges are in the electric service
16 regulations, which as I say, consolidated for
17 the two utilities, it would relate primarily to
18 dealing with customers and customers charges.
19 So they are actually a very small item for
20 Yukon Energy. Most of the charges that occur
21 in Yukon under any of these are related to
22 Yukon Electrical, not Yukon Energy required --
23 because Yukon Energy deals with very few
24 customers.

25 Q Okay. I will take that point, thank you.

1 A MR. BOWMAN: Well, it's the result of
2 operating experience. The data required to
3 calculate loss numbers is included in Table
4 2.5, and it shows that on a company as a whole
5 it's 8.42 percent, and there's some discussion
6 of losses by system in one of the
7 interrogatories. And I can look that up in a
8 minute. That would include any distribution
9 system losses that Yukon Energy incurs related
10 to the small amount of distribution it owns.
11 At the transmission level, 7 to 8 percent is a
12 number that is routinely used, and it was
13 discussed at some length in the resource plan
14 hearing is my recollection. I think there is
15 even an exhibit filed in regards to it.

16 But certainly there is an
17 interrogatory in the materials that deals with
18 the losses by system.

19 Q Okay. Thank you.

20 Now, can I take you to
21 UCG Number 81(b). And this line of questioning
22 actually applies to a number of questions that
23 follow it. And I think maybe once you see what
24 I'm talking about you will understand. So
25 UCG-81(b) we asked for confirmation (quoted):

1 (Quoted):

2 "The amounts are already capital and
3 consequently depreciated over time."

4 Could you maybe explain
5 more fully what that answer means? Because I
6 have sort of an idea what you may mean, but I
7 don't want to mischaracterize it.

8 A MR. OSLER: Could I suggest that we
9 explain first what we do.

10 Q Okay.

11 A MR. OSLER: And then see if you have
12 other further questions. So from the gentlemen
13 to my right, you know, how do we actually just
14 explain simply what we do?

15 A MR. MOLLARD: In any given year we'll
16 have a varying number of customers that will
17 show up on our door requesting service. We
18 don't know what that number is going to be at
19 any given year, but we are required to serve
20 those customers, and it also varies in
21 complexity in terms of somebody might be right
22 next to a line or they might be quite a
23 distance away, so we don't know what that cost
24 is. However we are required to forecast that.
25 That's a cost that we're going to incur. So we

1 look at our historical spending in that area
2 and come up with a number to forecast what we
3 think it will be. Now, those costs are capital
4 in nature. Generally customer connections are
5 an asset that has about a 45-year life. So we
6 will capitalize those costs on any given year,
7 and it will be added into revenue requirement
8 at a 45-year rate.

9 **Q When you say they are adding into ratebase at a**
10 **45-year rate, the critical question is what**
11 **number is put into the ratebase. And I think**
12 **what your answer to (b) means is that for 2008,**
13 **for example, even though the budget was**
14 **400,000, are you telling me that from a**
15 **ratebase perspective that doesn't matter**
16 **because what actually goes into ratebase is the**
17 **184,100 was actually spent?**

18 **A MR. BOWMAN:** Well, you want to be
19 careful when you talk about ratebase as opposed
20 to spending, because these are largely offset
21 by amounts the customer pays in order to be
22 connected. So these are very small amounts
23 when we get down to it. I realize just as a
24 correction 2008 we list the budget of 400,000
25 in that IR. That is actually a typo. It

1 are putting this forecasted budget into
2 ratebase for the purposes of the -- of rates
3 for the test years and then reconciled a few
4 years later when you do the next GRA?

5 A MR. BOWMAN: Well, correct. It's at
6 Table 5.1.

7 Q Okay. Thank you. So I can tell you that 82 --
8 UCG Questions Number 82(c), you don't have to
9 turn them up right this second, but 82(c),
10 83(b), 84(c) all had very similar question and
11 answers where you said don't worry about it;
12 it's already capitalized. And I think your
13 explanation would apply equally to all those
14 questions.

15 A MR. BOWMAN: Well, without turning
16 them up, I can't confirm what each of them was
17 about. It's not any given item in capital.
18 Not all of them have the same offsetting
19 contributions like we talked about --

20 Q Right. I understand.

21 A MR. BOWMAN: -- for contributions.
22 But I issue is -- the question effectively goes
23 to deferral accounts. And rather than taking a
24 whack of a cost in one year, can't you defer it
25 over time to make things more stable? When you

1 are talking about stuff that's capital, it's
2 not taking a whack of the cost in one year.
3 It's already deferred over its life. So the
4 question -- in that regard the question -- the
5 answer would be the same.

6 **Q Thank you. I think that was the curdle of my**
7 **clarification I was looking for, thank you.**

8 In UCG-86, 87, 88, and 90
9 we asked you about actual expenditures for
10 certain projects, and in each of those cases
11 the project spending that was illustrated for
12 2008 was it appeared to be coming in under
13 budget. I don't know if you want to look at an
14 example first. Turn to Number 86. The
15 spending in 2008 for disaster recovery
16 plan/business continuity plan was forecast to
17 be 150,000 in 2008 and the actual spending,
18 it's at (b), was 73,000; do you see that?

19 **A MR. BOWMAN:** Mr. Buonaguro, yes. I
20 have those responses. This same set of
21 questions went from UCG-85 to 88 on a series of
22 projects.

23 **Q Right.**

24 **A MR. BOWMAN:** Three of them, the '08
25 spending was below forecast in the GRA. One of

1 out there.

2 A MR. BOWMAN: We can confirm the first
3 three. UCG-90 we haven't had a chance to look
4 at. But for the first three we can confirm.

5 Q So do you want to look at 90 right now or do
6 you want to take it as an undertaking? I don't
7 need it right now.

8 A MR. BOWMAN: Well, I know you have got
9 an plane so perhaps we --

10 Q No, no. I still have five minutes and less
11 than five minutes of questions.

12 A MR. MORRISON: Mr. Buonaguro, we would
13 have to get back to you. I can't answer that
14 one right now.

15 Q That's fine. So is that just with respect to
16 the project at UCG-90?

17 A MR. MORRISON: Yes.

18 Q Okay.

19 MR. BUONAGURO: Thank you. Those are my
20 questions.

21 THE CHAIR: Thank you for sticking to
22 your self-imposed time lines, and I hope that
23 there will be some people left around for some
24 Board questions later on as well and people
25 don't exit as well.

1 including the Board. If somebody would like a
2 hard copy, we can do that. But in speaking
3 with others, they have already received it
4 electronically, and the Board would have
5 received it electronically. But Ms. Lemke has
6 a paper copy that can be mark as an exhibit.

7 THE CHAIR: Do we have a number for
8 that?

9 B-14, so marked.

10 Exhibit Number B-14:

11 Key performance indicator report.

12 MR. LANDRY: That is the only
13 undertaking we have at this point in time.
14 Hopefully before the break we will have more.

15 THE CHAIR: Thank you Mr. Landry.
16 Mr. Maissan, are you
17 prepared to proceed?

18 MR. MAISSAN: Yes, I am ready.
19 I would like to start
20 with, I guess, filing an exhibit. During the
21 break this morning, I confirmed with the panel
22 that they could access an Excel spreadsheet
23 that they had provided as part of responses to
24 interrogatories. It seemed it was going to be
25 difficult. So what they did for me is make

1 paper copies of my notes on the subject. So I
2 think for everyone's convenience, if we
3 circulate this as an exhibit, when the time
4 comes, then we can -- then we can just refer to
5 the paper copy rather than dragging up an Excel
6 spreadsheet.

7 THE CHAIR: So if I understand you
8 correctly, it comes from an answer, an OIC
9 answer?

10 MR. MAISSAN: Correct.

11 THE CHAIR: How would you like to
12 mark that, Mr. Maissan, then?

13 MR. MAISSAN: I think from the exhibit
14 list it would be C4-5.

15 MR. LANDRY: I'm fine with that,
16 Madam Chair.

17 THE CHAIR: Maybe we will just mark
18 it C4-5 for reference.

19 Exhibit Number C4-5:
20 Paper copy of OIC response.

21 MR. MAISSAN: The other thing I would
22 like to say at the outset, for my convenience
23 and probably for time saving as well, when I'm
24 referring to interrogatories, I shall refer to
25 the initial acronym and the final number,

1 we are talking about the same line.

2 Q YECL-17 is one of these, and Leading Edge-33,
3 and YECL-18. One of those line's numbers is
4 likely referring to the
5 Aishihik-Haines Junction line and the other to
6 the Faro-Ross River line, but just to keep the
7 numbers straight.

8 A MR. MORRISON: Mr. Maissan, we are going
9 to have to take a look at it and come back to
10 you.

11 Q Sure. That's not a problem.

12 And I wondered if there
13 is a number for the new 138-kV line from
14 Carmacks to Pelly Crossing. Is there a line
15 number for the that or will there be?

16 A MR. MORRISON: I'm sure there is because
17 we number everything, so I'll get you that as
18 well.

19 Q One final comment, then, is in response to
20 YECL-17, there is a list of substations, both
21 by Number S and a particular number and a
22 description of the substation. Having a list
23 like that for lines and for plant numbers as
24 well, we get into P numbers as well, would be
25 convenient at future proceedings.

1 off. Or B) in the winter, the 15 minutes is to
2 give them time to switch on their alternative
3 source of heat.

4 So the capability is
5 there, but the fairness option is we have to
6 let them turn on whatever they need to turn
7 on.

8 **Q Right. So I'm thinking of the situation in**
9 **which there is perhaps a failure of a**
10 **generating unit. I understand the system as a**
11 **whole operates by a load-shedding mechanism and**
12 **drops certain areas, say, Riverdale or**
13 **Porter Creek or whatever to try to maintain the**
14 **rest of the system whole and keep it operating,**
15 **minimize the outage numbers in terms of**
16 **customers interrupt, and I just wondered if**
17 **secondary sales -- SCADA-controlled secondary**
18 **sales had some potential to be of assistance in**
19 **that?**

20 **A MR. MORRISON:** I think it's very
21 difficult to get it closer than that. You
22 know, you are talking about the hospital, to
23 start with, which is, you know, pretty
24 important that we know that they've got their
25 heat on, and I'd be loathe to even talk about

1 that just in the fact that what happens if they
2 don't get their heating system on and we have
3 got them turned off. So I wouldn't -- I
4 wouldn't like to go there.

5 **Q Fair enough.**

6 **In answer to**
7 **Leading Edge-12, Yukon Energy says that**
8 **(quoted):**

9 "...there is no reasonable temperature
10 at which peaking diesel would
11 be...required on a 24 hour basis."

12 **Am I correctly**
13 **interpreting this to mean that during our cold**
14 **winter weather, for instance, in December**
15 **through January, when the diesels were being**
16 **run in the daytime, that it was still possible**
17 **to sell secondary sales to a SCADA-controlled**
18 **customer?**

19 **A MR. MORRISON:** I guess maybe a little
20 clarity around the question, Madam Chair.

21 When I look at the
22 question and the answer, I'm not sure that --
23 I'm just not sure what you are asking me in
24 relation to this question.

25 **Q Well, I understand that diesel -- when diesel**

1 peaking is required --

2 A MR. MORRISON: Right.

3 Q -- it's only required for a certain number of
4 hours a day; it's not required 24 hours a day.

5 A MR. MORRISON: Right.

6 Q So the load drops down at night. If, for
7 instance, from midnight until 5 a.m. diesels
8 are not required, you have spare hydro
9 capacity, do you in fact do some secondary
10 sales during that nighttime window?

11 A MR. MORRISON: Well, it would depend.
12 And let me say that. First of all, if we -- if
13 we're in a situation where we have secondary
14 sales turned off, we can certainly turn the
15 SCADA customer back on and off.

16 We don't generally,
17 because it's a manual disconnect and reconnect,
18 we don't do that with all the other customers
19 until we're sure we're out of the woods in
20 terms of the peaking.

21 So yes, we can with a
22 SCADA customer and yes, we would with a SCADA
23 customer.

24 Q Thank you.

25 Could I ask you to turn

1 to Leading Edge-14, please.

2 A MR. MORRISON: Sorry, Mr. Maissan, I
3 think Mr. Bowman would like to make a point
4 just in addition to that answer, so if you
5 don't mind.

6 A MR. BOWMAN: I was just going to say
7 that in the type of situation you are talking
8 about, one would also need to be attentive to
9 what else is happening overnight. The example
10 being, if you are in these very cold
11 temperatures, the people operating the system
12 are doing their best to supply all the load
13 they can during the day with hydro so you run
14 the least amount of diesel. One of the tools
15 available to them is to deal with the storage
16 at Schwatka Lake, which is a very small amount
17 of storage.

18 But, nonetheless, by
19 drawing that down some amount, you can push
20 through a bit more water during the day in
21 order to help meet those peaks. But you can
22 only do that if at nighttime you are allowed to
23 back off and let Schwatka come back up. So
24 during those cold periods, we would have to be
25 attentive to whether that water that one would

1 otherwise sell for secondary is really better
2 used to help refill Schwatka for the next day's
3 bit of daily peaking.

4 **Q Understood. Yes, I think that's also explained**
5 **in another IR.**

6 **Leading Edge-14, if you**
7 **could turn to that. We were talking here about**
8 **the Aishihik storage. And the answer in the**
9 **second paragraph, and I should read it for**
10 **everyone's benefit (quoted):**

11 "In regards to the test years,
12 Yukon Energy assessed the situation
13 where Aishihik started fall 2008 at
14 full levels, and using forecast loads
15 (including secondary sales) determined
16 that even with Aishihik inflows at 50%
17 of normal during the following 1.5
18 half year period (to spring 2010)
19 Aishihik would reach its lower supply
20 level by that time."

21 **I understand that answer,**
22 **but what I'm not sure about is the practical**
23 **implications of that. Would that mean that if**
24 **there were secondary sales customers available,**
25 **you would continue to serve secondary sales**

1 customers during drought period, even if it
2 meant drawing Aishihik Lake down to its lower
3 licence limits; i.e., at what point do
4 secondary customers get cut off out of concern
5 for the water storage at Aishihik?

6 A MR. BOWMAN: Yes, your question, if I
7 have it right, was, If you were in the drought,
8 would you keep making those secondary sales?
9 And the answer is, It would have to be
10 something that was assessed on an ongoing
11 basis.

12 What we know in terms of
13 this filing is that we were in -- making the
14 filing in preparing the filing in the middle of
15 2008. We were looking forward to a future
16 situation once Minto mine connected and the
17 Carmacks-Stewart was up and running, that would
18 bring the WAF system to a load level that
19 hasn't -- in fact, has never really been
20 experienced. The WAF system has traditionally
21 either been Faro mine is on, you are burning
22 100 gigawatt hours of diesel, you are running
23 diesel whether it is good water or bad water,
24 basically, and so there are no secondary sales
25 at all. Or it has been the situation where

1 low in-flows and you got to summer 2009 and
2 Aishihik was getting low, and you were looking
3 forward to where the next water was coming
4 from, that's where Yukon Energy will have to
5 continually assess and decide, Is it time now
6 to say we are approaching a situation where we
7 need to cut off secondary sales for energy
8 reasons.

9 And it is a process that
10 people need to pay attention to. Thankfully we
11 are not there. The water is there at Aishihik
12 right now, so we didn't run into that situation
13 in any event.

14 **Q Right. So you would not automatically just run**
15 **it to the low supply level, correct?**

16 **A MR. BOWMAN:** No, absolutely not. The
17 water at Aishihik gets monitored quite
18 carefully, and this would be a key item on
19 people's minds as they watch the water coming
20 down.

21 **Q Thank you.**

22 **UCG-29, could you turn to**
23 **that, please.**

24 **On page 2 of 2 in the**
25 **response -- or in that IR, which, under (b),**

1 UCG-29 (b), there is a table of secondary power
2 and for three years, 2005 through 2007, these
3 are what I believe to be actual sales, and 2008
4 forecast sales; is that correct?

5 A MR. BOWMAN: Yes, Part (b) of the
6 table is actuals for '05 to '07 and forecasts
7 in '08 and '09.

8 Q Right.

9 Now, the question
10 actually asked (quoted):

11 "Please provide details of the amount
12 of surplus power available..."
13 as opposed to the amount of surplus power sold.

14 Is that information which
15 you would have available? Because that's --
16 what you could sell and what you actually sold
17 can be quite different.

18 A MR. BOWMAN: Yes, they can be quite
19 different. But the question, as asked, could
20 not be addressed or presented in a format
21 similar to the answer that it's given. The
22 question with respect to what could be made
23 available if you were trying to make as much
24 secondary power available.

25 And the reason is that

1 in -- was particularly with respect to
2 Aishihik, we are not dealing with the run of
3 the river plant. We are dealing with a
4 multiyear storage, although -- or at least more
5 than annual storage.

6 So what power is
7 available in any given month is a function of
8 how much you made available the previous month.
9 You can only use any bit of water once.

10 So trying to say in May
11 '08 there is this much available, and then go
12 to June '08 you say, How much is available,
13 well, it depends on whether it was used in May
14 '08 or not. So the numbers sort of start to
15 become very hypothetical or scenario based.

16 And what you really need
17 to do is consider your load levels, what power
18 is being used in any given month, as well as
19 your in-flow levels, which could be anything
20 from very low to very high in order to do that.
21 It becomes a fairly complicated exercise very
22 quickly, and it is a matter that has been
23 talked about in other places here that people
24 have put a lot of time into doing longer term
25 water modelling to be able to figure some of

1 that stuff out.

2 It will never get you to
3 the point where you could do a short-term type
4 of number like this, because it depends on if
5 it rains or not, and it depends on if you used
6 it last month. It doesn't lend itself to a
7 presentation of this sort.

8 **Q So can I also assume from the information here,**
9 **given the relatively low sales in the**
10 **summertime, that had you had more secondary**
11 **sales customers, your secondary sales could**
12 **have been higher?**

13 A MR. BOWMAN: Yes. Absolutely.

14 A MR. OSLER: Just for the record,
15 UCG-8 (d) did discuss sort of the broader
16 question of how much surplus is there versus
17 long-term average generation, for those that
18 are interested, because the numbers are
19 different, as has been pointed out, from how
20 much we sell.

21 And, secondly, you would
22 have to get the load up quite a long way before
23 the summer sales are all absorbed, as they were
24 when we had the Anvil mine on -- Faro mine on,
25 so that even when we're looking forward to

1 base-load diesel situations the next few years,
2 some of the models that we're seeing are
3 showing still some surplus, but it's all in the
4 summertime when there's no customers looking
5 for it, yet.

6 **Q Now, one further question on secondary sales,**
7 **YECL-2.**

8 **On page 3 of 5, in the**
9 **paragraph underneath the table of long-term**
10 **average hydro capability, and the short**
11 **paragraph following that, there is a discussion**
12 **about how much -- at what load there would no**
13 **longer be secondary sales available. And if I**
14 **understand correctly, what's being stated here**
15 **is that when the overall load reaches**
16 **380 gigawatt hours a year, we would be at a**
17 **point where the hydro is -- and I think this is**
18 **a situation with the Aishihik third turbine in**
19 **operation -- we would be in a situation where**
20 **there would be no surplus hydro available**
21 **essentially at any time?**

22 **The (quoted):**

23 "...380 GW.h is consistent with a
24 long-term average hydro capability of
25 356....,"

1 which I think is the full utilization.

2 A MR. BOWMAN: Yeah, no, that's not
3 quite correct.

4 Q Okay.

5 A MR. BOWMAN: And this is -- this is a
6 matter that we were -- we're still learning our
7 ways to be able to talk about and explain this,
8 because it's a fairly complicated topic.

9 What the response is
10 basically saying is that when people looked at
11 the hydro system back in '96 and '97 and the
12 load that was on the hydro system in '96/'97,
13 they said, How much of that load could be
14 served by hydro, and how much should we assume
15 diesel, at long-term average water flows, and
16 they came up with a number of 351.

17 That requires some
18 complicated modelling, and that's been a number
19 people have used ever since. But how much your
20 hydro system can produce is dependent on how
21 much load you have to put on the hydro system.
22 The more load you have, you start to squeak
23 those last bits of energy out of those other
24 bits of water, and so at lower load levels,
25 your hydro system long-term average number

1 doesn't look very high. At really high load
2 levels, or if we had an export market or
3 something of that nature, it starts to come up.

4 What this response is
5 saying is, it's at about 380 gigawatt hours of
6 system load that one would calculate, through
7 the model, that the hydro system long-term
8 average generation is about 356, and that
9 includes the Aishihik.

10 That doesn't mean that
11 there's still no surplus or no water that could
12 be used to generate that isn't being used to
13 generate. If you had a load, instead of
14 380 gigawatt hours, if you had a tie line to
15 British Columbia and you could sell as much
16 power as you possibly could, you would see the
17 generation even a little bit higher than 356.

18 Without that type of load
19 or that tie line, that bit of water that you
20 would have used just south of BC is available
21 for secondary sales. So you could still have
22 some summer evenings, warm summer evenings,
23 where there is still opportunity for some
24 secondary sales, like where Whitehorse is not
25 using every bit of water it could running

1 through every turbine.

2 When you get to those
3 levels, you also have to think about things
4 like that's also the opportunity, the time when
5 your people want to do maintenance on the unit
6 and the like. So you are right at the margins
7 or you are right at the edge of the system's
8 capability.

9 A MR. OSLER: Let me adjust one thing,
10 if I might.

11 Sitting outside
12 Whitehorse you have got four units, and we all
13 know that we don't sell -- we can't sell all
14 the power that those units could generate
15 during the summertime. As the system load goes
16 up, we manage to sell more and more of that
17 power that is used -- that's there in the
18 summertime.

19 The secret to this answer
20 is that the 380 gigawatt hours has recently
21 been figured out to be the number for the
22 system load on WAF where this long-term
23 average, 351, is relevant. If the load is
24 higher than that, we can get a bit more out of
25 this existing system. If the load is lower

1 than that, we get a bit less, in terms of
2 talking about useful energy that we could use
3 to serve customers based on long-term average
4 hydro flows.

5 **Q Right. Okay.**

6 The reason I was asking
7 is that I recall when the Faro mine was on and
8 our loads were in, I can't remember, 420,
9 430 gigawatt hours per year, on paper we
10 required 90 gigawatt hours a year of diesel
11 generation, and yet there were still times in
12 the summer where we had the capability of
13 surplus sales.

14 **A MR. OSLER:** And that's -- at times
15 people used to say we used diesel all year
16 round, and other times some people said we had
17 some power in the summertime; we could never
18 sell it. But that's the point we are getting
19 at is that we can't store the water that's used
20 in Whitehorse, so therefore we use it or we
21 lose it. And if we lose it, it's because we
22 don't have a load for it.

23 The load maintains the
24 characteristics we have historically and
25 doesn't suddenly shift. In terms of

1 seasonality these numbers make sense.

2 It also means that we
3 have got to get more sophisticated in talking
4 about what is the long-term average generation
5 we can get from hydro. The answer is, it's
6 starting to become internally now, it depends
7 on what the load is. As Mr. Bowman says, this
8 is a challenge for communications. So welcome
9 the opportunity to keep trying.

10 **Q Right.**

11 **Aishihik. The Aishihik**
12 **monitoring group that was examining the results**
13 **of the fisheries studies, have they made a**
14 **determination yet whether they are accepting**
15 **the analysis by Yukon Energy's consultant or**
16 **not in respect of the health of the fishery?**

17 **A MR. MORRISON:** No, they haven't,
18 Madam Chair.

19 **Q So at this point you don't know whether there**
20 **is going to be an impact on storage range?**

21 **A MR. MORRISON:** At this point, that's
22 correct, I do not.

23 **Q All right.**

24 **Can you tell me how the**
25 **costs for these kinds of periodic studies are**

1 **recovered?**

2 A MR. MORRISON: I'm going to -- you want
3 to --

4 A MR. MOLLARD: They're included in our
5 licencing differed costs.

6 **Q So they are amortized over the licencing
7 period?**

8 A MR. MOLLARD: Over the life of the
9 licence, yes.

10 **Q For a study like this that was done partway
11 through a licence, is it amortized over the
12 remainder of the licence period?**

13 A MR. MOLLARD: That would be correct.

14 **Q Thank you.**

15 I have some questions
16 about hydro systems generation. And, in
17 particular, I would like you to turn to YUB-29.
18 I'm sorry. That should be YUB-31. I
19 apologize.

20 A MR. MORRISON: You are disappointing
21 Mr. Bowman. He was going to explain the graph
22 for you.

23 **Q I know he was keen to discuss those load
24 duration curves. Right.**

25 On page 2 of 3 there is a

1 coloured graph called "Hydro Plant
2 Utilization." And on the left-hand axis there
3 is a "% of Maximum." And I just wanted to
4 confirm that the percent of maximum is based on
5 the installed capacity as opposed to the energy
6 available. For instance, I understand that
7 approximately 246 gigawatt hours a year is
8 available at Whitehorse Rapids. Installed
9 capacity is 40 megawatts. So the full
10 utilization of the hydro energy available
11 through that plant would result in the
12 utilization of 70.3 percent, as opposed to a
13 number like 100 percent; am I correct?

14 YUB-31, page 2 of 3 at
15 the top.

16 A MR. MORRISON: We're there.

17 A MR. OSLER: I don't know that there's
18 anybody on the panel who can answer this
19 specific question. It does say "rated
20 capacity," and the implication is that it's
21 based off a simple number like the plant
22 capacity. But unless somebody knows something
23 that -- for sure.

24 A MR. BOWMAN: We could put it this way:
25 I am almost certain it is megawatts in each of

1 the numerator and denominator. And if that's
2 not correct, I will come let you know -- I will
3 come back and let us know.

4 **Q Yeah. The point I was getting to, I guess, is**
5 **it looks, from this graph, as though the**
6 **Aishihik facility is being underutilized,**
7 **because the numbers are relatively small, and**
8 **that's really a factor of the large installed**
9 **capacity and the limited water flows, i.e.,**
10 **energy available. So when you divide the**
11 **energy available by megawatt capacity, you get**
12 **a relatively low percentage utilization factor,**
13 **but it is in fact a very valuable plant and**
14 **fully used to the extent possible.**

15 **A MR. MORRISON:** Thank you for that,
16 Mr. Maissan.

17 **Q Is that not correct?**

18 **A MR. MORRISON:** That's correct, yes.
19 Just for the record, so
20 that everybody does understand how we operate
21 Aishihik, we generally don't run Aishihik all
22 through the summer. So basically Aishihik
23 stores water all summer, and we operate it in
24 the winter, which is exactly the point
25 Mr. Maissan was getting at, is, so where it

1 might look like the utilization isn't
2 100 percent, well, if you had the plant
3 available 12 months of the year, utilization
4 would be a lot higher, but it's based on that
5 six-month operation.

6 A MR. OSLER: And just to give why we
7 think we know what the answer is here but we
8 will come back to you if it isn't, if you took
9 Aishihik and the system is fully loaded and you
10 are looking at long-term average, it would be
11 under 40 percent, I think, would be the
12 utilization that you'd get.

13 At the moment it's not
14 being used the same way because we don't have
15 the same load. It's not surprising, therefore,
16 that its utilization is quite low. It has got
17 nothing to do with the energy available; it's
18 just to do with the fact that plant was
19 designed to be run that way.

20 Q All right. The Mayo hydro plant, could you
21 tell me what the long-term average energy
22 available, hydro available is from that plant,
23 gigawatt hours per year.

24 A MR. BOWMAN: The Mayo plant is -- it's
25 going through some of the same type of work we

1 were talking about for the WAF plant, that
2 long-term average depends on the load you have
3 on the system.

4 But in general it is --
5 if you have it loaded, which is not
6 particularly difficult when you have one plant
7 compared to when you balance two plants, it's
8 up in the upper 30s, but we have been talking
9 in the range of, you know, 35 to 40, but it's
10 depending on the particular load. And that's
11 sort of a long-term average in gigawatt hours.

12 And the only other
13 comment I'll make is in the case of Mayo, given
14 the installed capacity of the plant, it is not
15 particularly sensitive to water flows. In
16 very, very low in-flow years, it can't produce
17 that much, but in average years or
18 higher-than-average years, it doesn't pick up
19 the extra water. The units are already fully
20 used.

21 A MR. OSLER: Just so the record in the
22 future is clear, that's the Mayo plant that
23 exists today, which is sort of analogous to the
24 Whitehorse situation before we built the fourth
25 unit. The three units of Whitehorse can pretty

1 well take the river flow, even at its lowest
2 level; add the fourth unit and you are into
3 sensitivity as to all sorts of things.

4 If we get a Mayo B, we
5 will be doing the same thing at Mayo that
6 happened -- we will be roughly doubling if we
7 keep building the capability of the plant, and
8 it will be more sensitive to water flows.

9 **Q In answer to PWP-18, there is an estimate of**
10 **short-term incremental costs for**
11 **hydrogeneration of about .5 cents per kilowatt**
12 **hour. And I just wanted to understand that**
13 **this .5 cents, just what goes into that**
14 **.5 cents. Is that essentially the incremental**
15 **maintenance cost? Does that include any**
16 **allocation of operating, labour, system**
17 **controls centre, insurance, water licence**
18 **costs, et cetera?**

19 **A MR. BOWMAN:** I'm not sure we're going
20 to be able to answer that to a level of detail.
21 This is a number that has been used for a long
22 period of time. Determining the costs -- the
23 incremental costs of operating a hydro unit to
24 generate a kilowatt hour is not like
25 determining the incremental costs to operate a

1 diesel unit to generate a kilowatt hour.

2 If you want to run a
3 diesel unit and generate a kilowatt hour, you
4 know you need the fuel to operate it, and it's
5 reasonably easy to calculate the fuel, and then
6 you know that you need oil changes at certain
7 hours of intervals and the like, so that you
8 can come up with some estimates of what it
9 costs to generate a kilowatt hour versus not
10 generate a kilowatt hour.

11 Hydro units are much,
12 much more difficult to do that with. In any
13 given moment the question is, How much more
14 would it cost to take a bit of water that is
15 otherwise going over a spillway instead of run
16 it through a unit to produce a kilowatt hour.
17 It's not insurance. It's not any of those
18 types of items, because those don't vary with
19 generation. It's not water licence fees,
20 because those don't vary with generation.

21 But it's intended to
22 capture operating and maintenance costs you
23 incur as a result of that one bit more water
24 going through the turbines. But this number is
25 not something that is particularly robust,

1 unfortunately. It's very, very hard to
2 estimate. It doesn't hold up very well
3 under -- you know, the range of circumstances
4 people could -- could come up with.

5 The answer, it's
6 effectively a way of simply portraying that the
7 incremental cost of generating a kilowatt hour
8 with hydro is very, very low. How low it
9 really depends on a multitude of factors.

10 Q Thank you.

11 Turning now to oil
12 prices. In answer to YUB-30, YEC indicate that
13 they do not wish to update the GRA fuel cost
14 forecast. If fuel prices remain as they were
15 as of January 22nd, '09, at 77 cents a litre on
16 the WAF system, which was an answer to another
17 interrogatory, will the Rider F become a
18 negative rider and actually return money to
19 ratepayers?

20 A MR. OSLER: If the fuel price stays
21 below the GRA forecast price for the two
22 utilities, the fuel rider would become
23 negative. And in, say, the number you gave, I
24 think was in the 70s, as you said, if it
25 stayed --

1 Q Yeah, 77 cents a kilowatt hour is a number
2 provided by Yukon Energy in response to an IR.

3 A MR. OSLER: Yeah. And so the GRA
4 fuel prices in both utilities' applications are
5 higher than that by significant degree. And,
6 therefore, if the fuel price stayed at that
7 level, there would -- there would be a
8 requirement to pay the companies based on their
9 fuel prices and give a rebate to the customers
10 through the fuel -- Rider F until the situation
11 changed.

12 Q Thank you.

13 A MR. OSLER: And, secondary, as well,
14 there would be an issue of keeping track of
15 what the price is for secondary, if the -- in
16 the case of Yukon Energy's application, the
17 price for secondary is also -- which is based
18 on the last quarter of last year in terms of
19 what was being charged to customers, is also
20 higher than the actual price that's being paid
21 by customers so far in 2009, first quarter,
22 second quarter, and what we can see in the
23 third quarter, and the price has been going
24 down, which means that the company -- the
25 customers, in effect, are not paying the price

1 that's out there, and they -- and the effect on
2 the Rider F account would be the exact
3 opposite. It has to, in effect, reimburse YEC
4 for costs that it's not recovering by charging
5 the customers and, therefore, that offset, to
6 some extent, the rebate amount that would be
7 paid out net through the Rider F account --
8 through the Rider F adjustments to customers.

9 **Q Thank you.**

10 **I have some questions**
11 **about peaking diesel. First of all, I'd really**
12 **like to get my head around the, if there is**
13 **such a thing, the definition for baseload**
14 **diesel. We have talked about it in a couple of**
15 **different ways, and I would really like to**
16 **understand what is meant by baseload diesel.**

17 **A MR. BOWMAN:** Yes, I can deal with
18 that. The classic definition of baseload
19 diesel in the system is when diesel is being
20 run for energy purposes that there is an
21 inability from the hydro system over the course
22 of a period of time, typically a year, to be
23 able to produce enough energy to supply the
24 load and as a result diesel has to be run for
25 energy purposes.

1 Q And whether or not that happens over a period
2 when you need diesel anyway for peaking is
3 immaterial, correct?

4 A MR. BOWMAN: Well, the classic other
5 definition is peaking diesel, which is diesel
6 that is run for capacity reasons, not energy
7 reasons. And we spent some time on this, in
8 the resource plan going through the difference
9 between capacity and energy. There are times
10 like now or like last December where the system
11 did not have enough units of hydro on the
12 system, enough wheels turning to be able to
13 produce the instantaneous load of the system
14 and had to run diesel. That's a demand-related
15 quantity of diesel, and we call that -- that's
16 classic peaking diesel. Back when the Faro
17 mine was on and there was 100 gigawatt hours of
18 diesel being run on the system a year, that
19 was -- there is simply not enough water over
20 the course of the year, so we have to run
21 diesel to make up the difference. That's
22 classic baseload diesel.

23 Somewhere between the two
24 is a grey area as to whether you are running it
25 for peaking or baseload. But classic baseload

1 diesel is wouldn't matter when you are running
2 it, because you are simply running it to be
3 able to hold back some water. I don't care
4 whether they hold back that water at night or
5 during the day. Each of them goes to keep the
6 lake up.

7 A MR. OSLER: The models you used in
8 the resource plan, you are correct. Once we
9 got to the point where we were predicting that
10 the energy situation demanded that we start
11 running diesels, we started to create all of
12 the diesel for the sake of just talking about
13 it as baseload diesel. But we would be subject
14 to questioning as to precision in doing that.

15 Q Yes. The reality of the system is that we now
16 already require diesel peaking in extreme cold
17 weather. If energy requirements increase more,
18 peaking diesel requirements are likely to
19 increase. So one could over periods of cold
20 weather run diesels both for peaking and
21 energy?

22 A MR. BOWMAN: Yes, that's correct.

23 Q Thank you.

24 Now I would like to take
25 you to that Exhibit C4-5 which is the Excel

1 spreadsheet which was an attachment to
2 YECL-23(b). It's in fact an Excel workbook
3 with three spreadsheets in it. And I apologize
4 for my scribbles. These are from my own notes,
5 and I just made -- copies were just made today.

6 The first page in that
7 exhibit is what is a tab called "Summary
8 Table," the first spreadsheet. I do not have
9 any questions on that one. But if we go to
10 Tab 2 which is -- well, I'd like to take you to
11 the third page in, which says across the top,
12 "January First Part" which is a screen print
13 from a very large Excel spreadsheet. And in
14 the middle of the page roughly there is a
15 column called "Max Capacity" which I believe is
16 in megawatts, and I just wondered if somebody
17 could confirm to me how that Number 56 was
18 derived and whether it is in fact megawatts.

19 A MR. BOWMAN: Yes. Maybe I'll, just to
20 be thorough, note the Excel file that this
21 exhibit comes from is the response to
22 YECL-23(b), and it was provided in Excel format
23 with the interrogatory responses as when that
24 response was filed.

25 What the question was

1 asking was showing detail how the secondary
2 sales forecast was developed for the test
3 years, but in fact as you note, there's a lot
4 more going on in here than just the secondary
5 sales forecast. The column that you're
6 referencing, as you say, it's a screen shot.
7 The first couple of columns are simply have
8 been data that that goes into this. The first
9 dark column is effectively a number that is an
10 indexed amount of energy over the course of an
11 hour that would need to be generated at some
12 point during the month in question. This is a
13 January month.

14 **Q Yes, January.**

15 **A MR. BOWMAN:** And what it's saying is
16 that if -- we don't do a hourly forecast for a
17 test year. There is a monthly forecast amount
18 of energy, but there's not an hourly forecast.
19 So how do you know how much peaking diesel
20 you're going to use or how do you know how many
21 hours you're going to have interrupted of
22 secondary sales becomes quite a tough question.

23 And so what this is
24 effectively doing is trying to say that based
25 on what the forecast says we're going to sell

1 in January 2009. And based on what Januaries
2 typically look like, starting from the highest
3 hour to the lowest hour and ignoring what order
4 those hours occur in, but what is the highest
5 we tend to have in January and what's the
6 lowest, what megawatts do we think we'd be
7 running at any -- from highest to lowest during
8 all of the hours in January without thinking
9 about whether that would be on the 6th of the
10 month or the 9th of the month. And that's
11 what's in the 2009 forecast with secondary
12 sales.

13 It compares that to a
14 number that's 56 megawatts, max capacity as you
15 note, which is our benchmark number for how
16 much the hydro systems would be maxed out at
17 before people start turning on diesels. And
18 that number depends a bit on the water flow for
19 the year. It depends a bit on the time of the
20 year and how much one is drawing down Marsh
21 Lake.

22 But typically when this
23 system starts to get to the mid-50s, diesels
24 have to start being turned on. So 56 is the
25 number that's being used there, megawatts.

1 Q If we turn the page, I've had to paste the
2 header in. This is in fact from the middle of
3 the spreadsheet, and it's for the last part of
4 the month of July. And I see the max capacity
5 is still at 56 which surprised me. I expected
6 the max capacity available in summer months to
7 be the 40 megawatts from Whitehorse plus if you
8 had the water available up to 30 megawatts
9 capacity from Aishihik.

10 A MR. BOWMAN: Yes. I know what you are
11 referring to there. If this sheet was being
12 used with a particular focus on July and how
13 the system would be dispatched over the hours
14 in July, 56 would not be the right number. I
15 appreciate that. At the end of the day because
16 it seems to forecast secondary sales
17 interruptions over the winter, it was really
18 only five months that mattered with respect to
19 this part of the sheet. The load duration
20 curves that arise from the index numbers under
21 load ration, those were used in another
22 response, and it gives an idea of what the load
23 duration curve in June or July or August might
24 look like. But if you are only trying to track
25 this portion of the page, the 56 is not a fair

1 number for July. It's a fair comment.

2 **Q Thank you.**

3 The final page of that
4 exhibit which is the third tab in that
5 spreadsheet, there is a column called
6 "Secondary Sales Potential." The next column
7 is total energy sent out, E.S.O. Can you
8 confirm the secondary sales potential is in
9 fact not the potential but the actual sales?

10 **A MR. BOWMAN:** No. Secondary sales
11 potential as the term used on this sheet, the
12 fifth page of your exhibit, is the potential in
13 terms of the market. That is what the
14 potential sales given the customers we have and
15 given the loads they have and given the fact
16 that customers don't buy all the time have a
17 tendency to be broken down once and a while,
18 the potential market is 22.

19 **Q So the potential market of customers connected**
20 **at this time is 22. That's not the limit of**
21 **the generation capability of secondary sales at**
22 **this time?**

23 **A MR. BOWMAN:** Correct.
24 Just Mr. Osler was noting
25 for me that you can -- you can see that when we

1 turn to the tab -- take you to Tab 2 numbers
2 that of that 22 gigawatt hour potential market,
3 Yukon Energy forecast being able to supply
4 basically 16 of that 22. The remainder will go
5 unserved because it will occur at times when we
6 have to interrupt for diesel -- for running
7 peaking diesel.

8 **Q In answer to Leading Edge-16, Yukon Energy**
9 **states that the output of Whitehorse Rapids has**
10 **varied as much as 7 megawatts from peak to low.**

11 **Is this, in effect, the**
12 **24 megawatt long-term average that's sometimes**
13 **talked about plus or minus 3 1/2 megawatts?**
14 **Would that be a fair characterization?**

15 **A MR. BOWMAN:** It is the -- it is the
16 generation average for the day plus or minus
17 3 1/2 megawatts related to the matters that we
18 discussed in terms of overnight secondary sales
19 being able to use Schwatka Lake and the like.
20 It is not necessarily varying around 24.

21 Twenty-four megawatts is
22 an output one can rely on depending, you know,
23 if the -- given the water at Marsh, one can
24 rely on 24 for the winter. In any given year
25 it could be a bit, if not a fair bit, higher.

1 Q But that number would be the midpoint of the
2 7 megawatt range?

3 A MR. BOWMAN: It is not plus or minus
4 7. It's plus or minus 3 1/2.

5 Q Thank you.

6 At this time in terms of
7 hydro capability, there has been no discount
8 for possible loss of licence range due to
9 fisheries constraints because we don't have the
10 answer yet. And I understand from an IR that
11 this might be in the range of I think it was 3
12 to 6 megawatts was quoted.

13 So if a third turbine --
14 when the third turbine is in operation, I note
15 that it will produce an estimated 5 gigawatt
16 hours a year additional energy from the water
17 available. It sort of balances, I suppose, the
18 loss from possible range of the licence.

19 Has -- is -- was that the consideration for not
20 making any adjustments to the long-term average
21 energy available from Aishihik at this point in
22 time?

23 A MR. OSLER: Just to be really careful
24 here, long-term averages that we have been
25 using change when we add in the Aishihik third

1 turbine, if we're looking in a forward-planning
2 sense.

3 The issue that you are
4 talking about to do with Aishihik licencing
5 matters is that there is a constraint right now
6 on the operation at Aishihik in the licence
7 relating to fish issues, and I think the number
8 you are talking about that's in an IR somewhere
9 would probably be in gigawatt hours, not
10 megawatts.

11 **Q Sorry, gigawatt hours.**

12 **A MR. OSLER:** Something like
13 386 gigawatt hours, somebody may have
14 estimated. It may even be, you know, more than
15 that.

16 But right now the
17 long-term average that Yukon Energy can
18 generate, if we were getting into situations
19 where we were talking about it as a constraint,
20 is in fact constrained by that licence. What
21 the whole exercise of the fish studies that you
22 were talking about is to try and see if we can
23 use those studies to justify getting rid of
24 that constraint so we could get back to the
25 351 gigawatt hours.

1 maintenance companies for assistance with these
2 turbines?

3 A MR. MORRISON: Madam Chair, I don't have
4 the answer to that. I would be happy to find
5 out if the operational people have been talking
6 to the turbine manufacturer.

7 Q I wasn't referring to turbine manufacturers,
8 but to turbine operation and maintenance
9 companies. There are companies that specialize in
10 operating and maintaining wind farms.

11 A MR. MORRISON: Okay. I would be happy
12 to find out if we have done either.

13 Q Thank you.

14 I understand from the
15 response to Leading Edge-28 that there are no
16 plans to bring the wind turbines under SCADA
17 control. Do you know what it would cost to
18 bring the turbines under SCADA control?

19 A MR. MORRISON: I don't have that number
20 at my fingertips. If you would like me to --

21 Q Would you --

22 A MR. MORRISON: -- get it, I'll -- let me
23 say this: I will see if I can get that number,
24 you know, in the purview of these hearings. It
25 may take some time to get that number if we

1 haven't done any work on it.

2 Q Okay. Thank you.

3 Given the amount of money
4 that's being spent looking for other new
5 renewable resources and developing them,
6 including a potential or new expanded wind
7 plant, do you think it would make sense to
8 spend a little more money on these turbines and
9 get to know how a wind plant would operate when
10 under SCADA control?

11 A MR. MORRISON: I'm not sure if that
12 makes sense or not.

13 Q Right.

14 I understand that
15 Yukon Energy has done a prefeasibility study on
16 wind and is looking seriously at the potential
17 for wind energy; is this correct?

18 A MR. MORRISON: Yes, Madam Chair, we
19 have. As part of our resource plan, we have
20 followed up on all of the items that were in
21 that resource plan that we indicated that we
22 were going to follow up on, and we have looked
23 at all of the -- for the most part, all of the
24 hydro and all of the other resource options
25 that we have.

1 Q On April 20th there was an article called "Wind
2 power is not quite an energy cure-all" in the
3 *Yukon News*. Let me quote, in part, what that
4 says (quoted):

5 "When wind power goes head-to-head
6 with hydroelectricity, there is really
7 no competition; hydropower is easier
8 and cheaper to produce, said
9 Janet Patterson of the Yukon Energy
10 Corporation."

11 And further down

12 (quoted):

13 "Finally, she said, hydroelectricity
14 costs 10 cents per kilowatt-hour while
15 wind power costs 30 cents per
16 kilowatt-hour.
17 'The economics just aren't
18 there,'...."

19 Could you please

20 elaborate a little bit.

21 A MR. MORRISON: On, what, Mr. Maissan?

22 Q On the -- well, two things. First of all, it
23 appears that, from these comments, that
24 Yukon Energy has already determined that wind
25 energy is not competitive, and I'm surprised

1 that you will have done a prefeasibility study
2 if that determination has already been made.

3 A MR. MORRISON: Well, I think to be
4 clear, Madam Chair, we are talking about apples
5 and oranges. We know the hydro business and we
6 know what it costs to generate hydro, and we
7 know a number of the options that we are
8 looking at.

9 We also know what it
10 costs us on calculation of kilowatt hours of
11 output from the wind and what our costs are if
12 we had to pay for the wind, you know, both on a
13 capital and operating -- if you take both
14 capital and operating costs into consideration.

15 And our output costs are
16 around 30 cent a kilowatt hour. But that
17 doesn't mean that you wouldn't go and look at a
18 different wind option, or a series of wind
19 options, and see whether or not those costs
20 were going to be the same.

21 One of the issues -- and
22 I'm not the wind expert; Mr. Maissan is. But
23 one of the issues with the current wind
24 turbines is their location. And as I
25 understand it, part of the reason for putting

1 doing a little work around it. But it's not
2 leading me to believe that we are any more
3 competitive than -- the price might be a little
4 bit cheaper, but not going to give us the same
5 kind of energy we need from -- to meet system
6 demands that hydro will.

7 **Q Would you be prepared to table with this Board**
8 **the background calculations that go into these**
9 **two numbers, the 10 cent a kilowatt hour and**
10 **30 cents a kilowatt hour?**

11 A MR. MORRISON: I will be happy to table
12 our calculation on the wind. But I believe we
13 have already discussed that at the previous
14 resource plan hearing. I -- and I have a bad
15 memory -- recall discussing that same
16 information with the City of Whitehorse during
17 those hearings.

18 **Q Is this number a levelized cost of energy, the**
19 **30 cents?**

20 A MR. MORRISON: I can't tell you that off
21 the top of my head.

22 **Q I would appreciate the basis for those**
23 **calculations, those two calculations being**
24 **provided.**

25 THE CHAIR: Just for the record, I

1 have Mr. Morrison agreeing to do that.

2 A MR. MORRISON: Yes, sorry, I did.

3 THE CHAIR: Just clarifying.

4 Q MR. MAISSAN: I understand from the
5 various responses about demand side management
6 that in recent years, Yukon Energy has not
7 contributed financially to DSM type of
8 programs; am I correct?

9 A MR. MORRISON: That's correct, yes.

10 Q The Board has recently issued an order which
11 requires Yukon Energy to work with
12 Yukon Electrical on demand side management.
13 And in answer to UCG-20, I believe Yukon Energy
14 indicates that it is looking for further
15 direction from the Board.

16 Can you please explain
17 what direction you require from the Board to
18 pursue DSM further?

19 A MR. MORRISON: Let me just say this: We
20 will be looking for some further clarification,
21 but not on whether or not we should undertake a
22 joint DSM initiative with YECL. We will look
23 for some clarity around exactly, you know,
24 the -- I guess the breadth and depth of what
25 we're going to do. But we have been asked by

1 the Board to do it; we will do that.

2 **Q Thank you.**

3 I believe the board order
4 requires or asks Yukon Electrical and
5 Yukon Energy to table their plans at the next
6 GRA. And I suppose I am wondering when the
7 next GRA is going to be. It seems unlikely it
8 would be for a 2010 test year; likely to be
9 later.

10 If the utilities wanted
11 to institute, implement a DSM program prior to
12 the next GRA being tabled, what do you think
13 would be required from the Board?

14 **A MR. MORRISON:** Sorry, just so I'm clear,
15 were you asking if we wanted to implement
16 something along the DSM lines before the next
17 GRA?

18 **Q Correct.**

19 **A MR. MORRISON:** Well, I may be wrong, but
20 my understanding of DSM costs the last time we
21 talked to the Board was we weren't very
22 successful. So I would say to you at this
23 point, in my thinking, that before we moved
24 into a -- you know, a formal DSM program, that
25 we would be back asking the Board whether or

1 not that was appropriate or not.

2 Q Thank you.

3 Can you turn, please, to
4 UCG-59 (d). UCG-59 (d) asks about various
5 things, including discouraging consumption
6 overall or shifting demand to less costly
7 periods, and they also talk about other things,
8 including critical period rates.

9 The answer provided
10 addresses the critical period rates but doesn't
11 specifically talk about seasonal rates or daily
12 rates. We already know the diesel peaking is
13 not required for 24 hours a day. So it would
14 seem that a daily rate, daytime rate, versus a
15 nighttime rate might have some applicability.
16 We also know that diesel is required in winter
17 and not in summer, so some kind of seasonal
18 rate may also have some kind of applicability.

19 Could you explain why you
20 would not consider these kinds of options, or
21 would you?

22 A MR. MORRISON: Just again so I'm clear,
23 Madam Chair, we are talking about options that
24 would increase our sales or options that would
25 look at different rates for different periods

1 of the day from a conservation point of view?

2 Q We're looking generally at rate structures that
3 would, I guess, discourage consumption during
4 high periods and perhaps, by difference,
5 encourage consumption during periods when hydro
6 power is say available, i.e., encourage the
7 summertime, discourage wintertime; discourage
8 daytime, encourage nighttime.

9 And demand-side
10 management is not just increasing or decreasing
11 sales. It could be just shifting sales around
12 to less costly periods.

13 A MR. OSLER: Right. That's -- the
14 full concept of efficient -- encouraging
15 efficient use includes the concept of
16 encouraging more use when you have a surplus.
17 So it's -- secondary sales is part of -- in
18 many jurisdictions, part of an DSM concept.

19 Right now our minds are
20 fixed on the secondary block and efficient
21 price signals for that level of use. The
22 concept of time-of-use pricing of some type or
23 seasonal pricing of some type has been raised
24 by many parties for ten or more years. It
25 hasn't had much relevance during the period of

1 surplus, so the question is, Will it now have
2 relevance as we move into the type of future we
3 are talking about? I suspect it will be part
4 of a discussion, so, you know, because people
5 will raise it and we will have to examine it is
6 the first part. It won't be dismissed out of
7 hand.

8 I would just say this at
9 the moment: In hydro-based jurisdictions, such
10 as Manitoba or British Columbia, the
11 time-of-use concept hasn't tended to take off
12 to the same extent as some other jurisdictions.
13 So to the extent that we are really relying on
14 the grids on time of use -- sorry, on hydro
15 based resources, we may see that it isn't
16 really worth the effort to go through
17 time-of-use pricing. And if you are looking at
18 the other systems that are relying entirely on
19 diesel, there is no particular apparent reason
20 to think of time-of-use pricing.

21 So although it sounds
22 like it's logical and we should all jump for
23 it, there is a cost to implementing it. There
24 is a whole bunch of rate-design issues that
25 come with it, and I have experienced the

1 situation more than once, Manitoba one case,
2 where people looked at this seriously at the
3 industrial level and the utility level for a
4 year, and in the end everybody came to the
5 conclusion at that time that it just wasn't
6 worth it.

7 So, you know, it wouldn't
8 surprise me that we will talk about it, and it
9 wouldn't surprise me if it didn't get acted on
10 in the near term, for those types of reasons.
11 But we weren't trying to suggest it would be
12 dismissed out of hand in the answer here.

13 **Q Thank you.**

14 **In Leading Edge-25**
15 **Yukon Energy says it uses electric heat itself**
16 **only when available from surplus hydro. Can**
17 **you confirm, then, that there is no electric**
18 **heating in any of the hydro plants or other**
19 **pieces of Yukon Energy equipment? For instance**
20 **spillway gates and trash racks?**

21 **A MR. MOLLARD:** Sorry, Mr. Maissan, just
22 to be clear, the question refers to space
23 heating in the plants?

24 **Q Just let me refer to that, sorry.**

25 **Your answer provides --**

1 talks to space heating, not to other electric
2 forms of heating?

3 A MR. MOLLARD: To be clear, it says
4 "such as space heating".

5 Q "Such as"?

6 A MR. MOLLARD: Yes. There is a
7 qualifier there.

8 Q So it sounds like an example as opposed to --

9 A MR. MOLLARD: Yes.

10 Q So what you are saying is there is electric
11 heating in trash racks and spill gates,
12 et cetera?

13 A MR. MOLLARD: That is correct.

14 Q Thank you.

15 Turning now to staffing
16 levels and Leading Edge-32. On page 2 of 6 of
17 Leading Edge-32, at the bottom, I see in the --
18 sorry, you have that?

19 I see at the bottom of
20 the page that through the period 2005 to 2009,
21 in fact to 2008, the operations staff was
22 increased from roughly 33 to about 40, which
23 is, in round numbers, a 20 percent increase.
24 Can somebody provide an explanation for that
25 increase in operating staff?

1 A MR. MORRISON: So, Mr. Maissan, are you
2 looking for something more than has been
3 supplied in the answer?

4 Q Yes, please.

5 A MR. MORRISON: Can you help me out a
6 little bit?

7 Q Well, you have listed the positions.

8 A MR. MORRISON: Yes.

9 Q And you go through each of them. But, you
10 know, on a big-picture perspective, I don't
11 understand, I guess, why the overall numbers
12 just, you know, look really huge.

13 A MR. MORRISON: I'm happy to -- I'm happy
14 to try to help you, but I'm not sure what you
15 are looking for. You are looking for a better
16 explanation of what we have got here? Are you
17 looking for more? I mean, we have given you
18 the position; we have given you the reason.

19 Q Yes. And each of the -- each of the
20 explanations doesn't sound unreasonable. But
21 when you look at the overall numbers, it
22 seems -- it seems a very large increase.

23 A MR. MORRISON: Well, if you want to --

24 A MR. MOLLARD: Just some of the general
25 things we think about when we look at our

1 staffing levels, if this is perhaps helpful, I
2 mean, we have added significantly to our asset
3 base in terms of kilometres in transmission
4 line that we are dealing with. We have
5 mentioned on a number of occasions the ages of
6 our asset and the assets that we need to do
7 continued maintenance on those and our
8 reliability issues that we need to deal with.

9 We have new regulation
10 all the time that we have to deal with. That
11 doesn't speak necessarily specifically to
12 operations, but we do have new regulatory
13 regimes that we are having to deal with, and
14 those sorts of things that are coming up sort
15 of that we have to deal with and need people to
16 deal with them, if that helps.

17 A MR. MORRISON: And, Mr. Maissan, sorry.
18 Let me try to help as well too. I was just
19 trying to look at kind of where you were
20 zeroing in on.

21 Q Maybe I can help a little bit here, because the
22 next question would be that I am surprised with
23 the technical expansion, all the additional
24 equipment, that in fact engineering services
25 have gone down. And when you see is a decrease

1 in engineering staff with an increase in
2 facilities and an increase in operations, I'm
3 just wondering what's happening with those.

4 A MR. MORRISON: Yeah, I would suggest
5 that part -- just excuse me for a minute.

6 So I just wanted to
7 confirm that I was on the right track. I
8 wouldn't look at it that way at all. What we
9 have done is we have moved some people who were
10 in engineering into operations. So it's just a
11 structural change in that respect. So they
12 haven't -- those tasks are still important.

13 We have also -- it's been
14 very, very difficult to hire electrical
15 engineers, specifically over this period of
16 time that we're looking at. So some of that
17 work is being done by contractors out of
18 necessity, because it's been almost impossible
19 to hire electrical engineers.

20 I don't know why
21 specifically through this whole period
22 electrical engineers, but there was a period
23 when we were having a difficult time hiring
24 power linemen as well. And I understand that,
25 because it was a very busy period in the

1 industry, and there was lots of -- a lot of
2 line construction and, you know, just a
3 shortage of personnel. But just generally we
4 have difficulty with that.

5 But in all this
6 expansion, when I look at this in terms of
7 people, it's been -- I mean, there is a number
8 of things, and Mr. Mollard alluded to them,
9 about additional -- not only additional
10 facilities in terms of two large new
11 transmission lines but we have also had a very
12 significant increase in our load and our
13 operation of the facilities has been on a
14 higher level over the last number of years as
15 well. And that also requires additional
16 maintenance, additional capital planning, and
17 all of those resources.

18 But on the regulatory
19 side of things, we have experienced, you know,
20 a really substantive increase in what I would
21 call "regulatory affairs." Not just -- and I
22 don't mean by that proceedings such as this. I
23 mean on the environmental side the amount of
24 permitting and environmental management issues
25 that we have to deal with through environmental

1 clarification on brushing. Could you tell me
2 roughly what the total length of transmission
3 lines were before the Carmacks-Stewart line was
4 added.

5 A MR. MORRISON: We are just going to see
6 very quickly if we have got that number.

7 Q In the order of 5 or 600 kilometres?

8 A MR. MOLLARD: I believe it's 600
9 including the new line.

10 Q And I understand from the information provided
11 in the application that you are looking at
12 brushing about 80 kilometres per year. Is this
13 sort of the -- is that the brushing level that
14 you feel is necessary on an ongoing basis to be
15 done each year, about 80 kilometres a year to
16 keep up?

17 A MR. MOLLARD: We are -- our operations
18 personnel advises us this is sort of the
19 leading edge of a cycle and that the
20 80 kilometres would represent a reasonable
21 level in order to get caught up over the next
22 three to four years, starting in 2009.

23 Q Right. Okay.

24 So the average frequency
25 of brushing is, if it was 600 kilometres

1 **divided by 80, about seven years --**

2 A MR. MORRISON: Yes. And when I think I
3 talk about that yesterday, Madam Chair, what we
4 are noticing in some areas is -- and
5 Mr. Maissan, I think, has reminded me, and I
6 couldn't remember yesterday what year it was.
7 We were on a seven-year cycle. We are paying
8 attention to the brushing, and with wet
9 conditions, we are finding that in some areas,
10 you know, we have to look at it, you know, on a
11 more frequent basis.

12 **Q Yeah.**

13 **Turning briefly to return**
14 **on equity. Are project capital cost overruns**
15 **part of the risk that a generation/transmission**
16 **utility would face?**

17 A MR. OSLER: Could you repeat the
18 question.

19 **Q Yes.**

20 **Are capital -- are**
21 **project capital cost overruns part of the risk**
22 **that a generation utility would face --**
23 **generation and transmission utility would face?**

24 A MR. OSLER: Well, I think generally
25 speaking, any utility that's involved in

1 capital programs has a risk that the budgets
2 that they establish for a program may
3 experience overruns in the actual result. So,
4 I mean, I don't think it's unique to generation
5 and transmission utilities, except that it may
6 be relatively more important if the generation
7 utility and the transmission utility involved
8 as a primary activity in capital development
9 that is -- in development of new facilities
10 that are very capital intensive, which would be
11 a bit different than perhaps the relative
12 distribution of costs within a distribution
13 utility.

14 So if that's what you are
15 getting at, in that sense it may be a bit more
16 relevant to a generation and transmission
17 utility that's in a development phase.

18 **Q Right.**

19 And in regards to the
20 substantial capital projects that have been
21 completed and are being anticipated, we have
22 seen some significant levels of government
23 funding. Do you think that in any way
24 mitigates any of that risk?

25 **A MR. OSLER:** Well, my mind's getting

1 technical, but Madam Chair, the risk exists
2 independent of the budgets that are set. The
3 risk is that you will develop a budget that is
4 firmly developed with all the engineering and
5 tendering and everything else, and you then
6 approve at the board of directors' level going
7 forward.

8 So if we're talking about
9 cost overruns in the question, I think that's
10 the context we should assume we are talking
11 about it in. a decision made to go forward with
12 the right information and then experiences an
13 overrun.

14 You would know what
15 funding contributions you are going to get at
16 that point as part of that decision, you would
17 normally assume. The risk of an overrun is
18 still the risk of an overrun. It isn't
19 mitigated because somebody agreed to pay for
20 20 percent of your cost based on the budget.

21 And if I go one step
22 further, I'd say, to the extent that you are
23 getting a lot of contributions, it's clear that
24 the contributors usually are not agreeing to
25 pay for the overruns. That isn't always the

1 case, but it's -- it's not abnormal to assume,
2 if you are using government as an example, that
3 they agree to a fixed amount. They don't agree
4 to, you know, a contingent amount, up to a
5 certain amount, I'll put it that way.

6 So from a utility point
7 of view, developing something with those types
8 of contributions, first of all, the risk hasn't
9 been mitigated at all by the contributor; they
10 just contributed to reducing the total cost
11 based on the budget, and the utility still has
12 to deal with the risk to the total program in
13 terms of possible overrun. I think we talked
14 about that a bit yesterday with Mr. Keough.

15 **Q So an absolute amount reduction, for instance,**
16 **the Phase II transmission project, if it's a**
17 **\$40 million budgeted project and you received**
18 **contributions of 35, then the risk of going**
19 **from a net cost of 5, say, to 10 million, you**
20 **would view no differently as a risk of going**
21 **from 40 to 45 ratepayer costs?**

22 **A MR. OSLER:** It would be the risk of
23 going from -- having a \$5 million overrun
24 imprudently incurred costs. Because if it's
25 not prudently incurred, there is no risk to

1 ratepayers; the Utility Board won't allow it to
2 be included.

3 But assuming it's
4 prudently incurred costs, the \$5 million risk
5 is a risk the utility has to observe and
6 monitor and manage on behalf of ratepayers
7 because nobody else is going to pick it up.

8 **Q All right. Thank you.**

9 Canada Trust note, that
10 was talked about at length. The one thing I
11 was a bit uncertain about was when this note
12 becomes due in 2011, are there plans in place
13 to refinance it with YDC, or are there any
14 plans at all yet in place what to do with that
15 facility when it comes due?

16 **A MR. MORRISON:** We have no firm plans on
17 what to do with that note when it comes. We
18 will look at financing at that time and see
19 where we -- see where we're at.

20 **Q Thank you.**

21 In YEC's application at
22 page 515, there is an indication that vehicle
23 purchase in 2008 would cost \$209,000, whereas
24 in response to UCG-83, there is an indication
25 that the actual cost, if I'm reading this

1 could be expected in the vehicle purchase plan
2 for 2009. And I guess I was wondering whether
3 that is in fact related to the almost fire-sale
4 prices available on new vehicles these days.

5 A MR. MOLLARD: I believe we still have
6 the same plans as in the application to buy two
7 service bodies, and I don't believe we're
8 getting a deal on those.

9 Q Okay. Thank you.

10 One of the things in the
11 capital plan as well is a tracked vehicle that
12 is proposed to be purchased. Let me find the
13 reference. It's in the application on
14 page 5-16, off-road maintenance vehicle
15 purchase. I just wanted to understand a little
16 bit more about this vehicle.

17 This is a large track
18 vehicle, something like what I think you call a
19 digger truck, except on tracks?

20 A MR. MOLLARD: Its purpose built. Its
21 brand name is a Nodwell, with a flat deck and a
22 crane on it, so it can do similar functions to
23 a digger-type truck.

24 Q Right.

25 And how is it moved

1 **around if it's on tracks?**

2 A MR. MOLLARD: Lowboy truck, truck and
3 trailer.

4 **Q So it requires a third party to move this?**

5 A MR. MOLLARD: That's correct.

6 A MR. MORRISON: And just to add a little
7 clarity to that, we have been renting one of
8 those or leasing one of those vehicles for
9 several years. And we did the -- we did an
10 analysis, and it was clear that, you know,
11 buying the vehicle was a much better way of
12 going than leasing. We started out leasing it
13 unsure of really how much use we really had for
14 it. When we looked at the cost, buying the
15 vehicle was a much cheaper alternative than
16 leasing it when we needed it.

17 **Q Yes. And it's a type of vehicle that can be
18 used winter and summer?**

19 A MR. MOLLARD: It is outfitted to run in
20 the winter as well, yes.

21 **Q I see in the specification, it's got an Arctic
22 pack, including a 40,000 Btu cab heater. This
23 means that even in the severe weather, if you
24 have got transmission problems, the crew can be
25 out and work safely from this vehicle?**

1 A MR. MOLLARD: That's correct.

2 Q Have you a rough idea of what percentage of
3 time you expect it to be in use versus on
4 standby?

5 A MR. MOLLARD: I don't have that number,
6 no.

7 Q In regards to the Carmacks-Stewart transmission
8 project, in YECL-9, on page 2 of 3, there is a
9 description of the scope changes.

10 A MR. MORRISON: We will get there as
11 quick as we can.

12 Q Sure.

13 A MR. MORRISON: I think we're there,
14 Mr. Maissan.

15 Q Are you there?

16 Yes. And there are a
17 couple of scope reductions that are described
18 here: one which was deferral of the
19 Pelly Crossing substation, differed to Stage 2
20 and the \$2 1/2 million saving, and there was
21 also the more complex substation at Carmacks
22 that was reduced to a switching station. And I
23 wondered if there was a ballpark number as to
24 the cost saving on that substation.

25 A MR. MORRISON: That's not a number I

1 have at my fingertips, Madam Chair.

2 **Q Is that one that you could provide or ballpark?**

3 A MR. OSLER: Not easily, because you
4 are -- the numbers that are put in here are
5 numbers that I'm not even sure are always met.

6 So if you go back to the
7 initial cost estimates brought to this Board,
8 Madam Chair, the substations in general were
9 very low-budgeted amounts. The ultimate result
10 is that the substations were considerably above
11 even the cost estimates in the preliminary
12 engineering.

13 So the amount of money
14 that was in the initial cost estimates for
15 whatever we were thinking we would do at
16 Carmacks would not be a very big number, just
17 as a common sense observation.

18 The bigger numbers in the
19 original cost estimate, and they were still
20 very small numbers, were at Minto Landing and
21 at Pelly. And the Minto Landing number was
22 assumed, Madam Chair, to be part of the spur
23 line.

24 So when people would get
25 to preliminary engineering stage in June of '07

1 and started seeing even the preliminary
2 engineering estimates and were looking for ways
3 to manage the budgets and everything else for
4 Stage 1, decisions were made at that point to
5 take the approach we took at Pelly Crossing.

6 I don't know that
7 \$2 1/2 million was saved in the gross sense.
8 It sounds to me that it was somebody's estimate
9 at that time of what it would cost at
10 Pelly Crossing. We did incur costs as part of
11 the package to do the work at Minto Landing.
12 They were nowhere near 2 1/2 million, but I
13 don't know what they were, and I don't know how
14 we'd -- you would have to go and talk to a
15 bunch of people to get an estimate of that.

16 The final costs, of
17 course would affect this also. So it had
18 become an analysis rather than something you
19 just go and find. We don't have it sitting --
20 the decisions were made on a decision basis
21 step by step, but they weren't necessarily all
22 documented in a final nice way that we could
23 discuss today.

24 **Q And -- sorry?**

25 **A MR. MORRISON:** Just to be clear,

1 specifically at Carmacks, one of the reasons
2 that there is the scope changes is when we got
3 our heads around what we really needed in terms
4 of the operability of the system, and we had
5 some of our -- some of the engineering people
6 look at it and some of our engineering advisors
7 look at it, there was a realization that they
8 really didn't need the Carmacks substation that
9 was previously proposed. And what we went to
10 was a -- you know, from a design engineering
11 point of view, was what was needed versus what
12 somebody thought we had needed previously.

13 **Q So there were no compromises in terms of**
14 **operating the system?**

15 **A MR. MORRISON:** Absolutely not.

16 **MR. MAISSAN:** Madam Chair, I estimate I
17 probably have about half an hour left. Should
18 we take a break at this time, or would you like
19 to --

20 **THE CHAIR:** We had indicated we would
21 like to have a break at 3:30. So could you try
22 and finish up around 3:30?

23 **MR. MAISSAN:** Sure.

24 **Q MR. MAISSAN:** Minto diesels. I asked
25 **about the RPM of these units, and it wasn't**

1 clear from the specs provided; are these
2 1,200 RPM units?

3 A MR. MOLLARD: They are high-speed
4 units, but I can't recall off the top of my
5 head.

6 Q High speed might mean 1,800 versus 1,200. Can
7 you get back to me on that?

8 A MR. MOLLARD: I can get back to you.

9 Q The other question I have is, fuel efficiency,
10 when they are running in baseload operation,
11 would you have a number for that as well or
12 could you provide that?

13 A MR. MOLLARD: We can get that for you.

14 Q All right. Thank you.

15 In the application on
16 page 510, Yukon Energy says that new diesels
17 for the Minto project would have cost an
18 estimated 6.6 million, or 1.035 million per
19 megawatt. Does this estimate include the
20 issues like winterization and heating systems,
21 more solid buildings, foundations, data
22 connection, remote start, and visibility that
23 are things that you needed to add to the used
24 diesels as well? I just wondered if that
25 comparison is an apples-to-apples comparison.

1 A MR. MORRISON: Sorry, Madam Chair. I'm
2 not sure, apples comparison to what?

3 Q To apples -- for instance, you had to add these
4 additional features to the used diesel units,
5 and I wondered whether the same features were
6 part of the 6.6 million estimate for new
7 diesels, i.e., or would these new diesel have
8 cost 6.36 million plus these other
9 modifications?

10 A MR. MORRISON: I understand. It's my
11 understanding, and subject to checking with my
12 other, colleagues here, that the 1.1 per
13 megawatt, the \$1.1 million per megawatt, is for
14 the diesels themselves. So whether they're new
15 or old, we still have to do the other work.

16 Q Right. Okay. So the new diesels would have
17 needed the same --

18 A MR. MORRISON: They would have needed a
19 building. They would need all the other things
20 that arises with that.

21 A MR. OSLER: And in this case of this
22 situation, you were looking at a building and
23 certain installations in place, you weren't
24 creating a new diesel plant, so the rationale
25 for that assumption isn't far off.

1 Q Thank you.

2 In Leading Edge 53, you
3 described the process that you would go through
4 for specifying large transformers for energy
5 efficiency at, you know, the lowest life cycle
6 cost, et cetera. Is this something for which
7 you might have an example that could be
8 provided?

9 A MR. MORRISON: Can you just give us a
10 second.

11 Q Sure.

12 A MR. MORRISON: Sorry, I think in looking
13 at the question, we have lost your question.
14 Could you repeat it for us. It was LE-53?

15 Q Leading Edge 53, yes. The process for
16 specifying transformers is described, and I
17 wondered whether there was an example available
18 that you could provide from a recent purchase?

19 A MR. MORRISON: You want to see the
20 specifications of a transformer; is that what
21 it is?

22 Q Yes. Yes. See what would have gone out to
23 the -- to the manufacturer.

24 A MR. MORRISON: I guess we can provide
25 it. We have it. We can certainly provide it.

1 I'm not certain how much benefit it will be for
2 you, but . . .

3 **Q All right.**

4 **A MR. MORRISON:** We will certainly do
5 that, if it's all right.

6 **A MR. OSLER:** But wouldn't you
7 really -- you know, you're trying to get at how
8 do you know what the most economical approach
9 is taken, and you asked something about life
10 cycle costs. Are you asking whether or not the
11 specifications put out request the people to
12 tell us life cycle costs? Is that what you're
13 getting at?

14 **Q Well, what's described here is -- well, let me**
15 **just reread it and I can be more specific in my**
16 **question.**

17 **You provide to the**
18 **manufacturer, it says the load and no-load**
19 **costs based on the kilowatts quoted to you on**
20 **energy by the manufacturer. Yukon Energy uses**
21 **a quoted loss bigger in the costs provided to**
22 **determine the overall cost of the transformer**
23 **over its life.**

24 **So what I'm looking for**
25 **is just what does -- what are the numbers that**

1 Yukon Energy provides to the manufacturer as
2 part of requesting the quote?

3 A MR. MORRISON: We'll get that,
4 Madam Chair.

5 Q Thank you.

6 Leading Edge 56
7 references the page 515, line 6 of the
8 application, and it has to do with spill
9 regulation at Whitehorse dam, and it seems to
10 imply that a study is to be done on the spill
11 regulation, and I wondered whether that was
12 complete now and whether the expected
13 expenditures in 2009 would happen as planned or
14 whether this project has been deferred?

15 A MR. MORRISON: Madam Chair, this study
16 hasn't been completed.

17 Q So will the anticipated \$200,000 worth of work
18 to be done in 2009 take place still this year,
19 or --

20 A MR. MORRISON: I would anticipate that
21 it would, yes.

22 Q So you still expect the study to be completed
23 this year in order to do the work for this
24 year?

25 A MR. MORRISON: Yes.

1 Q Thank you.

2 Question Leading Edge 58,
3 electronic document management. This
4 references the application page 517, line 15.
5 And it appears that a consultant was to be
6 hired to review the -- and assess the records
7 management and to come up with proposed
8 solutions, and I just wondered whether this has
9 taken place.

10 Obviously from the
11 response, that there has been no report, but I
12 just wondered if the activity has taken place
13 in a form other than a provision of a report?

14 A MR. MORRISON: No, not yet, Madam Chair.

15 Q Not yet, thank you.

16 In regards to the power
17 line carrier system, Leading Edge Question 59
18 references the application page 517 and
19 incorrectly, Madam Chair, references line 15.
20 That should have been line 28.

21 I understand that
22 Yukon Energy is replacing the Takhini to Faro
23 power line carrier system. Do I correctly
24 interpret that from the answer, as opposed to
25 the Takhini-Aishihik system?

1 A MR. MORRISON: Sorry, Mr. Maissan, just
2 could you repeat that again. I thought I
3 missed the first part of it, so . . .

4 Q From the answer, the application proposes to
5 replace the Takhini to Aishihik power line
6 carrier system?

7 A MR. MORRISON: Right.

8 Q I understand from this response that that is
9 now on hold and that the Takhini to the Faro
10 substation is being looked at I think,
11 including the new Carmacks-Stewart Phase I
12 project. Is --

13 A MR. MORRISON: Yes, that's --

14 Q Is that right?

15 A MR. MORRISON: Thank you for that. Yes,
16 Madam Chair, that's correct. We're having some
17 technical questions around what is the best
18 solution for Aishihik. We thought we had a
19 solution working with Northwest Tel, but as it
20 turned out, there were some technical problems
21 more from the line of sight of Aishihik and how
22 we get there, so we're having to reassess the
23 options for that. That's why it's delayed,
24 because we don't have the correct technical
25 solution yet.

1 Q Is there any changes in cost due to this change
2 in focus from one system to another?

3 A MR. MORRISON: Changes in cost in terms
4 of instead of doing Takhini to Aishihik to
5 Takhini --

6 Q Forecast, yes.

7 A MR. MORRISON: -- to Faro?

8 Q Now that you're --

9 A MR. MORRISON: I don't have that number
10 at the top of my head, so . . .

11 Q Fair enough.

12 The next question I have
13 is in regards to the Whitehorse-Aishihik-Faro
14 transmission upgrades. I understand that there
15 are these various projects described as in the
16 application at page 518 and after that. And I
17 was wondering whether this work is being done
18 by contractors or by some of the Yukon Energy
19 crews, the additional linesmen, et cetera, that
20 have been hired?

21 A MR. MOLLARD: I believe that the answer
22 is both. Some of the items specifically I can
23 say. With respect to the insect infestation,
24 they have to get contractors because it's a
25 specialized technique, but the general upgrades

1 we'll be doing with internal crews.

2 **Q And will your new track vehicle be in use on**
3 **these projects?**

4 **A MR. MOLLARD:** We're supposed to get it
5 at the end of this month.

6 **Q My next question is on deferred costs, and**
7 **first of all, sort of a more general question.**
8 **This references the application page 520. The**
9 **deferred expenditures of 6.8 million are**
10 **referenced here, and I understand from response**
11 **to YUB-38 that this figure is now down to**
12 **4.3 million?**

13 **A MR. OSLER:** YUB-38 has indicated that
14 the number has been reduced to 4.3 million at
15 the moment. You know, that's the more -- the
16 most recent estimate.

17 **Q Thank you.**

18 **Is there any capital cost**
19 **range estimate for the Gladstone project? I**
20 **notice it says that it's potentially very**
21 **cost-effective energy, and I just wondered if**
22 **there was a number you were prepared to or a**
23 **range that you were prepared to mention at this**
24 **time?**

25 **A MR. MORRISON:** Madam Chair, no. I'm

1 reluctant. The reason that we would think of
2 Gladstone as a very cost-effective project is
3 because there's very little structural work
4 that has to be done for the amount of gigawatt
5 hours of potential production out of it.

6 So it's very early days.
7 We have done very little work on the Gladstone
8 project. It's one of those projects that
9 isn't -- won't have a high capital cost just
10 because you don't have to do a lot of work.
11 It's the same as building a little -- it's a
12 little control structure, a small weir.

13 Now, small in our terms
14 might mean several million dollars. But, you
15 know, if you look at it in that sense, the
16 potential to get 18 gigawatt hours of
17 additional energy out of the Aishihik system, I
18 come back, you know, just in very general terms
19 to this concept I was talking about earlier
20 today.

21 If we just look at -- if
22 we had to provide 18 gigawatt hours of energy
23 and we could get this energy in the winter out
24 of Aishihik, which is very valuable, and let's
25 just say instead of getting it from the hydro

1 plant we had to get it from the diesel, we're
2 talking about, you know, in the neighbourhood
3 of \$5 million to \$6 million worth of diesel per
4 year every year to generate that same
5 18 gigawatt hours.

6 So if the diversion at
7 Gladstone costs even 10 or 12 million dollars,
8 it's very valuable energy. It has a very quick
9 payback. It's energy we get in the winter,
10 which is tremendously valuable for us.

11 Now, technically it is
12 not a difficult project, but it's an issue --
13 well, this is an issue, and Atlin and I would
14 put Marsh in the same category, they will be
15 very difficult to licence because they're --
16 they don't -- you know, the getting people to
17 understand, you know, why we need to do these
18 things and why we want to reverse water flows
19 is very difficult.

20 There are a whole bunch
21 of stakeholders in each of these that are
22 involved, none of whom are particularly, you
23 know, joyous about us going ahead and doing a
24 project in their area where they have interest.
25 So Gladstone will be a regulatory process that

1 will be very difficult, and so will Atlin from
2 that point of view. Atlin is virtually the
3 same kind of project. It's a small control
4 structure on a river that controls water.

5 We have -- we are in the
6 process of engaging some consultants to help us
7 develop those projects on a technical basis and
8 we'll have some more information. But I wanted
9 to -- just add to this, this is about the most
10 important thing that we do outside of, you
11 know, our mandate of keeping a reliability and
12 cost -- providing cost-effective electricity.

13 This is the long-term
14 planning that we are mandated to do in YDC's
15 legislation, that we are required to provide to
16 ensure there's enough power available on the
17 system for Yukoners. And if we don't do these
18 things and if we can't implement some of these
19 things, the solution is diesel, and I don't
20 think that's our mandate.

21 I think our mandate is to
22 look forward on the long term, make sure that
23 we've got enough power at least always coming
24 forward whether -- you know, we're not a big
25 system. We can't be sitting out there with a

1 100-megawatt dam that we can just grow into
2 because we have to pay for it.

3 So it's really tricky
4 from our perspective trying to stay 5 and
5 10 megawatts ahead of growth because you can't
6 build a hydro plant or you can't develop these
7 projects as quickly as you can develop a diesel
8 plant. So if we wait until growth catches us,
9 that means we'll be running diesels, and so
10 it's this very tricky balance.

11 And I know we talked
12 quite a bit yesterday about the risk and who
13 should take the risk and whether there were
14 government contributions. Well, a big part of
15 our strategy has been if we can get
16 infrastructure contributions to build these
17 projects, including Carmacks-Stewart, including
18 Mayo B or the Aishihik project, which we have a
19 5 million contribution from Canada and the
20 Yukon government to help build, those help
21 offset that risk of the small system where we
22 don't have very many customers, we're not
23 connected to a big grid, and at the same time,
24 we can get some projects into the system which
25 don't put a lot of ratepayer -- they don't add

1 on them. We try to balance what we're going to
2 spend in one year by keeping it to a reasonable
3 level and trying to find ways to mitigate that
4 risk going forward with capital contributions
5 for new projects. But these projects are
6 absolutely some of the most important things
7 that we're doing right now, specifically those
8 projects.

9 **Q** Thank you. That's the next lead into my last
10 couple of questions on Mayo B. And, you know,
11 by comparison to these other projects you
12 describe, and Aishihik third turbine among
13 them, Mayo B is, you know, on a cost per
14 megawatt and a cost per gigawatt hour per year
15 basis, extremely expensive.

16 And even the Aishihik
17 third turbine, which is principally for
18 capacity, produces energy at, well, less than
19 2/3 the cost that the energy from the Mayo
20 plant has gone to cost based on \$120 million
21 and 9 million for the third turbine.

22 And so I wondered whether
23 we were really focusing on the right projects,
24 because when you take Gladstone and Marsh and
25 third turbine and Atlin and put them all

1 together, there is more energy there for Mayo
2 and potentially for Mayo B and potentially at
3 much lower capital cost.

4 And so I was just
5 wondering about priorities of where we're
6 spending our capital dollars, regardless of
7 whether they are ratepayer dollars or taxpayer
8 dollars.

9 A MR. MORRISON: Madam Chair, you know, it
10 is a very valid question and very valid
11 concern. I think we talked yesterday again
12 about the fact that Mayo B at 100 or 120
13 million dollars is not a project that we could
14 even consider going forward with without a
15 significant capital contribution from someone
16 else, and that at the moment is probably the
17 Federal Government and perhaps the Yukon
18 government in terms of assisting us to acquire
19 the kind of dollars we need to do Mayo B.

20 We are very cognizant of
21 the fact that we can't -- that Mayo B's
22 expensive per megawatt of installed capacity if
23 you look at it, but it has some real advantages
24 from our point of view. A, from a hydro
25 perspective, basically it's a brown field

1 development. It already has a dam. We don't
2 have a rebuild a dam. And I would say to you
3 that anywhere we have to think about a dam, it
4 just adds years of regulatory time into the
5 process.

6 So one of the reasons
7 we're looking at Mayo B is we can build it
8 quickly because the basic infrastructure is
9 there. We have to -- we have to build a canal
10 and a tunnel and a new powerhouse, but we
11 already have a powerhouse, we already have an
12 operation and an intake in that area, so yes,
13 it's expensive. But from a regulatory point of
14 view, it will take time, but it will take not
15 as much time as trying to start from scratch.

16 The other important part
17 about Mayo B is it's the only hydro project
18 that we have in the development stage that can
19 be built within the time frames that we have
20 where we're going to -- where we anticipate or
21 forecast we're going to need the power. So we
22 have a lot of other hydro studies, but none of
23 them advanced to the stage and none of the
24 projects advanced to the stage where they're
25 ready in a two- or three-year period to bring

1 online.

2 And that just really,
3 really emphasizes the point I was trying to
4 make earlier about the need to do research, the
5 need to do planning and system studies on an
6 ongoing basis, because we have to get some
7 projects up to the point where they're shelf
8 ready, and we can then take them off the shelf
9 when we encounter these increases in load.

10 I mean, the best scenario
11 is we start -- we're always in a planning mode
12 and we always got something going forward. But
13 the reality of it is when we brought forward
14 the resource plan in 2005, nobody had done
15 anything for years prior to that. So starting
16 in 2005, we've got to this stage.

17 And I think you should --
18 we can look at that as saying that's where --
19 you know, it's taken us four years to get to
20 where we're at today from starting where we
21 were, and we can't let that happen again. We
22 need to have the planning studies done, we need
23 to have the information within the system, we
24 need to spend a bit of money to make sure that
25 when we've got new loads coming to the system

1 that we're not pulling out the diesel card and
2 saying, Okay, well, let's just stick diesel on
3 the system, because diesel isn't 20 cent a
4 litre anymore.

5 And, you know, whether
6 it's 70 or 80 cents today, you know, it's not
7 coming back to the 20 cent level. Maybe it's
8 not going to be 1.50, but it's certainly -- you
9 know, it's going to be high, and ratepayers
10 can't afford that diesel cost on the margin.

11 The problem with projects
12 like Mayo is, you know, if you're in a large
13 connected system, you know, it's a blip in BC
14 or any place else. We're a tiny little
15 jurisdiction. We don't have a lot of
16 customers. So we have spent a lot of time
17 trying to make sure if we are looking at
18 something like Mayo B, that we're trying to get
19 some money, enough money to make sure that, you
20 know, we're not doing these projects in a way
21 that's going to burden ratepayers.

22 And Cam might --

23 A MR. OSLER: I'll just add one thing
24 to the question itself. Yukon Energy's
25 assessment as of mid '07 was that they needed

1 to go out and get a priority of what they could
2 get in terms of energy from renewable resources
3 in the period 2010, 15 in, say, 25 to
4 50 million kilowatt hours range. And as we
5 went through the next year after that, we
6 realized that probably we should be asking the
7 question more like 50 to 100 million kilowatt
8 hours.

9 So the board of directors
10 when we look at these matters is saying, We
11 need all of these projects. We need the
12 Gladstone, we need the Atlin, and we need the
13 Mayo. And it's not that we're giving one more
14 priority than the other. It's just that, you
15 know, the Mayo project can be acted on in a
16 decisive manner by doing some work and then
17 filing an application with, yes, I've been
18 trying to get some government funds.

19 The others ones are being
20 acted on too, but they require us to go through
21 some relatively prolonged regulatory processes
22 that we can't predict the outcomes of. If we
23 get through the regulatory processes in
24 12 months, you could probably have the facility
25 in place at "a very simple cost." You just got

1 to get through Step 1.

2 A MR. MORRISON: And just to re-emphasize
3 I think the point that Mr. Osler is making, we
4 don't need Mayo or Atlin, Gladstone, Marsh. We
5 need Mayo and all of those just to meet a
6 very -- what I would say to you is a very
7 conservative load forecast going forward for
8 the next five -- four or five years, a very
9 conservative, because it has two mines in it,
10 that's it, one of which we know for sure and,
11 you know, is moving ahead or we feel pretty
12 comfortable with, and the other one is sitting
13 there, you know, in kind of a holding pattern.
14 But that accounts for nothing else going on in
15 the Yukon.

16 And, you know, estimates
17 I have seen even within the City of Whitehorse
18 more recently and just a few days ago, if some
19 of those loads happen, you know, we're going to
20 have to add -- quickly add to those projects.

21 A MR. OSLER: And bottom line behind
22 those things is in the last 12 months, we know
23 that Minto is planning to increase. They are
24 going to be making their applications so that
25 the number they are looking at right now is not

1 the number you should be assuming for a couple
2 of years from now.

3 And there is a Faro
4 reclamation plan that we're told will add a
5 material amount of energy requirements to this
6 system and will go on for some considerable
7 number of years. So in the last 12 months, I
8 haven't had anybody coming in telling me why we
9 should really reduce this except for the fact
10 that Minto's numbers when we started up were a
11 little bit lower than we thought they were
12 going to be given what they had told us, but
13 they're learning like everybody else what they
14 actually will need.

15 And they have to be
16 conservative when they're talking to us, they
17 have to make sure that we've provided enough
18 for them, and then they'll do their best to
19 keep it as low as possible. That's fair.

20 A MR. MORRISON: Just to be clear, the
21 Faro reclamation load is as big as the Alexco
22 mine load in the near term, and I have no idea
23 what they're doing there, but they are doing a
24 lot. And we're scrambling as fast as we can,
25 but these studies are really important.

1 Q One final question on Mayo B. Is there a
2 peaking capacity being installed as part of the
3 project; i.e., will it be able to peak in
4 wintertime with the fluctuating water levels in
5 the four-bay Wareham Lake such as is being done
6 at Schwatka? You are allowed to say you don't
7 know.

8 A MR. BOWMAN: It's actually a bit of a
9 complicated question, but the plant is not
10 being designed at this point to make peaking a
11 priority by any stretch of the imagination.
12 And the main reason is because by the time you
13 hook Mayo into the WAF system, which is the
14 premise that we talked about yesterday with
15 respect to the project, it's a relatively small
16 plant. Even Mayo B is a relatively small plant
17 on a relatively big system.

18 So you are designing the
19 plant and figuring out installed capacity to
20 put into it and trying to figure out the best
21 way to make sure you're getting winter energy.
22 There was an additional cost to trying to put
23 in a peaking capability. The actual output or
24 the number of megawatts you might be able to
25 get towards a peaking capability is relatively

1 low in relation to the overall system. And for
2 some other technical reasons related to the
3 intake, it's questionable whether you could
4 actually try to use that plant on a peaking
5 basis.

6 And it's matters that the
7 engineers are working through, but it is far
8 and away down the list of sort of minor
9 considerations by comparison to trying to make
10 sure that the energy that comes out of it is
11 maximized through the winter.

12 A MR. OSLER: But we are in a general
13 sense of all the things we've been talking
14 about, we are trying to look at the issue as
15 part of the project of making sure we can get
16 the best long-term average energy from the
17 plant that's now being developed, which
18 includes issues of storage at Mayo Lake, and
19 I'll just leave it at that.

20 But it's not that we are
21 just looking at energy and consolidating
22 facility. We are looking at licencing issues
23 that would allow the plant to achieve for
24 reasonable costs the best long-term average
25 energy, which includes some storage issues, and

1 Mayo Lake's the only opportunity that exists.
2 Wareham doesn't really do that.

3 MR. MAISSAN: That concludes my
4 questions, Madam Chair. Thank you for your
5 indulgence.

6 THE CHAIR: Thank you, Mr. Maissan.
7 And we will have a
8 15-minute break at this time.

9 (BRIEF ADJOURNMENT)

10 THE CHAIR: Thank you very much.
11 Mr. Landry, do you have
12 some undertakings?

13 MR. LANDRY: I do. Thank you,
14 Madam Chair.

15 The first one I would
16 like to deal with is -- it will be dealt with
17 ultimately by Mr. Osler, but it's going to
18 require the entering of an exhibit, but it is
19 in reference to an undertaking at page 262,
20 line 11. And it relates to, I think it was
21 called, I don't have the transcript in front of
22 me, but the security agreement that
23 Mr. Marriott that talking about yesterday.

24 So what I will do is -- I
25 think the best thing to do is enter it as an

1 exhibit now. I have given it to Ms. Lemke and
2 people in the room. So if we could make that
3 document as the next exhibit, with I understand
4 to be B-15.

5 THE CHAIR: So marked B-15.

6 Exhibit Number B-15:
7 Answer to undertaking given to
8 Mr. Marriott re security agreement.

9 MR. LANDRY: And Mr. Osler will speak
10 to that, and then we have a couple of other
11 undertakings we can give to the other panel
12 members.

13 THE CHAIR: Thank you.

14 MR. LANDRY: Mr. Osler?

15 A MR. OSLER: Madam Chair, we were
16 asked with respect to the flexible term note,
17 which is in evidence. At paragraph 9 of that
18 note, there is a reference to a security
19 agreement mortgage, and could we find out what
20 that was all about and what the current status
21 of it was.

22 The document Exhibit B-15
23 is the mortgage that was registered pursuant to
24 that paragraph 9 in the flexible term note to
25 deal with the security with respect to that

1 note that the paragraph required.

2 The date of this document
3 is 1993, so you can know that this was a
4 registration that took place pursuant to the
5 original transfer agreement when the note was
6 still held by Canada. Yukon Development
7 Corporation and Canada were the parties.

8 Since then this mortgage
9 was in fact registered I'm told. Since then
10 the flexible term note was purchased by Yukon
11 Development Corporation from Canada, and at
12 that time I'm told that this mortgage was
13 assigned to the Yukon parties and away from
14 Canada and has subsequently been registered in
15 the land titles office.

16 MR. LANDRY: Mr. Bowman, I understand
17 that you have a few undertakings that you can
18 provide to the Board.

19 A MR. BOWMAN: Yes. Thank you.

20 There are two that arise
21 from today, so I'm -- of course I don't have
22 the transcript references for where they arise,
23 but one was in regards to your
24 cross-examination of Mr. Maissan just earlier
25 today after lunch, and it was in regards to

1 line numbers.

2 And the numbers in
3 question were line number L355. That is the
4 number that's given to the line through
5 Haines Junction. L356, which is the line to
6 Ross River. And the question was whether the
7 Carmacks-Stewart transmission project has a
8 line number, and it does. It is L173. I
9 believe that addresses that one undertaking
10 from Mr. Maissan.

11 We also had an
12 undertaking from Mr. Buonaguro this morning in
13 regards to the diesel contingency fund, and it
14 was seeking some rather older documents that
15 set out the rules around the fund and how it
16 operates.

17 And in order to complete
18 this set, it -- I'll make reference to five
19 documents, three of which are -- I have copies,
20 one copy here which we can give the Board, and
21 we'll email them out to people. They're not
22 short documents. They are not long, but
23 they're not -- they're submissions made that
24 were made to this Board. And two of which are
25 Board orders, so I'm assuming those will speak

1 for themselves.

2 The diesel contingency
3 fund arises from the negotiated settlement in
4 the 1996-97 GRA. So the diesel -- the
5 negotiated settlement document itself is not a
6 part of a Board order. And so I have a copy of
7 that, and that will be one of the documents
8 that we will circulate, provide a copy to
9 Ms. Lemke and circulate. And of course that
10 led to the order that was ultimately finalized,
11 the 1996-97 GRA.

12 The diesel contingency
13 fund, as I noted at that time, was not fully
14 detailed in terms of some of the operating
15 rules and the like, and that was ultimately
16 addressed by Board Order 1999-3, and that again
17 would be an order from the year 1999.

18 It is not particularly
19 detailed in terms of what it's -- what the
20 order itself says. The order says it accepts
21 the documents as filed by Yukon Energy. But it
22 references two documents filed by Yukon Energy,
23 one a document dated June the 6th, 1999, which
24 was a report filed by Yukon Energy, and the
25 second was a document of October 7th, 1999,

1 which was additional comments filed by
2 Yukon Energy in response to submissions
3 received by the Board.

4 So it's those two other
5 documents, the June 6th, '99, and the
6 October 7th, '99, that set out how the fund
7 operates, and the Board ultimately made its
8 decision on Order 1999-3.

9 So those two submissions
10 from Yukon Energy again I have a paper copy I
11 can give Ms. Lemke, and those will be
12 circulated in a scanned version via email and,
13 we can make paper copies for anyone who wants
14 them on paper the same way as the further
15 exhibits were dealt. It be easiest to do them
16 by email given that the size adds up.

17 MR. LANDRY: Perhaps, Madam Chair, to
18 help Ms. Lemke, I just took a note of the
19 documents, we could mark the documents as an
20 exhibit. We will get you the hard copies now.
21 You can put them in that way. When they come
22 electronically, we know what exhibit numbers
23 they have.

24 So if we go in the order
25 of the documents that were referred to by

1 Mr. Bowman, the first one would be the
2 settlement agreement, and which exhibit number
3 would that be, B-16?

4 THE CHAIR: B-16 so marked.

5 Exhibit Number B-16:
6 Response to undertaking containing
7 documents dated June 6, 1999, and
8 October 7, 1999.

9 MR. LANDRY: The next one would be
10 Board Order 1999-3, which would be B-17,
11 Madam Chair?

12 THE CHAIR: B-17 so marked.

13 Exhibit Number B-17:
14 Board Order 1999-3.

15 MR. LANDRY: The next one would be the
16 June 6th, '99, correspondence report, so that
17 would be Exhibit B-18?

18 THE CHAIR: B-18 so marked.

19 Exhibit Number B-18:
20 June 6, 1999, correspondence report.

21 MR. LANDRY: And the last one that was
22 referenced was an October 7th, '99, additional
23 comments.

24 Exhibit B-19,
25 Madam Chair?

1 THE CHAIR: B-19 so marked.

2 Exhibit Number B-19:

3 October 7, 1999, additional comments.

4 A MR. BOWMAN: Thank you. And then
5 there's two more undertakings we can deal with
6 now.

7 Mr. Mollard?

8 A MR. MOLLARD: The first item I have is
9 dealing with an undertaking from Mr. Buonaguro
10 this morning. He was asking regarding some
11 capital projects. We had provided some actual
12 spending in 2008, and he -- that was lower than
13 the forecast in the application.

14 We had one we had to go
15 back and check on, and we discovered that there
16 was an error in the response to the
17 interrogatory. It was UCG-YEC-1-90. The table
18 lists the actual spending for the Aishihik
19 water licence renewal project at 118,325. That
20 actually should read 165,764, which is
21 approximately the budget that we quote in the
22 application of 167,000, so I think that
23 addresses the undertaking.

24 THE CHAIR: Thank you, Mr. Mollard.

25 A MR. MOLLARD: I also had one other

1 item, the request from Mr. Maissan regarding
2 the Minto diesels. I can confirm they are
3 1,800 RPM units, and the fuel efficiency is
4 3.7 kilowatt hours per litre.

5 THE CHAIR: Thank you, Mr. Mollard.

6 MR. LANDRY: Madam Chair, there will
7 be just on our count a number of undertakings
8 that will be outstanding presumably if we do
9 finish this evening, and maybe when we can --
10 before we break we can just set a date by which
11 we get the balance of the undertakings. And I
12 don't expect that it's going to take long, but
13 we can do that before we leave.

14 THE CHAIR: Certainly.

15 In that case, we will
16 proceed with the Board questions.

17 Ms. Bentivegna, are you
18 prepared to proceed?

19 MS. BENTIVEGNA: Yes. Thank you,
20 Madam Chair.

21 YEC PANEL QUESTIONED BY MS. BENTIVEGNA:

22 **Q Good afternoon, panel.**

23 **First I want to refer you**
24 **to YUB-YEC-1-4(b), Attachment 2.**

25 **A MR. BOWMAN:** I think we're there.

1 Q Thank you.

2 Now, based on that
3 information in that attachment, it seems that
4 YEC has paid InterGroup 3,189,000 for the years
5 2005 to 2008 inclusive. Now, do you believe
6 that's correct, subject to check of course?

7 A MR. MOLLARD: Subject to check.

8 Q Thank you.

9 Now, of that total,
10 190,000 is classified as administrative. The
11 remainder is capitalized. Now, the
12 descriptions for the capital work implies items
13 largely of a regulatory nature, so I'm
14 wondering what kind of administrative services
15 would InterGroup be providing to YEC?

16 A MR. MORRISON: I think Mr. Mollard will
17 answer a little bit, but nonadministrative
18 services are classed address administration?

19 A MR. MOLLARD: Yes.

20 A MR. MORRISON: In --

21 Q If you could explain.

22 A MR. MORRISON: Sorry. So not providing
23 administrative services but services that were
24 provided would be categorized within the
25 administration category of expenses. And I

1 will see if my colleague Mr. Mollard can give
2 you some details.

3 Q Thank you.

4 A MR. MOLLARD: I will just take a minute
5 with the IR, please.

6 Okay. I think I can
7 respond to this. I would classify the costs in
8 the administration categories in two forms. On
9 a regular basis, they would provide --
10 InterGroup would provide us with support for
11 our regulatory filings, which is our annual
12 filings due to the Board, running the
13 regulatory model, making sure our results make
14 sense. That would be one aspect.

15 The other aspect is
16 support. What happens when we have a project
17 such as a GRA filing, we have costs that are
18 incurred that are included as the costs that we
19 present to you and say, These are our actual
20 costs for the GRA process. There's always
21 follow-up work that comes out of Board orders,
22 making sure that we're doing all our filings
23 and making sure that we're complying with
24 everything.

25 I can't charge those

1 costs to the project because the project is
2 closed, so I spend that -- I carry that charge
3 on my administration budget. So it would be
4 that sort of thing on administration.

5 **Q All right. Thank you.**

6 **Now, would YEC seeing**
7 **that amount, that 3,189,000 I referred to**
8 **previously, would YEC and the Yukon as a whole**
9 **be better served with in-house expertise if it**
10 **were developed and the resources and experience**
11 **retained in the Yukon rather than consulting**
12 **using a consulting group?**

13 **A MR. MORRISON:** You may find that this is
14 strictly my opinion, but my opinion, I think,
15 based on at least my experience over the years
16 that I have been involved in these utilities,
17 and A, being able to hire and maintain a core
18 of regulated -- of regulatory staff is A, a
19 challenge in not just here, but across the
20 North.

21 The second issue from my
22 perspective is that we're -- we have not -- we
23 have gone through a period of having basically
24 no regulatory experience in the sense of no
25 experience before the regulator. For years we

1 we start looking at the amount of work that
2 goes into these rate filings.

3 Q Now, under the capitalized costs from
4 InterGroup from 2005 to 2008, again this is the
5 YUB-YEC-1-4, the revised attachment to, it
6 includes work on the 20-year resource plan, the
7 2005 revenue requirement, the CSTP Stage 1,
8 Minto PPA, and the 2008-2009 GRA.

9 And my first question is,
10 Why are these costs not applied to a regulatory
11 hearing account? Why is there no deferral
12 account? Why are these costs capitalized?

13 A MR. MOLLARD: Sorry, in our parlance,
14 those are what is charged to capital. That
15 includes deferral accounts. So those charges
16 where they reference to specifically, for
17 example, GRAs, those are ultimately charged to
18 deferral accounts. We only have two
19 categories. We have admin or capital, so the
20 deferred costs include our regulatory accounts.

21 Just for clarity, the
22 CSTP is a capital project, so it would be
23 included in our fixed assets: property, plant,
24 and equipment.

25 Q Now, are you saying that when you want to use

1 the funds in the deferral account then you will
2 ask the Board to use those funds as any other
3 deferral account if we're talking regulatory
4 costs to recover the costs out of that and to
5 apply them against the costs that were actually
6 allowed by the Board?

7 A MR. MORRISON: Ms. Bentivegna,
8 Madam Chair, I think we just need a minute.

9 Q Sure.

10 A MR. MORRISON: I think we're getting the
11 terminology off track here.

12 Q Certainly. Go ahead.

13 A MR. MORRISON: Ms. Bentivegna, I think
14 we are having a debate around deferring costs
15 versus a deferral account, so could you maybe
16 help us a little bit here. Can you give us a
17 little assistance as to kind of what you are
18 looking for.

19 Q Certainly. Well, I mean, I can take you to
20 each of the costs that you've put in as these
21 capital costs that appear to refer to
22 regulatory matters or proceedings. So, for
23 example, and you can go to your Table 5.7.
24 That might be of assistance.

25 A MR. MORRISON: It's late in the day. I

1 don't think our brains are working very well.

2 THE CHAIR: Another reason for a
3 computer, Mr. Morrison.

4 A MR. MORRISON: As usual, Madam Chair, I
5 got your message the first time.

6 THE CHAIR: That's debatable.

7 A MR. MORRISON: I know. I know. I just
8 thought I'd make my point.

9 I think we're there,
10 Ms. Bentivegna, thank you.

11 Q MS. BENTIVEGNA: All right. So if you
12 look at the bottom where it say "Rate case
13 completed," so the first amount you'll see is
14 GRA Phase I revenue review 800,000. And I
15 understand this to be, and it was updated in
16 your updated amounts to over a million, that
17 this would be costs related to this GRA?

18 A MR. MORRISON: Correct.

19 A MR. MOLLARD: That's correct.

20 Q So now looking at that cost, would that be
21 considered a deferral account item over which
22 before the money was used in that deferral
23 account there would be Board oversight?

24 A MR. MOLLARD: Well, we -- if I
25 understand correctly, we would apply to the

1 Board with our actual costs of which the money
2 we spent on InterGroup to assist in the process
3 would come to the Board for their approval to
4 be included in that account.

5 **Q And I guess now I've meant it to a broader**
6 **question as well. All the costs, for example,**
7 **that are included in your application and the**
8 **updated amounts of over a million for this GRA,**
9 **you mean all those costs would come to the**
10 **Board and would be determined and that's what**
11 **would be reflected in a deferral account for**
12 **hearing costs?**

13 **A MR. MOLLARD: Yes, that's correct.**

14 **Q All right.**

15 **Now, when you estimate**
16 **the 800,000, or now the million and so, of such**
17 **costs, are you estimating the costs of**
18 **consultants and legal services to be at the**
19 **scale of costs the Board's scale of cost rate,**
20 **or are these the actual charges that you**
21 **estimate will be charged to you?**

22 **A MR. MOLLARD: They are intended to**
23 **reflect the Board's scale of costs.**

24 **Q All right. Thank you.**

25 **Now, the next item listed**

1 under that rate case on Table 5.7, I'm still
2 there, it talks about YUB-2007-7 and 9 resource
3 plan, 643,000. Now, again, is that -- was that
4 a cost award since that's been completed, that
5 proceeding, was that -- at that amount of
6 643,000, was that -- was there a cost claim,
7 was there a cost award in that proceeding and
8 this number reflects that?

9 A MR. MOLLARD: I just need to check one
10 thing there.

11 Q Sure.

12 A MR. MOLLARD: Mr. Bowman just provided
13 me with a reference, under Tab 6, directives,
14 Table 6.1, the costs of the -- at page 6-8,
15 sorry, there is a listing of the resource plan
16 costs, PPA costs, and Part 3 costs and the
17 respective board orders in which those costs
18 were approved.

19 Q So just to confirm, those costs that are
20 reflected here are the same as in the cost
21 awarded by the Board and those pages that you
22 are referring me to?

23 A MR. MOLLARD: Yes, that is correct.

24 Q Now, what about -- what is the -- I see
25 reference to YUB-2007-8 Part 3 hearing. What

1 is that in reference to?

2 A MR. MORRISON: That --

3 Q Sorry. Go ahead.

4 A MR. MORRISON: Sorry, Madam Chair, that
5 is the Carmacks-Stewart transmission line
6 project energy certificate Part 3 hearing under
7 the --

8 Q And does the Tab 6 at page 6 -- sorry, 6-8 also
9 refer to the hearing costs on that?

10 A MR. MOLLARD: Yes, it does.

11 Q And they are the same as the 185?

12 A MR. MOLLARD: That's correct.

13 Q Now, I notice in your April 24th update, and
14 still on costs, and it refers to the GRA
15 application at page B-3 under "Administration,"
16 the third bullet, and it says (quoted as read):

17 "Regulatory Affairs .094 million
18 expenses to participate in YECL
19 hearing without seeking cost recover."

20 A MR. MOLLARD: Yes, I have that.

21 Q Now, why did you not seek cost recovery. And
22 what I mean by that is put in a cost claim, if
23 your intention was to put it in your hearing
24 reserve account. I assume that that's where
25 it's going?

1 A MR. MOLLARD: No, it is not in our
2 hearing reserve account.

3 Q Okay.

4 So how are these costs
5 different from the costs we have just spoken
6 of?

7 A MR. MOLLARD: It wasn't our process, so
8 we discussed it internally and decided that we
9 would not put a claim in.

10 Q All right.

11 So how do you arrive,
12 then, at the .094 million costs, and what do
13 those reflect, and can we have a break down?
14 Can you undertake to have a break down?

15 A MR. MORRISON: Madam Chair, we can
16 certainly undertake to provide a breakdown.
17 That would be the easiest.

18 Q Can you give me any indication of how that sum
19 was arrived at?

20 A MR. MOLLARD: It was largely a cost
21 associated with drafting IRs and reviewing IRs
22 in participation of the hearing for legal
23 counsel and consultants.

24 Q And again how are those costs different than
25 the rate case?

1 A MR. MOLLARD: These costs are charged
2 to our operations and maintenance budgets.
3 They are not deferred in any fashion.

4 Q And though there is a mechanism, can you
5 clarify whether those costs are according to
6 the scale of costs?

7 A MR. MOLLARD: Those are actual costs,
8 so they are what we paid.

9 Q All right. And would you have recovered your
10 actual costs had you put in a cost claim?

11 A MR. MOLLARD: Not all of, I believe,
12 with respect to legal. The rate would have
13 been above the Board-approved scale of costs,
14 so that wouldn't have been approved in total.

15 Q Thank you.

16 Then I noticed as well,
17 in that same bullet, that it says (quoted as
18 read):

19 "Legal and other services related to
20 the Minto PPA."

21 And that's .078 million.
22 Sorry. Do you see that? It's on the same page
23 as that update. It's just under it.

24 A MR. MORRISON: Madam Chair, that's, just
25 so that we're clear, and I want to make sure

1 that I'm clear as well on the question, but I
2 think I am. The cost of .78 that we're talking
3 about here is not for the Minto PPA GRA. It's
4 not that proceeding. It's legal costs in
5 drafting and dealing with the issues around the
6 actual PPA document itself and dealing with
7 Minto mine in '08 -- in 2008.

8 So it's not part of a
9 regulatory -- that regulatory process.

10 **Q Okay. That's fine. I just wanted to clarify.**

11 **Are there any other costs**
12 **in your O&M that do not relate to regulatory**
13 **proceedings, however are legal costs or other**
14 **consulting costs other than what's listed in**
15 **that 5.7?**

16 **A MR. MORRISON:** Madam Chair, before my
17 colleague Mr. Mollard answers that question, I
18 just want to be clear, when we're talking about
19 regulatory costs, we are talking about rate
20 application costs?

21 **Q That's what I want to clarify is what do you**
22 **consider, because -- what do you consider**
23 **rate-case costs and what do you consider**
24 **regulatory costs?**

25 **A MR. MORRISON:** Okay. And to me that's

1 important, because what I'm trying to make sure
2 that we -- and I want to be careful. When
3 we're talking about this proceeding or these
4 types of proceeding or rate matters including
5 the resource plan in the Part 3 hearing, we --
6 I just want to make sure that we give you an
7 answer for that.

8 When you say "regulatory
9 costs," I may have -- we may have costs related
10 to getting a permit or something even just
11 something entirely small operationally, but it
12 may have a regulatory cost but not the same
13 regulatory cost. So I'm just trying to be
14 careful.

15 A MR. OSLER: And just we started with
16 an exhibit on interim costs, and some of those
17 costs have nothing to do with rate regulation
18 at all or appearances before this Board. I
19 don't know off the top of my head what portion,
20 but a material portion deals with the other
21 type of regulation, environmental, the filings
22 for the two permits that have been filed for so
23 far, one succeeded, the Carmacks-Stewart YESAB
24 filing, and now the Minto -- the Mayo B YESAB
25 filing, as well as a bunch of other stuff that

1 would not come to the Board but would be
2 related to those projects.

3 Some of the -- the
4 corporation does have regulatory staff. If you
5 start using the word broader than we are using
6 it at a moment, in the environmental and the
7 permitting field, and Mr. Morrison can address
8 that. But there may be some need to be very
9 clear about what we're talking about.

10 A MR. MORRISON: So I just want to make
11 sure I'm clear from Mr. Mollard when he is
12 answering that question on that number, just to
13 make sure that he's clear with you.

14 A MR. MOLLARD: Could you repeat the
15 question. Sorry.

16 Q I wanted to know what -- how the service --
17 legal and other services related to the
18 Minto PPA, how that .078 million was arrived
19 at.

20 A MR. MORRISON: So the .78 related to the
21 PPA.

22 A MR. OSLER: 078.

23 A MR. MORRISON: 078, sorry.

24 Is arrived at from legal
25 costs that are related to the development, the

1 actual writing of the power purchase agreement.

2 A MR. OSLER: This is 2008 --

3 A MR. MORRISON: I'm sorry. Yeah. So
4 this -- again, but it's to do with the
5 agreement itself and costs related to working
6 on that agreement and working with Minto on
7 issues surrounding that agreement, but not in a
8 regulatory proceeding is what I'm trying to get
9 at.

10 **Q Would it be very onerous for YEC to provide to**
11 **the Board a breakout of costs, not rate case,**
12 **but the regulatory costs that it has that you**
13 **put under O&M for permits and matters related**
14 **and other matters such as what we're talking**
15 **about here?**

16 A MR. MORRISON: For 2008-2009?

17 **Q Yes.**

18 A MR. MORRISON: Madam Chair, we're having
19 a debate over here. If it's -- if it's O&M,
20 I'm not -- we don't necessarily -- other than
21 rate cases and major regulatory proceedings,
22 like the YESAB process, we don't necessarily
23 classify them as regulatory costs separate
24 from, you know, general admin costs.

25 A MR. MOLLARD: I could perhaps give an

1 example. In my own department, within the
2 finance group, I will have a consulting budget
3 of, I'll say, 25,000. Now, I may spend 5,000
4 of that on InterGroup to assist me in my annual
5 regulatory files as part of my normal O&M. I
6 also may have occasion to hire an IT consultant
7 to help with my financial information system or
8 a local CA to help me if I need some help with
9 a complicated accounting matter.

10 As a matter of practice,
11 we don't differentiate at the budgeting stage
12 what that 25,000 is going to be spent on. It's
13 just budgeted as a bucket of dollars that the
14 manager can draw on, or consulting dollars. I
15 couldn't tell you what the split is, whether
16 it's regulatory or IT or other matters. So
17 that's sort of where we're struggling with the
18 '08-'09.

19 A MR. MORRISON: I think probably, from my
20 perspective, the more difficult pieces, we have
21 a whole series of regulatory items that we deal
22 with, and so let me use a couple of examples.
23 And I'm just trying to think as I think through
24 this of how difficult it might be to do what
25 you are asking me to do, because if we could do

1 it, I would like to do it.

2 We do a series of
3 regulatory matters that are related to our
4 existing water licences, as an example. And we
5 would consider those, in one sense, regulatory.
6 And we also consider them from an O&M point of
7 view as just admin costs. So -- or they may be
8 capital, depending on what they are.

9 But what happen I'm
10 getting at is, we have reports that we write.
11 We have a hydrologist, an engineer, who
12 actually spends part of his time probably doing
13 regulatory work, but I'm not sure that we could
14 pick all of that out of there very easily is
15 what I'm saying.

16 And so those are more the
17 kinds of examples and what Mr. Mollard was
18 talking about. We have an environmental
19 manager, and he does a whole series of
20 regulatory things, including getting permits
21 for things that we're doing on the
22 Carmacks-Stewart line, which his time would be
23 assigned to. But he also does diesel permits
24 and, you know, environmental permits for things
25 that we're doing or moving or small capital

1 projects. So picking it all out would -- may
2 be very difficult. We could certainly have a
3 very good look and see what we could give you,
4 but I'm not certain it would be very easy to
5 do.

6 THE CHAIR: Are you undertaking? I
7 think the question was, was it too onerous.

8 A MR. MORRISON: We will look at that, if
9 you don't mind.

10 Q MS. BENTIVEGNA: You can use your best
11 efforts and see what --

12 A MR. MORRISON: See what we can do.

13 Q Exactly.

14 Leaving those costs, now
15 going to YUB-1-3 (c) regarding the Alexco mine.

16 A MR. MORRISON: 1-3?

17 Q 1-3.

18 A MR. MORRISON: Thank you.

19 YUB-1-3?

20 Q Yes.

21 A MR. MORRISON: I'm sorry.

22 Q That's okay. I just didn't rattle off the
23 whole chain.

24 A MR. MORRISON: I was listening to
25 Mr. Maissan's explanation. I got the 1-3 as

1 13.

2 THE CHAIR: We should standardize
3 this in the future.

4 Q MS. BENTIVEGNA: Sorry, are you there?

5 A MR. MORRISON: Yes, we are.

6 Q All right.

7 With the potential of the
8 Alexco mine in 2010, are there any forecast
9 regulatory costs in 2009 for this customer
10 addition, including progression of the
11 Carmacks-Stewart transmission project,
12 Phase II.

13 A MR. OSLER: We are having one
14 problem. The question seems to deal with the
15 Carmacks Copper mine, and you are asking us
16 about Alexco mine. So I want to be clear,
17 before we start answering, which mine you are
18 after.

19 Q It's the Alexco mine, and -- but also I'm
20 referring to the progression of the Phase II of
21 the Carmacks-Stewart transmission project.

22 A MR. OSLER: Okay. So, sorry, could
23 you -- does it? Okay. Sorry.

24 Can you please repeat the
25 question.

1 Q Certainly.

2 With the potential of
3 Alexco mine in 2010, are there any forecast
4 regulatory costs in 2009 for this customer
5 addition, and then consider the progression of
6 Phase II for the Carmacks-Stewart transmission
7 project.

8 A MR. MORRISON: We're not -- we do
9 understand your question this time.

10 Q Oh, good.

11 A MR. MORRISON: We're having a debate
12 about whether or not they are in regulatory
13 costs or not, and so . . .

14 Q I was hoping I was leaving the subject, because
15 this question again refers to regulatory costs.

16 A MR. MORRISON: You are in a way.
17 Let me try to answer it
18 this way: What we're doing in 2009 is
19 negotiating a power purchase agreement with
20 Alexco, with the view to them coming onto the
21 system in 2010. We have some money in -- as I
22 understand it, in that table that you
23 previously related to, and it's \$300,000, but
24 it's offset by a customer contribution of
25 \$300,000.

1 to be offset by customer contributions. But
2 not Stage 2, in the case of the line.

3 Beyond that I don't think
4 anybody has broken those costs down in the GRA
5 purposes, as developed last year, into
6 subheadings or anything else, that I'm aware
7 of, particularly with respect to Alexco.

8 Alexco, there are some
9 issues that may involve some transformers or
10 other things that they would pay for as well,
11 so there is a series of different things that
12 have to be worked out that might be a part of
13 the cost picture.

14 In terms of affecting the
15 GRA, the bottom line was that Alexco certainly
16 didn't affect it net, and I think
17 Carmacks-Stewart Stage 2 is only in work in
18 progress through the test years.

19 **Q I guess just to follow up, does this potential**
20 **of the Alexco mine enhance or promote the**
21 **Phase II Carmacks-Stewart transmission project?**

22 **A MR. MORRISON:** It provides the prospect
23 for some near-term benefits if the line is
24 developed fast enough and the loads of Alexco
25 are what we are forecasting. But it is not

1 for either Minto or we would need for
2 Carmacks Copper.

3 Q All right. Thank you.

4 Now I would like to take
5 you to YUB-YEC-1-12. It's regarding the Minto
6 diesel business case.

7 A MR. OSLER: We are there.

8 Q Now, is YEC planning to continue refurbishing
9 all the Mirrlees units?

10 A MR. MORRISON: Well, I think -- and
11 Mr. Osler can jump in on this, he talked about
12 it a little bit, I believe yesterday if not
13 today. The part of the benefit of the Minto
14 diesels is we can -- we can look at and delay
15 timing on the Mirrlees units.

16 And the reason for
17 refurbishing the Mirrlees and looking at the
18 Minto diesel is to provide capacity, as we
19 talked about. So they are there to provide the
20 backup and the capacity on the system. So
21 depending on the timing, whether or not we need
22 to do Mirrlees in addition to Minto, whether we
23 need to do Mirrlees two years from now and
24 three years from now, is also going to depend
25 on the load. But we would do them if we needed

1 additional capacity, that's for certain.

2 A MR. OSLER: The basic plan is still
3 to do them. The timing of the last one is the
4 major question mark, as discussed in the
5 application.

6 Q Now, are the Minto diesels and the Mirrlees,
7 based on the planning criteria N minus 1, are
8 they needed? Are they both needed?

9 A MR. MORRISON: I'm going to -- I think
10 while I'm going to let Mr. Osler, or perhaps
11 Mr. Bowman, add something to this, but I just
12 want to make sure that we're careful that when
13 you say needed, it's when they're needed is
14 important. So I'm going to -- based on that,
15 I'm going to let my colleagues jump in.

16 A MR. OSLER: We'll do it. I'm not
17 going to have my mind around the actual
18 numbers, so Mr. Bowman can check on that.

19 But the short answer is,
20 they are needed in the time periods that are
21 being discussed in the application, to the best
22 of our understanding. In the case of the
23 sequence with the Minto and the first two
24 Mirrlees units, it looks like they would be
25 needed in a pretty predictable time period.

1 forecast, and as noted there, for the end of
2 2009 effectively said, if you did the Faro
3 Mirrlees, as is underway, and you did the first
4 of the Whitehorse Mirrlees, WD-3, as is also
5 underway or basically done, by the time you got
6 to the end of 2009, you would have a surplus of
7 three megawatts, based on the forecast at that
8 time, if you didn't have the Minto diesels.

9 That is a problem, first,
10 because the peak this last winter was about
11 2 megawatts higher than had been forecast;
12 second, because if you only have a surplus of
13 3 megawatts, you don't have an easy ability to
14 take out of service a 5 megawatt unit and do
15 the work that's needed on it. Because when you
16 take it out of service, you are driving
17 yourself into a deficit, or you bound yourself
18 into having to do it over the course of the
19 summer, when the capacity is not required, with
20 no ability to have it take longer or run into
21 any trouble.

22 So the Minto diesels have
23 provided that cushion, that flexibility, that
24 once the Faro Mirrlees is done and the
25 Whitehorse Mirrlees is done and we head into

1 2010, and the loads grow at the level that we
2 are expecting, the second of the Whitehorse
3 Mirrlees can be taken off-line and be
4 refurbished in 2010 and brought online, and
5 there wouldn't be big risk about making sure
6 that you absolutely have to have it done for
7 the start of winter.

8 As we noted, that once
9 that unit was brought back on, you would now
10 have a small bit of cushion on the system, and
11 the question is how quickly that cushion gets
12 used up. And it could get used up by increases
13 in peak load, which we continue to be surprised
14 by, the extent to which Whitehorse's peak load
15 is increasing, or it could be used up by
16 addition of other loads, or by a loss of a
17 unit, catastrophic failure, the type of things
18 that can happen and that this whole criteria is
19 designed to address.

20 And it gives you the
21 flexibility to then decide, do we want to incur
22 the costs on WD-1 at a half a million a
23 megawatt to get it back in service, or can we
24 defer those costs, having spent a half a
25 million a megawatt on the Minto diesels, and

1 save the exact same amount of money. You are
2 no further behind. So that's what the Minto
3 diesels do. They are needed, and they are no
4 more expensive, and they give flexibility in
5 respect of the criteria, the N minus 1
6 criteria.

7 **Q Now, if I can refer you to -- this question**
8 **deals with the 20-year resource plan. During**
9 **that proceeding you will remember, because I**
10 **don't have a copy of the transcript, but that**
11 **YEC committed before the Board that it was**
12 **going to come before the Board for projects**
13 **exceeding a \$3 million threshold. In light of**
14 **the Board's recommendations on that issue, has**
15 **YEC reconsidered this commitment? And if you**
16 **will remember, the recommendation was for**
17 **projects exceeding 1 million.**

18 **A MR. MORRISON:** I don't know why I get
19 the hard questions at the end of the day.

20 No, we haven't
21 reconsidered it. And I guess, you know, the
22 important part of that is trying to find a
23 level. And let me say this: I'm probably
24 already in trouble with the Board and the Chair
25 about following -- following direction, but I

1 try to -- we try to do as best we can. With no
2 disrespect to the \$1 million level, we spent a
3 lot of time on the \$3 million level, trying to
4 find a way to get in here with large projects
5 where there was no requirement.

6 We would, I say to you
7 this -- maybe say it this way: we would be in
8 here -- a consideration is major projects that
9 aren't more operational in nature than in terms
10 of capital, and that's where we are trying to
11 find this balance. So what's the difference
12 between just a general -- we call "maintenance
13 capital," which is our general capital budget
14 that has projects in it that might be, you
15 know, overhauling the Whitehorse 4 hydro unit
16 on a -- which happens on a regular basis after
17 so many hours of operation, that project could
18 be a million dollars. Now, do I have to come
19 to the Board to overhaul a unit because it's
20 got to -- you know, it's holed out? I
21 don't -- I don't think that's what the Board
22 means either. And so we're trying to find that
23 balance.

24 We're happy to make --
25 we're happy to try to find a number. If it's

1 not 3 million, is it 1? Is it 2? We're -- I
2 think we're -- our offer of coming before the
3 Board for 3 million was an offer to make sure
4 that we were getting in here with major capital
5 projects and getting them reviewed by the Board
6 prior to us building them. But it didn't
7 generally relate, our thinking, to operational
8 capital items. And that's where we tried to
9 find the balance.

10 Now, you know, we
11 certainly are happy to have a discussion with
12 the Board about that and see if we can find
13 some definition around what it is the Board is
14 thinking versus what we're trying to do. I
15 don't think we have built anything in addition
16 to what we have said that's over a million
17 since then. I can't -- I can't think of
18 anything where we've not come back to the Board
19 with a project that's a million or more since
20 that plan.

21 Have we rethought about
22 it? We have. We've struggled with it. As I
23 say, what is it that the Board is looking for
24 us to do. And certainly we would be happy
25 to -- and I think that was my commitment, was

1 major capital projects, we're happy to come
2 into the Board, because I think it's a -- I
3 think it's a wiser process, from our
4 perspective, because it gives us a review of
5 those projects and an erring of whether or not
6 the Board looks at them in a positive light
7 prior to us building them and then coming back
8 and arguing the need for the project and the
9 money.

10 So I think that's where
11 we're at. You know, we haven't -- as I say, we
12 haven't not followed the order, because we
13 haven't built anything over a million that we
14 haven't brought here, but we are having that
15 struggle between how we get from our number to
16 the Board's number and deal with those kinds of
17 operational issues.

18 And Mr. Osler, I think,
19 has a point he wants to make.

20 A MR. OSLER: In order for the company
21 to be able to exercise what it's trying to do,
22 it has to rely on the government to also
23 provide the order in council framework for
24 appearing before the Board, either through the
25 type of thing we had on the resource plan,

1 which was setting for a hearing, or through the
2 energy certificate route, which the government
3 used on the Carmacks-Stewart.

4 And there is a series of
5 parallel conversations and questions going on
6 about the Minister's letter to the Board in the
7 summer of '06, saying that the government is
8 committed on major energy projects. And I
9 don't know what -- I don't have the wording in
10 front of me, to require in the future energy to
11 be order in council declared as energy projects
12 that would require us to come before the Board.

13 So in the overall
14 context, the one comment I think we should make
15 is we would like to find an overall framework
16 in all of these things that would work and
17 achieve the objectives we are talking about,
18 however that's done. Because it requires the
19 government, not just us, and anything we can do
20 to facilitate that, so that there is a clear
21 set of rules and we can all plan with.

22 The intent is, I think,
23 clear, and the problem is how to execute it.
24 And whether it's 1 million or 3 million or
25 whether it's some other type of wording as to

1 what a major project is that gets around from
2 the dollar limits, we're all open to discuss
3 and find the vehicle that works.

4 Q Thank you.

5 Now, if I can take you to
6 YUB-YEC-1-15.

7 A MR. MORRISON: I think we're there,
8 Ms. Bentivegna.

9 Q Thank you.

10 Now, for YEC's 2005
11 required revenues and related matters
12 application, YEC applied for and received
13 approval to have its ROE based on the BCUC
14 benchmark for a low-risk utility. The Board in
15 Order 2009-2 directed YECL to use a similar
16 approach in its 2008-2009 GRA compliance
17 filing. YEC, for its 2008-2009 GRA, has
18 applied for the same approach in determining
19 its return on common equity.

20 Now, in response to
21 Part (b) of that question, YEC responded that
22 Board Order 2005-12 did not necessarily impose
23 a precedent in the Yukon for the determination
24 of return on equity. Given the direction in
25 Order 2009-2 in YEC's current request before

1 Now, is YEC requesting
2 the Board use 8.47 percent based on the BCUC
3 Letter L55-08 to determine YEC's ROE for
4 2009?

5 A MR. BOWMAN: The simple answer is yes.
6 It's addressed in Exhibit B-10, page A-1 to
7 A-2. The update that Yukon Energy filed reran
8 the numbers for Tab 7, recalculated the revenue
9 requirement, as was stated in the opening
10 statement, and it's based now on an ROE of
11 8.47, which was the 2009 number that we
12 calculated based on the BCUC letter for that
13 year. And I note it is November 20th, BCUC
14 Letter L55-08. I didn't catch if that was the
15 same number you used, but Letter L55-08.

16 I apologize. Hang on one
17 moment. I was referencing the wrong number.
18 8.47 is what the letter sets out for a low-risk
19 utility. Yukon Energy's process for '08, the
20 same it's proposing for '09, and the same it
21 used in '05 would be -- have to adjust that for
22 two items: One is that Yukon Energy, similar to
23 any of the utilities, has an adder for not
24 being the benchmark low-risk utility, and
25 separately has an item subtracted from its ROE

1 don't have a -- I get asked this question quite
2 often, you know, What's Yukon Energy's
3 independent -- do we have an IPP policy. And
4 the good news is we don't. The good news is
5 that we don't have anything that says we can't
6 do -- we can't entertain proposals from IPPs,
7 and there's no rules around that you have to do
8 this or you have to do that.

9 To me what that tells us
10 is we can certainly entertain submissions or
11 proposals from IPPs, and we would happily do
12 that. We would happily -- be more than happy
13 to sit down and chat with someone if they have
14 an independent power producer proposal of any
15 kind, and we've never had any in all the time I
16 have been here. And we have had people come in
17 and ask us, Is -- you know, do you have a
18 restriction? Because they seem to think that
19 there is a restriction. Do you have any
20 restrictions about independent power producers
21 hooking up to the grid? And we tell them
22 absolutely not. If you have got a proposal and
23 you would like to bring it to us, we would be
24 happy to.

25 And particular today. To

1 be -- you know, to be kind of very clear,
2 several years ago we did have a discussion with
3 a group that said they were going to do -- they
4 had a proposal to do a project, and I said to
5 them, You know, we would be very happy to talk
6 to you, but please consider this -- and this
7 was five or six years ago: we have a surplus in
8 hydro, and, you know, you need to consider at
9 what price we can duplicate hydro production.
10 So if you were looking at timing-wise, we would
11 be glad to talk to you, bring your project
12 forward, but right now we're probably not going
13 to buy it if you are telling me that you are
14 going to have something to connect to the grid
15 today.

16 That's a very different
17 story, and that was several years ago. Today
18 if we had somebody come along and say they had
19 an independent power producer policy, and that
20 wasn't, in my mind, just to be clear, turning
21 on a diesel somewhere, because we can do that,
22 we'd be very happy to entertain them, just
23 based on the load forecasts that we're looking
24 at and the need to get all of those Mayo B and
25 Atlin and Granite [*sic*] and everything else

1 onto the system. If somebody else has got a
2 good idea, you know, there is nothing to stop
3 them from coming to us, and there is nothing to
4 stop us from entertaining.

5 Even without a policy, I
6 say we have one: we would be able to talk to
7 people.

8 **Q Do I take from your answer that YEC hasn't at**
9 **this point undertaken any demand-side**
10 **management initiatives?**

11 A MR. MORRISON: You would be correct,
12 yes. Yes.

13 **Q Thank you.**

14 **Now, if I could take you**
15 **to YUB-YEC-1-40.**

16 A MR. MORRISON: We are there.

17 **Q Now, it states in that IR that (quoted):**

18 "At the September 2007 Board of
19 Directors meeting, this estimate had
20 increased to \$8.8 million. This
21 amount was based on tendered cost for
22 most major components (excluding
23 substations). The construction
24 decision was based on this figure, not
25 \$3.83 million. Updated economics

1 assessments confirmed that even with
2 the final cost number, the project
3 still yields Minto material cost
4 savings over its life."

5 **Now, are all the costs**
6 **for the Minto spur paid by Minto?**

7 A MR. MORRISON: That's correct.

8 Q Thank you.

9 **Now if I can refer you,**
10 **this one is CW to YEC-1-23 (a).**

11 A MR. MORRISON: Could you repeat the
12 number again, please.

13 Q Sure.

14 **1-23 (a).**

15 A MR. MORRISON: We are there.

16 Q **Now, in that response you refer to (quoted):**

17 "Professional development is a
18 contractual obligation related to
19 employment. The budget was used in
20 2005, but no activities occurred in
21 2006 and only limited professional
22 development was taken in 2007. The
23 2008 and 2009 budgets include the
24 expense as a required component of
25 Yukon Energy's costs."

1 costs a project might be if the underlying or
2 underpinning for those costs isn't established?

3 A MR. MORRISON: Well, let me talk about
4 that for a little bit. We were -- when we came
5 before the Board with the resource plan
6 application and this energy certificate
7 application, we were -- we were -- we did not
8 allude to the veracity of these numbers being
9 any more than what we just talked about. We
10 were very clear that we didn't have anything
11 more than very preliminary numbers here.

12 And I seem to recall a
13 debate that we were having about whether or not
14 we were prepared to provide certain amounts of
15 tendering information or budgeting information,
16 which we weren't, because we didn't want to get
17 numbers being driven up.

18 We engaged some of our
19 internal engineering staff along with external
20 engineers to give us preliminary estimates on
21 these costs, and that's what we brought forward
22 were these preliminary estimates. We didn't
23 make them up. You know, we had some
24 engineering expertise that went out and looked
25 at, you know, pricing, current, you know, jobs

1 of similar size, you know, length, wires, and
2 substations.

3 But by the time we got to
4 building these things, we were in the middle of
5 a very heated economy that had prices going out
6 of sight. We always committed to the Board,
7 and to everyone else, including our own Board,
8 and our own Board held us to those terms, is
9 that we would not go forward on this project
10 without tendered information. So as concrete a
11 number as we could get.

12 So not just preliminary
13 engineering and somebody doing an estimate, not
14 final engineering and somebody doing an
15 estimate, actual tendered costs. So we
16 tendered the line construction, and we brought
17 that back. And so we had -- we had what we
18 thought were very -- you know, 80 percent
19 certainty that our numbers were pretty good.

20 We still didn't get
21 the -- I guess, the grace of an economy that,
22 you know, kind of went along for a period of
23 time and we were able to keep those numbers.
24 There was a lot of inflation, a lot of prices
25 being driven up.

1 those kinds of time lines. We built this
2 project, brought it forward. We're happy to
3 be -- to be scrutinized on our costs, but we
4 are very clear about what the costs were and
5 when we got them and what certainty we have
6 around those numbers.

7 **Q Now, with respect again still talking about the**
8 **Carmacks-Stewart transmission project.**

9 A MR. MORRISON: Yes.

10 **Q We understand from the filing that the**
11 **connection to Pelly Bay Crossing from**
12 **Carmacks --**

13 A MR. MORRISON: Yes.

14 **Q -- was to be 138 kV transmission line and**
15 **138 substation, kV substation, be constructed**
16 **at Pelly Crossing.**

17 A MR. MORRISON: Right.

18 **Q Just to clarify, did I understand correctly**
19 **yesterday that you indicated that**
20 **Pelly Crossing is currently connected by a line**
21 **built to 138 kV transmission specification but**
22 **it's energized only at 25 kV voltage?**

23 A MR. MORRISON: That's correct. The
24 line -- the line to Pelly Crossing is the
25 138-kV line, and it's just energized at a lower

1 level because to step it down at Pelly, it's a
2 lot easier to be energized at 25 than it is at
3 138.

4 **Q And does the decision to energize it at**
5 **25 kilovolt imply higher line losses for that**
6 **segment?**

7 A MR. MORRISON: I'd have to get back to
8 you on that.

9 **Q Certainly.**

10 A MR. MORRISON: The decision to energize
11 it at 25 is a decision -- is a practical
12 decision of we can't -- if we're -- you could
13 look at the project. You could look at the
14 hookup at Pelly different ways.

15 We think of the project
16 as continuing on to -- from Pelly to
17 Stewart Crossing. So there's no point at this
18 time of doing something different than
19 continuing the 138 kV line from Minto Landing
20 to Pelly. If we -- if we wanted to energize it
21 all the way to Pelly at 138, we would have had
22 to put in a more expensive either substation or
23 a more expensive transformer to step it down to
24 the small voltage that the community needs.

25 So it's -- I would say

1 were incurred that would be capitalized were
2 costs relating to getting the YESAB permitting
3 and appearances before the Board relating to
4 the PPA, which is a PPA-related cost, and then
5 I guess the certificate exercise started in
6 late March, early April of '07.

7 So how much of the costs
8 of the main line are planning costs? I'm told
9 at construction approval they were 2.3 million,
10 2.4 million, and the final costs that were
11 planning costs were 2.5 million. And we --
12 those are all available in LE-46 for the main
13 line and LE-47 for the Minto spur.

14 So the breakdowns -- and
15 we actually put together a table for our own
16 sanity, and we would be happy to share it with
17 everybody, that sort of has the spur line, the
18 main line, and totals broken down with the
19 different information that the -- information
20 brought to the Board in the hearing that we
21 just referred to, the decision of the board of
22 directors, and the final costs, and also the
23 contributions.

24 But if you wanted to get
25 down to sort of how much is planning costs, you

1 have to go to the LE-46 and LE-47. It will
2 tell you how much was at each stage. So what
3 portion of those planning costs is really what
4 your question is getting at, and we need
5 clarity that -- they are all in the final --
6 there wasn't much spent before we were into the
7 home stretch in 2007 is what I'm sort of
8 suggesting.

9 It's a bit different when
10 we're doing Mayo B, but it was much more
11 engineering reporting early on.

12 **Q You just offered to file the table?**

13 A MR. OSLER: I would be happy to right
14 now if you want.

15 **Q Certainly. If you have it, we'll take it.**

16 A MR. OSLER: It helps us keep it
17 clear, so . . .

18 THE CHAIR: We have B-20. B-20 is so
19 marked.

20 Exhibit Number B-20:

21 Stage I Carmacks-Stewart/Minto Spur
22 Transmission Projects Initial Cost
23 Estimates, Construction Budgets, and
24 Final Costs (\$million).

25 **Q MS. BENTIVEGNA: Now, because of the scope**

1 changes in the Carmacks-Stewart Transmission
2 Stage 1, is it fair to compare actual costs to
3 forecast costs in the energy certificate
4 application for this project?

5 A MR. OSLER: I take it you're
6 referring to all of the scope changes we're
7 talking about. And then there would be the
8 ones that we have highlighted and that have
9 increased the costs, the requirements for a
10 different route in one portion of the line and
11 things like that.

12 Q And changes to the substation and --

13 A MR. OSLER: And the other type of
14 changes were changes to the substation,
15 particularly the one at Pelly, because that was
16 part of the main line. And in that sense if
17 you were doing a full, you know,
18 apples-to-apples comparison, you have to take
19 account of those changes.

20 The estimate in the
21 original budget for substations for the main
22 line was 1.9 million I gather from LE-46. The
23 preliminary engineering which would have
24 reflected the changes in scope reduced that to
25 1.65 million by the time the board of directors

1 made a decision in the fall of '07.

2 I can't tell you from
3 this information how much the preliminary
4 engineering would have estimated the change due
5 to the change in the substations. I can only
6 tell you that type of information from what's
7 here. It probably -- the difference between
8 the two probably understates the degree to
9 which the substation change at Pelly reduced
10 the cost.

11 Neither one of those two
12 estimates, the original estimate or the
13 construction approval estimate, includes
14 provision for the changes that came from the
15 YESAB process. I could tell you that much,
16 which is the other type of scope.

17 I don't think the
18 Carmacks substation changes were all that
19 material, but I can't tell you anything about
20 that from this -- you know, Carmacks versus
21 Pelly. I would -- I would assume from my
22 information that the big changes in substation
23 scoping related to the Pelly Crossing
24 substation.

25 **Q Thank you.**

1 people are satisfied with, and over the next
2 12 months, we see it going in a direction that
3 will not keep the account at a low balance, so
4 we'll implement a rider to aim to bring us back
5 to zero within 12 months.

6 So, in fact, the trigger
7 is effectively the balance in the account, if
8 you'd like. Now, of course one level deeper,
9 the balance in the account arises because of
10 transactions that the utilities make with their
11 respective fuel price accounts. In the case of
12 Yukon Electrical, that's solely related to fuel
13 price. In the case of Yukon Energy, it's
14 related to both fuel price that -- for fuel
15 that's consumed and variations in the secondary
16 sales rate as was approved by this Board in
17 '05, so it's actually those two factors.

18 A MR. OSLER: Can I just make one
19 addition in the history sense. There is an odd
20 thing in Yukon -- the order in council's --
21 going way back in the order in council in
22 95-90. Clause 8 requires that a fuel price
23 adjustment be put there, so that's why we don't
24 come to the Board for approval of each one of
25 these.

1 Q -- this business practice?

2 Thank you.

3 Now, with respect to

4 Rider J, in your next rate application, would
5 you be applying to eliminate Rider J?

6 A MR. OSLER: Madam Chairman, we assume
7 that the process that -- of discussion with
8 YECL will include looking at rate matters that
9 would allow the riders to be removed and
10 normal, proper rates put in place.

11 If that -- if that
12 discussion and that consultation process leads
13 to a proposal to the Board and the Board
14 accepts it, what you are talking about might
15 happen before the next rate applications. You
16 know, it would be a process following from
17 what -- this discussion process.

18 But I can't -- the
19 utility cannot -- YEC cannot predict beyond
20 that. I mean it's -- it needs some overall
21 discussion and framework in order to remove it,
22 and it would require rate matters to be
23 approached in order to remove it, and it
24 probably should be considered as a joint
25 discussion with the two utilities and not just

1 a matter for YEC to change on its own, in an
2 ideal world anyway. So that's about as
3 responsive as we can be, I think, at the
4 moment.

5 **Q All right. Thank you.**

6 **Now, this morning you**
7 **provided the annual reports of the key**
8 **performance measures, and I wondered if YEC has**
9 **an internal key performance measures other than**
10 **those that are set out in the annual report?**

11 **A MR. MORRISON:** We have a recently --
12 we've had a couple of different attempts at
13 this over the last few years. We are in the
14 process of developing a KPI report that we are
15 working through with our board. It's in the
16 pretty early stages, I would say even draft.
17 We gave the first one to our board as a draft
18 at the last board meeting, which was a month
19 ago.

20 **I'm waiting for the next**
21 **question which is can I give it to.**

22 **Q Well, since you asked the question, can you**
23 **answer it now.**

24 **A MR. MORRISON:** Since I asked the
25 question. When's the other shoe going to drop.

1 We can -- I don't have a
2 copy of it with me. My only caution is it's
3 still kind of under development, but I guess we
4 can look at trying to do that on a -- do you
5 just want a copy of the one we have or is it
6 something you want with -- on a regular basis?
7 I guess that's my question.

8 **Q Well, at this point --**

9 A MR. MORRISON: We'll give you the one we
10 have.

11 **Q Yes.**

12 THE CHAIR: You are going to give us
13 everything. This is the time to ask. We just
14 have our Board questions now.

15 A MR. MORRISON: So we'll get you a copy.

16 **Q MS. BENTIVEGNA: Thank you.**

17 Now, in your opening
18 statement at page 7, you refer to the -- that
19 YEC will meet with YECL regarding a Phase II
20 application, and I wondered when YEC expects
21 that a joint Phase II application might be
22 filed?

23 A MR. MORRISON: Yikes. Well, I guess,
24 you know, to be fair, we're going to have to
25 sit down with YECL to see, you know, what

1 have to meet and discuss that and, you know,
2 maybe inform the Board of what they think --
3 what the game plan is, what they propose as a
4 work plan. And I think that was implied in the
5 letter if not in the opening statement and then
6 inform the board and other parties how they
7 propose to proceed. And if there's any other
8 directions anybody wants to give them, then
9 they have time to give it to them.

10 **Q All right. So from your experience you can't**
11 **give us -- thinking that the last time there**
12 **was a cost-of-service study was 1992, but you**
13 **don't have any indication, any parameters at**
14 **all as to what you are working for or aiming**
15 **for?**

16 **A MR. OSLER:** The last time we had a
17 big cost-of-service hearing was '92, but the
18 last time we did one together was the '96-'97
19 GRA, and we did them fairly expeditiously in
20 those days. And we had been working together,
21 you know, for nine or ten years, and we also
22 had resolved the big policy issues in front of
23 the Board in '92. So we were very focused in
24 those days on the issue of the focal point was
25 getting the cost of services required for the

1 major customer Faro mine so that when the
2 contract ended in that mine there would be a
3 basis for the Board to enforce or to approve a
4 rate that at least met the cost-of-service
5 requirement of the order in council.

6 I think the issues that
7 both companies would face right now is that I
8 guess I'm probably the only person around who
9 was there at that time, so -- and I didn't do
10 the computing work. So we have to sit down and
11 go through all the issues, and it may take more
12 time than would be normally the case. And I'm
13 assuming that's why three months was the type
14 of parameter that was put forward.

15 So the best we have is
16 what you have in front of you at the moment,
17 and we have to have some meetings and
18 discussions that would allow us to give you
19 something better.

20 **Q Can you provide any indication -- again, in the**
21 **opening statement it talks about that the**
22 **discussions will have to include rate design**
23 **changes and based on current relevant order in**
24 **council directives and as well as planning for**
25 **future rate designs once the order in council**

1 expires in 2012.

2 Can you give us any
3 indication of the type of rate design issues
4 and options that YEC intends to bring to the
5 table.

6 A MR. OSLER: At a high level, yes.

7 Q Yes.

8 A MR. OSLER: The one that we have been
9 emphasizing in this application is the runout
10 rate issues which this application does not
11 purport to resolve for the general service
12 class or resolve in terms of a long-term
13 approach beyond in dealing with what's been --
14 the requirements in the past.

15 In dealing with the
16 general service class, the fundamental issue is
17 that most of the sales are in the second block.
18 The Board has the -- in our application we have
19 that type of information in tables, which have
20 been provided in Tab 4. 4.9, Table 4.9,
21 provides the volumes by class, and you can see
22 in there what percentage of the general service
23 class is in the second block. And I believe
24 it's, you know, upwards of over 70 percent.

25 When you have that high a

1 percentage of sales in the second block, the
2 ability to increase the runout rate and still
3 not have the whole class have problems, you
4 have to reduce something else if you are going
5 to increase the runout rate.

6 If we were to increase
7 the runout rate by the same number, 5.61 cents
8 that we proposed for the residential class,
9 there would be no first block rate. We'd have
10 to reduce the demand rate or do something else.
11 It's that big of a swing.

12 So we think that we will
13 have to sit down and discuss more rate blocks
14 for the general service class to make this
15 work. That's not an easy issue to discuss
16 quickly, but it's not surprising. We have seen
17 it in other jurisdictions. So that's a big
18 issue that we flagged in this application, and
19 we would intend to be discussing it. It's not
20 really cost of service related. It's very much
21 rate design related.

22 The Rider J issues that
23 UCG has asked us questions about, you know, how
24 do we get rid of those riders and deal with
25 them in the basic rates given the constraints

1 of the Order in Council 2008-149 where we have
2 to keep each customer class with no difference
3 in its overall revenues that are collected from
4 it, that problem the utilities faced together
5 in the early '90s when the same constraint was
6 there.

7 It didn't stop us from
8 second block rate changes and it didn't stop us
9 from other developments at the time. But the
10 issues today given the lag of ten years are
11 much -- appear to be much bigger, and the gap
12 between where the rates were at and the diesel
13 costs are much bigger, so that's a big
14 challenge.

15 Those are probably the
16 two biggies from Yukon Energy's point of view,
17 as well as trying to find ways to do all of
18 this without having to have three separate
19 hearings in the future. I think we flagged
20 that issue too because of the concern about
21 regulatory costs and other things. So we were
22 trying to see if we can get back to where we
23 used to be where these things got handled from
24 an overall public interest point of view more
25 efficiently.

1 Q Great. Thank you.

2 A MR. OSLER: I can add one more thing
3 for the transcript that we also will deal with
4 wholesale rates, which Mr. Keough questioned us
5 about. Just it slipped my mind as a topic, but
6 I'm sure it will get discussed.

7 Q Now, there was a discussion that occurred with
8 Mr. Maissan on the need for the Mayo B, the
9 Atlin-Gladstone and other hydro projects. Can
10 YEC undertake to provide a table indicating
11 YEC's estimate of when the hydro project is
12 required, project timelines, including
13 regulatory process, estimates of cost of the
14 project, the energy output of the project, and
15 the expected external load driving the project.
16 And that would be for each project that we
17 would ask that each of those be indicated.

18 A MR. MORRISON: My answer generally is
19 going to be no.

20 Q All right. Can you explain.

21 A MR. MORRISON: Well, it's the first time
22 I've said no.

23 THE CHAIR: Are you saying it's not
24 relevant?

25 A MR. MORRISON: No. I just -- all of

1 have in answering you is that they are project
2 specific. The discussions that had taken place
3 so far aside from Mayo B or Carmacks-Stewart
4 have been as a package of projects to deal with
5 a specific set of requirements.

6 So we tried in the
7 answers to questions to give you most of that
8 information and we could consolidate it like we
9 did with B-20 and maybe add a few bits more
10 information that is readily available at the
11 moment. I think Mr. Morrison commented on the
12 requirements side. I think we can give you a
13 clean simple description of the load
14 requirements as we see them emerging in some of
15 the risks over the period we are talking about
16 to 2015. We could probably -- we have put on
17 the record the timelines with Carmacks-Stewart
18 and Mayo B so we can just reiterate what we
19 have said to you. The other projects are the
20 ones where we don't have project-specific time
21 lines or things. We have endeavours to try and
22 get them done as soon as possible.

23 We could probably -- I
24 don't think there is anywhere in this
25 transcript that says what the generic levelized

1 costs are that we have assumed for Gladstone or
2 Atlin or things like that. We could probably
3 tell you that which would help explain. They
4 are in the resource plan initially, but I don't
5 know if we updated them or just relying on the
6 resource plan. We can pull that together so
7 everybody doesn't have to go all over the place
8 looking for it.

9 **Q That would be useful.**

10 **As well can you indicate**
11 **what the external load driving each project so**
12 **that what would be the -- what would indicate**
13 **to you so that you can plan the timing? What**
14 **point is the load going to the need, the**
15 **external load then and relate it to the**
16 **particular project? So what will trigger all**
17 **the different -- for example, the -- a mine**
18 **load.**

19 **A MR. MORRISON: Yeah.**

20 **Q Would that then trigger one of these, so that**
21 **type of information?**

22 **A MR. OSLER: I will give you this much**
23 **on the transcript right now, because it's**
24 **fairly simple. Mayo B project,**
25 **Carmacks-Stewart project if the funding is**

1 available are needed in the time period of what
2 we're trying to deal with, 2011, fall of 2011,
3 early 2012 without Carmacks Copper being
4 committed, they will both be of value -- they
5 will be of value to a system looking at the
6 values emerging to 2012 with the Faro
7 reclamation and things like that. With
8 Carmacks Copper if it comes on the system in
9 that type of time period or the next year it
10 adds 40 gigawatt hours. So you can figure out
11 from there why they say we need Gladstone, we
12 need these other projects available.

13 It's a very major leap if
14 you add Carmacks Copper to the picture. And
15 that is something we are told we have to plan
16 for. Beyond that, the load is growing at
17 about, you know, 6, 7 gigawatt hours a year on
18 the main system. So it ended up with us saying
19 without any development at all before 2015,
20 without any new resources being put in place at
21 all on the Aishihik third turbine, we seem to
22 need 50 to 100 gigawatt hours of load. So it's
23 not so much the triggering of one project of
24 the other project. You might say they are very
25 valuable core projects, and where do we get the

1 rest, because people are worried that if we
2 develop problems in the project we still end up
3 with a fair amount of diesel. And that's why
4 they are looking at geothermal, and that's why
5 they are looking at other longer term projects
6 to be able by -- as soon as possible be ready
7 for those types of things.

8 But we're just looking at
9 Alexco and Carmacks Copper as big triggers, and
10 Alexco is already on the way to commitment.
11 Carmacks Copper is such a big lump that it --
12 if it comes along, I don't think we can meet it
13 in renewable resources at least in the initial
14 years. We will be running diesels. Is that --

15 A MR. MORRISON: Yeah, I think that's
16 fair.

17 This is the real trick in
18 terms of our planning as I was talking about
19 earlier is, you know, how do we get the right
20 amount of surplus on the system or coming onto
21 the system at the same time loads are coming
22 on. And this system is so small, that's really
23 difficult to do. It's really difficult to say,
24 Okay, we have this. I can tell you today that
25 I have exactly this much power coming onto the

1 system from new hydro, and here's my load
2 exactly the same. It's virtually impossible.

3 So a year ago I would
4 have said Western Copper's coming onto the
5 system. We better get 40 more gigawatt hours
6 of hydro on. You know, things change. You
7 know, it's -- maybe it's a year later now.
8 Maybe it's a year and a half later.

9 But trying to balance how
10 we get, you know, new resources and new
11 customers at the same time has been a real
12 challenge over the last couple of year. And
13 we'll do our best to map all this out for you,
14 but it's not as easy as all -- it's not as easy
15 as saying, Okay, we're going to do this and
16 here's the timeline and here's how much it cost
17 and here's the customer. This is not Alberta
18 or BC or Quebec where they -- the years of
19 planning time ahead of things and the system
20 can absorb all of those costs to putting a new
21 project on and the customer is growing into it.
22 We don't have that luxury.

23 **Q All right. Thank you.**

24 MS. BENTIVEGNA: Thank you, panel. Those
25 are my questions, Madam Chair.

1 THE CHAIR: Thank you,
2 Ms. Bentivegna.

3 I will ask at this time
4 if there are any further questions from the
5 Board. There appear to be none.

6 Mr. Landry, any redirect?

7 MR. LANDRY: I do have a couple of
8 questions in redirect, Madam Chair.

9 YEC PANEL FURTHER EXAMINED IN CHIEF BY MR. LANDRY:

10 **Q I will go with the most recent one first, and**
11 **it arises out of a question from Board counsel.**
12 **And I guess I would put it to you, Mr. Mollard.**
13 **There was a reference to a certain amount of**
14 **expense I believe in 2008 relating to the YECL**
15 **intervention. Do you recall that?**

16 **A MR. MOLLARD: Yes, I do.**

17 **Q I think it was approximately, if I have the**
18 **number right, 94,000.**

19 **A MR. MOLLARD: That's correct.**

20 **Q Now, that 94,000, is that in the 2008 or 2009**
21 **forecast revenue requirement?**

22 **A MR. MOLLARD: It is not.**

23 **MR. LANDRY: The second item,**
24 **Madam Chair, relates to a question yesterday**
25 **arising out of Exhibit C1-9 which was the aid**

1 to argument or aid to cross-examination
2 Mr. Keough introduced and it is in reference
3 to -- I don't have the specific transcript
4 reference. I thought I was going to be able to
5 get to the break and I could get that, but I
6 think we could centre in on that.

7 **Q MR. LANDRY:** It's to you, Mr. Osler.
8 There was a discussion with Mr. Keough about
9 the scenarios relating to Rate Schedule 42, and
10 you had indicated a reference to an OIC that
11 dealt with the issue of the requirement that
12 the rates charged to YECL collect effectively
13 all of the costs. I wonder if you can just for
14 the record inform the Board what OIC that is
15 and what reference you were making in that OIC.

16 **A MR. OSLER:** Madam Chairman, I was
17 referencing OIC 95-90, but the same thing was
18 in some earlier OICs, but that's the current
19 one. I am referencing Section 7 of that OIC
20 which deals with the setting of wholesale rates
21 and in effect says those rates must be -- Order
22 in Council 95-90, Section 7, which is dealing
23 with the Board fixing rates of Yukon Energy
24 Corporation for the wholesale power customer in
25 accordance with the following rate policies,

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Exhibit Number B-20: 584

Stage I Carmacks-Stewart/Minto Spur
Transmission Projects Initial Cost
Estimates, Construction Budgets, and
Final Costs (\$million).

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Paper copy of OIC response.

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<u>Exhibit Number B-2:</u>	16	1
YEC 2008-09 General Rate Application.		
<u>Exhibit Number B-3:</u>	16	1
YEC Workshop presentation, January 6, 2009.		
<u>Exhibit Number B-4:</u>	16	1
Landry e-mail re hearing dates, January 8, 2009.		
<u>Exhibit Number B-5:</u>	17	1
YEC letter re hearing dates, January 13, 2009.		
<u>Exhibit Number B-6:</u>	17	1
YEC letter re Board Order 2009-1 and Phase II, January 22, 2009.		
<u>Exhibit Number B-7:</u>	17	1
YEC request for IR Response deadline extension, February 20, 2009.		
<u>Exhibit Number B-8:</u>	17	1
YEC reply re request for extension to file IR Responses, February 24, 2009.		
<u>Exhibit Number B-9:</u>	17	1
YEC comments on further IR responses, April 1, 2009.		
<u>Exhibit Number B-10:</u>	17	1
YEC cover letter re Updates to filing and IR responses, April 24, 2009.		
<u>Exhibit Number B-11:</u>	18	1
YEC Complete IR Responses, April 24, 2009.		

<u>Exhibit Number B-12:</u>	24	1
YEC opening statement.		
<u>Exhibit Number B-13:</u>	146	1
May 1, 2009 letter from Yukon Energy to Yukon Electrical.		
<u>Exhibit Number B-14:</u>	420	2
Key performance indicator report.		
<u>Exhibit Number B-15:</u>	516	2
Answer to undertaking given to Mr. Marriott re security agreement.		
<u>Exhibit Number B-16:</u>	521	2
Response to undertaking containing documents dated June 6, 1999, and October 7, 1999.		
<u>Exhibit Number B-17:</u>	521	2
Board Order 1999-3.		
<u>Exhibit Number B-18:</u>	521	2
June 6, 1999, correspondence report.		
<u>Exhibit Number B-19:</u>	521	2
October 7, 1999, additional comments.		
<u>Exhibit Number B-20:</u>	584	2
Stage I Carmacks-Stewart/Minto Spur Transmission Projects Initial Cost Estimates, Construction Budgets, and Final Costs (\$million).		
<u>Exhibit Number C1-1:</u>	18	1
Yukon Electrical Company Ltd. request for Intervenor status, December 1, 2008.		
<u>Exhibit Number C1-2:</u>	18	1
YECL letter re hearing dates, January 9, 2009.		
<u>Exhibit Number C1-3:</u>	18	1
YECL letter re legal counsel, January 9, 2009.		
<u>Exhibit Number C1-4:</u>	18	1
YECL letter re Phase II matters, January 20, 2009.		
<u>Exhibit Number C1-5:</u>	18	1
YECL IRs to YEC, January 30, 2009.		
<u>Exhibit Number C1-6:</u>	19	1
YECL reply re YEC request for extension to file IR Responses, February 24, 2009.		
<u>Exhibit Number C1-7:</u>	19	1
YECL request for further information from YEC, March 19, 2009.		

<u>Exhibit Number C1-8:</u>	19	1
YECL comments re further information from YEC, April 6, 2009.		
<u>Exhibit Number C2-1:</u>	19	1
City of Whitehorse request for Intervenor status, November 25, 2008.		
<u>Exhibit Number C2-2:</u>	19	1
City of Whitehorse letter re runoff rates and hearing schedule, January 14, 2009.		
<u>Exhibit Number C2-3:</u>	19	1
City of Whitehorse IRs to YEC, January 30, 2009.		
<u>Exhibit Number C2-4:</u>	20	1
City of Whitehorse retainer letter, February 9, 2009.		
<u>Exhibit Number C2-5:</u>	20	1
City of Whitehorse reply re YEC request for extension to file IR Responses, February 24, 2009.		
<u>Exhibit Number C2-6:</u>	20	1
City of Whitehorse letter re YECL and UCG request for further information, March 27, 2009.		
<u>Exhibit Number C2-7:</u>	239	1
YECL Revised Schedule 3.1 from Yukon Electrical's compliance filing.		
<u>Exhibit Number C3-1:</u>	20	1
Utilities Consumers' Group request for Intervenor status, November 4, 2008.		
<u>Exhibit Number C3-2:</u>	20	1
Public Interest Advocacy Centre (IPAC) letter re Utilities Consumers' Group retainer letter, December 22, 2008.		
<u>Exhibit Number C3-3:</u>	20	1
UCG letter re hearing dates, January 12, 2009.		
<u>Exhibit Number C3-4:</u>	21	1
UCG letter re YEC correspondence re Board Order 2009-1, Phase II, January 26, 2009.		
<u>Exhibit Number C3-5:</u>	21	1
UCG IRs to YEC, January 28, 2009.		

<u>Exhibit Number C3-6:</u>	21	1
UCG letter reply re YEC request for extension to file IR Responses, February 23, 2009.		
<u>Exhibit Number C3-7:</u>	21	1
UCG request for further information, March 24, 2009.		
<u>Exhibit Number C3-8:</u>	21	1
UCG request for further information updates, March 24, 2009.		
<u>Exhibit Number C4-1:</u>	21	1
Maissan (Leading Edge) application for Intervenor status, October 18, 2008.		
<u>Exhibit Number C4-2:</u>	22	1
Leading Edge letter re Board Order 2009-1 and Phase II, January 23, 2009.		
<u>Exhibit Number C4-3:</u>	22	1
Leading Edge IRs to YEC, January 27, 2009.		
<u>Exhibit Number C4-4:</u>	22	1
Leading Edge reply re YEC request for extension to file IR Responses, February 23, 2009.		
<u>Exhibit Number C4-5:</u>	421	2
Paper copy of OIC response.		
<u>Exhibit Number C5-1:</u>	22	1
Percival request for Intervenor status, December 1, 2008.		
<u>Exhibit Number C5-2:</u>	22	1
Percival e-mail re representing Hamlet of Mount Lorne, January 8, 2009.		
<u>Exhibit Number C5-3:</u>	22	1
Percival e-mail re YEC correspondence re Board Order 2009-1, Phase II, January 26, 2009.		
<u>Exhibit Number C5-4:</u>	23	1
Percival IRs to YEC, January 31, 2009.		
<u>Exhibit Number C5-5:</u>	23	1
Percival reply re YEC request for extension to file IR Responses, February 23, 2009.		
<u>Exhibit Number C6-1:</u>	23	1
Cathers request for Intervenor status, December 4, 2008.		

<u>Exhibit Number C7-1:</u>	23	1
Giesbrecht request for Intervenor status, December 4, 2008.		
<u>Exhibit Number C1-9:</u>	52	1
Bundle of aids to cross.		
<u>Exhibit Number D1-1:</u>	23	1
Department of EMR request for Observer status, November 28, 2008.		
<u>Exhibit Number D2-1:</u>	23	1
Paul Kishchuk (Vector Research) request for Observer status, December 5, 2008.		
<u>Exhibit Number D3-1:</u>	24	1
Carcross/Tagish First Nation request for Observer status, December 5, 2008.		

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ERRATA

Page 248, Line 10: "attempts" should be "tends"

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