



**THE YUKON ELECTRICAL COMPANY LIMITED**

An **ATCO** Company

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December 15, 2010

Yukon Utilities Board  
Box 31728  
Whitehorse, YT Y1A 6L3

Attention: Mr. Bruce McLennan  
Chair

Dear Sir:

RE: Yukon Energy Corporation (YEC) request for approval of the Power Purchase Agreement (PPA) between YEC and Alexco Resource Corp. (Alexco)

**YECL Reply Argument**

Please find attached pursuant to Board Order 2010-10, Reply Argument from Yukon Electrical Company Limited (YECL) pertaining to YEC's request for approval of the PPA between YEC and Alexco.

If you have any questions, please contact me at 780-420-7613

Sincerely,

THE YUKON ELECTRICAL COMPANY LIMITED

Nick Palladino, P.Eng.  
Manager, Pricing

NP/by  
Attachment

**Yukon Electrical Limited (YECL)**  
**Reply Argument**  
**YEC Application for Approvals regarding**  
**the Alexco Power Purchase Agreement**

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1. In accordance with the Yukon Utilities Board (YUB) Board Order 2010-10 Procedural Schedule, arguments were submitted by Yukon Energy Corporation (YEC), Utilities Consumers' Group (UCG), and Leading Edge Projects Inc. (LE) on December 8, 2010. While YECL did submit a number of Information Requests to YEC on November 24, 2010, it was unable to submit Argument by the scheduled deadline. However, this should not be construed as agreement with the positions or recommendations advanced by any of the parties. YECL has reviewed each of the arguments and is providing its comments on certain aspects of those arguments below.
  
2. The development of new load growth in Yukon brings tangible benefits for all Yukoners. YECL generally supports YEC's Application for the implementation of the Power Purchase Agreement (PPA); however, YECL agrees with UCG that the PPA arrangement should not unduly put other ratepayers at risk<sup>1</sup>. There appears to be a lack of thorough analysis conducted in the preparation of the PPA, as YEC is relying extensively on the Minto PPA<sup>2</sup>. This lack of detailed analysis is also demonstrated in YEC's response to YUB-YEC-1-3(b). YECL agrees with UCG that YEC has not provided a detailed analysis with respect to the cost of service in deriving the proposed power purchase rate to ensure all reasonable costs associated with the transmission facilities are recovered by the industrial customer. Based on the information provided in this Application, YECL was not able to assess the reasonableness of YEC's proposed charges to Alexco. YECL was unable to test whether Alexco is paying its fair share of the capital-related costs incurred for the transmission facilities. YECL submits that

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<sup>1</sup> UCG's Argument, Page 3, Paragraph 2.

<sup>2</sup> YEC's Argument, page 2, Section 1.0.

YEC has not provided sufficient data to suggest that the rate should be based on similar treatment of Faro Mine from the past.

3. YECL agrees with YEC's proposal that Alexco should pay for YEC's costs to negotiate and conclude the PPA<sup>3</sup>. YECL is of the view that since other customer classes were not part of the PPA negotiating process, the ratepayer receiving the benefit should pay the cost. Also, to the extent the benefit can be attributable and identifiable to a specific customer that customer should bear the cost.
4. In its Argument, YEC is seeking approval of the totalized metering provision of the PPA on the grounds of the ½ mile radius criteria set out in Section 7.7 of the proposed T&Cs filed in YECL-YEC 2009 Phase II application. While YECL supports the change to the T&Cs as outlined in the 2009 Phase II, YECL is of the view that caution needs to be exercised when applying this amended provision to allow for totalization. First of all, YEC is seeking to have the monthly, energy, demand and fixed charges totaled on one monthly invoice<sup>4</sup>. YECL does not support totalization as it serves the purpose of dampening (through the monthly bill) potentially large swings in demand during the year that would otherwise be billed to the customer through the demand ratchet. The imposition of a demand ratchet mechanism through the rate schedules allows the utility to ensure adequate cost recovery of the facilities built to serve the customer. Allowing customers to totalize the demand readings on one monthly invoice may potentially lead to other customers sharing in the cost recovery of the facilities required to serve the customer's peak demand.
5. In its Argument, YEC suggested that totalize demand readings promotes demand management<sup>5</sup>. YEC has not provided any indication how using billing to smooth out the peaks and dips in energy demand encourages energy conservation.
6. All of which is respectfully submitted on the 15<sup>th</sup> day of December, 2010.

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<sup>3</sup> PPA Application, Page 5.

<sup>4</sup> YECL-YEC-1-3(a).

<sup>5</sup> YEC Argument, Page 5, Section 4.1.