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December 16, 2013

Yukon Utilities Board
Box 31728
Whitehorse, Yukon
Y1A 6L3

Attn: Mr. Bruce McLennan, Chair

Re: Reply Argument, The Yukon Electrical Company Limited 2013-2015 General Rate Application

Dear Mr. McLennan:

Please find attached Leading Edge's Reply Argument.

Thank you for the opportunity to participate in this General Rate Application process.

Yours truly,

John Maissan



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**IN THE MATTER OF THE YUKON ELECTRICAL COMPANY
LIMITED 2013-2015 GENERAL RATE APPLICATION
AND
YECL AND YUKON ENERGY DSM PLAN**

Heard before the

YUKON UTILITIES BOARD

November 4 - 7, 2013

**REPLY ARGUMENT OF JOHN MAISSAN
LEADING EDGE PROJECTS**

Reply Argument introductory comments

In the preparation of this written reply argument the transcript is referenced by page and line numbers and whenever possible. This reference will appear in brackets as Tr for transcript, p for page number, and Lx-y for line numbers. For example a reference to the transcript at page 428 lines 17 to 19 would appear as (Tr p428 L17-19). The Yukon Utilities Board is referred to as “the Board”. Interrogatory responses (IR) will be referenced by their identifying numbers.

Having read and considered the Final Arguments of the parties involved in this proceeding, Leading Edge was not persuaded that any of the positions it put forward in Final Argument should be changed. However, there are various matters upon which Leading Edge wishes to comment. The comments are presented below and generally follow the order in which they appear in YECL’s application.

Tab 5 Operations and Maintenance Expenses

1. Labour costs

In its Final Argument Leading Edge expressed concerns with YECL’s labour costs escalating beyond sales and customer growth. Leading Edge expressed the view that the proposed additions to staff during the test years should be reduced by a minimum of two. The positions that Leading Edge suggested be cut included the Customer Service Representative (2014) (Application page 1-11) and one of either the Engineering Tech 1 Civil (Application page 1-10) or the Environmental Technician.

Leading Edge is now also concerned about the Customer Service Advisor (2013) position (Application page 1-11). This position and the duties of Customer Service Advisors was discussed during cross examination (Tr p583 L14 to p585 L17) and in Undertakings #33 and #34. On December 4, two days following the submission date for Final Argument, advertisements began appearing in local newspapers indicating that effective March 14 YECL would no longer be taking payments at its offices. At no time during the hearing did YECL indicate that they would be cutting the services that these staff positions provide, and this really calls into question whether there is a real need for this additional position.

Tab 7 Depreciation

2. Depreciation expense

In its Final Argument Leading Edge recommended “***That the Board staff carefully reviews this matter to ensure that fairness to present and future ratepayers prevails, and that there is not an inherent unfairness to present ratepayers***”. In this matter Leading Edge finds the Final Argument of Yukon Energy (pages 4 – 6) to hold considerable merit and recommends that the Board considers this information in its review of this matter.

Tab 13 Business Cases

3. Business Case #6 Watson Lake Bi-fuel Project

In Final Argument Leading Edge recommended that the Board not approve the Bi-Fuel project, but that if the Board did approve the first phase of this project, Phase 2 of the project should not be approved. Leading Edge recommended that YECL be required to return to the Board with actual environmental data and updated cost and cost saving projections before phase 2 is approved. Leading Edge also recommended that all capital costs and all operating costs beyond the equivalent for a diesel only operation should be held as work-in-progress so that if the project is not successful the ratepayers do not pick up the costs.

YECL states in Final Argument at paragraph 104 (page 38) “*Assuming the success of Phase 1, Phase 2 of the project will convert the remaining 5 units at the Watson Lake power plant to bi-fuel operation.*” At paragraph 107 (pages 38-39) YECL further states “*The storage and vapourization charges from ATCO Gas ... are now forecast to begin in September 2014.*”

To be clear Leading Edge still recommends that the Board not approve the bi-fuel project, however, should the Board issue its approval nonetheless, YECL’s final argument information further supports Leading Edge’s position that phase 2 should not be approved. It is clear that phase 1 will only become operational in late 2014, and it will probably take a year (to the end of 2015) to get reliable and dependable environmental data and cost data with which to justify phase 2. YECL should be required to come back to the Board with its environmental and cost data to prove environmental and cost benefits to ratepayers before being allowed to proceed with phase 2 of the project.

4. Business Case #12 Carcross 2 MVA Standby Project

UCG opposes the Carcross standby generator (paragraphs 302 to 315, pages 46-48/69). In paragraph 306 on page 47 UCG states that there is no evidence about increased tourism activity in Carcross. Leading Edge has heard considerable media coverage of new and increased tourism activity in Carcross, over the past year in particular, and while there may not be any formal evidence on the record, Leading Edge is of the view that the existence of increased tourism activity is or should be to anyone living in Yukon.

Yukon Energy in its evidence on this project (pages 22-23) states that it is aware of and addressing plans for new thermal generation units on the grid, which are planned to be LNG units. Yukon Energy states that YECL should consult with Yukon Energy with respect to grid generation matters. Yukon Energy does not state a position for or against approval of this project. YECL’s proposed 2 MVA diesel generator will be substantially lower in capital cost per unit capacity than Yukon Energy’s proposed LNG generators, and Leading Edge firmly believes that Carcross is overdue for a standby generator and that it is cost beneficial for all ratepayers.

5. Business Case #27 Automated Meter Reading – Whitehorse and area

UCG argues against approval of the AMR project, in part, we believe, based on misunderstood information. At paragraph 293 (page 45/69) UCG raises concerns about the lack of study on high-frequency radio waves associated with “smart meters”. However, the hearing record clearly indicates that the two-way automated communication system (TWACS) and the AMR meters use a power line carrier system and not a radio frequency system for communications (vol. 3 Tr p430 L11-14; Tr p498 L16-18).

The City of Whitehorse also opposed the AMR project. In paragraph 43 the City says: *“Finally, YECL indicates that it does not expect the imposition of time of use billing. Until there is conclusive evidence either way, proceeding with AMR at this time may result in additional risk of sunk costs being charged to customers. The City is concerned that YECL has not performed a thorough analysis of time of use rates.”* In Leading Edge’s view opposing the AMR project while clearly being in favour of time of use rates being considered is inconsistent.

We know that the proposed AMR system, with the addition of a load control transponder(s), could control customer loads (Vol 3 Tr p498 L8-15) and that hourly data can also be obtained from this AMR system for the purpose of load studies (Vol3 Tr p426 L16-20; Tr p501 L11-15). It does not seem logical to favour the consideration of time of use rates and for analyses of time of use rates to be completed and yet deny the utility the future ability to control some customer loads and deny access to hourly data upon which a Yukon based study could be performed. In Leading Edge’s view the City’s position in effect supports an approval decision by the Board.

YCS also opposed the AMR project saying (page 5/9): *“YCS does not support the cost of these new meters being added to the rate base because they cannot accommodate efficiency and conservation programs designed to manage loads to reduce fossil fuel consumption.”* And *“It was not clear ... whether these meters are useful for anything else above and beyond simply automated meter reading.”* Leading edge is concerned that this may be a misunderstanding on YCS’ part, as the record clearly shows that customer loads can be controlled with the addition of a transponder(s) (see references above, and YECL Final Argument on page 37 at paragraph 103). In our view YCS would have supported AMR had they realized that at least some of their objectives would be met.

YCS also states in their Final Argument that the payback is 30 years. YECL’s evidence indicates that the cumulative present value becomes positive in year 9 of the project (Application Business Case #27 Attachment 1 page 1 of 11). Perhaps the financial information was misread.

Leading Edge believes for the reasons outlined above, that there are/were misunderstandings or confusion on the part of intervenors and that there continues to be solid grounds for proceeding with the AMR project, including:

1. There is a financial payback;
 2. The AMR system is capable of turning on and off a customer’s individual loads;
- and

3. The system is capable of obtaining hourly load data for the purpose of studying the merits of time of use rates in future.

YECL and Yukon Energy Demand Side Management Plan

6. Including YECL Business Case #30 Demand Side Management

UCG addresses the DSM plan in some depth and length in their Final Argument (paragraphs 58 to 60 on page 9; paragraphs 121-122 on page 19, and paragraphs 355 to 417 on pages 54 to 65/69). Within the discussions there are a couple of points Leading Edge would like to address.

At page 19 in paragraph 122 UCG contends that the DSM program is more likely to just shift load than conserve energy. Yet the programs UGS acknowledged would be implemented (paragraph 368 on page 57), such as more efficient lighting, are all energy focused, i.e. they should save energy but they have no ability to shift load. Both Leading Edge and the Yukon Conservation Society have both pointed out with disappointment that the DSM plan has no focus on peak reduction and load shifting/valley filling, an area the utilities could and should be doing more work in!

The UCG also submits that the DSM plan is “a trial and error approach” by the utilities. Leading Edge’s view of the matter is just the opposite – that the utilities have spent far more time and money studying DSM than they should have. Leading Edge contends that cost effective programs could have been developed at far lower costs and in a shorter time frame.

Leading Edge continues to be of the view that DSM should be approved by the Board and that the utilities need to get on with the program delivery immediately. Yukon Energy’s very expensive LNG generation development proposal is proof of the need.

Respectfully submitted,



John Maissan
Leading Edge Projects
December 16, 2013