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**Yukon Utilities Board Review in  
The Matter of an Electricity  
Purchase Agreement between  
Yukon Energy Corporation and  
Tlinget Homeland Energy  
Limited Partnership**

**OPENING STATEMENT**

**YUKON ENERGY CORPORATION**

**July 15, 2022**

## **Overview**

Yukon Energy welcomes the opportunity to be in front of the Board for your review of the Atlin Electricity Purchase Agreement (“EPA”).

The Atlin Project expands the Taku River Tlinget First Nation’s existing 2.1 MW hydro facility that has operated since 2009 to displace BC Hydro diesel generation to supply the Atlin community. The Project will provide the Yukon Integrated System (“YIS”) with 8.75 MW of winter dependable capacity and 34 GWh/year of long-term average (“LTA”) winter renewable hydro energy for a term of 40 years.

## **Context for Current YUB Review**

The general purpose of the current YUB review is to provide the Minister with the Board’s report and recommendations on the potential benefits, costs, risks and customer impacts that influence whether the EPA should proceed as proposed by Yukon Energy.

It is worth noting that today’s review differs from prior Board reviews of YEC projects such as the Board’s recent review of YEC’s BESS Project. Tlinget Homeland Energy Limited Partnership, not Yukon Energy, will develop, own and operate the Project. Impacts of the Project on Yukon Energy and Yukon ratepayers will therefore be governed by the EPA terms and conditions only – and these are the focus of today’s review by the Board.

## **Summary of YEC’s Submission**

Yukon Energy’s Submission has provided information relating to the Minister’s Terms of Reference regarding the public need for the EPA, its effects on rates and reliability of service, the risks associated with the EPA, and the prudence of entering into the EPA as proposed at this time.

The evidence presented demonstrates that it is prudent for Yukon Energy to proceed with the EPA as proposed at this time. Highlights of our submission include:

## **Public Need**

- The primary public need for the Atlin EPA is to help meet Yukon Energy’s dependable capacity requirements for the YIS over the 40-year EPA term and to displace YIS requirements for thermal generation -- all consistent with YEC’s 10-Year Renewable Electricity Plan.
- The EPA represents the only near-term option to provide 8.75 MW of added renewable dependable capacity. The BESS, YEC’s planned thermal replacement projects, and DSM are together planned to provide 26 MW of dependable capacity by winter 2023/24.
- The EPA will also displace LTA thermal generation requirements of between 24.2 GWh/year (up to the end of 2034) and 17.3 GWh/year (after 2034) over the 40 year EPA term.
- This reduction in thermal generation requirements addresses the public need to reduce YIS thermal generation in support of Yukon’s climate change objectives in “Our Clean

Future”, and specifically the 93% renewable portfolio standard in the anticipated Clean Energy Act.

### **Pricing and Effect on Rates**

- Pricing under the EPA is designed to mirror or improve on what would be expected to occur with the lowest cost alternative for dependable capacity as well as delivered energy, i.e., a permanent thermal generation plant.
  - Over the 40-year term, the Dependable Capacity Payment per kW for EPA dependable capacity mirrors the levelized capacity cost that YEC would otherwise be estimated to incur for a new diesel plant.
  - Long term average EPA delivered energy costs are expected to be approximately the same, or lower, than would occur without the EPA for long term average thermal generation that YEC would otherwise require.
  - The EPA provides for all required YEC/AEY study and YEC/AEY system upgrade costs to be fully funded in advance by THELP at no cost risk to the utilities or Yukon ratepayers. Further YEC and AEY transmission related O&M costs are likely to be reduced due to the System Upgrade improvements, and YEC non-fuel variable thermal generation costs are likely to be reduced due to the displaced thermal generation.

Accordingly, the only other significant YEC or AEY costs related to the EPA are YEC costs for EPA preparation and negotiation, and YEC costs for the YUB regulatory review.

### **Service Reliability**

- The EPA is expected to enhance current service reliability. This reflects added hydro generation, the provision of this generation to the southern YIS and the benefits from system upgrades to the southern YIS transmission.

### **Risks**

- The risks relating to rates and reliability of service to customers are not material prior to start of Project operations, and are reasonable and minimal during operation of the Project.

The EPA places on THELP all risks related to development of the Project, including permitting, securing necessary grant funding, capital costs to complete, and schedule. For example if the EPA is unable to proceed, or is delayed, due to failure to complete its Conditions Precedent YEC will know this outcome well over a year before any target completion date, with ample time to proceed with rented diesel options as required to ensure reliability of service to customers while other permanent renewable options are reviewed and developed.

## **Project Updates**

As noted in YEC's filings THELP has hired a construction contractor and is working with that contractor to finalize project costs.

The increase in estimated project costs outlined in the amended EPA were driven primarily by a change in project design. However we are informed by THELP that final project costs are still a work in progress. As with all capital projects in today's market conditions -- THELP has been experiencing challenges resulting from supply chain issues and general inflation in the construction sector. We are informed that these general market conditions have resulted in cost escalations over the last several months. Although final costing is still a work in progress THELP is exploring options to minimize such cost escalation. It is also working with its funders to obtain additional funding.

To alleviate some of short term cost escalations THELP, in consultation with its contractor, has recently decided to extend the expected completion date for the Project to October 2025. Although this delay will result in one more winter where rented diesels will be required -- it will have no impact on the EPA pricing. Accordingly, Yukon Energy has informed THELP that it has no objection to this extension request.

## **Conclusion**

In conclusion, the information before the Board confirms that it is prudent to enter into the EPA as proposed at this time:

- The EPA is the only cost effective resource option today to provide renewable dependable capacity and energy required for the YIS;
- The EPA has minimal and reasonable risk impacts on YEC, on rates for customers, and on reliability of service to customers;
- The EPA Conditions Precedent provisions manage initial risks to be resolved before the Project proceeds; and
- Entering into the EPA as proposed at this time enables THELP to proceed to work with supporting government funding agencies and other parties to resolve the Conditions Precedent requirements that will allow development of this attractive resource option opportunity for YIS customers.