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

REPLY ARGUMENT OF

YUKON UTILITIES CONSUMERS' GROOUP (UCG)

August 4, 2022

BACKGROUND

The UCG has reviewed all the final arguments on the YEC/THELP Electric Purchase Agreement ("EPA") and have this reply argument submission to offer the Board.

UCG SUBMISSION

1. Costs and Rates

YEC states that the variable impact of operation and maintenance costs of this project in the future 'are likely' to be reduced and then a few lines later YEC admits that it does not even have estimates for such costs.[1]

The YEC further presents that the relative effects on customer rates is unknown or irrelevant. This is so due to the fact that they have chosen to benchmark costs to a new greenfield plant which has been stricken by boards and the public from a realistic alternative.

How can the Board and the public have confidence that our publicly-owned corporation has negotiated the best deal for its ratepayers when the have not dotted all the i's or crossed the t's?

2. Possible Rate Base Impacts

The YEC recognizes that there is the risk that auditors may wish to treat this new facility and transmission assets as a capital lease, thus added to rate base. Yukon Energy's rationalizes a solution to this risk by claiming there will be no impact on rates regardless of whether the EPA is on or off the balance sheet.[2]

Although the YEC makes this proclamation, UCG remains skeptical due to the fact that Yukon Energy has made these type of commitments before and then comes up with some type of excuse/rationale to the contrary when approaching a future rate application hearing.

UCG would like to see something more concrete to ensure this risk mitigation will indeed transpire.

1 YEC Reply Argument p. 14 and 15
2 YEC Reply Argument p. 16

3. Reliable Alternatives to Make Comparisons or to Benchmark Costs

Using the greenfield 12.5 MW diesel plant as a benchmark is in our opinion not a reliable way to asses the costs to be paid for energy from Yukon Energy to the THELP for their product. First, it is not even for the same capacity of energy and second the 'commercial imperative' approach taken by Yukon Energy is not reasonable nor prudent.

The old adage goes "If anything sounds or looks too good to be true, then it most likely is not good."

UCG concludes that the Board recommends that YTG go back to the drawing board and consider the feasibility of using the Federal Government and Yukon Government grants for green alternatives to look into a solar panel/s and a battery pak for each household in the Yukon.

The cost of this Atlin project is estimated at $240M, with $100M from Canada and $50M from Yukon.[3] There are approximately 9,590 residential homes in the Yukon.[4] The cost of a residential solar panel array 5kW with installation costs on average $20,000.[5] The cost of a solar battery pack for a residence with installation costs on average $10,000.[6]

Armchair math 9,590 x $20,000 = $191.8M for solar panels

The $10K for each household solar battery/s could be mortgaged and payed for over 20 years.

3 YUB-YEC-2-8(b)
4 Google
5 Google
6 Google