



THE YUKON ELECTRICAL COMPANY LIMITED
An **ATCO** Company

September 15, 2006

Yukon Utilities Board
19 - 1114 1st Avenue
Whitehorse, Yukon Y1A 1A3

Attention: Ms. Wendy Shanks
Vice Chair

YUKON UTILITIES BOARD		
EXHIBIT C1-4		
DAY	ENTERED BY	DATE
	YECL	Sept 15/06

Dear Ms. Shanks:

**Re: Yukon Energy Corporation ("YEC")
20 Year Resource Plan
Pre-hearing Conference Issues**

Further to the directions given by the Board at its August 30, 2006 pre-hearing conference, the following are the comments of the Yukon Electrical Company Limited ("YECL") regarding the issues raised by the Board and YEC's response thereto of September 8, 2006.

1. Application of Part 3 of the *Public Utilities Act*, including impact of Minister of Justice letter dated August 29, 2006.

YEC has chosen not to provide a direct response with respect to the impact that the Minister's August 29, 2006 letter should have on the **current** proceeding. Rather, it appears that YEC wishes to ignore the Minister's express **intention** to designate any proposed significant energy projects for examination under Part 3 of the *Public Utilities Act* and instead have the Board comment on the need for further review in the Report contemplated as a result of the current proceedings. The thrust of YEC's comments again appear to be suggesting that the Board should indicate that no further proceedings (and hence no designation) will be required after the current examination of YEC's 20 Year Resource Plan.

YECL is very concerned with **such an** approach and with the lack of a structured process for the examination of major facility projects **that significantly** impact ratepayers in the Yukon, the vast majority of which are customers of YECL. YECL is of the view that it is critical that a **clearly defined** path be established for this **and** future applications. Further, YECL is of the view **that Part 3** of the *Public Utilities Act* is structured in such a fashion to provide the Board with the necessary framework **and mandate** to examine and, if appropriate, approve such facility projects. While YECL acknowledges that the Minister must designate such facility projects in order to bring them **within** the scope of Part 3, YECL submits that this would be the appropriate course of action, instead of attempting to conduct some sort of Quasi-Part 3 examination via YEC's 20 Year Resource Plan.

YECL submits that the present and future significant facility projects would benefit from a better defined process, which could be easily implemented without any delay in the current

proceedings. Such a process would see YEC (or the relevant project proponent) file a request with the Minister to designate the specific project(s) being considered for construction pursuant to Part 3. Thereby, a single process would be established which would facilitate the investigation, and if appropriate, approval of such projects by the Board. Such an approach would provide an effective precedent for future facilities applications and remove the ambiguity which reportedly has driven YEC to adopt the current approach it is using in these proceedings. It would also effectively address the duplication concerns expressed by YECL regarding two potential reviews of the same project.

The approach adopted by YEC in the current situation essentially leaves the Board with two options:

(i) Continue the current Part 2, Section 18 process as established

If this approach is adapted, at best, a very high level assessment of the near-term projects that have been identified could take place. Limitations on the information available regarding such matters as accurate capital cost forecasts, the government's position on contributions (if any) and the current sales forecasts, make it impossible to determine need and timing herein.

While planning criteria could be examined in the current process, no detailed decision could be made on specific projects, and a subsequent Part 3 process (as anticipated by the Minister) would be necessary.

This would result in a measure of duplication, but this would be unavoidable, given the approach the YEC has chosen to adopt.

While fourteen years have passed since 1992 Capital Hearing, Yukon Electrical is not aware of any change that would alter the continued validity of the following Board recommendation from the 1992 hearing:

That the Companies' capital resource plan be reviewed on an ongoing basis as part of the general rate application process or as directed by the Board. The Board notes that before the Companies proceed with a specific project a full regulatory review must be undertaken, including an assessment of the prudence of the timing and costs of each project. The *Yukon Public Utilities Act* provides the Board with an ability to assess the prudence of constructing a facility and the prudence of the actual costs when added to rate base."

(ii) Conduct the Part 3 assessment as part of the upcoming proceedings

YEC could approach the Minister on an expedited basis and seek to have the current near-term projects designated under Part 3 of the Act and have them considered in the forthcoming hearing. This should not delay the process and

would clarify the structure of the current proceedings and the action YEC could take as a result of the Board's examination.

The difficulty with this approach is that the limitations on the information presently available, as discussed above, will make it very difficult to appropriately test the need for and timing of the identified projects. This will be a challenge for the Board and parties if this approach is selected.

YECL is of the view that continuing the current proceedings without further clarification is the worst scenario. The costs borne by YECL's customers will be directly impacted by the option chosen by the Board and how it chooses to proceed. YECL urges the Board to address the above concerns as part of its decision on the current submissions.

YECL urges the Board to direct YEC to request the Minister to designate the near term projects contained in its 20 Year Resource Plan for consideration pursuant to Part 3 of the *Public Utilities Act*. The scheduled proceeding could then proceed along these lines without delay. Alternatively, the Board should confirm that the current proceeding will only be a "high level" assessment of these Projects, with subsequent Part 3 applications being considered at the appropriate time.

2. Relevance of YESAB Legislation

YECL concurs with the views expressed by YEC in its September 8, 2006 letter and has no additional comments in this regard.

Should you have any questions regarding these matters please do not hesitate to contact the undersigned.

Yours truly,

THE YUKON ELECTRICAL COMPANY LIMITED

An *ATCO* Company

For: 

Doug Tenney
General Manager

cc: Registered Interveners
Interested Parties