



The Yukon Electrical Company Limited
An ATCO Company

YUKON UTILITIES BOARD		
EXHIBIT C1-5		
DAY	ENTERED BY	DATE
	YECL	Sept 25/06

September 25, 2006

Ms. Wendy Shanks
Vice-Chair
Yukon Utilities Board
19-1114 1st Avenue
Whitehorse, Yukon
Y1A 1A3

Dear Ms. Shanks:

The Yukon Electrical Company Limited (YECL) has carefully considered the Yukon Utilities Board Order 2006-8 and its related Reasons for Decision, including specifically the conclusion that:

"None of the Projects identified in the Resource Plan have been designated Part 3 projects under the Act; therefore, the Board's current review is limited to that set out in the Minister's June 5 letter pursuant to Section 18 of the Act."

YECL has also considered the Yukon Government's stated intention, as articulated in the Minister of Justice's August 29, 2006 letter:

"In addition, we would like to note that prior to the implementation of any proposed significant energy projects by YEC (e.g. construction of the Carmacks to Stewart transmission line), it is the government's intention to refer the details of such projects to the YUB for review and recommendation under the provisions of Part 3 of the Public Utilities Act."

YECL is aware of the significant costs associated with the regulatory process and wishes to minimize any unnecessary duplication that will ultimately be borne by Yukon ratepayers. As well, YECL is required to absorb a significant portion of these costs itself, even if awarded cost recovery by the Board, given the Board's scale of costs. Therefore, YECL must carefully consider those proceedings in which it will participate on behalf of its customers. Given these considerations, YECL will no longer actively participate in the current review of YEC's 20 Year Resource Plan; but will focus its attention on the significant regulatory projects that are expected to be brought before the Yukon Utilities Board under Part 3 of the Act. This should alleviate any duplication concerns, at least with respect to YECL's involvement.

At the time these projects are brought forward under a Part 3, YECL's anticipates addressing the following:



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- An unsubstantiated and overly optimistic Non-Industrial WAF Base Case Sales Forecast and its impact on the estimated present value to ratepayers.

The sales forecast in YEC's 20 Year Resource Plan asserts that the past three years (2002 through 2004) or the past year (2004) are indicative of the base level of growth in energy sales for the non-industrial sector in Yukon for the next twenty years. This is simply not supported by any evidence. It is well known that the arrival of several big box stores and the Canada Games Centre are largely responsible for the energy growth on the WAF grid during the years in question. To assume that non-industrial WAF growth will continue at the 1.85% base case growth ignores the following:

- The impact the big box stores will have on the local marketplace.
- The unsustainability of continued Federal Government contributions for local recreation infrastructure.
- The impact of impending rate rebalancing directives to improve revenue to cost ratios and
- The impact of the end of the Yukon Government's Rate Stabilization Fund on March 31, 2007 or at some other date.

- Estimated Capital Costs of Significant Projects

The accuracy of the capital cost forecast of the projects included in the 20 Year plan is also questionable given the tight labour markets in Western Canada, the volume and size of current construction projects in Western Canada, raw material cost increases associated with steel and copper used in the manufacture of electrical equipment as well as the impact that natural disasters such as Hurricane Katrina have had on the demand for electrical equipment.

- Unknown Industrial Rates and Industrial Customer Contributions

Certain of the projects included in YEC's 20 Year Plan are purportedly "needed" based on the demonstration of net ratepayer benefits. It is YECL's understanding that these net ratepayer benefits are due to industrial loads being served on industrial rates yielding more incremental revenues than the associated incremental costs. It is unclear at this point what the appropriate industrial rate should be. The previous industrial rate in Yukon was based on a very different scenario with regard to diesel prices and the classification and allocation of generation and transmission costs. It is also unclear what industrial investment policy and the corollary, customer contribution, is appropriate to be used in this type of analysis.

- Lack of a Territorial Wide Electric Industry Planning Process



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The 20 Year Resource Plan is the plan of only YEC. It does not consider the plans of other energy developers and their ability to sell power to industrial load or to YECL. It also does not consider YECL's plans to develop its own generation sources rather than purchasing from YEC. While the review of the 20 Year Resource Plan may provide YEC assistance in planning and decision making, it does not address the planning requirements of the Yukon Territory as a whole.

YECL is of the view that it is likely that some of the uncertainty regarding the sales forecast, capital cost estimates, industrial rate and investment levels and other proponents of energy development plans will be alleviated, allowing a more informed debate to occur, at the time that the specific significant energy projects are back before the Yukon Utilities Board under Part 3 of the Public Utilities Board Act.

YECL recognizes that the regulatory process is only effective if parties actively participate and test the filing made before the Board. However, given the nature of this proceeding and the future proceedings that are anticipated to occur regarding significant facility projects, YECL has concluded that the interests of its customers are best served by withdrawing from the current proceeding and awaiting the Part 3 process for the subject projects.

Sincerely,
THE YUKON ELECTRICAL COMPANY LIMITED

Original signed by

Doug Tenney
General Manager

cc Registered Interveners
Interested Parties
Honourable Elaine Taylor Minister of Justice