

UTILITIES CONSUMERS' GROUP
SUGGESTIONS FOR ISSUES TO BE CONSIDERED AT PRE-HEARING CONFERENCE

YUKON ENERGY CORPORATION
20-YEAR RESOURCE PLAN: 2006-2025

YUKON UTILITIES BOARD

EXHIBIT C3-2

Issue 1 – Was the timing and extent of public consultations adequate?

ENTERED BY

UCG

DATE

July 25/06

Reference - Backgrounder (issued with June 13, 2006 YEC Media Release)

No final decision has been made to implement any of the projects proposed in this plan. We are first seeking review by the Yukon Utilities Board, and input from Yukoners through a series of public meetings.

Reference – YEC Response to Board staff's preliminary information request YUB-YEC-1-17

Question:

Please explain your consultation process and any issues that arose from that process.

Response:

The meetings concluded with the July 20 session in Tagish. Yukon Energy does not yet have a full summary of the meetings prepared, but plans to produce a full report on the public meetings, attendance and issues by community. To this point, attendance at the community meetings varied from none at Teslin to over 30 people at the Marsh Lake Fire Hall.

Issue 2 – Should any work on the proposed projects proceed prior to the YUB approving the need for each of the specific projects and establishing guidelines regarding ongoing reporting on each of these projects prior to, during and after construction?

Reference – Auditor General Report on the Mayo-Dawson City Transmission System Project (February 7, 2005)

We found that the Corporation lacked the experience and expertise to carry out a project of this nature and magnitude. (page 5)

In summary, it appears that estimates of project costs were understated. In particular, potential internal costs were not clearly identified and budgeted for. (page 7)

The Corporation engaged more resources to manage the project than would normally be expected for a properly executed project. (page 8)

Issue 3 – Is YEC’s proposed project management for each of the proposed projects adequate?

Reference – Auditor General Report on the Mayo-Dawson City Transmission System Project (February 7, 2005)

The Yukon Energy Corporation should develop a project management policy to establish standards and procedures for the designation, authorization, financial control, and conduct of capital projects. In implementing capital projects, it should prepare a project brief that includes a statement of objectives and clearly defines roles, responsibilities, accountability, implementation approach, detailed budgets, and controls. (page 11)

Issue 4 – Is YEC’s capacity planning criteria appropriate?

Yukon Energy has adopted new capacity planning criteria that it suggests will better protect customers from outages. These planning criteria have not been reviewed by the YUB nor interested parties. The YUB should be reviewing before YEC implements to ensure that the resulting costs are to the benefit of ratepayers.

Issue 5 – Are YEC’s contracting policy and contracting procedures appropriate to provide best value?

Reference – Auditor General Report on the Mayo-Dawson City Transmission System Project (February 7, 2005)

The Yukon Energy Corporation should establish and follow a contracting policy and clear contracting procedures that provide for transparency and competition and ensure best value. (page 15)

Issue 6 – Are YEC’s proposed near-term requirements for new capacity or energy resources reasonable and adequately justified?

Issue 7 – Is the expansion sequence for near-term projects appropriate?

Issue 8 – Aishihik 3rd Turbine Project – How does the current project scope and cost estimate compare to the project initially reviewed by the YUB in 1992?

Issue 9 – Aishihik 3rd Turbine Project – Was this project approved under current environmental and development assessment processes?

YEC suggests that a third turbine can be installed at the existing Aishihik generation station at a cost of about \$7 million to reduce future costly diesel generation. YEC indicates that it received environmental and Water Board approvals for the project as described in the 1992 Resource Plan under its current Aishihik Water License.

Issue 10 – Aishihik 3rd Turbine Project – Should YEC be proceeding with this project prior to the completion of the current regulatory proceeding?

In its Summary of Proposed Actions, YEC indicates that *“this project will proceed with final planning activities to enable a final decision during 2007 to start construction for in-service by October 2009”*.

Issue 11 – Marsh Lake Fall/Winter Storage Licence Revision – Without completed project planning and environmental review, is it appropriate for the YUB to make any determination on this project at this time?

Issue 12 – Carmacks-Stewart Transmission Project – Is the proposed project appropriate from a business case perspective?

YEC indicates that the Carmacks-Stewart Transmission Project will only proceed if Yukon government infrastructure funding ensures no adverse impact on ratepayers. This suggests that YEC believes that this project cannot be justified from a need / cost perspective if they are already assuming that YTG funds will be needed to offset adverse ratepayer impact.

Reference – YEC Response to Board staff’s preliminary information request YUB-YEC-1-14

Question:

Please provide the economic evaluation and models used to support this project. Assuming no new mine projects, can this project displace or defer any diesel generation?

Response:

There are no detailed economic evaluations or models used in the Resource Plan to support the Carmacks-Stewart project at this time. This is because the project economics were assumed to be heavily dependent on YTG funding, which has not been clarified or confirmed.

Issue 13 – Mirrlees Life Extension Project – Is this project technically feasible?

YEC indicates that this project is subject to confirmation of technical feasibility that was expected to be determined within the first quarter of 2006. The results of any feasibility study should be tested in a public forum before YEC spends any money on it.

Issue 14 – Diesel Replacement / Expansion Option – Is this the most appropriate project to undertake if the Mirrlees Life Extension Project is not determined to be technically feasible?

Issue 15 – Longer-Term Industrial Development Opportunities – Should YEC be looking to spend today's ratepayers' money on "potential" opportunities?

The proposed Resource Plan proposes that YEC should start spending money now on activities related to potential industrial loads that may or may not occur. History suggests that industrial loads arrive in the Yukon after a long ramp up of interest / activity. Alternative supply plans would need to be fully evaluated.

Issue 16 – Coordination with YECL – Have the proposed projects been developed and evaluated with appropriate information and input from YECL?

Reference – YEC Response to Board staff's preliminary information request YUB-YEC-1-4

Question:

Does the resource plan account for YECL production in your forecasting models? Have you accounted for any potential expansion of YECL production and/or new YECL capacity projects?

Response:

Yukon Energy is not aware of any YECL production expansion projects or new capacity projects planned. The Resource Plan does contemplate the potential addition of an approximately 1 MW diesel units at Carcross/Tagish, at page 4-61, (likely by YECL) to the extent such addition is required for WAF firm capacity and can also play a role in local backup of the radial transmission lines serving the area. However, this project is not to YEC's knowledge part of YECL's current capital plan.

Reference – YEC Response to Board staff's preliminary information request YUB-YEC-1-18

Question:

What consultation has taken place with YECL in the formulation of this plan? If there has not been any consultation with YECL, why not? Have you accounted for any potential expansion of YECL production?

Response:

While developing the Resource Plan, Yukon Energy informed YECL on a number of occasions that it was preparing internal infrastructure plans and more recently a full Resource Plan for the bulk power supply to the integrated systems, particularly WAF. During Yukon Energy's regular meetings with YECL at both the senior levels and operational levels, YECL did not indicate at any time any relevant capital projects planned for their parts of the system served by Yukon Energy.

Issue 17 – Is the \$3 million threshold appropriate for determining when a YUB review of a YEC proposed project should take place? At what time during the project life should this review take place?

Issue 18 – Are the potential short-term and long-term rate base and revenue requirement impacts of the proposed projects appropriate?

Issue 19 – What are the potential advantages / disadvantages of alternative ownership scenarios for these projects?

Issue 20 – Is the forecast of load growth appropriate?

Issue 21 – Rather than examine a resource plan of a utility on a piecemeal basis, should proposed projects be evaluated as part of a coordinated energy planning policy of the Yukon government?

Issue 22 – How does YEC's resource plan compare to the principles and strategic actions contained in the proposed energy policy framework of the Northwest Territories?

The Government of the Northwest Territories is currently consulting on a number of questions that it feels need to be considered in developing a policy framework to guide the creation of a comprehensive NWT Energy Plan. These include:

- How do we manage energy development decisions to meet our commitments to environmental stewardship, now and in the future?
- What is the most effective way to provide residents of the Northwest Territories with equitable access to affordable power?
- What role should governments play in the energy sector, recognizing the unique nature of the NWT environment?
- How do we foster an energy sector that is efficient and effective while maintaining public accountability and transparency?