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YUKON UTILITIES BOARD

YUKON ENERGY CORPORATION 20 YEAR RESOURCE PLAN

APPLICATION TO THE YUKON UTILITIES BOARD

Held at Gold Rush Inn

Whitehorse, Yukon

November 14th, 2006

Volume 2 - P.M. Session

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BEFORE BOARD MEMBERS:

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|------------------|---------------|
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APPEARANCES:

Yukon Energy Corporation	John Landry
	David Morrison
	Cam Osler
City of Whitehorse	Wayne Tuck
Utilities Consumers' Group	Michael Buonaguro
	Roger Rondeau
Yukon Conservation Society	J. P. Pinard

TRANSCRIBER:

Doug Ayers Reporting Services

1 (Proceedings resumed at 1:45 p.m.)

2 THE CHAIR: We will proceed with
3 the cross-examination at this time.

4 Mr. Buonaguro, are you prepared to proceed at
5 this time?

6 MR. BUONAGURO: Yes, I am.

7 YEC PANEL CROSS-EXAMINED BY MR. BUONAGURO:

8 Q MR. BUONAGURO: Good afternoon. My
9 name is Michael Buonaguro. I am counsel with the
10 Public Interest Advocacy Centre in Ottawa, and
11 today I have been retained by the Utilities
12 Consumers' Group to represent them as counsel in
13 this proceeding.

14 I would just like to start with some questions
15 that came to mind as I was listening to the last
16 series of questions. I will address my question to
17 the Board in general, and whoever is appropriate, I
18 am sure will jump in.

19 There was a question about the definition of
20 industrial customer, and the response referred to
21 the OIC which determined or defined "major
22 industrial customer" and an "isolated industrial
23 customer", but one of the things that has been
24 bugging me is that I have never seen an actual
25 definition of an industrial customer, non major and
26 non isolated, so I am just wondering if the panel

1 could comment on industrial customers and how they
2 fit into the customer base.

3 A MR. OSLER: In Yukon, we would
4 typically, for ratemaking purposes, focus on the
5 major industrial customer, and loosely the
6 word "industrial" would refer to that.
7 Technically, there could be opportunities where
8 there was somebody who did not pass the 1 megawatt
9 test and was smaller, in which case they would be
10 an industrial type of customer but they would not
11 be a major. At the moment, there would not be a
12 rate specifically available for them. We would
13 have to come up with one or treat them as general
14 service customers. So that is one level of
15 response.

16 Secondly, in doing the Resource Plan, we were
17 interested in the problem posed for resource
18 planning of major discrete non-connected increments
19 or decrements to load such as would be represented
20 by what I defined as major industrial customers,
21 particularly bigger ones. And so for our
22 purposes, the OIC dovetailed with a sensible
23 planning requirement, and we focussed on it. To
24 the extent that somebody had commercial or general
25 service increases, they would be served typically,
26 you know, in probably Whitehorse by YECL, they

1 would fit into the whole bundle of what we are
2 calling non-industrial customer growth with all the
3 problematic issues that go with forecasting that
4 accurately.

5 Q You spoke of that type of industrial customers as
6 though they were theoretical. Is there any of
7 those types or is it basically a theoretical
8 concept?

9 A Historically there probably have been some shut
10 down facilities which would not qualify for major
11 industrial customers but would be served by rates
12 that would not be the major industrial rate. So it
13 is not hypothetical in that sense, but it is
14 usually a mine that was in existence and is shut
15 down and still has some power going to it.

16 The Faro mine and the UKHM mine at the moment
17 are the two examples in the Yukon that I am aware
18 of, and each are served by rates that are not the
19 major industrial rates, that are effectively rates
20 designed to deal with their situation.

21 Q Thank you. Actually moving on to rates, there was
22 some questions about the rates charged to the major
23 industrial customers under the unified rate class.
24 Firstly we can ask the question, how many
25 industrial customers are on that rate right now?

26 A MR. CAMPBELL: Zero.

1 A MR. OSLER: Yes.

2 Q I thought so. When was that rate established
3 precisely? I think it was 1996?

4 A Well, the rate we look at right now, called
5 Rate 39, the numbers in it were approved by this
6 Board in the hearing held in 1996, and there were
7 numbers there for the test years 1996 and 1997.

8 When the Faro mine closed, which was the only
9 major industrial customer at that time, that rate
10 was made interim by this Board in, I think,
11 February of 1998, thereabouts, anyway, on the
12 grounds that when and if the Faro mine or any other
13 major industrial customer came back, the Board
14 reserved the right to review that rate and see
15 whether it was still appropriate in the
16 circumstances, but it is still a rate.

17 The only customer that has been on -- that
18 type of rate existed before 1996, either through
19 the contract situation that the Faro mine had back
20 in the 1980s, when Yukon Energy bought the Faro
21 mine, there was a rate in place that we had to
22 honour, the amendments to that contract that Yukon
23 Energy negotiated in the early 1990s, or, when that
24 contract expired, the precursors to the rate we are
25 talking about, which I think began to emerge about
26 1992/1993, but the Faro mine was closed again. So

1 this Board held a hearing in 1992 on cost of
2 service, essentially to address the issues of how
3 you would determine a rate for that customer class
4 consistent with the Order-in-Council that I read
5 earlier. Its precursor way back to 1988, I
6 believe, or certainly 1991 or so, used essentially
7 the same rules as to how the Board would have to
8 approach a rate for such a customer class, once the
9 Curragh Mines rate contract expired.

10 Q I am just absorbing.

11 A Yes.

12 Q You mentioned that the rate was interim and that
13 the Board reserved the right to fix the rate if
14 there was ever any new industrial customer come on
15 line. And as I understand it, the proposal with
16 respect to the Carmacks-Stewart line is that
17 potentially one or two mines will be joining the
18 system and will be on that rate. Is that correct?

19 A Yes. If either of those mines connected to the
20 grid, they would initially be charged that rate,
21 but it would be an interim rate, and therefore the
22 Board would, in due course, have to hold a process
23 to confirm that or some adjusted rate based on all
24 the considerations that at least complied with the
25 Order-in-Council.

26 Q I think you may have anticipated my next question,

1 but I just want to make sure that you understood
2 what my next question was even though I did not ask
3 it.

4 Has that rate actually been static in the
5 intervening years between the closure of the Faro
6 mine and the present, so it has actually remained
7 unchanged?

8 A The rate itself has remained static. That rate has
9 a Rider F applicable to it. The Rider F fluctuates
10 from time to time.

11 Q Does it fluctuate in conjunction with the rest of
12 the rate classes?

13 A Rider F would apply to all firm rate classes.

14 Q So even though nobody has been on that rate for a
15 number of years, I think you are telling me it is
16 consistent with the allocation of the costs that
17 have been made with respect to other rates since it
18 was created through the rider; is that what you are
19 telling me?

20 A I am not sure I understand the question.

21 Q Well, I can tell you, I just want to make sure that
22 that rate is at least updated along with
23 everybody. Everybody else's rate has changed, I am
24 assuming, fluctuated up or down, depending on the
25 yearly revenue requirements, since 1996?

26 A Okay. A brief -- your assumption is not

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1 necessarily correct about everybody else, let alone
2 this one, so if I could explain.

3 We have not had rate changes at the retail
4 level since the same hearing I referred to in
5 1996. We have had riders approved by this Board to
6 deal with certain situations, namely the closing of
7 Faro mine, so-called Rider J. Those were applied
8 to all of the normal retail classes as a way to
9 catch-up the revenue loss from the Faro mine
10 closure. Rider J would not apply to the Rate 39
11 major industrial customer rate that I just referred
12 to. So I give you that sort of as a level of
13 playing field in terms of information. Maybe I
14 will just leave it at that, maybe get some more
15 questions.

16 Q Well, would Rider J -- if you added new mines, one
17 or two mines to replace the Faro mine, which I
18 understand is the reason why Rider J was applied,
19 would Rider J be taken off of the rest of the rate
20 classes?

21 A I would assume that the Utility Board, in looking
22 at an application for an adjustment to Rate 39,
23 would probably seek information about how that
24 would change the appropriateness of the current
25 Rider J level. Taking it off would be probably not
26 feasible until you had a sufficient load to make up

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1 the deficit from the Faro mine closure, which none
2 of these individual mines would come close to the
3 loads from the Faro mine. So adjust the Rider J in
4 light of the circumstances, but I would not say
5 take it off necessarily.

6 I think that the second thing that the Utility
7 Board would face at that time is to look at the
8 cost of service and cost issues if it wanted to
9 start adjusting other retail rates for both the two
10 utilities and the rate design questions that go
11 with it, which it has not reviewed since 1996. It
12 may decide to do that on its own time period, not
13 necessarily tied to the adjustment of Rate 39. In
14 other words, the two are not necessarily linked.
15 They may be dealt with by this Board at different
16 times. In fact, to the extent that one is looking
17 for getting a certain new rate on for mines, you
18 would hope that you could do it expeditiously and
19 not have to get involved in trying to solve all of
20 the other rate issues in Yukon at the same time.

21 Q So I understand from your answer, though, that the
22 major reason why Rider J has not been touched is
23 that there has been no reason to since there has
24 been no mine?

25 A Rider J has fluctuated since 1998 in response to
26 various circumstances. It has gone up and it has

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1 come down, and, without using this hearing to get
2 into it, the Board reviewed Yukon Energy's revenue
3 requirements last year and made certain
4 determinations. All of those things would have to
5 be taken into account when the Board decided to
6 tackle Rider J and retail rates, probably would
7 require also a cost of service review and a review
8 of YECL rates.

9 Q Now, as I understand, I think it was your earlier
10 answers, or perhaps it was the evidence, in terms
11 of calculating, for the ratepayer benefits, the
12 Carmacks-Stewart line, and in particular the
13 benefit associated with selling energy to the lines
14 connected to the grid, you used that Rate 39 to
15 calculate the revenue?

16 A You are correct. In terms of the update that was
17 filed in November, yes. Plus Rider F, in one
18 sense.

19 Q Was there any accounting for possible changes to
20 Rate 39 as a result of some addition of one or two
21 new mines to that rate, and the triggering,
22 potentially, of the Board's reservation to review
23 that rate?

24 A In the calculation, there was none. In practice,
25 it is fully recognized that that is the process
26 that would have to be followed. I have done some

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1 cross-checks to see, from the cost of service work
2 we did in 1996/1997, what would the situation look
3 like if you took the information we had way back
4 then, without even dealing with cost increases and
5 things, and you got rid of the Faro mine but
6 brought on a mine of the load level of Minto. And
7 the thing I was worried about, or wanted to test,
8 was whether or not there was some reason why, in
9 those circumstances, the cost of service would lead
10 to a lower rate than the one I was using. And
11 based on very preliminary assessments, my
12 conclusion was that there wasn't a reason to be
13 seriously concerned about that, probably the rate
14 would be around the same or maybe a bit higher when
15 the Board got around to dealing with it, for a
16 variety of reasons. But even looking at the
17 situation statically in 1996/1997 cost of service
18 terms, there was no reason to believe that that
19 conclusion would not hold, before you even get into
20 cost increases since then for the system.

21 The big changes in the system since then have
22 been roughly a doubling of diesel prices, which
23 will certainly affect a major energy-intensive
24 customer such as an industrial customer, and the
25 construction of the Mayo-Dawson line which
26 substituted diesel generation with hydro

1 generation, but added a new capital cost to the
2 system.

3 For the sake of my initial sort of assessment
4 of that, I would say that the economics of that
5 line were indifferent to diesel somewhere around
6 doubling the price of diesel, so I would say
7 probably there would be an overall effect of
8 increasing energy costs in the system relative to
9 what we had back then, but, with the Faro mine on
10 the system, we had over 80 million kilowatt hours
11 of diesel on the WAF system helping to serve the
12 Faro mine, so you have to take that into account as
13 well.

14 Q It's probably a good answer. I cannot actually
15 remember all of it right now. But what I got from
16 it was that you have eyeballed it, probably is
17 around the same, might go down, might go up, but
18 you cannot really tell me with any certainty.

19 A I think, in that level, I said I have reviewed it
20 in more depth than just eyeballing it now. I don't
21 think there is any real likelihood of it going
22 down. I think there is a likelihood of it going up
23 slightly, based on everything short of any
24 Carmacks-Stewart costs included in it, just looking
25 at the rest of the system the way it exists today.

26 Q Just updating that rate basically?

- 1 A Well, updating that rate, and assuming, if you
2 like, for example, that the mine was sitting at
3 Carmacks rather than having to be at the end of a
4 line that we are constructing and how we treat the
5 cost of service for that line.
- 6 Q Oh, I see. I think what you are saying there is
7 not only upping the rate, but also
8 recontextualizing the rate to meet the specific
9 characteristics of the new customer? It's not
10 Faro, it's --
- 11 A It's not Faro.
- 12 Q It's another customer, with a different situation,
13 that would have an effect on the rate?
- 14 A Well, adding the cost of the Carmacks-Stewart line
15 into the rate would have an effect on it, into the
16 cost of service, and there are other contextual
17 items we would have to think about for the
18 industrial class, which is what you are technically
19 getting the cost of service for. For example, the
20 Faro mine was charged 85 percent of the cost for
21 the transmission line from Whitehorse to Faro based
22 on an NEB decision in the 1980s. We would not be
23 doing that in this cost-of-service study. But then
24 that particular transmission line is pretty heavily
25 depreciated, so it is not like we are talking large
26 dollars.

1 When I did my assessment of what I call the
2 "no Faro case" in the 1997 GRA, it made that type
3 of adjustment for me, so that I could see the
4 implications, but it did not bring in new costs,
5 doubling of fuel costs, all that type of stuff, or
6 building of the new Carmacks-Stewart line, or the
7 new Mayo-Dawson line that has been built since
8 then. So a full assessment would have to go at all
9 of those things.

10 But I am saying looking at it from what
11 I could see, and using professional judgment,
12 I would think there is a likelihood it would go up
13 slightly. And by slightly, I am not talking 5
14 cents, I am talking half a cent, a cent, up to 2
15 cents or something like that. Probably it would be
16 at the lower end of that range, but definitely
17 tending to go up. I cannot see any likelihood of
18 it going down from what we calculate from the rate
19 today, the interim rate, with the 1 cent added for
20 the Rider F.

21 Q I will try to close this off for now, but I just
22 have one follow-up. In terms of adjusting it, can
23 you describe if there is any correlation between
24 the rest of the rates when you make that
25 adjustment? If you are saying it could go up half
26 a cent, 1 cent, 2 cents, what is the corresponding

1 effect on the rates surrounding the industrial
2 rate?

3 A They would definitely have a tendency to go down,
4 no tendency to go up. And the reason is that --

5 Q It sounds more like it would be an equal and
6 opposite effect. If one goes up, the other one is
7 down. If one goes down, the other goes up. That
8 is intuitive.

9 A That is basically the waterbed example of a cost of
10 service study. If one person's rate goes up, other
11 peoples' rates tend to go down, not necessarily the
12 same percentage of course, but that is fair. And
13 the type of analysis that I was doing was looking
14 at a set of system costs that are constant.

15 However you want to do the analysis independent of
16 these mines, you add the mines to them, what is
17 going to happen? And you are charging them an
18 average cost base type of approach, they will get a
19 certain rate, the system will have certain
20 benefits, those benefits would normally be
21 translated into lower rates, assuming a cost base
22 revenue requirement.

23 Q Has the possibility that there would be this rate
24 change in the rate been discussed in terms of
25 negotiations with the mines, with Minto for
26 example?

- 1 A Yes.
- 2 Q Are they concerned about it?
- 3 A Put it this way, any customer would love to get a
4 rate that had no uncertainty associated with it.
5 But beyond that, any customer that is going to be
6 served on this system has to live with the rules of
7 this system. And the rules are that the rate has
8 to be what it is that is approved by this Utility
9 Board, and it has to meet the Order-in-Council
10 requirements. And over the life of the mine, the
11 rate may well change for reasons to do with costs
12 on this system and how they change. And Yukon
13 Energy's position has been that the rate will be
14 what the Utility Board approves from time to time
15 during the life of the mine. Certainly I have
16 heard propositions put to us, people would like to
17 get a fixed rate for the life of the mine, so we
18 had not given any great encouragement to those
19 types of hypotheses.
- 20 Q You were asked, or the panel was asked about DSM
21 for the industrial customers. I believe the
22 discussion or the answer was something like, one of
23 the reasons the industrials are talking to us is
24 because, as a DSM-type measure, they are moving
25 from diesel to, hopefully, grid power in order to
26 save lots of money, sort of a DSM-type solution for

1 them.

2 Now, I am presuming there are other DSM
3 solutions once they are on grid that are available
4 to industrial customers. I do not know what they
5 are, I am not a DSM specialist, but presumably
6 there are ways in which they could reduce their
7 need, over the lifetime of the mine, in terms of
8 their operations. Am I correct in that? And if I
9 am, have the DSM opportunities available to the
10 mines been factored in when calculating the
11 ratepayer benefit you foresee for those mines being
12 connected to the grid?

13 A Well, let me answer your second question first.
14 There has been no factoring in of that type of a
15 factor in our calculations.

16 The first question, has the DSM been
17 considered, the answer is no. There are a variety
18 of factors that could lead to the mines having
19 different loads than are assumed in our work. The
20 Minto load has changed dramatically throughout the
21 last 12 months in terms of what we assumed. I
22 think we filed in January of last year. We did the
23 work, wrote a report in January of last year, and
24 it was about 14 million kilowatt hours in a 12-year
25 life. In the update that we filed in June, I think
26 it had grown to an average of about 24 million

1 kilowatt hours in a 7- or 8-year life. Today we
2 are at 32 and a half million kilowatt hours, and we
3 are saying a likely life of 10 years or so. It
4 could change again. Certain changes in the way
5 they do their operations might reduce it slightly,
6 things like that.

7 The likelihood for a mine of this length of
8 life getting into big investments and DSM, of the
9 type we are talking about, I am not aware of a lot
10 of options that they would get into. As I said
11 earlier, it is not quite the same as dealing with,
12 say, the Inco mine in Manitoba that has been there
13 for a long time and expects to be around for a
14 longer time. They have done some very material DSM
15 measures.

16 Q Now, as I understand it from some of your
17 Interrogatory Responses, actually YEC does very
18 little, if no, DSM, correct?

19 A At this point in time that's the case, for the
20 reasons we gave. Back in 1992, YEC was doing quite
21 a lot of DSM.

22 Q I only ask because I know I asked you about DSM
23 measures, but as I understand it, the combination
24 of the fact that you do not do any DSM right now,
25 and based on your evidence, and I do not think
26 there is an DSM expert on the panel, I do not want

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1 to have your word in terms of what DSM measures are
2 available to the industrials as being the final
3 word in the proceeding, and I want to make that
4 point, and I just want to know if you agree with me
5 in terms of, we really don't know what available
6 DSM measures there are for a mine of a predicted
7 life of 10 years to reduce its load, but, at the
8 same time, it has not been considered anyways.

9 A I think that is fair. I would only say that
10 certainly I have been around in DSM discussions
11 intensively, both in the 1992 Hearing and in the
12 earlier 1990 Manitoba Hydro Capital Hearing, and
13 I can tell you, in Manitoba, major industrial
14 customers play a major role in DSM, but they all
15 have longer lives than we are looking at here. So
16 that is the point.

17 I would also make the point that our response
18 to DSM, having been quite active in it in 1992,
19 was, when the Board reviewed our rates in 1993 with
20 the Faro shutdown and everything else, it was quite
21 emphatic about this was not the time to be spending
22 a lot of money on DSM because all it would do is
23 reduce the loads and increase the rates.

24 Q That concludes my questions that came up from the
25 previous cross. I do actually have, for example,
26 more questions on the Carmacks-Stewart line, but in

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1 my head, I have all of the project-specific
2 questions at the end, and I am going through more
3 the general questions first. So just to warn you,
4 it may come back.

5 I want to turn or start with, I guess, a
6 general question which I don't necessarily think it
7 relates to any particular issue but has more to do
8 with YEC's approach to the proceeding. I make
9 reference to UCG Interrogatories 2-46 and 2-48 as
10 examples where UCG has asked questions about what
11 YEC anticipates to be the future steps in terms of
12 Board review -- I'm paraphrasing our own
13 interrogatories -- I see everybody is turning to
14 it, so I will just wait a minute.

15 THE CHAIR: Is that 2-46?

16 MR. BUONAGURO: And 48, yes.

17 Q MR. BUONAGURO: Now, our understanding
18 of those responses, and I believe in fact the tenor
19 of the opening statement, and the position YEC took
20 in terms of the Board's question about the Part 3
21 review that was resolved by a decision earlier on
22 in the proceeding, is that YEC sees this as "the
23 review" of these projects, that YEC does not
24 anticipate being before the YUB with respect to
25 these projects until it seeks to include them in
26 rates. Is that a fair characterization of YEC's

1 position?

2 A MR. MORRISON: I am going to get
3 Mr. Osler to add on to this, Madam Chair, but
4 I would like to respond and clarify a couple of
5 things.

6 From our perspective, it was necessary, and
7 has been necessary for some time, for YEC to find a
8 mechanism by which it could have major capital
9 projects reviewed by this Board prior to those
10 projects going into the construction phase. We
11 prepared our Resource Plan and filed that Resource
12 Plan with the intention that that would stimulate a
13 hearing process, and, as it would happen, we are
14 here now for a hearing. We envisage based on the
15 Board's Orders and the letter from the Minister,
16 that this hearing would be a comprehensive and
17 detailed review of our Plan, and of all of the
18 projects within that Plan. Any other issues about
19 a second hearing are not our issues. We are here
20 today to deal with the issues in front of us. We
21 have provided a comprehensive Resource Plan. We
22 have provided detailed and comprehensive answers to
23 all of the questions that have been put to us. We
24 are here with a panel to answer all of those
25 questions. If somebody subsequently decides that
26 there is another hearing required, that is not our

1 decision. We are here to answer all of the
2 questions that anyone might have in regards to this
3 Resource Plan. These are the projects we think
4 need to be reviewed by the Board prior to going
5 ahead, and we are certain, based on the format and
6 framework for these hearings, that they will get
7 that thorough and comprehensive hearing.

8 Anything you wanted to add, Cam?

9 A MR. OSLER: I do not think there is
10 anything I wanted to add.

11 Q From that answer, it does actually sound to me like
12 you do not think anything else is necessary. Is
13 that true?

14 A MR. MORRISON: I am here today with
15 this panel to do anything and everything
16 contemplated by this hearing. Subsequent to that,
17 I have no control over the issue.

18 A MR. OSLER: Just to add one point,
19 your question was do we think, you know, the terms
20 of reference that the Minister gave in June to this
21 Board are adequate to give the type of review that
22 Yukon Energy contemplated for projects of 3 million
23 or more? The answer to that is emphatically yes.

24 Others may think there are other reasons to
25 have more hearings, we cannot deal with that. It
26 is not our job, it is not our mandate, and frankly

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1 it is up to others to make their conclusions based
2 on what they see from this Board's report. But the
3 Minister's terms of reference gave a very clear
4 review focused on projects more than \$3 million in
5 the near-term, and spelled out the need and
6 adequacy and prudence types of questions that,
7 certainly in my professional experience, are the
8 types of questions that should be addressed to meet
9 the type of requirements that Mr. Morrison and
10 YEC's Board sought to have this Board address
11 before proceeding in the future with projects of
12 that type.

13 Q The Minister subsequently wrote a second letter
14 specifying that there would be a Part 3 review,
15 despite this process, with respect to specific
16 proposals, and enumerated the Carmacks-Stewart
17 transmission line as an example. I understand that
18 you agree with the first letter. Does that mean
19 that your position is that the second letter was a
20 mistake?

21 A MR. MORRISON: We don't have a
22 position like that, Madam Chair. The second letter
23 was written. It is a letter from the Minister.
24 Nothing has been done to initiate that process, and
25 as far as I am concerned, until such time as there
26 is another process initiated, we have no comment.

1 We have no further comments. We have made our
2 comments. They are on the record. I do not think
3 we need to address something that has not
4 happened.

5 But I come back and reiterate, we have
6 provided all of the information we have regarding
7 these projects. They are here to be reviewed by
8 the Board in a very open and forthright manner, and
9 we will rely and look towards the Board's review of
10 these matters and their report.

11 Q I do not mean to belabour the point, but I am
12 anticipating receiving written submissions next
13 week, and I want to know if I am facing submissions
14 to the effect that there should be no Part 3
15 review, based on the Resource Plan review that has
16 happened today?

17 A I do not think I can help you. I have answered the
18 question.

19 Q You may or may not make submissions like that?
20 When you say you cannot help me --

21 A I cannot answer that question for you. I do not
22 know the answer to that question.

23 Q All right.

24 Now, UCG distributed, by e-mail, a document
25 last week referred to as the British Columbia
26 Utilities Commission Resource Planning Guidelines.

1 I think we have exactly 15 copies here. There may
2 not be 15.

3 MR. MORRISON: Madam Chair, if it
4 helps, we have our own copies.

5 MR. BUONAGURO: Does the Board have
6 copies?

7 THE CHAIR: Not at this time. The
8 submissions have not been officially entered, yet,
9 as an exhibit at this time. Would you like to
10 proceed with your questions on it first?

11 MR. BUONAGURO: Well, perhaps I can put
12 them in as an exhibit and then you can go to
13 questions so we can look at them.

14 THE CHAIR: Mr. Landry, do have you
15 any comments on that?

16 MR. LANDRY: It's fine for it to go
17 in as an exhibit, but I may have some comments on
18 some of the questions that arise from it
19 obviously. I am not overly clear as to what the
20 questions will be. I am not overly clear what
21 relevance this has to this hearing. But having
22 said that, we want it to be as open as we can. So
23 we will allow it to go that way if it pleases the
24 Chair.

25 THE CHAIR: Do we have a number for
26 that? I am sorry, I couldn't hear that?

1 MS. LEMKE: C-3-12.

2 THE CHAIR: C-3-12.

3 EXHIBIT NO. C-3-12:

4 DOCUMENT TITLED RESOURCE PLANNING

5 GUIDELINES, BRITISH COLUMBIA

6 UTILITIES COMMISSION

7 THE CHAIR: And could we have some
8 copies as well?

9 MR. BUONAGURO: Everybody okay?

10 THE CHAIR: Appears to be.

11 Q MR. BUONAGURO: I can tell you we --
12 the Guidelines essentially set out 11 principles in
13 terms of Resource Planning, and we introduce it
14 because we intend to rely on it in argument in
15 terms of a framework for valuating the Resource
16 Plan that is before the Board, and we wanted to
17 introduce it here to give the panel for YEC a
18 chance to review it, and comment on any particular
19 aspect of it.

20 What I propose to do, I can do it the long way
21 or I can do it the short way. The short way would
22 be to ask the panel if there is anything in these
23 11 principles that they disagree with as being
24 sound principles with respect to Resource
25 Planning. And I put that question to the panel.

26 A MR. MORRISON: That is fine, and we

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1 will address that, Madam Chair. I just want to --
2 for the record, I want to make the point to start
3 with, that this Board does not follow -- does not
4 have Resource Planning Guidelines. These are
5 guidelines from another jurisdiction that are not
6 adopted here, that do not apply here. But as
7 Mr. Landry said, Madam Chair, in the spirit of
8 trying to be cooperative, and if it is helpful in
9 any manner, we certainly are prepared to make some
10 comments on the principles outlined here, and I
11 would say to you overall, I think in general, our
12 Plan has certainly followed the spirit of the
13 framework here to a large extent, but I will let my
14 colleagues give you some very specific answers in
15 that regard.

16 Do you want to start, Cam?

17 MR. LANDRY: Before they start,
18 Madam Chair, one of the issues that I think -- I do
19 not have, in general, a great difficulty with the
20 question as it has been put.

21 Part of the difficulty, having been through
22 some Resource Planning activities in British
23 Columbia, is that the context within which these
24 Resource Planning Guidelines are in place in
25 British Columbia are very specific to some of the
26 issues that are facing British Columbia as we

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1 speak. And so it is -- I just want it to be clear
2 that it is all fine and well to use these and to
3 suggest that it is perhaps a template or a
4 guideline or something that might be used, but
5 I want to make it clear, that given that we are not
6 going to have any evidence here on what is
7 happening in British Columbia, that these
8 guidelines are very specific to British Columbia,
9 and relate very much to the situation facing
10 British Columbia, which is very different than it
11 is in the Yukon.

12 THE CHAIR: Are you prepared to
13 proceed on that basis, Mr. Buonaguro?

14 MR. BUONAGURO: Yes. I have a few
15 comments just to be helpful. As I think it was
16 Mr. Morrison pointed out, this Board has no similar
17 guidelines with respect to Resource Planning. In
18 the absence of such guidelines, I think it is
19 helpful to have some sort of framework when
20 reviewing the Resource Plan. I know from the
21 presentation that we had, that certainly YEC has
22 put forward a resource framework which they operate
23 under. I think it is incumbent on people who are
24 going to be commenting on their Resource Planning
25 Guidelines to put forward maybe an alternate or
26 expansive view. To the extent that these

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1 particular set of guidelines are not applicable to
2 YEC, I welcome their input on that, and I think the
3 Board would find that helpful.

4 THE CHAIR: Please proceed, and
5 point out the relevance as you go along with your
6 questioning as well, please.

7 A MR. MORRISON: So, Madam Chair, if we
8 have the question, can I go ahead?

9 Q MR. BUONAGURO: Yes, I think the
10 question was basically to allow them to go through
11 the points, and I presume they are either going to
12 explain how their plan meets that guideline or how
13 that guideline does not apply.

14 A MR. OSLER: So, just to deal with
15 the guidelines, generally speaking, on reviewing
16 them, they lay out a process for Resource Planning
17 that, in terms of the several points that you are
18 noting, makes sense particularly in the context of
19 the British Columbia situation, but in any other
20 situation where the Utility Board has a statutory
21 requirement to review a resource plan and a
22 statutory requirement to deal with CPCNs, or
23 Certificates of Public Convenience and Necessity
24 for major projects of the Utility which is the case
25 in British Columbia in both cases, and not the case
26 here in either event.

1 The very first page of the guidelines lay out
2 the new statutory mandate of the BCUC, the British
3 Columbia Utilities Commission, to deal with plans,
4 and these guidelines are that Utility Commission's
5 response to that new mandate. I would also say
6 that the new British Columbia energy policy directs
7 the major utility, B.C. Hydro, to not do a new
8 generation except with cabinet approval, so that in
9 effect IPPs are the only source of new generation
10 except for exceptions. So you have to read all of
11 this in that context, which is not the context in
12 most jurisdictions at the moment.

13 I would also point out in the first page that
14 the definition of demand side management that the
15 BCUC has adopted includes decrease of shift or
16 increases in energy demand which Yukon Energy has
17 certainly adopted. We certainly think that the
18 overall role of a Utilities Commission in reviewing
19 filed plans, as they say here, is to determine
20 whether the expenditures are in the public interest
21 and whether associated rate changes are necessary
22 and appropriate. I think that is very
23 appropriate.

24 On the second page of the guidelines, the
25 various impacts that they talk about looking at are
26 things that we addressed and the Minister addressed

1 in his directive to this Board. Obviously meeting
2 requirements, security of supply, rate stability,
3 risk mitigation, special social or environmental
4 impacts, this Board has said it will look at those
5 to the extent they may affect costs of the projects
6 that we are talking about.

7 Talking about multiple objectives, British
8 Columbia has a focus on that that we have not seen
9 to be useful in the Yukon context at the moment in
10 as direct a manner as they have, where you have
11 some portfolios that are green power only, and some
12 that are not, larger projects, but in principle,
13 there is nothing wrong with that if the
14 circumstances open themselves to that type of set
15 of options. Here we have not seen that to be a
16 good way to describe it.

17 We certainly agree with the second paragraph
18 on page 2, where, if you did have a jurisdiction to
19 be doing CPCNs for major projects, which you don't,
20 we think that a plan helps in your assessment of
21 that. In short, what the Board is reviewing here,
22 isn't just projects, it is a plan that sets the
23 context for the projects. I think BCUC is noting
24 that that is helpful in reviewing projects in
25 British Columbia as well. And applications for
26 specific projects, they say, should be supported by

1 Resource Plans filed pursuant to the new
2 legislation.

3 The actual items I think parallel very much
4 what we have done, the resource guidelines. We
5 have set a context and objectives. This time,
6 around in this plan, we did not get into DSM, but
7 the 2002 plan did exactly what we are talking about
8 here; looked at forecasts of demand before and
9 after DSM when there was a DSM game plan, and had
10 an entire set of the documents on the DSM resource
11 options.

12 Secondary sales are the DSM option of the day
13 in Yukon at the moment, in order to make efficient
14 use of the resources that are available and
15 encourage demand for it.

16 We note that in the footnote on page 3,
17 Footnote 2, "The B.C. Utilities Commission
18 interprets its jurisdiction as extending only to
19 consideration of environmental and social impacts
20 that are likely to become financial costs in the
21 foreseeable future." I think this Board has
22 essentially said the same thing in its ruling.

23 Three, identification of supply and demand
24 resources, that's the options process that we have
25 talked about. We have laid it out more as
26 requirements, which they call gross requirements.

1 We have gone through a capacity planning criteria
2 matter that they do not get into here, but it sort
3 of fits into these preliminary steps. There is
4 nothing inconsistent in principle with that, it is
5 just they did not think about it when they wrote
6 this down.

7 The measurements of supply and demand
8 resources and lost opportunities, I would say we
9 are very concerned about lost opportunities. If we
10 don't move in a timely way with the Minto mine, the
11 opportunity is gone. If we don't move in a timely
12 way with the Carmacks Copper mine, the opportunity
13 is lost.

14 Life cycle costs, impacts on rates are things
15 that we very much looked at under those sort of
16 measurement of characteristics features. They do
17 not emphasize matching the same way we do, but they
18 have a jurisdiction that is significant
19 interconnection to other jurisdictions in Alberta
20 and the United States. Yukon is an isolated
21 jurisdiction. It can't sell the power if it is in
22 surplus. It cannot buy it from someone else if it
23 is in deficit. We have to plan with that degree of
24 contingency. It is not at all similar to B.C.

25 Development of multiple resource portfolios,
26 in principle, as I said, not a bad idea. Useful in

1 B.C., not necessarily applied everywhere else. In
2 Yukon, we have not taken that approach, neither
3 1992 or today, because we did not see it being, in
4 the end, a useful way to describe the options and
5 the issues.

6 Evaluation and selection of portfolio or a
7 game plan, a set of preferred portfolios, we use
8 the language on page 4 of the overview document,
9 B-2. The ultimate outcome of a Plan was talking
10 about preferred projects. We have come up with
11 four initially, three left, for the near-term. And
12 they effectively address some of that type of
13 stuff.

14 Development of an action plan, that is exactly
15 the same language, ironically, that we use to
16 describe the recommendations in Chapters 4 and 5 of
17 the report.

18 Stakeholder input, the Utility Board, in that
19 case, is looking at, before you bring it before
20 them, get some stakeholder input. In Yukon, we
21 have done some of that, to the extent that it is
22 feasible. Unfortunately, or fortunately as the
23 case may be, in Yukon, there is not the same
24 institutional large number of players, IPPs,
25 industrial customers, and everybody else that there
26 would be in British Columbia or Manitoba or other

1 places, that the Board would very much like to see
2 their inputs to the process before they arrive at
3 the Board's door.

4 Regulatory input, B.C. is very strong on
5 getting staff input, and we see no problem with
6 that. It is helpful to the utility as well as the
7 Board.

8 Consideration of government policy, yes, we
9 certainly have to do that, including increased
10 control of emissions.

11 And then, finally, regulatory review, which is
12 the final principle. And Yukon Energy, without the
13 legislated mandate, has been trying to find ways,
14 under the test point given in 2005, to achieve a
15 way to do these things in the Yukon legislative
16 context, which doesn't mandate the Board
17 automatically to do any of these things.

18 Q I can see you have used the time between my sending
19 it to you and today usefully. I have a couple of
20 questions to follow up on what you have said, as
21 they occur to me.

22 With respect to stakeholder input, you
23 mentioned that in other jurisdictions, if I am
24 paraphrasing you properly, that the utilities
25 encourage to get that input before the Resource
26 Plan gets to the step of review, and that that was

- 1 unfortunately not able to happen in the Yukon, I
2 think you said, or at least not to the extent that
3 it would be in other jurisdictions. Is that fair?
- 4 A I do not think it is quite what I was trying to
5 communicate. I was trying to communicate that we
6 don't have the same well established large number
7 of people involved in utility proceedings,
8 including major industrials and other people.
9 Notwithstanding that, Yukon Energy, as soon as it
10 had the Plan able to be filed with the Board, moved
11 with consultations to the extent it could, and also
12 certainly fully supports the Board process of
13 having a workshop and other things. So, to the
14 extent that we can, we are very supportive of this,
15 and supportive of the key stakeholders having the
16 resources needed to do it effectively.
- 17 Q You mentioned the public workshops and other
18 consultations, and to our knowledge, those all
19 happened post drafting, I guess, of the Resource
20 Plan which was put to the Minister and then put to
21 the Board for review. Is that correct?
- 22 A Yes.
- 23 Q Was there any stakeholder consultation before or
24 during the drafting of the Resource Plan which we
25 are reviewing today?
- 26 A Technically, yes. In terms of attempts for

1 discussions with the other utility, discussions
2 with the major customers such as the mines we were
3 talking to, probably some others that we have
4 commented on, but they were input on specific
5 issues and information that we needed to develop
6 the Plan, not generally giving them a copy of the
7 Plan and discussing it with them, not that -- well,
8 I will leave it at that.

9 Q You mentioned the other utility, which I guess is
10 YECL, obviously?

11 A That is correct.

12 Q And major customers, I expect you mean industrial
13 customers or potential industrial customers?

14 A The potential industrial customers that the Plan
15 was trying to address, so we wanted to make sure
16 that we had as good information as we could for the
17 purpose of doing the Plan.

18 Q What about non-industrial customers, or
19 non-industrial customer groups? And I can't help
20 but put forward the example of the Utility
21 Consumers' Group or the YCS, who preceded us in
22 questioning.

23 A MR. MORRISON: Well, I think, Madam
24 Chair, there are a couple of different ways to
25 approach these kinds of things, and Yukon Energy,
26 as a utility, could have gone out and said, Give us

1 your ideas and thoughts and we start with a blank
2 page.

3 We did not choose to do it that way. We chose
4 to do it in a manner that would say we have
5 prepared a Plan; what do you think of the plan? So
6 rather than giving people nothing as a starting
7 point, and not having the benefit of all of this
8 information, it was our clear understanding that
9 what we wanted to do was provide a comprehensive
10 Resource Plan that interested persons and
11 regulatory authorities, including the YUB and YESA,
12 could look at, and then we could take that input
13 from that point onward. So there are all kinds of
14 different ways we could do these things. I think
15 it was important from our perspective that we
16 reviewed our assets, the condition of our assets,
17 that we looked at the various alternatives. And we
18 looked internally at all of those alternatives, and
19 then provided something that people could comment
20 on, people could actually review and provide their
21 thoughts on and both their criticisms and their
22 support for, and that was our approach.

23 A MR. OSLER: I would just add about
24 timeliness too. This company made some commitments
25 to this Utility Board in the 2005 proceeding, and
26 I know that the Board of Directors and others were

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1 very concerned that, once they are adopted the new
2 capacity planning criteria in December of 2005,
3 that as soon as possible they get a plan to this
4 Board for review, showing the implications of it.
5 It was also the timing issues to do with the
6 Carmacks-Stewart project, and the diesel issues
7 that flowed from it. So with those issues in mind,
8 I know that one of the things that was talked about
9 with us was trying to get this out, officially, to
10 the Board as soon as possible.

11 Q I am not sure, but I think my question was a little
12 more limited, as, was there any other consultation,
13 i.e., for our groups, but my second question would
14 have addressed what you have pointed out.

15 Issue 12.1 talks about regular review of the
16 20-year plan, both for meeting the criteria
17 established and to meet changing conditions. And,
18 I believe, and correct me if I am wrong, I think
19 you mentioned in the preamble that you were looking
20 to review or update or adjust the Plan on a three-
21 to five-year basis. And now looking at that issue
22 and going forward, would you agree that it might be
23 useful to meet with stakeholders, the other
24 utility, the major customers, and non-industrial
25 customers, including customer representative
26 groups, before you put something together or during

1 that process; or are you committed to doing it the
2 way you have done it this time?

3 A MR. MORRISON: I think, Madam Chair,
4 that I think we needed to have a baseline
5 document. And now that we have a baseline
6 document, I would agree with Mr. Buonaguro that we
7 have something to discuss with stakeholders.
8 I prefer having something to discuss and review, as
9 to starting, you know, with everybody providing
10 input and not really knowing where the direction
11 is. So I think, now that we have got that, we
12 would certainly talk to stakeholders prior to doing
13 an update. But we have a document to update now.
14 We have something that we can actually discuss with
15 stakeholders, and I think that would be
16 appropriate.

17 I think in addition to that, we would have the
18 knowledge and the benefit of time and change in
19 circumstances, that we could also discuss with
20 stakeholders and interested parties.

21 Q You mentioned in the first answer, consulting -- I
22 think you used the word trying to consult with the
23 other utility, and if you did not say that,
24 I apologize, but I think it was something along
25 those lines -- YECL. And we know some of your
26 interrogatory responses have references, but I do

1 not think I need them, that there was discussion in
2 the planning process with them, but there were some
3 problems getting particular information from them
4 on a timely basis, I think specifically load
5 forecast data that you wanted. And that ultimately
6 the Resource Plan went on ahead without that load
7 forecast data even though it was supplied -- I
8 think it was supplied later on, but too late for
9 the Plan. Someone is shaking their head, have I
10 mischaracterized it?

11 A MR. MORRISON: Are you asking me that
12 question?

13 Q Mr. Osler was shaking --

14 A Are you specifically asking me, was the load
15 information supplied later on? I am not sure you
16 are asking me a question or if you were still just
17 talking --

18 Q I was recounting my synopsis of the relationship
19 between YEC and YECL leading up to the Resource
20 Plan being filed. And as I was saying, you could
21 not get the load data from them on a timely basis
22 but that it was -- even though it was supplied at a
23 later time, it wasn't incorporated in the Plan, and
24 Mr. Osler was shaking his head as if I was
25 incorrect. So I just wanted to know what I was
26 incorrect about. It wasn't directed to

1 Mr. Morrison, it was directed to Mr. Osler.

2 A MR. OSLER: As far as I know, we never
3 received updated information later on.

4 Q Okay.

5 A I don't think we've ever said we did.

6 MR. MORRISON: I am not used to trying
7 to figure out what you are incorrect about, but
8 just to be clear here, the load forecast data that
9 we requested was detailed customer information. It
10 wasn't the aggregated load forecasting information
11 we needed. And we did get information sufficient.
12 And I am going to turn to Patrick just in a moment,
13 to let him add a little bit to this, but we did get
14 the aggregated information that we required in
15 order to prepare a rigorous load forecast.

16 Now, just to be very clear about this, in the
17 preparation of this Plan, and the preparation of
18 load forecast material for the revenue requirement
19 hearing we did in 2005, not only did we get
20 information from YECL in terms of what their
21 forecast was for loads over the near future, we
22 tested that information fairly rigorously
23 ourselves. So the load forecast data, and I want
24 everybody to be clear, we have no doubt that the
25 load forecast data in this material is very
26 accurate.

1 Patrick, do you want to add to that a little
2 bit, or Hector?

3 Q Before you get into that, I am not in my load
4 forecast section of my questioning. It was more of
5 an example in terms of apparently misinterpreted
6 problems between YEC and YECL in terms of the
7 Resource Planning. I will bring up load
8 forecasting again, and I am sure you will find a
9 way to make that answer heard at that time.

10 A Sure.

11 Q My point -- and I guess I can turn to the
12 withdrawal letter from YECL, which is Exhibit
13 C-1-5.

14 I can tell you, we were, as a group, surprised
15 when YECL withdrew from the proceeding, but they
16 did provide some statements in their letter, here,
17 commenting on the types of things that they saw had
18 been problems with the Resource Plan and the types
19 of things that they would be bringing up in the
20 anticipated Part 3 review of the major capital
21 projects.

22 Now, I understand the 1992 Resource Planning
23 exercise was a joint undertaking between YEC and
24 YECL, and clearly this one is not, save what you
25 have said about some data sharing. Can you explain
26 why that is and explain what we see as an apparent

1 problem in communication between the two companies?

2 A Madam Chair, I think on the surface is a fairly
3 simple explanation. In 1992, Yukon Electric,
4 through its parent, Atco, managed the system. So
5 there only was -- from a planning point of view,
6 they were the managers of the system. They managed
7 the Yukon Energy assets as well as their own
8 assets. So it was pretty logical that when the
9 plan was put forward, it was put forward by both as
10 a joint submission, because both utilities were
11 being managed by the same group. That is no longer
12 the case.

13 Q And I am making a little bit of assumptions about
14 what we are talking about ... the assets, although
15 not divided between two companies, are still the
16 Yukon Territory as a whole. Is that correct?

17 I mean we are talking about two companies who,
18 together, cover all of the distribution and
19 transmission of electricity within the Yukon, for
20 the most part. Correct?

21 A That is correct.

22 Q And in their letter, they make some specific
23 comments. I would turn to, I guess it is the last
24 page, page 3, at the top of the page, where they
25 make the comment: The 20-year Resource Plan is the
26 plan of only YEC and does not consider the plans of

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1 other energy developers and their abilities to sell
2 power to industrial load or to YECL. It also does
3 not consider YECL's plans to develop its own
4 generation sources rather than purchasing from
5 YEC. While the review of the 20-year Resource Plan
6 may provide YEC assistance in planning and
7 decision-making, it does not address the planning
8 requirements of the Yukon Territory as a whole.

9 Now, throughout the evidence, there are some
10 comments from YEC about not being aware of any
11 significant generation plans on behalf of YECL. I
12 think that is fair to say. Basically, wherever the
13 questions come out, what about YECL, what about
14 their generation plan, YEC has said, We are not
15 aware of anything. Is that a fair
16 characterization?

17 A That is a very fair characterization. I can tell
18 you, Madam Chair, that I personally had several
19 discussions with YECL regarding this matter. We
20 advised them from the very beginning that we were
21 doing a Resource Plan. YECL has made a similar
22 comment to me, Well, are you taking into account
23 other generation or transmission plans that Yukon
24 Electric might have? And my response to them was,
25 Well, are you planning to build any? And the
26 response was no.

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1 And so, you know it, was very clear to me that
2 they had no -- and specifically very clear, there
3 was no plan, there was no generation plan to be
4 built, there was no transmission plan to be built.
5 And in the absence of that, I think it is not only
6 incumbent upon Yukon Energy to do a plan, I think
7 it would be lacking on our part if we did not sit
8 down and try to build the plan for the integrated
9 system that we largely control and own.

10 And I think that putting that forward is a
11 very responsible move. If, in fact, Yukon Electric
12 or other individuals had plans to develop
13 generation assets or transmission assets, they have
14 the same ability that we have, and could have
15 easily made a submission to this Board to do that.
16 And nobody, to my knowledge, has done that.

17 And Mr. Osler wants to add a little piece.

18 A MR. OSLER: Having taken part in
19 the 1992 process, both preparing the documents and
20 the hearing, the guts of the planning that was done
21 when we were working together was still the two
22 grids. The difference is that we provided the
23 information on the history and the forecast for, at
24 that time, Watson Lake isolated diesel, and the
25 smaller communities that YECL serves that are
26 isolated diesel. In this case, we have not

1 provided that information.

2 If we thought there was a transmission option
3 that could get rid of diesel at Watson Lake,
4 though, we would not have shied away from providing
5 it to this Board. Yukon Energy has looked at those
6 options and has not come forward with a plan that
7 makes any sense to pursue at this time. So it is
8 not that we did not pay attention to those
9 opportunities, but they did not merit further
10 consideration from Yukon Energy's point of view.
11 If somebody wants to challenge that in this
12 hearing, that would be appropriate.

13 I just offer the other comment, that this is
14 definitely a planning issue. I am not sure why you
15 would wait for a project-specific hearing to bother
16 raising it. It would seem to me to be a very
17 pertinent question to have been raised in this
18 hearing if they thought it was a serious issue.

19 Q I just want to go back for a second to
20 Mr. Morrison's statements about his conversation
21 with YECL with respect to generation, and I want to
22 be fair to you, I do not think you want to be seen
23 to be in a position of warranting that YECL does
24 not have generation plans?

25 A No, I am only telling you that that is what they
26 told me.

1 Q Which leaves us in a bit of quandary because we
2 have a letter here which, on the way out, YECL is
3 suggesting that they have plans to develop its own
4 generation sources. I don't know why this
5 information isn't being provided by YECL if there
6 is such sources, and I am not blaming YECL because
7 I do not know why you do not have that
8 information. But isn't this a significant problem
9 for this Board to address?

10 A I do not think it is a significant problem for this
11 Board to address. As I indicated to you, I think
12 that if someone else had plans to bring forward,
13 they should have brought them forward, and I don't
14 see anything being brought forward, so ... And all
15 the Board can do is address the material that is
16 before them.

17 Patrick?

18 A MR. BOWMAN: Mr. Buonaguro, if it is
19 helpful, this is dealt with to some extent in YUB,
20 First Round IR Number 18, in particular the
21 footnote there, where it talks about the concept of
22 joint planning that occurred in 1992 where
23 certainly YECL was at the hearing.

24 Q I am just turning up the reference.

25 A That is fine. On the first page there is a
26 footnote. It was Round One, Question 18. It was

1 the last question.

2 In any event, Mr. Buonaguro, what I was
3 pointing out from that, is that YECL was present,
4 involved in the hearing, as the manager of YEC's
5 assets at that time, but in terms of the
6 proceeding, this response, we wanted to make clear
7 the concept that, at that time, it was a generation
8 and transmission bulk power system plan, YEC is the
9 primary bulk power generator and transmission
10 system operator and owner. And even at that time,
11 we were talking about a hearing that, out of its
12 approximately half million dollars in costs, YEC
13 spent about 508,000, and YECL was about 15,000. In
14 terms of the studies going into that hearing, there
15 was about 2 million spent by Yukon Energy in
16 assessing various types of hydro projects and
17 transmission extensions. The total amount spent by
18 YECL, leading into that proceeding, was about
19 \$600,000, focused about half on DSM costs in their
20 non-interconnected communities, Watson Lake or
21 Beaver Creek, Old Crow, and the other half on a
22 project that was on the books at that time called
23 McIntyre 3, which is on McIntyre Creek locally
24 here. That was the only project proposed at that
25 time, that had YECL planning costs associated, in
26 that hearing. So we can only assume that perhaps

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1 that project remains on the books to some extent,
2 and that is the type of thing that YECL is talking
3 about. But it has not been brought forward. It is
4 a small project that is focused almost entirely on
5 a small amount of energy on the WAF system, where
6 we are talking about surpluses today.

7 So it is not entirely clear that, although we
8 talk a lot about joint and about two utilities, we
9 are not talking about sort of 50/50 involvement or
10 anything of that nature. This process is very
11 similar to the 1992 process, in that it is led by
12 YEC as the dominant player in the bulk power
13 system.

14 Q The way you jumped in, I thought you were
15 addressing this unknown potential planning
16 generation question that I had posed to
17 Mr. Morrison, with respect to YECL, but I
18 understand why you jumped in because it related
19 more to, I guess, what Mr. Osler was saying in
20 terms of distinguishing the 1992 situation from the
21 current, and I appreciate that. Having said that,
22 I think I have Mr. Morrison's answer on why we
23 don't know or why we care that we don't know about
24 YECL's generation plans.

25 MR. LANDRY: Madam Chair, I am a
26 little concerned about drawing any conclusion from

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1 a fairly ambiguous statement in a letter that I am
2 not sure -- I guess it is evidence because it is an
3 exhibit, but I do not necessarily conclude, from
4 the statement that is made in this letter, that
5 YECL does have a plan for generation. I do not
6 think you can conclude that. And if YECL did have
7 a plan for generation, I would have thought they
8 would have brought it to the Board for its review.

9 THE CHAIR: Mr. Buonaguro?

10 MR. BUONAGURO: He is quite right.

11 They are not saying they have plans, but they are
12 suggesting that their plans are something that
13 should be considered. And, again, I am not
14 necessarily faulting YEC for not knowing what their
15 plans are. The fault may/probably lies with YECL.
16 But as a consumer group that is interested in the
17 Resource Planning process, and is probably more a
18 direct customer of YECL than it is of YEC, we are a
19 little confused about why the two are not talking,
20 particularly if there is some sort of planning.
21 Now, again, I did not write the letter, but it is
22 on the record. It does suggest ambiguously that
23 there may be plans, and it is something that we may
24 bring up in our submissions that the Board should
25 be concerned about.

26 MR. LANDRY: Madam Chair, let's be

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1 clear, the evidence on the record is that YECL was
2 asked and they gave an answer. That is the
3 evidence, not this letter, in my submission.

4 THE CHAIR: Mr. Buonaguro, are you
5 happy to leave it at that?

6 MR. BUONAGURO: Oh, yes, that is fine.

7 THE CHAIR: Does that conclude your
8 questioning on the YECL/YEC area? I am just
9 wondering about a break. We had talked about
10 taking a break at 3:30, but I did not want to
11 interrupt your line of questioning on the YECL
12 issues, in which case I would like you to finish
13 those before our break.

14 MR. BUONAGURO: Let me just take a
15 look.

16 By the way, I am not checking my e-mail. My
17 questions are actually on the computer, so don't be
18 insulted.

19 That is fine. If you want to take a break
20 now, I would be happy with that.

21 THE CHAIR: We will have a
22 15-minute break. We will reconvene about 20 after
23 3:00.

24 (Proceedings adjourned at 3:05 p.m.)

25 (Proceedings resumed at 3:25 p.m.)

26 THE CHAIR: Are you prepared to

1 proceed, Mr. Buonaguro?

2 MR. BUONAGURO: Yes, thank you.

3 Q MR. BUONAGURO: I actually have two
4 more questions which relate generally to Issue 1.
5 With respect to the Energy Solution Centre, is
6 there any coordination with respect to this
7 Resource Plan and the plans or the proposed plans
8 of the Energy Solution Centre in terms of moving
9 forward with energy policy?

10 A MR. MORRISON: Madam Chair, I would
11 just like to get a little clarification. Are we
12 talking about the plans of the Energy Solution
13 Centre, or are we talking about energy policy?

14 Q Maybe I have mushed together my two questions
15 because my follow-up question -- maybe it is
16 helpful if I do it this way -- is with respect to
17 the proposed energy policy of the government.
18 I have Hansard references which talks about it, but
19 I do not think it is a surprise to you that there
20 is apparently a plan to put together a
21 comprehensive energy policy. And my general
22 question is, how does this Resource Plan fit into
23 what they are doing in those two respects? Has
24 there been any discussion with respect to those two
25 different, I guess, directions? Anything that you
26 can give me would be helpful.

1 A MR. MORRISON: I am not sure I can be
2 very helpful. The government's energy policy is a
3 government initiative, and it is not something that
4 Yukon Energy is driving, and I am not -- I do not
5 have any information to add to you in terms of how
6 that would fit into this process because I do not
7 know where that process is at the moment in terms
8 of a schedule or a plan. So you may have read
9 reference to energy policy discussions, but you
10 know as much as I do in that respect.

11 As far as the plans of the Energy Solution
12 Centre, I am not aware that the Energy Solution
13 Centre has plans that, again, would fit into or
14 dovetail with our Resource Plan.

15 Q When you say fit in or dovetail, are you saying
16 that -- are you assuming or stating that the
17 objectives of the energy -- the government energy
18 policy or the Energy Solution Centre are
19 fundamentally different and separate from your
20 Resource Plan or what are you doing, or that you
21 just are not aware of what they are doing to the
22 extent that you can relate it to your Resource
23 Plan?

24 A Well, I do not think I said either one of those two
25 things. What I said was that I am not aware of any
26 plans that the Energy Solution Centre has that

1 would fit into the Resource Plan that we are
2 talking about today. As far as government energy
3 policy is concerned, that is government's mandate,
4 and I am sure the government will deal with that
5 issue, you know, according to a timetable and
6 according to a set of discussions, and that, you
7 know, won't be guided by Yukon Energy. I do not
8 know anything more than you said there was a
9 reference that the government had a plan to prepare
10 an energy policy. I don't know any more than
11 that.

12 Q I am sorry, I think I almost heard that I am the
13 one who told you that there was a plan to put in an
14 energy policy, and I do not want to leave that, if
15 that is true. Before I mentioned it, are you aware
16 of plans with respect to the government putting
17 together a comprehensive energy policy sometime in
18 the next year?

19 A I am not aware of any specific plans, I am aware of
20 a reference.

21 Q Right. Okay.

22 A Yes.

23 Q So you know that the government is planning to do
24 something with respect to energy. Are you not
25 concerned with respect to your 20-Year Plan that
26 the policy may be -- may have something in it that

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1 may affect -- or would you not want to be informed
2 by that policy?

3 A Madam Chairman, our responsibility is to manage the
4 assets of the utility in a manner that best
5 utilizes those assets in the interest of the
6 ratepayers. Government policy is the purview of
7 government. And if and when government provides an
8 energy policy and direction to energy providers or
9 government agencies, then I think that will inform
10 what we do and inform the Plan.

11 As we mentioned earlier, we will look at the
12 Plan on an annual basis and see whether or not
13 there are substantive changes to that Plan. But
14 waiting around for peoples to do things, I do not
15 think is in the interest of the ratepayers or the
16 system, as a whole. There are certain issues, as
17 we have pointed out here, that need to be addressed
18 today, and I do not know when the government will
19 address energy policy, and I don't know how long it
20 will take them to address energy policy. So I
21 think in the interests of management of the utility
22 and the assets and the interests of the ratepayers,
23 it is important we proceed.

24 Q I am going to move on now to the Issue 2 series,
25 focusing on forecasting. Looking at the Resource
26 Plan itself -- or Exhibit B-2, which is actually

1 the overview plan, it's not the plan itself. Page
2 22.

3 A MR. MORRISON: We are there, Madam
4 Chair.

5 Q The graph shows your forecast based on your current
6 estimates. If you look over the page, 23, at 4.1,
7 it says here that Yukon Energy's long-term WAF
8 non-industrial load forecast is based on a review
9 of sales over past periods as far back as '92, in
10 some cases, focus on the period since '98 when the
11 Faro mine last closed, readily available
12 information on the Yukon economy, and other
13 relevant statistics and, in some cases, a review of
14 load forecasting variables used by the Canadian
15 utilities.

16 Now, within that, we would like to focus, for
17 a second, on the aspect of that you did a review of
18 sales as far back as 1992.

19 Now, we have here -- we have your annual
20 reports from back to 1993. Now, before I -- I am
21 not 100 percent sure it is necessary that
22 I distribute them. I just want to make a point,
23 and maybe you can tell me if you would like to see
24 the figures. Do you want them?

25 A MR. MORRISON: Ask the question.

26 Q Sure. When we look at the wholesale figures, which

1 we genuinely believe are indicative of the
2 non-industrial load, it is the major non-industrial
3 load, and we look back from the last year we have,
4 which is 2005, back ten years or so, back to 1995,
5 and if you look at the numbers and see between 1995
6 and 2005, what the actual load growth was in that
7 sector, we do the calculation, basically subtract
8 2005 -- sorry, subtract 1995 from 2005, and then
9 average out the increase, I guess it's a yearly
10 average increase, we get an average yearly increase
11 of .23 percent per year load growth, I guess, in
12 that sector. Does my methodology sound --

13 A Madam Chair, your methodology is what it is. Could
14 you ask the question, and then maybe we can see if
15 we could help you?

16 Q Right. The point being is that the actual load
17 growth in that sector, which represents basically
18 the non-industrial load growth, is significantly
19 less than the figure of 1.85, which is what the
20 projected load growth is.

21 A Okay. So you would like to know why the load
22 growth is higher than the .23 or the 3, of your
23 math, versus the one --

24 Q I admit there are various ways of doing it. What
25 we did was took ten years to go see what the actual
26 load growth is, and averaged it out. You can do

1 the last couple of years to see what the most
2 recent load growth was. I think it equals as high
3 as .61. The point being is that it is much, much
4 lower than 1.85, which you are using in your
5 figures.

6 A Let us respond to that. And I think, first,
7 I would like to have Mr. Osler give you an intro
8 and, Mr. Bowman, who has been itching to say
9 something most of the afternoon, would really like
10 to provide some additional comment.

11 Q I feel like I have walked into a prepared answer.

12 A You may have.

13 A MR. OSLER: Well, it certainly was an
14 issue that we should be prepared for.

15 In Exhibit B-1, the January document, pages
16 4-4 through 4-7, the information is provided
17 looking at the time period since '92. Essentially,
18 the Faro mine closed, there was a big drop, it
19 stabilized by a certain time period, and we have
20 looked at the world since it has stabilized. From
21 there, I will let Mr. Bowman go through the more
22 detailed issues with respect to the question which
23 looked at the ten-year numbers, which are only
24 your .2 percent average growth, if that's right,
25 and I will let him comment on that.

26 Q Well, just --

1 A Yes.

2 Q Well, just before I do, I did not actually
3 introduce the numbers. I do not think they are
4 necessary. I think you are agreeing that,
5 generally, those numbers show a much lower number.

6 A Without commenting on the specific numbers, I would
7 fully expect that, comparing 2005 with 1992, there
8 might well be a much lower number than if we took
9 the last three to five years type of history in
10 Yukon since about 2000. But Mr. Bowman is much
11 more familiar with the details than I am, and he
12 can help you with them.

13 A MR. BOWMAN: Well, it's actually not
14 a terribly complicated response. What you are
15 seeing in the numbers, given the two points in time
16 that you have looked at, is a major dominant event
17 in the closure of the Faro mine and the resulting
18 impacts on the Yukon economy. We have looked at
19 loads over that period, and it is striking, the
20 extent to which non-industrial loads drop fairly
21 dramatically during the period where the Faro mine
22 is closed, and for some period of time after that,
23 before they stabilized. The last closure of the
24 Faro mine was in January '98. Loads did not hit a
25 sort of bottom point and start turning around until
26 about 2000 following that. But you do have to

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1 appreciate, and the Yukoners here will appreciate
2 this better than me, we are talking about the
3 closure of the mine leading to more than 10 percent
4 of the population of Yukon -- more than a 10
5 percent drop in the population of Yukon. So it is
6 a dominant, dominant, factor in what you are
7 talking about there.

8 What we have looked at in terms of since 2000
9 is a fairly dramatic turnaround in terms of the
10 level of loads, particularly wholesale loads. You
11 have correctly characterized the wholesale loads as
12 representing the dominant part of the
13 non-industrial load, and that has started since
14 about 2000 and has gone on basically every year
15 since then, with the exception of sort of small
16 changes due to weather. Every year there is an
17 explanation in regards to a new big box store, or
18 increased government funding, or things of that
19 nature, but the numbers, during that period, are
20 striking; they are well above the type of load
21 growth you would see on southern systems who are
22 not -- who do not have a big box store rate as a
23 description as to why their loads changed in terms
24 of the order of magnitude. We really spent most
25 time on this at page 4-5 of Tab 4.

26 Q I'm sorry, is that in the overview or in the --

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1 A In the main document, although it may be in the
2 overview as well. Exhibit B-1, though. I am not
3 sure it is necessary to turn to it, but we looked
4 at, effectively, four numbers, for planning
5 purposes, in terms of percentages. What we ended
6 up using as a midpoint is 1.85 percent. The two
7 numbers below that are based on analyzing
8 demographic trends and forecasts from the Bureau of
9 Statistics. The two numbers above that are based
10 on actuals. So if anything, the load forecasts
11 that are included in here for long-term load
12 forecasts are well below the level of actuals that
13 have seen since the Faro mine effects ended up
14 trickling their way through the economy and sort of
15 finishing the bottoming out in the year 2000.

16 I am told that, in Exhibit B-2, it is also
17 there at page 24, and so if you have it handy, you
18 can see that the 1.85 we are using is a midpoint
19 between the 1.5 percent overall increase that is --
20 that is a blending of the concepts of an increase
21 in the Whitehorse population, of about 1 percent
22 per year, again, Whitehorse being the dominant
23 component of those wholesales, and an increase in
24 use per customer of 0.5 percent per year, to come
25 up with 1.5. It is a midpoint between that and the
26 three year average increase we have recorded in the

1 most recent period leading up to the preparation of
2 the Plan.

3 The 1 percent population increase reflects the
4 four-year average into the City of Whitehorse,
5 which would be both growth in overall Yukon
6 populations, as well in-migration to what would be
7 the integrated systems from other parts of Yukon
8 that would be not served on the integrated
9 systems. The increase in use per customer of about
10 a half percent per year is drawn from load forecast
11 from other utilities, such as Manitoba Hydro, who
12 have been finding that, on a dominant residential
13 load, there is a small increase in use per customer
14 being seen as different technologies are adopted in
15 the home.

16 Q The thing is, is that when we look at the actual
17 numbers -- I mean the population growth, for
18 example, you said was a four-year average, I think
19 you said, right?

20 A That's correct.

21 Q So the population -- four years ago, what was the
22 population growth, for example? Was it around 1
23 percent?

24 A What was the population growth being experienced at
25 that time?

26 Q Yes.

- 1 A The average, over those four years, is 1 percent.
2 If we were talking four years ago, and looking
3 backwards, the population would have been negative
4 percentage growth, that's what I am saying. The
5 population of Yukon declined dramatically after the
6 closure of the Faro mine.
- 7 A MR. MORRISON: Madam Chairman, if
8 I could maybe try to help here. I think the long
9 and the short of Mr. Bowman's short answer was,
10 your math is wrong. You cannot take the 10-year
11 average where, in the beginning six years of that
12 series of numbers, you had a negative -- you had
13 negative growth. What we are trying to explain to
14 you is that we have experienced 3 percent growth.
15 We have actually experienced it. And this number
16 here, that you are looking at, this 1.85, is not an
17 aberration, it is a midpoint between what we
18 have experienced over the last three to four
19 years.
- 20 Q Which year did you experience 3 percent?
- 21 A MR. BOWMAN: I would need to look in
22 my numbers to get that for you, if you are
23 interested. It would have been --
- 24 A MR. OSLER: 2004. It is cited 2004.
- 25 Q So between 2004 and 2003, you are saying load
26 growth was 3 percent?

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- 1 A MR. OSLER: I would just -- Mr. Bowman
2 may want to look at page 4-6 of the main document,
3 B-1. We do one adjustment to, perhaps, the numbers
4 you have. We adjust Yukon Energy's wholesales to
5 YECL, but we also take into account YECL's own WAF
6 Fish generation added back. That may lead to
7 slight deviations from what you are looking at.
- 8 Q I did not catch that. You add back in --
- 9 A We deal with the WAF -- to look at the load that is
10 out there that has to be served, in Whitehorse, in
11 the WAF grid, it is not just what YECL buys from
12 us, it is how much they generate from their own
13 Fish Lake plant, which is a small plant, but it
14 still generates some power, and that fluctuates
15 quite a lot. So to know what the actual load to be
16 served is, we take the numbers you are looking at
17 and add back the Fish Lake to get year-to-year
18 comparisons, which may mean you will get deviations
19 from the percentages he would get looking at his
20 numbers and the numbers you are using.
- 21 Q Of what magnitude?
- 22 A I will let him deal with that.
- 23 Q I will go back then to my question, or try to
24 verify. You said that the load growth in 2004, and
25 I presume compared to 2003, was 3 percent, right?
- 26 A MR. BOWMAN: That is correct.

- 1 Q Now, I am looking at the -- I have not actually
2 done this precise calculation, or, if I did, I
3 don't have it in front of me, so I am doing it on
4 the fly. But 2003, we have wholesale numbers of
5 229,971, and in 2004, we have wholesale numbers of
6 235,982.
- 7 A MR. BOWMAN: There is something
8 missing.
- 9 A MR. MORRISON: Something missing.
- 10 Q Is someone mathematically --
- 11 A MR. MORRISON: You got to give us the
12 whole number. You have not given us a complete
13 number. What is the number again, 235 --
14 Q 982.
- 15 A 982?
- 16 Q Oh, I'm sorry, you didn't hear that. 982.
- 17 A 982.
- 18 Q Do you want me to do the math, or does someone on
19 the panel want to do it?
- 20 A No, we will do it. We will do it.
- 21 Q Great.
- 22 A MR. OSLER: The number I get is 2.6
23 percent.
- 24 Q And so how does that get adjusted up to 3?
- 25 A MR. BOWMAN: The reason is because
26 you would take those numbers, which are the

1 wholesale supplied to the YECL, and you would add
2 back to it the Fish Lake amounts in order to get
3 the total, the native YECL load, in each of those
4 years, and the Fish Lake numbers are not in the
5 numbers you have available.

6 Q All right. So now I have done the figure between
7 2004 and 2005, and I got .61 percent.

8 A From 2004 to 2005?

9 Q Yes. You want to take my word for it, or would you
10 like the base numbers? The base numbers for 2005
11 are 237,419, and 235,982, again, for 2004.

12 A If there is a question, I can check them, check the
13 numbers if you like.

14 Q That is like .6, right? So now you have got -- I
15 understand what you are saying about 2003 to 2004
16 going up as high as 3, and we fluctuate down to .6,
17 and I guess -- maybe I am explaining to myself as
18 you are explaining it to me, you are saying that
19 the difference, why you would go to 185 is --
20 sorry, the mean point is, because there is a
21 population trend increase, along with a .5 percent
22 adjustment for -- that other utilities appear to
23 throw in for increased average use per customer?

24 A Yes. The midpoint you are looking at in the chart
25 at page 24, or in the table at page 24 of
26 Exhibit B-2, is at 1.85 percent, is taking the

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1 midpoint between the 1.5 percent, which is referred
2 to as the medium low scenario, and the 2.2 percent,
3 which is the medium high scenario. Those numbers
4 were prepared, the three-year average recorded
5 increasing consumption, would have been prepared
6 when the plan was being prepared without 2005
7 actuals, so it would reflect the numbers that were
8 in here leading up to 2004 actuals. So that's
9 where the 2.2 would come from.

10 The 1.5 is, instead, built looking at average
11 changes in The City of Whitehorse population and
12 average change in increased use per customer of
13 half a percent. And we filed with -- around one
14 question to the YUB, the support on The City of
15 Whitehorse population increases and the other Yukon
16 Bureau of Statistics information, as well as, I
17 believe, a reference to where the increase in use
18 per customer comes from, the other utility's data.

19 What you are talking about now, in terms of
20 2005, just so we are really clear, is, again, the
21 number absent Fish Lake. I am not sure I have the
22 2005 actual generation for Fish Lake. Again, the
23 Plan was prepared in late -- it was prepared
24 without actuals for the 2005 year.

25 Q Perhaps --

26 A But I would note that 2005, we were tracking the

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1 loads as the Plan was being prepared, and, through
2 the course of that year, they were tracking on the
3 type of load forecast that had been prepared for
4 that year, up until the final month where the --
5 there was somewhat warmer weather during the very
6 end of 2005, that will also have effect on these
7 loads.

8 Q Could you, after all of that, update your
9 calculation, using your methodology, to include the
10 2005? So I guess everything would shift over a
11 year, so that, if you are using a four-year
12 average, you are using a four-year average back
13 from 2005, for example.

14 A The three-year average is the one that is used on
15 Yukon Energy's data, and I can update the
16 three-year average to reflect that, if you like.

17 Q So whatever you did, which you did in 2005,
18 starting with numbers from 2004, updated to include
19 -- use 2005 instead, so I can at least see how my
20 .6 factors into your numbers. That is what I am
21 asking for.

22 A I can do that and prepare it --

23 Q And that includes, and I would expect why -- I am
24 expecting that the 1.85 would drop in accordance
25 with what I perceive to be a drop in the actuals
26 for 2005 as compared to --

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- 1 A MR. MORRISON: We can prepare that. I
2 am not sure we can prepare your expectation ahead
3 of time, but we can certainly prepare the
4 materials, so I will do that.
- 5 Q Thank you. And also, Mr. Rondeau points out that
6 one of the things that you have thrown in here is
7 the Fish Lake numbers, and I am not sure that those
8 numbers are separately identified in the evidence.
9 If they are, maybe you can point them to me, and if
10 not, you could give us the numbers that we would
11 add on top of this wholesale number so that we can
12 see the actual trend.
- 13 A MR. MORRISON: We will do our best.
- 14 A MR. BOWMAN: I will make sure the
15 exhibit includes that.
- 16 Q All right. UCG Number 2-45, attachment Number 4,
17 paragraph 2.
- 18 THE CHAIR: Just give us a minute
19 to get it in front of us.
- 20 MR. BUONAGURO: Sure. Actually -- it
21 is an undertaking request actually, and maybe it is
22 not necessary, but it refers to -- it's a letter
23 from the Yukon Electrical Company Limited. It's
24 attachment Number 4. UCG to YEC 2-45.
- 25 A MR. OSLER: That is the December 7th
26 letter?

1 Q Yes. Paragraph 2.

2 A Go ahead.

3 Q And it refers --, Yukon Electrical refers to a
4 three-year forecast or a purchase power requirement
5 on the Whitehorse-Aishihik-Faro grid as was actual
6 and forecast Fish Lake hydro generation, and we
7 would like those, if you have them.

8 A MR. OSLER: To be clear, you would like
9 the most recent three-year forecast that YECL has
10 provided to YEC, of the purchase power requirements
11 that YECL has on the Whitehorse-Aishihik-Faro grid
12 as well as their actual and forecast Fish Lake
13 hydro generation, correct?

14 Q I certainly want that. It begs the question if
15 I want a previous one. Let me just confer with my
16 client.

17 Can you give me the last three? Apparently
18 they give it to you on an annual basis. If it is
19 easy, then I will just ask you, and if it is not,
20 then I will just work it out with him if he
21 actually wants the last three annual forecasts.

22 A We will undertake to get back to you with, if we
23 can, the last three annual bundles of information
24 that YECL has provided us, whether they are one
25 year, two years or three years, or whatever they
26 are.

- 1 Q Thank you.
- 2 A So that you have it. Thank you.
- 3 Q Now, Exhibit B-1, Chapter 3, page 3, shows the
4 forecast shortfall for 2006 as being .7 megawatts.
5 I do not know if you have to turn to it, because
6 the question is another undertaking. Basically,
7 what we see is the forecast for 2006 is .7 -- or
8 sorry. Is that shortfall -- 2006 -- maybe we will
9 turn to it. Chapter 3, page 3.
- 10 A I think it is maybe page 3-24.
- 11 Q Yes, you are right.
- 12 A The same information, for those that have the
13 overview documents, on page 21.
- 14 Q So it forecasts a shortfall of .7?
- 15 A 2006, yes.
- 16 Q 2006. We would like the to-date actual, if we
17 could; the actual numbers for 2006?
- 18 A To be very clear --
- 19 A MR. MORRISON: What numbers?
- 20 Q Well, surplus or shortfall for 2006 up to today,
21 I guess, or however recently you have it.
- 22 A We have not finished the year.
- 23 Q Right, I understand.
- 24 A And quite frankly, the peak is -- you know, the
25 peak has not been reached. And I am not sure -- I
26 am not trying to be difficult, we are prepared to

- 1 help you with some numbers, but I just need to know
2 what number you want me to give you. You want me
3 to give you --
- 4 Q I understand, I think, what you are saying.
- 5 A -- year-to-date peak?
- 6 Q Yes.
- 7 A I can give you year-to-date peak. I am not sure
8 that it fits in this chart, though.
- 9 Q I think what you are saying is that the peak may
10 occur somewhere between now and the end of the
11 year, right?
- 12 A MR. OSLER: Yes.
- 13 A MR. MORRISON: Yes, it may. It may
14 have already occurred, but it may --
- 15 Q It may have already occurred.
- 16 A It may not, I don't know.
- 17 Q And I would expect there would be a trend as when
18 it generally happens as well, right? The peak
19 usually happens during a particular time of year?
- 20 A The peak generally happens in the January/February
21 period, but it doesn't -- you know, it may be
22 December depending on what the weather is.
- 23 Q I understand.
- 24 A MR. OSLER: But to be helpful to you,
25 this table --
- 26 Q I understand that the information is incomplete,

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1 and that there will be an argument that the peak
2 may occur in the last three months, but, to the
3 extent that you have the actual numbers for the
4 year, we would like to take a look at it. And
5 I presume, actually now that I think about it, the
6 2005 number was also forecast at the time that this
7 was done, so we could use the 2005 as well.

8 A MR. MORRISON: We can do that.

9 Q Great.

10 A MR. OSLER: We will do what we can
11 to provide you the information we have available.
12 There is two things that have to be done here, and
13 the only number that changes in this table is the
14 peak.

15 Q Right.

16 A We have to get the peak, excluding secondary sales,
17 because we are not planning the system for them.

18 Q I understand.

19 A And secondly, to do the N-1 criteria part of this
20 table, we take an assumed megawatt off. So what we
21 will be getting is our best information on what the
22 peak was in 2005/2006 to date. It may be an
23 estimate in reality because we are looking at the
24 number absent secondary sales, we are not
25 necessarily looking at exactly how it shows up; and
26 secondly, we will be getting you the calculation

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1 that is the difference between the first set of
2 columns on this page and the last set.
3 Q Maybe it is just interesting to me, but I think
4 what you are telling me is that, because of
5 secondary sales and because of other adjustments,
6 you don't actually know what the actual peak is in
7 any particular time, you just know -- you can
8 estimate it based on what the secondary sales would
9 be?

10 A MR. BOWMAN: The secondary sales are
11 available pursuant to a set of rules that say when
12 they are going to be available or not, so, today,
13 secondary sales are available. If you go to the
14 system control centre, you can figure out what the
15 peak is at any given time or any given hour, but it
16 will include secondary sales. How much of that
17 peak is made up of secondary sales we cannot say at
18 any particular time. We can talk within a range,
19 but the range is within what you would call the
20 margins of growth we are seeing here. What we do
21 have for many of the varied peak moments on the
22 system is periods where secondary sales are
23 interrupted, so we know we only have firm sales,
24 and those are the actuals that the plan was based
25 off of, and it was the peak from January 2005 that
26 the plan was based off of, and we have that data,

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1 and we know what the firm amount was because it did
2 not have secondary sales in it. But if you want to
3 know the peak for this upcoming winter or the peak
4 today, it is not possible to say what portion of
5 that is firm, versus secondary, to any precise
6 degree.

7 Q But I think you understand what I am asking. I
8 understand that there may be problems in getting
9 that actual number, the one that is comparable to,
10 for example, the shortfall of .7 in 2006 or the
11 surplus in 2005, but to the extent there are
12 problems, you are going to explain them to me when
13 you give me the number?

14 A We will get you what we can, and you were the one
15 interested in the precision, and that is the answer
16 on the precision.

17 Q You are right, that is what I get for being
18 interested.

19 We looked through the evidence to try and see
20 if there was anything having to do with how much of
21 the load is accounted for by line loss. There are
22 references to line loss as being a component of the
23 load, but we couldn't find a specific reference to
24 how much of the load is accounted for as being line
25 loss. So our first question is, if you could give
26 us that number in terms of how much -- how much is

1 accounted for by line loss?

2 A MR. BOWMAN: Mr. Buonaguro, I can't
3 recall if there is an IR that deals with that. If
4 there is, I will bring you that response, otherwise
5 we will get you the information.

6 Q We asked -- I know we asked -- well, here, you can
7 look at these ones, UCG-2-52 is a question about
8 line loss, and that's my next question actually,
9 but it did not actually ask for how much line loss
10 is accounted for in the load. It asked for -- I
11 don't have it in front of me. It basically asked
12 for what types of programs you have for reducing
13 line loss as an alternative to increasing
14 capacity. And the response we got did not actually
15 list any particular programs or give any numbers
16 for the potential.

17 What we would like, in conjunction with the
18 previous undertaking, how much line loss is there,
19 and what projects or potential there is to reduce
20 that; and I guess the follow up to that is, how
21 does that affect your need? For example, if you
22 have 5 megawatts that are attributable to line loss
23 and there is a way that you can reduce that by 2.5,
24 that would be alternative to generation. So we
25 want to know what the actual potential for that
26 is. That particular reference, you referred to, I

1 guess, your criteria. Your answer to the question
2 was, The focus of Yukon's energy line loss schemes
3 is the reduction of line losses in three areas, but
4 you don't actually talk about what the schemes are
5 and how much line loss reduction is achievable in
6 those schemes, so we want to get an idea of how
7 much you can squeeze out of reduction of line loss?

8 A MR. MORRISON: Okay, we will do that.

9 A MR. OSLER: Could I take it that
10 the question relates, in this context, to capacity
11 and not energy?

12 Q Yes.

13 A Thank you.

14 Q Now, also, part of your answer in that same
15 undertaking talked about updating transformers as
16 another way of reducing -- I guess reducing, and it
17 refers to the transformer loss schemes, but doesn't
18 actually talk about -- actually, maybe it does talk
19 about the specific scheme. It's the same sort of
20 question; what potential is there for updating
21 transformers to reduce loss due to transformers,
22 I guess? Is that okay?

23 A MR. MORRISON: Yep.

24 Q That is an undertaking, great, thank you.

25 A MR. MORRISON: I wrote the three
26 points down.

1 Q I just did not hear anything.

2 A MR. MORRISON: Sorry, I thought I said
3 yes, we would.

4 Q Now, moving on to YUB-YEC 215, and don't turn it
5 up, it has to do with ice flow studies, which
6 indicates that you can increase the peak discharge
7 and therefore increase the hydro capacity on the
8 WAF grid. You understand what I am talking about.
9 But there is no cost/benefit analysis of that as
10 being part of a potential plan. I understand, I
11 think maybe the undertaking talks about doing it
12 sometime in the future. Can we get what you have
13 in terms of a cost/benefit analysis, and what the
14 potential is for that, in terms of integrating that
15 sort of improvement on the system?

16 A MR. MORRISON: I am going to let
17 Mr. Campbell tell you what exactly is being done,
18 but I think you have got the cart before the horse
19 here, in this case. We have to look at, the issue
20 is -- are some very technical issues around release
21 of additional flow and what it does in a very
22 specific area of Whitehorse downstream of the hydro
23 plant, for your reference, the Marwell area, which
24 is a low lying area downstream of the plant.

25 The first step in looking at this is to
26 determine whether or not -- to determine the

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1 technical issues around that, and to have someone
2 who has a hydrology background tell us whether or
3 not there are some possibilities at all. I will let
4 Mr. Campbell be specific in terms of what they want
5 to look at, but you know, then the issue is, is
6 there a cost/benefit of doing the work that may be
7 required in order to mitigate or not, or to permit
8 this increase in the capacity. We don't even know
9 right now whether we can possibly do it, so I think
10 we are --

11 A MR. CAMPBELL: Sure. Yukon Energy had
12 commissioned Acres in the early 1990s to actually
13 look at this issue of downstream icing, and is
14 there ability to obtain some additional winter
15 flows without disrupting the ice cover, because, if
16 you disrupt the ice cover, potentially you can
17 cause some flooding in low lying areas,
18 particularly in Whitehorse, as is well known in
19 the Marwell area in particular.

20 The studies were not conclusive back then, and
21 the benefits of going ahead with the studies, there
22 was no deemed benefit because, with the Faro mine
23 up, diesel was on the margin 12 months of the year,
24 and you were not going to gain any additional free
25 energy. So with diesel on the margin 12 months of
26 the year, if you did not have enough hydro

1 capacity, so what? As long as you were not
2 spilling any water throughout the year, it was not
3 costing you anything, okay. But, if you look at
4 the situation today, where we are approaching our
5 hydro capacity in terms of meeting the peak, in
6 fact starting to forecast some small deficits,
7 there is -- there will be an increasing benefit in
8 future years to look at ways to be able to increase
9 the winter hydro capacity at the time of peak,
10 which is what the studies are basically based on
11 doing, is the ability to both set the winter flows
12 at as high a rate as you can sustain throughout the
13 winter, and potentially be able to vary the flows
14 to better match the load profiles on a daily
15 basis. So we have actually -- we have just
16 commissioned a study with a well-known hydraulic
17 firm to look at both of these issues. That study
18 has just been started, we won't have the results
19 yet for some time. It will involve developing a
20 model for predicting what the ice will do under
21 certain -- under a variety of flow conditions, and
22 then actually doing some field tests in order to
23 assess and mitigate the risk.

24 If the studies are successful, saying yes we
25 can actually vary the flows more than we have
26 historically done, then it may involve some

1 shoreline mitigation work in the Marwell area, it
2 would certainly involve automating some of our
3 control gates at the Lewes dam control structure at
4 the outlet of Marsh Lake in order to do any daily
5 load adjustments or flow adjustments in that case.

6 Q Okay. Now, as I understood the report, the benefit
7 of being able to do this, if it is feasible, was
8 summarized as being you could run for one hour, you
9 could squeeze out 5 megawatts and if you -- or one
10 megawatt for five hours. Have I understood that
11 correctly? That's what that analysis is for?

12 A What you are referring to is just using some of the
13 top six inches to a foot of Schwatka Lake, which is
14 the head pond. What we are talking about is using
15 Marsh Lake a little bit as the larger storage area,
16 being able to vary the flows out of there. We
17 currently do that, what you are talking about,
18 although we don't do it in one hour, but we do use
19 about the top six inches of Schwatka Lake and draw
20 it down throughout the day on cold days, and fill
21 it up at night. So that's where the five megawatts
22 for one hour. But what we tend to do instead is
23 get a couple of extra hundred kilowatts for several
24 hours. But that is only a very small use of a very
25 small amount of storage. The potential, if we are
26 able to successfully manage the ice without

1 upsetting the ice, is to be able to use up to
2 several megawatts during a day, and lower it at
3 night, as opposed to a couple of hundred
4 kilowatts. Potentially there may be a couple of
5 megawatts available. I would say not in the tens
6 of megawatts, but a couple.

7 Q Do you have a time frame to, sort of, determine the
8 feasibility?

9 A We are currently expecting a final report by about
10 April, that will outline the range of options that
11 may be feasible for further work. They will
12 identify a range of potential costs, a range of
13 potential benefits. So, in effect, we will have a
14 range of cost/benefit information available in the
15 spring. It will likely take a couple more years of
16 testing to assess the risk related to adjusting the
17 ice. It would be something we would only proceed
18 on a very cautious fashion because when, downstream
19 of the plant is the biggest city in the territory,
20 you want to be cautious.

21 Q We just want a little clarification. You mentioned
22 that you run it to gain a few hundred kilowatts, I
23 think you said, instead of the scenario that I put
24 forward, which is the five megawatts for one hour
25 versus one megawatt for five hours. You mentioned
26 a few hundred kilowatts on sort of a consistent

1 basis?

2 A For several hours. Our hourly load profiles are
3 not like southern utilities. We have a very flat
4 peak in the wintertime. And, in fact, the morning
5 peak is almost identical to our evening peak. So
6 it is not like -- five megawatts for an hour is not
7 going to help us very much because our peaks are
8 flat enough, you actually would have to sustain it
9 for several hours, and they do not drop a lot
10 during the day, so you may not have time to
11 recharge that storage that you have used.

12 Q So what is the benefit of running it for the few
13 hundred kilowatts? Why do you do that?

14 A It all helps.

15 Q And it's included in your capacity, the few hundred
16 kilowatts?

17 A Yes.

18 Q All right. I would like to move on to the planning
19 criteria issue. I do not have a lot of detailed
20 questions which I think you would require
21 Dr. Billinton to answer. I do not think any of my
22 questions relate to him. I have sort of general
23 overview questions. Not that many.

24 I noticed in the YEC material, in responding
25 to the Board Staff's interrogatories, consistently,
26 that it was said that in response to YUB

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1 characterizing your planning criteria as a
2 proposal, you responded that it is not a proposal,
3 we have adopted this criteria, this planning
4 criteria, and this is what we do now.

5 And my question to you is that, as the Utility
6 Board has the task of reviewing and making
7 recommendations to the Minister about the Resource
8 Plan, and as the Board will ultimately decide
9 whether any particular project taken on by YEC is
10 prudent, when establishing rates and rate base,
11 wouldn't it be for the Utility Board to establish
12 the criteria by which resource planning is
13 measured, based on a proposal, rather than having
14 the criteria established unilaterally by YEC?

15 A MR. MORRISON: No, Madam Chair, I do
16 not agree with you. I certainly agree that the
17 Utility Board is welcome to comment on our capacity
18 planning criteria and the appropriateness of that
19 criteria, and I think that is certainly the purview
20 of the Board. I think it is management's
21 responsibility to make sure that we have a capacity
22 planning criteria in place that will make sure that
23 when we have an emergent situation in the coldest
24 months, that we can service and supply that load.
25 And I would suggest to you that we did a great deal
26 of work around that capacity planning criteria, and

1 whether or not we had sufficient capacity on the
2 system. So let me just point to you very clearly,
3 Madam Chair, that if you look at the capacity on
4 the system, and we had lost the Aishihik line as we
5 did last winter, without the full capacity on the
6 system, including all of the diesels, that we
7 wouldn't have had enough to meet the load. And I
8 think if you look at the old capacity planning
9 criteria, it was not any longer appropriate. It
10 took a great deal of work on behalf of staff and
11 consultants to ensure that, when we went to the
12 Board, our Board, the Board of Directors of Yukon
13 Energy, with a new capacity planning criteria, that
14 we had done the due diligence, completed the due
15 diligence that was required to ensure that what we
16 had in place in terms of system-wide assets could
17 meet the requirements of an emergent back-up
18 situation.

19 If the Board felt that this capacity planning
20 criteria was not appropriate, we would certainly
21 welcome their comments, but we feel quite confident
22 that this is the correct criteria.

23 The old criteria was built for a diesel
24 system. It was applied to a diesel system by
25 NCP. It only really ever worked for a
26 diesel-based non-integrated system. And let me

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1 just be clear, Madam Chair, that I can tell you
2 that because I was at NCPC when it was developed
3 and when it was put into place. It wasn't built to
4 integrate a hydro transmission grid. It was built
5 for isolated communities across the north, based on
6 diesel supply. And Dr. Billinton, I am sure, would
7 be happy to comment on the appropriateness of that
8 if you would like. We have already heard from him
9 this morning, that he thinks that the LOLE and the
10 N-1 are the proper criteria or they are an
11 appropriate criteria for this utility. And I am
12 not sure I could sleep at night under the old
13 criteria.

14 Q I do not want you to misinterpret my question. I
15 am not necessarily disagreeing with you about the
16 appropriateness of the planning criteria. Maybe my
17 questions are more about an approach or legal
18 approach when bringing it forward to the YUB. The
19 planning criteria directs you to make certain
20 investments, as I understand it. And when you make
21 certain investments, you want to recover them in
22 your rate base. And when the Board is faced with a
23 task of determining whether that spending was
24 prudently undertaken, they are going to know why
25 you made the decisions to make those expenditures.
26 And in this case, if this is the planning criteria

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1 that you are using to make those decisions, then
2 the Board is essentially going to have to agree
3 with you, at the time of the rate case, that that
4 planning criteria was appropriate to follow.

5 So my point is that you are going to have to
6 get the endorsement of the YUB in order to ensure
7 that the decisions that you make, going into a rate
8 case following that criteria, are going to be
9 recovered. Again, I am not necessarily arguing
10 that your planning criteria proposal is wrong.
11 I have very little to say on it actually, at all.
12 I am just talking about the approach in this
13 hearing, and the steadfast correction that it is
14 not a proposal, this is what we are going to do.
15 And I am only pointing out that ultimately the
16 Board is the one that is going to decide whether
17 what you did was prudent or not, and if this is the
18 decision-making tool that you are using, they are
19 going to have to accept it for you to get things in
20 the rate base ultimately. It may be a small point,
21 and I just wanted to get your input on it.

22 A MR. MORRISON: I am not sure, Madam
23 Chair, if we are splitting hairs or not, and I am
24 not suggesting Mr. Buonaguro is trying to be
25 argumentative, but I think, I am agreeing, we are
26 just coming at it from a different point of view.

1 We agree the Minister's letter clearly outlines
2 that the YUB should review the capacity planning
3 criteria. I agree, I think it is -- we welcome the
4 Board's thoughts and comments and review of this
5 criteria. Mr. Buonaguro might have put it forward
6 saying, here is a policy -- here is a policy we
7 plan to adopt, is it all right? I am saying we've
8 adopted it, tell us if it is okay. I think we are
9 both saying the same thing, just coming at it from
10 a different point of view.

11 Q I think the point is made.

12 Actually, my next question, I think you partly
13 answered it. I think you said that one of the
14 major differences between the system, under which
15 the NCPC planning criteria was overlaid, was mainly
16 a diesel system, and that this is not a diesel
17 system. Perhaps can I just tie that off. Are
18 there any other major differences between the
19 system, as it originally was, and the system which
20 you are now using and to which the new planning
21 criteria is addressing?

22 A MR. MORRISON: Well --

23 Q If there is anything you have to add to what you
24 have already said.

25 A I don't think so. Maybe Hector wants to.

26 Q I was going to ask if anybody else wanted to.

1 A MR. CAMPBELL: One of the significant
2 differences from the mid-1990s or 1992, in fact
3 that point when the Faro mine was operating, has
4 been the significant growth in The City of
5 Whitehorse. And that really was what drove us to
6 the realization that the old planning criteria is
7 not appropriate. In the heyday of the Faro mine,
8 The City of Whitehorse population peaked at about
9 23,000, Wayne, I think around that. But the peak
10 demand in the Whitehorse area was under 40
11 megawatts. Peak demand today, in the Whitehorse
12 area, is about 46 to 48 megawatts. So that huge
13 growth in the local Whitehorse area, without an
14 increasing growth of local available capacity, is
15 really what prompted us to revisit the situation
16 today, where we realize we did not have enough
17 local generation in the Whitehorse area to serve
18 the local need if we lost the Aishihik line.

19 A MR. BILLINTON: Could I just make a
20 comment? When you look at the planning criterion
21 or criteria, if you consider them as a dual
22 criteria, I think you have to realize that a
23 criteria should be responsive to the factors that
24 influence the reliability of the system. And the
25 old criterion was a purely deterministic criterion
26 which was established at a point in time which was

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1 deemed to be acceptable and adequate at that point
2 in time. The system, as was noted, has changed
3 quite considerably since that time and could
4 potentially change even more as you start looking
5 at additional transmission, if some of these
6 actions do go through. The criterion then should
7 be able to respond to the reliability of the system
8 as the system changes. The criterion stays the
9 same, but underlying the methodology with respect
10 to determining the risk should take into account
11 those factors, and I believe that is what the new
12 criterion does. It allows you, then, to move
13 forward, to make different modifications to the
14 system, and the alternatives that have been put
15 forward are quite different in terms of their
16 impact upon the reliability of the system. The
17 technique and the criterion itself, then, should
18 take that into account as you proceed to move
19 forward in making the appropriate decision.

20 Q I am going to try to simplify it for myself just to
21 see in I understood what you said. Are you saying
22 that the difference between the old system and the
23 new system, the old criteria and the new criteria,
24 is that the new criteria can account for more
25 variables that may affect the system, whereas the
26 old criteria would not be responsive to changes in

1 those variables?

2 A That is right. The old criterion said a 15
3 megawatt unit, a hydro unit, specified, a specified
4 10 percent of the diesel capacity, and it said,
5 therefore, that the installed capacity then is
6 based upon that and, of course, the forecast peak
7 load. They did not take into account any
8 uncertainty associated with the parameters
9 themselves , such as the full storage rate of a
10 hydro unit, the full storage rate of a diesel
11 unit. The fact, as Mr. Campbell just mentioned, is
12 that 30 megawatts at Aishihik is on the end of a
13 140 kilometre line. It didn't take into account
14 any of those particular factors and, therefore, it
15 did not respond to any of those factors simply
16 because it just did not see them. But as we go off
17 into the future, there are potential -- well, those
18 changes that we have just talked about, plus other
19 potential changes that are going to occur in the
20 system, and the criterion, therefore, should allow
21 those changes to have an impact upon the risk
22 level, and of course, then, determine whether they
23 are acceptable or not in accordance with the 2.0
24 hours per year that has been proposed and accepted
25 by the Board of Directors, plus the N-1 criterion
26 associated with the Aishihik line.

1 Q I am just going through my notes here.

2 THE CHAIR: This is not your
3 e-mail?

4 MR. BUONAGURO: It is not my e-mail,
5 nothing new from Toronto. As I said before, we
6 have divided our presentation into sort of general
7 issues and then project specific issues, and it is,
8 I guess, 4:30. I am just trying to see what else
9 I can wrap up, that is not project specific, in the
10 next half hour, so that when we start tomorrow,
11 I can start fresh, project by project.

12 Q MR. BUONAGURO: Last week, we put it in
13 our e-mail providing materials, we included the
14 Mayo-Dawson City Transmission System Project.
15 Auditor General, yes. Does the Board have copies?

16 THE CHAIR: Again, it has not been
17 marked as an exhibit at this point. Are you
18 requesting that that be the case?

19 MR. BUONAGURO: That would be great.

20 THE CHAIR: Mr. Landry?

21 MR. LANDRY: Madam Chair, firstly,
22 as you know, this report, and matters that arose
23 out of the report, were extensively dealt with in
24 the last hearing. Again, in an effort to be open
25 and allow as many relevant questions as possible,
26 I have no difficulty it being marked an exhibit,

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1 but I may have comments on certain questions that
2 may be asked because I am not sure exactly how it
3 is going to be used.

4 THE CHAIR: Do we have a number?
5 Exhibit C-13.

6 EXHIBIT NO. C-3-13:
7 MAYO-DAWSON CITY TRANSMISSION SYSTEM
8 PROJECT REPORT DATED FEBRUARY 2005.

9 Q MR. BUONAGURO: Actually, what
10 I propose to do, the report, there's a number of
11 sections, and each of the sections ends up with a
12 recommendation and a management response. I am
13 just really wanting to go through the
14 recommendations and the response and then maybe ask
15 a question or two.

16 Skipping down to the first recommendation and
17 response, it is at page 7, paragraph 26, and it
18 says:

19 "To avoid underestimating total project
20 costs, the Yukon Energy Corporation
21 should ensure that the scope and costs of
22 capital projects are adequately defined
23 and identified when seeking project
24 approval.

25 Management's response. The corporation
26 has recently improved its capital project

1 processes. And interdepartmental
2 capitalized project review committee now
3 reviews all capital project plans and
4 makes recommendations to the Board of
5 Directors for approval. Projects,
6 especially larger ones, have detailed
7 descriptions of scope and forecasted
8 costs."

9 I do not see the material that would have flowed
10 from the Project Review Committee in the material
11 that is included with the projects here in this
12 proceeding, and I am just wondering why they are
13 not provided and whether or not you would provide
14 them?

15 A MR. MORRISON: Well, Madam Chair, I am
16 not sure what information counsel is looking for.
17 The information regarding major -- the three major
18 projects that are here in front of us is all here,
19 there isn't -- you know, there isn't anymore
20 information. The projects have been reviewed, you
21 know, very thoroughly in-house. They have been
22 looked at by not only the Project Review Committee,
23 but we have an internal process on major projects
24 where we have had to include, and have included,
25 some consultants that have looked at these as
26 well. But the material resulting from that is

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1 before you. I would say to you that, in response
2 to this recommendation, and with specific reference
3 to these projects that are in front of you here,
4 the corporation will not make a final decision to
5 proceed with any of these projects until, in fact,
6 we have seen a tendered price and a cost.

7 So in addition to what we are talking about
8 here, it is our intent that we would, prior to --
9 before we go forward from a construction point of
10 view, as you see, we have provided estimates that
11 were developed by a fairly rigorous process of
12 project review and consultants, we have gone out
13 and we have updated those estimates, and very
14 specifically referring here to the Carmacks-Stewart
15 line, by talking to firms involved in the industry,
16 and consultants, about where costs are going as
17 this plan is getting, you know, age, in the sense
18 that it is a year old or so ... we have looked at
19 that, we have also determined and have a commitment
20 that we will, prior to going ahead with the final
21 decision, we will get a tendered price, and if we
22 don't think the cost is still within the economic
23 range, we won't proceed.

24 Q I take it, from that, I am not getting any new
25 material?

26 A There is no new material, you have got the

1 information.

2 Q Thank you. Moving on to page 9, paragraph 35, this
3 is the recommendation that the Executive Council
4 designate future major capital projects to
5 regulate projects, and the management's response is
6 that they are proposing to establish a process that
7 require projects greater than 3 million to receive
8 prior approval by the Yukon Utilities Board. I
9 think actually we went through this to an extent
10 when I started.

11 Just with respect to the \$3 million figure, my
12 experience is largely in other jurisdictions where
13 you need to construct approval for projects much,
14 much lower than 3 million in much, much -- in areas
15 where the customer base and, therefore, the base in
16 which the costs of a project are being distributed
17 is much broader. So it surprises me that the
18 threshold here is suggested to be 3 million where,
19 for example, in Ontario, I think it is half a
20 million dollars, you have to get leave to construct
21 a major capital project, where the ratepayer base
22 in the Yukon is much, much smaller. We are talking
23 15,000, versus millions in Ontario. Why would you
24 not consider -- and before I say that, I know that
25 you have included a whole bunch of projects in this
26 particular Resource Plan, as a whole, and I know

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1 that, in this particular process, it appears that
2 all the projects are being asked for some type of
3 review, but why would you do a 3 million rather
4 than a much smaller number, to account for the fact
5 that your customer base is much smaller and,
6 therefore, at much higher risk.

7 A Madam Chair, we looked at a number of factors, and
8 I would say, principally, I am not aware that
9 Ontario it is \$500,000, but I am aware that in the
10 Northwest Territories, which is a very similar
11 jurisdiction with an almost identical size rate
12 base, the number is \$5 million. And because of
13 that -- and that \$5 million is in the Public
14 Utility Act. And we looked at that and thought
15 that was too high. We also felt that, you know,
16 management's responsibility is to carry out what we
17 would call day-to-day capital improvements to the
18 system, and I do not think that any of us want to
19 be running back and forth to the Board every time
20 we want to invoke a capital project and get the
21 Board's permission because we would -- the Board
22 would sit permanently, and we would be here
23 permanently. We had to find a number. We thought
24 that \$3 million was, you know, the appropriate
25 number based on what our experience is with single
26 capital projects that are basically, again, what

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1 I would characterize as upgrade capital. So in
2 other words, if we have to maintain the assets that
3 are there and we have to spend some money to do
4 that, what is the size, what is the likely size of
5 those projects, and would we be deviating very far
6 from that with this \$3 million number? It is
7 nearly half the amount of the Northwest
8 Territories, and we picked the \$3 million as what
9 we felt what was appropriate based on that.

10 Q Moving on to page 11, the recommendation at
11 paragraph 42, it talks about establishing a project
12 management policy, and the management's response is
13 that you will, in fact, prepare a project
14 management policy and, where necessary, training
15 will be provided to project managers. Is there a
16 project management policy in place now, and if so,
17 can you provide it?

18 A The actual response says that we will undertake an
19 audit of project management practices in 2005, and
20 we have not completed that audit, and we thought we
21 would do it in 2005 and we thought we would get to
22 it in 2006, and we have not -- we have not had the
23 resources, nor have we been able to find the time
24 to complete the audit. It is still on our books,
25 it is a commitment we have to our Board of
26 Directors, and we will continue to make that

1 commitment and complete this but, at the moment, we
2 have not been able to do it.

3 Q Page 15, Recommendation Number 59, contracting
4 policy and clear contracting procedures should be
5 established. And the management's response is that
6 the Corporation had its contracting and purchasing
7 practices reviewed by a consultant in 2004. New
8 contracting policies and guidelines have been
9 developed and approved by the Board of Directors
10 which will address the points raised. I guess, in
11 this case, you actually do have a policy.

12 A Yes, we do.

13 Q And it is not before the Board in this proceeding?

14 A No.

15 Q Would you provide it?

16 A To the extent that it is applicable. I am not sure
17 that it is. You know, we are not having a capital
18 -- we are not -- I do not have any problems with
19 it. I mean, I am just trying to think is -- you
20 know, the benefit of providing it. But it's a
21 policy. Mr. Landry, maybe I --

22 THE CHAIR: Mr. Landry?

23 MR. LANDRY: Madam Chair, as I have
24 said on a number of occasions, we are attempting to
25 be as cooperative and allow for all relevant, maybe
26 even beyond relevant, questions to be answered so

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1 that it's a complete and open and thorough review.
2 I am not entirely clear why this would be relevant
3 to the issue, but having said that, if counsel can
4 provide that, maybe we will -- I am just worried
5 about getting information on the record that really
6 is not that relevant to this, but I will hear
7 counsel's view on relevance, I didn't hear it
8 before.

9 THE CHAIR: Mr. Buonaguro?

10 MR. BUONAGURO: Well, there were
11 obviously problems with the Mayo-Dawson
12 Transmission System Project, and as a result of
13 that, the audit committee made a number of
14 recommendations going on a go-forward basis for the
15 company in terms of taking on major capital
16 projects in the future. They have -- at least one
17 of the projects is, I think, much higher in total
18 cost. The proposal for the Carmacks transmission
19 line is, I think at the highest level, is up to \$40
20 million in costs, and I would think that the Board,
21 before entertaining any possibility of approving or
22 blessing this project or making recommendations
23 with respect to this project, would want to see how
24 the recommendations that came out of the
25 Mayo-Dawson Transmission System Project were being
26 implemented, if they had been implemented, and that

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1 would be one element of that implementation.

2 THE CHAIR: In this case, the Board
3 would concur with Mr. Buonaguro's opinion.

4 MR. LANDRY: I will produce it,
5 Madam Chair.

6 MR. BUONAGURO: I think I am at the
7 point where I will be switching over to the
8 specific projects, and it will be helpful to me if
9 we stopped now and took up at nine o'clock. I see
10 there is about 15 minutes left, I think, in the
11 time for today. Would that be acceptable to the
12 Board?

13 THE CHAIR: On that basis, we will
14 adjourn for today and reconvene tomorrow morning at
15 9:00 a.m.

16 MR. LANDRY: Thank you.

17 MR. BUONAGURO: Thank you.

18 (Proceedings adjourned at 4:45 p.m.)

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