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October 24, 2010

Yukon Utilities Board
Box 31728
Whitehorse, Yukon
Y1A 6L3

Attention: Shay Smart, Board Secretary

Re: Yukon Energy Corporation / Yukon Electrical Company Limited
General Rates Application – Phase II

Dear Ms. Smart:

Please find enclosed the supplemental submissions of the Utilities Consumers' Group (UCG) with respect to the issue "Terms and Conditions of Service - Maximum Investment Levels", omitted from our original filing as indicated on October 22, 2010. Again we apologize for the late filing of this discrete aspect of our submissions. We have continued the paragraph numbering from our original submissions in order to facilitate references in reply arguments from the other parties.

Yours truly,

A handwritten signature in blue ink, appearing to be 'M. Buonaguro', written in a cursive style.

Michael Buonaguro
Encl.

YUKON UTILITIES BOARD

IN THE MATTER OF the *Public Utilities Act*
Revised Statutes of Yukon, 2002 c.186, as amended

and

IN THE MATTER OF a Joint Application by Yukon Energy
Corporation and Yukon Electrical Company Limited for a Phase II
General Rate Application for 2009

SUPPLEMENTAL ARGUMENT OF

UTILITIES CONSUMERS' GROUP

RE: MAXIMUM INVESTMENT LEVELS

October 24, 2010

ISSUE: Terms and Conditions of Service - Maximum Investment Levels

108. According to the YECL study of utility investment levels for new service attachments, there have not been any changes to the Residential (\$900 per site) and Street Light (\$700 per light) Maximum Investment Levels since 1989, General Service Maximum Investment Levels were increased in 2005 from \$180/kW to \$400kW (per Board Order 2005-12), and actual new extension construction costs have risen considerably in the Yukon between 1989 and 2009 (Application Appendix 5.4, page 5.4-2).
109. UCG does not agree with YECL's original proposal to move to a Maximum Investment Level that is 100% of cost recovery and the elimination of direct customer contributions to utility costs of new service connections based on the utilities' current construction cost estimates. UCG also does not agree with the revised proposal to phase in increases to Maximum Investment Levels over two years. UCG submits that a single adjustment in 2011 to how Maximum Investment Levels are determined is preferable in order to create some certainty and stability for new customers and for the construction industry in the Yukon. The utilities have not provided compelling reasons for two increases other than as a means of reaching agreement amongst themselves without the benefit of stakeholder input.
110. UCG submits that the Board should not be swayed by any comparisons to dollar or percentage levels of Maximum Investment Levels in neighbouring utilities. UCG submits that the idea behind being comparable to the dollar levels of utility investment in new service connections in neighbouring utilities is to avoid losing investment in the Yukon by having a developer choose the NWT or Alberta in part because of connection costs. The Yukon utilities have not provided evidence that development in the Yukon has been lost due to the Maximum Investment Level policy. While the dollar amounts agreed to by the Yukon utilities may be similar to other utilities, the percentages are not (Palladino, Transcript page 35-37) and the only explanation for the difference in investment levels (on a percentage basis) is that "they are different" (Palladino, Transcript page 37, line 1).
111. UCG submits that any recovery from new customers should be based on the actual cost required to connect new customers rather than a cost estimate that does not apply to all service connections. UCG submits that the Terms and Conditions of Service should be written to refer to the recovery of actual costs rather than fixed dollar amounts of Maximum Investment Levels.
112. For all service connections, UCG submits that the utilities should install and supply transformation and an average length of overhead service connection wire at no cost to

the customer. The new customer should pay all other costs associated with the service connection including secondary wire from the closest point of connection on adjacent pole line, service pole (if required) and metering cost. For General Service customers, the extra costs paid by the customer would include costs to connect the service from the nearest point of connection on the adjacent pole line.

113. UCG does not accept the revised proposal of a fixed plus variable Maximum Investment Level of \$5,500 plus \$280 per kW of demand for the General Service class since this appears to introduce an unjustified inequity in a class that contains small and large General Service customers. UCG submits that there has been no evidence submitted that justifies charging both small and large General Service customers the same flat fee for connection. UCG also questions how the average cost (2011\$) identified by the utilities of \$17,627 per project plus \$454 per kW per project is accurate for all sizes of General Service extensions.