

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 an application by Yukon Energy Corporation
for review of its 20-Year Resource Plan: 2006-2025

SUBMISSIONS OF

UTILITIES CONSUMERS' GROUP

**ON TERM SHEET DATED DECEMBER 21, 2006 FOR POWER PURCHASE
AGREEMENT**

BETWEEN YUKON ENERGY CORPORATION AND MINTO EXPLORATIONS LTD.

FOR THE MINTO COPPER-GOLD PROJECT

January 4, 2007

TABLE OF CONTENTS

	Page
1. Introduction and Overview	1
2. Lack of Examination Process	1
3. No Adverse Impact on Other Ratepayers	2
4. YUB Approval of Rates	3
5. Conditions to Proceed with Transmission Project	4

I. INTRODUCTION and OVERVIEW

1. This submission summarizes positions of the Utilities Consumers' Group (UCG) on the term sheet for the proposed power purchase agreement between Yukon Energy Corporation (YEC) and Minto Explorations Ltd. (Minto) for the Yukon Utilities Board's (YUB) consideration.
2. In its December 27, 2006 letter to all intervenors in the YEC 20-year resource plan proceeding, the YUB indicated that it considers the term sheet as relevant in considering the proposed Carmacks-Stewart transmission line. As was noted in UCG's final argument in the Resource Plan proceeding, the problem with assessing the risks the proposed transmission line project entails in respect of the mine loads is that the power purchase agreements under which the mines would pledge capital contributions to the construction of the line as well as security for their projected power purchases are not only not before the YUB, they have not been concluded. UCG repeats its submission that it is still impossible for the YUB to provide any definitive recommendations with respect to the proposed Carmacks-Stewart transmission line project.
3. As is noted in YEC's December 21, 2006 covering letter to the YUB, the power purchase agreement has not yet been finalized nor has it been filed with the YUB for review. UCG submits that any review undertaken of a power purchase agreement between YEC and Minto should be part of a Part 3 review of the proposed Carmacks-Stewart transmission line and any proposed customer feeder lines.
4. In summary, UCG submits that the YUB should only consider this term sheet as the draft proposal that it is and direct YEC to secure the necessary conditions that would protect Yukon ratepayers from the risks associated with this proposed transmission line project including a suitable upfront security deposit, a reasonable payment schedule by the mine on the debt plus interest starting immediately on commencement of purchasing power from YEC, security on a percentage of each of the ore loads leaving the mine, security on the used Minto diesel generators, and commodity-based priced riders to ensure rate stability from processing low and high grade ore. UCG also submits that YEC should be held responsible for any risks associated with the construction of this proposed transmission line project and the risks of Minto failing to uphold any condition of a power purchase agreement.

II. LACK OF EXAMINATION PROCESS

5. The referred term sheet for the proposed power purchase agreement was not submitted to the YUB until after all arguments had been submitted in the Resource Plan proceeding and just before most parties would be taking a Christmas break. This causes two issues for the UCG.
6. First, the late submission has left no opportunity for interested parties to submit information requests regarding the proposed term sheet and the underlying Letter of Intent nor any opportunity to cross-examine any party with respect to the proposed term sheet regarding, amongst other issues, any alternative terms that were considered prior to settling on the filed term sheet.
7. Second, with the request for comment being delivered in the middle of what most parties consider their Christmas holidays, the legal and utility consultants that the UCG had available

during the Resource Plan proceeding have only had a couple of days to assist in preparing a submission to the YUB. This was not enough time to properly cross-check the submitted term sheet with all the evidence and transcripts associated with the Resource Plan proceeding.

8. UCG is concerned with the lack of examination process on the proposed term sheet and submits that it should have very limited weight in the YUB's deliberations on the Resource Plan, and that the issues concerning the substantive evaluation of the purchase power agreements should remain in a subsequent proceeding specific to the Carmacks-Stuart transmission line proposal.
9. UCG's submissions have been restricted to the information contained within the submitted term sheet and should not be considered a comprehensive response to the content of the un-filed power purchase agreement between YEC and Minto.
10. Additionally, because there has been no opportunity for information requests or cross-examination, some of UCG's submissions are in the form of questions that need to be addressed in a subsequent proceeding.

III. NO ADVERSE IMPACT ON OTHER RATEPAYERS

11. The term sheet indicates that the power purchase agreement will meet the requirement that there will be "no adverse rate impacts on other ratepayers in Yukon due to PPA". UCG submits that the provisions of the term sheet do not guarantee that this requirement will be met.

Customer Contributions

12. The proposed plan on how Minto's customer contribution will be paid does not protect other Yukon ratepayers from having to assume accumulated bad debt that may result from serving the mine.
13. What happens if YEC's cost of capital varies from the stipulated 7.5%? Will there be an adjustment mechanism built into the power purchase agreement?
14. Why isn't the value of Minto's diesel generators used as a security deposit similar to that required of other Yukon ratepayers?
15. UCG sees no evidence of Minto taking on any risk in the proposed customer contribution scenario. Why isn't Minto being asked to contribute something upfront that would be equivalent to the immediate savings they will incur by switching from diesel generation to a YEC supply?

Security

16. The only security provided to YEC (should the price for copper collapse within two or three years) is a charge which is second to whomever provides Minto's Current Bank Financing. What guarantee is there that whoever provides Minto's Current Bank Financing would be able to sell off Minto's bankrupted assets for more than its own debt?

17. Contrary to the term sheet's suggestion, UCG submits that, given the Yukon's past experience with mines, there should be no situation that would warrant the ending of security provisions from industrial customers.

Take-or-Pay Provision

18. UCG submits that an eight year take-or-pay provision does not provide any security if the mine does not operate more than a few years. There appears to be nothing preventing the mine from limiting its payments to YEC in the early years and then abandoning operations prior to the requirement to pay the remainder of the \$24 million.

Net Revenue Account

19. The conditions attached to the proposed Minto Net Revenue Account provide no benefits to other Yukon ratepayers. If industrial customers are required to pay 100% of the cost to supply them electricity, why would there need to be any provisions for payments that would exceed that cost? Any rate charged to an industrial customer such as Minto would have to recover the entire, fully allocated cost of service for providing the mine with electricity.
20. UCG submits that it makes no sense to establish any deferral accounts that would require future YUB review prior to disposition.

IV. YUB APPROVAL OF RATES

21. The term sheet identifies specific components of a power purchase agreement that the YUB will be requested to approve.
22. UCG questions how any rate (seasonal or otherwise) for the Minto operation could be established without first undertaking a complete cost allocation and rate design review. It appears to UCG that YEC and Minto are dictating the industrial rate to the YUB in advance of a proper review of the cost allocation that would apply. There does not appear to be any evidence that such a review has been undertaken and, as the YUB is aware, it has been quite some time since any efforts have been undertaken to verify that all Yukon ratepayers are paying their allocated cost of service. Since OIC 1995/90 (as amended) specifies that rates charged to industrial customers be "sufficient to recover the costs of service to that customer class", UCG submits that it must be verified that this provision is being maintained when any new industrial customer is added to the system.
23. The term sheet is proposing what amounts to a commodity-based rate for processing low grade ore at the Minto mine. UCG suggests that while there is limited information provided on exactly how the commodity-based rate will be determined, there are other conditions that should be considered. For instance, profitability rate riders should be established to facilitate the payment of funds by industrial customers during periods of high profitability to a rate stabilization fund used to the benefit of all Yukon ratepayers. Industrial customers could then be considered for a reduction in electricity costs paid during periods of low profitability which would be funded by the rate stabilization fund. As well, within the negotiated power service agreement, economic thresholds should be developed based on commodity prices and exchange

rates which reflect prices when the viability of the customer's operation is sensitive to the cost of power.

24. UCG submits that any special incentive rate offered would need to be self-sustaining in that benefits will at least pay for the subsidy between normal utility rates and the special incentive rate.

V. CONDITIONS TO PROCEED WITH TRANSMISSION PROJECT

25. The term sheet identifies conditions that must be fulfilled in order for the Minto mine to have electricity available to it prior to the end of 2008.
26. UCG submits that the YUB should not feel pressured by the term sheet provisions to provide any capital or rate approvals prior to undertaking full due diligence reviews of proposals.
27. It appears that YEC equates approval of the purchase power agreement in a subsequent proceeding with approval of the project as a whole, which is not necessarily the case. It is possible that the purchase power agreement may be, with modifications, acceptable to the YUB, but that the specifics of the project may not. Accordingly UCG would expect that the term sheet would include the precondition that the YUB approve the project itself, and not simply the purchase power agreement.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 4th DAY OF JANUARY, 2007