

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

and

**an Application by Yukon Energy Corporation for
an Energy Project Certificate and an Energy Operation Certificate
regarding the Proposed Carmacks-Stewart Transmission Project**

BEFORE: W. Shanks, Vice-Chair) April 6, 2007
 R. Hancock)
 M. Phillips)
 M. Florence)

BOARD ORDER 2007-4

WHEREAS:

- A. On June 5, 2006, the then Minister of Justice required that the Yukon Utilities Board (YUB or the Board) carry out a review and hold a hearing on Yukon Energy Corporation's (YEC) 20-Year Resource Plan: 2006-2025 (Resource Plan). As part of that Resource Plan, the YEC sought approval for Stage One of the proposed Carmacks-Stewart Transmission Project (CSTP or the Project).
- B. The proposed CSTP would connect the 138 kV Whitehorse-Aishihik-Faro (WAF) and the 69 kV Mayo Dawson electricity grids. The proposed Project would involve a new 138 kV transmission line of approximately 172 km between Carmacks and Stewart Crossing; new transmission substations to be located in Carmacks and at Pelly Crossing; and expansion of the existing Stewart Crossing substation.
- C. The proposed Project is to be developed in two stages. Stage One consists of the transmission line from Carmacks to Pelly Crossing, in conjunction with the Minto Spur transmission project. Stage Two (to be built subsequently when and if market conditions so permit) involves a transmission line from Pelly Crossing to the existing Mayo-Dawson grid substation at Stewart Crossing.
- D. After a public review of the Resource Plan, including a review of Stage One of the CSTP, the YUB issued its Report to the Commissioner in Executive Council on January 15, 2007, giving conditional support for Stage One of the proposed Project, subject to a review of the associated final Power Purchase Agreement (PPA) between YEC and Minto Explorations Ltd. (Minto). Minto is the proponent of a copper-gold mine, the load of which is central to the need for Stage One of the CSTP.

- E. On February 8, 2007, YEC filed the PPA application with the YUB. The Board is currently undertaking a review and adjudication of the PPA and it is anticipated that the Board will issue its decision by April 30, 2007.
- F. The proposed Project has been referred to the Yukon Environmental and Socio-Economic Assessment Board which will review the environmental and socio-economic impacts of the proposed Project.
- G. The proposed Project has been designated as a regulated project under Part 3 of the *Public Utilities Act*.
- H. The Yukon government has committed to providing a contribution of up to \$10 million for Stage One of the proposed Project, contingent upon YEC obtaining the Board's approval of the PPA and receiving all necessary permits and approvals for the proposed Project, including certificates under Part 3. The Yukon Government has also committed to working with YEC and industry to ensure that Stage Two can also be constructed without any direct cost to other ratepayers.
- I. On April 2, 2007 YEC applied under Part 3 of the *Public Utilities Act* for an energy project certificate and an energy operation certificate regarding the proposed Project.
- J. On April 2, 2007, the Minister of Justice of the Government of Yukon directed the Board to review the application for the certificates and conduct an oral hearing as part of its review. The Board is to consider the implications to the Project of the findings of the Board in its current review and adjudication of the PPA application in relation to the following matters:
 - i. The Firm Mine Rate proposed in the PPA for 2008 and the impacts, if any, of the PPA on the YUB's ability to adjust this rate after 2008;
 - ii. The Low Grade Ore Processing Secondary Energy Rate proposed in the PPA and its impacts, if any, on other secondary energy customers and industrial customers other than Minto;
 - iii. The Mine Net Revenue Account proposed in the PPA as a regulatory account of YEC, and its impacts, if any, on rates and risks to ratepayers;
 - iv. The Capital Cost Contribution proposed in the PPA for Minto to provide YEC with customer contributions to the capital costs of the Mine Spur and Stage One of the CSTP capital costs, and the implications to feasibility and risks of Stage One of the CSTP as a result of these contributions and the related proposed payment schedules;
 - v. The minimum take-or-pay amount and the YEC security proposed in the PPA, and the implications to feasibility and risks of Stage One of the CSTP as a result of these proposals and related billing, payment and security provisions in the PPA and related agreements;
 - vi. The PPA provisions regarding YEC purchase of the diesel units at the Minto Mine and the impacts, if any, on Minto, YEC and other ratepayers, taking into consideration the impact of the PPA on grid surplus hydro generation and projected diesel generation requirements;

- vii. The provisions in the PPA regarding Mine Spur decommissioning costs and the extent to which these provisions reasonably address related risks and costs; and
 - viii. The extent to which the PPA in its entirety addresses its stated intent that other ratepayers in Yukon will not be adversely impacted by the costs of the Project required to provide grid electricity to the mine.
- K. The YUB is directed by the Minister of Justice to report on and make recommendations about the necessity for the CSTP and its timing and design, with particular regard to:
- i. The public need for the project under various reasonable electric load forecasts, including requirements related to both the Minto Mine and to other potential major industrial customers;
 - ii. The capability of existing transmission and generation facilities to provide reliable electric power generation to meet the forecast load requirements, taking into account the new planning criteria as proposed by YEC and recommended by the YUB. In particular the YUB is requested to report on a) the implications of the relationship between Stage One of the CSTP and the need for and timing of the Aishihik third turbine, b) the implications of the relationship between Stage One of the CSTP and the need for and timing of Stage Two of the CSTP, and c) the implications of the ongoing use of diesel generation at Minto and other locations that could receive grid service from Stage One of the CSTP;
 - iii. The risks facing the CSTP including, but not limited to, those arising from a) changes to general economic, market, or financial conditions, b) potential modifications to design or schedule resulting from environmental and socio-economic review and regulatory approval, c) the timelines contained in Part 3 of the PPA, and d) bankruptcy or other failure of the Minto Mine; and
 - iv. What, if any, alternatives to the CSTP might be advisable given reasonable load assumptions and risk assessments. In particular, the YUB is directed to report on a) possible alternative configurations for the timing and structure of the two-stage approach proposed by YEC, and b) if it is prudent to extend the line from Minto to Pelly Crossing at this time.
- L. The Board is directed to endeavour to submit its report and recommendations to the Minister of Justice by April 30, 2007, but in any event shall do so by no later than May 31, 2007.

NOW THEREFORE the Board orders as follows:

1. A Hearing into the Application will commence at 9:00 a.m. on Tuesday, May 15, 2007, at the Yukon Convention Centre, 4051-4th Avenue, Whitehorse, Yukon.

2. Parties seeking Intervenor status are to provide the following information to the Board by April 13, 2007:
 - i. issues the party intends to pursue;
 - ii. whether the party intends to hire legal counsel and/or consultants and, if so:
 - the qualifications of each professional
 - the retainer letter for each professional
 - a description of why each professional is required; and
 - iii. whether the party intends to file evidence and, if so, on what issues.
3. YEC will arrange for publication in display-ad format, not later than April 11, 2007, of a Notice of Hearing, as per attached copy, in such appropriate local news publications in the service area of the Company so as to provide adequate notice to the public.
4. The Board will notify Intervenor Applicants of their status in this proceeding by April 16, 2007.

DATED at the City of Whitehorse, in the Yukon Territory, the ^{9th} day of April, 2007.

BY ORDER



Wendy Shanks
Vice-Chair

YUKON UTILITES BOARD

NOTICE OF HEARING

Hearing

An oral public hearing is scheduled to commence at **9:00 a.m. on Tuesday, May 15, 2007**, at the following venue:

Yukon Convention Centre
4051-4th Avenue
Whitehorse, Yukon

The Acting Board Chair for review of this application is Wendy Shanks.

Summary of Application

On April 2, 2007, YEC applied under Part 3 of the *Public Utilities Act* for an energy project certificate and an energy operation certificate regarding the proposed Carmacks-Stewart Transmission Project. On April, 2, 2007, the Minister of Justice referred the YEC application for an energy project certificate and an energy operation certificate to the Board for a review and hearing.

Schedule of Proceeding

The Board has established a schedule for this proceeding based on the deadline for the Board to issue its report and recommendations to the Minister no later than May 31, 2007. The Board recognizes this is a somewhat compressed schedule in order to meet the May 31, 2007, deadline and, therefore, expects parties' cooperation throughout the proceeding, including keeping procedural motions to a minimum. For any motions that do arise through the proceeding, the Board will likely apply a more expedited schedule than the Board's usual practice for dealing with motions. In addition, given the timing constraints, the Board has not scheduled a pre-hearing conference. The Board will not distribute an issues list for this proceeding as the issues for consideration in the proceeding are set out in the April 2, 2007, directions from the Minister of Justice.

Action	Due Date 2007
Applications for Intervenor status	April 13
Intervenor Applicants notified of status	April 16
Information Requests to YEC	April 20
YEC Responses to Information Requests	April 27
Information Requests to YEC related to YUB findings on the YEC PPA Application	May 4
YEC Responses to Information Requests on PPA findings	May 11
Oral Public Hearing, including oral argument and reply	May 15 to 17

Public Inspection of the Application

The Application and supporting documents are available for inspection at the following locations:

Yukon Energy Corporation

Head Office: Whitehorse Hydro Dam
 Robert Service Way

District Offices: Mayo, Yukon
 Faro, Yukon
 Dawson City, Yukon

All Public Libraries in Yukon communities

A copy of the Application and supporting documents are also available for inspection at the office of the Yukon Utilities Board at 19-1114 First Avenue, Whitehorse, Yukon.

A copy of the Application and supporting documents are posted on the Yukon Utilities Board's website at <http://yukonutilitiesboard.yk.ca/> .

Public Submissions

A meeting is scheduled for Wednesday, May 16, 2007, at 5:00 p.m. at the Yukon Convention Centre, to provide an opportunity for the public to make submissions to the Board.

Clarification

Persons intending to participate, and who are uncertain as to the manner in which to proceed, may contact Ms. Deana Lemke, Executive Secretary of the Yukon Utilities Board, by telephone at 867-667-5058 or in writing at Box 31728, Whitehorse, Yukon, Y1A 6L3, by e-mail to yub@northwestel.net or by fax at 867-667-5059.