



**THE YUKON ELECTRICAL COMPANY LIMITED**

An **ATCO** Company

October 21, 2008

Yukon Public Utilities Board  
Box 31728  
Whitehorse, YT  
Y1A 6L3

Attention: Ms. Wendy Shanks, Board Chair

Dear Ms. Shanks:

**Re: Yukon Energy Request for Interim Refundable Rates**

Further to the Board's letter of October 17, 2008 Yukon Electrical offers the following comments on Yukon Energy Corporation's (YEC) request for interim refundable retail, wholesale, major industrial and secondary rates effective November 1, 2008.

At the outset, Yukon Electrical would like to clearly state that it is in favor of passing through to customers the forecasted benefit of increased revenues arising from YEC's interconnection of Minto Explorations (Minto). Yukon Electrical does, however, have significant concerns with the mechanisms proposed by YEC to achieve this goal as well as the underlying premise that the rate design changes are immediately required to promote economy and efficiency.

Since 1997 and the closure of the Faro mine, the impact of Yukon Utilities Board approved changes to YEC's sales forecast and revenue requirement have been flowed through to retail customers via a scaling rate rider mechanism with no changes to the underlying base retail and wholesale rates that were designed as part of the joint Yukon Electrical/YEC 1996/1997 GRA. This approach has resulted in all retail customers being equally impacted by the rate changes as well as a transparent process of additional Rider J revenues collected by Yukon Electrical being flowed through to YEC dollar for dollar in the form of higher purchased power costs.

The changes proposed by YEC involve a complicated array of changes to block one and block two retail rates predicated on the need to promote economy and efficiency. It appears YEC has proposed material changes to the existing

approved rate structure that has resulted in an alternative rate setting approach. This redesign should be carefully considered and a determination made regarding whether the pricing structure meets the needs of its customers, including customers of Yukon Electrical, before being implemented. Yukon Electrical submits that the development of any new rate structure including changes to existing approved tariffs should be fairly tested within the framework of a Phase II process. As a result, interested parties should be afforded the opportunity to test the reasonableness of YEC's proposal.

Given the shared rate structure of the Yukon and the fact that Yukon Electrical and YEC are no longer jointly managed, this Phase II process needs to be jointly vetted and completed by Yukon Electrical and YEC to ensure rates for customers within different rate classes as well as the rates within a customer rate class are appropriately designed and tested. Since Yukon Electrical was neither advised nor involved with YEC's proposed rate changes, the starting point for this important process has clearly not happened.

The issue of interpreting Yukon Territorial Government Order in Council 2008/149 has also complicated matters as it appears to suggest that rate design will not be predicated on a cost of service study. Given all of these issues, Yukon Electrical is unable to support YEC's rate redesign proposal as interim refundable or otherwise at this point in time.

Further to the above noted concerns regarding process, Yukon Electrical would also like to comment on YEC's premise that intra-rate (block one and block two) changes need to be implemented as the current rates serve to encourage residential electric heating. As YEC should be aware, the evidence on the record as part of Yukon Electrical's Phase I proceeding shows normalized residential Use-Per-Customer (UPC) dropping from 2005 to 2006 and from 2006 to 2007. Yukon Electrical also notes current fuel prices are now consistent with levels experienced in 2007. Moving forward to implement significant changes to interim refundable intra-rate retail and wholesale classes without fully understanding and testing the impact on customers is not seen as a prudent course of action at this time.

To conclude, it is Yukon Electrical's recommendation that YEC use the existing approved mechanism of Rider J to flow through the benefits to retail customers of interconnecting Minto. This will presumably result in a decrease to the existing 14.93% Rider J rate rider. In the interest of regulatory efficiency, YEC's decision to proceed with Phase II in the context of its 2008/2009 Phase I General Rate Application raises certain regulatory efficiency questions. Given the complexities referenced above, as well as the concerns expressed by Leading Edge Projects Inc. in its letter to the Board dated October 18, 2008, Yukon Electrical requests that the Board convene a Phase II Workshop that would address the appropriate process to consider all Phase II issues related to both YEC and Yukon Electrical.

It is not viewed as efficient or appropriate to address such Phase II matters in the context of YEC's Phase I Application.

While Yukon Electrical had hoped to work on these issues with YEC prior to involving the Board, YEC's unilateral approach to their 2008/2009 General Rate Application clearly shows this goal has been frustrated.

Yours truly,

THE YUKON ELECTRICAL COMPANY LIMITED  
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***Original Signed by:***

Jerome Babyn,  
General Manager

JB/lyk