



## Background on Yukon Energy's Rate Application

### Summary of rate increases requested:

For all customers throughout Yukon (residential, commercial, industrial and government) – an increase of 6.4 percent in 2012 and an additional 6.5 percent in 2013. Apart from our industrial customers, this is the first time we have asked for rate increases since 1999.

Without a rate increase we'll have a \$3.45 million shortfall this year and a \$7.68 million shortfall in 2013.

### Why Yukon Energy requires a rate increase:

Demand from all sectors: the need for power by Yukon's mining industry is only part of the story.\* Increased residential, business and government consumption has also strained the power grid.

This rise in demand has depleted the surplus hydro we've had since the Faro mine shut down in the late 1990s. Our new hydro assets (Mayo B and the Aishihik third turbine) have helped address this problem, but diesel generation is still required to supply an increasing share of the new growth.

*\*Note that it is because of our mining customers that we have been able to keep rates low to date. By selling surplus power to the Minto mine we secured a 2.47 percent rate decrease for residential and commercial customers.*

Maintaining existing assets: the cost of keeping our aging infrastructure efficient and up-to-date has increased faster than energy rates. Yukon Energy's assets need substantial investment in order to maintain them in good working order and ensure a high standard of reliability for Yukoners. Both the Mayo A and Whitehorse hydro plants are more than

50 years old, except for our 4<sup>th</sup> Whitehorse turbine that was built in the 1980s. The Aishihik hydro plant is 37 years old. With the exception of the Mayo to Dawson line and the new Carmacks to Stewart line, our transmission grid is over 30 years old.

Thirteen years of inflation: the costs of salaries, materials and services keep climbing. This has proven to be a challenge that Yukon Energy can no longer ignore. This chart shows examples of how much costs have increased since the late 1990s.

	Unit	1998	2012	Change	% Change
<b>Bacon</b>	500g	\$3.19	\$5.20	\$2.01	63.01%
<b>Milk</b>	Litre	\$1.39	\$2.30	\$0.91	65.47%
<b>Eggs</b>	Dozen	\$1.80	\$3.22	\$1.42	78.89%
<b>Bread</b>	Loaf (675g)	\$1.31	\$2.76	\$1.45	110.69%
<b>Regular Unleaded Gasoline*</b>	Litre	\$0.66	\$1.26	\$0.60	91.63%
<b>Average Rental Unit</b>		\$675.00	\$800.00	\$125.00	18.52%
<b>Average house cost(1999)</b>		\$184,888.97	\$432,600.00	\$247,711.03	133.98%

\* Whitehorse only, as reported by Statistics Canada

Cost increases in labour are related to two things: annual wage increases negotiated through the collective bargaining process, and the addition of about a dozen positions since 2009. As our system grew so did our workload and we required extra staff to take on this additional load.

Funding tomorrow's energy: finding sufficient clean, affordable and reliable energy requires years of public and stakeholder consultation, research, engineering and project approval. All this work comes with a price tag.

In 2009, the Yukon Utilities Board agreed that Yukon Energy does not have the luxury of waiting for new loads to materialize before taking action. It accepted our argument regarding the benefits of having shelf-ready projects that can proceed at some future date.

### **What we have Done to Defer Rates Increases:**

Refinancing: Yukon Energy has refinanced our debt twice over the past 10 years as interest rates have declined and the terms and conditions of loans have allowed renegotiation. Debt refinancing in 2003 reduced annual operating costs in 2004 by \$700,000. In 2011 we were able to reduce annual operating costs for that year by \$1.6 million and by \$1.5 million for both 2012 and 2013 because of debt refinancing.

Depreciation studies: In 2005 we received approval from the Yukon Utilities Board for new depreciation rates, which allows assets to depreciate over longer periods of time and thereby reduce operating costs. This has reduced operating costs by \$1.2 million per year. In our latest application to the YUB we have asked for updates to the depreciation rate, which – if granted – brings our approach in line with other North American utilities and will reduce operating costs by a further \$2.4 million per year in 2012 and 2013.

Partnership and contributions: Yukon Energy has been able to build major new legacy assets over the last few years without raising retail rates, with the help of funding partners. In fact last year we added approximately \$172.3 million worth of new assets (Carmacks-Stewart line Stage 2, Mayo B, and Aishihik 3) to our system, at a cost to electricity customers of only \$43.8 million.

Mayo B and Carmacks to Stewart line Stage 2 included:  
\$71 million from the Federal government (Green Infrastructure fund)  
\$52.5 million from the Yukon government

Aishihik third turbine included:  
\$5 million from the federal government (Eco-trust Fund)

While Yukon Energy will continue to look for funding partners for future capital projects, government fiscal restraint is a reality we cannot ignore.

Diesel savings: Yukon Energy has, over the last 10 years, worked to eliminate diesel from our grid wherever possible. This effort has resulted in major cost savings for electrical customers along with significant new assets for future generations. They include:

Mayo to Dawson line - \$2.76 million in diesel savings since 2004

Without the construction of the Carmacks to Stewart Line Stage 1 we would have had an additional \$1.2 million in costs per year and would have required a rate increase of 3.2 percent in 2009.

Without connecting our two grids and without Mayo B and our Aishihik third turbine we would have incurred additional diesel costs of \$7.6 million in 2012 and \$8.2 million in 2013.

## How Yukon rates compare with other jurisdictions:

### Residential Electricity Bills in Comparison to Yukon (1000 kWh/month consumption, Residential Non-Government, \$)

		<b>Monthly Bills before rate relief and taxes</b>
1	Yukon - existing	\$136.05
2	Yukon, Proposed 2012	\$144.76
3	Yukon, Proposed 2013	\$154.17
4	Yellowknife	\$254.29
5	NWT Thermal zone	\$491.90
6	Iqaluit, Nunavut	\$541.90
7	Baker Lake, Nunavut	\$635.50
8	Winnipeg	\$73.05
9	St. John's	\$109.86
10	Toronto	\$129.01
11	Halifax	\$136.23
12	Regina	\$137.92
13	Charlottetown	\$145.07
14	Edmonton	\$164.04
15	Calgary	\$174.69

#### Notes:

1. Monthly Bills are before Rate Relief and taxes.
2. Rates for NWT and Nunavut as of January 2012. On March 23, 2012 NWT filed a GRA with proposed rate increases of seven percent for the first three years (2012/13, 2013/14, 2014/15) and five percent in Year 4 (2015/16).
3. Rates for the other cities as of April 2011 (Source: Hydro Quebec).