

50% of the amount put into rate base, ATCO ownership in the asset would be 50% of the share that the amount put into rate base plus customer contributions bears to the total cost of the asset.

ATCO's position is that it will consider the matter further.

[NTD – ATCO suggested that only the portion of contributions from Yukon should be eliminated from the share of ownership it would have in new investment. Yukon responded that any investment from other governments – Canada – would be through YG, not directly. Yukon further responded that such a position by ATCO may cause Yukon to not agree to any participation by ATCO in the project's investment.]

#### 4. Ownership of new investments in 50/50 Assets

Joint Position (subject to confirmation by Yukon) – except as noted in Item 3 above, all new investment in 50/50 Assets will be owned 50/50. A replacement transformer in a subdivision currently 100% owned by ATCO will be owned 50/50. The same would occur for a replacement transformer on a transmission line currently owned 100% by Yukon.

#### 5. One party fails to fund its 50% share for a particular investment.

Yukon has no position at this time. Yukon will consider alternatives including ATCO's position, the exclusion of asset value of investment associated with the default from the 50/50 Assets, or any other reasonable recommendation to address this situation.

ATCO's position is that upon default to fund the 50/50 shares are adjusted to reflect the non-payment. Should a party's default in funding its 50% of new investment continue and reach a threshold where its interest falls below a certain portion of the 50/50 Assets, for example, 40%, then it would lose a Director from the Board of Directors of OPCO.

#### 6. Governance of Assets Owners

Assuming YEC and YECL are the respective asset owners for Yukon and ATCO, an issue arose in the May 12<sup>th</sup> discussion regarding the level of governance considered reasonable for the owning entities. An initial joint position was that the asset owners would look to the Board of Directors and Management of OPCO to undertake and make available material due diligence and would limit their own need for additional due diligence, and, in particular, eliminate or minimize the need for permanent utility staff. More consideration is to be given in this area by both Yukon and ATCO.

#### 7. Allocation of Disallowances and of Residual Costs after Mitigation

The following situations were discussed at the May 12<sup>th</sup> meeting, along with some tentative positions as both parties need to assess the situations further:

- (a) If a capital cost is disallowed by the regulator, the disallowance would flow back to the owner(s) of the asset. For example, if a cost for capital maintenance at a hydro generation site owned 100% by Yukon was disallowed, the disallowance would flow back to Yukon. The same would occur with an asset 100% owned by ATCO. If the disallowance was on an asset owned 50/50 then it would flow back to the 50/50 owners.