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**IN THE MATTER OF YUKON ENERGY AND THE ALEXCO
POWER PURCHASE AGREEMENT (PPA) APPLICATION**

A proceeding before the

YUKON UTILITIES BOARD

September - December, 2010

**REPLY ARGUMENT OF JOHN MAISSAN
LEADING EDGE PROJECTS**

General Comment

Leading Edge has reviewed the Arguments submitted by Yukon Energy and UCG, and has not been persuaded to change any of its positions. Thus Leading Edge still supports all its positions put forward in its Argument dated December 8, 2010.

There are a few matters put forward in UCG's Final Argument on which Leading Edge wishes to comment. The issues and Leading Edge's comments are provided below.

Specific Comments

1. Cost of Service Study required to set Alexco fixed costs and rates

Leading Edge is of the view that the recent Cost of Service and Rate Design proceeding (Phase II Rate Application by Yukon Energy and YECL) with one exception provides the Board with adequate information on which to base Alexco PPA rate decisions, and on which to review the fixed costs proposed by Yukon Energy.

The exception to this is the cost of the PPA negotiation for which there is no precedent for direct recovery from any industrial customer. Leading Edge remains of the view that this is an issue that should have been addressed in the recent Phase II hearing and should now be deferred to the next Phase II hearing so that it can be fully discussed.

2. Ratepayers and taxpayers responsible for diesel on the margin

Leading Edge is of the understanding that Yukon Energy bears the risk for its forecasts, and specifically for diesel generation in excess of its forecasts as most recently approved by the Yukon Utilities Board – i.e. for the 2009 test year. If this is indeed the case then Yukon Energy is responsible for the costs of diesel generation on the Hydro systems in excess of the Board approved forecast. And, of course, Yukon Energy has the benefit of any additional revenues collected in excess of the forecast.

If this is not the case the Board will need to decide who will be responsible for the cost of the unforecasted diesel generation to serve Alexco, and Leading Edge submits that this should not be non-industrial ratepayers. Once Phase 2 of the CSTP is complete in the spring of 2011 and Mayo B and Aishihik third turbine are complete late in 2011 the marginal diesel requirements will be decreased.

3. Industrial Customer definition changed for this PPA

It is leading Edge's view that Yukon Energy is using an appropriate definition for Industrial Customer in the Alexco PPA. With rare exceptions mining operations (who are Industrial Customers) include processing (milling) of the ore (or coal, or industrial mineral, etc.) as part of the on-site operations. In the case of Alexco, where the mine and the mill are separated by some distance but are both located along Yukon Energy's 69kV line, having two points of delivery makes sense. The former United Keno Hill Mines had several points of delivery from the same line (several mining locations and one mill).

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "John Maissan". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Maissan".

John Maissan
Leading Edge Projects
December 15, 2010