

YUKON UTILITIES BOARD
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February 21, 2007

Roger Rondeau
Utilities Consumers Group
Box 9300
29 Wann Road
Whitehorse, Yukon Y1A 4A2

Doug Tenney
Yukon Electrical Company Ltd.
100-1100 First Avenue
Whitehorse, Yukon Y1A 3T4

Dear Mr. Rondeau and Mr. Tenney:

The Yukon Utilities Board (Board) is in receipt of correspondence from the Utilities Consumers' Group (UCG) dated February 15, 2007, and from the Yukon Electrical Company Limited (YECL) dated February 16, 2007, in response to Board Order 2007-1. The UCG letter expressed concerns regarding the scope of the hearing, the process established for the hearing and the issues for the hearing. The YECL letter, in addition to requesting Intervenor status for this proceeding, requested clarification regarding the process established by the Board. The purpose of this letter is to respond to the questions and concerns raised.

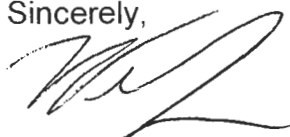
Regarding YECL's request for Intervenor status, the Board grants this request.

Both UCG and YECL mentioned the possibility of the Government of Yukon directing the Board to review and make recommendations with respect to the Carmacks-Stewart Transmission Project, and suggested that such a review should be combined with the PPA proceeding for regulatory efficiency. At this time, the Board has not received any such direction from the government and therefore will continue to process Yukon Energy Corporation's (YEC) PPA application as scheduled. If the Government issues such a direction while the PPA proceeding is ongoing, the Board will revisit this issue at that time.

With respect to the process itself, UCG requested that the Board allow the opportunity for Intervenor to ask additional questions after YEC answers IRs. UCG expressed concern that without this opportunity, YEC may refuse to respond to some IRs. The Board is of the view that the Board's Rules of Practice address this concern in that if YEC refuses to answer some IRs, it is open to Intervenor to request the Board to direct YEC to provide a further or better response. The Board expects that YEC would not take advantage of the fact that there is no follow-up process and will provide complete responses in the first instance. As a result, the Board is not prepared to amend the established schedule.

UCG and YECL requested clarification regarding the matters it will consider and adjudicate on in this proceeding. While the Board considers that YEC's PPA application is related to the Resource Plan proceeding, the Board does not view it as a part of that proceeding in that the Board is considering YEC's application like any other application. The Board will adjudicate on the matters requested by YEC. YEC requested review and approval of the PPA, new rates (firm mine rate, peak shaving rate option, low grade ore processing secondary energy rate) and the associated cost of service, the \$7.2-million customer contribution, the net mine revenue account, the minimum take-or-pay provisions, dispensation of the mine diesel units, the level of YEC security, and the appropriateness of the decommissioning costs. The Board notes that UCG suggested that any rate proposals as part of this application are premature and should be considered in the context of a GRA. As indicated, the Board will adjudicate on the rate proposals by YEC; however, UCG is free to make submissions on the appropriateness of the rate proposal.

Sincerely,



Wendy Shanks
A/Chair

c. All Parties