

YUKON ENERGY CORPORATION
APPLICATION TO APPROVE MINTO MINE POWER PURCHASE AGREEMENT

Utilities Consumers' Group
Information Request No. 2

UCG 2-1

Reference: Application, Section 1.0 - Introduction, Page 1

"Yukon Energy and Minto have now concluded the PPA (see Attachment E), which is hereby filed with the Board. As noted in the PPA, the PPA will not be effective until it has been approved by the YUB, and such approval will be needed on, or before, April 30, 2007 in order to complete the Transmission Project prior to September 30, 2008."

Request:

Given that the Minto mine will have an on-site power supply until the proposed Transmission Project is complete, please provide YEC views on the repercussions to ratepayers if the in-service date of the Transmission Project is delayed. Please indicate what time delay (e.g., 6 months, 12 months, 18 months, etc.) would be considered a "deal breaker".

UCG 2-2

Reference: Application, Section 2.0 - Overview of the PPA and Requested Approvals, Page 2

"On October 13, 2006, YEC filed with the Yukon Environmental and Socio-economic Assessment Board Executive Committee a Project Proposal Submission for the Carmacks-Stewart/Minto Spur Transmission Project."

Reference: Application, Section 3.1 – Update from Other Filings, Including YESAB

"On January 25, 2007 the YESAB Executive Committee completed its adequacy review for the Carmacks-Stewart Crossing / Minto Spur (CS/MS) Transmission Project, and the project has proceeded to the Executive Committee Screening stage of the YESAB approvals process."

Request:

Please provide an update on the status of the YESAB submission and the expected time frame for YESAB approvals.

UCG 2-3

Reference: Application, Section 2.0 - Overview of the PPA and Requested Approvals, Page 2

"Section 3.1(a) of the PPA provides that prior to proceeding with and completing the Transmission Project under the Agreement, on or before April 30, 2007 the YUB will have approved the PPA."

Preamble

In its January 15, 2007 Report to the Executive Commissioner on YEC's 20-year Resource Plan, the Board noted that the Minister of Justice had said in her letter of August 29, 2006 to the Board that "prior to the implementation of any proposed significant energy projects by YEC (e.g., construction of the Carmacks-Stewart transmission line), it is the government's intention to refer the details of such projects to the YUB for review and recommendation under provisions of Part 3 of the *Public Utilities Act*".

The Minister of Energy, Mines and Resources has publicly indicated that an official "full scrutiny"

hearing into the proposed power line extension from Carmacks to Pelly Crossing, (and then on to Stewart Crossing in phase two) will take place.

Given that the proposed power purchase agreement submitted by YEC and the Part 3 review of the proposed power line extension are inextricably linked, it appears unlikely that the proposed PPA will be approved by April 30, 2007.

Request:

- a) Please explain the permits and approvals that YEC understands are required in order to proceed with the proposed Transmission Project and the anticipated timing of each of these permits and approvals.
- b) Given UCG's understanding that the YUB's January 15, 2007 Report to the Executive Commissioner on YEC's 20-Year Resource Plan with respect to the proposed Transmission Project contained only recommendations, please provide YEC's understanding of any approvals it feels were provided by the Board in its Report.
- c) Please confirm that the proposed power purchase agreement will be terminated if approval for the PPA is not provided on or before April 30, 2007.

UCG 2-4

Reference: Application, Section 3.1 – Update from Other Filings, Including YESAB

“On February 2, 2007, YEC issued a Request for Proposal (RFP) to five short listed and pre-qualified bidders for engineering services for the CS/MS Project.”

Request:

- a) Please explain how the short-listed bidders were pre-qualified. Provide all related correspondence and submissions related to the pre-qualification process.
- b) Please provide an update on the RFP process and the anticipated timing of completion.

UCG 2-5

Reference: Application, Section 3.2 – Timing Requirements and Conditions

“Timing is critical to the viability of the Transmission Project, and in order to achieve an in service date by late 2008 project construction must commence by the fall of 2007. Consequently, pursuant to section 3.1 of the PPA, the following timelines must be achieved:

- February 15, 2007: Minto will have received written approval from Macquarie of Minto's execution and delivery of this Agreement and the YEC Security and Minto will have provided a copy of such approval to YEC;
- February 15, 2007: YEC will have entered into an agreement with Macquarie and Minto governing the respective rights and obligations of each party;
- February 28, 2007: YEC will have completed its due diligence review of Minto and the Mine

Request:

- a) Please confirm that the February timeline actions have been completed. If not, then please provide an explanation of their status.
- b) Please provide a copy of agreements, approvals and due diligence reviews conducted as per this timeline.

UCG 2-6

Reference: Application, Section 4.1 – PPA Rates, Page 6, Footnote 5

“The 2008 Firm Mine Rate outlined in Schedule C provides for \$15 kVA per month (demand charge) and \$0.076 per kW.h (energy charge); together these rates equal approximately 10 cents per KW.h for Minto Mine purchase of 32.5 GW.h per year of electricity at a peak annual load of 4.4 kMA. This average rate includes the Demand Charge and Energy Charge rates in the Schedule C

Industrial Primary Rate, without consideration of ongoing Fixed Charge provisions relating to ongoing monthly payments by Minto for the Capital Contribution. Schedule C also includes provision for a Peak Shaving Credit if Minto elects to nominate a Winter Contract Load as provided for in the rate schedule.”

Reference: Application, Section 4.1.1 – Firm Mine Rate

The Application includes evidence to confirm that this rate is in full compliance with Order-in-Council 1995/90 and that the rate is sufficient to recover forecast 2008 costs of service to the Major Industrial Customer class (see Attachment A).

Reference: Application, Appendix A, Section 1.0 – Introduction and Overview

“The Firm Mine Rate in the PPA was established based on the COS principles and methods in Schedule E of the PPA.”

Request:

- a) Please provide details of YEC’s forecast of its total 2008 revenue requirement.
- b) Please provide a paper copy and a working electronic copy of the cost of service study used to determine that the proposed firm mine rate is sufficient to recover that portion of YEC’s 2008 revenue requirement allocated to the industrial rate class.
- c) Please compare the cost of service study methodology used to develop the proposed firm mine rate to the cost of service study methodology used in the 1996/97 General Rates Application involving both YEC and YECL.
- d) Provide details of the functionalization, classification and allocation factors used in the cost of service study used to calculate the proposed mine rate.
- e) Provide detail of all costs (directly assigned costs, allocated costs, etc.) that are proposed to be recovered through the proposed industrial rates.
- f) Please compare the annual bill for the Minto mine under the proposed firm mine rate versus under existing industrial rates.

UCG 2-7

Reference: Section 6(1) of OIC 1995/090

“The Board must ensure that the rates charged to major industrial power customers, whether pursuant to contracts or otherwise, are sufficient to recover the costs of service to that customer class; those costs must be determined by treating the whole Yukon as a single rate zone and the rates charged by both utilities must be the same”.

Reference: Response to UCG-YEC-2-2, YEC 20-Year Resource Plan

The OIC requires that a single Cost- of-Service (COS) study be prepared for the entire Yukon (at least at the bulk power level) and that industrial customer rates be set so as to be no lower than 100% cost of service (i.e., 1.00 Revenue:Cost ratio) assessed for Yukon as a single rate zone and considering all relevant costs for both YEC and YECL. As reviewed in detail at the 2005 Yukon Energy Required Revenues and Related Matters Application, no current cost of service study has been prepared for Yukon since the 1996/97 GRA, and no new industrial customers have connected to the system. For this reason, the firm industrial rate in Yukon remains interim and refundable (since Board Order 1998-5) and is expected to be finalized and confirmed for new industrial customers only after a full COS study is performed for the Yukon as a whole, and that a new rate based on this COS study is reviewed and approved by the Board.

Request:

- a) Please confirm that a full cost of service study has not been undertaken to determine electricity rates in the Yukon since the 1996/97 GRA.
- b) Please confirm that the proposed firm mine rate will be classified as interim and refundable until

a full cost of service study is performed for the Yukon as a whole and a new rate based on the full cost of service study is reviewed and approved by the YUB.

UCG 2-8

Reference: Application, Section 4.1.1 – Firm Mine Rate

“YUB approval of the Firm Mine Rate, as set out in Schedule C of the PPA, is sought for initial delivery of Mine Firm Electricity by YEC to Minto; approval is also sought for Section 3.5 of the PPA with respect to any future adjustment of the Firm Mine Rate after 2008.”

Request:

Please confirm that, if approved, the proposed Industrial Primary Rate and adjustment mechanism will apply to all industrial loads in the Yukon.

UCG 2-9

Reference: Application, Section 4.1.1 – Firm Mine Rate

“Section 3.5 of the PPA confirms that the Firm Mine Rate may be amended by the YUB from time to time after 2008. Section 3.5 also provides that, after 2008, if the Firm Mine Rate is increased above the rate provided for in Schedule C by a decision of the YUB that is made on the basis of cost of service principles and methods which are inconsistent with the cost of service principles and methods in Schedule E of the PPA (or the YUB alters the terms and conditions of the PPA), and such increase or alteration materially adversely affects the cost savings to Minto under the PPA, then YEC and Minto will be required to amend the PPA to reduce the Minimum Take-or-Pay Amount to offset the loss of such cost saving to Minto and to amend the YEC Security so that it is no longer provided as continuing security for the Minimum Take-or-Pay Amount under Section 6.2 of the PPA.”

Request:

- a) Please confirm YEC’s understanding that it cannot charge any rate that has not been approved by the YUB and that the proposed power purchase agreement is deemed to include a clause under which the YUB has the jurisdiction, on application of one of the parties, to increase or reduce the rate to a rate that the YUB considers fair and reasonable.
- b) Please confirm that the contemplated amendment to the YEC security in the above referenced passage is an amendment to the amount of the security to offset the lost cost savings, and not an elimination of the security obligation in the event the PPA is amended to reduce the Minimum Take-or-Pay Amount. If the amendment is intended to eliminate continuing security for the Minimum Take-or-Pay Amount under Section 6.2, please provide the rationale and how YEC’s other ratepayers are protected from a failure by Minto to provide the Minimum Take-or-Pay Amount if the YEC security no longer applies to the Minimum Take-or-Pay Amount.

UCG 2-10

Reference: Application, Section 4.1.2 – Peak Shaving Rate Option

“The Peak Shaving Rate Option included in the Firm Mine Rate in Schedule C of the PPA provides a specified credit on the firm demand billing rate tied to limits on the mine’s ability to affect peak winter loads on the WAF system.”

Request:

- a) Please provide a paper copy and a working electronic copy of the cost of service study used to determine that the proposed peak shaving rate is sufficient to recover that portion of YEC’s 2008 revenue requirement allocated to the industrial rate class for this service.
- b) Please identify where a peak shaving rate option has been approved by regulators in other jurisdictions and under what circumstances.

UCG 2-11

Reference: Application, Section 4.1.3 – Low Grade Ore Processing Secondary Energy Rate
“The Low Grade Ore Secondary Energy Rate is interruptible and available only from surplus hydroelectricity supplies. It is only available for use in processing low grade copper ore as defined in the rate schedule.”

Request:

- a) Please provide a paper copy and a working electronic copy of the cost of service study used to determine that the proposed low grade ore processing secondary energy rate is sufficient to recover that portion of YEC’s 2008 revenue requirement allocated to the industrial rate class for this service.
- b) Please identify where a low grade ore processing secondary rate has been approved by regulators in other jurisdictions and under what circumstances.

UCG 2-12

Reference: Application, Section 4.1.3 – Low Grade Ore Processing Secondary Energy Rate
“Service provided under this rate schedule will only be surplus energy remaining after supplying customers served by Rate Schedule 32 Secondary Energy service.”

Request:

Please identify when and under what circumstances the YUB has approved a prioritization of customers to be served within a class receiving the same type of service.

UCG 2-13

Reference: Application, Section 4.1.3 – Low Grade Ore Processing Secondary Energy Rate
“In contrast, the Mine Feasibility Study released in July of 2006 assumed that the stockpiled Low Grade Ore (mined in association with the high grade reserves) constituting reserves would all be processed after completion of the six years of high grade ore processing, thereby extending the Mine life by a further 4.6 years or some 3.4 years more than is currently committed.”

Request:

Please provide a copy of the referenced Mine Feasibility Study.

UCG 2-14

Reference: Application, Section 4.2.2 – Diesel Units at the Mine
“The PPA requires YUB approval of provisions respecting the YEC purchase of the four Diesel Units (each with a continuous rating of at least 1.6 MW) as set out under Part 10 of the PPA for \$2.24 million¹³, with YEC to provide payments to Minto in this regard on the same basis as Minto’s Mine Spur Capital Cost Contribution payments, i.e., in equal blended monthly payments of interest and principal over the first seven years of YEC service. The negotiated Diesel Units Purchase Price for the assignment to YEC of the Cat Leases for the Diesel Units reflects a proxy for the estimated market value in the event that Minto had proceeded to buy out the Cat Leases and then sell these units to other off-site users (as had been planned to occur after YEC commenced delivery of Grid Electricity to the Mine).”

Request:

- a) Please provide documentation on how the negotiated purchase price reflects estimated market value.
- b) Please indicate whether YEC considered using the value of Minto’s diesel generators as a security deposit similar to that required of other Yukon ratepayers.

c) Please confirm that YEC will not acquire title to the diesel units before September 2009.

UCG 2-15

Reference: Application, Section 5.1 – No Adverse Impact on Ratepayers

“Bringing Pelly Crossing ratepayers onto the hydro grid will in effect reduce second block energy rates for ratepayers in this community supplied by Yukon Electrical. The “second block” refers to rates for power consumed in excess of 1,000 kW.h per month for residential customers and in excess of 2,000 kW.h per month for businesses. Currently, these second block rates are 12.36 cents / kW.h for Small Diesel communities (Pelly Crossing’s current zone) and 10.45 cents/kW.h for Hydro zone, excluding all riders and taxes.”

Request:

- a) Please provide details of any discussions / correspondence with YECL and the ratepayers in Pelly Crossing concerning the transfer of these customers to the hydro grid.
- b) Please confirm that the rates currently charged in the Small Diesel and Hydro rate zones have not be subject to any cost of service study or rate design review for at least 10 years.

UCG 2-16

Reference: Application, Section 5.1 – No Adverse Impact on Ratepayers

“YEC will establish a deferral account (the “Mine Net Revenue Account”) to ensure that incremental annual Mine Net Revenues (or net costs) do not affect YEC earnings or the determination of the revenue requirements affecting other ratepayers in Yukon.”

“These provisions under Section 3.6 of the Agreement set aside positive net incremental earnings due to power sales to the Mine, retaining these net earnings as reserves to offset rate base costs and as protection against any potential future negative earnings related to the Mine activities.”

Request:

- a) If any rate charged to an industrial customer such as Minto would have to recover 100% of the fully allocated cost of service for providing the mine with electricity, please explain how any amount would end up in this deferral account.
- b) It is UCG’s understanding that ratepayers as a whole become exposed to the cost, and therefore the adverse impact of the Project once phases of the Project are put into rate base, through increased return on rate base for YEC. What is YEC’s proposal for adding the various phases of the Project to rate base? Assuming that the proposal is to add phases of the Project to rate base in the year they become operational as opposed to a proposal to keep the phase of the project out of rate base, is it YEC’s proposal to put the return on rate base and depreciation amounts attributable to the Project into the Mine Net Revenue Account as a way to protect ratepayers from the costs of the project?

UCG 2-17

Reference: Application, Section 5.1 – No Adverse Impact on Ratepayers

“Upon commencement of delivery, YEC will acquire four 1.6 MW trailer mounted Diesel Units from Minto which will help to provide added security and also provide opportunities to minimize WAF system costs under certain circumstances.”

Request:

Please confirm that YEC will not acquire title to the diesel units until Minto pays to Caterpillar all lease and other amounts payable under the Cat Leases and pays the amount required to be paid on the termination or expiry of the Cat Leases on or before September 6, 2009.

UCG 2-18

Reference: Application, Section 5.1.1 – Capital Cost Contributions

“At the date of the Agreement the Capital Costs of the Mine Spur are estimated at \$3.83 million; however, as provided in Section 5.1 of the PPA, within 30 days of the Transmission Project Start Date YEC will provide Minto with a revised estimated based upon received tenders.”

Request:

Given the uncertainty of the costs of the mine spur, please explain how the YUB can respond to YEC’s request for approval of provisions respecting the Capital Cost Contributions.

UCG 2-19

Reference: Application, Section 5.3 – How the PPA will Apply to Other Industrial Customers

“Section 5.7 of the PPA provides that New YEC Industrial Customers, as defined in the PPA, will be required by YEC to pay a Capital Cost Contribution for their appropriate share of Capital Costs of the CS Project and any spur lines.”

Request:

Please confirm that this provision applies to any industrial load and not just those that would be classified as YEC customers.

UCG 2-20

Reference: Response to UCG-YEC-2-29, YEC 20-Year Resource Plan

“The following is a list of incurred costs to conduct technical and costing assessments of the Resource Plan near term projects, and estimates to complete all work related to “decision making”:

Carmacks-Stewart Transmission Project: \$939,000 for environmental and technical assessment and work required to complete project description for YESAB review, discussions with First Nations and potential industrial customers, covering all aspects of the activities set out in YUB-YEC-2-21(j). As set out in the Supplemental Materials Tab 2, the planning, permitting, consultation, design and tender activities associated with this project are forecast at \$3 million. To date, YEC has received a commitment of \$450,000 in YTG funding towards this cost.”

Request:

- a) Please provide an update on all costs incurred to date for the Carmacks-Stewart transmission Project including the costs associated with the proposed power purchase agreement and associated due diligence activities. Provide details of these costs including but not limited to legal costs, outside engineering and consultant costs (by firm) and internal costs broken down by salaries, supplies and services, and overheads.
- b) Please explain the conditions of the funding provided to date by the Yukon government and details of the costs paid by this funding.
- c) Please provide details of any additional infrastructure funding support that the Yukon government has committed for this project.
- d) Please provide details of when YEC’s Board of Directors gave approval to proceed with the proposed project.

UCG 2-21

Reference: UCG 1-1 – Rate Base and Impacts to Ratepayers

Request:

- a) Please provide a continuity schedule for YEC’s regulated rate base starting with YUB-approved for 2004 through forecast 2010. This schedule should be broken down by rate base

component (i.e., gross plant, accumulated depreciation, etc.) using YEC's current capital expenditures estimates and with the proposed Transmission Project specifically identified in each component.

- b) Please indicate YEC's confidence level in the current cost estimates for the proposed Transmission Project.

UCG 2-22

Reference: Application, Section 5.3 – Forecast Costs by Function

"Carmacks-Stewart (Stage 1) – a new cost element not included in the 1997 GRA; estimate of depreciation and return on rate base (at 7.5%) per final mid-November 2006 filing with YUB in YEC Resource Plan hearing."

Request:

- a) Please confirm that the last rate of return on equity for YEC approved by the YUB was 9.05% per Board Order 2005-12.
- b) Please provide details of the calculation of the referenced 7.5% rate of return on rate base for 2008.

UCG 2-23

Reference: Application, Section 4.2.2 – Diesel Units at the Mine; UCG 1-7

"After completion of the Transmission Project connecting the Mine to the WAF grid, YEC's purchase of the Diesel Units at the Mine Site will in effect add 6.4 MW of reasonably low cost and low risk diesel capacity to the WAF system."

"In the near term these units provide cost effective contingency protection until such time as other potential major mine loads (Carmacks Copper) as well as capacity supply options are better clarified."

Request:

- a) Please explain why these "contingency" units should be classified as "used and useful" and placed into YEC's regulated rate base. Please provide examples of when the YUB has previously allowed similarly contingent plant into rate base.
- b) Please identify the source for YEC's determination that the YUB must approve the purchase of these diesel units.

UCG 2-24

Reference: Appendix E – Power Purchase Agreement, page 14, paragraph 3.1 (f)

"On or before May 31, 2007, Minto will have executed and delivered to YEC the YEC Security and YEC will have registered the YEC Security in all registries required to perfect the YEC Security, such that the YEC Security ranks second only to the Macquarie Financing generally and third only to MRI and Macquarie on the Copper Concentrate or if MRI, as a result of any changes to the MRI Agreement, no longer has security over the Copper Concentrate the YEC Security will rank second on the Copper Concentrate behind the Macquarie Financing;"

Request:

- a) Please provide all information and documents that set out the following:
- i) the amount of the Macquarie Financing "generally" related security obligation that ranks ahead of the YEC Security,
 - ii) the amount of the MRI security obligation that ranks ahead of the YEC Security with respect to the Copper Concentrate,
 - iii) the amount of the YEC Security obligation,

- iv) the value of the assets to which the Macquarie Financing “generally” related security obligation and the YEC Security attach,,
 - v) the value of the Copper Concentrate assets to which the Macquarie Financing “generally” related security obligation, MRI security obligation, and the YEC Security
- b) Please provide the amounts referred to in a) on a projected annual basis to illustrate, if Minto were to cease operations and trigger the Macquarie, MRI and YEC security obligations at the end of any of Years 1, 2, 3, 4, 5, 6, 7, 8, 9, or 10, what the projected recovery of YEC of the obligations outstanding to it from Minto would be with respect to its security over Minto’s assets after accounting for the value of the encumbered assets and the amounts recovered by Macquarie and MRI under their respective securities.

UCG 2-25

Reference: Appendix E – Power Purchase Agreement, page 16, s. 3.5

“3.5 YUB Decision on Firm Mine Rate

The Parties acknowledge that the Firm Mine Rate was established based on the cost of service principles and methods in Schedule E and that the Firm Mine Rate may be amended by the YUB from time to time after 2008. Notwithstanding Section 6.5:

- (a) if the Firm Mine Rate is increased at any time after approval by the YUB of the Firm Mine Rate in the form of Schedule C on the date of execution and delivery of this Agreement by a decision of the YUB made on the basis of cost of service principles and methods which are inconsistent with the cost of service principles and methods in Schedule E; or
- (b) if the YUB, in exercising its statutory jurisdiction, alters the terms and conditions of this Agreement; and
- (c) such increase or alteration materially adversely affects the cost savings to Minto under this Agreement arising due to the conversion from reliance on electricity from diesel generation at the Mine Site to Grid Electricity;

the Parties will amend and restate:

- (d) this Agreement to reduce the Minimum Take or Pay Amount to offset the loss of such cost savings to Minto; and
- (e) the YEC Security so that the YEC Security is no longer provided as continuing security for the Minimum Take or Pay Amount under Section 6.2.”

Request:

It appears from the wording of section 3.5 of the PPA that the parties specifically contemplate that the YUB may change the Firm Mine Rate after 2008, but do not specifically contemplate that the YUB may approve a Firm Mine Rate in this proceeding other than the one proposed in Schedule C to the application. In the event the YUB approves a new Firm Mine Rate in this proceeding different than the one requested in Schedule C, is it intended that s. 3.5 (b), (c), (d), and (e) of the PPA would be triggered in the event the different rate materially adversely affects the cost savings to Minto, or would the approval of a different Firm Mine Rate than the one proposed in Schedule C be treated in some other way under the PPA, and if so in what way?

UCG 2-26

Reference: Application, Page 4, Schedule 1

Request:

- a) The note to Schedule 1 at the top of page 4 states that the Schedule “Excludes consideration of any additional Yukon Government funding required to prevent adverse ratepayer impacts”. Is it YEC’s position that Yukon Government funding would only be required under the “High

Costs” Scenario, and that the funding would be in the amount of approximately \$2.81 million in accordance with the Schedule?

- b) The note to Schedule 1 at the top of page 4 says the schedule excludes consideration of Carmacks Copper Mine; please provide a full update with respect to the state of the proposed Carmacks Copper Mine and its potential impact on the Project.
- c) Does YEC intend to seek Yukon Government funds to prevent adverse ratepayer impacts in the event that YEC does not recover some or all of the Minto Capital Contributions or the Minto Mine net Revenues, either from Minto directly or from enforcement of the YEC Security provided for under the PPA?
- d) Please provide the net benefits of connecting the Minto Mine directly, without undertaking the Project, for comparison to the “Overall Project Net Benefits (Costs)” provided in Schedule 1 of \$7.59 million for the low costs, \$2.39 for the mid point costs, and (\$2.81) for the high cost estimates. By UCG’s rough calculation, assuming Minto would be solely responsible for the costs of connecting themselves to the grid, the net benefit to other ratepayers would be approximately \$13.6 million from the Minto Mine net revenues assuming the Firm Mine Rate as proposed was appropriate.

UCG 2-27

Reference: Appendix E - Power Purchase Agreement, Background

“C. It is the Parties’ intention that other ratepayers in the Yukon Territory will not be adversely impacted by the costs of the Transmission Project required to provide Grid Electricity to the Mine”.

Request:

- a) Please confirm that the term “ratepayers” refers to customers of both YEC and Yukon Electrical Company Limited.
- b) Please provide YEC’s understanding of any difference between Yukon electricity ratepayers and Yukon taxpayers. UCG is especially interested in understanding how contributions from government sources of taxpayer funds doesn’t impact electricity ratepayers.
- c) Please describe the public consultations conducted on the proposed new industrial rates and any comments received pursuant to this consultation.

UCG 2-28

Reference: Appendix E - Power Purchase Agreement, Definitions

“g. “Affiliate” for a Party means...”

Request:

- a) Please provide the names of members of the Boards of Directors of Yukon Energy Corporation and Minto Explorations Ltd.
- b) Please provide the names of all affiliates to YEC and Minto and the names of members of their respective Boards of Directors.

UCG 2-29

Reference: Appendix E - Power Purchase Agreement, Definitions

“(hhhh). “Route” means the route for the Transmission Project as authorized by Government Approvals which, as at the date of this Agreement...”

Request:

Please confirm that as of February 8, 2007, there have been no Government Approvals provided for the proposed route of the Transmission Project.

UCG 2-30

Reference: Appendix E - Power Purchase Agreement, Section 3.5

“The Parties acknowledge that the Firm Mine Rate was established based on the cost of service principles and methods in Schedule E and that the Firm Mine Rate may be amended by the YUB from time to time after 2008.”

Request:

- a) Please confirm that the YUB has the jurisdiction to approve an initial Firm Mine Rate different from those proposed in this Agreement and that this approval could be given in 2007 or 2008.
- b) Please explain why staying with on-site generation would not be a viable alternative to being served by the grid if grid-based rates became unattractive to Minto.
- c) Please explain how Yukon electricity ratepayers and taxpayers are not put at risk if the Minimum Take-or-Pay Amount is reduced to offset cost savings to Minto.

UCG 2-31

Reference: Appendix E - Power Purchase Agreement, Section 3.6

Request:

Please provide details of the reporting that YEC will undertake with respect to the proposed Mine Net Revenue Account.

UCG 2-32

Reference: Appendix E - Power Purchase Agreement, Section 4.1

“Minto anticipates that the Mine’s heat requirements will be supplied through the use of propane.”

Request:

- a) Please provide details on the amount of propane expected to be needed by the Mine and the anticipated supplier of that propane.
- b) Assuming that the propane supplier will be a Yukon business, please comment on the impact on that supplier and the Yukon economy should the Mine elect to use secondary energy instead.

UCG 2-33

Reference: Appendix E - Power Purchase Agreement, Sections 4.2 and 4.3

“Minto will provide to YEC annual written forecasts of the Grid Electricity requirements of the Mine at the Point of Delivery for the succeeding five calendar years so as to allow YEC to forecast the future loads on its facilities.”

“Six months in advance of each calendar year end, starting in July 2008, YEC will provide to Minto annual written forecasts of the expected availability of surplus hydroelectric generation for purchase by Minto as Secondary Mine Processing Energy Electricity during the next five calendar years, with estimates by month for the first of these five years.”

Request:

- a) Please describe the reporting, if any, to the YUB that will be undertaken with respect to these forecasts.
- b) Please confirm that YEC does not go through the same forecasts exchange with existing secondary energy customers.
- c) Please outline how the additional costs associated with this forecasting exchange will be directly recovered from Minto and not other ratepayers.
- d) Please outline the process that will be undertaken to estimate the secondary energy

requirements with existing customers prior to forwarding the expected availability of surplus hydroelectric generation to Minto.

UCG 2-34

Reference: Appendix E - Power Purchase Agreement, Section 4.6

“Minto will regulate its electrical load so that the Power Factor for the Minto Mine is maintained within a reasonable operating range.”

Request:

- a) Please provide details of a “reasonable operating range” for a customer like the Minto mine.
- b) Please confirm that the Minto mine will be metered in both kW and kVA.
- c) Please indicate the cost of the required metering and confirm that the cost of the metering will be recovered from the Mine and not other ratepayers.

UCG 2-35

Reference: Appendix E - Power Purchase Agreement, Section 4.8

“Minto may by providing written notice to YEC, require that the Diesel Units be used to supply the Mine with Electricity with the sole cost to Minto being costs for fuel and operator assistance.”

Request:

Please explain why other Yukon electricity ratepayers should pay the capital-related costs of on-site diesel generators used solely to supply electricity to Minto.

UCG 2-36

Reference: Appendix E - Power Purchase Agreement, Section 5.4

“If the Capital Costs for the Mine Spur exceed \$4,800,000, the payments payable by Minto to YEC under Section 5.2(b)(i) will be extended by two years”

Request

Please explain how the estimated capital costs of the Mine Spur could increase by 25% to require this time extension.

UCG 2-37

Reference: Appendix E - Power Purchase Agreement, Section 5.6

“...payment of any amounts under Sections 5.2(a)(i) and 5.2(b)(i) will be postponed by 30 days for each period of 30 consecutive days and any multiple thereof that such condition continues.”

Request:

Please confirm that any carrying costs associated with this postponement of payments will be recovered from Minto and not other Yukon electricity ratepayers or taxpayers.

UCG 2-38

Reference: Appendix E - Power Purchase Agreement, Section 6.1

“Minto will pay YEC the amount set out in each Minto Power Bill within 15 Business Days of the date of delivery of the Minto Power Bill to Minto”

Request:

Please explain how this provision differs from the ESR provision for payment “by the date indicated on the bill”. Please indicate how much time other customers are given to pay their bill.

UCG 2-39

Reference: Appendix E - Power Purchase Agreement, Section 17.1

“Neither Party may assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.”

Request:

Please confirm that the YUB must approve of any assignment of this Agreement.

UCG 2-40

Reference: Appendix E - Power Purchase Agreement, Schedule C

Request:

Please identify the differences between the existing and proposed Rate Schedule 39 and provide the reasons for these changes.