

March 13, 2007

file number: 84813-00071

Ms. Wendy Shanks, Acting Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Ms. Shanks:

Re: Public Interest Advocacy Centre Letter dated March 12, 2007 Requesting Further
Information from Yukon Energy

Yukon Energy is in receipt of UCG's March 12, 2007 letter to the Board suggesting that "the Board postpone the schedule for final argument" until the Board addresses UCG's allegations that Yukon Energy has not been fully responsive to a number of information requests asked of it during the process established by the Board for IRs.

In an attempt to be helpful, and to avoid the need to interfere with the present YUB ordered timelines for final argument outlined below are Yukon Energy responses to the positions taken by UCG in its letter.

The allegations outlined in UCG's letter can be divided into two categories, those IRs relating to confidentiality and those IRs where UCG alleges Yukon Energy has not been fully responsive.

Confidentiality Issues

All of the confidential information requested in relation to UCG's allegations concerning Yukon Energy's responses to UCG-YEC-1-13, 2-24 and 3-20 is confidential information Yukon Energy received from third parties (more particularly Minto and Macquarie Bank). Yukon Energy has no legal capacity to release that information. The July 2006 Feasibility Study and the Loan Agreements with Macquarie Bank (the so-called PLF and SF [or SLF] Agreements) are not Yukon Energy documents. They are Minto and Macquarie's confidential documents which contain commercially sensitive information. Further, as regards to UCG's reference to Minto's Feasibility Study (UCG-YEC-1-13), YEC has also clarified that the information cited was to public information which has been identified for UCG.

Notwithstanding these constraints Yukon Energy has provided a comprehensive review of the information provided by Minto and Macquarie along with a comprehensive summary of the analyses performed by Yukon Energy's experts who reviewed that information. For example, see the summary of the due diligence undertaken by Yukon Energy's experts in YUB-YEC-1-29.

In specific response to item 4 on p 4 of the UCG letter the referenced reports do not yet exist, and when they are provided to Yukon Energy they will include confidential information which Yukon Energy cannot disclose. In any event Yukon Energy has provided a comprehensive summary of what those reports will contain in YUB -YEC-1-29.

One further point is worth emphasizing; forcing in some manner disclosure of the type of confidential information disclosed to Yukon Energy in this situation would not be in the public interest as it would compromise Yukon Energy's ability to negotiate agreements with third parties if the third parties believed such commercially sensitive information discussed during negotiations would have to be disclosed.

Therefore, in response to items 1 through 4 on pages 3 and 4 of UCG's March 12 letter -- Yukon Energy is simply not able to provide the information requested.

Allegations re Yukon Energy's Lack of Responsiveness

UCG-YEC-2-4

Yukon Energy provided a general response to UCG's information request.

Notwithstanding Yukon Energy's attempt to be helpful in response to the question, it must emphasize that the engineering RFP shortlist process and the detailed documentation requested in relation to that process have nothing to do with the issues that are relevant to the PPA Application.

This does not mean that information relevant to that process and the costs arising out of that process will not be relevant to a future process. They will be.

UCG-YEC-2-6(b) and UCG-YEC-2-10(a)

Yukon Energy has fully responded to the issues raised in these information requests.

UCG alleges that "YEC is withholding this analysis simply because they do not want outside parties, including the Board, reviewing its work". Yukon Energy categorically rejects this allegation. All relevant information was provided. Yukon Energy's answer to, amongst other

requests, 6(b) says “*the relevant information is provided in each instance, to the extent it is available, in Attachment A to the Application*” (emphasis added). Attachment A reflects the nature of the analysis, the text setting out assumptions, etc. and the tables setting out COS as it was in fact done.

In short, Yukon Energy has nothing more to provide and has not “withheld” any analysis.

UCG-YEC-2-28(a) and (b)

Although it is unclear why it is relevant, in an attempt to be helpful, Yukon Development Corporation’s directors are the same as Yukon Energy Corporation’s directors. Further, Yukon Energy has no affiliates.

For clarity, in relation to the requests concerning Minto and its affiliates, Yukon Energy does not have the requested information on Minto affiliates. Yukon Energy has negotiated an agreement with Minto, not with Sherwood Copper Company or any other company affiliated with Minto

UCG-YEC-3-1

Yukon Energy does not understand UCG’s question. The written approval received by Minto is in the Direct Agreement referenced in the answer. There is no other information available.

UCG-YEC-3-2

The Yukon Energy response was complete.

Yukon Energy does not understand what UCG means by the word “implies”. There was no intention of the parties to “imply” anything. As previously stated, the clause in the agreement speaks for itself. It represents the agreement between the parties. Further, and in any event, it is unclear what “order[s] issued by the Yukon Utilities Board and the Yukon government” UCG is referring to. Yukon Energy cannot usurp the Board’s jurisdiction in its agreement with Macquarie and Minto.

UCG-YEC-3-6(b)

Yukon Energy does not understand what further information is requested.

Yukon Energy cannot confirm the point raised in the question. That is a complete answer. If UCG want to argue the point further, it should do so in final argument.

In an attempt to be helpful, if Yukon Energy is not paid for the electricity it provides to Minto -- the Direct Agreement allows Yukon Energy to terminate supply of power to the mine. Under the agreement Macquarie has the ability to ensure that Yukon Energy does not terminate the supply of power to the mine but only if the appropriate payments are made in the timelines outlined in the Direct Agreement.

UCG-YEC-3-10, UCG-YEC-3-11 and UCG-YEC-3-14

Yukon Energy has fully responded to these information requests.

Yukon Energy indicated that any costs which will arise from the duplication of invoices and statements will be insignificant and accordingly, they will have no material impact on the type of assignment referenced by UCG.

UCG-YEC-3-17

The answer provided by Yukon Energy is responsive to the question. To be clear, Yukon Energy cannot confirm the statement made. The clause reference does not override Macquarie Bank's rights under the agreement to elect to be responsible for certain amounts owing by Minto. Further, in any insolvency situation there is no "guarantee" that Yukon Energy will be paid. Yukon Energy has rights under the Direct Agreement to terminate should Macquarie elect not to be responsible for amounts owing by Minto.

UCG-YEC-3-18


Stephen Quin is the President and CEO of Minto Explorations.

Accordingly, in response to the suggestion outlined in the penultimate paragraph of UCG's March 12th letter, none of the information requested in the allegations raised by UCG impact UCG's ability to present argument and therefore there is no need to alter the timelines set by the Board for argument.

Yours truly,

DAVIS & COMPANY LLP

Per:



P. John Landry
PJJ/sas