

from the office of: P. John Landry  
direct tel: 604.643.2935  
direct fax: 604.605.3588  
pjl@davis.ca

March 20, 2007

file number: 84813-00071

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

Dear Ms. Shanks:

Re: Yukon Energy Application to the Board for Approval of PPA and  
Reply to Peter Percival's Notice of Motion dated March 15, 2007

---

YEC believes that in order for the Board to fully consider the issues of relevance in this proceeding, YEC has provided adequate responses to the IRs listed in Mr. Percival's March 15, 2007 letter. However, in an attempt to be helpful, YEC provides more detailed responses to the listed IRs as follows:

**PWP-YEC-1-9 &-1-10**

The motion alleges that the answer to these requests for capital costs is inadequate, either because YEC has failed to provide more detailed cost estimates that is has available, or, if YEC does not have more detailed cost estimates, then the motion requests "that the YUB require YEC to prepare them immediately so that these preliminary detailed cost estimates will be available for adequate advanced review by all parties prior to this hearing process proceeding further".

In response, YEC re-iterates what was stated in the response to PWP-YEC-1-9 &-1-10:

- YEC has provided the cost estimates available to it at this time, i.e., "preliminary engineering and related cost estimates have not yet been prepared"; the basis for YEC's current cost estimates was reviewed in the Resource Plan Hearing (Exhibit B-16, page 10); and
- preliminary detailed cost estimates will be available when the engineering consultant (who is now being hired) has completed the first phase of planned engineering work in May 2007 (which includes, among other activities, the development of preliminary design and cost estimates, as previously stated in the PPA Application, page 3). Such cost estimates cannot be provided until this initial engineering phase of work is completed.

YEC's process to address the identified risks related to the CS/MS Project in an orderly manner prior to any final decision to proceed with either Stage One or Stage Two of this project were set out in the Resource Plan proceeding and reviewed in the Board's January 15, 2007 report. Following the Resource Plan and YESAB filings, YEC's next step was to conclude negotiation of the PPA with the Minto mine and then table the PPA for review and approval of the YUB. In order to mitigate risks, commitments to proceed with preliminary engineering costs were planned to be undertaken only after the PPA negotiations were concluded - and the engineering work plan has also been set out to ensure that phase two detailed final design and contract tendering work (as well as ordering of long-lead equipment) only occurs after YUB approval of the PPA.

The PPA protects YEC fully against being required to proceed with the Transmission Project in the event that final costs or schedule would render the project not feasible, in YEC's judgment at any time up to when final approvals and costs are available.

#### **PWP-YEC-1-27**

The motion requests that the YUB require YEC to provide the dollar amount for each and all of the Prior Security Interests listed in Schedule 1 of the General Security Agreement (Schedule F to the PPA).

YEC does not have access to the specific information requested and accordingly YEC is unable to provide dollar amounts for the listed Priority Security Interests.

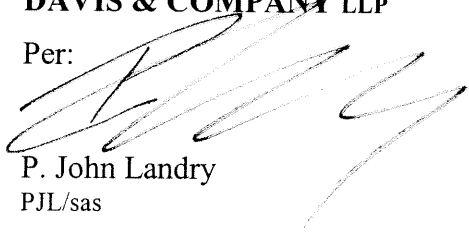
As part of due diligence process YEC's advisors reviewed all of the information provided on the public registries (and in the company's public information) and determined that, save for filings by Macquarie Bank, each of the filings related to specific items of equipment or collateral (and the security interests provided under those filings only relate to those specific pieces of equipment and/or collateral). As stated in YEC's original response, the amounts owing under these prior equipment contracts will be relatively minimal compared to the amounts owing to Macquarie Bank and, given that the charges are for specific pieces of equipment (or assets) which relate to the construction or operation of the mine, these prior security interests did not materially impact YEC's due diligence.

Given these responses, Yukon Energy submits that Mr. Percival's Notice of Motion for disclosure of further information be denied.

Yours truly,

**DAVIS & COMPANY LLP**

Per:

A handwritten signature in black ink, appearing to read 'P. Landry', is written over the printed name and extends slightly to the right.

P. John Landry  
PJJ/sas