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September 19, 2008

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

Dear Ms. Shanks:

YUKON UTILITIES BOARD		
EXHIBIT C1-10		
DAY	ENTERED BY	DATE
	YEC	Sept 24/08

Re: YECL Letter dated September 18, 2008

In its letter to the Board dated September 18, 2008 YECL makes a number of statements regarding Yukon Energy's position on depreciation matters and Yukon Energy's conduct that require a response. Unfortunately YECL appears to have misinterpreted YEC's September 15th letter.

Contrary to YECL's assertions and/or inferences:

- YEC has not used YECL's offer of September 8th "to revisit IRs already responded to and for which the opportunity to follow up with the YUB had already passed;" and
- subject to satisfactory responses to this second round of IRs, YEC's intention "to have cross examination on depreciation issues at the hearing" did not in any way imply that YEC intends to require cross examination of Mr. Kennedy at the oral hearing.

The following is noted with regard to Yukon Energy's position relating to depreciation:

1. Yukon Energy identified depreciation as an issue of high importance at the prehearing conference noting its intention to examine at the hearing YECL's use of the ELG method as opposed to the ASL method and YECL's approach to the FRSR account¹. Given the importance placed on this issue by both Yukon Energy and the Board it is unrealistic for YECL to expect that the issue could be fully covered by what YECL deemed to be "limited information requests" on the issue without any cross-examination at all during

¹ Notably, the Board also identified these issues as of high concern in its revised issues list filed as Appendix C to Order 2008-5.

the hearing on “depreciation issues”. Yukon Energy’s stated concerns from the outset related to depreciation were not limited to issues related to expert opinion specific to rates, but were issues related to YECL’s corporate policies. YECL could not reasonably expect its company panel to be excused from addressing its corporate depreciation policies at the oral hearing merely because the expert witness on the narrow issue of depreciation rates was excused from attending.

2. Yukon Energy’s August 29, 2008 letter related to the adequacy of YECL’s interrogatory responses was based on Yukon Energy’s initial review of the responses provided by YECL. Yukon Energy did not at this time deal exhaustively with its adequacy concerns related to all of the interrogatory responses., With regard to the depreciation issue YEC determined that its outstanding concerns could be dealt with through cross examination at the oral hearing.
3. In fact Yukon Energy was supportive of YECL’s proposal for process efficiency assuming certain issues were resolved. Yukon Energy noted in its September 15, 2008 letter that it was prepared to accept YECL’s proposal provided the affidavit of Mr. Kennedy did not expand on his earlier evidence, and provided satisfactory responses to all of the information requests were received.

In general in relation to the policy related issue Yukon Energy believed that the second round IR process would allow for follow up on technical depreciation issues related to the expert evidence provided by Mr. Kennedy. As noted in its September 15th letter such follow-up questions were not intended to preclude an examination at the hearing of YECL’s corporate policy related to depreciation with YECL’s company panel.

Yours truly,
DAVIS LLP
Per:



PJL/sas