



YUKON ELECTRICAL
An **ATCO** Company

**YUKON
ENERGY**



March 24, 2011

Mr. Bruce McLennan, Chair
Yukon Utilities Board
Box 31728
Whitehorse, YT Y1A 6L3

Dear Mr. McLennan:

**Re: YEC and YECL 2009 Phase II Rate Application Compliance Filing -- Reply
to UCG's March 17, 2011 Submission**

Board Order 2010-13, issued December 30, 2010, directed Yukon Energy Corporation ("YEC") and Yukon Electrical Company Limited ("YECL") (jointly "the Companies") to file with the Board a compliance filing regarding the 2009 Phase II Rate Application in accordance with the directions set out in the Reasons for Decision. YEC and YECL provided the required filing on February 28, 2011. The Board advised in correspondence to the parties dated March 7, 2011, that intervenors were to file any comments by March 17, 2011, and the Companies were to reply to any comments from Intervenor by March 24, 2011. A submission was provided by UCG on March 17, 2011.

UCG's submissions fall into three categories: (1) requests that seek changes to the Board's directions provided in the Board Order 2010-13; (2) submissions that are in error; and (3) a request that is out of scope of the current proceeding. In all cases the Companies recommend that UCG's submissions be rejected and the Companies' compliance filing be accepted as filed.

UCG Requests that seek to modify Board Order 2010-13

UCG requests that the Board amend Board Order 2013 to advance the due date for the next cost of service study by 12 months, and that block 3 for the residential government

rate at 67% of diesel incremental cost is excessive and should be amended. UCG seeks to amend Order 2010-13 and should be rejected. Specifically:

1. *Order 2010-13 establishes timing for the next COS study* – Directive #1 and paragraph 29 direct the Companies to file a joint cost of service study within six months of the expiry of OIC 2008/149 (which is currently to occur at the end of 2012).
2. *Order 2010-13 directed that a distinct inclining block rate structure be implemented* - At Paragraph 144 of Order 2010-13 with regard to Residential-Government customers, the Board supported an inclining energy block structure with a block 2 energy charge at 17.57 cents per kWh (63% of the incremental diesel cost in all zones other than Old Crow), and a block 3 energy charge at 67% of the incremental diesel cost in all zones other than Old Crow. The compliance filing followed the Board directions, noting that to comply with OIC 1995/90 the block 3 energy charge must be set at the same percentage of the incremental diesel cost (67%) as adopted for the other rate zones.

UCG's requests focus on the UCG's disagreement with Board Order 2010-13 (not the compliance filing based on that order). The appropriate approach for the UCG to use to pursue any such disagreement is via a review and variance application.

UCG Submissions that are in error

UCG submits in error that implementation of the differential Rider F for industrial customers of 0.211 cents per kWh "results in YEC receiving incremental revenues to over and above what was deemed required to pay YEC's allowed costs of service and should be used to reduce non-industrial rates". This is incorrect. The Board's Order approving YEC's final 2008-2009 GRA compliance filing included this revenue in YEC's forecast 2009 revenues to cover allowed 2009 forecast costs of service.

UCG Request that is out of scope

UCG requests that the Companies' be "directed to re-file rates that not only reduce non-industrial rates for the additional revenues generated by the differential Rider F but also the proposed adjustments to the demand and energy charges of the Firm Mine Rate." As noted, UCG's submissions regarding fixed Rider F revenues are in error. With regard to the latter issue, this matter was not addressed in Board Order 2010-13, is the subject of another ongoing review process before the Board, and is out of the scope of this

proceeding. Further, and based on the findings of the Board in Board Order 2010-13, there is no basis to use higher revenues from industrial customers (who are clearly paying more than COS today) to further reduce rates today for non-industrial customers.

If you have any questions please contact either of the two undersigned.

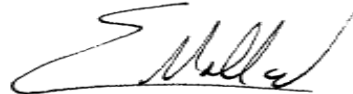
Yours truly,

YUKON ELECTRICAL COMPANY



Nick Palladino
Manager Pricing

YUKON ENERGY CORPORATION



Ed Mollard
Chief Financial Officer