

**YUKON ENERGY CORPORATION**  
**APPLICATION TO APPROVE MINTO MINE POWER PURCHASE AGREEMENT**

**Utilities Consumers' Group**  
**Information Request No. 3**

**UCG 3-1**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Cover Letter

In its cover letter to the Board dated February 22, 2007, YEC indicated that conditions 3.1(b) and 3.1(c) have been satisfied.

**Request:**

Please confirm that article 2.2 of the Direct Agreement is the only written approval received by Minto from Macquarie Bank of Minto's execution and delivery of the proposed power purchase agreement and the YEC security that satisfies condition 3.1(b) of the proposed power purchase agreement. If not, then please provide any other written approval.

**UCG 3-2**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.3(a)

"Without limiting the generality of the foregoing, the foregoing priority shall prevail in all circumstances and irrespective of the priorities otherwise accorded to the Finance Party Security by any applicable law."

**Request:**

Please confirm that this clause implies that the Direct Agreement supercedes any Order issued by the Yukon Utilities Board and the Yukon government.

**UCG 3-3**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.3

"The rights, remedies and powers of YEC in connection with the YEC Security are hereby modified in accordance with the provisions hereof, and the terms and conditions of the YEC Security are hereby modified accordingly."

**Request:**

Please confirm whether the YEC Security identified in Schedule B reflects these modifications.

**UCG 3-4**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.5(a)

“Subject to the following proviso, YEC shall not (notwithstanding anything to the contrary contained in the YEC Documents) initiate or pursue any Enforcement until such time as either: (a) YEC has paid to the Agent the Finance Party Liabilities in full and all commitments of the Finance Parties to Minto under the Finance Party Documents have been terminated”

Request:

Please explain why YEC has the responsibility to pay the Agent instead of Minto having that responsibility.

**UCG 3-5**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.5

“... any property or assets of Minto which remain in the hands, with or under the control of the Agent or any of the Finance Parties and which are subject to the YEC Security, shall be delivered (at the risk and expense of YEC) to YEC unless a court of competent jurisdiction shall otherwise direct.”

Request:

Please confirm whether the YUB would be considered a court of competent jurisdiction.

**UCG 3-6**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.6

“The Agent, as agent in trust for the rateable benefit of itself and the other Finance Parties, shall be entitled to receive, for application in payment of the Finance Party Indebtedness, any payment or distribution of any kind of character, whether in cash, property or securities, which may be payable or deliverable to YEC in respect of the YEC Liabilities.”

Request:

- a) Please confirm that YEC Liabilities include money owed to YEC for electricity purchased by Minto.
- b) Please confirm that this clause indicates that money that would normally have gone to YEC to pay for Minto’s power bill, separate from any payment for assets, could be redirected to the Finance parties.
- c) Please confirm that any late payment fees would continue to accumulate on any outstanding power bill regardless of the circumstances.

**UCG 3-7**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.8

Request:

Please reconcile statement made about changes to interest rates in 2.8(a) and 2.8(i). It appears to UCG that 2.8(a) allows for changes without advising YEC and 2.8(i) appears to require YEC consent.

**UCG 3-8**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.9

“YEC will not: (a) assert in any action, suit or proceeding whatsoever the invalidity, unenforceability or ineffectiveness of this agreement or any of the Finance Party Documents; or (b) participate in or co-operate with any other party to pursue such action, suit or proceeding”

**Request**

Please explain this clause in light of the current proceeding to review and approve the proposed power purchase agreement. Does YEC not believe that the YUB has the jurisdiction to determine the conditions of the power purchase agreement and that these conditions may impact on the provisions of the Direct Agreement?

**UCG 3-9**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 2.12

**Request:**

Please explain whether this clause impacts on the allocation of Minto-related costs to other Yukon ratepayers and or an agent of the Yukon government.

**UCG 3-10**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 3.1

**Request:**

- a) Please confirm that any notices, invoices, statement, etc. referenced in this Direct Agreement would have to be sent to Macquarie representatives in Australia as well as in Vancouver.
- b) Please confirm that the costs of the duplication of invoices and statements identified in this clause will be directly assigned to Minto or the Agent and will not be paid by other Yukon electricity ratepayers or taxpayers.

**UCG 3-11**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 3.2

**Request:**

- a) Please confirm that Minto Explorations will be YEC's customer and not Macquarie Bank.
- b) Please explain why YEC agreed to incur the cost to provide the referenced notices to the lender when Minto is YEC's customer and Minto is the party borrowing from the Agent (Macquarie Bank). Why is it not Minto's responsibility to notify its lender?
- c) Please confirm that the costs of the referenced notices to the lender identified in this clause will be directly assigned to Minto or the Agent and will not be paid by other Yukon electricity ratepayers or taxpayers.

### **UCG 3-12**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 3.5 (a)

“YEC will not amend or agree with Minto any amendments to any of the terms of the PPA without the prior written consent of the Agent, such consent not to be unreasonable withheld”

Request:

- a) Please confirm that the YUB has jurisdiction to approve a power purchase agreement between YEC and Minto under terms that it determines are fair to all stakeholders.
- b) Please confirm YEC’s understanding that the YUB may direct changes to the proposed PPA which will be incorporated in its approval of the PPA.
- c) Please explain how the Macquarie Bank would have any influence on the changes that might be directed by the YUB.

### **UCG 3-13**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 3.5(b)

“YEC will not require, request or accept any prepayment on account of monies falling due under the PPA without the prior written consent of the Agent.”

Request:

Please explain how the Direct Agreement would be interpreted if the YUB directed that, as a condition within the PPA, Minto was required to make payments on its power bills in advance of receiving service.

### **UCG 3-14**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 3.7

“YEC shall provide the Agent with...notice of any rate increase, including any increase in any applicable Firm Mine Rate, Low Grade Ore Processing Secondary Energy rate or any rate pertaining to Secondary Heating Energy Electricity...”

Request:

- a) Please describe the method that YEC typically uses (or is directed to use by the YUB) to notify its customers and interested parties of proposed rate adjustments.
- b) Please explain why YEC would agree to a different notification process.
- c) Please confirm that the costs of the non-customer notification services identified in the components of Article 3.7 will be directly assigned to Minto or the Agent and will not be paid by other Yukon electricity ratepayers or taxpayers.

### **UCG 3-15**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 3.10

“...the Agent and YEC may agree and enter into (and require Minto to enter into) a Novation transferring Minto’s rights and liabilities under the PPA to another company or other legal entity.”

Request:

Please confirm that any Novation affecting the conditions within a YUB-approved power purchase agreement must be approved by the YUB.



**UCG 3-16**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 4.1(a)

“The PPA is in good standing and neither party to the PPA is in default of any provision thereof.”

**Request:**

Please explain the meaning of this clause (dated February 15, 2007) given that the YUB has not completed its review of the proposed PPA and has not made any decision regarding its acceptance of the proposed PPA.

**UCG 3-17**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Article 5.1

“The Agent will not be under any obligation or liability with respect to those obligations by any reason of or arising out of this agreement; and the Agent will not be required in any manner to perform or fulfill any obligations of Minto under the PPA, or to make any payment under the PPA.”

**Request:**

Please confirm that this clause effectively removes any guarantee that YEC, Yukon electricity ratepayers and Yukon taxpayers have that Minto’s liabilities will be paid should Minto be unable to pay.

**UCG 3-18**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Signature Block

**Request:**

Please provide the name and title of the individual that has signed the Direct Agreement on behalf of Minto Explorations Ltd.

**UCG 3-19**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Defined Terms (m) Hedging Arrangement.

**Request:**

Please provide a copy of the “2002 ISDA Master Agreement” referenced in this definition.

**UCG 3-20**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Defined Terms (s) PLF Agreement

**Request:**

Please provide a copy of the referenced PLF Agreement dated October 24, 2006.

**UCG 3-21**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Defined Terms (w) SF Agreement

**Request:**

Please provide a copy of the referenced SF Agreement dated October 24, 2006.

**UCG 3-22**

Reference: Direct Agreement between Minto Explorations, YEC and Macquarie Bank Limited – Schedule C – Mining Claims

**Request:**

Please provide a copy of the referenced “Agreement dated April 28, 1999 between Selkirk First Nations and Minto Explorations Ltd and registered on April 28, 1999 as Quartz Registered Document No. RW01459”.