THE YUKON ELECTRICAL COMPANY LIMITED
An ATCO Company

November 24, 2010

Yukon Utilities Board
Box 31728
Whitehorse, YT Y1A 6L3

Attention: Mr. Bruce McLennan
Chair

Dear Sir:

RE: Yukon Energy Corporation (YEC) request for approval of the Power Purchase Agreement (PPA) between YEC and Alexco Resource Corp. (Alexco)

YECL Information Requests to YEC

Please find attached pursuant to Board Order 2010-10 Information Requests (IR's) from Yukon Electrical Company Limited (YECL) pertaining to YEC's request for approval of the PPA between YEC and Alexco.

If you have any questions, please contact me at 780-420-7613

Sincerely,

THE YUKON ELECTRICAL COMPANY LIMITED

NPalladino

Nick Palladino, P.Eng.
Manager, Pricing

NP/by
Attachment

YECL-YEC - 1

Topic: Status of Alexco Load

Reference: Requested Approvals Application, Page 1

Alexco is currently developing the Initial Mine Facilities with the intent in 2010 of commencing milling operations at the Initial Mill Site and mining operations at the Initial Mine Site as defined in the PPA, and is expected to commence service as a Major Industrial Customer (as defined in OIC 1995/90) in October 2010. The Initial Mill Site is expected to be connected to the Transmission Facilities next week through the Initial Mine Facilities Spur that YEC has developed. The Initial Mine Site is already connected to the Transmission Facilities through facilities owned and operated by Alexco.

Preamble: YECL seeks to understand the status of the Initial Mine Site load and the Initial Mill Site load.

Requests:

(a) Please provide status of the Initial Mine Site load and the Initial Mill Site load.

(b) Please include the latest expected operating demand of both facilities.

(c) Please confirm that OIC 1995/90 defines a major industrial customer as a major industrial customer engaged in manufacturing, processing, or mining, whose peak demand for electricity exceeds 1 MW, but it does not include an isolated industrial customer. If confirmed, please explain whether the size of the Initial Mine Site load and the Initial Mill Site load meets the criteria set out in OIC 1995/90.

YECL-YEC - 2

Topic: Exit Provisions

Reference: Requested Approvals Application, Page 2

The PPA sets out each Party's rights and obligations with respect to the sale of Grid Electricity by YEC to Alexco for Mine Facilities in the District. This includes provisions related to the payment by Alexco of:

1) YEC's reasonably incurred costs and expenses (the "Capital Costs"):

(a) To design, engineer, construct and commission a 1.65 km transmission line ("the Initial Mine Facilities Spur") to connect YEC's 69 kV Mayo-Keno Transmission Facilities (the Transmission Facilities") to the Alexco Initial Mill Site; and

(b) To negotiate and conclude the PPA.

2) The costs to be incurred by YEC to remove such facilities after the Mine Facilities Shutdown Date ("the Decommissioning Costs").

Preamble: YECL seeks to understand the circumstances after the Mine Facilities Shutdown and the impact to ratepayers.

Requests:

(a) Please provide an example of what costs other than "Decommissioning Costs" the customer would be required to pay to remove facilities in the event the Mine Facilities Shutdown after 5 years of service.

(b) Is the customer required to pay for any un-recovered capital costs after exiting the system? If not, does YEC consider the un-recovered capital costs as stranded? If not, why not? If yes, who would be responsible to pay for the un-recovered capital costs?

(c) Please describe what additional costs Alexco will be responsible for if the customer does not take the forecast minimum monthly energy.

(d) Please describe what additional costs Alexco will be responsible for if the customer exceeds the forecast minimum monthly energy and (i) requires additional facilities due to load growth, and (ii) does not require additional facilities due to load growth.

YECL-YEC - 3

Topic: Terms and Conditions of Service (T&Cs) – Totalized Metering

Reference: (1) Requested Approvals Application, Page 3

(2) Power Purchase Agreement, Section 6.1

Preamble: YECL is seeking understanding how Section 7.7 (Totalized Metering) of the Terms and Conditions of Service as proposed in the YEC/YECL 2009 Phase II Application may be applied in the context of this Requested Approvals Application.

As set out on page 3 of the Requested Approvals Application:

> *Section 6.1 of the PPA also provides as follows:*
>
> *If permitted by the ESRs or YUB, the Electric Demand and Electric Energy at the Points of Delivery will be totaled and only one bill will be issued for such Points of Delivery.*
>
> *Tab 5 of the Yukon Energy and Yukon Electrical 2009 Phase II Rate Application sets out proposed adjusted Terms and Conditions of Service wherein section 7.7 would allow such totalized metering where (as in this PPA) it is specified in a contract. YEC notes that under the current ESRs, section 4.7 would not permit totalized metering in this instance as the Points of Delivery are not located within a radius of a half a mile of each other – and therefore, until such time as the current ESRs are modified to so permit this totalized metering, YUB approval is being sought to proceed with the above provision of section 6.1 of the PPA.*

Requests:

(a) Please explain in detail what YEC is requesting approval for in this Application with respect to reflecting Section 7.7 (Totalized Metering) of the proposed T&Cs as filed in YEC/YECL's 2009 Phase II Application.

(b) Please explain the process how YEC will bill on the totalized metered data (i.e., whether the billing will be based on metered information from one upstream meter that will meter all the facilities or the billing will be based on separate meter reads at each Point of Delivery that will be aggregated).

(c) Please explain how the billing demand criteria from Rate Schedule 39 will be applied against the totalized metered information (i.e., will the ratchet provision apply to each Point of Delivery or the totalized metered data).

(d) Please attach the Totalized Metering sections (i.e., S. 4.7) from the current approved T&Cs and the proposed 2009 Phase II T&Cs (i.e., S. 7.7), and discuss the differences between the two versions.

(e) Please explain how S. 7.7 from the proposed 2009 Phase II T&Cs “would allow such totalized metering”, while S. 4.7 from the current approved T&Cs “would not permit totalized metering”.

(f) Please provide any reference(s) from the recent 2009 Phase II proceedings that proposed an amendment to the T&Cs to allow such totalized metering.

YECL-YEC - 4

Topic: Estimation of the Monthly Charge

Reference: Requested Approvals Application, Page 4

Preamble: YECL is interested in system conditions in 1985 vs 2010 and the validity of the 85% precedent.

Requests:

(a) Please explain what was the original justification for the 85% direct cost allocation to the Faro Mine?

(b) Please explain what criteria were used in determining the 1985 precedent was applicable to this agreement? How were the criteria weighted?

(c) Please explain whether Minto Mine received a similar direct cost allocation for its PPA? Why or why not?

(d) Please explain what similarities & differences exist between the Alexco deal in 2010 and the Faro deal in 1985?

(e) Please explain if there is a similar amount of excess power available on the system in 2010 compared with 1985?

(f) Please explain what percentage of system load does Alexco account for?

(g) Please explain what percentage of system load did Faro Mine account for?

(h) Please explain what is the life expectancy of Alexco’s load?

(i) Please explain how long will it take for Alexco’s fixed charge to cover the capital cost of the transmission line, depreciation, and return?

(j) Please explain why YEC believes the 1985 Faro precedent is still valid in 2010 and applicable to the Alexco PPA.

(k) Please provide a comparison of the Alexco and Minto Mine PPAs showing the differences between the two agreements and provide explanations for the differences.

YECL-YEC - 5

Topic: Alexco Standards for Usage of Electricity

Reference: Requested Approvals Application, Section 4.6 of the PPA

Preamble: YECL is seeking understanding of the technical requirements and standards for usage.

Requests:

(a) Please define “a reasonable operating range” for Power Factor – for example, what is the low end? What is the high end?

(b) Please define “unacceptable fluctuations of YEC’s electrical system.”

(c) Please provide a copy of YEC’s “reasonable standards of operation.”

(d) Please provide details of any curtailment of load rules placed on Alexco if the mine is causing system stability or power quality issues.

(e) Please explain a circumstance in which YEC might consider ‘endangering’ its plant, or equipment, or electrical system for Alexco’s operation, as set out in Section 4.6 of the PPA.

YECL-YEC - 6

Topic: Fixed Monthly Charge

Reference: Attachment B – YEC Annual Transmission Facilities Costs

Preamble: YECL is seeking clarification how the fixed monthly charge is determined.

Requests:

(a) Please provide additional details on how the fixed charge of $7,289 per month was calculated and what costs were included in the calculation of the embedded transmission facilities. Please provide schedules that support the amounts set out in Attachment B.

YECL-YEC - 7

Topic: Diesel on the Margin

Reference: Section 4.5 of the PPA

Preamble: YECL is seeking understanding of the impact to Yukon ratepayers when load is added to the electric system that may result in diesel on the margin.

Requests:

(a) When does YEC expect the transmission facilities serving Alexco to be integrated with the Whitehorse-Aishihik-Faro (WAF) electric system?

(b) Under the scenario that would see the Alexco load integrated with the WAF system, please explain whether or not YEC would forecast diesel on the margin to occur.

(c) If diesel on the margin were to occur as a result of the Alexco load, please explain in detail how YEC would recover its incurred costs associated with the diesel on the margin under the following scenarios:

(i) the additional sales were not forecasted in a recent approved Phase I as part of the overall purchase power forecast, and

(ii) the additional sales were forecasted in a recent approved Phase I as part of the overall purchase power forecast.

As part of the explanation, please describe how YEC would recover its diesel on the margin costs from the industrial customer and from YECL?