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DELIVERED BY E-MAIL

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

Dear Ms. Shanks:

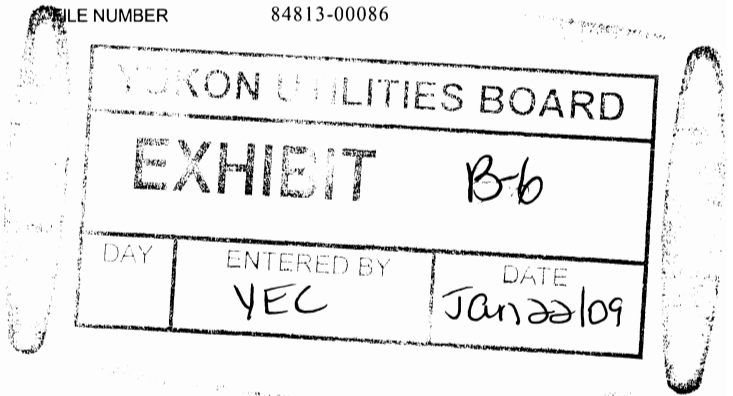
Re: Yukon Energy's 2008-2009 General Rate Application - Order 2009-1

Given the material change in the Board's mandate since December 2007, and in light of references made in Board Order 2009-1 to the past correspondence of both Yukon Energy and YECL regarding a joint Phase II filing, Yukon Energy would like to clarify its position regarding its December 2007 commitment.

Appendix A to the Board Order 2009-1 states as follows:

"The Board finds that the terms "Phase I" and "Phase II" are not foreign to this jurisdiction as they have been referenced by both YEC and YECL [in correspondence from 2007 previously quoted in this Order]. The Board finds that it made its expectations clear on Phase II matters through its decision on YEC's 2005 Revenue Requirement and Related Matters Application and its recommendations in YEC's 20 Year Resource Plan:2006-2025. The Board also notes the above commitments from YEC and YECL for a joint Phase II filing. Therefore, the Board is of the view that a joint Phase II will be held to deal with cost allocation and rates. For this reason, any issues in this Application relating to cost allocation, rates and Electric Service Regulations (Terms and Conditions) of Service) are given a low ranking as such issues would be addressed in a future Phase II proceeding."

The Board, in its reasons, appears to be under the understanding that Yukon Energy's original commitment to file a joint consolidated Phase II cost of service and rate design filing concurrently with its 2008/09 GRA (as most recently documented in its Dec 17/07 letter) is still current. This is not correct.



Since December 2007, Yukon Energy's previous commitment has been overtaken by other events, most importantly OIC 2008/149, which make cost of service, cost allocation and rate rebalancing irrelevant at this time. Therefore, a need for a joint filing as originally contemplated by the parties is no longer required for the Board's review of Yukon Energy's current Application. Accordingly, the Application does not include any submissions on "Cost Allocations", and restricts rate changes to matters that are necessary to comply with the rate design provisions which remain in effect in OIC 1995/90, and to be consistent with past GRA decisions.

Because a joint filing is not necessary, Yukon Energy will not be filing a Cost of Service, or any other joint Phase II filing with YECL, as part of Yukon Energy or YECL's current GRA processes. However, Yukon Energy's commitment to a joint filing in the future when cost of service and rate rebalancing issues are relevant has not changed, and Yukon Energy remains committed to working with YECL as required in this regard to ensure a joint study is brought before the Board when such a filing, pursuant to the Board's mandate, becomes relevant to rate design.

Yukon Energy's Application reflects the legal realities related to the Board's revised mandate and how that mandate applies to Yukon Energy's Application. Since rate design issues have not been severed from Yukon Energy's Application, these legal realities should not prejudice the Board's review of Yukon Energy's Application currently before the Board which still includes Yukon Energy's request for rate design changes.

Yours truly,
DAVIS LLP
Per:



P. John Landry
PJL/sas