The Yukon Electrical Company Limited
An ATCO Company

April 30, 2013

Ms. Deana Lemke
Executive Assistant
Yukon Utilities Board
P.O. Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Ms. Lemke:

Re: The Yukon Electrical Company Limited 2012 Annual Filing

In accordance with Section 25 and 84 of the Public Utilities Act, please find attached the following information:

a. Audited Financial Statements
b. Utility Income and Rate of Return
c. Computation of Net Rate Base
d. Schedule of Allowance for Working Capital
e. Reconciliation of Utility Income to Net Earnings
f. Analysis of Depreciation Reserve
g. Cost of Capital Calculation
h. Property, Plant and Equipment
i. List of Officers and Directors
j. Statutory Declaration

If you have any questions, please contact the undersigned at (780) 733-2489.

Yours truly,

Original Signed By:

James Grattan, CA
Director, Regulatory
Encl.

100, 1100 First Avenue, Whitehorse, YT Y1A 3T4 tel: 867.633.7000 or 1.800.661.0513 fax: 867.668.3965

THE YUKON ELECTRICAL COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2012

April 25, 2013

Independent Auditor's Report

To the Shareholder of
The Yukon Electrical Company Limited

We have audited the accompanying financial statements of The Yukon Electrical Company Limited, which comprise the balance sheet as at December 31, 2012 and the statements of earnings, comprehensive income, changes in equity and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Yukon Electrical Company Limited as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

THE YUKON ELECTRICAL COMPANY LIMITED
STATEMENT OF EARNINGS
(Thousands of Canadian Dollars)

		Year Ended December 31	
	Note	**2012**	2011
Revenues	5	**54,071**	48,915
Costs and expenses			
Purchased power		**27,324**	24,459
Fuel costs		**6,718**	6,391
Salaries, wages and benefits		**5,625**	5,858
Plant and equipment maintenance		**2,796**	2,313
Depreciation and amortization		**4,192**	4,129
Other	6	**3,304**	2,507
		49,959	45,657
Operating profit		**4,112**	3,258
Interest income		**11**	21
Interest expense	13	**(2,041)**	(1,867)
Net finance costs		**(2,030)**	(1,846)
Earnings before income taxes		**2,082**	1,412
Income taxes	7	**628**	430
Earnings for the year		**1,454**	982

See accompanying Notes to Financial Statements.

THE YUKON ELECTRICAL COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Canadian Dollars)

	Note	Year Ended December 31 **2012**	2011
Earnings for the year		**1,454**	982
Other comprehensive loss, net of income taxes:			
Losses on retirement benefit obligations [(1)]	21	**(15)**	(14)
		(15)	(14)
Comprehensive income for the year		**1,439**	968

[(1)] Net of income taxes of $7,000 for the year ended December 31, 2012 (2011 – $5,000).

See accompanying Notes to Financial Statements.

THE YUKON ELECTRICAL COMPANY LIMITED
BALANCE SHEET
(Thousands of Canadian Dollars)

	Note	December 31 2012	2011
ASSETS			
Current assets			
Cash		**-**	100
Short term advances to parent corporation		**-**	800
Accounts receivable		**7,537**	5,663
Inventories	8	**2,029**	2,139
Income taxes recoverable		**172**	124
Prepaid expenses		**125**	123
		9,863	8,949
Non-current assets			
Property, plant and equipment	9	**100,656**	91,314
Intangibles	10	**4,121**	3,666
Other assets	11	**102**	71
Total assets		**114,742**	104,000
LIABILITIES			
Current liabilities			
Bank indebtedness	12	**512**	-
Accounts payable and accrued liabilities		**6,916**	5,084
Owing to parent and affiliate corporations		**1,937**	1,700
		9,365	6,784
Non-current liabilities			
Deferred income tax liabilities	7	**2,805**	1,986
Retirement benefit obligations	21	**1,464**	1,408
Long term debt	13	**38,950**	34,950
Other liabilities	15	**34,828**	32,581
Total liabilities		**87,412**	77,709
EQUITY			
Class A and Class B share owner's equity			
Class A and Class B shares	18	**7,019**	7,019
Retained earnings		**20,311**	19,272
Total equity		**27,330**	26,291
Total liabilities and equity		**114,742**	104,000

See accompanying Notes to Financial Statements.

DIRECTOR

DIRECTOR

THE YUKON ELECTRICAL COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

(Thousands of Canadian Dollars)

	Note	Class A and Class B Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
At December 31, 2010		7,019	18,604	-	25,623
Earnings for the year		-	982	-	982
Dividends on Class A and Class B shares	17	-	(300)	-	(300)
Other comprehensive loss		-	-	(14)	(14)
Losses on retirement benefit obligations transferred to retained earnings	21	-	(14)	14	-
At December 31, 2011		**7,019**	**19,272**	**-**	**26,291**
Earnings for the year		**-**	**1,454**	**-**	**1,454**
Dividends on Class A and Class B shares	**17**	**-**	**(400)**	**-**	**(400)**
Other comprehensive loss		**-**	-	**(15)**	**(15)**
Losses on retirement benefit obligations transferred to retained earnings	**21**	**-**	**(15)**	**15**	**-**
At December 31, 2012		**7,019**	**20,311**	**-**	**27,330**

See accompanying Notes to Financial Statements.

THE YUKON ELECTRICAL COMPANY LIMITED
STATEMENT OF CASH FLOWS
(Thousands of Canadian Dollars)

	Note	Year Ended December 31 **2012**	2011
Operating activities			
Earnings for the year		**1,454**	982
Adjustments for:			
Depreciation and amortization	9,10	**4,192**	4,129
Income taxes	7	**628**	430
Contributions by utility customers for extensions to plant	15	**3,618**	5,732
Amortization of customer contributions	15	**(1,371)**	(1,289)
Net finance costs		**2,030**	1,846
Interest received		**12**	19
Income taxes recovered (paid)	7	**150**	(536)
Other		**47**	59
		10,760	11,372
Changes in non-cash working capital	20	**160**	744
Cash flow from operations		**10,920**	12,116
Investing activities			
Purchase of property, plant and equipment	9	**(13,117)**	(13,717)
Purchase of intangibles	10	**(689)**	(580)
Changes in non-cash working capital	20	**(279)**	(183)
Other		**(48)**	(31)
		(14,133)	(14,511)
Financing activities			
Issue of long term debt	13	**4,000**	5,000
Dividends paid to Class A and Class B share owners	17	**-**	(300)
Interest paid, net of interest received		**(2,199)**	(1,970)
		1,801	2,730
Cash position [1]			
(Decrease)/increase		**(1,412)**	335
Beginning of year		**900**	565
End of year		**(512)**	900

[1] Cash position includes cash, short term advances to parent corporation and bank indebtedness.

See accompanying Notes to Financial Statements.

1. CORPORATE INFORMATION

The Yukon Electrical Company Limited ("the Corporation") is engaged in the generation, distribution and sale of electrical energy in the Yukon. Its registered office is at 100–1100 1st Avenue, Whitehorse, Yukon, Y1A 3T4. The Corporation is wholly owned by ATCO Electric Ltd. ATCO Electric Ltd. is principally owned by CU Inc., which is controlled by Canadian Utilities Limited, which in turn is principally controlled by ATCO Ltd. and its controlling share owner R.D. Southern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Certain comparative figures have been reclassified to conform to the current presentation.

Rate Regulation

The Corporation is regulated primarily by the Yukon Utilities Board (the "Board"). The Board administers acts and regulations covering such matters as rates, financing, and service area.

Nature and economic effects of rate regulation

The Corporation is subject to a cost of service regulatory mechanism under which the Board establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. Whereas actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

Rate base for the Corporation is the aggregate of the Board approved investment in property, plant and equipment and intangible assets, less accumulated depreciation and amortization, reserves for future removal and site restoration, and unamortized contributions by utility customers for extensions to plant, plus an allowance for working capital. The Corporation earns a return on rate base intended to meet the cost of the debt component of rate base and to provide share owners with a fair return on the common equity component of rate base.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board approves a rate of return for the debt component of rate base based on the actual or forecast weighted average cost of the Corporation's debt and establishes the capital structure for the Corporation.

Under the cost of service methodology, the Corporation seeks approval for its revenue requirement either through submission of general rate applications to the Board or a negotiated settlement process with interested parties. In the latter case, the Board monitors the negotiated settlement process and any agreement that is reached is subject to the Board's approval. The Board may approve interim rates or approve the recovery of costs on a placeholder basis, subject to final determination.

Financial statement effects of rate regulation

In the absence of a rate regulated standard under IFRS, the Corporation does not recognize assets and liabilities from rate regulated activities as may be directed by regulatory decisions. Instead, the Corporation records revenues in earnings when amounts are billed to customers through customer rates consistent with the underlying rate design as mandated by the Board (see revenue recognition policy below). Operating costs and expenses are recorded when incurred. When the costs are incurred in the construction of an asset and the benefits received meet the recognition criteria of an asset, the costs are included as part of the related property, plant and equipment or intangible asset.

Adjusted Earnings

Financial information that adjusts IFRS results to show the effect of rate regulation is used by the Corporation's management to evaluate the performance of the Corporation. The Corporation's management assesses performance of operations principally on the basis of earnings adjusted for regulatory items as shown in the adjusted information disclosed in Note 4.

Accounting Estimates

The preparation of the Corporation's financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Such estimates primarily related to unsettled transactions and events as at the date of the financial statements. Accordingly, facts and circumstances may change and actual results could differ from those estimates. Management uses judgment and currently available information to make these estimates and these estimates are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Note 3 outlines the significant judgments and estimates made by the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenues from the sale of electricity include variable charges, which are recognized on the basis of meter readings upon delivery of the electricity to customers and include an estimate of usage not yet billed, and fixed charges, based on the provision of the distribution service during the period.

Certain additions to property, plant and equipment are made with the assistance of non-refundable cash contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as deferred revenue and are recognized as revenue over the life of the related asset.

Short Term Employee Benefits

The cost of short term employee benefits, which includes wages, salaries, social security contributions, short term compensated absences, incentives and non-monetary benefits such as medical care, is recognized as an expense in salaries, wages and benefits as employees render service. When the services of employees are used in the construction of an asset and the benefits received meet the recognition criteria of an asset, the cost of short term employee benefits is included as part of the related property, plant and equipment or intangible asset.

Income Taxes

Income taxes represent the sum of current and deferred taxes. Income taxes are recognized in earnings or in equity to the extent that equity items are affected.

Current taxes are based on taxable earnings, which differ from earnings as reported in the statement of earnings because it excludes items that are taxable or deductible in other years and items that are neither taxable nor deductible. The Corporation's liability for current tax is calculated using rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income taxes are provided, using the liability method, on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes ("temporary differences").

Deferred income tax liabilities are recognized on all taxable temporary differences. Deferred income tax assets are recognized on deductible temporary differences and carry forward balances of unused tax losses or credits only to the extent that it is probable that taxable earnings will be available against which these items can be applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. If the expected tax rates change, deferred income taxes are adjusted to the new rates and the adjustment is booked to either earnings or equity, depending on the nature of the underlying temporary difference.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be realized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable earnings will allow the deferred income tax assets to be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities, and when they relate to income taxes levied by the same taxation authority.

Cash and Cash Equivalents

Cash equivalents consist of bankers' acceptances, certificates of deposit issued or guaranteed by credit worthy financial institutions and federal government issued short term investments with maturities generally of 90 days or less at purchase.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is assigned using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs to bring the inventories to their present condition and location. The costs of purchase comprise the purchase price, import duties, and non-recoverable taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services. The costs of conversion include direct material and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses and include capitalized interest incurred during construction. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset such as materials, labour, borrowing costs and contracted services. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major overhaul costs are capitalized and depreciated on a straight-line basis to the next major overhaul. Other repair and maintenance costs are charged to earnings during the period in which they are incurred.

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Interest on the funding attributable to qualifying assets is capitalized during construction and is depreciated as part of the total cost over the useful life of the asset. Capitalized interest is calculated using the effective interest rate method based on specified rates for specific borrowings and a weighted average rate for general borrowings. Interest capitalization commences when borrowing costs and expenditures are incurred at the onset of construction on assets of substantial duration. Interest capitalization ceases when construction of the asset is substantially complete.

Depreciation is provided on assets primarily on a straight-line basis over their estimated useful lives. No depreciation is provided on land and construction work-in-progress. Depreciation periods for the principal categories of property, plant and equipment are shown in the table below:

	Useful Life	Average Depreciation Rate
Distribution equipment	23 to 75 years	2.4%
Generation equipment	27 to 40 years	2.7%
Land and buildings	32 years	2.8%
Other	5 to 40 years	7.3%

Intangibles

Intangible assets, which consist mainly of computer software not directly attributable to the operation of property, plant and equipment and land rights, are recorded at cost less accumulated amortization. The assets are amortized on a straight-line basis over their useful lives, which are not longer than 10 years for computer software and between 75 and 100 years for land rights based on the contractual life of the underlying agreements.

Impairment of Property, Plant and Equipment and Intangibles

Property, plant and equipment and intangible assets with finite lives are tested for recoverability whenever events or changes in circumstances indicate a possible impairment. Impairment is assessed and tested at the cash-generating unit (“CGU”) level (or groups of CGUs), which is the smallest identifiable group of assets that generates independent cash inflows. An impairment of property, plant and equipment and intangible assets with finite lives is recognized in earnings when the asset’s carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and its value in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and Contingencies

The Corporation recognizes provisions when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential loss. Actual results could differ from these estimates.

A contingent asset is not recognized in the financial statements. However, a contingent asset is disclosed where an inflow of economic benefits is probable.

Financial Instruments

The Corporation establishes the classification of financial instruments at their initial recognition. Financial assets are classified as fair value through profit or loss, available for sale, held to maturity investments or loans and receivables. Financial liabilities are classified as fair value through profit or loss or amortized cost.

Financial instruments classified as fair value through profit or loss, other than derivative instruments that are effective hedging instruments, are measured at fair value with changes in fair value recognized in earnings.

Derivatives that are designated as, and continue to be, highly effective cash flow hedging instruments have gains and losses in fair values recognized through other comprehensive income. Derivatives that are designated as fair value hedging instruments have gains and losses recognized in earnings.

Financial instruments classified as available for sale are measured at fair value using quoted prices in an active market. Changes in fair value are recognized in other comprehensive income until the item is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognized in earnings. When actively quoted prices are not available, fair value is determined using other valuation techniques. If fair value cannot be reliably estimated, the item is carried at cost.

Financial instruments classified as held to maturity, loans and receivables or other liabilities are measured at fair value upon initial recognition but are subsequently measured at their amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities that are not fair value through profit or loss are added to the fair value of such assets or liabilities at time of initial recognition. Transactions costs for long term debt are amortized over the life of the respective financial liability using the effective interest method. The Corporation’s long term debt is presented net of transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Financial Instruments

An impairment of loans and receivables or held-to-maturity investments carried at amortized cost is recognized in earnings when the asset's carrying amount exceeds the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. A reduction in an impairment charge may be reversed if the decrease is related to an event occurring after the impairment was recognized.

An impairment of financial assets carried at amortized cost is recognized in earnings when the asset's carrying amount exceeds the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses can be reversed.

When an available for sale financial asset is determined to be impaired, the cumulative gain or loss previously reported in other comprehensive income is recognized in earnings. An impairment charge for an investment in an equity instrument classified as available for sale is not reversed. A reduction in an impairment charge for a debt instrument classified as available for sale may be reversed if the decrease is related objectively to an event occurring after the impairment was recognized.

Where an impairment charge is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods. A reversal of an impairment charge is recognized immediately in earnings.

Retirement Benefits

The Corporation participates, together with its ultimate parent corporation, Canadian Utilities Limited, and its affiliate corporations, in a registered group defined benefit pension plan ("the Group Plan"). The assets of the Group Plan are not segregated for each participating entity and are used to provide pensions to all members of this plan. In this circumstance, the Corporation is required to account for the Group Plan as a defined contribution plan whereby contributions are expensed as paid.

The Corporation participates, together with its ultimate parent corporation, Canadian Utilities Limited, and its affiliate corporations, in other post employment benefit ("OPEB") and non-registered group defined benefit pension plans. These plans are administered on a combined basis with the corporation's parent and affiliate corporations, and the Corporation accrues for its obligations under these plans. Costs of these benefits are determined using the projected unit credit method and reflect management's best estimates of wage and salary increases, age at retirement and expected health care costs. The assumptions in relation to the estimated benefit obligations and the cost of providing retirement benefits during the period are set after consultation with qualified actuaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued benefit obligations at the balance sheet date are determined using a discount rate that reflects market interest rates on high quality corporate bonds that match the timing and amount of expected benefit payments.

For non-registered defined benefit pensions, the Corporation is assessed a percentage of the total cost of the plans.

For the OPEB and non-registered defined benefit pension plans, gains and losses resulting from changes in assumptions, including the liability discount rate and future compensation increases, used to measure the accrued benefit obligations are recognized in other comprehensive income in the period in which they occur. Immediately thereafter, those gains and losses are transferred directly to retained earnings.

Employer contributions to the defined contribution pension plan are expensed as employees render service in exchange for such contributions, generally in the year of contribution.

The cost of retirement benefits for defined benefit pension plans, defined contribution pension plans and OPEB plans is recognized as an expense in salaries, wages and benefits as employees render service. Past service costs are recognized immediately in earnings to the extent that benefits are vested, and otherwise are amortized on a straight-line basis over the period until the benefits are vested. When the services of employees are used in the construction of an asset and the benefits received meet the recognition criteria of an asset, the cost of retirement benefits is included as part of the related property, plant and equipment or intangible asset.

Related Party Transactions

Transactions with related parties that are in the normal course of business are measured at the exchange amount.

Accounting Changes Not Yet Adopted

Certain new or amended standards or interpretations have been issued by the IASB that are not required to be adopted in the current period. The Corporation has not early adopted these standards or interpretations and does not anticipate any material effect on the financial statements once adopted.

3. SIGNIFICANT JUDGMENTS AND ESTIMATES

The application of several accounting policies described above requires judgments made by management that could significantly affect the amounts recognized in the financial statements. The timely preparation of the financial statements also requires that management make a number of estimates and assumptions regarding matters that are uncertain at the date of estimate. Estimates of key variables used in the calculations, or changes to estimates, could have a material impact on the Corporation's financial position or performance. The most critical of these judgments and key sources of estimation uncertainty are described below.

Revenue recognition

Revenues from sales of electricity are recognized upon delivery, primarily on the basis of meter readings, and include an estimate of usage not yet billed. Measurement of the estimate of usage not yet billed is based on historical consumption patterns. Management applies judgment to the measurement of the estimated consumption and to the valuation of that consumption.

Depreciation and amortization methods

Significant components of property, plant and equipment and intangible assets are depreciated and amortized over their estimated useful lives. Useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, current and forecasted demand and the potential for technological obsolescence. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates.

Impairment of long-lived assets

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate that an impairment exists include: significant underperformance relative to historical or projected operating results, significant changes in the manner in which an asset is used or in the Corporation's overall business strategy, or significant negative industry or economic trends. Events indicating an impairment may be clearly identifiable or based on an accumulation of individually insignificant events over a period of time. Management continually monitors the Corporation's operating facilities, the markets, and the business environment, and makes judgments and assessments about conditions and events in order to conclude whether a possible impairment exists.

3. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

Management necessarily applies judgment in allocating assets that do not generate independent cash flows to appropriate CGUs. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

If indicators of impairment exist for a CGU to which an asset belongs, an estimate of the recoverable amount must be made in order to determine whether an impairment loss is to be recognized. The calculations used in determining recoverable amount include assumptions such as the price that the asset could be obtained for, or the future cash flows that will be generated by the asset or group of assets, together with an appropriate discount rate to apply to those cash flows. Subsequent changes to these estimates or judgments may significantly impact the carrying value of the assets within the respective CGU.

Retirement benefits

The Corporation accrues for its obligations under non-registered defined benefit pension and OPEB plans using actuarial and other assumptions to estimate the projected benefit obligation and the associated expense related to the current period. The key assumptions utilized include the long-term rate of inflation, rates of future compensation and health-care cost increases, and liability discount rates. Changes in these assumptions give rise to gains and losses which are recognized in other comprehensive income as incurred. The obligations are measured by discounting the Corporations' share of future payments under these plans. In addition, actual payments may vary from the estimates used to project the obligations and the net expense.

Income taxes

Management periodically evaluates positions taken in tax filings with respect to situations where applicable tax legislation is subject to interpretation, and establishes provisions where appropriate. The provisions are management's best estimates of the expenditures required to settle the present obligations at the balance sheet date measured on the basis of a probability weighting of possible outcomes. Accounting for income taxes requires the Corporation to make judgments with respect to the application of changing tax legislation, regulations and interpretations thereof in the various jurisdictions in which the Corporation operates. Judgment is also applied in estimating probable outcomes, when temporary differences will reverse and whether tax assets are realizable.

4. ADJUSTED EARNINGS

Reconciliation of Earnings Attributable to Equity Owners to Adjusted Earnings Attributable to Class A and Class B Share Owners for the Year Ended December 31

	2012	2011
Earnings for the year	**1,454**	982
Adjustments for rate regulated activities	**1,278**	1,451
Adjusted earnings attributable to Class A and Class B share owners	**2,732**	2,433

Adjusted Earnings

Adjusted Earnings are earnings for the year after adjusting for the timing of revenues and expenses associated with rate regulated activities, as well as one-time gains and losses and items that are not in the normal course of business or a result of day to day operations. Adjusted Earnings are a key measure of earnings used by the Chief Operating Decision Maker ("CODM") for purposes of assessing performance and allocating resources. Other accounts in the financial statements have not been adjusted as they are not used by the CODM for those purposes.

Adjustments for Rate Regulated Activities

There is currently no specific guidance under IFRS for rate regulated entities. Consequently, the Corporation does not recognize assets and liabilities from rate regulated activities under IFRS.

Prior to the adoption of IFRS, the Corporation utilized standards issued by the Financial Accounting standards Board ("FASB") in the United States ("U.S.") as another source of generally accepted accounting principles ("GAAP") to account for rate regulated activities. The FASB standards provide guidance on the recognition and measurement of assets and liabilities arising from rate regulation. Management is of the belief that earnings presented in accordance with the FASB standards are a better representation of the results of operations of its rate regulated activities. Therefore, the Corporation presents Adjusted Earnings on this basis. Furthermore, Adjusted Earnings facilitates comparability of the Corporation's financial results with rate regulated peer companies that have deferred the adoption of IFRS as permitted by the Canadian Accounting Standards Board, as well as with entities that utilize U.S. accounting principles for rate regulated entities.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

4. ADJUSTED EARNINGS (continued)

Rate regulated accounting differs from IFRS in the following ways:

Rate Regulated Accounting Treatment	IFRS Treatment
(1) The Corporation was able to defer the recognition of cash received in advance of future expenditures.	The Corporation records revenues when amounts are billed to customers and recognizes costs when they are incurred.
(2) The Corporation was able to recognize revenues associated with recoverable costs in advance of future billings to customers.	The Corporation records costs when incurred, but does not recognize their recovery until changes to customer rates are reflected in future customer billings.
(3) The Corporation recognized the earnings that arose from a regulatory decision that pertained to current and prior periods upon receipt of the decision.	The Corporation recognizes earnings when customer rates are changed and amounts are billed to customers.

Timing adjustments for rate regulated activities are as follows:

	Year Ended December 31	
	2012	2011
Additional revenues billed in current period:		
Deferred fuel variance (1)	**(173)**	173
Deferred hearing costs (2)	**(85)**	7
	(258)	180
Revenues to be billed in future period:		
Deferred income taxes (3)	**1,058**	640
Other	**257**	266
Reserve for injuries and damages (4)	**221**	365
	1,536	1,271
	1,278	1,451

4. ADJUSTED EARNINGS (continued)

Descriptions of the adjustments and the timing of recovery or refund for each are as follows:

Description	Timing of Recovery or Refund
(1) An annual forecast of fuel costs is approved by the Board to be collected through customer rates. The deferred fuel variance represents the difference in costs from Board approved fuel prices versus actual fuel prices. Revenues are recorded when billed to customers. Fuel costs are expensed as actual costs are incurred.	Recoveries from or refund to customers of variances between revenues received and costs incurred to date are expected to occur in the following year.
(2) The Corporation incurs hearing costs on an ongoing basis associated with regulatory proceedings. A forecast of annual hearing costs is approved by the Board to be collected through customer rates. Revenues are recorded when billed to customers. Hearing costs are expensed as actual costs are incurred.	Differences between revenues received and costs incurred to date will reverse in future periods as future amounts are billed to customers or actual costs are incurred.
(3) Deferred income taxes are a non-cash expense incurred by the Corporation related to temporary differences between the book value and the tax value of assets and liabilities. Unless directed by the regulator, deferred taxes are not billed to customers until income taxes are paid by the Corporation. Under rate regulated accounting, an adjustment is made to recognize revenues in the current period for the deferred income taxes to be billed to customers in future periods.	The revenues will reverse when the temporary differences that gave rise to the deferred income taxes reverse in future periods.
(4) The Board has approved the use of a reserve for injuries and damages as a means of self-insurance. The reserve is established based on an annual amount approved by the Board to be collected through customer rates. Revenues are recorded when billed to customers. Reserve claims are expensed as actual costs are incurred.	Differences between revenues received and costs incurred to date will reverse in future periods as future reserve amounts are billed to customers or actual costs are incurred.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

5. REVENUES

	2012	2011
Tariff revenue	**50,948**	45,856
Customer contributions	**1,371**	1,289
Other	**1,752**	1,770
	54,071	48,915

6. OTHER COSTS AND EXPENSES

	2012	2011
Goods and services [1]	**3,054**	2,272
Property and other taxes	**250**	235
	3,304	2,507

[1] Goods and services include professional fees, contractor costs, technology related expenses, advertising, and other general and administrative expenses.

7. INCOME TAXES

The components of income tax expense are summarized below:

	2012	2011
Current income tax expense (recovery)		
Expense (recovery) for the year	**(198)**	122
Deferred income tax expense		
Reversal of temporary differences	**826**	308
	628	430

The reconciliation of statutory and effective income tax expense is as follows:

	2012		2011	
Earnings before income taxes	**2,082**	**%**	1,412	%
Income taxes, at statutory rates	**625**	**30.0**	445	31.5
Non-deductible differences	**16**	**0.8**	6	0.4
Other	**(13)**	**(0.6)**	(21)	(1.5)
	628	**30.2**	430	30.4

The combined Federal and Yukon statutory Canadian income tax rate changed from 31.5% in 2011 to 30.0% in 2012.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

7. INCOME TAXES (continued)

The changes in deferred tax assets and liabilities are analyzed as follows:

	Property, plant and equipment	Intangibles	Retirement benefits	Other	Total
Deferred income tax liabilities:					
At December 31, 2010	2,220	(49)	(419)	(69)	1,683
Charge (credit) to net earnings	369	49	1	(111)	308
Charge (credit) to other comprehensive income	-	-	(5)	-	(5)
At December 31, 2011	**2,589**	**-**	**(423)**	**(180)**	**1,986**
Charge (credit) to net earnings	**289**	**543**	**(9)**	**3**	**826**
Charge (credit) to other comprehensive income	**-**	**-**	**(7)**	**-**	**(7)**
At December 31, 2012	**2,878**	**543**	**(439)**	**(177)**	**2,805**

The Corporation does not expect any of its deferred income tax assets or liabilities to reverse within the next 12 months.

As at the balance sheet date, the Corporation had $304,000 in non-capital tax losses which, if unused, expire in 2032.

In respect of these non-capital losses, the Corporation has recorded deferred income tax assets of $91,000.

Income taxes recovered amounted to $150,000 (2011 ─ Income taxes paid of $536,000).

8. INVENTORIES

	2012	2011
Raw materials and consumables	**2,029**	2,139

For the year ended December 31, 2012, the amount of inventories recognized as an expense was $148,000 (2011 – $156,000). There have been no write-downs to net realizable value and there have been no reversals of previous write-downs to net realizable value.

No inventories are pledged as security for liabilities.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

9. PROPERTY, PLANT AND EQUIPMENT

	Distribution	Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost:						
At December 31, 2010	109,110	18,257	3,762	3,471	4,457	139,057
Additions	8,671	2,496	71	2,355	461	14,054
Disposals/Retirements	(144)	(2,269)	-	(141)	(33)	(2,587)
At December 31, 2011	**117,637**	**18,484**	**3,833**	**5,685**	**4,885**	**150,524**
Additions	**12,763**	**2,813**	**218**	**(3,152)**	**725**	**13,367**
Disposals/Retirements	**(725)**	**-**	**-**	**-**	**(197)**	**(922)**
At December 31, 2012	**129,675**	**21,297**	**4,051**	**2,533**	**5,413**	**162,969**
At December 31, 2010	41,839	10,214	1,908	-	3,795	57,756
Depreciation	2,847	647	80	-	326	3,900
Disposals/Retirements	(144)	(2,269)	-	-	(33)	(2,446)
At December 31, 2011	**44,542**	**8,592**	**1,988**	**-**	**4,088**	**59,210**
Depreciation	**3,016**	**534**	**99**	**-**	**376**	**4,025**
Disposals/Retirements	**(725)**	**-**	**-**	**-**	**(197)**	**(922)**
At December 31, 2012	**46,833**	**9,126**	**2,087**	**-**	**4,267**	**62,313**
Net book value:						
At December 31, 2011	73,095	9,892	1,845	5,685	797	91,314
At December 31, 2012	**82,842**	**12,171**	**1,964**	**2,533**	**1,146**	**100,656**

Included in the cost of property, plant and equipment is \$183,000 (2011 – \$148,848) of interest capitalized. Interest has been capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalization rate representing the average interest rate on such borrowing, which is 6.25% (2011 – 6.17%).

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

10. INTANGIBLES

	Computer Software	Land Rights	Construction Work in Progress-Software	Other	Total
Cost:					
At December 31, 2010	2,128	1,192	-	667	3,987
Additions	-	76	13	491	580
At December 31, 2011	**2,128**	**1,268**	**13**	**1,158**	**4,567**
Additions	**76**	**63**	**(13)**	**563**	**689**
At December 31, 2012	**2,204**	**1,331**	**-**	**1,721**	**5,256**
Accumulated amortization:					
At December 31, 2010	457	133	-	35	625
Amortization	212	19	-	45	276
At December 31, 2011	**669**	**152**	**-**	**80**	**901**
Amortization	**214**	**20**	**-**	**-**	**234**
At December 31, 2012	**883**	**172**	**-**	**80**	**1,135**
Net book value:					
At December 31, 2010	1,671	1,059	-	632	3,362
At December 31, 2011	1,459	1,116	13	1,078	3,666
At December 31, 2012	**1,321**	**1,159**	**-**	**1,641**	**4,121**

11. OTHER ASSETS

	2012	2011
Market differential loans	**102**	71

12. BANK INDEBTEDNESS AND SHORT TERM ADVANCES FROM PARENT CORPORATION

At December 31, 2012, bank indebtedness consists of $512,000 (2011 – $ nil), which represents cheques outstanding in excess of cash in bank.

Short term advances from parent corporation are payable upon demand and bear interest based on short term Bankers' Acceptance rates.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

13. LONG TERM DEBT (UNSECURED)

Long term debt

	2012	2011
Payable to parent corporation		
2004 Series 5.16% debenture due November 2014	**500**	500
2002 Series 6.21% debenture due November 2017	**3,900**	3,900
2004 Series 5.47% debenture due January 2019	**1,000**	1,000
1999 Series 6.85% debenture due August 2019	**4,500**	4,500
1990 Series 11.91% debenture due November 2020	**1,500**	1,500
1992 Series 9.51% debenture due May 2023	**2,500**	2,500
2009 Series 6.28% debenture due March 2024	**2,900**	2,900
2008 Series 5.61% debenture due May 2028	**860**	860
2005 Series 5.23% debenture due November 2035	**4,300**	4,300
2006 Series 5.07% debenture due November 2036	**3,000**	3,000
2008 Series 5.62% debenture due May 2038	**1,290**	1,290
2009 Series 6.55% debenture due March 2039	**3,700**	3,700
2011 Series 4.58% debenture due October 2041	**5,000**	5,000
2012 Series 3.89% debenture due November 2052	**4,000**	-
	38,950	34,950

Contractual maturities of debt

The undiscounted contractual maturities (including both principal and interest) of long term debt are as follows:

	Long Term Debt	
	Principal	Interest
2013	-	2,360
2014	500	2,356
2015	-	2,334
2016	-	2,334
2017	3,900	2,314
2018 and thereafter	34,550	24,431
	38,950	36,129

Interest expense

	2012	2011
Long term debt	**2,219**	2,008
Other	**5**	8
	2,224	2,016
Less: Interest capitalized (Note 9)	**(183)**	(149)
	2,041	1,867

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

14. CONTINGENCIES

Measurement inaccuracies occur from time to time with respect to the Corporation's metering facilities. Measurement adjustments are settled between the parties based on the requirements of the Electricity and Gas Inspections Act (Canada) and applicable regulations issued pursuant thereto. There is a risk of disallowance of the recovery of a measurement adjustment if controls and timely follow-up are found to be inadequate by the Board.

As a result of decisions of the Supreme Court of Canada in Garland vs. Consumers' Gas Co., the imposition of late payment penalties on utility bills has been called into question. The Corporation is unable to determine at this time the impact, if any, that these decisions will have on the Corporation.

The Corporation is party to a number of disputes and lawsuits in the normal course of business. The Corporation believes that the ultimate liability arising from these matters will have no material impact on the financial statements.

15. OTHER LIABILITIES

	2012	2011
Deferred revenues	**34,828**	32,581

Deferred revenue

Deferred revenue is comprised of customer contributions for extensions to plant. These contributions are amortized and recognized as revenue over the life of the related asset. Changes in deferred customer contributions are summarized below.

	2012	2011
Beginning of year	**32,581**	28,138
Customer contributions received during the year	**3,618**	5,732
Amortization during the year	**(1,371)**	(1,289)
End of year	**34,828**	32,581

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Corporation's Board of Directors is responsible for understanding the principal risks of the business in which the Corporation is engaged, achieving a proper balance between risks incurred and the potential return to share owners, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation. The Board of Directors has established a Risk Review Committee, which reviews significant risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Corporation's ability to achieve its strategic or operational targets. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The Corporation is not exposed to significant interest rate risk due to its long term debt having fixed interest rates.

Credit Risk

For cash, short term advances to parent corporation, accounts receivable and other assets, credit risk represents the carrying amount on the balance sheet.

Credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. Cash and cash equivalents credit risk is reduced by investing in instruments issued by credit worthy financial institutions and in federal government issued short term instruments.

The maximum exposure to credit risk is the carrying value of loans and receivables on the balance sheet. The Corporation does not have a concentration of credit risk with any counterparties.

Accounts receivable are non-interest bearing and are generally due in 30 days. At December 31, 2012, the provision for impairment of credit losses was $46,000 (2011 – $55,000).

At December 31, 2012, the aging analysis of trade receivables that are past due but not impaired is as follows:

	2012
30 to 90 days	**534**
Greater than 90 days	**19**
	553

No impairments have been identified within accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Corporation's cash requirements. Additional cash requirements are met through long-term debt borrowings from the parent corporation. The Corporation has a policy not to invest any of its cash balances in asset backed securities.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

The Corporation has contractual obligations in the normal course of business; future minimum undiscounted contractual maturities are as follows:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 and thereafter**
Accounts payable and accrued liabilities	6,916	-	-	-	-	-
Owing to parent and affiliated corporations	1,937	-	-	-	-	-
Long term debt (Note 13)	-	500	-	-	3,900	34,550
Interest expense (Note 13)	2,360	2,356	2,334	2,334	2,314	24,431
	11,213	2,856	2,334	2,334	6,214	58,981

Fair value of non-derivative financial instruments

The carrying values and fair values of the Corporation's non-derivative financial instruments are as follows:

	2012		2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Loans and receivables:				
Cash	-	-	100	100
Short term advances to parent corporation [(1)]	-	-	800	800
Accounts receivable [(1)]	**7,537**	**7,537**	5,663	5,663
Other assets [(2)]	**102**	**102**	71	71
Financial liabilities				
Amortized cost:				
Bank indebtedness [(1)]	**512**	**512**	-	-
Accounts payable and accrued liabilities [(1)]	**6,916**	**6,916**	5,084	5,084
Owing to parent and affiliate corporations [(1)]	**1,937**	**1,937**	1,700	1,700
Long term debt [(3)]	**38,950**	**48,552**	34,950	44,078

[(1)] *Recorded at amortized cost. Fair value approximates the carrying amounts due to the short term nature of the financial instruments.*
[(2)] *Recorded at fair values. Fair values are determined using quoted market prices.*
[(3)] *Recorded at amortized cost. Fair values are determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Corporation's current borrowing rate for similar borrowing arrangements.*

The Corporation does not have any financial instruments recorded at fair value at December 31, 2012.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

17. DIVIDENDS

Cash dividends declared per share for all series and classes of common shares are as follows:

	2012	2011
	(dollars per share)	
Class A Non-Voting shares	**156.56**	117.42
Class B Common shares	**156.56**	117.42

The payment of dividends on the Corporation's Class A and Class B shares is at the discretion of the Board of Directors and depends on the financial condition of the Corporation and other factors.

18. CLASS A AND CLASS B SHARES

Authorized and Issued

	Class A Non-Voting		**Class B Common**		**Total**	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**
Authorized:	Unlimited		Unlimited			
Issued and Outstanding:						
December 31, 2011	1,591	4,371	964	2,648	2,555	7,019
December 31, 2012	**1,591**	**4,371**	**964**	**2,648**	**2,555**	**7,019**

19. CAPITAL DISCLOSURES

The Corporation's objective when managing capital is to remain within the capital structure approved by the Board. The Board approved equity ratio for the Corporation was 40% (2011 – 40%) and the Corporation is capitalized consistent with the Board approved capital structure.

The Corporation includes share owner's equity and long term debt, as adjusted in accordance with the FASB standards (see Note 4), in its determination of capitalization. In maintaining or adjusting its capital structure, the Corporation may adjust the amount of dividends paid to the share owner, issue or purchase Class A and Class B shares, and issue or redeem long term debt.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

20. CHANGES IN NON-CASH WORKING CAPITAL

	2012	2011
Operating activities, changes related to:		
Accounts receivable	**(1,875)**	(203)
Inventories	**(48)**	(130)
Prepaid expenses	**(2)**	50
Accounts payable and accrued liabilities	**2,269**	426
Owing to parent and affiliate corporations	**(184)**	601
	160	744
Investing activities, changes related to:		
Inventories	**158**	(122)
Accounts payable and accrued liabilities	**(437)**	(61)
	(279)	(183)

21. RETIREMENT BENEFITS

The Corporation, together with its ultimate parent, Canadian Utilities Limited, and affiliate corporations, maintains registered defined benefit and defined contribution pension plans for most of its employees and provides other post employment benefits, principally health, dental and life insurance, for retirees and their dependants. The defined benefit pension plans provide for pensions based on employees' length of service and final average earnings. As of 1997, new employees automatically participate in the defined contribution pension plan and employees participating in the defined benefit pension plans may transfer to the defined contribution pension plan at any time. Upon transfer, further accumulation of benefits under the defined benefit pension plans ceases. The Corporation, together with its parent and affiliate corporations, also maintains non-registered, non-funded defined benefit pension plans for certain officers and key employees.

Contributions to the Group Plan, which is accounted for as a defined contribution pension plan, are expensed as paid. Other post employment benefit and non-registered defined benefit pension plans, which the Corporation funds out of general revenues, are administered on a combined basis with the Corporation's parent and affiliate corporations. For non-registered defined benefit pensions, the Corporation is assessed a percentage of the total cost of the plans.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

21. RETIREMENT BENEFITS (continued)

The Corporation's Benefit Plans

Information about the Corporation's participation in the group benefit plans, in aggregate, is as follows:

	2012		2011	
	Pension Benefit Plans	**Other Post Employment Benefit Plans**	Pension Benefit Plans	Other Post Employment Benefit Plans
Components of benefit plan cost:				
Total benefit plans cost	**1,442**	**70**	1,016	74
Less: Capitalized	**433**	**21**	305	22
Net cost recognized	**1,009**	**49**	711	52
Accrued benefit obligations:				
Beginning of year	**208**	**1,200**	203	1,126
Total benefit plans cost	**1,276**	**70**	854	74
Benefit payments	**(1,280)**	**(32)**	(857)	(11)
Losses (gains) on accrued benefit obligations	**31**	**(9)**	8	11
End of year	**235**	**1,229**	208	1,200

Historical information

Cumulative losses recognized in other comprehensive income:	**2012**	2011
Accrued benefit obligations	**1,464**	1,408
Losses recognized in other comprehensive income	**(22)**	(19)
Cumulative losses recognized in other comprehensive income	**(176)**	(154)

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

21. RETIREMENT BENEFITS (continued)

Weighted average assumptions

	2012		2011	
	Pension Benefit Plans	**Other Post Employment Benefit Plans**	Pension Benefit Plans	Other Post Employment Benefit Plans
Assumptions regarding benefit plan cost:				
Liability discount rate for the year	**5.2%**	**5.2%**	5.6%	5.6%
Average compensation increase for the year	**(1)**		(1)	
Assumptions regarding accrued benefit obligations:				
Liability discount rate at December 31	**4.3%**	**4.3%**	5.2%	5.2%
Long term inflation rate	**2.0%**	**(2)**	2.25%	(2)

(1) *The assumed average compensation increases are 3.75% until the end of 2012 and 3.25% thereafter (2011 – 3.75% until the end of 2012 and 3.25% thereafter).*

(2) *The assumed annual health care cost trend rate increases used in measuring the accumulated post employment benefit obligation are as follows: for drug costs, 6.1% for 2012 grading down over 12 years to 4.5% (2011 – 6.2% for 2011 grading down over 13 years to 4.5%), for other medical costs, 4.5% for 2012 and thereafter (2011 - 4.5% for 2011 and thereafter), and for dental costs, 4.0% for 2012 and thereafter (2011 – 4.0% for 2011 and thereafter).*

Funding

Employees are required to contribute a percentage of their salary to registered pension plans. The Corporation is required to contribute its share of contributions on behalf of the defined contribution members of the pension plans and to provide the balance of the funding necessary to ensure that benefits will be fully provided for at retirement for the members of the defined benefit pension plans.

The actual funding contributions for 2011 and 2012 were established based on actuarial valuations for funding purposes as of December 31, 2009 and December 31, 2011, respectively. The contributions for 2013 will be determined by the next actuarial valuation for funding purposes which is effective December 31, 2012 and will be completed during the second quarter of 2013.

For purposes of any pension funding requirements, the Board has directed that the cash basis of accounting be used in customer rate applications. Accordingly, the Corporation includes the forecast cost of funding in its rate applications to the Board.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

21. RETIREMENT BENEFITS (continued)

Canadian Utilities Limited Benefit Plans

The Corporation participates, together with its ultimate parent, Canadian Utilities Limited, and affiliate corporations, in the pension benefit plan and OPEB plan. Canadian Utilities Limited is the sponsoring employer for these plans. Since the Corporation only recognizes a cost equal to the contribution payable for the registered group defined benefit plan and its allocation of the net benefit cost for the OPEB, information about the plans as a whole, in aggregate, is as follows:

	2012		2011	
	Pension Benefit Plans	**Other Post Employment Benefit Plans**	Pension Benefit Plans	Other Post Employment Benefit Plans
Benefit plan assets, obligations and funded status				
Market value of plan assets:				
Beginning of year	**31,000**	-	31,400	-
Return on plan assets	**1,900**	-	2,100	-
Employee contributions	**-**	-	100	-
Employer contributions	**1,800**	-	1,200	-
Benefit payments	**(1,000)**	-	(800)	-
Transfers	**(1,400)**	-	(1,600)	-
Experience gains (losses)	**700**	-	(1,400)	-
End of year	**33,000**	-	31,000	-
Accrued benefit obligations:				
Beginning of year	**36,300**	**79,700**	33,900	79,500
Current service cost	**700**	**2,200**	700	2,000
Interest cost	**1,800**	**4,200**	1,800	4,000
Employee contributions	**-**	-	100	-
Benefit payments from plan assets (1)	**(1,000)**	-	(800)	-
Benefit payments by employer	**-**	**(3,300)**	-	(2,600)
Transfers	**(1,400)**	-	(1,600)	-
Actuarial losses (gains) (2)	**4,300**	**12,000**	2,200	(3,200)
End of year	**40,700**	**94,800**	36,300	79,700
Funded status:				
Net retirement benefit obligations	**(7,700)**	**(94,800)**	(5,300)	(79,700)

(1) *Pension plan benefit payments are indexed to increases in the Canadian Consumer Price Index to a maximum increase of 3% per annum.*

(2) *A decrease in the liability discount rate assumption at December 31 resulted in the actuarial losses in 2012 and 2011.*

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

21. RETIREMENT BENEFITS (continued)

	2012		2011	
	Pension Benefit Plans	**Other Post Employment Benefit Plans**	Pension Benefit Plans	Other Post Employment Benefit Plans
Components of benefit plan cost:				
Current service cost	**700**	**2,200**	700	2,000
Interest cost	**1,800**	**4,200**	1,800	4,000
Expected return on plan assets	**(1,900)**	**-**	(2,100)	-
Defined benefit plans cost	**600**	**6,400**	400	6,000
Less: Capitalized	**100**	**2,000**	100	2,200
Net cost recognized	**500**	**4,400**	300	3,800
Gains (losses) on retirement benefit assets and obligations:				
Actual return less expected return on plan assets	**700**	**-**	(1,400)	-
Gains (losses) on plan obligations	**(4,300)**	**(12,000)**	(2,200)	3,200
Gains (losses) recognized in other comprehensive income	**(3,600)**	**(12,000)**	(3,600)	3,200

Historical information

	2012	2011	2010	January 1, 2010
Market value of plan assets	**33,000**	31,000	31,400	28,000
Accrued benefit obligations	**(135,500)**	(116,000)	(113,400)	(94,600)
Excess (deficiency) of assets over obligations	**(102,500)**	(85,000)	(82,000)	(66,600)
Losses recognized in other comprehensive income	**(15,600)**	(400)	(11,400)	-
Cumulative losses recognized in other comprehensive income	**(27,400)**	(11,800)	(11,400)	-

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

21. RETIREMENT BENEFITS (continued)

Weighted average assumptions

The assumptions regarding benefit plan cost and accrued benefit obligations are the same as those used by the Corporation.

The expected long term rate of return on plan assets is determined at the beginning of the year on the basis of the long bond yield rate at the beginning of the year plus an equity and management premium that reflects the plan asset mix. The expected long term rate of return on plan assets for the registered group defined benefit pension plan is 6.4% (2011 – 6.8%). Expected return on plan assets for the year is calculated by applying the expected long term rate of return to the fair value of plan assets at the beginning of the year and the expected changes in assets due to contributions and benefit payments.

The sensitivities of key assumptions used in measuring accrued benefit obligations and benefit plan cost for 2012 are outlined in the following table. The sensitivities of each key assumption have been calculated independently of changes in other key assumptions. Actual experience may result in changes in a number of assumptions simultaneously.

	2012 Pension Benefit Plans		**2012 Other Post Employment Benefit Plans**	
	Accrued Benefit Obligation	Net Benefit Plan Cost	Accrued Benefit Obligation	Net Benefit Plan Cost
Expected long term rate of return on plan assets				
1% increase	-	(300)	-	-
1% decrease	-	300	-	-
Liability discount rate				
1% increase	(4,600)	-	(10,400)	(147)
1% decrease	5,800	-	13,000	168
Future compensation rate				
1% increase	1,000	100	-	-
1% decrease	(900)	(100)	-	-
Long term inflation rate				
1% increase (1) (2)	4,700	300	9,200	395
1% decrease (2)	(3,900)	(200)	(7,600)	(324)

(1) *The long term inflation rate for pension plans reflects the fact that pension plan benefit payments have historically been indexed annually to increases in the Canadian Consumer Price Index to a maximum increase of 3.0% per annum.*

(2) *The long term inflation rate for other post employment benefit plans is the assumed annual health care cost trend rate described in the weighted average assumptions.*

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

21. RETIREMENT BENEFITS (continued)

Pension benefit plan assets

	2012		2011	
	Amount	**%**	Amount	**%**
Plan asset mix:				
Equity securities (1)	**17,400**	**53**	15,600	50
Fixed income securities (2)	**15,300**	**46**	15,000	49
Cash and other assets (3)	**300**	**1**	400	1
	33,000	**100**	31,000	100

(1) *Equity securities consist of investments in domestic and foreign preferred and common shares. At December 31, 2012, the market values of investments in United States' securities and international equities, denominated in a number of different currencies, are $4,400,000 and $4,100,000 respectively (2011 – $4,100,000 and $3,500,000 respectively).*

(2) *Fixed income securities consist of investments in federal and provincial government and corporate bonds and debentures.*

(3) *Cash and other assets consist of cash, short term notes and money market funds.*

Funding

The employer contributions relating to the defined benefit component of the plan for 2012 were $1,800,000 (2011 – $1,200,000). The contributions for 2013 will be determined by the next actuarial valuation for funding purposes which is effective December 31, 2012 and will be completed during the second quarter of 2013.

(Tabular amounts in thousands of Canadian dollars, except as otherwise noted)

22. RELATED PARTY TRANSACTIONS

Entity	**Relationship**	**Transaction**	**Recorded as**	**2012**	2011
ATCO Electric Ltd.	Parent	Administrative, financial management, materials management and meter reading services	Other expenses	**837**	518
Northland Utilities Enterprises Ltd.	Affiliate	Administration, financial management and project advisory services	Revenues	**196**	186
ATCO Frontec Corp.	Affiliate	Building rent	Revenues	**30**	28
ATCO I-Tek Business Services Ltd.	Affiliate	Billing and call centre services	Other expenses	**550**	566
ATCO Gas	Affiliate	Metering service and reprographics	Other expenses	**38**	19
ATCO I-Tek	Affiliate	Computer services	Other expenses	**458**	429
			Property, plant and equipment	**63**	-

All of the above transactions are considered to be in the normal course of business and are measured at the exchange amount being the amount of consideration established and agreed to by the related parties.

Trade receivables and payables with related parties are generally due within 30 days or less from the date of the transaction. The amounts outstanding are unsecured, bear no interest and will be settled in cash. No provisions are held against receivables from related parties.

THE YUKON ELECTRICAL COMPANY LIMITED
UTILITY INCOME AND RATE OF RETURN
For The Year Ended December 31, 2012
($000s)

Revenue			51,579
	Less:	Non-Utility Revenue	404
UTILITY REVENUE			51,175
Costs and Expenses			44,284
Less:	Non Allowables		60
	Non-Utility O&M		355
	Non Utility Income Taxes		(17)
			398
Add:	Depreciation		4,192
	Income Taxes		(324)
	Amortization of Contribution for Extensions		(1,371)
	Amortization of Deferred Costs		150
			2,647
UTILTITY EXPENSE			46,533
UTILITY INCOME			4,642
NET RATE BASE			60,003
RATE OF RETURN			7.74%

THE YUKON ELECTRICAL COMPANY LIMITED
COMPUTATION OF NET RATE BASE
For The Year Ended December 31, 2012
($000s)

PROPERTY PLANT AND EQUIPMENT		
BALANCE AT DECEMBER 31, 2012		168,225
Add:	Regulatory Assets	603
Less:	Accumulated Depreciation	67,891
	Construction Work-in-Progress	3,241
		71,132
NET BALANCE AT YEAR END		97,696
Add:	Previous Year's Balance	84,786
TOTAL		182,482
MID-YEAR BALANCE		91,241
Add:	Allowance for Working Capital	3,013
Less:	Mid-Year Contribution for Extensions	33,705
Less:	Mid-year Rate Case Reserve	546
NET RATE BASE		60,003

THE YUKON ELECTRICAL COMPANY LIMITED
SCHEDULE OF ALLOWANCE FOR WORKING CAPITAL
For The Year Ended December 31, 2012
($000s)

Operations and Maintenance	44,034
Add: Other Taxes	250
Less: Non-Allowables and Non-Utility O&M	415
Net O&M	43,869
O&M Lag Days	5
Operating Expenses Working Capital	601
Tax installments	172
Income Tax Installment Lag Days	22
Tax Installments Working Capital	10
Income taxes receivable (payable)	172
Tax Receivable Lag Days	204
Taxes Payable Working Capital	96
Inventory (Three year average)	2,018
GST Impact on working capital	137
Return - Long Term Debt	2,139
Combined Long Term Debt Lag Days	(52)
Long Term Debt Working Capital	(305)
Return - 50% of Common Equity	1,252
Dividend Lag Days	(4)
Common Equity (Dividend) Working Capital	(14)
Return - 50% of Common Equity	1,252
Depreciation Lag Days	42
Common Equity (Retained Earnings) Working Capital	144
Net Depreciation	2,821
Depreciation Lag Days	42
Depreciation Working Capital	325
TOTAL WORKING CAPITAL	3,013

THE YUKON ELECTRICAL COMPANY LIMITED
RECONCILIATION OF UTILITY INCOME TO NET EARNINGS
For The Year Ended December 31, 2012
($000s)

UTILITY INCOME		4,642
Add :Non-Utility Income:		
	Allowance for Funds Used During Construction	309
	Short Term Interest from Parent	11
	MDL Fair Value Adjustment	16
	Non-Regulated Revenues	404
		740
	Sub-Total	5,382
Less: Non-Utility Expenses:		
	Interest to Parent	2,219
	Non Regulated Expenses	383
	Other Interest	5
	Non Allowables	60
Sub-Total		2,715
Add: Income Tax Adjustment:		
	Tax on Net Non-Utility Income	17
NET EARNINGS		2,732

THE YUKON ELECTRICAL COMPANY LIMITED
ANALYSIS OF DEPRECIATION RESERVE
For The Year Ended December 31, 2012
($000s)

BALANCE - DECEMBER 31, 2011		64,608
Add:	Depreciation - Operating Expense	4,192
	Depreciation - Other	13
		68,813
Less:	Retirements	922
	Other	-
BALANCE - DECEMBER 31, 2012		67,891

YUKON ELECTRICAL COMPANY LIMITED
COST OF CAPITAL CALCULATION
For The Year Ended December 31, 2012
(%)

	CAPITAL RATIO	COST	RETURN COMPONENT
LONG TERM DEBT	57.87	6.16	3.56
PREFERRED SHARES	-	-	-
COMMON SHARES AND RETAINED EARNINGS	40.31	10.35	4.17
NO COST CAPITAL	1.82		
	100.0		7.74

THE YUKON ELECTRICAL COMPANY LIMITED
PROPERTY, PLANT & EQUIPMENT - DECEMBER 31, 2012

Function	Minor Account	Minor Description	Sub Category	Subcategory Description	01-Jan-12	Net Additions	Retirements	31-Dec-12
Corporate	48000	Land	48000	Land	316,624	-	-	316,624
	48200	Buildings and Structures	48100	Land Rights	19,148	-	-	19,148
	48200	Buildings and Structures	48200	Buildings and Structures	-	-	-	-
	48200	Buildings and Structures	48200	Buildings and Structures	3,442,915	172,365	-	3,615,280
	48300	Office Furniture	48300	Office Furniture	172,793	36,987	(16,155)	193,625
	48320	Computer Equipment	48320	Computer Equipment	47,367	2,385	(2,721)	47,031
	48320	Computer Equipment	48320	Computer Equipment	-	-	-	-
	48401	Vehicles Category 1	48410	Cars	56,800	-	(12,150)	44,650
	48401	Vehicles Category 1	48420	Light Trucks and Pole Trailers	232,174	74,253	(23,541)	282,885
	48401	Vehicles Category 1	48430	Pole Trailers > 10,000 lbs	117,395	11,361	-	128,756
	48401	Vehicles Category 1	48440	3/4 to 2 Ton Trucks	1,286,123	468,505	(125,830)	1,628,798
	48401	Vehicles Category 1	48450	Trucks > 2 Tons < 3 Tons	256,286	-	-	256,286
	48401	Vehicles Category 1	48460	Pole Cats	156,818	-	-	156,818
	48401	Vehicles Category 1	48470	Trucks > 3 Tons	410,493	-	-	410,493
	48401	Vehicles Category 1	48480	Tractors	45,057	-	-	45,057
	48500	Loose Tools	48500	Loose Tools	719,184	141,641	(17,412)	843,412
	48600	Communication Equipment	48600	Communication Equipment	872,842	65,318	-	938,160
	48810	Houses Land	48810	Houses Land	604	-	-	604
	48820	Houses	48820	Houses	473,256	1,425	-	474,681
	49100	Franchise and Consent	49100	Franchise and Consent	1,493	-	-	1,493
	49602	Software - ATCOCIS	49602	Software - NEWCIS(ATCOCIS)	1,534,576	446	-	1,535,022
	49605	Software - Oracle	49605	Software - Oracle	235,498	14,281	-	249,778
	49628	Software - Oracle HRXcellence	49628	Software - Oracle HRXcellence	357,820	-	-	357,820
	49652	Software - Windows 7 Upgrade	49652	Software - Windows 7 Upgrade	-	61,040	-	61,040
	49653	Fish Lake 25 Year Licence	49653	Fish Lake 25 Year Licence	1,251,000	-	-	1,251,000
Total for Corporate					12,006,266	1,050,005	(197,809)	12,858,462
Distribution	47000	Land	47000	Land	23,373	-	-	23,373
	47100	Land Rights	47100	Land Rights	1,267,608	63,034	-	1,330,642
	47300	Poles and Fixtures	47300	Poles and Fixtures	30,378,624	4,297,754	(57,125)	34,619,253
	47400	Overhead Conductor	47400	Overhead Conductor	20,514,612	1,767,581	(373)	22,281,820
	47410	Overhead Services	47410	Overhead Services	2,849,453	133,671	(4,370)	2,978,753
	47500	Underground Conduit	47500	Underground Conduit	20,982,589	1,897,672	(438)	22,879,822
	47510	Underground Services	47510	Underground Services	2,953,077	147,206	(3,023)	3,097,260
	47610	Meters	47610	Meters	781,375	303,680	(16,429)	1,068,625
	47610	Meters	47620	Metering Equipment	902,610	12,484	-	915,094
	47630	AMR Meters	47612	AMR Meters	67,646	494	-	68,140
	47710	Distribution Substation	47710	Non-Fenced Distr Sub Equip	2,654,006	-	-	2,654,006
	47710	Distribution Substation	47720	Distr Substation Buildings	477,067	-	-	477,067
	47810	Street Lights	47810	Street Lights	9,147,522	462,067	(10,065)	9,599,524
	47820	Sentinel Lights	47820	Sentinel Lights	284,738	-	-	284,738
	47910	Transformers	47910	Line Transformers	23,619,935	3,774,555	(13,430)	27,381,061
	47910	Transformers	47910INV	Inventory Reclass Transformers	807,834	(27,124)	-	780,710
Total for Distribution					117,712,070	12,833,073	(105,253)	130,439,890
Generation	42000	Hydro Land	42000	Hydro Land	42,152	(21,239)	-	20,912
	42500	Hydro Equipment	42200	Hydro Structures	215,286	47,272	-	262,558
	42500	Hydro Equipment	42300	Hydro Resv, Dams & Waterways	1,875,073	499,548	-	2,374,621
	42500	Hydro Equipment	42500	Hydro Generators	1,475,953	1,627,343	(618,640)	2,484,656
	42500	Hydro Equipment	42600	Hydro Accessory Electrical Equip	105,192	52,672	-	157,864
	42500	Hydro Equipment	42700	Hydro Misc Equip	68,657	-	-	68,657
	44000	Int Combust Land	44000	Int Combust Land	17,488	(10,358)	-	7,130
	44000	Int Combust Land	44000	Int Combust Land	-	-	-	-
	44200	Int Combust Structures	44200	Int Combust Structures	1,942,504	295,686	-	2,238,190
	44400	Int Combust Fuel Holders	44400	Int Combust Fuel Holders	2,289,158	848,684	-	3,137,842
	44500	Int Combust Generators	44500	Int Combust Generators	7,186,838	83,650	-	7,270,488
	44600	Int Combust Access Elect Equip	44600	Int Combust Access Elect Equip	2,214,317	(137,803)	-	2,076,514
	44700	Int Combust Misc Equip	44700	Int Combust Misc Equip	846,074	(52,429)	-	793,645
	42500	Hydro Equipment	42500	Hydro Generators	-	-	-	-
Total for Generation					18,278,691	3,233,025	(618,640)	20,893,077
Transmission	45000	Land	45000	Land	11,551	-	-	11,551
	45700	Transmission Substation	45710	Substation Misc Equip & Install	1,384,421	-	-	1,384,421
Total for Transmission					1,395,972	-	-	1,395,972
	Regulatory Adjustments				-	(104)	-	(104)
Grand Total					149,393,000	17,116,000	(921,703)	165,587,297

THE YUKON ELECTRICAL COMPANY LIMITED
#100, 1100 - First Avenue, Whitehorse, YT Y1A 3T4

DIRECTORS

Brian R. Bale
Loraine M. Charlton
Siegfried W. Kiefer
James W. Simpson
Nancy C. Southern
Ronald D. Southern

OFFICERS

Siegfried W. Kiefer	Chair & Chief Operating Officer
Roberta L. Lambright	President
Barry McNabb	Vice President, Regulatory & Controller
Carol Gear	Secretary

STATUTORY DECLARATION

IN THE MATTER OF A REPORT REQUIRED BY
SECTION 84 OF THE YUKON PUBLIC UTILITIES ACT
BY R.L. LAMBRIGHT, PRESIDENT, AND B.D. MCNABB,
VICE PRESIDENT, REGULATORY & CONTROLLER,
OF
THE YUKON ELECTRICAL COMPANY LIMITED (the "Corporation")
(in thousands of dollars)

WE SOLEMNLY DECLARE THAT:

1. For 2012, the Net Rate Base for the Corporation was $60,003.

2. As of December 31, 2012, the total capitalization of the Corporation was $65,869 with a mid-year weighted average cost of 7.74%.

3. The revenues for the Corporation for the period from January 1, 2012 to December 31, 2012 were as follows:

Retail Sales	$ 49,923
Sales to Other Utilities	28
Other Revenue	1,224
TOTAL	$ 51,175

4. The dividends paid by the Corporation for the period January 1, 2012 to December 31, 2012 were as follows:

Common Shares	$ 0

5. The operating and maintenance costs of the Corporation for the period from January 1, 2012 to December 31, 2012 were $11,309.

6. The Corporation estimates the following costs for new works, extensions and improvements during the current year:

Distribution Projects	$ 10,315
General Property & Equipment	3,476
Generating Plants	7,051
TOTAL	$ 20,842

WE MAKE THIS SOLEMN DECLARATION CONSCIENTIOUSLY BELIEVING IT TO BE TRUE AND KNOWING THAT IT IS OF THE SAME FORCE AND EFFECT AS IF MADE UNDER OATH.

Severally declared before me)
at the City of Edmonton)
in the Province of Alberta)
this 29 day of April, 2013.)

R. L. (Bobbi) Lambright

S. Schamehorn
SHARLENE G. SCHAMEHORN
A Commissioner for Oaths in and for the Province of Alberta
My Commission Expires Aug. 1, 2013

Severally declared before me)
at the City of Edmonton)
in the Province of Alberta)
this 29th day of April, 2013.)

B.D. (Barry) McNabb

S. Schamehorn
SHARLENE G. SCHAMEHORN
A Commissioner for Oaths in and for the Province of Alberta
My Commission Expires Aug. 1, 2013