



The Yukon Electrical Company Limited
An ATCO Company

April 30, 2009

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

Dear Ms. Lemke:

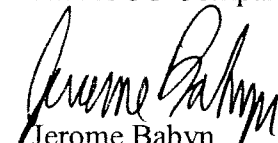
RE: Annual Filings – The Yukon Electrical Company Limited

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

- a) 2008 unaudited Financial Statements (*Audited results to be filed within 30 days*)
- 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 Debt Capital Employed
- h) Property, Plant and Equipment
- i) List of Officers and Directors
- j) Draft of unsigned Affidavit (*Complete and signed Affidavit to follow by June 30*)

Yours truly,

THE YUKON ELECTRICAL COMPANY LIMITED
An ATCO Company


Jerome Babyn,
General Manager

Encl.

THE YUKON ELECTRICAL COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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

	Note	Year ended December 31	
		2008	2007
Revenues		\$ 46,097	\$ 41,420
Costs and expenses			
Purchased power		24,157	23,647
Operation and maintenance		12,043	6,533
Selling and administrative		4,627	3,637
Depreciation and amortization		2,201	3,079
Interest	10	1,790	1,666
		44,818	38,562
		1,279	2,858
Interest and other income	5	118	137
Earnings before income taxes		1,397	2,995
Income taxes	6	(118)	902
Earnings attributable to Class A and Class B shares		1,515	2,093
Retained earnings at beginning of year as restated	4	10,217	9,524
		11,732	11,617
Dividends on Class A and Class B shares		-	1,400
Retained earnings at end of year		\$ 11,732	\$ 10,217

THE YUKON ELECTRICAL COMPANY LIMITED

BALANCE SHEET

(Thousands of Canadian Dollars)

		December 31	
	Note	2008	2007
ASSETS			
Current assets			
Accounts receivable		\$ 4,714	\$ 5,288
Inventories	7	1,629	1,849
Regulatory assets	2	193	234
Income and other taxes recoverable		673	285
Prepaid expenses		121	110
		7,330	7,766
Property, plant and equipment	8	46,747	41,222
Regulatory assets	2	360	115
Other assets		684	724
		\$ 55,121	\$ 49,827
LIABILITIES AND SHARE OWNER'S EQUITY			
Current liabilities			
Bank indebtedness	9	\$ 407	\$ 875
Short term advances from parent and affiliated corporations	9	4,600	2,200
Accounts payable and accrued liabilities		4,263	4,195
Owing to parent and affiliated corporations		670	814
		9,940	8,084
Regulatory liabilities	2	71	-
Pension and other post employment benefits	15	1,009	707
Long term debt	10	25,350	23,800
Class A and Class B share owner's equity			
Class A and Class B shares	11	7,019	7,019
Retained earnings		11,732	10,217
		18,751	17,236
		\$ 55,121	\$ 49,827

Director

Director

THE YUKON ELECTRICAL COMPANY LIMITED

STATEMENT OF CASH FLOWS

(Thousands of Canadian Dollars)

		Year ended December 31	
	Note	2008	2007
Operating activities			
Earnings attributable to Class A and Class B shares		\$ 1,515	\$ 2,093
Adjustments for:			
Depreciation and amortization		2,201	3,079
Other		182	71
Funds generated by operations		3,898	5,243
Changes in non-cash working capital	13	(227)	451
Cash flow from operations		3,671	5,694
Investing activities			
Purchase of property, plant and equipment		(9,884)	(7,785)
Proceeds on disposal of property, plant and equipment		25	40
Contributions by utility customers for extensions to plant		2,133	2,571
Changes in non-cash working capital	13	587	66
Other		(14)	(44)
		(7,153)	(5,152)
Financing activities			
Issue of long term debt		2,150	-
Repayment of long term debt		(600)	-
Dividends paid to the Class A and Class B share owner		-	(1,400)
Other		-	(610)
		1,550	(2,010)
Cash Position¹			
Increase (decrease)		(1,932)	(1,468)
Beginning of year		(3,075)	(1,607)
End of year		\$ (5,007)	\$ (3,075)

¹ Cash position includes bank indebtedness and short term advances from parent and affiliated corporations.

THE YUKON ELECTRICAL COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Canadian Dollars)

	<u>Note</u>	<u>Year ended December 31</u>	
		<u>2008</u>	<u>2007</u>
Earnings attributable to Class A and Class B shares		\$ 1,515	\$ 2,093
Other comprehensive income, net of income taxes		-	-
Comprehensive income		<u>\$ 1,515</u>	<u>\$ 2,093</u>

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

1. Summary of significant accounting policies

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Yukon Electrical Company Limited (the "Corporation") is engaged in the generation, transmission, distribution and sale of electric energy.

Effective January 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") recommendations for capital disclosures which require disclosure of qualitative and quantitative information regarding the Corporation's objectives, policies and processes for managing capital (see Note 12).

Effective January 1, 2008, the Corporation adopted the CICA recommendations pertaining to disclosure and presentation of financial instruments which require disclosure of the classification of the Corporation's financial instruments (as described in the Financial Instruments section below) and additional qualitative and quantitative information regarding the nature and extent of risks arising from financial instruments to which the Corporation is exposed (see Note 16).

Effective January 1, 2008, the Corporation prospectively adopted the CICA recommendations for measurement and disclosure of inventories which provide guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and on the cost formulas that are used to assign costs to inventories (see note 7). The recommendations also clarified that major spare parts are to be included in property, plant and equipment. The adoption of the recommendations did not have an impact on the earnings or assets of the Corporation.

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") which administers acts and regulations covering such matters as rates, financing, accounting, construction and operation and service area. Accounting for rate regulated operations is described in Note 2.

Use of Estimates

The preparation of the Corporation's financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. On an on-going basis, management reviews its estimates, particularly those related to depreciation and amortization methods, useful lives and impairment of long-lived assets, asset retirement obligations, employee future benefits, and the fair values of financial instruments, using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

1. Summary of significant accounting policies (continued)

Revenue Recognition

For regulated operations, revenues are recognized in a manner that is consistent with the underlying rate design as mandated by the Board.

Revenues from sales of electricity are recognized upon delivery, primarily on the basis of meter readings, and include an estimate of services provided but not yet billed.

Purchased Power

Purchased power expense is based on the actual cost of electricity purchased.

Income Taxes

The Corporation follows the method of accounting for income taxes that is consistent with the method of determining the income tax component of the current rates and utilizes the flow through method to account for both federal and territorial income taxes. When future income taxes are not provided in the income tax component of current rates, such future income taxes are not recognized to the extent that it is expected that they will be recovered from customers through inclusion in future rates.

Cash and Short Term Investments

Short term investments consist of certificates of deposit and bankers' acceptances with maturities generally of 90 days or less at purchase.

Inventories

Inventories include materials and supplies and 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.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

1. Summary of significant accounting policies (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and unamortized contributions by utility customers for extensions to plant. The Corporation includes in property, plant and equipment an allowance for funds used during construction at rates approved by the Board for debt and equity capital. Certain additions 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. These contributions are amortized on the same basis as, and offset the depreciation charge of, the assets to which they relate.

Depreciation is provided on assets on a straight-line basis over their estimated useful lives. Depreciation rates are approved by the Board and include a provision for future removal and site restoration costs (see the accounting policy for asset retirement obligations below). On retirement of depreciable regulated assets, the accumulated depreciation is charged with the cost of the retired unit, net of disposal costs and site restoration costs.

Property, plant and equipment assets are tested for recoverability whenever events or changes in circumstances indicate a possible impairment. An impairment of property, plant and equipment is recognized in earnings when the asset's carrying value exceeds the total cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the asset's carrying value and its fair value, which is determined using present value techniques.

Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long lived assets. To the extent that they can be quantified, these obligations are measured and recognized at fair value, which is determined using present value techniques.

An asset retirement obligation is recorded as a liability in deferred credits, with a corresponding increase to property, plant and equipment. The liability is accreted over the estimated time period until settlement of the obligation, with the accretion expense included in depreciation and amortization. The asset is depreciated over its estimated useful life.

The Corporation has determined that it has tangible long lived assets where there is a legal liability regarding asset retirement. For these tangible long lived assets, asset retirement obligations have not been recorded as the Corporation expects to use the assets in service for an indefinite period. As such, no final removal date can be determined and, consequently, a reasonable estimate of the related retirement obligations cannot be made at this time.

Long Term Debt Due Within One Year

All of the long term debt is held by the parent corporation, ATCO Electric Ltd. When the Corporation intends to refinance long term debt due within one year on a long term basis and there is a written undertaking from an underwriter to act on ATCO Electric Ltd.'s behalf with respect thereto, or sufficient capacity under long term bank loan agreements to issue commercial paper or assume bank loans, then long term debt due within one year is classified as long term.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

1. Summary of significant accounting policies (continued)

Financial Instruments

The Corporation establishes the classification of financial instruments at their initial recognition. Financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are classified as held for trading or other liabilities.

Financial instruments classified as held for trading, 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, 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.

Employee Future Benefits

The Corporation, together with its ultimate parent corporation, Canadian Utilities Limited and affiliate corporations, participates in a 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 Canadian Utilities Limited and 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. In June 2008, the method of apportioning the costs of OPEB plans to the Corporation has been changed prospectively. Formerly, the Corporation was apportioned a percentage of its payroll costs at a rate calculated for the plan as a whole. The revised method determines the accrued OPEB liabilities and costs on a company-by-company basis. Under the new method of apportioning, the OPEB liability for the Corporation increased by \$228,000 with a corresponding increase to non-current regulatory assets. For non-registered defined benefit pensions, the Corporation is assessed a percentage of the total costs of the plans. Costs of these benefits are determined using the projected benefits method prorated on service and reflects management's best estimates of wage and salary increases, age at retirement and expected health care costs. Experience gains and losses and the effect of changes in assumptions in excess of 10% of the accrued benefit obligations, together with adjustments resulting from plan amendments, are amortized over the estimated average remaining service life of employees.

Pursuant to a Board decision, the Corporation is required to expense contributions for OPEB plans as paid. The differences between the amounts accrued and paid are deferred in non-current regulatory assets.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

1. Summary of significant accounting policies (continued)

Future Accounting Changes

Effective for the Corporation beginning January 1, 2009, the CICA has removed a temporary exemption in its accounting recommendations that permitted assets and liabilities arising from rate regulation to be recognized and measured on a basis other than in accordance with the primary sources of GAAP. As permitted by Canadian GAAP, the Corporation will use standards issued by the Financial Accounting Standards Board in the United States that allow for the recognition and measurement of rate regulated assets and liabilities as another source of Canadian GAAP. The adoption of these standards is not expected to have a material impact on the earnings of the Corporation. However, it is anticipated that the reserves for future removal and site restoration costs, which are currently netted against property, plant and equipment, will be reclassified to non-current liabilities, resulting in an increase to the Corporation's total assets and liabilities. The amount of such future removal and site restoration costs at December 31, 2008 was \$4,713,000. The CICA has also issued new recommendations that will require the recognition of future income tax assets and liabilities as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to future customers. The amount of unrecorded future income tax assets of the Corporation at December 31, 2008 was \$1,085,000 million. The Corporation has estimated an additional increase in future income tax assets and non-current regulatory liabilities of approximately \$559,000 upon adoption of the new standard. The additional amount reflects the future income tax effects of the settlement mechanism of the regulatory liability through customer rates that would occur in future periods. These recommendations will be applied prospectively.

The CICA has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for the Corporation beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to the equity of the Corporation at that date. The adoption of these recommendations is not expected to have a material impact on the earnings or assets of the Corporation.

In 2006, the CICA announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). The Corporation will need to begin reporting under IFRS in the first quarter of 2011 with comparative data for the prior year. IFRS uses a conceptual framework similar to GAAP, but there could be significant differences on recognition, measurement and disclosures that will need to be addressed. The Corporation continues to evaluate the potential impacts of the convergence with IFRS.

2. Accounting for rate regulated operations

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 is the aggregate of the Board approved investment in property, plant and equipment less accumulated depreciation 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 and to provide the share owner with a fair return on the common equity component of rate base.

The Board approves rates of return for the debt and common equity component of rate base based on the actual or forecast weighted average cost of the Corporation's debt and common equity.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

2. Accounting for regulated operations (continued)

Under the cost of service methodology, the Corporation seeks approval for its revenue requirement through submission of a general rate application to the Board. The Board may approve interim rates, subject to final determination.

Financial Statement Effects of Rate Regulation

Certain items in these financial statements are accounted for differently than they would be in the absence of rate regulation. CICA recommendations do not require that assets and liabilities arising from rate regulation be recognized and measured in accordance with the primary sources of GAAP (see Note 1 regarding future accounting changes).

Where regulatory decisions dictate, the Corporation defers certain costs or revenues as assets or liabilities on the balance sheet and records them as expenses or revenues in the earnings statement as it collects or refunds amounts through future customer rates. Any adjustments to these deferred amounts are recognized in earnings in the period that the Board renders a decision concerning these adjustments.

Circumstances in which rate regulation affects the accounting for a transaction or event are described below. For these regulatory items, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate setting purposes, and, unless specifically indicated, is indeterminate.

The regulatory assets comprise the following:

	<u>2008</u>	<u>2007</u>
<i>Regulatory assets - current</i>		
Deferral of unused vacation costs	\$ 193	\$ 234
<i>Regulatory assets - non-current</i>		
Market differential loans	56	63
Employee future benefits (see Note 15)	304	-
Reserve for injuries and damages	<u>-</u>	<u>52</u>
	<u>360</u>	<u>115</u>
	<u>\$ 553</u>	<u>\$ 349</u>

The regulatory liabilities comprise the following:

	<u>2008</u>	<u>2007</u>
<i>Regulatory liabilities - non-current</i>		
Regulatory hearing costs	\$ 48	\$ -
Reserve for injuries and damages	<u>23</u>	<u>-</u>
	<u>\$ 71</u>	<u>\$ -</u>

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

2. Accounting for regulated operations (continued)

Deferral of Unused Vacation Costs

Revenue requirement includes a recovery from customers for vacation entitlement taken by employees during the year. A portion of this vacation entitlement is earned by employees and accrued by the Corporation as a liability in the prior year. GAAP requires that the vacation pay liability be expensed in the year accrued and not adjusted for amounts that will be recovered from customers. Consequently, expenses for 2008 would have been \$41,000 lower (2007 - \$234,000 higher) in the absence of rate regulation.

Market Differential Loans

The Corporation may provide interest free market differential loans to employees when relocating. These loans are measured at fair value, resulting in a reduction in their carrying amount. Since revenue requirement includes a recovery from customers for imputed interest on these loans, the difference between the fair value and the face value of the loans has been accrued as a regulatory asset. GAAP requires that revenues be based on the customer rates approved by the Board and not adjusted for the imputed interest that will be recovered from customers in future years. Consequently revenues for 2008 would have been \$7,000 lower (2007 – \$49,000 lower) in the absence of rate regulation.

Employee Future Benefits

Pursuant to a Board decision, the Corporation is required to expense contributions for other post employment benefits as paid. The variances between the amounts accrued and paid are recorded as a regulatory asset or liability. At December 31, 2008, the total amount of the regulatory other post employment benefit asset is \$304,000 (2007- nil). GAAP requires that the variances between the amounts accrued and paid be recognized as an expense or reduction in expense in the period in which they are accrued. Consequently, expenses in 2008 would have been \$304,000 higher (2007 – nil) in the absence of rate regulation.

Reserves for Injuries and Damages

The Board has approved the use of a reserve for injuries and damages by the Corporation as a means of self-insurance. The reserve for injuries and damages is established based on annual amounts approved by the Board to be expensed by the Corporation and collected through customer rates. Variances between the approved annual amounts and actual costs incurred are deferred until the following general rate application or until a specific application is made to the Board requesting recovery from or refund to customers. GAAP requires that claims be expensed in the period in which they are incurred. Consequently, expenses for 2008 would have been \$75,000 lower (2007 – \$1,000 lower) in the absence of rate regulation.

Regulatory Hearing Costs

The Corporation incurred hearing costs for its 2008-2009 General Rate Application. These costs are comprised primarily of legal and consulting expenses incurred by the Corporation in addition to costs incurred by the Board and intervenor groups that will be reimbursed by the Corporation as directed by the Board. Hearing costs are deferred to the balance sheet and are expensed using Board approved annual amounts that are collected through customer rates. Variances between the approved annual amounts and actual costs incurred are deferred until the next general rate application or until a specific application is made to the Board requesting recovery from or refund to customers. GAAP requires that hearing costs be expensed in the period in which they are incurred. Consequently, expenses in 2008 would have been \$48,000 lower (2007 – nil) in the absence of rate regulation.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

2. Accounting for regulated operations (continued)

Other Items Affected by Rate Regulation

The Board permits an allowance for funds used ("AFU"), based on the Corporation's weighted average cost of capital, to be included in rate base. AFU is also included in the cost of property, plant and equipment for financial reporting purposes, and is depreciated as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFU component, will be approved for inclusion in future customer rates. Since AFU includes a common equity component, it exceeds the amount allowed to be capitalized in similar circumstances in the absence of rate regulation.

The Corporation follows the method of accounting for income taxes that is consistent with the method of determining the income tax component of its rates. When future income taxes are not included in the income tax component of current rates, such future income taxes are not recognized to the extent that they will be recovered from customers through inclusion in future rates. GAAP requires the recognition of all future income tax liabilities and future tax assets in the absence of rate regulation (see Note 6).

3. Regulatory matters

On February 19, 2009, the Board issued a decision in respect of the 2008-2009 General Rate Application originally submitted by the Corporation on April 30, 2008. In accordance with that decision, the Corporation re-filed its application on April 6, 2009 and has incorporated the effects of that decision in its 2008 financial results.

4. Retained earnings at beginning of year as restated

	<u>Year ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Retained earnings at beginning of year as previously reported	\$ 10,217	\$ 9,524
Adjustments to retained earnings to recognize the prior years' effect of:		
a) the change in method of accounting for market differential loans at amortized cost using the effective interest rate method (net of income taxes)	-	(13)
b) regulatory asset for market differential loans (net of income taxes)	-	13
Retained earnings at the beginning of year as restated	<u>\$ 10,217</u>	<u>\$ 9,524</u>

5. Interest and other income

	<u>2008</u>	<u>2007</u>
Allowance for funds used during construction	\$ 118	\$ 78
Interest	6	56
Other	(6)	3
	<u>\$ 118</u>	<u>\$ 137</u>

Interest received in 2008 amounted to \$6,000 (2007 - \$56,000).

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

6. Income taxes

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	<u>2008</u>		<u>2007</u>	
Earnings before income taxes	\$ 1,397	%	\$ 2,995	%
Income taxes, at statutory rate	482	34.5	1,111	37.1
Unrecorded future income taxes	(603)	(43.2)	(203)	(6.8)
Other	3	0.3	(6)	(0.2)
Income taxes	<u>\$ (118)</u>	<u>(8.4)</u>	<u>\$ 902</u>	<u>30.1</u>

Unrecorded future income taxes receivable decreased by \$469,000 to \$1,085,000 at December 31, 2008. Income taxes paid in 2008 amounted to \$554,000 (2007 - \$1,210,000).

7. Inventories

	<u>2008</u>	<u>2007</u>
Raw materials and consumables	<u>\$1,629</u>	<u>\$1,849</u>

For the year ended December 31, 2008, the amount of inventories recognized as an expense was \$175,000 (2007 – \$162,000). 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.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

8. Property, plant and equipment

	Composite Depreciation Rates	2008		2007	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciated
Generation	3.37%	\$ 16,927	\$ 9,421	\$ 16,283	\$ 8,953
Distribution	2.79%	98,798	43,372	92,422	41,214
Other	6.24%	9,004	3,819	7,277	3,601
Land	-	508	-	469	-
Construction work in progress	-	1,771	-	1,035	-
	<u>3.08%</u>	<u>\$ 127,008</u>	<u>\$ 56,612</u>	<u>\$ 117,486</u>	<u>\$ 53,768</u>
Property, plant and equipment less accumulated depreciation			\$ 70,396		\$ 63,718
Unamortized contributions by utility customers for extensions to plant			<u>23,649</u>		<u>22,496</u>
			<u>\$ 46,747</u>		<u>\$ 41,222</u>

Accumulated depreciation includes an amount provided for future removal and site restoration costs, net of salvage value, of \$4,713,000 (2007 - \$4,468,000).

Composite depreciation rates reflect total depreciation in the year as a percentage of mid-year cost, excluding non-depreciable assets and construction work in progress.

9. Bank indebtedness, short term advances from parent and affiliated corporations and credit line

At December 31, 2008, bank indebtedness consists of \$407,000 (2007 - \$875,000), which represents cheques outstanding in excess of cash in bank.

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

The Corporation has an operating credit line of \$1,000,000 (2007 - \$1,000,000), which is available on an uncommitted basis. The credit line enables the Corporation to obtain financing for general business purposes. At December 31, 2008, \$1,000,000 (2007 - \$1,000,000) of the credit line was still available.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

10. Long term debt

	<u>2008</u>	<u>2007</u>
Payable to parent corporation		
2000 Series 7.05% due June 2008	\$ -	\$ 600
1989 Series 10.33% due November 2009	2,000	2,000
2004 Series 5.16% due November 2014	500	500
2002 Series 6.21% due November 2017	3,900	3,900
2004 Series 5.47% due January 2019	1,000	1,000
1999 Series 6.85% due August 2019	4,500	4,500
1990 Series 11.91% due November 2020	1,500	1,500
1992 Series 9.51% due May 2023	2,500	2,500
2008 Series 5.61% due May 2028	860	-
2005 Series 5.23% due November 2035	4,300	4,300
2006 Series 5.07% due November 2036	3,000	3,000
2008 Series 5.62% due May 2038	1,290	-
	<u>\$ 25,350</u>	<u>\$ 23,800</u>

Contractual Maturities of Debt

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

	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,000	\$ 1,752
2010	-	1,545
2011	-	1,545
2012	-	1,545
2013	-	1,545
2014 and thereafter	23,350	17,576
	<u>\$ 25,350</u>	<u>\$ 25,508</u>

Interest Expense

Interest on debt is as follows:

	<u>2008</u>	<u>2007</u>
Long term debt	\$ 1,721	1,673
Short term advances from parent and affiliated corporations	69	(7)
	<u>\$ 1,790</u>	<u>\$ 1,666</u>

Interest paid in 2008 amounted to \$1,790,000 (2007- \$1,673,000)

Fair Values

Fair values for the above debt, determined using quoted market prices for the same or similar issues, are \$25,847,000 (2007 - \$27,073,000). Where 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 YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

11. Class A and Class B shares

Authorized and Issued

	Class A Non-Voting		Class B Common		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
<i>Authorized:</i>	Unlimited		Unlimited			
<i>Issued and Outstanding:</i>						
December 31, 2007	<u>1,591</u>	<u>\$ 4,371</u>	<u>964</u>	<u>\$ 2,648</u>	<u>2,555</u>	<u>\$ 7,019</u>
December 31, 2008	<u>1,591</u>	<u>\$ 4,371</u>	<u>964</u>	<u>\$ 2,648</u>	<u>2,555</u>	<u>\$ 7,019</u>

12. Capital Disclosures

The Corporation's objective when managing capital is to remain within the general guidelines approved by the Board. The Corporation includes share owners' equity and long term debt in its determination of capitalization. In maintaining or adjusting its capital structure, the Corporation may adjust the amount of dividends paid to share owners, issue or purchase Class A and Class B shares, and issue or redeem long term debt.

The Corporation's key measure of capital structure is as follows:

	2008	2007
Class A and Class B shares	\$ 7,019	\$ 7,019
Retained earnings	11,732	10,217
Total equity	<u>18,751</u>	<u>17,236</u>
Long term debt	25,350	23,800
Total capitalization	<u>\$ 44,101</u>	<u>\$ 41,036</u>
Equity capitalization	43%	42%

Equity capitalization does not have any standardized meaning under GAAP and might not be comparable to similar measures presented by other companies.

Total equity increased due to higher earnings of the Corporation reflected in increased retained earnings. Total debt increased primarily due to financings for capital expenditures (\$2,150,000), partially offset by the redemption of long-term debt in the year (\$600,000) (see Note 10).

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

13. Changes in non-cash working capital

	2008	2007
<i>Operating activities, changes related to:</i>		
Accounts receivable	\$ 574	\$ 209
Inventories	(378)	(13)
Regulatory assets	41	(234)
Prepaid expenses	(11)	(7)
Accounts payable and accrued liabilities	79	685
Income taxes and other taxes receivable	(388)	(274)
Owing to parent and affiliated corporations	(144)	85
	\$ (227)	\$ 451
 <i>Investing activities, changes related to:</i>		
Inventories	598	(52)
Accounts payable and accrued liabilities	(11)	118
	\$ 587	\$ 66

14. Related party transactions

<u>Entity</u>	<u>Relationship</u>	<u>Transaction</u>	<u>Recorded as</u>	<u>2008</u>	<u>2007</u>
Northland Utilities Enterprises Ltd.	Affiliate	Administration and financial management	Revenue	74	76
ATCO Frontec Corp.	Affiliate	Building Rent	Revenue	46	45
ATCO I-Tek Business Services Ltd.	Affiliate	Information system services	Selling and administrative	360	331
ATCO I-Tek Business Services Ltd.	Affiliate	Billing services	Selling and administrative	1,839	916
ATCO Gas	Affiliate	Meter services, Reprographics	Operation and maintenance	58	51
ATCO Electric Ltd.	Parent	Administration, financial management, meter reading, computer services and equipment rent	Operation and maintenance	390	341

These 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. The amounts owing to the parent and affiliated corporations are subject to commercial terms and conditions.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

15. Employee future benefits

The Corporation, together with its parent and affiliate corporations, maintains 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.

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 group 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. As described in Note 1, in June 2008, the method of apportioning the costs of OPEB plans to the Corporation has been changed prospectively. Formerly, the Corporation was apportioned a percentage of its payroll costs at a rate calculated for the plan as a whole. The revised method determines the accrued OPEB liabilities and costs on a company-by-company basis. Under the new method of apportioning, the OPEB liability for the Corporation increased by \$228,000 with a corresponding increase to non-current regulatory assets. For non-registered defined benefit pensions, the Corporation is assessed a percentage of the total costs of the plans. Pursuant to a previous Board decision, the Corporation is required to expense contributions for other post employment benefit plans as paid. The differences between the amounts accrued and paid are deferred in regulatory assets.

Information about the benefit plans is as follows:

	2008		2007	
	Pension Benefit Plans	Other Post Employment Benefit Plans	Pension Benefit Plans	Other Post Employment Benefit Plans
Benefit plan expense				
Total benefit plans expense	\$ 629	\$ 341	\$ 520	\$ 103
Less: Capitalized	134	(74)	112	23
Less: Regulatory deferral ⁽¹⁾	-	(304)	-	-
Benefit plan expense	\$ 495	\$ 37	\$ 408	\$ 80
Benefit plan liabilities				
Accrued liability at beginning of year	\$ (170)	\$ (537)	\$ (171)	\$ (490)
Adjustment to beginning liability	-	(228)	-	-
Total benefit plans expense	(629)	(113)	(520)	(103)
Benefit payments	631	37	521	56
Accrued liability at end of year	(168)	(841)	(170)	(537)
Regulatory asset ⁽¹⁾	-	304	-	-
Net accrued liability recognized	\$ (168)	\$ (537)	\$ (170)	\$ (537)

⁽¹⁾ The regulatory asset reflects a Board decision to record costs of other post employment benefits when paid rather than accrued.

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

16. Risk management and financial instruments

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

Credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. Credit risk is minimized by dealing with large, credit-worthy counterparties in accordance with established credit approval policies.

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, 2008, the provision for impairment of credit losses was \$86,000 (2007 - \$72,000).

At December 31, 2008, the aging analysis of trade receivables that are past due but not impaired is as follows:

	2008
30 to 90 days	\$ 423
Greater than 90 days	34
	\$ 457

No other 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. Funds generated by operations provide 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; consequently, the recent turmoil in the asset-backed commercial paper market has had no impact on the Corporation.

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

	2009	2010	2011	2012	2013	Total of All Subsequent Years
Accounts payable and accrued liabilities	\$ 4,263	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase obligations:						
Capital expenditures	600	-	-	-	-	-
	\$ 4,863	\$ -	\$ -	\$ -	\$ -	\$ -

THE YUKON ELECTRICAL COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

(tabular amounts in thousands of Canadian dollars)

16. Risk management and financial instruments (continued)

Fair Value of Non-Derivative Financial Instruments

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

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
<i>Loans and Receivables:</i>				
Accounts receivable ⁽¹⁾	4,714	4,714	5,288	5,288
Financial Liabilities				
<i>Held for Trading:</i>				
Bank indebtedness	407	407	875	875
<i>Other Liabilities:</i>				
Short term advances from parent and affiliated corporations ⁽²⁾	4,600	4,600	2,200	2,200
Accounts payable and accrued liabilities ⁽²⁾	4,263	4,263	4,195	4,195
Owing to parent and affiliated corporations ⁽²⁾	670	670	814	814
Long term debt ⁽³⁾	25,350	25,847	23,800	27,073

(1) Recorded at cost. Fair value approximates the carrying amounts due to the short term nature of the financial instruments and negligible credit losses.

(2) Recorded at cost. Fair value approximates the carrying amounts due to the short term nature of the financial instruments.

(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.

17. 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.

The Corporation is party to disputes 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.

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 YUKON ELECTRICAL COMPANY LIMITED
UTILITY INCOME AND RATE OF RETURN
For The Year Ended December 31, 2008
(\$000s)

Revenue		46,097
Less: Non-Utility Revenue		371
UTILITY REVENUE		45,726
Operation and Maintenance		39,725
Less: Non Allowables		45
Non-Utility O&M		327
Non Utility Income Taxes		(24)
		347
Add: Depreciation		3,181
Other Taxes		231
Income Taxes		(118)
Amortization of Contribution for Extensions		(980)
Amortization of Deferred Costs		871
		3,185
UTILTITY EXPENSE		42,563
UTILITY INCOME		3,163
NET RATE BASE		46,127
RATE OF RETURN		6.86%

THE YUKON ELECTRICAL COMPANY LIMITED
COMPUTATION OF NET RATE BASE
For The Year Ended December 31, 2008
(\$000s)

PROPERTY PLANT AND EQUIPMENT	
BALANCE AT DECEMBER 31, 2008	127,008
Add: Deferred Study Costs	-
Less: Accumulated Depreciation	56,612
Non-regulated Assets	
Construction Work-in-Progress	1,771
	<u>58,383</u>
NET BALANCE AT YEAR END	68,625
Add: Previous Year's Balance	62,684
TOTAL	<u>131,309</u>
MID-YEAR BALANCE	65,655
Add: Allowance for Working Capital	2,900
Less: Mid-Year Contribution for Extensions	23,073
Mid-year rate deferred charges/credits	645
	<u>46,127</u>
NET RATE BASE	<u>46,127</u>

THE YUKON ELECTRICAL COMPANY LIMITED
SCHEDULE OF ALLOWANCE FOR WORKING CAPITAL
For The Year Ended December 31, 2008
(\$000s)

Operating and maintenance	39,725
Add: Other Taxes	231
Less: Non-Allowables and Non-Utility O&M	371
Net O&M	<u>39,585</u>
O&M Lag Days	5
Operating Expenses Working Capital	<u>542</u>
Tax installments	554
Income Tax Installment Lag Days	22
Tax Installments Working Capital	<u>33</u>
Income taxes receivable (payable)	673
Tax Receivable Lag Days	204
Taxes Payable Working Capital	<u>376</u>
Inventory (Three year average)	<u>1,754</u>
GST Impact on working capital	<u>131</u>
Return - Long Term Debt	1,822
Combined Long Term Debt Lag Days	(52)
Long Term Debt Working Capital	<u>(260)</u>
Return - 50% of Common Equity	672
Dividend Lag Days	(4)
Common Equity (Dividend) Working Capital	<u>(7)</u>
Return - 50% of Common Equity	672
Depreciation Lag Days	42
Common Equity (Retained Earnings) Working Capital	<u>77</u>
Net Depreciation	2,201
Depreciation Lag Days	42
Depreciation Working Capital	<u>253</u>
TOTAL WORKING CAPITAL	<u>2,900</u>

THE YUKON ELECTRICAL COMPANY LIMITED
RECONCILIATION OF UTILITY INCOME TO NET EARNINGS
For The Year Ended December 31, 2008
(\$000s)

UTILITY INCOME	3,163
Add :Non Utility Income:	
Allowance for Funds Used During Construction	119
Non Regulated Revenues	371
	<u>490</u>
Sub-Total	3,653
Less: Non Utility Expenses:	
Interest to Parent	1,721
Short Term Interest To Parent	69
Non Regulated Expenses	327
Other Interest	1
Non Allowables	45
	<u>1,491</u>
Sub-Total	1,491
Add: Income Tax Adjustment:	
Tax on Net Non Utility Income	24
	<u>24</u>
NET EARNINGS	<u>1,515</u>

THE YUKON ELECTRICAL COMPANY LIMITED
ANALYSIS OF DEPRECIATION RESERVE
For The Year Ended December 31, 2008
(\$000s)

BALANCE - DECEMBER 31, 2007	53,768
Add: Depreciation - Operating Expense	3,181
Depreciation - Other	22
	<hr/> 56,971
Less: Retirements	384
Sale and Salvage Proceeds	(74)
Dismantling Expense	49
	<hr/> 56,612
BALANCE - DECEMBER 31, 2008	<hr/> 56,612

YUKON ELECTRICAL COMPANY LIMITED
COST OF CAPITAL CALCULATION
For The Year Ended December 31, 2008
 (%)

	<u>CAPITAL RATIO</u>	<u>COST</u>	<u>RETURN COMPONENT</u>
LONG TERM DEBT	56.6	6.97	3.94
PREFERRED SHARES	-	-	-
COMMON SHARES AND RETAINED EARNINGS	41.5	7.03	2.91
NO COST CAPITAL	2.0		
	<u>100.0</u>		<u>6.86</u>

PROPERTY PLANT & EQUIPMENT - DECEMBER 31, 2008

Function	Minor Acc	Minor Description	Sub. Cate.	Subcategory Description	Jan 1/08	Additions	Retirements	Dec 31/08
Corporate	48000	Land	48000	Land	316,624	0	0	316,624
	48200	Buildings and Structures	48100	Land Rights	19,148	0	0	19,148
	48200	Buildings and Structures	48200	Buildings and Structures	3,144,116	59,887	0	3,204,003
	48300	Office Furniture	48300	Office Furniture	219,728	10,493	(37,619)	192,602
	48320	Computer Equipment	48320	Computer Equipment	37,420	2,677	(6,406)	33,691
	48401	Vehicles Category 1	48410	Cars	28,209	0	(1,100)	27,109
	48401	Vehicles Category 1	48420	Light Trucks and Pole Trailers	222,018	58,010	(1,982)	278,046
	48401	Vehicles Category 1	48430	Pole Trailers > 10,000 lbs	110,613	0	0	110,613
	48401	Vehicles Category 1	48440	3/4 to 2 Ton Trucks	1,121,748	40,050	(41,097)	1,120,701
	48401	Vehicles Category 1	48450	Trucks > 2 Tons < 3 Tons	133,507	36,296	0	169,804
	48401	Vehicles Category 1	48460	Pole Cats	156,818	0	0	156,818
	48401	Vehicles Category 1	48470	Trucks > 3 Tons	410,564	0	0	410,564
	48401	Vehicles Category 1	48480	Tractors	23,722	0	0	23,722
	48500	Loose Tools	48500	Loose Tools	500,791	45,515	(59,576)	486,730
	48600	Communication Equipment	48600	Communication Equipment	491,336	56,850	0	548,186
	48810	Houses Land	48810	Houses Land	604	0	0	604
	48820	Houses	48820	Houses	405,655	55,074	0	460,729
	49100	Franchise and Consent	49100	Franchise and Consent	1,493	0	0	1,493
	49602	Software - ATCOGIS	49602	Software - NEWCIS(ATCOGIS)	0	1,514,218	0	1,514,218
	49605	Software - Oracle	49605	Software - Oracle	235,498	0	0	235,498
Total for Corporate:					7,579,613	1,879,070	(147,780)	9,310,903
Distribution	47000	Land	47000	Land	23,637	(264)	0	23,373
	47100	Land Rights	47100	Land Rights	928,630	103,860	0	1,032,490
	47300	Poles and Fixtures	47300	Poles and Fixtures	22,740,166	1,651,817	(89,967)	24,302,015
	47400	Overhead Conductor	47400	Overhead Conductor	15,092,499	1,573,986	(37,893)	16,628,592
	47410	Overhead Services	47410	Overhead Services	2,305,976	224,467	(16)	2,530,427
	47500	Underground Conduit	47500	Underground Conduit	17,425,892	828,066	0	18,253,959
	47510	Underground Services	47510	Underground Services	2,547,049	95,407	0	2,642,456
	47610	Meters	47610	Meters	413,171	0	(96,496)	316,675
	47620	Metering Equipment	47620	Metering Equipment	849,641	8,630	0	858,271
	47630	AMR Meters	47612	AMR Meters	8,036	25,033	0	33,068
	47710	Distribution Substation	47710	Non-Fenced Distr Sub Equip	2,654,006	0	0	2,654,006
	47710	Distribution Substation	47720	Distr Substation Buildings	477,067	0	0	477,067
	47810	Street Lights	47810	Street Lights	7,699,005	170,500	(963)	7,868,543
	47820	Sentinel Lights	47820	Sentinel Lights	284,738	0	0	284,738
	47910	Transformers	47910	Line Transformers	16,723,336	1,913,581	(3,275)	18,633,642
	47910	Transformers	47910INV	Inventory Redass Transformers	872,580	13,174	0	885,754
Total for Distribution:					91,045,429	6,608,257	(228,610)	97,425,076
Generation	42000	Hydro Land	42000	Hydro Land	119,025	0	0	119,025
	42500	Hydro Equipment	42200	Hydro Structures	259,412	0	0	259,412
	42500	Hydro Equipment	42300	Hydro Resv, Dams & Waterways	757,083	0	0	757,083
	42500	Hydro Equipment	42500	Hydro Generators	272,629	0	0	272,629
	42500	Hydro Equipment	42600	Hydro Accessory Electrical Equip	105,192	0	0	105,192
	42500	Hydro Equipment	42700	Hydro Misc Equip	23,984	0	0	23,984
	44000	Int Combust Land	44000	Int Combust Land	39,047	0	0	46,177
	44200	Int Combust Structures	44200	Int Combust Structures	1,501,331	87,220	0	1,588,551
	44400	Int Combust Fuel Holders	44400	Int Combust Fuel Holders	2,136,740	27,180	0	2,163,920
	44500	Int Combust Generators	44500	Int Combust Generators	8,444,473	318,399	0	8,762,872
	44600	Int Combust Access Elect Equip	44600	Int Combust Access Elect Equip	2,141,821	141,750	0	2,283,571
	44700	Int Combust Misc Equip	44700	Int Combust Misc Equip	643,166	66,346	0	709,512
Total for Generation:					16,411,987	679,941	0	17,091,928
	45000	Land	45000	Land	11,551	0	0	11,551
	45700	Transmission Substation	45710	Substation Misc Equip & Install	1,401,940	0	(7,355)	1,394,585
Total for Transmission:					1,413,491	0	(7,355)	1,406,135
Grand Total:					116,450,519	9,167,268	(383,745)	125,234,043

THE YUKON ELECTRICAL COMPANY LIMITED

100 - 1100 1ST Avenue, Whitehorse, YT, Y1A 3T4

DIRECTORS:

Lorraine M. Charlton

James W. Simpson

Nancy C. Southern

Ronald D. Southern

Karen M. Watson

OFFICERS:

Nancy C. Southern Chariman of the Board & Chief Executive Officer

Siegfried W. Kiefer Managing Director, Utilities

Sett F. Policicchio President

Dennis A. DeChamplain Vice President, Controller

Patrica SpruinSecretary

Carol GearAssistant Secretary

STATUTORY DECLARATION

IN THE MATTER OF A REPORT REQUIRED BY
SECTION 84 OF THE YUKON PUBLIC UTILITIES ACT
BY S.F. POLICICCHIO, PRESIDENT, AND P. SPRUIN,
CORPORATE SECRETARY,
OF
THE YUKON ELECTRICAL COMPANY LIMITED (the "Corporation")
(in thousands of dollars)

WE SOLEMNLY DECLARE THAT:

1. For 2008, the Net Rate Base for the Corporation was \$46,127.
2. As of December 31, 2008, the total capitalization of the Corporation was \$44,101 with a mid-year weighted average cost of 6.86%.
3. The revenues for the Corporation for the period from January 1, 2008 to December 31, 2008 were as follows:

Retail Sales	\$ 44,783
Sales to other Utilities	41
Other Revenue	<u>1,273</u>
TOTAL	<u>\$ 46,097</u>

4. The dividends paid by the Corporation for the period January 1, 2008 to December 31, 2008 were as follows:

Common Shares	<u>\$ 0</u>
---------------	-------------

5. The operating and maintenance costs of the Corporation for the period from January 1, 2008 to December 31, 2008 were \$9,858.

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

Distribution Projects	\$ 5,913
General Property & Equipment	7,42
Generating Plants	<u>1,124</u>
TOTAL	<u>\$ 7,779</u>

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 _____ day of _____, 2009.)

Sett F. Policicchio

Severally declared before me)
at the City of Calgary)
in the Province of Alberta)
this _____ day of _____, 2009.)

Patricia Spruin