ATCO Electric

YUKON

August 8, 2014

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 o/a ATCO Electric Yukon 2013 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

Due to vacation schedules, the officers required to sign the Statutory Declaration are not available in the month of August. Accordingly, a signed copy of the Statutory Declaration will be filed by early September.

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

Yours truly,

Original Signed By:

James Grattan, CA
Director, Regulatory
Encl.

ATCO Electric

YUKON

THE YUKON ELECTRICAL COMPANY LIMITED
(o/a ATCO ELECTRIC YUKON)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

July 21, 2014

Independent Auditor's Report

To the Shareholders of
The Yukon Electrical Company Limited (o/a ATCO Electric Yukon)

We have audited the accompanying financial statements of **The Yukon Electrical Company Limited (o/a ATCO Electric Yukon)**, which comprise the balance sheet as at December 31, 2013 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.

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

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Yukon Electrical Company Limited (o/a ATCO Electric Yukon)** as at December 31, 2013 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
(o/a ATCO ELECTRIC YUKON)

STATEMENT OF EARNINGS

(thousands of Canadian Dollars)	Note	Year Ended December 31 2013	2012
Revenues	6	**60,017**	54,071
Costs and expenses			
Purchased power		**31,672**	27,324
Fuel costs		**6,989**	6,718
Salaries, wages and benefits		**5,994**	5,585
Plant and equipment maintenance		**2,732**	2,796
Depreciation and amortization		**4,382**	4,192
Other	7	**3,970**	3,304
		55,739	49,959
Operating profit		**4,278**	4,152
Interest income		**-**	11
Interest expense	12	**(2,391)**	(2,081)
Net finance costs		**(2,391)**	(2,070)
Earnings before income taxes		**1,887**	2,082
Income taxes	8	**564**	628
Earnings for the year		**1,323**	1,454

See accompanying Notes to Financial Statements.

THE YUKON ELECTRICAL COMPANY LIMITED
(o/a ATCO ELECTRIC YUKON)

STATEMENT OF COMPREHENSIVE INCOME

		Year Ended December 31	
(thousands of Canadian Dollars)	**Note**	**2013**	**2012**
Earnings for the year		**1,323**	1,454
Other comprehensive gain (loss), net of income taxes:			
Items that will not be reclassified to earnings:			
Gains (losses) on retirement benefit obligations[1]	19	**45**	(15)
		45	(15)
Comprehensive income for the year		**1,368**	1,439

[1] Net of income taxes of $20,000 for the year ended December 31, 2013 (2012 – $7,000).

See accompanying Notes to Financial Statements.

THE YUKON ELECTRICAL COMPANY LIMITED
(o/a ATCO ELECTRIC YUKON)

BALANCE SHEET

			December 31
(thousands of Canadian Dollars)	**Note**	**2013**	**2012**
ASSETS			
Current assets			
Cash		**939**	-
Accounts receivable		**7,640**	7,537
Owing from parent and affiliate companies		**926**	
Inventories	9	**2,075**	2,029
Income taxes recoverable		**-**	172
Prepaid expenses		**115**	125
		11,695	9,863
Non-current assets			
Property, plant and equipment	10	**110,801**	100,656
Intangibles	11	**4,809**	4,121
Market differential loans		**256**	102
Total assets		**127,561**	114,742
LIABILITIES			
Current liabilities			
Bank indebtedness		**-**	512
Accounts payable and accrued liabilities		**7,465**	6,916
Long-term debt	12	**500**	-
Owing to parent and affiliate companies		**-**	1,937
		7,965	9,365
Non-current liabilities			
Deferred income tax liabilities	8	**3,673**	2,805
Retirement benefit obligations	19	**1,439**	1,464
Long-term debt	12	**47,850**	38,950
Deferred revenues	13	**35,436**	34,828
Total liabilities		**96,363**	87,412
EQUITY			
Class A and Class B share owner’s equity			
Class A and Class B shares	16	**9,519**	7,019
Retained earnings		**21,679**	20,311
Total equity		**31,198**	27,330
Total liabilities and equity		**127,561**	114,742

See accompanying Notes to Financial Statements.

DIRECTOR

DIRECTOR

THE YUKON ELECTRICAL COMPANY LIMITED
(o/a ATCO ELECTRIC YUKON)

STATEMENT OF CHANGES IN EQUITY

(thousands of Canadian Dollars)	**Note**	**Class A and Class B Shares**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Equity**
December 31, 2011		7,019	19,272	-	26,291
Earnings for the year		-	1,454	-	1,454
Dividends	17	-	(400)	-	(400)
Other comprehensive loss		-	-	(15)	(15)
Losses on retirement benefit obligations transferred to retained earnings	19	-	(15)	15	-
December 31, 2012		**7,019**	**20,311**	**-**	**27,330**
Earnings for the year		**-**	**1,323**	**-**	**1,323**
Shares issued	**16**	**2,500**	**-**	**-**	**2,500**
Other comprehensive gain		**-**	**-**	**45**	**45**
Gains on retirement benefit obligations transferred to retained earnings	**19**	**-**	**45**	**(45)**	**-**
December 31, 2013		**9,519**	**21,679**	**-**	**31,198**

See accompanying Notes to Financial Statements.

THE YUKON ELECTRICAL COMPANY LIMITED
(o/a ATCO ELECTRIC YUKON)

STATEMENT OF CASH FLOWS

(thousands of Canadian Dollars)	Note	Year Ended December 31 2013	2012
Operating activities			
Earnings for the year		**1,323**	1,454
Adjustments for:			
Depreciation and amortization	10,11	**4,382**	4,192
Income taxes	8	**564**	628
Contributions by utility customers for extensions to plant	13	**2,153**	3,618
Amortization of customer contributions	13	**(1,545)**	(1,371)
Net finance costs		**2,391**	2,070
Interest received, net of interest paid		**10**	12
Income taxes recovered	8	**456**	150
Other		**5**	7
		9,739	10,760
Changes in non-cash working capital	20	**(2,251)**	160
Cash flow from operations		**7,488**	10,920
Investing activities			
Purchase of property, plant and equipment	10	**(14,055)**	(13,117)
Purchase of intangibles	11	**(978)**	(689)
Changes in non-cash working capital	20	**4**	(279)
Other		**(154)**	(48)
		(15,183)	(14,133)
Financing activities			
Issue of long-term debt	12	**9,400**	4,000
Interest paid		**(2,354)**	(2,199)
Issue of Class A and Class B shares	16	**2,500**	-
Dividends paid on Class A and Class B shares	17	**(400)**	-
		9,146	1,801
Cash position [1]			
Increase (decrease)		**1,451**	(1,412)
Beginning of year		**(512)**	900
End of year		**939**	(512)

[1] Cash position includes cash and bank indebtedness.

See accompanying Notes to Financial Statements.

1. CORPORATE INFORMATION

The Yukon Electrical Company Limited (the Company) is engaged in the generation, distribution and sale of electric energy in the Yukon. Its registered office is at 100 – 1100 Front Street, Whitehorse, YT, Y1A 3T4. As of June 14, 2014, the Company operates under the name ATCO Electric Yukon.

The Company 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. BASIS OF PRESENTATION

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).

Management authorized the issue of the financial statements on July 21, 2014.

BASIS OF MEASUREMENT

The financial statements have been prepared on a historic cost basis, except for employee retirement benefit obligations.

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

USE OF ESTIMATES AND JUDGMENT

Management makes judgments, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities. Such estimates mainly relate to unsettled transactions and events at the date of the financial statements. 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 4 outlines the significant judgments and estimates made by the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHANGE IN ACCOUNTING POLICIES

Fair value measurement

The Company adopted IFRS 13 Fair Value Measurement effective January 1, 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value. It also provides a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other IFRS standards. Adopting this standard did not have significant impact on the Company’s financial statements.

Presentation of items in other comprehensive income

IAS 1 *Presentation of Financial Statements* has been amended to group items presented in other comprehensive income as items that could be reclassified to earnings at a future point in time and items that will never be reclassified to earnings. Items that will never be reclassified to earnings are actuarial gains and losses on retirement benefits. The Company adopted the amendment effective January 1, 2013. The amendment only affected presentation and had no impact on the Company's financial position or results of operations.

RATE REGULATION

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

Nature and economic effects of rate regulation

The Company is subject to a cost of service regulatory mechanism under which the YUB 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 Company is the aggregate of the YUB 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 Company earns a return on rate base intended to meet the cost of the debt component of rate base and to provide the share owner with a fair return on the common equity component of rate base.

The YUB approves rates of return for the debt component of rate base based on the historical and forecast weighted average cost of debt. The YUB also establishes the capital structure.

The Company seeks approval for its revenue requirement either by submitting a general rate application to the YUB or negotiating settlement with interested parties. In the latter case, the YUB monitors the negotiated settlement process and any agreement is subject to the YUB's approval. The YUB 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 that the Company is eligible to adopt, the Company does not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Company records revenues in earnings when amounts are billed to customers through customer rates consistent with the rate design approved by the YUB (see revenue recognition accounting 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 Company's management to evaluate the performance of the Company. The Company'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 5.

REVENUE RECOGNITION

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

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

SHORT-TERM EMPLOYEE BENEFITS

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

FRANCHISE FEES

Municipal governments charge franchise fees to the Company for the exclusive right to provide service in their community. These costs are charged to the related customers through rates approved by the YUB. Franchise fee revenues and expenses are, therefore, recognized separately and not recorded on a net basis.

INCOME TAXES

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

Current taxes are based on taxable earnings using rates that have been enacted or substantively enacted as of the balance sheet date. Taxable earnings differ from earnings reported in the statement of earnings because they exclude items that are taxable or deductible in other years and items that are neither taxable nor deductible.

The Company includes penalties related to income taxes in income tax expense and interest on unpaid tax in interest expense.

Current tax assets and liabilities are offset to the extent the Company has the legal right to settle on a net basis and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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 generally 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.

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 underlying temporary difference.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. The carrying amount is 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 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.

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 only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

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

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.

Assets are depreciated mainly 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	15 to 75 years	2.4%
Generation equipment	26 to 103 years	2.5%
Buildings	40 years	2.5%
Other	5 to 50 years	10.5%

INTANGIBLES

Intangible assets consist mainly of computer software not directly attributable to the operation of property, plant and equipment and land rights. These assets are recorded at cost less accumulated amortization and are amortized on a straight-line basis over their useful lives. Useful life is no longer than 10 years for computer software and between 60 and 80 years for land rights based on the contractual life of the underlying agreement. Software work-in-progress is not amortized as the software is not available for use.

The method of amortization and useful lives of the assets are reviewed annually and adjusted where necessary.

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, 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. Where fair value less costs of disposal is not reliably available, value in use is used as the recoverable amount.

An impairment charge may be reversed only if there is objective evidence that a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized is warranted. Where an impairment charge is subsequently reversed, the carrying amount of the asset (or CGU) 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. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. 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 the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in interest expense.

Management evaluates the likelihood of the contingent events based on 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 Company classifies 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.

Fair value through profit or loss

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

Available for sale

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.

Held to maturity

Financial instruments classified as held to maturity, loans and receivables or other liabilities are measured at fair value upon initial recognition. Thereafter, they are measured at their amortized cost using the effective interest method. Investments in equity instruments that do not have an actively quoted price and whose fair value cannot be reliably measured are measured at cost.

Transaction costs

Transaction costs 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 when initially recognized. Transaction costs for long-term debt are amortized over the life of the respective financial liability using the effective interest method. The Company’s long-term debt is presented net of transaction costs.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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 objectively to an event occurring after the impairment was recognized.

When an available for sale financial asset is 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 recognized 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 had no impairment charge been recognized in previous periods. A reversal of an impairment charge is recognized immediately in earnings.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses various instruments, including forward contracts, to manage the risks from fluctuating exchange rates. All such instruments are used only to manage risk and not for speculative purposes.

RETIREMENT BENEFITS

The Company participates, together with its ultimate parent company, Canadian Utilities Limited, and its affiliate companies, 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 Company is required to account for the Group Plan as a defined contribution plan whereby contributions are expensed as paid. Contributions related to current service cost are allocated in proportion to capped pensionable earnings for each company. Contributions related to the amortization of the unfunded liability are allocated in proportion to the corresponding going-concern liability for each company which was established based on the actuarial valuations for funding purposes as of December 31, 2012.

The Company participates, together with its ultimate parent company, Canadian Utilities Limited, and its affiliate companies, in an other post-employment benefit (OPEB) plan. This plan is administered on a combined basis, and the Company accrues for its obligations under this plan. Costs of these benefits are determined using the projected unit credit method and reflect management's best estimates of age at retirement and expected health care costs. The Company consults with qualified actuaries when setting the assumptions used to estimate benefit obligations and the cost of providing retirement benefits during the period.

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 the OPEB plan, gains and losses resulting from changes in assumptions, including the liability discount rate and future compensation rates, 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.

For the OPEB plan, service cost is recognized as an expense in salaries, wages and benefits and net interest expense is recognized in interest expense. The cost of retirement benefits for the registered defined benefit pension plan and defined contribution pension plan is recognized as an expense in salaries, wages and benefits. Past service costs are recognized immediately in earnings in the period of a plan amendment. 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.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Canadian dollars. Transactions denominated in foreign currencies are translated at the rate of exchange in effect at the transaction date.

ACCOUNTING CHANGES NOT YET ADOPTED

Certain new or amended standards or interpretations issued by the IASB or IFRIC do not have to be adopted in the current period. The Company has not early adopted these standards or interpretations. There are no other standards or interpretations issued, but not yet effective, that the Company anticipates will have a material effect on the financial statements once adopted.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The application of several accounting policies described above requires management judgments 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 Company’s financial position or performance. Material judgments and sources of estimation uncertainty are described below.

SIGNIFICANT ACCOUNTING JUDGMENTS

Impairment of long-lived assets

Indicators of impairment are considered when evaluating whether or not an asset is impaired. Factors which could indicate an impairment exists include: significant underperformance relative to historical or projected operating results, significant changes in the way in which an asset is used or in the Company’s overall business strategy, significant negative industry or economic trends, or adverse decisions by the YUB. Events indicating an impairment may be clearly identifiable or based on an accumulation of individually insignificant events over a period of time. Measurement uncertainty is increased where the Company is not the operator of a facility. The Company continually monitors its operating facilities and the markets and business environment in which it operates. Judgments and assessments about conditions and events are made order to conclude whether a possible impairment exists.

Income taxes

Accounting for income taxes requires the Company to make judgments with respect to changing tax legislation, regulations and interpretations thereof in the various jurisdictions in which the Company operates. Judgment is also applied in estimating probable outcomes, when temporary differences will reverse and whether tax assets are realizable.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Revenue recognition

The estimate of usage not yet billed, which is included in revenues from the regulated sale of electricity, is based on an assessment of unbilled electricity supplied to customers. The estimate is from the date of the last meter reading using historical consumption patterns. Management applied judgment to the measure and value of the estimated consumption.

Useful lives of property, plant and equipment and intangibles

Significant components of property, plant and equipment and intangible assets are depreciated and amortized over their estimated useful lives. Useful lives are determined on current facts and past experience, and consider the anticipated physical life of the asset, current and forecasted demand and the potential for technological obsolescence. Useful life estimates are reviewed on a regular basis; however, actual lives may differ from the estimates.

Impairment of long-lived assets

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 to determine recoverable amount include assumptions, such as the price for which the asset could be obtained or the future cash flows that will be produced by the asset or group of assets, discounted using an appropriate rate. Subsequent changes to these estimates or judgments may significantly impact the carrying value of the assets within the respective CGU.

Retirement benefits

The Company accrues for its obligations under the OPEB plan. It uses actuarial and other assumptions to estimate the projected benefit obligation and the associated expense related to the current period. Key assumptions include the long-term inflation rate, rates of future 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 Company's share of future payments under the plan. 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 where tax legislation is subject to interpretation, and records 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 using a probability weighting of possible outcomes.

5. ADJUSTED EARNINGS

Adjusted earnings are earnings for the year after adjusting for the timing of revenues and expenses for 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) to assess performance and allocate resources. Other accounts in the financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the year ended December 31 is below:

	2013	**2012**
Earnings for the year	**1,323**	1,454
Adjustments for rate-regulated activities	**1,650**	1,278
Adjusted earnings attributable to Class A and Class B share owner	**2,973**	2,732

ADJUSTMENTS FOR RATE-REGULATED ACTIVITIES

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. Consequently, the Company does not recognize assets and liabilities arising from rate-regulated activities under IFRS.

Prior to the adoption of IFRS, the Company used 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 CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of its rate-regulated activities. Therefore, the Company presents adjusted earnings on this basis.

Rate-regulated accounting differs from IFRS in the following ways:

Rate-Regulated Accounting Treatment	IFRS Treatment
1. The Company defers the recognition of cash received in advance of future expenditures.	The Company records revenues when amounts are billed to customers and recognizes costs when they are incurred.
2. The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company records costs when incurred, but does not recognize their recovery until changes to customer rates are reflected in future customer billings.
3. The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company 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	
	2013	**2012**
Additional revenues billed in current period:		
Deferred fuel variance (1)	**(541)**	(173)
Reserve for injuries and damages (2)	**(93)**	221
	(634)	48
Revenues to be billed in future period:		
Deferred income taxes (3)	**1,482**	1,058
Deferred hearing costs (4)	**270**	(85)
Future removal and site restoration costs (5)	**161**	38
Other	**371**	219
	2,284	1,230
	1,650	1,278

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 YUB to be collected through customer rates. The deferred fuel variance represents the difference in costs from YUB 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 YUB 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 PUB 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 reserve amounts are billed to customers or actual costs are incurred.
(3) Deferred income taxes are a non-cash expense incurred by the Company on 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 Company. Under rate regulated accounting, revenues are recognized 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 Company incurs hearing costs on an ongoing basis associated with regulatory proceedings. A forecast of annual hearing costs is approved by the YUB 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.
(5) Future removal and site restoration costs are billed to customers on a forecast basis over the life of the associated assets. Under rate-regulated accounting, billings to customers in excess of costs incurred in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings when removal and site restoration costs are incurred.

6. REVENUES

	2013	2012
Tariff revenue	**56,516**	50,948
Amortization of customer contributions	**1,545**	1,371
Other	**1,956**	1,752
	60,017	54,071

7. OTHER COSTS AND EXPENSES

	2013	2012
Goods and services [1]	**3,697**	3,054
Property and other taxes	**273**	250
	3,970	3,304

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

8. INCOME TAXES

The components of income tax expense are summarized below:

	2013	2012
Current income tax expense:		
Expense for the year	**(284)**	(198)
	(284)	(198)
Deferred income tax expense:		
Reversal of temporary differences	**848**	826
	848	826
	564	628

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

	2013		2012	
Earnings before income taxes	**1,887**	**%**	2,082	%
Income taxes, at statutory rates	**566**	**30.0**	625	30.0
Other	**(2)**	**(0.1)**	3	0.2
	564	**29.9**	628	30.2

The combined Federal and Yukon statutory Canadian income tax rate did not change from 2012 to 2013.

The changes in deferred income tax liabilities are analyzed as follows:

	Property, Plant and Equipment	Intangibles	Retirement Benefit Obligations	Other	Total
Deferred income tax liabilities:					
December 31, 2011	2.589	-	(423)	(180)	1,986
Charge (credit) to earnings	289	543	(9)	3	826
Credit to other comprehensive income	-	-	(7)	-	(7)
December 31, 2012	**2,878**	**543**	**(439)**	**(177)**	**2,805**
Charge (credit) to earnings	**1,217**	**92**	**(13)**	**(448)**	**848**
Charge to other comprehensive income	**-**	**-**	**20**	**-**	**20**
December 31, 2013	**4,095**	**635**	**(432)**	**(625)**	**3,673**

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

At the balance sheet date, the Company had $1,394,915 in tax losses and credits, which, if unused, expire on the following dates:

	Non-Capital Losses
2033	1,384
2032	11

The Company recorded deferred income tax assets of $419,000 for these losses and credits.

9. INVENTORIES

	2013	2012
Raw materials and consumables	**2,075**	2,029

For the year ended December 31, 2013, inventories recognized as an expense was $186,000 (2012 – $148,000). 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Distribution	Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost:						
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	(725)	-	-	-	(197)	(922)
December 31, 2012	**129,675**	**21,297**	**4,051**	**2,533**	**5,413**	**162,969**
Additions	**7,584**	**4,620**	**1,038**	**753**	**335**	**14,330**
Disposals	**(519)**	**(87)**	**-**	**-**	**(300)**	**(906)**
December 31, 2013	**136,740**	**25,830**	**5,-089**	**3,286**	**5,448**	**176,393**
Accumulated depreciation:						
December 31, 2011	44,542	8,592	1,988	-	4,088	59,210
Depreciation	3,016	534	99	-	376	4,025
Disposals	(725)	-	-	-	(197)	(922)
December 31, 2012	**46,833**	**9,126**	**2,087**	**-**	**4,267**	**62,313**
Depreciation	**3,173**	**585**	**1**	**-**	**426**	**4,185**
Disposals	**(519)**	**(87)**	**-**	**-**	**(300)**	**(906)**
December 31, 2013	**49,487**	**9,624**	**2,088**	**-**	**4,393**	**65,592**
Net book value:						
December 31, 2012	82,842	12,171	1,964	2,533	1,146	100,656
December 31, 2013	**87,253**	**16,206**	**3,001**	**3,286**	**1.055**	**110,801**

Included in the cost of property, plant and equipment is $182,000 (2012 – $183,000) of interest capitalized. Interest was 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 borrowings, which is 5.85% (2012 – 6.25%).

11. INTANGIBLES

	Computer Software	Land Rights	Construction Work-in-Progress - Software	Other	Total
Cost:					
December 31, 2011	2,128	1,268	13	1,158	4,567
Additions	76	63	(13)	563	689
December 31, 2012	**2,204**	**1,331**	**-**	**1,721**	**5,256**
Additions	**57**	**48**	**-**	**873**	**978**
December 31, 2013	**2,261**	**1,379**	**-**	**2,594**	**6,234**
Accumulated amortization:					
December 31, 2011	669	152	-	80	901
Amortization	214	20	-	-	234
December 31, 2012	**883**	**172**	**-**	**80**	**1,135**
Amortization	**271**	**19**	**-**	**-**	**290**
At December 31, 2013	**1,154**	**191**	**-**	**80**	**1,425**
Net book value:					
December 31, 2012	1,321	1,159	-	1,641	4,121
December 31, 2013	**1,107**	**1,188**	**-**	**2,514**	**4,809**

12. LONG TERM DEBT (UNSECURED)

LONG-TERM DEBT

	2013	2012
Debentures (due to ATCO Electric Ltd.) – unsecured		
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
2013 Series 4.761% debenture due September 2043	**9,400**	-
2012 Series 3.89% debenture due November 2052	**4,000**	4,000
Total long-term debt	**48,350**	38,950
Less: Amounts due within one year	**(500)**	-
Long-term debt	**47,850**	38,950

CONTRACTUAL MATURITIES OF DEBT

The undiscounted contractual maturities of long-term debt are as follows:

	Principal	Interest
2014	500	2,804
2015	-	2,782
2016	-	2,782
2017	3,900	2,762
2018	-	2,540
2019 and thereafter	43,950	33,414
	48,350	47,084

INTEREST EXPENSE

Interest expense is as follows:

	2013	2012
Long-term debt	**2,493**	2,219
Other	**80**	45
	2,573	2,264
Less: Interest capitalized (Note 10)	**(182)**	(183)
	2,391	2,081

13. DEFERRED REVENUES

CUSTOMER CONTRIBUTIONS

Customer contributions for extensions to plant are included in deferred revenues and are recognized as revenue over the life of the related asset. Changes in deferred customer contributions are summarized below.

	2013	2012
Beginning of year	**34,828**	32,581
Receipt of customer contributions	**2,153**	3,618
Amortization	**(1,545)**	(1,371)
End of year	**35,436**	34,828

14. CONTINGENCIES

Measurement inaccuracies occur from time to time with respect to the Company's metering facilities. These measurement adjustments are settled between the parties according to requirements of the Electricity and Gas Inspections Act (Canada) and related regulations. Recovery of a measurement adjustment may be disallowed if the YUB finds that controls and timely follow-up are inadequate.

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

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's Board of Directors (Board) is responsible for understanding the principal risks of the Company's business, achieving a proper balance between risks incurred and the potential return to share owners, and confirming that there are systems in place to effectively monitor and manage those risks with a view to the long-term viability of the Company. The Board established a Risk Review Committee to review significant risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Company'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.

INTEREST RATE RISK

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

CREDIT RISK

For cash and cash equivalents and accounts receivable, credit risk represents the carrying amount on the balance sheet. 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. The Company does not have a concentration of credit risk with any counterparties. Substantially all of the loans and receivables are from the Company's operations in the Yukon.

Accounts receivable credit risk is reduced by a large and diversified customer base and credit security such as letters of credit. The Company is also able to recover an estimate for doubtful accounts through approved customer rates.

Accounts receivable are non-interest bearing and are generally due in 30 days. The provision for impairment of credit losses was $45,000 at December 31, 2013 (2012 – $46,000).

The aging analysis of trade receivables that are past due but not impaired is as follows:

	2013	2012
30 to 90 days	**335**	534
Greater than 90 days	**10**	19
	345	553

No other impairments have been identified within accounts receivable.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met through long-term debt borrowings from the parent company and the issuance of Class A and B shares. The Company has a policy not to invest any of its cash balances in asset backed securities.

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

	2014	2015	2016	2017	2018	2019 and thereafter
Accounts payable and accrued liabilities	7,465	-	-	-	-	-
Long-term debt (Note 12)	500	-	-	3,900	-	43,950
Interest expense (Note 12)	2,804	2,782	2,782	2,762	2,540	33,414
Purchase obligations:						
Capital expenditures	1,939	-	-	-	-	-
	12,708	2,782	2,782	6,662	2,540	77,364

FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, short-term advances to parent company, accounts receivable, accounts payable and accrued liabilities, and owing to parent and affiliate companies approximates carrying value due to the short-term nature of the financial instruments.

The fair values of the Company's non-derivative financial instruments measured at other than fair value are as follows:

		2013		2012
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Liabilities				
Amortized Cost:				
Long-term debt [(1)]	**48,350**	**53,602**	38,950	48,552

(1) *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 Company's current borrowing rate for similar borrowing arrangements.*

16. CLASS A AND CLASS B SHARES

	Class A Non-Voting		Class B Common		Total	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**
Authorized:	Unlimited		Unlimited			
Issued and outstanding:						
December 31, 2012	1,591	4,371	964	2,648	2,555	7,019
Shares issued	**55**	**1,545**	**34**	**955**	**89**	**2,500**
December 31, 2013	**1,646**	**5,916**	**998**	**3,603**	**2,644**	**9,519**

On December 12, 2013, the Corporation issued 55 Class A non-voting common shares and 34 Class B common shares to its parent for approximately $28,090.91 per share.

17. DIVIDENDS

Cash dividends declared per share are as follows:

(dollars per share)	**2013**	**2012**
Class A Non-Voting Shares	-	156.56
Class B Common Shares	-	156.56

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

18. CAPITAL DISCLOSURES

The Company's objective when managing capital is to remain within the capital structure approved by the YUB. The YUB approved equity ratio was 40% (2012 – 40%) and the Company is capitalized consistent with the YUB approved capital structure.

The Company includes share owner's equity and long-term debt, as adjusted in accordance with the FASB standards (see Note 5), in its determination of capitalization. In maintaining or adjusting its capital structure, the Company 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.

19. RETIREMENT BENEFITS

The Company, together with its ultimate parent, Canadian Utilities Limited, and affiliate companies, maintains registered defined benefit and defined contribution pension plans for most of its employees. It also provides other post-employment benefits, principally health, dental and life insurance, for retirees and their dependents. 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; 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.

Contributions to the Group Plan, which is accounted for as a defined contribution pension plan, are expensed as paid. The OPEB plan, which the Company funds out of general revenues, is administered on a combined basis with Canadian Utilities Limited and its subsidiary companies. For OPEB, the accrued liabilities and costs are determined on a Company-by-Company basis.

THE COMPANY'S BENEFIT PLANS

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

	2013		2012	
	Pension Benefit Plans	**OPEB Plans**	**Pension Benefit Plans**	**OPEB Plans**
Components of benefit plan cost:				
Defined benefit plans cost	**1,045**	**73**	1,276	70
Defined contribution plans cost	**209**	**-**	166	-
Total cost	**1,254**	**73**	1,442	70
Less: Capitalized	**379**	**22**	433	21
Net costs recognized	**875**	**51**	1,009	49
Accrued benefit obligations:				
Beginning of year	**235**	**1,229**	208	1,200
Defined benefit plan cost	**1,045**	**73**	1,276	70
Contributions to defined benefit plans	**(1,050)**	**(28)**	(1,280)	(32)
(Gains) losses on accrued benefit obligations	**(10)**	**(55)**	31	(9)
End of year	**220**	**1,219**	235	1,229

Weighted average assumptions

	2013		2012	
	Pension Benefit Plans	**OPEB Plans**	Pension Benefit Plans	OPEB Plans
Assumptions regarding benefit plan cost:				
Discount rate for the year	**4.3%**	**4.3%**	5.2%	5.2%
Average compensation increase for the year	**(1)**	**-**	(1)	**-**
Assumptions regarding accrued benefit obligations:				
Discount rate at December 31	**4.9%**	**4.9%**	4.3%	4.3%
Long-term inflation rate	**2.0%**	**(2)**	2.0%	(2)

(1) *The assumed average compensation increase is 3.25% for 2013 and thereafter (2012 – 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 OPEB obligation are as follows: for drug costs, 5.97% for 2013 grading down over eleven years to 4.5% (2012 – 6.1% for 2012 grading down over twelve years to 4.5%), for other medical costs, 4.5% for 2013 and thereafter (2012 – 4.5% for 2012 and thereafter), and for dental costs, 4.0% for 2013 and thereafter (2012 – 4.0% for 2012 and thereafter).*

Assumptions regarding future life expectancy are based on a 1994 mortality table, updated for improvements in life expectancy. Assumptions were updated at December 31, 2013 to reflect longer life expectancy consistent with the plans' experience.

FUNDING

Employees contribute a percentage of their salary to registered pension plans. The Company contributes 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.

Funding contributions for 2012 and 2013 were set according to actuarial valuations for funding purposes as of December 31, 2011 and December 31, 2012, respectively. The contributions for 2014 will be determined by the next actuarial valuation for funding purposes which is effective December 31, 2013 and will be completed during the second quarter of 2014.

The YUB has directed that the cash basis of accounting be used in customer rate applications. Accordingly, the Company includes the cost of funding in its rate applications to the YUB.

CANADIAN UTILITIES LIMITED BENEFIT PLANS

Information about the plans as a whole, in aggregate, can be found in the Canadian Utilities Limited consolidated financial statements for the year ended December 31, 2013.

20. CHANGES IN NON-CASH WORKING CAPITAL

	2013	2012
Operating activities, changes related to:		
Accounts receivable	**(103)**	(1,875)
Owing from parent and affiliate companies	**(926)**	
Inventories	**6**	(48)
Prepaid expenses	**10**	(2)
Accounts payable and accrued liabilities	**439**	2,269
Owing to parent and affiliate companies	**(1,677)**	(184)
	(2,251)	160
Investing activities, changes related to:		
Inventories	**(52)**	158
Accounts payable and accrued liabilities	**56**	(437)
	4	(279)

21. RELATED PARTY TRANSACTIONS

Entity	Relationship	Transaction	Recorded as	2013	2012
ATCO Electric	Parent	Administrative , financial management, materials management and meter reading services	Other expenses	**1,153**	837
ATCO Structures & Logistics	Affiliate	Building rent	Revenues	**28**	30
ATCO Gas	Affiliate	Metering services	Other expenses	**18**	38
		Study costs	Other expenses	**119**	-
ATCO I-Tek Business Services	Affiliate	Billing and call centre services	Other expenses	**620**	550
ATCO I-Tek	Affiliate	Computer services	Other expenses	**397**	458
			Property, plant and equipment	**116**	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
(O/A ATCO ELECTRIC YUKON)
UTILITY INCOME AND RATE OF RETURN
For The Year Ended December 31, 2013
($000s)

Revenue			58,134
	Less:	Non-Utility Revenue	474
UTILITY REVENUE			57,660
Costs and Expenses			50,841
Less:	Non Allowables		88
	Non-Utility O&M		422
	Non Utility Income Taxes		(9)
			501
Add:	Depreciation		4,382
	Income Taxes		(832)
	Amortization of Contribution for Extensions		(1,545)
	Amortization of Deferred Costs		18
			2,023
UTILITY EXPENSE			52,363
UTILITY INCOME			5,297
NET RATE BASE			70,598
RATE OF RETURN			7.50%

THE YUKON ELECTRICAL COMPANY LIMITED
(O/A ATCO ELECTRIC YUKON)
COMPUTATION OF NET RATE BASE
For The Year Ended December 31, 2013
($000s)

PROPERTY PLANT AND EQUIPMENT		
BALANCE AT DECEMBER 31, 2013		182,627
Add:	Regulatory Assets	(494)
Less:	Accumulated Depreciation	71,230
	Construction Work-in-Progress	3,131
		74,361
NET BALANCE AT YEAR END		107,772
Add:	Previous Year's Balance	97,696
TOTAL		205,468
MID-YEAR BALANCE		102,734
Add:	Allowance for Working Capital	3,319
Less:	Mid-Year Contribution for Extensions	35,132
Less:	Mid-year Deferred Charges/Credits	(323)
NET RATE BASE		70,598

THE YUKON ELECTRICAL COMPANY LIMITED
(O/A ATCO ELECTRIC YUKON)
SCHEDULE OF ALLOWANCE FOR WORKING CAPITAL
For The Year Ended December 31, 2013
($000s)

Operations and Maintenance	50,568
Add: Other Taxes	273
Less: Non-Allowables and Non-Utility O&M	510
Net O&M	50,331
O&M Lag Days	7
Operating Expenses Working Capital	965
Tax installments	-
Income Tax Installment Lag Days	22
Tax Installments Working Capital	-
Income taxes receivable (payable)	-
Tax Receivable Lag Days	204
Taxes Payable Working Capital	-
Inventory (Three year average)	2,081
GST Impact on working capital	152
Return - Long Term Debt	2,476
Combined Long Term Debt Lag Days	(52)
Long Term Debt Working Capital	(353)
Return - 50% of Common Equity	1,411
Dividend Lag Days	(4)
Common Equity (Dividend) Working Capital	(15)
Return - 50% of Common Equity	1,411
Depreciation Lag Days	42
Common Equity (Retained Earnings) Working Capital	162
Net Depreciation	2,837
Depreciation Lag Days	42
Depreciation Working Capital	326
TOTAL WORKING CAPITAL	3,319

THE YUKON ELECTRICAL COMPANY LIMITED
(O/A ATCO ELECTRIC YUKON)
RECONCILIATION OF UTILITY INCOME TO NET EARNINGS
For The Year Ended December 31, 2013
($000s)

UTILITY INCOME		5,297
Add :Non-Utility Income:		
	Allowance for Funds Used During Construction	208
	Short Term Interest from Parent	53
	MDL Fair Value Adjustment	49
	Non-Regulated Revenues	474
		784
	Sub-Total	6,081
Less: Non-Utility Expenses:		
	Interest to Parent	2,493
	Non Regulated Expenses	456
	Other Interest	80
	Non Allowables	88
Sub-Total		2,964
Add: Income Tax Adjustment:		
	Tax on Net Non-Utility Income	9
NET EARNINGS		2,973

THE YUKON ELECTRICAL COMPANY LIMITED
(O/A ATCO ELECTRIC YUKON)
ANALYSIS OF DEPRECIATION RESERVE
For The Year Ended December 31, 2013
($000s)

BALANCE - DECEMBER 31, 2012		67,891
Add:	Depreciation - Operating Expense	4,382
	Depreciation - Other	94
		72,367
Less:	Retirements	907
	Other	230
BALANCE - DECEMBER 31, 2013		71,230

THE YUKON ELECTRICAL COMPANY LIMITED
(O/A ATCO ELECTRIC YUKON)
COST OF CAPITAL CALCULATION
For The Year Ended December 31, 2013
(%)

	CAPITAL RATIO	COST	RETURN COMPONENT
LONG TERM DEBT	59.40	5.91	3.51
PREFERRED SHARES	-	-	-
COMMON SHARES AND RETAINED EARNINGS	40.38	9.89	3.99
NO COST CAPITAL	0.22		
	100.0		7.50

THE YUKON ELECTRICAL COMPANY LIMITED
(O/A ATCO ELECTRIC YUKON)
PROPERTY, PLANT & EQUIPMENT - DECEMBER 31, 2013

Function	Minor Account	Minor Description	Sub Category	Subcategory Description	01-Jan-13	Net Additions	Retirements	31-Dec-13
Corporate	48000	Land	48000	Land	316,624	4,917	-	321,542
	48200	Buildings and Structures	48100	Land Rights	19,148	(4,917)	-	14,231
	48200	Buildings and Structures	48200	Buildings and Structures	3,615,280	453,609	-	4,068,888
	48300	Office Furniture	48300	Office Furniture	193,625	18,439	(14,922)	197,141
	48320	Computer Equipment	48320	Computer Equipment	47,031	78,365	(300)	125,095
	48401	Vehicles Category 1	48410	Cars	44,650	-	-	44,650
	48401	Vehicles Category 1	48420	Light Trucks and Pole Trailers	282,885	89,285	(19,890)	352,280
	48401	Vehicles Category 1	48430	Pole Trailers > 10,000 lbs	128,756	63,194	(10,168)	181,782
	48401	Vehicles Category 1	48440	3/4 to 2 Ton Trucks	1,628,798	350,721	(222,750)	1,756,769
	48401	Vehicles Category 1	48450	Trucks > 2 Tons < 3 Tons	256,286	15,254	-	271,539
	48401	Vehicles Category 1	48460	Pole Cats	156,818	26,785	-	183,604
	48401	Vehicles Category 1	48470	Trucks > 3 Tons	410,493	-	(1)	410,492
	48401	Vehicles Category 1	48480	Tractors	45,057	21,719	(7,861)	58,915
	48500	Loose Tools	48500	Loose Tools	843,412	85,232	(24,912)	903,733
	48600	Communication Equipment	48600	Communication Equipment	938,160	85,892	-	1,024,052
	48810	Houses Land	48810	Houses Land	604	-	-	604
	48820	Houses	48820	Houses	474,681	84,028	-	558,710
	49100	Franchise and Consent	49100	Franchise and Consent	1,493	-	-	1,493
	49300	Demand Side Management	49300	Demand Side Management	-	389,000		389,000
	49550	Fish Lake 25 Year Licence	49550	Fish Lake 25 Year Licence	1,251,000	1,059,416	-	2,310,416
	49602	Software - ATCOCIS	49602	Software - NEWCIS(ATCOCIS)	1,535,022	-	-	1,535,022
	49605	Software - Oracle	49605	Software - Oracle	249,778	18,123	-	267,902
	49628	Software - Oracle HRXcellence	49628	Software - Oracle HRXcellence	357,820	-	-	357,820
	49652	Software - Windows 7 Upgrade	49652	Software - Windows 7 Upgrade	61,040	39,567	-	100,606
	49798	Software - Website Upgrades	49798	Software - Website Ugrades	-	-	-	-
Total for Corporate					12,858,462	2,878,629	(300,804)	15,436,287
Distribution	47000	Land	47000	Land	23,373	-	-	23,373
	47100	Land Rights	47100	Land Rights	1,330,642	48,402	-	1,379,044
	47300	Poles and Fixtures	47300	Poles and Fixtures	34,533,345	2,832,405	(72,957)	37,292,794
	47400	Overhead Conductor	47400	Overhead Conductor	22,281,820	1,264,320	(3,144)	23,542,996
	47410	Overhead Services	47410	Overhead Services	2,978,753	122,385	-	3,101,138
	47500	Underground Conduit	47500	Underground Conduit	22,879,822	898,427	(4,742)	23,773,507
	47510	Underground Services	47510	Underground Services	3,097,260	129,163	-	3,226,423
	47610	Meters	47610	Meters	1,068,625	292,644	-	1,361,270
	47610	Meters	47620	Metering Equipment	915,094	34,587	(50,959)	898,722
	47630	AMR Meters	47612	AMR Meters	68,140	15,427	-	83,567
	47710	Distribution Substation	47710	Non-Fenced Distr Sub Equip	2,654,006	9,481	-	2,663,487
	47710	Distribution Substation	47720	Distr Substation Buildings	477,067	-	-	477,067
	47710	Distribution Substation	47730	Distr Substation Fences	-	32,718	-	32,718
	47710	Distribution Substation	47740	Distr Fenced Substation Equip	-	597,094	-	597,094
	47710	Distribution Substation	47741	Distr Fenced Substation Transformers	-	736,626	-	736,626
	47810	Street Lights	47810	Street Lights	9,599,524	359,011	(5,871)	9,952,664
	47820	Sentinel Lights	47820	Sentinel Lights	284,738	-	-	284,738
	47910	Transformers	47910	Line Transformers	27,277,084	330,906	(141,542)	27,466,448
	47910	Transformers	47910INV	Inventory Reclass Transformers	780,710	(2,644)	-	778,066
Total for Distribution					130,250,005	7,700,952	(279,215)	137,671,742
Generation	42000	Hydro Land	42000	Hydro Land	20,912	-	-	20,912
	42500	Hydro Equipment	42200	Hydro Structures	262,558	114,765	-	377,323
	42500	Hydro Equipment	42300	Hydro Resv, Dams & Waterways	2,374,621	361,768	-	2,736,389
	42500	Hydro Equipment	42500	Hydro Generators	2,675,649	674,764	-	3,350,413
	42500	Hydro Equipment	42600	Hydro Accessory Electrical Equip	157,864	-	(6,622)	151,242
	42500	Hydro Equipment	42700	Hydro Misc Equip	68,657	36,543	(64,492)	40,708
	44000	Int Combust Land	44000	Int Combust Land	7,130	-	-	7,130
	44200	Int Combust Structures	44200	Int Combust Structures	2,238,190	160,451	-	2,398,641
	44400	Int Combust Fuel Holders	44400	Int Combust Fuel Holders	3,137,842	298	-	3,138,140
	44500	Int Combust Generators	44500	Int Combust Generators	7,270,488	1,732,465	(1,325)	9,001,628
	44600	Int Combust Access Elect Equip	44600	Int Combust Access Elect Equip	2,076,514	672,403	(13,370)	2,735,547
	44700	Int Combust Misc Equip	44700	Int Combust Misc Equip	793,645	(11,781)	-	781,864
Total for Generation					21,084,070	3,741,675	(85,809)	24,739,936
Transmission	45000	Land	45000	Land	11,551	-	-	11,551
	45700	Transmission Substation	45710	Substation Misc Equip & Install	1,384,421	-	(240,132)	1,144,289
Total for Transmission					1,395,972	-	(240,132)	1,155,840
Grand Total					165,588,509	14,321,256	(905,960)	179,003,805

THE YUKON ELECTRICAL COMPANY LIMITED
(O/A ATCO ELECTRIC YUKON)
#100, 1100 - Front Street, 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
Patricia A. Osoko	Assistant Secretary