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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

April 29, 2015

Independent Auditor's Report

To the Shareholder 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, 2014 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2014 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 2014	2013
Revenues	6	**60,917**	60,017
Costs and expenses			
Purchased power		**31,177**	31,672
Fuel costs		**7,405**	6,989
Salaries, wages and benefits		**5,947**	5,994
Plant and equipment maintenance		**2,810**	2,732
Depreciation and amortization		**4,818**	4,382
Other	7	**3,867**	3,970
		56,024	55,739
Operating profit		**4,893**	4,278
Interest income		**1**	-
Interest expense	12	**(2,717)**	(2,391)
Net finance costs		**(2,716)**	(2,391)
Earnings before income taxes		**2,177**	1,887
Income taxes	8	**(667)**	(564)
Earnings for the year		**1,510**	1,323

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**	**2014**	**2013**
Earnings for the year		**1,510**	1,323
Other comprehensive income (loss), net of income taxes:			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits [(1)]	18	**(128)**	45
		(128)	45
Comprehensive income for the year		**1,382**	1,368

[(1)] *Net of income taxes of $55,000 for the year ended December 31, 2014 (2013 – ($20,000)).*

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	2014	2013
ASSETS			
Current assets			
Cash		**213**	939
Short-term advances to parent company		**2,500**	-
Accounts receivable		**6,607**	7,640
Owing from parent and affiliate companies		**-**	926
Inventories	9	**2,328**	2,075
Prepaid expenses		**40**	115
		11,688	11,695
Non-current assets			
Property, plant and equipment	10	**122,899**	110,801
Intangibles	11	**4,834**	4,809
Market differential loans		**235**	256
Total assets		**139,656**	127,561
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**6,155**	7,465
Long-term debt	12	**-**	500
Owing to parent and affiliate companies		**1,652**	-
		7,807	7,965
Non-current liabilities			
Deferred income tax liabilities	8	**4,285**	3,673
Retirement benefit obligations	18	**1,663**	1,439
Long-term debt	12	**55,750**	47,850
Deferred revenues	13	**35,521**	35,436
Total liabilities		**105,026**	96,363
EQUITY			
Class A and Class B share owner's equity			
Class A and Class B shares	16	**11,569**	9,519
Retained earnings		**23,061**	21,679
Total equity		**34,630**	31,198
Total liabilities and equity		**139,656**	127,561

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, 2012		7,019	20,311	-	27,330
Earnings for the year		-	1,323	-	1,323
Shares issued	16	2,500	-	-	2,500
Other comprehensive income		-	-	45	45
Gains on retirement benefit obligations transferred to retained earnings	18	-	45	(45)	-
December 31, 2013		**9,519**	**21,679**	**-**	**31,198**
Earnings for the year		**-**	**1,510**	**-**	**1,510**
Shares issued	**16**	**2,050**	**-**	**-**	**2,050**
Other comprehensive loss		**-**	**-**	**(128)**	**(128)**
Losses on retirement benefit obligations transferred to retained earnings	**18**	**-**	**(128)**	**128**	**-**
December 31, 2014		**11,569**	**23,061**	**-**	**34,630**

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 2014	2013
Operating activities			
Earnings for the year		**1,510**	1,323
Adjustments for:			
Depreciation and amortization	10,11	**4,818**	4,382
Income taxes	8	**667**	564
Contributions by utility customers for extensions to plant	13	**1,544**	2,153
Amortization of customer contributions	13	**(1,459)**	(1,545)
Net finance costs		**2,716**	2,391
Interest received, net of interest paid		**12**	10
Income taxes recovered	8	**-**	456
Other		**7**	5
		9,815	9,739
Changes in non-cash working capital	19	**2,450**	(2,251)
Cash flow from operations		**12,265**	7,488
Investing activities			
Additions to property, plant and equipment	10	**(16,374)**	(14,055)
Additions to intangibles	11	**(376)**	(978)
Changes in non-cash working capital	19	**(410)**	4
Other		**21**	(154)
		(17,139)	(15,183)
Financing activities			
Issue of long-term debt	12	**7,900**	9,400
Repayment of long-term debt	12	**(500)**	-
Interest paid		**(2,802)**	(2,354)
Issue of Class A and Class B shares	16	**2,050**	2,500
Dividends paid to Class A and Class B share owner		**-**	(400)
		6,648	9,146
Cash position [(1)]			
Increase		**1,774**	1,451
Beginning of year		**939**	(512)
End of year		**2,713**	939

[(1)] Cash position includes cash and short-term advances to parent company

See accompanying Notes to Financial Statements.

1. THE COMPANY AND ITS OPERATIONS

The Yukon Electrical Company Limited (the Company) was incorporated under the laws of Canada and operates under the name ATCO Electric Yukon. Its registered office is at 100 – 1100 Front Street, Whitehorse, YT, Y1A 3T4. 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.

The Company is engaged in the generation, distribution and sale of electric energy in the Yukon.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The financial statements have been prepared according to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC).

Management authorized these financial statements for issue on April 29, 2015.

BASIS OF MEASUREMENT

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

3. ACCOUNTING POLICIES

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.

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 recognizes revenues in earnings when amounts are billed to customers consistent with the regulator-approved rate design (see revenue recognition accounting policy below).

Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in 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 are recognized based on YUB-approved revenue requirement (cost of service) and include variable and fixed charges. Variable charges are recognized using meter readings on delivery of the electricity to customers and include an estimate of usage not yet billed. Fixed charges are based on the service provided 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 made when the estimated revenue is less than the cost of providing service or where the customer needs special equipment. Since these contributions will provide customers with on-going access to the supply of electricity, they are classified as deferred revenues and are recognized in revenues 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. Costs for employee services incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

INCOME TAXES

Income taxes are the sum of current and deferred taxes. Income tax is recognized in earnings, except to the extent it relates to items recorded in OCI or in equity.

Current tax is calculated on taxable earnings using rates enacted or substantively enacted at the balance sheet date in the jurisdiction in which the Company operates.

The liability method is used to determine deferred income tax on temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax is calculated using the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized. If expected tax rates change, deferred income taxes are adjusted to the new rates

Deferred income tax assets are recognized only when it is probable that future taxable earnings will be available against which the temporary differences can be applied.

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank, 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 that are interchangeable is assigned using the weighted average cost method. For inventories that are not interchangeable, cost is assigned using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

The cost of inventories is comprised of all purchase and other costs to bring inventories to their present condition and location. Purchase costs consist of the purchase price, import duties, non-recoverable taxes, transport, handling and other costs directly attributable to the purchase of finished goods, materials or services.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the purchase or construction of the asset, such as materials, labour, borrowing costs incurred during construction, 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 will flow to the Company and the cost can be measured reliably.

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period to the next major overhaul, which varies from three to eight years. The cost of repair and maintenance activities performed ever two years or less which do not enhance or extend the useful life of the asset are expensed when incurred.

Borrowing costs attributable to a construction period of substantial duration are added to the cost of the asset. The effective interest method is used to calculate capitalized interest using specified rates for specific borrowings and a weighted average rate for general borrowings. Interest capitalization starts when borrowing costs and expenditures are incurred at the onset of construction and ends when construction is substantially complete.

The Company allocates the amount initially recognized in property, plant and equipment to its significant components and depreciates each component separately. 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.

The carrying amount of a replaced asset is derecognized when the cost of replacing the asset is capitalized. When an asset is derecognized, any resulting gain or loss is recorded in earnings.

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	2.3%
Generation equipment	26 to 103 years	3.1%
Buildings	40 years	0.6%
Other	5 to 50 years	7.1%

Depreciation methods and the estimated residual values and useful lives of assets are reviewed on an annual basis. Any changes in these accounting estimates are recorded prospectively.

INTANGIBLES

Intangible assets are recorded at cost less accumulated amortization and any recognized impairment losses. The Company amortizes intangible assets on a straight-line basis over their useful lives. Useful life is not longer than 10 years for computer software and between 60 and 80 years for land rights based on the contractual life of the underlying agreements. Software work-in-progress is not amortized as the software is not available for use.

Amortization methods and useful lives of assets are reviewed annually. Any changes in these accounting estimates are recorded prospectively.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

Property plant and equipment and intangible assets with finite lives are tested for recoverability when events or circumstances indicate a possible impairment. Impairment is assessed at the CGU level, which is the smallest identifiable group of assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. The recoverable amount is the greater of the CGU's fair value less disposal costs and its value in use. An impairment loss may be reversed in whole or in part if there is objective evidence that a change in the estimated recoverable amount is warranted. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when: (i) there is a current legal or constructive obligation as a result of a past event, (ii) a probable outflow of economic benefits will be required to settle the obligation, and (iii) 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. If discounting is used, the increase in the provision due to the passage of time is recognized in interest expense.

A contingent liability is a possible obligation, and a contingent asset is a possible asset, that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability may also be a present obligation that arises from past events that is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

Neither contingent liabilities nor assets are recognized in the financial statements. However, a contingent liability is disclosed, unless the possibility of an outflow of resources is remote. A contingent asset is only disclosed where an inflow of economic benefits is probable.

Management evaluates the likelihood of contingent events based on the probability of exposure to potential loss. Actual results could differ from these estimates.

FINANCIAL INSTRUMENTS

The Company classifies financial instruments when they are first recognized 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. When actively quoted prices are not available, fair value is determined using other valuation techniques. Changes in fair value are recognized in other comprehensive income. 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 initially measured at fair value. 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 purchase 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: (i) if there is a legally enforceable right to offset the recognized amounts, and (ii) if the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

Financial assets are derecognized: (i) when the right to receive cash flows from the financial assets has expired or been transferred, and (ii) the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

Fair value hierarchy

The Company uses quoted market prices when available to estimate fair value. Models incorporating observable market data, along with transaction specific factors, are also used to estimate fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgment as to the significance of a particular input may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company applies settlement date accounting to the purchases and sales of financial assets. Settlement date accounting means recognizing an asset on the day it is received by the Company and recognizing the disposal of an asset on the day it is delivered by the Company. Any gain or loss on disposal is also recognized on that day.

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 is higher than the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. When an available for sale financial asset is impaired, the cumulative gain or loss previously reported in accumulated other comprehensive income (AOCI) is recognized in earnings.

An impairment loss may be reversed in whole or in part if there is objective evidence that a change in the estimated recoverable amount is warranted. The revised recoverable amount cannot exceed the carrying amount had no impairment charge been recognized in previous periods.

An impairment charge for an investment in an equity instrument classified as available for sale is not reversed.

DERIVATIVE FINANCIAL INSTRUMENTS

Contracts settled net in cash or in another financial asset are classified as derivatives, unless they meet the Company's own use requirements.

All derivative financial instruments, including derivatives embedded in other financial instruments or host contracts, are measured at fair value. The gain or loss that results from changes in fair value of the derivative is recognized in earnings immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in earnings depends on the hedging relationship.

Where the Company elects to apply hedge accounting, the Company documents the relationship between the derivative and the hedged item at inception of the hedge, and then assesses at each reporting period whether the derivative has been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of the hedged item. The Company discontinues hedge accounting prospectively if the hedging relationship ceases to be highly effective, the derivative is no longer designated as a hedging instrument, or the underlying hedged item is derecognized.

Fair value hedges

A fair value hedge offsets the risk of volatility in the fair value of a recognized asset, liability, or firm commitment. Adjustments to the carrying value of the hedged item caused by changes in the fair value of the risk being hedged are offset in earnings by the effective portion of the changes in the fair value of the derivative.

If the Company discontinues hedge accounting, no further changes to the carrying value of the hedged item are recognized. The cumulative fair-value adjustments to the carrying amount of the hedged item are amortized to earnings over the remaining term of the hedged item using the effective interest method.

Cash flow hedges

A cash flow hedge offsets the risk of volatility in the variable cash flows arising from a recognized asset or liability, a highly probable forecast transaction or a firm commitment in a foreign currency transaction. The effective portion of changes in fair value of the derivative is recognized in OCI, whereas the ineffective portion is recognized in earnings immediately. The cumulative gain or loss in AOCI is transferred to earnings when the hedged item affects earnings. If a forecast transaction results in the recognition of a non-financial asset or liability, the amount in AOCI is added to the initial cost of the non-financial asset or liability.

If the Company discontinues hedge accounting, the cumulative gain or loss in AOCI is transferred to earnings at the same time as the hedged item affects earnings.

The amount in AOCI is immediately transferred to earnings if the hedged item is derecognized or it is probable that a forecast transaction will not occur in the originally specified time frame.

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 assets of the defined benefit pension 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 defined benefit pension 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, 2013.

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.

The Company accrues for its obligations under the OPEB plan.

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

Gains and losses resulting from experience adjustments and changes in assumptions used to measure the accrued benefit obligations are recognized in OCI in the period in which they occur. Those gains and losses are then transferred directly to retained earnings.

Employer contributions to the defined contribution pension plan are expensed as employees render service.

For the defined benefit pension plan and 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 the 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 retirement benefit costs for employee services are incurred in constructing an asset and meet asset recognition criteria, they are included in the related property, plant and equipment or intangible asset.

RELATED PARTY TRANSACTIONS

Transactions with related parties 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 exchange rate at the transaction date.

ACCOUNTING STANDARDS AND INTERPRETATIONS 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.

Standards issued, but not yet effective, which the Company anticipates may have a material effect on the consolidated financial statements or note disclosures are described below.

Standard	Description	Impact	Effective Date
IFRS 9 (2013) *Financial Instruments*	This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and previous versions of IFRS 9. It includes revised guidance on the classification and measurement of financial assets and liabilities and adds guidance on general hedge accounting.	The adoption of this standard is not expected to have a material impact on the Company's financial results but will result in additional disclosures in the Company's annual financial statements.	Effective until January 1, 2018 if adopted by January 31, 2015. The Company will early adopt this standard January 1, 2015.
IFRS 9 (2014) *Financial Instruments*	This final standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and previous versions of IFRS 9. It incorporates IFRS 9 (2013), with a further classification category for financial assets, and includes a new impairment model for financial instruments.	The Company has not yet determined the impact of the final standard.	Effective for annual periods on or after January 1, 2018. The Company will not early adopt this standard.
IFRS 15 *Revenue from Contracts with Customers*	This standard replaces previous guidance on revenue recognition. It provides a framework to determine when to recognize revenue and at what amount.	It applies to new contracts created on or after the effective date and to existing contracts not yet completed as of the effective date. The Company has not yet determined the impact of the final standard.	Effective for annual periods on or after January 1, 2017.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Management makes estimates and judgments that could significantly affect how policies are applied, amounts in the financial statements are reported, and contingent assets and liabilities are disclosed. Most often these estimates and judgments concern matters that are inherently complex and uncertain. Judgments and estimates are reviewed on an on-going basis; changes to accounting estimates are recognized prospectively.

Significant judgments and estimates made by the Company are outlined 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 PUB. 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.

Property, plant and equipment and intangibles

The Company makes judgments to: assess the nature of the costs to be capitalized and the time period over which they are capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depreciation and amortization methods and useful lives are appropriate; distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed; and determine the useful lives over which assets are depreciated and amortized.

Income taxes

The Company makes judgments with respect to changes in tax legislation, regulations and interpretations thereof. Judgment is also applied to estimating probable outcomes, when temporary differences will reverse, and whether tax assets are realizable.

When tax legislation is subject to interpretation, management periodically evaluates positions take in tax filings 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, using a probability weighting of possible outcomes.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Revenue recognition

An estimate of usage not yet billed is included in revenues from the regulated sale of electricity. The estimate is derived from unbilled electricity supplied to customers. This estimate is from the date of the last meter reading and uses historical consumption patterns. Management applies judgment to the measure and value of the estimated consumption.

Useful lives of property, plant and equipment and intangibles

Useful lives are determined based on current facts and past experience taking into account the anticipated physical life of the asset, current and forecast demand, and the potential for technological obsolescence.

Impairment of long-lived assets

The Company continually monitors its long-lived assets and the markets and business environment in which it operates for indications of asset impairment. Where necessary, the Company estimates the recoverable amount for the CGU to determine if an impairment loss is to be recognized. These estimates are based on assumptions, such as the price for which the assets in the CGU could be obtained or future cash flows that will be produced by the CGU, discounted at an appropriate rate. Subsequent changes to these estimates or assumptions could significantly impact the carrying value of the assets in the CGU.

Retirement benefits

Costs for the defined benefit pension and OPEB plans reflect management's best estimates of investment returns, long-term inflation rate, wage and salary increases, age at retirement, liability discount rates 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. Key assumptions used to determine benefit cost and obligation are shown in Note 20.

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 attributable to Class A and Class B share owners of the Company after adjusting for the timing of revenues and expenses for rate-regulated activities. Adjusted earnings also exclude one-time gains and losses, significant impairments 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 2014 and 2013 years is shown below.

	2014	**2013**
Adjusted earnings for the year	**2,728**	2,973
Adjustments for rate-regulated activities	**(1,218)**	(1,650)
Earnings for the year	**1,510**	1,323

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.

Before adopting IFRS, the Company used standards issued by the Financial Accounting Standards Board (FASB) in the United States 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 the Company. 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:

	2014	2013
Additional revenues billed in current period:		
Reserve for injuries and damages [1]	**433**	93
Other	**404**	(371)
	837	(278)
Revenues to be billed in future period:		
Deferred income taxes [2]	**(1,019)**	(1,482)
Deferred fuel variance [3]	**(542)**	541
Future removal and site restoration costs [4]	**(338)**	(161)
Deferred hearing costs [5]	**(156)**	(270)
	(2,055)	(1,372)
	(1,218)	(1,650)

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

Description	Timing of Recovery or Refund
(1) 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 YUB 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.
(2) Deferred income taxes are a non-cash expense resulting from on temporary differences between the book value and the tax value of assets and liabilities. Income taxes are billed to customers when paid by the Company. Deferred taxes are not billed to customers unless directed to do so by the YUB. 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.
(3) An annual forecast of fuel costs is approved by the YUB to be collected through customer rates. The deferred fuel price 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.
(4) The future removal and site restoration costs billed to customers are the costs forecasted to be incurred in future periods. Customers fund these expected costs over the estimated useful life of the related 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.
(5) 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.

6. REVENUES

The components of revenues are as follows:

	2014	2013
Tariff revenue	**57,655**	56,516
Amortization of customer contributions	**1,459**	1,545
Other	**1,803**	1,956
	60,917	60,017

7. OTHER COSTS AND EXPENSES

Other costs and expenses comprise of the following:

	2014	2013
Goods and services [(1)]	**3,616**	3,697
Property and other taxes	**251**	273
	3,867	3,970

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

8. INCOME TAXES

INCOME TAX EXPENSE

The components of income tax expense are summarized below:

	2014	2013
Current income tax expense:		
Expense for the year	**-**	(284)
	-	(284)
Deferred income tax expense:		
Reversal of temporary differences	**667**	848
	667	848
	667	564

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

	2014		2013	
Earnings before income taxes	**2,177**	**%**	1,887	%
Income taxes, at statutory rates	**653**	**30.0**	566	30.0
Other	**14**	**0.7**	(2)	(0.1)
	667	**30.7**	564	29.9

The combined federal and Yukon statutory Canadian income tax rate did not change from 2013 to 2014.

DEFERRED INCOME TAXES

The changes in deferred income tax liabilities were as follows:

	Property, Plant and Equipment	Intangibles	Retirement Benefit Obligations	Other	Total
Deferred income tax liabilities:					
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**
Charge (credit) to earnings	**1,005**	**(21)**	**13**	**(330)**	**667**
Credit to other comprehensive income	**-**	**-**	**(55)**	**-**	**(55)**
December 31, 2014	**5,100**	**614**	**(474)**	**(955)**	**4,285**

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

At the balance sheet date, the Company had $2,905,355 in tax losses and credits, which, if unused, expire on the following dates:

	Non-Capital Losses
2034	1,510
2033	1,384
2032	11

The Company recorded deferred income tax assets of $872,000 for these losses and credits.

9. INVENTORIES

Inventories at December 31 were comprised of:

	2014	2013
Raw materials and consumables	**2,328**	2,075

For the year ended December 31, 2014, inventories recognized as an expense were $154,000 (2013 – $186,000). 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

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Distribution	Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost:						
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**
Additions	**7,295**	**9,639**	**926**	**(1,942)**	**717**	**16,635**
Disposals	**(1,223)**	**(846)**	**-**	**-**	**(245)**	**(2,314)**
December 31, 2014	**142,812**	**34,623**	**6,015**	**1,344**	**5,920**	**190,714**
Accumulated depreciation:						
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**
Depreciation	**3,151**	**950**	**33**	**-**	**403**	**4,537**
Disposals	**(1,223)**	**(846)**	**-**	**-**	**(245)**	**(2,314)**
December 31, 2014	**51,415**	**9,728**	**2,121**	**-**	**4,551**	**67,815**
Net book value:						
December 31, 2013	87,253	16,206	3,001	3,286	1,055	110,801
December 31, 2014	**91,397**	**24,895**	**3,894**	**1,344**	**1,369**	**122,899**

The additions of property, plant and equipment included $191,000 (2013 – $182,000) of interest capitalized at an interest rate of 5.09% (2013 – 5.85%).

11. INTANGIBLES

Intangible assets consist mainly of computer software not directly attributable to the operation of property, plant and equipment, land rights, and goodwill.

A reconciliation of the changes in the carrying amount of intangible assets is as follows:

	Computer Software	Land Rights	Other	Total
Cost:				
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**
Additions	**301**	**72**	**3**	**376**
December 31, 2014	**2,562**	**1,451**	**2,597**	**6,610**
Accumulated amortization:				
December 31, 2012	883	172	80	1,135
Amortization	271	19	-	290
December 31, 2013	**1,154**	**191**	**80**	**1,425**
Amortization	**239**	**20**	**92**	**351**
At December 31, 2014	**1,393**	**211**	**172**	**1,776**
Net book value:				
December 31, 2013	1,107	1,188	2,514	4,809
December 31, 2014	**1,169**	**1,240**	**2,425**	**4,834**

12. LONG TERM DEBT (UNSECURED)

LONG-TERM DEBT

Long-term debt outstanding is shown in the table below.

	2014	2013
Debentures (due to ATCO Electric Ltd.) – unsecured		
2004 Series 5.16% debenture due November 2014	**-**	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**	9,400
2014 Series 4.12% debenture due September 2044	**7,900**	-
2012 Series 3.89% debenture due November 2052	**4,000**	4,000
Total long-term debt	**55,750**	48,350
Less: Amounts due within one year	**-**	(500)
Long-term debt	**55,750**	47,850

CONTRACTUAL MATURITIES OF DEBT

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

	Principal	Interest
2015	-	3,107
2016	-	3,107
2017	3,900	3,087
2018	-	2,865
2019	5,500	2,682
2020 and thereafter	46,350	39,092
	55,750	53,940

INTEREST EXPENSE

Interest expense is as follows:

	2014	2013
Long-term debt	**2,903**	2,493
Other	**5**	80
	2,908	2,573
Less: Interest capitalized (Note 10)	**(191)**	(182)
	2,717	2,391

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.

	2014	2013
Beginning of year	**35,436**	34,828
Receipt of customer contributions	**1,544**	2,153
Amortization	**(1,459)**	(1,545)
End of year	**35,521**	35,436

14. CONTINGENCIES

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

The Company is party to a number of other 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

FINANCIAL RISKS

The Company is exposed to a variety of risks associated with the use of financial instruments. These risks are comprised of interest rate risk, credit risk and liquidity risk. 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 there are controls in place to effectively monitor and manage those risks with a view to the long-term viability of the Company.

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

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 accounts receivable, credit risk represents the carrying amount on the balance sheet.

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.

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 counterparty. Substantially all of the loans and receivables are from the Company's operations in the Yukon.

Accounts receivable are non-interest bearing and are generally due in 30 days. The provision for impairment of credit losses was $21,000 at December 31, 2014 (2013 – $45,000).

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

	2014	2013
30 to 90 days	**271**	335
Greater than 90 days	**21**	10
	292	345

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 with the use of long-term debt borrowings from the parent company and 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:

	2015	**2016**	**2017**	**2018**	**2019**	**2020 and thereafter**
Accounts payable and accrued liabilities	6,155	-	-	-	-	-
Long-term debt (Note 12)	-	-	3,900	-	5,500	46,350
Interest expense (Note 12)	3,107	3,107	3,087	2,865	2,682	39,092
Purchase obligations:						
Capital expenditures	-	-	-	-	-	-
	9,262	3,107	6,987	2,865	8,182	85,442

FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable, short-term advances from parent company, 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:

	2014		2013	
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial liabilities				
Amortized cost:				
Long-term debt [(1)]	**55,750**	**66,087**	48,350	53,602

(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, 2013	1,646	5,916	998	3,603	2,644	9,519
Shares issued	**40**	**1,263**	**25**	**787**	**65**	**2,050**
December 31, 2014	**1,686**	**7,179**	**1,023**	**4,390**	**2,709**	**11,569**

On November 15, 2014, the Corporation issued 40 Class A non-voting common shares and 25 Class B common shares to its parent for approximately $31,538.46 per share.

17. 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% (2013 – 40%) and the Company is capitalized consistent with the PUB-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 owners, issue or purchase Class A and Class B shares, and issue or redeem long-term debt.

18. 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.

Contributions to the defined benefit pension 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.

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

		2014		**2013**
	Pension Benefit Plans	**OPEB Plans**	**Pension Benefit Plans**	**OPEB Plans**
Components of benefit plan cost:				
Defined benefit plans cost	**902**	**81**	1,045	73
Defined contribution plans cost	**242**	**-**	209	-
Total cost	**1,144**	**81**	1,254	73
Less: Capitalized	**344**	**24**	379	22
Net costs recognized	**800**	**57**	875	51
Accrued benefit obligations:				
Beginning of year	**220**	**1,219**	235	1,229
Defined benefit plan cost	**902**	**81**	1,045	73
Contributions to defined benefit plans	**(912)**	**(30)**	(1,050)	(28)
Losses (gains) on accrued benefit obligations	**23**	**160**	(10)	(55)
End of year	**233**	**1,430**	220	1,219

Weighted average assumptions

		2014		**2013**
	Pension Benefit Plans	**OPEB Plans**	Pension Benefit Plans	OPEB Plans
Assumptions regarding benefit plan cost:				
Discount rate for the year	**4.9%**	**4.9%**	4.3%	4.3%
Average compensation increase for the year	**Note[(1)]**	**-**	Note[(1)]	-
Assumptions regarding accrued benefit obligations:				
Discount rate at December 31	**4.0%**	**4.0%**	4.9%	4.9%
Long-term inflation rate	**2.0%**	**Note[(2)]**	2.0%	Note[(2)]

(1) *The assumed average compensation increase is 3.25% for 2014 and thereafter (2013 – 3.25% until the end of 2013 and thereafter).*

(2) *The assumed annual health care cost trend rate increases used in measuring the accumulated OPEB obligation are as follows: for drug costs, 5.83% for 2014 grading down over ten years to 4.5% (2013 – 5.97% for 2013 grading down over eleven years to 4.5%), for other medical costs, 4.5% for 2014 and thereafter (2013 – 4.5% for 2013 and thereafter), and for dental costs, 4.0% for 2014 and thereafter (2013 – 4.0% for 2013 and thereafter).*

In 2014, the Company adopted the Private Sector Canadian Pensioners Mortality table published by the Canadian Institute of Actuaries as the basis for assumption regarding future life expectancy. In 2013, assumptions regarding future life expectancy were 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 for the defined contribution pension plans. The Company also provides the balance of the funding necessary to ensure that benefits will be fully provided for the defined benefit pension plans.

Funding contributions for 2013 and 2014 were set according to actuarial valuations for funding purposes as of December 31, 2012 and December 31, 2013, respectively. The contributions for 2015 will be determined by the next actuarial valuation for funding purposes which is effective December 31, 2014 and will be completed during the second quarter of 2015.

The PUB 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 PUB.

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, 2014.

19. CHANGES IN NON-CASH WORKING CAPITAL

	2014	**2013**
Operating activities, changes related to:		
Accounts receivable	**1,033**	(103)
Owing from parent and affiliate companies	**926**	(926)
Inventories	**(25)**	6
Prepaid expenses	**75**	10
Accounts payable and accrued liabilities	**(1,128)**	439
Owing to parent and affiliate companies	**1,569**	(1,677)
	2,450	(2,251)
Investing activities, changes related to:		
Inventories	**(228)**	(52)
Accounts payable and accrued liabilities	**(182)**	56
	(410)	4

20. RELATED PARTY TRANSACTIONS

Entity	Relationship	Transaction	Recorded as	2014	2013
ATCO Electric	Parent	Administrative, financial management, materials management and meter reading services	Other expenses	**1,019**	1,153
ATCO Structures & Logistics	Affiliate	Building rent	Revenues	**28**	28
ATCO Gas	Affiliate	Metering services	Other expenses	**23**	18
		Study costs	Other expenses	**-**	119
ATCO I-Tek Business Services	Affiliate	Billing and call centre services	Other expenses	**580**	620
			Property, plant and equipment	**160**	-
ATCO I-Tek	Affiliate	Computer services	Other expenses	**250**	397
			Property, plant and equipment	**23**	116

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.

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.