

Yukon Energy Corporation
Financial Statements
December 31, 2021

Yukon Energy Corporation

Financial Statements

December 31, 2021

Page

Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3-5
Statement of Financial Position	6
Statement of Operations and Other Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to Financial Statements	10-48

May 11, 2022

Management's Responsibility for Financial Reporting

Management is responsible for the preparation of the financial statements and all other financial information relating to the Utility contained in this annual report. The financial statements have been prepared in conformity with International Financial Reporting Standards using methods appropriate for the industry in which the Utility operates and necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The Auditor General of Canada is the external auditor of the Utility.

Management has established internal accounting control systems to meet its responsibilities for reliable and accurate reporting. These systems include policies and procedures, the careful selection and training of qualified personnel and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities.

The Board of Directors, through its Audit Committee, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and the independent auditor to discuss auditing and financial matters to assure that management is carrying out its responsibilities and to review the financial statements. The auditors have full and free access to the Audit Committee and management.



Andrew Hall
President and CEO

Ed Mollard
Vice President Finance, and Chief Financial Officer



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Yukon Energy Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Yukon Energy Corporation (the Corporation), which comprise the statement of financial position as at 31 December 2021, and the statement of operations and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Yukon Energy Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Public Utilities Act* and regulations, the *Business Corporations Act* and regulations, and the articles and by laws of the Yukon Energy Corporation.

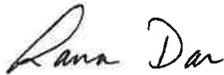
In our opinion, the transactions of the Yukon Energy Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Yukon Energy Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Yukon Energy Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
11 May 2022

Yukon Energy Corporation
Statement of Financial Position
(in thousands of Canadian dollars)

As at	December 31 2021	December 31 2020
Assets		
Current		
Accounts receivable (Note 5)	\$ 16,123	\$ 25,589
Inventories (Note 6)	4,354	4,095
Prepaid expenses	1,323	1,443
	21,800	31,127
Non-current		
Property, plant and equipment (Note 7)	494,002	481,893
Intangible assets (Note 8)	18,895	17,436
Right-of-use assets (Note 9)	234	390
Total assets	534,931	530,846
Regulatory deferral account debit balances (Note 10)	31,804	34,613
Total assets and regulatory deferral account debit balances	\$ 566,735	\$ 565,459
Liabilities		
Current		
Bank indebtedness (Note 11)	\$ 12,774	\$ 31,929
Accounts payable and accrued liabilities (Note 12)	13,522	17,951
Construction financing (Note 13)	21,017	21,017
Current portion of deferred revenue (Note 17)	2,628	1,658
Current portion of lease liability (Note 9)	150	157
Current portion of long-term debt (Note 14)	6,537	6,280
	56,628	78,992
Non-current		
Post-employment benefits (Note 15)	4,252	9,071
Contributions in aid of construction (Note 16)	165,375	158,989
Deferred revenue (Note 17)	17,015	18,486
Lease liability (Note 9)	98	248
Derivative related liability (Note 26)	2,479	5,050
Long-term debt (Note 14)	167,037	166,056
Total liabilities	412,884	436,892
Equity		
Share capital		
Authorized: Unlimited number of a single class of shares with no par value		
Issued and fully paid: 3,900 shares	39,000	39,000
Contributed surplus	15,968	15,968
Retained earnings	82,684	64,249
Total equity	137,652	119,217
Total liabilities and equity	550,536	556,109
Regulatory deferral account credit balances (Note 10)	16,199	9,350
Total liabilities, equity and regulatory deferral account credit balances	\$ 566,735	\$ 565,459

Commitments and Contingencies (Notes 23 and 24)

The accompanying notes are an integral part of these financial statements.

Approved by the Board

 , Chair

 , Director

Yukon Energy Corporation
Statement of Operations and Other Comprehensive Income
(in thousands of Canadian dollars)

For the year ended December 31	2021	2020
Revenues		
Sales of power (Note 18)	\$ 78,633	\$ 70,907
Other (Note 19)	4,822	4,434
	83,455	75,341
Operating expenses		
Operations and maintenance (Note 20)	34,018	41,480
Depreciation and amortization (Notes 7, 8 and 9)	13,873	13,007
Administration (Note 21)	13,653	12,595
	61,544	67,082
Income before other income and other expenses	21,911	8,259
Other income		
Amortization of contributions in aid of construction (Note 16)	3,080	2,867
Allowance for funds used during construction	942	854
	4,022	3,721
Other expenses		
Interest on borrowings	5,316	5,680
Unrealized (gain) loss on interest rate swap (Note 26)	(2,571)	3,120
	2,745	8,800
Net income for the year before net movement in regulatory deferral account balances	23,188	3,180
Net movement in regulatory deferral account balances related to net income (Note 10 (d))	(9,658)	(3,313)
Net income (loss) for the year and net movement in regulatory deferral account balances	13,530	(133)
Other comprehensive income (loss) (Note 3 (o))		
Item that will not be reclassified to net income in subsequent periods		
Re-measurement of defined benefit pension plans (Note 15)	4,905	(1,214)
Total comprehensive income (loss) for the year	\$ 18,435	\$ (1,347)

The accompanying notes are an integral part of these financial statements.

Yukon Energy Corporation
Statement of Changes in Equity
(in thousands of Canadian dollars)

	Share Capital Number of shares	\$	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2019	3,900	\$ 39,000	\$ 14,600	\$ 65,596	\$ -	\$ 119,196
Net loss for the year and net movement in regulatory deferral account balances	-	-	-	(133)	-	(133)
Other comprehensive loss	-	-	-	-	(1,214)	(1,214)
Transfer of re-measurement of defined benefit pension plans to retained earnings	-	-	-	(1,214)	1,214	-
Conversion of debt (Note 13)	-	-	1,368	-	-	1,368
Balance at December 31, 2020	3,900	\$ 39,000	\$ 15,968	\$ 64,249	\$ -	\$ 119,217
Net income for the year and net movement in regulatory deferral account balances	-	-	-	13,530	-	13,530
Other comprehensive income	-	-	-	-	4,905	4,905
Transfer of re-measurement of defined benefit pension plans to retained earnings	-	-	-	4,905	(4,905)	-
Balance at December 31, 2021	3,900	\$ 39,000	\$ 15,968	\$ 82,684	\$ -	\$ 137,652

The accompanying notes are an integral part of these financial statements.

Yukon Energy Corporation
Statement of Cash Flows
(in thousands of Canadian dollars)

For the year ended December 31	2021	2020
Operating activities		
Cash receipts from customers	\$ 79,086	\$ 70,502
Cash receipts from contributions in aid of construction	19,029	1,418
Cash paid to suppliers	(35,487)	(36,266)
Cash paid to employees	(12,817)	(11,641)
Cash receipts from insurance claim settlement	3,762	-
Interest paid	(5,302)	(5,651)
Cash provided by operating activities	48,271	18,362
Financing activities		
Net advances from line of credit	15,878	-
Proceeds from long-term debt	7,659	4,801
Repayment of long-term debt	(6,421)	(6,079)
Lease payments	(168)	(167)
Cash provided by (used in) financing activities	16,948	(1,445)
Investing activities		
Additions to property, plant and equipment	(27,407)	(23,774)
Additions to intangible assets	(2,779)	(5,912)
Cash used in investing activities	(30,186)	(29,686)
Net increase (decrease) in cash	35,033	(12,769)
Cash, beginning of year	(31,929)	(19,160)
Cash, end of year (Note 11)	\$ 3,104	\$ (31,929)

The accompanying notes are an integral part of these financial statements.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

1. NATURE OF OPERATIONS

a) General

Yukon Energy Corporation ("the Utility") is incorporated under the Yukon *Business Corporations Act* and is a wholly-owned subsidiary of Yukon Development Corporation ("YDC" or "the Parent"), a corporation owned by the Yukon Government ("the Government" or "YG"). The Utility generates, transmits, distributes and sells electrical energy in the Yukon. The Utility is not subject to income taxes. The Utility's principal place of business is located at #2 Miles Canyon Road, Whitehorse, Yukon, Y1A 6S7.

The Utility is subject to overall regulation by the Yukon Utilities Board ("YUB") and specific regulation by the Yukon Water Board. Both boards are consolidated by the Government and as such are considered to be related parties for accounting purposes. Management has assessed that these boards operate independently from the Utility from a rate setting and operating perspective.

b) Rate regulation

The operations of the Utility are regulated by the YUB pursuant to the *Public Utilities Act*. The Utility 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, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment in rate base. There is no minimum requirement for the Utility to appear before the YUB to review rates. However, the Utility is not permitted to charge any rate for the supply of power that is not approved by an Order of the YUB. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

The regulatory hearing process used to establish or change rates typically begins when the Utility files a General Rate Application ("GRA") for its proposed electricity rate changes over the next one or two forecast years. The YUB must ensure that its decision, which fixes electricity rates, complies with appropriate principles of rate making, all relevant legislation including the *Public Utilities Act* and directives issued by the Government through Orders-In-Council ("OIC") that specify how the interests of the customer and Utility are to be balanced.

The YUB typically follows a two-stage decision process. In the first stage, the total costs that the Utility expects it will incur to provide electricity to its customers over the immediate future are reviewed and approved. The approval of these costs determines the total revenues the Utility is allowed to collect from its customers. It is the responsibility of the YUB to examine the legitimacy of three classes of costs:

- the costs to the Utility to run its operations and maintain its equipment (personnel and materials);
- the cost associated with the depreciation of all capital equipment; and
- the return on rate base (the borrowing costs related to borrowing that portion of rate base which is financed with debt plus the costs to provide a reasonable rate of return on that portion of rate base which is financed with equity).

The YUB assesses the prudence of costs added to rate base, which includes an allowance for funds used during construction ("AFUDC") charged to capital projects. The YUB also reviews the appropriateness of property, plant and equipment depreciation rates, which are periodically updated by the Utility through depreciation studies.

In the second stage, the YUB approves how the revenue will be raised. This stage essentially determines the electricity rates for the various customer classes in the Yukon: wholesale, general service, industrial, residential, sentinel and street lights and secondary sales. This process is guided mainly by requirements of OIC 1995/90 and can include a cost-of-service study which allocates the Utility's overall cost of service to the various customer classes on the basis of appropriate costing principles.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

1. NATURE OF OPERATIONS - continued

b) Rate regulation - continued

In November 2020, the Utility filed a GRA for the year 2021 requesting approval of revenue requirement and related rate increases. The GRA requested a rate increase of 11.54%. An initial interim refundable rate rider (10.08%) was approved effective July 1, 2021. An additional interim refundable rate rider (9.25%) was approved effective December 1, 2021. The YUB issued an order in March, 2022 requiring the Utility to make changes and complete a Compliance Filing. The Utility submitted the Compliance Filing in April, 2022. The Utility expects the process to complete and a final order from the YUB in the second quarter of 2022.

These financial statements reflect the requested rate increase as the rate increase is for the period starting January 1, 2021. Refer to Note 4 Regulatory deferral account balances.

c) Water regulation

The Yukon Water Board ("YWB"), pursuant to the Yukon *Waters Act*, decides if and for how long the Utility will have water licences for the purposes of operating hydro generation stations in the Yukon. The licences will also indicate terms and conditions for the operation of these facilities. The current water licences have the following terms:

Aishihik Generating Station	February 28, 2023
Mayo Generating Station	December 31, 2025
Whitehorse Generating Station	December 31, 2025

d) Capital structure

The Utility's policy which has been approved by the YUB is to maintain a capital structure of 60% debt and 40% equity (Note 27). When dividends are declared to the Parent, they are typically loaned back in order to maintain this ratio during normal on-going operations.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issue by the Board of Directors on May 11, 2022.

b) Basis of measurement

The financial information included in the financial statements has been prepared on a historical cost basis, except for some financial instruments, as described in Note 3(f), which are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

The Utility recognizes revenue from contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Utility's performance completed to date.

The majority of the Utility's revenues from contracts with customers are derived from the generation, transmission, distribution, purchase and sales of electricity under the *Public Utilities Act*. The Utility evaluates whether the contracts it enters into meet the definition of a contract with a customer at the inception of the contract and ongoing basis if there is an indication of a significant change in facts and circumstances. Revenue is measured based on the transaction price specified in a contract with a customer. Revenue is recognized when control over a promised good or service is transferred to the customer and the Utility is entitled to consideration as a result of completion of the performance obligation.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

The Utility recognizes a contract asset or deferred revenue for the contracts where the performance obligation has not been satisfied. Deferred revenue is recognized when the Utility receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Utility has rights to consideration for the completion of a performance obligation when that right is conditional on something other than the passage of time. The Utility recognizes unconditional rights to consideration separately as a trade receivable. Contract assets are evaluated at each reporting period to determine whether there is any objective evidence that they are impaired.

Electricity sales contracts are deemed to have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other obligations in the contracts and therefore not distinct. These performance obligations are considered to be satisfied over time as electricity is delivered because of the continuous transfer of control to the customer. The method of revenue recognition for the electricity is an output method, which is based on the volume delivered to the customer.

The Utility's electricity sales are calculated based on the customer's usage of electricity during the period at the applicable published rates for each customer class. Electricity rates in the Yukon are set by the YUB. Electricity sales include an estimate of electricity deliveries not yet billed at period-end. The estimated unbilled revenue is based on several factors, including estimated consumption by customer, applicable customer rates and the number of days between the last billing date and the end of the period.

b) Translation of foreign currencies

The functional currency of the Utility is the Canadian Dollar. Revenue and expense items denominated in foreign currencies are translated at exchange rates prevailing during the period. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates. Non-monetary assets and liabilities are translated at exchange rates in effect when the assets are acquired or the obligations are incurred. Foreign exchange gains and losses are reflected in net income for the period.

c) Allowance for funds used during construction

The cost of the Utility's property, plant and equipment and intangible assets includes an allowance for funds used during construction ("AFUDC"). The AFUDC rate is based on the Utility's weighted average cost of debt.

d) Cash

Cash is comprised of bank account balances (net of outstanding cheques).

e) Inventories

Inventories consist of materials and supplies, diesel fuel and liquefied natural gas. Inventories are carried at the lesser of weighted average cost and net realizable value. Cost includes all expenditures incurred in acquiring the items and bringing them to their existing condition and location. Critical spare parts are recognized in the Utility's property, plant and equipment.

The recoverable value of inventory considers its net realizable value, including required processing costs, and is impacted by estimates and assumptions on prices, quality, recovery and exchange rates. Obsolete materials and supplies are recorded at salvage value in the period when obsolescence is determined.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

f) Financial instruments

Financial assets and financial liabilities are recognized on the Utility's Statement of Financial Position when the Utility becomes party to the contractual provisions of the instrument.

i) Financial assets

Cash and accounts receivable, plus any transaction costs that are directly attributable to the acquisition of the financial asset, are initially measured at fair value. Subsequent to initial recognition, cash is measured at amortized cost and accounts receivable are measured at amortized cost using the effective interest rate method less any impairment. The Utility's business model is to hold these assets to collect contractual cash flows.

A provision for impairment of accounts receivable is established applying the expected credit loss model based on all possible default events over the expected life of the financial asset. For trade accounts receivable, the Utility applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. For other receivables, at the reporting date, if credit risk has increased significantly since initial recognition, the Utility measures the loss allowance at an amount equal to the lifetime expected credit losses, otherwise, if the credit risk has not increased significantly since initial recognition, the Utility measures the loss allowance at an amount equal to 12-month expected credit losses.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or require financial reorganization, and default or delinquency in payments are considered indicators that the related accounts receivable are impaired. The accounts receivable carrying amount is reduced through the use of an allowance account and the loss is recognized in net income. A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Utility has transferred its rights to receive cash flows from the asset and has transferred substantially all the risk and rewards of the asset.

ii) Financial liabilities

Bank indebtedness, accounts payable and accrued liabilities, construction financing and long-term debt are initially measured at fair value less any transaction costs that are directly attributable to the issuance of the financial liability. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Transaction costs are presented as a reduction from the carrying value of the related debt and are amortized using the effective interest rate method over the terms of the debts to which they relate. Transaction costs include fees paid to agents, brokers and advisors but exclude debt discounts and lender financing costs.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Utility has entered into interest rate swaps to manage interest rate risk. The Utility's interest rate swap is classified as fair value through profit and loss and is thus recognized at fair value on the date the contract has been entered into with any subsequent realized and unrealized gains and losses recognized in net income during the period in which the fair value movement occurred.

A financial liability is derecognized when the obligation is discharged or cancelled, or expires.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

g) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any asset impairment charges. Cost includes the direct costs of acquisition and materials, direct labour, and, if applicable, an allocation of directly attributable overhead costs, AFUDC and any asset retirement costs associated with the property, plant and equipment.

AFUDC is applied to actual costs in work-in-progress less any contributions in aid of construction. For items of property, plant and equipment acquired prior to January 1, 2011, the AFUDC rate also included a regulatory cost of equity component as allowed by the YUB. Capitalization of AFUDC ceases when the asset being constructed is substantially ready for its intended purpose.

Assets under construction are recognized as construction work-in-progress until they are operational and available for use, at which time they are transferred to the applicable component of property, plant and equipment.

Depreciation is recognized in net income based on the straight-line method over the estimated useful life of each major component of property, plant and equipment.

The range of the estimated useful lives of the major classes and subclasses of property, plant and equipment is as follows:

Generation	
Hydroelectric plants	20 to 103 years
Thermal plants	12 to 72 years
Transmission	12 to 65 years
Distribution	16 to 55 years
Buildings	20 to 55 years
Transportation	8 to 25 years
Other equipment	5 to 20 years

Depreciation commences when an asset is available for use. The estimated useful lives of the assets are based upon depreciation studies conducted periodically by the Utility and any changes in the estimated useful lives are accounted for prospectively.

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period of the expected useful life (until the next major overhaul) which varies from 2 to 10 years. Repairs and maintenance costs of property, plant and equipment are expensed as incurred unless they meet the criteria of a betterment.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

h) Intangible assets

Intangible assets are carried at cost less accumulated amortization and any asset impairment charges. Cost includes the direct costs of acquisition and materials, direct labour, and, if applicable, an allocation of directly attributable overhead costs and AFUDC.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives as follows:

Software	5 years
Deferred service costs	12 years
Financial software	10 years
Licensing costs	
Hydro generation	17 to 25 years
Diesel generation	3 years

The water licence for the Aishihik generating station received a 3 year extension. Costs associated with the 3 year extension are being amortized over 3 years (see Note 23).

i) Leases

At inception of a contract, the Utility assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset. The Utility assesses whether:

- The contract involves the use of an identified asset;
- The Utility has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Utility has the right to direct the use of the asset.

At inception, the Utility allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices.

The Utility recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Utility elected to exclude short-term leases with a term of twelve months or less as well as leases of low-value assets, and accounts for the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*, and impairments are recorded in net income.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

i) Leases - continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Utility's incremental borrowing rate. Generally, the Utility uses its incremental borrowing rate as the discount rate. Subsequent to recognition, the lease liability is measured at amortized cost using the effective interest rate method. A lease liability is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, or if the Utility changes its assessment of whether it will exercise a renewal or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in net income if the carrying amount of the right-of-use assets has been reduced to zero.

j) Impairment of non-financial assets

Property, plant and equipment, and intangible assets with finite lives are reviewed for impairment on an annual basis if there is an indication that the carrying amount may not be recoverable. Impairment is assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs to sell ("FVLCS"). Value in use is the net present value of expected future cash flows of the relevant cash-generating unit in its current condition.

The best evidence of FVLCS is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCS is based on the best information available to reflect the amount the Utility could receive for the cash-generating unit in an arm's length transaction. This is often estimated using discounted cash flow techniques and where unobservable inputs are material to the measurement of the recoverable amount, the measurement is classified as level 3 in the fair value hierarchy. The cash flow forecasts for FVLCS purposes are based on management's best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental cleanup. For regulatory deferral account debit balances the impairment review focuses on whether the amount is considered collectible based on the expected cash flows from the rates approved by the YUB.

These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of impairment testing, impairment charges recognized in net income and the resulting carrying amounts of the assets.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

k) Rate regulated accounting policies

Regulatory deferral accounts

Regulatory deferral accounts in these financial statements are accounted for differently than they would be in the absence of rate regulation. The Utility defers certain costs or revenues as regulatory deferral account debit balances or regulatory deferral account credit balances on the Statement of Financial Position and recognizes changes in the regulatory deferral account balances in the net movement in regulatory deferral account balances in the Statement of Operations and Other Comprehensive Income. The amounts recognized as regulatory deferral account balances are expected to be recovered or refunded in future rates, based on approvals by the YUB. The recovery or settlement of regulatory deferral account balances through future rates is impacted by demand risk and regulatory risks (e.g. potential future decisions of the YUB which could result in material adjustments to these regulatory deferral account debit balances and regulatory deferral account credit balances as described in Note 1(b)).

i) Regulatory deferral account debit balances

Regulatory deferral account debit balances represent costs which are expected to be recovered from customers in future periods through the rate-setting process. In the absence of rate regulation and the Utility's adoption of IFRS 14, *Regulatory Deferral Accounts*, such costs would be expensed as incurred.

ii) Regulatory deferral account credit balances

Regulatory deferral account credit balances represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. In the absence of rate regulation and the Utility's adoption of IFRS 14, such amounts would be recorded in income as performance obligations are met.

Note 10 describes the individual regulatory deferral accounts, the Utility's related regulatory deferral and amortization policies and describes the related account activity in the relevant periods.

l) Provision for asset retirement obligations

The Utility has legal obligations related to the closure and restoration of property, plant and equipment, which includes the costs of dismantling, demolition of infrastructure and the removal of residual materials and remediation of the disturbed areas.

Where a reliable estimate of the present value of these obligations can be determined, the total retirement costs are recognized as a provision in the accounting period when the obligation arises. There is also a corresponding increase to property, plant and equipment upon recognition of the obligation. Management estimates its costs based on feasibility and engineering studies and assessments using current restoration standards and techniques.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

m) Provision for environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. The Utility will accrue a provision when it has a present obligation as a result of a past event to remediate the contaminated site, it is expected that future economic benefits will be given up to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the likelihood of the Utility's obligation to incur these costs is either not determinable or the amount of the obligation cannot be reliably estimated, the contingency is disclosed in the notes to the financial statements.

The Utility reviews its provision for environmental liabilities on an ongoing basis and any changes are recognized in net income for the current period.

n) Contributions in aid of construction

Certain property, plant and equipment additions are made with financial assistance from the Utility's Parent, the YG, or the Government of Canada. These contributions are deferred upon receipt and amortized to income on the basis of the life of the asset to which they relate.

o) Post-employment benefits and other comprehensive income

The Utility sponsors an employee defined benefit pension plan for employees joining the Utility before January 1, 2002. The Utility also sponsors an executive defined benefit pension plan and supplemental executive retirement plan for a former executive. Benefits provided are calculated based on length of pensionable service, pensionable salary at retirement age and negotiated rates. The Utility contributes amounts to the pension plans as recommended by an independent actuary.

For the defined benefit plans the cost of pension benefits is actuarially determined using the projected benefits method, prorated on service, and reflects management's best estimates of investment returns, wage and salary increases, and age at retirement. Re-measurements of the net defined benefit liability, including actuarial gains and losses and return on plan assets, are recognized in other comprehensive income ("OCI") and are not reclassified to net income in a subsequent period. The Utility's policy is to immediately transfer actuarial gains and losses recognized in OCI to retained earnings. The expected return on plan assets is based on the fair value of these assets.

Employees joining the Utility after January 1, 2002 are eligible for a defined contribution retirement plan and are not eligible to participate in the defined benefit pension plan. The Utility has no legal or constructive obligation to pay further contributions with respect to this plan. Contributions are recognized as an expense in the year when employees have rendered service and represent the obligation of the Utility.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of judgment in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about such judgments and estimates is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarized below.

Areas of significant judgment and estimates made by management in preparing these financial statements include:

Impairment of non-financial assets – Note 3(j)

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Management continually monitors the Utility's operations and makes judgments and assessments about conditions and events in order to conclude whether possible impairment exists.

Asset retirement obligations – Notes 3(l) and 24

In determining the present value of the obligation, the Utility must estimate the amount and timing of the future cash payments and then apply an appropriate risk-free interest rate. Any changes to the anticipated amounts or timing of future payments or risk-free interest rate can result in a change to the obligation.

Depreciation – Notes 3(g), 7 and 9

Significant components of property, plant and equipment are depreciated straight line over their estimated useful lives. Useful lives are determined based on current facts and past experience and the results of depreciation studies. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates. As such, assets may continue in use after being fully depreciated, or may be retired or disposed of before being fully depreciated. The latter could result in additional depreciation expense in the period of disposition.

Intangible assets – Notes 3(h) and 8

In determining whether to recognize costs as intangible assets, management makes judgments about when the criteria for recognition are met. Changes to management's judgments would affect the carrying amount of the Utility's intangible assets and amortization recognition.

Post-employment benefits – Notes 3(o) and 15

The Utility accrues for its obligations under defined benefit pension plans using actuarial valuation methods and other assumptions to estimate the projected benefit obligation and the associated expense related to the current period. The key assumptions utilized include the long-term rate of inflation, rates of future compensation, liability discount rates and the expected return on plan assets. The Utility consults with qualified actuaries when setting the assumptions used to estimate benefit obligations. Actual rates could vary significantly from the assumptions and estimates used.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

Revenue – Notes 3(a) and 18

The Utility estimates usage not yet billed at year end, which is included in revenues from sales of power. This accrual is based on an assessment of unbilled electricity supplied to customers between the date of the last meter reading and the year end. Management applies judgment to the measurement of the estimated consumption. Significant judgments have also been made in determining the nature of the Utility's performance obligations, the appropriate process measure and the contract terms to be used in recognizing the related revenue.

Provisions and Contingencies – Notes 3(m) and 24

Management is required to make judgments to assess if the criteria for recognition of provisions and contingencies are met, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Key judgments are whether a present obligation exists and the probability of an outflow being required to settle that obligation. Key assumptions in measuring recognized provisions include the timing and amount of future payments and the discount rate applied in measuring the provision.

Where the Utility is defending certain lawsuits management must make judgments, estimates and assumptions about the final outcome, timing of trial activities and future costs as at the period end date. Management will obtain the advice of its external counsel in determining the likely outcome and estimating the expected obligations associated with these lawsuits; however, the ultimate outcome or settlement costs may differ from management's estimates.

Financial Instruments – Notes 3(f) and 26

The Utility enters into financial instrument arrangements which may require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, in accordance with IFRS 9, *Financial Instruments*. Key judgments are whether certain non-financial items are readily convertible to cash, whether similar contracts are routinely settled net in cash or delivery of the underlying commodity taken and then resold within a short period, and whether the value of a contract changes in response to a change in an underlying rate, price, index or other variable.

Regulatory deferral account balances – Notes 1(b), 3(k) and 10

The Utility accounts for its regulatory deferral accounts in accordance with IFRS 14 and the decisions of the YUB. As discussed in Note 1(b) the recovery of these balances will be determined by the YUB as part of the regulatory proceeding to approve the GRA. Management is required to make judgments as to the amounts that the YUB will approve the Utility to collect deferred costs through future rates.

Conversion of debt – Note 13

The Utility's policy is to maintain a capital structure of 60% debt and 40% equity as approved by the YUB (Note 27). Management is required to apply judgment in assessing whether amounts due to the Parent and subsequently converted are government contributions in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* or are equity in nature.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

5. ACCOUNTS RECEIVABLE

	December 31 2021	December 31 2020
Trade accounts receivable		
Wholesale energy sales	\$ 6,171	\$ 5,287
Retail energy sales	5,146	4,371
Due from related parties (Note 22)	1,256	10,978
Other	3,550	4,953
	\$ 16,123	\$ 25,589

Included in Accounts receivable - Other is an amount of \$2,137,000 (2020 - \$3,531,000) related to insurance proceeds.

At December 31, 2021, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	\$ 14,606	\$ 1,254	\$ 273	\$ 16,133
Allowance for doubtful accounts	-	-	(10)	(10)
	\$ 14,606	\$ 1,254	\$ 263	\$ 16,123

At December 31, 2020, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	\$ 17,752	\$ 1,091	\$ 6,756	\$ 25,599
Allowance for doubtful accounts	-	-	(10)	(10)
	\$ 17,752	\$ 1,091	\$ 6,746	\$ 25,589

A reconciliation of the beginning and ending amount of allowance for doubtful accounts is as follows:

	December 31 2021	December 31 2020
Allowance for doubtful accounts at beginning of year	\$ (10)	\$ (10)
Amounts written off as uncollectable	-	-
Allowance for doubtful accounts at end of year	\$ (10)	\$ (10)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

6. INVENTORIES

	December 31 2021	December 31 2020
Materials and supplies	\$ 3,488	\$ 3,366
Diesel fuel	750	576
Liquefied natural gas	116	153
	\$ 4,354	\$ 4,095

7. PROPERTY, PLANT AND EQUIPMENT

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

	Generation	Transmission & Distribution	Land, Buildings & Other Equipment	Transportation	Construction Work-in Progress	Total
Cost:						
At December 31, 2019	\$ 304,340	\$ 199,053	\$ 20,363	\$ 5,172	\$ 7,609	\$ 536,537
Additions	-	-	-	-	25,591	25,591
Transfers	6,046	1,094	810	528	(8,478)	-
Disposals	(14)	-	(280)	-	-	(294)
At December 31, 2020	\$ 310,372	\$ 200,147	\$ 20,893	\$ 5,700	\$ 24,722	\$ 561,834
Additions	-	-	-	-	26,425	26,425
Transfers	15,284	31,074	981	-	(47,339)	-
Disposals	(880)	(1,095)	(114)	(216)	-	(2,305)
At December 31, 2021	\$ 324,776	\$ 230,126	\$ 21,760	\$ 5,484	\$ 3,808	\$ 585,954
Accumulated depreciation:						
At December 31, 2019	\$ 32,459	\$ 29,513	\$ 4,687	\$ 1,649	\$ -	\$ 68,308
Depreciation	6,390	4,381	782	360	-	11,913
Disposals	-	-	(280)	-	-	(280)
At December 31, 2020	\$ 38,849	\$ 33,894	\$ 5,189	\$ 2,009	\$ -	\$ 79,941
Depreciation	6,791	4,447	710	565	-	12,513
Disposals	(69)	(175)	(106)	(152)	-	(502)
At December 31, 2021	\$ 45,571	\$ 38,166	\$ 5,793	\$ 2,422	\$ -	\$ 91,952
Net book value:						
At December 31, 2020	\$ 271,523	\$ 166,253	\$ 15,704	\$ 3,691	\$ 24,722	\$ 481,893
At December 31, 2021	\$ 279,205	\$ 191,960	\$ 15,967	\$ 3,062	\$ 3,808	\$ 494,002

The total AFUDC capitalized for 2021 was \$942,000 (2020 - \$854,000). The AFUDC rate estimate for 2021 was 2.60% (2020 - 2.73%).

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

8. INTANGIBLE ASSETS

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

	Software	Deferred Service Costs	Financial Software	Aishihik Water Licensing	Thermal and Water Licensing	Total
Cost:						
At December 31, 2019	\$ 1,440	\$ 443	\$ 3,215	\$ 6,275	\$ 4,007	\$ 15,380
Additions	246	-	2,972	2,269	425	5,912
At December 31, 2020	\$ 1,686	\$ 443	\$ 6,187	\$ 8,544	\$ 4,432	\$ 21,292
Additions	133	-	793	1,616	121	2,663
Disposals	(516)	-	-	-	-	(516)
At December 31, 2021	\$ 1,303	\$ 443	\$ 6,980	\$ 10,160	\$ 4,553	\$ 23,439
Accumulated amortization:						
At December 31, 2019	\$ 673	\$ 384	\$ 1,702	\$ -	\$ 159	\$ 2,918
Amortization	263	59	284	299	33	938
At December 31, 2020	\$ 936	\$ 443	\$ 1,986	\$ 299	\$ 192	\$ 3,856
Amortization	237	-	628	306	33	1,204
Disposals	(516)	-	-	-	-	(516)
At December 31, 2021	\$ 657	\$ 443	\$ 2,614	\$ 605	\$ 225	\$ 4,544
Net book value:						
At December 31, 2020	\$ 750	\$ -	\$ 4,201	\$ 8,245	\$ 4,240	\$ 17,436
At December 31, 2021	\$ 646	\$ -	\$ 4,366	\$ 9,555	\$ 4,328	\$ 18,895

Additions to Financial Software, Aishihik Water Licensing and Thermal and Water Licensing for 2021 and 2020 were almost exclusively internally generated. Additions to other categories were almost exclusively externally purchased.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

9. LEASES

The Utility leases industrial land and building space. The lease terms typically run for five years. The right-of-use asset consists of land of \$20,000 (2020 - \$54,000) and building of \$214,000 (2020 - \$336,000).

	December 31 2021	December 31 2020
Right-of-use asset		
As at January 1	\$ 390	\$ 546
Depreciation expense	(156)	(156)
As at December 31	\$ 234	\$ 390
Lease liabilities		
Lease liabilities	\$ 248	\$ 405
Less current portion	150	157
Non-current portion	\$ 98	\$ 248
Maturity analysis		
Less than one year	\$ 156	\$ 168
One to five years	99	255
More than five years	-	-
Total undiscounted lease liabilities	\$ 255	\$ 423
Amounts recognized in net income		
Depreciation expense on right-of-use assets	\$ (156)	\$ (156)
Interest expense on lease liabilities	\$ (11)	\$ (16)
Expense relating to short-term leases	\$ (3,946)	\$ (2,315)

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

10. REGULATORY ACCOUNTS

a) Regulatory deferral account debit balances

	Feasibility Studies (i)	Regulatory Costs (ii)	Dam Safety (iii)	Deferred Overhauls (iv)	Uninsured Losses (v)	Fuel Price Adjustment (vi)	Subtotal see next page
Cost:							
At December 31, 2019	\$ 23,707	\$ 4,715	\$ 148	\$ 2,768	\$ 1,638	\$ 1,639	\$ 34,615
Costs incurred	1,064	4,755	174	-	4,764	-	10,757
Regulatory provision	-	(199)	-	-	(267)	3,485	3,019
Disposals	(1)	(1,981)	-	-	-	(2,867)	(4,849)
Contributions received/receivable	-	(539)	-	-	(3,531)	-	(4,070)
At December 31, 2020	\$ 24,770	\$ 6,751	\$ 322	\$ 2,768	\$ 2,604	\$ 2,257	\$ 39,472
Costs incurred	1,343	1,789	81	-	3,654	-	6,867
Regulatory provision	-	-	-	-	(411)	1,557	1,146
Disposals	(4,450)	(598)	(148)	-	(104)	(2,491)	(7,791)
Contributions received/receivable	-	(279)	-	-	(2,737)	-	(3,016)
At December 31, 2021	\$ 21,663	\$ 7,663	\$ 255	\$ 2,768	\$ 3,006	\$ 1,323	\$ 36,678
Accumulated amortization:							
At December 31, 2019	\$ 6,866	\$ 1,223	\$ 89	\$ 683	\$ 636	\$ -	\$ 9,497
Amortization	1,928	485	29	587	212	-	3,241
Disposals	(1)	(652)	-	-	-	-	(653)
At December 31, 2020	\$ 8,793	\$ 1,056	\$ 118	\$ 1,270	\$ 848	\$ -	\$ 12,085
Amortization	2,168	414	55	581	204	-	3,422
Disposals	(4,450)	(598)	(148)	-	-	-	(5,196)
At December 31, 2021	\$ 6,511	\$ 872	\$ 25	\$ 1,851	\$ 1,052	\$ -	\$ 10,311
Net book value:							
At December 31, 2020	\$ 15,977	\$ 5,695	\$ 204	\$ 1,498	\$ 1,756	\$ 2,257	\$ 27,387
At December 31, 2021	\$ 15,152	\$ 6,791	\$ 230	\$ 917	\$ 1,954	\$ 1,323	\$ 26,367
Net increase (decrease) in regulatory deferral account debit balances (which are recognized in the net movement in regulatory deferral account balances related to net income on the Statement of Operations and Other Comprehensive Income):							
December 31, 2020	\$ (864)	\$ 2,203	\$ 145	\$ (587)	\$ 754	\$ 618	\$ 2,269
December 31, 2021	\$ (825)	\$ 1,096	\$ 26	\$ (581)	\$ 198	\$ (934)	\$ (1,020)
Remaining recovery years							
At December 31, 2020	1 to 6 years	1 to 33 years	1 year	1 to 6 years	Indeterminate	1 year	
At December 31, 2021	1 to 5 years	1 to 32 years	5 years	1 to 5 years	Indeterminate	1 year	
Absent rate regulation, net income for the year and net movement in regulatory deferral account balances on the Statement of Operations and Other Comprehensive Income would increase (decrease) by:							
December 31, 2020	\$ 864	\$ (2,203)	\$ (145)	\$ 587	\$ (754)	\$ (618)	\$ (2,269)
December 31, 2021	\$ 825	\$ (1,096)	\$ (26)	\$ 581	\$ (198)	\$ 934	\$ 1,020

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

10. REGULATORY ACCOUNTS - continued

	Carry Forward	Vegetation Management (vii)	2017/18 GRA (viii)	2021 GRA (ix)	Total
Cost:					
At December 31, 2019	\$ 34,615	\$ 2,216	\$ 12,320	\$ -	\$ 49,151
Costs incurred	10,757	-	-	-	10,757
Regulatory provision	3,019	-	-	-	3,019
Disposals	(4,849)	-	(6,423)	-	(11,272)
Contributions received	(4,070)	-	-	-	(4,070)
At December 31, 2020	\$ 39,472	\$ 2,216	\$ 5,897	\$ -	\$ 47,585
Costs incurred	6,867	-	-	-	6,867
Regulatory provision	1,146	-	-	8,779	9,925
Disposals	(7,791)	-	(5,897)	(4,449)	(18,137)
Contributions received	(3,016)	-	-	-	(3,016)
At December 31, 2021	\$ 36,678	\$ 2,216	\$ -	\$ 4,330	\$ 43,224
Accumulated amortization:					
At December 31, 2019	\$ 9,497	\$ 666	\$ -	\$ -	\$ 10,163
Amortization	3,241	221	6,423	-	9,885
Disposals	(653)	-	(6,423)	-	(7,076)
At December 31, 2020	\$ 12,085	\$ 887	\$ -	\$ -	\$ 12,972
Amortization	3,422	222	5,897	4,449	13,990
Disposals	(5,196)	-	(5,897)	(4,449)	(15,542)
At December 31, 2021	\$ 10,311	\$ 1,109	\$ -	\$ -	\$ 11,420
Net book value:					
At December 31, 2020	\$ 27,387	\$ 1,329	\$ 5,897	\$ -	\$ 34,613
At December 31, 2021	\$ 26,367	\$ 1,107	\$ -	\$ 4,330	\$ 31,804
Net increase (decrease) in regulatory deferral account debit balances (which are recognized in the net movement in regulatory deferral account balances on the Statement of Operations and Other Comprehensive Income):					
December 31, 2020	\$ 2,269	\$ (221)	\$ (6,423)	\$ -	\$ (4,375)
December 31, 2021	\$ (1,020)	\$ (222)	\$ (5,897)	\$ 4,330	\$ (2,809)
Remaining recovery years					
At December 31, 2020		6 years	1 year		
At December 31, 2021		5 years	0 years	2 years	
Absent rate regulation, net income for the year and net movement in regulatory deferral account balances on the Statement of Operations and Other Comprehensive Income would increase (decrease) by:					
December 31, 2020	\$ (2,269)	\$ 221	\$ 6,423	\$ -	\$ 4,375
December 31, 2021	\$ 1,020	\$ 222	\$ 5,897	\$ (4,330)	\$ 2,809

(i) Feasibility studies and infrastructure planning

The Utility undertakes certain studies to determine the feasibility of a range of projects and infrastructure proposals. While in progress, the costs of these studies are deferred within this account. The Utility is directed to defer and amortize the costs over terms (between five and ten years) at the discretion of the YUB. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

10. REGULATORY ACCOUNTS - continued

(ii) Regulatory costs

These costs are associated with the YUB regulatory proceedings. The costs consist primarily of various rate and project review proceedings but also include resource plans, hearing costs from before 2012 and demand side management costs (consumer energy conservation program). The Utility is directed to defer and amortize the costs over terms at the discretion of the YUB. In February 2021, the Utility lost an appeal relating to a decision by the YUB denying certain Demand Side Management costs. As a result, the Utility wrote off costs with a net book value as at December 31, 2020 of \$1,329,000. The regulatory provision for the year reflects an amount transferred of \$0 (2020 - \$199,000) to the regulatory deferral account credit balance class Hearing Reserve (see Note 10(b)(ii)). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iii) Dam safety review

The Utility has a program of conducting safety reviews of its dams in accordance with standards set by the Canadian Dam Association. External consultants are hired every five years with intermittent costs incurred in the interim periods. These costs are being amortized over five years. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iv) Deferred overhauls

YUB Order 2013-01 restricted inclusion of property, plant and equipment overhaul depreciation expense in rates charged to customers until the Utility comes before the YUB for a prudence review. As such, starting in 2013 the Utility deferred depreciation expense related to overhauls. In 2017, the Utility came before the YUB for a prudence review and began to recognize these deferred depreciation amounts. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(v) Uninsured losses

Uninsured losses is an account maintained to address uninsured and uninsurable losses as well as the deductible portion of insured losses. The account is maintained through an annual provision and collected through customer rates. There is an annual regulatory provision of \$411,000 (2020 - \$267,000) and amortization of the forecast 2020 accumulated balance of \$2,048,000 (2020 - 2016 accumulated balance of \$1,059,000) over ten years (\$205,000 per year; 2020 - \$212,000 per year over five years). Costs incurred during 2021 of \$3,654,000 (2020 - \$4,764,000) include \$2,445,000 (2020 - \$3,631,000) of costs due to repairs required at the WH1 and WH2 penstocks. During 2021 the Utility recorded \$2,368,000 of penstock insurance proceeds and expects to recover a significant portion of the balance of costs from insurance proceeds in 2022 (see Note 19). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and the expected insurance proceeds recognized as revenue.

(vi) Fuel price adjustment

OIC 1995/90 directs the YUB to permit the Utility to adjust electricity rates to reflect fluctuations in the price of diesel fuel. The amount by which actual fuel prices vary from the long-term average prices is deferred and recovered from or refunded to customers in a future period through Rider F. In 2017 the Utility updated the long-term average cost to better reflect current market conditions. For all of 2019 Rider F was a refund of 0.011 cents per kWh. For the period January 1, 2020 through October 31, 2020 Rider F was a charge to customers of 0.970 cents per kWh. For the period November 1, 2020 through June 30, 2021 the charge increased to 1.371 cents per kWh. Effective July 1, 2021, the charge was reduced to 0.000 cents per kWh. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

10. REGULATORY ACCOUNTS - continued

(vii) Vegetation management

Prior to 2017, the Utility was deferring annual brushing costs in excess of a prescribed maximum annual amount based on a review of prior year brushing costs. In 2017, the Utility established a vegetation management policy and as a result of expected annual costs, deferral is no longer required. The Utility completes a full cycle of all of its brushing requirements every 10 years and is amortizing previously deferred costs over a 10 year period. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(viii) 2017/18 GRA

The Utility recognizes a regulatory deferral account debit balance when the Utility has the right, as a result of the actual or expected actions of the rate regulator, to increase rates in future periods in order to recover its allowable costs plus return on rate base, as described in Note 1(b). The amount recognized represents the amount approved by the YUB in November 2019, less amounts subsequently received from customers. At December 31, 2021 the amount was fully collected.

(ix) 2021 GRA

The Utility recognizes a regulatory deferral account debit balance when the Utility has the right, as a result of the actual or expected actions of the rate regulator, to increase rates in future periods in order to recover its allowable costs plus return on rate base, as described in Note 1(b). The amount recognized represents management's best estimates of revenues for rates to be approved by the YUB less amounts received from customers. The ending balance at December 31 comprises the Utility's remaining revenue shortfall to be collected from customers in future years.

(xi) Deferred gains and losses

Deferred gains and losses represent amounts from disposals of property, plant and equipment that have or will be submitted for approval by the YUB to be deferred. There are no deferred gains or losses during any of the reporting years.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

10. REGULATORY ACCOUNTS - continued

b) Regulatory deferral account credit balances

	Deferred Insurance Proceeds (i)	Hearing Reserve (ii)	Low Water Reserve Fund (iii)	Future Removal and Site Restoration (iv)	Contracts with Customers (v)	McQuesten Substation (vi)	Total
Cost:							
At December 31, 2019	\$ 11,602	\$ 682	\$ (2,013)	\$ 2,791	\$ 5,095	-	\$ 18,157
Cost incurred	-	(137)	(488)	(52)	-	-	(677)
Regulatory provision	-	51	-	-	31	-	82
Cash received	-	-	(11)	-	-	-	(11)
Cash refunded	-	-	1	-	-	-	1
At December 31, 2020	\$ 11,602	\$ 596	\$ (2,511)	\$ 2,739	\$ 5,126	-	\$ 17,552
Cost incurred	-	(101)	-	-	-	-	(101)
Regulatory provision	-	250	5,288	-	30	1,834	7,402
Cash received	-	-	-	-	-	-	-
Cash refunded	-	-	5	-	-	-	5
At December 31, 2021	\$ 11,602	\$ 745	\$ 2,782	\$ 2,739	\$ 5,156	\$ 1,834	\$ 24,858
Accumulated amortization:							
At December 31, 2019	\$ 7,162	\$ 583	\$ -	\$ -	\$ -	\$ -	\$ 7,745
Amortization	262	195	-	-	-	-	457
Disposals	-	-	-	-	-	-	-
At December 31, 2020	\$ 7,424	\$ 778	\$ -	\$ -	\$ -	\$ -	\$ 8,202
Amortization	262	195	-	-	-	-	457
Disposals	-	-	-	-	-	-	-
At December 31, 2021	\$ 7,686	\$ 973	\$ -	\$ -	\$ -	\$ -	\$ 8,659
Net book value:							
At December 31, 2020	\$ 4,178	\$ (182)	\$ (2,511)	\$ 2,739	\$ 5,126	\$ -	\$ 9,350
At December 31, 2021	\$ 3,916	\$ (228)	\$ 2,782	\$ 2,739	\$ 5,156	\$ 1,834	\$ 16,199
Net (increase) decrease in regulatory deferral account credit balances (which are recognized in the net movement of regulatory deferral account balances related to net income on the Statement of Operations and Other Comprehensive Income):							
December 31, 2020	\$ 262	\$ 281	\$ 498	\$ 52	\$ (31)	\$ -	\$ 1,062
December 31, 2021	\$ 262	\$ 46	\$ (5,293)	\$ -	\$ (30)	\$ (1,834)	\$ (6,849)
Remaining recovery years							
At December 31, 2020	16 years	Indeterminate	Indeterminate	Indeterminate	47 years	53 years	
At December 31, 2021	15 years	Indeterminate	Indeterminate	Indeterminate	46 years	52 years	
Absent rate regulation, net income for the year end and net movement in regulatory deferral account balances on the Statement of Operations and Other Comprehensive Income would increase (decrease) by:							
December 31, 2020	\$ (262)	\$ (281)	\$ (498)	\$ (52)	\$ 31	\$ -	\$ (1,062)
December 31, 2021	\$ (262)	\$ (46)	\$ 5,293	\$ -	\$ 30	\$ 1,834	\$ 6,849

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

10. REGULATORY ACCOUNTS - continued

(i) Deferred insurance proceeds

The deferred insurance proceeds represents a gain on fire insurance proceeds related to a fire at the Whitehorse Rapids Generating Station in 1997 which is being amortized to income at the same rate as depreciation of the related replacement assets. In the absence of rate regulation, IFRS requires the gain to have been fully recognized as income in the year received.

(ii) Hearing reserve

The Utility has established a deferral account for future regulatory hearing costs. In 2017 the Utility adjusted the annual provision and recognition of the accumulated balance to more accurately reflect expected hearing costs. The regulatory provision for the year reflects an annual provision of \$250,000 (2020 - \$250,000) less \$0 (2020 - \$199,000) of costs transferred from the regulatory deferral account debit balance class Regulatory Costs (see Note 10(a)(ii)). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iii) Low Water Reserve Fund

The Low Water Reserve Account ("LWRF") was established by YUB Order 2018-10. The LWRF is used to protect the Utility and ratepayers for costs associated with variability in thermal generation required when there is a thermal cost variance due solely to water-related hydro generation variances from YUB approved GRA forecasts. YUB Order 2019-08 amended how the LWRF is calculated.

The LWRF attracts interest based upon short/intermediate term bond rates. Any negative balance attracts interest at the lowest short-term bond rates available to the Utility through its line of credit. The Utility is required to file annual reports with the YUB on the LWRF's activity.

In accordance with YUB Order 2015-01, the Utility defers recognition of the additional amounts collected from rate payers when the cost of thermal consumed in the period is less than the long-term average thermal requirements estimated for the actual annual generation load. These deferred amounts are recognized as revenue in the period when the cost of thermal incurred for the period is greater than the long-term average thermal requirements and the reason for the shortfall is a shortage of water in the hydro system. There is a cap of +/- \$16 million for the LWRF. If the balance falls outside of this range, the Utility is to make an application to the YUB requesting recovery or a refund to customers. YUB Order 2019-02 set the refund rider to 0.00 cents/kWh effective April 1, 2019.

In the absence of rate regulation, IFRS would require any amounts earned or incurred related to the LWRF to be included in the Utility's net income in the year incurred.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

10. REGULATORY ACCOUNTS - continued

(iv) Future removal and site restoration costs

The Utility maintains a regulatory provision for future removal and site restoration related to property, plant and equipment, which is incremental to that required to be recognized as an asset retirement provision under IAS 37. The reserve has been established through amortization rates based upon depreciation studies conducted periodically by the Utility. As a result of YUB Order 2005-12, effective January 1, 2005, the provision is not to exceed the cumulative value of the provision at December 31, 2004 of \$5,757,000.

Costs of dismantling capital assets, including site remediation, will be applied to this regulatory deferral account credit balance if they do not otherwise relate to an asset retirement provision. The period over which the provision will be reduced is dependent on the timing of future costs of demolishing, dismantling, tearing down, site restoration or otherwise disposing of the asset net of actual recoveries, and is therefore indeterminate. In the absence of rate regulation, IFRS requires these costs to be expensed or included in the gain or loss on disposal of the related property, plant and equipment, as applicable.

(v) Contracts with customers

Effective January 1, 2018 the Utility adopted IFRS 15, *Revenue from Contracts with Customers*. As a result of the impacts of IFRS 15, certain revenues are recognized in net income over a shorter period than allowed by the YUB for rate-setting purposes. The timing difference is reflected as a regulatory deferral account credit balance.

(vi) McQuesten Substation

YUB Order 2022-03 required the Utility to create a separate asset class for certain assets constructed at the McQuesten Substation relating to the Victoria Gold connection. These assets were required to be amortized over the mine life as opposed to the useful life of the assets. The timing difference is reflected as a regulatory deferral account credit balance.

(c) Regulatory account expenses

Regulatory account expenses represent costs incurred related to regulatory account debit balances of \$6,867,000 (2020 - \$10,757,000) and regulatory account credit balances of \$101,000 (2020 - \$677,000).

(d) Net movement in regulatory deferral account balances related to net income

Net movement in regulatory deferral account balances related to net income is \$9,658,000 (2020 - \$3,313,000) represents the adjustment to net income for the year before net movement in regulatory deferral account balances for the effects of rate regulation in accordance with IFRS 14. The net movement figure is comprised of a decrease of \$2,809,000 for regulatory account debit balances and an increase of \$6,849,000 for regulatory account credit balances for rate regulation compared to the amounts that are recognized under IFRS. The net movement figure for 2020 is comprised of an decrease of \$4,375,000 for regulatory account debit balances and a \$1,062,000 decrease for regulatory account credit balances respectively for rate regulation compared to the amounts that would be recorded under IFRS absent rate regulation.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

11. BANK INDEBTEDNESS

By agreement the financial institution has a legally enforceable right to set off the outstanding balance under the line of credit by cash balances in other accounts with the same bank. The amount outstanding on the line of credit balance at year end was \$15.9 million (2020 - \$35.1 million). The Utility has cash balances with the same financial institution of \$3.1 million (2020 - \$3.1 million).

Due to changing circumstances, for the purposes of the statement of cash flows, the line of credit no longer forms part of the Corporation's cash management and instead is classified as financing activities. In the statement of cash flows, cash is comprised of:

	December 31 2021	December 31 2020
Bank balances	\$ 3,104	\$ 3,137
Line of credit	-	(35,066)
	\$ 3,104	\$ (31,929)

The Utility's bank indebtedness is comprised of:

	December 31 2021	December 31 2020
Bank balances	\$ 3,104	\$ 3,137
Line of credit	(15,878)	(35,066)
	\$ (12,774)	\$ (31,929)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2021	December 31 2020
Trade payables	\$ 10,340	\$ 15,143
Employee compensation	1,690	1,427
Due to related parties (Note 22)	1,216	1,117
Other	276	264
	\$ 13,522	\$ 17,951

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

13. CONSTRUCTION FINANCING

	December 31 2021	December 31 2020
Construction financing, due December 31, 2022 bearing interest at 1.50% approved to a maximum of \$8.4 million	\$ 8,400	\$ -
Construction financing, due December 31, 2022 bearing interest at 1.50% approved to a maximum of \$14 million	12,617	-
Construction financing, due December 31, 2021 bearing interest at 0.89% approved to a maximum of \$8.4 million	-	8,400
Construction financing, due December 31, 2021 bearing interest at 0.89% approved to a maximum of \$14 million	-	12,617
	<hr/> \$ 21,017	<hr/> \$ 21,017

Construction financing balances are monies advanced from the Parent to assist in the development of the Utility's infrastructure. Interest is payable annually at December 31 and at the maturity date.

During the year the Utility converted \$0 (2020 - \$1,368,000) of construction financing into contributed surplus from the Parent with no impact to cash flows. In addition, the Utility converted \$0 (2020 - \$3,959,000) of construction financing into long-term debt from the Parent with no impact on cash flows (see Note 14). The remaining prior year debt was extinguished and replaced with new debt with no impact on cash flows.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

14. LONG-TERM DEBT

The Utility's long-term debt is summarized as follows:

	December 31 2021	December 31 2020
Yukon Development Corporation		
\$77,723,273 term note bearing interest at 2.68% repayable in annual installments of \$3,683,800 principal, plus accrued interest with the balance of \$59,304,273 due December 31, 2024	\$ 66,672	\$ 70,355
\$21,900,000 flexible term note bearing interest up to 5.46% repayable in annual installments of \$336,923 principal, plus accrued interest with the balance of \$8,423,078 due December 31, 2051 (i)	18,531	18,867
\$5,505,000 term note bearing interest at 2.40% interest only payable annually, due December 31, 2039	5,505	5,505
\$20,984,404 term note bearing interest at 2.21% repayable in annual installments of \$839,376 principal, plus accrued interest with the balance due December 31, 2040	15,948	16,787
\$12,136,000 term note bearing interest at 2.10% interest only payable annually, due December 31, 2041	12,136	12,136
\$2,871,000 term note bearing interest at 2.90% interest only payable monthly, due June 30, 2044	2,871	2,871
\$3,958,745 term note bearing interest at 1.56% interest only payable monthly, due June 30, 2025	3,959	3,959
TD Bank		
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 2.06% per annum. Payable in monthly installments of \$47,918 interest and principal with the balance due on September 28, 2035 (ii)	7,831	8,240
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 3.40% per annum. Payable in monthly installments of \$117,095 interest and principal with the balance due on August 23, 2043 (iii)	21,527	22,189
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 2.64% per annum. Payable in monthly installments of \$30,868 interest and principal with the balance due on July 14, 2044 (iv)	6,295	6,497
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 2.06% per annum. Payable in monthly installments of \$20,478 interest and principal with the balance due on November 4, 2045 (v)	4,640	4,789
The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptance amounts from a variable interest rate based on the Bankers' Acceptance rates to a fixed rate of 2.88% per annum. Payable in monthly installments of \$35,853 interest and principal with the balance due on April 30, 2046 (vi)	7,518	-

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

14. LONG-TERM DEBT - continued

Carmacks Stewart First Nation Liability

Long-term liability payable to several First Nations related to the building of the Carmacks Stewart Transmission Line. These are non-interest bearing, repayment terms not yet established

	141	141
Long-term debt	173,574	172,336
Less current portion	6,537	6,280
	\$ 167,037	\$ 166,056

(i) **\$21,900,000 Flexible Term Note**

The terms of the flexible term note provide for a maximum amount of interest payable within a calendar year, calculated based on the actual grid generation on the electrical grid system connected with the Mayo Hydro Enhancement Project. The amount of interest payable as a result of the interest rate exceeding the maximum interest payable will abate forever. The actual interest rate on this flexible note was 5.46% (2020 - 5.46%).

(ii) **TD Bank Loan and 2.06% Interest Rate Swap**

On December 28, 2012, the Utility entered into a loan and interest rate swap with TD Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon. On September 11, 2020, the loan and interest rate swap was amended. The amendment changed the interest rate from 2.69% to 2.06% and the termination date from December 28, 2022 to September 28, 2035.

(iii) **TD Bank Loan and 3.40% Interest Rate Swap**

On August 23, 2018, the Utility entered into a loan and interest rate swap with TD Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon. On September 11, 2020, the loan and interest rate swap was amended. The amendment changed the interest rate from 3.67% to 3.40% and the termination date from August 23, 2038 to August 23, 2043.

(iv) **TD Bank Loan and 2.64% Interest Rate Swap**

On July 15, 2019, the Utility entered into a loan and interest rate swap with TD Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon. On September 11, 2020, the loan and interest rate swap was amended. The amendment changed the interest rate from 2.90 % to 2.64% and the termination date from July 14, 2039 to July 14, 2044.

(v) **TD Bank Loan and 2.06% Interest Rate Swap**

On November 4, 2020, the Utility entered into a loan and interest rate swap with TD Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon. The interest rate swap matures November 4, 2045.

(vi) **TD Bank Loan and 2.88% Interest Rate Swap**

On April 26, 2021, the Utility entered into a loan and interest rate swap with TD Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon. The interest rate swap matures April 30, 2046.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

14. LONG-TERM DEBT - continued

Long-term debt repayment

Scheduled repayments for all long-term debt are as follows:

2022	6,537
2023	6,584
2024	62,253
2025	6,958
2026	3,050
Thereafter	88,192
	\$ 173,574

The change in long-term debt arising from financing activities during the year related to principal repayments of \$6,421,000 (2020 - \$6,079,000) and the issuance of additional debt in the amount of \$7,659,000 (2020 - \$8,759,000).

Fair value

The fair value of long-term debt at December 31, 2021 is \$179,328,000 (2020 - \$186,554,000). The fair value for all long-term debt including current portions was estimated using discounted cash flows based on an estimate of the Utility's current borrowing rate for similar borrowing arrangements.

15. POST-EMPLOYMENT BENEFITS

Characteristics of benefit plans

The Utility sponsors a defined benefit pension plan for employees joining the Utility before January 1, 2002. The Utility also sponsors an executive defined benefit pension plan and supplemental executive retirement plan for a former executive. Benefits provided are calculated based on length of pensionable service, pensionable salary at retirement age and negotiated rates.

Employees joining the Utility after January 1, 2002 are not eligible to participate in the employee defined benefit pension plan. The Utility makes contributions to a Registered Retirement Savings Plan ("RRSP") on behalf of these employees and employees hired before January 1, 2002 who belonged to the employee defined benefit plan and elected to opt out of that plan. The RRSP is a defined contribution retirement plan. The costs recognized for the period are equal to the Utility's contribution to the plan. During 2021, these were \$568,000 (2020 - \$510,000).

The defined benefit pension plan for employees is regulated by the Office of the Superintendent of Financial Institutions ("OSFI") through the *Pension Benefits Standards Act* and regulations. This Act and accompanying regulations impose, among other things, minimum funding requirements. The executive defined benefit pension plan and supplemental executive retirement plan are not registered with OSFI and are not subject to minimum funding requirements of the Act.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

15. POST-EMPLOYMENT BENEFITS - continued

These minimum funding requirements require the Utility make special payments as prescribed by the OSFI to repay any unfunded liability or solvency deficiency that may exist. For the employee defined benefit pension plan the Utility is currently required to pay \$246,200 for 2022. This amount may change in future years and may be summarized as follows:

<u>Start Date</u>	<u>Minimum Annual Payment</u>	<u>End Date</u>
January 1, 2013	\$24,900	December 31, 2027
January 1, 2014	\$49,300	December 31, 2028
January 1, 2018	\$61,000	December 31, 2032
January 1, 2019	\$36,000	December 31, 2033
January 1, 2020	\$75,000	December 31, 2034

A committee of the Utility's Board of Directors oversees these plans and is responsible for the investment policy with regard to the assets of these funds.

Risks associated with defined benefit plans

The defined benefit pension plans expose the Utility to risk such as investment risk and actuarial risk. Investment risk is the risk that the assets invested will be insufficient to meet expected benefits. Actuarial risk is the risk that benefits paid will be more than expected. There are no particular unusual, entity-specific or plan-specific risks or any significant concentration of risk.

Net defined benefit liability

	December 31 2021	December 31 2020
Present value of benefit obligations		
Balance, beginning of year	\$ 31,318	\$ 28,075
Employee contributions	48	45
Current service cost	468	409
Interest cost	785	872
Benefits paid	(814)	(772)
Actuarial (gains) on experience	(856)	(96)
Actuarial (gains) losses on financial assumptions	(2,168)	2,785
Balance, end of year	\$ 28,781	\$ 31,318
Fair value of plan assets		
Balance, beginning of year	22,247	20,386
Interest income on plan assets	554	628
Gains on plan assets	1,963	1,475
Employee contributions	48	45
Employer contributions	681	551
Benefits paid	(814)	(772)
Administrative costs	(68)	(66)
Balance, end of year	\$ 24,611	\$ 22,247
Effect of asset ceiling	82	-
Net defined benefit liability	\$ 4,252	\$ 9,071

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

15. POST-EMPLOYMENT BENEFITS - continued

Components of benefit plan cost:

	December 31 2021	December 31 2020
Current service cost	\$ 468	\$ 409
Interest cost	785	872
Interest income on plan assets	(554)	(628)
Administrative costs	68	66
Defined benefit expense in Statement of Operations	767	719
Defined contribution expense	568	510
Total benefit expense in Statement of Operations	\$ 1,335	\$ 1,229
Actuarial (gains) losses on obligation	(3,024)	2,689
Gains on plan assets	(1,963)	(1,475)
Effect of asset ceiling	82	-
Total re-measurements included in Other Comprehensive Income	\$ (4,905)	\$ 1,214
Total benefit costs recognized in Statement of Operations and Other Comprehensive Income	\$ (3,570)	\$ 2,443

Distribution of plan assets of defined benefit pension plans

The fair value of the defined benefit pension plans' assets are based on market values as reported by the defined benefit pension plans' custodians as at each applicable Statement of Financial Position date. The distribution of assets by major asset class is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equities	42.6%	51.9%
Fixed income securities	36.5%	39.0%
Real estate	20.9%	9.1%

Significant assumptions:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate - accrued benefit obligation	3.00%	2.50%
Assumed rate of compensation increase	2.80%	2.80%
Pension growth	2.00%	2.00%

Sensitivity analysis of the defined benefit pension plans:

The sensitivities of each key assumption used in measuring accrued benefit obligations at each Statement of Financial Position date have been calculated independently of changes in other key assumptions. Actual experience may result in changes in a number of assumptions simultaneously. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The mortality assumptions are based on the 2014 Canadian Pensioner Mortality Private Table projected with full generational mortality improvements using scale MI-2017.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

15. POST-EMPLOYMENT BENEFITS - continued

Assumptions and sensitivity to the recognized post-employment benefits liability balance at December 31, 2021

Assumption	+1%	-1%	+1%	-1%
Discount rate	-13%	16%	\$ (3,758)	\$ 4,714
Salary growth	1%	-1%	156	(149)
Pension growth	15%	-12%	4,226	(3,472)
Life expectancy (1 year movement)	3%	-3%	830	(836)

Assumptions and sensitivity to the recognized post-employment benefits liability balance at December 31, 2020

Assumption	+1%	-1%	+1%	-1%
Discount rate	-14%	18%	\$ (4,428)	\$ 5,622
Salary growth	1%	-1%	231	(220)
Pension growth	16%	-13%	4,878	(3,449)
Life expectancy (1 year movement)	3%	-3%	940	(944)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same that is applied in calculating the defined benefit obligation liability recognized in the Statement of Financial Position.

The Utility pays the balance of the cost of the employee benefit plan over the employee contributions, as determined by the actuary. Members are required to contribute 3.5% of earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 5% of earnings above the YMPE. Permanent part-time members will have required contributions as above multiplied by their permanent part-time service ratio. Employees can make additional contributions to purchase ancillary benefits. Members choose the ancillary benefit on termination of service or on retirement.

The average duration of the benefit obligation is 14.9 years (2020 - 16.3 years). The Utility expects to make payments of \$606,800 (2020 - \$766,800) to the defined benefit plans during the next financial year.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

16. CONTRIBUTIONS IN AID OF CONSTRUCTION

	Government of Canada	Parent since 1998	Yukon Government since 1998	Pre-1998 contributions	Total
Cost:					
At January 1, 2020	\$ 71,299	\$ 89,730	\$ 11,698	\$ 1,739	\$ 174,466
Additions	12,395	-	-	-	12,395
At December 31, 2020	\$ 83,694	\$ 89,730	\$ 11,698	\$ 1,739	\$ 186,861
Additions	9,266	-	200	-	9,466
At December 31, 2021	\$ 92,960	\$ 89,730	\$ 11,898	\$ 1,739	\$ 196,327
Accumulated amortization:					
At January 1, 2020	\$ 8,002	\$ 13,047	\$ 2,491	\$ 1,465	\$ 25,005
Amortization	991	1,604	229	43	2,867
At December 31, 2020	\$ 8,993	\$ 14,651	\$ 2,720	\$ 1,508	\$ 27,872
Amortization	1,204	1,604	228	44	3,080
At December 31, 2021	10,197	16,255	2,948	1,552	30,952
Net book value:					
At December 31, 2020	\$ 74,701	\$ 75,079	\$ 8,978	\$ 231	\$ 158,989
At December 31, 2021	\$ 82,763	\$ 73,475	\$ 8,950	\$ 187	\$ 165,375

17. DEFERRED REVENUE

	Customer Contributions	Decommissioning Fund	Total
At January 1, 2020	\$ 17,886	\$ 2,769	\$ 20,655
Additions	1,071	30	1,101
Revenue recognized in Sales of Power (Note 18)	(1,612)	-	(1,612)
At December 31, 2020	\$ 17,345	\$ 2,799	\$ 20,144
Additions	1,111	13	1,124
Revenue recognized in Sales of Power	(1,625)	-	(1,625)
At December 31, 2021	\$ 16,831	\$ 2,812	\$ 19,643

Customer contributions represent monies paid or assets contributed by customers for connection to the grid. The contributions are recognized into revenue when the performance obligation is satisfied.

The decommissioning fund represents monies paid in advance by an industrial customer to decommission the spur line that connects its operation to the Utility's grid. Under a power purchase agreement, the customer has the financial responsibility for decommissioning activities to be performed by the Utility on its behalf. Any amounts not required for decommissioning will be refunded to the customer. This money accrues interest at the rate equal to the three month Canadian Dealer Offered Rate ("CDOR"). This amount will be recognized to revenue when uncertainty associated with its recognition is satisfied.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

18. SALES OF POWER

	2021	2020
Wholesale	\$ 46,502	\$ 44,721
Industrial	19,438	13,832
General service	8,051	8,165
Residential	4,175	4,049
Secondary sales	330	8
Sentinel and street lights	137	132
	\$ 78,633	\$ 70,907

19. OTHER REVENUE

During 2020 penstock inspections, deformation was noticed in WH1 and WH2 penstocks and major repairs were required before the units could be put back into service. The repairs of WH1 were completed in 2020 but the repairs of WH2 continued in 2021. During the year, the Utility incurred \$2,445,000 (2020 - \$3,631,000) of costs due to repairs required at the penstocks (see Note 10(a)(v)) and recorded \$2,368,000 (2020 - \$3,531,000) of insurance proceeds in revenue. The Utility has recorded a receivable of \$2,137,000 (2020 - \$3,531,000).

20. OPERATIONS AND MAINTENANCE EXPENSES

	2021	2020
Fuel	\$ 8,935	\$ 15,217
Regulatory account expenses (Note 10 (c))	6,968	11,434
Wages and benefits	6,696	6,508
Contractors	4,929	3,943
Rent	2,971	2,138
Loss on asset disposals	1,803	-
Materials and consumables	1,284	1,847
Travel	340	314
Communication	92	79
	\$ 34,018	\$ 41,480

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

21. ADMINISTRATION EXPENSES

	2021	2020
Wages and benefits	\$ 6,470	\$ 5,935
Insurance and taxes	2,380	2,180
External labour	1,893	1,810
Materials, consumables and general	1,787	1,702
Licences and fees	922	722
Board fees	115	135
Travel	86	111
	\$ 13,653	\$ 12,595

22. RELATED PARTY TRANSACTIONS

The Utility is related in terms of common ownership to all YG departments, agencies and Territorial Corporations. Transactions are entered into in the normal course of operations with these entities. All sales of power transactions are recorded at the rates approved by the YUB.

Interim Electrical Rebate program revenues are received from YDC in accordance with terms established by YG which established the program to protect certain ratepayers. These revenues are included in sales of power on the Statement of Operations and Other Comprehensive Income.

The following table summarizes the Utility's related party transactions with YDC for the year:

	2021	2020
Revenue		
Sales of service	\$ 4	\$ 4
Rate subsidy	280	281
Operating expenses		
Interest expense	\$ 4,005	\$ 4,478
Other receipts/additions		
Long-term debt	-	3,959
Contributed surplus	-	1,368
Other payments/deductions		
Repayment of long-term debt	\$ 4,860	\$ 4,860
Construction financing	-	3,959
Construction financing	-	1,368

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

22. RELATED PARTY TRANSACTIONS - continued

At the end of the year, the amounts receivable from and due to related parties are as follows:

	December 31 2021	December 31 2020
YDC		
Accounts receivable	\$ 925	\$ 10,888
Accounts payable	1,216	1,049
Construction financing	21,017	21,017
Current portion of long-term debt	4,860	4,860
Long-term debt	120,761	125,620
YG		
Accounts receivable	\$ 331	\$ 90
Accounts payable	-	68

Included in Accounts receivable from YDC is an amount of \$896,000 for capital projects funded by YG and the federal government (2020 - \$10,458,000). These balances are non-interest bearing and payable on demand except for construction financing and long-term debt.

Transactions with Key Management Personnel

The Utility's key management personnel include members of the senior management team and the Board of Directors, a total of 17 individuals (2020 - 15 individuals). Key management personnel compensation is as follows:

Year ended December 31	2021	2020
Short-term employee benefits	\$ 1,846	\$ 1,634
Post-employment benefits	209	198
	\$ 2,055	\$ 1,832

23. COMMITMENTS

Aishihik water licence

The Yukon Water Board issued a water use licence in 2002, valid until December 31, 2019, for the Utility's Aishihik Lake facility. In addition to maintaining a minimum and maximum water level, this licence commits the Utility to meet a number of future requirements including annual fish monitoring programs. Due to outstanding issues with affected stakeholders, the Utility was unable to secure a long term renewal of the licence prior to expiry. During 2019, a two month extension was granted and then, in order to ensure continued generation from this plant, the Utility made application for a short term (three year) renewal to the existing licence. This application was approved and a renewed licence was granted by the YWB effective March 1, 2020. This short term licence includes additional monitoring and potential operational adjustments, the cost of which will be charged to the fiscal year in which they occur. The Utility continues to work with affected parties with the objective of a longer term licence agreement prior to the expiry of the extension.

Fish monitoring programs are also required under an authorization provided by the federal government Department of Fisheries and Oceans, which is valid until December 31, 2022.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

23. COMMITMENTS - continued

Contractual obligations

The Utility has entered into contracts to purchase products or services for which the liability has not been incurred as at December 31, 2021 as the product or service had not been provided. The total commitments at year end are \$19,901,000 (2020 - \$30,331,000).

24. CONTINGENCIES

Aishihik Third Turbine Project

This project was commissioned into service in December 2011. On March 2, 2012, the general contractor filed a claim with the Supreme Court of Yukon for \$4,000,000 plus interest and costs alleging the Utility has not paid for work performed. During 2017, the Yukon Supreme Court issued an award in favor of the contractor. The Utility successfully appealed the award in 2018. A re-trial was held in April 2020; the decision of the judge was received on February 1, 2021. The trial resulted in a net award in favour of the Utility. During 2021 the Utility received a payment of \$487,000. The Utility's claims for cost and interest are still to be adjudicated.

Asset Retirement Obligations

The Utility has not recognized a provision for the closure and restoration obligations for certain generation, transmission and distribution assets which the Utility anticipates maintaining and operating for an indefinite period, making the date of retirement of these assets indeterminate. These significant uncertainties around the timing of any potential future cash outflows are such that a reliable estimate of the liability is not possible at this time. A provision will be recognized when the timing of the retirement of these assets can be reasonably estimated.

25. PROVISION FOR ENVIRONMENTAL LIABILITIES

The Utility's activities are subject to various federal and territorial laws and regulations governing the protection of the environment or to minimize any adverse impact thereon. The Utility conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

The Utility has conducted environmental site assessments at all its diesel plant sites. No new environmental contamination was found. As at December 31, 2021 no new provisions for environmental liabilities, for which a legal obligation exists to remediate, have been identified by the Utility. The Utility has its Environmental Management System to monitor and assess previous and potential existing environmental liabilities on an ongoing basis. The Utility does not have a provision for environmental liabilities as there is no present obligation to remediate.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

At December 31, 2021, the Utility's financial instruments included accounts receivable, bank indebtedness, accounts payable and accrued liabilities, construction financing, long-term debt and interest rate swaps. The fair values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and construction financing approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Interest rate swaps are financial contracts that derive their value from changes in an underlying variable. The fair value of the interest rate swaps is estimated using standard market valuation techniques and is provided to the Utility by the financial institution that is the counterparty to the transactions.

Interest rate risk

Interest rate risk is the risk that future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Utility's future cash flows are not exposed to significant interest rate risk due to its long-term debt having fixed interest rates, with the exception of the Bankers' Acceptances from the TD Bank. The Bankers' Acceptances have had the variable rate converted to a fixed rate using an interest rate swap to eliminate the interest rate risk.

As at December 31, 2021, the Utility had five (2020 - four) interest rate swap agreements in place. The three agreements from 2019 were amended on September 11, 2020 (see Note 14). The first agreement has a notional principal amount of \$7.8 million (2020 - \$8.2 million) and the agreement effectively changes the Utility's interest rate exposure on this notional amount from a floating rate to a fixed rate of 2.06%. The second agreement has a notional principal amount of \$21.5 million (2020 - \$22.2 million) and the agreement effectively changes the Utility's interest rate exposure on the notional amount from a floating rate to a fixed rate of 3.40%. The third agreement has a notional principal amount of \$6.3 million (2020 - \$6.5 million) and the agreement effectively changes the Utility's interest rate exposure on the notional amount from a floating rate to a fixed rate of 2.64%. The fourth agreement has a notional principal amount of \$4.6 million (2020 - \$4.8 million) and the agreement effectively changes the Utility's interest rate exposure on the notional amount from a floating rate to a fixed rate of 2.06%. The fifth agreement has a notional principal amount of \$7.5 million (2020 - \$0) and the agreement effectively changes the Utility's interest rate exposure on the notional amount from a floating rate to a fixed rate of 2.88%.

The fair value of the interest rate swap agreements on December 31, 2021 was a liability of \$2,479,000 (2020 -\$5,050,000). The increase in the fair value in 2021 of \$2,571,000 (2020 - decrease of \$3,120,000) is recognized on the Statement of Operations and Other Comprehensive Income as an unrealized gain (loss). A 100 basis point increase or decrease in the interest rate assumption would have resulted in an increase/decrease in the interest rate swap agreements fair value of \$5,020,000 (2020 - \$4,710,000).

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

Interest rate risk - continued

The Utility has access to a \$10 million line of credit. Effective June 6, 2019, the line of credit was increased temporarily to \$26.5 million. Effective May 31, 2020, the line of credit was increased temporarily to \$36.0 million. Effective April 22, 2021, the line of credit was increased temporarily to \$43.0 million. The temporary increase expires June 30, 2022. The account accrues interest on withdrawals at prime rate minus 0.75% (2020 - 0.75%) per annum. Due to the short-term nature of the amount drawn on the line of credit and the Utility's cash balances with the same financial institution (Note 11), the interest rate risk is minimal.

Credit risk

Credit risk is the risk of failure of a debtor or counterparty to honour its contractual obligations resulting in financial loss to the Utility.

The following table illustrates the maximum credit exposure to the Utility if all counterparties defaulted:

	December 31 2021	December 31 2020
Accounts receivable	\$ 16,123	\$ 25,589
	\$ 16,123	\$ 25,589

Credit risk on accounts receivable is considered minimal as the Utility has experienced insignificant bad debt in prior years. In addition, its primary customer is a rate regulated utility that purchases power from the Utility for resale and as such these receivables are considered fully collectible. Included in the accounts receivable past due but not impaired at December 31, 2021 are \$1,517,000 (2020 - \$7,837,000) which management believes will be received in full.

Liquidity risk

Liquidity risk is the risk that the Utility will not be able to meet its financial obligations as they fall due. The Utility manages liquidity risk through regular monitoring of cash and currency requirements by preparing cash flow forecasts to identify financing requirements. The Utility's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Utility's reputation.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

The Utility's largest current liability is current portion of long-term debt which is predominantly due to the Parent. In addition, rate regulation assists the Utility with liquidity management by providing consistent revenues and a consistent debt to equity ratio.

Fair values

The following table illustrates the fair value hierarchy of the Utility's financial instruments as at December 31, 2021:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related liability	-	\$2,479	-	\$2,479
Long-term debt	-	-	\$179,300	\$179,300

The following table illustrates the fair value hierarchy of the Utility's financial instruments as at December 31, 2020:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related liability	-	\$5,050	-	\$5,050
Long-term debt	-	-	\$186,600	\$186,600

27. CAPITAL MANAGEMENT

The Utility's capital is its shareholder's equity which is comprised of share capital, contributed surplus and retained earnings. The Utility manages its equity by managing revenues, expenses, assets and liabilities to ensure the Utility effectively achieves its objectives while remaining a going concern.

The Utility has a policy which defines its capital structure at a ratio of 60% debt and 40% equity. This policy has been reviewed and accepted by the YUB.

The Utility monitors its capital on the basis of the ratio of total debt to total capitalization. Debt is calculated as total borrowings, which is comprised of long-term debt, including the portion of long-term debt due within one year, as well as the decommissioning fund (Note 17). Short-term debt related to assets under construction at the Statement of Financial Position date is excluded from the calculation of total debt, as the assets are similarly excluded from the determination of rate base. Total capitalization is calculated as total debt plus total shareholder's equity as shown on the Statement of Financial Position. The Utility maintains a balance in retained earnings as an indicator of the Utility's equity position.

Yukon Energy Corporation

Notes to Financial Statements

(tabular amounts in thousands of Canadian dollars)

December 31 2021

27. CAPITAL MANAGEMENT - continued

The table below summarizes the Utility's total debt to total capitalization position:

	December 31	
	2021	2020
Long-term debt due within one year	\$ 6,537	\$ 6,280
Long-term debt	167,037	166,056
Total debt	173,574	172,336
Add decommissioning fund (Note 17)	2,812	2,799
Total debt to include in the calculation	\$ 176,386	\$ 175,135
Share capital	\$ 39,000	\$ 39,000
Contributed surplus	15,968	15,968
Retained earnings	82,684	64,249
Total shareholder's equity	137,652	119,217
Total capitalization	\$ 314,038	\$ 294,352
Total debt to total capitalization	56 %	59 %

There were no changes in the Utility's approach to capital management during the period.

28. SUBSEQUENT EVENTS

In January 2022, the Utility executed an Electricity Purchase Agreement ("EPA") with Tlingit Homeland Energy LP ("the Seller"). The agreement commits the Utility to the purchase of all electricity generated from a hydrogeneration facility to be constructed in Atlin, BC ("the Plant"), for an initial 40-year period. The Seller will build, own and operate the Plant and related transmission assets. The Plant is expected to be complete and operational in 2024. The EPA is subject to a number of conditions precedent including, among others, a review by the YUB, ongoing consultation with First Nations in the project area, approvals from the Taku River Tlingit First Nation Government and Yukon Government, and all government grant funding and project permits being obtained by the Seller. An estimate of the financial impact of the EPA on the Utility's future results of operations and financial position cannot be made at this time.