#2 Miles Canyon Road
Box 5920, Whitehorse
Yukon Y1A 6S7

yukonenergy.ca

October 14, 2025

Ms. Lesley McCullough, Chair
Yukon Utilities Board
Box 31728, Whitehorse, YT Y1A 6L3

Dear Ms. McCullough:

Re: Yukon Energy's 2025-27 GRA, updated information on Wareham Dam Spillway Project - Tunnel

Yukon Energy Corporation (Yukon Energy or YEC) has, in the past week, received new information relating to the Wareham Dam Spillway Project – Tunnel (the Tunnel Project), as reviewed below, with completion now expected to be delayed beyond the end of 2027.

Yukon Energy's 2025-27 GRA provided information on the Wareham Dam Spillway Project, including both:

- the Tunnel Project, with a total cost of $73.9 million forecast to be added to the rate base in 2027; and
- the Wareham Dam Spillway Full Replacement Project, which was forecast to cost an additional $77.1 million to be added to rate base in a future GRA, as indicated in the Supplementary Information filed June 30, 2025.

In Section 5.1A-4 of the 2025-27 GRA (PDF pp. 267-271), Yukon Energy described its plan (as of the date of filing of the GRA) to develop the selected spillway permanent solution in three phases: Phase 1 – Design & Procurement (2025); Phase 2 – Project Execution – Spillway Tunnel & Plunge Pool (2026-2027); and Phase 3 – Project Execution – Replacement of the Existing Spillway (2028-2029).

Additional information about the need for a spillway permanent solution, and about Yukon Energy's active work towards a permanent solution as soon as possible, was also provided in Section 5.4A-2 of the 2025-27 GRA (PDF pp. 445-448).

During the Information Request process, Yukon Energy provided further detailed information about the Tunnel Project in response to YUB-YEC-1-70 (c) and (d). This included a project execution schedule (as it existed at the time the expenditure forecasts included in the present GRA were prepared) as well as information about the status of each milestone/deliverable in that schedule, showing some delays. Due to the project's nature and importance, however, Yukon Energy continued to pursue it with a tight schedule, with expectations to complete it by the end of 2027.

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As the project schedule is progressing, Yukon Energy is facing some challenges and opportunities with the spillway design. This includes the possibility of pursuing an alternative option of an open channel design instead of the tunnel option described as "Option 7" in the GRA (PDF p. 269). Yukon Energy is actively reviewing the design of the spillway and whether the tunnel or channel option will be more suitable for Phase 2 of the project, having regard to the nature of the project, its importance, its anticipated cost, and its urgency. Yukon Energy plans to confirm the preferred spillway option before the end of Q4, 2025 through the completion of a comparative design, cost, and constructability assessment.

Based on the most current available information, Yukon Energy determined at the end of last week that completion of Phase 2 of this project will be delayed into 2028. The schedule adjustment reflects emerging constructability considerations addressing geotechnical complexity and the need to fully evaluate potential advantages of the open channel alternative. This delay does not impact the project's risk profile, as Yukon Energy still expects to have the spillway available for the 2028 freshet [spring/early summer of 2028]; however, Yukon Energy now forecasts that the Tunnel Project (or open channel alternative) will not be completed before the end of 2027.

Considering the significance of the Tunnel Project and its costs, Yukon Energy is providing an update today, based on the information now available, which became known only after the IR responses were filed.

Cost estimates for both the tunnel and open-channel options are currently under review. Yukon Energy anticipates providing an updated cost projection for Phase 2 once the preferred alternative is confirmed.

At this time, we note that if the Wareham Dam Spillway Project – Tunnel is removed from the 2025-27 GRA rate base and revenue requirement, that will reduce the revenue requirement by $2.7 million reducing the required rate increase by approximately 2%.

Yours truly,

Jason Epp,
Vice President, Finance and CFO