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OPENING STATEMENT
OF
YUKON ENERGY CORPORATION
2025-2027 General Rate Application
before the Yukon Utilities Board

October 17, 2025

Introductory Comments

Yukon Energy welcomes the opportunity to be before the Yukon Utilities Board with our 2025-27 General Rate Application, for a review of our revenues, costs, rates and plans going forward, and the changes in this regard since our last GRA for 2023/24.

Yukon Energy's 2025-27 GRA addresses adjustments to our approved revenue requirement and other matters as required to implement overall rate adjustments needed to recover the forecast revenue shortfall in each test year.

Requested Approvals

Yukon Energy's 2025-27 Application filed in May 2025 seeks approval of the forecast revenue requirement of \$107.392 million for 2025, \$122.406 million for 2026 and \$134.850 million for 2027, subject to adjustments that will be required as a result of corrected and updated information provided subsequently in Yukon Energy's responses to Information Requests and in its letters of September 19 and October 14, 2025.¹

Subject to adjustments as noted above, the Application's forecast additional firm rate revenue required for 2027 is \$44.045 million, representing a required increase of 33.73% over the existing rates.

Board Order 2025-12 approved interim refundable rate Rider J increases of 17.89 percentage points as at July 1, 2025, and 19.66 percentage points as at January 1, 2026. The Application seeks:

- final rates for 2025 and 2026 and a true-up rider, if required, effective April 1, 2026; and
- final test year 2027 rates effective January 1, 2027, to coordinate that rate increase with the removal of the 2023/24 Yukon Energy GRA true-up Rider J1 of 9.45% (which is effective until December 31, 2026, pursuant to Board Order 2024-13).

¹ As previously indicated, Yukon Energy will reflect these corrections and updates and all required adjustments in its compliance filing, subject to further direction of the Board.

Context for Rate Increase

The forecast increases in Yukon Energy's revenue requirement reflect the urgent and significant investments needed in the Yukon Integrated System (YIS) electricity infrastructure to safeguard and strengthen our aging generation, transmission and distribution facilities, while at the same time assuring the electricity system's continued ability to meet unprecedented growth in forecast customer demand year after year.

Aging infrastructure and rapidly increasing demand are in no way unique to Yukon. Electricity utilities across Canada are facing the same kinds of pressures and challenges. The impact of these challenges is particularly acute in the Yukon because of the isolated nature of the Yukon grid, which requires us to be entirely self-sufficient to provide a sufficient supply of dependable electrical power on cold winter days and into the future.

In this context, the Application indicates that approximately 64% of the \$44 million forecast revenue requirement shortfall for 2027 is attributable to cost increases related to capital and deferred costs. Together, 17 major projects account for approximately \$298.5 million or about 86% of the net rate base capital additions [net of 2023/24 GRA additions and contributions] before depreciation and amortization in the test years – subject to the updates noted below.

Updates – Wareham Dam Spillway and Whitehorse Power Centres

The most significant updates on the projects that could have the most material impact on Yukon Energy's forecast revenue requirement centre on the timing of two of the largest capital projects addressed in the Application: the Wareham Dam Spillway – Tunnel Project (Tunnel Project) (GRA Appendix 5.1A-4) and the Whitehorse Power Centres Project (WPC) (GRA Appendix 5.4A-1; YUB-YEC-1-8 (a-b) and Attachment 1).

These two capital projects – amongst other major projects that are driving the forecast increase in Yukon Energy's revenue requirement, including, for example, the Thermal Replacement Project, the Battery Energy Storage System, the Mayo Rock Slope Remediation and Surge Chamber projects, and the required relicensing of all three of Yukon Energy's hydroelectric generating stations – are not optional or discretionary. They are critically and urgently required

to ensure Yukon Energy's ability to continue to provide safe and reliable electricity service to Yukoners.

In the GRA as filed in May 2025, Yukon Energy forecast that the WPC Project would remain in WIP at the end of 2027. However, based on the most current available load forecasts, Yukon Energy must accelerate completion of the first phase of the WPC Project to bring the South Power Centre into service by December 2027. This must be done. It will be essential to ensure Yukon Energy's ability to meet the 8.1 MW capacity shortfall that is otherwise projected for winter 2027/28, based on the updated demand forecasts outlined in YUB-YEC-1-30.²

At the same time, based on the most current available information, Yukon Energy now forecasts completion of the Tunnel Project (with potential modification to reflect an alternative open channel design option) in early 2028, instead of during 2027 as was previously forecast in the GRA as filed. This will not affect the risk profile of the project, as Yukon Energy still expects to have the Wareham Spillway available for the 2028 spring/early summer freshet; however, it will delay full completion of the project beyond the GRA test years.

As outlined in Yukon Energy's September 19 and October 14, 2025 update letters, the addition of the WPC Project to Yukon Energy's rate base in 2027 will result in a projected increase in Yukon Energy's revenue requirement of \$2.415 million, before applying a reduction in diesel rental costs currently estimated at \$0.214 million.³ However, the resulting net increase of \$2.201 million in the 2027 revenue requirement (along with the other adjustments for 2027 totaling \$0.441 million noted in Yukon Energy's September 19, 2025 letter) would be fully offset by the removal of the

² As noted in that IR response, Yukon Energy's updated demand forecasts now project a capacity shortfall of 8.1 MW in winter 2027/28, which is 6.7 MW greater than the 1.4 MW shortfall originally projected on page 2-16 of the GRA as filed in May 2025 (PDF p. 54).

³ In the September 19, 2025 cover letter as well as in response to YUB-YEC-1-8 (a-b) Attachment 1, Yukon Energy estimated a reduction in diesel rental cost for four rental units totaling approximately \$0.980 million in 2027. Upon further review, however, Yukon Energy only projects a reduction in the number of diesel rental units for one month of 2027, impacting the required rentals for winter 2027/28 winter [diesel rentals for the winter season are from December through April of the following year]. Therefore, Yukon Energy's revised estimate of reduced diesel rental cost for 2027 is about \$0.214 million.

Tunnel Project from Yukon Energy's 2027 rate base, which would reduce the 2027 revenue requirement by approximately \$2.7 million.⁴

Yukon Energy requests that the Board approve a revenue requirement that reflects these adjustments, based on the most current available information.

Key Factors Driving Costs for GRA

When the Board evaluates Yukon Energy's forecast revenue requirement, it will be critically important to have regard to three underlying factors driving the need for the unprecedented level of capital investment along with the non-fuel O&M costs that are described in this GRA: (i) sustaining capital requirements and strengthening the power system; (ii) increasing the supply of dependable winter capacity; and (iii) rising costs and project complexity.

(i) Sustaining Capital Requirements and Strengthening the Power System

Many of the Yukon's hydro generation assets are aging and in need of significant investment to ensure continued safe and reliable service. Some facilities have been operating for decades and now require structural upgrades, maintenance, and relicensing. This includes critical work at the Mayo hydro facility, such as the spillway project, slope stabilization, and surge tank replacement. These are not discretionary projects; they are essential to maintaining existing renewable generation, avoiding catastrophic failures, and protecting nearby communities. Renewing aging hydro infrastructure is a cornerstone of Yukon Energy's Road Map to 2050 and fundamental to preserving the renewable energy foundation we already have in place.

We are also investing in a series of projects that will strengthen the reliability and resilience of the power system and support future growth. This includes transmission line upgrades across the territory, and a voltage conversion in Dawson City. Upgrading decades-old power lines improves our ability to deliver the power needed by communities across the Yukon safely and reliably, while reducing the risk of outages – particularly during periods of extreme weather or high demand.

⁴ Yukon Energy's September 19, 2025 letter also reviewed certain corrections to the Application that cumulatively increase the 2027 test year revenue shortfall by \$1.118 million.

Together, 15 of the 17 major capital projects over \$2 million proposed to be added to rate base in the Application relate to sustaining capital requirements and strengthening the power system.⁵ Together, these projects account for approximately \$236 million of net capital additions in the Application before depreciation and amortization, representing about 68% of all Application net rate base additions during the test years. The Tunnel project update will reduce these net rate base additions.

(ii) Increasing the Supply of Dependable Winter Capacity

The Yukon is growing, and so are our electricity needs. With population growth, more homes installing electric heating and more electric vehicles (EVs), our winter peak demand is rising sharply. Under current conditions, on a typical winter day, homes and non-industrial businesses connected to the grid already use about 80% of what we can generate at any given moment. Between 2015 and 2020, peak demands for electricity from Yukon homes and non-industrial businesses increased by 25%. This upward trend shows no signs of slowing, with non-industrial peak demand projected to rise by about 40% by 2030 and 50% by 2035 when compared to 2020. Given the growing pressure on the system, ensuring a reliable electricity supply during the coldest days of the year is more critical than ever to protect public safety and support the wellbeing of our communities.

As electricity demand continues to rise, especially during Yukon's dark, cold winters, so does the need for firm, reliable capacity that can be counted on when Yukoners need it most. To meet this need, we are investing in new sources of dependable winter capacity that can respond instantly to peak loads, emergencies, and unplanned outages.

This includes replacing aging diesel units in Faro and Whitehorse, adding new backup generation capacity in Dawson City as part of the Thermal Replacement Project, and building a new grid-scale battery energy storage system (BESS) and Power Centre in Whitehorse. These investments will increase the supply of dependable capacity when it's needed most during winter peaks and help ensure that the power system remains stable. This firm winter capacity plays a fundamental

⁵ This includes all 15 projects listed in Tables 5.2-2, 5.2-3, 5.3-1 and 5.3-2 of the Application (PDF pp. 196 and 202).

and vital role by acting as a safety net during periods when renewable generation is unavailable or insufficient, and by enhancing energy security across the territory.

Two major projects proposed to be added to rate base in the original Application as filed – the Thermal Replacement and BESS project⁶ – relate to this cost driver. Together, they account for approximately \$62.5 million of net capital additions in the Application before depreciation and amortization, representing about 18% of all Application net rate base additions during the test years.

A third project – the new Whitehorse Power Centres Project – also exemplifies this cost driver. That project, including the South Power Centre that YEC now projects will be brought into service in the 2027 test year, will serve three main purposes:

1. It will increase the size of the Yukon's electricity system and provide additional sources of dependable capacity that Yukoners can rely on during the winter to keep homes warm and lights lit on the coldest of days, in drought years, and when intermittent renewable resources are not available.
2. It will reduce Yukon Energy's reliance on rental diesels. Renting diesel units each winter, while cost-effective over a short period of time, comes with risks such as limited supply chain, lower reliability, and reliance on an external contractor for maintenance. When all Whitehorse Power Centres are complete, the capacity installed at these new power centres will account for the capacity that rental diesels provide us each winter, plus additional capacity needed to address growing demands for power.
3. It will provide the substation and transmission infrastructure needed to support the increased power Yukon Energy is expecting in and around Whitehorse, and the potential for additional batteries to enhance grid stability and flexibility as more intermittent renewable resources are added to the grid.

⁶ See Table 5.2-1 in the Application (PDF p. 195).

(iii) Rising costs and project complexity

Yukon Energy has a critical need for more resources to plan, manage, and deliver an increasing volume of work across all areas of our business. This includes supporting larger and more complex capital projects – both in scope and expenditure – and meeting growing expectations from regulators, stakeholders and rights holders for greater involvement and transparency in how we operate.

This added complexity contributes to the forecast cost of many of the same major projects noted above that are aimed at addressing the first two underlying factors driving the costs of this GRA.

Our work is also shaped by external financial pressures, including inflation, fuel price fluctuations, long-term debt servicing, diesel rental costs, and rising non-fuel operations and maintenance expenses. In this more complex operating environment, we need additional staff capacity to oversee multi-stakeholder and multi-jurisdictional projects, manage increased maintenance and compliance requirements, and enhance environmental monitoring.

Conclusion

At the conclusion of Yukon Energy's previous GRA, the Board Chair questioned Yukon Energy about *"what needs to be done in the coming years."* Yukon Energy's response was *"what we're seeing in the capital budget moving forward is really the sustaining capital, building up, reinforcing the system that we have in place. That's foundational for any sort of energy future. And certainly the reliance on electricity for heating and transportation and commercial activities. Pretty much every part of what we do these days requires that foundation to be in place."*

Yukon Energy commented further that *"in order to move into this successful transition, it really is protections and controls; transmission, distribution upgrades; overall system upgrades; additional generation, additional firm capacity in the background. And that allows for the integration of renewables, intermittent or, ideally, firm in nature, whether they be hydro or ... other firm renewable options."*

Yukon Energy's Road Map to 2050, along with this General Rate Application, are representative of this discussion.

The transition to a more renewable energy future demands strong strategic planning and coordination with all levels of government. As we move forward, ongoing investments in infrastructure and winter capacity will be crucial to meeting immediate power needs and supporting renewable energy growth.

Delivering the projects outlined in our Application requires construction financing, efficient regulatory processes, and partnerships. The Yukon's electricity system is at a state where the investments needed are "must-haves", not "nice-to-haves". Deferring projects puts reliability and safety at risk. Reducing the impact of these investments on electricity rates will depend on Government grant funding and other sources of external investment.

Yukon Energy's witness panel at the GRA hearing will be able to address any questions or clarifications on the extensive material on the record for this proceeding.

Not only is this public hearing an opportunity to test our application, it is also an opportunity to discuss the challenges facing Yukon Energy and Yukoners more broadly.