

February 26, 2026

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

Dear Ms. McCullough:

Re: 2025 Low Water Reserve Fund Report and Energy Reconciliation Adjustment Filing

This correspondence provides Yukon Energy Corporation's (Yukon Energy) Annual Report summarizing the Low Water Reserve Fund (LWRF) and Energy Reconciliation Adjustment (ERA) for 2025.

The LWRF Annual Report and ERA Filing have been prepared pursuant to the LWRF Term Sheet as approved by the Yukon Utilities Board (Board) Order 2024-13.

The following information is attached to this correspondence:

- **Attachment 1** – LWRF Calculations for 2025 and Balance Updates.
- **Attachment 2** – 2025 ERA Filing.

A summary of each of the documents attached to this correspondence follows.
As directed by the Board, Yukon Energy included specific source references to the tables.

Attachment 1: LWRF Calculations and Balance as of December 31, 2025

Table 1-1 of Attachment 1 provides LWRF calculations for 2025 actuals and Table 1-2 of Attachment 1 provides a LWRF Continuity Schedule in a revised format as directed by Board Order 2024-05. The interest on the LWRF balance is calculated in accordance with the revisions to the LWRF Term Sheet as approved by Board Order 2024-13.

In summary, the tables in Attachment 1 indicate as follows regarding the annual LWRF calculations and balance for 2025:

- Based on the actual annual load for 2025, and the LWRF Term Sheet, the LTA thermal for 2025 is 59.698 GW.h with 26.520 GW.h LNG which is about 44% of LTA thermal generation (Table 1-1, L16b) and 33.178 GW.h diesel which is about 56% of LTA thermal generation (Table 1-1, L16a).¹
- The actual net thermal generation requirement for 2025 was 137.707 GW.h, including 76.532 GW.h diesel and 61.174 GW.h LNG (Table 1-1, L17).

¹ LNG is assumed to displace 80% of the expected long-term average thermal requirements, subject to not exceeding total thermal less estimated diesel or actual diesel [the 80/20 fuel mix was approved in the 2025-27 GRA]. The actual diesel was 56%, therefore, the estimated diesel in LTA is 56% calculated in accordance with the Term-Sheet.

- The resulting overall gap between LTA and actual thermal generation for the 2025 load equals 78.009 GW.h (Table 1-1, L18), including 43.354 GW.h diesel and 34.654 GWh LNG. The resulting withdrawal required from LWRP for 2025 is \$22.559 million (Table 1-1, L19).²
- LWRP balances [Table 1-2, Attachment 1]:
 - 2025 opening balance of \$14.181 million [the 2024 LWRP annual report shows \$0.074 million refund in 2024, the actual final amount was \$0.079 million, impacting the closing balance for 2024 changing from \$14.186 million to \$14.181 million].
 - 2024 annual LWRP transfer of -\$22.559 million [Yukon Energy withdraws from LWRP, as per Table 1-1, Attachment 1].
 - Calculated interest on the balance at \$0.594 million.
 - Rider E rebates of \$0.225 million in 2025 [Rider E rebate was approved at 0.128 cents/kWh effective November 1, 2024 to March 31, 2025].
 - Closing balance on December 31, 2025 at -\$8.009 million [the negative balance indicates a benefit to ratepayers].

Rider E

The Board Order 2024-15 approved Rider E rebate of 0.128 cents/kWh for the period from November 1, 2024 to March 31, 2025. As of April 1, 2025 the Rider E is set to 0 cents/kWh.

As the 2025 ending LWRP balance is within the +/- \$16 million threshold, no further adjustments are required to Rider E.

Attachment 2: 2025 ERA Filing

Attachment 2, Table 2-1 provides the 2025 actual ERA Filing and notes as follows:

- Approved wholesales for 2025 at 373.662 GW.h compared to actual wholesales at 383.768 GW.h. The Fish Lake generation adjustment at 3.082 GW.h.
- 2025 actual wholesales above the GRA forecast results in an increase in Yukon Energy thermal costs, however, this increase is offset by incremental revenues requiring no ERA payment for 2025.

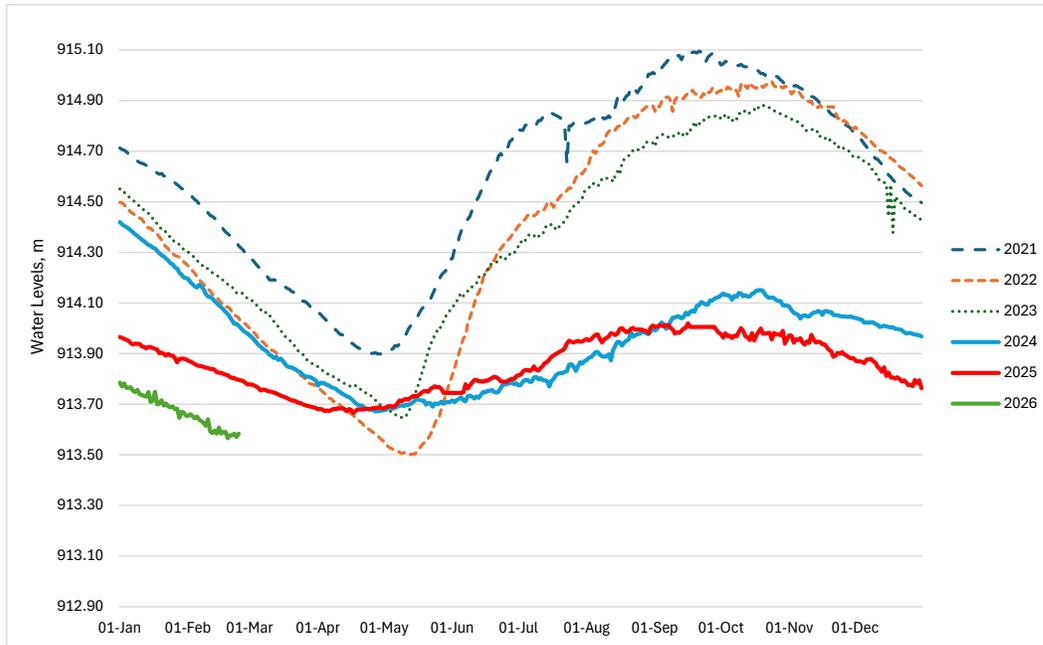
Forecast Water Conditions for 2026/27

The forecast water conditions memorandum for 2026/27 is not available at the time of this filing as Yukon snow survey bulletins and water supply forecasts are generally issued March-May. Yukon Energy will provide the expected water conditions for 2026/27 in the quarterly filing.

However, in this filing, Yukon Energy is providing a chart comparing the Aishihik Lake water levels for 2024 and 2025 with those of 2021-2023. Low water conditions in Aishihik Lake resulted in

² Based on 2025-27 GRA average fuel costs at \$0.2482 per kW.h for LNG and \$0.3219 per kW.h for diesel as approved by YUB in Order 2026-01.

higher thermal generation for 2025 and continue impact the 2026 thermal generation requirements.

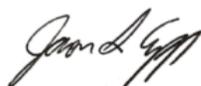


Requests

The LWRF Term Sheet, as approved by YUB Order 2024-13, requires the annual report to be filed with the Board for approval of the Board. Accordingly, Yukon Energy is seeking Board's approval of LWRF transfers for 2025 as well as LWRF balances as provided in Attachment 1 of this filing, and the ERA filing as provided in Attachment 2.

If you have any questions regarding the above, please contact the undersigned.

Yours truly,



Jason Epp
Vice President, Finance and
Chief Financial Officer

ATTACHMENT 1: LWRP CALCULATIONS AND BALANCE UPDATES FOR 2025

Table 1-1: LWRP Calculations

| Line No | | 2025 Annual | Source References |
|--|--|------------------|---|
| L1a | Diesel Fuel Cost per kW.h | 32.19 cents/kW.h | |
| L1b | LNG Fuel Cost per kW.h | 24.82 cents/kW.h | 2025-27 GRA Average Fuel cost |
| L1c | GRA YIS firm Load forecast | 517,658 MW.h | |
| L1d | GRA LTA Thermal Generation forecast | 63,857 MW.h | |
| Calculation of Thermal Cost to Charge (Refund) LWRP | | | |
| L2 | YEC Grid firm load | 514,830 MW.h | Metered grid load net of secondary sales |
| L3 | Fish Lake | 5,648 MW.h | Actual generation as provided by AEY |
| L4=L2+L3 | Total Grid load | 520,479 MW.h | |
| Assumed Actual Generation Sources | | | |
| L5 | YECL Fish Lake | 5,648 MW.h | Actual generation as provided by AEY |
| L6 | YEC Hydro | 362,175 MW.h | Calculated as L2-L7-L8 |
| L7 | YEC Thermal | 137,849 MW.h | Total of diesel and LNG |
| | Diesel | 76,675 MW.h | Actual metered diesel generation |
| | LNG | 61,174 MW.h | Actual metered LNG generation |
| L7a | YEC Diesel/LNG charged to capital, RFID and maintenance | 143 MW.h | Total of diesel and LNG |
| L7a1 | Diesel | 143 MW.h | Diesel charged to capital, RFID and maintenance |
| L7a2 | LNG | - MW.h | LNG charged to capital, RFID and maintenance |
| L7b=L7-L7a | YEC Net Diesel/LNG | 137,707 MW.h | Total of diesel and LNG |
| L7b1 | Diesel | 76,532 MW.h | Net of diesel to capital, RFID and maintenance |
| L7b2 | LNG | 61,174 MW.h | Net of LNG to capital, RFID and maintenance |
| L7b3=L7b1/L7b | Diesel % of total net thermal | 56% | |
| L8 | IPPs | 14,806 MW.h | Actual IPP purchases |
| L9 | Total Grid load | 520,479 MW.h | Total grid firm load net of secondary |
| LTA Expected Generation Sources | | | |
| L10 | AEY Fish Lake (expected) | 8,730 MW.h | Fish Lake Long-term average [Note 1] |
| L11 | IPPs | 17,717 MW.h | LTA IPP purchases [Note 2] |
| L12=L9-L10-L11 | YEC Grid load net of expected Fish Lake and IPP | 494,032 MW.h | |
| L13=L12-L1c+L11 | Load Variance | -5,909 MW.h | |
| L14 | LTA Thermal Generation at Actual Load | 59,698 MW.h | Calculated based on LTA Thermal Calculation Table [please see below for details of calculation] |
| L15=L7b/L14 | Actual Thermal Generation as % of LTA Thermal Generation | 231% | |
| L16=L14 | Expected YEC Thermal Generation in Rates | 59,698 MW.h | |
| L16a | Diesel | 33,178 MW.h | Total thermal less LNG below. |
| L16b | LNG | 26,520 MW.h | 80% of total thermal, subject to not exceeding total thermal less estimated diesel or actual diesel |
| L17=L7b | YEC Net Thermal Generation | 137,707 MW.h | |
| L17a=L7b1 | Diesel | 76,532 MW.h | |
| L17b=L7b2 | LNG | 61,174 MW.h | |
| L18=L17-L16 | YEC Thermal Generation to be included in LWRP | 78,009 MW.h | |
| L18a=L17a-L16a | YEC Diesel Generation to be included in LWRP | 43,354 MW.h | |
| L18b=L17b-L16b | YEC LNG Generation to be included in LWRP | 34,654 MW.h | |
| L19=L18a+L18b | Incremental YEC Thermal Generation Cost to Charge (Refund) LWRP (\$000s) | \$22,559 | |

Notes:

- The approved Fish Lake generation in AEY's 2023/24 GRA was 7.822 GWh for 2023 and 10.143 GWh for 2024, which were based on expected water conditions to those test years. The OIC 2021/16 requires use of long-term average renewable resource energy for generation forecasting used to set rates. Therefore, Fish Lake expected generation is assumed at 8.730 GWh, which is based on long-average generation as approved by YUB Order 2014-06.
- As per LWRP Term-Sheet, the actual YIS load for this assessment is net of long-term average annual (i.e., expected) availability for all renewable sources other than YEC hydro generation, including Fish Lake hydro, and IPP renewable generation based on available information. 2025 was the first year with all seven IPPs connected for the whole year. Therefore, the LTA forecast from the 2025-27 GRA is used.
- The fuel mix calculations in L16a and L16b have been revised to reflect approved fuel mix of 80% diesel and 20% LNG in the 2025-27 GRA.

LTA Thermal Calculations for 2025 for Line 14 in Table 1-1

| | MWh |
|--|---------|
| 1 YEC Grid load net of Fish Lake and IPPs [Table 1-1, L12] | 494,032 |
| 2 Rounding to Lower Five Thousand | 490,000 |
| 3 Expected LTA Thermal at Rounded Load [2025-27 GRA, App 2.1, Table 2.1-1] | 56,916 |
| 4=1-2 Load above Rounded Load | 4,032 |
| 5 LTA Thermal as % of Incremental Load [2023/24 GRA, App 2.1, Table 2.1-1] | 69% |
| 6=4*5 LTA Thermal above Rounded Load | 2,782 |
| 7=3+6 Total LTA Thermal | 59,698 |

Table 1-2: LWRF Continuity Schedule

| Year (Note 1) | Opening Balance (Note 2) | Water Availability (LTA) Adjustment (+/-) (Note 3) | Finance Charge (+/-) (Note 4) | Adjustment for balances outside fund caps (Note 5) | Other Adjustments (Note 6) | Ending Balance | Active (A)/Inactive '(I) (Note 7) |
|------------------|--------------------------------|---|-------------------------------------|---|----------------------------------|-------------------|---|
| 1989 | 2,000 | | | | | 2,000 | I |
| 1990 | 2,000 | | | | | 2,000 | I |
| 1991 | 2,000 | 10 | | | | 2,010 | A |
| 1992 | 2,010 | 290 | | | | 2,300 | A |
| 1993 | 2,300 | | | | -400 | 1,900 | I |
| 1994 | 1,900 | | | | -1400 | 500 | I |
| 1995 | 500 | | | | | 500 | I |
| 1996 | 500 | -1,458 | 189 | | 3,540 | 2,771 | A |
| 1997 | 2,771 | -191 | 85 | | 170 | 2,835 | A |
| 1998 | 2,835 | 467 | 159 | | -1,225 | 2,236 | A |
| 1999 | 2,236 | -1,132 | 43 | | -499 | 648 | A |
| 2000 | 648 | | 35 | | | 683 | I |
| 2001 | 683 | | 33 | | | 715 | I |
| 2002 | 715 | | 19 | | | 734 | I |
| 2003 | 734 | | 21 | | | 755 | I |
| 2004 | 755 | | 16 | | | 772 | I |
| 2005 | 772 | | 19 | | | 791 | I |
| 2006 | 791 | | 30 | | | 821 | I |
| 2007 | 821 | | 35 | | | 856 | I |
| 2008 | 856 | | 27 | | | 883 | I |
| 2009 | 883 | | 4 | | | 887 | I |
| 2010 | 887 | | 4 | | | 891 | I |
| 2011 | 891 | | 11 | | | 902 | I |
| 2012 | 902 | 3,715 | 11 | | | 4,628 | A |
| 2013 | 4,628 | 3,518 | 52 | | | 8,198 | A |
| 2014 | 8,198 | 1,342 | 87 | | | 9,627 | A |
| 2015 | 9,627 | 1,974 | 53 | -759 | | 10,895 | A |
| 2016 | 10,895 | 990 | 54 | -2,454 | | 9,485 | A |
| 2017 | 9,485 | 0 | 86 | -2,861 | | 6,710 | A |
| 2018 | 6,710 | -534 | 76 | -2,874 | | 3,379 | A |
| 2019 | 3,379 | -6,268 | -7 | -1,004 | | -3,900 | A |
| 2020 | -3,900 | -352 | -20 | 0 | | -4,272 | A |
| 2021 | -4,272 | 7,019 | -3 | 0 | | 2,744 | A |
| 2022 | 2,744 | 7,151 | | | | 9,895 | A |
| 2023 | 9,895 | 5,791 | 629 | | | 16,314 | A |
| 2024 | 16,314 | -3,067 | 1,012 | -79 | | 14,181 | A |
| 2025 | 14,181 | -22,559 | 594 | -225 | | -8,009 | A |
| 2026 | -8,009 | | | | | | |

Notes:

1. Year refers to the YEC calendar year, ending December 31.

2. Balance at start of fiscal year in YEC fund to address YEC thermal generation cost changes from forecast due to changes in water availability. This fund's name and terms have varied over the years, e.g., low water fund, Diesel Contingency Fund (DCF), Low Water Reserve Fund (LWRF). YEC's first GRA filing for the 1989/90 GRA indicated that a reserve of \$2 million had been established by YEC out of retained earnings in 1987 to assist in maintaining rate stability in the event of increased costs to produce electricity by diesel generation at times of low water conditions and shut downs of hydro facilities. Subsequent changes to the fund are due to factors as explained in the table based on the approach approved for the calculations in place at the time. A positive balance means owing to customers while a negative balance owing to YEC.

3. Water Availability Adjustment refers to the annual adjustment to the LWRF due to the difference between forecast renewable generation and actual renewable generation based on the approach approved for the calculations in place at the time. Long-term average (LTA)

forecasts for water availability were first approved for setting rates in the 1996/97 GRA (Order 1996-7). Where relevant, adjustments address wind or other non-hydro variances in renewable energy availability.

4. Finance charge refers to the change in the LWRF due to interest or equivalent calculations.

5. When the fund is outside its caps (currently set at +/- \$16 million), YEC must request a rider to either charge or refund to customers amounts to bring the balance of the LWRF within the boundaries of the fund caps. The 2024 LWRF annual report shows \$0.074 million refund in 2024, the actual final amount was \$0.079 million impacting the closing balance for 2024.

6. Other adjustments reflect the following:

a. In response to closure of the Faro mine and its impact on YEC rates and reserve requirements for potential low water conditions, Board Order 1993-8, section 5.1.4.3 approved a \$0.4 million allocation to 1993 and a \$1.4 million allocation to 1994 as an offset to the 1993 and 1994 revenue requirements.

b. The adjustment for 1996 reflects the Settlement approved in Order 1996-7 to replenish the DCF using funds from pre-1996 reserves related to the Faro mine bad debt payment and net recoveries related to reopening of the Faro mine.

c. The adjustments for 1997, 1998 and 1999 reflect credits applied as per Board Order 1997-7 related to Faro mine closure as well as adjustments related to Whitehorse Hydro Plant Fire and Forest Fires [RFID related transactions].

7. Indicate whether the LWRF was active or inactive for that given year. Inactive periods occurred when mine closures reduced hydro grid loads to levels where water availability was not expected to materially affect thermal generation costs. The table reflects years when actual renewable availability ended up impacting the LWRF/DCF (even if actual YUB decisions related to such changes to the fund were deferred until subsequent years).

ATTACHMENT 2: 2025 ERA FILING

Table 2-1: ERA Determination for 2025

| | 2025 | | Source References |
|--|----------------|--------------------------|------------------------------|
| A Wholesales Variance for AEY (MW.h) | | | |
| Actual firm wholesales | 383,768 | A1 | Actual metered sales |
| GRA approved wholesales assuming Fish Lake LTA generation | 373,662 | A2 | See note 1 |
| Fish Lake generation adjustment (expected LTA less actual) | 3,082 | A3 | See note 2 |
| Change in wholesales for ERA | 7,025 | A4=A1-A2-A3 | |
| B YEC Cost Impact per kW.h change in Wholesales | | | |
| Losses (%) | 8.61% | B1 | Actual line losses for 2025 |
| Total YEC's actual generation net of secondary (MWh) | 494,032 | B2 | Attachment 1, Table 1-1, L12 |
| GRA approved firm load forecast (MWh) | 517,658 | B3 | Attachment 1, Table 1-1, L1c |
| YEC incremental generation relative to GRA approved (MWh) | -23,626 | B4=B2-B3 | |
| YEC's actual LTA Thermal Generation (MWh) | 59,698 | B5 | Attachment 1, Table 1-1, L14 |
| GRA LTA Thermal Generation (MWh) | 63,857 | B6 | Attachment 1, Table 1-1, L1d |
| YEC Incremental thermal generation relative to GRA approved (MWh) | -4,159 | B7=B5-B6 | |
| Incremental thermal generation for incremental total generation (%) | 17.60% | B8=B7/B4 | Calculated |
| Thermal Generation cost per GRA (\$/kW.h) | 0.2629 | B9 | See note 3 |
| YEC thermal cost change (\$/kWh wholesales) | 0.0503 | B10=B9*B8*(1+B1) | Calculated |
| C YEC Revenue Impact per kW.h change in Wholesales | | | |
| Rate Schedule 42 Energy Charge (\$/kW.h wholesales) | 0.08298 | C1 | Approved wholesale rate |
| Average YEC rider applicable to AEY retails (\$/kWh wholesales) | 0.12943 | C2 | See note 4 |
| D Net thermal cost impact on YEC (\$000) | | | |
| Wholesale Change: Cost Impact (YEC thermal generation costs) | 353 | D1=A4*B10 | Calculated |
| Wholesale Change: Revenue Impact (YEC revenues) | 1,748 | D2=A4*(C1+C2)+A3*C1 | Calculated |
| Cost change>revenue change ("Yes"=1, "No"=0) | 0 | D3=1 if D1>D2 (absolute) | Calculated |
| ERA Charge (rebate) to AEY [Net added cost (cost saving) for YEC] | 0 | D4=D3*(D1-D2) | Calculated |

Notes:

1. Approved wholesales for 2025 based on 2025-27 GRA.
2. Fish Lake generation adjustment reflects the variance between the approved LTA generation of 8,730 MWh and actual generation at 5,648 MWh.
3. The thermal generation cost of 0.2629 as per 2025-27 GRA.
3. The average Rider is estimated based on total Rider J revenues from AEY retail customers for 2025 as per YEC's 2025-27 GRA Compliance Filing, divided by wholesales.