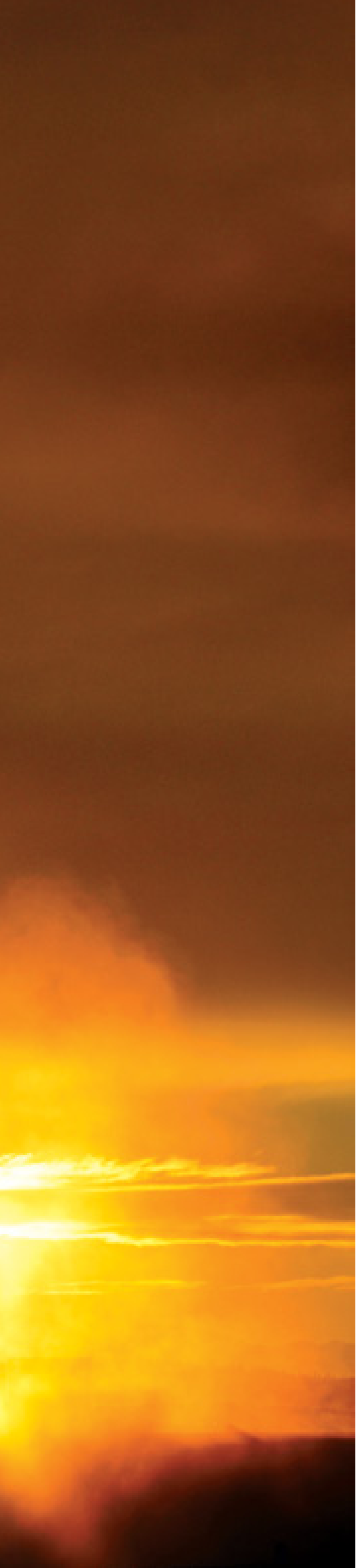
yukon energy

2023

annual report

“The state of transformation in which we now find the Yukon’s electricity system has clarified our market position: we must become **Bigger**, **Cleaner**, and **Smarter** to be able to meet the growing needs of Yukoners.

Chris Milner
President and CEO, Yukon Energy Corporation



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Left: Jim Petelski

who we are

Yukon Energy is a publicly owned electrical utility established in 1987. We operate as a business, at arms length from the Yukon government, to generate and transmit electrical energy in the Yukon. We work with the Yukon Development Corporation, our parent company, to provide sustainable, cost-effective and reliable electricity to Yukoners.

There are over 23,000 electricity consumers in the territory. We provide power to most of them indirectly, through ATCO Electric Yukon, who buys wholesale power from us. We directly serve some 2,300 residential and business customers, most of whom live in and around Dawson City, Mayo and Faro, and two industrial customers across the territory. Most of the electricity we produce is renewable, coming primarily from hydro resources at our Whitehorse, Aishihik and Mayo hydroelectric facilities. We also generate a small amount of thermal energy from our liquefied natural gas (LNG) and diesel plants. These thermal plants ensure we have reliable electricity when it's needed at peak times, during emergencies, and when renewable sources of electricity are not available. Our headquarters are located near the Whitehorse Rapids generating facility in Whitehorse.

mission

To enable the Yukon's prosperity with sustainable, cost-effective and reliable electricity

values

Safety
Accountability
Continuous Improvement
Teamwork
Professionalism
Good Corporate Citizenship

vision

To establish a sustainable legacy for the Yukon's future

Bernd Römmelt

message to Yukoners

My time as Chair of the Yukon Energy Corporation Board is drawing to a close. As I reflect on my six years in this position, the thread that runs through it all is growth.

Growth in demand. The Yukon is growing faster than any other jurisdiction in Canada and Yukoners' electricity demand is growing with it. Peak demand has grown dramatically in the past five years and will continue.

Growth in renewables. More and more Independent Power Producers are coming online, such as Eagle Hill LP's Haeckel Hill wind project. We are also making ongoing improvements and hydro uprates to get more renewable energy out of our legacy hydro assets.

Growth in grid capacity and stability. Construction of the grid-scale battery, substation upgrades and transmission line upgrades are making our existing electricity system more resilient. They are also positioning our grid to be able to supply more electricity to users and to handle intermittent renewables.

Growth in collaborative partnerships. We've done a lot of learning and growing and, through this, we are working to strengthen our relationships with First Nations governments and communities. This is evidenced through the relicensing of our Aishihik hydro facility, a new approach to collaborate with First Nations governments to assess, monitor and mitigate the effects of our existing hydro facilities. It's an approach we are also now taking as we move forward with the Whitehorse and Mayo hydro relicensing processes. Working together with First Nations governments is becoming an authentic part of how we do day-to-day business.

Much of that growth has come into focus in 2023. Put simply, Yukon Energy needs to generate a greater supply of electricity, it has to be reliable, and it has to be done in a good way.

“Planning for growth is what our next integrated resource plan is all about.

That plan will articulate our long-term strategic vision. It will provide a framework for us to deliver reliable, affordable and sustainable electricity to Yukoners for the next twenty years. Since building new generation resources takes a long time to plan, design, license and build, the plan will also consider the resources we need and can be built in the next five years to meet winter peak and reduce our reliance on rental diesel generators.

To get the funding and social licence to move additional generation projects forward, we need to lean into our essential Yukon Energy qualities: smart, dependable, resourceful, small-and-isolated-grid experts. These very qualities enable us to adapt and benefit from new challenges and opportunities.

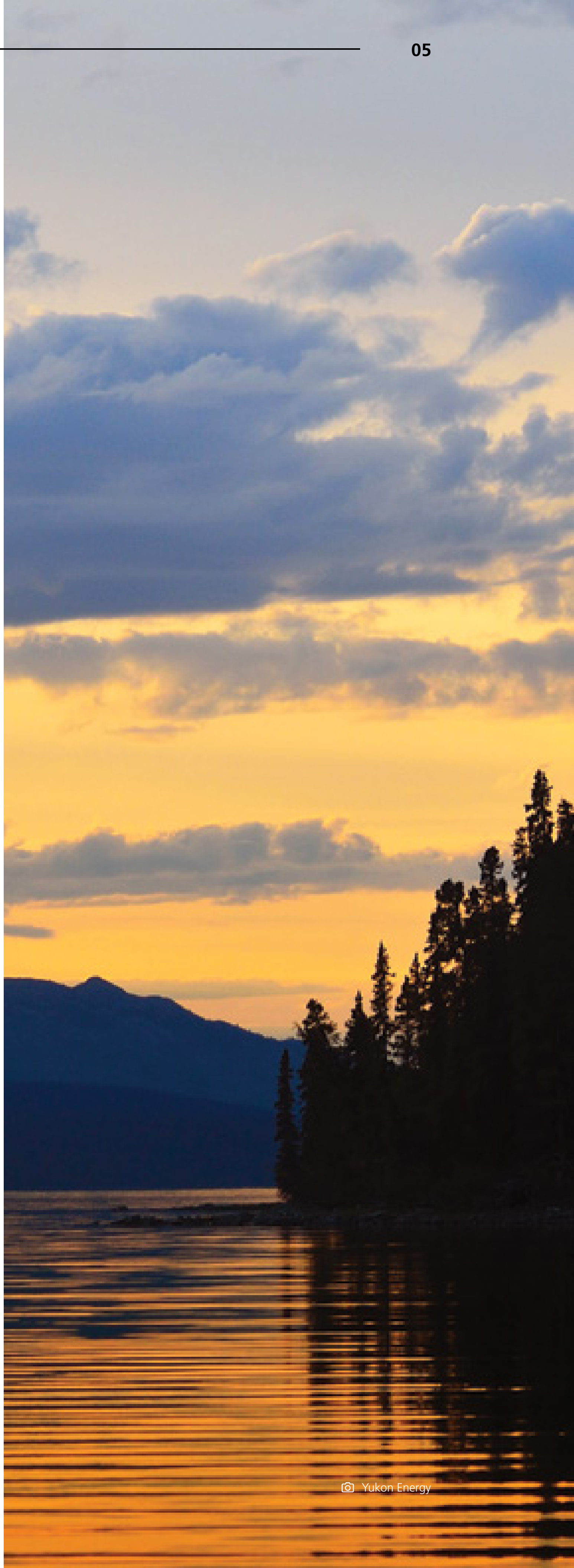
One of those challenges is, as always, money. But limited resources also create opportunities for investment, especially with First Nations partners.

As I prepare to move on from the the Board of Directors at Yukon Energy, I think about how I define success for the Yukon's electricity system. To me – that's a stable and reliable electricity system that is created in a good way. A bigger, cleaner and smarter system that focuses on renewables and is backstopped by thermal sources for emergency use. I know that Yukon Energy has the driven, committed team to get us there. In 2023, the Board hired Chris Milner as the Corporation's permanent President and CEO. I thank Chris for his leadership thus far and the staff for their continued dedication. I also thank the Board for their oversight and input and look forward to seeing everyone's hard work pay off now and in the future.

Lesley Cabott
Chair, Yukon Energy Corporation Board of Directors

2023 Board of Directors

Lesley Cabott (Chair)
Rod Savoie (Vice Chair)
Azmy Aboulazm
Gayle Corry
Joseph Fred
Matt Hall
Blair Hogan
Simon Lapointe
Mike Pemberton
Frédérique Prince
Rod Snow
Christina Thomas



president's welcome

My message in the 2022 annual report was about transition, both in the work the Corporation was doing, and for me personally. That theme is still relevant for 2023.

We have a lot to be proud of here in the Yukon – we have one of the cleanest electrical systems in Canada and we also have the lowest electricity rates in the North.

The Yukon's electricity system used to be fairly straightforward: generate electricity, deliver it and keep the lights on. But things have changed and become more complex. Now, homes and businesses are producing electricity through solar panels. Independent Power Producers are supplying and selling electricity to our grid. Residential heating is moving away from fossil fuels and towards electrical heat. Transportation is increasingly being electrified.

The changes brought on by electrification and the rapid increase in distributed energy resources on the system need to be managed. Instead of just keeping the lights on, we are now keeping homes heated, vehicles running, and technology and industry enabled. All this while keeping the entire grid stable and reliable, right through the depths of winter.

The state of transformation in which we now find the Yukon's electricity system has clarified our market position: we must become Bigger, Cleaner and Smarter to be able to meet the growing needs of Yukoners.

Our plans become clearer as the full scope of what it means to build a bigger, cleaner, smarter electrical system in the Yukon comes into view. We have plans in place to meet the needs of Yukoners in the short term and we know we need more ambitious ones for the long term.

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This annual report highlights some of the projects that lay foundations for the Yukon's Bigger, Cleaner and Smarter electrical system. These foundations rest on three priorities.

First, to maintain what we have. This is not a small effort, requiring permitting, licensing and significant maintenance especially on older assets. Investing in what we have pays huge dividends by enabling us to continue to generate, on average, over 90% renewable electricity each year.

Second, to plan for the future while building for today. This work can be seen in the Grid-scale Battery Storage Project, the Peak Smart Home program, and replacement of backup diesel generators. These are the projects that help us manage peak loads during periods of extreme cold and allow for the integration of renewable energy like wind to keep emissions low and the system more reliable.

Third, to build flexibility for greater control of systems. This is the work of upgrading substations and installing new transformers and more robust transmission and distribution assets. This is the foundation required to manage new sources of electricity as it comes online and to stabilize our system for intermittent wind and solar electricity.

The emphasis now is on the hard work that's ahead of us – the key infrastructure work that must happen. The reality for us today is that more resources than ever are required for us to plan, direct and implement the way we need to do our business.

The challenge is, as it has always been, that the Yukon is remote and isolated from other jurisdictions. We are an isolated grid in a large territory with a small population. We cannot benefit from neighbouring grids nor from any economies of scale. Overcoming this challenge requires many levels of partnership: government partnerships to access funding; and First Nations partnerships to move projects forward in a better way.

It also requires a dedicated and passionate team, which we are fortunate to have at Yukon Energy. As our energy landscape continues to change and new challenges arise, I am continually inspired by the innovation and commitment of our staff. Thank you for the work you do every day.

Chris Milner
President and CEO, Yukon Energy Corporation

2023 at a glance

our commitment to environmental, social and governance matters

The Environmental, Social and Governance Committee assists the Yukon Energy Corporation Board of Directors in providing oversight of Yukon Energy's sustainability program as well as environmental and social matters in such a way that fulfills Yukon Energy's purpose and is in compliance with Yukon Energy's policies, standards and legal and regulatory obligations.

Ultimately, the Committee's goal is to create value for the Corporation and for the Yukon. Tracking key metrics is critical to measuring and creating this value.

environment

91% renewable generation

5 reportable spills[1]

35.5 kilotonnes cumulative greenhouse gas emissions (including fleet)

56,782 fry[2] released

474.4 gigawatt hours of electricity generated using hydro sources

48% of electricity was generated from the Whitehorse Rapids Generating Station

14% of electricity was generated from the Mayo Generating Station

29% of electricity was generated from the Aishihik Generating Station

Continued work on a robust Climate Change Adaptation Plan

operational

523 gigawatt hours of electricity generated

123 megawatts generating capacity in the summer[3]

108 megawatts generating capacity in the winter[4]

13 controllable outages

875,000 kilometres driven by Yukon Energy staff

social

25 community organizations and events supported, in the categories of First Nations initiatives, sustainability, arts and culture, health and education, and sports and recreation

14 school tours

5 scholarships granted

1 Non-reportable spills are still recorded internally and investigated

2 Juvenile fish

3 Includes Independent Power Producers

4 Includes rental diesel generators. Does not include Independent Power Producers

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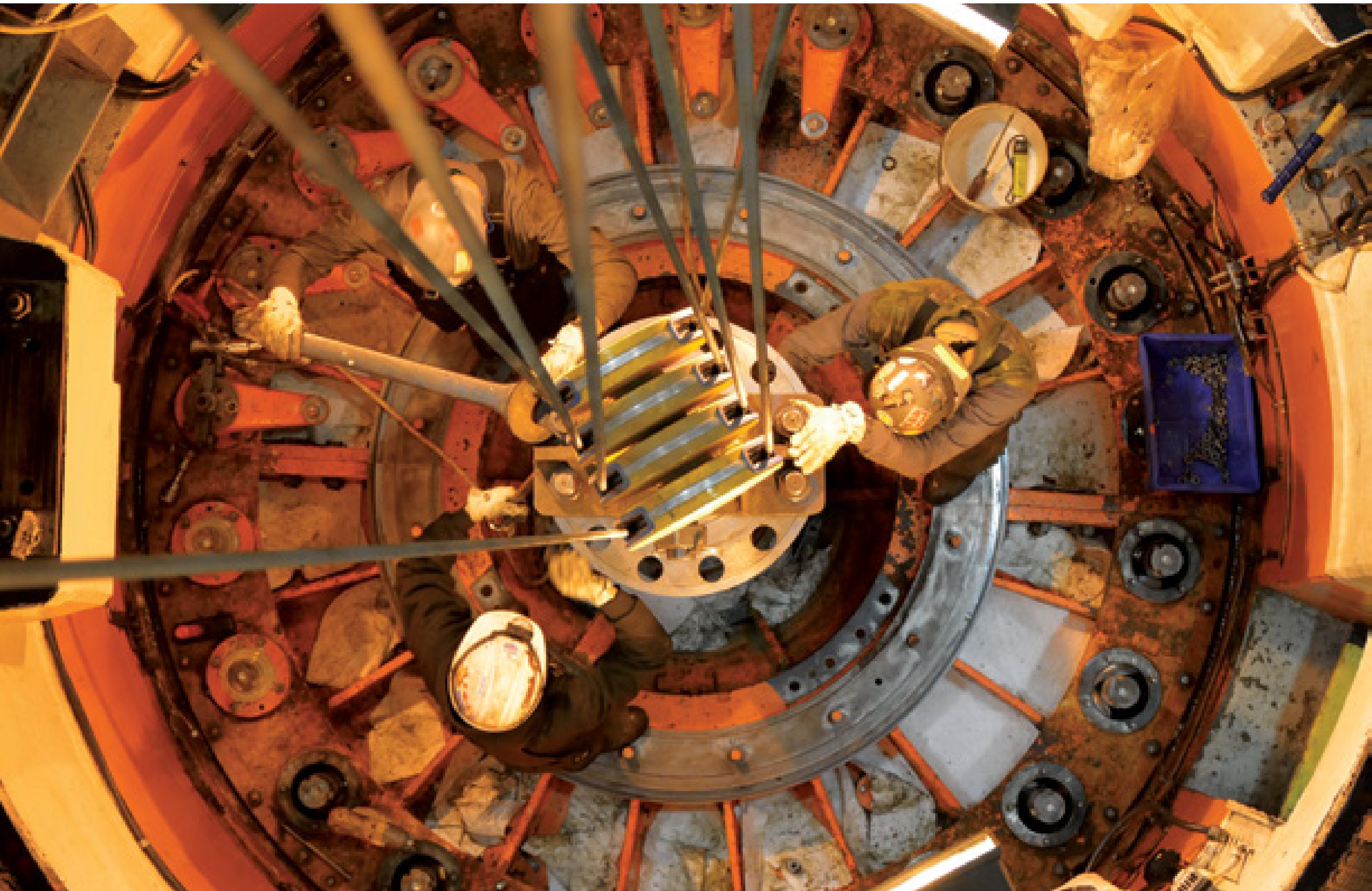
2019 to 2024 strategic plan – 2023 update

In 2022, we added two new mid-term strategic priorities – *health and safety of employees and public* and *address regulatory reform and innovation*. These priorities were added to acknowledge the changing energy landscape, in particular, the need to include reconciliation and climate change in the decisions made by our regulators, as well as the need to keep our staff safe as our workforce continues to grow.

Jim Petelski



strategic priority	performance
Generate reliable and renewable electricity	In 2023, 91% of the electricity generated on the grid was renewable. We were also able to continue delivering reliable electricity to Yukoners during the winter by using liquefied natural gas and diesel when there weren't enough hydro resources available to meet demand. Our current resource plan, the 10-Year Renewable Electricity Plan, outlines the ways we intend to generate an average of 93% renewable electricity by 2030. In 2023, we made progress on meeting this goal by: • Submitting our proposal to the Yukon Environmental and Socio-economic Assessment Board to renew our water use licence for our Whitehorse hydro facility; • Continuing to advance the relicensing process for our Mayo hydro facility; • Advancing work on our Grid-scale Battery Storage Project; and • Embarking on updates to our resource plan. The Environmental, Social and Governance Committee also reviewed the results of our climate change risk assessment and oversaw the development of our Climate Change Adaptation Plan, which will be completed in 2024.
Secure long-term sustainable funding	We continued to seek federal funding for all major capital projects to reduce the impact on ratepayers. For example, in 2023, the Peak Smart programs received $385,000 in funding. In August of 2023, we submitted a General Rate Application for a 14% rate increase to the Yukon Utilities Board. As Yukoners ourselves, we recognize the impact higher costs can have on some individuals. To limit the impact of the rate increase on bills, we asked the Yukon Utilities Board to apply the increase when other charges on electricity bills are expected to be reduced or removed. This would result in only a 6% bill impact. The proposed rate increase is an investment in the Yukon's electricity future. It's about taking care of what we have today while also building the electricity system Yukoners will need in the future, as demand for electricity grows and the way people use electricity changes. We also developed and received approval from the Government of Yukon for our five-year capital plan and are working with our shareholder, the Yukon Development Corporation, to secure funding for the projects in the plan.

strategic priority	performance

Develop mutually beneficial First Nations partnerships

We continued to strengthen our relationships with First Nations governments.

In 2023, we continued discussions with Ta'an Kwäch'än Council, Kwanlin Dün First Nation, Carcross/Tagish First Nation and the Government of Yukon about the relicensing of the Whitehorse Rapids Generating Station with the intent of establishing and fostering positive long-term relationships, based on partnership, respect and reconciliation as it relates to the operation of the facility, the Yukon's electricity sector more broadly, and other energy infrastructure within the Traditional Territories of the three First Nations. We also attended the first Fish Welcoming Ceremony hosted by the Carcross/Tagish First Nation, Ta'an Kwäch'än Council and Kwanlin Dün First Nation at the Whitehorse Rapids Fish Ladder.

We also continued to have discussions with the First Nation of Na-Cho Nyäk Dun about their interests and values in relation to the relicensing process for our hydro facility in Mayo.

We know that First Nations governments have a key role to play in our energy future and have heard that economic participation in the electricity sector is of interest to various First Nations.

In 2023, the Council of Yukon First Nations hosted a two-part Yukon First Nations Energy Summit. The first part was hosted in late October with energy technicians from individual First Nations, the Yukon's two electric utilities and representatives from the Yukon and federal governments. The second part was hosted in late November with leaders representing Yukon First Nations, Yukon Energy Corporation, ATCO Electric Yukon, Yukon Development Corporation, and the Government of Yukon.

At both parts of the Summit, Yukon Energy delivered presentations about the state of the Yukon's electricity system, Yukon Energy's near-term priorities and its desire to partner with Yukon First Nations to advance those priorities.

Central to these conversations was the shared recognition that the future of energy in the Yukon requires a collaborative approach – one that involves all parties vested in the territory's well-being. Echoing the spirit of Chapter 22 of the Final Agreements, the conversations underscored the imperative for Yukon First Nations active economic participation in the energy sector and establishing a solid foundation for partnerships in potential energy endeavors.

Finally, the Environmental, Social and Governance Committee also continued its work on the development of a reconciliation statement.

strategic priority	performance
Build a workforce for the future	We continued to develop strategies and take action to effectively recruit, engage and retain employees. In 2023, we added ten new positions to our team to support the increase in our operations and capital initiatives. We also hired for 32 positions, 47% of which were internal transfers. In 2023, we launched our new employee referral program. Recognizing that existing staff are well positioned to identify individuals who possess the skills necessary to contribute to Yukon Energy's success, the program will play a crucial role in shaping the company culture and in driving growth. We also used technology to modernize and streamline our recruitment process. The Diversity, Equity, Inclusion and Belonging Committee and Mental Wellness Committee continued to promote diversity in our workplace, improve employee experiences and encourage and elevate conversations about mental wellness in our workplace.
Strengthen governance practices	In 2023, the Board completed a workshop in governance and code of conduct to strengthen governance skills and practices.
Provide outstanding, reliable customer and community value	In 2023, we advanced the procurement of a new automated outage notification system. Once implemented, this will help to ensure customers receive personalized notifications on their phone and are aware of planned outages. Finally, we continue to actively engage Yukoners and other stakeholders during the planning of new projects and initiatives, and incorporate, to the extent possible, the interests of stakeholders in those plans.
Health and safety of employees and public	In 2023, we had a 90% attendance rate at staff safety meetings and did not have any motor vehicle accidents. We also started the process of digitizing safety tools and resources, so they are more accessible for staff and contractors. In 2023, we also built a fall arrest system for staff at the fish ladder interpretive centre to prevent falls. While we recorded one Serious Incident with Fatality Potential (SIFP) in 2023, no one was injured, and the incident has been investigated to prevent it from happening again. We are following the Electricity Canada Occupational Health & Safety Committee Standard for recording and measuring serious injury or fatality potential incidents and have rolled out an awareness program to staff.

strategic priority	performance
Address regulatory reform and innovation	After the Government of Yukon increased the target for the reduction of total greenhouse gas emissions in the Yukon (not including mining sector emissions) from 30 to 45%, we provided feedback to the government about how changes to the emissions reduction target – while maintaining an average of 93% renewable generation on the main Yukon grid – would impact the Yukon's electricity system. The feedback was shared as part of ongoing discussions with the Government of Yukon about the implementation of the Our Clean Future Strategy. In our feedback, we noted that increases in emission reduction targets increase the urgency of investments in all aspects of the Yukon's electricity system including power generation, stability and storage, transmission and distribution, and end-use electrification. We also noted that incentives for end-use electrification and intermittent renewables need to be balanced with investments in new sources of dependable capacity, short- and long-term storage, and electrical system upgrades to reinforce the backbone of the Yukon's electricity system. We also provided comments about revisions to the *Public Utilities Act* as part of the Government of Yukon's engagement on updating the *Public Utilities Act*. Additionally, we provided responses to the Government of Canada's Assessing Regulatory, Policy and Market Impacts on Canada's Electricity Grid Modernization Request for Information. In our responses, we emphasized that any federal policies and targets established to support grid modernization will need to be supported through legislation or regulation at the provincial/territorial level in order to effect positive change. We also stated that there are six broad roles for the federal government to play in supporting the supply of clean, affordable and reliable energy to fuel Yukoners' homes, economy and ways of life: 1. Continue to financially support electricity projects that increase the supply of firm renewable capacity during the winter, enhance grid stability, and modernize the Yukon's electricity system. 2. Streamline federal regulatory authorizations for existing hydro facilities. 3. Establish grid modernization targets at the federal and territorial level that can be considered as part of policy targets to reduce greenhouse gas emissions. 4. Provide policy guidance that limits a utility's risk of recovering investments made to support grid modernization activities. 5. Support electrical interties between provinces and territories through a pan-Canadian policy. 6. Advance reconciliation with the Yukon and transboundary First Nations.

prioritizing safety

installation of new boom at Schwatka Lake

A key safety feature at the Whitehorse Rapids Generating Station is the boom that stretches across Schwatka Lake just upstream of the dam.

It provides safety to our staff by keeping floating debris away from our hydro equipment and moving it to slower moving water where it can be removed.

It provides safety to the boating public and float planes by providing a marker and barrier above the strong currents that could cause serious trouble and keeps them a safe distance from the dam.

However, we discovered the boom's limits in 2021 – the flood year that tested and challenged us with extremely high water levels. The boom was damaged and needed to be replaced.

Rather than simply restore the boom, we decided to make it better. Through the relocation of land-based anchors and the addition of anchor points on the lakebed, the new, improved boom is designed to:

- keep pace with the changing nature of the Yukon River;
- stand up to another potential high-water year; and
- provide greater safety to boaters, float planes and our facilities.

The new boom was completed in September of 2023 and continues to play an important role in keeping everyone safe.

Yukon Energy

Gerald Corsi

2023 corporate goals and performance

goal	performance
Achieve zero Serious Incidents with Fatality Potential (SIFP)	In 2023 we recorded one Serious Incident with Fatality Potential (SIFP). In October 2023, a SIFP was reported after staff were in the proximity of an arc flash incident. For us, there is nothing more important than each and every one of our employees making it home safely each day. While no one was injured in that incident, the fact that it could have happened, and with serious consequences, hits too close to home. That is why we stopped all work on the project when the event happened, reviewed our procedures, and conducted an investigation. To prevent future SIFP incidents, we are following the Electricity Canada Occupational Health & Safety Committee Standard for recording and measuring serious injury or fatality potential incidents and have rolled out an awareness program to staff.
Achieve a return on equity of 8.65% through the filing of a General Rate Application	Our 2023 return on equity is forecast to be 7.39%. The actual return on equity will be calculated after the decision by the Yukon Utilities Board on our 2023–24 General Rate Application, expected in the summer of 2024.
Manage 10 or less controllable outages and track and implement continuous improvement strategies for distribution-related outages	We had 13 controllable outages in 2023. In 2023, we completed the Dawson City Distribution Three-Phase Loop Project to reduce strain on the local power system by spreading electrical capacity over a third town feeder (major power line). The additional feeder adds redundancy to the local system and will help us restore outages faster in Dawson City. More information about this project can be found on page 27. We also created a new position, Manager of Transmission and Distribution Engineering, and filled the position in 2023 to help create strategies and spearhead continuous improvement in the transmission and distribution sides of our business.

goal	performance
Implement SIFP health & safety program	We are following the Electricity Canada Occupational Healthy & Safety Committee Standard for recording and measuring serious injury or fatality potential incidents. An awareness program to familiarize staff with SIFP was rolled out in 2023. We will continue to communicate SIFP definitions to all staff on a regular basis and ensure everyone knows how to plan work to avoid SIFPs.
Launch a new demand-side management program	We launched our latest demand-side management program, Peak Smart Home, in November 2023. The program helps shift Yukoners' use of electricity away from periods of peak demand to help lessen the strain on the grid and reduce our reliance on diesel.
Bring the battery and supporting substation into service	In 2023, we completed upgrades to the Riverside substation which is needed to support the battery project and make more power available to Yukoners. We continue to make progress on the battery. All skid and conduits were installed in 2023, along with the inspection of the first fabricated battery container, which took place at Sungrid's facility in Cambridge, Ontario on December 13, 2023. We anticipate construction of the battery will be complete by the end of 2024.
Achieve 95% availability of Yukon Energy thermal generators	In 2023, we achieved 93.5% availability of Yukon Energy-owned thermal generators. We continue to investigate options to improve the reliability of our generators.
Secure funding package for the Atlin Hydro Expansion Project	Tlingit Homeland Energy Limited Partnership (THELP) continues to work with provincial, territorial and federal government departments and agencies to secure the funds necessary to advance the project. We continue to support THELP in closing the funding gap needed to proceed with construction.

goal	performance
Submit proposals for the Whitehorse and Mayo hydro relicensing projects to the Yukon Environmental and Socio-economic Assessment Board	In December of 2023, we submitted our proposal to the Yukon Environmental and Socio-economic Assessment Board (YESAB) to renew our water use licence for the Whitehorse hydro facility. We continued to advance discussions with the First Nation of Na-Cho Nyäk Dun regarding our proposal for the Mayo Relicensing Project. We expect this proposal will be submitted to YESAB in 2024.
Scope and initiate updates to the resource plan that address both short- and long-term energy needs	In August of 2023, we started upgrading our resource plan. The plan will articulate our long-term strategic vision and will provide a framework for us to deliver reliable, affordable and sustainable electricity to Yukoners for the next twenty years. Since building new generation resources takes a long time to plan, design, license and build, the plan will also consider the resources we need and can be built in the next five years to meet winter peak and reduce our reliance on rental diesel generators.

three key pillars form the foundation of the Yukon's electrical future: bigger, cleaner, smarter

bigger

The Yukon's peak demand for electricity has increased by 23% in the last five years. With the growth in electrification initiatives, such as home heating and electric vehicles, that trend will continue. To meet the growing demand, we need to increase the capacity of our generation, transmission and distribution resources. By ensuring a robust system, we will be able to manage both the increase and the intermittent nature of some of the electricity being generated.

Three projects illustrate how we are laying the foundation for a bigger grid.

Yukon Energy

Riverside Substation Upgrades Project

In 2023, we completed a significant upgrade to the Riverside substation on Nisutlin Drive in Whitehorse. The upgraded substation is now the link that connects additional electricity to the Yukon grid so that Yukoners can use it. The upgrades included expansion of the substation to add new equipment and new transmission lines connecting it to the Whitehorse Rapids Generating Station. By replacing the single wire with two wires, we increased transmission line voltage from 6.9 to 34.5 kilovolts. In upgrading the existing substation and transmission line rather than building new ones, we saved money and reduced impacts on the environment and Riverdale community.

Callison Substation Upgrade Project

We also upgraded a second substation, in the Callison industrial area in Dawson City. The upgrade replaced end-of-life protection and control systems and was critical for meeting increased demand in the local area. Dawson City is the second-fastest-growing community in the Yukon. An increase in population, housing, and community infrastructure have contributed to a surge in electricity demand. Together with a continuing shift from propane and diesel to electricity for heating and transportation, demand in Dawson City is expected to double in the next five years. With the Callison Substation Upgrade Project complete, we are better positioned to manage this increase in electrical demand in Dawson City. We are also less likely to experience failure of critical protection and control systems and prolonged outages over the winter.

rental diesel generators

A third project helped us to deliver more electricity when it's needed most – during the coldest, darkest days of a Yukon winter. There is no question we need dependable sources of electricity at such times, which is why we rent diesel generators each winter. In 2023, we added five rental diesel generators near our hydro plant outside of Mayo. While we recognize we need to look at other long-term options, renting diesel generators is the only solution that can be implemented now to meet electricity demand in the winter.

cleaner

For Yukon Energy it's not just *the* environment, it's our environment. Like many Yukoners, we live here because we love the Yukon's environment and are committed to caring for it. So, maintaining the huge renewable advantage we get from our hydro assets is essential.

Two of our 2023 projects – one a relicensing, the other a major overhaul – demonstrate the Corporation's commitment to generating, on average, over 90% clean, renewable electricity. Even more, they're a reflection of our resolve and vigilance in carrying that record into the future.

Yukon Energy

Whitehorse Water Use Relicensing Project

While we own the Whitehorse Rapids Generating Station, we do not own the water that flows from the Southern Lakes through its turbines to produce electricity.

To use that water, we need a water use licence. The licence authorizes us to use the water and stipulates guidelines and regulations that we must follow. These include storage range, operation restrictions, mitigation actions and adaptive management and monitoring activities.

The Whitehorse Rapids Generating Station is a critical piece of renewable electricity infrastructure for the territory, providing 80% of the electricity Yukoners use in summer and about 25% in winter. It's important to Yukoners that we maintain our ability to operate it.

The Whitehorse Rapids facility was built by the Northern Canada Power Corporation in the late 1950s and has had a few water use licences since then. Our current licence expires on May 31, 2025. The last time it was renewed, some 25 years ago, Jean Chrétien was Prime Minister. A great deal has changed since the turn of the last century.

The biggest change is that we are now trying to relicense our hydro facilities in a better way. We recognize that when the Whitehorse facility was built, it was done without First Nations involvement. We no longer want that to be the case. We believe that being better together starts now.

We started discussions with Carcross/Tagish First Nation, Kwanlin Dün First Nation, Ta'an Kwäch'än Council and Government of Yukon about the Whitehorse relicensing project in early 2022. Engagement continued throughout 2022 and 2023 and included meeting regularly to:

- Actively share information and discuss interests and priorities of the First Nations for inclusion in our proposal to renew the water licence or in energy agreements.
- Ensure fair consideration of views by different parties.
- Establish governance models and processes for continued dialogue about the facility's operations, beyond the assessment and permitting phase of the licence renewal, energy planning more broadly, and other interests of the First Nations.
- Identify additional future studies and Traditional Knowledge to be gathered and used to inform current and future operations of the facility.
- Suggest legally binding processes to increase clarity and confidence in Yukon Energy's actions to develop, implement and refine its current and future monitoring and adaptative management commitment, and to establish procedures for future relicensing processes.
- Discuss ways to acknowledge the history of the facility and its impacts on First Nations Ways of Life.
- Identify potential economic benefits and opportunities for First Nations Citizens, beneficiaries and businesses generated from ongoing operation of the facility.
- Identify stewardship activities to mitigate historical effects of the facility's operations, give back to the land and water, and help restore a better balance between the facility's operations and its effects on land, water and the environment.
- Contemplate other forums where First Nations interest related to historical impacts of the facility, and future energy planned, project development and participation in the energy sector could be advanced.

This is a new, Yukon way of understanding what it means to generate and deliver clean energy. It's a forward-facing clean that acknowledges the past while working to make a better future.

Aishihik hydro unit overhaul

The Aishihik hydro plant has been providing renewable electricity to Yukoners since 1975. It was originally built with two hydro units that each could produce up to 15 megawatts. A third, 7-megawatt unit was added in 2011. The plant's most crucial function is in providing renewable electricity in winter. Because of reduced water flow on the Yukon River, the larger Whitehorse plant cannot run at full capacity in the winter. The Aishihik plant maintains its capacity due to the large store of lakewater it can draw on throughout the winter months.

A large, active, rotating turbine generator requires regular maintenance at regular intervals. In 2023, Aishihik Unit #1 came up for its 10-year major maintenance cycle.

During the overhaul, the unit was completely disassembled and inspected. Worn bearings and other components were removed and replaced or sent off to be rebuilt offsite. All running tolerances that had loosened over the years were brought back to spec. Fluids were replaced, vibration issues were resolved, and instrumentation was checked and adjusted where necessary.

After four months of work, the unit was reassembled and resumed its duties in as close to new condition as possible. By doing the major maintenance work, the unit maintains its generating efficiency at optimum levels. This is key to our goal of continuing to generate an average of 93% renewable electricity. To hit that target, we need to have as many of our hydro units running as we can. If a unit goes down in the winter, it can have a massive impact and can require us to burn a great deal of diesel or LNG to make up for the loss.

With Unit #1 back at full spec, we can continue to generate dependable, dispatchable, and renewable electricity at the Aishihik hydro facility.

smarter

From optimizing our processes to launching peak-reduction programs to enhancing our grid, we continue to make the Yukon grid smarter. It's necessary for a future that supports intermittent supply of electricity while maintaining system stability and reliability. In an environment that can dip to 40 below, it's the smart thing to do. We hang our hat on our competence in planning, problem solving and delivery. It's what keeps Yukoners' lights on, homes warm, the chargers charging and Yukon businesses thriving, even through the Yukon's coldest, darkest days.

In 2023, we leaned into our in-house expertise to design, develop and deliver on three smart, future-facing projects. These projects illustrate the innovative and collaborative characteristics within Yukon Energy that help to focus us on developing the smart grid of the future.

Government of Yukon

Peak Smart Home program

Peak Smart has been in incubation for several years. Research was done, trials were conducted, adjustments and course corrections made. Last year, it all came together in the launch of the Peak Smart Home program.

The goal of the program is to reduce the demand for electricity during peak times and lessen our reliance on diesel in the winter. It does this through a process of signing up Yukon residential participants and installing "smart" devices on their electric heating and hot water systems. When we anticipate a spike in electricity usage in the winter, we notify participants that a Peak Smart Event is being scheduled. About an hour before peak electricity use is expected, we will remotely turn up thermostats by a degree or two, then turn them down by a couple degrees during the peak. At all times, homeowners retain control and can override peak-shift settings, if they desire.

Peak Smart Home reduces pressure on the grid and our reliance on diesel, while participants derive satisfaction and a sense of purpose from contributing to a more sustainable Yukon. All in all, over 360 Yukoners applied for the program.

Yukon Energy

new recruitment platform

When we talk about Yukon’s electrical system being in a state of transformation, one detail that cannot be overlooked is: who’s going to do all the work? Transformation requires recruitment.

Last year set a record for the Corporation with over 30 staff recruited. It could not have happened without a complete shift in the recruitment process to an advanced, automated system. Previously, recruitment consisted of running ads, manually sorting resumes, filtering and forwarding them on to hiring managers. Now, through a recruitment portal in our in-house Workforce Now program, we have a platform that attracts candidates directly.

With links to other job boards such as LinkedIn and Indeed, it enables us to cast a wider net.

It automatically notifies hiring managers when candidates apply. The platform has basic Artificial Intelligence (AI) abilities enabling it to review resumés for education and experience, sorting and filtering the lesser qualified candidates from those better qualified. It maintains a storage record for talent pooling – a candidate may turn out to be a good fit for a position other than the one they applied for.

The platform streamlines onboarding and populates all information so it doesn’t have to be manually entered. By streamlining the administrative burden and cutting out much of the manual entry and paper shuffling, this technology helps recruitment to keep pace with our growing organization.

Dawson City Distribution Three-Phase Loop Project

A third project that showcases the smart work being done to lay foundations for the future, is the Dawson City Distribution Three-Phase Loop Project. A major outage occurred in Dawson City in December of 2022. About half of downtown residents were without power for 10 to 12 hours. It could not have come at a worse time – right in the deepest, darkest days of winter with temperatures approaching minus 50°C.

The actual problem was that a piece of the power line, a connector, failed. There were a number of difficulties with the restoration work, the brutal temperatures endured by Yukon Energy staff not the least of them.

When electricity is restored and the lights go back on after an extended outage period, everything kicks in at once: lights, heaters, furnaces, pumps, televisions and kitchen appliances. It takes 20 to 30% more energy to start an electrical appliance and keep it running for the first 10 minutes or so after it’s turned on in the winter while everything cycles up. And that caused us more problems.

It became evident very quickly that if we had a loop in the system at its far end (the north side of Dawson City), where many homes use electric heat, we could transfer the electrical load to other sections of downtown to help reduce the strain on the power system in the immediate area. A loop would enable us to sectionalize and isolate the problem and then energize parts of town from another direction.

So naturally, once we had restored electricity to Dawson City that cold winter day, we began designing and planning for a loop at the north end. That work was completed in 2023. With the installation of three-phase power, we can shift load around to sections of Dawson City when necessary, without having to have everyone out at the same time. Rather than a single feed with no ability to get power to the opposite end, we have the option of two feeds into every area.

The Dawson City Distribution Three-Phase Loop Project is a smart project for the grid – it builds reliability and robustness into the system, positions us to better respond to issues, and provides room for growth in the electrical system.

A third distribution feeder has already been commissioned which will improve Dawson City's system further. Looking forward, there will be construction downtown to increase the capacity of the power system from 4.16 to 12.5 kilovolts. This will also help us to restore power outages faster and allow for a great deal more growth in the community.

management discussion and analysis

core business and strategy

Our business is the generation and transmission of electrical energy to most of the Yukon. We strive for energy production that is sustainable, reliable and cost-effective. Our primary source of power comes from our legacy hydro assets and our goal is to minimize the use of non-renewable sources due to higher variable cost and environmental impacts.

Yukon Energy

capability to deliver results

In order to deliver on our strategic goals and achieve planned results, Yukon Energy maximizes the use of available resources while considering risks and impacts to stakeholders. These resources include leadership, labour force, working capital, systems and processes, liquidity and capital resources.

We continue to develop human resources policies to adapt to our seasoned workforce and changing conditions in the workplace.

We monitor and forecast our cash and financial strength on an ongoing basis, including current and future projections. We expect to require cash to finance our capital projects in 2024 and are working towards obtaining the necessary funding.

Through established policies and procedures Yukon Energy maintains a capital structure ratio of approximately 60% long-term debt and 40% equity.

We continually monitor and evaluate the condition of our assets and allocate a material portion of our capital budget for maintenance of these assets, thereby ensuring reliability of service to Yukoners.

We make it a priority to maintain and improve our key relationships with Yukoners including the Yukon government, Yukon Development Corporation, local First Nations governments, stakeholders, and our bankers; we hold long-term debt with TD Bank, and our primary banking services are with CIBC.

challenges

The Yukon grid is not connected to any other province or territory. Yukon Energy therefore cannot import electricity when needed or export power to other jurisdictions when there is a surplus. For Yukon Energy and Yukoners, this means Yukon Energy only has itself to rely on to ensure it has enough capacity for cold winter days and to generate the electricity Yukoners need now and in the future. Yukon Energy's isolated grid is currently challenged by multiple factors, including:

- High growth in non-industrial winter peak electricity demand; the related ongoing challenge of providing new dependable electricity winter capacity to supply homes and businesses; and the resulting impacts on needed investments, diesel rentals, staff resources and overall Yukon Energy costs.
- Fluctuating industrial loads and related impacts on Yukon Energy revenue requirements to be recovered from residential and other commercial customers.
- Surplus of renewable summer energy that does not currently provide benefits to Yukon customers, and shortage of firm renewable winter resources to provide needed dependable winter electricity capacity.
- Electricity infrastructure that is aging or in need of being re-permitted, with major ongoing investment, staff and other operating resource requirements for Yukon Energy.
- Small customer base without economies of scale for large investments.

results

Net income for the 2023 fiscal year was $7.0 million, compared to $20.2 million in the previous year. The decrease in net income was primarily due to changes in unrealized gains/losses on debt instruments and increased operating expenses. Revenue from sale of power was $78.5 million – $2.1 million lower than the prior year, due to a decrease in consumption from the industrial sector. The regulated rate of return on equity for 2023 is forecast at 7.39%, down from 9.66% the prior year. The actual return on equity will be calculated after the decision by the Yukon Utilities Board on Yukon Energy's 2023–24 General Rate Application. The current approved rate is 8.65%.

outlook

Net income for 2024 is forecast to increase to approximately $19 million primarily due to an increase in sales of power resulting from increased rates requested in the 2023–24 General Rate Application (GRA). Operations and maintenance costs are also expected to increase due to an increase in fuel and purchased power resulting from the need for higher generation, increased labour costs due to increased workload and negotiated labour rate increases, and more diesel rental costs resulting from increasing peak demand. Due to potential for lower interest rates based on current market debt conditions, there is risk of reporting an unrealized loss on debt instruments. As Yukon Energy intends to keep debt instruments to maturity, annual unrealized gains or losses net to $0 over the life of the debt. These unrealized gains or losses are not included in the calculation of return on equity.

The forecast return on equity for 2024 is 7.65%, 1.00% less than the return on equity approved in the 2021 GRA of 8.65%. This is primarily due to increased sales to the Wholesale sector offset by marginally higher generation costs to meet the increased Wholesale demand. The forecast return on equity is subject to considerable uncertainty until after the decision by the Yukon Utilities Board on Yukon Energy's 2023–24 GRA.

risk management

Yukon Energy is exposed to numerous risks in providing service to our customers and achieving our strategic priorities. The impacts of these risks can range in scale from minor to catastrophic. Yukon Energy endeavors to manage all the risks we face on a cost-effective basis, considering the resources required to mitigate risks compared to the reduction in risk achieved. We have an enterprise risk management framework that provides the basis for consistently applying risk management practices.

Yukon Energy assesses and updates its top risks annually and develops treatment plans with the goal of reducing the residual risk exposure to an acceptable level. The progress of risk treatment plans and status of risk drivers are reviewed on a quarterly basis. The current top risks are highlighted below by their impact on our strategic priorities.

Generate reliable and renewable energy

The most important risk related to this priority is Key Asset and System Reliability Risk. Treatment activities are focused on matching our staffing resources to the maintenance levels required to operate at an acceptable standard.

Secure long-term sustainable financing

Successfully managing financing risk is critical to achieving this priority. Mitigation efforts involve improving the process for financing approval and access to capital.

Develop mutually beneficial First Nations partnerships

The key component to achieving this strategic priority is success in First Nations alignment. Risk treatment activities include increasing staff capacity as well as finalizing and delivering on project-specific agreements.

Achieve excellence in employee engagement

Employee recruitment, retention and labour shortage have moved out of the top risks due to ongoing internal success along with an improving labour market; however, this continues to be a key priority.

Streamline and clarify governance

This strategic priority is closely linked with government/shareholder risk. Mitigation efforts are focused on presenting key information to support critical infrastructure spending as well as improving shareholder priority alignment.

Provide outstanding, reliable customer value

The key risk related to this priority is inadequate transmission and distribution infrastructure. By addressing this risk, the changing and growing electricity needs of Yukoners will continue to be met.

financial statements

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Yukon Y1A 6S7

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May 8, 2024

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.

Chris Milner
President and CEO

Jason Epp
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 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2023, 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
8 May 2024

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

As at	December 31 2023	December 31 2022
Assets		
Current		
Accounts receivable (Note 5)	17,059	20,404
Inventories (Note 6)	5,072	4,944
Prepaid expenses	1,686	689
	23,817	26,037
Non-current		
Property, plant and equipment (Note 7)	570,446	520,472
Intangible assets (Note 8)	27,342	21,671
Right-of-use assets (Note 9)	1,776	1,231
Derivative related asset (Note 26)	2,405	4,908
Total assets	**625,786**	574,319
Regulatory debit balances (Note 10(a))	38,272	32,513
Total assets and regulatory debit balances	**$ 664,058**	$ 606,832
Liabilities		
Current		
Bank indebtedness (Note 11)	$ 44,457	$ 11,123
Accounts payable and accrued liabilities (Note 12)	21,644	16,785
Construction financing (Note 13)	58,277	21,017
Dividend payable (Note 27)	-	11,500
Current portion of deferred revenue (Note 17)	1,851	1,380
Current portion of lease liability (Note 9)	160	130
Current portion of long-term debt (Note 14)	62,733	6,900
	189,122	68,835
Non-current		
Post-employment benefits (Note 15)	964	827
Contributions in aid of construction (Note 16)	170,169	168,893
Deferred revenue (Note 17)	17,615	17,319
Lease liability (Note 9)	695	135
Long-term debt (Note 14)	122,743	178,051
Total liabilities	**501,308**	434,060
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	74,289	94,796
Total equity	**129,257**	149,764
Total liabilities and equity	**630,565**	583,824
Regulatory credit balances (Note 10(b))	33,493	23,008
Total liabilities, equity and regulatory credit balances	**$ 664,058**	$ 606,832

Commitments and Contingencies (Notes 23 and 24)

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

Approved by the Board

Lesley Cabott (May 9, 2024 15:15 PDT), Chair

Gayle Corry (May 9, 2024 19:28 PDT), Director

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

For the year ended December 31		2023		2022
Revenues				
Sales of power (Note 18)	$	78,458	$	80,520
Other (Note 19)		6,565		3,907
		85,023		84,427
Operating expenses				
Operations and maintenance (Note 20)		36,936		35,178
Depreciation and amortization (Notes 7, 8 and 9)		14,405		14,229
Administration (Note 21)		17,575		14,856
		68,916		64,263
Income before other income and other expenses		**16,107**		20,164
Other income				
Amortization of contributions in aid of construction (Note 16)		3,091		3,262
Allowance for funds used during construction		1,840		1,060
Unrealized gain on interest rate swap (Note 26)		-		7,387
		4,931		11,709
Other expenses				
Interest on borrowings		6,791		5,527
Unrealized loss on interest rate swap (Note 26)		2,503		-
Net income for the year before net movement in regulatory balances		**11,744**		26,346
Net movement in Regulatory balances related to net income (Note 10(d))		(4,727)		(6,100)
Net income for the year after net movement in regulatory account balances		**7,017**		20,246
Other comprehensive income (Note 3(o))				
Item that will not be reclassified to net income in subsequent periods				
Re-measurement of defined benefit pension plans (Note 15)		(262)		3,366
Total comprehensive income for the year	**$**	**6,755**	$	23,612

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, 2021	**3,900**	**$ 39,000**	**$ 15,968**	**$ 82,684**	**$ -**	**$ 137,652**
Net income for the year and net movement in regulatory account balances	-	-	-	20,246	-	20,246
Other comprehensive income	-	-	-	-	3,366	3,366
Transfer of re-measurement of defined benefit pension plans to retained earnings	-	-	-	3,366	(3,366)	-
Dividends (Note 27)	-	-	-	(11,500)	-	(11,500)
Balance at December 31, 2022	**3,900**	**$ 39,000**	**$ 15,968**	**$ 94,796**	**$ -**	**$ 149,764**
Net income for the year and net movement in regulatory account balances	-	-	-	7,017	-	7,017
Other comprehensive income	-	-	-	-	(262)	(262)
Transfer of re-measurement of defined benefit pension plans to retained earnings	-	-	-	(262)	262	-
Dividends (Note 27)	-	-	-	(27,260)	-	(27,260)
Balance at December 31, 2023	**3,900**	**$ 39,000**	**$ 15,968**	**$ 74,291**	**$ -**	**$ 129,259**

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	2023	2022
Operating activities		
Cash receipts from customers	$ 81,794	$ 80,096
Cash receipts from contributions in aid of construction	7,167	3,683
Cash paid to suppliers	(36,977)	(36,690)
Cash paid to employees	(15,434)	(14,212)
Cash receipts from insurance claim settlement	4,387	2,137
Interest paid	(6,657)	(5,669)
Cash provided by operating activities	**34,280**	29,345
Financing activities		
Net advance from (repayment to) line of credit	33,491	(1,694)
Dividends paid	(1,500)	-
Proceeds from long-term debt	7,425	17,991
Repayment of long-term debt	(6,900)	(6,614)
Lease payments	(178)	(1,172)
Cash provided by financing activities	**32,338**	8,511
Investing activities		
Additions to property, plant and equipment	(59,585)	(34,888)
Additions to intangible assets	(6,876)	(3,011)
Cash used in investing activities	**(66,461)**	(37,899)
Net increase (decrease) in cash	157	(43)
Cash, beginning of year	**3,061**	3,104
Cash, end of year (Note 11)	**$ 3,218**	$ 3,061

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 2023

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, purchases, 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 forecast years 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 property, plant and equipment (personnel and materials);
- the cost associated with the depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets; 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 prudency 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 2023

1. NATURE OF OPERATIONS - continued

b) Rate regulation - continued
In August 2023, the Utility filed a GRA for the years 2023 and 2024 requesting approval of revenue requirement and related rate increases of 6.25% for 2023 and 7.40% for 2024. The Utility expects a decision from the YUB in mid-2024.

In November 2020, the Utility filed a GRA for the year 2021 requesting approval of revenue requirement and related rate increase of 11.54%. 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 YUB approved the Compliance Filing, as submitted, in July 2022, resulting in an overall rate increase of 9.04%.

Notwithstanding the Compliance Filing process, in April 2022, the Utility filed an Application for Review and Variance of the YUB order issued in March 2022. The Utility disagreed with the YUB's decision on risk premium and disallowance of certain project costs. In August 2022, the YUB agreed to consider changes to the risk premium but not the disallowed project costs. In January 2023, the YUB approved a change to the Utility's risk premium resulting in an increase to return on equity to 8.65% from 8.20% and directed the Utility to prepare a Compliance Filing. The Utility submitted the Compliance Filing in January 2023, and in February 2023 the YUB approved the Compliance Filing, resulting in an adjusted overall rate increase of 9.63%.

Refer to Note 4 regulatory 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	December 31, 2027
Mayo Generating Station	December 31, 2025
Whitehorse Generating Station	December 31, 2025

d) Capital structure
The Utility's policy which has been reviewed and approved by the YUB is to maintain a capital structure of approximately 60% debt and 40% equity (Note 27). When dividends are declared to the Parent, they may be loaned back in order to maintain this ratio.

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 8, 2024.

b) Basis of measurement
The financial information included in the financial statements has been prepared on a historical cost basis, except where otherwise indicated.

Yukon Energy Corporation

Notes to Financial Statements
(tabular amounts in thousands of Canadian dollars)

December 31 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION

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, purchase, transmission, distribution, 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 on an 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.

Deferred revenue is recognized when the Utility receives consideration before the performance obligations have been satisfied. A contract asset is recognized 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.

The Utility receives amounts from customers for connection to the grid. The customer contributions related to the provision of on-going access to electricity are recognized into revenue over the useful life of the asset to which the contribution relates. The amounts received from Independent Power Producers ("IPPs") in accordance with an Electricity Purchase Agreement ("EPA") are recognized into revenue as the Utility provides the construction activities of the related connection or if applicable over the useful life of the asset to which the contribution relates.

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 estimated consumption and applicable rates for the period between the last billing date and the end of the period.

Payment for Sales of Power are due within the month following service.

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.

Yukon Energy Corporation

Notes to Financial Statements
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3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

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.

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.

Yukon Energy Corporation

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3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

f) Financial instruments - continued

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 swaps are classified as fair value through profit and loss and are 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.

The fair value of the derivative related asset is calculated using market implied forward rates and discount factors, such as those for a Canadian dollar index, and which are specific to the credit risk and term to maturity of the asset. As the derivative related asset is fair valued using observable market data other than quoted prices for the asset, these inputs and the asset are categorized as level 2 in the fair value hierarchy.

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

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.

The fair value of the long-term debt is calculated using the net present value of principal and interest cash flows. The discount rates used in the present value calculation are obtained from the issuing banking institutions, and are specific to the credit risk and term to maturity associated with the long-term debt. As these discount rates are based on unobservable data, they are categorized as level 3 inputs in the fair value hierarchy.

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.

Yukon Energy Corporation

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3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

g) Property, plant and equipment - continued

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
Land	No Depreciation
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.

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 commences when an asset is available for use. Licenses are available for use when the license period commences. Amortization is recognized in net income on a straight-line basis over the estimated useful lives as follows:

Software	5 years
Financial software	10 years
Water Licensing	
Aishihik	5 years
Other hydro generation	17 to 25 years
Thermal Permit	3 years
Other Intangibles	5 years

Yukon Energy Corporation

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3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

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 and 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.

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.

Yukon Energy Corporation

Notes to Financial Statements
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3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

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 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.

k) Rate regulated accounting policies

Regulatory Deferral Account
Regulatory deferral accounts in these financial statements are accounted for differently than they would be in the absence of rate regulation; these are referred to throughout the statements as Regulatory Accounts. The Utility defers certain costs or revenues as regulatory debit balances or regulatory credit balances on the Statement of Financial Position and recognizes changes in the regulatory account balances in the net movement in regulatory account balances in the Statement of Operations and Other Comprehensive Income. The amounts recognized as regulatory account balances are expected to be recovered or refunded in future rates, based on approvals by the YUB. The recovery or settlement of regulatory 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 debit balances and regulatory credit balances as described in Note 1(b)).

Yukon Energy Corporation

Notes to Financial Statements
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3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

k) Rate regulated accounting policies - continuted

i) Regulatory debit balances
Regulatory 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 credit balances
Regulatory 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 debits and credits, 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.

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.

Yukon Energy Corporation

Notes to Financial Statements
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3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

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.

p) Future application of changes in accounting standards
On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL) announced the decision to cease the publication of Canadian Dollar Offered Rate (CDOR) after June 28, 2024. The transition is expected to impact derivatives and non-derivative instruments of the Utility.

The impacted derivatives include all interest rate swap agreements with TD Bank. The swaps have a fair value at year end of $2,405,000. The impacted non-derivatives include the long-term debt held with YDC, TD Bank, and others who have yet to transition, as well as the Minto Decommissioning Fund. As at year end, the total fair value of long-term debt is $178,176,000, while the total balance of the decommissioning fund is $3,028,000.

The transition will impact the rates used to calculate the fair value of the long-term debt and derivatives, and the interest rate earned by the decommissioning fund.

For the TD Bank derivatives, and most long-term debt, the banks providing the Utility with fair value percentages are expected to transition from the CDOR 1-month to the Canadian Overnight Repo Rate Average (CORRA). The transition is expected to impact the fair value amount of the interest rate swaps and the long-term debt as the CDOR rates were previously used to calculate fair value.

For the decommissioning fund held at CIBC, interest is currently based on the CDOR 3-month rate. As the basis for calculating cash flows from interest will change, the transition is expected to impact cash and deferred revenue related to the fund.

The interest rate benchmark reform has not resulted in changes to the Utility's risk management strategy. Management has been monitoring the transition and has assessed the overall risk arising from the transition as low. The full impact of the amendments is currently not known and will be assessed at conversion in 2024.

Yukon Energy Corporation

Notes to Financial Statements
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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 financial assets – Note 3(f)(i)
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.

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. Management also makes judgments about which costs in work-in-progress pertain to a particular new license because licensing activities occur on a continuing basis. Changes to management's judgments would affect the carrying amount of the Utility's intangible assets and amortization recognition.

Yukon Energy Corporation

Notes to Financial Statements
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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

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.

Revenue – Notes 3(a), 10(a)(viii), 18 and 19
In years where the Utility has submitted a General Rate Application and the decision from the Yukon Utilities Board is outstanding, the Utility estimates the recovery amount of the GRA revenue requested.

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 measurement 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 provisions include the timing and amount of future payments and the discount rate applied.

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 Account Balances – Notes 1(b), 3(k) and 10
The Utility accounts for its regulatory 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 about the extent that the Utility will be permitted to incorporate deferred amounts in future rates.

Yukon Energy Corporation

Notes to Financial Statements
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5. ACCOUNTS RECEIVABLE

	December 31 2023	December 31 2022
Trade accounts receivable		
Retail energy sales	$ 7,781	$ 8,426
Wholesale energy sales	5,061	6,404
Due from related parties (Note 22)	1,725	4,353
Other	2,492	1,221
	$ 17,059	$ 20,404

Included in Accounts receivable - Other is an amount of $831,000 (2022 - $496,000) related to GST ITC receivable.

At December 31, 2023, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	$ 11,982	$ 624	$ 4,463	$ 17,069
Allowance for doubtful accounts	-	-	(10)	(10)
	$ 11,982	$ 624	$ 4,453	$ 17,059

At December 31, 2022, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	$ 15,447	$ 3,262	$ 1,705	$ 20,414
Allowance for doubtful accounts	-	-	(10)	(10)
	$ 15,447	$ 3,262	$ 1,695	$ 20,404

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

	December 31 2023	December 31 2022
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
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6. INVENTORIES

	December 31 2023	December 31 2022
Materials and supplies	$ 3,777	$ 3,562
Diesel fuel	1,192	1,312
Liquefied natural gas	103	70
	$ 5,072	$ 4,944

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
Costs:							
At December 31, 2021	$ 324,776	230,126	1,615	20,145	5,484	3,808	585,954
Additions	-	-	-	-	-	39,469	39,469
Transfers	6,979	6,086	-	624	525	(14,214)	
Disposals	(1,313)	(8)	-	(407)	(209)	-	(1,937)
At December 31, 2022	$ 330,442	236,204	1,615	20,362	5,800	29,063	623,486
Additions	-	-	-	-	-	63,621	63,621
Transfers	10,622	15,686	-	1,618	1,052	(28,978)	-
Disposals	(3,467)	(140)	-	(50)	(27)	-	(3,684)
At December 31, 2023	$ 337,597	251,750	1,615	21,930	6,825	63,706	683,423
Accumulated depreciation:							
At December 31, 2021	$ 45,571	38,166	-	5,793	2,422	-	91,952
Depreciation	6,882	4,695	-	724	616		12,917
Disposals	(1,313)	(3)	-	(378)	(161)		(1,855)
At December 31, 2022	$ 51,140	42,858	-	6,139	2,877	-	103,014
Depreciation	6,809	4,620	-	736	490		12,655
Disposals	(2,521)	(95)	-	(49)	(27)		(2,692)
At December 31, 2023	$ 55,428	47,383	-	6,826	3,340	-	112,977
Net Book Value:							
At December 31, 2022	$ 279,302	193,346	1,615	14,223	2,923	29,063	520,472
At December 31, 2023	$ 282,169	204,367	1,615	15,104	3,485	63,706	570,446

The total AFUDC capitalized for 2023 was $1,840,000 (2022 - $1,060,000). The AFUDC rate for 2023 was 2.77% (2022 - 2.61%).

Yukon Energy Corporation

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8. INTANGIBLE ASSETS

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

		Software	Deferred Service Costs	Financial Software	Water Licensing	Thermal Permit	Other Intangibles	Work in Progress	Total
Costs:									
At December 31, 2021	$	1,303	443	6,955	1,288	-	-	13,450	23,439
Additions		-						3,904	3,904
Transfers		278			-			(278)	
Disposals		(396)			(805)				(1,201)
At December 31, 2022	$	1,185	443	6,955	483			17,076	26,142
Additions		-	-	-	-			7,247	7,247
Transfers		258			3,903			(4,161)	-
Disposals		(259)			(147)				(406)
At December 31, 2023	$	1,184	443	6,955	4,239	-	-	20,162	32,983
Accumulated amortization:									
At December 31, 2021	$	657	443	2,614	830				4,544
Amortization		235	-	554	339				1,128
Disposals		(396)	-	-	(805)				(1,201)
At December 31, 2022	$	496	443	3,168	364	-	-	-	4,471
Amortization		233	-	492	820				1,545
Disposals		(228)	-	-	(147)				(375)
At December 31, 2023	$	501	443	3,660	1,037	-	-	-	5,641
Net Book Value:									
At December 31, 2022	$	689	-	3,787	119	-	-	17,076	21,671
At December 31, 2023	$	683	-	3,295	3,202	-	-	20,162	27,342

Additions to Financial Software, Water Licensing, Thermal permit and Other Intangibles were almost exclusively internally generated. Additions to Software was almost exclusively externally purchased.

The table above has been updated to present work in progress separately from Intangible Assets that are in service. Work in Progress consists of Software $64,000 (2022 – $6,000), Financial Software $118,000 (2022 – $100,000), Water Licensing $19,576,000 (2022 – $16,970,000), Thermal Permit $138,000 (2022 – $0) and Other Intangibles $266,000 (2022 - $0).

Yukon Energy Corporation

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9. LEASES

The Utility leases industrial land and building facilities. During the year the Utility renewed a building lease for a term of five years. In 2022 the Utility commenced a land lease for the Energy Storage System for a term of twenty-five years. The Utility paid the lease in full during 2022.

Right-of-use assets consist of land of $1,063,000 (2022 - $1,139,000) and building of $713,000 (2022 - $92,000).

	December 31 2023	December 31 2022
Right-of-use assets		
As at January 1	$ 1,231	$ 234
Additions	750	1,181
Depreciation expense	(205)	(184)
As at December 31	$ 1,776	$ 1,231
Lease liabilities		
Lease liabilities	$ 855	$ 265
Less: current portion	160	130
Non-current portion	$ 695	$ 135
Maturity analysis		
Less than one year	$ 205	$ 137
One to five years	772	145
More than five years	-	-
Total undiscounted lease liabilities	$ 977	$ 282
Amounts recognized in net income		
Depreciation expense on right-of-use assets	$ (205)	$ (184)
Interest expense on lease liabilities	$ (18)	$ (8)
Expense relating to short-term leases	$ (3,556)	$ (3,203)

Yukon Energy Corporation

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10. REGULATORY ACCOUNTS

a) Regulatory 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, 2021	$ 21,663	$ 7,663	$ 255	$ 2,768	$ 3,006	$ 1,323	$ 36,678
Costs incurred	115	2,380	-	-	2,006	-	4,501
Regulatory provision	-	(903)	-	390	(411)	3,705	2,781
Disposals	(4,971)	(493)	-	(1,759)	-	(1,863)	(9,086)
Contributions received	-	(263)	-	-	-	-	(263)
At December 31, 2022	$ 16,807	$ 8,384	$ 255	$ 1,399	$ 4,601	$ 3,165	$ 34,611
Costs incurred	1,510	3,363	-	-	555	-	5,428
Regulatory provision	-	(413)	-	(98)	(411)	2,193	1,271
Disposals	650	(423)	-	-	-	(2,112)	(1,885)
Contributions received	-	(453)	-	-	-	-	(453)
At December 31, 2023	$ 18,967	$ 10,458	255	$ 1,301	$ 4,745	$ 3,246	$ 38,972
Accumulated amortization:							
At December 31, 2021	$ 6,511	$ 872	$ 25	$ 1,851	$ 1,052	$ -	$ 10,311
Amortization	1,491	295	51	18	205	-	2,060
Disposals	(4,963)	-	-	(1,759)	-	-	(6,722)
At December 31, 2022	$ 3,039	$ 1,167	$ 76	$ 110	$ 1,257	$ -	$ 5,649
Amortization	1,074	321	51	138	205	-	1,789
Disposals	650	(349)	-	-	-	-	301
At December 31, 2023	$ 4,763	$ 1,139	$ 127	$ 248	$ 1,462	$ -	$ 7,739
Net book value:							
At December 31, 2022	$ 13,768	$ 7,217	$ 179	$ 1,289	$ 3,344	$ 3,165	$ 28,962
At December 31, 2023	$ 14,204	$ 9,319	$ 128	$ 1,053	$ 3,283	$ 3,246	$ 31,233
Net increase (decrease) in regulatory debit balances (which are recognized in the net movement in regulatory account balances related to net income on the Statement of Operations and Other Comprehensive Income):							
December 31, 2022	$ (1,384)	$ 426	$ (51)	$ 372	$ 1,390	$ 1,842	$ 2,595
December 31, 2023	$ 436	$ 2,102	$ (51)	$ (236)	$ (61)	$ 81	$ 2,271
Remaining recovery years							
At December 31, 2022	1 to 5 years	1 to 31 years	4 years	5 to 10 years	Indeterminate	1 year	
At December 31, 2023	1 to 5 years	1 to 30 years	3 years	3 years	Indeterminate	1 year	
Absent rate regulation, net income for the year and net movement in regulatory account balances on the Statement of Operations and Other Comprehensive Income would increase (decrease) by:							
December 31, 2022	$ 1,384	$ (426)	$ 51	$ (372)	$ (1,390)	$ (1,842)	$ (2,595)
December 31, 2023	$ (436)	$ (2,102)	$ 51	$ 236	$ 61	$ (81)	$ (2,271)

Yukon Energy Corporation

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10. REGULATORY ACCOUNTS - continued

a) Regulatory debit balances - continued

	Carry Forward	Vegetation Management (vii)	2023/24 GRA (viii)	2021 GRA (ix)	IPP Purchase Costs (x)	Total
Cost:						
At December 31, 2021	$ 36,678	$ 2,216	$ -	$ 4,330	$ -	$ 43,224
Costs incurred	4,501	-	-	-	26	4,527
Regulatory provision	2,781	-	-	2,269	-	5,050
Disposals	(9,086)	-	-	(3,960)	-	(13,046)
Contributions received	(263)	-	-	-	-	(263)
At December 31, 2022	$ 34,611	$ 2,216	$ -	$ 2,639	$ 26	$ 39,492
Costs incurred	5,428	-	-	-	-	5,428
Regulatory provision	1,271	-	5,667	-	-	6,938
Disposals	(1,885)	-	-	(1,957)	-	(3,842)
Contributions received	(453)	-	-	-	-	(453)
At December 31, 2023	$ 38,972	$ 2,216	$ 5,667	$ 682	$ 26	$ 47,563
Accumulated amortization:						
At December 31, 2021	$ 10,311	$ 1,109	$ -	$ -	$ -	$ 11,420
Amortization	2,060	221	-	3,960	-	6,241
Disposals	(6,722)	-	-	(3,960)	-	(10,682)
At December 31, 2022	$ 5,649	$ 1,330	$ -	$ -	$ -	$ 6,979
Amortization	1,789	222	-	1,957	-	3,968
Disposals	301	-	-	(1,957)	-	(1,656)
At December 31, 2023	$ 7,739	$ 1,552	$ -	$ -	$ -	$ 9,291
Net book value:						
At December 31, 2022	$ 28,962	$ 886	$ -	$ 2,639	$ 26	$ 32,513
At December 31, 2023	$ 31,233	$ 664	$ 5,667	$ 682	$ 26	$ 38,272
Net increase (decrease) in regulatory debit balances (which are recognized in the net movement in regulatory account balances on the Statement of Operations and Other Comprehensive Income):						
December 31, 2022	$ 2,595	$ (221)	$ -	$ (1,691)	$ 26	$ 709
December 31, 2023	$ 2,271	$ (222)	$ 5,667	$ (1,957)	$ -	$ 5,759
Remaining recovery years						
At December 31, 2022		4 years	N/A	1 year	Indeterminate	
At December 31, 2023		3 years	2 years	1 year	Indeterminate	
Absent rate regulation, net income for the year and net movement in regulatory account balances on the Statement of Operations and Other Comprehensive Income would increase (decrease) by:						
December 31, 2022	$ (2,595)	$ 221	$ -	$ 1,691	$ (26)	$ (709)
December 31, 2023	$ (2,271)	$ 222	$ (5,667)	$ 1,957	$ -	$ (5,759)

(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

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December 31 2023

10. REGULATORY ACCOUNTS - continued

a) Regulatory debit balances - 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 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. During the year, $413,000 (2022 - $903,000) was transferred to the regulatory credit balance class hearing reserve (Note 10(b)(ii)) and disallowed costs of $423,000 (2022 - $493,000) were derecogized. 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 and amortization of the forecast 2020 accumulated balance of $2,048,000 over ten years ($205,000 per year). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(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. As part of the 2021 GRA, the balance as at December 31, 2021 of $1,323,000 was transferred to the regulatory debit balance class 2021 GRA (Note 10(a)(ix)). For the period January 1, 2021 through June 30, 2021 the charge was 1.371 cents per kWh. For the period July 1, 2021 to July 31, 2022, the charge was reduced to 0.000 cents per kWh. Effective August 1, 2022, the charge was increased to 0.865 cents per kWh. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

10. REGULATORY ACCOUNTS - continued

a) Regulatory debit balances - 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) 2023/24 GRA
The Utility recognizes a regulatory 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. As part of the 2023/24 GRA, $5,667,000 was recognized for increase in revenue requirement. This amount is reflected in the regulatory provision line. The ending balance at December 31 comprises the Utility's remaining revenue shortfall to be collected from customers in future years.

(ix) 2021 GRA
The Utility recognizes a regulatory 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 February 2023, 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.

(x) IPP purchase costs
OIC 2019/25 directs that in setting rates that the Utility is permitted to charge, it is able to recover the costs of purchasing electricity under an electricity purchase agreement with Independent Power Producers ("IPP's"). As such, starting in 2022 the Utility deferred costs to be charged to ratepayers in future years. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

Yukon Energy Corporation

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10. REGULATORY ACCOUNTS - continued

b) Regulatory 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)	Subtotal see next page
Cost:							
At December 31, 2021	$ 11,602	$ 745	$ 2,782	$ 2,739	$ 5,156	$ 1,834	$ 24,858
Cost incurred	-	-	-	(49)	-	-	(49)
Regulatory provision	-	(653)	7,114	-	(96)	692	7,057
Disposals	-	(973)	-	-	-	-	(973)
At December 31, 2022	$ 11,602	$ (881)	$ 9,896	$ 2,690	$ 5,060	$ 2,526	$ 30,893
Cost incurred	-	-	-	(653)	-	-	(653)
Regulatory provision	4,500	(166)	5,791	-	(96)	1,348	11,377
At December 31, 2023	$ 16,102	$ (1,047)	$ 15,687	$ 2,037	$ 4,964	$ 3,874	$ 41,617
Accumulated amortization:							
At December 31, 2021	$ 7,686	$ 973	$ -	$ -	$ -	$ -	$ 8,659
Amortization	262	-	-	-	-	-	262
Disposals	-	(973)	-	-	-	-	(973)
At December 31, 2022	$ 7,948	$ -	$ -	$ -	$ -	$ -	$ 7,948
Amortization	262	-	-	-	-	-	262
Disposals	-	-	-	-	-	-	-
At December 31, 2023	$ 8,210	$ -	$ -	$ -	$ -	$ -	$ 8,210
Net book value:							
At December 31, 2022	$ 3,654	$ (881)	$ 9,896	$ 2,690	$ 5,060	$ 2,526	$ 22,945
At December 31, 2023	$ 7,892	$ (1,047)	$ 15,687	$ 2,037	$ 4,964	$ 3,874	$ 33,407
Net (increase) decrease in regulatory credit balances (which are recognized in the net movement of regulatory balances related to net income on the Statement of Operations and Other Comprehensive Income):							
December 31, 2022	$ 262	$ 653	$ (7,114)	$ 49	$ 96	$ (692)	$ (6,746)
December 31, 2023	$ (4,238)	$ 166	$ (5,791)	$ 653	$ 96	$ (1,348)	$ (10,462)
Remaining recovery years							
At December 31, 2022	14 years	Indeterminate	Indeterminate	Indeterminate	45 years	51 years	
At December 31, 2023	13 years	Indeterminate	Indeterminate	Indeterminate	44 years	50 years	
Absent rate regulation, net income for the year end and net movement in regulatory balances on the Statement of Operations and Other Comprehensive Income would increase (decrease) by:							
December 31, 2022	$ (262)	$ (653)	$ 7,114	$ (49)	$ (96)	$ 692	$ 6,746
December 31, 2023	$ 4,238	$ (166)	$ 5,791	$ (653)	$ (96)	$ 1,348	$ 10,462

Yukon Energy Corporation

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December 31 2023

10. REGULATORY ACCOUNTS - continued

b) Regulatory credit balances - continued

	Carry Forward	Defined Benefit Pension (vii)	Total
Cost:			
At December 31, 2021	$ 24,858	$ -	$ 24,858
Cost incurred	(49)	-	(49)
Regulatory provision	7,057	63	7,120
Disposals	(973)	-	(973)
At December 31, 2022	$ 30,893	$ 63	$ 30,956
Cost incurred	(653)	-	(653)
Regulatory provision	11,377	23	11,400
Disposals	-	-	-
At December 31, 2023	$ 41,617	$ 86	$ 41,703
Accumulated amortization:			
At December 31, 2021	$ 8,659	$ -	$ 8,659
Amortization	262	-	262
Disposals	(973)	-	(973)
At December 31, 2022	$ 7,948	-	$ 7,948
Amortization	262	-	262
Disposals	-	-	-
At December 31, 2023	$ 8,210	$ -	$ 8,210
Net book value:			
At December 31, 2022	$ 22,945	$ 63	$ 23,008
At December 31, 2023	$ 33,407	$ 86	$ 33,493
Net (increase) decrease in regulatory credit balances (which are recognized in the net movement of regulatory balances related to net income on the Statement of Operations and Other Comprehensive Income):			
December 31, 2022	$ (6,746)	$ (63)	$ (6,809)
December 31, 2023	$ (10,462)	$ (23)	$ (10,485)
Remaining recovery years			
At December 31, 2022		Indeterminate	
At December 31, 2023		Indeterminate	
Absent rate regulation, net income for the year end and net movement in regulatory balances on the Statement of Operations and Other Comprehensive Income would increase (decrease) by:			
December 31, 2022	$ 6,746	$ 63	$ 6,809
December 31, 2023	$ 10,462	$ 23	$ 10,485

(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, and a gain on insurance proceeds related to damage to the Lewes River Boat lock in 2021 which is not yet being amortized as it has not yet received regulatory approval. In the absence of rate regulation, IFRS requires the gain to have been fully recognized as income in the year received.

Yukon Energy Corporation

Notes to Financial Statements
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10. REGULATORY ACCOUNTS - continued

b) Regulatory credit balances - continued

(ii) Hearing reserve
The Utility has established a deferral account for regulatory hearing costs to be recovered from or paid to ratepayers in the future. The regulatory provision for the year reflects an annual provision of $250,000 less $416,000 (2022 - $903,000) of approved costs transferred from Regulatory costs (Note 10(a)(ii)). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

(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. 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.

(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 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 credit balance.

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Notes to Financial Statements
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10. REGULATORY ACCOUNTS - continued

b) Regulatory credit balances - continued

(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 credit balance.

(vii) Defined benefit pension
The Utility has established a deferral account to accumulate differences from approved pension funding versus actual funding requirements. The regulatory provision will be determined through a future regulatory proceeding. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(c) Regulatory account expenses

Regulatory account expenses represent costs incurred related to regulatory account debit balances of $5,428,000 (2022 - $4,527,000) and regulatory account credit balances of $653,000 (2022 - $49,000).

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

Net movement in regulatory balances related to net income is $4,727,000 (2022 - $6,100,000) represents the adjustment to net income for the year before net movement in regulatory balances for the effects of rate regulation in accordance with IFRS 14. The net movement figure is comprised of an increase of $5,759,000 for regulatory account debit balances and an increase of $10,485,000 for regulatory account credit balances for rate regulation compared to the amounts that are recognized under IFRS. The net movement figure for 2022 is comprised of an increase of $709,000 for regulatory account debit balances and an increase of $6,809,000 for regulatory account credit balances respectively for rate regulation compared to the amounts that would be recorded under IFRS absent rate regulation.

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 $47.7 million (2022 - $14.1 million). The Utility has cash balances with the same financial institution of $3.2 million (2022 - $3.1 million). The Utility's bank indebtedness is comprised of:

	December 31 2023	December 31 2022
Line of credit	$ 47,675	$ 14,184
Less: bank balances	3,218	3,061
	$ 44,457	$ 11,123

For the purposes of the statement of cash flows, the line of credit is classified as financing activities as it is used to fund construction work in progress. In the statement of cash flows, cash is comprised of bank balances.

Yukon Energy Corporation

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2023	December 31 2022
Trade payables	$ 19,376	$ 13,951
Due to related parties (Note 22)	993	1,422
Employee compensation	1,006	1,151
Other	269	261
	$ 21,644	$ 16,785

13. CONSTRUCTION FINANCING

	December 31 2023	December 31 2022
Construction financing, due December 31, 2024 bearing interest at 5.444% approved to a maximum of $10 million	$ 10,000	$ -
Construction financing, due December 31, 2024 bearing interest at 5.444% approved to a maximum of $27.26 million	27,260	-
Construction financing, due December 31, 2024 bearing interest at 5.444% approved to a maximum of $8.4 million	8,400	-
Construction financing, due December 31, 2024 bearing interest at 5.444% approved to a maximum of $14 million	12,617	-
Construction financing, due December 31, 2023 bearing interest at 5.19% approved to a maximum of $8.4 million	-	8,400
Construction financing, due December 31, 2023 bearing interest at 5.19% approved to a maximum of $14 million	-	12,617
	$ 58,277	$ 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. Two new constuction financing agreements ($10.0M and $27.26M) have been added in 2023 to assist with working requirements for capital projects. The prior year debt was extinguished and replaced with new debt with no impact on cash flows.

Yukon Energy Corporation

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14. LONG-TERM DEBT

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

	December 31 2023	December 31 2022
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	$ 59,304	$ 62,988
$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)	17,857	18,194
$5,505,000 term note bearing interest at 2.40% interest only payable monthly, due December 31, 2039	5,505	5,505
$20,984,404 term note bearing interest at 2.21%, interest payable monthly repayable in annual installments of $839,376 principal with the balance due December 31, 2040	14,269	15,109
$12,136,000 term note bearing interest at 2.10% interest only payable monthly, 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
$6,425,000 term note bearing interest at 4.10%. Payable in quarterly installments of $103,009 interest and principal with the balance due December 21, 2048 (ii)	6,425	-
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 (iii)	6,987	7,413
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 (iv)	20,135	20,843
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 (v)	5,877	6,089
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 (vi)	4,333	4,488
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 (vii)	7,079	7,301

Yukon Energy Corporation

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14. LONG-TERM DEBT - continued

	December 31 2023	December 31 2022
TD Bank - continued		
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 4.07% per annum. Payable in monthly installments of $86,661 interest and principal with the balance due on September 1, 2052 (viii)	$ 17,598	$ 17,914
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
Champagne and Aishihik First Nations		
On July 21, 2023, the Utility entered into $1,000,000 Long-term debt associated with the installation of the third hydro turbine at the Aishihik Hydroelectric Generating Station (AGS) and due on July 31, 2048. Interest rate is the rate of return on equity and interest payable annually (ix)	1,000	-
Long-term debt	185,476	184,951
Less: current portion	62,733	6,900
	$ 122,743	$ 178,051

(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% (2021 - 5.46%).

(ii) **$6,425,000 Flexible Term Note**
On December 21, 2023, Yukon Development Corporation entered into a loan and interest rate swap with TD Bank to support the Utility to maintain required regulatory debt ratio of 60%. The Utility will make payments of principal and interest to YDC in the amounts of each payment owing by YDC to the TD Bank.

(iii) **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.

Yukon Energy Corporation

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14. LONG-TERM DEBT - continued

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) TD Bank Loan and 4.07% Interest Rate Swap
On August 29, 2022, 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 September 1, 2052.

(ix) Champagne and Aishihik First Nations debt
On July 21, 2023, the Utility entered into a long-term debt agreement with Champagne and Aishihik First Nation associated with the installation of the third hydro turbine at the AGS. The debt matures July 31, 2048. The per annum interest rate is the actual final rate of return on equity for the Utility's regulatory income for the actual year most recently filed with the YUB under section 25(1) of the *Public Utilities Act*.

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

2024	62,733
2025	7,458
2026	3,571
2027	3,646
2028	3,723
Thereafter	104,345
	$ 185,476

Yukon Energy Corporation

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14. LONG-TERM DEBT - continued

The change in long-term debt arising from financing activities during the year related to principal repayments of $6,900,000 (2022 - $6,614,000) and the issuance of additional debt in the amount of $7,425,000 (2022 - $17,991,000).

Fair value
The fair value of long-term debt at December 31, 2023 is $178,176,000 (2022 - $174,539,000). 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 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.

These minimum funding requirements require the Utility to make special payments as prescribed by OSFI to repay any unfunded liability or solvency deficiency that may exist. For the employee defined benefit pension plan the Utility is currently not required to make any special payments.

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.

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 2023, these were $673,000 (2022 - $559,000).

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.

Yukon Energy Corporation

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15. POST-EMPLOYMENT BENEFITS - continued

Net defined benefit liability

	December 31 2023	December 31 2022
Present value of benefit obligations		
Balance, beginning of year	$ 22,536	$ 28,781
Employee contributions	45	43
Current service cost	120	409
Interest cost	1,131	864
Benefits paid	(1,022)	(827)
Actuarial (gains) losses on experience	(583)	319
Actuarial (gains) on demographic assumptions	(48)	(6)
Actuarial losses (gains) on financial assumptions	1,715	(7,047)
Balance, end of year	$ 23,894	$ 22,536
Fair value of plan assets		
Balance, beginning of year	21,785	24,611
Interest income on plan assets	1,093	736
Gains (losses) on plan assets	818	(3,376)
Employee contributions	45	43
Employer contributions	357	668
Benefits paid	(1,022)	(827)
Administrative costs	(70)	(70)
Balance, end of year	$ 23,006	$ 21,785
Effect of asset ceiling	76	76
Net defined benefit liability	$ 964	$ 827

Yukon Energy Corporation

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15. POST-EMPLOYMENT BENEFITS - continued

Components of benefit plan cost:

	December 31 2023	December 31 2022
Current service cost	$ 120	$ 409
Interest cost	1,131	864
Interest income on plan assets	(1,093)	(736)
Administrative costs	70	70
Interest cost on effect of asset ceiling	4	2
Defined benefit expense in Statement of Operations	232	609
Defined contribution expense	673	559
Total benefit expense in Statement of Operations	$ 905	$ 1,168
Actuarial losses (gains) on obligation	1,084	(6,734)
(Gains) losses on plan assets	(818)	3,376
Effect of asset ceiling	(4)	(8)
Total re-measurements included in Other Comprehensive Income	$ 262	$ (3,366)
Total benefit costs recognized in Statement of Operations and Other Comprehensive Income	$ 1,167	$ (2,198)

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:

	December 31, 2023	December 31, 2022
Equities	40.7%	43.8%
Fixed income securities	40.5%	31.5%
Real estate	18.8%	24.7%

Significant assumptions:

	December 31, 2023	December 31, 2022
Discount rate - accrued benefit obligation	4.60%	5.10%
Assumed rate of compensation increase	3.10%	3.10%
Pension growth	2.00%	2.00%

Yukon Energy Corporation

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15. POST-EMPLOYMENT BENEFITS - continued

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.

Assumptions and sensitivity to the recognized post-employment benefits liability balance at December 31, 2023

Assumption	+1%	-1%	+1%	-1%
Discount rate	-11%	13%	$ (2,605)	$ 3,173
Salary growth	0.3%	-0.3%	67	(65)
Pension growth	13%	-11%	3,053	(2,612)
Life expectancy (1 year movement)	3%	-3%	607	(618)

Assumptions and sensitivity to the recognized post-employment benefits liability balance at December 31, 2022

Assumption	+1%	-1%	+1%	-1%
Discount rate	-11%	13%	$ (2,431)	$ 2,965
Salary growth	0.4%	-0.4%	80	(77)
Pension growth	13%	-11%	2,813	(2,357)
Life expectancy (1 year movement)	2%	-2%	517	(529)

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 12.3 years (2022 - 12.1 years). The Utility expects to make payments of $209,000 (2022 - $230,800) to the defined benefit plans during the next financial year.

Yukon Energy Corporation

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16. CONTRIBUTIONS IN AID OF CONSTRUCTION

	Government of Canada	Parent since 1998	Yukon Government since 1998	Pre-1998 contributions	Total
Cost:					
At December 31, 2021	$ 92,960	$ 89,730	$ 11,898	$ 1,739	$ 196,327
Additions	6,780	-	-	-	6,780
At December 31, 2022	$ 99,740	$ 89,730	$ 11,898	$ 1,739	$ 203,107
Additions	3,843	-	524	-	4,367
At December 31, 2023	$ 103,583	$ 89,730	$ 12,422	$ 1,739	$ 207,474
Accumulated amortization:					
At December 31, 2021	$ 10,197	$ 16,255	$ 2,948	$ 1,552	$ 30,952
Amortization	1,417	1,607	194	44	3,262
At December 31, 2022	$ 11,614	$ 17,862	$ 3,142	$ 1,596	$ 34,214
Amortization	1,249	1,602	197	43	3,091
At December 31, 2023	$ 12,863	$ 19,464	$ 3,339	$ 1,639	$ 37,305
Net book value:					
At December 31, 2022	$ 88,126	$ 71,868	$ 8,756	$ 143	$ 168,893
At December 31, 2023	$ 90,720	$ 70,266	$ 9,083	$ 100	$ 170,169

17. DEFERRED REVENUE

	Customer Contributions	IPP Contracts	Decommissioning Fund	Total
At December 31, 2021	$ 16,437	$ 394	$ 2,812	$ 19,643
Additions	426	3,083	63	3,572
Revenue recognized in Sales of Power and Other Revenue	(1,315)	(3,201)	-	(4,516)
At December 31, 2022	$ 15,548	$ 276	$ 2,875	$ 18,699
Additions	459	1,822	154	2,435
Revenue recognized in Sales of Power and Other Revenue	(1,303)	(365)	-	(1,668)
At December 31, 2023	$ 14,704	$ 1,733	$ 3,029	$ 19,466

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

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17. DEFERRED REVENUE - continued

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied as at December 31, 2023:

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Customer contracts	$ 1,295	$ 6,475	$ 6,934	$ 14,704
IPP contracts	556	242	935	1,733
Decommissioning fund	-	-	3,029	3,029
	$ 1,851	$ 6,717	$ 10,898	$ 19,466

At December 31, 2022, the current portion of deferred revenue of $1,380,000 consisted of customer contracts ($1,315,000) and IPP contracts ($65,000).

18. SALES OF POWER

	2023	2022
Wholesale	$ 46,665	$ 46,993
Industrial	16,576	20,753
General service	10,793	8,193
Residential	4,084	4,079
Secondary sales	227	365
Sentinel and street lights	113	137
	$ 78,458	$ 80,520

19. OTHER REVENUE

The Utility recognized $4,500,000 (2022 - $0) related to a gain on insurance proceeds (Note 10(b)(i)) and $365,000 (2022 - $3,201,000) in other revenue related to IPP contracts (Note 17).

In October 2021 efforts to reduce flooding at Marsh Lake resulted in permanent damage to the Lewes River Boat Lock. Insurance proceeds were received in 2023 in the amount of $5,520,000. Net of the insurance deductible and other costs, proceeds totaled $4,500,000. Insurance proceeds were allocated to the removal of the Lewes River Boat Lock and towards a new upgraded boat lock at the Lewes Dam, which is part of a larger upgrade project. Construction is expected to commence in 2024.

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20. OPERATIONS AND MAINTENANCE EXPENSES

	2023	2022
Fuel	$ 11,138	$ 11,642
Wages and benefits	7,285	6,516
Regulatory account expenses (Note 10(c))	6,083	4,576
Rent	5,242	3,028
Contractors	3,825	6,760
Materials and consumables	1,713	2,099
Loss on asset disposals	1,024	61
Travel	533	409
Communication	93	87
	$ 36,936	$ 35,178

21. ADMINISTRATION EXPENSES

	2023	2022
Wages and benefits	$ 7,879	$ 7,098
Insurance and taxes	3,060	2,702
External labour	2,619	1,956
Materials, consumables and general	2,472	1,684
Licences and fees	1,027	1,083
Travel	362	224
Board fees	156	109
	$ 17,575	$ 14,856

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.

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22. RELATED PARTY TRANSACTIONS - continued

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

	2023	2022
Revenue		
Sales of service	$ -	$ 4
Rate subsidy	831	$ 924
Operating expenses		
Interest expense	$ 4,741	$ 3,998
Dividends	$ 27,260	$ 11,500
Other receipts		
Construction financing	$ 37,260	$ -
Long-term debt	6,425	-
Other payments/deductions		
Repayment of long-term debt	$ 4,860	$ 4,860

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

	December 31 2023	December 31 2022
YDC		
Accounts receivable	$ 1,485	$ 4,144
Accounts payable	993	1,012
Construction financing	58,277	21,017
Dividends payable	-	11,500
Current portion of long-term debt	60,631	4,860
Long-term debt	61,695	115,901
YG		
Accounts receivable	$ 240	$ 209
Accounts payable	-	410

Included in Accounts receivable from YDC is an amount of $1,192,000 for capital projects funded by the federal government, which are administered through YG and YDC (2022 - $3,992,000). 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 ten senior management team positions and nine Board of Directors positions. Key management personnel compensation is as follows:

Year ended December 31	2023	2022
Short-term employee benefits	$ 1,975	$ 1,823
Post-employment benefits	110	145
	$ 2,085	$ 1,968

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23. COMMITMENTS

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, 2023 as the product or service had not been provided. The following table summarizes the nature of the commitments:

Commitments*	**2023**	**2022**
Property, plant and equipment	$ 44,353	$ 66,059
Other products or services	8,110	5,546
Intangible assets	1,747	717
	$ 54,210	$ 72,322

* Comparative information has been disaggregated by the nature of the commitment in order to provide additional information and to align with the current year's presentation.

24. CONTINGENCIES

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 significant environmental contamination was found. As at December 31, 2023 no significant 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 significant present obligation to remediate.

26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

At December 31, 2023, the Utility's financial instruments included accounts receivable, bank indebtedess, 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.

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26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

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.

The fair value of the interest rate swap agreements on December 31, 2023 was an asset of $2,405,000 (2022 - asset of $4,908,000). The decrease in the fair value in 2023 of $2,503,000 (2022 – increase $7,387,000) is recognized on the Statement of Operations and Other Comprehensive Income as an unrealized 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 $5,844,000 (2022 - $6,371,000).

The Utility has access to a line of credit. As at January 1, 2023, the line of credit was $65.0 million. Effective December 18, 2023, the line of credit was increased temporarily to $100.0 million. The temporary increase expires June 30, 2024. The account accrues interest on withdrawals at prime rate minus 0.75% (2022 - prime rate minus 0.75%) per annum. 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 2023	December 31 2022
Accounts receivable	17,059	20,404
	$ 17,059	$ 20,404

Credit risk on accounts receivable is generally considered minimal as the Utility has experienced insignificant bad debt in prior years. 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, 2023 is $5,077,000 (2022 - $4,957,000), of which $4,015,000 (2022 - $3,851,000) pertains to one customer. This customer is currently in receivership and working on a potential mine sale process. If the sale process is not successful, the receiver will commence with asset liquidation. The recovery of any amount owing will not occur until after the sale or liquidation is completed. The timing and certainty of a full recovery is unknown, and a wide range of outcomes are possible. However, based on management’s judgment and assessment, as at December 31, 2023, this amount continues to be considered fully collectible. Therefore, no allowance provision (2022 – $nil) has been recognized.

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26. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

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.

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, 2023:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related asset	-	$2,405	-	$2,405
Long-term debt	-		$178,176	$178,176

The following table illustrates the fair value hierarchy of the Utility's financial instruments as at December 31, 2022:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related asset	-	$4,908	-	$4,908
Long-term debt	-	-	$174,500	$174,500

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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 regulatory capital structure at a ratio of approximately 60% debt and 40% equity. The capital structure ratio has been reviewed and accepted by the YUB for rate setting purposes.

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 16). 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.

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

	December 31 2023	December 31 2022
Long-term debt due within one year	$ 62,733	$ 6,900
Long-term debt	122,743	178,051
Total debt	185,476	184,951
Add decommissioning fund (Note 17)	3,029	2,875
Total debt to include in the calculation	$ 188,505	$ 187,826
Share capital	39,000	39,000
Contributed surplus	15,968	15,968
Retained earnings	74,289	94,796
Total shareholder's equity	$ 129,257	$ 149,764
Total capitalization	$ 317,762	$ 337,590
Total debt to total capitalization	59 %	56 %

There were no changes in the Utility's approach to capital management during the period. During the year, the Utility declared a dividend of $27,260,000 (2022 - $11,500,000). The dividend was converted to Construction Financing (see Note 13). Of the prior year dividend, $10,000,000 was also converted to Construction Financing and the remaining $1,500,000 was paid in cash.

Environmental Benefits Statement

This report is printed on 100 percent postconsumer waste material. It is Forest Stewardship Council TM Canada certified, processed chlorine free, alkaline pH, and meets the credibility of Canadian Standards Association (CSA) for longevity.

By using this paper, Yukon Energy saved the following resources based on a copy run of 50 reports:

Wood Use: 450 kg
Water: 1,850 L
Energy: 300 kWhr
Solid Waste: 25 kg
Greenhouse Gases: 62.50 kg CO_2 equiv.

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