



YUKON ENERGY 2010 Business Plan

December 2009



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OVERVIEW/2009 REVIEW

This business plan outlines the goals and strategies for Yukon Energy for 2010 and reflects the Corporation's budgeting to achieve those goals. It also gives a summary of our 2009 major initiatives.

Yukon Energy's primary focus in 2009 was to improve system reliability while taking steps to ensure there is enough clean electricity available to meet the growing demand.

Reliability

In 2009 Yukon Energy embarked on an aggressive capital maintenance schedule that saw approximately two-thirds of our core capital budget go towards projects related to reliability. Over the past year we have worked our way through a list of maintenance capital projects, and as a result we have seen significant improvement. At the time this report was written (late November), we had a total of six major controllable outages on our Whitehorse-Aishihik-Faro transmission system in 2009, compared to 19 in 2008. There were also significant improvements in controllable outages on our Mayo-Dawson grid. However we recognize that we must be diligent in terms of continuing to make improvements to our system. We are committed to continuing with an aggressive capital maintenance schedule for the foreseeable future and we are committed to providing safe, reliable energy for all Yukoners.

In terms of ongoing equipment and line maintenance, Yukon Energy has an increased focus on ensuring we are doing the correct maintenance at the right time. This planning is intended to lead to the implementation of a maintenance management system to further ensure our assets are receiving the best care possible.

Meeting Demand

Yukon Energy is planning for the future in ways that will ensure a secure and continuous supply of clean, affordable energy. Our goal is to meet the growing demand for electricity with renewable energy that complements our existing hydro system. To that end, we pursued a number of initiatives in 2009 that will enhance our current infrastructure.

Mayo B

The Mayo B project involves building a new powerhouse about three kilometres downstream from the existing powerhouse. It will more than double the amount of power that can be generated from the Mayo River, from five to approximately 13 megawatts.

In February 2009 Yukon Energy submitted a project proposal to the Yukon Environmental and Socio-Economic Assessment Board (YESAB) regarding Mayo B. As well, in May 2009 the federal government announced it would provide up to \$71 million for the Mayo B project and for completion of the Carmacks-Stewart Transmission Project (collectively known as the Green Energy Legacy Project).

Additional funding for these projects will come from the Yukon government/Yukon Development Corporation and Yukon Energy. As well, the First Nation of Na-cho Nyak

Dun has been offered investment opportunities related to Mayo B. We expect to conclude a project agreement with the First Nation in 2010.

Carmacks-Stewart Transmission Project – Stage 2

Work moved forward in 2009 on Stage 2 of the Carmacks-Stewart transmission line (Stage 1 – from Carmacks to Pelly Crossing was completed in 2008). Stage 2 will see the line extended from Pelly Crossing to Stewart Crossing. It will allow Yukon Energy to interconnect our two hydro grids (Whitehorse-Aishihik-Faro in the Southern Yukon and Mayo-Dawson in the Northern Yukon), thus providing more flexibility and reliability of service.

Survey work on Stage 2 began in October, and clearing started in November. We expect line construction to commence in the late winter of 2010 and the line energized by the spring of 2011.

We anticipate that the construction of Mayo B and Carmacks-Stewart Stage 2 will provide substantial economic benefits for Yukoners. In total, it's estimated that between 200 and 300 local residents will work on these two projects. The projects will reduce greenhouse gas emissions by 25,000 tonnes annually.

Aishihik 3

This is another project aimed at enhancing existing infrastructure. By adding a seven megawatt hydro generator to the existing Aishihik hydro plant (which currently has two 15 megawatt hydro generators) we will be able use our plant more efficiently, since it will give us the ability to produce the same amount of power using less water. Our longer term plan is to obtain permission from the Yukon Water Board to run all three hydro units at once when needed. This new unit will save Yukoners \$1 million or more per year in diesel costs and reduce greenhouse gas emissions by an estimated 3,800 tonnes annually.

In 2009 we ordered the new turbine and prepared the Aishihik plant for installation by excavating rock from the area where the generator is to be placed. Further preparation will be done during the first half of 2010. The new turbine will be installed and connected to the grid in the latter half of 2010.

The Aishihik 3 project is being made affordable by a \$5 million contribution from the federal government. The total cost of Aishihik 3, in 2009 dollars, is about \$8.9 million.

Geothermal

Yukon Energy is looking at all possible sources of clean, renewable energy to meet future demand, including geothermal. Because Yukon is located in an area of the Pacific known as the Ring of Fire, we believe the potential is good for finding significant geothermal resources that could be used to produce electricity.

With the help of a \$125,000 contribution from the Yukon Cold Climate Innovation Centre, we conducted some geothermal research this year using remote sensing satellite imagery and infrared thermal sensors to find sites where geothermal resources exist. While early results are favourable, more work will be done in 2010 and 2011 to determine if geothermal is a realistic option for Yukon. Geothermal heat sources, once built, are a highly efficient, reliable supply of clean electricity.

Wind

While our two experimental wind turbines on Haeckel Hill have presented some on-going challenges, we continue to look for ways of using wind as a part of our clean energy complement. In 2009 Yukon Energy completed a preliminary wind feasibility study of a 20 megawatt wind farm on Mt Sumanik near Whitehorse. We are also continuing our investigation of Ferry Hill near Stewart Crossing as a possible site for a wind farm, and we are continuing to develop a wind energy economic assessment tool as part of our Renewable Energy Development program.

Enhanced Storage Projects

Yukon Energy is committed to optimizing our existing hydro infrastructure before developing new hydro projects. To this end, there are a number of enhancement concepts we are examining that will increase production at our Whitehorse and Aishihik hydro facilities. These include additional storage in Marsh Lake and storage in Atlin Lake, both of which would increase the winter output of our Whitehorse hydro facility. Diverting water from Gladstone Creek into Aishihik Lake would allow more power to be produced at our Aishihik plant. These projects could provide up to 35 additional gigawatt hours of energy annually (18 from Gladstone, nine from Atlin and eight from Marsh Lake).

This year Yukon Energy developed consultation protocols and processes to ensure governments, stakeholders and the general public are engaged very early in the resource planning process and throughout the assessment, permitting and construction stages. Transparency and timeliness are the key pillars of this initiative. In 2010 we plan to continue moving forward with this engagement process.

Yukon Energy is also exploring the next generation of large hydro development projects (i.e. 2012 to 2020 time frame), such as possible sites on the upper reaches of the Pelly River. We believe this would provide between 150 and 275 gigawatt hours of energy annually. In 2010 money will be spent on preliminary engineering and environmental studies.

Energy Conservation/Demand Side Management

Demand Side Management is a term used to describe ways of encouraging/influencing customers to reduce energy consumption, either in general or at particular times of the day when our energy-supply systems are constrained. Such efforts are generally made to optimize available and planned generation resources and where possible to help defer the need for new energy and capacity supply additions. This year Yukon Energy began work

with Yukon Electrical Company Ltd. and the Yukon government to develop a Demand Side Management policy and program. This work will continue into 2010.

We also worked to improve efficiencies of our own equipment and assets.

Independent Power Producers/Net Metering

Yukon Energy is working with Yukon Electrical Company Ltd. and the Yukon government on Independent Power Producers (IPPs) and net metering policies. Again, work will continue in 2010 on these initiatives. When implemented, a net metering policy will allow customers to generate their own clean electricity and reduce the amount of power they buy from a utility. An IPP policy will enable Yukon Energy to buy power from private sources and support the development of Yukon's renewable economy.

Revenue Requirement Application

In the fall of 2008, Yukon Energy applied to the Yukon Utilities Board (YUB) for approval of our 2008 and 2009 revenue requirements. As a result of completing Stage 1 of the Carmacks-Stewart line and obtaining a new industrial customer, we were able to ask for a rate decrease. To promote energy conservation and efficient price signals, Yukon Energy proposed a 17.8 percent rate reduction for the first block energy charges. Second block energy charges would have been increased, with all the resulting added revenues going to the proposed first block reduction.

In rendering its decision in September 2009, the Yukon Utilities Board said it wanted to wait for a Phase 2 hearing, including a rate design and cost-of-service study, before considering our request to decrease first block rates and increase second block. Until that time, it has allowed a 2.47 percent decrease for most customers (excluding Secondary Sales customers and the Minto mine).

The Utilities Board made a number of other decisions regarding our application. It has determined that almost all our costs can be put into revenue requirement (meaning passed on to the customer).

With regard to the Carmacks-Stewart Transmission Project, the YUB said it was convinced that this new transmission line provides a net economic benefit to Yukoners.

As far as spending money on planning for future generation projects, the Board said that Yukon Energy doesn't have the luxury of waiting for new energy loads to materialize with full certainty before planning and building facilities needed to meet growing electrical demand. It supported our on-going work to have projects 'shelf ready' so they are ready to proceed at some future date as circumstances warrant.

Other points included in the Utilities Board Order:

- Yukon Energy and Yukon Electrical Company Ltd. are to submit a joint policy paper/plan for Demand Side Management strategies (energy conservation strategies).

- Both utilities must provide the Board with Key Performance Indicators that show improvements in reliability.
- Yukon Energy is to continue with its work of refurbishing our oldest diesel units (Mirrlees), which will provide back-up power when needed.
- Yukon Energy is allowed a return on equity of 8.64 percent for 2008 and 8.49 percent for 2009.

Safety

After many months of hard work, Yukon Energy was successful in 2009 in attaining our Certificate of Recognition (COR) for workplace safety. The COR is issued to employers who develop and implement health and safety programs that meet established standards set out by the Northern Safety Network and the Yukon Workers' Compensation Health and Safety Board.

A COR recognizes that Yukon Energy Corporation's health and safety management system has been evaluated by an independent certified auditor and found to meet industry standards. The audit was carried out at Yukon Energy's Dawson City, Mayo and Whitehorse operations.

Yukon Energy believes that by participating in this program we have strengthened our business success and shown leadership in the community.

We must also recognize the excellent safety record that the employees of Yukon Energy have achieved. As of the beginning of the 4th Quarter in 2009 Yukon Energy staff have worked two years without a lost time incident. This safety record is a testament to our employees' high standard of safe work practices. Yukon Energy's lost time severity rate (the number of days lost) is among the lowest in the country for Canadian Electricity Association members who have fewer than 300 employees.

Wellness

Yukon Energy recognizes the benefits of a healthy workforce and we promote a healthy and active lifestyle for our employees. In 2009, more than thirty percent of the employees used the company's wellness subsidy program.

Environment

The mandate of Yukon Energy's environmental management program is to provide for and support efficient and effective systems to minimize the adverse environmental impacts of our facilities. In 2009 Yukon Energy did an assessment of our existing Environmental Management System (EMS) as part of an ongoing program of system checking and continual improvement. The assessment indicates that a process to update the EMS should be developed. We expect an updated EMS to be completed and rolled out in 2010.

Yukon Energy is proud of our commitment to environmental stewardship and biodiversity. In cooperation with our partners the Yukon Fish and Game Association and the Yukon government, we maintain one of the world's longest fishladders. It not only

provides passage for migrating Chinook salmon beyond the Whitehorse dam, but offers opportunities for scientific and cultural information gathering and sharing.

Yukon Energy, with our partner the Yukon government, also operates an important fish hatchery on the Yukon River in Whitehorse. The 2009 Chinook salmon run, although stronger than previous years in terms of numbers, was heavily skewed in favour of male fish. This left fewer females to be selected for broodstock as the program must let at least 70 percent of females through to the spawning grounds. Even with the lower number of eggs, the hatchery was still able to support a Ta'an Kwäch'an First Nation initiative to re-introduce Chinook salmon to Fox Creek by providing salmon eggs for the program for the second straight year.

Human Resources

In Yukon Energy's overall Human Resources strategy, employees are deemed essential to the realization of the corporate vision. Yukon Energy employs approximately 80 skilled workers. To maintain and enhance the skills needed to achieve our business objectives, the Corporation undertakes to:

- attract, recruit and retain a competent work force that shares our values and is motivated to help sustain and improve the company's assets;
- offer our employees opportunities for professional development to ensure a high level of skill, expertise and leadership;
- ensure succession planning and the continuity of know-how.

Yukon Energy's apprenticeship program is an important part of our human resource strategy in meeting some of our labour needs for both the present and future. It is rewarding to see the program progress since implementation just a few short years ago.

Congratulations to the following employees for receiving their journey certification in 2009:

- Calvin Kirkwood – Powerline Technician
- David Bourque – Powerline Technician
- Mike Sage – Powerline Technician
- Scott Hoffmann – Power System Electrician

We would also like to recognize and congratulate our 2009 Long Service Award recipients:

- Ron Kirkwood – 25 years
- Gary McLaughlin – 20 years
- Danny Sutherland – 20 years
- Ed Peake – 10 years
- Pat Williams – 10 years
- Melaine Fillion – 5 years
- Lynda Harlow – 5 years
- David Morrison – 5 years
- Janet Patterson – 5 years
- Mike Sage – 5 years

- Albert Schwarz – 5 years
- Sheldon Sollosy – 5 years

During the last quarter of 2009 Yukon Energy contracted with a consulting firm to deliver a workforce planning analysis and report. The consultant will work collaboratively with stakeholders to assess the current workforce and develop a workforce plan to support the evolving business, accounting for both short- and long-term needs. This is important for the Corporation as it manages planned growth, the introduction of new technology, optimizing staff workloads and an aging workforce (over 43 percent of our workforce is 50 years of age or older). These issues are compounded by the unique challenges of operating a utility in the North.

Board of Directors

2009 was a challenging year for both the Board of Directors and the staff at Yukon Energy. The board chair, along with three directors, resigned because of what they described as political interference. Pat Irvin was appointed interim chair and the board operated throughout the second half of 2009 with only four members. We look forward to seeing a full complement on the board early in 2010.

COMPANY PROFILE

Yukon Energy is incorporated under the *Business Corporations Act* and is a wholly-own subsidiary of Yukon Development Corporation, a corporation owned by the Yukon government. We generate, transmit, and distribute electrical energy in Yukon.

Yukon Energy was established in 1987 and now supports almost 15,000 electricity customers. Distribution to these customers is shared with Yukon Electrical Company Ltd.

Yukon Energy has the capacity to generate 115 megawatts of power. Seventy-five megawatts of that are provided by our hydro facilities in Whitehorse, Mayo and Aishihik Lake (40 megawatts at Whitehorse, 30 megawatts at Aishihik and five megawatts at Mayo), 39 megawatts by diesel generators (which we currently only use as back-up) and 0.8 megawatts by two wind turbines located on Haeckel Hill near Whitehorse.

Yukon Energy has 80 employees located in Whitehorse, Faro, Mayo and Dawson City.

MANDATE

Yukon Energy generates, transmits and distributes a continuing and adequate supply of cost-effective and reliable electrical energy for customers in Yukon.

VISION

Yukon Energy provides a secure supply of clean electrical energy for Yukoners by focusing on renewable sources of power and energy solutions that complement the corporation's legacy hydro assets.

VALUES

We strive to:

- Prioritize safety in all our actions
- Recognize and encourage integrity, learning, growth and development
- Foster an attitude of team work
- Operate with respect for one another
- Be accountable to our customers and shareholders
- Act sustainable (integrating the social, environmental, and economic bottom-lines)
- Be innovative when seeking energy solutions
- Take a proactive approach to meeting electricity needs
- Develop partnerships as required to meet electricity needs
- Optimize the utilization of existing assets for the benefit of Yukoners

STRATEGIC PRIORITIES

Optimize system reliability

The goal is to reduce the number of controllable outages and improve system efficiencies. Towards this end, system procedures are being reviewed and investments are being made to improve and modernize Yukon Energy's electrical generation and transmission equipment. Two thirds of the core capital budget is being dedicated to reliability improvements for the next five years.

To improve efficiencies work is under way to improve the performance of hydro generating equipment and transmission lines. To further maximize efficiencies the Whitehorse-Aishihik-Faro transmission system will be joined to the Mayo-Dawson grid so Yukon Energy's hydro assets can be managed as one unit.

Yukon Energy is also working with Yukon Electrical to find ways to improve service to distribution customers and to localize outages.

Meet future demand with clean projects that complement the existing hydro system

Yukon Energy is planning for the future. Our challenge is to meet an increasing demand for electricity with clean, renewable energy that complements or works well with the existing hydro infrastructure.

Yukon Energy must also continue to address resource planning issues beyond the existing grid system, to ensure there is clean electrical generation to meet the needs of communities using diesel for electrical production and to support the economic growth of the territory.

Establish a buffer of surplus renewable energy

To ensure Yukon has a continuous supply of clean energy, resource planning must include a buffer of energy projects that are available but only built if required. It is important that Yukon Energy seek clean/renewable energy solutions for the maintenance of this buffer including the use of conservation management and alternative energy sources.

Engage customers to better meet future energy needs

Yukon Energy cannot fulfill our mandate in isolation. We must work to engage Yukoners so we can collectively create a clean energy future. Our goals are to better define commercial client needs and continue to explore opportunities to work with First Nations and the private sector on energy projects.

We are also working with Yukon Electrical Company Ltd. and the Yukon government to establish independent power producer and net metering policies and develop a conservation/Demand Side Management program.

MAJOR 2010 INITIATIVES

Based on the four strategic priorities, Yukon Energy's major projects for 2010 are as follows:

- Various equipment and system improvements/replacements
- Carmacks Stewart Transmission Line Project Stage 2
- Mayo B Hydro Enhancement Project
- Third turbine for Aishihik
- Planning for new generation – hydro, geothermal and wind
- General Rate Application Phase 2 – cost-of-service study and rate design
- Independent Power Producer and net metering policies/DSM program

As part of our commitment to provide safe, reliable service, Yukon Energy will once again in 2010 make the maintenance, improvement, or replacement of our existing infrastructure and equipment our top priority. A full two-thirds of our 2010 core capital budget has been earmarked for maintenance projects. Plans for 2010 include upgrades to both our generation and transmission assets.

Yukon Energy will also work towards the implementation of a Computerized Maintenance Management System. This system will ensure that our assets receive the appropriate maintenance at the appropriate time.

With the surveying of Stage 2 of the Carmacks-Stewart transmission line complete and the clearing well underway, Yukon Energy will be ready to begin line construction in late February/early March of 2010. We expect to have this phase of the line complete by the spring of 2011. Once in service, the line will interconnect our two major transmission grids and make it possible to manage all Yukon's hydro resources as one integrated system.

Mayo B will require a great deal of our attention in 2010. Having made a Part 3 application to the Yukon Utilities Board late in 2009, we anticipate a public hearing during the first few months of 2010. Our application to the Yukon Environmental and Socio-economic Assessment Board was filed in February 2009 and we expect a final decision from YESAB by the spring of 2010. Pending the receipt of all necessary approvals and permits, we will begin construction in June or July of 2010 with a planned completion date of the 1st Quarter of 2012. The \$71 million in federal funding for Mayo B and Carmacks-Stewart Stage 2 comes with a stipulation that both projects be completed by March 2012.

Work will continue in 2010 on installing a third hydro turbine in our Aishihik plant. The existing power house will be upgraded and the new generator is expected to be installed and operating by late 2010. The additional seven megawatt hydro unit will reduce the need for costly diesel generation and its resulting greenhouse gas emissions.

As has been noted earlier in this report, Yukon Energy is looking at all possible options to ensure there is enough clean electricity available to meet the growing demand. To that end we will in 2010 conduct preliminary engineering and environmental studies related to two potential projects in the Southern Lakes: additional fall storage on Marsh Lake and winter storage on Atlin Lake. We will prepare project descriptions and will engage governments, stakeholders and the public as we work to determine if in fact these are viable projects for us.

Similar work will take place on a third potential project, Gladstone Diversion, which would see us diverting water from Gladstone Lake so that more hydro could be produced at our Aishihik plant. If these possible projects come to fruition, they will provide a total of 35 additional gigawatt hours of energy annually.

Yukon Energy will also investigate the feasibility of developing one or more hydro generating sites and reservoirs on the upper reaches of the Pelly River. In 2010 money will be spent on preliminary engineering and environmental studies.

In terms of exploring other possible clean electricity options, we will continue our search in 2010 by carrying out preliminary engineering and environmental studies for both geothermal and wind energy.

Alexco has asked us for a grid connection for its Keno Hill property, which it expects to be operating by the summer of 2010. This connection is conditional on reaching a Power Purchase Agreement with Alexco. Yukon Energy is currently in negotiations with the mining company and hopes to reach an agreement early in 2010. As well, Western Copper has requested a grid connection to its planned mining project at the Carmacks Copper mine site. Again, this will require us reaching a Power Purchase Agreement with Western Copper. In Alexco's case we have set aside money for final design and construction, as well as for the cost of reviews by the Yukon Utilities Board and the Yukon Environment and Socio-economic Assessment Panel as required. For the Carmacks Copper project Yukon Energy has earmarked money to conduct preliminary engineering, environmental studies, and a project description of the Carmacks Copper project. In both cases a portion of costs for this work will be recovered from the mining companies.

The Yukon Utilities Board has asked Yukon Energy and the Yukon Electrical Company Ltd. to jointly file a Phase 2 hearing, which will include a rate design and cost-of-service study. We anticipate making our filing early in 2010. The YUB has also requested that the two utilities work together on a net metering and Independent Power Producers policy, which we will be doing in the coming year.

ECONOMIC OUTLOOK

On many levels, 2009 will be remembered as a year of turmoil. Most analysts agree that the majority of national economies are on the mend. While the recovery is happening quicker than expected, significant fragilities still exist. Currently, growth in the economy is supported by monetary and fiscal stimulus, improved financial conditions, higher commodity prices and stronger consumer and business confidence. These positives are partly tempered by heightened volatility and increases to the Canadian dollar exchange rate. Given this uncertainty, the Bank of Canada is predicting moderate growth for 2010 of approximately three percent. The bank has also confirmed its commitment to current low interest rates at least for the first half of 2010.

The strength in commodity prices will, as always, improve the outlook for Yukon's economy. Nonetheless, Yukon remains an economy that is largely financed by the public purse and government spending is not expected to significantly reduce in 2010.

As a regulated electrical utility, Yukon Energy is largely sheltered from cyclical economic downturns. From forecasting perspective, management is fairly conservative in estimating growth for the company. Sales analysis is based on historical load growths with some adjustment for known variables (e.g. addition of large industrial or commercial customer). Downside risk to sales forecasts relate to weather and uncertainty with regards to industrial loads (with respect to connection dates for new customers and planned expansions for existing customers). On the expense side, labour and non-labour expenses for operations are variable with the level of maintenance activity planned for the year. With an increased focus on reliability, upward pressure on these areas is being experienced. Administrative expenses are driven by various factors including increased regulatory activities whether voluntary (e.g. GRA) or not (environmental permitting). As well, there is a trickle-down effect from increased activities on operations (i.e. increasing staff levels and spending affects workloads in IT, Human Resources and Finance). As well, the large generation supply and transmission projects put a great deal of stress on administrative process due to their complexity, risk and unique reporting requirements.

PLANNING ASSUMPTIONS

The following sections summarize management's planning assumptions by major budget category:

I) Revenues

Forecasting revenue from electricity sales requires different techniques depending on the type of sales. For example, native loads (i.e. wholesale, residential, commercial, street lights) are fairly predictable with annual increases in a narrow range generally between one percent and three percent. The greatest factor affecting the variability of these classes of revenue is weather. Industrial sales generally relate to the activities of a few (in 2010 – 2) customers so forecasting is done at the individual level. Finally, secondary sales is determined based on availability of surplus hydro (service to secondary sales customers is interruptible where generation by surplus hydro is not available).

Availability of water can have a material impact on generation cost structures, as alternate supply (i.e. diesel) is exponentially more costly than hydro. Management is not forecasting any water supply issues in the forecast period.

a) Firm Wholesale Sales

Our largest category of sales representing about 65 percent of total revenue dollars. This category is expected to contribute 274 GWh to sales in 2009, which is about 7.0 GWh higher than the 2009 business plan. This sales volume is about 3.1 percent above the 2009 full-year forecasts as at the end of October.

b) Industrial Sales

For 2010, this class includes two customers: the Minto Explorations Ltd copper mine is in its second year of connection to our grid. For 2010, we forecast the mine to consume 33.5 GWh of electricity. This figure is provided by mine personnel based on an assumed processing level of 4,000 tons per day throughput on the mill. As well, we anticipate connecting a new customer to the grid in Keno. Alexco Resources Ltd has announced plans to begin mining in the historic Keno mining district during 2010. Our forecast anticipates connection to the grid at the end of Q3 2010 with consumption in the year of 3.9 GWh.

c) Residential/General Service

YEC has firm retail customers in Faro, Mayo and Dawson as well as a number of smaller communities on the Whitehorse-Aishihik-Faro grid. Residential customers are expected to grow at a moderate rate in 2010.

d) Secondary Sales

As noted in last year's Business Plan, load growth over the last several years has meant secondary sales are curtailed during certain peak periods in the year.

II) Expenses

a) Fuel

Total fuel expense for 2010 is forecast at \$0.310 million. This amount is based on the approved rates and volumes from the 2009 GRA schedules.

b) Labour

Labour expense for 2010 is expected to increase slightly more than \$1.5 million over 2009 budgets. Approximately one third of this increase relates to increases in wages under contract and pension benefits. As well, about \$0.400 million in additional payroll cost relates to the addition of three new full time positions and an increase to the casual plant operator complement.

c) Non-labour

Non-labour operations and maintenance expense increases are largely attributed to increased reliability-related costs as well as regulatory requirements.

III) Cash flows/financing

During the course of 2010, management anticipates seeking, with the assistance of the parent, financing sufficient to cover cash requirements for the next 12 to 24 months. This financing will deal with the needs of the Green Energy Legacy Project as well as funding expanded capital plans around maximizing output from existing hydro assets and investigating new supply options.

Yukon Energy Corporation
2010 Business Plan
Statement of Earnings and Retained Earnings
(\$000s)

	<u>Actual</u>		<u>BP</u>	<u>BP</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue				
Sale of Power	22,198	23,007	26,984	27,792
Revenue Rider (Rider "J")	5,585	5,509	4,489	5,027
Faro Mine Trust Transfer	292	-		
Other Revenue	117	272	125	125
Total Revenue	<u>28,192</u>	<u>28,788</u>	<u>31,598</u>	<u>32,944</u>
Expenses				
Labour	6,632	7,288	6,880	8,476
Non Labour				
Operating and maintenance	2,113	2,729	2,667	3,024
Administration	2,306	2,758	2,628	2,766
Depreciation	4,675	4,895	5,226	5,643
Amortization	1,209	987	1,857	1,892
Insurance	814	748	952	947
Other Taxes	256	268	256	302
Fuel	197	255	307	310
Purchased Power	53	41	54	54
Total Expenses	<u>18,254</u>	<u>19,969</u>	<u>20,827</u>	<u>23,414</u>
Operating Income	9,939	8,820	10,771	9,530
Allowance for Funds Used				
During Construction	(138)	(774)	(798)	(272)
Interest Income	(259)	(78)	(1,163)	(1,133)
Interest Expense	4,946	5,194	6,955	6,387
Regulatory Loss	481	196	-	-
Net Earnings	<u>4,909</u>	<u>4,283</u>	<u>5,777</u>	<u>4,548</u>
Return on Utility Equity - actual/forecast	8.49%	6.69%	8.64%	6.89%
Return on Utility Equity - allowed	9.05%	8.64%	8.49%	8.49%
Opening Retained Earnings	20,737	21,395	24,304	21,647
Net Earnings	4,909	4,283	5,777	4,548
Dividends	(4,251)	(3,901)	(5,043)	(4,249)
Closing Retained Earnings	<u>21,395</u>	<u>21,776</u>	<u>25,039</u>	<u>21,946</u>

Yukon Energy Corporation
2010 Business Plan
Notes to the Statement of Income and Retained Earnings
(\$000s)

	Actual		BP	BP
	2007	2008	2009	2010
1 Depreciation				
Depreciation on Fixed Assets	5,302	5,596	6,587	7,020
Amortization on Customer Contributions	(357)	(431)	(1,091)	(1,107)
Deferred Gain on Fixed Assets Destroyed	(270)	(270)	(270)	(270)
	<u>4,675</u>	<u>4,895</u>	<u>5,226</u>	<u>5,643</u>
2 Amortization				
Regulatory Costs	311	0	489	389
Relicensing	452	472	520	554
Study Costs	276	428	685	899
Deferred Downsizing	48	24	0	0
Dam Safety Costs	22	13	13	0
Uninsured Losses	100	50	150	50
	<u>1,209</u>	<u>987</u>	<u>1,857</u>	<u>1,892</u>
3 Interest Expense				
YDC Note	1,582	1,488	1,712	1,299
YDC Annual Advances	565	789	975	1,205
Minto Diesel Purchase Loan			155	80
External Financing for Minto Loans			1,163	1,133
TD-Canada Trust Note	635	587	535	479
YDC Flex Term Note	1,082	1,282	1,393	1,199
YDC Mayo/Dawson Flexible Financing	1,081	1,048	1,022	993
	<u>4,945</u>	<u>5,194</u>	<u>6,955</u>	<u>6,387</u>

**Yukon Energy Corporation
2010 Business Plan
Sales and Revenue Summary**

Energy Sales (GWh):	Actual		BP	BP
	2007	2008	2009	2010
Residential	10.9	11.3	11.2	11.6
Commercial	17.5	18.5	19.5	19.9
ARM	0.0	0.0	0.0	0.0
Industrial	-	3.2	29.0	37.4
Lighting	0.3	0.4	0.3	0.5
Secondary	24.2	18.8	16.6	17.6
Sales to YECL	254.9	263.8	266.9	274.0
Total	(a) 307.8	316.0	343.5	361.0

Revenue (\$,000)	2007	2008	2009	2010
Residential	1,313	1,333	1,305	1,383
Commercial	2,376	2,449	2,637	2,673
Industrial	-	329	3,312	3,859
Lighting	74	75	74	53
Secondary	1,000	777	1,369	1,083
Wholesale	17,436	18,045	18,287	18,742
Revenue riders	5,585	5,509	4,489	5,027
Mine Trust Transfer	292	-	-	-
Total electricity sales revenue	(b) 28,075	28,516	31,473	32,819
Other revenue	117	272	125	125
Total operating revenue	28,192	28,788	31,598	32,944

Average Rate (Cents/KWh)	(b/a) 9.1	9.0	9.2	9.1
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Yukon Energy Corporation
2010 Business Plan
Generation Summary
(GWh)

	Actual		BP	BP
	2007	2008	2009	2010
WAF System				
Whitehorse Hydro	206.4	206.4	237.3	235.3
Aishihik Hydro	98.1	107.3	102.8	120.0
Diesel	0	1.2	0.9	0.6
Wind	0.4	0.4	0.5	0.4
Total WAF System	305.4	315.4	341.5	356.2
Mayo System Hydro	26.7	28.0	30.7	35.3
Dawson City Diesel	0.8	0.4	0.4	0.4
Total Generation	332.9	343.8	372.6	391.9
Annual Change %	1.8	3.3	8.4	5.2

Total Generation (GWh)

Hydro	331.3	341.7	370.8	390.6
Diesel	1.2	1.7	1.3	1.0
Wind	0.4	0.4	0.5	0.4
Total	332.9	343.8	372.6	391.9

Source of Generation (%)

Hydro	99.5	99.4	99.5	99.7
Diesel	0.4	1.5	0.4	0.2
Wind	0.1	0.1	0.1	0.1
Total	100.0	101.0	100.0	100.0

Yukon Energy Corporation
2010 Business Plan
Balance Sheet
(\$000s)

	Actual		BP	BP
	2007	2008	2009	2010
Current Assets				
Cash and Short Term Investments	6,237	3,254	(9,937)	(16,248)
Accounts Receivable	3,726	5,145	4,579	4,233
Inventories	2,352	2,567	2,244	2,565
Prepaid Expenses	186	278	228	396
Total Current Assets	12,501	11,244	(2,886)	(9,054)
Customer contribution financing	-	14,991	15,114	17,424
Deferred uninsured losses	463	556	(150)	38
Diesel contingency fund	856	883	927	890
Property, Plant and Equipment				
Cost	237,654	275,277	286,660	385,987
Accumulated Depreciation	(73,260)	(77,949)	(84,183)	(90,807)
Cost less accumulated depreciation	164,394	197,327	202,477	295,181
Contributions for Extension	(16,495)	(45,951)	(50,886)	(128,745)
Total Property, Plant and Equipment	147,899	151,376	151,591	166,436
Deferred Charges	9,128	13,451	25,964	20,018
Total Assets	170,846	192,502	190,560	195,752
Current Liabilities				
Accounts Payable	4,119	8,856	4,740	6,390
Current portion of long term debt	3,416	4,721	3,765	3,546
	7,535	13,577	8,505	9,936
Faro mine dewatering deferral revenue	1,192	1,192	729	778
Long-term pension liability	741	801	-	937
Deferred revenue - gain on fixed assets destroyed in fire	7,626	7,356	7,086	6,816
Regulatory provision for future removal and site restoration	5,241	5,168	5,240	5,168
Total Current Liabilities	14,800	14,517	13,055	13,698
Trust Liabilities	856	883	871	890
Long-term Debt	87,263	102,752	105,414	108,215
Shareholder's Equity				
Share Capital	39,000	39,000	39,000	39,000
Repayment of Capital				
Retained Earnings	21,392	21,773	23,715	24,013
Total Shareholder's Equity	60,392	60,773	62,715	63,013
Total Liabilities & Shareholder's Equity	170,846	192,502	190,560	195,753