Yukon Development Corporation

2021 Annual Report

Cover Photo:
Heackel Hill

Photo credit:

Government of Yukon photo

Contents

Message from the Chair

I am pleased to report that the Yukon Development Corporation had another successful year in 2021. Despite the challenges that are inherent in the process of leading change, the Corporation made significant contributions to the development of new sources of renewable energy and the reduction of our overall carbon footprint as a territory.

Through its Innovative Renewable Energy Initiative, the Yukon Development Corporation continued to provide funding towards the development of Yukon First Nation- and community-led renewable energy projects. The feasibility studies, engineering designs and construction activities resulting from this investment have the potential to directly offset the Yukon's costly dependence on diesel fuel for both heating and electricity generation. For instance, when complete, the projects based in the off-grid communities of Beaver Creek, Burwash Landing, Destruction Bay and Watson Lake are expected to reduce annual diesel consumption by a total of approximately 1.5 million litres.

The Yukon Development Corporation made additional investments in renewable energy and related systems by managing two funding streams of the Investing in Canada's Infrastructure Program. Under the Green Infrastructure Stream, the Corporation provided almost $7 million in funding to Yukon Energy to upgrade the Mayo-McQuesten transmission line and procure materials for a grid-scale battery system. Meanwhile, the Arctic Energy Fund was leveraged to further support Yukon First Nation- and community-led renewable energy projects, specifically at the construction stage. With this funding, the proponent of the Haeckel Hill Wind Farm was able to purchase wind turbine equipment at the height of supply chain disruptions caused by COVID-19.

2021 was also an exciting year for the Atlin Hydro Expansion Project. The Tlingit Homeland Energy Limited Partnership is developing an expansion of the existing hydro facility in Atlin that can provide 8.5 megawatts of dependable winter capacity to the Yukon. Given the strategic importance of this project to achieving the Yukon's clean energy and climate change mitigation targets, the Government of Yukon decided to invest $50 million to the construction of this expansion through the Yukon Development Corporation. Construction activities are expected to begin in 2022 following the completion of funding agreements with the Yukon and other governments.

Moving ahead, the Board of Directors remain supportive of the Yukon's transition to renewable generation, as well as the important partnerships that are focused on securing our access to clean, reliable and affordable energy at this time of rapid growth for the territory.

Mike Pemberton,
Chair

Message from the President and CEO

The Yukon Development Corporation faced many challenges in 2021. As with the previous year, the impacts of COVID-19 on the global supply chain led to unforeseen delays for the projects we support. The Corporation was also involved in addressing the difficult questions faced by the Yukon government on energy affordability across the territory, and the responsible development of major capital projects. I would like to acknowledge the leadership of the Board of Directors and the efforts made by our staff in rising to these challenges throughout the year.

In addition to fulfilling its mandate to support Yukon Energy, the Yukon Development Corporation provided the highest amount of funding to date to First Nation- and community-led renewable energy projects through the Arctic Energy Fund and the Innovative Renewable Energy Initiative. In fact, based on its high uptake by prospective independent power producers, the available funding under the latter program was increased to $2.5 million per year. Residential ratepayers in the Yukon were also supported through the extension of the Interim Electrical Rebate.

Energy's role as a determinant of the overall well-being of Yukoners has only gained more attention in the public domain. A key step taken this year to advance the cost effectiveness of every kilowatt generated has been to allow the utilities to recover their costs associated with demand-side management measures under rate applications, thereby further incentivizing utility participation in broadly improving energy efficiency. The Yukon Development Corporation, in consultation with other stakeholders, developed an Order-in-Council pursuant to the Public Utilities Act to make this happen.

Effective partnerships continue to be of critical importance to the work we do at the Yukon Development Corporation. In collaboration with Yukon Energy and First Nations, we supported the identification of First Nation investment opportunities in Yukon Energy's capital projects. In 2021, this work resulted in the Term Sheet outlining Yukon Energy's commitment to provide investment, procurement, contracting and partnership opportunities to the Ta'an Kwäch'än Council and Kwanlin Dün First Nation as part of the grid-scale battery project in Whitehorse.

We also worked closely with Yukon government colleagues to advance interdepartmental priorities, such as the development of the Clean Energy Act, as well as other whole-of-government commitments in the Our Clean Future strategy.

I am confident that 2022 will see us make further progress on delivering the policies and programs at the heart of the Yukon's clean energy transition.

Justin Ferbey,
President and Chief Executive Officer

Organizational Overview

Yukon Development Corporation is a Territorial Corporation created in 1986 by the *Yukon Development Corporation Act*. We are governed by a Board of Directors appointed by the Yukon government and have a legislative mandate to participate with the private sector in the economic development of Yukon. In particular, the Act mandates the corporation to:

- Develop and promote the development of Yukon resources on an economic and efficient basis;
- Promote employment and business opportunities for territorial residents;
- Assure a continuing and adequate supply of energy in a manner consistent with sustainable development; and
- Implement development policy directives issued to it by the Yukon Cabinet.

Order-in-Council 1993/07 restricted the corporation's role to energy-related activities designed to promote the economic development of Yukon, and to:

- Assure a continuing and adequate supply of energy;
- Alleviate the effects of any energy shortage that may occur; and
- Promote the establishment, development and operation within Yukon of industries or undertakings that are by their nature energy-dependent through the provision of cost-effective energy or energy-related infrastructure.

Board of Directors

Mike Pemberton (Chair)

Astrid Grawehr (Vice – Chair)

Tosh Southwick

Lise Farynowski (resigned June 23, 2021)

Kari (Katherine) Johnston

Doug Janzen

Blake Rogers

Taylor Zeeg

Board of Directors' Appointments

The Board of the Yukon Development Corporation is appointed by the Yukon government.

YDC Audit Committee

Doug Janzen (Chair)

Mike Pemberton

Lise Farynowski (resigned June 23, 2021)

Taylor Zeeg

Tosh Southwick (Alternate)

YDC Governance Committee

Kari Johnston (Chair)

Mike Pemberton

Tosh Southwick

Blake Rogers

Astrid Grawehr

Senior Management and Officers

Justin Ferbey, President and Chief Executive Officer

Allyn Walton, Corporate Secretary

Kaitlyn Bouvier, Chief Financial Officer

Year in Review

Innovative Renewable Energy Initiative

Yukon Development Corporation actively supports the development of renewable energy projects through its Innovative Renewable Energy Initiative (IREI). IREI provides funding for small-scale, First Nation- and community-led renewable energy projects that generate electrical or heat energy and are based in the Yukon. The initiative was established in the 2017/18 fiscal year with an annual budget of $1.5 million. In July 2021, the Government of Yukon responded to the high uptake of the initiative by expanding the available funding to $2.5 million per year until 2024/25.

To date, over twenty renewable energy projects have been funded in every region of the territory. In the 2021/22 fiscal year, IREI supported a variety of projects, both on and off the Yukon Integrated System, including:

- Construction funding for a solar project on Mount Sima in Whitehorse;
- Construction funding for a solar project in Dawson City;
- Construction funding for a wind project near Burwash Landing and Destruction Bay;
- Design and other pre-construction funding for a solar and storage project in Beaver Creek;
- Feasibility funding for a solar project on a former brownfield in Carcross; and
- Feasibility funding for a solar and storage project in Watson Lake.

IREI funding has contributed to the completion of four projects that are now selling energy to a public utility through the Independent Power Production policy. As additional projects come to fruition, Yukoners will derive environmental, economic, and social benefits from having locally owned and operated sources of renewable energy generation.

Arctic Energy Fund

Yukon Development Corporation continues to administer the Arctic Energy Fund (AEF) on behalf of the governments of Yukon and Canada. This ten-year fund is intended to reduce the reliance on diesel-based generation of electrical and heat energy.

We are working with the Government of Canada and local project teams to ensure the funding goes to those projects that have the largest and most cost-effective impact on both the environment and the local economies.

Interim Electrical Rebate

The Interim Electrical Rebate continues to provide residential electrical customers with a rebate on the first 1,000 kilowatt hours they use each month. Modest changes made to the program in 2020 carried into 2021, which help manage increasing costs and ensure the program does not exceed its annual $3.5 million budget. Effective June 1, 2021 residential customers were eligible to receive a rebate of up to $22.62 per month on their electrical bills depending on their usage. Yukon Development Corporation administers the program in collaboration with ATCO Electric Yukon and Yukon Energy Corporation.

Stewart-Keno Transmission Line

Yukon Energy Corporation and Victoria Gold Corporation signed a power purchase agreement for the supply of grid-based power to the Eagle Gold Mine site north of Mayo, which was approved by the Yukon Utilities Board in April 2018. Through this agreement, the transmission line infrastructure, some of which is over sixty years old, is being upgraded. Due to delays related to COVID-19, this project is expected to be completed in 2023.

Victoria Gold paid the full cost of connecting the mine to the grid, and has contributed to the cost associated with the transmission line upgrade that has improved the reliability of power transmission for all on-grid Yukon communities.

With support from Yukon Development Corporation, Yukon Energy successfully applied for Government of Canada funding to support the project, reducing the cost to Yukon rate-payers. This project also has the benefit of significantly reducing the greenhouse gas emissions from the mine's operation.

Demand-Side Management

In 2021, Yukon Development Corporation delivered on the Yukon government's commitment to allow utility participation in demand-side management programming. The Corporation led the development of an Order-in-Council direction to the Yukon Utilities Board to include reasonably incurred demand-side management costs from both public utilities in rate applications. As a result, Yukon Energy Corporation and ATCO Electric Yukon can now work together with the Government of Yukon on demand-side management measures, as prioritized in the Our Clean Future strategy.

Energy Storage

The ability to store energy for use in peak demand periods is becoming increasingly important as electricity from renewable energy sources is developed and integrated with existing power generation and distribution resources.

Yukon Development Corporation and Yukon Energy were able to secure funding from the Government of Canada to develop a 7 megawatt/40 megawatt-hour grid-scale battery system. This facility will simultaneously increase the overall reliability of the electrical grid and help mitigate greenhouse gas emissions by reducing Yukon Energy's dependence on fossil fuels to generate electricity during peak periods.

In addition, the Yukon Energy Corporation published a final draft of its 10-Year Renewable Electricity Plan. A keystone project within this strategy is the development of a pumped-storage hydro facility.

This technology allows excess electricity from renewable sources to be used to pump water into a storage system, usually a dammed lake. The water can then be released to generate clean energy when demand for power is high, reducing our reliance on fossil fuels to generate power during these periods.

Conversations with industry about the evolution of hydrogen storage technology are also beginning to gain traction. Together with other existing and planned storage options, this nascent technology offers promising prospects for advancing energy security in the Yukon.

Together with its partners, Yukon Development Corporation will continue to evaluate ways to ensure Yukon homes and businesses have access to sustainable and reliable sources of the energy they need to live and work.

Corporate Governance

New protocol agreements between Yukon government, Yukon Development Corporation and Yukon Energy Corporation were signed in 2020. The agreements continue to outline governance and reporting structure between the three entities while identifying specific goals for Yukon Development Corporation and Yukon Energy Corporation.

Yukon Development Corporation's Board Bylaws were updated and approved by the Minister this year. The changes modernized the Bylaws and provided clarification regarding roles and responsibilities for officers of the Corporation.

Policy and Corporate Support

Yukon Development Corporation worked with both utility companies, Yukon government's Department of Energy, Mines and Resources, and project proponents to review the Independent Power Producer policy. This is intended to improve implementation of the policy and further support Yukon leaders in renewable energy.

Yukon Development Corporation continued to support implementation of the Our Clean Future strategy, including making progress on actions assigned to the Corporation. And Yukon Development Corporation is working closely with Yukon government's Department of Community Services to administer Yukon's portion of the federal Investing in Canada Infrastructure Program's Arctic Energy Fund and Green Infrastructure Stream.

Strategic Planning

In 2020, Yukon Development Corporation approved an addendum to its 2015-2020 Strategic Plan which is intended to update and extend the plan until December 31, 2021. The Board acknowledged that there had been minor changes with respect to some action items identified in the original plan and that additional government direction was provided through the development of new policy and the issuance of Ministerial Mandate Letters.

This addendum clarified how the Board will work to achieve mandated actions and implement government policy as directed while remaining nimble in the face of unpredictability due to the global impacts of the COVID-19 pandemic. It was this uncertainty that supported the decision to extend the existing strategic plan via addendum rather than develop a multi-year plan at the time. It is the intention of the Board to develop a new 5-year strategic plan for 2022-2027.

Corporate Response to the COVID – 19 Pandemic

As government maneuvers its way through a new normal, Yukon Development Corporation programming has not been directly impacted by the COVID-19 pandemic to the same extent as other agencies. There have been some indirect impacts due to proponent and government capacity challenges. During the pandemic, Yukon Development Corporation maintained a full staff complement with a combination of staff working from home and from the office.

In 2021, there were no Ministerial Orders specifically related to Yukon Development Corporation under Yukon's *Civil Emergency Measures Act*. Relevant Ministerial Orders that have had applicability to Yukon Development Corporation include those referencing general workplace safety, travel restrictions and isolation requirements and the wearing of masks in public and specific office areas.

Yukon Development Corporation, and Yukon Energy, also recognize that the COVID-19 pandemic has had real and lasting impacts on Yukoners and commits to work with government to implement support programs and propose solutions to challenges as they arise. Yukon Development Corporation remains well positioned to stay the course for 2022 and reassess impacts and develop longer-term plans as appropriate.

Yukon Development Corporation

Consolidated Financial Statements

December 31, 2021

Yukon Development Corporation

Consolidated Financial Statements

December 31, 2021 | **Page**

Yukon

Management's Responsibility for Financial Reporting

Management is responsible for the preparation of these consolidated financial statements in conformity with International Financial Reporting Standards and all other financial information relating to the Corporation contained in this annual report. These consolidated financial statements have been prepared by management using methods appropriate for the industry in which the Corporation operates and necessarily include some amounts that are based on judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements. The Auditor General of Canada is the external auditor of the Corporation.

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 ensure that management is carrying out its responsibilities and to review the consolidated financial statements. The auditors have full and free access to the Audit Committee and management.

Justin Ferbey
President and CEO

Kaitlyn Bouvier
Chief Financial Officer

June 27, 2022

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Development Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Yukon Development Corporation and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of operations and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements, we have audited transactions of the Yukon Development Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Financial Administration Act* of Yukon and regulations, the *Yukon Development Corporation Act* and regulations, the *Public Utilities Act* and regulations, the *Business Corporations Act* and regulations, and the articles and by-laws of the Yukon Development Corporation.

In our opinion, the transactions of the Yukon Development Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Yukon Development Corporation Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Yukon Development Corporation and the consolidated financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Yukon Development Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Yukon Development 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 consolidated 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
27 June 2022

Yukon Development Corporation

Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

December 31,		2021		2020
Assets				
Current				
Cash	$	8,041	$	5,964
Accounts receivable (Note 5)		22,980		30,127
Inventories (Note 6)		4,354		4,095
Prepaid expenses		1,323		1,443
		36,698		41,629
Non-current				
Right-of-use asset (Note 7)		234		427
Finance lease receivable (Note 8)		85		85
Property, plant and equipment (Note 9)		489,155		476,892
Intangible assets (Note 10)		18,896		17,436
Total assets		**545,068**		536,469
Regulatory deferral account debit balances (Note 11)		31,804		34,613
Total assets and regulatory deferral account debit balances	$	**576,872**	$	571,082
Liabilities				
Current				
Bank indebtedness (Note 12)	$	14,965	$	31,928
Accounts payable and accrued liabilities (Note 13)		13,598		18,170
Current portion of deferred revenue (Note 17)		2,628		1,658
Current portion of lease liability (Note 7)		150		206
Current portion of long-term debt (Note 14)		3,864		3,608
		35,205		55,570
Non-current				
Post-employment benefits (Note 15)		4,252		9,071
Contributions in aid of construction (Note 16)		95,865		87,979
Deferred revenue (Note 17)		17,015		18,486
Lease liability (Note 7)		98		237
Derivative related liability (Note 26)		2,479		5,050
Long-term debt (Note 14)		204,880		201,181
Total liabilities		**359,794**		377,574
Equity				
Contributed capital		41,501		41,501
Retained earnings		159,564		142,856
Total equity		**201,065**		184,357
Total liabilities and equity		560,859		561,931
Regulatory deferral account credit balances (Note 11)		16,013		9,151
Total liabilities, equity and regulatory deferral account credit balances	$	**576,872**	$	571,082

Commitments and Contingencies (Notes 23 and 24)
The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board:

______________________, Chair ______________________, Director

Yukon Development Corporation

Consolidated Statement of Operations and Other Comprehensive Income
(in thousands of Canadian dollars)

For the year ended December 31,		**2021**		2020
Revenues				
Sales of power (Note 18)	$	78,353	$	70,625
Yukon Government contributions (Note 22)		7,239		7,339
Other (Note 19)		4,754		4,318
		90,346		82,282
Operating expenses				
Operations and maintenance (Note 20)		34,018		41,368
Administration (Note 21)		14,335		13,076
Depreciation and amortization (Notes 7, 9 and 10)		13,755		12,913
		62,108		67,357
Income before other income and other expenses		**28,238**		14,925
Other income				
Amortization of contributions in aid of construction (Note 16)		1,580		1,368
Allowance for funds used during construction		937		850
Interest income		61		96
		2,578		2,314
Other expenses				
Interest on borrowings		7,638		7,901
Interim electrical rebate program subsidies (Note 1)		3,093		3,137
Unrealized (gain) / loss on interest rate swaps (Note 26)		(2,571)		3,120
Innovative renewable energy initiative program subsidies (Note 1)		1,181		1,297
		9,341		15,455
Net income for the year before net movement in regulatory deferral account balances		**21,475**		1,784
Net movement in regulatory deferral account balances related to net income (Note 11(d))		**(9,672)**		(3,326)
Net income (loss) for the year and net movement in regulatory deferral account balances		**11,803**		(1,542)
Other comprehensive income (loss)				
Item that will not be reclassified to net income in subsequent periods				
Remeasurement of defined benefit pension plans (Note 15)		**4,905**		(1,214)
Total comprehensive income (loss) for the year	**$**	**16,708**	$	(2,756)

The accompanying notes are an integral part of the consolidated financial statements.

Yukon Development Corporation

Consolidated Statement of Changes in Equity
(in thousands of Canadian dollars)

	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	**$ 41,501**	**$ 145,612**	**$ -**	**$ 187,113**
Net loss for the year and net movement in regulatory deferral account balances	-	(1,542)	-	(1,542)
Other comprehensive loss	-	-	(1,214)	(1,214)
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	(1,214)	1,214	-
Balance at December 31, 2020	**$ 41,501**	**$ 142,856**	**$ -**	**$ 184,357**
Net income for the year and net movement in regulatory deferral account balances	-	11,803	-	11,803
Other comprehensive income	-	-	4,905	4,905
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	4,905	(4,905)	-
Balance at December 31, 2021	**$ 41,501**	**$ 159,564**	**$ -**	**$ 201,065**

The accompanying notes are an integral part of the consolidated financial statements.

Yukon Development Corporation

Consolidated Statement of Cash Flows
(in thousands of Canadian dollars)

For the year ended December 31,	2021	2020
Operating activities		
Cash receipts from customers	$ 78,565	$ 69,875
Cash receipts from Yukon Government	9,356	4,222
Cash receipts from contributions in aid of construction	15,447	-
Cash paid to suppliers	(40,517)	(40,868)
Cash paid to employees	(13,400)	(12,022)
Interest paid	(7,821)	(8,232)
Cash receipts from insurance claim settlement	3,762	-
Interest received	74	126
Cash provided by operating activities	**45,466**	13,101
Financing activities		
Net advances from line of credit	15,878	-
Proceeds from long-term debt	7,659	4,800
Repayment of long-term debt	(3,704)	(3,362)
Lease payments	(195)	(206)
Cash provided by financing activities	**19,638**	1,232
Investing activities		
Additions to property, plant and equipment	(27,407)	(23,790)
Additions to intangible assets	(2,779)	(5,912)
Cash used in investing activities	**(30,186)**	(29,702)
Net increase (decrease) in cash	34,918	(15,369)
Cash, beginning of year	(25,964)	(10,595)
Cash, end of year (Note 12)	$ **8,954**	$ (25,964)

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations

a) General

Yukon Development Corporation was originally established under the *Yukon Development Corporation Act* to participate with the private sector in the economic development of the Yukon, to make strategic investments to the benefit of the territory and to acquire and operate the assets of Northern Canada Power Commission in the Yukon. In 1993, the Yukon Development Corporation's mandate was changed to restrict its new initiatives to energy-related activities designed to promote the economic development of the Yukon. The Yukon Development Corporation's principal place of business is located at 2180 Second Avenue, Suite 234 Whitehorse, YT, Y1A 5N6.

Yukon Development Corporation's wholly-owned subsidiary, Yukon Energy Corporation (the "Utility") was incorporated under the Yukon *Business Corporations Act*. The Utility generates, transmits, distributes and sells electrical energy in the Yukon and 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 Yukon Government and are related parties for accounting purposes to the Yukon Development Corporation and the Utility. Management has assessed that these boards operate independently from the Yukon Development Corporation and the Utility from a rate setting and operating perspective. The Utility's principal place of business is located at #2 Miles Canyon Road, Whitehorse, YT, Y1A 6S7.

Yukon Development Corporation and the Utility are not subject to income taxes.

Yukon Development Corporation consolidates the financial statements of its subsidiary, the Utility. All intercompany transactions, balances, income and expenses are eliminated on consolidation. References in these consolidated financial statements to "Corporation" refer to the consolidated entity.

b) Rate regulation

The operations of the Corporation are regulated by the YUB pursuant to the *Public Utilities Act*. The Corporation 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 Corporation investment in rate base. There is no minimum requirement for the Corporation to appear before the YUB to review rates. However, the Corporation 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 Corporation 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 Yukon Government through Orders-In-Council (OIC) that specify how the interests of the customer and Corporation are to be balanced.

The YUB typically follows a two-stage decision process. In the first stage, the total costs that the Corporation expects it will incur to provide electricity to its customers over the immediate future are reviewed and approved. The approval of these costs determines the total revenues the Corporation is allowed to collect from its customers.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

1. Nature of operations - continued

It is the responsibility of the YUB to examine the legitimacy of three classes of costs:

- the costs to the Corporation to run its operations and maintain its equipment (personnel and materials);
- the cost associated with the depreciation of all capital equipment; and
- the return on rate base (the 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 Corporation 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 Corporation's overall cost of service to the various customer classes on the basis of appropriate costing principles.

In November 2020, the Corporation filed a GRA for the year 2021 requesting approval of revenue requirement and related rate increases. The GRA requested a rate increase of 11.54%. An interim refundable rate rider (10.08%) was approved effective July 1, 2021. An additional interim refundable rate rider (9.25%) was approved effective December 1, 2021. The YUB issued an order in March, 2022 requiring the Corporation to make changes and complete a Compliance FIling. The Corporation submitted the Compliance Filing in April, 2022. The Corporation expects the process to complete and a final order from the YUB in the third quarter of 2022.

These consolidated financial statements reflect the requested rate increase as the rate increase is for the period starting January 1, 2021. Refer to Note 4 Regulatory deferral account balances.

c) Water regulation

The Yukon Water Board ("YWB"), pursuant to the *Yukon Waters Act*, decides if and for how long the Corporation 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 licenses have the following terms:

Aishihik Generating Station	February 28, 2023
Mayo Generating Station	December 31, 2025
Whitehorse Generating Station	December 31, 2025

d) Capital structure

The Utility's policy which has been approved by the YUB is to maintain a capital structure of 60% debt and 40% equity (Note 27).

1. **Nature of operations - continued**

e) Yukon Government

In June 2021, the Yukon Government authorized the continuation of the Interim Electrical Rebate program (the "rebate") for 12 months to March 31, 2022. The rebate provides subsidies to non-government residential and municipal customers. It was implemented in 1998 after the Faro mine closed to protect customers from significant bill increases that would have resulted from that shutdown. The Yukon Government is providing funding for the monthly rebate based on $0.02328/kwh for the period from June 1, 2020 to May 31, 2021 and $0.02262/kwh for the period from June 1, 2021 to March 31, 2022 applied to residential customers to a maximum of $3.5 million annually.

The Corporation and the Yukon Government signed a Memorandum of Understanding for the accounting period starting April 1, 2011 to March 31, 2042 regarding the Mayo B and Carmacks-Stewart Transmission line projects. The Yukon Government will assist in funding the repayment of a portion of the bond interest costs of up to $2.625 million annually, subject to the Corporation meeting specified terms set out in the agreement.

The Corporation signed an agreement with the Yukon Government for the period from January 1, 2018 to March 31, 2021 for total funding of up to $1.5 million annually to conduct Innovative Renewable Energy Initiative programs throughout the Yukon. The program is intended to encourage the development of small-scale, community-based renewable energy generation capacity. This agreement was extended for the period from April 1, 2021 to March 31, 2025, with funding of up to $2.5 million annually.

2. **Basis of presentation**

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue by the Board of Directors on June 27, 2022.

b) Basis of measurement

The financial information included in the consolidated financial statements has been prepared on a historical cost basis, except for some financial instruments, as described in Note 3(f), which are measured at fair value.

3. **Significant accounting policies**

a) Revenue recognition

The Corporation recognizes revenue from contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date.

The majority of the Corporation's revenues from contracts with customers are derived from the generation, transmission, distribution, purchase and sales of electricity under the *Public Utilities Act*. The Corporation 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.

3. Significant accounting policies - continued

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 Corporation is entitled to consideration as a result of completion of the performance obligation.

The Corporation recognizes a contract asset or deferred revenue for the contracts where the performance obligation has not been satisfied. Deferred revenue is recognized when the Corporation receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Corporation 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 Corporation 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.

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 Corporation's electricity sales are calculated based on the customers 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 several factors, including estimated consumption by customer, applicable customer rates and the number of days between the last billing date and the end of the period.

b) Translation of foreign currencies
The functional currency of the Corporation 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.

c) Allowance for funds used during construction
The cost of the Corporation's property, plant and equipment and intangible assets includes an allowance for funds used during construction ("AFUDC"). The AFUDC rate is based on the Corporation'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 Corporation'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 price, quality, recovery and exchange rates. Obsolete materials and supplies are recorded at salvage value in the period when obsolescence is determined.

3. Significant accounting policies - continued

f) Financial instruments

Financial assets and financial liabilities are recognized on the Corporation's Consolidated Statement of Financial Position when the Corporation becomes party to the contractual provisions of the instrument.

i) Financial assets

Cash, finance lease receivable, 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 finance lease receivable and accounts receivable are measured at amortized cost using the effective interest rate method less any impairment. The Corporation'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 Corporation applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. For the other receivables, at the reporting date, if credit risk has increased significantly since initial recognition, the Corporation 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 Corporation 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 Corporation has transferred its rights to receive cash flows from the asset and has transferred substantially all of the risk and rewards of the asset.

ii) Financial liabilities

Bank indebtedness, accounts payable and accrued liabilities, 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 rate method.

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.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Corporation has entered into interest rate swaps to manage interest rate risk. The Corporation'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 unrealized and realized gains and losses recognized in net income during the period in which the fair value movement occurred.

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

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

3. Significant accounting policies - continued

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 in 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.

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 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
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 Corporation and any changes in the estimated useful life 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 is recognized in net income on a straight-line basis over the estimated useful lives as follows:

Software	5 years
Deferred service costs	12 years
Financial software	10 years
Licensing costs	
Hydro generation	17 to 25 years
Diesel generation	3 years

3. Significant accounting policies - continued

The water licence for the Aishihik generating station received a 3 year extension. Costs associated with the 3 year extension are being amortized over 3 years (see Note 23).

i) Leases
At inception of a contract, the Corporation 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 Corporation assesses whether:
(i) The contract involves the use of an identified asset;
(ii) The Corporation has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
(iii) The Corporation has the right to direct the use of the asset.
At inception, the Corporation allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices.

The Corporation 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 adjusted for 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 incentives received. The Corporation 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 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 Corporation's incremental borrowing rate. Generally, the Corporation 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 Corporation 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.

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, 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").

3. **Significant accounting policies - continued**

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

i) Regulatory deferral account debit balances
Regulatory deferral account 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 Corporation's adoption of IFRS 14, *Regulatory Deferral Accounts*, such costs would be expensed as incurred.

ii) Regulatory deferral account credit balances
Regulatory deferral account 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 Corporation's adoption of IFRS 14, such amounts would be recorded in income as performance obligations are met.

Note 11 describes the individual regulatory deferral accounts, the Corporation's related regulatory deferral and amortization policies and describes the related account activity in the relevant periods.

l) Provision for asset retirement obligations
The Corporation 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.

3. Significant accounting policies - continued

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 Corporation 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 Corporation'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 consolidated financial statements.

The Corporation 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 Yukon Government or the Government of Canada. These contributions are deferred upon receipt and amortized to income on the same basis as the assets to which they relate.

o) Post-employment benefits and other comprehensive income
The Corporation sponsors an employee defined benefit pension plan for employees joining the Corporation before January 1, 2002. The Corporation 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 Corporation contributes amounts to the pension plans as recommended by an independent actuary.

For the defined benefit pension 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. Remeasurements 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 Corporation'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 Corporation 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 Corporation 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 represents the obligation of the Corporation.

4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of judgement 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 judgements 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 consolidated 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 judgements and estimation is contained in the accounting policies and/or the notes to the consolidated financial statements, and the key areas are summarized below. Areas of significant judgements and estimates made by management in preparing these consolidated financial statements include:

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 Corporation's operations and makes judgements 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 Corporation must estimate the amount and timing of the future cash payments and then apply an appropriate risk-free interest rate. Any change to the anticipated amount, 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 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 10
In determining whether to recognize costs as intangible assets, management makes judgements about when the criteria for recognition are met. Changes to management's judgements would affect the carrying amount of the Corporation's intangible assets and amortization recognition.

Post-employment benefits - Notes 3(o) and 15
The Corporation 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 Corporation consults with qualified actuaries when setting the assumptions used to estimate benefit obligations. Actual rates could vary significantly from the assumptions and estimates used.

4. Significant accounting judgements, estimates and assumptions - continued

Revenue - Note 3(a), and Note 18
The Corporation 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 judgement to the measurement of the estimated consumption. Significant judgements have also been made in determining the nature of the Corporation's performance obligations, the appropriate process measure 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 judgements 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 judgements are whether a present obligation exists and the probability of an outflow being required to settle that obligation. Key assumptions in measuring recognized provisions include the timing and amount of future payments and the discount rate applied in measuring the provision.

Where the Corporation is defending certain lawsuits management must make judgements, 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 Corporation enters into financial instrument arrangements which may require management to make judgements to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, in accordance with IFRS 9, *Financial Instruments*. Key judgements 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 deferral account balances - Notes 1(b), 3(k) and 11
The Corporation accounts for its regulatory deferral 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 judgements as to the amounts that the YUB will approve the Corporation to collect deferred costs through future rates.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

5. Accounts receivable

	2021	2020
Trade accounts receivable		
Wholesale energy sales	$ 6,171	$ 5,287
Retail energy sales	5,146	4,371
Due from related parties (Note 22)	8,086	15,496
Other	3,577	4,973
	$ 22,980	$ 30,127

Included in Accounts receivable - Other is an amount of $2,137,000 (2020 - $3,531,000) related to insurance proceeds.

At December 31, 2021, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	**Total**
Accounts receivable	$ 15,159	$ 1,254	$ 6,577	$ 22,990
Allowance for doubtful accounts	-	-	(10)	(10)
	$ 15,159	**$ 1,254**	**$ 6,567**	**$ 22,980**

At December 31, 2020, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	**Total**
Accounts receivable	$ 22,290	$ 1,091	$ 6,756	$ 30,137
Allowance for doubtful accounts	-	-	(10)	(10)
	$ 22,290	**$ 1,091**	**$ 6,746**	**$ 30,127**

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

	2021	2020
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)

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

6. Inventories

	2021	2020
Materials and supplies	$ 3,488	$ 3,366
Diesel fuel	750	576
Liquefied natural gas	116	153
	$ 4,354	$ 4,095

7. Leases

The Corporation leases industrial land and building space. The lease terms typically run for five years. The right-of use asset consists of land of $20,000 (2020 - $54,000) and building of $214,000 (2020 - $373,000).

	2021	2020
Right-of-use asset		
As at January 1	$ 427	$ 639
Depreciation expense	(193)	(212)
At December 31	**$ 234**	$ 427
Lease liabilities		
Lease liabilities	$ 248	$ 443
Less current portion	150	206
Non-current portion	**$ 98**	$ 237
Maturity analysis		
Less than one year	$ 156	$ 172
One to five years	99	255
More than five years	-	-
Total undiscounted lease liabilities	**$ 255**	$ 427
Amounts recognized in net income		
Depreciation expense on right-of-use assets	**$ 193**	$ 212
Interest expense on lease liabilities	**$ 11**	$ 20
Expense relating to short-term leases	**$ 3,965**	$ 2,315

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

8. Direct financing lease

The Corporation's investments in direct financing leases are summarized as follows:

	2021	2020
Direct financing leases	$ 85	$ 85
Less: current portion	-	-
	$ 85	$ 85

In 2003, the Corporation financed an electric boiler system for the Yukon Hospital Corporation at a cost of $595,898. The repayment terms on this lease stipulate that one half of the realized energy cost savings resulting from the boiler usage during the year will be repaid against the investment. Interest on this investment is earned at the rate of 7.5% per annum and recognized as interest income.

9. 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
Cost:						
At December 31, 2019	$ 303,995	$ 193,907	$ 19,868	$ 5,172	$ 7,609	**$ 530,551**
Additions	-	-	-	-	25,591	**25,591**
Transfers	6,046	1,094	810	528	(8,478)	**-**
Disposals	(14)	-	(280)	-	-	**(294)**
At December 31, 2020	310,027	195,001	20,398	5,700	24,722	**$ 555,848**
Additions	-	-	-	-	26,425	**26,425**
Transfers	15,284	31,074	981	-	(47,339)	**-**
Disposals	(880)	(1,095)	(114)	(216)	-	**(2,305)**
At December 31, 2021	**$ 324,431**	**$ 224,980**	**$ 21,265**	**$ 5,484**	**$ 3,808**	**$ 579,968**
Accumulated depreciation:						
At December 31, 2019	$ 32,492	$ 28,750	$ 4,581	$ 1,650	$ -	**$ 67,473**
Depreciation	6,390	4,257	756	360	-	**11,763**
Disposals	-	-	(280)	-	-	**(280)**
At December 31, 2020	38,882	33,007	5,057	2,010	-	**$ 78,956**
Depreciation	6,791	4,323	680	565	-	**12,359**
Disposals	(69)	(175)	(106)	(152)	-	**(502)**
At December 31, 2021	**$ 45,604**	**$ 37,155**	**$ 5,631**	**$ 2,423**	**$ -**	**$ 90,813**
Net book value:						
At December 31, 2020	$ 271,145	$ 161,994	$ 15,341	$ 3,690	$ 24,722	**$ 476,892**
At December 31, 2021	$ 278,827	$ 187,825	$ 15,634	$ 3,061	$ 3,808	**$ 489,155**

The AFUDC capitalized for 2021 was $937,000 (2020 - $850,000). The AFUDC rate estimate for 2021 was 2.60% (2020 - 2.73%).

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

10. Intangible assets

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

	Software	Deferred Service Costs	Financial Software	Aishihik Water License	Thermal and Water Licensing	Total
Cost:						
At December 31, 2019	$ 1,440	$ 443	$ 3,215	$ 6,275	$ 4,007	**$ 15,380**
Additions	246	-	2,972	2,269	425	**5,912**
Disposals	-	-	-	-	-	**-**
At December 31, 2020	1,686	443	6,187	8,544	4,432	**21,292**
Additions	133	-	793	1,616	121	**2,663**
Disposals	(516)	-	-	-	-	**(516)**
At December 31, 2021	**$ 1,303**	**$ 443**	**$ 6,980**	**$ 10,160**	**$ 4,553**	**$ 23,439**
Accumulated amortization:						
At December 31, 2019	$ 673	$ 384	$ 1,702	$ -	$ 159	**$ 2,918**
Amortization	263	59	284	299	33	**938**
Disposals	-	-	-	-	-	**-**
At December 31, 2020	936	443	1,986	299	192	**3,856**
Amortization	236	-	628	306	33	**1,203**
Disposals	(516)	-	-	-	-	**(516)**
At December 31, 2021	**$ 656**	**$ 443**	**$ 2,614**	**$ 605**	**$ 225**	**$ 4,543**
Net book value:						
At December 31, 2020	$ 750	$ -	$ 4,201	$ 8,245	$ 4,240	**$ 17,436**
At December 31, 2021	$ 647	$ -	$ 4,366	$ 9,555	$ 4,328	**$ 18,896**

Additions to Financial Software, Aishihik Water Licensing and Thermal and Water Licensing for 2021 and 2020 were almost exclusively internally generated. Additions to other categories were almost exclusively externally purchased.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts

a) Regulatory deferral account 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, 2019	$ 23,707	$ 4,715	$ 148	$ 2,768	$ 1,638	$ 1,639	**$ 34,615**
Costs incurred	1,064	4,643	174	-	4,764	-	**10,645**
Regulatory provision	-	(199)	-	-	(267)	3,485	**3,019**
Disposals	(1)	(1,981)	-	-	-	(2,867)	**(4,849)**
Contributions received/receivable	-	(427)	-	-	(3,531)	-	**(3,958)**
At December 31, 2020	24,770	6,751	322	2,768	2,604	2,257	**39,472**
Costs incurred	1,343	1,789	81	-	3,654	-	**6,867**
Regulatory provision	-	-	-	-	(411)	1,557	**1,146**
Disposals	(4,450)	(598)	(148)	-	(104)	(2,491)	**(7,791)**
Contributions received/receivable	-	(279)	-	-	(2,737)	-	**(3,016)**
At December 31, 2021	**$ 21,663**	**$ 7,663**	**$ 255**	**$ 2,768**	**$ 3,006**	**$ 1,323**	**$ 36,678**
Accumulated amortization:							
At December 31, 2019	$ 6,866	$ 1,223	$ 89	$ 683	$ 636	$ -	**$ 9,497**
Amortization	1,928	485	29	587	212	-	**3,241**
Disposals	(1)	(652)	-	-	-	-	**(653)**
At December 31, 2020	8,793	1,056	118	1,270	848	-	**12,085**
Amortization	2,168	414	55	581	204	-	**3,422**
Disposals	(4,450)	(598)	(148)	-	-	-	**(5,196)**
At December 31, 2021	**$ 6,511**	**$ 872**	**$ 25**	**$ 1,851**	**$ 1,052**	**$ -**	**$ 10,311**
Net book value:							
At December 31, 2020	$ 15,977	$ 5,695	$ 204	$ 1,498	$ 1,756	$ 2,257	**$ 27,387**
At December 31, 2021	$ 15,152	$ 6,791	$ 230	$ 917	$ 1,954	$ 1,323	**$ 26,367**

Net increase (decrease) in regulatory deferral account debit balances (which are recognized in the net movement in regulatory deferral account balances related to net income on the Consolidated Statement of Operations and Other Comprehensive Income):

December 31, 2020	$ (864)	$ 2,203	$ 145	$ (587)	$ 754	$ 618	**$ 2,269**
December 31, 2021	$ (825)	$ 1,096	$ 26	$ (581)	$ 198	$ (934)	**$ (1,020)**
Remaining recovery years							
At December 31, 2020	1 to 6 years	1 to 33 years	1 year	1 to 6 years	Indeterminate	1 year	-
At December 31, 2021	1 to 5 years	1 to 32 years	5 years	1 to 5 years	Indeterminate	1 year	

Absent rate regulation, net income for the year and net movement in regulatory deferral account balances on the Consolidated Statement of Operations and Other Comprehensive Income would increase (decrease) by:

December 31, 2020	$ 864	$ (2,203)	$ (145)	$ 587	$ (754)	$ (618)	**$ (2,269)**
December 31, 2021	$ 825	$ (1,096)	$ (26)	$ 581	$ (198)	$ 934	**$ 1,020**

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

Regulatory deferral account debit balances - continued

	Carry Forward	Vegetation Management (vii)	2017/18 GRA (viii)	2021 GRA (ix)	Total
Cost:					
At December 31, 2019	$ 34,615	$ 2,216	$ 12,320	$ -	$ 49,151
Costs incurred	10,645	-	-	-	10,645
Regulatory provision	3,019	-	-	-	3,019
Disposals	(4,849)	-	(6,423)	-	(11,272)
Contributions received/receivable	(3,958)	-	-	-	(3,958)
At December 31, 2020	$ 39,472	$ 2,216	$ 5,897	$ -	$ 47,585
Cost incurred	6,867	-	-	-	6,867
Regulatory provision	1,146	-	-	8,779	9,925
Disposals	(7,791)	-	(5,897)	(4,449)	(18,137)
Contributions received/receivable	(3,016)	-	-	-	(3,016)
At December 31, 2021	$ 36,678	$ 2,216	$ -	$ 4,330	$ 43,224
Accumulated amortization:					
At December 31, 2019	$ 9,497	$ 666	$ -	$ -	$ 10,163
Amortization	3,241	221	6,423	-	9,885
Disposals	(653)	-	(6,423)	-	(7,076)
At December 31, 2020	12,085	887	-	-	12,972
Amortization	3,422	222	5,897	4,449	13,990
Disposals	(5,196)	-	(5,897)	(4,449)	(15,542)
At December 31, 2021	$ 10,311	$ 1,109	$ -	$ -	$ 11,420
Net book value:					
At December 31, 2020	$ 27,387	$ 1,329	$ 5,897	$ -	$ 34,613
At December 31, 2021	$ 26,367	$ 1,107	$ -	$ 4,330	$ 31,804
Net increase (decrease) in regulatory deferral account debit balances (which are recognized in the net movement in regulatory deferral account balances related to net income on the Consolidated Statement of Operations and Other Comprehensive Income):					
December 31, 2020	$ 2,269	$ (221)	$ (6,423)	$ -	$ (4,375)
December 31, 2021	$ (1,020)	$ (222)	$ (5,897)	$ 4,330	$ (2,809)
Remaining recovery years					
At December 31, 2020		6 years	1 year		
At December 31, 2021		5 years	0 years	2 years	
Absent rate regulation, net income for the year and net movement in regulatory deferral account balances on the Consolidated Statement of Operations and Other Comprehensive Income would increase (decrease) by:					
December 31, 2020	$ (2,269)	$ 221	$ 6,423	$ -	$ 4,375
December 31, 2021	$ 1,020	$ 222	$ 5,897	$ (4,330)	$ 2,809

(i) Feasibility studies and infrastructure planning

The Corporation 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 Corporation 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.

11. Regulatory accounts - 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, hearing costs from before 2012 and demand side management costs (consumer energy conservation program). The Corporation is directed to defer and amortize the costs over terms at the discretion of the YUB. In February 2021, the Corporation lost an appeal relating to a decision by the YUB denying certain Demand Side Management costs. As a result, the Corporation wrote off costs with a net book value as at December 31, 2020 of $1,329,000. The regulatory provision for the year reflects an amount transferred of $0 (2020 - $199,000) to the regulatory deferral account credit balance class Hearing Reserve (See Note 11(b)(ii)). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iii) Dam safety review
The Corporation 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 Corporation comes before the YUB for a prudence review. As such, starting in 2013 the Corporation deferred depreciation expense related to overhauls. In 2017, the Corporation 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 (2020 - $267,000) and amortization of the forecast 2020 accumulated balance of $2,048,000 (2020 - 2016 accumulated balance of $1,059,000) over ten years ($205,000 per year; 2020 - $212,000 per year over five years). Costs incurred during 2021 of $3,654,000 (2020 - $4,764,000) include $2,445,000 (2020 - $3,631,000) of costs due to repairs required at the WH1 and WH2 penstocks. During 2021 the Corporation recorded $2,368,000 of penstock insurance proceeds and expects to recover a significant portion of the balance of costs from insurance proceeds in 2022 (see Note 19). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and the expected insurance proceeds recognized as revenue.

(vi) Fuel price adjustment
OIC 1995/90 directs the YUB to permit the Corporation to adjust electricity rates to reflect the 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. In 2017 the Corporation updated the long-term average cost to better reflect current market conditions. For all of 2019 Rider F was a refund of 0.011 cents per kWh. For the period January 1, 2020 through October 31, 2020 Rider F was a charge to customers of 0.970 cents per kWh. For the period November 1, 2020 through June 30, 2021 the charge increased to 1.371 cents per kWh. Effective July 1, 2021, the charge was reduced to 0.000 cents per kWh. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

11. Regulatory accounts - continued

(vii) Vegetation management
Prior to 2017, the Corporation 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 Corporation established a vegetation management policy and as a result of expected annual costs, deferral is no longer required.

The Corporation completes a full cycle of all 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) 2017/18 GRA
The Corporation recognizes a regulatory deferral account debit balance when the Corporation 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 November 2019, less amounts subsequently received from customers. At December 31, 2021 the amount was fully collected.

(ix) 2021 GRA
The Corporation recognizes a regulatory deferral account debit balance when the Corporation 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. The ending balance at December 31 comprises the Corporation's remaining revenue shortfall to be collected from customers in future years.

(x) Deferred gains and losses
Deferred gains and losses represent amounts from disposals of property, plant and equipment that have or will be submitted for approval by the YUB to be deferred. There are no deferred gains or losses during any of the reporting years.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

b) Regulatory deferral account 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)	Total
Cost:							
At December 31, 2019 $	11,122	$ 682	$ (2,013)	$ 2,791	$ 5,095	$ -	$ 17,677
Costs incurred	-	(137)	(488)	(52)	-	-	(677)
Regulatory provision	-	51	-	-	31	-	82
Cash received	-	-	(11)	-	-	-	(11)
Cash refunded	-	-	1	-	-	-	1
At December 31, 2020	11,122	596	(2,511)	2,739	5,126	-	17,072
Costs incurred	-	(101)	-	-	-	-	(101)
Regulatory provision	-	250	5,288	-	30	1,834	7,402
Cash received	-	-		-	-	-	-
Cash refunded	-	-	5	-	-	-	5
At December 31, 2021 $	**11,122**	**$ 745**	**$ 2,782**	**$ 2,739**	**$ 5,156**	**$ 1,834**	**$ 24,378**
Accumulated amortization:							
At December 31, 2019 $	6,894	$ 583	$ -	$ -	$ -	$ -	$ 7,477
Amortization	249	195	-	-	-	-	444
At December 31, 2020	7,143	778	-	-	-	-	7,921
Amortization	249	194	-	-	-	-	443
At December 31, 2021 $	**7,392**	**$ 972**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 8,364**
Net book value:							
At December 31, 2020 $	3,979	$ (182)	$ (2,511)	$ 2,739	$ 5,126	$ -	$ 9,151
At December 31, 2021 $	3,730	$ (227)	$ 2,782	$ 2,739	$ 5,156	$ 1,834	$ 16,014

Net (increase) decrease in regulatory deferral account credit balances (which are recognized in the net movement of regulatory deferral account balances related to net income on the Consolidated Statement of Operations and Other Comprehensive Income):

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	Total
December 31, 2020 $	249	$ 281	$ 498	$ 52	$ (31)	$ -	$ 1,049
December 31, 2021 $	249	$ 45	$ (5,293)	$ -	$ (30)	$ (1,834)	$ (6,863)

Remaining recovery years	(i)	(ii)	(iii)	(iv)	(v)	(vi)
At December 31, 2020	16 years	Indeterminate	Indeterminate	Indeterminate	47 years	53 years
At December 31, 2021	15 years	Indeterminate	Indeterminate	Indeterminate	46 years	52 years

Absent rate regulation, net income for the year and net movement in regulatory deferral account balances on the Consolidated Statement of Operations and Other Comprehensive Income would increase (decrease) by:

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	Total
December 31, 2020 $	(249)	$ (281)	$ (498)	$ (52)	$ 31	$ -	$ (1,049)
December 31, 2021 $	(249)	$ (45)	$ 5,293	$ -	$ 30	$ 1,834	$ 6,863

(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. In the absence of rate regulation, IFRS requires the gain to have been fully recognized as income in the year received.

11. Regulatory accounts - continued

(ii) Hearing reserve

The Corporation has established a deferral account for future regulatory hearing costs. In 2017 the Corporation adjusted the annual provision and recognition of the accumulated balance to more accurately reflect expected hearing costs. The regulatory provision for the year reflects an annual provision of $250,000 (2020 - $250,000) less $0 (2020 - $199,000) of costs transferred from the regulatory deferral account debit balance class Regulatory Costs (See Note 11(a)(ii)). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iii) Low Water Reserve Fund

The Low Water Reserve Fund ("LWRF") was established by YUB Order 2018-10. The LWRF is used to protect the Corporation 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. YUB Order 2019-08 amended how the LWRF is calculated.

The LWRF attracts interest based upon short/intermediate term bond rates. Any negative balance attracts interest at the lowest short-term bond rates available to the Corporation through its line of credit. The Corporation is required to file annual reports with the YUB on the LWRF's activity.

In accordance with YUB Order 2015-01, the Corporation 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. The YUB has set a cap of +/- $16 million for the LWRF. If the balance falls outside of this range, the Corporation 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 requires any amounts earned or incurred related to the LWRF to be included in the Corporation's net income in the year incurred.

(iv) Future removal and site restoration costs

The Corporation maintains a regulatory provision for future removal and site restoration costs 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 Corporation. As a result of the 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 deferral account 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.

11. Regulatory accounts - continued

(v) Contracts with customers
Effective January 1, 2018 the Corporation 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 deferral account credit balance.

(vi) McQuesten Substation
YUB Order 2022-03 required the Corporation 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 deferral account credit balance.

(c) Regulatory account expenses

Regulatory account expenses represent costs incurred related to regulatory account debit balances of $6,867,000 (2020 - $10,645,000) and regulatory account credit balances of $101,000 (2020 - $677,000).

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

Net movement in regulatory deferral account balances related to net income is $9,672,000 (2020 - $3,326,000) and represents the adjustment to net income for the year before net movement in regulatory deferral account balances for the effects of rate regulation in accordance with IFRS 14. The net movement figure is comprised of a decrease of $2,809,000 for regulatory account debit balances and an increase of $6,863,000 for regulatory account credit balances for rate regulation compared to the amounts that would be recorded under IFRS absent rate regulation. The net movement figure of $3,326,000 for 2020 is comprised of a decrease of $4,375,000 for regulatory account debit balances and a decrease of $1,049,000 for regulatory account credit balances for rate regulation compared to the amounts that would be recorded under IFRS absent rate regulation.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

12. Bank indebtedness

The Corporation's financial institutions have legally enforceable rights to set off the outstanding balance under the line of credit by cash balances in other accounts with the same financial institution. The Corporation's bank indebtedness is comprised of:

		2021		2020
Bank balance	$	3,104	$	3,137
Lines of credit		(18,069)		(35,065)
	$	**(14,965)**	$	(31,928)

Due to changing circumstances, for the purposes of the consolidated statement of cash flows, a certain line of credit no longer forms part of the Corporation's cash management and instead is classified as financing activities. In the consolidated statement of cash flows, cash is comprised of:

		2021		2020
Cash	$	8,041	$	5,964
Bank balance	$	3,104	$	3,137
Line of credit (amount not classified as financing activity)		(2,191)		(35,065)
	$	**8,954**	$	(25,964)

13. Accounts payable and accrued liabilities

		2021		2020
Trade payables	$	10,635	$	15,940
Employee compensation		1,690		1,427
Due to related parties (Note 22)		438		660
Other		835		143
	$	**13,598**	$	18,170

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt

The Corporation's long-term debt is summarized as follows:

	2021	2020
Bond The Corporation issued a bond at a fixed interest rate of 5.00% per annum. Interest is payable semi-annually. Principal payment is due when the bond expires on June 29, 2040 (i).	$ 98,567	$ 98,521
The Toronto Dominion Bank The Corporation 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 (ii).	7,831	8,240
The Toronto Dominion Bank The Corporation 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 3.40% per annum. Payable in monthly installments of $117,095 interest and principal with the balance due on August 23, 2043 (iii).	21,527	22,189
The Toronto Dominion Bank The Corporation 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 2.64% per annum. Payable in monthly installments of $30,868 interest and principal with the balance due on July 14, 2044 (iv).	6,295	6,497
The Toronto Dominion Bank The Corporation 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 instalments of $20,478 interest and principal with the balance due on November 4, 2045 (v).	4,640	4,789
The Toronto Dominion Bank The Corporation 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 2.88% per annum. Payable in monthly instalments of $35,853 interest and principal with the balance due on April 30, 2046 (vi).	7,518	-

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt - continued

Yukon Government The Corporation entered into a refinance agreement for construction financing. Annual principal payments of $1,000,000 are due on March 31. The interest rate is adjusted annually on April 1 to be the one-year Canadian Dollar Offered Rate plus Yukon Government's borrowing premium with the balance due on March 31, 2023.	36,200	37,200
Tr'ondek Hwech'in First Nation loan The loan from the First Nation is related to the construction of the Mayo Dawson Transmission Line and is repayable in equal annual principal repayments of $125,000 with the final payment due in 2049. The interest rate at 5.02% (2020 - 5.34%) is a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	3,500	3,625
Na-Cho Nyak Dun First Nation loan The loan from the First Nation is related to the construction of the Mayo B project and is repayable in equal annual principal repayments of $43,264 with the final payment due in 2094. The interest rate of 2.73% (2020 - 3.52%)is based on the actual rate of return earned by the Utility.	3,158	3,201
Chu Niikwan Limited Partnership loan The loan from the First Nation is related to the construction of the Liquid Natural Gas generation equipment and is repayable in equal annual principal repayments of $1,019,320 with the final payment due in 2040. The interest rate of 2.88% (2020 - 3.03%) is based on a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	19,367	20,386
Carmacks Stewart First Nation liability Long-term liability payable to several First Nations related to the construction of the Carmacks Stewart Transmission Line. These are non interest bearing, repayable in varying installments, due in 2028.	141	141
Total	**208,744**	204,789
Less: current portion	3,864	3,608
	$ 204,880	$ 201,181

(i) Bond

The Corporation issued a bond in 2010 for the face value of $100 million. The interest rate is 5% and the bond matures June 29, 2040. There are no principal payments due until the bond matures and interest is payable semi-annually. The bond was issued at a discount of $0.7 million which is being amortized over the period of the related debt using the effective interest rate. Transaction costs were $1.2 million and include fees paid to agents and advisors and are presented as a reduction from the carrying value of the related debt and are amortized over the period of the related debt using the effective interest rate.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt - continued

(ii) Toronto Dominion Bank Loan and Interest Rate Swap
On December 28, 2012, the Corporation entered into a loan and interest rate swap with Toronto Dominion 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.

(iii) Toronto Dominion Bank Loan and Interest Rate Swap
On August 23, 2018, the Corporation entered into a loan and interest rate swap with Toronto Dominion 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.

(iv) Toronto Dominion Bank Loan and Interest Rate Swap
On July 15, 2019, the Corporation entered into a loan and interest rate swap with Toronto Dominion 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.

(v) Toronto Dominion Bank Loan and Interest Rate Swap
On November 4, 2020, the Corporation entered into a loan and interest rate swap with Toronto Dominion 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.

(vi) Toronto Dominion Bank Loan and Interest Rate Swap
On April 26, 2021, the Corporation entered into a loan and interest rate swap with Toronto Dominion 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.

Long-term debt repayment

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

2022	$ 3,864
2023	38,111
2024	2,959
2025	3,009
2026	3,059
Thereafter	157,742
	$ 208,744

The change in long-term debt arising from financing activities during the year related to principal repayment of $3,704,000 (2020 - $3,362,000) and the issuance of additional debt in the amount of $7,659,000 (2020 - $4,800,000).

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt - continued

Fair value

The fair value of long-term debt at December 31, 2021 is $243 million (December 31, 2020 - $257 million). The fair value for all long-term debt including current portions was estimated using discounted cash flows based on an estimate of the Corporation's current borrowing rate for similar borrowing arrangements.

15. Post-employment benefits

Characteristics of benefit plans

The Corporation sponsors an employee defined benefit pension plan for employees joining the Corporation before January 1, 2002. The Corporation 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.

Employees joining the Corporation after January 1, 2002 are not eligible to participate in the employee defined benefit pension plan. The Corporation 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 pension 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 Corporation's contribution to the plan. During 2021, these were $568,000 (2020 - $510,000).

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 Corporation to make special payments as prescribed by the OSFI to repay any unfunded liability or deficit that may exist. For the employee defined benefit pension plan the Corporation is currently required to pay $246,200 for 2022. This amount may change in future years and may be summarized as follows:

Start Date	Minimum Annual Payment	End Date
January 1, 2013	$24,900	December 31, 2027
January 1, 2014	$49,300	December 31, 2028
January 1, 2018	$61,000	December 31, 2032
January 1, 2019	$36,000	December 31, 2033
January 1, 2020	$75,000	December 31, 2034

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.

Risks associated with defined benefit plans

The defined benefit pension plans expose the Corporation 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.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

Net defined benefit liability

		2021		2020
Present value of benefit obligations				
Balance, beginning of year	$	31,318	$	28,075
Employee contributions		48		45
Current service cost		468		409
Interest cost		785		872
Benefits paid		(814)		(772)
Actuarial gains on experience		(856)		(96)
Actuarial (gains) losses on financial assumptions		(2,168)		2,785
Balance, end of year	$	**28,781**	$	31,318

		2021		2020
Fair value of plan assets				
Balance, beginning of year		22,247		20,386
Interest income on plan assets		554		628
Gains on plan assets		1,963		1,475
Employee contributions		48		45
Employer contributions		681		551
Benefits paid		(814)		(772)
Administrative costs		(68)		(66)
Balance, end of year		**24,611**		22,247
Effect of asset ceiling		**82**		-
Net defined benefit liability	$	**4,252**	$	9,071

Components of benefit plan cost

		2021		2020
Current service cost	$	468	$	409
Interest cost		785		872
Interest income on plan assets		(554)		(628)
Administrative costs		68		66
Defined benefit expense in Consolidated Statement of Operations		**767**		719
Defined contribution expense		568		510
Total benefit expense in Consolidated Statement of Operations	$	**1,335**	$	1,229
Actuarial (gains) losses on obligation		(3,024)		2,689
Gains on plan assets		(1,963)		(1,475)
Effect of asset ceiling		82		-
Total remeasurement included in Other Comprehensive Income		**(4,905)**		1,214
Total benefit cost recognized in the Consolidated Statement of Operations and Other Comprehensive Income	$	**(3,570)**	$	2,443

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

Distribution of plan assets of defined benefit pension plans:
The fair values of the defined benefit pension plans' assets are based on market values as reported by the plans' custodians as at each applicable Consolidated Statement of Financial Position date.

The distribution of assets by major asset class is as follows:

	December 31, 2021	December 31, 2020
Equities	42.6%	51.9%
Fixed income securities	36.5%	39.0%
Real estate	20.9%	9.1%

Significant assumptions:

	December 31, 2021	December 31, 2020
Discount rate - accrued benefit obligation	3.00%	2.50%
Assumed rate of salary escalation	2.80%	2.80%
Pension growth	2.00%	2.00%

Sensitivity Analysis:
The sensitivities of key assumptions used in measuring accrued benefit obligations at each Consolidated 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, 2021

Assumption	+1%	-1%	+1%	-1%
Discount rate	-13%	16%	$(3,758)	$4,714
Salary growth	1%	-1%	156	(149)
Pension growth	15%	-12%	4,226	(3,472)
Life expectancy (1 year movement)	3%	-3%	830	(836)

Assumptions and sensitivity to the recognized post-employment benefits liability balance at December 31, 2020

Assumption	+1%	-1%	+1%	-1%
Discount rate	-14%	18%	$(4,428)	$5,622
Salary growth	1%	-1%	231	(220)
Pension growth	16%	-13%	4,878	(3,449)
Life expectancy (1 year movement)	3%	-3%	940	(944)

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.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

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 Consolidated Statement of Financial Position.

The Corporation 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 14.9 years (2020 - 16.3 years). The Corporation expects to make payments of $606,800 (2020 - $766,800) to the defined benefit pension plans during the next financial year.

16. Contributions in aid of construction

	Government of Canada	Yukon Government since 1998	Pre - 1998 contributions	Total
Cost:				
At December 31, 2019	$ 71,300	$ 16,696	$ 1,739	**$ 89,735**
Additions	12,395	-	-	**12,395**
At December 31, 2020	83,695	16,696	1,739	**102,130**
Additions	9,266	200	-	**9,466**
At December 31, 2021	**$ 92,961**	**$ 16,896**	**$ 1,739**	**$ 111,596**
Accumulated amortization:				
At December 31, 2019	$ 8,002	$ 3,315	$ 1,466	**$ 12,783**
Additions	991	334	43	**1,368**
At December 31, 2020	8,993	3,649	1,509	**14,151**
Additions	1,204	333	43	**1,580**
At December 31, 2021	**$ 10,197**	**$ 3,982**	**$ 1,552**	**$ 15,731**
Net book value:				
At December 31, 2020	$ 74,702	$ 13,047	$ 230	**$ 87,979**
At December 31, 2021	$ 82,764	$ 12,914	$ 187	**$ 95,865**

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

17. Deferred revenue

	Customer Contributions	Decommissioning Fund	Total
At January 1, 2020	$ 17,886	$ 2,769	$ 20,655
Additions	1,071	30	1,101
Revenue recognized in Sales of Power (Note 18)	(1,612)	-	(1,612)
At December 31, 2020	$ 17,345	$ 2,799	$ 20,144
Additions	1,111	13	1,124
Revenue recognized in Sales of Power	(1,625)	-	(1,625)
At December 31, 2021	$ 16,831	$ 2,812	**$ 19,643**

Customer contributions represent monies paid or assets contributed by customers for connection to the grid. The contributions are recognized into revenue when the performance obligation is satisfied.

The decommissioning fund represents monies paid in advance by an industrial customer to decommission the spur line that connects its operation to the Corporation's grid. Under a power purchase agreement, the customer has the financial responsibility for decommissioning activities to be performed by the Corporation 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.

18. Sales of power

	2021	2020
Wholesale	$ 46,502	$ 44,721
Industrial	19,438	13,832
General service	8,051	8,165
Residential	3,895	3,767
Secondary sales	330	8
Sentinel and street lights	137	132
	$ 78,353	$ 70,625

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

19. Other revenue

During 2020 penstock inspections, deformation was noticed in WH1 and WH2 penstocks and major repairs were required before the units could be put back into service. The repairs of WH1 were completed in 2020 but the repairs of WH2 continued in 2021. During the year, the Corporation incurred $2,445,000 (2020 - $3,631,000) of costs due to repairs required at the penstocks (see Note 11(a)(v)) and recorded $2,368,000 (2020 - $3,531,000) of insurance proceeds in revenue. The Corporation has recorded a receivable of $2,137,000 (2020 - $3,531,000).

20. Operations and maintenance expenses

	2021	2020
Fuel	$ 8,935	$ 15,217
Regulatory account expenses (Note 11 (c))	6,968	11,322
Wages and benefits	6,696	6,508
Contractors	4,929	3,943
Rent	2,971	2,138
Loss on asset disposal	1,803	-
Materials and consumables	1,284	1,847
Travel	340	314
Communication	92	79
	$ 34,018	$ 41,368

21. Administration expenses

	2021	2020
Wages and benefits	$ 7,053	$ 6,315
Insurance and taxes	2,392	2,192
External labour	1,897	1,842
Materials, consumables and general	1,866	1,753
Licences and fees	922	722
Board fees	115	141
Travel	90	111
	$ 14,335	$ 13,076

22. Related party transactions

The Corporation is related in terms of common ownership to all Yukon Government 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.

The finance lease with the Yukon Hospital Corporation is disclosed in Note 8.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

22. Related party transactions - continued

The following table summarizes the Corporation's related party transactions with the Yukon Government for the year:

		2021		2020
Revenues				
Contributions for Interim Electrical Rebate program	$	3,372	$	3,418
Contributions for bond interest expense		2,625		2,625
Contributions for Innovative Energy Renewable Initiatives		1,242		1,296

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

		2021		2020
Balances				
Long-term debt	$	36,200	$	37,200
Accounts receivable	$	8,086	$	15,496
Accounts payable	$	438	$	660

Included in accounts receivable is an amount of $6,715,000 for capital projects funded by YG and the federal government (2020 - $12,695,000) as well as an amount of $686,000 related to the Interim Electrical Rebate (2020 - $2,443,000). These balances are non-interest bearing and payable on demand except for long-term debt.

Transactions with Key Management Personnel
The Corporation's key management personnel comprise of members of senior management and the Board of Directors, a total of 25 individuals (2020 - 26 individuals). Key management personnel compensation is as follows:

Year ended December 31,		2021		2020
Short-term employee benefits	$	1,947	$	1,795
Post-employment benefits		209		198
	$	**2,156**	$	1,993

23. Commitments

Aishihik water licence
The Yukon Water Board issued a water use licence in 2002, valid until December 31, 2019, for the Corporation's Aishihik Lake facility. In addition to maintaining a minimum and maximum water level, this licence commits the Corporation to meet a number of future requirements including annual fish monitoring programs.

Due to outstanding issues with affected stakeholders, the Corporation was unable to secure a long term renewal of the licence prior to expiry. During 2019, a two month extension was granted and then, in order to ensure continued generation from this plant, the Corporation made application for a short term (three year) renewal to the existing licence. This application was approved and a renewed licence was granted by the YWB effective March 1, 2020. This short term licence includes additional monitoring and potential operational adjustments, the cost of which will be charged to the fiscal year in which they occur.

23. Commitments - continued

The Corporation continues to work with affected parties with the objective of a longer term licence agreement prior to the expiry of the extension. Fish monitoring programs are also required under an authorization provided by the federal government Department of Fisheries and Oceans, which is valid until December 31, 2022.

Contractual obligations
The Corporation has entered into contracts to purchase products or services for which the liability has not been incurred as at December 31, 2021 as the product or service had not been provided. The total commitments at year end are $20,856,000 (December 31, 2020 - $30,930,000).

24. Contingencies

Aishihik Third Turbine Project
This project was commissioned into service in December 2011. On March 2, 2012, the general contractor filed a claim with the Supreme Court of Yukon for $4,000,000 plus interest and costs alleging the Corporation has not paid for work performed. During 2017, the Yukon Supreme Court issued an award in favor of the contractor. The Corporation successfully appealed the award in 2018. A re-trial was held in April 2020; the decision of the judge was received on February 1, 2021. The trial resulted in a net award in favour of the Corporation. During 2021 the Corporation received a payment of $487,000. The Corporation's claims for cost and interest are still to be adjudicated.

Asset retirement obligations
The Corporation has not recognized a provision for the closure and restoration obligations for certain generation, transmission and distribution assets which the Corporation anticipates maintaining and operating for an indefinite period, making the date of retirements 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 Corporation'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 Corporation 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 Corporation has conducted environmental site assessments at all its diesel plant sites. No new environmental contamination was found. As at December 31, 2021 no new provisions for environmental liabilities, for which a legal obligation exists to remediate, have been identified by the Corporation. The Corporation has its Environmental Management System to monitor and assess previous and potential existing environmental liabilities on an ongoing basis. The Corporation does not have a provision for environmental liabilities as there is no present obligation to remediate.

26. Risk management and financial instruments

At December 31, 2021, the Corporation's financial instruments included cash, accounts receivable, finance lease receivables, bank indebtedness, accounts payable and accrued liabilities, long-term debt and interest rate swaps. The fair values of cash, accounts receivable, finance lease receivables, bank indebtedness, and accounts payable and accrued liabilities approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

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 Corporation 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 Corporation'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 Toronto Dominion 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.

As at December 31, 2021, the Corporation had five (2020 - four) interest rate swap agreements in place. The three agreements from 2019 were amended on September 11, 2020 (see Note 14). The first agreement has a notional principal amount of $7.8 million (2020 - $8.2 million) and the agreement effectively changes the Corporation's interest rate exposure on this notional amount from a floating rate to a fixed rate of 2.06%. The second agreement has a notional principal amount of $21.5 million (2020 - $22.2 million) and the agreement effectively changes the Corporation's interest rate exposure on this notional amount from a floating rate to a fixed rate of 3.40%. The third agreement has a notional principal amount of $6.3 million (2020 - $6.5 million) and the agreement effectively changes the Corporation's interest rate exposure on this notional amount from a floating rate to a fixed rate of 2.64%. The fourth agreement has a notional principal amount of $4.6 million (2020 - $4.8 million) and the agreement effectively changes the Corporation's interest rate exposure on this notional amount from a floating rate to a fixed rate of 2.06%. The fifth agreement has a notional principal amount of $7.5 million (2020 - $0) and the agreement effectively changes the Corporation's interest rate exposure on the notional amount from a floating rate to a fixed rate of 2.88%

The fair value of the interest rate swap agreements on December 31, 2021 was a liability of $2,479,000 (2020 - $5,050,000). The increase in the fair value in 2021 of $2,571,000 (2020 – decrease of $3,120,000) is recognized on the Consolidated Statement of Operations and Other Comprehensive Income as an unrealized gain (loss). A 100 basis point increase/decrease in the interest rate assumption would have resulted in an increase/decrease in the interest rate swap agreements fair value of $5,020,000 (2020 - $4,710,000).

The Corporation has access to $25 million in lines of credit. Effective June 6, 2019, the line of credit was increased temporarily to $34.0 million. Effective April 8, 2020, the line of credit was increased temporarily to $41.5 million. Effective May 31, 2020, the line of credit was increased temporarily to $51 million. Effective April 22, 2021, the line of credit was increased temporarily to $58 million. The temporary increase expires June 30, 2022. $50.5 million of the line of credit accrues interest on withdrawals at prime rate minus 0.75% per annum. The remaining $7.5 million accrues interest on withdrawals at prime rate minus 0.85% per annum. Due to the short-term nature of the amount drawn on the lines of credit and the Corporation's cash balances with the same financial institutions (Note 12) the interest rate risk is minimal.

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

26. Risk management and financial instruments - continued

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 Corporation.

The following table illustrates the maximum credit exposure to the Corporation if all counterparties defaulted:

	2021	2020
Cash	$ 8,041	$ 5,964
Accounts receivable	22,980	30,127
Finance lease receivables	85	85
	$ 31,106	$ 36,176

Credit risk on cash is considered minimal as the Corporation's cash deposits are held by Canadian Schedule 1 Chartered banks.

Credit risk on accounts receivable is considered minimal as the Corporation has experienced insignificant bad debt in prior years. In addition, its primary customer is a rate regulated utility that purchases power from the Corporation for resale and as such these receivables are considered fully collectible. Included in the accounts receivable past due but not impaired at December 31, 2021 are $7,821,000 (2020 - $7,837,000) which management believes will be received in full.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through regular monitoring of cash and currency requirements by preparing cash flow forecasts to identify financing requirements. The Corporation'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 Corporation's reputation. Rate regulation assists the Corporation 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 Corporation's financial instruments as at December 31, 2021:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	**Total**
Derivative related liability	-	$2,479	-	**$2,479**
Long-term debt	-	-	$240,880	**$240,880**

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

26. Risk management and financial instruments - continued

The following table illustrates the fair value hierarchy of the Corporation's financial instruments as at December 31, 2020:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	**Total**
Derivative related liability	-	$5,050	-	**$5,050**
Long-term debt	-	-	$256,657	**$256,657**

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 maintains a balance in retained earnings as an indicator of the Utility's equity position. The Utility has a policy which defines its capital structure at a ratio of 60% debt and 40% equity. This policy has been reviewed and accepted by the YUB.

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 17). 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 Utility's Statement of Financial Position.

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

	2021	2020
Long-term debt due within one year	$ 6,537	$ 6,280
Long-term debt	167,037	166,056
Total debt	**173,574**	172,336
Add decommissioning fund (note 17)	2,812	2,799
Total debt to include in the calculation	**$ 176,386**	$ 175,135

December 31, 2021 (tabular amounts in thousands of Canadian dollars)

27. Capital management - continued

		2021		2020
Share capital	$	39,000	$	39,000
Contributed surplus		15,968		15,968
Retained earnings		82,684		64,249
Total shareholder's equity		**137,652**		119,217
Total capitalization	**$**	**314,038**	$	294,352
Total debt to total capitalization		**56 %**		59 %

There were no changes in the Utility's approach to capital management during the period.

28. Subsequent events

In January 2022, the Corporation executed an Electricity Purchase Agreement ("EPA") with Tlingit Homeland Energy LP ("the Seller"). The agreement commits the Corporation to the purchase of all electricity generated from a hydrogeneration facility to be constructed in Atlin, BC ("the Plant"), for an initial 40-year period. The Seller will build, own and operate the Plant and related transmission assets. The Plant is expected to be complete and operational in 2024. The EPA is subject to a number of conditions precedent including, among others, a review by the YUB, ongoing consultation with First Nations in the project area, approvals from the Taku River Tlingit First Nation Government and Yukon Government, and all government grant funding and project permits being obtained by the Seller. An estimate of the financial impact of the EPA on the Corporation's future results of operations and financial position cannot be made at this time.

29. Non-consolidated financial information

The nature and size of operations of the non-consolidated Yukon Development Corporation and its wholly-owned subsidiary, Yukon Energy Corporation differ substantially. Unaudited non-consolidated financial statements of the Yukon Development Corporation and audited financial statements of Yukon Energy Corporation for the year ended December 31, 2021 are also prepared.