



PROTOCOL AGREEMENT

2019 - 2020

Between

THE CHAIR OF THE YUKON DEVELOPMENT CORPORATION
(AS REPRESENTATIVE OF YUKON DEVELOPMENT CORPORATION)

and

THE CHAIR OF THE YUKON ENERGY CORPORATION
(AS REPRESENTATIVE OF THE YUKON ENERGY CORPORATION)

PART I DEFINITIONS

In this Agreement:

"Act"	means the Yukon Development Corporation Act
"Agreement"	means this Protocol Agreement
"Government"	means the Government of the Yukon
"Minister"	means the Minister Responsible for YDC
"YDC"	means the Yukon Development Corporation
"YDC Board"	means YDC's Board of Directors
"YDC Chair"	means the Chair of the YDC Board
"YDC Director"	means a member of the YDC Board
"YDC President"	means YDC's President and Chief Executive Officer
"YEC"	means the Yukon Energy Corporation
"YEC Board"	means YEC's Board of Directors
"YEC Chair"	means the Chair of the YEC Board
"YEC Director"	means a member of the YEC Board
"YEC President"	means YEC's President and Chief Executive Officer
"Yukon"	means the Yukon Territory

PART II PURPOSE OF AGREEMENT

YDC is a Corporation established by the Act and is an Agent of Yukon Government. This Agreement between YDC and YEC is an agreement on their respective roles and responsibilities. It describes YEC's accountabilities in relation to YDC's performance expectations for YEC. This Agreement also provides a framework that encourages strong corporate governance of YEC.

PART III YDC MANDATE

Government has provided the following mandate to YDC under the *Yukon Development Corporation Act*:

- Until such time as direction may be provided through subsequent Orders-In-Council or Directives issued under section 6(1) of the *Yukon Development Corporation Act*, pursuant to Order-in-Council 1993/107, YDC will, in undertaking new initiatives, restrict itself to energy related activities designed to promote the economic development of Yukon through the provision of safe, reliable, cost-effective energy and energy-related infrastructure both now and for the future and to alleviate the effects of any energy shortages in Yukon.
- YDC is the sole shareholder of YEC, a business corporation under the *Business Corporations Act*, and is responsible for ensuring that YEC fulfills its mandate while operating within Government objectives.

PART IV YDC CORPORATE GOALS

In fulfilling its mandate, YDC will be guided by such directives as may be issued to YDC under Section 6-1 of the *Yukon Development Corporation Act* or other Orders-in-Council related to the operations of YDC, and the goals identified in YDC's current strategic plan, which include:

- as the sole shareholder of YEC, YDC will support and enable YEC to fulfill its mandate in an accountable, efficient, and cost-effective manner while operating within Government's strategic objectives;
- work to continually improve the accountability framework between YDC and YEC and ensure roles and responsibilities and the scope of YDC's oversight and strategic leadership role for YEC are defined and operationalized;
- gain support for the work of YDC and YEC by building trusted relationships and strategic partnerships with First Nations and other governments, non-government organizations and the private sector in pursuit of collaborative initiatives to further mutual objectives; and
- work in collaboration with Government and YEC on the development of a comprehensive energy communication strategy to enhance Yukoners' awareness of energy issues, programs and initiatives.

YDC'S ROLES AND RESPONSIBILITIES

YDC Chair

The YDC Chair is the primary link between YDC's Board and YEC's Board. The YDC Chair will foster an effective working relationship with the YEC Chair.

YDC President

The YDC President will maintain effective communications with the YEC President.

YDC will:

- ensure Management Board approval is received prior to:
 - authorizing any borrowing of money by YEC;
 - approving any increase to a line of credit for YEC; and
 - authorizing the guarantee by YEC of any debt;
- not sell or allow YEC to sell, lease or dispose of any publicly-owned energy assets, or an interest in such assets, including, but not limited to, hydro assets and other generation, transmission and distribution assets without the prior approval of Management Board and/or Cabinet. This restriction does not apply to outdated parts of components that have been replaced and are being disposed of as the result of normal equipment maintenance or system upgrades;
- provide an ongoing opportunity through YDC for the Minister to advise on, and contribute to, the development of the strategic and annual business plans of YEC, before they receive final approval and are implemented;
- appear with YEC before the Legislature or any of its committees, as requested, to report on YDC's and YEC's financial and operational performance or any other relevant matter;
- work with YEC on the implementation of energy policy initiatives including the Independent Power Producer Policy; and
- work with YEC so that YEC may develop and implement policies and procedures acceptable to YDC, the Minister, and YEC for areas including policy, procurement, communication, and financial reporting.

PART V YDC'S RESPONSIBILITY FOR YEC

The ownership of YEC, including related financing activities, is YDC's most significant undertaking. As the sole shareholder of YEC, YDC will work cooperatively with YEC to ensure YEC fulfills its responsibilities accountably, efficiently and cost-effectively. While acknowledging the separate legal frameworks for YDC and YEC, the Government expects YDC to exercise its legal and factual control of YEC in a manner that respects Government's financial policies and supports the implementation of Government's priorities.

YDC will:

- appoint YEC's Board of Directors based on nominations by Government;
- ensure YEC operates in a manner consistent with Government's overall requirement that YEC provide Yukoners with safe, reliable and cost-effective electrical power;
- provide strategic advice to YEC on Government's enduring priorities and public policy objectives;
- ensure that YEC's Board provides to YDC, in respect of YEC, the same kind of information and advice as described in the Board portion of YDC's Protocol Agreement and Letter of Expectation between YDC and the Government;
- ensure that when requested by the Minister, YEC's Board Chair and President are available to attend meetings of the Legislative Assembly and its committees;
- ensure that YEC continues to plan, operate and maintain the generation, transmission and distribution system in order to ensure sustained asset health, reliability and security;
- ensure that YEC works with YDC to identify opportunities for meeting future energy needs by integrating energy conservation and independent power production into its plans for expanding, developing and/or improving its electric generation capacity; and
- ensure that YEC does not develop or acquire new generation assets or new transmission or distribution lines having a voltage in excess of 20 kV, except when such assets or lines are required to replace or maintain existing assets, without the approval of YDC's Board of Directors.

PART VI YEC OPERATING FRAMEWORK

YEC is a corporation under the *Yukon Business Corporations Act*. Government has provided the following mandate for YEC. Under OIC 1993/108:

"3.(1) The board of directors of the Development Corporation shall ensure adherence at all times to the following provisions with respect to the incorporation, organization and operation of the Energy Corporation; ...

(d) the rules governing the calling, holding and conduct of business at directors' meetings shall, as far as possible, be the same as for the Development Corporation; ...

(k) the directors and officers of the Energy Corporation shall not conduct, or permit the conduct, of any of the following activities without the approval of the Development Corporation:

(i) the sale, lease or disposal of all, or substantially all, of the assets of the Energy Corporation;

(ii) the development or acquisition by the Energy Corporation of new hydro generation assets or new transmission or distribution lines having a voltage in excess of 20 KV, except for such assets or lines required to replace or maintain existing assets of the Energy Corporation;

(iii) the payment of dividends;

(iv) the establishment or modification of rate relief programs for power consumers;

(v) the making of any contract for the management of all, or substantially all, of the assets of the Energy Corporation;

(vi) any other activity that is prohibited by the Development Corporation or that is inconsistent with any directive of the Development Corporation.

...

(3) The board of directors of the Development Corporation may issue directives to the Energy Corporation with respect to the operation of the Energy Corporation.”

PART VII YEC'S ROLES AND RESPONSIBILITIES

YEC Chair

The YEC Chair is the primary link between YEC's Board and YDC's Board. The YEC Chair will foster an effective working relationship with the YDC Chair.

YEC President

The YEC President will maintain effective communications with the YDC President.

YEC's Board

YDC expects YEC's Board to carry out its mandate according to the following principles subject, of course, to the Directors' legal and fiduciary responsibilities and duties:

- conduct its affairs with the principles of integrity, efficiency, and effectiveness;
- direct and control the business affairs of YEC under the *Business Corporations Act* and other applicable legislation in the best interests of Yukon ratepayers, and YEC.;

- develop a comprehensive understanding of YEC and the risks and opportunities facing it as well as Director responsibilities, liabilities and due diligence requirements;
- ensure appropriate policies, systems and practices are in place to carry out YEC's mandate;
- recognize and respect that YDC must secure Government approval prior to:
 - authorizing any borrowing of money by YEC;
 - approving any increase to a line of credit for YEC;
 - providing a financial contribution to YEC; or
 - authorizing the guarantee by YEC of any third party debt;
- ensure that the business of YEC is conducted in accordance with its statutory and regulatory requirements, corporate by-laws, and policies;
- adopt, implement and maintain by-laws to define the Board's operations and delegation of authority;
- provide general direction and specific delegation of authority to the Chief Executive Officer and President of YEC for the day-to-day management and administration of YEC's activities;
- complete an annual performance evaluation of the President;
- monitor YEC's management controls, periodically review related policies and practices for areas of weakness or inefficiencies and ensure that the appropriate controls are in place;
- inform YDC in a timely manner if YEC is unable to meet the performance and financial targets identified in its annual business plans;
- strengthen and improve internal corporate governance systems including training for Directors as required to ensure the effective management of YEC; and
- provide the Chair and President as witnesses at Legislative Committees, as required.

YEC's Responsibilities:

YEC will:

- carry out its mandate to plan, generate, transmit and distribute a continuing and adequate supply of cost-effective, sustainable and reliable energy for customers in Yukon, in a manner consistent with YDC's strategic direction, Government's enduring priorities and prudent fiscal planning;
- comply with the terms of this Agreement;
- be responsible for the creation and adoption, implementation and monitoring of five year capital plans, multi-year strategic plans and annual business plans. The strategic and annual plans will

identify comprehensive, attainable goals and objectives, and set appropriate performance measures for YEC;

- provide consistent opportunities for YDC and, upon YDC's recommendation, the Minister, to review and contribute to the development of YEC's strategic and annual plans before they receive final approval and are implemented;
- be cognizant of financial resource limitations and promote the efficient use of YEC's resources and assets in a manner that will maintain affordable electrical rates and safeguard the value of its shareholder's investment;
- ensure YDC is advised in advance of the release of any information requests of YEC under the *Access to Information and Protection of Privacy Act*;
- ensure that YDC is informed in a timely manner, and not less than six months prior to undertaking a rate application to the Yukon Utilities Board;
- ensure an annual financial audit is undertaken for YEC;
- prepare an annual report on YEC's objectives, operational and financial performance;
- ensure YEC's plans and projects are consistent with the Government's overarching priority to support the development of a thriving, prosperous and diversified economy that provides well-defined benefits for communities, First Nations and Yukon as a whole and integrates a high level of long-term environmental management;
- work with Government, YDC and ATCO Electric Yukon to implement the Independent Power Producer Policy;
- work with YDC to ensure policies are in place that support the attainment of YEC's mandate and its strategic and business plans and ensure that such policies are in alignment with its role as a public entity;
- work with YDC so that YEC may develop and implement policies and procedures acceptable to YDC, the Minister, and YEC for areas including policy, procurement, communication, and financial reporting;
- work with YDC and government to improve communications between YEC and YDC and support YDC's communications with Government relating to YEC;
- continue to deliver value and maintain competitive rates by efficiently and responsibly managing the business;
- work with YDC on specific projects as requested; and
- work with YDC on the implementation of energy policy initiatives, including the Independent Power Producer Policy, as and when required.

PART VIII REVIEW AND REVISION OF THIS AGREEMENT

This Agreement will be reviewed annually to determine whether any changes are required to ensure that YDC can effectively carry out their respective responsibilities and authorized activities. The YDC Chair and the YEC Chair may agree to amend this Agreement on a more frequent than annual basis.


This Agreement will remain in force until a new Agreement has been reviewed and approved.

APPROVED BY



Chair, Board of directors
Yukon Development Corporation

June 11/19.
Date:



Chair, Board of Directors
Yukon Energy Corporation

June 11/19
Date: