



**Yukon Development Corporation**  
2020 Annual Report

Cover Photo:  
Swan Haven Interpretive Centre Marsh Lake

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Government of Yukon photo

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## Message from the Chair



Throughout the year, in partnership with the Government of Yukon, First Nations, communities, our utilities, and the Government of Canada, we were able to promote the development of sustainable, renewable electricity projects across the territory.

This year, Yukon Development Corporation was able to offset over \$12 million in the cost to Yukon Energy Corporation to upgrade the transmission line between Mayo and the McQuesten sub-station, which is just south-west of Keno, and to begin work on a grid-scale battery. Over their lifetimes, these projects should reduce greenhouse gas emissions by almost 850 kilotons.

As well as working with Yukon Energy, Yukon Development Corporation has been active in working with First Nations, community organizations, and private companies to develop locally-owned renewable energy projects. Funding support was provided through the Innovative Renewable Energy Initiative.

In 2020, work began on finding support for the development of the Atlin Hydro Expansion project, which would add 8.5 megawatts of renewable electricity capacity to Yukon's main grid. That energy represents almost ten per cent of our existing hydro capacity and would help the Government of Yukon reach its goal of having 97 per cent of our electricity generated from renewable sources on the main grid.

First Nations-led projects are also underway in Beaver Creek, Destruction Bay and Burwash, and Watson Lake. With these projects and the existing solar project in Old Crow, Yukon will be able to off-set a significant amount of diesel generation in all our off-grid communities.

Providing clean power to our on-grid communities remains a priority. We are working with a community organization in Dawson City to construct a solar array and a private company to develop a solar array just outside Whitehorse. Work is also continuing to advance the Haeckel Hill Wind project in partnership with Chu Níkwän LP.

As well as supporting renewable energy projects, we were also engaged in the development and implementation of policies to encourage initiatives to manage both the supply of and demand for electricity in the territory. In collaboration with Yukon Government's Department of Energy, Mines and Resources, ATCO Electric Yukon, and Yukon Energy Corporation, we started work on updating the Independent Power Production policy and on enabling the utilities to participate in demand-side management projects that will help reduce our dependence on fossil fuels.

The Board of Directors is looking forward to building on this momentum towards a more sustainable energy future for all of Yukon in 2021.

Mike Pemberton,  
Chair



## Message from the President and CEO



2020 saw challenges brought on by the COVID-19 pandemic and highlighted the nimbleness of the organization to adapt to new safety protocols, working from home and broader changes throughout Yukon, Canada and, indeed, the world.

In spite of these challenges, Yukon Development Corporation was able to maintain a full staff complement and successfully fulfil its mandate to support Yukon Energy Corporation, and deliver on initiatives identified in the Minister's Mandate Letter. We supported investments in First Nation and community-led renewable energy projects through the Innovative Renewable Energy Initiative, and provided electrical rebates to Yukon's residential customers as part of Yukon government's Interim Electrical Rebate.

Yukon Development Corporation undertook an update to the 2015-2020 Strategic Plan by completing an addendum in effect until December 31, 2021. Updates included new direction provided in the Minister's revised Mandate Letter from late 2019 and reflected the shift in focus from a larger hydro project to smaller, community-owned renewable energy projects.

The Auditor General's review of Yukon Development Corporation's finances as reflected in Yukon Government's Public Accounts 2019-20 was positive. The review stated that the corporation's Consolidated Financial Statements for 2019 represented fairly, in all material aspects, the consolidated position of both Yukon Development Corporation and Yukon Energy Corporations.

I was pleased to represent Yukon Development Corporation by appearing, with Yukon Energy's CEO, as a witness for the Yukon Legislative Assembly's Committee of the Whole during the fall session. We were able to provide comprehensive answers to questions from legislative members and clarity on a number of issues.

Yukon Development Corporation is also actively involved in the implementation of the Our Clean Future strategy and, in addition to working on its own commitments, is providing valuable input to support Yukon government's corporate approach to fulfilling the goals outlined in the strategy.

It continues to be exciting time to be involved in the energy sector, and I look forward to the year ahead.

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)

Tosh Southwick

Lise Farynowski

Kari (Katherine) Johnston

Doug Janzen

Blake Rogers

Astrid Grawehr

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  
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  
Emily MacDonald, Corporate Secretary (to February 2020)  
Allyn Walton, Corporate Secretary (effective March 2020)  
Blaine Anderson, 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 Yukon. The initiative was established in the 2017/18 fiscal year with an annual budget of \$1.5 million.

Over the course of the program, sixteen projects have been funded. In the 2020-2021 fiscal year the fund was fully allocated to a diverse range of renewable energy projects, including:

- Construction funding to two solar projects in Whitehorse;
- Design funding for a solar and storage project in Beaver Creek;
- Feasibility funding for a solar and wind project in Pelly Crossing;
- Feasibility funding for a solar and storage project in Watson Lake;
- Feasibility funding for a run-of-river hydro project in Dawson City; and
- Support for Yukon Energy's Peak Smart Program.

As these projects come to fruition, the communities will derive environmental, economic, and social benefits from having locally-owned and locally-operated renewable sources of energy generation.

In addition, in 2020 Yukon Development Corporation worked collaboratively with the Government of Yukon's Evaluation Unit to undertake a review of the program. During the course of the evaluation perspectives from the fund recipients, fund administrators, and renewable energy experts were sought and incorporated into the final report. A number of recommendations were put forward to improve the program into future years.

## Arctic Energy Fund

Yukon Development Corporation is administering 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

This is the tenth year that the Interim Electrical Rebate has been in place. The program provides residential electrical customers with a rebate based on the first 1,000 kilowatt hours they use each month. Modest changes were made to the program in 2020 to help manage increasing costs and ensure the program did not exceed its annual \$3.5 million cap. Effective June 1, 2020 residents received a rebate of up to \$23.28 per month on their electrical bills depending on their electrical usage. These funds were provided to Yukoners through 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. The project is expected to be completed in 2022.

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 2020, Yukon Development Corporation, along with Natural Resources Canada continued to support the Peak Smart Program, a demand-side management pilot project, launched in 2019. Led by Yukon Energy Corporation and supported by ATCO Electric Yukon and the Government of Canada, this initiative allows up to 400 volunteer households in grid-connected communities across the territory to become “virtual power plants,” shifting space heating and water heating electrical loads off critical peak electricity demand periods. The intent of this pilot program is to shift peak demands for power and to reduce the amount of diesel and liquefied natural gas used to generate electricity during these hours of high electrical use, reducing both costs and carbon emissions.

Yukon Development Corporation continued to lead the legislative initiative providing direction to the Yukon Utilities Board with respect to utility participation in Demand-side Management programming. The project is progressing and Yukon Development Corporation anticipates having draft legislation for government's review early in 2021. Completion of this project will support Yukon's *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 generation sources, such as the sun and the wind, 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 grid-scale battery energy storage system. This facility will both increase the overall reliability of the electrical grid and help reduce greenhouse gas emissions by reducing Yukon Energy's dependence on fossil fuels to generate electricity during peak periods.

In addition, Yukon Energy Corporation has developed a draft of its ten-year strategy for renewable electricity generation. 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.

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 and Yukon Development Corporation and 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 and the Yukon Government's Department of Energy, Mines and Resources to continue the implementation of the Independent Power Producer policy and implementation of Our Clean Future. In addition, with the release of the Our Clean Future strategy in September, efforts have also been dedicated to implementation of the actions assigned to Yukon Development Corporation within that strategy. Yukon Development Corporation also worked with the Yukon Government's Department of Community



Services and Government of Canada to continue implementation of the Arctic Energy Fund and the Investing in Canada Infrastructure Program.

## Strategic Planning

In early 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 2020, 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 2021 and reassess impacts and develop longer-term plans as appropriate.

**Yukon Development Corporation**

**Consolidated Financial Statements**

**December 31, 2020**

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# Yukon Development Corporation

## Consolidated Financial Statements

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December 31, 2020

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## 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



Blaine Anderson  
Chief Financial Officer



## 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 2020, 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 2020, 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.

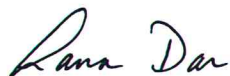
In our opinion, the transactions of the Yukon Development Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Yukon Development Corporation 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  
25 June 2021

## Yukon Development Corporation


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

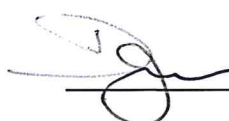
December 31,	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 5,964	\$ 9,085
Accounts receivable (Note 5)	30,127	10,452
Inventories (Note 6)	4,095	4,018
Prepaid expenses	1,443	741
	<b>41,629</b>	<b>24,296</b>
<b>Non-current</b>		
Right-of-use asset (Note 7)	427	639
Finance lease receivable (Note 8)	85	85
Property, plant and equipment (Note 9)	476,892	463,078
Intangible assets (Note 10)	17,436	12,462
<b>Total assets</b>	<b>536,469</b>	<b>500,560</b>
Regulatory deferral account debit balances (Note 11)	34,613	38,988
<b>Total assets and regulatory deferral account debit balances</b>	<b>\$ 571,082</b>	<b>\$ 539,548</b>
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 12)	\$ 31,928	\$ 19,680
Accounts payable and accrued liabilities (Note 13)	18,170	11,329
Current portion of deferred revenue (Note 17)	1,658	2,661
Current portion of lease liability (Note 7)	206	206
Current portion of long-term debt (Note 14)	3,608	3,382
	<b>55,570</b>	<b>37,258</b>
<b>Non-current</b>		
Post-employment benefits (Note 15)	9,071	7,689
Contributions in aid of construction (Note 16)	87,979	76,952
Deferred revenue (Note 17)	18,486	17,994
Lease liability (Note 7)	237	443
Derivative related liability (Note 26)	5,050	1,930
Long-term debt (Note 14)	201,181	199,969
<b>Total liabilities</b>	<b>377,574</b>	<b>342,235</b>
<b>Equity</b>		
Contributed capital	41,501	41,501
Retained earnings	142,856	145,612
<b>Total equity</b>	<b>184,357</b>	<b>187,113</b>
<b>Total liabilities and equity</b>	<b>561,931</b>	<b>529,348</b>
Regulatory deferral account credit balances (Note 11)	9,151	10,200
<b>Total liabilities, equity and regulatory deferral account credit balances</b>	<b>\$ 571,082</b>	<b>\$ 539,548</b>

#### 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,	2020	2019
<b>Revenues</b>		
Sales of power (Note 18)	\$ 70,625	\$ 50,206
Yukon Government contributions (Note 22)	7,339	7,455
Other (Note 19)	4,318	1,468
	<b>82,282</b>	<b>59,129</b>
<b>Operating expenses</b>		
Operations and maintenance (Note 20)	41,368	32,725
Administration (Note 21)	13,076	12,482
Depreciation and amortization (Notes 7, 9 and 10)	12,913	13,312
	<b>67,357</b>	<b>58,519</b>
<b>Income before other income and other expenses</b>	<b>14,925</b>	<b>610</b>
<b>Other income</b>		
Amortization of contributions in aid of construction (Note 16)	1,368	1,367
Allowance for funds used during construction	850	643
Interest income	96	108
	<b>2,314</b>	<b>2,118</b>
<b>Other expenses</b>		
Interest on borrowings	7,901	8,360
Interim electrical rebate program subsidies (Note 1)	3,137	3,171
Unrealized loss on interest rate swaps (Note 26)	3,120	888
Innovative renewable energy initiative program subsidies (Note 1)	1,297	1,228
	<b>15,455</b>	<b>13,647</b>
<b>Net income (loss) for the year before net movement in regulatory deferral account balances</b>	<b>1,784</b>	<b>(10,919)</b>
<b>Net movement in regulatory deferral account balances related to net (loss) income (Note 11(d))</b>	<b>(3,326)</b>	<b>11,014</b>
<b>Net (loss) income for the year and net movement in regulatory deferral account balances</b>	<b>(1,542)</b>	<b>95</b>
<b>Other comprehensive loss</b>		
Item that will not be reclassified to net income in subsequent periods		
Remeasurement of defined benefit pension plans (Note 15)	(1,214)	(1,859)
<b>Total comprehensive loss for the year</b>	<b>\$ (2,756)</b>	<b>\$ (1,764)</b>

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



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## Yukon Development Corporation

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

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	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Balance at December 31, 2018</b>	<b>\$ 41,501</b>	<b>\$ 147,376</b>	<b>\$ -</b>	<b>\$ 188,877</b>
Net income for the year and net movement in regulatory deferral account balances	-	95	-	95
Other comprehensive loss	-	-	(1,859)	(1,859)
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	(1,859)	1,859	-
<b>Balance at December 31, 2019</b>	<b>\$ 41,501</b>	<b>\$ 145,612</b>	<b>\$ -</b>	<b>\$ 187,113</b>
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	-
<b>Balance at December 31, 2020</b>	<b>\$ 41,501</b>	<b>\$ 142,856</b>	<b>\$ -</b>	<b>\$ 184,357</b>

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

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## Yukon Development Corporation

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

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For the year ended December 31,	2020	2019
<b>Operating activities</b>		
Cash receipts from customers	\$ 69,875	\$ 46,140
Cash receipts from Yukon Government	4,222	8,686
Cash receipts from contributions in aid of construction	-	528
Cash paid to suppliers	(40,868)	(36,178)
Cash paid to employees	(12,022)	(12,359)
Interest paid	(8,232)	(8,297)
Interest received	126	235
<b>Cash provided by (used in) operating activities</b>	<b>13,101</b>	<b>(1,245)</b>
<b>Financing activities</b>		
Proceeds from long-term debt	4,800	10,724
Repayment of long-term debt	(3,362)	(3,223)
Lease payments	(206)	(226)
<b>Cash provided by financing activities</b>	<b>1,232</b>	<b>7,275</b>
<b>Investing activities</b>		
Additions to property, plant and equipment	(23,790)	(19,392)
Additions to intangible assets	(5,912)	(2,346)
<b>Cash used in investing activities</b>	<b>(29,702)</b>	<b>(21,738)</b>
<b>Net decrease in cash</b>	<b>(15,369)</b>	<b>(15,708)</b>
<b>Cash, beginning of year</b>	<b>(10,595)</b>	<b>5,113</b>
<b>Cash, end of year</b>	<b>\$ (25,964)</b>	<b>\$ (10,595)</b>
<b>Cash includes:</b>		
Cash	\$ 5,964	\$ 9,085
Bank indebtedness (note 12)	(31,928)	(19,680)
<b>Total</b>	<b>\$ (25,964)</b>	<b>\$ (10,595)</b>

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

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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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.



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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 prudence 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. The Corporation expects to complete the process and a final order from the YUB near the end of 2021.

The GRA requested a board order related to the regulatory deferral accounts, specifically a change to the long-term average for fuel costs to better reflect current market conditions.

These consolidated financial statements do not 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).

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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 1. Nature of operations - continued

#### e) Yukon Government

In August 2020, the Yukon Government authorized the continuation of the Interim Electrical Rebate program (the "rebate") for 12 months to March 31, 2021. 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 \$0.02395/kwh for the period from April 1, 2020 to May 31, 2020 and \$0.02328/kwh for the period from June 1, 2020 to March 31, 2021 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.

### 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 25, 2021.

#### 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 ongoing basis if there is an indication of a significant change in facts and circumstances.



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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.

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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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.



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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	30 to 103 years
Thermal plants	12 to 72 years
Transmission	20 to 65 years
Distribution	12 to 55 years
Buildings	20 to 55 years
Transportation	9 to 31 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

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 3. Significant accounting policies - continued

The water license 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").



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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.

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 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.



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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.

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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 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.



## Yukon Development Corporation

### Notes to Consolidated Financial Statements

December 31, 2020 (tabular amounts in thousands of Canadian dollars)

#### 5. Accounts receivable

	2020	2019
Trade accounts receivable		
Wholesale energy sales	\$ 5,287	\$ 5,676
Retail energy sales	4,371	2,414
Due from related parties (Note 22)	15,496	348
Other	4,973	2,014
	<b>\$ 30,127</b>	<b>\$ 10,452</b>

Included in Accounts receivable - Other is an amount of \$3,531,000 (2019 - \$0) related to insurance proceeds as well as an amount of \$0 (2019 - \$939,000) related to a power purchase agreement.

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)
	<b>\$ 22,290</b>	<b>\$ 1,091</b>	<b>\$ 6,746</b>	<b>\$ 30,127</b>

At December 31, 2019, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	\$ 8,782	\$ 800	\$ 880	\$ 10,462
Allowance for doubtful accounts	-	-	(10)	(10)
	<b>\$ 8,782</b>	<b>\$ 800</b>	<b>\$ 870</b>	<b>\$ 10,452</b>

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

	2020	2019
Allowance for doubtful accounts at beginning of year	\$ (10)	\$ (10)
Amounts written off as uncollectable	-	-
Allowance for doubtful accounts at end of year	<b>\$ (10)</b>	<b>\$ (10)</b>

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 6. Inventories

	2020		2019
Materials and supplies	\$ 3,366	\$	3,396
Diesel fuel	576		520
Liquefied natural gas	153		102
	<b>\$ 4,095</b>	<b>\$</b>	<b>4,018</b>

#### 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 \$54,000 (2019 - \$122,000) and building of \$373,000 (2019 - \$517,000).

	2020		2019
<b>Right-of-use asset</b>			
As at January 1	\$ 639	\$	851
Depreciation expense	(212)		(212)
At December 31	<b>\$ 427</b>	<b>\$</b>	<b>639</b>
<b>Lease liabilities</b>			
Lease liabilities	\$ 443	\$	649
Less current portion	206		206
Non-current portion	<b>\$ 237</b>	<b>\$</b>	<b>443</b>
<b>Maturity analysis</b>			
Less than one year	\$ 172	\$	212
One to five years	255		427
More than five years	-		-
Total undiscounted lease liabilities	<b>\$ 427</b>	<b>\$</b>	<b>639</b>
Amounts recognized in net income			
Depreciation expense on right-of-use assets	\$ 212	\$	212
Interest expense on lease liabilities	20	\$	24
Expense relating to short-term leases	<b>\$ 2,315</b>	<b>\$</b>	<b>1,411</b>

# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (tabular amounts in thousands of Canadian dollars)

### 8. Direct financing lease

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

	2020	2019
Direct financing leases	\$ 85	\$ 85
Less: current portion	-	-
	<b>\$ 85</b>	<b>\$ 85</b>

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
<b>Cost:</b>						
At December 31, 2018	\$ 303,132	\$ 172,682	\$ 18,276	\$ 4,887	\$ 3,417	\$ 502,394
Additions	-	-	-	-	29,928	29,928
Transfers	2,634	21,225	1,592	285	(25,736)	-
Disposals	(1,771)	-	-	-	-	(1,771)
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	<b>\$ 310,027</b>	<b>\$ 195,001</b>	<b>\$ 20,398</b>	<b>\$ 5,700</b>	<b>\$ 24,722</b>	<b>\$ 555,848</b>
<b>Accumulated depreciation:</b>						
At December 31, 2018	\$ 26,571	\$ 24,056	\$ 3,854	\$ 1,311	\$ -	\$ 55,792
Depreciation	6,355	4,694	727	339	-	12,115
Disposals	(434)	-	-	-	-	(434)
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	<b>\$ 38,882</b>	<b>\$ 33,007</b>	<b>\$ 5,057</b>	<b>\$ 2,010</b>	<b>\$ -</b>	<b>\$ 78,956</b>
<b>Net book value:</b>						
At December 31, 2019	\$ 271,503	\$ 165,157	\$ 15,287	\$ 3,522	\$ 7,609	\$ 463,078
At December 31, 2020	<b>\$ 271,145</b>	<b>\$ 161,994</b>	<b>\$ 15,341</b>	<b>\$ 3,690</b>	<b>\$ 24,722</b>	<b>\$ 476,892</b>

The AFUDC capitalized for 2020 was \$850,000 (2019 - \$643,000). The AFUDC rate estimate for 2020 was 2.73% (2019 - 2.57%).

# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (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
<b>Cost:</b>						
At December 31, 2018	\$ 1,481	\$ 443	\$ 2,406	\$ 7,461	\$ 3,201	\$ 14,992
Additions	235	-	533	1,289	806	2,863
Transfers	(276)	-	276	-	-	-
Disposals	-	-	-	(2,475)	-	(2,475)
At December 31, 2019	1,440	443	3,215	6,275	4,007	15,380
Additions	246	-	2,972	2,269	425	5,912
At December 31, 2020	\$ 1,686	\$ 443	\$ 6,187	\$ 8,544	\$ 4,432	\$ 21,292
<b>Accumulated amortization:</b>						
At December 31, 2018	\$ 460	\$ 320	\$ 1,418	\$ 2,081	\$ 129	\$ 4,408
Amortization	213	64	284	394	30	985
Disposals	-	-	-	(2,475)	-	(2,475)
At December 31, 2019	673	384	1,702	-	159	2,918
Amortization	263	59	284	299	33	938
At December 31, 2020	\$ 936	\$ 443	\$ 1,986	\$ 299	\$ 192	\$ 3,856
<b>Net book value:</b>						
At December 31, 2019	\$ 767	\$ 59	\$ 1,513	\$ 6,275	\$ 3,848	\$ 12,462
At December 31, 2020	\$ 750	\$ -	\$ 4,201	\$ 8,245	\$ 4,240	\$ 17,436

Additions to Financial Software, Aishihik Water Licensing and Thermal and Water Licensing for 2020 and 2019 were almost exclusively internally generated. Additions to other categories were almost exclusively externally purchased.



# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (tabular amounts in thousands of Canadian dollars)

### 11. Regulatory accounts

#### a) Regulatory deferral account debit balances

	Feasibility Studies (i)	IFRS Planning (ii)	Regulatory Costs (iii)	Vegetation Management (iv)	Dam Safety (v)	Uninsured Losses (vi)	Subtotal see next page
<b>Cost:</b>							
At December 31, 2018	\$ 22,877	\$ -	\$ 5,074	\$ 2,216	\$ 148	\$ 1,843	\$ 32,158
Costs incurred	1,383	-	1,657	-	-	62	3,102
Regulatory provision	-	-	(883)	-	-	(267)	(1,150)
Disposals	(553)	-	(768)	-	-	-	(1,321)
Contributions received	-	-	(365)	-	-	-	(365)
At December 31, 2019	23,707	-	4,715	2,216	148	1,638	32,424
Costs incurred	1,064	-	4,643	-	174	4,764	10,645
Regulatory provision	-	-	(199)	-	-	(267)	(466)
Disposals	(1)	-	(1,981)	-	-	-	(1,982)
Contributions received/receivable	-	-	(427)	-	-	(3,531)	(3,958)
At December 31, 2020	\$ 24,770	\$ -	\$ 6,751	\$ 2,216	\$ 322	\$ 2,604	\$ 36,663
<b>Accumulated amortization:</b>							
At December 31, 2018	\$ 5,079	\$ -	\$ 1,001	\$ 444	\$ 60	\$ 424	\$ 7,008
Amortization	1,823	-	465	222	29	212	2,751
Disposals	(36)	-	(243)	-	-	-	(279)
At December 31, 2019	6,866	-	1,223	666	89	636	9,480
Amortization	1,928	-	485	221	29	212	2,875
Disposals	(1)	-	(652)	-	-	-	(653)
At December 31, 2020	\$ 8,793	\$ -	\$ 1,056	\$ 887	\$ 118	\$ 848	\$ 11,702
<b>Net book value:</b>							
At December 31, 2019	\$ 16,841	\$ -	\$ 3,492	\$ 1,550	\$ 59	\$ 1,002	\$ 22,944
At December 31, 2020	\$ 15,977	\$ -	\$ 5,695	\$ 1,329	\$ 204	\$ 1,756	\$ 24,961
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, 2019	\$ (957)	\$ -	\$ (581)	\$ (222)	\$ (29)	\$ (417)	\$ (2,206)
December 31, 2020	\$ (864)	\$ -	\$ 2,203	\$ (221)	\$ 145	\$ 754	\$ 2,017
Remaining recovery years							
At December 31, 2019	1 to 7 years	0 years	1 to 34 years	7 years	2 years	Indeterminate	-
At December 31, 2020	1 to 6 years	0 years	1 to 33 years	6 years	1 year	Indeterminate	-
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, 2019	\$ 957	\$ -	\$ 581	\$ 222	\$ 29	\$ 417	\$ 2,206
December 31, 2020	\$ 864	\$ -	\$ (2,203)	\$ 221	\$ (145)	\$ (754)	\$ (2,017)

# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (tabular amounts in thousands of Canadian dollars)

### 11. Regulatory accounts - continued

#### Regulatory deferral account debit balances - continued

	Carry Forward	Deferred Overhauls (vii)	Fuel Price Adjustment (viii)	2017/18 GRA (ix)	Total
<b>Cost:</b>					
At December 31, 2018	\$ 32,158	\$ 2,768	\$ 1,819	\$ 5,310	\$ 42,055
Costs incurred	3,102	-	-	-	3,102
Regulatory provision	(1,150)	-	3,760	10,388	12,998
Disposals	(1,321)	-	(3,940)	(3,378)	(8,639)
Contributions received	(365)	-	-	-	(365)
At December 31, 2019	\$ 32,424	\$ 2,768	\$ 1,639	\$ 12,320	\$ 49,151
Cost incurred	10,645	-	-	-	10,645
Regulatory provision	(466)	-	3,485	-	3,019
Disposals	(1,982)	-	(2,867)	(6,423)	(11,272)
Contributions received	(3,958)	-	-	-	(3,958)
At December 31, 2020	\$ 36,663	\$ 2,768	\$ 2,257	\$ 5,897	\$ 47,585
<b>Accumulated amortization:</b>					
At December 31, 2018	\$ 7,008	\$ 259	\$ -	\$ -	\$ 7,267
Amortization	2,751	424	-	3,378	6,553
Disposals	(279)	-	-	(3,378)	(3,657)
At December 31, 2019	9,480	683	-	-	10,163
Amortization	2,875	587	-	6,423	9,885
Disposals	(653)	-	-	(6,423)	(7,076)
At December 31, 2020	\$ 11,702	\$ 1,270	\$ -	\$ -	\$ 12,972
<b>Net book value:</b>					
At December 31, 2019	\$ 22,944	\$ 2,085	\$ 1,639	\$ 12,320	\$ 38,988
At December 31, 2020	\$ 24,961	\$ 1,498	\$ 2,257	\$ 5,897	\$ 34,613
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, 2019	\$ (2,206)	\$ (424)	\$ (180)	\$ 7,010	\$ 4,200
December 31, 2020	\$ 2,017	\$ (587)	\$ 618	\$ (6,423)	\$ (4,375)
Remaining recovery years					
At December 31, 2019		2 to 7 years	1 year	1 year	
At December 31, 2020		1 to 6 years	1 year	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, 2019	\$ 2,206	\$ 424	\$ 180	\$ (7,010)	\$ (4,200)
December 31, 2020	\$ (2,017)	\$ 587	\$ (618)	\$ 6,423	\$ 4,375

#### (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.

#### (ii) IFRS planning

These deferred costs are associated with the conversion from previous GAAP to IFRS and are amortized over a term of five years. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.



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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 11. Regulatory accounts - continued

##### (iii) 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 \$199,000 (2019 - \$883,000) 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.

##### (iv) 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.

##### (v) 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.

##### (vi) 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 \$267,000 and amortization of the 2016 accumulated balance of \$1,059,000 over five years (\$212,000 per year). Costs incurred during 2020 of \$4,764,000 include \$3,631,000 of costs due to repairs required at the WH1 and WH2 penstocks. The Corporation expects to recover a significant portion of these costs in 2021 from insurance proceeds (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.

##### (vii) 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.

##### (viii) 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. In 2017 the Corporation updated the long-term average cost to better reflect current market conditions.

# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (tabular amounts in thousands of Canadian dollars)

### 11. Regulatory accounts - continued

As part of the 2017-18 GRA, the balance as at June 30, 2019 of \$3,940,000 was transferred to the regulatory deferral account debit balance class 2017/18 GRA (See Note 11(a)(ix)). 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. Effective November 1, 2020, the charge increased to 1.371 cents per kWh. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

#### (ix) 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 received from customers during the year. The ending balance at December 31 comprises the Corporation's remaining revenue shortfall and the amount transferred from the regulatory deferral account debit balance class Fuel Price Adjustment in 2019 (see Note 11(a)(viii)) 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.

#### 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)	Total
<b>Cost:</b>						
At December 31, 2018	\$ 11,122	\$ 1,315	\$ 3,018	\$ 3,964	\$ 4,624	\$ 24,043
Costs incurred	-	-	(4,038)	(1,173)	-	(5,211)
Regulatory provision	-	(633)	-	-	471	(162)
Cash received	-	-	11	-	-	11
Cash refunded	-	-	(1,004)	-	-	(1,004)
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
<b>Accumulated amortization:</b>						
At December 31, 2018	\$ 6,641	\$ 388	\$ -	\$ -	\$ -	\$ 7,029
Amortization	253	195	-	-	-	448
At December 31, 2019	6,894	583	-	-	-	7,477
Amortization	249	195	-	-	-	444
At December 31, 2020	\$ 7,143	\$ 778	\$ -	\$ -	\$ -	\$ 7,921
<b>Net book value:</b>						
At December 31, 2019	\$ 4,228	\$ 99	\$ (2,013)	\$ 2,791	\$ 5,095	\$ 10,200
At December 31, 2020	\$ 3,979	\$ (182)	\$ (2,511)	\$ 2,739	\$ 5,126	\$ 9,151



# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (tabular amounts in thousands of Canadian dollars)

### 11. Regulatory accounts - continued

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):

December 31, 2019	\$ 253	\$ 828	\$ 5,031	\$ 1,173	\$ (471)	\$ 6,814
December 31, 2020	\$ 249	\$ 281	\$ 498	\$ 52	\$ (31)	\$ 1,049

Remaining recovery years

At December 31, 2019	17 years	Indeterminate	Indeterminate	Indeterminate	48 years
At December 31, 2020	16 years	Indeterminate	Indeterminate	Indeterminate	47 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, 2019	\$ (253)	\$ (828)	\$ (5,031)	\$ (1,173)	\$ 471	\$ (6,814)
December 31, 2020	\$ (249)	\$ (281)	\$ (498)	\$ (52)	\$ 31	\$ (1,049)

#### (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.

#### (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 less \$199,000 (2019 - \$883,000) of costs transferred from the regulatory deferral account debit balance class Regulatory Costs (See Note 11(a)(iii)). 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 quarterly 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 rate of +/- \$8 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. In accordance with YUB Order 2015-06, the Corporation is providing a refund to the customers of 0.68 cents/kWh effective September 1, 2015. YUB Order 2019-02 set the refund rider to 0.00 cents/kWh effective April 1, 2019.

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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 11. Regulatory accounts - continued

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.

#### (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.

#### (c) Regulatory account expenses

Regulatory account expenses represent costs incurred related to regulatory account debit balances of \$10,645,000 (2019 - \$3,102,000) and regulatory account credit balances of \$677,000 (2019 - \$5,211,000).

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

Net movement in regulatory deferral account balances related to net income is \$(3,326,000) (2019 - \$11,014,000) 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 \$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. The net movement figure of \$11,014,000 for 2019 is comprised of an increase of \$4,200,000 for regulatory account debit balances and a decrease of \$6,814,000 for regulatory account credit balances for rate regulation compared to the amounts that would be recorded under IFRS absent rate regulation.

### 12. Bank indebtedness

The line of credit accrues interest on withdrawals at prime rate minus 0.75% per annum. Refer to the interest rate risk section within Note 26.



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 13. Accounts payable and accrued liabilities

	2020		2019
Trade payables	\$ 15,940	\$	9,923
Employee compensation	1,427		794
Due to related parties (Note 22)	660		512
Other	143		100
	<b>\$ 18,170</b>	<b>\$</b>	<b>11,329</b>

### 14. Long-term debt

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

	2020		2019
<b>Bond</b>			
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).	\$ 98,521	\$	98,477
<b>The Toronto Dominion Bank</b>			
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% (2019 - 2.69%) per annum. Payable in monthly installments of \$47,918 (2019 - \$50,407) interest and principal with the balance due on September 28, 2035 (2019 - December 28, 2022) (ii).	8,240		8,623
<b>The Toronto Dominion Bank</b>			
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% (2019 - 3.67%) per annum. Payable in monthly installments of \$117,095 (2019 - \$120,246) interest and principal with the balance due on August 23, 2043 (2019 - August 23, 2038) (iii).	22,189		22,811
<b>The Toronto Dominion Bank</b>			
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% (2019 - 2.90%) per annum. Payable in monthly installments of \$30,868 (2019 - \$31,726) interest and principal with the balance due on July 14, 2044 (2019 - July 14, 2039) (iv).	6,497		6,688

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 14. Long-term debt - continued

##### 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).

4,789

-

##### 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.

37,200

38,200

##### 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 5.34% (2019 - 6.43%) is a blended rate based on the cost of debt and the actual rate of return earned by the Utility.

3,625

3,750

##### 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 3.52% (2019 - 6.25%) is based on the actual rate of return earned by the Utility.

3,201

3,245

##### 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 \$839,376 with the final payment due in 2040. The interest rate of 3.03% (2019 - 4.05%) is based on a blended rate based on the cost of debt and the actual rate of return earned by the Utility.

20,386

21,406

##### 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

151

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#### Total

204,789

203,351

#### Less: current portion

3,608

3,382

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\$ 201,181

\$ 199,969

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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 14. Long-term debt - continued

(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 includes 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.

(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.

### Long-term debt repayment

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

2021	\$	3,608
2022		3,654
2023		3,695
2024		3,737
2025		3,781
Thereafter		186,314

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\$ 204,789

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



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 14. Long-term debt - continued

#### Fair value

The fair value of long-term debt at December 31, 2020 is \$257 million (December 31, 2019 - \$231 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 2020, these were \$510,000 (2019 - \$418,000).

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 \$259,300 for 2021. This amount may change in future years and may be summarized as follows:

<u>Start Date</u>	<u>Minimum Annual Payment</u>	<u>End Date</u>
January 1, 2013	\$38,000	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.

# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (tabular amounts in thousands of Canadian dollars)

### 15. Post-employment benefits - continued

#### Net defined benefit liability

	2020	2019
<b>Present value of benefit obligations</b>		
Balance, beginning of year	\$ 28,075	\$ 23,499
Employee contributions	45	51
Current service cost	409	313
Interest cost	872	915
Benefits paid	(772)	(758)
Actuarial losses (gains) on experience	(96)	853
Actuarial losses on demographic assumptions	-	-
Actuarial losses (gains) on financial assumptions	2,785	3,202
<b>Balance, end of year</b>	<b>\$ 31,318</b>	<b>\$ 28,075</b>

	2020	2019
<b>Fair value of plan assets</b>		
Balance, beginning of year	20,386	17,731
Interest income on plan assets	628	687
Gains (losses) on plan assets	1,475	2,196
Employee contributions	45	51
Employer contributions	551	544
Benefits paid	(772)	(758)
Administrative costs	(66)	(65)
<b>Balance, end of year</b>	<b>22,247</b>	<b>20,386</b>
<b>Net defined benefit liability</b>	<b>\$ 9,071</b>	<b>\$ 7,689</b>

#### Components of benefit plan cost

Current service cost	\$ 409	\$ 313
Interest cost	872	915
Interest income on plan assets	(628)	(687)
Administrative costs	66	65
<b>Defined benefit expense in Consolidated Statement of Operations</b>	<b>719</b>	<b>606</b>
<b>Defined contribution expense</b>	<b>510</b>	<b>418</b>
<b>Total benefit expense in Consolidated Statement of Operations</b>	<b>\$ 1,229</b>	<b>\$ 1,024</b>
Actuarial losses (gains) on obligation	2,689	4,055
(Gains) losses on plan assets	(1,475)	(2,196)
<b>Total remeasurement included in Other Comprehensive Income</b>	<b>1,214</b>	<b>1,859</b>
<b>Total benefit cost recognized in the Consolidated Statement of Operations and Other Comprehensive Income</b>	<b>\$ 2,443</b>	<b>\$ 2,883</b>



# Yukon Development Corporation

## Notes to Consolidated Financial Statements

December 31, 2020 (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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equities	51.9%	50.9%
Fixed income securities	39.0%	39.1%
Real estate	9.1%	10.0%

#### Significant assumptions:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate - accrued benefit obligation	2.50%	3.10%
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, 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)

#### Assumptions and sensitivity to the recognized post-employment benefits liability balance at December 31, 2019

Assumption	+1%	-1%	+1%	-1%
Discount rate	-14%	18%	\$(3,918)	\$4,966
Salary growth	1%	-1%	278	(265)
Pension growth	16%	-13%	4,200	(3,442)
Life expectancy (1 year movement)	3%	-3%	770	(777)

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.

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 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 16.3 years (2019 - 16.0 years). The Corporation expects to make payments of \$766,800 (2019 - \$718,600) 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
<b>Cost:</b>				
At December 31, 2018	\$ 71,000	\$ 16,468	\$ 1,739	\$ 89,207
Additions	300	228	-	528
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
<b>Accumulated amortization:</b>				
At December 31, 2018	\$ 7,011	\$ 2,982	\$ 1,423	\$ 11,416
Additions	991	333	43	1,367
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
<b>Net book value:</b>				
At December 31, 2019	\$ 63,298	\$ 13,381	\$ 273	\$ 76,952
At December 31, 2020	\$ 74,702	\$ 13,047	\$ 230	\$ 87,979

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 17. Deferred revenue

	Customer Contributions	Decommissioning Fund	Total
At January 1, 2019	\$ 9,181	\$ 2,713	\$ 11,894
Additions	11,055	56	11,111
Revenue recognized in Sales of Power (Note 18)	(2,350)	-	(2,350)
At December 31, 2019	\$ 17,886	\$ 2,769	\$ 20,655
Additions	1,071	30	1,101
Revenue recognized in Sales of Power	(1,612)	-	(1,612)
At December 31, 2020	\$ 17,345	\$ 2,799	\$ 20,144

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. During the year, there were no assets contributed by customers. During 2019, there were assets contributed by customers of \$10,345,000 as part of a power purchase agreement.

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

	2020	2019
Wholesale	\$ 44,721	\$ 34,520
Industrial	13,832	6,958
General service	8,165	6,065
Residential	3,767	2,557
Sentinel and street lights	132	106
Secondary sales	8	-
	\$ 70,625	\$ 50,206



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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 19. Other revenue

During 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. The Corporation incurred \$3,631,000 of costs in 2020 due to repairs required at the penstocks (see Note 11(a)(vi)). The Corporation has accrued a receivable included in Other revenue for \$3,531,000, equal to the costs incurred less the deductible.

#### 20. Operations and maintenance expenses

	2020	2019
Fuel	\$ 15,217	\$ 10,331
Regulatory account expenses (Note 11 (c))	11,322	8,313
Wages and benefits	6,508	6,030
Contractors	3,943	2,563
Rent	2,138	1,547
Materials and consumables	1,847	2,161
Travel	314	369
Communication	79	74
Loss on asset disposal	-	1,337
	<b>\$ 41,368</b>	<b>\$ 32,725</b>

#### 21. Administration expenses

	2020	2019
Wages and benefits	\$ 6,315	\$ 6,232
Insurance and taxes	2,192	1,895
External labour	1,842	1,456
Materials, consumables and general	1,753	1,891
Licences and fees	722	674
Board fees	141	110
Travel	111	224
	<b>\$ 13,076</b>	<b>\$ 12,482</b>

#### 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.



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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 22. Related party transactions - continued

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

	2020	2019
<b>Revenues</b>		
Contributions for Interim Electrical Rebate program	\$ 3,418	\$ 3,454
Contributions for bond interest expense	2,625	2,625
Contributions for Innovative Energy Renewable Initiatives	1,296	1,376

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

	2020	2019
<b>Balances</b>		
Long-term debt	\$ 37,200	\$ 38,200
Accounts receivable	\$ 15,496	\$ 348
Accounts payable	\$ 660	\$ 512

Included in accounts receivable is an amount of \$12,695,000 for capital projects funded by YG and the federal government (2019 - \$0) as well as an amount of \$2,443,000 related to the Interim Electrical Rebate (2019 - \$0). 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 26 individuals (2019 - 27 individuals). Key management personnel compensation is as follows:

Year ended December 31,	2020	2019
Short-term employee benefits	\$ 1,795	\$ 1,539
Post-employment benefits	198	161
	<b>\$ 1,993</b>	<b>\$ 1,700</b>

#### 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.

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 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, 2020 as the product or service had not been provided. The total commitments at year end are \$30,930,000 (December 31, 2019 - \$8,892,000).

#### 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 Utility has not paid for work performed. During 2017, the Yukon Supreme Court issued an award in favor of the contractor. The Utility 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 Utility in the amount of \$443,000. The Utility'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, 2020 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.



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# Yukon Development Corporation

## Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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### 26. Risk management and financial instruments

At December 31, 2020, the Corporation's financial instruments included cash, accounts receivable, finance lease receivables, accounts payable and accrued liabilities, long-term debt and interest rate swaps. The fair values of cash, accounts receivable, finance lease receivables, 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, 2020, the Corporation had four (2019 - three) 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 \$8.2 million (2019 - \$8.6 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% (2019 - 2.69%). The second agreement has a notional principal amount of \$22.2 million (2019 - \$22.8 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 3.40% (2019 - 3.67%). The third agreement has a notional principal amount of \$6.5 million (2019 - \$6.7 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% (2019 - 2.90%). The fourth agreement has a notional principal amount of \$4.8 million (2019 - \$0) 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% (2019 - 0%).

The fair value of the interest rate swap agreements on December 31, 2020 was a liability of \$5,050,000 (2019 - liability of \$1,930,000). The decrease in the fair value in 2020 of \$3,120,000 (2019 - \$888,000) is recognized on the Consolidated Statement of Operations and Other Comprehensive Income as an unrealized 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 \$4,710,000 (2019 - \$3,534,000).

The Corporation has access to \$17.5 million in lines of credit. Effective June 6, 2019, the line of credit was increased temporarily to \$34.0 million. Effective May 31, 2020, the line of credit was increased temporarily to \$43.5 million. Effective April 22, 2021, the line of credit was increased temporarily to \$50.5 million. The temporary increase expires June 30, 2022. The account accrues interest on withdrawals at prime rate minus 0.75% (2019 - 0.75%) per annum. By agreement the financial institution has a legally enforceable right to set off the outstanding balance under the lines of credit by cash balances in other accounts with the same bank. The amount outstanding on the line of credit balance at year end was \$34.7 million (2019 - \$22.5 million). The Corporation has cash balances with the same financial institution with legal right of offset of \$3.1 million (2019 - \$2.9 million). 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 institution the interest rate risk is minimal.



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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 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:

	2020	2019
Cash	\$ 5,964	\$ 9,085
Accounts receivable	30,127	10,452
Finance lease receivables	85	85
	<b>\$ 36,176</b>	<b>\$ 19,622</b>

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

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, 2020 are \$7,837,000 (2019 - \$1,680,000) 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, 2020:

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

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 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, 2019:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related liability	-	\$1,930	-	\$1,930
Long-term debt	-	-	\$230,876	\$230,876

#### 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:

	2020	2019
Long-term debt due within one year	\$ 6,280	\$ 6,054
Long-term debt	166,056	163,602
Total debt	<b>172,336</b>	169,656
Add decommissioning fund (note 17)	2,799	2,769
Total debt to include in the calculation	<b>\$ 175,135</b>	\$ 172,425

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## Yukon Development Corporation

### Notes to Consolidated Financial Statements

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December 31, 2020 (tabular amounts in thousands of Canadian dollars)

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#### 27. Capital management - continued

	2020	2019
Share capital	\$ 39,000	\$ 39,000
Contributed surplus	15,968	14,600
Retained earnings	64,249	65,596
<b>Total shareholder's equity</b>	<b>119,217</b>	<b>119,196</b>
<b>Total capitalization</b>	<b>\$ 294,352</b>	<b>\$ 291,621</b>
<b>Total debt to total capitalization</b>	<b>59 %</b>	<b>59 %</b>

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

#### 28. Subsequent events

In February 2021, the Yukon Government issued OIC 2021-16 '2021 Direction to Amend the Rate Policy Directive (1995)' which will impact the Low Water Reserve Fund (see Note 11(b)(iii)). The directive applies to filings on or after November 1, 2020 and for which no order was issued by the YUB. The directive removes the generation load cap the YUB instituted as part of the 2017-18 GRA. As part of the requirements of the 2021 General Rate Application, the Corporation has filed its 2019 and 2020 Low Water Reserve Fund Annual filings with the YUB in April 2021. The Corporation will adjust the LWRF prospectively based on results of this filing.

#### 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, 2020 are also prepared.



