YUKON DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

December 31, 2022

(audited)

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Yukon

June 27, 2023

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 judgements 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.

Dennis Berry
President and CEO

Kaitlyn Bouvier
Chief Financial Officer

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Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

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 2022, 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 2022, 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

Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
27 June 2023

Yukon Development Corporation

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

December 31,	**2022**	2021
Assets		
Current		
Cash	$ 3,157	$ 8,041
Accounts receivable (Note 5)	32,656	22,980
Inventories (Note 6)	4,944	4,354
Prepaid expenses	690	1,323
	41,447	36,698
Non-current		
Right-of-use assets (Note 7)	1,231	234
Finance lease receivable (Note 8)	85	85
Property, plant and equipment (Note 9)	515,748	489,155
Intangible assets (Note 10)	21,671	18,896
Derivative related asset (Note 26)	4,908	-
Total assets	**585,090**	545,068
Regulatory deferral account debit balances (Note 11(a))	32,513	31,804
Total assets and regulatory deferral account debit balances	**$ 617,603**	$ 576,872

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

Yukon Development Corporation

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

December 31,	**2022**	2021
Liabilities		
Current		
Bank indebtedness (Note 12)	$ 11,123	$ 14,965
Accounts payable and accrued liabilities (Note 13)	18,107	13,598
Current portion of deferred revenue (Note 17)	1,380	2,628
Current portion of lease liability (Note 7)	130	150
Current portion of long-term debt (Note 14)	4,227	3,864
	34,967	35,205
Non-current		
Post-employment benefits (Note 15)	827	4,252
Contributions in aid of construction (Note 16)	100,851	95,865
Deferred revenue (Note 17)	17,319	17,015
Lease liability (Note 7)	135	98
Derivative related liability (Note 26)	-	2,479
Long-term debt (Note 14)	218,615	204,880
Total liabilities	**372,714**	359,794
Equity		
Contributed capital	41,501	41,501
Retained earnings	180,552	159,564
Total equity	**222,053**	201,065
Total liabilities and equity	**594,767**	560,859
Regulatory deferral account credit balances (Note 11(b))	22,836	16,013
Total liabilities, equity and regulatory deferral account credit balances	**$ 617,603**	$ 576,872

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,		2022		2021
Revenues				
Sales of power (Note 18)	$	79,595	$	78,353
Yukon Government contributions (Note 22)		14,850		7,239
Other (Note 19)		3,895		4,754
		98,340		90,346
Operating expenses				
Operations and maintenance (Note 20)		35,178		34,018
Administration (Note 21)		15,459		14,335
Depreciation and amortization (Notes 7, 9 and 10)		14,107		13,755
		64,744		62,108
Income before other income and other expenses		**33,596**		28,238
Other income				
Amortization of contributions in aid of construction (Note 16)		1,794		1,580
Allowance for funds used during construction		1,056		937
Interest income		201		61
Unrealized gain on interest rate swaps (Note 26)		7,386		2,571
		10,437		5,149
Other expenses				
Interest on borrowings		8,994		7,638
Interim electrical rebate program subsidies (Note 1)		3,078		3,093
Inflation relief rebate program subsidies (Note 1)		5,757		-
Innovative renewable energy initiative program subsidies (Note 1)		2,469		1,181
		20,298		11,912
Net income for the year before net movement in regulatory deferral account balances		**23,735**		21,475
Net movement in regulatory deferral account balances related to net income (Note 11(d))		**(6,113)**		(9,672)
Net income for the year and net movement in regulatory deferral account balances		**17,622**		11,803
Other comprehensive income				
Item that will not be reclassified to net income in subsequent periods				
Remeasurement of defined benefit pension plans (Note 15)		**3,366**		4,905
Total comprehensive income for the year	**$**	**20,988**	$	16,708

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

Yukon Development Corporation

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

	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2020	**$ 41,501**	**$ 142,856**	**$ -**	**$ 184,357**
Net loss for the year and net movement in regulatory deferral account balances	-	11,803	-	11,803
Other comprehensive income	-	-	4,905	4,905
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	4,905	(4,905)	-
Balance at December 31, 2021	**$ 41,501**	**$ 159,564**	**$ -**	**$ 201,065**
Net income for the year and net movement in regulatory deferral account balances	-	17,622	-	17,622
Other comprehensive income	-	-	3,366	3,366
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	3,366	(3,366)	-
Balance at December 31, 2022	**$ 41,501**	**$ 180,552**	**$ -**	**$ 222,053**

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

Yukon Development Corporation

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

For the year ended December 31,	2022	2021
Operating activities		
Cash receipts from customers	$ 79,174	$ 78,565
Cash receipts from Yukon Government	6,360	9,356
Cash receipts from contributions in aid of construction	6,596	15,447
Cash paid to suppliers	(47,175)	(40,517)
Cash paid to employees	(14,691)	(13,400)
Interest paid	(8,636)	(7,821)
Cash receipts from insurance claim settlement	2,137	3,762
Interest received	197	74
Cash provided by operating activities	**23,962**	45,466
Financing activities		
Net (repayments to) advances from line of credit	(1,694)	15,878
Proceeds from long-term debt	17,991	7,659
Repayment of long-term debt	(3,924)	(3,704)
Lease payments	(1,172)	(195)
Cash provided by financing activities	**11,201**	19,638
Investing activities		
Additions to property, plant and equipment	(34,888)	(27,407)
Additions to intangible assets	(3,011)	(2,779)
Cash used in investing activities	**(37,899)**	(30,186)
Net (decrease) increase in cash	(2,736)	34,918
Cash, beginning of year	8,954	(25,964)
Cash, end of year (Note 12)	**$ 6,218**	$ 8,954

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

1. Nature of operations

a) General

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

Yukon Development Corporation's wholly-owned subsidiary, Yukon Energy Corporation (the "Utility") is incorporated under the Yukon *Business Corporations Act*. The Utility generates, purchases, transmits, distributes and sells electrical energy in the Yukon. The Utility's principal place of business is located at #2 Miles Canyon Road, Whitehorse, YT, Y1A 6S7.

The Utility is subject to overall regulation by the Yukon Utilities Board ("YUB") and specific regulation by the Yukon Water Board. Both boards are consolidated by the Yukon Government and as such as considered to be 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.

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 forecast years are reviewed and approved. The approval of these costs determines the total revenues the Corporation is allowed to collect from its customers.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

1. Nature of operations - continued

b) Rate regulation - 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 property, plant and equipment (personnel and materials);
- the cost associated with the depreciation of all property, plant and equipment, right-of-use assets and intangible assets; and
- the return on rate base (the costs related to borrowing that portion of rate base which is financed with debt, plus the costs to provide a reasonable rate of return on that portion of rate base which is financed with equity).

The YUB assesses the prudency of costs added to rate base, which includes an allowance for funds used during construction ("AFUDC") charged to capital projects. The YUB also reviews the appropriateness of property, plant and equipment depreciation rates, which are periodically updated by the Corporation through depreciation studies.

In the second stage, the YUB approves how the revenue will be raised. This stage essentially determines the electricity rates for the various customer classes in the Yukon: wholesale, general service, industrial, residential, sentinel and street lights and secondary sales. This process is guided mainly by requirements of OIC 1995/90 and can include a cost-of-service study which allocates the Corporation's overall cost of service to the various customer classes on the basis of appropriate costing principles.

In November 2020, the Corporation filed a GRA for the year 2021 requesting approval of revenue requirement and related rate increase of 11.54%. The YUB issued an order in March 2022 requiring the Corporation to make changes and complete a Compliance Filing. The Corporation submitted the Compliance Filing in April 2022. The YUB approved the Compliance Filing, as submitted, in July 2022, resulting in an overall increase of 9.04%.

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

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	December 31, 2027
Mayo Generating Station	December 31, 2025
Whitehorse Generating Station	December 31, 2025

1. Nature of operations - continued

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).

e) Yukon Government

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

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

In May 2022, the Yukon Government authorized the continuation of the Interim Electrical Rebate program (the "rebate") for 12 months to March 31, 2023. 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 $0.02262/kwh applied to residential customers to a maximum of $3.5 million annually.

The Corporation signed an agreement with the Yukon Government for the period from June 1, 2022 to August 31, 2022 and October 1, 2022 to December 31, 2022 for the Inflation Relief Rebate program. The rebate provides subsidies to non-government residential and commercial customers. The Yukon Government is providing funding for the monthly rebate based on $50.00 per customer per month for six months total to a maximum of $3.191 million for the period June 1 to August 31, 2022 and a maximum of $3.40 million for the period October 1 to December 31, 2022. After year-end, the agreement was subsequently extended for the period from March 1, 2023 to May 31, 2023 with a maximum of $3.246 million for the period.

2. Basis of presentation

a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on June 27, 2023.

b) Basis of measurement

The financial information included in the consolidated financial statements has been prepared on a historical cost basis, except where otherwise indicated.

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, purchase, transmission, distribution, purchase and sales of electricity under the *Public Utilities Act*. The Corporation evaluates whether the contracts it enters into meet the definition of a contract with a customer at the inception of the contract and on an ongoing basis if there is an indication of a significant change in facts and circumstances.

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.

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

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

The Corporation receives amounts from Yukon Government for the reimbursement of costs from electricity rebates, bond interest, and the Innovative Renewable Energy Initiative program. The Yukon Government contributions related to these costs are recognized into revenue as the Corporation incurs the related costs.

3. Significant accounting policies - continued

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.

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.

3. Significant accounting policies - continued

f) Financial instruments - continued

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.

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 realized and unrealized gains and losses recognized in net income during the period in which the fair value movement occurred.

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.

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

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.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

3. Significant accounting policies - continued

g) Property, plant and equipment - continued

The range of estimated useful lives of the major classes and subclasses of property, plant and equipment is as follows:

Generation	
Hydroelectric plants	20 to 103 years
Thermal plants	12 to 72 years
Transmission	12 to 65 years
Distribution	16 to 55 years
Buildings	20 to 55 years
Transportation	8 to 25 years
Other equipment	5 to 20 years

Depreciation commences when an asset is available for use. The estimated useful lives of the assets are based upon depreciation studies conducted periodically by the Corporation and any changes in the estimated useful life are accounted for prospectively.

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period of the expected useful life (until the next major overhaul) which varies from 2 to 10 years. Repairs and maintenance costs of property, plant and equipment are expensed as incurred unless they meet the criteria of a betterment.

h) Intangible assets

Intangible assets are carried at cost less accumulated amortization and any asset impairment charges. Cost includes the direct costs of acquisition and materials, direct labour, and, if applicable, an allocation of directly attributable overhead costs and AFUDC.

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

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

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.

3. Significant accounting policies - continued

i) Leases - continued

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 and any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any 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, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*, and impairments are recorded in net income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the 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, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs to sell ("FVLCS").

Value in use is the net present value of expected future cash flows of the relevant cash-generating unit in its current condition. The best evidence of FVLCS is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCS is based on the best information available to reflect the amount the Corporation could receive for the cash-generating unit in an arm's length transaction.

3. Significant accounting policies - continued

j) Impairment of non-financial assets - continued

This is often estimated using discounted cash flow techniques and where unobservable inputs are material to the measurement of the recoverable amount, the measurement is classified as level 3 in the fair value hierarchy. The cash flow forecasts for FVLCS purposes are based on management's best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental cleanup. For regulatory deferral account debit balances the impairment review focuses on whether the amount is considered collectible based on the expected cash flows from the rates approved by the YUB.

These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of impairment testing, impairment charges recognized in net income and the resulting carrying amounts of the assets.

k) Rate regulated accounting policies

Regulatory deferral accounts

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

i) Regulatory deferral account debit balances

Regulatory deferral account debit balances represent costs which are expected to be recovered from customers in future periods through the rate-setting process. In the absence of rate regulation and the Corporation's adoption of IFRS 14, *Regulatory Deferral Accounts*, such costs would be expensed as incurred.

ii) Regulatory deferral account credit balances

Regulatory deferral account credit balances represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. In the absence of rate regulation and the Corporation's adoption of IFRS 14, such amounts would be recorded in income as performance obligations are met.

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

l) Provision for asset retirement obligations

The Corporation has legal obligations related to the closure and restoration of property, plant and equipment, which includes the costs of dismantling, demolition of infrastructure and the removal of residual materials and remediation of the disturbed areas.

3. Significant accounting policies - continued

l) Provision for asset retirement obligations - continued

Where a reliable estimate of the present value of these obligations can be determined, the total retirement costs are recognized as a provision in the accounting period when the obligation arises. There is also a corresponding increase to property, plant and equipment upon recognition of the obligation.

Management estimates its costs based on feasibility and engineering studies and assessments using current restoration standards and techniques.

m) Provision for environmental liabilities
Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. The Corporation will accrue a provision when it has a present obligation as a result of a past event to remediate the contaminated site, it is expected that future economic benefits will be given up to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the likelihood of the Corporation's obligation to incur these costs is either not determinable or the amount of the obligation cannot be reliably estimated, the contingency is disclosed in the notes to the consolidated financial statements.

The Corporation reviews its provision for environmental liabilities on an ongoing basis and any changes are recognized in net income for the current period.

n) Contributions in aid of construction
Certain property, plant and equipment additions are made with financial assistance from the Yukon Government or the Government of Canada. These contributions are deferred upon receipt and amortized to income on the same basis as the assets to which they relate.

o) Post-employment benefits and other comprehensive income
The Corporation sponsors an employee defined benefit pension plan for employees joining the Corporation before January 1, 2002. The Corporation also sponsors an executive defined benefit pension plan and supplemental executive retirement plan for a former executive. Benefits provided are calculated based on length of pensionable service, pensionable salary at retirement age and negotiated rates. The Corporation contributes amounts to the pension plans as recommended by an independent actuary.

For the defined benefit pension plans, the cost of pension benefits is actuarially determined using the projected benefits method, prorated on service, and reflects management's best estimates of investment returns, wage and salary increases, and age at retirement. Remeasurements of the net defined benefit liability, including actuarial gains and losses and return on plan assets, are recognized in other comprehensive income ("OCI") and are not reclassified to net income in a subsequent period.

The Corporation's policy is to immediately transfer actuarial gains and losses recognized in OCI to retained earnings. The expected return on plan assets is based on the fair value of these assets.

Employees joining the Corporation after January 1, 2002 are eligible for a defined contribution retirement plan and are not eligible to participate in the defined benefit pension plan. The Corporation has no legal or constructive obligation to pay further contributions with respect to this plan. Contributions are recognized as an expense in the year when employees have rendered service and represents the obligation of the Corporation.

4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of judgement in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the consolidated financial statements, and the key areas are summarized below. Areas of significant judgements and estimates made by management in preparing these consolidated financial statements include:

Impairment of non-financial assets - Note 3(j)
An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Management continually monitors the Corporation's operations and makes judgements and assessments about conditions and events in order to conclude whether possible impairment exists.

Asset retirement obligations - Notes 3(l) and 24
In determining the present value of the obligation, the Corporation must estimate the amount and timing of the future cash payments and then apply an appropriate risk-free interest rate. Any change to the anticipated amount, timing of future payments or risk-free interest rate can result in a change to the obligation.

Depreciation - Notes 3(g), 7 and 9
Significant components of property, plant and equipment are depreciated over their estimated useful lives. Useful lives are determined based on current facts and past experience and the results of depreciation studies.

While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates. As such, assets may continue in use after being fully depreciated, or may be retired or disposed of before being fully depreciated. The latter could result in additional depreciation expense in the period of disposition.

Intangible assets - Notes 3(h) and 10
In determining whether to recognize costs as intangible assets, management makes judgements about when the criteria for recognition are met. Management also makes judgments about which costs in work-in-progress pertain to a particular new license because licensing activities occur on a continuing basis. Changes to management's judgements would affect the carrying amount of the Corporation's intangible assets and amortization recognition.

Post-employment benefits - Notes 3(o) and 15
The Corporation accrues for its obligations under defined benefit pension plans using actuarial valuation methods and other assumptions to estimate the projected benefit obligation and the associated expense related to the current period. The key assumptions utilized include the long-term rate of inflation, rates of future compensation, liability discount rates and the expected return on plan assets. The Corporation consults with qualified actuaries when setting the assumptions used to estimate benefit obligations. Actual rates could vary significantly from the assumptions and estimates used.

4. Significant accounting judgements, estimates and assumptions - continued

Revenue - Note 3(a) and Note 18
The Corporation estimates usage not yet billed at year end, which is included in revenues from sales of power. This accrual is based on an assessment of unbilled electricity supplied to customers between the date of the last meter reading and the year end. Management applies judgement to the measurement of the estimated consumption. Significant judgements have also been made in determining the nature of the Corporation's performance obligations, the appropriate measurement and the contract terms to be used in recognizing the related revenue.

Provisions and contingencies - Notes 3(m) and 24
Management is required to make 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.

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 judgments about the extent that the Corporation will be permitted to incorporate deferred amounts in future rates.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

5. Accounts receivable

		2022		2021
Trade accounts receivable				
Retail energy sales	$	8,426		5,146
Wholesale energy sales		6,404	$	6,171
Due from related parties (Note 22)		16,595		8,086
Other		1,231		3,577
	$	**32,656**	$	22,980

Included in Accounts receivable - Other is an amount of $0 (2021 - $2,137,000) related to insurance proceeds (Note 19).

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

		Current		31 - 90 Days		Over 90 Days		**Total**
Accounts receivable	$	27,715	$	3,262	$	1,689	$	32,666
Allowance for doubtful accounts		-		-		(10)		(10)
	$	**27,715**	**$**	**3,262**	**$**	**1,679**	**$**	**32,656**

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

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

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

		2022		2021
Allowance for doubtful accounts at beginning of year	$	(10)	$	(10)
Amounts written off as uncollectable		-		-
Allowance for doubtful accounts at end of year	**$**	**(10)**	$	(10)

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

6. Inventories

	2022	2021
Materials and supplies	$ 3,562	$ 3,488
Diesel fuel	1,312	750
Liquefied natural gas	70	116
	$ 4,944	$ 4,354

7. Leases

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

Right-of-use assets consist of land of $1,139,000 (2021 - $20,000) and building of $92,000 (2021 - $214,000).

	2022	2021
Right-of-use assets		
As at January 1	$ 234	$ 427
Additions	1,181	-
Depreciation expense	(184)	(193)
At December 31	**$ 1,231**	$ 234
Lease liabilities		
Lease liabilities	$ 265	$ 248
Less: current portion	130	150
Non-current portion	**$ 135**	$ 98
Maturity analysis		
Less than one year	$ 137	$ 156
One to five years	145	99
More than five years	-	-
Total undiscounted lease liabilities	**$ 282**	$ 255
Amounts recognized in net income		
Depreciation expense on right-of-use assets	**$ 184**	$ 193
Interest expense on lease liabilities	**$ 8**	$ 11
Expense relating to short-term leases	**$ 3,261**	$ 3,965

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

8. Direct financing lease

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

		2022		2021
Direct financing leases	$	85	$	85
Less: current portion		-		-
	$	**85**	$	85

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

9. Property, plant and equipment

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Generation	Transmission & Distribution	Land, Buildings & Other Equipment	Transportation	Construction Work-in-Progress	Total
Cost:						
At December 31, 2020	$ 310,027	$ 195,001	$ 20,398	$ 5,700	$ 24,722	**$ 555,848**
Additions	-	-	-	-	26,425	**26,425**
Transfers	15,284	31,074	981	-	(47,339)	**-**
Disposals	(880)	(1,095)	(114)	(216)	-	**(2,305)**
At December 31, 2021	324,431	224,980	21,265	5,484	3,808	**$ 579,968**
Additions	-	-	-	-	39,469	**39,469**
Transfers	6,979	6,086	624	525	(14,214)	**-**
Disposals	(1,313)	(8)	(407)	(209)	-	**(1,937)**
At December 31, 2022	**$ 330,097**	**$ 231,058**	**$ 21,482**	**$ 5,800**	**$ 29,063**	**$ 617,500**
Accumulated depreciation:						
At December 31, 2020	$ 38,882	$ 33,007	$ 5,057	$ 2,010	$ -	**$ 78,956**
Depreciation	6,791	4,323	680	565	-	**12,359**
Disposals	(69)	(175)	(106)	(152)	-	**(502)**
At December 31, 2021	45,604	37,155	5,631	2,423	-	**$ 90,813**
Depreciation	6,882	4,572	724	616	-	**12,794**
Disposals	(1,313)	(3)	(378)	(161)	-	**(1,855)**
At December 31. 2022	**$ 51,173**	**$ 41,724**	**$ 5,977**	**$ 2,878**	**$ -**	**$ 101,752**
Net book value:						
At December 31, 2021	$ 278,827	$ 187,825	$ 15,634	$ 3,061	$ 3,808	**$ 489,155**
At December 31, 2022	$ 278,924	$ 189,334	$ 15,505	$ 2,922	$ 29,063	**$ 515,748**

The AFUDC capitalized for 2022 was $1,056,000 (2021 - $937,000). The AFUDC rate estimate for 2022 was 2.61% (2021 - 2.60%).

December 31, 2022 (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 Licensing	Thermal and Other Water Licensing	Total
Cost:						
At December 31, 2020	$ 1,686	$ 443	$ 6,187	$ 8,544	$ 4,432	**$ 21,292**
Additions	133	-	793	1,616	121	**2,663**
Disposals	(516)	-	-	-	-	**(516)**
At December 31, 2021	1,303	443	6,980	10,160	4,553	**23,439**
Additions	284	-	75	1,314	2,231	**3,904**
Transfers	-	-	-	(343)	343	**-**
Disposals	(396)	-	-	(805)	-	**(1,201)**
At December 31, 2022	**$ 1,191**	**$ 443**	**$ 7,055**	**$ 10,326**	**$ 7,127**	**$ 26,142**
Accumulated amortization:						
At December 31, 2020	$ 936	$ 443	$ 1,986	$ 299	$ 192	**$ 3,856**
Amortization	236	-	628	306	33	**1,203**
Disposals	(516)	-	-	-	-	**(516)**
At December 31, 2021	656	443	2,614	605	225	**4,543**
Amortization	236	-	554	306	33	**1,129**
Disposals	(396)	-	-	(805)	-	**(1,201)**
At December 31, 2022	**$ 496**	**$ 443**	**$ 3,168**	**$ 106**	**$ 258**	**$ 4,471**
Net book value:						
At December 31, 2021	$ 647	$ -	$ 4,366	$ 9,555	$ 4,328	**$ 18,896**
At December 31, 2022	$ 695	$ -	$ 3,887	$ 10,220	$ 6,869	**$ 21,671**

Additions to Financial Software, Aishihik Water Licensing and Thermal and Other Water Licensing for 2022 and 2021 were almost exclusively internally generated. Additions to Software was almost exclusively externally purchased.

Work-in-progress, which is included in cost, is as follows: Aishihik Water Licensing $10,214,000 (2021 - $9,243,000) and Thermal and Other Water Licensing $6,756,000 (2021 - $4,182,000). These amounts represent costs related to license renewals which are not yet in effect. The Aishihik Water License that expires December 31, 2027 (Note 1(c)) became effective January 1, 2023.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts

a) Regulatory deferral account debit balances

	Feasibility Studies (i)	Regulatory Costs (ii)	Dam Safety (iii)	Deferred Overhauls (iv)	Uninsured Losses (v)	Fuel Price Adjustment (vi)	**Subtotal see next page**
Cost:							
At December 31, 2020	$ 24,770	$ 6,751	$ 322	$ 2,768	$ 2,604	$ 2,257	**$ 39,472**
Costs incurred	1,343	1,789	81	-	3,654	-	**6,867**
Regulatory provision	-	-	-	-	(411)	1,557	**1,146**
Disposals	(4,450)	(598)	(148)	-	(104)	(2,491)	**(7,791)**
Contributions received/receivable	-	(279)	-	-	(2,737)	-	**(3,016)**
At December 31, 2021	21,663	7,663	255	2,768	3,006	1,323	**36,678**
Costs incurred	115	2,380	-	-	2,006	-	**4,501**
Regulatory provision	-	(903)	-	390	(411)	3,705	**2,781**
Disposals	(4,971)	(493)	-	(1,759)	-	(1,863)	**(9,086)**
Contributions received/receivable	-	(263)	-	-	-	-	**(263)**
At December 31, 2022	**$ 16,807**	**$ 8,384**	**$ 255**	**$ 1,399**	**$ 4,601**	**$ 3,165**	**$ 34,611**
Accumulated amortization:							
At December 31, 2020	$ 8,793	$ 1,056	$ 118	$ 1,270	$ 848	$ -	**$ 12,085**
Amortization	2,168	414	55	581	204	-	**3,422**
Disposals	(4,450)	(598)	(148)	-	-	-	**(5,196)**
At December 31, 2021	6,511	872	25	1,851	1,052	-	**10,311**
Amortization	1,491	295	51	18	205	-	**2,060**
Disposals	(4,963)	-	-	(1,759)	-	-	**(6,722)**
At December 31, 2022	**$ 3,039**	**$ 1,167**	**$ 76**	**$ 110**	**$ 1,257**	**$ -**	**$ 5,649**
Net book value:							
At December 31, 2021	$ 15,152	$ 6,791	$ 230	$ 917	$ 1,954	$ 1,323	**$ 26,367**
At December 31, 2022	$ 13,768	$ 7,217	$ 179	$ 1,289	$ 3,344	$ 3,165	**$ 28,962**
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, 2021	$ (825)	$ 1,096	$ 26	$ (581)	$ 198	$ (934)	**$ (1,020)**
December 31, 2022	$ (1,384)	$ 426	$ (51)	$ 372	$ 1,390	$ 1,842	**$ 2,595**
Remaining recovery years							
At December 31, 2021	1 to 5 years	1 to 32 years	5 years	1 to 5 years	Indeterminate	1 year	-
At December 31, 2022	1 to 5 years	1 to 31 years	4 years	5 to 10 years	Indeterminate	1 year	-
Absent rate regulation, net income for the year and net movement in regulatory deferral account balances on the Consolidated Statement of Operations and Other Comprehensive Income would increase (decrease) by:							
December 31, 2021	$ 825	$ (1,096)	$ (26)	$ 581	$ (198)	$ 934	**$ 1,020**
December 31, 2022	$ 1,384	$ (426)	$ 51	$ (372)	$ (1,390)	$ (1,842)	**$ (2,595)**

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

a) Regulatory deferral account debit balances - continued

	Carry Forward	Vegetation Management (vii)	2017/18 GRA (viii)	2021 GRA (ix)	IPP Purchase Costs (x)	Total
Cost:						
At December 31, 2020	$ **39,472**	$ 2,216	$ 5,897	$ -	$ -	$ **47,585**
Costs incurred	**6,867**	-	-	-	-	**6,867**
Regulatory provision	**1,146**	-	-	8,779	-	**9,925**
Disposals	**(7,791)**	-	(5,897)	(4,449)	-	**(18,137)**
Contributions received/receivable	**(3,016)**	-	-	-	-	**(3,016)**
At December 31, 2021	$ **36,678**	$ 2,216	$ -	$ 4,330	$ -	$ **43,224**
Cost incurred	**4,501**	-	-	-	26	**4,527**
Regulatory provision	**2,781**	-	-	2,269	-	**5,050**
Disposals	**(9,086)**	-	-	(3,960)	-	**(13,046)**
Contributions received/receivable	**(263)**	-	-	-	-	**(263)**
At December 31, 2022	$ **34,611**	$ **2,216**	$ -	$ **2,639**	$ **26**	$ **39,492**
Accumulated amortization:						
At December 31, 2020	$ **12,085**	$ 887	$ -	$ -	$ -	$ **12,972**
Amortization	**3,422**	222	5,897	4,449	-	**13,990**
Disposals	**(5,196)**	-	(5,897)	(4,449)	-	**(15,542)**
At December 31, 2021	**10,311**	1,109	-	-	$ -	**11,420**
Amortization	**2,060**	221	-	3,960	-	**6,241**
Disposals	**(6,722)**	-	-	(3,960)	-	**(10,682)**
At December 31, 2022	$ **5,649**	$ **1,330**	$ -	$ -	$ -	$ **6,979**
Net book value:						
At December 31, 2021	$ **26,367**	$ 1,107	$ -	$ 4,330	$ -	$ **31,804**
At December 31, 2022	$ **28,962**	$ 886	$ -	$ 2,639	$ 26	$ **32,513**
Net increase (decrease) in regulatory deferral account debit balances (which are recognized in the net movement in regulatory deferral account balances on the Consolidated Statement of Operations and Other Comprehensive Income):						
December 31, 2021	$ **(1,020)**	$ (222)	$ (5,897)	$ 4,330	$ -	$ **(2,809)**
December 31, 2022	$ **2,595**	$ (221)	$ -	$ (1,691)	$ 26	$ **709**
Remaining recovery years						
At December 31, 2021		5 years	N/A	2 years	N/A	
At December 31, 2022		4 years	N/A	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, 2021	$ **1,020**	$ 222	$ 5,897	$ (4,330)	$ -	$ **2,809**
December 31, 2022	$ **(2,595)**	$ 221	$ -	$ 1,691	$ (26)	$ **(709)**

(i) Feasibility studies and infrastructure planning

The Corporation undertakes certain studies to determine the feasibility of a range of projects and infrastructure proposals. While in progress, the costs of these studies are deferred within this account. The Corporation is directed to defer and amortize the costs over terms (between five and ten years) at the discretion of the YUB. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

11. Regulatory accounts - continued

a) Regulatory deferral account debit balances - continued

(ii) Regulatory costs

These costs are associated with the YUB regulatory proceedings. The costs consist primarily of various rate and project review proceedings but also include resource plans and demand side management costs (consumer energy conservation program). The Corporation is directed to defer and amortize the costs over terms at the discretion of the YUB. As part of the 2021 GRA, $903,000 was transferred to the regulatory deferral account credit balance class hearing reserve (Note 11(b)(ii)) and disallowed costs of $493,000 were derecognized. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iii) Dam safety review

The Corporation has a program of conducting safety reviews of its dams in accordance with standards set by the Canadian Dam Association. External consultants are hired every five years with intermittent costs incurred in the interim periods. These costs are being amortized over five years. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(iv) Deferred overhauls

YUB Order 2013-01 restricted inclusion of property, plant and equipment overhaul depreciation expense in rates charged to customers until the Corporation comes before the YUB for a prudence review. As such, starting in 2013 the Corporation deferred depreciation expense related to overhauls. In 2017, the Corporation came before the YUB for a prudence review and began to recognize these deferred depreciation amounts. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(v) Uninsured losses

Uninsured losses is an account maintained to address uninsured and uninsurable losses as well as the deductible portion of insured losses. The account is maintained through an annual provision and collected through customer rates. There is an annual regulatory provision of $411,000 (2021 - $411,000) and amortization of the forecast 2020 accumulated balance of $2,048,000 over ten years ($205,000 per year). Costs incurred of $2,006,000 (2021 - $3,654,000) include $0 (2021 - $2,445,000) for repairs required at the WH1 and WH2 penstocks and $425,000 (2021 - $0) to conduct a survey on the Mayo penstock to confirm no damage in order to reduce the insurance deductible that had increased resulting from the damage to the Whitehorse penstocks. The Corporation received $0 (2021 - $2,368,000) insurance proceeds. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and the expected insurance proceeds recognized as revenue.

(vi) Fuel price adjustment

OIC 1995/90 directs the YUB to permit the Corporation to adjust electricity rates to reflect fluctuations in the price of diesel fuel. The amount by which actual fuel prices vary from the long-term average prices is deferred and recovered from or refunded to customers in a future period through Rider F. As part of the 2021 GRA, the balance as at December 31, 2021 of $1,323,000 was transferred to the regulatory deferral account debit balance class 2021 GRA (Note 11(a)(ix)). For the period January 1, 2021 through June 30, 2021 the charge was 1.371 cents per kWh. For the period July 1, 2021 to July 31, 2022, the charge was reduced to 0.000 cents per kWh. Effective August 1, 2022, the charge was increased to 0.865 cents per kWh. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

11. Regulatory accounts - continued

a) Regulatory deferral account debit balances - continued

(vii) Vegetation management
Prior to 2017, the Corporation was deferring annual brushing costs in excess of a prescribed maximum annual amount based on a review of prior year brushing costs. In 2017, the Corporation established a vegetation management policy and as a result of expected annual costs, deferral is no longer required.

The Corporation completes a full cycle of all its brushing requirements every 10 years and is amortizing previously deferred costs over a 10 year period. In the absence of rate regulation, IFRS requires these costs to be expensed as incurred.

(viii) 2017/18 GRA
The Corporation recognizes a regulatory deferral account debit balance when the Corporation has the right, as a result of the actual or expected actions of the rate regulator, to increase rates in future periods in order to recover its allowable costs plus return on rate base, as described in Note 1(b). The amount recognized represents the amount approved by the YUB in November 2019, less amounts subsequently received from customers. At December 31, 2021 the amount was fully collected.

(ix) 2021 GRA
The Corporation recognizes a regulatory deferral account debit balance when the Corporation has the right, as a result of the actual or expected actions of the rate regulator, to increase rates in future periods in order to recover its allowable costs plus return on rate base, as described in Note 1(b). The amount recognized represents management's best estimates of revenues for rates to be approved by the YUB less amounts received from customers. As part of the 2021 GRA, $1,323,000 was transferred from the regulatory deferral account debit class fuel price adjustment (Note 11(a)(vi)) and $1,129,000 was recognized for increase in return on equity. These amounts are reflected in the regulatory provision line. The ending balance at December 31 comprises the Corporation's remaining revenue shortfall to be collected from customers in future years.

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

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

b) Regulatory deferral account credit balances

	Deferred Insurance Proceeds (i)	Hearing Reserve (ii)	Low Water Reserve Fund (iii)	Future Removal and Site Restoration (iv)	Contracts with Customers (v)	McQuesten Substation (vi)	Subtotal see next page
Cost:							
At December 31, 2020	$ 11,122	$ 596	$ (2,511)	$ 2,739	$ 5,126	$ -	$ **17,072**
Costs incurred	-	(101)	-	-	-	-	**(101)**
Regulatory provision	-	250	5,288	-	30	1,834	**7,402**
Cash received	-	-	-	-	-	-	**-**
Cash refunded	-	-	5	-	-	-	**5**
At December 31, 2021	11,122	745	2,782	2,739	5,156	1,834	**24,378**
Costs incurred	-	-	-	(49)	-	-	**(49)**
Regulatory provision	-	(653)	7,114	-	(96)	692	**7,057**
Cash received	-	-	-	-	-	-	**-**
Disposals	-	(973)	-	-	-	-	**(973)**
At December 31, 2022	**$ 11,122**	**$ (881)**	**$ 9,896**	**$ 2,690**	**$ 5,060**	**$ 2,526**	**$ 30,413**
Accumulated amortization:							
At December 31, 2020	$ 7,143	$ 778	$ -	$ -	$ -	$ -	$ **7,921**
Amortization	249	194	-	-	-	-	**443**
At December 31, 2021	7,392	972	-	-	-	-	**8,364**
Amortization	248	-	-	-	-	-	**248**
Disposals	-	(972)	-	-	-	-	**(972)**
At December 31, 2022	**$ 7,640**	$ -	$ -	$ -	$ -	$ -	**$ 7,640**
Net book value:							
At December 31, 2021	$ 3,730	$ (227)	$ 2,782	$ 2,739	$ 5,156	$ 1,834	**$ 16,014**
At December 31, 2022	$ 3,482	$ (881)	$ 9,896	$ 2,690	$ 5,060	$ 2,526	**$ 22,773**

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

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	Subtotal
December 31, 2021	$ 249	$ 45	$ (5,293)	$ -	$ (30)	$ (1,834)	**$ (6,863)**
December 31, 2022	$ 248	$ 654	$ (7,114)	$ 49	$ 96	$ (692)	**$ (6,759)**

Remaining recovery years	(i)	(ii)	(iii)	(iv)	(v)	(vi)
At December 31, 2021	15 years	Indeterminate	Indeterminate	Indeterminate	46 years	52 years
At December 31, 2022	14 years	Indeterminate	Indeterminate	Indeterminate	45 years	51 years

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

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	Subtotal
December 31, 2021	$ (249)	$ (45)	$ 5,293	$ -	$ 30	$ 1,834	**$ 6,863**
December 31, 2022	$ (248)	$ (654)	$ 7,114	$ (49)	$ (96)	$ 692	**$ 6,759**

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

11. Regulatory accounts - continued

b) Regulatory deferral account credit balances - continued

	Carry Foward		Defined Benefit Pension (vii)		Total
Cost:					
At December 31, 2020 $	17,072	$	-	$	17,072
Costs incurred	(101)		-		(101)
Regulatory provision	7,402		-		7,402
Cash received	-		-		-
Cash refunded	5		-		5
At December 31, 2021	24,378		-		24,378
Costs incurred	(49)		-		(49)
Regulatory provision	7,057		63		7,120
Cash received	-		-		-
Disposals	(973)		-		(973)
At December 31, 2022 $	**30,413**	$	**63**	$	**30,476**
Accumulated amortization:					
At December 31, 2020 $	7,921	$	-	$	7,921
Amortization	443		-		443
At December 31, 2021	8,364		-		8,364
Amortization	248		-		248
Disposals	(972)		-		(972)
At December 31, 2022 $	**7,640**	$	-	$	**7,640**
Net book value:					
At December 31, 2021 $	16,014	$	-	$	16,014
At December 31, 2022 $	22,773	$	63	$	22,836

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, 2021	$	(6,863)	$	-	$	(6,863)
December 31, 2022	$	(6,759)	$	(63)	$	(6,822)

Remaining recovery years

At December 31, 2021	N/A
At December 31, 2022	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, 2021	$	6,863	$	-	$	6,863
December 31, 2022	$	6,759	$	63	$	6,822

(i) Deferred insurance proceeds

The deferred insurance proceeds represents a gain on fire insurance proceeds related to a fire at the Whitehorse Rapids Generating Station in 1997 which is being amortized to income at the same rate as depreciation of the related replacement assets. In the absence of rate regulation, IFRS requires the gain to have been fully recognized as income in the year received.

11. Regulatory accounts - continued

b) Regulatory deferral account credit balances - continued

(ii) Hearing reserve

The Corporation has established a deferral account for regulatory hearing costs to be recovered from or paid to ratepayers in the future. The regulatory provision for the year reflects an annual provision of $250,000 (2021 - $250,000) less $903,000 of approved costs transferred from Regulatory Costs (See Note 11(a)(ii)). In the absence of rate regulation, IFRS requires these costs to be expensed as incurred and revenues be recognized as earned.

(iii) Low Water Reserve Fund

The Low Water Reserve 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. The Corporation is required to file annual reports with the YUB on the LWRF's activity.

In accordance with YUB Order 2015-01, the Corporation defers recognition of the additional amounts collected from rate payers when the cost of thermal consumed in the period is less than the long-term average thermal requirements estimated for the actual annual generation load. These deferred amounts are recognized as revenue in the period when the cost of thermal incurred for the period is greater than the long-term average thermal requirements and the reason for the shortfall is a shortage of water in the hydro system. There is a cap of +/- $16 million for the LWRF. If the balance falls outside of this range, the Corporation is to make an application to the YUB requesting recovery or a refund to customers. YUB Order 2019-02 set the refund rider to 0.00 cents/kWh effective April 1, 2019.

In the absence of rate regulation, IFRS would require any amounts earned or incurred related to the LWRF to be included in the Corporation's net income in the year incurred.

(iv) Future removal and site restoration costs

The Corporation maintains a regulatory provision for future removal and site restoration costs related to property, plant and equipment, which is incremental to that required to be recognized as an asset retirement provision under IAS 37. The reserve has been established through amortization rates based upon depreciation studies conducted periodically by the Corporation. As a result of the YUB Order 2005-12, effective January 1, 2005, the provision is not to exceed the cumulative value of the provision at December 31, 2004 of $5,757,000.

Costs of dismantling capital assets, including site remediation, will be applied to this regulatory deferral account credit balance if they do not otherwise relate to an asset retirement provision. The period over which the provision will be reduced is dependent on the timing of future costs of demolishing, dismantling, tearing down, site restoration or otherwise disposing of the asset net of actual recoveries, and is therefore indeterminate. In the absence of rate regulation, IFRS requires these costs to be expensed or included in the gain or loss on disposal of the related property, plant and equipment, as applicable.

11. Regulatory accounts - continued

(v) Contracts with customers
Effective January 1, 2018 the Corporation adopted IFRS 15, ***Revenue from Contracts with Customers***. As a result of the impacts of IFRS 15, certain revenues are recognized in net income over a shorter period than allowed by the YUB for rate-setting purposes. The timing difference is reflected as a regulatory deferral account credit balance.

(vi) McQuesten Substation
YUB Order 2022-03 required the Corporation to create a separate asset class for certain assets constructed at the McQuesten Substation relating to the Victoria Gold connection. These assets were required to be amortized over the mine life as opposed to the useful life of the assets. The timing difference is reflected as a regulatory deferral account credit balance.

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

(c) Regulatory account expenses

Regulatory account expenses represent costs incurred related to regulatory account debit balances of $4,527,000 (2021 - $6,867,000) and regulatory account credit balances of $49,000 (2021 - $101,000).

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

Net movement in regulatory deferral account balances related to net income is $6,113,000 (2021 - $9,672,000) 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 an increase of $709,000 for regulatory account debit balances and an increase of $6,822,000 for regulatory account credit balances for rate regulation compared to the amounts that are recorded under IFRS. The net movement figure of for 2021 is comprised of a decrease of $2,809,000 for regulatory account debit balances and an increase of $6,863,000 for regulatory account credit balances respectively for rate regulation compared to the amounts that would be recorded under IFRS absent rate regulation.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

12. Bank indebtedness

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

	2022	2021
Bank balance	$ 3,061	$ 3,104
Lines of credit	(14,184)	(18,069)
	$ (11,123)	$ (14,965)

For the purposes of the consolidated statement of cash flows, a certain line of credit is not part of the Corporation's cash management and instead is classified as financing activities. In the consolidated statement of cash flows, cash is comprised of:

	2022	2021
Cash	$ 3,157	$ 8,041
Bank balance	$ 3,061	$ 3,104
Line of credit (amount not classified as financing activity)	-	(2,191)
	$ 6,218	$ 8,954

13. Accounts payable and accrued liabilities

	2022	2021
Trade payables	$ 15,611	$ 10,635
Employee compensation	1,151	1,690
Due to related parties (Note 22)	1,214	438
Other	131	835
	$ 18,107	$ 13,598

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt

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

	2022	2021
Bond The Corporation issued a bond at a fixed interest rate of 5.00% per annum. Interest is payable semi-annually. Principal payment is due when the bond expires on June 29, 2040 (i).	$ 98,615	$ 98,567
The Toronto Dominion Bank The Corporation entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 2.06% per annum. Payable in monthly installments of $47,918 interest and principal with the balance due on September 28, 2035 (ii).	7,413	7,831
The Toronto Dominion Bank The Corporation entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 3.40% per annum. Payable in monthly installments of $117,095 interest and principal with the balance due on August 23, 2043 (iii).	20,843	21,527
The Toronto Dominion Bank The Corporation entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 2.64% per annum. Payable in monthly installments of $30,868 interest and principal with the balance due on July 14, 2044 (iv).	6,089	6,295
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).	4,488	4,640
The Toronto Dominion Bank The Corporation entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 2.88% per annum. Payable in monthly instalments of $35,853 interest and principal with the balance due on April 30, 2046 (vi).	7,301	7,518

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt - continued

	2022	2021
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 4.07% per annum. Payable in monthly instalments of $86,661 interest and principal with the balance due on September 1, 2052 (vii).	17,914	-
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. In 2022, the interest rate was adjusted to be the one-year TD indicative swap rate (2021 - the one-year Canadian Dollar Offered Rate) plus Yukon Government's borrowing premium with the balance due on March 31, 2028.	35,200	36,200
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 7.51% (2021 - 5.02%) is a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	3,375	3,500
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 8.94% (2021 - 2.73%) is based on the actual rate of return earned by the Utility.	3,115	3,158
Chu Niikwan Limited Partnership loan The loan from the First Nation is related to the construction of the Liquid Natural Gas generation equipment and is repayable in equal annual principal repayments of $1,019,320 with the final payment due in 2040. The interest rate of 5.33% (2021 - 2.88%) is based on a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	18,348	19,367
Carmacks Stewart First Nation liability Long-term liability payable to several First Nations related to the construction of the Carmacks Stewart Transmission Line. These are non interest bearing, repayable in varying installments, due in 2028.	141	141
Total	**222,842**	208,744
Less: current portion	4,227	3,864
	$ 218,615	$ 204,880

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 include fees paid to agents and advisors and are presented as a reduction from the carrying value of the related debt and are amortized over the period of the related debt using the effective interest rate.

(ii) Toronto Dominion Bank Loan and 2.06% 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 3.40% 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 2.64% 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 2.06% Interest Rate Swap

On November 4, 2020, the Corporation entered into a loan and interest rate swap with Toronto Dominion Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon. The interest rate swap matures November 4, 2045.

(vi) Toronto Dominion Bank Loan and 2.88% Interest Rate Swap

On April 26, 2021, the Corporation entered into a loan and interest rate swap with Toronto Dominion Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon. The interest rate swap matures April 30, 2046.

(vii) Toronto Dominion Bank Loan and 4.07% Interest Rate Swap

On August 29, 2022, 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 September 1, 2052.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

14. Long-term debt - continued

Long-term debt repayment

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

2023	$	4,227
2024		4,289
2025		4,352
2026		4,419
2027		4,486
Thereafter		201,069
	$	**222,842**

The change in long-term debt arising from financing activities during the year related to principal repayment of $3,893,000 (2021 - $3,704,000) and the issuance of additional debt in the amount of $17,991,000 (2021 - $7,659,000).

Fair value
The fair value of long-term debt at December 31, 2022 is $234 million (December 31, 2021 - $243 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 a 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 2022, these were $559,000 (2021 - $568,000).

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.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

These minimum funding requirements require the Corporation to make special payments as prescribed by the OSFI to repay any unfunded liability or solvency deficit that may exist. For the employee defined benefit pension plan the Corporation is currently required to pay $123,900 for 2023. This amount may change in future years and may be summarized as follows:

Start Date	Minimum Annual Payment	End Date
January 1, 2018	$ 12,900	December 31, 2032
January 1, 2019	$ 36,000	December 31, 2033
January 1, 2020	$ 75,000	December 31, 2034
	$123,900	

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.

Net defined benefit liability

	2022	2021
Present value of benefit obligations		
Balance, beginning of year	$ 28,781	$ 31,318
Employee contributions	43	48
Current service cost	409	468
Interest cost	864	785
Benefits paid	(827)	(814)
Actuarial losses (gains) on experience	319	(856)
Actuarial (gains) on demographic assumptions	(6)	-
Actuarial (gains) on financial assumptions	(7,047)	(2,168)
Balance, end of year	**$ 22,536**	$ 28,781
Fair value of plan assets		
Balance, beginning of year	24,611	22,247
Interest income on plan assets	736	554
(Losses) gains on plan assets	(3,376)	1,963
Employee contributions	43	48
Employer contributions	668	681
Benefits paid	(827)	(814)
Administrative costs	(70)	(68)
Balance, end of year	**21,785**	24,611
Effect of asset ceiling	**76**	82
Net defined benefit liability	**$ 827**	$ 4,252

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

Components of benefit plan cost

	2022	2021
Current service cost	$ 409	$ 468
Interest cost	864	785
Interest income on plan assets	(736)	(554)
Administrative costs	70	68
Interest cost on effect of asset ceiling	2	-
Defined benefit expense in Consolidated Statement of Operations	**609**	767
Defined contribution expense	559	568
Total benefit expense in Consolidated Statement of Operations	**$ 1,168**	$ 1,335
Actuarial (gains) on obligation	(6,734)	(3,024)
Losses (gains) on plan assets	3,376	(1,963)
Effect of asset ceiling	(8)	82
Total remeasurement included in Other Comprehensive Income	**(3,366)**	(4,905)
Total benefit cost recognized in the Consolidated Statement of Operations and Other Comprehensive Income	**$ (2,198)**	$ (3,570)

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

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

	December 31, 2022	December 31, 2021
Equities	43.8%	42.6%
Fixed income securities	31.5%	36.5%
Real estate	24.7%	20.9%

Significant assumptions:

	December 31, 2022	December 31, 2021
Discount rate - accrued benefit obligation	5.10%	3.00%
Assumed rate of compensation increase	3.10%	2.80%
Pension growth	2.00%	2.00%

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

15. Post-employment benefits - continued

Sensitivity Analysis of the defined benefit pension plans:
The sensitivities of each key assumption used in measuring accrued benefit obligations at each 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, 2022

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

Assumptions and sensitivity to the recognized post-employment benefits liability balance at December 31, 2021

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

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same that is applied in calculating the defined benefit obligation liability recognized in the 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 12.1 years (2021 - 14.9 years). The Corporation expects to make payments of $230,800 (2021 - $606,800) to the defined benefit pension plans during the next financial year.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

16. Contributions in aid of construction

	Government of Canada	Yukon Government since 1998	Pre - 1998 contributions	**Total**
Cost:				
At December 31, 2020	$ 83,695	$ 16,696	$ 1,739	**$ 102,130**
Additions	9,266	200	-	**9,466**
At December 31, 2021	92,961	16,896	1,739	**111,596**
Additions	6,780	-	-	**6,780**
At December 31, 2022	**$ 99,741**	**$ 16,896**	**$ 1,739**	**$ 118,376**
Accumulated amortization:				
At December 31, 2020	$ 8,993	$ 3,649	$ 1,509	**$ 14,151**
Amortization	1,204	333	43	**1,580**
At December 31, 2021	10,197	3,982	1,552	**15,731**
Amortization	1,417	333	**44**	**1,794**
At December 31, 2022	**$ 11,614**	**$ 4,315**	**$ 1,596**	**$ 17,525**
Net book value:				
At December 31, 2021	$ 82,764	$ 12,914	$ 187	**$ 95,865**
At December 31, 2022	$ 88,127	$ 12,581	$ 143	**$ 100,851**

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

17. Deferred revenue

	Customer Contributions	IPP Contracts	Decommissioning Fund	Total
At December 31, 2020	$ 17,345	$ -	$ 2,799	$ 20,144
Additions	717	1,767	13	2,497
Revenue recognized in Sales of Power and Other Revenue	(1,625)	(1,373)	-	(2,998)
At December 31, 2021	$ 16,437	$ 394	$ 2,812	$ 19,643
Additions	426	3,083	63	3,572
Revenue recognized in Sales of Power and Other Revenue	(1,315)	(3,201)	-	(4,516)
At December 31, 2022	$ 15,548	$ 276	$ 2,875	$ 18,699

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.

In order to provide more relevant information about the Corporation's contracts, the Corporation has presented customer contributions and IPP contracts information on a disaggregated basis in this note. The following table summarizes the impacts on the comparative figures of Deferred Revenue.

	2021 Previously Reported	Change	2021 Reclassified
Customer contracts	$ 16,831	$ (394)	$ 16,437
IPP contracts	-	394	394
Decommissioning fund	2,812	-	2,812
	$ 19,643	$ -	$ 19,643

In addition, the Corporation identified that the amount previously reported as customer contributions additions for 2021 had reflected IPP contract additions of $1,767,000 and revenue recognized of $1,373,000 on a net basis of $394,000. The disclosure has been revised to report these on separate lines.

These changes did not impact the consolidated financial statements or any other note disclosures.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied as at December 31, 2022:

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Customer contracts	$ 1,326	$ 5,280	$ 8,942	$ 15,548
IPP contracts	276	-	-	276
Decommissioning fund	-	-	2,875	2,875
	$ 1,602	$ 5,280	$ 11,817	$ 18,699

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

18. Sales of power

	2022	2021
Wholesale	$ 46,993	$ 46,502
Industrial	20,752	19,438
General service	8,088	8,051
Residential	3,260	3,895
Secondary sales	365	330
Sentinel and street lights	137	137
	$ 79,595	$ 78,353

19. Other revenue

The Corporation recognized $3,201,000 (2021 - $1,373,000) in other revenue related to IPP contracts (Note 17).

During 2020, deformation was identified in WH1 and WH2 penstocks and major repairs were required. These repairs were completed during 2020 and 2021. The Corporation recognized insurance proceeds revenue of $2,368,000 during 2021. There was no amount for 2022.

The Corporation collected the outstanding 2021 insurance receivable during 2022 (Note 5).

20. Operations and maintenance expenses

	2022	2021
Fuel	$ 11,642	$ 8,935
Contractors	6,760	4,929
Wages and benefits	6,516	6,696
Regulatory account expenses (Note 11 (c))	4,576	6,968
Rent	3,028	2,971
Materials and consumables	2,099	1,284
Travel	409	340
Communication	87	92
Loss on asset disposals	61	1,803
	$ 35,178	$ 34,018

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

21. Administration expenses

	2022	2021
Wages and benefits	$ 7,577	$ 7,053
Insurance and taxes	2,714	2,392
External labour	1,956	1,897
Materials, consumables and general	1,786	1,866
Licences and fees	1,083	922
Travel	227	90
Board fees	116	115
	$ 15,459	$ 14,335

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.

The Corporation is related in terms of common ownership to all YG departments, agencies and Territorial Corporations. Transactions are entered into in the normal course of operations with these entities.

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

	2022	2021
Revenues		
Contributions for Inflation Relief Rebate program	$ 6,407	$ -
Contributions for Interim Electrical Rebate program	3,352	3,372
Contributions for bond interest expense	2,625	2,625
Contributions for Innovative Energy Renewable Initiatives	2,466	1,242
	$ 14,850	$ 7,239

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

22. Related party transactions - continued

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

	2022	2021
Balances		
Long-term debt	$ 35,200	$ 36,200
Accounts receivable	$ 16,595	$ 8,086
Accounts payable	$ 1,214	$ 438

Included in accounts receivable is an amount of $9,320,000 for capital projects funded by Yukon Government and the federal government (2021 - $6,715,000) as well as an amount of $684,000 related to the Interim Electrical Rebate (2021 - $686,000) and $6,407,000 related to the Inflation Relief Rebate (2021 - $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 27 individuals (2021 - 25 individuals). Key management personnel compensation is as follows:

Year ended December 31,	**2022**	2021
Short-term employee benefits	$ 1,937	$ 1,947
Post-employment benefits	145	209
	$ 2,082	$ 2,156

23. Commitments

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, 2022 as the product or service had not been provided. The total commitments at year end are $72,732,000 (December 31, 2021 - $20,856,000).

24. Contingencies

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 significant environmental contamination was found. As at December 31, 2022 no significant 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 significant present obligation to remediate.

26. Risk management and financial instruments

At December 31, 2022, the Corporation's financial instruments included cash, accounts receivable, finance lease receivables, bank indebtedness, accounts payable and accrued liabilities, long-term debt and interest rate swaps. The fair values of cash, accounts receivable, finance lease receivables, bank indebtedness, and accounts payable and accrued liabilities approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Interest rate swaps are financial contracts that derive their value from changes in an underlying variable. The fair value of the interest rate swaps is estimated using standard market valuation techniques and is provided to the Corporation by the financial institution that is the counterparty to the transactions.

Interest rate risk

Interest rate risk is the risk that future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's future cash flows are not exposed to significant interest rate risk due to its long-term debt having fixed interest rates, with the exception of the Bankers' Acceptances from the Toronto Dominion Bank. The Bankers' Acceptances have had the variable rate converted to a fixed rate using an interest rate swap to eliminate the interest rate risk.

The fair value of the interest rate swap agreements on December 31, 2022 was an asset of $4,908,000 (2021 - liability of $2,479,000). The increase in the fair value in 2022 of $7,386,000 (2021 – $2,571,000) is recognized on the Consolidated Statement of Operations and Other Comprehensive Income as an unrealized gain. A 100 basis point increase or decrease in the interest rate assumption would have resulted in an increase/decrease in the interest rate swap agreements fair value of $6,371,000 (2021 - $5,020,000).

The Corporation has access to lines of credit. As of January 1, 2021, the line of credit was $51.0 million. Effective April 22 2021, the line of credit was increased temporarily to $58.0 million. Effective July 1, 2022, the line of credit was increased temporarily to $80.0 million. The temporary increase expires June 30, 2023. $72.5 million of the line of credit accrues interest on withdrawals at prime rate minus 0.75% per annum. The remaining $7.5 million accrues interest on withdrawals at prime rate minus 0.85% per annum. Due to the short-term nature of the amount drawn on the lines of credit and the Corporation's cash balances with the same financial institutions (Note 12) the interest rate risk is minimal.

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

26. Risk management and financial instruments - continued

Credit risk

Credit risk is the risk of failure of a debtor or counterparty to honour its contractual obligations resulting in financial loss to the Corporation.

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

	2022	2021
Cash	$ 3,157	$ 8,041
Accounts receivable	32,656	22,980
Finance lease receivables	85	85
	$ 35,898	$ 31,106

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

Credit risk on accounts receivable is considered minimal as the Corporation has experienced insignificant bad debt in prior years. In addition, its primary customer is a rate regulated utility that purchases power from the Corporation for resale and as such these receivables are considered fully collectible. Included in the accounts receivable past due but not impaired at December 31, 2022 are $4,941,000 (2021 - $7,821,000), of which $3,851,000 pertains to one customer. Subsequent to year end the customer has paid $2,692,000 resulting in $1,159,000 remaining outstanding. The Corporation expects to receive the remaining balance, and therefore, has not recognized an allowance provision.

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, 2022:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	**Total**
Derivative related asset	-	$4,908	-	**$4,908**
Long-term debt	-	-	$234,141	**$234,141**

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

26. Risk management and financial instruments - continued

The following table illustrates the fair value hierarchy of the Corporation's financial instruments as at December 31, 2021:

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

27. Capital management

The Utility's capital is its shareholder's equity which is comprised of share capital, contributed surplus and retained earnings. The Utility manages its equity by managing revenues, expenses, assets and liabilities to ensure the Utility effectively achieves its objectives while remaining a going concern.

The Utility has a policy which defines its 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 Utility maintains a balance in retained earnings as an indicator of the Utility's equity position.

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

	2022	2021
Long-term debt due within one year	$ 6,900	$ 6,537
Long-term debt	178,051	167,037
Total debt	184,951	173,574
Add decommissioning fund (note 17)	2,875	2,812
Total debt to include in the calculation	**$ 187,826**	$ 176,386

December 31, 2022 (tabular amounts in thousands of Canadian dollars)

27. Capital management - continued

	2022	2021
Share capital	$ 39,000	$ 39,000
Contributed surplus	15,968	15,968
Retained earnings	94,796	82,684
Total shareholder's equity	**149,764**	137,652
Total capitalization	**$ 337,590**	$ 314,038
Total debt to total capitalization	**56 %**	56 %

There were no changes in the Utility's approach to capital management during the period. During the year, the Utility declared a dividend of $11,500,000 (2021 - $0) to Yukon Development Corporation. There is no set payment date.

28. 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, 2022 are also prepared.