

YUKON ENERGY 2011 Business Plan

December 2010



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OVERVIEW/2010 REVIEW

This business plan outlines the goals and strategies for Yukon Energy for 2011 and reflects the Corporation's budgeting to achieve those goals. It also gives a summary of our 2010 major initiatives.

Yukon Energy's primary focus in 2010 was a continuation of our 2009 work of improving system reliability while moving ahead with projects/concepts to ensure there is enough clean electricity available to meet the growing demand.

Reliability

Almost two years ago, Yukon Energy embarked on an aggressive capital maintenance schedule that saw approximately two-thirds of our core capital budget go towards projects related to reliability. In 2010 we continued to work our way through a list of maintenance capital projects. At the time this report was written (late November), we had a total of nine controllable outages on our Whitehorse-Aishihik-Faro transmission system in 2010, compared to 13 in 2009 and 19 in 2008. Of those nine, only two were grid-wide outages. The results were not so favourable on our Mayo-Dawson grid. In 2010 we had twelve controllable outages, up from two in 2009. Clearly more work must be done to ensure we can provide safe, reliable energy to our customers. Along with continuing with our enhanced maintenance program, it is important that we provide adequate training to our tradespeople, a significant percentage of whom are relatively new to the industry.

As well, Yukon Energy is continuing the process of selecting and purchasing a computerized maintenance management system (CMMS) which will formalize the existing preventative maintenance program. The CMMS is an integrated system for scheduled maintenance of all utility assets. It consists of an asset register of all equipment with planned maintenance and equipment history associated with each asset, as well as a work management system to organize work assignments, and a spare parts inventory which will be linked to the financial system. This will improve the utility's ability to plan for, budget, and schedule, equipment maintenance on a daily to multi-year basis. It is anticipated that the implementation of this system will begin in 2011.

Meeting Demand

Yukon Energy is planning for the future in ways that will ensure a secure and continuous supply of clean, affordable energy. Our goal is to meet the growing demand for electricity with clean, preferably renewable energy. To that end, we pursued a number of initiatives in 2010 that will enhance our current infrastructure. Each initiative is outlined below.

Mayo B

The Mayo B project involves building a new powerhouse about three kilometres downstream from the existing powerhouse. It will increase the amount of power that can be generated from the Mayo River, from five megawatts to approximately 15 megawatts.

Yukon Energy awarded the Mayo B construction contract to Peter Kiewit Infrastructure Company in March of this year. In April we reached a Project Agreement with the First

Nation of Na-cho Nyak Dun, which among other things allowed the First Nation government to invest in the Mayo B project and to receive jobs and other economic and social benefits for its membership. Construction began in June, once all the necessary permits were in hand. By late 2010 the bulk excavation was finished, most of the portal/tunnel was excavated, the bulk of the powerhouse foundation and structure was complete, and the manufacturing of the turbine and generator was underway. Mayo B is expected to be in service by late 2011.

Carmacks-Stewart Transmission Project – Stage 2

Work continued in 2010 on Stage 2 of the Carmacks-Stewart transmission line (Stage 1 – from Carmacks to Pelly Crossing was completed in 2008). Stage 2 will see the line extended from Pelly Crossing to Stewart Crossing. It will allow Yukon Energy to interconnect our two hydro grids (Whitehorse-Aishihik-Faro in the Southern Yukon and Mayo-Dawson in the Northern Yukon), thus providing more flexibility and reliability of service.

The clearing work on Stage 2 was completed by mid-February, 2010 and the line construction started in March. As of late-November, the line construction is almost complete and work is moving ahead on the necessary substations. We expect the line to be energized by the spring of 2011.

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

Aishihik 3

This is another project aimed at enhancing existing infrastructure. By adding a seven megawatt hydro generator to the existing Aishihik hydro plant (which currently has two 15 megawatt hydro generators) we will be able to use our plant more efficiently, since it will give us the ability to produce the same amount of power using less water. In 2010 Yukon Energy prepared the Aishihik plant for the installation of the new turbine, which should take place in the spring of 2011. Yukon Energy also obtained permission from the Yukon Water Board to run all three hydro units at once when needed. This new unit will save Yukoners \$1 million or more per year in diesel costs and reduce greenhouse gas emissions by an estimated 3,800 tonnes annually. It is scheduled to be in operation by late 2011.

Geothermal

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

Early results from research in 2009 were favourable, particularly at Jarvis Creek near Haines Junction. Yukon Energy plans to do further drilling at Jarvis Creek in the spring

of 2011. Geothermal heat sources, once built, are a highly efficient, reliable supply of clean electricity.

Wind

While our two experimental wind turbines on Haeckel Hill have presented some on-going challenges, we continue to look for ways of using wind as a part of our clean energy complement. Yukon Energy has completed an assessment of the wind regime on Ferry Hill near Stewart Crossing. The results are positive enough that we are now seriously looking at the feasibility of installing up to a 20 megawatt wind farm on the site. Early in 2011 we will set up some monitoring equipment on Ferry Hill which will gather a minimum of 12 months worth of data for us.

Yukon Energy is also revising the wind regime of Mt. Sumanik near Whitehorse and we are looking into new technologies in de-icing systems.

As well in 2011, we will have some large scale mapping done of other potential wind sites along or near our transmission corridors.

Enhanced Storage Projects

Yukon Energy is committed to optimizing our existing hydro infrastructure before developing new hydro projects. To this end, there are a number of enhancement concepts we are examining that will increase production at our Whitehorse and Aishihik hydro facilities. These include additional storage in Marsh Lake and storage in Atlin Lake, both of which would increase the winter output of our Whitehorse hydro facility. Diverting water from Gladstone Creek into Aishihik Lake would allow more power to be produced at our Aishihik plant. These projects could provide up to 38 additional gigawatt hours of energy annually (18 from Gladstone, 13 from Atlin and seven from Marsh Lake).

This year Yukon Energy held a series of meetings with various local governments, stakeholders and residents to discuss these concepts. We also spent several months doing various field studies as we continue our work towards obtaining enough hard data to be able to conclude whether any or all of these concepts are viable projects.

Waste-to-Energy

Yukon Energy spent time in 2010 studying technology known as the BOS gasification system. It harnesses the energy in ordinary landfill waste using a high temperature process. We believe this process could allow us to produce up to two megawatts of electricity year-round, using waste from Whitehorse area landfills.

There are a number of issues that still must be addressed, including how to maintain continued emphasis on recycling and waste diversion, ensuring all harmful emissions will be removed to air emission/control standards, and finding local uses for the valuable steam and waste heat byproducts. Yukon Energy will continue our investigation into this possible electricity source in 2011.

New Large and Small Hydro

Yukon Energy is exploring the next generation of large hydro development projects (i.e. 2012 to 2020 time frame), such as possible sites on the upper reaches of the Pelly River. We believe this would provide between 150 and 275 gigawatt hours of energy annually. In 2010 money was spent on digital mapping and hydrology on the Upper Pelly River. This work will continue in 2011.

We are also assessing some potential small hydro opportunities in the Faro and Carcross areas.

Energy Conservation/Demand Side Management

Demand Side Management is a term used to describe ways that customers can reduce their electrical consumption. DSM is also about utilities using less electricity in our own operations.

In 2010 Yukon Energy worked with the Yukon Electrical Company Limited and the Yukon government to develop a comprehensive Demand Side Management Plan. That work will continue into 2011. In the meantime, there are things Yukon Energy has put in place now to help reduce the amount of electricity we all use.

We have installed six LED streetlights in Dawson City and will be monitoring them over the winter months for cold weather performance and energy use. If they work out well, we'll look at replacing all our streetlights in Dawson, Faro and Mayo. LED lights use at least half the energy that regular streetlights do and they have a much longer life span.

We have also added some new features to our public website that we believe will help people reduce their energy consumption.

Independent Power Producers/Net Metering

Yukon Energy is working with Yukon Electrical Company Ltd. and the Yukon government on Independent Power Producers (IPPs) and net metering policies. Again, work will continue in 2011 on these initiatives. When implemented, a net metering policy will allow customers to generate their own clean electricity and reduce the amount of power they buy from a utility. An IPP policy will enable Yukon Energy to buy power from private sources and support the development of Yukon's renewable economy.

Yukon Utilities Board Hearings

It was a busy year in terms of regulatory filings. In April, hearings took place with regards to the Mayo B project. In its recommendations to the Yukon's Justice Minister, the Yukon Utilities Board said there was a clearly demonstrated public benefit to Mayo B and it recommended that the project go ahead.

Oral hearings took place in October for Yukon Energy's and the Yukon Electrical Company Limited's joint Phase II Application. The purpose of the hearing was, among other things, to help the Yukon Utilities Board determine how it thinks the rates within each class should be designed. The utilities presented three options, all of which were aimed at encouraging energy conservation. We expect the YUB's recommendations early in 2011.

The YUB is also in the process of reviewing Yukon Energy's power purchase agreement with Alexco, with recommendations expected early next year.

Safety

Yukon Energy's excellent safety record continued into 2010. As of the beginning of the 4th Quarter in 2010 Yukon Energy employees have worked three years without a lost time incident. This safety record is a testament to our employees' high standard of safe work practices.

After successfully attaining our Certificate of Recognition (COR) for workplace safety in 2009, Yukon Energy is taking the next step. We are now requiring contractors doing construction work for us to be COR certified. As of July 2010, this applies to construction contracts valued at \$500,000. Starting in July 2011 we will require COR certification for construction contracts valued at \$100,000 or more. In July 2012 it will apply to construction contracts of any value. The COR is issued to employers who develop and implement health and safety programs that meet established standards set out by the Northern Safety Network and the Yukon Workers' Compensation Health and Safety Board.

In 2010 Yukon Energy's Health & Safety Department expanded with the addition of a Safety Coordinator. This position is a revision of the duties of the Documentation Specialist and includes assisting with field level inspections, audits and developing/documenting safe job procedures and practices.

Wellness

Yukon Energy recognizes the benefits of a healthy workforce and we promote a healthy and active lifestyle for our employees. In 2010, more than 30 percent of the employees used the company's wellness subsidy program.

Environment

Yukon Energy is proud of our commitment to environmental stewardship and biodiversity. In cooperation with our partners the Yukon Fish and Game Association and the Yukon government, we maintain one of the world's longest fishladders. It not only provides passage for migrating Chinook salmon beyond the Whitehorse dam, but offers opportunities for scientific and cultural information gathering and sharing. In 2010, 672 salmon passed through the ladder this year, compared to 828 the previous year.

Yukon Energy, with our partner the Yukon government, also operates an important fish hatchery on the Yukon River in Whitehorse. For the third year in a row, the hatchery was able to support a Ta'an Kwäch'än First Nation initiative to re-introduce Chinook salmon to Fox Creek by providing salmon eggs for the program.

Human Resources

Yukon Energy employs approximately 85 employees. We recognize our corporate vision can only be achieved with a strong, competent and professional workforce. To maintain and enhance the skills needed to achieve our business objectives, we continually strive to:

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

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

Congratulations to the following employees for receiving their journey certification in 2010:

- Jeremy Germaine – Powerline Technician
- Justin Kolla – Power Systems Electrician

We would also like to recognize and congratulate our 2010 Long Service Award recipients:

30 Years

Cassandra Crayford
Gary Jones

20 Years

John Aldrich
Bob Burrell
Ron Gee
Al Hammond

10 Years

Nick Balderas
Sulem Darani

5 Years

Philippe Cashaback
Tina Liedtke-Thompson
Myles O'Brien

Core Competency Program

During the last quarter of 2010 Yukon Energy embarked on a new initiative to develop a Competency Assessment Program (CAP) for workers. The first area targeted for action is the Operations Department since it has the majority of safety sensitive positions. A committee has been struck and is working to develop a Competency Profile for all trade areas. The aim will be to identify the core competencies needed for each trade, to note any gaps in skills or knowledge and to ensure appropriate training is provided to fill those gaps.

Board of Directors

Four new people joined Yukon Energy's Board in 2010. We welcome the new Chair, Piers McDonald, along with board members Justin Ferbey, Judy Gingell and Diane Lister. Jason Bilsky will join the board in January 2011.

COMPANY PROFILE

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

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

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

Yukon Energy has approximately 85 employees located in Whitehorse, Faro, Mayo and Dawson City.

MANDATE

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

VISION

Yukon Energy provides a secure supply of clean energy by focusing on innovation and partnerships, producing power and energy solutions, and supporting customer requirements and economic development.

VALUES

We strive to:

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

STRATEGIC PRIORITIES

Optimize equipment to improve system reliability and system efficiency

Yukon Energy's first priority is to improve system reliability and efficiencies. To this end, we have already completed several system reviews, assessed needs and begun to invest in solutions. Once again in 2011, a significant portion of the capital budget is dedicated to improving and modernizing the system.

Efficiency projects like improving the performance of hydro generating equipment and transmission lines are underway. As well, the Whitehorse, Aishihik, and Faro (WAF) transmission line will be joined to the Mayo Dawson (MD) transmission line so the hydro systems can be managed as one unit. Yukon Energy is also working with Yukon Electrical to find ways to improve distribution efficiencies.

Develop clean energy solutions to meet demand

Yukon Energy's 20-Year Resource Plan, developed in 2005, is being assessed and updated in 2011. This provides a new opportunity to develop options for meeting expected near-term and mid-term energy needs.

Energy solutions include new generation and the conservation of energy through demand side and supply side programs.

Engage Yukoners to better meet future energy needs

Yukoners rely on affordable electricity so they can have meaningful, healthy lives and a strong economy. Yukoners are also concerned about the environment and the impact of climate change. Yukon Energy would like to better engage customers, partners and stakeholders so they can participate in the planning to create a clean energy future.

To do this, Yukon Energy will engage with our customers and stakeholders in a variety of ways throughout the year. As well, we will work more closely with schools to provide students with information regarding energy issues and solutions. Where possible we will help customers explore ways to save energy and demonstrate energy innovation.

As well, Yukon Energy will seek out partnerships, especially with First Nations, where collaborative energy solutions can be found that both support the existing customers and support the growth of the economy.

MAJOR 2011 INITIATIVES

Based on the three strategic priorities, Yukon Energy's major projects for 2011 are as follows:

- Various equipment and system improvements/replacements
- Carmacks Stewart Transmission Line Project Stage 2
- Mayo B Hydro Enhancement Project
- Mayo A substation enhancements
- Third turbine for Aishihik
- Planning for new generation – hydro, geothermal, wind and waste-to-energy
- General Rate Application Phase 1 – revenue review
- Demand Side Management program
- Financial Information System and Maintenance System

As part of our commitment to provide safe, reliable service, Yukon Energy will once again in 2011 make the maintenance, improvement, or replacement of our existing infrastructure and equipment our top priority. Including enhancements to our Mayo A substation, we will devote approximately three-quarters of our 2011 core capital budget for maintenance projects. Plans for 2011 include upgrades to both our generation and transmission assets.

Yukon Energy will also work towards the implementation of a financial Information System and a Computerized Maintenance Management System. Among other things, this system will ensure that our assets receive the appropriate maintenance at the appropriate time.

We expect Stage 2 of the Carmacks-Stewart transmission line to be complete by the spring of 2011. Once in service, the line will interconnect our two major transmission grids and make it possible to manage all Yukon's hydro resources as one integrated system.

Mayo B will continue to require a great deal of our attention in 2011. Construction began in June 2010 and should be finished by late this year or early in 2012. The \$71 million in federal funding for Mayo B and Carmacks-Stewart Stage 2 comes with a stipulation that both projects be completed by March 2012.

Work will continue in 2011 on installing a third hydro turbine in our Aishihik plant. The existing power house is currently being upgraded and the new generator is expected to be installed and operating by the spring of 2011. The additional seven megawatt hydro unit will reduce the need for costly diesel generation and its resulting greenhouse gas emissions.

Yukon Energy is looking at all possible options to ensure there is enough clean electricity available to meet the growing demand. In 2011 we will conduct Year 2 of the engineering

and environmental studies needed for the Marsh Lake and Atlin winter storage concepts. We will continue engaging governments, stakeholders and the public as we work to determine if in fact these are viable projects for us.

Similar work will take place on a third potential project, Gladstone Diversion, which would see us diverting water from Gladstone Lake so that more hydro could be produced at our Aishihik plant.

In terms of exploring other possible clean electricity options, we will continue our search in 2011 through engineering and environmental studies for geo-thermal, waste-to-energy, and wind power.

Yukon Energy will continue to work with the Yukon Electrical Company Limited and the Yukon government on a Demand Side Management policy and program. At the same time, Yukon Energy will continue with our LED streetlight pilot project in Dawson City and will look at rolling out other DSM initiatives in 2011.

ECONOMIC OUTLOOK

2010 was a year of recovery, albeit at a lower rate than many had hoped. Federal fiscal stimulus helped shore up the economy and allowed many jurisdictions to develop critical infrastructure. Despite this, continuing fiscal issues in the US and Europe means a global economic recovery is still quite uncertain. The federal government has renewed fiscal stimulus in order to continue employment promotion and encourage price stability. The hope is that this next tranche of funding will carry the economy until the private sector is strong enough to carry the baton of fiscal policy. On the plus side, equity values have rebounded strongly and private sector job growth has been better than many expected. At home, strong fundamentals in the Canadian economy should keep the dollar trading near the top of its historical range and maintain investor interest in Canadian securities. In its fall survey, the Bank of Canada found that Canadian firms are generally expecting moderate growth over the next twelve months. This positive outlook is reflected in expectations for higher investment in productivity and positive employment intentions. The Bank of Canada is forecasting 2.3 percent growth in the Canadian economy in 2011 and inflation within the target range at 2.0 percent.

Locally, high commodity prices continue to drive investment in exploration and development. A number of potential industrial (mining) customers have approached the utility about a grid connection in future years. Planning to meet this demand will be a key strategic focus for the company for the next number of years.

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

PLANNING ASSUMPTIONS

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

I) Revenues

Forecasting revenue from electricity sales requires different techniques depending on the type of sales. For example, native loads (i.e. wholesale, residential, commercial, street lights) are fairly predictable with annual increases in a narrow range generally between one percent and three percent. The greatest factor affecting the variability of these classes of revenue is weather. Industrial sales generally relate to the activities of a few customers so forecasting is done at the individual level (as of late 2010 there are two customers in this class: Minto and Alexco). Finally, secondary sales is determined based on availability of surplus hydro (service to secondary sales customers is interruptible where generation by surplus hydro is not available). Service to this class of customers has been terminated effective September 1, 2010 due to low reservoir levels. Reservoir levels are not forecast to recover sufficiently to permit resumption of secondary sales electricity deliveries in 2011.

a) Firm Wholesale Sales

Our largest category of sales representing about 65 percent of total revenue dollars. This category is expected to contribute 277 GWh to sales in 2010, which is about 5.0 GWh or 1.84 percent higher than the 2010 forecast.

b) Industrial Sales

For 2011, this class includes two customers: the Capstone Mining Corporation's copper mine at Minto is in its third year of connection to our grid. For 2011, we forecast the mine to consume 31 GWh of electricity. This figure is effectively the same consumption that the mine is forecast to consume in 2010 which is below the original budget from last year. The mine had a number of issues that resulted in deferral of increased production. During this year's budgeting exercise, mine management informed us that plans are still underway to expand, however the timing and form of the expansion is not known at this time. The main pit is forecast to be mined out by March 2011; at this time, Capstone has not determined where the next stage of production will be (i.e. underground or expanded pit operation). Alexco Resource Corp. connected its new mill in October and commenced milling operations in November. Our forecast for 2011 is based on consumption forecast defined in the Power Purchase Agreement and is expected to be approximately 11.8 GWh

c) Residential/General Service/Streetlights

Yukon Energy has firm retail customers in Faro, Mayo and Dawson as well as a number of smaller communities on the Whitehorse-Aishihik-Faro grid. Retail customer sales are expected to grow at a moderate rate in 2011.

d) Secondary Sales

As noted above, low water levels result in no secondary sales forecast for 2011.

II) Expenses

a) Fuel

Total fuel expense for 2011 is forecast at \$1.40 million. This amount is based on the approved rate per liter from Yukon Energy's most recent approved GRA. Fuel volumes have been estimated based on our short term system model. The fuel required reflects increased loads and relates primarily to peaking requirements in winter.

b) Labour

Labour expense for 2011 is expected to increase slightly more than \$0.087 million over 2010 budgets. The budget assumes 3.5 percent economic increase; as well management is proposing to increase the employee complement in the 2011 fiscal year to include the following positions:

Environmental Coordinator
Resource Planning Engineer
Back- fill Controller
IT Tech
Plant Operator - Dawson

Offsetting these increases is adjustment for vacancies of three positions (estimated impact on O&M = \$0.298 million).

c) Non-labour

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

III) Cash flows/financing

Aggressive capital plans will continue to strain the cash requirements for Yukon Energy. Timing of capital spending, turnover on federal funding receivables and forecast market financing rates will be monitored by Yukon Energy and, in conjunction with the parent, a financing strategy will be developed early in the new year.

**Yukon Energy Corporation
2011 Business Plan
Statement of Earnings and Retained Earnings**

	<u>Actual</u>		<u>BP</u>	<u>FYF</u>	<u>BP</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Revenue					
Sale of Power	23,009	27,053	27,792	27,001	27,912
Revenue Rider (Rider "J")	5,509	4,874	5,027	5,022	5,130
Income Stabilization Trust					
Faro Mine Trust Transfer	-	-			
Other Revenue	272	181	125	147	173
Total Revenue	<u>28,790</u>	<u>32,108</u>	<u>32,944</u>	<u>32,170</u>	<u>33,215</u>
Expenses					
Labour (Schedule # 1)	7,288	7,662	8,476	8,476	8,592
Non Labour (Schedule # 2)					
Operating and maintenance	2,729	2,806	3,024	3,024	3,269
Administration	2,758	2,851	2,766	2,766	3,256
Depreciation (Schedule # 4)	4,895	5,048	5,643	5,254	5,630
Amortization (Schedule # 4)	987	2,285	1,892	1,507	1,468
Insurance	748	787	947	815	838
Other Taxes	268	288	302	302	302
Fuel	255	814	310	400	1,415
Purchased Power	41	37	54	54	40
Total Expenses	<u>19,969</u>	<u>22,578</u>	<u>23,414</u>	<u>22,598</u>	<u>24,811</u>
Operating Income	8,821	9,530	9,530	9,572	8,405
Allowance for Funds Used					
During Construction	(774)	(392)	(272)	(142)	(1,752)
Interest Income	(78)	(1,165)	(1,133)	(1,038)	-
Interest Expense (Schedule # 4)	5,194	6,894	6,388	6,772	3,861
Regulatory Loss	196	65	-	58	-
Net Earnings	<u>4,284</u>	<u>4,128</u>	<u>4,547</u>	<u>3,922</u>	<u>6,296</u>
Return on Utility Equity - actual/forecast	6.8010%	7.9140%	6.8900%	6.4000%	6.8600%
Return on Utility Equity - allowed	8.6400%	8.4900%	8.4900%	8.4900%	8.4900%
Opening Retained Earnings	21,394	21,777	21,647	21,944	22,005
Net Earnings	4,284	4,128	4,547	3,922	6,296
Dividends	(3,901)	(3,963)	(4,249)	(3,861)	-
Closing Retained Earnings	<u>21,777</u>	<u>21,941</u>	<u>21,945</u>	<u>22,005</u>	<u>28,301</u>

Yukon Energy Corporation
2011 Business Plan
Income Statement Supporting Schedule # 4
Notes to the Statement of Income and Retained Earnings
(\$000s)

	Actual		BP	FYF	BP
	2008	2009	2010	2010	2011
1 Depreciation					
Depreciation on Fixed Assets	5,596	7,214	7,020	7,367	8,227
Amortization on Customer Contributions	(431)	(1,896)	(1,107)	(1,843)	(2,327)
Deferred Gain on Fixed Assets Destroyed	(270)	(270)	(270)	(270)	(270)
	4,895	5,048	5,643	5,254	5,630
2 Amortization					
Regulatory Costs	0	1,009	389	177	89
Relicensing	472	505	554	547	530
Study Costs	428	608	899	683	722
Deferred Downsizing	24	0	0	0	0
Dam Safety Costs	13	13	0	0	28
Uninsured Losses	50	150	50	100	100
	987	2,285	1,892	1,507	1,468
3 Interest Expense					
YDC Note	1,488	1,405	1,299	1,299	-
YDC Annual Advances	789	971	1,205	1,205	-
Operating Line Interest		60			
Minto Diesel Purchase Loan		-	80	-	-
External Financing for Minto Loans		1,159	1,133	1,038	-
TD-Canada Trust Note	587	535	479	479	375
YDC Flex Term Note	1,282	1,742	1,199	1,758	0
YDC Mayo/Dawson Flexible Financing	1,048	1,022	993	993	0
YDC \$82 million Loan		-	-	-	3,486
	5,194	6,894	6,388	6,772	3,861

**Yukon Energy Corporation
2011 Business Plan
Sales and Revenue Summary**

Energy Sales (GWh):	Actual		BP	FYF	BP
	2008	2009	2010	2010	2011
Residential	11.3	11.0	11.6	11.3	11.6
Commercial	18.5	17.6	19.9	22.1	20.4
Industrial	3	32.0	37.4	32.9	42.8
Lighting	0.4	0.3	0.5	0.3	0.3
Secondary	18.8	24.1	17.6	10.5	0.0
Sales to YECL	263.8	263.3	274.0	272.0	277.1
Total	(a) 316.0	348.3	361.0	349.2	352.2

Revenue (\$,000)	Actual		BP	FYF	BP
	2008	2009	2010	2010	2011
Residential	1,333	1,386	1,383	1,353	1,380
Commercial	2,449	2,696	2,673	2,891	2,735
Industrial	329	3,190	3,859	3,440	4,770
Lighting	75	63	53	70	75
Secondary	777	1,441	1,083	644	-
Wholesale	18,045	18,279	18,742	18,604	18,953
Revenue riders	5,509	4,874	5,027	5,022	5,130
Dewatering Revenue	-	-	-	-	-
Mine Trust Transfer	-	-	-	-	-
Rider "F"	-	-	-	-	-
Total electricity sales revenue	(b) 28,516	31,928	32,819	32,023	33,042
Other revenue	272	181	125	147	173
Total operating revenue	28,788	32,109	32,944	32,170	33,215

Average Rate (Cents/KWh)	(b/a)	9.0	9.2	9.1	9.2	9.4
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**Yukon Energy Corporation
2011 Business Plan
Generation Summary**

	Actual		BP	FYF	BP
	2008	2009	2010	2010	2011
WAF System					
Whitehorse Hydro	206.4	222.4	235.3	234.5	237.6
Aishihik Hydro	107.3	119.4	120.0	111.8	103.1
Diesel	1.2	1.6	0.6	1.0	4.5
Wind	0.4	0.4	0.4	0.2	0.1
Total WAF System	315.4	343.8	356.2	347.4	345.3
Mayo System Hydro	28.0	29.3	35.3	34.0	40.9
Dawson City Diesel	0.4	0.3	0.4	0.9	4.5
Total Generation	343.8	373.4	391.9	382.3	390.6
Annual Change %		8.6	5.0	2.4	2.2
Total Generation (GWh)					
Hydro	341.7	371.1	390.6	380.2	381.6
Diesel	1.7	1.9	1.0	1.9	8.9
Wind	0.4	0.4	0.4	0.2	0.1
Total	343.8	373.4	391.9	382.3	390.6
Source of Generation (%)					
Hydro	99.4	99.4	99.7	99.5	97.7
Diesel	0.5	0.5	0.2	0.5	2.3
Wind	0.1	0.1	0.1	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Yukon Energy Corporation
2011 Business Plan
Balance Sheet

	<u>Actual</u>		<u>BP</u>	<u>FYF</u>	<u>BP</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Current Assets					
Cash and Short Term Investments	3,254	10,731	(16,248)	1,908	2,160
Accounts Receivable	5,149	9,714	4,233	58,989	3,984
Inventories	2,567	2,715	2,565	2,565	2,540
Prepaid Expenses	278	394	396	396	412
Total Current Assets	<u>11,248</u>	<u>23,554</u>	<u>(9,054)</u>	<u>63,858</u>	<u>9,096</u>
Customer contribution financing	14,991	17,424	17,424	-	-
Deferred uninsured losses	556	111	38	427	423
Diesel contingency fund	883	887	890	940	916
Property, Plant and Equipment					
Cost	278,120	297,272	385,987	379,994	473,864
Accumulated Depreciation	(77,949)	(84,355)	(90,807)	(91,707)	(99,949)
Cost less accumulated depreciation	<u>200,171</u>	<u>212,917</u>	<u>295,181</u>	<u>288,287</u>	<u>373,915</u>
Deferred revenue - gain on fixed assets destroyed in fire	(7,356)	(7,086)	(6,816)	(6,816)	(6,546)
Contributions for Extension	(45,951)	(50,229)	(128,745)	(116,524)	(161,050)
	<u>(53,307)</u>	<u>(57,316)</u>	<u>(135,561)</u>	<u>(123,340)</u>	<u>(167,596)</u>
Total Property, Plant and Equipment	<u>146,864</u>	<u>155,601</u>	<u>159,619</u>	<u>164,947</u>	<u>206,319</u>
Deferred Charges	10,608	11,451	20,018	20,518	28,758
Total Assets	<u>185,150</u>	<u>209,028</u>	<u>188,936</u>	<u>250,690</u>	<u>245,512</u>
Current Liabilities					
Accounts Payable	8,856	6,620	6,390	14,493	14,024
Construction Financing		25,000	-	75,000	45,000
Current portion of long term debt	4,721	3,783	3,546	3,546	3,876
	<u>13,577</u>	<u>35,403</u>	<u>9,936</u>	<u>93,039</u>	<u>62,899</u>
Faro mine dewatering deferral revenue	1,192	398	778	398	398
Long-term pension liability	801	1,036	937	937	937
Regulatory provision for future removal and site restoration	5,168	5,008	5,168	4,968	4,903
Total Current Liabilities	<u>7,161</u>	<u>6,441</u>	<u>6,882</u>	<u>6,303</u>	<u>6,237</u>
Trust Liabilities	883	887	890	1,020	916
Long-term Debt	102,752	105,092	108,215	89,323	108,158
Shareholder's Equity					
Share Capital	39,000	39,000	39,000	39,000	39,000
Repayment of Capital					
Retained Earnings	21,777	22,205	24,013	22,005	28,301
Total Shareholder's Equity	<u>60,777</u>	<u>61,205</u>	<u>63,013</u>	<u>61,005</u>	<u>67,301</u>
Total Liabilities & Shareholder's Equity	<u>185,150</u>	<u>209,028</u>	<u>188,936</u>	<u>250,690</u>	<u>245,512</u>