

April 13, 2023

Mr. Richard Buchan, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. Buchan:

Re: 2022 Low Water Reserve Fund ("LWRF") Report and Energy Reconciliation Adjustment ("ERA") Filing

This correspondence provides Yukon Energy Corporation's ("Yukon Energy" or "YEC") Annual Report summarizing Low Water Reserve Fund ("LWRF") and Energy Reconciliation Adjustment ("ERA") for 2022 based on preliminary unaudited actual results.

The LWRF Annual Report and ERA Filing have been prepared pursuant to the LWRF Term Sheet as approved by the Yukon Utilities Board ("YUB" or "the Board") Order 2022-07.

The submission of this report was delayed due to the review process of the 2021 LWRF Annual Report and ERA which was finalized with the Yukon Utilities Board ("YUB" or "Board") Order 2023-07 issued on April 4, 2023.

The following information is attached to this correspondence:

- **Attachment 1** – LWRF Calculations for 2022 and Balance Updates.
- **Attachment 2** – 2022 ERA Filing.

A summary of each of the documents attached to this correspondence follows.

Attachment 1: LWRF Calculations and Balance as of December 31, 2022

Table 1-1 of Attachment 1 provides LWRF calculations for 2022 actuals and Table 1-2 of Attachment 1 provides a LWRF Continuity Schedule. The annual report with LWRF transfer calculations and balances for 2021 was filed with the Board on July 29, 2022 and approved by the Board Order 2023-07.

The Board in its Order 2022-03 approved the change in the LWRF balance cap from +/- \$8 million to +/- \$16 million. Board Order 2019-02 set Rider E to 0.00 cents/kW.h effective April 1, 2019. The LWRF balance is expected to continue to be within +/- \$16 million, therefore, no Rider E calculation is provided in this filing.

In summary, the tables in Attachment 1 indicate as follows regarding the annual LWRF calculations and balance for 2022:

- Based on the actual annual load for 2022, and the LWRP Term Sheet, the LTA thermal for 2021 is 78.635 GW.h with 62.930 GW.h LNG which is about 80% of LTA thermal generation (Table 1-1, L16b).¹
- The actual thermal generation requirement for 2022 was 39.205 GW.h, including 15.704 GW.h diesel and 23.501 GW.h LNG (Table 1-1, L17).
- The resulting overall gap between LTA and actual thermal generation for the 2022 load equals -39.429 GW.h (Table 1-1, L18); all LNG.² The resulting payment required to LWRP from YEC for 2022 is \$7.151 million (Table 1-1, L19).³
- LWRP balances [Table 1-2, Attachment 1]:
 - 2022 opening balance of \$2.744 million [2021 closing balance as approved by the Board Order 2023-07].
 - 2022 annual LWRP transfer of \$7.151 million [YEC transfers to LWRP, as per Table 1-1, Attachment 1].
 - No Rider E collections or rebates.
 - Closing balance on December 31, 2022 at \$9.895 million [the positive balance indicates a benefit to ratepayers].

Attachment 2: 2021 ERA Filing

Attachment 2, Table 2-1 provides the 2022 actual ERA Filing and notes as follows:

- Approved wholesales for 2021 at 343.537 GWh compared to actual wholesales at 346.339 GWh. The Fish Lake generation adjustment at -0.867 GWh.⁴
- 2022 wholesales over GRA forecast results in added YEC costs of \$0.597 million⁵ [Table 2-1, D1] and added YEC revenues from an increase in wholesale of \$0.427 million [Table 2-1, D2] requiring \$0.170 million ERA amount payable to YEC for 2022.

Forecast Water Conditions for 2023

Yukon Energy received the Yukon snow survey bulletin and water supply forecast and is in the process of updating its forecasts accordingly. Yukon Energy will provide forecast water conditions in the quarterly LWRP report.

¹ LNG is assumed to displace 90% of the expected long-term average thermal requirements, subject to not exceeding total thermal less estimated diesel at forecast load. Due to higher diesel generation in 2022, the LNG is expected to displace about 80% of LTA thermal.

² On a long-term basis LNG is assumed to displace 90% and diesel 10% of the expected long-term average thermal requirements, subject to not exceeding total thermal less estimated diesel at forecast load. The diesel generation for 2022 was higher than 10%, therefore, for 2022 the LNG assumed at 80% and diesel at 20% of LTA thermal. On this basis, the expected diesel generation is equal to the actual diesel generation.

³ Based on 2021 GRA average fuel costs at \$0.1814 per kW.h for LNG and \$0.2051 per kW.h for diesel as approved by YUB in Order 2022-03.

⁴ Fish Lake generation adjustment of -867 MWh reflects the variance between the long-term average generation of 8,730 MWh and the actual generation of 9,597 MWh.

⁵ An adjustment was added to the LTA thermal generation to remove the impact of the difference in added hydro generation in 2022 vs 2021 for WH2 and WH4 uprate projects. Without this adjustment, the ERA calculation will have an error and result in a higher ERA. Please see Table 2-1 in Attachment 2 for details.



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The LWRF Term Sheet, as approved by YUB Order 2022-07, requires the annual report to be filed with the Board for approval of the Board. Accordingly, YEC is seeking Board's approval of LWRF transfers for 2022 as well as LWRF balances as provided in Attachment 1 of this filing.

YEC is also seeking Board's approval of the ERA calculations and \$0.170 million ERA payment from AEY to YEC for 2022.

If you have any questions regarding the above, please contact the undersigned.

Yours truly,

A handwritten signature in black ink, appearing to read "Ed Mollard".

Ed Mollard
Vice President, Finance and
Chief Financial Officer