



SHAREHOLDER LETTER OF EXPECTATIONS 2013

From

**The Minister Responsible for the Yukon Development Corporation
("the Minister")**

To

**The Yukon Development Corporation
("Development")**

PURPOSE

Under both the *Yukon Development Corporation Act* and the *Corporate Governance Act*, the Minister and Development are required to negotiate an annual protocol ("Protocol") about performance expectations for Development and the roles of different persons in its work. In addition, it has been the practice of the Government of Yukon ("Government"), represented by the Minister, to provide Development and its subsidiary (together "Development group") with additional guidance in the form of a Shareholder Letter of Expectations ("Letter").

This Letter details Government's performance expectations of Development and its subsidiary Yukon Energy Corporation ("Yukon Energy"). Each of these expectations serves and supports Government's overall requirement of the Development group: that it provide Yukoners with safe, reliable, cost-effective electrical power both now and for the future. That requirement in turn reflects the Government's view that the Development group is a key instrument of its energy policy.

Development is responsible for supporting Government in the achievement of its energy policy objectives, and for assisting as needed with development of those objectives. As the sole shareholder of Yukon Energy, Development is ultimately responsible for ensuring its subsidiary fulfills its responsibilities accountably, efficiently, and cost-effectively.

GOVERNMENT'S DIRECTION TO DEVELOPMENT

Government directs Development to take the following specific actions:



- Provide an ongoing opportunity for Government to advise on, and contribute to, the development of the strategic and annual plans of Development and its subsidiary, before they are adopted or modified.
- Provide Government, quarterly or more frequently, with reports on Development and its subsidiary's financial performance, operations and major issues.
- Prepare an Annual Report on Development's objectives and performance, and submit it to the Minister for tabling in the Legislative Assembly pursuant to statutory requirements.
- If requested, appear before the Legislature or any of its committees to report on Development and its subsidiary's financial and operational performance or any other relevant matter.
- Ensure that its subsidiary operates in a manner consistent with Government's overall requirement that Yukon Energy provide Yukoners with safe, reliable, cost-effective electrical power, and in particular that Yukon Energy:
 - Minimizes financial risk;
 - Assists Government as required with technical information to help Government make good decisions including policy decisions about new energy projects;
 - Undertakes new energy projects as directed by Government; and
 - Performs appropriate maintenance on existing assets.

To fulfill those objectives, Government directs Development to ensure that the subsidiary:

- Continues to plan, operate and maintain the generation, transmission and distribution system in order to ensure sustained asset health, reliability and security.
- Maintains affordable electrical rates by efficiently and responsibly managing the business.
- Works with Government and Development to identify opportunities for meeting future energy needs by expanding, developing and/or improving its electric generation capacity.
- Does not pursue development of energy sources which are not supported by Government and its *Energy Strategy*, including coal and nuclear power.

- Completes the General Rate Application process underway and keeps Government informed of progress.
- Continues to deliver the Interim Electrical Rebate program.

DEVELOPMENT ACCOUNTABILITIES:

As set out in the current Protocol, Government has provided a clear mandate to Development.

To achieve this mandate, and in response to Government's general direction, policies and fiscal plans, Development will:

- Conduct its affairs to achieve its mandate and the performance expectations of Government with the principles of integrity, efficiency, effectiveness and customer service.
- Operate the Development group on a financially responsible basis, maintain the value of its shareholder's investment, and be financially self-sufficient;
- Inform Government in a timely manner if Development or its subsidiary is unable to meet the performance and financial targets identified in its Business Plan.
- Maintain a high level of accountability and transparency. Development is an agent of government under the *Yukon Development Corporation Act* and is subject to all of the governance requirements associated with it. The Development group's regulated assets will be subject to public review and assessment by the Yukon Utilities Board.
- Work with Government and other stakeholders on the implementation of the *Energy Strategy for Yukon* and the *Yukon Government Climate Change Action Plan*.
- Ensure that the Development group understands and abides by Government's financial policies and guidelines including as follows:
 - Government may provide any financial support it considers appropriate for a significant new generation project undertaken by the Development or its subsidiary, but will not do so unless the project has been both approved by Development's Board of Directors and agreed to by Government in advance;
 - Government Management Board approval must be received prior to Government providing any financial support, whether in respect of a

generation, transmission or distribution project or otherwise, to Development or its subsidiary;

- Government Management Board approval must be received prior to:
 - any borrowing of money by Development or its subsidiary,
 - any increase to a line of credit of Development or its subsidiary, or
 - the guaranteeing by Development or its subsidiary of any debt;
- Development will set clear standards that require Yukon Energy to receive approval from Development's Board of Directors prior to undertaking activities with significant policy and/or financial implications. These standards shall cover energy projects, studies and planning of energy projects, cost overruns, and any other matter Development's Board of Directors deems appropriate;
- Development's Board of Directors will ensure that all energy projects and studies with significant policy and/or financial implications are supported by the Minister prior to approving them;
- Development will ensure the Minister is informed immediately of any decisions it has made regarding energy projects, studies, or cost overruns on energy projects;
- Yukon Energy shall not commit to a purchase agreement having a total commitment of \$1 million or more related to the development of new energy supply (including, but not limited to, an agreement to purchase liquefied natural gas) without the prior written approval of Development's Board of Directors and the Minister;
- Yukon Energy shall not develop or acquire new generation assets or new transmission or distribution lines having a voltage in excess of 20 kV, except for such assets or lines required to replace or maintaining existing assets without the approval of Development's Board of Directors and the Minister;
- Neither Development or its subsidiary will enter into any capital lease, sale-leaseback arrangement or public-private partnership without the approval of the Minister;
- Neither Development or its subsidiary will sell, lease or dispose of any publicly-owned energy assets (or an interest in such assets) including, but

not limited to, hydro assets and other generation, transmission and distribution assets. This restriction does not apply to outdated parts of components that have been replaced and are being disposed of as the result of normal equipment maintenance or system upgrades; and

- Annual financial audits of Development and its subsidiary are to be conducted.

ACCOUNTABILITY AND COMMUNICATION

Government is committed to transparency and accountability to the public, and to ensuring that Development and its subsidiary embody those values.

Government expects Development to advise it in a timely manner of any issues that may materially affect the business of Development or its subsidiary, or the public interest, including but not limited to information on any risks to achieving financial forecasts and performance targets.

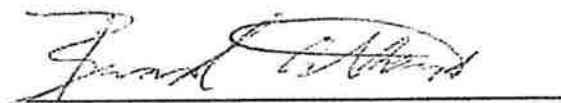
In carrying out his responsibilities, the Minister relies on timely and complete information from Development and its subsidiary, entailing:

- Open communications and full and timely information sharing with the Development group's senior management, including but not limited to regular meetings between the Minister and the chairs and managers of Development and its subsidiary and regular communication by other means in the interim;
- Mutual support and cooperation between the Department of Energy, Mines and Resources (EMR) and Development staff;
- Development's senior management and senior officials of EMR and Finance will meet on a regular and as needed basis to discuss ongoing issues and clarify expectations or to address emergent issues;
- Development will provide officials in EMR and the Department of Finance with multi-year and annual business planning information, quarterly financial reports and briefings on Development and its subsidiary's operational and financial performance against plan; and
- Informing the Minister of any public announcements or press releases from Development or its subsidiary prior to their release.

If Government determines that changes to these accountability and communication requirements are necessary, Government will communicate these to Development.

Review and Revision of this Letter

The Minister is accountable for undertaking reviews of this Letter and monitoring its implementation. EMR is responsible for coordinating the overall process for preparing the Shareholder's Letter, and may assist the Minister in undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, Government and Development will discuss any issues and may agree to amend this Letter on a more frequent than annual basis.



Brad Cathers
Minister Responsible for the
Yukon Development Corporation

Feb. 4, 2013
Date

Receipt acknowledged on behalf of Development by:



Ray Hayes, Chair
Yukon Development Corporation

Feb 28/13
Date