March 22, 2016

Ms. Julie-Anne Miller
Chairperson, Board of Directors
Qulliq Energy Corporation
P.O. Box 250,
Iqaluit, Nunavut
X0A 0H0

Qulliq Energy Corporation – Letter of Expectation, 2016-17

Dear Ms. Miller:

I am writing to you as chairperson of the Qulliq Energy Corporation (QEC) Board of Directors to provide this letter of direction for the 2016-17 fiscal year. It is my hope that this letter will help provide direction to the Board and QEC staff on key initiatives and undertakings that will complement QEC's strategic plan, goals and initiatives, and meet the vision for the future outlined in *Sivumut Abluqta: Stepping Forward Together*:

- Our Government is committed to achieving four priorities to create a stronger, resilient and prosperous Nunavut for our children and grandchildren:
  - Self-reliance and optimism through education and training
  - Healthy families through strong and resilient communities
  - Economic growth through responsible development across all sectors
  - Good government through the wise use of resources

Qulliq Energy Corporation (QEC) plays an integral role in helping to realize this vision, particularly with respect to taking advantage of economic development opportunities through strategic alliances with sector partners while upgrading, modernizing and strengthening Nunavut's power utility infrastructure.

Nunavut has one of the fastest growing populations in Canada, as well as Canada's youngest; more than 30 per cent of the population is below the age of 15. This growing, youthful population places persistent new demands on the territory's health and education systems, housing stock, infrastructure and economy.

This will create more demands on Nunavut's power system, and QEC will need to keep pace with the ever-growing power needs of the territory. This will include Nunavummiut taking advantage of business, employment and training opportunities as a result of QEC activities, and working with communities to help them realize their own vision for local economic development.

The GN *Human Resources Strategy* focuses on five priorities: increasing and enhancing Inuit employment in the GN, recruiting the skilled people we need, engaging and developing employees at all levels, enhancing client service, and improving workforce data for planning and decision-making. QEC is expected to work with the Department of Finance and the Department of Executive and Intergovernmental Affairs on these initiatives.

As part of the implementation of the HR Strategy, the Department of Executive and Intergovernmental Affairs will continue to ensure all departments and agencies actively work towards enhancing Inuit Employment Plans. QEC is expected work with the Department of Executive and Intergovernmental Affairs on these initiatives.

Additionally, the GN is committed to fully implementing the *Official Languages Act* and the *Inuit Language Protection Act*, ensuring Nunavummiut are able to communicate in their preferred official language when dealing with GN departments and agencies. In this regard, I remind you of your obligation to implement the *Uqausivut Comprehensive Plan* to ensure all Nunavummiut are able to communicate with QEC in their official language of choice.

Corporate Expectations and Priorities 2016-17

As Minister responsible for QEC, I have reviewed and approved your 2016-17 business plan and budget, as outlined in the 2016-2020 QEC Corporate Plan. It is my expectation that you will adhere to the priorities and principles that you have stated. Our continuous goal of achieving improved accountability and transparency must be kept in mind when you are following your plan.

I look forward to receiving an update on the implementation of the 2015-16 corporate plan priorities at the earliest possible availability. As well, I look forward to regular reports on implementing the 2016-17 priorities and meeting with you and the Board on a regular basis to discuss the status of these priorities and the corporation's overall performance.

There are a few key governance and policy matters that require attention in the coming year. I would like the Board to work with staff to address the following matters in particular:

Presidential Search

Qulliq Energy Corporation has undergone several changes in leadership at the executive level within the past two years, and is still without a permanent President and Chief Executive Officer (CEO). Recruiting a highly-skilled individual for this senior executive position is a top priority for our Government. I ask the Board for its continued assistance in providing stable direction and guidance to the organization while the Corporation seeks to fill its President and CEO position.

Board Membership

With respect to the composition of the Board of Directors, it is my intention to issue a call for members in March 2016 to fill existing vacancies on the Board. This will ensure the Board can continue to conduct its committee and regular meetings with a full complement of active, skilled and knowledgeable members.

Human Resources

QEC staff has undergone recent issues such as the strike, legal challenges from former employees and lack of stable leadership/direction, which has had a demoralizing effect on staff and the corporate culture at QEC. I encourage the Board of Directors to examine strategic methods of enhancing and supporting strong leadership practices at all levels of management, and make every effort to restore and maintain QEC's reputation as an employer of choice in Nunavut. Examples of strategies could include: an employee survey, engagement sessions with staff, management training, and leadership and team development.

In addition, I support every effort to meet QEC's target in 2016-17 to "increase Inuit employment to 61%", as well as increasing Inuit employment in skilled trades, such as is taking place with the Engineers-In-Training program and Operations apprenticeships.

Harassment Free Workplace

In accordance with the Harassment Free Workplace Policy, the GN has zero tolerance for harassment, bullying or reprisals of any type. It is crucial that all employees read, understand and follow this policy, as well as the Human Resource Manual Directives that complement the policy. Further, I expect you to ensure that the President takes personal responsibility for ensuring a harassment free workplace at QEC.

Office of the Auditor General of Canada Audit

The recent audit had seven observations provided to QEC. I would like the Board of Directors to follow the progress and implementation of the action plan to address these recommendations and keep me informed of such.

Procurement, Contract and Project Management

QEC should examine its procurement, contracts and project management processes to ensure that all projects, contracts and services are delivered as promised, on time and on budget. QEC should also look training and professional development opportunities to ensure contract, procurement and project management staff have the appropriate professional accreditations in these specific fields (such as Professional Project Management or Procurement and Materiel Management certifications). As well, QEC should work with the Department of Community and Government Services to determine if there are opportunities to collaborate on routine procurement or contracting activities, and to share best practices in project management on infrastructure or capital projects.

Policy Review

There are several operational matters which require direction through clearly defined policies and procedures. QEC should undertake a policy review process to ensure its policies recognize QEC's operational requirements and realities, and reflect the corporate strategic plan, vision and goals, while respecting GN priorities and concerns and ensuring that the Corporations policies are, to the fullest extent possible, aligned with the GN's Financial Administration Manual, Human Resources Manual and all other GN policies, as applicable. Specific policy areas that

require attention include: improving capital planning and oversight, human resources policies, the acceptable use of company vehicles, application of NNI in procurement practices, staff housing policies and procedures, merit and bonus pay, and Inuit employment initiatives.

Energy Alternatives

In 2015, QEC outlined the Corporation's four strategic goals. The first strategic goal reads as follows:

"*Qulliq Energy Corporation will reduce dependence on fossil fuels through conservation and alternative energy by 2% by 2018."*

Pursuing alternative energy generation possibilities and conservation measures must be a key focus of the Corporation going forward. While QEC ratepayers cannot bear the sole cost of exploring new energy alternatives, I encourage the Corporation to pursue strategic partnerships with the federal government, research consortiums or other partners to assess the feasibility of new technologies in renewable energy generation, such as wind, solar or tidal power, and to seek out additional sources of funding to continue and expand existing projects such as the SMART Metering program or LED streetlight replacement program.

In addition, QEC should continue to work with the GN's Energy Secretariat to provide its expertise as a utility in all matters related to green energy and conservation efforts. I will engage the Department of Economic Development and Transportation to explore whether there are staffing allocations or other resources at the Energy Secretariat that could be utilized by the Corporation, to further the work of this joint committee.

Accountability and Financial Management Reporting Expectations for 2016-17 Fiscal Year

The *Financial Administration Act* (FAA) is Section IX, Public Agencies, outlines the minimum reporting responsibilities and timeframes for Nunavut's public agencies including particular provisions for territorial corporations. Additionally, in the interest of increased transparency, accountability and effectiveness, Ministers responsible for territorial corporations have issued directives to provide additional important information to the GN and Nunavummiut.

Ongoing reporting responsibilities through tabling in the Legislative Assembly include:

- The Corporation's Business Plan, at the same time as the GN's Business Plan is tabled.
- A yearly comprehensive report on all procurement, contracting and leasing activities undertaken by QEC. This report, or reports, should contain at a minimum the information currently available in the GN Annual Procurement Activity Report, Lease Activity Report and Contract Activity Report. (In preparing the Lease Activity Report, please ensure that information, which may provide an unfair business advantage to potential competitors, is not disclosed).
- Formal responses to letters of expectation, letters of instruction, and Ministerial directives at the first session of the Assembly subsequent to the Corporation receiving such correspondence.

During 2016-17, you are once again instructed to give attention to the following ongoing reporting responsibilities to the Department of Finance:

- Board approved budget variance reports and expense projections for both operations and maintenance and capital on at least a quarterly basis.
- All schedules and working papers required for the preparation of the consolidated public accounts at their earliest availability or as per the distributed requirement timetable.
- Management letters (and the Corporation's response) issued by the auditor (both the Auditor General of Canada and any other independent auditor) for all audits conducted on the Corporation for the year.
- QEC is asked to work with staff at the Department of Finance's Financial Reporting and Controls to ensure Public Sector Accounting Standards are implemented in all financial reporting.
- QEC will direct its auditors to copy the Comptroller General on the annual audit plan, annual audit results, and management letters and/or other reporting.
- QEC will enable the Internal Audit Services, Department of Finance, to carry out its audit duties and responsibilities and shall ensure that the Internal Audit Services has full, unrestricted, and timely access to all organizational activities, records, property, and personnel.

I look forward to discussing the priorities and expectations in this Letter of Expectation with you, the Board of Directors and the President and CEO. I also look forward to reviewing your response to this letter.

In replying to this letter, please copy Chris D'Arcy, Deputy Minister of Finance, who will ensure that all public agency responses are tabled in the Legislative Assembly at the appropriate time.

Sincerely,

Honourable George Hickes
Minister responsible for the Qulliq Energy Corporation

Cc: Jamie Flaherty, acting President and CEO, Qulliq Energy Corporation
Cc: Chris D'Arcy, Deputy Minister, Department of Finance

P.O. Box 2410
Iqaluit, Nunavut, X0A 0H0
(867) 975-5074
(867) 975-5095
www.gov.nu.ca