



2022-2023 Annual Report



ᑭᓄᓐ-ᓇᓇᓄᓐ ᐅᐱᓐᓇᓄᓐᓇᓄᓐᓇᓄᓐ ᓇᓇᓄᓐ
Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

TABLE OF CONTENTS

Corporate Profile	1
Vision, Mission, and Guiding Principles	2
Letter of Transmittal	3
Chairperson’s Message	4
President’s Message	5
Key Activities in 2022-2023	7
Community Contributions	8
Increasing Internal and External Transparency	10
Outlook for 2022-2023 and Beyond	11
Federal Funding Programs	12
Organizational Structure	13
Board of Directors	14
Board Committees	16
Nunavut Power Plants by Age	17
Operations	18
Reliability	18
Performance Reporting	18
Efficiency	20
Generation	20
Distribution	20
Preventative Maintenance	20
Facilities	20
Engineering	23
Power plant Rebuild Projects	23
Net Metering Program	23
Commercial and Institutional Power Producer Program	24
Independent Power Producer Program	24
Alternative Energy and Renewable Energy	25
Geothermal	25
Micro Modular Reactors	26
District Heating System	26
Health, Safety, and Environment	27

Health and Safety	27
Environment	29
Human Resources	31
Staffing and Recruitment.....	31
Labour and Employee Relations	31
Inuit Employment Programs.....	32
Human Resources Projects	33
Employment Summary	34
Information Technology	35
Finance	36
2022-2023 Accomplishments for the Finance Department	36
Highlights of Operations and Accumulated Surplus	37
Highlights of Operations and Maintenance Expenses	38
Highlights of Financial Position (\$ in 000's)	38
2022-2023 Capital Expenditure Summary	39
Key Performance Indicators	39
Disclosure of Debt Forgiveness for 2022-2023.....	40
Management Statement	42
Independent Auditor's Report.....	43
Financial Statements	47

CORPORATE PROFILE

Qulliq Energy Corporation (QEC) is a territorial corporation wholly owned by the Government of Nunavut (GN). The Corporation was originally established in 2001 as the Nunavut Power Corporation under the *Nunavut Power Utilities Act*, and subsequently renamed Qulliq Energy Corporation in 2003. The *Nunavut Power Utilities Act* was also renamed the *Qulliq Energy Corporation Act* as the result of legislation passed in March of 2003, which broadened the Corporation's mandate to respond to a range of energy use and conservation issues within Nunavut. In 2018, the *QEC Act* was further amended, allowing the Corporation to purchase power in anticipation of launching the Commercial and Institutional Power Producers and Independent Power Producers programs.

QEC delivers electricity to approximately 15,000 customers across Nunavut. QEC generates and distributes power to Nunavummiut through the operation of 25 stand-alone diesel power plants in 25 communities, with a total installed capacity of approximately 84,000 kilowatts. The Corporation also provides mechanical, electrical and power line maintenance from three regional centers: Iqaluit, Rankin Inlet and Cambridge Bay. The Corporation's business activities are maintained at the head office located in Baker Lake and corporate offices in Iqaluit.

QEC attends to the overall objectives provided by legislation, supports the Minister responsible for Qulliq Energy Corporation on intergovernmental and regulatory issues, and has the mandate to manage the Corporation's capital projects, and responds to opportunities for alternative generation sources.

All electricity needs in Nunavut are predominantly met by diesel generation. Since launching the Net Metering Program in 2018 and the Commercial and Institutional Power Producer program in 2021, QEC has begun integrating small-scale renewable energy systems into the territory's electricity grid. Each community in Nunavut has its own independent electricity generation and distribution system. There is no back-up grid. QEC is the only energy corporation in Canada without developed local renewable energy resources or regional electricity transmission capability, creating a situation of high dependency on diesel fuel.

VISION, MISSION, AND GUIDING PRINCIPLES

VISION

Qulliq Energy Corporation's vision is to provide the communities of Nunavut with safe, reliable, sustainable and economical energy supply and service. QEC's foundation to achieve its vision is based on an empowered and accountable workforce, representative of Nunavut's population, and reflective of Inuit Societal Values, *Inuit Qaujimagatuqangit* and *Katujjiluta*, the mandate document of the sixth Legislative Assembly of the Government of Nunavut. QEC operates as an enterprise with transparency, accountability and integrity.

MISSION

QEC provides safe, reliable and efficient electricity and plans long-term affordable energy for Nunavummiut.

VALUES

The Values included within the Mission Statement are:

Safety is and will continue to be the Corporation's first priority. This fact is communicated to and reflected in policies and procedures for the Corporation's employees clearly and consistently.

Reliability is second only to safety. The focus of the Corporation's day-to-day operations is the provision of safe and reliable service to customers.

Efficiency is applicable to all of the Corporation's operational and administrative activities. Efficiency indicates QEC's intention to respect the investment in the Corporation made by Nunavummiut, and to use resources with clear attention to reasonableness and value.

At Qulliq Energy Corporation, we are committed to upholding the principle of fair and respectful treatment of our employees and customers. QEC recognizes its responsibility to maintain a diverse, respectful workplace where all employees enjoy an environment in which the dignity and self-respect of every person is valued and which is free of offensive remarks, material or behavior.

QEC is guided in every facet of its operations by Inuit Societal Values and adheres to priorities set out by the Government of Nunavut.

CHAIRPERSON'S MESSAGE

Qulliq Energy Corporation and its leadership completed another fiscal year and made good progress on the priorities set out in our Minister's 2022-2023 Letter of Expectation. QEC continued to focus on maintaining a respectful and harassment-free workplace, improving Inuit representation in the workforce and prioritizing safety practices. In line with the direction from the Minister, the Board of Directors supported the Corporation's leadership to advance nearly 30 requests for decisions that helped to deliver reliable and affordable electricity.

Following restructuring QEC's senior leadership ranks by creating three Vice-President positions, we enhanced operational effectiveness and alignment with the government and our jurisdictional counterparts. This is a critical step in the Corporation's evolution that will ensure the President and CEO will always have dedicated expertise overseeing key operations.

A significant change for our customers was approving and implementing the new territory-wide electricity rates. This was a transformational initiative, 20 years in the making, and addressed the inequities inherited from the Northwest Territories. With financial support from the Government of Nunavut, we minimized customer impacts when the single-rate was implemented.

QEC remains committed to building new infrastructure to deliver essential services across the territory. Power plant replacements for our aging infrastructure remain a top priority. This continues to be our greatest challenge due to high capital costs and our remote Arctic communities. Our new head office in Baker Lake exemplifies QEC's dedication to better serving our customers. The new office promotes a unified work environment and aims to achieve Northern Canada's first Energy Star building certification, raising energy efficiency standards for all of Nunavut's new infrastructure.

QEC's dedicated workforce played a crucial role in overcoming this year's fiscal challenges. Our employees are the strength that allows us to operate in 25 communities, each with separate grids. To this end, collective bargaining with the Nunavut Employee Union resulted in a four-year agreement, including enhancements to leave provisions, pay and operational benefits, and fostering a safe, welcoming, and fair work environment.

Our fiscal year ended on a down note as we dealt with a cyberattack on QEC's information technology system. However, QEC's employees and leadership acted swiftly to contain the cyberattack in January and implement interim IT solutions to maintain day-to-day operations. Support from the Government of Nunavut and cyber experts was vital to respond to and restore the network to near normal operations. We are committed to major investments in the future security of our network to protect our customers and our operations.

Sincerely,



Keith Peterson
Chairperson, Board of Directors
Qulliq Energy Corporation

PRESIDENT'S MESSAGE

As we reflect on the last fiscal year, I write with a deep sense of pride for our employees who continue to step up and deliver on the Corporation's mandate, regardless of QEC's challenges. And just like the safe and reliable power we produce, our employees have depended on each other to continue providing excellence in customer service to Nunavut's communities all year round. This fiscal year came with its own unique set of unforeseen barriers despite the return of a new normal following the global pandemic.

I want to emphasize the importance of maintaining a respectful work environment. Our success is built on collaboration and teamwork, and it is crucial that we treat one another with tolerance, kindness, and respect. We create an attractive, safe workplace that fosters growth and excellence by upholding these values.

In the last fiscal year, we implemented a restructuring of our new executive team to enhance the Corporation's performance and effectiveness. This change aims to streamline decision-making processes and provide better guidance and support to our senior management team. Adding three Vice Presidents' roles has played a pivotal role in improving our efficiency and aligning our operations with government and jurisdictional counterparts. With this new structure in place, it has allowed me, as President and CEO, to focus on strategic areas and broader initiatives that will drive the future success of our corporation. However, none of this would be possible without our entire workforce's continuous support and dedication.

Signing a new collective agreement for unionized staff further highlights QEC's commitment to its people. We continuously strive to offer better wages and benefits to employees, as evidenced by the diligent efforts of the Nunavut Employees Union and the Corporation, which reached an agreement. This four-year agreement honors the union's advocacy for its members and the hard work of QEC's workforce, who work tirelessly to deliver a critical service.

Customers also remain at the forefront of making positive changes. In 2022-2023, QEC was finally approved for new territory-wide electricity rates. This means all customers of the same type now pay the same rate for electricity regardless of where they live, and its implementation is expected to significantly impact commercial development in the territory. This remarkable milestone is welcome after 20 years of advocating for fairer rates for customers and was made possible by significant investment from the Government of Nunavut (GN) that further promotes economic growth in our communities. Also, the approved 5% revenue increase was the lowest QEC has ever requested since the Corporation's establishment.

In 2022-2023, QEC began accepting applications for the Independent Power Producer program after receiving interim ministerial approval to implement the program. The GN's attention on removing barriers to deploying renewable energy highlights the importance of territorial support as we look at ways to move away from diesel. The Corporation is working closely with stakeholders, including Nunavut Tunngavik Incorporated (NTI), program participants, to improve all QEC's renewable energy opportunities.

Moving major projects forward is essential in delivering a critical service to the territory. The Corporation's brand-new head office in Baker Lake will soon be open for business and is a testament to QEC's significant investment in better serving customers across the territory and supporting the local community. QEC also aims for an Energy Star building certification for this state-of-the-art and environmentally friendly facility. If successful after a 12-month assessment period, it will be the first in Canada's northern territories to achieve this status. Government officials joined us in Arctic Bay for a community feast to celebrate the long-term benefits of the new local power plant. We are grateful to all Nunavut communities for their patience and support while we build critical infrastructure to improve our operations and help us deliver the best possible service.

I also applaud our staff for achieving an overall score of 88% for the Certificate of Recognition (COR)'s External Audit this year. The national certification is meant to encourage safer workplace behaviors and practices which result in

improved safety performance. Closely scoring behind the previous year's internal audit score means the Corporation and its employees continue to strive for better safety functions, as well as transparently evaluating of its current practices.

In the final quarter of the fiscal year, QEC was hit with a cyber-attack shutting down access to critical networks and applications. In response, QEC and the GN's Community and Government Services Information Management Information Technology department immediately began restoring IT infrastructure and rebuilding a modern and secure network for the Corporation. My colleagues, counterparts, the federal government, and outside cybersecurity experts generously supported and guided efforts in bringing our information technology operations back to normal. Our IT needs are significant and further work is required to modernize and transform the entire network so that the Corporation will be even better equipped and more secure in the future.

I am reassured by our employees who keep responding effectively and efficiently to each new challenge we face and by the support we receive from customers and local communities in moments we need it most. We are prepared for whatever challenges the future may hold.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Nippard". The signature is written in a cursive, flowing style.

Bill Nippard
Acting President and Chief Executive Officer
Qulliq Energy Corporation

KEY ACTIVITIES IN 2022-2023

- Celebrated the Arctic Bay Power Plant opening with a local community feast
- Ongoing Energy Wise energy conservation programming
- Improved internal crisis communications processes in response to cyberattack
- Approved territory-wide rate resulting in a more equitable structure for customers
- Appointed three new members to the Board of Directors
- Achieved 99.98% reliability rate, a record year for Nunavut's solely owned utility
- Maintained fuel efficiency rate was 3.72 kilowatt hours per litre
- Replaced streetlights with LED technology in Arviat, Pangnirtung, and Kimmirut
- Replaced generator sets in Gjoa Haven, Pond Inlet and Clyde River
- Priority facilities work was completed in seven different communities
- Significant progress was made on the Baker Lake head office capital project
- Renovations for the Iqaluit main power plant were completed
- Kugluktuk power plant design was retendered as required for procurement processes
- Progressed tendering for generator set replacements in Baker Lake, Sanikiluaq, Clyde River and Iqaluit
- Awarded design contracts for power plant replacements in Cambridge Bay, Igloolik, and Gjoa Haven
- Completed distribution upgrades in Rankin Inlet, Whale Cove and Resolute Bay
- Increased number of Commercial and Institutional Power Producer and Net Metering Program customers
- Continued to develop the Independent Power Producer program and complete technical assessments
- Connected community buildings to the new district heating system in Taloyoak
- Awarded Certificate of Recognition by Northern Safety Association by passing external audit
- Implemented new tracking system for health, safety, and environment courses
- Hosted Health and Safety Week activities for employees
- Kugluktuk and Pond Inlet employees received QEC's Award of Excellence for safety
- Created seven new standard operating procedures and four new safe work practice
- Conducted hazardous building material assessments for properties in six communities
- Filled 30 positions through competition or developmental internal transfer assignments
- Nunavut Inuit employees represent 55% of QEC's workforce
- Signed a collective agreement between the Corporation and Nunavut Employees Union
- President and CEO led meetings to engage with employees and promote respect in the workplace
- Engaged 95% Inuit employees in the Inuit Career Development Program by the end of the fiscal
- Approved changes to the Apprenticeship Program by the board with four indeterminate positions
- Finalized payroll system implementations
- Quickly and efficiently responded to cyber-attack with support from key stakeholders

COMMUNITY CONTRIBUTIONS

As the exclusive generator and distributor of electricity in Nunavut, QEC's commitment to Nunavummiut includes supporting and building relationships throughout the territory by actively participating in community events and providing financial and in-kind contributions to community and non-profit organizations. QEC takes pride in its employees' ongoing dedication to these community events and their engagement with the goal of conducting business in a socially responsible manner.

QEC's business practices are steered by the Inuit Societal Values of:

Inuuqatigiitsiarniq: Respecting others, relationships and caring for people

Tunnganarniq: Fostering good spirit by being open, welcoming and inclusive

Pijitsirniq: Serving and providing for family and/or community

Aajiiqatigiinni: Decision making through discussion and consensus

Pilimmaksarniq/Pijariuqsarniq: Development of skills through observation, mentoring, practice and effort

Piliriqatigiinni/Ikajuqatigiinni: Working together for a common cause

Qanuqtuurniq: Being innovative and resourceful

Avatittinnik Kamatsiarniq: Respect and care for the land, animals and the environment

PIJITSIRNIQ & PILIMMAKSARNIQ/PIJARIUQSARNIQ

DONATIONS AND SPONSORSHIP

In 2022-2023, QEC continued to see limited donation and sponsorship requests, likely due to the remaining effects of the global pandemic and departmental staffing shortages.

COMMUNITY FEAST

In July 2022, QEC hosted a ribbon cutting, community feast, and prize draws with government officials in Arctic Bay to celebrate the territory's newest power plant. His Worship Mayor Moses Oyukuluk and community residents welcomed the Corporation and Nunavut's dignitaries to mark the major milestone. The event was meant to thank valued community members for their support and patience while the replacement project was underway.

LAURA ULLURIAQ GAUTHIER SCHOLARSHIP AWARD

QEC awards a \$5,000 scholarship to an outstanding Nunavummiut who demonstrates a strong academic record and commitment to community involvement. Presented annually, the scholarship celebrates Laura's vital role in the creation of what is now known as Qulliq Energy Corporation and her community spirit.

Tati Connelly-Clark of Rankin Inlet was awarded the 2022 Laura Ulluriaq Gauthier Scholarship. She was selected for her passion for food security and community volunteering in Nunavut. Ms. Connelly-Clark is currently pursuing a Social Services Diploma at Nova Scotia Community College. She plans to return to the territory and continue her work in community wellness.

SKILLS NUNAVUT

Recognizing the importance of the skilled trades and technology sector to its business, QEC has been a long-term and active supporter of the Nunavut chapter of Skills Canada. The organization's promotion of the skilled trades and technology sector as a viable career for the young generation of Nunavut reflects QEC's vision of a proficient workforce, representative of Nunavut's population. QEC was not able to participate in the 2022 Nunavut skills competition as there was not a health and safety portion included on the itinerary.

INCREASING INTERNAL AND EXTERNAL TRANSPARENCY

QEC continues to strengthen the organization by building trust internally through frequently and clearly communicating new projects, information and direction, employees, customers, and communities have been able to better share in QEC's vision.

TUNNGANARNIQ & PILIRIQATIGIINNIQ/IKAJUQTIGIINNIQ

GENERAL RATE APPLICATION

In spring 2022, QEC heavily focused its communications on providing government officials, customers and the public with accurate and pertinent information regarding the Corporation's General Rate Application request. The territory was purchasing electricity inequitably for decades due to a previously inherited rate structure. Highlighting the details of why this was such a significant and necessary change in easily understandable language was especially challenging due to the complexity of rate structure concepts. The Corporation's careful consideration and strategic approach to sharing request details was crucial in the government's pivotal decision to move to a territorial rate structure.

CRISIS COMMUNICATIONS

In 2022-2023, the Corporation continued to make best efforts in improving internal and external communication, especially during a crisis. An unexpected cyber-attack in the last quarter helped exercise QEC's emergency communications response. With limited resources, the Corporate Affairs department quickly and swiftly implemented strategies to best keep employees and the public apprised of critical information. QEC's commitment to transparency played a key role in guiding communication on how customers were affected by office closures and billing delays.

OUTLOOK FOR 2022-2023 AND BEYOND

QEC's successes in the last fiscal year are in large part a result of support from Nunavut's communities. In the wake of a cyber-attack, while responding to power outages, or during the construction of major projects, QEC's employees have been instrumental in ensuring the Corporation can meet its mandate. This same sentiment can be said for valued customers and community members who continue to steer the Corporation's focus and bolster its commitment to giving back. Strengthening this relationship between QEC and the community is pivotal to prosperously running the territories sole utility.

Just like QEC's valuable customer base, the Corporation will continue to specifically seek feedback from participants in its renewable energy programs to identify gaps and remove application barriers. Participants of these programs are motivated to improve local environmental stewardship and are positioned to make a difference in the territory's fuel consumption. QEC is committed to continuing to look for ways to promote and make these programs accessible to the territory's diverse population.

QEC looks forward to the long-lasting and long-awaited effects of Nunavut's new territory-wide rate structure. This historical change is expected to profoundly impact the Corporation's customer base, no matter where they live in Nunavut. This change will make it more economical for businesses, especially those in remote communities. QEC's leadership looks forward to continuing to garner these monumental changes in policy for the betterment of the territory's people.

Employees and the community are essential to QEC's operations. The Human Resources department strives to retain and maintain a full complement of employees despite staffing shortages following the global pandemic. While challenges remain, continued efforts in bolstering a respectful and harassment-free workplace ensures a healthy working environment for current and future staff.

ARCTIC ENERGY FUND

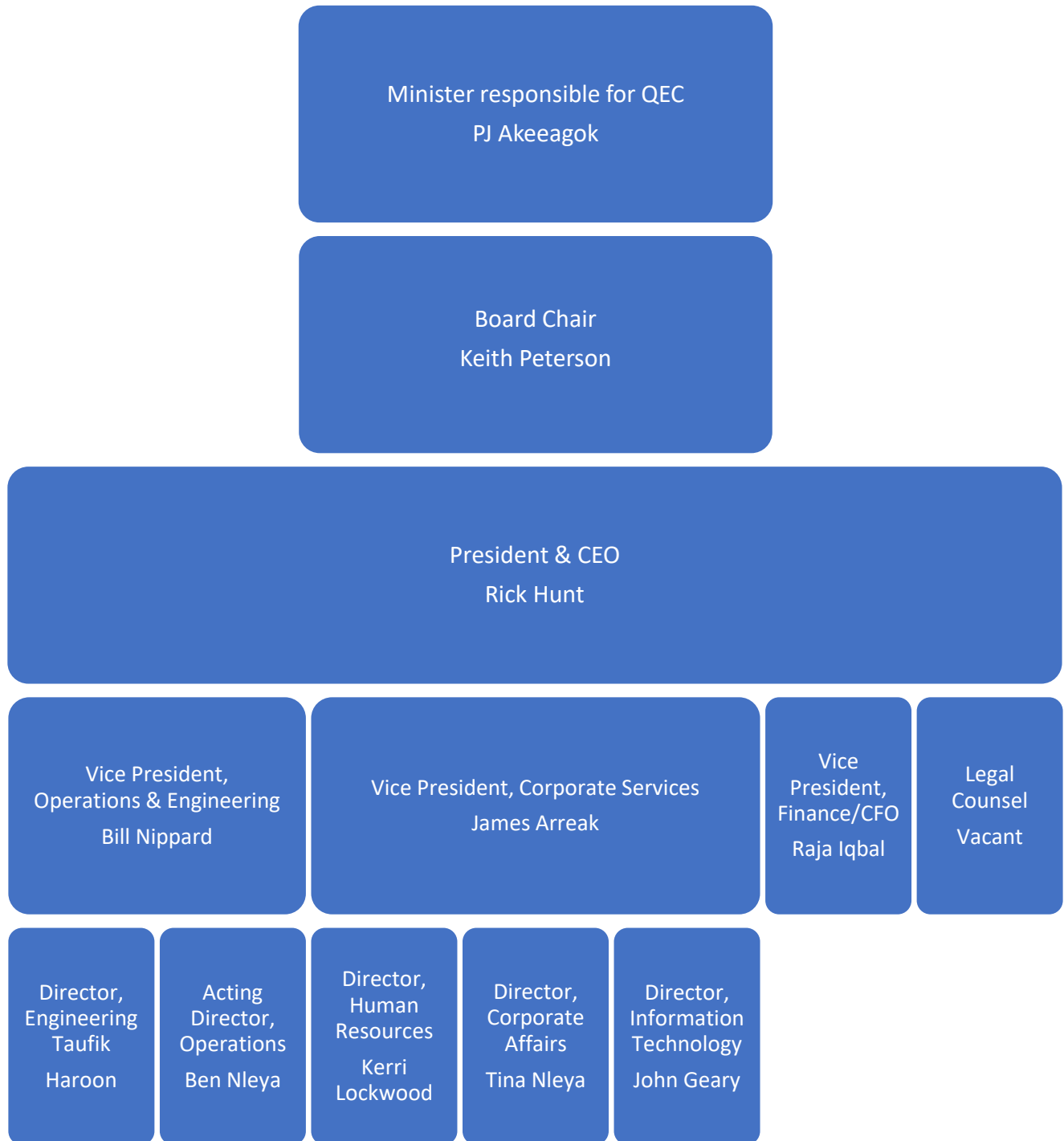
The Arctic Energy Fund (AEF) is a federal funding program aimed at enhancing energy efficiency and reliability in the North and is offered through Infrastructure Canada's Investing in Canada Infrastructure program. This fund will provide QEC up to \$175 million under a 75/25 percent cost shared arrangement.

Under this major construction initiative, QEC has identified complete power plant rebuilds and generator set replacements across the territory in communities which need it most. These upgrades are required to replace aging infrastructure and to ensure QEC is able to meet the energy needs of Nunavut's communities. QEC will communicate more details as projects receive funding.

To date, the Corporation has received Arctic Energy Funding approval for four new diesel power plants (Kugluktuk, Cambridge Bay, Gjoa Haven and Igloodik) and nine diesel power generator upgrades in six other remote communities (Clyde River, Rankin Inlet, Chesterfield Inlet, Iqaluit, Coral Harbour, Pond Inlet, and Whale Cove). In 2022-2023, we made progress with procuring design work for Cambridge Bay, Igloodik and Gjoa Haven power plants, as well as generator sets for Clyde River and Iqaluit, with expected installation in 2023-2024. The Corporation continues to retender the Kugluktuk power plant design, as previous attempts resulted in budget difficulties. In the next fiscal year, QEC will implement contingency plans to resolve the issues associated with tendering this specific power plant design.

ORGANIZATIONAL STRUCTURE

As at March 31, 2023



BOARD OF DIRECTORS

QEC's Board of Directors is appointed by the Minister responsible for QEC. Under *the QEC Act*, the Board of Directors must be composed of no fewer than six directors, and no more than ten directors. The appointment terms for board members are staggered and are for up to three-years. This ensures the Corporation maintains business continuity and allows for growth in experience and knowledge. In 2022-2023, QEC appointed three new members to the Board of Directors and QEC commenced efforts to recruit new members at the end of the fiscal year. New members for the Corporation's Board of Directors will be appointed by fall 2023, pending cabinet approval.

As of March 31, 2023, current members include:

Keith Peterson, Chairperson

Keith Peterson is a former cabinet minister in the Government of Nunavut and a Member of the Legislative Assembly (MLA) representing Cambridge Bay. He was responsible for the portfolios of Finance, Justice, and Health and also served as the Minister responsible for QEC. Mr. Peterson was the Mayor of Cambridge Bay for two-terms and has held various positions with other public and private sector boards. He has considerable experience in leading government departments, territorial corporations, board governance and community relations. His home is in Cambridge Bay.

Andrew Nakashuk, Vice Chair

Andrew Nakashuk has been an active member of committees, organizations, and boards for many years within Pangnirtung, the Baffin region, and across Nunavut. He is currently chairperson on the Nunavut Planning Commission, facilitating community consultations and planning meetings. Mr. Nakashuk has extensive experience with the land, serving as conservation and fishery officer, bear monitor, and interpretive guide. He has completed training in response to environmental emergencies, search and rescue management training, and various courses through the RCMP. Mr. Nakashuk resides in Pangnirtung.

Johnny Mike

Johnny Mike is a former MLA for Pangnirtung and has over 30 years of experience in business, government, and management roles throughout the territory. Mr. Mike was heavily involved in the Inuit land selection negotiations for South Baffin communities during Nunavut's land claim agreement process. As a former employee of the Northern Canada Power Commission, President and CEO of QEC and NCC Investment Group, board member of QEC, and Minister responsible for QEC, Mr. Mike has a strong understanding of QEC's operations and governance. He is currently a board member for Pangnirtung Hunters and Trappers Organization. Mr. Mike is a Red Seal certified mechanic and resides in Pangnirtung.

Clarence Synard

Clarence Synard has spent over 26 years working in the North. He is currently the President & CEO of NCC Investment Group. In his multiple roles with NCC over the years, he has actively fostered strong relationships throughout the territory and focused on the health and safety of colleagues and employees. An active member of the community, Mr. Synard is the President of the Baffin Regional Chamber of Commerce, Vice President of the Board for Skills Nunavut, and a member of the Government of Nunavut's Building Advisory Committee. He received his Red Seal Journey Certificate (Carpentry) from the College of the North Atlantic. Mr. Synard resides in Iqaluit.

Nayab Khan

Nayab Khan is currently the Chief Financial Officer for Nunavut Arctic College. She has worked in numerous financial roles throughout her career, most recently with Nunavut Housing Corporation where she was a District Comptroller. Ms. Khan is a Certified Management Accountant and has a specialization in forensic accounting. She graduated with a Bachelor of Science in Mathematics and Economics from the University of Peshawar and has a Master of Public Administration from Flinders University. Ms. Khan resides in Iqaluit.

Maya Jelali

Maya Jelali possesses two bachelor's degrees (in arts and science), a Master of Social Science, a project management certification, a graduate diploma, and is currently working toward a Master of Public Policy and Administration. She brings her extensive educational credentials to her career as a Labour Market Programs Specialist with the Government of Nunavut's Department of Family Services. Throughout her career, she has gained experience in human resources, project management, policy, government relations, and stakeholder engagement. She is an experienced operation and project manager, PMP® Certified, and has an extensive experience in program development and evaluation, policy, strategic human resources management and project management. Maya has been a resident of Iqaluit for 8 years and has worked for the Federal Government, Qikiqtaaluk Corporation and is now with the Government of Nunavut as a specialist in Labour Market Programs. She is also a director with the Habitat for Humanity Iqaluit board and is passionate about training and development, having successfully designed various training initiatives targeting Inuit skills development. Ms. Jelali is an Iqaluit resident.

Marvin Dion

With 40 years of experience as a power plant operator and superintendent in both Nunavut and the Northwest Territories, Marvin Dion, brings a well-developed understanding of power generation to QEC's Board of Directors. Currently, he works as a foreman with Sarliaq Holdings in Rankin Inlet. Mr. Dion was previously elected as mayor of Coral Harbor and subsequently served a term as deputy mayor. Over the years, he has also been involved with many Keewatin and Kivalliq regional boards and is a supporter of many community groups.

Jeannie Ehaloak

Jeannie Ehaloak is a former MLA and Mayor of Cambridge Bay with extensive knowledge, experience, and accountability for the implementation of corporate policies, programs and projects. She worked effectively in consultation and strengthened communications with community members during her tenure as Mayor, MLA and Minister. Jeannie has acquired a greater understanding and appreciation for government policies and procedures in her roles as a Member of the Legislative Assembly, specifically as Minister of Justice, Human Rights, Labor, Democratic Institutions, Status of Women, Qulliq Energy Corporation, Environment and Community and Government Services. While serving as QEC's Minister, she gained a unique understanding of QEC's operations and governance procedures. Jeannie is a resident of Cambridge Bay.

BOARD COMMITTEES

HUMAN RESOURCES AND IQ COMMITTEE

The Human Resources and IQ Committee provides recommendations relating to the Corporation's organizational workforce. The committee reviews human resources and compensation and benefits matters pertaining to all QEC employees. In addition, the committee evaluates programs and initiatives related to Inuit employment, training and development, employee and labour relation environments, implementation of collective agreements, and initiatives aimed to improve the capability and capacity of employee performance results.

FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee assists the board in meeting its oversight and financial responsibilities and accountabilities to the Corporation, stakeholders, the Government of Nunavut, and customers. The committee facilitates communication between the board and the external auditor and is the presiding body related to the activities of the internal auditor.

ALTERNATIVE ENERGY COMMITTEE

The Alternative Energy Committee provides recommendations to the board regarding the viability of alternative or renewable energy technologies in the North. The committee also provides input on financing options and financing sources for development, demonstration projects, research initiatives, collaboration opportunities, and supportive and overlapping mandates of other organizations.

GOVERNANCE COMMITTEE

The Governance Committee's primary function is to ensure that the QEC Board of Directors maximizes its effectiveness and is abreast of best practices for governance as it pertains to developing effective strategies for oversight and accountability to the Corporation and its shareholder.

OPERATIONS

The Operations department has a mandate of generating and distributing safe, reliable electricity to all Nunavut communities. Each community has its own power plant operated by employees who live in the community. Electricians, mechanics, meter techs, fleet personnel and power line technicians, based in the regional centers of Cambridge Bay, Iqaluit, and Rankin Inlet, support power plant staff in the communities.

Operations continues to build an exceptional team with the expertise and willingness to address operational concerns presented by the environment, aging infrastructure, and increasing demand for renewable energy alternatives. In addition to its core responsibility of electricity generation and distribution to the territory, Operations works closely with the departments of Engineering, Health, Safety, Environment, and Finance to facilitate and execute QEC's capital plan.

RELIABILITY

Providing a reliable electricity supply to Nunavummiut is one of Operation's top priorities. In 2022-2023 QEC reported a 99.98 percent reliability rate across the territory, a similar rate to the previous fiscal year, despite challenges of operating a critical service during a global pandemic. Operations continually strives to improve power supply reliability, meet increased demand for electricity, and cope with the harsh northern climate.

QEC calculates its reliability rate based on the number of planned and unplanned power outages that occur during the year and the length of time that customers are without power using the Canadian Electricity Association reliability reporting guidelines. Planned power outages occur when work is required on de-energized power plant equipment or an electrical distribution system to help ensure the safety of QEC's Operations and Maintenance team. Unplanned outages generally occur as a result of adverse weather, external factors, or unexpected equipment failures.

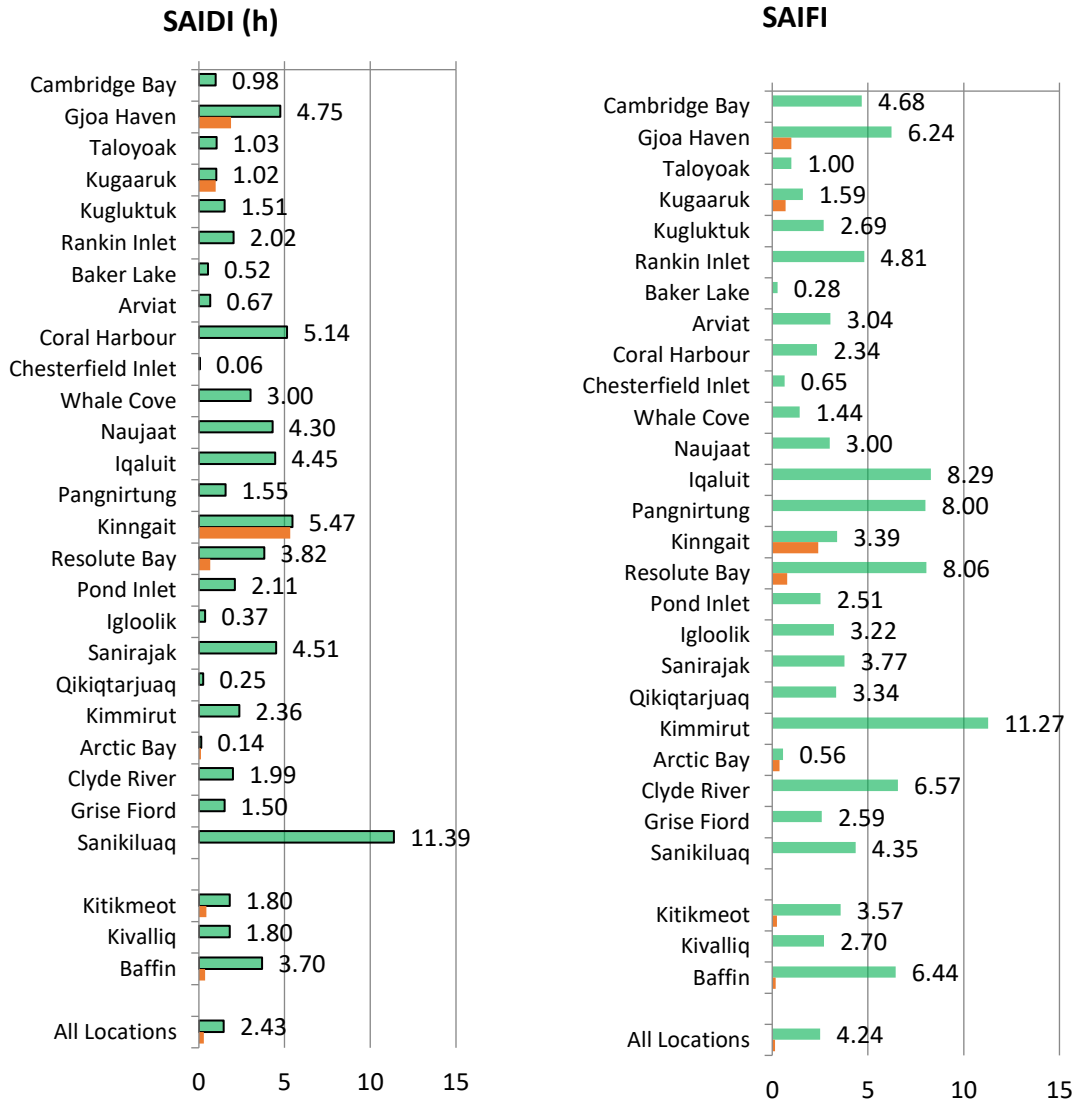
During the 2022-2023 fiscal year, the following communities had the most reliable power supply in the territory:

- Chesterfield Inlet, Baker Lake, Cambridge Bay, Arviat, Igloolik, Qikiqtarjuaq and Arctic Bay all experienced reliability of 99.99%.
- Overall, the average QEC customer experienced a frequency of 4.24 power outages, an increase from the previous fiscal year which was 3.32. The average QEC customer also experienced 2.43 hours of power interruption, an increase from the previous fiscal year of nearly two hours.

Operations continues to improve its operational and maintenance practices through pro-active inspections and preventative maintenance of the power plants and equipment.

PERFORMANCE REPORTING

Operations measures performance data to report power interruption statistics each year. Power interruptions or outages are defined by a loss of electricity supply from the QEC power system to its customers. Performance reporting on power interruptions helps determine the quality and performance of QEC's utility service and distribution systems and can indicate areas in need of improvement. Each year QEC measures performance indicators such as the **System Average Interruption Frequency Index (SAIFI)** for customers and the **System Average Interruption Duration Index (SAIDI)** for communities. These are standard power utility industry measurements of performance. The tables below indicate the results of this analysis. The reliability statistics reflect QEC's commitment to safe, reliable power for all Nunavummiut.



The **System Average Interruption Frequency Index (SAIFI)** shows the average number of interruptions a customer experienced in each community and region from April 1, 2022, to March 31, 2023. The average number of interruptions is calculated by dividing the total number of customer interruptions by the total number of customers served. Unplanned power outages are in green. Planned power outages are in orange. In 2022-2023, SAIFI was 4.24 interruptions per customer on average, an increase from the previous year.

The **System Average Interruption Duration Index (SAIDI)** shows the average outage durations (in hours) for QEC's system in each community and region from April 1, 2022, to March 31, 2023. The average outage duration is calculated by dividing the sum of all customer interruption durations by the total number of customers served. Unplanned power outages are in green. Planned power outages are in orange. In 2022-2023, SAIDI was 2.43 hours per customer on average, an increase from the previous year.

EFFICIENCY

Through QEC's capital plan, the Corporation continues to invest in power plant equipment that will help improve fuel efficiency and reduce fuel consumption. Enhancements in fuel efficiency are achieved through a combination of upgraded generator sets, improvements in equipment maintenance practices, and modifications to power plant automation and control systems. These initiatives ensure that power plants are operating at an optimum level while meeting the daily power demand in each community.

In 2022-2023, QEC's fuel efficiency rate was 3.72 kilowatt hours per litre, a rate consistent over the last three fiscal years. Despite QEC's aging infrastructure, Operations continually works to improve its fuel efficiency performance. While primarily reliant on diesel generation, QEC strives to reduce the amount of fuel consumed to generate electricity, which in turn reduces greenhouse gas emissions.

GENERATION

To manage the challenges presented by aging power infrastructure across the territory, Operations adheres to a strict maintenance schedule on all equipment in the 25 power plants. Operations collaborates with the Engineering department on upgrades to existing power plant infrastructure and construction of new power plants. In 2022-2023, Operations worked with Engineering to commission a new generator set in Pond Inlet. Generator set upgrades allow QEC to meet the current and future energy needs of the communities. Operations continues to work with Engineering on design and planning for diesel power plant replacements across the territory.

DISTRIBUTION

QEC's Power Line Technicians (PLTs) spend most of the winter months flying into outlying communities to repair damage to power lines and poles and to correct issues with customer connections caused by adverse weather conditions and external factors. During the spring and summer months, the PLTs focus on maintaining the distribution systems, performing preventative maintenance, and preparing the systems for new customer connections as demand for electricity continues to grow across the territory.

During the 2022-2023 fiscal year, Operations was involved in a variety of preventative maintenance projects in an effort to improve reliability and meet the power needs of each community. Operations also continued to work with Engineering on capital projects, including LED technology street light replacement projects in Arviat, Pangnirtung, and Kimmirut.

PREVENTATIVE MAINTENANCE

QEC Operations staff develop annual work plans to assist with resource planning and budgeting. The team meets each week to share and discuss divisional monthly and weekly schedules. In 2022-2023, maintenance staff faced significant delays in lead time for parts due to the after effects of COVID-19 impacting the global supply chain. QEC staff were able to adjust and modify procurement processes by factoring in the extended lead time for parts supply. A cyber-attack in January also significantly impacted the planning and the procurement process for parts and equipment.

FACILITIES

TRANSIENT UNITS

The Facilities division works diligently to assess the conditions of QEC's transient units on a per unit basis. Required repairs and maintenance continue to be prioritized and completed in a cost effective and timely manner. Regular maintenance practices include fuel and sewage tank inspections, annual furnace servicing and water tank cleanings,

ensuring all fixtures and fittings are operable and properly secured. Larger scale repairs such as furnace replacements, roof repairs, and plumbing issues are completed as necessary to keep the units in good working order.

As of March 31, 2023, QEC had a total of 32 transient units, some of which are vacant due to significant renovation requirements. The table below shows the breakdown by size of unit (bachelor unit, 1 bedroom unit, 2 bedroom unit, 3 bedroom unit and 4 + bedroom unit).

Unit Size	Total
Bachelor	0
1 Bedroom	1
2 Bedroom	19
3 Bedroom	9
4 Bedroom	2
5 Bedroom	1
Total # Units	32

In 2022-2023, Facilities completed routine repairs and maintenance throughout the territory as well as priority items in seven communities (Pangnirtung, Pond Inlet, Sanirajak, Iqaluit, Arviat, Coral Harbour, and Kugaaruk). These priority items included fuel tank replacements, heat trace installations and furnace replacements, as well as emergency transient repairs after a freeze up.

In light of the COVID-19 pandemic, Facilities was able to purchase three new transient modular units to allow for the occupation of three staff members in the transient, each having a separate bedroom and washroom with shared kitchen, dining and living areas. Facilities has since implemented options to make the layout of those three transient units as a design standard for QEC transient unit for future replacements.

STAFF HOUSING PORTFOLIO

As of March 31, 2023, QEC had a total of 135 staff housing units. The table below shows the breakdown by staff housing units in each region and size of unit (bachelor unit, 1 bedroom unit, 2 bedroom unit, 3 bedroom unit and 4+ bedroom unit).

Unit Size	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	Total # Units
Iqaluit	0	30	16	29	4	0	79
Rankin Inlet	0	1	3	4	0	0	8
Baker Lake	0	13	13	9	0	0	35
Cambridge Bay	0	1	3	7	2	0	13
Total	0	45	35	49	6	0	135

Facilities frequently analyzes the accommodation needs of QEC staff. This may result in non-renewal of unsuitable leased accommodations due to changing living requirements or undesirable unit locations or conditions. Several QEC-owned staff housing units have been assessed and projects have been initiated to improve the condition of the properties through repairs or renovations or have been identified as non-feasible and will be taken offline as necessary.

BAKER LAKE HEAD OFFICE

Significant progress took place for QEC's new Baker Lake head office in 2022-2023, including several construction challenges that delayed staff moving into the facility until shortly after the end of the fiscal year. The new head office will accommodate all administration staff in the community who are located in three different offices in the community, with spaces available for growth. The building will also be assessed for a 12-month period with the goal of becoming Canada's first northern Energy Star certified facility.

IQALUIT MAIN PLANT OFFICE RENOVATIONS

Renovations at the Iqaluit power plant were required to gain 16 additional workstations and accommodate the Corporation's Operations and Engineering staff in one building. All construction work was completed in 2022-2023, which included sound suppression panel installations on the wall separating the generator hall from the space that is now occupied by engineering staff.

ENGINEERING

The department of Engineering is responsible for the Corporation's capital planning which includes, but not limited to, design, execution, project management and to provide technical support services to other internal departments. The department also conducts technical assessments and life cycle analyses for new and existing power plant infrastructure. The strategic partnership between the Engineering and Operations departments ensures support for technical issues, long term planning, and execution of QEC's Corporate Plan. Close collaboration with the Operations, Finance, and Health, Safety, Environment and Facilities departments is paramount in successfully completing generator set replacements and installations, along with distribution and fuel system upgrades, to ensure a safe and reliable electricity supply for all Nunavummiut across the territory.

POWER PLANT REBUILD PROJECTS

QEC has developed project plans to replace 10 power plants that are operating beyond, or near the end of, their life span (Resolute Bay, Kugluktuk, Cambridge Bay, Gjoa Haven, Kugaaruk, Igloolik, Sanirajak, Chesterfield Inlet, Rankin Inlet, and Arviat). Power plants with aging equipment and infrastructure are at a higher risk of power interruptions due to system failures and in some cases, may not meet the current and future energy requirements of a community. Measures are regularly taken to ensure that aging infrastructure and equipment can continue operating beyond its life span, however, power plant replacements are required to ensure that QEC can provide safe and reliable power to all communities across the territory.

During the 2022-2023 fiscal year, the following activities for power plant rebuild projects took place:

- Arctic Bay's new power plant project is providing power to the community and the project is now completed and closed.
- Kugluktuk's hybrid diesel-solar power plant tendering process was cancelled and the design work was revised to exclude the solar photovoltaic installation, battery storage facility, and 2.2-million-liter fuel tank. The new power plant will follow the standard rebuild model with a four-generator set line up and two-90,000 liter capacity fuel tanks.
- LED street light replacement installations were completed in Arviat, Pangnirtung and Kimmirut.
- Quonset garage replacement projects were completed in Grise Fiord, Taloyoak and Gjoa Haven.
- Generator set replacement projects were completed in Gjoa Haven, Pond Inlet and Clyde River.
- Tendering processes progressed for generator set replacements in Baker Lake, Sanikiluaq, Clyde River and Iqaluit.
- Design contracts were awarded to build new power plants in Cambridge Bay, Igloolik, and Gjoa Haven.
- Engineering also completed three phase line upgrades in Rankin Inlet, line protection system upgrades in Whale Cove and a feeder upgrade in Resolute Bay.

NET METERING PROGRAM

Launched in April 2018, QEC's Net Metering Program allows residential customers, and one municipal or hamlet account per community, to generate their electricity supply by installing their own renewable power generation systems of 10 kilowatts or less. Eligible customers receive credit for the surplus electricity they produce and send to QEC's electrical grids. As of March 31, 2023, the program has approved 14 municipal customers (two of them are not connected) and 13 residential customers (four of them are not connected).

Total Capacity (kW)		
Category	Installed and in service	Approved but not in service
Commercial	140 kW	20 kW
Residential	42.0 kW	25.6 kW
Total	182 kW	45.6 kW
Grand Total:		227.6 kW

COMMERCIAL AND INSTITUTIONAL POWER PRODUCER PROGRAM

QEC's Commercial and Institutional Power Producers (CIPP) program allows existing commercial and institutional customers to generate renewable energy on their premises and sell all generated energy to QEC. For the first time, QEC is able to buy power from CIPP participants at a rate equal to the Corporation's diesel savings. In 2022-2023, QEC continued working with a consultant on a pricing structure analysis for the program as per Ministerial instruction. As of March 31, 2023, the Corporation has:

- approved and connected three participants in Rankin Inlet, Iqaluit and Baker Lake
- approved, but not yet connected one participant in Cambridge Bay
- received applications and deposits from three potential participants in Arctic Bay, Pond Inlet, and Iqaluit

INDEPENDENT POWER PRODUCER PROGRAM

QEC continued developing the Independent Power Producer (IPP) program in 2022-2023. This program will allow producers outside of the utility to generate electrical power from renewable energy systems to sell directly to QEC. Inuit organizations and municipalities will be given the first opportunity to own and operate community scale installations in their respective regions. QEC is proposing to buy power from IPPs for up to the avoided cost of diesel – the maximum price that QEC can pay for renewable energy without raising customer rates. In 2022-2023, QEC received interim ministerial approval to implement the program and begin accepting applications for the technical feasibility studies. QEC received three Connection Impact Analysis applications for potential participants in Sanikiluaq, Naujaat and Coral Harbour, and several other initial applications.

ALTERNATIVE ENERGY AND RENEWABLE ENERGY

QEC's mandate is to plan and provide for Nunavut's long term needs for affordable energy, while taking into consideration Nunavut's desire to enhance energy self-reliance and to conserve energy and energy resources. To achieve this, QEC's Alternative Energy section advances initiatives that aim to reduce the territory's reliance on diesel fuel and decrease greenhouse gas emissions, while further working toward energy independence for Nunavummiut.

The Government of Nunavut's mandate, *Katujjiluta*, highlights investigating the potential for alternative building technologies to be used and manufactured in Nunavut as a territorial outcome. Continuing to build on strong relationships with the land and providing a reliable power supply drives the need to explore alternative energy options that emphasize energy-efficient and climate-friendly construction.

The reliability of some alternative energy sources, which produce intermittent rather than continuous or on-demand power, and the large capital cost to transition to these sources, are the biggest challenges to their implementation in Nunavut. These realities mean diesel powered generation can only be reduced for the foreseeable future, but not eliminated, as back-up power is crucial when on demand resources are not available. QEC's limited financial resources are used to maintain and rebuild aging diesel generation facilities; new sources of funding will be required to incorporate alternative energy into the energy mix.

To achieve energy self-reliance with minimal financial impact to the territory's population, QEC works in partnership with federal and territorial agencies such as Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC), Natural Resources Canada (NRCan), Canadian Northern Development Agency (CanNor), Polar Knowledge Canada, and the Government of Nunavut, to facilitate alternative and renewable energy initiatives in the territory. QEC supports other organizations, institutions and private ventures with their projects related to alternative energy technologies in the Arctic through information sharing and joint coordination of feasibility studies.

There are currently "on-demand" alternative energy sources known to QEC that have the potential to replace the reliability of diesel power generation, including hydro, geothermal and Micro Modular Reactors (MMR). At present, technological and financial barriers exist for deploying these generation sources in Nunavut.

In December 2020, the Corporation issued an Alternative Energy Report on QEC's energy options. The report highlights the efforts QEC has undertaken to review and analyze clean energy alternatives for power generation in remote northern environments. QEC's Alternative Energy Report is available on the Corporation's website (www.qec.nu.ca).

GEOHERMAL

Geothermal energy is a renewable and clean form of energy that uses heat from beneath the Earth's surface. Once harnessed, high-grade geothermal energy can be used to generate electricity. Lower grade geothermal energy can be used for community heating achieved by distribution through district heating systems.

Assessment and modelling for geothermal potential has not been completed in the Canadian arctic, but there is potential for geothermal energy obtained from deep hard rock formations. It is just a matter of technology and costs required to retrieve the energy from deep hard rock formations. There is also potential for high grade geothermal energy found in High Arctic deep sedimentary basins. Both methods could provide clean and reliable energy potential for electricity production or district heating systems.

In 2019, QEC initiated a multi-phase plan to assess geothermal potential in Nunavut that received federal recognition and funding. While QEC's initial goal of high-grade geothermal energy assessment remains unchanged, the Corporation added Borehole Thermal Energy Storage (BTES) exploration to the study. The addition of BTES to QEC's geothermal evaluation would allow the Corporation to assess potential of capturing and storing waste heat from the

diesel electric generation process, energy normally expelled to the atmosphere. QEC is researching how “waste” energy can be technically and economically stored in, and recovered from, deep rock formations. Storage of heat energy could occur in non-heating months and recovery would occur when it is needed in the colder months, being distributed through a district heating system. While BTES would not reduce diesel consumption in the electricity generation process, it could provide reduced community wide diesel consumption and cost savings for customers in the program.

The current phase of Nunavut’s geothermal assessment is expected to be completed in March 2024. Following its completion, the report may recommend drilling a deep production well in one of the study communities (Baker Lake, Cambridge Bay or Resolute Bay). Recommendations are anticipated for further work on developing design for BTES that would work with a variety of energy sources, but predominately QEC’s own diesel power generation waste energy.

MICRO MODULAR REACTORS

The Government of Canada has deemed nuclear power as “clean energy”, meaning that Micro Modular Reactors (MMRs) may be a viable alternative form of energy for off-grid and remote communities to replace diesel for electricity and heat. At this time, QEC is only gathering information to assess technical and financial considerations of MMRs in Nunavut. Many factors will be considered including costs, community acceptance, safety data, and environmental assessments. There are no current plans or projects underway for an MMR to be built or tested in Nunavut. In 2022-2023, QEC did not engage in MMR activities.

DISTRICT HEATING SYSTEM

District Heating System (DHS) is the process of harnessing the thermal energy produced as a by-product of diesel generated electricity and supplying captured thermal energy to customers through a piped distribution system. This process enables institutional and commercial customers to burn significantly less fuel to generate heat, and minimizes the maintenance required on their heating systems. DHS displaces approximately two million litres of heating fuel in Nunavut on an annual basis and significantly reduces the territory’s carbon emissions.

Under an agreement with the Government of Canada’s Low Carbon Economy Fund (LCEF) program QEC completed installations of DHS systems in Sanikiluaq and Taloyoak. The Sanikiluaq DHS system became fully operational in December 2021, with the Taloyoak DHS becoming operational in December 2022. The 2022-2023 Taloyoak project connected Netsilik School, Moses Teelktaq Pool, Paleajook Eskimo Co-op Garage, and two hamlet garages.

HEALTH, SAFETY, AND ENVIRONMENT

The department of Health, Safety, and Environment (HSE) is responsible for the administration of the Corporation's health, safety, and environmental practices. HSE's mandate is to:

- Minimize QEC's environmental footprint.
- Ensure all employees understand their rights and responsibilities on issues that have an impact on their health, safety and environmental stewardship.
- Promote and ensure compliance with QEC's Health and Safety Program and Environmental Management System.
- Continue the development and revision of safe work practices and procedures.
- Provide health and safety training to all employees and contractors.
- Investigate safety occurrences (including "near-miss" events) and environmental spills and determine preventive measures.
- Liaise with consultants to carry out studies to delineate subsurface contamination, assess hazardous materials in buildings, and to conduct human-health risk assessments.
- Work with contractors to remediate contaminated sites and to conduct monitoring of legacy sites.
- Conduct due-diligence studies such as annual soil monitoring.
- Ensure QEC's compliance with all applicable federal and territorial acts and regulations.
- Conduct life cycle costing in support of decision making to either maintain or retire assets throughout Nunavut.
- Liaise with the Government of Nunavut regarding legacy contamination (including financial liabilities) on sites that we have inherited from predecessors (Northwest Territories Power Corporation and Northern Canada Power Commission).
- Contribute insights into new power-plant proposals, such as those being brought forth through the Arctic Energy Fund (AEF). These insights pertain to improving operator safety, enhancing healthy working environments, reducing environmental impacts, reducing community impacts, and minimizing the risk for spills.
- Assist with land acquisition for AEF projects, including navigating the unique intricacies of the land-use planning process here in Nunavut.
- Manage, maintain and administer QEC's real estate property portfolio, including owned and leased staff housing units, commercial facilities, power plants and land.
- Provide comprehensive facility management services by developing, implementing, and administering processes to manage and maintain QEC's infrastructure to ensure it operates in a safe, efficient and economical manner.
- Adhere to industry best practices and standards, national building code, financial management and procurement rules, and all applicable policies, procedures and laws.

HEALTH AND SAFETY

QEC is committed to providing a healthy and safe work environment that prevents or minimizes the risk of occupational injury or illness for employees, contractors, customers, and members of the public. Corporate and individual accountability assists in protecting the wellbeing of all persons in the workplace.

CERTIFICATION OF RECOGNITION

QEC received an overall score of 88% for the 2022 Certificate of Recognition (COR) External Audit. This audit is part of the COR accreditation process of the Northern Safety Association (NSA). COR is a well-respected, Canada-wide certification program that evaluates and enhances existing health and safety programs along with workplace practices. The purpose of the COR is to encourage safer workplace behaviors and practices that, in turn, lead to improved safety performance. QEC's score for the 2022-2023 external audit was only slightly less than the internal audit score of 90% the year before.

The Corporation undergoes internal maintenance audits annually and external audits every three years, which took place during the 2022-2023 fiscal year. QEC has developed an action plan from the external audit to address identified areas for improvement. QEC management believes that most injuries are preventable. For this reason, the Corporation prioritizes feedback from the auditing process to ensure that safety programs are based on continuous improvement. Since acquiring the COR in 2013, HSE significantly enhanced QEC's Health and Safety Program to align itself with the requirements and standards for maintaining the accreditation.

TRAINING AND COMMUNICATION

In 2022-2023, the new tracking system for HSE safety courses was fully populated with existing training records and continues to be maintained. This has made updating records and compiling training status reports easier and faster, along with easier identification of training opportunities for QEC staff. The tracking system is part of the same platform as QEC's safety data sheet management system.

The cyber-attack in January 2023 had a negative impact on maintaining Key Performance Indicators and online training, however, the department continued to deliver mandatory health and safety orientations to all new employees and contractors. With e-learning, employees are able to complete the mandatory Health and Safety Orientation Program and WHMIS training on-line. The program ensures that employees successfully complete a safety orientation as required by the Nunavut Occupational Health and Safety Regulations. In 2022-2023, 36 QEC employees completed the program.

DURING THE 2022-2023 FISCAL YEAR, HSE STAFF TRAINED:

- 58 workers in Standard First Aid
- 39 employees in Fall Protection
- 19 employees in Workplace Hazardous Materials Information System (WHMIS)
- 35 employees in Transportation of Dangerous Goods (TDG)
- 36 employees in fire extinguisher inspection and maintenance
- 55 employees and 24 contractors on QEC's internal Utility Work Protection Code
- 46 employees in the Supervisor Familiarization Safety course
- 34 employees in Electrical Safety and Arc Flash Awareness
- 160 contractors in QEC's contractor safety orientation

SAFETY AND HEALTH WEEK

QEC is proud of its continued participation in the annual Safety and Health Week. Promoted in Canada, USA and Mexico, Safety and Health Week highlights to the public, government, and industry the importance of increasing understanding, raising awareness and reducing injuries and illness in the workplace, at home, and in the community.

In 2022-2023, QEC hosted a number of in-house Health and Safety Week activities for employees. Due to COVID-19 restrictions and staff working from home, all of the activities were required to be done remotely. HSE completed the following events:

- Hosted a Children’s Art Contest (theme: “Creating Safe Workplaces and Communities”) to foster safety culture and awareness. Selected top submissions were included in the internal 2023 QEC calendar.
- Hosted a photo contest with various topics throughout the week (including working safely from home, health and wellness, personal protective equipment, high risk, and arc flash safety).
- Encouraged workers to take free safety course available through the Canadian Centre of Occupational Health and Safety.

PROGRAM DEVELOPMENT

During 2022-2023, in-house training and Annual Operator Training, along with on-line training opportunities, were available to applicable employees. This included HSE’s revised Fall Protection and Transportation of Dangerous Goods (TDG) training. QEC acknowledged and awarded QEC’s Award of Excellence to employees in Kugluktuk and Pond Inlet for their continuous efforts in excelling in workplace safety practices.

QEC also created three new standard operating procedures (SOPs) and four new safe work practices (SWPs) on a variety of safety concerns, along with updating two previously existing practices. This included the:

- Cambridge Bay Bulk Fuel Tank Working at Heights Access and Rescue Procedure SOP-062
- Responding to Building Fires SOP-063
- Responding to Pole Fires and Pad-mounted Transformer Fires SOP-064
- Multimeters SWP-049
- Fire Safety Plan SWP-050
- Generator Diesel Engine Crankcase Cleaning SWP-051
- Encountering Wildlife SWP-052

ENVIRONMENT

HSE works hard to limit the Corporation’s environmental footprint according to leading industry practices and standards, and applicable federal and territorial legislation. Generating and distributing electricity within a diesel power plant setting, with suitable control measures, mitigation, and response plans in place, reduces the risk of everyday work activities resulting in undesirable harm to the surrounding land and bodies of water. Environmentally focused measures also enhance safety for employees and communities.

QEC takes a risk-based approach to developing remediation plans for sites known to be affected by legacy contamination. Environmental Site Assessments (ESAs) are essential to determining the environmental condition and possible contamination of a property. This includes assessing site-specific human health and ecological factors while understanding the potential pathways to establish an appropriate remediation plan. This approach is outlined in the Government of Nunavut Environmental Guideline for the Management of Contaminated Sites. Previous assessments have determined that contaminants currently on QEC sites do not pose a risk to human health. This is due to either the location or the depth of the contamination.

As part of this risk-based approach, QEC has an environmental due-diligence monitoring program in place for all facilities. This includes annual collection and analysis of soil samples to document the presence or absence of surface contamination. The results of this sampling program are compared to applicable environmental quality guidelines (e.g., Canadian Soil Quality Guidelines for the Protection of Environment and Human Health) to characterize potential contamination. The long-term sample record can be reviewed to determine if contamination is moving or changing and requires additional investigation. In 2022-2023, Hazardous building material assessments (HBMA) were also conducted for properties in Cambridge Bay, Kugluktuk, Rankin Inlet, Pangnirtung, Resolute Bay and Igloolik.

QEC continues to upgrade its fuel supply system infrastructure across the territory in an effort to ensure that communities have a reliable fuel supply, minimize the risk of potential fuel spills, and comply with federal regulations.

HSE's Spill Contingency Plan (SCP), also known as the Common Spill Plan (CSP) was revised and made available in January 2022.

In 2022-2023, the HSE Department staff also provided support on a variety of topics including: land-usage contract wording, waste-oil furnaces, streetlight replacements, financial updating of historical environmental liabilities and apportionment (QEC versus our predecessors NTPC and NCPC), policy wording pertaining to territory-wide contaminated sites (via a Government of Nunavut working group), planning work for piping installations, liaising with Petroleum Products Division regarding direct pipeline connections to their tank farms, cleaning-out and inspection of the secondary large fuel tank at the Iqaluit power plant, and alternative-energy proposals from private contractors.

ARCTIC ENERGY FUND POWER PLANT REPLACEMENT PROJECTS

Throughout the 2022-2023 fiscal year, the HSE Department continued to support QEC's Arctic Energy Fund projects which include the design and construction of new power plants in Cambridge Bay, Kugaaruk, Kugluktuk, Gjoa Haven, Igloodik and Chesterfield Inlet. This support included the following activities:

- development and completion of preliminary location options analysis for the new power plant (including an internal evaluation of up to four locations in each community);
- preparation for and participation in communications with Hamlet Council to discuss location options for the new power plant in each community and receive feedback from Council;
- planning and coordination of site investigations (including geotechnical and environmental investigations);
- development of an effective land acquisition and environmental permitting process to guide the process for all six communities;
- initiating the process to secure land with the submission of land applications in two communities.
- liaising with organizations including Government of Nunavut Culture and Heritage, Transport Canada, NavCanada, Nunavut Airports Authority, and staff at the various hamlets involved; and
- internal liaison with QEC's Engineering and Operations staff regarding technical features and design attributes of the new power plants. Topics included detailed design of containerized storage arrangements for liquids (fresh oil, fresh coolant, waste oil, waste coolant), as well as providing technical input into aspects of the exhaust systems, black-start generators, electrical switchgear, and geotechnical aspects of foundation design.

The HSE Department also continued to provide support on revisions to the Kugluktuk power plant project in 2022-2023. This involved providing input to the revised location selections for the components of the project coordinating additional site investigations to confirm location selection, submitting amendments to the Nunavut Impact Review Board (NIRB) for review of the project changes, and submission of a land application to Hamlet of Kugluktuk Council for the lands required.

HUMAN RESOURCES

The Human Resources (HR) department is responsible for the overall management and administration of the Corporation's workforce. The department is comprised of three functional divisions working in close collaboration to provide professional guidance and service to departments. The divisions include Training and Development, Staffing and Recruitment, and Employee and Labour Relations.

The HR department is responsible for ensuring all human resources activities are conducted in accordance with Article 23 of the *Nunavut Agreement*, and comply with all applicable legislation, directives, policies, employment contracts, and the *QEC Collective Agreement*.

STAFFING AND RECRUITMENT

In the 2022-2023 fiscal year, the department filled 30 positions through competition or developmental internal transfer assignments in alignment with QEC's Inuit Employment Plan (IEP). Currently, the department has filled 84% of positions with term or indeterminate employees. Nunavut Inuit employees represent 55% of QEC's workforce as of March 31, 2023.

QEC follows the Government of Nunavut's Priority Hiring Policy when recruiting and staffing positions. QEC utilizes the following strategies when carrying out its staffing activities:

- Screening of competitions comply with the Priority Hiring Policy and applicable GN Directives.
- Including the provision that *"Preference will be given to applicants who are Nunavut Inuit"* in all job ads and ensuring that the Priority Hiring Policy is applied to all competitions.
- Where appropriate, staffing vacant positions by restricting competitions (Inuit-only competition, Inuit-only by community competition).
- Offering developmental internal transfer assignments when appropriate to Inuit employees and supporting the employee in attaining the education and experience required for the position.
- Hiring Inuit staff to fill vacant positions in a temporary capacity when a competition is unsuccessful, and assisting the employee in gaining the necessary experience and skills required to qualify for consideration when the position is re-advertised.
- Applying priority hiring for any temporary staff for short or long-term employment assignments.
- Establishing relationships with Nunavut high schools and post-secondary institutions to ensure access to QEC Summer Student Program.

LABOUR AND EMPLOYEE RELATIONS

COLLECTIVE BARGAINING

QEC reached a tentative agreement with the Nunavut Employees Union in the spring, with the official collective agreement signing in December 2022. Training for managers and supervisors was delivered in anticipation of its implementation. The new agreement will remain in effect until December 31, 2024.

GRIEVANCES

A grievance is filed if disputes are not resolved through, or are inappropriate for, the early intervention process. A grievance is a statement of dissatisfaction, produced by an individual, the union or, uncommonly, from excluded employees, regarding the interpretation or application of QEC's Collective Agreement or other instrument that

affects the terms and conditions of employment. As of March 31, 2023, there were two grievances, one of which was withdrawn, and one of which was settled.

EMPLOYEE RELATIONS INITIATIVES

In 2022-2023, mandatory respectful workplace training was developed and delivered to all staff, with a 100% completion rate. Respectful workplace training was developed in-house and delivered to the wider corporation via digital delivery. Going forward, the training will be incorporated into QEC's onboarding of all new hires.

In 2022-2023, mandatory "Addictions at Work" training was launched with staff in Baker Lake. The training will be delivered to the rest of QEC's staff in the next fiscal year.

INUIT EMPLOYMENT PROGRAMS

INUIT EMPLOYMENT PLAN

The Corporation has an Inuit Employment Plan (IEP) in line with its commitment to Article 23 of the *Nunavut Agreement* and as part of the Government of Nunavut's Master Inuit Employment plan. This comprehensive employment strategy outlines the Corporation's current and future strategies for reducing barriers to employment and increasing Inuit participation across the Corporation.

INUIT EMPLOYMENT INITIATIVES

The Inuit Employment Program has interconnected initiatives that contribute to achieving the Corporation's Inuit employment goals. Each program builds on the foundation of the Corporation's vision of an empowered and accountable workforce that is representative of Nunavut's population and reflective of Inuit Societal Values and *Inuit Qaujjimajatuqangit*. The initiatives are:

Summer Student Program (SSP): The purpose of this program is to expose Nunavut students to various functional areas of the organization by providing meaningful work experience over the summer months. Twelve students were hired across the territory for the 2022-2023 summer work term and were employed in a variety of positions ranging from office administration to plant operation.

Inuit Career Development Program (ICDP): The purpose of this program is to formally connect employees through the creation of individualized career development plans in collaboration with their supervisors. Career development plans assist in guiding employees along their career path by establishing objectives, goals, and timelines that align with the strategic direction of the Corporation.

The initiative began in 2018 as part of a four-year commitment to providing Inuk employees with the opportunity to develop a career development plan. As of March 31, 2023, the department had engaged with 95% of its Inuit employees marking the department's successful achievement of its 4-year commitment to engaging with at least 90% of interested Inuit employees before the end of the fiscal year. Specifically, 97 Inuit were engaged in the career development planning process: 45 plans were completed, 2 were in progress, and 50 declined.

The Training and Development section remains committed to the continued development of QEC's Inuit employees and will continue to administer the Career Development Program in alignment with the Corporation's Inuit Employment Plan as part of its commitment to increasing Inuit employment within the Corporation.

Apprenticeship Program: The purpose of this program is to reduce the dependency of hiring qualified journeypersons from outside of the territory and allows the Corporation to fill positions in communities with local, Inuit residents. The Apprenticeship Program was approved by the Board of Directors at the March 2023 board meeting. The Apprenticeship Program will have four indeterminate positions.

Inuit Leadership Development Program (ILDLP): The purpose of this program is to increase Inuit representation within the professional, middle, and senior management levels.

Inuit Employment Plan (IEP) Committee: This committee is responsible for reviewing, analyzing, and evaluating the Corporation's Inuit Employment Plan, Inuit employment programs, human resources policies and procedures, and general employment practices as they relate to Inuit employment. The committee also provides recommendations to the Senior Management Committee on potential methods of increasing Inuit employment. Although QEC continued supporting employees through various IEP programs, the IEP Committee did not convene due to concerns surrounding capacity and safety during COVID-19 public health restrictions. A relaunch of this committee is anticipated in 2023-2024.

Inuit Qaujimagatuqangit (IQ) Committee: This committee provides recommendations to the Senior Management Committee on potential methods of integrating Inuit Qaujimagatuqangit and Inuit Societal Values into standard employment protocols. A relaunch of this committee is anticipated in 2023-2024.

HUMAN RESOURCES PROJECTS

HUMAN RESOURCES INFORMATION SYSTEM IMPLEMENTATION

During 2022-2023, the HR department continued implementing StarGarden, a new Human Resources Information and Payroll System. The HR, IT, and Finance departments completed the implementation of the payroll module.

The next phase is the implementation of an applicant tracking system (ATS) designed to improve the HR department's staffing and recruitment processes. QEC foresees significant administrative efficiencies by utilizing this new system.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation

Employment Summary, by Category

	Total Positions				Nunavut Inuit	
	Total Positions	Vacancies	Filled	% Capacity	Hired	% IEP
Executive	4.00	0.00	4.00	100%	1.00	50%
Senior Management	5.00	2.00	3.00	60%	-	0%
Middle Management	28.00	6.00	22.00	79%	6.00	27%
Professional	99.00	12.00	87.00	88%	39.00	45%
Paraprofessional	46.40	8.60	37.80	81%	29.80	79%
Administrative Support	24.00	4.00	20.00	83%	20.00	100%
Total Employment Categories	206.40	32.60	173.80	84%	95.80	55%

Employment Summary, by Community

Arctic Bay	1.60	-	1.60	100%	1.60	100%
Cape Dorset	2.00	-	2.00	100%	2.00	100%
Clyde River	1.60	-	1.60	100%	1.60	100%
Grise Fiord	1.60	-	1.60	100%	1.60	100%
Hall Beach	1.60	-	1.60	100%	1.60	100%
Igloolik	2.00	-	2.00	100%	2.00	100%
Iqaluit	92.00	16.00	76.00	83%	22.00	29%
Kimmirut	1.60	-	1.60	100%	1.60	100%
Pangnirtung	2.00	-	2.00	100%	2.00	100%
Pond Inlet	2.00	-	2.00	100%	2.00	100%
Qikiqtarjuaq	1.60	-	1.60	100%	1.60	100%
Resolute Bay	1.60	-	1.60	100%	1.60	100%
Sanikiluaq	1.60	-	1.60	100%	1.00	100%
Arviat	2.00	-	2.00	100%	2.00	100%
Baker Lake	47.00	11.60	35.40	75%	23.00	65%
Chesterfield Inlet	1.60	-	1.60	100%	1.60	100%
Coral Harbour	1.60	-	1.60	100%	1.60	100%
Nauyasat	1.60	-	1.60	100%	1.60	100%
Rankin Inlet	18.00	3.00	15.00	83%	10.00	67%
Whale Cove	1.60	-	1.60	100%	1.60	100%
Cambridge Bay	13.00	2.00	11.00	85%	5.00	45%
Gjoa Haven	2.00	-	2.00	100%	2.00	100%
Kugaaruk	1.60	-	1.60	100%	1.60	100%
Kugluktuk	2.00	-	2.00	100%	2.00	100%
Taloyoak	1.60	-	1.60	100%	1.60	100%
Total Community	206.40	32.60	173.80	84%	95.80	55%

Employment Summary, by Iqaluit and Other Communities

Iqaluit	92.00	16.00	76.00	83%	22.00	29%
Other communities	114.40	16.60	97.8	85%	73.80	75%
TOTAL	206.40	32.60	173.80	84%	95.80	55%

INFORMATION TECHNOLOGY

The Information Technology (IT) department, based in the head office, consists of technical employees in Baker Lake and Iqaluit. The department provides data communications, enterprise applications, technology assistance and support, integrated computer systems, and application development services to all departments in the Corporation. The IT team enables QEC to achieve its business objectives through effective use of Information Technology.

During the 2022-2023 fiscal year, IT responded to over 4,200 reported issues and partnered with various departments to deliver the following projects.

COMMUNICATIONS REVIEW

An internal review of existing infrastructure and the landscape of new and potential vendors has led a roadmap to a future technology direction for the Corporation. The roadmap will focus on efficiencies in the communities to provide timely data when and where it is required. There is also an increased focus on security and enhanced features for the generation of electricity by means of further automation and monitoring.

IT VISION

QEC expanded security infrastructure with the implementation of security tools, system and vendor patches and upgrades during the 2022-2023 fiscal year. QEC also completed a telephone system upgrade across the territory.

CYBER ATTACK

QEC was hit with a cyber-attack in January 2023, shutting down access to critical networks and applications. In response, QEC and the Government of Nunavut's Community and Government Services Information Management Information Technology department immediately began restoring IT infrastructure and rebuilding a modern and secure network for the Corporation. Interim IT solutions were put in place to continue providing a critical service to Nunavummiut and power production operations continued as normal. QEC employees quickly implemented contingency plans while delivering on the Corporation's mandate despite IT limitations.

Cyber security experts including Microsoft, RCMP, Canadian Cyber Security Centre, and the Government of Nunavut were retained to investigate the cause of the attack and how to best restore business applications to resume daily operations. The Corporation continues to work with various technology experts to ensure best practices related to security to minimize the risk of future attacks. In response, QEC also implemented Microsoft's cloud-based email solution for a secure email infrastructure across all communities.

FINANCE

The Finance department is located at the head office in Baker Lake with employees situated in the regional offices in Iqaluit, Rankin Inlet and Cambridge Bay. Finance plays a critical role ensuring that QEC meets its regulatory responsibilities, and financial and customer needs.

The focus of the Finance department is to:

- Ensure accurate billing and collection of revenue.
- Enhance quality of customer service.
- Provide payments to suppliers on a timely basis.
- Manage the control systems to ensure proper approval of expenditures.
- Manage QEC's debt and funding needs.
- Administer and manage the government funded projects.
- Provide internal services such as reporting, payroll and procurement.
- Provide regulatory support.

2022-2023 ACCOMPLISHMENTS FOR THE FINANCE DEPARTMENT

PLEASE NOTE DOLLARS ARE IN 000'S UNLESS OTHERWISE NOTED

FUEL STABILIZATION RATE FUND

From October 1, 2021, to March 31, 2023, no FSR rider has been implemented because the Fuel Stabilization Rate Fund balance stayed within its \$1 million threshold.

INVENTORY

Finance continues to work with Operations to develop and improve inventory management controls and reporting on the effective use of inventory in an effort to reduce its carrying value. This is balanced with the need to maintain optimum inventory levels to enable QEC to provide safe and reliable power to all Nunavut communities.

In 2022-2023, dedicated finance and operations teams counted the inventory between July and September 2022, attending all 25 communities. This resulted in better identification of inventory control issues as well as a reduction in inventory attributing to unfiled usage reports. Further inventory controls that were implemented during the fiscal year had an overall positive impact on QEC's inventory processes.

GENERAL RATE APPLICATION

On March 24, 2022, the Corporation submitted a General Rate Application to the Minister responsible for QEC to change electricity rates and to transfer from the existing rate structure to a territory-wide electricity rate that is more equitable for customers. Under this structure, all customers of the same type would pay the same electricity rate regardless of where they are located in Nunavut.

The proposal also uses a different approach than previous applications requesting a territory-wide rate. To minimize financial impacts on customers, QEC recommended that government rates increase to lower rates for non-government customers. In previous applications, efforts were made to rebalance the rates by proposing communities with higher rates decrease and communities with lower rates increase to make up the shortfall. This approach meant that communities with lower rates (larger communities such as Iqaluit) would see major rate increases. On October 21, 2022, ministerial instructions were given to QEC to increase its rate to allow for a 5% increase in electricity revenues and implement the recommended harmonized territory-wide rates, effective October 1, 2022.

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31 st (\$ in thousands)	2023	2022	2021	2020	2019
Revenues					
Sale of Power	\$135,706	\$130,891	\$127,476	\$131,632	\$127,522
Sale of Heat	956	698	524	946	724
Government contributions	7,152	9,304	3,417	6,591	593
Other Income	5,113	5,220	5,666	4,953	6,727
Insurance proceeds	-	-	-	-	15
Total Revenues	148,927	146,113	137,083	144,122	135,581
Total Expenses	149,225	135,382	133,142	134,975	131,089
Surplus (deficit) for the Year	-298	10,731	3,941	9,147	4,492

Revenue from the sale of power increased in 2022-2023 by 3.7% compared to previous fiscal year due to increased electrical sales (kwh).

The Corporation assists in the administration of two support programs:

- 1) The Public Housing Power Support Program (PHPSP) subsidizes qualifying residential customers living in public housing. Customers in the program are billed at the rate of 6.0 cents per kilowatt hour for their power usage. QEC invoices Nunavut Housing Corporation for the difference between the approved residential rate and the 6.0 cents per kilowatt hour for customers in this program.
- 2) The Nunavut Territorial Power Support Subsidy (NTPSS) subsidizes all other qualifying residential customers at 50 percent of the Iqaluit base rate on the first 700 kilowatt hours consumed each month from April to September and on the first 1,000 kilowatt hours consumed each month from October until March. QEC invoices the Government of Nunavut on a monthly basis for the NTPSS subsidy and applies the subsidy directly to qualifying customers' bills each month.

Arctic Energy Fund grants that were earned during the 2022-2023 fiscal year amounts to \$1,890 (compared to \$5,185 in 2021-2022), booked as income under Government contributions. These grants are designed to offset the related capital expenditures that qualify for the program.

Other Income (as indicated in the table above) slightly decreased by 2% mainly due to decrease in recoverable projects and rent recoveries from staff housing. The previous fiscal year saw a 7.9% decrease due to less revenue being earned from recoverable projects and less rent recoveries from employees due to staff shortages.

Overall Total Expenses increased by 10.2% (compared to a 1.7% increase in 2021-2022) mainly from increased overhaul materials, labour, and travel, as well as increased interest expense.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

For the year ended March 31st	2023	%	2022	%
Expenses by Object or Type by Dollar and % of Total				
Fuel and Lubricants	\$54,914	37%	\$47,124	35%
Salaries, Wages and Benefits	34,916	23%	35,450	26%
Supplies and Services	30,465	21%	30,806	23%
Amortization, Write Down and Disposal of Tangible Capital Assets	15,254	10%	14,814	11%
Interest Expense	8,440	6%	2,844	2%
Travel and Accommodations	4,635	3%	4,017	3%
Bad Debt Expense	555	0%	281	0%
Accretion expense	46	0%	46	0%
Total Expenses	\$149,225	100%	\$135,382	100%

In 2022-2023, fuel and lubricants expenses increased due to higher cost and consumption. Salaries, Wages, and Benefits were lower in 2022-23 than in 2021-2022 due to the staff vacancies. Interest Expenses were higher due to the exponential increase in borrowing rate from 1.46% in 2022 to 5.45% that occurred during the 2022-2023 year. Interest expenses are expected to increase further in 2023-2024 as the Bank of Canada continues to increase its policy rate to manage inflation. In managing its liquidity and market risks, QEC continues to monitor the interest rate environment and corresponding impact on its borrowing facilities and has initiated discussions with its banker and the Government of Nunavut in exploring fixing a portion of its debt.

HIGHLIGHTS OF FINANCIAL POSITION (\$ IN 000'S)

As of March 31st,	2023	2022	2021	2020	2019
Financial Assets	\$70,006	\$37,219	\$34,308	\$49,266	\$30,793
Liabilities	-307,487	-268,341	-237,192	-250,539	-235,112
Net Debt	-237,481	-231,122	-202,884	-201,273	-204,319
Non-financial Assets	390,153	384,092	348,155	342,603	336,511
Accumulated Surplus	\$152,672	\$152,970	\$145,271	\$141,330	\$132,192

As of March 31, 2023, financial assets increase is mainly explained by additional cash available at year end, an overall increase in accounts receivable, and an increase in inventories for use at year end. The increase in cash was due to the loan received from Government of Nunavut to help QEC pay off debt with CIBC. The increase in accounts receivable is caused by a delay in overall collection activities at year end.

Liabilities increased from prior year by \$39 millions. This is explained by an increase in due to Petroleum Product Division (\$31 millions) and an increase in overall long-term debt (\$10 millions). The increase in long term debts is because of the loan tranche received from GN intended for capital expenditures and CIBC loan repayments.

2022-2023 CAPITAL EXPENDITURE SUMMARY

Capital Expenditures by Region (\$ in thousands)		
For the year ended March 31st	2023	2022
Kitikmeot	\$ 4,424	\$ 5,370
Kivalliq	4,993	14,134
Qikiqtaaluk	4,482	29,131
Nunavut/Corporate	546	93
Total capital expenditures	\$ 14,445	48,728

Capital expenditures were \$34,283 lower than the previous fiscal year due to contract bid prices increasing over the budgeted amounts, resulting in QEC being unable to award these contracts.

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)					
For the year ended March 31 st	2023	2022	2021	2020	2019
Interest Coverage Ratio					
Surplus before Interest on Long-term Debt	\$6,635	\$12,363	\$6,362	\$14,196	\$9,691
Interest on Long-term Debt	\$6,932	\$1,632	\$2,421	\$5,058	\$5,199
Debt Expense Burden (critical below 1.50)	1.0	7.6	2.63	2.81	1.86
Debt Ratio					
Assets	\$460,159	\$421,311	\$382,463	\$391,869	\$367,304
Liabilities	\$307,487	\$268,341	\$237,192	\$250,539	\$235,112
Ability to pay Long-term Debt	1.50	1.57	1.61	1.56	1.56
Debt to Accumulated Surplus					
Bank Indebtedness	\$10,000	\$10,000	\$12,685	\$15,874	\$9,867
Long-term Debt	\$219,762	\$209,261	\$189,350	\$190,994	\$186,483
Total Debt	\$229,762	\$219,261	\$202,035	\$206,868	\$196,350
Accumulated Surplus	\$152,672	\$152,970	\$145,271	\$141,330	\$132,192
Debt ratio	0.48	0.50	0.50	0.49	0.51
Accumulated Surplus ratio	0.66	0.70	0.72	0.68	0.67
Debt to Accumulated Surplus Ratio	1.50	1.43	1.39	1.46	1.49

In 2022-2023, QEC repaid principal amounts of \$15,611, compared to \$32,958 in 2021-2022, toward the Corporation's long-term debt. Although total debt increased, QEC has reduced its overall effective interest rate by borrowing through its bank using Bankers' Acceptances instead of borrowing at prime rate. This provides a much lower rate, compared to a fixed rate loan, where the rate could be up to 350 basis points higher. Rates are expected to increase in the future and the Corporation is considering fixing a portion of its debt to mitigate liquidity and market risks. QEC has also reduced its cost of borrowing by diversifying its debt by securing funding through GN in the form of low-interest rate loans. The loan amount received from GN is earmarked for capital expenditure and retiring comparatively higher interest rate loans from CIBC.

The Corporation's debt to accumulated surplus ratio, referred to as the borrowing limit under Section 25 of the *Qulliq Energy Corporation Act*, was 1.50:1 (2022: 1.43:1) and remained well below the maximum allowed 3:1 ratio.

DISCLOSURE OF DEBT FORGIVENESS FOR 2022-2023

Under Section 84 of the *Financial Administration Act* (Part IX, Public Agencies), QEC is required to publicly disclose in its annual report any asset, debt or obligation that exceeds \$500 and written off during the financial year. Section 83 of the *Financial Administration Act* requires Legislative Assembly approval to forgive debts owed to a public agency. There was no instance of debt forgiveness in 2022-2023.

QULLIQ ENERGY CORPORATION

FINANCIAL STATEMENTS

March 31, 2023

Table of Contents	Page
Management Statement	42
Independent Auditor's Report	43
Statement of Financial Position	47
Statement of Operations and Accumulated Surplus	48
Statement of Change in Net Debt	49
Statement of Cash Flow	50
Notes to the Financial Statements	51
Schedule A - Schedule of Tangible Capital Assets	67

Management Statement

November 27, 2023

The Financial Statements, Management's Discussion and Analysis, and related financial information presented in this Annual Report have been prepared by the management of Qulliq Energy Corporation. Management is responsible for the integrity, consistency and reliability of all such information presented.

Management is responsible for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards; and for ensuring compliance with applicable authorities. The preparation of the financial statements involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Corporation.

In discharging its responsibility for financial reporting, management is responsible for maintaining financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and controlled, proper records are maintained, and compliance with applicable authorities. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to the Corporation's policies and statutory requirements.

Qulliq Energy Corporation's Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

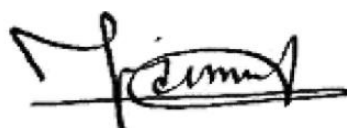
Qulliq Energy Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and issuing her report thereon.

On behalf of Qulliq Energy Corporation's management:



Bill Nippard

Acting President and Chief Executive Officer



Raja Iqbal

Vice-President, Finance / Chief Financial Officer



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister Responsible for Qulliq Energy Corporation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Qulliq Energy Corporation (the Corporation), which comprise the statement of financial position as at 31 March 2023, and the statement of operations and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our Report on the Audit of the Financial Statements, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2023, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Canadian public sector accounting standards require inventories for use to be reported as a non-financial asset when acquired and recognized as an expense when used. Our audit opinion on the financial statements for the year ended 31 March 2022 was modified because of a limitation in scope related to travel restrictions put in place as a result of the COVID-19 pandemic. Those restrictions prevented us from observing the counting of physical inventories for the year ended 31 March 2022 and we were unable to satisfy ourselves concerning those inventory quantities by alternative means. Although we were able to attend the counting of physical inventories for the year ended 31 March 2023, we observed that management has not implemented reliable count procedures and appropriate procedures to account for the usage of its spare parts and lubricants inventories, and we were not able to satisfy ourselves concerning those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might be necessary to reported non-financial assets as at 31 March 2023 and 31 March 2022 and to the results of operations, changes in net debt and cash flows for the years then ended.

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 Financial Statements* section of our report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the 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 qualified 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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Qualified Opinion

In conjunction with the audit of the financial statements, we have audited transactions of Qulliq Energy Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Qulliq Energy Corporation Act* and regulations, and the by-laws of Qulliq Energy Corporation.

In our opinion, except for the matter of non-compliance described in the *Basis for Qualified Opinion* section of our Report on Compliance with Specified Authorities, the transactions of Qulliq Energy Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, we report that, in our opinion, the

accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the change in the method of accounting for asset retirement obligations as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by Qulliq Energy Corporation and the financial statements are in agreement therewith.

Basis for Qualified Opinion

Subsection 100(1) of the *Financial Administration Act* of Nunavut requires Qulliq Energy Corporation to submit its annual report to its Minister not later than 90 days after the end of its financial year or an additional period, not exceeding 60 days, that the Minister of Finance may allow. Qulliq Energy Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the year ended 31 March 2023.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Qulliq Energy Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Qulliq Energy 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 financial statements are in compliance with the specified authorities referred to above.



Caroline Jean, CPA, CA
Interim Principal
for the Auditor General of Canada

Ottawa, Canada
27 November 2023

FINANCIAL STATEMENTS

QULLIQ ENERGY CORPORATION

Statement of Financial Position

As at March 31

(in thousands of dollars)

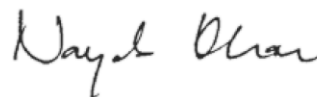
	2023	Restated (Note 2) 2022
Financial assets		
Cash (Note 4)	\$ 23,314	\$ 2,431
Accounts receivable (Note 5)	46,692	34,788
	70,006	37,219
Liabilities		
Bank indebtedness (Note 6)	10,000	10,000
Accounts payable and accrued liabilities (Note 7)	19,479	19,608
Asset retirement obligations (Note 8)	3,054	3,180
Utility deposits	1,814	1,717
Deferred revenue	1,895	1,854
Due to Petroleum Products Division	48,482	17,791
Debt (Note 9)	219,762	209,261
Due to the Governments of Nunavut and Canada (Note 10)	330	1,646
Employee future benefits (Note 11)	2,671	3,284
	307,487	268,341
Net debt	(237,481)	(231,122)
Non-financial assets		
Tangible capital assets (Schedule A)	354,955	355,764
Inventories for use (Note 12)	32,587	26,171
Prepaid expenses	2,611	2,157
	390,153	384,092
Accumulated surplus	\$ 152,672	\$ 152,970

Contractual obligations (Note 17)
 Contractual rights (Note 19)
 Environmental liability for contaminated sites (Note 20)

Approved on behalf of the Board:



Chair, Board of Directors



Chair, Finance and Audit Committee

The accompanying notes and schedule are an integral part of these financial statements.

QULLIQ ENERGY CORPORATION

Statement of Operations and Accumulated Surplus

For the year ended March 31

(in thousands of dollars)

	2023	2023	Restated (Note 2)
	Budget	Actual	2022 Actual
Revenues			
Sales of power (Note 13)	\$ 135,541	\$ 135,706	\$ 130,891
Government contributions (Note 18)	1,440	7,152	9,304
Other income (Note 14)	4,847	5,113	5,220
Sales of heat	4,187	956	698
Total revenues	146,015	148,927	146,113
Expenses by department (Note 15)			
Plant Operations	66,656	76,988	69,185
Shared (Corporate)	23,046	29,641	21,623
Property Management	10,125	10,297	9,569
Finance	7,343	5,749	6,408
Regional Operations	6,148	5,200	7,888
Information Technology	3,332	4,947	3,356
Engineering	3,650	3,416	2,827
Territorial Operations	3,415	2,646	2,825
Lines East Operations	2,606	2,405	2,807
Lines West Operations	2,054	2,152	1,924
Iqaluit Office	1,308	1,641	1,362
Health, Safety & Environment	2,889	1,459	2,620
Human Resources	1,954	1,335	1,235
Corporate Affairs	1,404	786	1,170
Residual Heat	392	425	422
Board	275	138	161
Total expenses	136,597	149,225	135,382
Surplus (deficit) for the year	9,418	(298)	10,731
Accumulated surplus, beginning of the year	152,970	152,970	142,239
Accumulated surplus, end of the year	\$ 162,388	\$ 152,672	\$ 152,970

The accompanying notes and schedule are an integral part of these financial statements.

QULLIQ ENERGY CORPORATION

Statement of Change in Net Debt

For the year ended March 31

(in thousands of dollars)

	2023	2023	Restated (Note 2)
	Budget	Actual	2022
			Actual
Surplus (deficit) for the year	\$ 9,418	\$ (298)	\$ 10,731
Tangible capital assets			
Additions	(26,058)	(14,014)	(47,776)
Capitalized overhead	(303)	(364)	(874)
Capitalized interest (Note 16)	(39)	(67)	(78)
Amortization	13,744	15,254	14,814
	(12,656)	809	(33,914)
Additions to inventories for use	-	(58,989)	(49,384)
Consumption of inventories for use	-	52,573	47,802
Additions of prepaid expenses	-	(6,926)	(7,832)
Use of prepaid expenses	-	6,472	7,493
	-	(6,870)	(1,921)
Increase in net debt for the year	(3,238)	(6,359)	(25,104)
Net debt, beginning of the year	(231,122)	(231,122)	(206,018)
Net debt, end of the year	\$ (234,360)	\$ (237,481)	\$ (231,122)

The accompanying notes and schedule are an integral part of these financial statements.

QULLIQ ENERGY CORPORATION

Statement of Cash Flow

For the year ended March 31

(in thousands of dollars)

	2023	2022
Cash provided by (used for) operating activities:		
Cash received from customers	\$ 128,265	\$ 138,351
Cash paid to suppliers	(60,230)	(77,611)
Cash paid to employees	(35,517)	(35,380)
Interest paid	(8,440)	(2,860)
Cash provided by operating activities	<u>24,078</u>	<u>22,500</u>
Cash used for capital activities:		
Tangible capital asset acquisitions	(17,416)	(44,809)
Cash used for capital activities	<u>(17,416)</u>	<u>(44,809)</u>
Cash provided by (used for) financing activities:		
Increase in debt	26,112	52,869
Repayment of debt	(15,611)	(32,958)
Government contributions received	3,720	7,514
Cash provided by financing activities	<u>14,221</u>	<u>27,425</u>
Increase in cash	20,883	5,116
Net bank indebtedness, beginning of year	(7,569)	(12,685)
Net cash (bank indebtedness), end of year	\$ 13,314	\$ (7,569)
Represented by:		
Cash	23,314	2,431
Bank indebtedness	<u>(10,000)</u>	<u>(10,000)</u>
	13,314	(7,569)

The accompanying notes and schedule are an integral part of these financial statements.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

1 The Corporation

(a) Authority and corporate information

Authority - The Qulliq Energy Corporation (the Corporation) is a territorial corporation and operates in accordance with Part IX of the *Financial Administration Act* of Nunavut and the *Qulliq Energy Corporation Act*. The Corporation is exempt from income taxes under the *Income Tax Act* (Canada).

Mandate - The Corporation's mandate is to provide energy to residents and businesses in Nunavut on a safe, reliable and efficient basis and in a manner which minimizes the impact on the environment. The Corporation is also mandated to plan and provide for energy self-reliance for Nunavut and to inform consumers on conservation opportunities.

The Corporation supplies electricity to its customers through the operation of 25 independent diesel generation plants and distribution systems in 25 communities in Nunavut. The Corporation supplies heat through 5 residual heat systems connected to 5 of those plants.

Economic dependence - The Corporation is economically dependent on the Government of Nunavut which, directly and indirectly, accounts for the majority of the Corporation's sales of power. The Government of Nunavut also guarantees the Corporation's debt.

(b) Regulated activities

The Corporation is subject to the *Utilities Rate Review Council Act* for the establishment of rates and terms and conditions of service. The purpose of the Utilities Rate Review Council (URRC) is to advise the Minister of Energy on rates and terms and conditions of service. Final approval of the rates and terms and conditions of service rests with the Minister and the Government of Nunavut. As the URRC is appointed by the Government of Nunavut and the Corporation is a territorial corporation, the Corporation and the URRC are related parties.

The rate recommendations of the URRC are based on a cost of service mechanism, where the objective is to i) establish revenue that is sufficient to recover the forecasted operating costs of providing regulated services, including amortization; and ii) to provide a fair and reasonable return on utility investments.

The Corporation maintains a Fuel Stabilization Rate Fund (FSRF). The purpose of the FSRF is to track differences between the fuel price included in the base electricity rates approved by the Minister Responsible for QEC and the actual fuel price paid by the Corporation. The Corporation prepares a forecast for the FSRF every six months. When the forecasted balance of the FSRF exceeds \$1,000 (positive or negative), an application is made to the Minister Responsible for QEC to approve a rider to be applied on power bills and bring the forecast balance to \$0. This results in an additional charge or refund to customers on their monthly power bills. The rider applied to customers in public housing bills is charged or credited to the Public Housing Support Subsidy Program.

2 Adoption of PS 3280 – Asset Retirement Obligations (ARO)

On April 1, 2022, the Corporation adopted Canadian Public Sector Accounting Standard (PSAS) PS 3280 Asset Retirement Obligations. This standard requires public sector entities to recognize liabilities for legal obligations to incur costs associated with the retirement of tangible capital assets on their acquisition, construction, development, or through their normal use and to expense those costs systematically over the life of the asset.

The Corporation recognized asset retirement obligations relating to buildings that are owned by the Corporation that contain either asbestos, lead, mercury or polychlorinated biphenyls (PCBs). The Corporation applied the modified retrospective application transition approach. On initial application of the standard, the Corporation recognized:

- i) a liability for any existing asset retirement obligation, adjusted for accumulated accretion to that date;
- ii) an asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital asset;
- iii) accumulated amortization on that capitalized cost; and
- iv) an adjustment to the opening balance of the accumulated surplus.

These amounts were measured using information, assumptions and discount rates that were current at the beginning of the current fiscal year. The amount recognized as an asset retirement cost was measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization were measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date of transition.

When an asset retirement obligation is settled, any liability and associated asset retirement costs are removed from the Statement of Financial Position.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

2 Adoption of PS 3280 – Asset Retirement Obligations (ARO) (continued)

The effect of this change on the March 31, 2022 comparative information is presented below.

	As previously reported 2022	Increase / (decrease)	As restated 2022
Statement of Financial Position			
Asset retirement obligations	-	3,180	3,180
Tangible capital assets	355,678	86	355,764
Accumulated surplus	156,064	(3,094)	152,970
Statement of Operations and Accumulated Surplus			
Shared (Corporate) expenses	21,561	62	21,623
Accumulated surplus, beginning of the year	145,271	(3,032)	142,239
Accumulated surplus, end of the year	156,064	(3,094)	152,970
Statement of Change in Net Debt			
Surplus for the year	10,793	(62)	10,731
Amortization	14,798	16	14,814
Net debt, beginning of the year	(202,884)	(3,134)	(206,018)
Net debt, end of the year	(227,942)	(3,180)	(231,122)
Schedule of Tangible Capital Assets (Schedule A)			
Cost of Capital Assets - Closing balance			
Generation	348,588	1,166	349,754
Non-plant Buildings	21,393	1,146	22,539
Accumulated amortization - Closing balance			
Generation	(139,757)	(1,128)	(140,885)
Non-plant Buildings	(6,816)	(1,098)	(7,914)
Total 2022			
Cost of Capital Assets - Opening balance	479,175	2,312	481,487
Cost of Capital Assets - Closing balance	492,069	2,312	494,381
Accumulated Amortization - Opening balance	(184,704)	(2,210)	(186,914)
Amortization	(14,798)	(16)	(14,814)
Accumulated Amortization - Closing balance	(198,809)	(2,226)	(201,035)
Net Book Value	355,678	86	355,764

3 Significant accounting policies

These financial statements are prepared in accordance with Canadian PSAS as issued by the Public Sector Accounting Board (PSAB). The following is a summary of significant accounting policies:

(a) Budget

Budgeted figures have been provided for comparison purposes and have been derived from the budget, including adjustments during the year, approved by the Board of Directors and the Financial Management Board of Nunavut.

(b) Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with PSAS requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates and assumptions are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these financial statements, the Corporation believes the estimates and assumptions to be reasonable.

QUILLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

(b) Use of estimates and measurement uncertainty (continued)

The more significant management estimates and assumptions relate to employee future benefits liabilities, allowance for doubtful accounts, provision for environmental liabilities, the useful life of tangible capital assets, asset retirement obligations, and the valuation of inventories for use.

(c) Cash

Cash is comprised of bank account balances (net of outstanding cheques).

(d) Bank indebtedness

Bank indebtedness is comprised of Banker's Acceptances (BAs) which are not offset against cash as there is no legally enforceable right to offset these obligations against other bank accounts.

(e) Accounts receivable

Accounts receivable are valued at cost. Valuation allowances, if necessary, are recorded based on all circumstances known at the date the financial statements are prepared including past events and current conditions.

A valuation allowance for impairment of accounts receivable is established when there is objective evidence that the Corporation will not be able to collect all amounts due, according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, default or delinquency in payment and inability to locate the debtor are considered indicators that accounts receivable are impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Statement of Operations and Accumulated Surplus as bad debt expense. When an account receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against bad debt expense in the Statement of Operations and Accumulated Surplus. Write-offs of accounts receivable are approved by the Corporation's Board of Directors, and, if the individual account exceeds \$20, with the express authority of an Act for that write off.

(f) Inventories for use

Inventories for use consists of fuel, supplies, lubricants and spare parts. Fuel is valued at the lower of cost and replacement cost, with the cost being determined on a weighted average cost method. Supplies, lubricants and spare parts are valued at the lower of cost and replacement cost, with the cost being determined on a first-in first-out basis. Impairments, when recognized, result in a write-down to replacement cost and are recorded as an expense within the Statement of Operations and Accumulated Surplus.

(g) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at original cost less accumulated amortization. Costs include contracted services, direct labour, materials and supplies, development costs, a proportionate share of overhead costs, contractual or legal obligations associated with the retirement of tangible capital assets, and an allowance for interest capitalized on construction projects. Amortization of tangible capital assets is provided on a straight-line average useful life basis using the following rates or range of rates:

	Useful life
Leased land	35 years
Generation assets	20 to 40 years
Distribution assets	15 to 45 years
Other assets	10 to 20 years
Non-plant buildings	45 years
Vehicles	12 years
Residual heat assets	25 years

Assets under construction are not amortized until put into production.

Intangible assets are not recognized as assets in these financial statements.

Land leases that transfer substantially all of the benefits and risks incidental to ownership of the land are accounted for as leased land. The value of leased land is recorded at the inception of the lease based upon the present value of minimum lease payments, excluding executory costs. When payment of the lease is made in full at inception, there is no associated capital lease obligation. Leased land is amortized on a straight-line basis over the lesser of the lease term or the useful life of the structure (generation asset) situated on it.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

(g) Tangible capital assets (continued)

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible asset is reduced to reflect that a permanent decline in the value of the asset has occurred. The related expense is recorded in the Statement of Operations and Accumulated Surplus and is not reversed if conditions subsequently change. Write-offs of tangible capital assets are approved by the Corporation's Board of Directors, and, if the individual account exceeds \$20, with the express authority of an Act for that write-off.

(h) Project development costs

The Corporation undertakes certain projects whose objective is to pursue development of alternate energy generation. While in progress, these development costs are included under work in progress in tangible capital assets. If it is later determined that a project will not proceed to completion, that project is closed out and any costs previously capitalized are expensed in the Statement of Operations and Accumulated Surplus. The costs of completed projects are transferred to the costs of the resultant tangible capital assets when that asset is placed into productive use.

(i) Government funding

Government contributions are obtained in relation to operations and are recognized as revenue when the funding is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Funding is recognized as deferred revenue when funding stipulations give rise to a liability or as a loan when the amount is repayable. Funding revenue is recognized in the Statement of Operations and Accumulated Surplus as the stipulated liabilities are settled.

The Government of Nunavut has provided certain services without charge to the Corporation. These services have been recorded at the Government of Nunavut's carrying amount in the Corporation's financial statements as government contributions, and an equivalent amount has been expensed or capitalized based on the Corporation's capitalization policy.

(j) Employee future benefits liabilities

(i) Pension plan - Eligible employees participate in the Public Service Pension Plan (the Plan), a multi-employer pension plan administered by the Government of Canada. The Corporation's contributions to the Plan are expressed as a percentage of employees' contributions. The percentage may fluctuate from year to year depending on the experience of the Plan. The Corporation's contributions are recorded as an expense on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required to make contributions with respect to any past service or funding deficiencies of the Plan. The Corporation's contributions reflect the full costs as employer.

(ii) Severance and removal benefits - Under the terms and conditions of employment, eligible employees may earn severance benefits and removal benefits for relocation costs. The severance benefits are paid upon resignation, retirement or death of an employee and are based on years of service and final salary. Removal benefits are based on years of service and their community of residence. The expected cost of providing these benefits is based on management's best estimates and is accrued as a liability as employees render service.

(iii) Sick leave benefits - Included in employee future benefits liabilities is an amount for employees who are permitted to accumulate unused sick leave. These entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which are expected to be used in future years is based on the number of hours estimated to be above the annual entitlement for the year.

(iv) Retirement benefits - Under the terms and conditions of employment, employees, upon retirement, are entitled to enroll in health and dental benefit programs, the cost of which are cost-shared by the Corporation. The estimated liability and related expenses for these benefit programs are recorded as employees earn them.

(k) Revenues

Sales of power and heat are recognized in the period in which the transactions and events have occurred and are calculated based on utility meters including any adjustments for the fuel stabilization rider. The majority of other income is recognized when the services are provided and is calculated on a per unit, fee-for-service basis. Revenues include an accrual for services provided but not yet billed which is based on historical consumption.

In addition, certain tangible capital asset additions are built with the assistance of cash contributions from customers. These contributions are recorded as revenues when all external restrictions or stipulations imposed by an agreement with the customer have been satisfied.

QUILLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

(l) Financial instruments

The following is a list of the Corporation's financial instruments and their related measurement bases:

Financial Assets	Measurement Basis
Cash	Cost
Accounts receivable	Cost
Financial Liabilities	
Bank indebtedness	Cost
Accounts payable and accrued liabilities	Cost
Utility deposits	Cost
Due to Petroleum Products Division	Cost
Debt	Amortized cost
Due to the Governments of Nunavut and Canada	Cost

As all financial instruments are measured at cost or amortized cost, there have been no remeasurement gains or losses. Therefore, the Statement of Remeasurement Gains and Losses has been excluded.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Accumulated Surplus.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability. Transaction costs are added to the carrying value of the instruments when they are initially recognized.

(m) Environmental liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Corporation is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

The liability reflects the Corporation's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination and is recorded as an accrued liability.

The liability is recorded net of any expected recoveries and includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. When the cash flows required to settle or otherwise extinguish a liability are expected to occur over extended future periods, a present value technique is used.

The liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of a future event that would confirm the Corporation's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements.

(n) Contingencies

Contingent liabilities result from pending lawsuits and like items. The contingencies of the Corporation are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur, or fail to occur, and the costs can be reasonably estimated, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements and no liability is accrued. The Corporation recorded a liability of \$173 (2022 - nil) in accounts payable and accrued liabilities to be paid in the next fiscal year.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recorded in the financial statements. The Corporation had no contingent assets to disclose for the year.

QUILLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

(o) Related party transactions

Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. When transactions are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where the costs of goods or services provided are recovered, they are measured at the exchange amount. All other inter-entity transactions are recorded on a gross basis and are measured at the carrying amount as recorded in the accounts of the provider.

The Corporation is related in terms of common ownership to all Government of Nunavut departments, territorial corporations, and public service bodies. The Corporation provides utility services to, and purchases fuel, materials, supplies and other services from, these commonly controlled entities in the normal course of its operations at terms and conditions similar to those adopted with arm's length entities.

Other related party transactions

Other related parties are key management personnel (President, Vice-Presidents, Board of Directors), as well as close family members of key management personnel and entities that are controlled by key management personnel or their close family members.

Related party transactions, other than some inter-entity transactions, are recorded at the exchange amount and are in the normal course of business completed under normal trade terms.

(p) Asset retirement obligations

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- ii) The past transaction or event giving rise to the liability has occurred;
- iii) It is expected that future economic benefits will be given up; and
- iv) A reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. The liability is discounted using a present value calculation and adjusted annually for accretion expense. The discount rate used reflects the Corporation's cost of borrowing, associated with the estimated number of years to complete the retirement or remediation.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset and amortized over the asset's estimated useful life. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed.

At each financial reporting date, the carrying amount of the liability is reviewed. The Corporation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Once the related tangible capital asset is no longer in productive use, changes to the liability are recognized as an expense in the period they are incurred. The Corporation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(q) Future changes in accounting standards

Section PS 3400 Revenue has been issued by the PSAB and is effective for the fiscal years beginning on or after April 1, 2023. This section establishes standards on how to account for and report revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

The Corporation will adopt this new standard on its effective date. QEC is evaluating the impact, if any, of implementing the above standard.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

4 Cash

	2023	2022
Cash	\$ 12,314	\$ 2,431
Cash (Restricted)	11,000	-
	\$ 23,314	\$ 2,431

Restricted cash is the balance of the Government of Nunavut \$25 million loan, which was used to pay out capital expenditures of \$14,000. \$11,000 is left to pay out the facility G in April 2023, and future capital expenditures.

5 Accounts receivable

	Related parties	Third parties	2023	2022
Trade receivables	\$ 26,566	\$ 25,955	\$ 52,521	\$ 40,080
Employee advances	-	14	14	7
GST receivable	-	11	11	-
	\$ 26,566	\$ 25,980	\$ 52,546	\$ 40,087
Less: Allowance for doubtful accounts	(1,560)	(4,294)	(5,854)	(5,299)
	\$ 25,006	\$ 21,686	\$ 46,692	\$ 34,788

Related party accounts receivable by source are as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Net	Net
Government of Nunavut				
Departments	\$ 15,539	\$ (1,114)	\$ 14,425	\$ 12,301
Territorial corporations	11,027	(446)	10,581	7,149
	\$ 26,566	\$ (1,560)	\$ 25,006	\$ 19,450

6 Bank indebtedness

The Corporation has a credit facility with a limit of \$20,000 (2022 - \$20,000). Interest charged on the credit facility is at Bankers' Acceptances' (BAs) rate (2023 - 4.95%; 2022 - 2.2%). The facility allows for the use of BAs for borrowing. The BAs have a stamping fee of 50 basis points per annum and the interest rate is approximately prime minus 2.0%, subject to market, with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof. The credit facility is secured by a CIBC indemnity/operating agreement and guaranteed by the Government of Nunavut.

	2023	2022
BAs	\$ 10,000	\$ 10,000
	\$ 10,000	\$ 10,000

7 Accounts payable and accrued liabilities

	Related parties	Third parties	2023	2022
Trade payables and accrued liabilities	\$ 332	\$ 13,274	\$ 13,606	\$ 12,019
Payroll liabilities and taxes	-	5,039	5,039	5,027
Holdbacks	-	834	834	2,416
GST payable	-	-	-	146
	\$ 332	\$ 19,147	\$ 19,479	\$ 19,608

Related party accounts payable and accrued liabilities by source are as follows:

	2023	2022
Government of Nunavut		
Departments	\$ 309	\$ 199
Territorial corporations	23	6
	\$ 332	\$ 205

QUILLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

8 Asset retirement obligations

The Corporation has recorded asset retirement obligations for the removal of asbestos, lead, mercury and PCBs in buildings. The amount recognized was determined using the net present value of estimated future expenditures required to fund the decommissioning of the assets. The obligation is calculated using the current estimated costs to retire the asset inflated to the estimated retirement date and discounted to current present value. The retirement obligation is being provided for over the accreted value from the initial obligation to the end of the useful life of the asset. Future retirement expenditures will be charged against the accumulated liability as incurred.

In addition to assumptions based on the costing and prevalence of asset retirement obligations determined using sample testing of units throughout the territory, the following is a summary of the key assumptions upon which the carrying amount of the asset retirement obligations are based:

- i) Total undiscounted asset retirement obligations are \$3,173 (2022 - \$3,173).
- ii) The amortization of the asset with asset retirement obligation is calculated on a straight-line basis. Amortization rates are identified in Note 3 (g).
- iii) Key assumptions in determining the provision are as follows:

	2023		2022	
	Asbestos and other hazardous materials in Non-plant Buildings	Asbestos and other hazardous materials in Generation assets	Asbestos and other hazardous materials in Non-plant Buildings	Asbestos and other hazardous materials in Generation assets
Discount rate	5.45%	5.45%	1.46%	1.46%
Time period over which the undiscounted expenditures are to be incurred	1-12 years	1-7 years	1-13 years	1-8 years
Long-term rate of inflation	2%	2%	2%	2%

This provision is sensitive to the discount rate and inflation rate used.

- i) A 1% increase in the discount rate would decrease the obligation by \$19 (2022 - \$9).
- ii) A 1% increase in the inflation rate would increase the obligation by \$33 (2022 - \$44).

	2023	Restated (Note 2) 2022
Opening balance	\$ 3,180	\$ 3,134
Change in ARO evaluation	(172)	-
Accretion expense (Note 15)	46	46
Ending balance	\$ 3,054	\$ 3,180

9 Debt

Facility G non-revolving committed loan with interest calculated at a variable rate of prime minus 0.5% per annum, with principal payments of \$83 plus interest due monthly, beginning on December 1, 2012 with the final payment due on November 30, 2022. The facility was extended on a monthly basis until its repayment on June 19, 2023 under the same conditions. This facility has an option to utilize BAs with stamping fees calculated at 50 basis points per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.

9,667 10,667

QUILLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

9 Debt (continued)

	2023	2022
<p>Facility H non-revolving committed loan in nine tranches with interest calculated at a variable rate of prime minus 0.5% per annum, with principal payments on the first tranche of \$100 plus interest due monthly, beginning on April 1, 2015 with the final payment due on April 1, 2025; on the second tranche of \$58 plus interest due monthly, beginning on April 1, 2016 with the final payment due on April 1, 2026; on the third tranche of \$82 plus interest due monthly, beginning April 1, 2017 with the final payment due on April 1, 2027; on the fourth tranche of \$166 plus interest due monthly, beginning April 30, 2018 with the final payment due on April 30, 2028; on the fifth tranche of \$160 plus interest due monthly, beginning April 30, 2019 with the final payment due on April 30, 2029; on the sixth tranche of \$80 plus interest due monthly, beginning April 30, 2020 with the final payment due on April 30, 2030; on the seventh tranche of \$66 plus interest due monthly, beginning April 30, 2021 with the final payment due on April 30, 2031; on the eighth tranche of \$137 plus interest due monthly, beginning April 30, 2022 with the final payment due on April 30, 2032; and on the ninth tranche, interest only monthly payments until March 31, 2023. This tranche was repaid on April 28, 2023. This facility has an option to utilize BAs with stamping fees calculated at 50 basis points per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.</p>	160,971	170,055
<p>Facility J non-revolving committed loan with interest calculated at a variable rate of prime minus 0.5% per annum, with principal payments of \$67 plus interest due monthly, beginning on May 1, 2014 with the final payment due on April 30, 2024. This facility has an option to utilize BAs with stamping fees calculated at 50 basis points per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.</p>	8,867	9,667
<p>The Government of Nunavut \$20 million loan's interest is based on the operating account's deposit rate paid by the Government of Nunavut's banker plus 0.15 percent per annum compounded monthly not in advance, beginning on September 29, 2021 in equal monthly instalments of \$173, including principal and interests. The final instalment, together with any other amounts accrued under this loan, is payable August 31, 2031. The loan was issued for the purpose of paying existing debt (debentures) and future capital needs.</p>	16,973	18,872
<p>The Government of Nunavut \$25 million loan's interest is based on the operating account's deposit rate paid by the Government of Nunavut's banker plus 0.15 percent per annum compounded monthly not in advance, beginning on June 29, 2022 in equal monthly instalments of \$230, including principal and interests. The final instalment, together with any other amounts accrued under this loan, is payable June 30, 2032. The loan was issued for the purpose of paying existing debt (facility G) and future capital needs.</p>	23,284	-
	\$ 219,762	\$ 209,261
<p>Related party debt by source is as follows:</p>	2023	2022
<p>Government of Nunavut Departments</p>	\$ 40,257	\$ 18,872
	\$ 40,257	\$ 18,872

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

9 Debt (continued)

Scheduled principal debt repayment amounts are as follows:

2024	24,698
2025	21,277
2026	24,266
2027	18,621
2028	20,610
2029 to 2033	110,290
Total	\$ 219,762

Section 25 of the Qulliq Energy Corporation Act requires the Corporation's borrowings not to exceed three times its accumulated surplus at any time. The Corporation's borrowings were 1.50 times its accumulated surplus at March 31, 2023 (2022 Restated (Note 2) - 1.43 times).

The debt is guaranteed by the Government of Nunavut up to a limit of \$300 million (2022 - \$250 million).

10 Due to the Governments of Nunavut and Canada

During 2022, the Government of Nunavut has provided to the Corporation an interest free repayable contribution to help fund its Capital and Operations and Maintenance (O&M) project expenses related to contractor isolation costs arising from the COVID-19 pandemic. As of March 31, 2022, the Corporation had incurred eligible COVID-19 isolation expenses for a total amount of \$699 out of the total amount of funding received of \$2,345. The unspent balance as of March 31, 2022 of \$1,646 was repaid to the Government of Nunavut in 2023.

During 2023, the solar component of the Kugluktuk project was cancelled. Therefore, the Corporation is required to pay unspent contributions received from the Government of Nunavut and the Government of Canada totalling \$330 (2022 - nil).

11 Employee future benefits

Pension Plan:

The Corporation and all eligible employees contribute to the Public Service Pension Plan (the Plan). The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada Pension Plan benefits and they are indexed to inflation.

Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end is 1.02 times (2022 - 1.02 times) for members enrolled before January 1, 2013 and 1.00 times (2022 - 1.00 times) for members enrolled beginning January 1, 2013. These amounts are included as an expense in salaries, wages and benefits.

Contributions to the Plan were as follows:

	2023	2022
Employer's contributions	\$ 2,285	\$ 2,153
Employees' contributions	2,139	2,080
Total contributions	\$ 4,424	\$ 4,233

Severance, removal, retirement and sick leave benefits:

The Corporation provides severance benefits upon resignation, retirement or death as well as removal, sick leave and retirement benefits to its eligible employees. Severance is based on years of service and final salary, removal benefits are based on years of service and their community of residence, while sick leave entitlements are based on the number of hours estimated to be above the annual entitlement for the year. Upon retirement, employees are entitled to enroll in health and dental benefit programs, the cost of which are cost-shared by the Corporation. The estimated liability and related expenses for these benefit programs are recorded as employees earn them. These benefits are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefits obligation. The liability for these benefits is as follows:

	2023	2022
Severance	\$ 1,140	\$ 2,079
Retirement benefits	823	-
Sick leave	400	700
Removal	308	505
	\$ 2,671	\$ 3,284

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

11 Employee future benefits (continued)

The discount rate used to determine the employee future benefit liabilities is 4.00% (2022 - 2.45%).

The Corporation paid \$264 (2022 - \$510) in employee future benefits during 2023.

12 Inventories for use

	2023	2022
Spare parts	\$ 18,297	\$ 16,350
Fuel	12,753	8,727
Supplies and lubricants	1,537	1,094
	\$ 32,587	\$ 26,171

An allowance for obsolescence of \$507 (2022 - \$507) has been recorded to reduce slow moving inventory items to their estimated replacement cost. There have been no reversals of previous write-downs. No inventories have been pledged as security for liabilities.

13 Sales of power

	Related parties	Third parties	2023	2022
Commercial customers	\$ 32,710	\$ 46,054	\$ 78,764	\$ 76,308
Residential customers	40,395	15,245	55,640	53,089
Electrical streetlights and private area lighting	-	1,302	1,302	1,494
	\$ 73,105	\$ 62,601	\$ 135,706	\$ 130,891

Related party sales of power by source are as follows:

	2023	2022
Government of Nunavut		
Departments	\$ 36,071	\$ 33,411
Territorial corporations	37,034	33,454
	\$ 73,105	\$ 66,865

The Corporation administers the Government of Nunavut's Public Housing Support Subsidy, for which it invoiced \$28,847 (2022 - \$26,506) on behalf of customers. This program subsidizes qualifying residential customers living in public housing by supplementing the customer the difference between the approved residential rate and 6.0 cents per kWh. The Corporation invoices the Nunavut Housing Corporation on a monthly basis for the power subsidies and applies the amounts to individual customer invoices.

The Corporation administers the Government of Nunavut's Territorial Power Support Subsidy, for which it invoiced \$8,354 (2022 - \$9,840) on behalf of customers. This program subsidizes qualifying residential customers in all communities up to 50% of the Iqaluit base rate on the first 700 kWh consumed each month between April and September, and on the first 1,000 kWh consumed each month between October and March. The Corporation invoices the Government of Nunavut on a monthly basis for the power subsidies and applies the amounts to the individual customer invoices.

The Fuel Stabilization Rate (FSR) refund was nil for April 1, 2022 to September 30, 2022 (FSR refund was 1.29 cents/kWh for April 1, 2021 to September 30, 2021). FSR refund was nil for October 1, 2022 to March 31, 2023 (FSR refund was nil from October 1, 2021 to March 31, 2022). The total fuel rebate granted during the year was \$400, related to adjustments for prior year billings (2022 - \$1,059).

14 Other income

	Related parties	Third parties	2023	2022
Administration and other service fees	\$ 523	\$ 1,537	\$ 2,060	\$ 1,799
Housing recoveries from employees	15	1,318	1,333	1,554
Capital funding from customers	340	796	1,136	1,284
Pole rentals	46	538	584	583
	\$ 924	\$ 4,189	\$ 5,113	\$ 5,220

Related party other income by source are as follows:

	2023	2022
Government of Nunavut		
Departments	\$ 519	\$ 322
Territorial corporations	405	398
	\$ 924	\$ 720

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

15 Expenses

The following is a summary of the expenses by object or type:

Restated (Note 2)

	Related parties	Third parties	2023	2022
Fuel and lubricants	\$ 45,640	\$ 9,274	\$ 54,914	\$ 47,124
Salaries, wages and benefits	-	34,916	34,916	35,450
Supplies and services	752	29,713	30,465	30,806
Amortization of tangible capital assets (Schedule A)	-	15,254	15,254	14,814
Interest expense (Note 16)	527	7,913	8,440	2,844
Travel and accommodations	2	4,633	4,635	4,017
Bad debt expense	-	555	555	281
Accretion of asset retirement obligations (Note 8)	-	46	46	46
	\$ 46,921	\$ 102,304	\$ 149,225	\$ 135,382

Related party expenses by source are as follows:

	2023	2022
Government of Nunavut		
Departments	\$ 46,887	\$ 36,394
Territorial corporations	34	34
	\$ 46,921	\$ 36,428

16 Interest expense

	2023	2022
Interest on debt	\$ 6,932	\$ 1,632
Interest and bank charges	1,575	1,290
Less: Interest capitalized on construction projects	(67)	(78)
	\$ 8,440	\$ 2,844

17 Contractual obligations

Operating leases

The Corporation has leased property under various long-term operating leases. The minimum annual payments for these leases are as follows:

	2024	2025	2026	2027	2028	Total
Third parties	\$ 1,534	\$ 332	\$ 4	\$ -	\$ -	\$ 1,870
	\$ 1,534	\$ 332	\$ 4	\$ -	\$ -	\$ 1,870

Fuel purchase commitments

The Corporation has made purchase commitments of \$61,585 (54,550,000 litres) to purchase fuel in the fiscal year ending March 31, 2024. This amount is due to be paid in fiscal 2024. The majority of the commitment is with the Petroleum Products Division (a commonly controlled entity).

Capital purchase commitments

The Corporation has made commitments in relation to upcoming capital expenditures which are expected to be paid as follows:

	2024	2025	2026	2027	2028	Total
Third parties	\$ 9,671	\$ 4,492	\$ -	\$ -	\$ -	\$ 14,163
	\$ 9,671	\$ 4,492	\$ -	\$ -	\$ -	\$ 14,163

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

17 Contractual obligations (continued)

Other operating commitments

Commitments in the amount of \$8,687 have been made in relation to other upcoming operating expenditures which are expected to be paid in fiscal 2024.

18 Government contributions

	2023	2022
Low Carbon Economy Fund	\$ 1,901	2,690
Arctic Energy Fund	1,890	5,185
Computer Hardware and Software (Cyber attack recovery)	1,880	-
Canadian North Economic Development Agency (Geothermal study, Stage II)	1,013	90
Government of Canada's Carbon Tax Program	500	500
Clean Energy in Rural and Remote Communities Deployment Program (Penetration study)	318	-
Clean Energy in Rural and Remote Communities Deployment Program (Solar panel part)	(350)	140
COVID-19 isolation costs (Note 10)	-	699
	\$ 7,152	\$ 9,304

The Government of Nunavut has entered into an agreement with the Corporation to provide financial support, under the Low Carbon Economy Funding, for a maximum of \$6,348 for eligible expenditures incurred, spent, approved and claimed on or before September 30, 2024 on the terms and conditions set out in the said agreement. The Corporation will invest in the installation of District Heating Systems in Sanikiluaq and Taloyoak.

The Government of Nunavut has entered into an agreement with the Corporation to provide financial support, under the Arctic Energy Fund, for a maximum amount of \$175,000 for eligible expenditures incurred, spent, approved and claimed on or before September 30, 2027 on the terms and conditions set out in the said agreement. The Corporation will invest in projects that will provide more efficient and/or reliable energy in Nunavut.

The Government of Nunavut has provided support in the form of computers, software and labour for a total of \$1,880 (2022 - nil) to help the Corporation recover from a recent cyberattack. The Government of Nunavut has no intention to recover the cost from the Corporation.

The Government of Canada (Canadian North Economic Development Agency) has entered into an agreement with the Corporation to provide financial support for a maximum amount of \$1,296 for eligible expenditures incurred, spent, approved and claimed on or before March 31, 2024 on the terms and conditions set out in the said agreement. The Corporation will invest in the Nunavut Geothermal Feasibility Study.

The Government of Nunavut has entered into an agreement with the Corporation to provide a grant, under the Government of Canada's Carbon Tax Program, for a maximum of \$2,000 for eligible expenditures incurred and spent for replacement of conventional streetlights across Nunavut with high efficiency bulbs. An amount of \$500 will be provided per year over four years until March 2024.

The Government of Canada has entered into an agreement with the Corporation to provide financial support, under the Clean Energy in Rural and Remote Communities Deployment Program, for a maximum amount of \$1,332 for eligible expenditures incurred, spent, approved and claimed on or before March 31, 2024 for a renewable penetration study. The study's objective is to gain a better understanding of territorial generation assets throughout Nunavut, as well as all of the recommended renewable energy penetration on a community level.

The Government of Canada has entered into an agreement with the Corporation to provide financial support, under the Clean Energy in Rural and Remote Communities Deployment Program, for a maximum amount of \$3,380 for eligible expenditures incurred, spent, approved and claimed on or before September 30, 2023 on the terms and conditions set out in the said agreement. The Corporation was supposed to invest in Solar Photovoltaic with energy storage for Kugluktuk. However, the solar component of the project was cancelled in order to reduce the overall cost of project so that the project bids can be within the approved budget. The total amount of funding received under this program of \$350 was reversed in the current year as the Corporation is required to return this funding back to the Government of Canada and the Government of Nunavut given the associated expenditures will no longer be incurred.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

19 Contractual rights

The Corporation enters into funding agreements with various government agencies and businesses (Note 18). These funding agreements will result in revenue and assets in the future if and when the Corporation meets the eligibility requirements stipulated within the agreements. The receipt of funding for each program is subject to the Corporation meeting the eligibility requirements under each of the respective funding agreements.

The following table outlines the maximum amount of funding available under each of the programs:

	2024	2025	2026	2027	2028	Total
Arctic Energy Fund	\$ 13,890	\$ 20,355	\$ 45,725	\$ 81,326	-	\$ 161,296
Low Carbon Economy Fund	1,478	-	-	-	-	1,478
Clean Energy in Rural and Remote Communities Deployment Program (Penetration Study)	832	-	-	-	-	832
Government of Canada's Carbon Tax Program	500	-	-	-	-	500
Canadian North Economic Development Agency	260	-	-	-	-	260
	\$ 16,960	\$ 20,355	\$ 45,725	\$ 81,326	\$ -	\$ 164,366

The Corporation has accrued an amount receivable of \$3,953 (2022 - \$3,788) for amounts contractually owed under its funding agreements with the Government of Nunavut and the Government of Canada as the Corporation met the eligibility requirements stipulated within the agreements. These receivables are expected to be received in fiscal 2024.

20 Environmental liability for contaminated sites

The Corporation's activities are subject to various federal and territorial laws and regulations, such as the Environmental Protection Act of Nunavut and the Environmental Guideline for Contaminated Site Remediation - 2010, 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 in compliance with all applicable laws and regulations.

The Corporation has identified 27 sites (2022 - 27 sites) where the concentration of petroleum hydrocarbons and other pollutants in the soil exceeds environmental standards. The contamination of some of these sites occurred when other parties were responsible for the use of and/or held tenure to the sites.

Management estimates the future remediation costs to be approximately \$45 million (2022 - \$36.5 million). No environmental liability provision for remediation of these sites has been recognized in these financial statements as there is no legal requirement to remediate these sites; nor does management have the intention to remediate any of the sites. Going forward, an environmental liability provision for the remediation of any of these sites will be recognized if, and when, it is determined that public health is at risk.

The Corporation has a monitoring program in place to ensure that the identified contaminated sites do not harm persons or the environment. Accounts payable and accrued liabilities includes a provision of \$670 (2022 - \$670) related to the monitoring program. The undiscounted future expenditures for this liability are \$1,276 (2022 - \$1,305). The provision was determined by discounting the total future expected cash flows over an estimated period of 44 years using a rate that reflects the Corporations' effective borrowing rate. The provision is subsequently revalued at the current discount rate in effect at each Statement of Financial Position date. At March 31, 2023, the future expenditures are discounted using a rate of 2.45% (2022 - 2.45%).

QUILLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

20 Environmental liability for contaminated sites (continued)

During 2016, the Corporation determined that the containment method in use at one of its contaminated sites, located in Baker Lake, was no longer functioning as intended. The Corporation proceeded with a Human Health Risk Assessment at this site which resulted in one particular site exceeding the prescribed contaminant levels. In September 2016, the Corporation proceeded with its remediation plan which included a lined land farm cell and a trench. The remediation of this site was completed during the summer of 2019. However, due to some concerns raised by residents, the Corporation is looking to a bigger land farm away from the community and has requested another parcel of land away from the Hamlet. Accounts payable and accrued liabilities includes a provision of \$ 217 (2022 - \$217) in relation to this site.

During 2018, one spill of significant volume occurred at the Corporation's power plant in Grise Fiord spilling 4,000 litres of diesel fuel. In compliance with Section 5 of the Environmental Protection Act of Nunavut, the Corporation is repairing damage caused by these discharges and eliminating any danger to life, health, property or the environment. Partial remediation was completed during the summer of 2018 and 2021. Accounts payable and accrued liabilities includes a provision of \$578 (2022 - \$578) in relation to this site.

During 2021, a heating fuel spill amounting to 1,000 litres occurred at Coral Harbour and 130 litres heating fuel spill occurred in Nauyasat. Contaminated snow was transported to bermed containment cells near the airport in both communities that are reportedly maintained and operated by third parties. Soil removal was also completed in September 2021. The Remedial Action Plan requires follow up on potential ground contamination. Some work was finished in summer 2022 and will continue in summer 2023. Accounts payable and accrued liabilities includes a provision of \$14 (2022 - \$80) in relation to Coral Harbour.

21 Financial instruments

The Corporation is exposed to certain risks as a result of holding financial instruments. There have been no changes to the risks compared to prior year and no change in the methods and practices used to manage these risks. The following risks have no significant impact on the Corporation's financial statements.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk through cash deposits with financial institutions and accounts receivable arising from the sale of electricity and related services to customers. For cash in interest-bearing accounts and accounts receivable, the maximum exposure to credit risk is the carrying amount on the Statement of Financial Position. At the end of 2023, there were no known relevant concentrations of credit risk by type of customer or geography. Instead, the Corporation's credit risk exposure is mainly influenced by individual customer characteristics.

The credit risk related to accounts receivable is reduced by taking cash deposits from new customers. The size of the deposit varies depending on the risk exposure. Established customers or those with good credit are waived from having to provide a deposit.

Accounts receivable are generally due in 30 days and interest is charged after 60 days at the rate disclosed in the terms and conditions of service. The Corporation utilizes an allowance account for potential credit losses related to accounts receivable. The movement in the allowance account during the year was as follows:

	2023	2022
Balance, beginning of year	\$ 5,299	\$ 5,774
Increase in allowance during year	555	268
Receivables written-off during the year	-	(743)
Balance, end of year	\$ 5,854	\$ 5,299

The aging analysis of accounts receivable past due but not impaired, aged by billing date, is as follows:

	Days Past Billing Date			2023	2022
	31 - 60	61-90	Over 90		
March 31, 2023	\$ 14,182	\$ 6,080	\$ 10,890	\$ 31,152	\$ 20,293

With respect to accounts receivable past due but not impaired, based on credit history and credit ratings, there are no indications that customers will not be able to meet their obligations.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars)

21 Financial instruments (continued)

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 to ensure sufficient liquid financial resources to finance operations and to meet long-term debt repayments. The Corporation believes that it has access to sufficient capital through internally generated cash flows, government support and external resources including borrowing facilities to meet current spending forecasts.

The following table shows the maturity risk analysis of the financial liabilities based on the remaining contractual maturities (assuming no renewals):

	Less than 1 year	Between 1 and 4 years	Greater than 4 years	2023	2022
Debt (including interest and stamping fee)	\$ 35,520	\$ 89,919	\$ 149,122	\$ 274,561	224,001
Due to Petroleum Products Division	48,482	-	-	48,482	17,791
Accounts payable and accrued liabilities	19,479	-	-	19,479	19,608
Bank indebtedness	10,000	-	-	10,000	10,000
Utility deposits	1,814	-	-	1,814	1,717
Due to the Governments of Nunavut and Canada	330	-	-	330	1,646
	\$ 115,625	\$ 89,919	\$ 149,122	\$ 354,666	\$ 274,763

Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate, because of changes in market prices. The Corporation is exposed to interest rate risk on its variable rate long-term debt.

The Corporation's intention is to hold the fixed rate debt to maturity.

The Corporation is subject to interest rate cash flow risk on its variable rate debt and bank indebtedness. For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense would be as follows:

	2023	2022
Bank indebtedness	\$ 100	\$ 100
Debt	2,410	1,773
	\$ 2,510	\$ 1,873

The Corporation is not subject to other significant market risks pertaining to its financial instruments.

QULLIQ ENERGY CORPORATION
SCHEDULE A
Schedule of Tangible Capital Assets
For the year ended March 31, 2023
(in thousands of dollars)

								Restated (Note 2)	
	Leased Land	Generation	Distribution	Residual Heat Assets	Non-plant Buildings	Vehicles	Other Assets	2023	2022
Cost of Capital Assets									
Opening balance	\$ 1,950	\$ 349,754	\$ 82,413	\$ 21,973	\$ 22,539	\$ 8,106	\$ 7,646	\$ 494,381	\$ 481,487
Transferred from work in progress	-	37,223	3,047	2,793	6	256	879	44,204	13,587
Disposals	-	-	-	-	(592)	(258)	-	(850)	(693)
Closing balance	1,950	386,977	85,460	24,766	21,953	8,104	8,525	537,735	494,381
Accumulated Amortization									
Opening balance	(661)	(140,885)	(29,071)	(12,863)	(7,914)	(5,513)	(4,128)	(201,035)	(186,914)
Amortization	(36)	(11,365)	(1,721)	(830)	(434)	(539)	(329)	(15,254)	(14,814)
Disposals	-	-	-	-	592	258	-	850	693
Closing balance	(697)	(152,250)	(30,792)	(13,693)	(7,756)	(5,794)	(4,457)	(215,439)	(201,035)
Work in Progress									
Opening balance	-	41,288	3,571	4,079	11,992	257	1,231	62,418	27,277
Additions	-	2,751	2,665	2,616	4,564	1,191	658	14,445	48,728
Transferred to cost of tangible capital assets	-	(37,223)	(3,047)	(2,793)	(6)	(256)	(879)	(44,204)	(13,587)
Closing balance	-	6,816	3,189	3,902	16,550	1,192	1,010	32,659	62,418
Net Book Value	\$ 1,253	\$ 241,543	\$ 57,857	\$ 14,975	\$ 30,747	\$ 3,502	\$ 5,078	\$ 354,955	\$ 355,764

Note:

The tangible capital asset additions presented in the Statement of Cash Flow excludes non-cash acquisitions totalling \$2,644 (2022 - \$5,550) which represents: i) unpaid purchases and holdbacks that are included in the outstanding accounts payables and accrued liabilities at year-end; and ii) assets received from the Government of Nunavut without consideration.