

2018-2019 Annual Report



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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

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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.



The new Cape Dorset Power Plant was completed in 2018.

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 76,000 kilowatts. The corporation also provides mechanical, electrical and 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, has the mandate to manage the capital projects of the corporation, and to respond to opportunities for alternative generation sources.

All electricity needs in Nunavut are met by imported diesel fuel supplies. 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 energy resources or regional electricity transmission capability, creating a situation of high dependency on diesel fuel.

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 Qaujimajatuqangit and *Turaaqtavut*, the mandate document of the fifth Legislative Assembly of the Government of Nunavut. QEC operates as an enterprise with transparency, accountability and integrity.

MISSION STATEMENT

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

GUIDING PRINCIPLES

QEC is guided in every facet of its operations by Inuit Societal Values and adheres to the Inuit Guiding Principles set out by the Government of Nunavut's *Turaaqtavut*.



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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Aluyaktutunik Ikumatjutiit

P.O. Box 250, Iqaluit, Nunavut, X0A 0H0

August 22, 2019

Honourable Jeannie Ehaloak
Minister Responsible for Qulliq Energy Corporation
Legislative Assembly of Nunavut
926 Queen Elizabeth II Way
PO Box 2410
Iqaluit, Nunavut
X0A 0H0

Dear Minister Ehaloak:

In accordance with Section 100(1) of the *Financial Administration Act*, I hereby submit on behalf of the Board of Directors of Qulliq Energy Corporation the 18th Annual Report for fiscal year ending March 31, 2019.

Respectfully submitted,

Simeonie Akpalialuk
Chairperson
Board of Directors
Qulliq Energy Corporation

CHAIRPERSON'S MESSAGE

On behalf of the Board of Directors of Qulliq Energy Corporation, I am proud to present the 2018-2019 Annual Report. It is my pleasure to share our latest achievements and outline our future priorities.

QEC continues to play a key role in building a strong future for the territory through its provision of a safe and reliable electricity supply. Ensuring that the corporation meets this mandate is the board's top priority. QEC's action items continue to support the *Turaaqtavut* mandate as outlined by the Government of Nunavut (GN). All departments and public agencies are obligated to adhere to the mandate's priorities.

Currently all electricity generated by QEC relies on imported diesel fuel. Keeping in mind Nunavut's desire to enhance energy self-reliance, and to conserve energy and energy resources, QEC fosters *Qanuqtuurniq* (being innovative and resourceful) regarding the establishment of alternative energy initiatives. With a strong focus on *Pivaallirutivut* (developing and managing our renewable and non-renewable resources for the long-term benefit of Nunavummiut), QEC has further opened the door to harnessing renewable energy sources through the amendment of the *Qulliq Energy Corporation Act* with the goal of displacing diesel fuel.

Through our partnership with Inuit organizations and local municipalities, QEC is committed to *Katujjiqatigiinnivut* in supporting their pursuit of renewable energy projects. The corporation also continues to collaborate with the GN regarding federal funding opportunities presented to QEC for territorial energy efficiency initiatives made possible through the Arctic Energy Fund. Federal funding applications have been submitted to the Government of Canada for a series of specific projects that we feel confident will prove successful.

Another area of focus for the board is our ongoing commitment to QEC's Inuit Employment Plan with the ultimate goal of achieving a representative workforce. The corporation has developed an Inuit Employment Plan (IEP) made of four key components designed to increase opportunities for Nunavut Inuit and help remove barriers to employment. These combined efforts in career training, professional development, summer student opportunities and apprenticeship have set a clear path for QEC to create a positive work environment and to reach desired employment targets.

As we near the 20th anniversary of QEC in 2021, the board continues to guide the evolution of the corporation. By collaborating with the board, the President and CEO and Minister Ehloak, I am committed to meeting the challenges and maximizing QEC's opportunities as we continue to meet the current and future energy needs of the territory. At the same time, we can provide a solid foundation for economic and social growth that benefits all Nunavummiut.

Best Regards,



Simeonie Akpalialuk

Chairperson

Qulliq Energy Corporation

Board of Directors Chairperson, Board of Directors

Dated: August 22, 2019

PRESIDENT'S MESSAGE

The 2018-2019 fiscal year brought achievements that will help shape the future direction of Qulliq Energy Corporation (QEC). Our team delivered major capital projects, acquired federal infrastructure funding, and developed renewable energy initiatives that emphasize the corporation's renewed focus on value for our customers.

QEC is dedicated to rebuilding and upgrading its existing infrastructure; this was highlighted through the opening of two new power plants in 2018-2019. Outdated facilities in Cape Dorset and Grise Fiord were replaced with upgraded infrastructure and equipment designed to meet both current and future energy needs of the hamlets. The Grise Fiord power plant won a 2018 design award for Excellence in Steel Construction from the Canadian Institute of Steel Construction. It is recognized as the first ever prefabricated power plant in Nunavut; constructed in Quebec, shipped by sealift to the community, and reassembled on site. Cape Dorset's power plant has been relocated outside the hamlet as a result of community feedback. Both projects were completed ahead of schedule and within budget. Along with QEC and government officials, I was pleased to celebrate the opening of the new power plants with residents of each community through a feast and ribbon cutting ceremony. We thank the communities and power plant staff for their support to reach these successes.


QEC's primary focus continues to be the delivery of safe, affordable and reliable energy to our customers across the territory. In doing so, we continue to seek solutions that promote less dependence on imported fossil fuels and more local energy production. Looking ahead, QEC will be completing power plant infrastructure upgrades over the next eight years as a result of funding provided by the Government of Canada through the Arctic Energy Fund. These upgrades will significantly improve energy efficiency in our power plants and will increase energy production capacity for our communities.

We place great importance on ensuring customer rates do not increase as a result of incorporating alternative sources into the energy mix. Both the newly established Net Metering Program and the upcoming Independent Power Producers Program provide opportunities for made-in-Nunavut power generation solutions that, in turn, mark the beginning of energy autonomy for the territory without an increase in customer rates. By continuing to foster and maintain relationships with Inuit organizations, municipalities, and local businesses, we aim to support locally owned community scale renewable energy projects for the first time.

The inclusion of renewable energy technology will create an important template for QEC in future energy planning initiatives. It is critical that we have continued federal government investment to construct alternative energy facilities. Only through federal investments can significant projects targeted at reducing diesel consumption, including those in wind turbines, solar photovoltaic panels and geothermal studies, be realized.

The strength of QEC is firmly rooted in the solid base of our team of employees. As a collective, we deliver reliable, safe and affordable energy with the expertise and innovation required by the challenging conditions in the north. We are proud of our achievements, both in maintaining our existing infrastructure and in creating new solutions to satisfy the demands of the changing energy environment. As we move into a new year, I am confident that we will continue to support customer growth and demand in the communities that we serve.

Yours truly,



Bruno Pereira
President and Chief Executive Officer
Dated: August 22, 2019

KEY ACTIVITIES IN 2018-2019

- Net Metering Program launch
- Appointments of three new Board of Directors
- Approval of 2018-2019 General Rate Application
- Amendment to the *QEC Act* to enable QEC to purchase power
- Major project permit approvals for a head office in Baker Lake and new power plant in Kugluktuk
- Federal funding approval of District Heating System projects in Sanikiluaq and Taloyoak
- Energy conservation promotional video launch
- Safety and Health Week Award
- 99.91 reliability rate
- Completion of new power plants in Cape Dorset and Grise Fiord
- Distribution system upgrades in Grise Fiord, Cape Dorset and Cambridge Bay
- Fuel system upgrades in Cambridge Bay
- Iqaluit bulk fuel tank construction
- Installation of new generator sets in Arviat, Nauyasat and Cambridge Bay

OUTLOOK FOR 2019-2020 AND BEYOND

Looking forward, QEC will be following the direction established by its strategic plan to meet these targeted objectives: enhancing human resource capabilities and Inuit employment numbers; developing effective and efficient business practices; improving internal and external communications; delivering the Arctic Energy infrastructure projects on time and on budget; and pursuing economical alternative energy options to diesel. Through the delivery of major program and infrastructure projects such as the Independent Power Producer program, new Baker Lake Head Office, and Nunavut's first hybrid solar/diesel power plant in Kugluktuk, QEC will aim to strengthen its strategic partnerships with Inuit organizations, the federal government, and the private sector to meet the needs of our communities. QEC continues to be committed to working with the Government of Nunavut and other stakeholders to deliver the corporation's vision to provide Nunavummiut with safe, reliable, sustainable and affordable electricity.

CONTRIBUTING TO ALL COMMUNITIES THROUGH INUIT GUIDING PRINCIPLES

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 Guiding Principles of:

***Pijitsirniq:** serving and providing for family and/or community*

***Ikajuqtigiinniq:** working together for a common cause*

***Pilimmaksarniq:** development of skills through observation, mentoring, practice and effort*

***Avatittinnik Kamatsiarniq:** respect and care for the land, animals and the environment*

PIJITSIRNIQ

During the 2018-2019 fiscal year, QEC contributed to the following community events and organizations:

- Astro Theatre Movie Days of Christmas
- Iqaluit Christmas Games
- Laura Ulluriaq Gauthier Memorial Volleyball Tournament
- Inuksuk High School's Canadian Leadership Conference Fundraiser
- Baffin Regional Chamber of Commerce Charity Gala
- Iqaluit Community Greenhouse Society
- Pangnirtung Hamlet Day Celebration
- Whale Cove Elder's Christmas Dinner
- Iqaluit Elder's Christmas Dinner
- Skills Canada Nunavut
- Alianait Arts Festival

PILIMMAKSARNIQ & IKAJUQTIGIINNIQ

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.

Jasmine Redfern of Iqaluit was awarded the 2018 Laura Ulluriaq Gauthier Scholarship as a leader and advocate for Indigenous youth within the territory and across the country. Ms. Redfern is a Nunavut Law Program student pursuing a career as a bilingual Inuktitut and English-speaking lawyer to better represent all members of her community.

SKILLS CANADA NUNAVUT

Recognizing the importance of the skilled trades and technology sector to its business, QEC has been a long-term and active supporter of Skills Canada Nunavut. The organization's promotion of 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. In 2018-2019, QEC contributed corporate promotional items to the 2018

Territorial Skills Competition. QEC's own Derek Allerton, Health, Safety, and Environment Construction Coordinator, participated as a judge in the territory's health and safety competition. The corporation's Human Resources Department also participated in the career fair portion of the event to recruit and provide information on QEC's apprenticeship program.

AVATITTINNIK KAMATSIARNIQ

COMMUNITY CLEAN UP

QEC has been an active supporter of the annual Nunavut-wide community clean-up. Organized by the GN's Department of Environment, QEC supports the event by encouraging its employees to participate in this community building initiative. In spring 2018, Baker Lake and Iqaluit staff showed their community spirit by taking the time to help clean-up their respective communities.

ENERGY WISE CAMPAIGN

In partnership with the GN's Climate Change Secretariat and Nunavut Housing Corporation, QEC continued to deliver the "Energy Wise" awareness campaign, by educating the public on the importance of energy conservation. A robust social media program, along with a popular video, formed the foundation of the second phase of the initiative. Radio announcements, newspaper and magazine ads, and a territory wide poster campaign combined to deliver light hearted messaging to the public.

Energy Wise posters were part of the recent campaign.

Seem strange?

So is opening your windows with the heat on.

ADPAAKUT ILLIYUQ
ENERGY WISE
KUNAGULQINUT QASIMATANG
ENERGY WISE

Every little thing you do to save energy adds up to make a big difference.

Turn the thermostat down.

Close the window.

Put a sweater on.

For more information on saving energy, cutting costs and helping the environment in Nunavut, join Energy Wise on Facebook at Energy Wise Nunavut and on Twitter @EnergyWiseNU.

Logos: Nunavut Housing Corporation, Nunavut Energy, Nunavut Climate Change Centre, and others.

AWARDS AND RECOGNITION

SAFETY AND HEALTH WEEK AWARD

In 2018-2019, Qulliq Energy Corporation (QEC) received its eighth Employer Recognition award from the Canadian Society of Safety Engineers and the Workers' Safety and Compensation Commission. This recognition demonstrates QEC's efforts and continued commitment to raising and building its safety culture in the workplace.

Presented to a Nunavut employer with 51 workers or more, this award celebrates QEC's efforts and active participation during Safety and Health Week 2019. The annual event fosters collaboration among employers, employees and stakeholders to raise awareness about injury and illness prevention in the workplace.

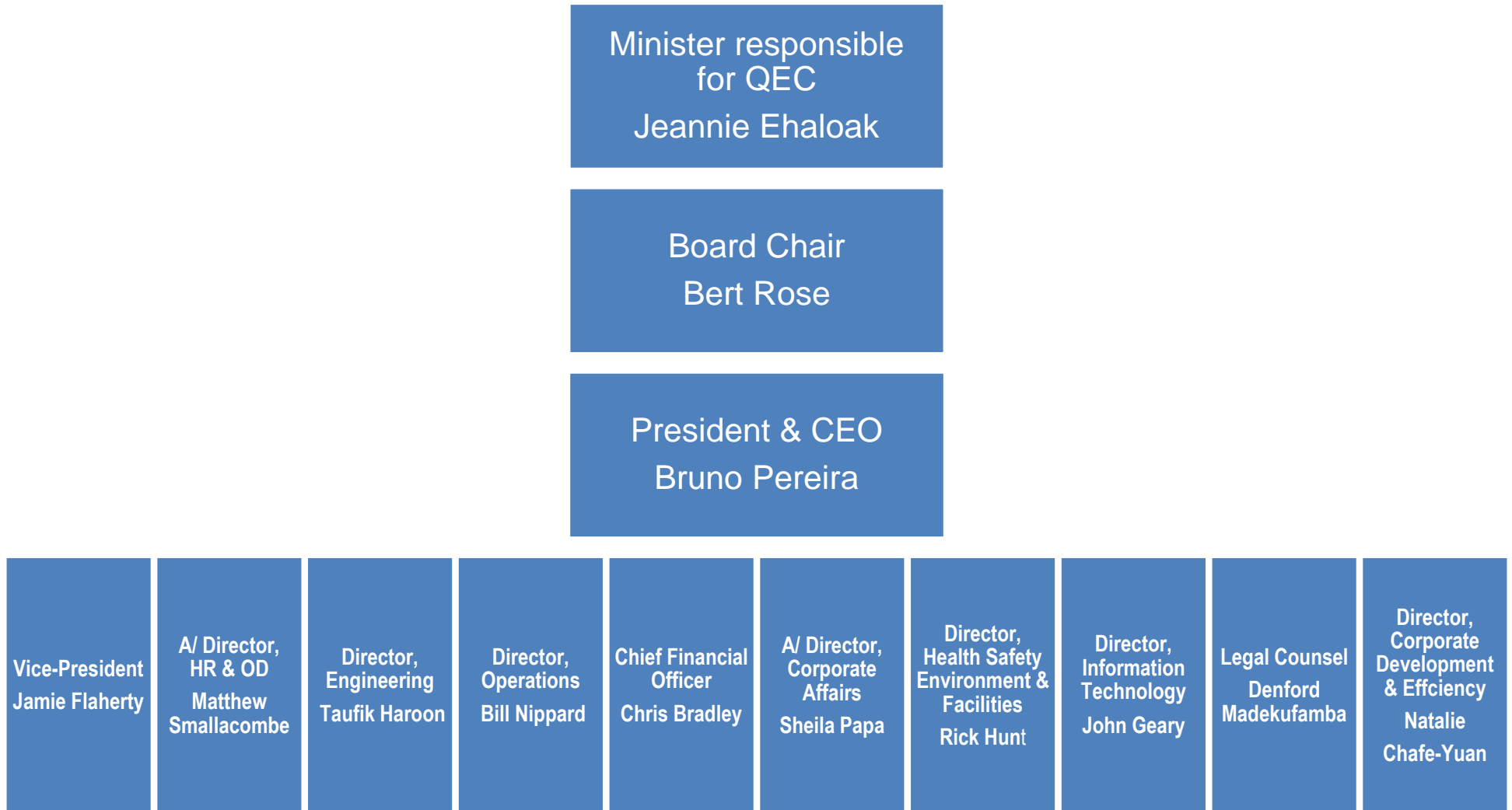
FEDERAL FUNDING PROGRAMS

ARCTIC ENERGY FUND

The Arctic Energy Fund (AEF) is a federal funding program aimed at enhancing energy efficiency and reliability in the north, 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, of which QEC's contribution would be a maximum of \$58 million. The total contribution from both sources is \$233 million.

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.

ORGANIZATIONAL STRUCTURE



As of March 31, 2019

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 terms for board members are staggered at two or three year appointments. This ensures the corporation maintains business continuity and allows for growth in experience and knowledge.

Bert Rose, Chairperson

Bert Rose has lived and worked in the north for over five decades. He worked for the Department of Education for the Government of Northwest Territories for twenty-four years in various classroom, school and management roles. His final employment was as Dean of Campus Programs at Nunavut Arctic College. From 2000 to 2013 he successfully ran Graybeard Consulting. Currently semi-retired, he sits as chair of the Nunavut Surface Rights Tribunal. Mr. Rose brings his knowledge and experience of working across the Arctic, strong leadership skills, and management background to QEC's board. He resides in Iqaluit.

Simeonie Akpalialuk, Vice-Chairperson (Chairperson as of August 15, 2019)

Currently residing in Iqaluit, Simeonie Akpalialuk has also lived in the Northwest Territories, Ontario and British Columbia. He served as a consultant for the Hamlet of Pangnirtung, the Department of Economic Development and Transportation, and has worked on community and business development. His long lived passion for alternative energy makes him a valuable member of QEC's Board of Directors. Mr. Akpalialuk holds a Business Administration diploma from Nicola Valley Institute of Technology.

Philip Clark, Director

Philip Clark has more than twenty-five years of corporate financial experience serving government entities, public companies and owner managed businesses. For twelve years he was manager, and then partner, of Lester Landau (formerly MacKay Landau) in Iqaluit. Mr. Clark is a Chartered Professional Accountant and Chartered Financial Analyst, and holds a degree from McMaster University. He currently resides in Mississauga, Ontario.

Nelson Pisco, Director

Nelson Pisco currently works for the Government of Nunavut's Department of Community and Government Services as the Director of Technical Services in Iqaluit. He has extensive public service experience at the territorial level. Prior to working for the government, Mr. Pisco worked as an engineer in Iqaluit, Nunavik and Montreal. His extensive background in leadership, engineering and experience in the energy industry are valuable assets to the Board of Directors. He is a graduate of Concordia University and holds a Bachelor of Civil Engineering. Mr. Pisco currently resides in Iqaluit.

Ronnie Campbell, Director

Ronnie Campbell served as an Assistant Auditor General of Canada from 2003 until his retirement in 2015. Mr. Campbell presided over the work of the Office of Auditor General of Canada in Nunavut, the Yukon, the Northwest Territories, and various federal government entities. During his early career with Hudson's Bay Company, Mr. Campbell lived and worked in the communities of Qikiqtarjuaq and Sanikiluaq. He holds a Bachelor of Commerce degree from the University of Ottawa and is a Certified Management Accountant. Mr. Campbell resides in Ottawa.

Nicole Jauvin, Director

Nicole Jauvin retired as Deputy Minister of the Canadian Northern Economic Development Agency in 2011. She has worked extensively with government, communities and individuals to further economic development in the North. Ms. Jauvin has travelled across Nunavut. She is a board member of Gwich'in Development Corporation in Inuvik, Research Institute of the Children's Hospital for Eastern Ontario, and Five Lakes Club in Quebec. Ms. Jauvin holds a graduate diploma of laws, LL.L. Magna cum Laude, diploma in International Cooperation, and Bachelor of Arts in Communications from the University of Ottawa. She was a member of the Quebec Bar and currently resides in Ottawa.

Kimberly Fairman, Director

Kimberly Fairman has over 20 years of broad experience in the federal and territorial governments. Ms. Fairman served at the senior management level for the Department of Health and Social Services and Canadian Northern Economic Development Agency in Northwest Territories from 2008 to 2016. She holds a nursing diploma from Aurora College in Northwest Territories and a certificate in Public Sector Leadership and Governance from the University of Ottawa. Ms. Fairman currently resides in Yellowknife.

Roxanne Ruediger, Director

Roxanne Ruediger is a Certified Public Accountant with over 10 years of experience in financial reporting, analysis and strategy implementation. Ms. Ruediger currently holds the position of Chief Financial Officer with Nunavut Tunngavik Incorporated. Ms. Ruediger received her accounting designation in 2015 and was recognized as the second Inuk to get their designation and the first female aboriginal in the NWT/NU Association. Ms. Ruediger lives in Rankin Inlet.

Nastania Mullin, Director

Nastania Mullin, an Inuk, is a student in the Nunavut Law Program. Mr. Mullin obtained a Bachelor of Business from Gold Coast, Australia and completed his final semester in Paris, France, majoring in international marketing. He also has a Diploma in Business Administration from St. Lawrence College in Ontario. With his experience in sustainability planning, and being part of the negotiating team with the Devolution Secretariat, he brings project management skills to the board. Mr. Mullin served as the first President for the Nunavut Law Student Society. By travelling to and working in every community in Nunavut, he has extensive knowledge of the territory. He also serves as a board member for the Nunavut Business Credit Corporation. Mr. Mullin lives in Iqaluit with his partner and is a proud father of four children.

Juanie Pudluk, Director

Juanie Pudluk is a professional engineer with a degree in electrical engineering and NAPEG accreditation. Mr. Pudluk has over 12 years of experience in project management and the diesel power industry. He currently works as a Project Management Manager for the Government of Nunavut. He previously worked as an electrical engineer with QEC. Mr. Pudluk currently resides in Iqaluit.

BOARD COMMITTEES

HUMAN RESOURCES AND IQ COMMITTEE

The Human Resources Committee provides recommendations relating to the corporation's organizational workforce. The committee reviews human resources and compensation matters pertaining to the senior management team. 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 the ratepayers of Nunavut. The committee facilitates communication between the board and the external auditor and is the presiding body related to the activities of the internal auditor.

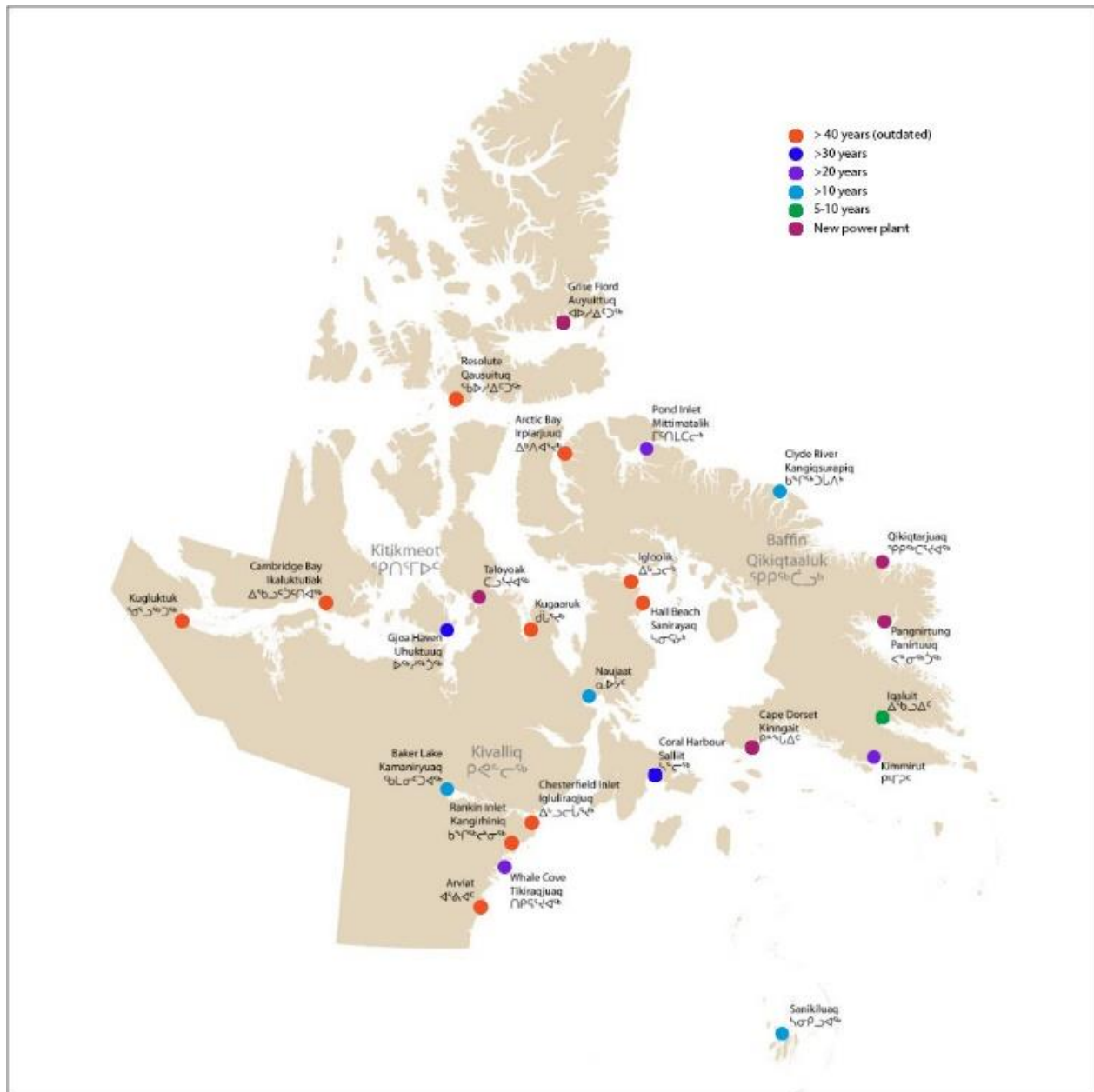
ALTERNATIVE ENERGY COMMITTEE

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

Re-established in November 2017, 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.

NUNAVUT POWER PLANTS BY AGE



OPERATIONS

The Operations department is tasked with the 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. Local employees are supported by electricians, mechanics, and power line technicians based in the regional centers of Cambridge Bay, Iqaluit, and Rankin Inlet. Operations continues to build an accountable 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 Facilities, 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 2018-2019, QEC reported a 99.91 percent reliability rate across the territory, a slight decline from the previous fiscal year. Factors that affected power supply reliability in 2018-2019 included planned outage requirements for commissioning new power plants in Grise Fiord and Cape Dorset and new generator sets in Arviat and Gjoa Haven. Severe weather conditions affected power supply reliability during the fiscal year. In 2018-2019, QEC also installed emergency stand-by generator sets in Gjoa Haven and Clyde River. Operations continually strives to improve power supply reliability, meet increased demand for electricity, and cope with the restraints of QEC's power infrastructure.

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. Planned outages occur when work is required on power plant equipment or an electrical distribution system. In addition, planned outages 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 failures of QEC's power infrastructure.

During the 2018-2019 fiscal year, the following communities had the most reliable power supply in the territory:

- Chesterfield Inlet, Coral Harbor, Whale Cove, Igloolik, Grise Fiord and Pond Inlet all reported power supply reliability of 99.99 percent.
- Overall, the average QEC customer experienced 6.12 hours of interruption in 2018-2019.

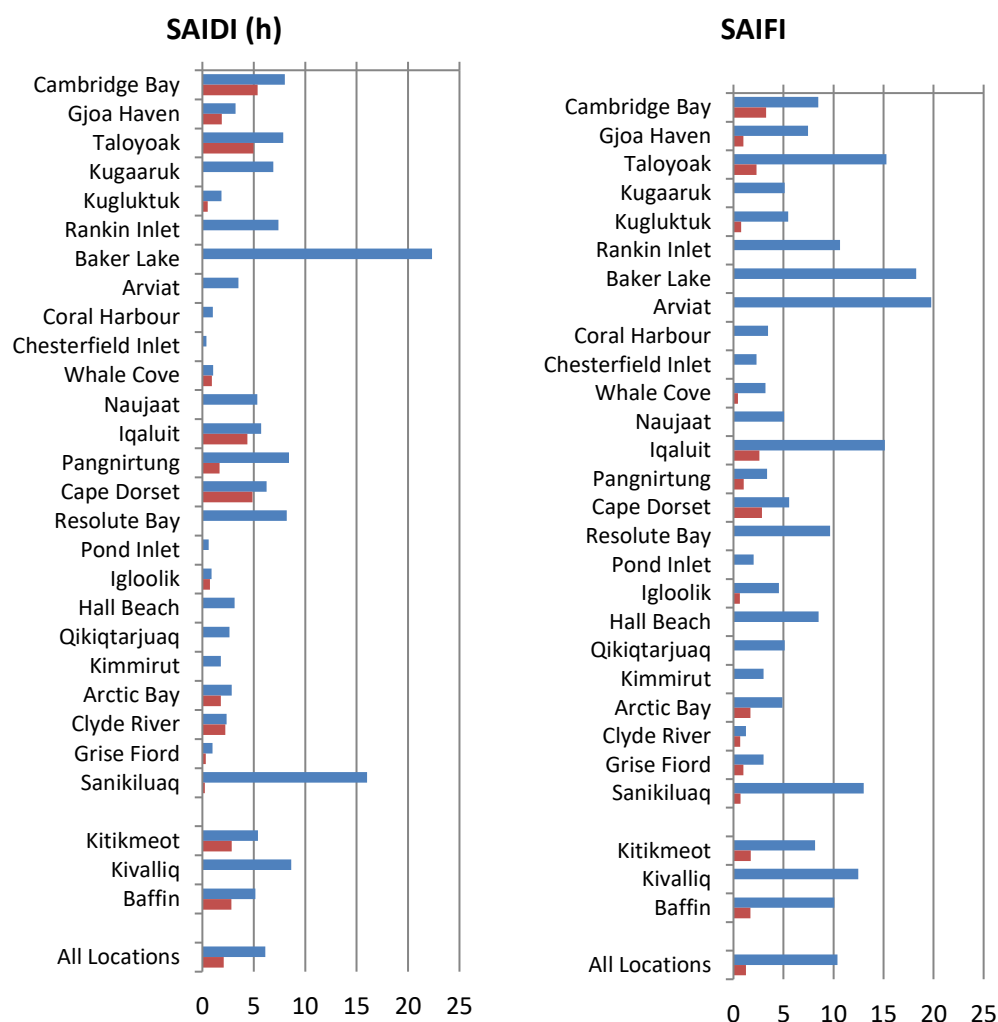
Operations continues to improve its operational and maintenance practices through pro-active inspections of the power plants and equipment.

In addition, fuel systems were upgraded in Cambridge Bay to ensure increased longevity of service and help maintain a reliable electricity supply to QEC's customers.

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 average *frequency* of power interruptions for customers (SAIFI) and the average *system interruptions duration* (SAIDI). The tables below indicate the results of this analysis. These are standard power utility industry measurements of performance. The reliability statistics below reflect QEC's commitment to safe, reliable power for all Nunavummviut.



The **System Average Interruption Frequency Index (SAIFI)** shows the average number of interruptions a customer experienced in each community and region from April 1, 2018, to March 31, 2019. 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 blue. Planned power outages are in red. In 2018-2019, SAIFI was 10.39 interruptions.

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, 2018, to March 31, 2019. 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 **blue**. Planned power outages are in **red**. In 2018-2019, SAIDI was 6.12 hours.

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 2018-2019, QEC's fuel efficiency rate was 3.74 kilowatt hours per litre, a slight improvement over last year's territorial fuel efficiency. This is a result of scheduled maintenance being completed on the corporation's largest and most efficient gensets.

Despite QEC's aging infrastructure and periodic equipment breakdowns, Operations continually works to improve its fuel efficiency performance. While solely reliant on diesel generation, QEC strives to reduce the amount of fuel consumed to generate electricity, and in turn reduces greenhouse gas emissions.



QEC Powerline Technicians at work

GENERATION

To manage the challenges presented by QEC's 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 2018-2019, Operations worked with Engineering to commission new generator sets in Arviat, Nauyasat and Cambridge Bay. These generator set upgrades allow QEC to meet the current and future energy needs of the communities.

DISTRIBUTION

QEC's Power Line Technicians (PLTs) spend most of the winter months flying into the 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 2018-2019 fiscal year, Operations was involved in a variety of distribution projects in an effort to improve reliability and meet the power needs of each community. Working closely with the Engineering department, upgrades to distribution systems were completed in Cape Dorset and Grise Fiord.

ENGINEERING

The department of Engineering is responsible for planning, design, project management, technical support services and life cycle analysis for new and existing power plant infrastructure for the corporation. Engineering also oversees the development and implementation of project management procedures, Computer-Aided Design, and maintenance of the engineering document management system. The strategic partnership between the Engineering and Operations departments ensures support for daily operational issues, long term planning, and execution of QEC's Corporate Plan.

POWER PLANT REBUILD PROJECT

QEC is finalizing project plans to replace all 11 power plants that are operating beyond, or near the end of, their life span. 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. Power plant replacements ensure that QEC can provide safe and reliable power to all communities across the territory. In 2018-2019, new power plants in Cape Dorset and Grise Fiord were completed, both ahead of schedule and within budget. In addition, QEC began design work on a new power plant in Kugluktuk.

CAPE DORSET NEW POWER PLANT CONSTRUCTION

- Construction for the replacement power plant in Cape Dorset began in July 2017 and was fully commissioned by December 2018.
- At the hamlet's request, the new power plant is located next to the community's Petroleum Products Division fuel tank farm.

GRISE FIORD NEW POWER PLANT CONSTRUCTION

- Construction for the replacement power plant in Grise Fiord began in July 2017 and was fully commissioned by November 2018.
- The Grise Fiord power plant is the first ever prefabricated plant in Nunavut. It was constructed in Quebec, shipped by sealift to the community and reconstructed on site.



Recognized for Excellence in Steel Construction from the Canadian Institute of Steel Construction, the Grise Fiord power plant was completed in November 2018.

IQALUIT NEW BULK FUEL TANK CONSTRUCTION

- Design and major construction work on a new bulk fuel tank was completed during the 2018-2019 fiscal year with an expected project completion date in 2019. With a tank capacity of 5 million litres, this is the largest fuel tank project that QEC has undertaken.

KUGLUKTUK NEW HYBRID POWER PLANT MAJOR PROJECT PERMIT APPROVAL

- The Major Project Permit for building a new hybrid diesel and solar power plant in Kugluktuk was approved in February 2018.
- Design, equipment selection, major item procurement, and land work are expected to be completed in 2019. Final construction and commissioning is expected to be completed in 2021.
- The new power plant will be located next to the community's Petroleum Products Division tank farm.

NET METERING PROGRAM

Launched in April 2018, the 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.

INDEPENDENT POWER PRODUCER PROGRAM

QEC is developing the Independent Power Producer (IPP) Program. The IPP Program will allow hamlets, Designated Inuit Organizations, Inuit firms, institutional and commercial customers, as well as external parties, to generate electric power from eligible energy sources and sell it directly to the corporation. For the first time, QEC will be buying power from IPPs for up to the avoided cost of diesel. Priority will be given to Nunavut Inuit owned and managed organizations. Program details will be finalized in 2019.

ADDITIONAL ACCOMPLISHMENTS DURING THE 2018-2019 FISCAL YEAR INCLUDED:

- Completed a distribution system upgrade and power plant structural upgrade in Cambridge Bay.
- Completed a fuel supply line upgrade in Cambridge Bay.
- Installation of new generator sets in Arviat, Nauyasat and Cambridge Bay.

DISTRICT HEATING SYSTEM

District Heating System (DHS) is the process of harnessing the thermal energy produced as a by-product of generating electricity and supplying that captured thermal energy to customers through a piped delivery system. This process enables institutional and commercial customers to burn significantly less fuel to generate heat, minimizing the required maintenance 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.

In 2018-2019, QEC extended the DHS to connect the newly constructed Iqaluit Aquatic Centre. The DHS expansion was completed in January 2019 and the corporation is working with the City of Iqaluit to finalize the service agreement.

In September 2018 the Government of Canada committed to major funding in Nunavut under their Low Carbon Economy Fund (LCEF). These federal funds will enable QEC to install District Heating Systems in Sanikiluaq and Taloyoak. The initial phases of the DHS projects in Taloyoak and Sanikiluaq are underway with expected completion dates in 2020-2021.

QEC plans to connect the Nuiyuk School and Paatsaali High School to the DHS in Sanikiluaq. In Taloyoak, Netsilik School, Moses Teelktaq pool, Lyall Construction garage and two hamlet garages are slated to be connected to the DHS.

ALTERNATIVE ENERGY AND RENEWABLE ENERGY

QEC's alternative and renewable energy portfolio is currently run by a Senior Advisor, who liaises with staff throughout the corporation to evaluate and advance projects that reduce QEC's reliance on diesel fuel. In addition, QEC works in partnership with federal agencies such as Indigenous and Northern Affairs Canada and Natural Resources 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.

In 2018-2019, the following activities related to alternative and renewable energy sources took place:

- QEC hired a contractor to collect data related to geothermal potential in Nunavut. To expand on the results of the study, QEC submitted an expression of interest application to Canadian Northern Economic Development Agency. The corporation continues to seek funding to explore the potential of geothermal resource deployment in selected communities.
- The corporation applied for federal funding from Natural Resources Canada's Clean Energy for Rural and Remote Communities Program to progress with a 500 kilowatt solar photovoltaic panel installation for the community of Kugluktuk.
- Along with interested electrical utilities, provinces, territories, and Natural Resources Canada, QEC participated in the Small Modular Reactor (SMR) Roadmap Project. The SMR project has been established to learn about nuclear power systems on a much smaller scale and their potential use in Canada. The report '*A Call to Action – A Canadian Roadmap for Small Modular Reactors*' was launched in November 2018. QEC's participation in the SMR project was a way to gather information and assess the technical and financial viability of SMRs.

HEALTH, SAFETY, ENVIRONMENT AND FACILITIES

The department of Health, Safety, Environment, and Facilities (HSEF) is responsible for the administration of the corporation's health, safety, and environmental practices along with the maintenance and administration of QEC's real estate property portfolio. HSEF'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 and safety.
- Promote and ensure compliance with QEC's Health and Safety Program.
- Continue the development and revision of safe work practices and procedures.
- Provide health and safety training to all employees.
- Ensure QEC's compliance with all applicable federal and territorial acts and regulations.
- 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. Facilities also conducts life cycle costing in support of decision making to either maintain or retire assets throughout Nunavut.

HEALTH AND SAFETY

The corporation believes that workplace incidents, illnesses and injuries are unacceptable and preventable. QEC is committed to providing a healthy and safe work environment for its employees, contractors, and customers.

In 2018-2019, QEC successfully fulfilled the audit requirements of the Certificate of Recognition (COR) from the Northern Safety Association (NSA). COR is a well-established, Canada-wide certification program that gives organizations a tool for assessing and enhancing their health and safety management system. The purpose of the COR is to encourage safer workplace behaviour and practices that also lead to improved performance.

Since acquiring the COR in 2013, HSEF has made significant enhancements to QEC's Health and Safety Program (HSP) to align itself with the requirements and standards for maintaining the accreditation. QEC's health and safety management system has been developed and implemented, and is evaluated annually through comprehensive internal and external audits.

HSEF continues to deliver health and safety orientations to new employees and contractors. With e-learning, employees are able to complete the mandatory *Health and Safety Orientation Program* training on-line. The orientation program ensures that employees successfully complete a safety orientation as required by the *Nunavut Occupational Health and Safety Regulations*. In 2018-2019, 66 QEC employees completed the program.

DURING THE 2018-2019 FISCAL YEAR, HSEF STAFF TRAINED:

- 11 employees in Fall Protection
- 26 employees in Standard First Aid, Level A with CPR Endorsement
- 10 employees in Workplace Hazardous Materials Information System (WHMIS)
- 33 employees in fire extinguisher inspection and maintenance

- 66 employees and 20 contractors on QEC's internal Utility Work Protection Code
- 4 employees in Elevated Work Platform training
- 27 employees in Respiratory Awareness and FIT testing
- 26 employees in Crane Awareness
- 36 employees in the Supervisor Familiarization Safety course
- 42 employees in Electrical Safety and Arc Flash Awareness
- 209 contractors have taken QEC's contractor safety orientation
- 26 employees have taken the Distribution Hazard Awareness training
- 6 employees in Safety and Machine Operator training
- 11 employees in Forklift Operator training

QEC is proud of its continued participation in *Safety and Health Week* (formerly *North American Occupational 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 2018-2019, QEC hosted a number of in-house *Health and Safety Week* activities for employees. Some of these included:

- Recommended a smartphone app download of the day
- Reviewed the historical evolution of safety in the workplace as it applies to QEC trades
- Held a "Make Safety a Habit" colouring contest for kids and selected top submissions to include in the internal 2019 QEC calendar
- Hosted lunches within the four regional centres to discuss current safety issues
- Held a picture contest and winners were featured on QEC's custom arc flash Personal Protective Equipment posters



Picture contest submissions were featured on QEC's custom arc flash Personal Protective Equipment posters.

The results of an arc flash study analyses informed safety labeling requirements for 17 power plants across the territory. In 2018-2019, HSEF ensured arc flash labels were posted on equipment posing a potentially hazardous risk for arc flash in nearly all power plants. Two remaining power plants in Kugluktuk and Arctic Bay will have arc flash labels installed once the old power plants are replaced.

In 2018-2019, specific in-house awareness training was completed to accompany the arc flash studies and arc flash labels. Arc flash awareness training is now required for all new operations employees. Personal Protective Equipment (PPE) posters, along with information on when to wear arc flash PPE, was distributed to all power plants.

During the 2018-2019 fiscal year, the Plant Operator Training Program continued with a session dedicated to Assistant Operators. This program brings operations staff from across Nunavut together for a week of health and safety training. Assistant Operator training is provided every two years; in 2019-2020, the training will be provided to Plant Superintendents.

Specific training topics included:

- supervisor safety
- electrical safety and arc flash awareness
- first aid
- fire extinguisher inspection and maintenance
- Work Protection Code
- general environmental awareness
- crane safety
- transportation of dangerous goods

The HSEF department is committed to maintaining a healthy and safe work environment. HSEF provides new and existing staff with the safety training required for their positions to ensure that they are provided with the necessary tools to support an injury-free career at QEC.

ENVIRONMENT

HSEF works hard to ensure that QEC's environmental footprint is minimized in accordance with leading environmental industry practices and standards, and applicable federal and territorial legislation. Generating and distributing electricity within a diesel power plant setting, with strict control measures in place, reduces the risk of everyday work activities resulting in undesirable harm to the surrounding land and bodies of water.

Environmental Site Assessments (ESAs) are essential to determine the environmental condition and possible contamination of a property. Through previous assessments, it was determined that contaminants currently on QEC sites do not pose a risk to human health. This is due to either the location of the contamination or the depth at which it can be found.

In addition to the ESA program, QEC also monitors annual soil conditions. During the 2018-2019 fiscal year, a consultant was contracted to analyze and prepare a report on soil sample data taken in each community. The report concluded that some areas showed a lessening of contamination, while others, such as waste storage areas and fuel transfer depots, showed an increase in hydrocarbon impacts. HSEF will utilize the information provided in the report to enhance QEC's environmental management practices in accordance with applicable environmental regulations.

In an effort to ensure that communities have reliable fuel supply, help reduce fuel spills, and comply with federal regulations, QEC continues to upgrade its fuel supply system infrastructure across the territory. In 2018-2019, QEC

completed an upgrade to the underground single wall fuel pipelines in Cambridge Bay to bring the system into compliance. Decommissioning of Kugluktuk's fuel line will commence once the new power plant is completed. QEC also completed the final decommissioning and removal of an old fuel system in Arviat. Decommissioning activities for power plant infrastructure and fuel supply systems concluded in Taloyoak and Qikiqtarjuaq during the 2018-2019 fiscal year.

Two reportable fuel spills occurred in the communities of Kugluktuk and Cape Dorset during the 2018-2019 fiscal year. Each were cleaned up immediately either with internal HSEF staff or through the procurement of a contractor leaving no impacts to QEC property and surrounding areas.

FACILITIES

TRANSIENT UNITS

The Facilities Department has been working diligently to provide condition assessments of QEC's transient units on a per unit basis. Staff visited the Kitikmeot region as well as the communities of Baker Lake, Rankin Inlet, Sanikiluaq and Taloyoak. Required repairs and maintenance were prioritized and completed in a cost effective and timely manner. Larger scale repairs and maintenance work included furnace replacements, fuel tank and sewage tank inspections, and heat tracing of pipes as preventative measures.

A transient trailer in Gjoa Haven was relocated to make room for the installation of a supplementary genset module. At the Kugaaruk transient trailer, roof repairs to correct wind damage were completed while a hydronic heat trace system was installed to protect the sewage tank. The work was completed in the 2018-2019 fiscal year.

RESIDENTIAL/COMMERCIAL PROPERTY

As of March 31, 2019, a total of 174 housing units were maintained by QEC. The table below shows the breakdown by community and size of unit (bachelor unit, 1 bedroom unit, 2 bedroom unit, 3 bedroom unit and 4+ bedroom unit).

	Bachelor	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm	Total # Units
Iqaluit	1	32	19	34	5	0	91
Igloolik	0	0	1	0	1	0	2
Pangnirtung	0	0	1	0	1	0	2
Pond Inlet	0	0	1	0	0	1	2
Cape Dorset	0	0	0	1	0	0	1
Resolute Bay	0	0	0	1	0	0	1
Hall Beach	0	0	1	0	0	0	1
Qikiqtarjuaq	0	0	1	0	0	0	1
Kimmirut	0	0	1	0	0	0	1
Arctic Bay	1	0	0	0	0	0	1
Clyde River	0	0	1	0	0	0	1
Grise Fiord	0	0	0	0	1	0	1
Sanikiluaq	0	0	1	0	0	0	1
Rankin Inlet	0	1	3	4	0	0	8
Baker Lake	0	16	13	7	1	0	37
Arviat	0	0	0	0	1	0	1
Coral Harbour	0	0	0	1	0	0	1
Chesterfield Inlet	0	0	1	0	0	0	1
Whale Cove	0	0	1	0	0	0	1
Nauyasat	0	0	1	0	0	0	1
Cambridge Bay	0	1	1	10	1	0	13
Gjoa Haven	0	0	1	0	0	0	1
Taloyoak	0	0	0	1	1	0	2
Kugaaruk	0	0	1	0	0	0	1
Kugluktuk	0	0	0	1	0	0	1
Total							<u>174</u>

In 2018-2019, Facilities completed a newly drafted Residential and Commercial Leases document with clearly defined clauses that will benefit both QEC and the lessors.

HUMAN RESOURCES

The Human Resources (HR) department is responsible for conducting staffing and recruitment, job evaluation, employee and labour relations, Inuit employment programs, and overall strategic and operational human resources initiatives for the corporation. The department further ensures that all of the corporation's human resources activities are carried out in compliance with Article 23 of the *Nunavut Agreement*, applicable employment legislation, directives, human resources policies, employment contracts and collective agreements.

INUIT EMPLOYMENT

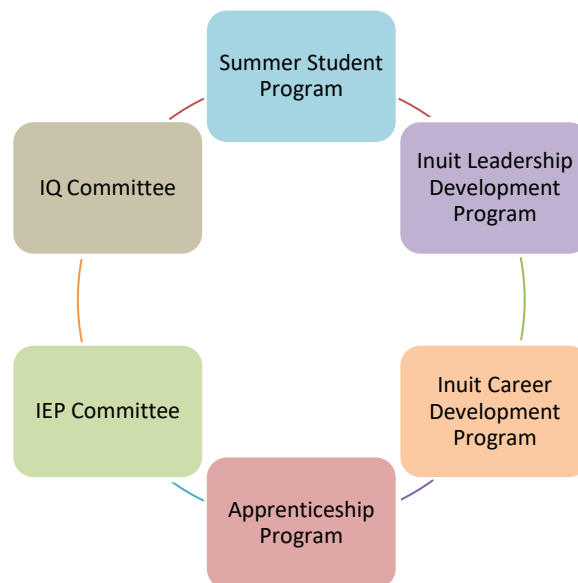
INUIT EMPLOYMENT PLAN

QEC has a long-term strategy to increase Inuit employment through supportive education and work experience initiatives. QEC has developed a detailed Inuit Employment Plan (IEP) with an action plan and a timeline of goals from present date to 2023 and beyond. The IEP represents QEC's committed adherence to the Priority Hiring Policy, reducing barriers to employment, Inuit career development planning, succession planning strategies, and overall retention of Inuit employees.

INUIT EMPLOYMENT INITIATIVES

The Corporation has six interconnected initiatives that contribute to its IEP. Each initiative builds on the foundation of QEC's vision and reflects *Inuit Societal Values* (ISVs) and *Inuit Qaujimajatuqangit* (IQ). The programs are as follows:

Inuit Employment Plan Initiatives (IEP)



Summer Student Program (SSP): Exposes Nunavut students to the various functional areas within the organization by providing meaningful work experience over the summer months. Students receive guidance from an assigned mentor from the division in which they are employed. Eight students were hired for the 2018 summer work term.

Inuit Leadership Development Program (ILDP): This program represents the corporation's proactive approach to increasing Inuit employment at the professional, management, and senior management levels. The program identifies current employees that are interested in attaining a post-secondary degree and financially supports them throughout their academic career, while also providing valuable work experience through summer internships in their field of study. All previous graduates of the ILDP are currently employed within the corporation within their field of study.

Inuit Career Development Program (ICDP): This program is designed to formally connect employees with their supervisor to create individualized career development plans. These plans help guide employees along their career path by establishing objectives, goals, and timelines that are in line with the strategic direction of the corporation. In 2018-2019, QEC developed individualized career development plans for 25% of its Inuit employees as part of its commitment to providing all interested Inuit employees with career development planning opportunities.

Apprenticeship Program: Developed to reduce the dependency of hiring trades people outside of the territory, this program has allowed the corporation to fill positions in communities with local residents. In 2018-2019, two Inuit apprentices graduated from their respective programs and became certified journeypersons in the Power Systems Electrician and Materials Technicians trades. The program is currently undergoing a complete redesign to realign with the current needs of QEC.

Inuit Employment Plan Committee: This committee meets quarterly and 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.

Inuit Qaujimajatuqangit (IQ) Committee: This committee meets quarterly and provides recommendations to the Senior Management Committee, through the HR Director, on potential methods of integrating *Inuit Qaujimajatuqangit* and *Inuit Societal Values*, into QEC's standard employment protocols. In 2018-2019, the committee developed a policy and a set of standard operating procedures for the planning, delivery, and administration of the corporation's cultural immersion days.

LABOUR AND EMPLOYEE RELATIONS

PRE-GRIEVANCE INTERVENTION

Recognizing the mutual benefit of early intervention in workplace disputes, QEC's most recent collective agreement has codified the practice of pre-grievance dispute resolution as an alternative method to more traditional approaches of resolving workplace disputes (such as grievances, litigation, harassment complaints, etc.). Where appropriate, union stewards will engage with management in pre-grievance dispute resolution to reach a mutually acceptable outcome to identified issues. In 2018-2019, the pre-grievance intervention process was successfully carried out to mitigate employee disputes and avoid formal grievances on five separate occasions.

GRIEVANCES

In the event that disputes are not resolved through, or are inappropriate for, the early intervention process, a grievance is typically filed. A grievance is a statement of dissatisfaction, produced by an individual, the union or, uncommonly, from management regarding the interpretation or application of the collective agreement or other instrument which has an effect on the terms and conditions of employment. Negotiation between the parties is usually the first step in resolving grievances. If no resolution can be reached, a mediator may be engaged to assist the parties. Ultimately if no accord can be reached, the dispute is forwarded to arbitration in which a third party renders a decision after hearing from the differing perspectives on the matter.

In 2018-2019, there were five new grievances filed, two of which were resolved through negotiation.

EMPLOYEE RELATIONS INITIATIVES

In 2018-2019, the HR department delivered nine presentations in Iqaluit and at QEC's head office in Baker Lake. Appropriate workplace behaviours, along with performance and attendance expectations, were reinforced to all staff. The presentations focused on topics such as fitness for duty, legalization of cannabis, respect in the workplace and overall expectations of staff.

The HR department recently conducted a cross analysis of all internal policies to determine the hierarchy of authorities. Government of Nunavut (GN) directives, the collective agreement and the *Public Service Act and Regulations* were all considered in the review. As part of this process, QEC will be developing internal policies consistent with GN directives that address the unique operating environment of the corporation.

	Active grievances as of March 31, 2019	
	Policy grievances	Individual grievances
NEU	7	5
Excluded	0	0

	New grievances submitted in 2018-2019	
	Policy grievances	Individual grievances
NEU	0	5
Excluded	0	0

	Grievance resolution by type 2018-2019	
	Policy grievances	Individual grievances
Negotiation	0	2
Mediation	0	0
Arbitration	0	0

STAFFING & RECRUITMENT

As of March 31, 2019, QEC filled 40 positions through competition, direct appointments and developmental internal transfer assignments from Inuit employment initiatives. QEC currently has 86 percent of positions filled with term or indeterminate employees. Nunavut Inuit employees represent 51 percent of QEC's workforce.



Operations employees at the Iqaluit power plant

QEC complies with the Government of Nunavut's Priority Hiring Policy with respect to the recruitment and staffing of positions. QEC utilizes some or all of the following strategies when carrying out its staffing activities:

- 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.
- Screening of competitions are completed in compliance with the policy.
- Where appropriate, staffing vacant positions through the use of restricted competitions (Inuit-only competition, Inuit-only by community).
- Hiring term employees in permanent positions when Inuit are not successful in the competition but may qualify for the position in the near future.
- Canceling competitions when no qualified Inuit candidates have been identified and reposting to attract Inuit applicants.
- Offering developmental internal transfer assignments when appropriate to Inuit employees and assisting the employee in attaining the education and experience required for the position.
- Hiring Inuit staff to fill vacant positions in a casual capacity when a competition is unsuccessful, and assisting the employee in gaining the necessary experience and skills required to succeed in the competition when it is re-posted.
- Applying priority hiring for any casual staff for short or long-term employment.

HUMAN RESOURCES PROJECTS

HUMAN RESOURCES INFORMATION SYSTEM IMPLEMENTATION

During 2018-2019, the HR department conducted research on the implementation of a Human Resources Information System and participated in initial demonstrations from prospective vendors. It is expected that it will modernize QEC's HR and payroll processes. The anticipated efficiencies include improved productivity related to employee information management, time and attendance monitoring, and benefits administration.

TOTAL COMPENSATION REVIEW

In 2018-2019 the HR department, in collaboration with the Korn Ferry Hay Group, completed a compensation analysis of key positions in the corporation. The results will be used to evaluate QEC's compensation rates relative to comparators and will inform future strategy development to attract high quality candidates and retain existing staff.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation March 31, 2019

Employment Summary, by Category

	Total Positions				Nunavut Inuit	
	Total Positions	Vacancies	Filled	% Capacity	Hired	% IEP
Executive	2.00	-	2.00	100%	1.00	50%
Senior Management	10.00	1.00	9.00	90%	-	0%
Middle Management	29.00	8.00	21.00	72%	5.00	24%
Professional	99.00	12.00	87.00	88%	32.00	37%
Paraprofessional	42.40	7.60	34.80	82%	27.80	80%
Administrative Support	25.00	-	25.00	100%	25.00	100%
Total Employment Categories	207.40	28.60	178.80	86%	90.80	51%

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	93.00	20.00	73.00	78%	18.00	25%
Kimmirut	1.60	-	1.60	100%	0.60	38%
Pangnirtung	2.00	1.00	1.00	50%	1.00	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	0.60	1.00	63%	1.00	100%
Arviat	2.00	-	2.00	100%	2.00	100%
Baker Lake	47.00	6.00	41.00	87%	24.00	59%
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	1.00	17.00	94%	10.00	59%
Whale Cove	1.60	-	1.60	100%	1.60	100%
Cambridge Bay	13.00	-	13.00	100%	5.00	38%
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	207.40	28.60	178.80	86%	90.80	51%

Employment Summary, by Iqaluit and Other Communities

Iqaluit	93.00	20.00	73.00	78%	18.00	25%
Other communities	114.40	8.60	105.80	92%	72.80	69%
TOTAL	207.40	28.60	178.80	86%	90.80	51%

INFORMATION TECHNOLOGY

The Information Technology (IT) department provides support to other corporate departments through a series of services including data communications, enterprise applications, technology assistance and support, integrated computer systems, and application development. The department's goal is to enable QEC to achieve its business objectives through effective use of Information Technology.

During the 2018-2019 fiscal year, IT responded to over 3,400 reported issues and partnered with various departments to deliver the following projects:

- Implemented networking monitoring software in Iqaluit.
- Upgraded QEC satellite communications infrastructure in the four regional centres; Iqaluit, Baker Lake, Rankin Inlet, and Cambridge Bay.
- Upgraded core Information Technology servers in Baker Lake.
- Reviewed, tested and upgraded Enterprise Resource Planning software.

FINANCE

The Finance department is located at the head office in Baker Lake, with employees in the regional offices in Iqaluit, Rankin Inlet, and Cambridge Bay. Finance plays a critical role ensuring that QEC meets its regulatory, 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 expenditures are properly approved.
- Manage QEC's debt and funding needs.
- Provide internal services such as reporting, payroll and procurement.
- Regulatory support.

2018-2019 ACCOMPLISHMENTS FOR THE FINANCE DEPARTMENT

A General Rate Application (GRA) requesting adjustments to the current electricity rates to match QEC's revenue requirements, and a shift to a territory-wide rate structure, was submitted on October 20, 2017, to the Minister Responsible for QEC.

The Minister approved a rate change of a 3.3% increase to be effective on May 1, 2018. The second phase is also for a 3.3% increase and it began on April 1, 2019.

Finance has been working with Operations to develop improved controls and reporting on the effective use of inventory in an effort to reduce the carrying value of inventory. This is balanced with the need to maintain optimum inventory levels to enable QEC to provide safe and reliable power to all the communities.

Customer Care staff and other Finance staff participated in training programs to improve customer satisfaction for both internal and external customers. A course was offered in Baker Lake in April 2018 and in Iqaluit in October 2018. Finance plans to provide further regular training in order to enhance quality of customer service.

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

Highlights of Operations and Accumulated Surplus (\$ in thousands)					
For the year ended March 31st	2019	2018	2017	2016	2015
Revenues					
Sale of Power	\$ 127,522	\$ 118,202	\$ 119,856	\$ 125,801	\$ 124,010
Sale of Heat	724	840	1,156	1,834	1,920
Other Income	7,320	4,819	6,712	6,440	6,686
Insurance proceeds	15	7,994	13,000	5,000	-
Total Revenues	135,581	131,855	140,724	139,075	132,616
Total Expenses	131,089	122,134	128,792	139,228	125,520
Surplus (deficit) for the Year	\$ 4,492	\$ 9,721	\$ 11,932	\$ (153)	\$ 7,096

Revenue from the sale of power increased by 7.9% (2018: 1.4% decrease). While commercial revenue declined by 1.7%, the residential customers increased by 26% due to the Fuel Stabilization Rate. In the previous fiscal year (2017-2018), residential customers received an FSR refund to offset the price differences that arise between actual

fuel prices and the price of fuel used when setting the current electricity rates in Nunavut. This resulted in a refund of \$11,464,000 in 2017-2018.

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.

Other Income (as indicated in the table above) increased by 52% (2018: 28% decrease) due to \$1,695,000 increase in government contributions received as part of a grant, and by an increase in recoverables of \$500,000.

Total Expenses increased by 7% (2018: 5% decrease) mainly due to increases in fuel costs (\$3,536,000), salaries (\$835,000), supplies and services (\$1,142,000), amortization (\$976,000) as well as interest expense (\$1,593,000) as a result of increased rates.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

Highlights of Operations and Maintenance Expenses					
For the year ended March 31st	2019	2018	2017	2016	2015
Expenses by Object or Type					
Fuel and Lubricants	38%	38%	37%	39%	44%
Salaries, Wages and Benefits	24%	26%	26%	22%	23%
Supplies and Services	18%	18%	18%	16%	16%
Amortization, Write Down and Disposal of Tangible Capital Assets	10%	10%	11%	17%	9%
Travel and Accommodations	4%	4%	4%	3%	4%
Interest Expense	5%	4%	4%	3%	4%
Bad Debt Expense	1%	-	-	-	-
	100%	100%	100%	100%	100%

In 2018-2019, fuel and lubricants expenses remained the same as a share of expenses. Salaries and wages declined due to the decrease in overtime. Interest expense increased due to the increased borrowing and rate increases that occurred during the year.

HIGHLIGHTS OF FINANCIAL POSITION

Highlights of Financial Position (\$ in thousands)					
As at March 31st	2019	2018	2017	2016	2015
Financial Assets	\$ 30,793	\$ 29,346	\$ 33,255	\$ 36,219	\$ 36,050
Liabilities	(235,112)	(211,524)	(192,312)	(178,822)	(179,905)
Net Debt	(204,319)	(182,178)	(159,057)	(142,603)	(143,855)
Non-financial Assets	336,511	309,878	277,036	248,650	250,055
Accumulated Surplus	\$ 132,192	\$ 127,700	\$ 117,979	\$ 106,047	\$ 106,200

As the numbers indicate, the corporation continues to grow. We anticipate a considerable change next year because of the Arctic Energy Fund that will boost the capital expenditure by approximately \$10,000,000.

2018-2019 CAPITAL EXPENDITURE SUMMARY

Capital Expenditures by Region			
For the year ended March 31 st	2019		2018
Kitikmeot	\$	1,296	\$ 5,886
Kivalliq		395	13,255
Qikiqtaaluk		34,913	24,733
Nunavut/Corporate		2,121	2,484
Total capital expenditures	\$	38,735	\$ 46,358

Capital expenditures were \$7,623,000 less than the previous year as the corporation focused on commissioning two new power plants.

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)						
For the year ended March 31st		2019	2018	2017	2016	2015
Interest Coverage Ratio						
Surplus before Interest on Long-term Debt		\$ 9,691	\$ 13,876	\$ 15,865	\$ 3,982	\$ 11,488
Interest on Long-term Debt		\$ 5,199	\$ 4,155	\$ 3,933	\$ 4,135	\$ 4,392
Debt Expense Burden (<i>critical below 1.50</i>)		1.86	3.34	4.03	0.87	2.49
Debt Ratio						
Assets		\$ 367,304	\$ 339,224	\$ 310,291	\$ 284,869	\$ 286,105
Liabilities		\$ 235,112	\$ 211,524	\$ 192,312	\$ 178,822	\$ 179,905
Ability to pay Long-term Debt		1.56	1.60	1.61	1.59	1.59
Debt to Accumulated Surplus						
Bank Indebtedness		\$ 9,867	\$ 11,201	\$ 8,393	\$ 10,901	\$ 13,376
Long-term Debt		\$ 186,483	\$ 163,263	\$ 134,959	\$ 125,364	\$ 117,498
Total Debt		\$ 196,350	\$ 174,464	\$ 143,352	\$ 136,265	\$ 130,874
Accumulated Surplus		\$ 132,192	\$ 127,700	\$ 117,979	\$ 106,047	\$ 106,200
Debt ratio		0.60	0.58	0.55	0.56	0.55
Accumulated Surplus ratio		0.40	0.42	0.45	0.44	0.45
Debt to Accumulated Surplus Ratio		1.49	1.37	1.22	1.28	1.23

In 2018-2019, QEC repaid principal amounts of \$13,846,000 (2018: \$11,472,000) toward the corporation's long-term debt. Although the debt has increased, QEC has reduced its overall effective interest rate by borrowing through its bank credit lines using Bankers' Acceptances.

The corporation's debt to accumulated surplus ratio, referred to as the borrowing limit under Section 25 of the *Qulliq Energy Corporation Act*, was 1.5:1 (2018: 1.4:1) and remained well below the maximum allowed 3:1 ratio.

QULLIQ ENERGY CORPORATION

FINANCIAL STATEMENTS

March 31, 2019

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Management Statement

August 22, 2019

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 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 his report thereon.

On behalf of Qulliq Energy Corporation's management:



Bruno Pereira
President and Chief Executive Officer



Chris Bradley, CPA, CA
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, which comprise the statement of financial position as at 31 March 2019, 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 Qulliq Energy Corporation as at 31 March 2019, 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. 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 these inventory quantities. As a result, we were unable to determine whether any adjustments might be necessary to reported non-financial assets as at 31 March 2019 and 31 March 2018 and to the results of operations, changes in net debt and cash flows for the years then ended. Our audit opinion on the financial statements for the year ended 31 March 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 Qulliq Energy 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 Qulliq Energy 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 Qulliq Energy Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Qulliq Energy 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 Qulliq Energy 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 Qulliq Energy 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 Qulliq Energy 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

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, 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 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.

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.



Michael B. Robichaud, CPA, CA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
22 August 2019

FINANCIAL STATEMENTS

QULLIQ ENERGY CORPORATION

Statement of Financial Position

As at March 31

(in thousands of dollars)

	2019	2018
Financial assets		
Accounts receivable (Note 3)	\$ 30,793	\$ 29,346
Liabilities		
Bank indebtedness (Note 4)	9,867	11,201
Accounts payable and accrued liabilities (Note 5)	14,976	15,428
Deposits payable (Note 6)	2,375	3,664
Due to Petroleum Products Division	16,078	12,489
Deferred revenue	1,024	1,291
Debt (Note 7)	186,483	163,263
Due to the Government of Canada (Note 8)	1,352	1,352
Employee future benefits (Note 9)	2,957	2,836
	235,112	211,524
Net debt	(204,319)	(182,178)
Non-financial assets		
Tangible capital assets (Schedule A)	311,052	285,802
Inventories for use (Note 10)	24,299	23,008
Prepaid expenses	1,160	1,068
	336,511	309,878
Accumulated surplus	\$ 132,192	\$ 127,700
Contractual obligations (Note 16)		
Contractual rights (Note 17)		
Environmental liability for contaminated sites (Note 18)		

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)

	2019	2019	2018
	Budget	Actual	Actual
Revenues			
Sales of power (Note 11)	\$ 127,840	\$ 127,522	\$ 118,202
Other income (Note 13)	5,051	7,320	4,819
Sales of heat	1,432	724	840
Insurance proceeds (Note 12)	-	15	7,994
Total revenues	134,323	135,581	131,855
Expenses by department (Note 14)			
Plant Operations	67,627	66,543	63,767
Shared (Corporate)	20,059	21,239	16,234
Regional Operations	8,820	9,283	8,184
Property Management	9,038	8,565	8,106
Finance	7,620	6,421	6,952
Information Technology	3,354	2,788	2,686
Engineering	2,786	2,732	3,037
Health, Safety & Environment	2,957	2,715	2,841
Territorial Operations	3,204	2,560	2,448
Line Operations	2,423	2,479	2,291
Human Resources	2,224	2,085	1,905
Corporate Affairs	1,687	1,848	1,645
Iqaluit Office	1,544	1,304	1,674
Residual heat	409	281	185
Board	334	246	179
Total expenses	134,086	131,089	122,134
Surplus for the year	237	4,492	9,721
Accumulated surplus, beginning of the year	127,700	127,700	117,979
Accumulated surplus, end of the year	\$ 127,937	\$ 132,192	\$ 127,700

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)

	2019 Budget	2019 Actual	2018 Actual
Surplus for the year	\$ 237	\$ 4,492	\$ 9,721
Tangible capital assets			
Additions	(28,844)	(35,159)	(41,901)
Capitalized overhead	(2,596)	(2,949)	(3,709)
Capitalized interest (Note 15)	(577)	(627)	(748)
Amortization	15,000	13,485	12,509
Loss on disposal of assets	-	-	29
	(17,017)	(25,250)	(33,820)
Additions to inventories for use	2,001	(51,687)	(44,511)
Consumption of inventories for use	-	50,396	45,633
Additions of prepaid expenses	-	(2,638)	(3,002)
Use of prepaid expenses	-	2,546	2,858
	2,001	(1,383)	978
Increase in net debt for the year	(14,779)	(22,141)	(23,121)
Net debt, beginning of the year	(182,178)	(182,178)	(159,057)
Net debt, end of the year	\$ (196,957)	\$ (204,319)	\$ (182,178)

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)

	2019	2018
Cash provided by operating activities:		
Cash received from customers	\$ 129,997	\$ 126,611
Cash paid to suppliers	(76,614)	(84,251)
Cash paid to employees	(31,952)	(30,750)
Insurance proceeds	15	7,994
Interest paid	(6,058)	(4,285)
Cash provided by operating activities	15,388	15,319
Cash used for capital activities:		
Tangible capital asset acquisitions	(38,970)	(46,434)
Proceeds on disposition of tangible capital assets	-	3
Cash used for capital activities	(38,970)	(46,431)
Cash provided by financing activities:		
Increase in debt	37,066	39,776
Repayment of debt	(13,846)	(11,472)
Funds received from the Government of Canada	1,696	-
Cash provided by financing activities	24,916	28,304
Decrease /(increase) in bank indebtedness	1,334	(2,808)
Bank indebtedness, beginning of year	(11,201)	(8,393)
Bank indebtedness, end of year	\$ (9,867)	\$ (11,201)

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(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 Significant accounting policies

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

2 Significant accounting policies (continued)

(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.

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

(c) Bank indebtedness

Bank indebtedness is comprised of bank account balances, net of outstanding cheques and any drawings from the line of credit.

(d) 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 provision 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, by the Financial Management Board of the Government of Nunavut.

(e) Inventories for use

Inventories for use consist mainly 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

2 Significant accounting policies (continued)

(f) 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 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 range of rates:

	<u>Useful life (up to)</u>
Leased land	35 years
Generation assets	40 years
Distribution assets	45 years
Other assets	40 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.

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.

(g) 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 recorded as an expense 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.

(h) Government funding

Government funding is obtained in relation to operations and is 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

2 Significant accounting policies (continued)

(i) 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 for resignation and retirement and removal benefits - Under the terms and conditions of employment, eligible employees may earn severance and removal benefits for resignation, retirement and removal costs based on years of service and final salary. The Corporation provides severance and retirement benefits to eligible employees based on years of service and final salary, and removal benefits based on years of service and their community of residence. The benefits are paid upon resignation, retirement or death of an employee. 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. However, such 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 management's best estimate on discount rate, employee demographics and sick leave usage of active employees.

(j) 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
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2 Significant accounting policies (continued)

(k) Financial instruments

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

Financial Assets	Measurement Basis
Accounts receivable	Cost
Financial Liabilities	
Bank indebtedness	Cost
Accounts payable and accrued liabilities	Cost
Deposits payable	Cost
Due to Petroleum Products Division	Cost
Debt	Amortized cost
Due to the Government of 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.

(l) 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
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2 Significant accounting policies (continued)

(m) 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 had no contingent liabilities to disclose for the 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.

(n) 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-President, Chief Financial Officer, Senior Directors, 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 inter-entity transactions, are recorded at the exchange amount and are in the normal course of business completed under normal trade terms.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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2 Significant accounting policies (continued)

(o) Changes in accounting policies

The PSAB issued a new accounting standard which became effective for fiscal years beginning on or after April 1, 2018. The new standard provides guidance on how to account for and report assets and liabilities transferred in restructuring transactions. The Corporation will apply the new standard for any restructuring transactions occurring subsequent to the date of adoption. As the Corporation had no restructuring transactions in the current year, the adoption had no impact on the financial statements.

(p) Future changes in accounting standards

Section PS 3280 Asset Retirement Obligations, has been issued by the PSAB and is effective for the fiscal years beginning on or after April 1, 2021. This section establishes standards as to how to account for and report a liability for asset retirement obligations along with post-retirement operation, maintenance and monitoring costs.

Section PS 3400 Revenue, has been issued by the PSAB and is effective for the fiscal years beginning on or after April 1, 2022. 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 these new standards on their effective date and does not anticipate any significant impact on the financial statements.

3 Accounts receivable

	Related parties	Third parties	2019	2018
Trade receivables	\$ 13,097	\$ 23,121	\$ 36,218	\$ 34,005
GST receivable	-	41	41	-
Employee advances	-	13	13	8
	\$ 13,097	\$ 23,175	\$ 36,272	\$ 34,013
Less: allowance for doubtful accounts	(762)	(4,717)	(5,479)	(4,667)
	\$ 12,335	\$ 18,458	\$ 30,793	\$ 29,346

Related party accounts receivable by source are as follows:

			2019	2018
	Accounts Receivable	Allowance for Doubtful Accounts	Net	Net
Government of Nunavut				
Departments	\$ 6,514	\$ (477)	\$ 6,037	\$ 6,428
Territorial corporations	6,583	(285)	6,298	5,703
	\$ 13,097	\$ (762)	\$ 12,335	\$ 12,131

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
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4 Bank indebtedness

The Corporation has a credit facility with a limit of \$20,000 (2018 - \$20,000). Interest charged on the credit facility is at prime minus 0.5% (2019 - 3.45%; 2018 - 2.95%). The facility allows for the use of Bankers' Acceptances (BAs) for borrowing. The BAs have a stamping fee of 50 basis points per annum and the interest rate is approximately prime minus 1.9%, 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.

		2019		2018
BAs	\$	10,000	\$	10,000
(Cash) / Overdraft		(133)		1,201
	\$	9,867	\$	11,201

5 Accounts payable and accrued liabilities

		Related parties		Third parties		2019		2018
Trade payables and accrued liabilities	\$	273	\$	10,443	\$	10,716	\$	10,786
Payroll liabilities and taxes		-		4,260		4,260		4,220
GST payable		-		-		-		422
	\$	273	\$	14,703	\$	14,976	\$	15,428

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

		2019		2018
Government of Nunavut				
Departments	\$	249	\$	236
Territorial corporations		24		27
	\$	273	\$	263

6 Deposits payable

		Related parties		Third parties		2019		2018
Holdbacks	\$	-	\$	889	\$	889	\$	2,263
Customer utility deposits payable		-		1,486		1,486		1,401
	\$	-	\$	2,375	\$	2,375	\$	3,664

Related party deposits payable by source are as follows:

		2019		2018
Government of Nunavut				
Territorial corporations		-		14
	\$	-	\$	14

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

7 Debt

	2019	2018
Debtenture, redeemable with interest calculated at a fixed rate of 6.809%, amortized over 20 years, due September 27, 2021. Blended semi-annual payments of \$2,848 with a balloon payment of \$17,502 at the end of the term.	\$ 25,795	\$ 29,543
Facility B non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$42 due monthly, beginning on August 1, 2011 with the final payment due on May 1, 2021.	1,029	1,476
Facility C non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$53 due monthly, beginning on August 1, 2011 with the final payment due on May 1, 2021.	1,320	1,890
Facility D non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$74 due monthly, beginning on August 1, 2011 with the final payment due on June 1, 2021.	1,882	2,677
Facility E non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$30 due monthly, beginning on March 1, 2012 with the final payment due on February 1, 2022.	3,523	3,725
Facility F non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$133 due monthly, beginning on August 1, 2011 with the final payment due on July 1, 2021.	3,531	4,946
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. This facility has an option to utilize BAs with stamping fees calculated at 50 bps 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.	13,666	14,667

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
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7 Debt (continued)

Facility H non-revolving committed loan in five 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 beginning on April 1, 2016 with the final payment due on April 1, 2026; on the third tranche of \$82 beginning April 1, 2017 with the final payment due on April 1, 2027; on the fourth tranche of \$166 beginning April 30, 2018 with the final payment due on April 30, 2028; and on the fifth tranche of \$160 beginning April 30, 2019 with the final payment due on April 30, 2029. This facility has an option to utilize BAs with stamping fees calculated at 50 bps 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.

123,670 91,472

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 bps 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.

12,067 12,867

\$ 186,483 \$ 163,263

Scheduled principal debt repayment amounts are as follows:

2020	\$ 16,107
2021	16,539
2022	29,999
2023	18,189
2024	7,522
2025 to 2030	98,127
Total	\$ 186,483

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 1.48 times its accumulated surplus at March 31, 2019 (2018 - 1.37 times).

The debt is guaranteed by the Government of Nunavut. During the year, the guarantee limits were increased from \$200 million to \$250 million to meet the Corporation's capital expenditure needs.

8 Due to the Government of Canada

The Government of Canada, through the ecoENERGY Innovation Initiative, has provided to the Corporation an interest free repayable contribution to help fund its Iqaluit Smart Meter project. The project was completed in 2016 and the final repayable contributions were received in 2017. The contribution is payable in annual instalments based on annual net profit arising from the project each year until March 31, 2021. Annual net profit arising from the project in 2019 was \$0 (2018 - \$0). No repayments have been made to date.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

9 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 was 1.01 times (2018 - 1.01 times) for members enrolled before January 1, 2013 and 1.00 times (2018 - 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:

		2019		2018
Employer's contributions	\$	2,111	\$	2,149
Employees' contributions		2,086		1,981
Total contributions	\$	4,197	\$	4,130

Severance and sick leave benefits:

The Corporation provides resignation, retirement, removal benefits and sick leave to its eligible employees. Severance is based on years of service and final salary, removal benefits based on years of service and their community of residence, while sick leave benefits are based on the number of hours estimated to be above the annual entitlement for a year. 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:

		2019		2018
Severance, resignation and retirement	\$	1,867	\$	1,784
Sick leave		700		700
Removal		390		352
	\$	2,957	\$	2,836

The Corporation paid \$328 (2018 - \$678) in employee future benefits during 2019.

Significant assumptions used by management towards the calculation of these benefits are as follows:

	2019	2018
Discount rate	3.95%	2.95%
Reduction factor for employees with less than 10 years of service	50.0%	50.0%
Estimated age of retirement or resignation	65 years	65 years

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

10 Inventories for use

		2019		2018
Spare parts	\$	13,746	\$	13,345
Fuel		7,998		7,300
Supplies and lubricants		2,555		2,363
	\$	24,299	\$	23,008

An allowance for obsolescence of \$507 (2018 - \$500) 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.

11 Sales of power

	Related parties	Third parties		2019		2018
Commercial customers	\$ 28,495	\$ 46,341	\$	74,836	\$	76,157
Residential customers	36,919	14,162		51,081		40,446
Electrical streetlights and private area lighting	-	1,605		1,605		1,599
	\$ 65,414	\$ 62,108	\$	127,522	\$	118,202

Related party sales of power by source are as follows:

		2019		2018
Government of Nunavut				
Departments	\$	34,348	\$	32,769
Territorial corporations		31,066		30,787
	\$	65,414	\$	63,556

The Corporation administers the Government of Nunavut's Public Housing Support Subsidy, for which it received \$24,893 (2018 - \$25,155) 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 received \$9,815 (2018 - \$10,151) 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 on a monthly basis for the power subsidies and applies the amounts to the individual customer invoices.

The Fuel Stabilization Rate (FSR) Fund refund was 5.41 cents/kWh for April 2018 and 0 cents/kWh from May 1, 2018 to October 31, 2018 (8.23 cents/kWh for April 1, 2017 to September 30, 2017). FSR charged was 1.25 cents/kWh from November 1, 2018 to March 31, 2019 (FSR refund 5.41 cents/kWh from October 1, 2017 to March 31, 2018). The total fuel rebate granted during the year is \$775 (2018 - \$11,576) and the total FSR charged during the year is \$831 (2018 - \$0).

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

12 Insurance proceeds

During the year the Corporation received insurance proceeds of \$15 (2018 - \$1,898) in relation to a claim submitted for a failed generation asset.

On April 2, 2015, the Corporation's electrical generation plant at Pangnirtung was destroyed by fire. The costs of cleanup, short- and medium-term facilities, and construction of the new plant were substantially covered by insurance. In the current year, the Corporation received \$0 (2018 - \$6,096) of insurance proceeds relating to the reconstruction of this plant.

13 Other income

	Related parties	Third parties	2019	2018
Administration and other service fees	\$ 537	\$ 2,955	\$ 3,492	\$ 1,661
Capital funding from customers	10	1,671	1,681	1,001
Housing recoveries from employees	-	1,481	1,481	1,484
Pole rentals	46	620	666	673
	\$ 593	\$ 6,727	\$ 7,320	\$ 4,819

Related party other income by source are as follows:

	2019	2018
Government of Nunavut		
Departments	\$ 217	\$ 235
Territorial corporations	376	383
	\$ 593	\$ 618

14 Expenses

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

	Related parties	Third parties	2019	2018
Fuel and lubricants	\$ 42,713	\$ 7,453	\$ 50,166	\$ 46,630
Salaries, wages and benefits	-	32,112	32,112	31,277
Supplies and services	857	22,580	23,437	22,295
Amortization of tangible capital assets	-	13,485	13,485	12,509
Interest expense (Note 15)	-	5,959	5,959	4,366
Travel and accommodations	-	5,125	5,125	5,041
Bad debt expense (recovery)	-	805	805	(13)
Loss on disposal of assets	-	-	-	29
	\$ 43,570	\$ 87,519	\$ 131,089	\$ 122,134

Related party expenses by source are as follows:

	2019	2018
Government of Nunavut		
Departments	\$ 43,520	\$ 44,235
Territorial corporations	50	36
	\$ 43,570	\$ 44,271

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
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15 Interest expense

	2019	2018
Interest on debt	\$ 5,199	\$ 4,155
Interest and bank charges	1,387	959
Less: Interest capitalized on construction projects	(627)	(748)
	\$ 5,959	\$ 4,366

16 Contractual obligations

Operating leases

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

	2020	2021	2022	2023	Total
Related parties					
Departments	\$ 220	\$ 92	\$ -	\$ -	\$ 312
	220	92	-	-	312
Third parties	3,094	1,731	639	404	5,868
	\$ 3,314	\$ 1,823	\$ 639	\$ 404	\$ 6,180

Fuel purchase commitments

The Corporation has made purchase commitments of \$54,293 (59,252,500 litres) to purchase fuel in the fiscal year ending March 31, 2020. This amount is due to be paid in fiscal 2020. The majority of the commitment is with the Petroleum Products Division (a commonly controlled entity).

Capital purchase commitments

Commitments in the amount of \$991 have been made in relation to upcoming capital expenditures which are expected to be paid in the next two fiscal years.

Other operating commitments

Commitments in the amount of \$315 have been made in relation to other upcoming operating expenditures.

17 Contractual rights

Government transfers

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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

18 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 (2018 - 27 sites) where the concentration of petroleum hydrocarbons and other pollutants in the soil exceeds environmental standards. The contamination of certain of these sites occurred when other parties were responsible for the use of and/or held tenure to the sites.

Management has estimated that remediation would cost approximately \$40 million (2018 - \$39 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 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 (2018 - \$670) related to the monitoring program. The undiscounted future expenditures for this liability are \$1,150 (2018 - \$1,150). This provision is revalued at the current discount rate in effect at each Statement of Financial Position date. At March 31, 2019, the future expenditures are discounted using a rate of 2.95% (2018 - 2.95%).

During 2016, the Corporation determined that the containment method in use at one of its contaminated sites 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 landfarm cell and a trench. The remediation of this site is planned to be completed by the summer of 2019 and requires maintenance for 5 years. Accounts payable and accrued liabilities includes a provision of \$100 (2018 - \$100) in relation to this site.

During 2018, two spills of significant volume occurred at the Corporation's power plants. One spill occurred in Cambridge Bay in August 2017, spilling 1,800 litres of diesel fuel and one occurred in Grise Fiord in March 2018 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 of Grise Ford was completed during summer of 2018. Accounts payable and accrued liabilities includes a provision of \$320 (2018 - \$560) in relation to these sites.

19 Financial instruments

The Corporation is exposed to certain risks as a result of holding financial instruments. There has been no change to the level of risk 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
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19 Financial instruments (continued)

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 2019 and 2018, 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:

	2019	2018
Balance, beginning of year	\$ 4,667	\$ 6,599
Increase in allowance during year	812	-
Receivables written off	-	(1,932)
Balance, end of year	\$ 5,479	\$ 4,667

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

Days Past Billing Date

	31-60	61-90	Over 90	2019	2018
March 31, 2019	\$ 8,568	\$ 2,811	\$ 6,479	\$ 17,858	\$ 15,979

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.

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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2019
(in thousands of dollars)

19 Financial instruments (continued)

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	2019	2018
Debt (including interest)	\$ 21,803	\$ 86,628	\$ 105,060	\$ 213,491	\$ 186,147
Accounts payable and accrued liabilities	14,976	-	-	14,976	15,428
Due to Petroleum Products Division	16,078	-	-	16,078	12,489
Bank indebtedness	9,867	-	-	9,867	11,201
Deposits payable	2,375	-	-	2,375	3,664
Due to the Government of Canada	-	1,352	-	1,352	1,352
	\$ 65,099	\$ 87,980	\$ 105,060	\$ 258,139	\$ 230,281

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:

	2019	2018
Bank indebtedness	\$ 100	\$ 100
Debt	1,494	1,190
	\$ 1,594	\$ 1,290

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

20 Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

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

	Leased Land	Generation	Distribution	Residual Heat Assets	Non-plant Buildings	Vehicles	Other Assets	2019	2018
Cost of Capital Assets									
Opening Balance	\$ 1,237	\$ 283,634	\$ 73,108	\$ 19,942	\$ 19,324	\$ 7,824	\$ 5,516	\$ 410,585	\$ 366,375
Transferred from work in progress	351	45,931	3,763	2,031	841	93	790	53,800	47,835
Land Additions	254	-	-	-	-	-	-	254	-
Disposals	-	(2,983)	(271)	-	-	-	-	(3,254)	(3,625)
Closing Balance	1,842	326,582	76,600	21,973	20,165	7,917	6,306	461,385	410,585
Accumulated Amortization									
Opening Balance	(538)	(106,743)	(23,182)	(9,770)	(5,494)	(3,731)	(3,095)	(152,553)	(143,640)
Amortization	(24)	(10,054)	(1,490)	(712)	(393)	(609)	(203)	(13,485)	(12,509)
Disposals	-	2,983	271	-	-	-	-	3,254	3,596
Closing Balance	(562)	(113,814)	(24,401)	(10,482)	(5,887)	(4,340)	(3,298)	(162,784)	(152,553)
Work in Progress									
Opening Balance	351	22,135	3,770	80	1,209	82	143	27,770	29,247
Additions	-	33,490	2,293	1,951	86	11	650	38,481	46,358
Transferred to cost of tangible capital assets	(351)	(45,931)	(3,763)	(2,031)	(841)	(93)	(790)	(53,800)	(47,835)
Closing Balance	-	9,694	2,300	-	454	-	3	12,451	27,770
Net Book Value	\$ 1,280	\$ 222,462	\$ 54,499	\$ 11,491	\$ 14,732	\$ 3,577	\$ 3,011	\$ 311,052	\$ 285,802

Note:

The purchases of tangible capital assets presented in the Statement of Cash Flow are higher by \$235 (2018 – \$76), which is a result of a decrease in outstanding payables at year end relating to tangible capital asset additions. These amounts total \$3,625 at March 31, 2019 (2018 - \$3,860)