



2019-2020 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. In 2018, the *QEC Act* was further amended allowing the Corporation to purchase power in anticipation of launching the Commercial and Institutional Power Producers and Independent Power Producers programs.

QEC delivers electricity to approximately 15,000 customers across Nunavut. QEC generates and distributes power to Nunavummiut through the operation of 25 stand-alone diesel power plants in 25 communities, with a total installed capacity of approximately 76,000 kilowatts. The corporation also provides mechanical, electrical and power line maintenance from three regional centers: Iqaluit, Rankin Inlet and Cambridge Bay. The corporation's business activities are maintained at the head office located in Baker Lake and corporate offices in Iqaluit.

QEC attends to the overall objectives provided by legislation, supports the Minister responsible for Qulliq Energy Corporation on intergovernmental and regulatory issues, 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 predominantly met by imported diesel fuel supplies. Since launching the Net Metering Program in 2018, QEC has begun integrating small-scale renewable energy systems into the territory's electricity grid. Each community in Nunavut has its own independent electricity generation and distribution system. There is no back-up grid. QEC is the only energy corporation in Canada without developed local energy resources or regional electricity transmission capability, creating a situation of high dependency on diesel fuel.



Community celebrates new Grise Fiord power plant in June 2019.

VISION, MISSION, AND GUIDING PRINCIPLES

VISION

Qulliq Energy Corporation's vision is to provide the communities of Nunavut with safe, reliable, sustainable and economical energy supply and service. QEC's foundation to achieve its vision is based on an empowered and accountable workforce, representative of Nunavut's population, and reflective of Inuit Societal Values, Inuit 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

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

VALUES

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*.

CHAIRPERSON'S MESSAGE

On behalf of the Board of Directors of Qulliq Energy Corporation, I am pleased to present the 2019-2020 Annual Report. We are indebted to our many dedicated employees across Nunavut who worked extremely hard over the last 12 months to provide safe, reliable, and efficient energy supply to all our communities, often under very challenging conditions given the vastness of our territory.

The Board worked very closely with the Minister responsible for QEC, the Honourable Jeannie Ehaloak, to strengthen the relations between the Minister's office and QEC. The Minister's 2019-2020 Letter of Expectation gave the Board and employees clear guidance to advance our energy objectives and support the Government of Nunavut's Turaaqtavut mandate. We promote accountability and transparency in all QEC's operations and governance.

In support of the GN's mandate, QEC's Human Resources implemented our Inuit Employment Plan (IEP). QEC has taken strong steps to building a representative work force by prioritizing Inuit training and professional development along with plans for Inuit advancement in the workplace. The Board is confident that the corporation is a competitive employer in Nunavut.

Fiscal oversight is a key priority in the board's mandate. With an emphasis on accountability, transparency and timely reporting, our Finance and Audit Committee ensures that the corporation meets its financial obligations. Our board members continue to provide prudent financial leadership and oversight for scheduled power plant upgrades and capital projects in QEC's approved capital plan. Federal funding contributions, confirmed until 2027, ensures that QEC is able to plan upgrades and enhance existing infrastructure while providing significant savings to Nunavummiut.

Following the recent amendment of the Qulliq Energy Corporation Act and the successful launch of net metering in 2018, QEC is proceeding with a second option for local renewable energy producers to collaborate with QEC. The Commercial and Institutional Power Producers (CIPP) program is currently under review and awaiting Ministerial approval on pricing structure and rates. Our CIPP program brings another opportunity to add renewable power into the energy mix and is a solid step forward on the path to energy security in Nunavut. With the goal to displace diesel fuel, the purchase of energy directly from suppliers based in our communities is an affordable way to reduce harmful emissions across the territory.

Through collaboration with Minister Ehaloak, the President and CEO, and my fellow board members, I am committed to fulfilling the Minister's 2020-2021 Letter of Expectation, which includes increasing Inuit employment, and making QEC a harassment-free workplace while maintaining a reliable and safe energy supply for Nunavummiut. COVID-19 will challenge us but QEC is committed to providing a strong base for Nunavut's economic and social growth with infrastructure that meets our current and future energy needs.

Keith Peterson
Chairperson, Board of Directors
Qulliq Energy Corporation



Dated: July 6, 2020

PRESIDENT'S MESSAGE

Throughout the 2019-2020 fiscal year, Qulliq Energy Corporation (QEC) continued to advance key programs and initiatives. Delivering safe, reliable and affordable energy remains QEC's primary objective. Offering solid value for our customers is equally important to the corporation and demonstrates our long-term commitment to energizing Nunavut's future.

QEC's success begins with the efforts and loyalty of our employees. Our team initiated key policy measures, acquired federal infrastructure funding, moved forward with major capital projects, and developed renewable energy initiatives that emphasize the corporation's ongoing focus on our customers.

We continue to strengthen the organization internally through progressive communications strategies. These included in-person meetings with the president and vice-president during the operators' training session, and consistent use of our communications networks, including the publishing of a quarterly newsletter.

By revitalizing the Customer Care working group to prioritize good customer relationships, QEC has re-committed to putting our customers first, by responding to inquiries with timely and accurate information and communicating corporate initiatives promptly. QEC has also re-committed to building trust in our communities. Through meaningful engagement with municipal governments and Inuit organizations, we continue to emphasize the importance of working with our stakeholders when developing programs or launching projects

Reducing dependence on imported diesel fuel is a priority for QEC. In 2018, the Net Metering Program was established for residential customers. During the 2019-2020 fiscal year, the corporation made further progress by developing the Commercial and Institutional Power Producers (CIPP) program. Anticipated to launch in 2020-2021 fiscal year, this program will allow existing commercial and institutional customers to sell clean energy that they generate directly to QEC. The corporation has also been working on an Independent Power Producers (IPP) program that will facilitate third party producers and prioritize Inuit owned renewable energy installations. By continuing to foster and maintain relationships with Inuit organizations, municipalities, and Nunavut businesses, we aim to support locally owned community scale renewable energy projects for the first time.

QEC is dedicated to rebuilding and upgrading its existing infrastructure, deploying technological advances in new power generation equipment to reduce harmful emissions as well as noise in the communities. Securing federal financing for projects helps to ensure that capital projects do not result in significant rate increases for customers.

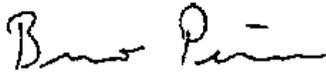
The Arctic Energy Fund (AEF) will help replace generators in seven communities and will help fund the hybrid solar/diesel power plant in Kugluktuk. With financial support from the Low Carbon Economy Fund (LCEF), QEC is establishing District Heating Systems (DHS) in Sanikiluaq and Taloyoak. Connecting schools and municipal buildings to DHS systems significantly reduces heating fuel costs and emissions.

Continued federal government investment to construct significant alternative energy facilities, including wind turbines and solar photovoltaic panels, is critical to QEC's transition to clean energy. We place great importance on ensuring customer rates do not increase because of incorporating alternative sources into the energy mix. To further decrease electricity costs, QEC will be expanding the LED streetlight program in the next fiscal year. The Government of Nunavut's carbon tax revenue will be funding this four-year program. This project is expected to lower carbon emissions and save hamlets and the Government of Nunavut money.

In mid-March, Nunavut began to act on the increasing threat of the COVID-19 pandemic with a series of travel restrictions, school closures, and social distancing measures. QEC quickly developed a series of responses by following the lead of the Government of Nunavut, the Chief Public Health Officer, and by focussing on the health and safety of our employees, customers and communities. We committed to providing updates of important, fact-based information to all staff.

We are proud of our achievements, both in maintaining our critical services and in creating new solutions to satisfy the demands of our changing environment. All year, we collectively deliver reliable, safe, and affordable energy with the expertise and innovation required by the challenging conditions in the north. Moving forward, QEC will continue to meet the current and future energy needs of Nunavummiut as well as solidifying QEC as a corporation that prioritizes customers.

Yours truly,

A handwritten signature in black ink, appearing to read "Bruno Pereira". The signature is fluid and cursive, with a horizontal line extending from the end of the name.

Bruno Pereira
President and Chief Executive Officer
Dated: July 6, 2020

KEY ACTIVITIES IN 2019-2020

- Appointed three new members to the Board of Directors
- Developed commercial, institutional and independent power producers program
- Hosted Kinngait and Grise Fiord power plant official opening ceremonies
- Revitalized the Customer Care working group
- Re-established internal newsletter
- Ongoing Energy Wise energy conservation programming
- Achieved 99.96% reliability rate
- Decreased average hours of power interruption for customers by 45%
- Upgraded generators in Rankin Inlet, Coral Harbour, Chesterfield Inlet and Sanirajak
- Received Ministerial approval for new Arctic Bay power plant construction and Baker Lake HQ
- Federal funding approvals for Kugluktuk hybrid diesel/solar power plant and seven new diesel generators
- Approval of seven new net metering customers
- Increased district heating capacity by installing an Exhaust Gas Recovery Unit in Rankin Inlet
- Began data collection for geothermal potential in Resolute Bay, Baker Lake and Cambridge Bay
- Participated in the *Powering the Arctic and Remote Communities* workshop in Iqaluit
- Awarded Certificate of Recognition by Northern Safety Association
- Installation of new fuel tank in Iqaluit
- Filled 39 positions through competition or Internal Transfer Assignments
- Delivered presentations on harassment prevention and respect in the workplace
- Engaged six Inuit employees in Developmental Transfer Assignments
- Implemented second rate increase from 2018-2019 General Rate Application
- Published Inuit employment plans in *Government of Nunavut Master Inuit Employment Plan*
- Began implementation of StarGarden, a Human Resources Information System

COMMUNITY CONTRIBUTIONS

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

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

Inuuqatigiittiarniq: Respecting others, relationships and caring for people

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

Pijittirniq: Serving and providing for family and/or community

Aajiiqatigiinniq: Decision making through discussion and consensus

Pilimmakharniq/Pijariuqharniq: Development of skills through observation, mentoring, practice and effort

Havaqatigiingniq/Ikajuqatigiingniq: Working together for a common cause

Qanuqtuurniq: Being innovative and resourceful

Avatiptingnik Munarittiarniq: Respect and care for the land, animals and the environment

PIJITSIRNIQ

During the 2019-2020 fiscal year, QEC contributed to the following community events and organizations:

- Kitikmeot Career Fair
- Blue Jays Summer Camp
- Iqaluit Elder's Christmas Dinner
- Skills Canada Nunavut
- Alianait Arts Festival
- Iqaluit Winter Games

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.

Anchaleena Mandal of Iqaluit accepted the 2019 Laura Ulluriaq Gauthier Scholarship. Ms. Mandal is a Doctor of Medicine student enrolled in the Accelerated Route to Medical School program at Queen's University in Kingston Ontario. She is a mental health advocate, an accomplished musician, and devoted community member who continues to develop competencies in Inuktitut to better connect with future patients.

SKILLS NUNAVUT

Recognizing the importance of the skilled trades and technology sector to its business, QEC has been a long-term and active supporter of 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. QEC contributed corporate promotional items to the 2019 Territorial Skills Competition. QEC's own Derek Allerton, Health and Safety Specialist, 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 employment and career development opportunities.

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 2019, Iqaluit staff showed their community spirit by taking the time to help clean-up the city.

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, designed to educate the public on the importance of energy conservation. A popular video and corresponding media campaign formed the foundation of the second phase which continued into early 2019.

During 2019-2020, the Energy Wise team focused on improving trade show presentations and a strong, ongoing social media presence. QEC supported the Energy Wise initiative by helping to staff a booth at the Iqaluit Trade Show and through engaging with conference participants and public attendees.

INCREASING INTERNAL TRANSPARENCY

QEC continues to strengthen the organization by building trust internally through the implementation of progressive communications strategies. By taking steps to more frequently and clearly communicate new information and direction across the corporation, employees have been able to better share in QEC's vision.

HAVAQATIGIINGNIQ IKAJUQTIGIINGNIQ

TUSARASAI INTERNAL NEWSLETTER

In 2019-2020, QEC re-established the internal newsletter to help keep employees connected and up to date on corporate achievements. Named Tusarasai, the goal of the newsletter is to inform employees about the objectives and major projects the corporation's staff are working together to successfully complete. The Communications division shared three new issues of the publication in the last fiscal year.

Tusarasai, QEC's quarterly newsletter, was published in June, September and December 2019.



QEC President and CEO presented strategic goals to territory wide staff.

STRATEGIC GOAL MESSAGING

In 2019-2020, QEC's President and CEO attended power plant operator training to share the corporation's strategic goals to territory wide staff and open the floor to discussion on employee concerns. The session was well received through feedback from those who participated. It provided a platform for employees to understand the direction of the corporation and ask questions directly to QEC's highest ranking employee. Feedback from the session was recorded and will be used to inform future annual sessions.

COVID-19 PANDEMIC RESPONSE

On March 14, 2020, the Government of Nunavut declared a Public Health Emergency. As the sole provider of electricity in the territory, QEC was identified as an essential operation. QEC's response followed the lead of the GN as well as the Chief Public Health Officer and focused on keeping workers and the public safe.

Executive office, Human Resources and Communications shared timely, factual and supportive information with all employees. On March 23, 2020, Customer Care offices closed for the remainder of the fiscal year in order to prevent the potential spread of the virus. Following the advice of the CPHO, QEC workplaces were also minimized to critical services only and a number of staff were required to work from home. All facilities were assessed and extra cleaning routines and physical distancing guidelines were established.

Management is uncertain of the length or intensity of the pandemic. The corporation feels that electricity is fundamental to life in the North and therefore business will continue as usual. Some capital projects have experienced delays. However, going forward, business is expected to function normally with only minimal changes.

OUTLOOK FOR 2020-2021 AND BEYOND

Looking ahead, QEC will continue to support efforts designed to fulfill our immediate and long-term strategic objectives.

The corporation remains dedicated to customers by providing the best value for money possible. Clear communication of QEC's activities and programs further promote our strong community relations. The corporation has renewed its focus to improve customer service and satisfaction with the expansion of the Customer Care working group. In addition, emphasis on the importance of communications policies demonstrates QEC's clear commitment for transparency with management and staff in all divisions.

The pending launch of the Commercial and Institutional Power Producers (CIPP) and Independent Power Producers (IPP) programs, along with the established Net Metering Program, will help reduce harmful emissions and utilize new energy technologies that rely on renewable sources. With a strong emphasis on local ownership, these programs provide opportunities to develop electricity resources that best serve the long-term environmental and economic interests of Nunavummiut.

QEC will continue to work closely with the GN's Department of Community and Government Services to ensure the fulfillment of all Arctic Energy Fund plans. This initiative, along with other upcoming major projects, confirms QEC's ability to create a strong and innovative foundation for growth throughout Nunavut.

As part of the Government of Nunavut's Master Inuit Employment plan, the corporation will continue to prioritize Inuit employment. This will be done with an emphasis on sustained improvement to Inuit employment percentages across all QEC employment categories through training and employee development initiatives.

The corporation's Board of Directors, President and CEO, and senior management team are combining efforts to deliver safe, reliable and affordable energy to all residents in the territory. By being transparent and accountable, the corporation will continue to build strong relationships with Nunavummiut. QEC stands by its ability to meet the current energy needs of the territory and to build the capacity for future growth and prosperity.

ARCTIC ENERGY FUND

The Arctic Energy Fund (AEF) is a federal funding program aimed at enhancing energy efficiency and reliability in the north and is offered through Infrastructure Canada's Investing in Canada Infrastructure program. This fund will provide QEC up to \$175 million under a 75/25 percent cost shared arrangement, 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. In 2019-2020, the following projects officially received funding through the Arctic Energy Fund:

- A new hybrid power plant in Kugluktuk that will incorporate solar power technology.
- Seven diesel power generators will be replaced in the communities of Chesterfield Inlet, Coral Harbour, Pond Inlet, Rankin Inlet, Clyde River, and Whale Cove.



QEC has identified complete power plant rebuilds and generator set replacements in communities which need it most.

ORGANIZATIONAL STRUCTURE

Minister responsible
for QEC
Jeannie Ehaloak

Board Chair
Simeonie Akpalialuk

President & CEO
Bruno Pereira

Vice-President
Jamie Flaherty

A/ Director,
HR & OD
Matthew
Smallcombe

Director,
Engineering
Taufik Haroon

Director,
Operations
Bill Nippard

Chief Financial
Officer
Chris Bradley

A/ Director,
Corporate
Affairs
Sheila Papa

Director,
Health Safety
Environment &
Facilities
Rick Hunt

Director,
Information
Technology
John Geary

Legal Counsel
Denford
Madekufamba

Director,
Corporate
Development
& Efficiency
Natalie
Chafe-Yuan

As of March 31, 2020

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 three year appointments. This ensures the corporation maintains business continuity and allows for growth in experience and knowledge. In 2019-2020, QEC successfully recruited and appointed three new members to the board and began a second round of recruitment. New members and leadership for the corporation's Board of Directors will be appointed in early 2020-2021.

Simeonie Akpalialuk, Chairperson

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.

Keith Peterson, Vice Chairperson

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

Andrew Nakashuk, Director

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

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.

Martha Lenio, Director

Martha Lenio brings insight into the global renewable energy economy to QEC's Board of Directors. As a renewable energy specialist with the World Wildlife Fund Canada, Dr. Lenio's knowledge of renewable energy technologies and power solutions incorporates the arctic environment in which QEC serves. Her ten years of extensive international experience with solar power applications is complemented by her Doctor of Philosophy in Photovoltaic Engineering from the University of New South Wales, and a Bachelor of Applied Science from the University of Waterloo. Dr. Lenio lives in Iqaluit.

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.

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 and 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.

Roxanne Ruediger, Director

Roxanne Ruediger is a Chartered Professional Accountant (CPA) and has served on the QEC Board since October 2018. Ms. Ruediger received her accounting designation in 2015 and was recognized as the second Inuk in Nunavut and the first female aboriginal to get their designation from the CPA NWT/NU Association. She has significant business experience in management and executive positions at the GN and NTI and has been an active member of various committees. Ms. Ruediger founded a management consulting company, Ulu Consulting, and is originally from Baker Lake.

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.



In February 2020, QEC's Board of Directors met in Kinngait.

FINANCE AND AUDIT COMMITTEE

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

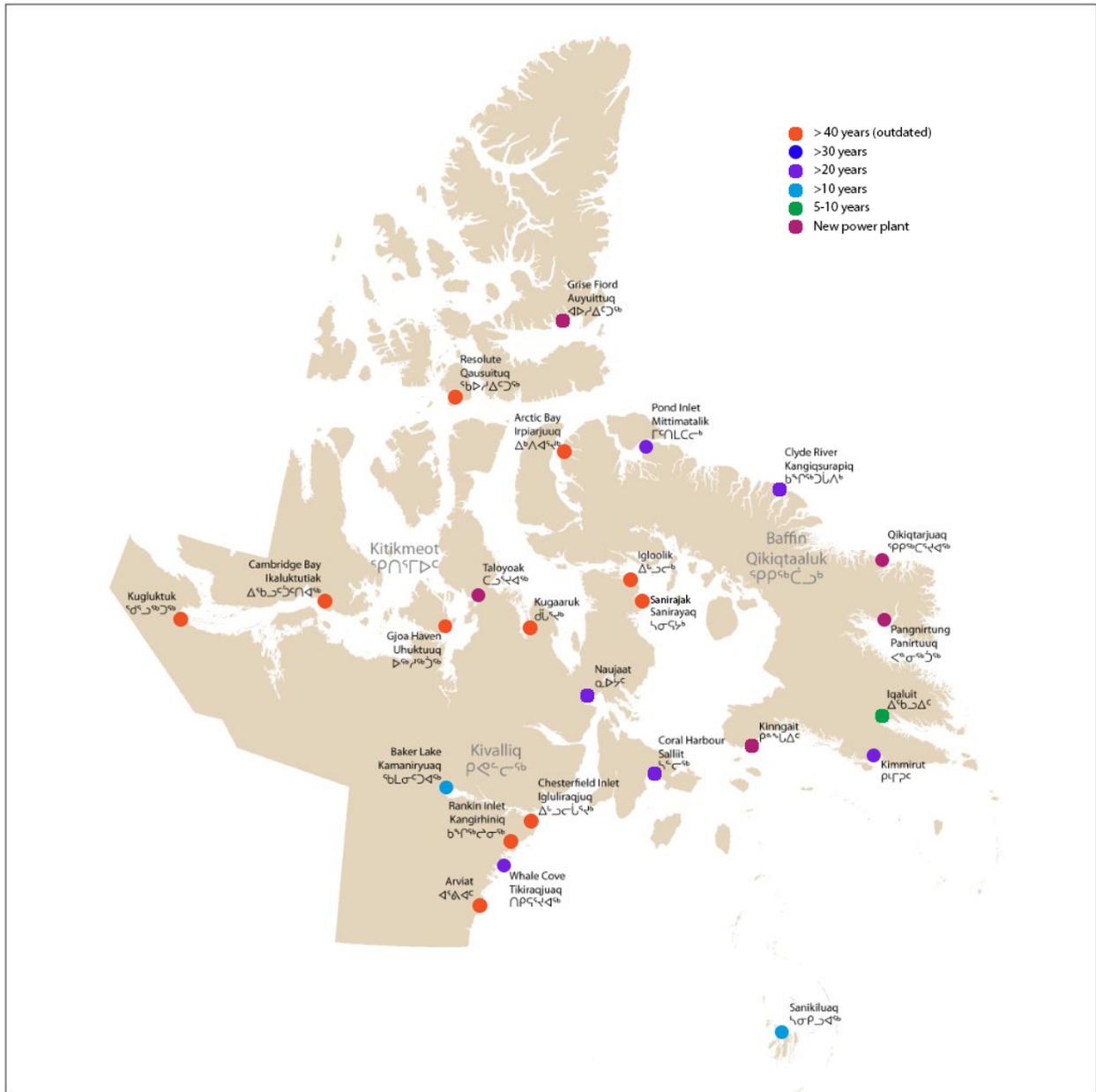
ALTERNATIVE ENERGY COMMITTEE

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

GOVERNANCE COMMITTEE

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

NUNAVUT POWER PLANTS BY AGE



OPERATIONS

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

Operations continues to build an 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 2019-2020 QEC reported a 99.96 percent reliability rate across the territory, a significant improvement from the previous fiscal year. Operations continually strives to improve power supply reliability, meet increased demand for electricity, and cope with the harsh northern climate.

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

During the 2019-2020 fiscal year, the following communities had the most reliable power supply in the territory:

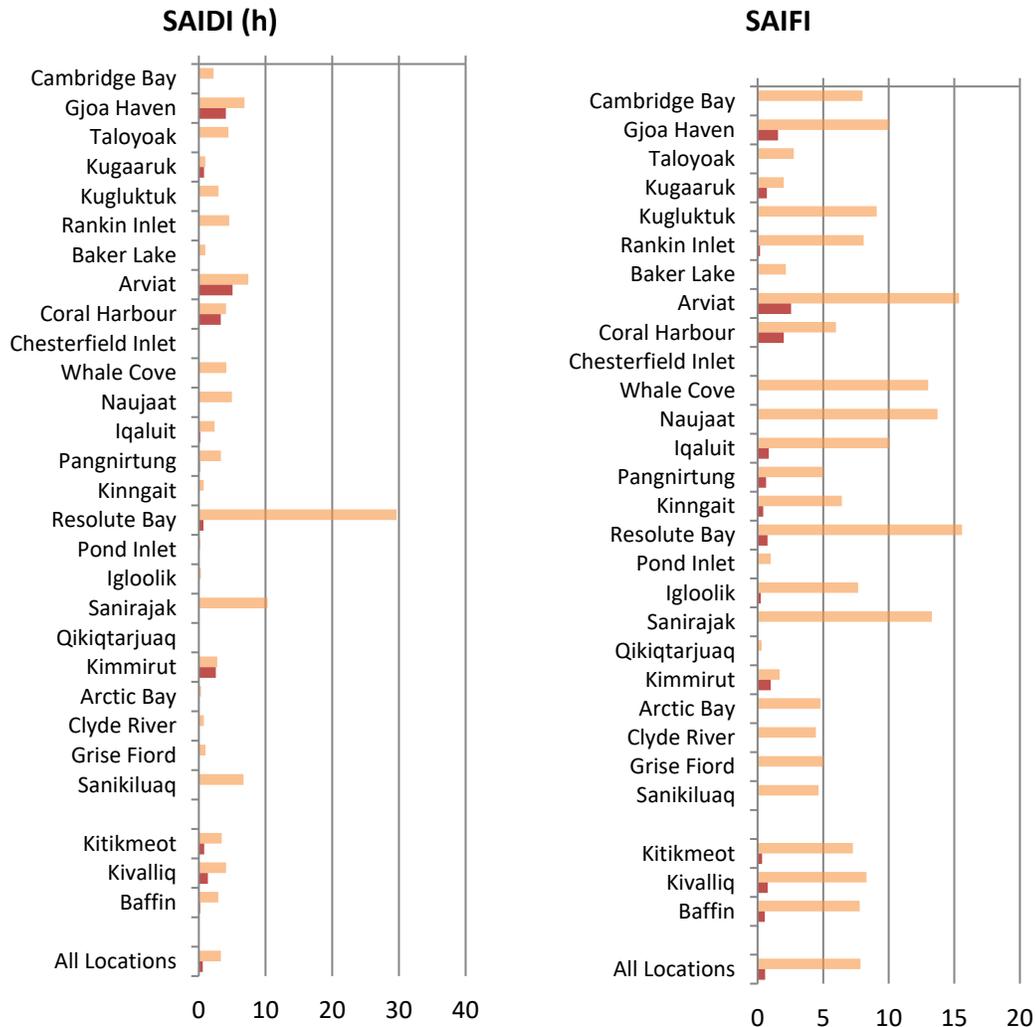
- Kugaaruk, Baker Lake, Chesterfield Inlet, Kinngait, Igloolik, Qikiqtarjuaq, Arctic Bay, Clyde River, and Grise Fiord all experienced reliability of 99.99%.
- Overall, the average QEC customer experienced 3.31 hours of interruption in 2019-2020. This is almost a 50% decrease from the previous year. This is the direct result of successful preventative maintenance.

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

PERFORMANCE REPORTING

Operations measures performance data to report power interruption statistics each year. Power interruptions or outages are defined by a loss of electricity supply from the QEC power system to its customers. Performance reporting on power interruptions helps determine the quality and performance of QEC's utility service and distribution systems and can indicate areas in need of improvement.

Each year QEC measures performance indicators such as the **System Average Interruption Frequency Index (SAIFI)** for customers and the **System Average Interruption Duration Index (SAIDI)**. These are standard power utility industry measurements of performance. The tables below indicate the results of this analysis. The reliability statistics reflect QEC's commitment to safe, reliable power for all Nunavummiut.



The **System Average Interruption Frequency Index (SAIFI)** shows the average number of interruptions a customer experienced in each community and region from April 1, 2019, to March 31, 2020. 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 orange. Planned power outages are in red. In 2019-2020, SAIFI was 7.84 interruptions per customer on average, a 2.55 or 35% decrease from the previous year.

The **System Average Interruption Duration Index (SAIDI)** shows the average outage durations (in hours) for QEC's system in each community and region from April 1, 2019, to March 31, 2020. 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 orange. Planned power outages are in red. In 2019-2020, SAIDI was 3.31 hours per customer on average, a 2.81 hour or 45% decrease from the previous year.

EFFICIENCY

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

In 2019-2020, QEC's fuel efficiency rate was 3.74 kilowatt hours per litre, a rate consistent over the last two fiscal years. Despite QEC's aging infrastructure, Operations continually works to improve its fuel efficiency performance. While primarily reliant on diesel generation, QEC strives to reduce the amount of fuel consumed to generate electricity, which in turn reduces greenhouse gas emissions.

GENERATION

To manage the challenges presented by aging power infrastructure across the territory, Operations adheres to a strict maintenance schedule on all equipment in the 25 power plants. Operations collaborates with the Engineering department on upgrades to existing power plant infrastructure and construction of new power plants.

In 2019-2020, Operations worked with Engineering to commission new generator sets in Rankin Inlet, Coral Harbour, Chesterfield Inlet, and Sanirajak. Generator set upgrades allow QEC to meet the current and future energy needs of the communities.

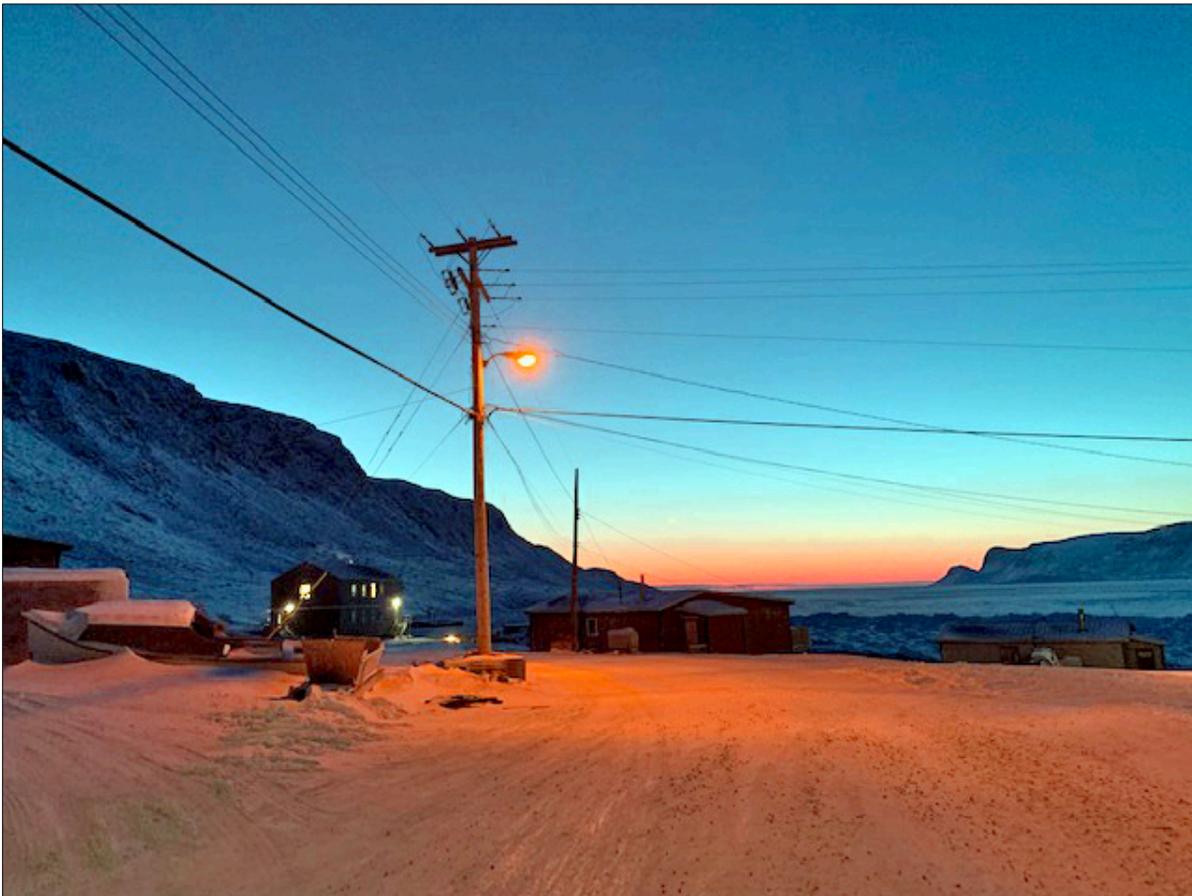


QEC integrates the latest fuel efficiency technology to reduce greenhouse gas emissions.

DISTRIBUTION

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

During the 2019-2020 fiscal year, Operations was involved in a variety of preventative maintenance projects in an effort to improve reliability and meet the power needs of each community. Operations also worked with Engineering on root cause analyses for various equipment failures. Common causes of equipment failures include compression sleeve failures, conductor failures, and transformer failures.



PLTs spend most of the winter months flying into outlying communities to repair damage to power lines.

ENGINEERING

The department of Engineering is responsible for the corporation's planning, design, project management, technical support services and life cycle analysis for new and existing power plant infrastructure. Engineering also oversees the development and implementation of project management procedures 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. Close collaboration with the Operations and Health, Safety, Environment and Facilities departments is paramount in successfully completing generator set, distribution and fuel supply line upgrades to ensure a safe and reliable electricity supply for all Nunavummiut across the territory.

POWER PLANT REBUILD PROJECT

QEC has developed 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.

During the 2019-2020 fiscal year, the following activities for power plant rebuild projects took place:

- A contract was signed for a new power plant in Arctic Bay and design work began. The project is expected to be completed in 2021-2022.
- In 2019-2020, QEC continued design work on a new hybrid diesel and solar power plant in Kugluktuk. In December 2019, a Request for Proposal for the project was cancelled due to higher price submissions than the approved project budget. QEC analyzed the current RFP to explore alternative options for the remainder of the fiscal year.

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. In 2019-2020, seven customers (four residential and three hamlet) were approved for the program.

COMMERCIAL AND INSTITUTIONAL POWER PRODUCER PROGRAM

QEC is developing a Commercial and Institutional Power Producers (CIPP) program specifically for existing commercial and institutional customers. This program will allow customers to generate renewable energy on their premises and sell all generated energy to QEC. For the first time, QEC will be buying power from CIPPs for up to the avoided cost of diesel – the maximum price that QEC can pay for renewable energy without raising electricity rates. Approval of the program is anticipated in late 2020-2021.

INDEPENDENT POWER PRODUCER PROGRAM

QEC is developing the upcoming Independent Power Producer (IPP) program that will allow producers outside of the utility to generate electrical power from renewable energy systems to sell directly to QEC. Inuit organizations and municipalities will be given the first opportunity to own and operate community scale installations in their respective regions. Similar to the CIPP pricing structure, QEC will be buying power from IPPs for up to the avoided cost of diesel – the maximum price that QEC can pay for renewable energy without raising electricity rates.

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 captured thermal energy to customers through a piped distribution system. This process enables institutional and commercial customers to burn significantly less fuel to generate heat, and minimizes the maintenance required on their heating systems. DHS displaces approximately two million litres of heating fuel in Nunavut on an annual basis and significantly reduces the territory's carbon emissions.

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

Discussions with the City of Iqaluit to connect four buildings to the DHS are underway. An agreement to connect the Aquatic Centre, Water Treatment Plant, Water Booster Station and Water Reheat Station for a 20-year term is expected to be signed in the next fiscal year.

In 2019-2020, Rankin Inlet saw the installation of a 950 kilowatt generator set that included a new Exhaust Gas Recovery Unit. The unit is harnessing heat from engine exhaust and supplying it to the local DHS. Results of the installation will be monitored and used as a model for future expansion of DHS in other communities.

ALTERNATIVE ENERGY AND RENEWABLE ENERGY

QEC's alternative and renewable energy portfolio is managed 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 Crown-Indigenous Relations and Northern Affairs Canada, Natural Resources Canada, Canadian Northern Development Agency (CanNor), Polar Knowledge Canada, and the Government of Nunavut to facilitate alternative and renewable energy initiatives in the territory.

QEC supports other organizations, institutions and private ventures with their projects related to alternative energy technologies in the Arctic through information sharing and joint coordination of feasibility studies.

In 2019-2020, the corporation was involved in the following alternative energy, renewable energy, and energy efficiency projects:

- QEC continues to explore geothermal potential in Nunavut. In April 2019, QEC submitted an expression of interest application to CanNor and Polar Knowledge Canada to expand on the results of a 2018 geothermal study. CanNor approved the requested funding of \$72,000 in November 2019. A decision from Polar Knowledge Canada is still pending.
- In February 2020, QEC launched the Geothermal Resource Assessment Phase II. This project includes data collection in the communities of Resolute Bay, Baker Lake and Cambridge Bay. The outcome of this project will enable QEC to proceed to the exploration phase in one of the three communities. The corporation will continue to seek funding to explore the potential of geothermal resource deployment in selected communities.
- In November 2019, the US State Department with support from GN and QEC organized *Powering Arctic and Remote Communities*, an Arctic utility workshop in Iqaluit. This three-day event examined a range of Arctic and remote utility systems in the context of a shared experiences (both successes and failures) at technical, operational and management levels. Participation included utilities from northern Canada, Alaska and Greenland. Participants shared lessons learned related to operations and maintenance, integration of new technologies, and renewable and alternative energy project development.



QEC Vice-President Jamie Flaherty presenting at the *Powering Arctic and Remote Communities* workshop in November 2019.



Deputy Premier of Nunavut David Akeeagok, QEC President and CEO, Bruno Pereira, and former Minister of Rural Economic Development, Bernadette Jordan, made a joint federal funding announcement in May 2019.

- The corporation applied for federal funding from Natural Resources Canada's Clean Energy for Rural and Remote Communities (CERRC) Program to progress with a 500-kilowatt solar photovoltaic panel installation for the community of Kugluktuk. In August 2019, CERRC approved 40% of the requested \$8.45 million in funding. This project is in the contracting stage.
- In July 2019, QEC received 75% funding approval from the Low Carbon Economy Fund for District Heating System (DHS) expansion projects located in Taloyoak and Sanikiluaq. These initiatives are underway with a total cost of \$8.4 million and expected completion date in March 2021.
- In March 2020, QEC received nearly \$131,000 in funding from the Northern REACHE Program to undertake feasibility studies of DHS expansions in Iqaluit and Baker Lake. Studies in both communities are progressing and are expected to be completed in fiscal year 2021.

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, safety and environmental stewardship.
- Promote and ensure compliance with QEC's Health and Safety Program and Environmental Management System.
- Continue the development and revision of safe work practices and procedures.
- Provide health and safety training to all employees.
- Ensure QEC's compliance with all applicable federal and territorial acts and regulations.
- Conduct life cycle costing in support of decision making to either maintain or retire assets throughout Nunavut.
- Manage, maintain and administer QEC's real estate property portfolio, including owned and leased staff housing units, commercial facilities, power plants and land.
- Provide comprehensive facility management services by developing, implementing and administering processes to manage and maintain QEC's infrastructure to ensure it operates in a safe, efficient and economical manner.
- Adhere to industry best practices and standards, national building code, financial management and procurement rules, and all applicable policies, procedures and laws.

HEALTH AND SAFETY

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 2019-2020, QEC was audited by a representative of the Northern Safety Association (NSA) and successfully fulfilled the requirements of the Certificate of Recognition (COR). 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 behaviours and practices that, in turn, lead to improved safety performance.



Winners from Gjoa Haven and Resolute Bay were presented the Award of Excellence during annual training in Iqaluit.

Since acquiring the COR in 2013, HSEF significantly enhanced QEC's Health and Safety Program (HSP) to align itself with the requirements and standards for maintaining the accreditation. A robust health and safety management system has been developed and implemented, and is evaluated annually through comprehensive internal and external audits. To incorporate changes in territorial legislation and industry best practices, the program was expanded and revised as required.

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 program ensures that employees successfully complete a safety orientation as required by the Nunavut Occupational Health and Safety Regulations. In 2019-2020, 74 QEC employees completed the program.

DURING THE 2019-2020 FISCAL YEAR, HSEF STAFF TRAINED:

- 18 employees in Fall Protection
- 24 employees in Standard First Aid, Level A with CPR Endorsement
- 36 employees in Workplace Hazardous Materials Information System (WHMIS)
- 2 employees in fire extinguisher inspection and maintenance
- 84 employees and 20 contractors on QEC's internal Utility Work Protection Code
- 12 employees in Elevated Work Platform training
- 39 employees in the Supervisor Familiarization Safety course
- 39 employees in Electrical Safety and Arc Flash Awareness
- 28 employees in Distribution Hazard Awareness
- 28 employees in spill response
- 290 contractors in QEC's contractor safety orientation

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

In 2019-2020, QEC hosted a number of in-house *Health and Safety Week* activities for employees. Some of these included:

- Hosted a colouring contest for kids and selected top submissions to include in the internal 2020 QEC calendar
- Hosted the JOHSC Annual General Meeting
- Delivered a series of safety presentations by different departments on selected aspects of workplace safety
- Offered a SafeTALK Course regarding mental health awareness and suicide prevention
- Held a public presentation regarding power line safety
- Launched *Power Line Safety for Contractors* brochure and *Vehicle Accidents Involving Power Lines* brochure
- Delivered daily safety messages to online audiences on Twitter and Facebook

During the 2019-2020 fiscal year, the Plant Operator Training Program continued with a session dedicated to plant operators. This program brings operations staff from across Nunavut together for a week of health and safety training. Operator training is provided yearly, alternating sessions for assistant operators and plant superintendents. In 2020-2021, plant superintendents are scheduled to participate.

In 2019-2020, specific training topics included:

- Low Voltage Circuit Breaker Operation
- Electrical Safety and Arc Flash Awareness
- Meter reading and removal
- Ladder and Pole Top Rescue Techniques
- Work Protection Code
- Contractor Safety Management
- Highlights of common plant safety opportunities
- General Environmental Awareness
- 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 possess the necessary tools to support an injury-free career at QEC.



QEC staff and power plant operators wrap up week long training session in October 2019.

ENVIRONMENT

HSEF works hard to limit the corporation's environmental footprint according to leading industry practices and standards, and applicable federal and territorial legislation. Generating and distributing electricity within a diesel power plant setting, with control measures, mitigation, and response plans in place, reduces the risk of everyday work activities resulting in undesirable harm to the surrounding land and bodies of water.

QEC takes a risk-based approach to developing remediation plans for sites known to be affected by legacy contamination. Environmental Site Assessments (ESAs) are essential to determining the environmental condition and possible contamination of a property. This includes assessing site-specific human health and ecological factors while understanding the potential effects pathways to establish an appropriate remediation plan. This approach is outlined in the Government of Nunavut Environmental Guideline for the Management of Contaminated Sites. Previous assessments have determined that contaminants currently on QEC sites do not pose a risk to human health. This is due to either the location or the depth of the contamination. In 2019-2020, ESAs were completed on properties in Clyde River and Taloyoak as part of QEC's ongoing efforts to understand the environmental liability associated with each of its properties.

As part of this risk-based approach, QEC has an environmental due diligence monitoring program in place for all facilities. This includes annual collection and analysis of soil samples to document the presence or absence of surface contamination. The results of this sampling program are compared to applicable environmental quality guidelines (e.g., Canadian Soil Quality Guidelines for the Protection of Environment and Human Health) to characterize and delineate potential contamination. The long term sample record can also be reviewed to determine if contamination is moving or changing and requires additional investigation.



A new fuel storage tank was completed in Iqaluit in 2019.

During the 2019-2020 fiscal year, a contracted consultant analyzed and prepared a report on soil sample data collected in each community. The results of the sampling program suggested a change in soil contamination from the previous results on record in seven communities. In five communities, the soil did not meet applicable environmental quality guidelines compared to previous sample results on record. However, in two communities the soil analysis met applicable environmental quality guidelines where it did not previously, suggesting an improvement in soil conditions. The HSEF Department will use the information provided in the report to continue monitoring the level of environmental risk associated with QEC locations.

QEC continues to upgrade its fuel supply system infrastructure across the territory in an effort to ensure that communities have a reliable fuel supply, minimize the risk of potential fuel spills, and comply with federal regulations. In 2019-2020, a fuel tank in Gjoa Haven underwent maintenance and inspection in accordance with applicable standards. A new five million litre storage tank was brought into service in Iqaluit following the completion of the required inspections. As well, the fuel systems associated with the old power plant in Kinngait and the old Federal Road Power Plant in Iqaluit were decommissioned in the recent fiscal year.

During the 2019-2020 fiscal year, one reportable glycol spill occurred in Rankin Inlet. The spill was not identified until late fall when the ground was frozen and investigation and cleanup was not feasible. A Remedial Action Plan, submitted to the Government of Nunavut Department of Environment, will be investigated further, under snow-free conditions during the 2020-2021 fiscal year.

As part of QEC's continual improvement process, HSEF began reviewing and updating all environmental management procedures and documents in 2019-2020. The Spill Contingency Plan was revised and is expected to be shared with all employees in 2020-2021. Four additional environmental standard operating procedures were revised and issued to operations employees.

AWARDS AND RECOGNITION

SAFETY AND HEALTH WEEK AWARD

In 2019-2020, 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.

CERTIFICATION OF RECOGNITION

In October 2019, QEC successfully passed an external audit by the Northern Safety Association (NSA). Part of a well-respected, Canada-wide certification program, COR audits evaluate existing health and safety programs along with workplace practices. QEC completed the audit with an overall score of 86%.

The corporation undergoes internal maintenance audits annually and external audits every three years. The recent assessment included 13 worksites visits, 47 employee interviews and a full review of all health and safety documentation. QEC will develop an action plan from the 2019 external audit to address identified areas for improvement.

QEC management believes that most injuries are preventable. For that reason, the corporation prioritizes feedback from the auditing process to ensure that safety programs are based on continuous improvement.

FACILITIES

TRANSIENT UNITS

The Facilities division works diligently to assess the conditions of QEC's transient units on a per unit basis. Required repairs and maintenance continue to be prioritized and completed in a cost effective and timely manner. Regular maintenance practices include fuel and sewage tank inspections, annual furnace servicing and water tank cleanings, ensuring all fixtures and fittings are operable and property security. Larger scale repairs such as furnace replacements, roof repairs, and plumbing issues are completed as necessary to keep the units in good working order.

In 2019-2020, Facilities completed on site assessments in 15 of Nunavut's 25 remote communities to evaluate current conditions and identify repair and maintenance issues. Those communities include:

- Qikiqtarjuaq
- Clyde River
- Resolute Bay
- Grise Fiord
- Arctic Bay
- Sanirajak
- Kinngait
- Coral Harbour
- Naujaat
- Baker Lake
- Chesterfield Inlet
- Whale Cove
- Kugaaruk
- Taloyoak
- Cambridge Bay

RESIDENTIAL/COMMERCIAL PROPERTY

As of March 31, 2020, a total of 175 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	34	18	32	4	-	89
Igloolik	-	-	1	-	1	-	2
Pangnirtung	-	-	1	-	1	-	2
Pond Inlet	-	-	1	-	-	1	2
Kinngait	-	-	-	1	-	-	1
Resolute Bay	-	-	-	1	-	-	1
Sanirajak	-	-	1	-	-	-	1
Qikiqtarjuaq	-	-	1	-	-	-	1
Kimmirut	-	-	1	-	-	-	1
Arctic Bay	-	1	-	-	-	-	1
Clyde River	-	-	1	-	-	-	1
Grise Fiord	-	-	1	-	-	-	1
Sanikiluaq	-	-	1	-	-	-	1
Rankin Inlet	-	1	3	4	-	-	8
Baker Lake	-	15	14	7	1	-	37
Arviat	-	-	-	-	1	-	1
Coral Harbour	-	-	-	1	-	-	1
Chesterfield Inlet	-	-	1	-	-	-	1
Whale Cove	-	-	1	-	-	-	1
Naujaat	-	-	1	-	-	-	1
Cambridge Bay	-	1	4	10	1	-	16
Gjoa Haven	-	-	1	-	-	-	1
Taloyoak	-	-	-	1	1	-	2
Kugaaruk	-	-	1	-	-	-	1
Kugluktuk	-	-	-	1	-	-	1
Total							175

During the 2019-2020 fiscal year, Facilities obtained additional staff housing units in Iqaluit and Cambridge Bay to accommodate newly hired employees and their families. Facilities frequently analyzes the accommodation needs of QEC staff. This may result in non-renewal of unsuitable leased accommodations due to changing living requirements or undesirable unit locations or conditions.

Many of QEC-owned staff housing units have been assessed and projects have been initiated to improve the condition of the properties through repairs or renovations where necessary.

In 2019-2020, the Minister responsible for QEC granted the corporation permission to proceed with the construction of a new head office in Baker Lake. There are close to 50 employees working in three different offices in the community. The new head office is expected to accommodate all administration staff in the community. Design work for the facility was completed by the end of the fiscal year. Construction of the new head office is expected to be completed in summer 2022. Delays in the project are due to budget constraints and COVID-19 related issues.

HUMAN RESOURCES

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

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

STAFFING AND RECRUITMENT

In the 2019-2020 fiscal year, QEC filled 39 positions through competition or developmental internal transfer assignments in alignment with our Inuit Employment Plan (IEP). Currently, QEC has filled 86 percent of positions with term or indeterminate employees. Nunavut Inuit employees represent 50 percent of QEC's workforce.

QEC follows the Government of Nunavut's Priority Hiring Policy when recruiting and staffing 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 comply with the Priority Hiring Policy and applicable GN Directives.
- Where appropriate, staffing vacant positions by restricting competitions (Inuit-only competition, Inuit-only by community competition).
- Hiring new employees into term positions when Inuit are not successful in the competition for the indeterminate role but may qualify for the position in the future.
- Cancelling 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 supporting the employee in attaining the education and experience required for the position.

- Hiring Inuit staff to fill vacant positions in a temporary capacity when a competition is unsuccessful, and assisting the employee in gaining the necessary experience and skills required to qualify for consideration when the position is re-advertised.
- Applying priority hiring for any temporary staff for short or long-term employment assignments.

LABOUR AND EMPLOYEE RELATIONS

EARLY INTERVENTION

Pre-grievance dispute resolution is 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 2019-2020 there were no formal engagements that required QEC to enter into pre-grievance dispute resolution.

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 that effects the terms and conditions of employment. Negotiation between the parties is usually the first step in resolving grievances. If no resolution is reached a mediator may be engaged to assist the parties. Ultimately, if there is no accord, the dispute is escalated to a third party arbitrator who hears the matter and renders a decision.

	Active grievances as of March 31, 2020	
	Policy grievances	Individual grievances
NEU	4	5
Excluded	–	1

	New grievances submitted in 2019-2020	
	Policy grievances	Individual grievances
NEU	1	1
Excluded	–	1

	Grievance resolution by type 2019-2020	
	Policy grievances	Individual grievances
Withdrawal	1	-
Negotiation	3	1
Mediation	–	–
Arbitration	–	–

EMPLOYEE RELATIONS INITIATIVES

In 2019-2020, the HR department delivered presentations on harassment prevention and respect in the workplace. The presentations addressed appropriate workplace behaviours, along with the reinforcement of performance and attendance expectations to all staff. Further presentations were delivered to keep employees informed of Inuit employment initiatives, probationary management, performance management, and fitness for duty.

INUIT EMPLOYMENT PROGRAMS

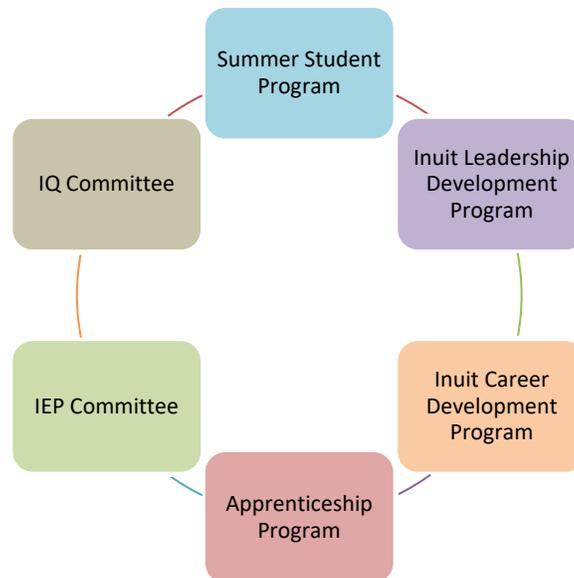
INUIT EMPLOYMENT PLAN

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

INUIT EMPLOYMENT INITIATIVES

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

Inuit Employment Plan Programs



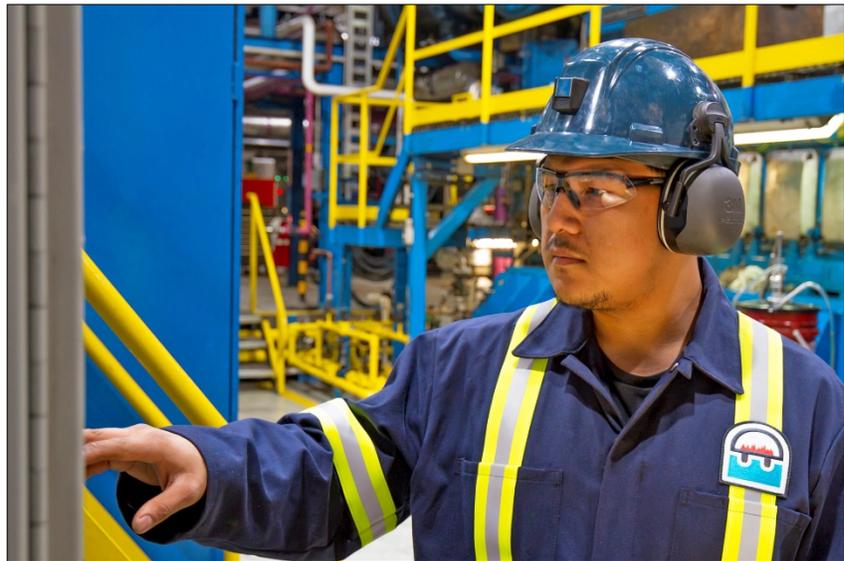
Summer Student Program (SSP): This program exposes Nunavut students to various functional areas of the organization by providing meaningful work experience over the summer months. Twenty-one students were hired for the 2019 summer work term.

Inuit Leadership Development Program (ILDLP): The purpose of this program is to increase Inuit representation within the professional, middle, and senior management levels. The program features three streams of activity to support the development of Inuit employees:

- **Academic:** Supports Inuit who wish to obtain certificates, diplomas, or degrees in an area of study that is beneficial to the Corporation.
- **Experiential:** Provides Inuit employees with temporary developmental assignments in professional and leadership roles. In 2019-2020, six Inuit employees engaged in Developmental Transfer Assignments to develop leadership with the Middle Management and Professional employment category.
- **Professional:** Supports Inuit employees in obtaining professional accreditation. Three Inuit employees engaged in developmental opportunities to work towards attaining professional credentialing.

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

The initiative began in 2018 as part of a four-year commitment to providing every Inuk employee with the opportunity to develop a career development plan. In 2019-2020, QEC approached 33 Inuit employees for the purpose of creating career development plans and 17 chose to engage in career development plans. In relation to its four-year target, the corporation has currently reached out to 68% of Inuit employees. The remainder of Inuit employees will be engaged throughout 2020-2021 and 2021-2022.



QEC continues to build a representative workforce by providing academic, experiential and professional support.

Apprenticeship Program: Developed to reduce the dependency of hiring qualified journeypersons from outside of the territory, this program has allowed the corporation to fill positions in communities with local residents. In 2019-2020, an Inuk apprentice completed a Meter Technician apprenticeship and became the territory's first certified Inuk Meter Technician. The program is currently undergoing a complete redesign to realign with the corporation's current needs.

Inuit Employment Plan (IEP) Committee: This committee is responsible for reviewing, analyzing, and evaluating the corporation's Inuit Employment Plan, Inuit employment programs, human resources policies and procedures, and general employment practices as they relate to Inuit employment. The committee also provides recommendations to the Senior Management Committee on potential methods of increasing Inuit employment.

In 2019-2020, the terms of reference were developed for the IEP Committee. The IEP Committee was also engaged to provide consultation on the ongoing development of QEC's Apprenticeship program.

Inuit Qaujimagatuqangit (IQ) Committee: This committee provides recommendations to the Senior Management Committee on potential methods of integrating Inuit Qaujimagatuqangit and Inuit Societal Values into standard employment protocols.

In 2019-2020, the IQ Committee was consulted to provide feedback on the development of the QEC IQ Policy and Procedures.

HUMAN RESOURCES PROJECTS

HUMAN RESOURCES INFORMATION SYSTEM IMPLEMENTATION

During 2019-2020, the HR department began the implementation of StarGarden, a Human Resources Information System, which included the deployment of a new payroll infrastructure. The next phase of the StarGarden project will include finalizing a time and attendance component that will drive the payroll engine with real time data capture. Additionally, an applicant tracking system designed to modernize the corporation's HR recruitment and staffing processes will be implemented. QEC foresees significant administrative efficiencies by utilizing these new system components.

HUMAN RESOURCES POLICIES

In 2019-2020, QEC developed ten draft policies. The corporation continues to develop internal policies consistent with GN directives where appropriate and address the corporation's unique operating environment. All new or updated policies are shared with employees as they are finalized.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation March 31, 2020

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	6.00	23.00	72%	5.00	22%
Professional	99.00	12.00	87.00	88%	32.00	37%
Paraprofessional	45.40	8.60	36.80	82%	29.80	81%
Administrative Support	24.00	2.0	22.00	100%	22.00	100%
Total Employment Categories	209.40	29.60	179.80	86%	89.80	50%

Employment Summary, by Community

Arctic Bay	1.60	-	1.60	100%	1.60	100%
Kinngait	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%
Sanirajak	1.60	-	1.60	100%	1.60	100%
Igloolik	2.00	-	2.00	100%	2.00	100%
Iqaluit	95.00	13.00	82.00	86%	20.00	25%
Kimmirut	1.60	-	1.60	100%	1.60	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	0.60	1.00	63%	1.00	100%
Sanikiluaq	1.60	-	1.60	100%	1.60	100%
Arviat	2.00	-	2.00	100%	2.00	100%
Baker Lake	47.00	9.00	38.00	81%	22.00	59%
Chesterfield Inlet	1.60	-	1.60	100%	1.60	100%
Coral Harbour	1.60	-	1.60	100%	1.60	100%
Naujaat	1.60	-	1.60	100%	1.60	100%
Rankin Inlet	18.00	2.00	16.00	89%	10.00	59%
Whale Cove	1.60	-	1.60	100%	1.60	100%
Cambridge Bay	13.00	2.00	11.00	85%	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	-	0%	-	100%
Taloyoak	1.60	-	1.60	100%	1.60	100%
Total Community	209.40	29.60	179.80	86%	89.80	50%

Employment Summary, by Iqaluit and Other Communities

Iqaluit	95.00	13.00	82.00	86%	20.00	24%
Other communities	114.40	16.60	97.80	85%	69.80	71%
TOTAL	209.40	28.60	179.80	86%	89.80	50%

INFORMATION TECHNOLOGY

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

During the 2019-2020 fiscal year, IT responded to over 3,900 reported issues and partnered with various departments to deliver the following projects:

- Comprehensive review of Information Technology policies.
- Review and implementation of updated data backup and retrieval in Baker Lake.
- Implementation of updated payroll software in Baker Lake.
- Provided multi path support to QEC satellite communications infrastructure in all four regional centres; Iqaluit, Baker Lake, Rankin Inlet, and Cambridge Bay.

FINANCE

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

The focus of the Finance department is to:

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

2019-2020 ACCOMPLISHMENTS FOR THE FINANCE DEPARTMENT

In 2019-2020, the second phase of the General Rate Application approved by the responsible Minister came into effect. A rate change of a 3.3% increase was applied to customer bills as of April 1, 2019.

Finance has also 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.

In 2019-2020, dedicated finance teams counted the inventory for all locations resulting in a reduction in inventory of approximately 2%. This was attributed to unfiled usage reports and was charged to operations. Further inventory controls are planned for the next fiscal year.

In addition, Operations upgraded internal paper flow and documentation controls to improve preparation for annual count practices. QEC is looking to get the qualification regarding its inventory practices removed in the next two years. The auditors were unable to complete counts this year due to COVID-19 restrictions.

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

Highlights of Operations and Accumulated Surplus (\$ in thousands)					
For the year ended March 31st	2020	2019	2018	2017	2016
Revenues					
Sale of Power	\$ 131,632	\$ 127,522	\$ 118,202	\$ 119,856	\$ 125,801
Sale of Heat	946	724	840	1,156	1,834
Government contributions	6,591	1,696	-	-	-
Other Income	4,953	5,624	4,819	6,712	6,440
Insurance proceeds	-	15	7,994	13,000	5,000
Total Revenues	144,122	135,581	131,855	140,724	139,075
Total Expenses	134,975	131,089	122,134	128,792	139,228
Surplus (deficit) for the Year	\$ 9,147	\$ 4,492	\$ 9,721	\$ 11,932	\$ (153)

Revenue from the sale of power increased by 3.2% (2019: 7.9% increase).

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.

The \$6.3 million booked as credits to income related to the Arctic Energy Fund grants that were earned in the year. These grants are designed to offset the related capital expenditures that qualify for the program. The balance is due to other credits earned.

Other Income (as indicated in the table above) decreased by 12% (2019: 17% increase) due to reduced fees being charged for administration.

Total Expenses increased by 3% (2019: 7% increase) mainly due to decreases in overhead and interest capitalized (\$2,736,000). This was due to a change in policy that allowed government funded projects to avoid accumulating any overhead funding charges and reduced overhead for design-build projects.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

Highlights of Operations and Maintenance Expenses					
For the year ended March 31st	2020	2019	2018	2017	2016
Expenses by Object or Type					
Fuel and Lubricants	36%	38%	38%	37%	39%
Salaries, Wages and Benefits	27%	24%	26%	26%	22%
Supplies and Services	18%	18%	18%	18%	16%
Amortization, Write Down and Disposal of Tangible Capital Assets	10%	10%	10%	11%	17%
Travel and Accommodations	5%	4%	4%	4%	3%
Interest Expense	4%	5%	4%	4%	3%
Bad Debt Expense	-	1%	-	-	-
	100%	100%	100%	100%	100%

In 2019-2020, fuel and lubricants expenses decreased due to cost reductions. Salaries and wages increased due to an increase in base pay starting January 1, 2020. Interest expense was reduced due to the decreased borrowing rate that occurred during the year. The borrowing rate has been as low as 1.05% recently.

HIGHLIGHTS OF FINANCIAL POSITION

Highlights of Financial Position (\$ in thousands)					
As at March 31st	2020	2019	2018	2017	2016
Financial Assets	\$ 49,266	\$ 30,793	\$ 29,346	\$ 33,255	\$ 36,219
Liabilities	(250,539)	(235,112)	(211,524)	(192,312)	(178,822)
Net Debt	(201,273)	(204,319)	(182,178)	(159,057)	(142,603)
Non-financial Assets	342,603	336,511	309,878	277,036	248,650
Accumulated Surplus	\$ 141,330	\$ 132,192	\$ 127,700	\$ 117,979	\$ 106,047

By March 31, 2020, financial assets were higher due to delayed payments from governments adding \$18.5 million to accounts receivable.

Liabilities were also higher due to increases in amounts due to the Petroleum Products Division of the GN as well debt. The increase, however, did not offset fully the increase in financial assets. This resulted in net debt being reduced by \$3 million.

2019-2020 CAPITAL EXPENDITURE SUMMARY

Capital Expenditures by Region		
For the year ended March 31 st	2020	2019
Kitikmeot	\$ 587	\$ 1,296
Kivalliq	10,287	395
Qikiqtaaluk	7,734	34,913
Nunavut/Corporate	1,013	2,121
Total capital expenditures	\$ 19,621	\$ 38,735

Capital expenditures were \$19,114 less than the previous fiscal year as the corporation focused on commissioning two new power plants. In addition, a number of tenders this past year came in much higher than expected. This forced QEC to withdraw the tenders and explore other options. This contributed to reduced capital spending as QEC refocused its efforts.

The level of spending for capital in the future should be in the range of \$20 to \$25 million per year, after credits received from government contributions. This level of spending will start to reduce the amount of debt that is drawn each year. The exception to this is the years 2020-2021 and 2021-2022 when the corporation will spend more on capital due to carryover and lower federal contributions.

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)						
For the year ended March 31st		2020	2019	2018	2017	2016
Interest Coverage Ratio						
Surplus before Interest on Long-term Debt		\$ 14,196	\$ 9,691	\$ 13,876	\$ 15,865	\$ 3,982
Interest on Long-term Debt		\$ 5,058	\$ 5,199	\$ 4,155	\$ 3,933	\$ 4,135
Debt Expense Burden (<i>critical below 1.50</i>)		2.81	1.86	3.34	4.03	0.87
Debt Ratio						
Assets		\$ 391,869	\$ 367,304	\$ 339,224	\$ 310,291	\$ 284,869
Liabilities		\$ 250,539	\$ 235,112	\$ 211,524	\$ 192,312	\$ 178,822
Ability to pay Long-term Debt		1.56	1.56	1.60	1.61	1.59
Debt to Accumulated Surplus						
Bank Indebtedness		\$ 15,874	\$ 9,867	\$ 11,201	\$ 8,393	\$ 10,901
Long-term Debt		\$ 190,994	\$ 186,483	\$ 163,263	\$ 134,959	\$ 125,364
Total Debt		\$ 206,868	\$ 196,350	\$ 174,464	\$ 143,352	\$ 136,265
Accumulated Surplus		\$ 141,330	\$ 132,192	\$ 127,700	\$ 117,979	\$ 106,047
Debt ratio		0.59	0.60	0.58	0.55	0.56
Accumulated Surplus ratio		0.41	0.40	0.42	0.45	0.44
Debt to Accumulated Surplus Ratio		1.46	1.49	1.37	1.22	1.28

In 2019-2020, QEC repaid principal amounts of \$16,179 (2019: \$13,846) 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. These provide a much lower rate, recently in the region of 1% to 1.25%, compared to a fixed rate loan where the rate is a couple of percent higher. The rates are expected to increase so the corporation is considering fixing a portion of its debt to take advantage of the very low rates.

The corporation's debt to accumulated surplus ratio, referred to as the borrowing limit under Section 25 of the *Quilliq Energy Corporation Act*, was 1.46:1 (2019: 1.49:1) and remained well below the maximum allowed 3:1 ratio.

QULLIQ ENERGY CORPORATION**FINANCIAL STATEMENTS****March 31, 2020**

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Management Statement

August 24, 2020

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

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

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

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

Qulliq Energy Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and issuing 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 (the Corporation), which comprise the statement of financial position as at 31 March 2020, and the statement of operations and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our Report on the Audit of the Financial Statements, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2020, 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 2020 and 31 March 2019 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 2019 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 the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

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.

A handwritten signature in black ink, appearing to read "Michael Robichaud". The signature is fluid and cursive, with the first and last names being the most prominent.

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

Ottawa, Canada
24 August 2020

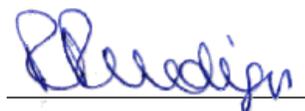
QULLIQ ENERGY CORPORATION**Statement of Financial Position****As at March 31***(in thousands of dollars)*

	2020	2019
Financial assets		
Accounts receivable (Note 3)	\$ 49,266	\$ 30,793
Liabilities		
Bank indebtedness (Note 4)	15,874	9,867
Accounts payable and accrued liabilities (Note 5)	13,135	14,976
Deposits payable (Note 6)	2,180	2,375
Due to Petroleum Products Division	22,487	16,078
Deferred revenue	1,501	1,024
Debt (Note 7)	190,994	186,483
Due to the Government of Canada (Note 8)	1,352	1,352
Employee future benefits (Note 9)	3,016	2,957
	250,539	235,112
Net debt	(201,273)	(204,319)
Non-financial assets		
Tangible capital assets (Schedule A)	317,311	311,052
Inventories for use (Note 10)	24,098	24,299
Prepaid expenses	1,194	1,160
	342,603	336,511
Accumulated surplus	\$ 141,330	\$ 132,192

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)

	2020 Budget	2020 Actual	2019 Actual
Revenues			
Sales of power (Note 11)	\$ 130,358	\$ 131,632	\$ 127,522
Government contributions (Note 17)	10,001	6,591	1,696
Other income (Note 13)	5,037	4,953	5,624
Sales of heat	1,260	946	724
Insurance proceeds (Note 12)	-	-	15
Total revenues	146,656	144,122	135,581
Expenses by department (Note 14)			
Plant Operations	67,850	66,770	66,543
Shared (Corporate)	20,724	23,533	21,239
Property Management	9,782	9,103	8,565
Regional Operations	8,180	8,728	9,283
Finance	7,194	6,280	6,421
Information Technology	2,900	3,191	2,788
Engineering	3,017	3,066	2,732
Health, Safety & Environment	3,390	2,909	2,715
Line Operations	2,162	2,825	2,479
Territorial Operations	2,695	2,625	2,560
Human Resources	2,215	2,208	2,085
Corporate Affairs	2,137	1,828	1,848
Iqaluit Office	1,571	1,502	1,304
Residual heat	286	229	281
Board	324	187	246
Total expenses	134,427	134,984	131,089
Surplus for the year	12,229	9,138	4,492
Accumulated surplus, beginning of the year	132,192	132,192	127,700
Accumulated surplus, end of the year	\$ 144,421	\$ 141,330	\$ 132,192

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)

	2020 Budget	2020 Actual	2019 Actual
Surplus for the year	\$ 12,229	\$ 9,138	\$ 4,492
Tangible capital assets			
Additions	(24,672)	(18,781)	(35,159)
Capitalized overhead	(1,495)	(707)	(2,949)
Capitalized interest (Note 15)	(300)	(133)	(627)
Amortization	13,401	13,362	13,485
	(13,066)	(6,259)	(25,250)
Additions to inventories for use		(47,387)	(51,687)
Consumption of inventories for use	-	47,588	50,396
Additions of prepaid expenses	-	(2,870)	(2,638)
Use of prepaid expenses	-	2,836	2,546
	-	167	(1,383)
Decrease (Increase) in net debt for the year	(837)	3,046	(22,141)
Net debt, beginning of the year	(204,319)	(204,319)	(182,178)
Net debt, end of the year	\$ (205,156)	\$ (201,273)	\$ (204,319)

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)

	2020	2019
Cash provided by operating activities:		
Cash received from customers	\$ 124,039	\$ 129,997
Cash paid to suppliers	(72,136)	(76,614)
Cash paid to employees	(36,699)	(31,952)
Interest paid	(6,544)	(6,058)
Insurance proceeds	-	15
Cash provided by operating activities	8,660	15,388
Cash used for capital activities:		
Tangible capital asset acquisitions	(19,228)	(38,970)
Cash used for capital activities	(19,228)	(38,970)
Cash provided by financing activities:		
Increase in debt	20,690	37,066
Repayment of debt	(16,179)	(13,846)
Funds received from the Government of Canada	50	1,696
Cash provided by financing activities	4,561	24,916
(Increase)/decrease in bank indebtedness	(6,007)	1,334
Bank indebtedness, beginning of year	(9,867)	(11,201)
Bank indebtedness, end of year	\$ (15,874)	\$ (9,867)

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2020
(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.

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

(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:

	Useful life (up to)
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.

QULLIQ ENERGY CORPORATION
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2 Significant accounting policies (continued)

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 contributions 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.

(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 of its 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
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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
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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 some inter-entity transactions, are recorded at the exchange amount and are in the normal course of business completed under normal trade terms.

(o) 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, 2022. 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, 2023. This section establishes standards on how to account for and report revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

The Corporation will adopt these new standards on their effective date. QEC is evaluating the impact, if any, of implementing the above standards.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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3 Accounts receivable

	Related parties	Third parties	2020	2019
Trade receivables	\$ 31,689	\$ 23,476	55,165	\$ 36,218
Employee advances	-	8	8	13
GST receivable	-	-	-	41
	\$ 31,689	\$ 23,484	\$ 55,173	\$ 36,272
Less: allowance for doubtful accounts	(1,036)	(4,871)	(5,907)	(5,479)
	\$ 30,653	\$ 18,613	\$ 49,266	\$ 30,793

Related party accounts receivable by source are as follows:

		2020	2019
	Accounts Receivable	Allowance for Doubtful Accounts	Net
			Net
Government of Nunavut			
Departments	\$ 15,706	\$ (619)	\$ 15,087
Territorial corporations	15,983	(417)	15,566
	\$ 31,689	\$ (1,036)	\$ 30,653
			\$ 12,335

4 Bank indebtedness

The Corporation has a credit facility with a limit of \$30,000 (2019 – \$20,000). Interest charged on the credit facility is at prime minus 0.5% (2020 – 1.95%; 2019 – 3.45%). 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 2.0%, subject to market, with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof. The credit facility is secured by a CIBC indemnity/operating agreement and guaranteed by the Government of Nunavut.

	2020	2019
BAs	\$ 10,000	\$ 10,000
Overdraft/(Cash)	5,874	(133)
	\$ 15,874	\$ 9,867

5 Accounts payable and accrued liabilities

	Related parties	Third parties	2020	2019
Trade payables and accrued liabilities	\$ 418	\$ 8,597	\$ 9,015	\$ 10,716
Payroll liabilities and taxes	-	4,101	4,101	4,260
GST payable	-	19	19	-
	\$ 418	\$ 12,717	\$ 13,135	\$ 14,976

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

	2020	2019
Government of Nunavut		
Departments	\$ 402	\$ 249
Territorial corporations	16	24
	\$ 418	\$ 273

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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6 Deposits payable

	Related parties	Third parties	2020	2019
Customer utility deposits payable	\$ -	\$ 1,525	\$ 1,525	\$ 1,486
Holdbacks	-	655	655	889
	\$ -	\$ 2,180	\$ 2,180	\$ 2,375

7 Debt

	2020	2019
<p>Debenture, 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.</p>	\$ 21,787	\$ 25,795
<p>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.</p>	561	1,029
<p>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.</p>	726	1,320
<p>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.</p>	1,053	1,882
<p>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.</p>	3,312	3,523
<p>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.</p>	2,055	3,531
<p>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.</p>	12,667	13,666
<p>Facility H non-revolving committed loan in six 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; on the fifth tranche of \$160 beginning April 30, 2019 with the final payment due on April 30, 2029; and on the sixth tranche of \$128 beginning April 30, 2020 with the final payment due on April 30, 2030. 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.</p>	137,566	123,670

QULLIQ ENERGY CORPORATION
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7 Debt (continued)

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.

	11,267	12,067
	\$ 190,994	\$ 186,483

Scheduled principal debt repayment amounts are as follows:

2021	\$	17,573
2022		31,034
2023		19,223
2024		8,556
2025		15,823
2026 to 2031		98,785
Total	\$	190,994

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 1.46 times its accumulated surplus at March 31, 2020 (2019 – 1.48 times).

The debt is guaranteed by the Government of Nunavut. During the year 2018-2019, 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 2020 was \$0 (2019 – \$0). No repayments have been made to date.

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 (2019 – 1.01 times) for members enrolled before January 1, 2013 and 1.00 times (2019 – 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:

	2020	2019
Employer's contributions	\$ 2,210	\$ 2,111
Employees' contributions	2,107	2,086
Total contributions	\$ 4,317	\$ 4,197

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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9 Employee future benefits (continued)

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 are 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:

	2020	2019
Severance, resignation and retirement	\$ 1,892	\$ 1,867
Sick leave	700	700
Removal	424	390
	\$ 3,016	\$ 2,957

The Corporation paid \$489 (2019 – \$328) in employee future benefits during 2020.

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

	2020	2019
Discount rate	1.95%	3.95%
Reduction factor for excluded employees with less than 5 years of service and for unionized employees between the age of 40-49 years	50.0%	50.0%
Estimated age of retirement or resignation	65 years	65 years

10 Inventories for use

	2020	2019
Spare parts	\$ 15,243	\$ 13,746
Fuel	6,477	7,998
Supplies and lubricants	2,378	2,555
	\$ 24,098	\$ 24,299

An allowance for obsolescence of \$507 (2019 – \$507) has been recorded to reduce slow moving inventory items to their estimated replacement cost. There have been no reversals of previous write-downs. No inventories have been pledged as security for liabilities.

11 Sales of power

	Related parties	Third parties	2020	2019
Commercial customers	\$ 29,473	\$ 47,714	\$ 77,187	\$ 74,836
Residential customers	38,483	14,295	52,778	51,081
Electrical streetlights and private area lighting	-	1,667	1,667	1,605
	\$ 67,956	\$ 63,676	\$ 131,632	\$ 127,522

Related party sales of power by source are as follows:

	2020	2019
Government of Nunavut		
Departments	\$ 35,629	\$ 34,348
Territorial corporations	32,327	31,066
	\$ 67,956	\$ 65,414

The Corporation administers the Government of Nunavut's Public Housing Support Subsidy, for which it invoiced \$25,767 (2019 – \$24,893) 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.

QULLIQ ENERGY CORPORATION
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11 Sales of power (continued)

The Corporation administers the Government of Nunavut's Territorial Power Support Subsidy, for which it invoiced \$9,994 (2019 – \$9,815) 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) was 0 cents/kWh for April 1, 2019 to September 30, 2019 (FSR refund was 5.41 cents/kWh for April 2018 and 0 cents/kWh from May 1, 2018 to October 31, 2018). FSR was 0 cents/kWh for October 1, 2019 to March 31, 2020 (FSR charged was 1.25 cents/kWh from November 1, 2018 to March 31, 2019). The total fuel rebate granted during the year is \$0 (2019 – \$775) and the total FSR charged during the year is \$0 (2019 – \$831).

12 Insurance proceeds

During the year, the Corporation received insurance proceeds of \$0 (2019 – \$15) in relation to a claim submitted for a failed generation asset.

13 Other income

	Related parties	Third parties	2020	2019
Administration and other service fees	\$ 740	\$ 1,289	\$ 2,029	\$ 1,796
Housing recoveries from employees	11	1,617	1,628	1,481
Pole rentals	46	620	666	666
Capital funding from customers	80	550	630	1,681
	\$ 877	\$ 4,076	\$ 4,953	\$ 5,624

Related party other income by source are as follows:

	2020	2019
Government of Nunavut		
Departments	\$ 485	\$ 217
Territorial corporations	392	376
	\$ 877	\$ 593

14 Expenses

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

	Related parties	Third parties	2020	2019
Fuel and lubricants	\$ 42,730	\$ 6,054	\$ 48,784	\$ 50,166
Salaries, wages and benefits	-	36,599	36,599	32,112
Supplies and services	868	23,271	24,139	23,437
Amortization of tangible capital assets	-	13,362	13,362	13,485
Interest expense (Note 15)	-	6,517	6,517	5,959
Travel and accommodations	-	5,155	5,155	5,125
Bad debt expense	-	428	428	805
	\$ 43,598	\$ 91,386	\$ 134,984	\$ 131,089

Related party expenses by source are as follows:

	2020	2019
Government of Nunavut		
Departments	\$ 43,590	\$ 43,520
Territorial corporations	8	50
	\$ 43,598	\$ 43,570

QULLIQ ENERGY CORPORATION
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15 Interest expense

	2020	2019
Interest on debt	\$ 5,058	\$ 5,199
Interest and bank charges	1,592	1,387
Less: Interest capitalized on construction projects	(133)	(627)
	\$ 6,517	\$ 5,959

16 Contractual obligations

Operating leases

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

	2021	2022	2023	2024	2025	Total
Related parties						
Departments	88	22	-	-	-	\$ 110
						110
Third parties	3,238	1,942	777	212	37	6,206
	\$ 3,326	\$ 1,964	\$ 777	\$ 212	\$ 37	\$ 6,316

Fuel purchase commitments

The Corporation has made purchase commitments of \$51,864 (58,860,000 litres) to purchase fuel in the fiscal year ending March 31, 2021. This amount is due to be paid in fiscal 2021. The majority of the commitment is with the Petroleum Products Division (a commonly controlled entity).

Capital purchase commitments

Commitments in the amount of \$2,076 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 \$2,160 have been made in relation to other upcoming operating expenditures.

QULLIQ ENERGY CORPORATION
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17 Contractual rights

Government contributions

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. During the year, the Corporation submitted claims amounting to \$6,313 (2019 – \$0) which have been recognized as revenue within the Statement of Operations and Accumulated Surplus.

The Government of Nunavut has entered into an agreement with the Corporation to provide financial support, under the Low Carbon Economy Funding, for a maximum of \$6,348 for Eligible Expenditures incurred, spent, approved and claimed on or before December 31, 2022 on the terms and conditions set out in the said agreement. The Corporation will invest in installation of District Heating System at Sankiluaq and Taloyoak. During the year, the Corporation submitted claims amounting to \$182 (2019 – \$0) which have been recognized as revenue within the Statement of Operations and Accumulated Surplus.

The Government of Canada has entered into an agreement with the Corporation to provide financial support, under the Clean Energy In Rural and Remote Communities Deployment Program, for a maximum amount of \$3,380 for Eligible Expenditures incurred, spent, approved and claimed on or before September 30, 2023 on the terms and conditions set out in the said agreement. The Corporation will invest in Solar PV with energy storage for Kugluktuk. During the year, the Corporation submitted claims amounting to \$6 (2019 – \$0) which have been recognized as revenue within the Statement of Operations and Accumulated Surplus.

The Corporation signed several smaller value funding agreements with Government of Canada towards exploration of alternative and renewable energy resources and improving the energy efficiency. During the year, the Corporation submitted claims amounting to \$90 (2019 – \$1,696) for eligible expenditures which have been recognized as revenue within the Statement of Operations and Accumulated Surplus.

The Corporation's future contractual rights equal the difference between the total amounts eligible under each program less the aggregated amounts received for claims previously submitted.

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 (2019 – 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 (2019 – \$40 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 (2019 – \$670) related to the monitoring program. The undiscounted future expenditures for this liability are \$1,391 (2019 – \$1,150). The provision was determined by discounting the total future expected cash flows over an estimated period of 47 years using a rate that reflects the Corporations' effective borrowing rate. The provision is subsequently revalued at the current discount rate in effect at each Statement of Financial Position date. At March 31, 2020, the future expenditures are discounted using a rate of 2.95% (2019 – 2.95%).

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2020
(in thousands of dollars)

18 Environmental liability for contaminated sites (continued)

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 was completed during the summer of 2019. However, due to some concerns raised by residents, the Corporation is looking to a bigger landfarm away from the community and has requested another parcel of land away from the Hamlet. Accounts payable and accrued liabilities includes a provision of \$217 (2019 – \$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 the summer of 2018. Accounts payable and accrued liabilities includes a provision of \$320 (2019 – \$320) in relation to these sites.

During the year, there was a glycol spill amounting to 30,000 litres at Rankin Inlet. The Corporation will be repairing the damage caused by this spill and eliminating any danger to life, health, property or the environment. Accounts payable and accrued liabilities includes a provision of \$130 (2019 – \$0) in relation to this site.

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.

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 2020 and 2019, 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:

	2020	2019
Balance, beginning of year	\$ 5,479	\$ 4,667
Increase in allowance during year	428	812
Balance, end of year	\$ 5,907	\$ 5,479

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	2020	2019
March 31, 2020	\$ 12,926	\$ 3,879	\$ 12,817	\$ 29,622	\$ 17,858

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2020
(in thousands of dollars)

19 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk to ensure sufficient liquid financial resources to finance operations and to meet long-term debt repayments. The Corporation believes that it has access to sufficient capital through internally generated cash flows, government support and external resources including borrowing facilities to meet current spending forecasts.

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

	Less than 1 year	Between 1 and 4 years	Greater than 4 years	2020	2019
Debt (including interest)	\$ 22,535	\$ 86,312	\$ 99,957	\$ 208,804	\$ 213,491
Due to Petroleum Products Division	22,487	-	-	22,487	16,078
Bank indebtedness	15,874	-	-	15,874	9,867
Accounts payable and accrued liabilities	13,135	-	-	13,135	14,976
Deposits payable	2,180	-	-	2,180	2,375
Due to the Government of Canada	1,352	-	-	1,352	1,352
	\$ 77,563	\$ 86,312	\$ 99,957	\$ 263,832	\$ 258,139

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:

	2020	2019
Bank indebtedness	\$ 159	\$ 100
Debt	1,615	1,494
	\$ 1,774	\$ 1,594

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
Notes to the Financial Statements
March 31, 2020
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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	2020	2019
Cost of Capital Assets									
Opening Balance	\$ 1,842	\$ 326,582	\$ 76,600	\$ 21,973	\$ 20,165	\$ 7,917	\$ 6,306	\$ 461,385	\$ 410,585
Transferred from work in progress	-	15,984	755	-	884	217	661	18,501	53,800
Land additions	115	-	-	-	-	-	-	115	254
Disposals	-	-	-	-	-	(39)	-	(39)	(3,254)
Closing Balance	1,957	342,566	77,355	21,973	21,049	8,095	6,967	479,962	461,385
Accumulated Amortization									
Opening Balance	(562)	(113,814)	(24,401)	(10,482)	(5,887)	(4,340)	(3,298)	(162,784)	(152,553)
Amortization	(34)	(9,716)	(1,550)	(795)	(440)	(571)	(256)	(13,362)	(13,485)
Disposals	-	-	-	-	-	39	-	39	3,254
Closing Balance	(596)	(123,530)	(25,951)	(11,277)	(6,327)	(4,872)	(3,554)	(176,107)	(162,784)
Work in Progress									
Opening Balance	-	9,694	2,300	-	454	-	3	12,451	27,770
Additions	-	15,069	1,522	278	1,389	217	1,031	19,506	38,481
Transferred to cost of tangible capital assets	-	(15,984)	(755)	-	(884)	(217)	(661)	(18,501)	(53,800)
Closing Balance	-	8,779	3,067	278	959	0	373	13,456	12,451
Net Book Value	\$ 1,361	\$ 227,815	\$ 54,471	\$ 10,974	\$ 15,681	\$ 3,223	\$ 3,786	\$ 317,311	\$ 311,052

Note:

The purchases of tangible capital assets presented in the Statement of Cash Flow are lower by \$393 (higher in 2019 – \$235), which is a result of an increase (decrease in 2019) in outstanding payables at year end relating to tangible capital asset additions. These amounts total \$4,018 at March 31, 2020 (2019 – \$3,625).