

2017-2018 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.



Qikiqtarjuaq Power Plant

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 kW. The Corporation also provides mechanical, electrical and line maintenance from three regional centers: Iqaluit, Rankin Inlet and Cambridge Bay. The Corporation's business activities are maintained at the Head Office located in Baker Lake and corporate offices in Iqaluit.

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

All electricity needs in Nunavut are met by imported diesel fuel supplies. Each community in Nunavut has its own independent electricity generation and distribution system. There is no back-up grid. QEC is the only energy corporation in Canada without developed local energy resources or regional electricity transmission capability, creating a situation of high dependency on diesel fuel.

VISION

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

MISSION STATEMENT

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

GUIDING PRINCIPLES

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



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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

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

August 28, 2018

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

Dear Minister Angnakak :

In accordance with Section 100(1) of the *Financial Administration Act*, I hereby submit on behalf of the Board of Directors of Qulliq Energy Corporation the 17th Annual Report for fiscal year ending March 31, 2018.

Respectfully submitted,

T. Bert Rose
Chairperson
Board of Directors
Qulliq Energy Corporation

CHAIRPERSON'S MESSAGE

As Chairperson of Qulliq Energy Corporation's Board of Directors, it is my pleasure to present, on behalf of the Board, the 2017-2018 Qulliq Energy Corporation Annual Report. I am pleased to report that a strong leadership team comprised of senior management and board members has focused QEC on delivering electricity to our customers as efficiently and effectively as possible. This has led to improvements in operational efficiencies and started the move towards alternative energy sources.

The Board shares in the feelings of loss and sadness felt by the family and friends of Mr. Elijah Evaluarjuk, who passed away in February 2018. Under Elijah's leadership as Chairperson, the Board laid the groundwork for its strategic plan for the Corporation. Elijah's vision will continue through the work of the Board, as we strive to implement new initiatives in energy use in support of *Turaaqtavut's* priority of *Pivaallirutivut* that will benefit both our communities and help sustain our land for generations to follow.

The Board and Corporation furthered their strategic direction outlined in the *QEC Energy Framework: the Cost of Generating Electricity in Nunavut* to support the dialogue on alternatives to diesel and ultimately encouraging a move to alternative energy sources. Guided by *Katujjiqatigiinnivut*, QEC has increased engagement with community partners, government agencies and the private sector to create partnerships and solutions to meet this goal.

In August, the Board ratified the new Collective Agreement with the Nunavut Employees Union (NEU), following negotiations between QEC, the Government of Nunavut, and the NEU, which reached a tentative agreement in June. The new 4-year agreement delivered a balanced settlement which addresses the needs of both the Corporation and QEC employees. Employees of the Corporation are a priority of the Board; boosting morale and promoting QEC as a positive workplace has been a focus of work with senior management and we are pleased to see momentum growing. Safety talks and measures have been put in place to foster a safe and respectful work environment for all.

We are also proud that the percentage of Nunavut Inuit employed within the Corporation has increased to 51%, and we will work on further recruiting and training Inuit to skilled trades, management and professional levels through QEC's Inuit Employment Program.

In 2017-2018, the Board reinstated the Governance Committee. In support of our commitment to higher standards of practice, this committee develops effective strategies for oversight and accountability of the Corporation to our shareholder, the Government of Nunavut.

In November, we welcomed the Honourable Jeannie Ehaloak as the new Minister Responsible for QEC. Her understanding of issues and challenges we face in Nunavut with respect to aging infrastructure and the high costs of our operations brings perspective and insight that we as the Board will benefit from.

I would like to thank my fellow Board members, Minister Ehaloak and the President and Chief Executive Officer of QEC for their support as I assumed the duties of Chairperson. Working collaboratively together, I am committed to meeting the challenges and opportunities of 2018-2019.

Best regards,



Umilialuk
T. Bert Rose
Chairperson, Board of Directors

Dated: June 11, 2018

PRESIDENT'S MESSAGE

I am pleased to present Qulliq Energy Corporation's 2017-2018 Annual Report.

In 2017-2018, major focus was put on improving operational efficiencies, streamlining processes and applying greater rigour to business and safety practices. We have achieved many improvements in these areas and are dedicated to a philosophy of continuous improvement.

QEC started construction on two new power plants in Grise Fiord and Cape Dorset and received approval of our Major Project Permit to construct a new power plant in Kugluktuk. We installed and commissioned new generator sets in five communities and upgraded distribution systems in another four. Having a reliable, dependable energy source for our customers is our mandate and what must continue to drive our operations.

Along with the need to achieve improved reliability, the Corporation is looking at options to help reduce QEC's dependence on fossil fuel in order to lessen our impact on the environment and reliance on imported fossil fuel.

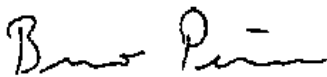
I am pleased that the Net Metering Program progressed to launch at the start of the next fiscal year. The Net Metering Program will demonstrate how small-scale renewable energy solutions can be effectively integrated in the territory. Action also began on implementing the necessary requirements for an Independent Power Producer policy in Nunavut. This will allow power producers to generate electricity, using renewable systems, and sell this electricity to QEC.

QEC is exploring the feasibility of developing and implementing any energy source determined to be practical and financially viable to our customers and to QEC. We are actively seeking funding through federal programs to expand district or residual heating operations, replace aging diesel power plants, install more efficient generator sets to improve energy efficiencies and reduce greenhouse gas emissions, and to add proven renewable and alternative energy generation sources to the Corporation's energy mix. To be clear, QEC's goal is *not* to continue using diesel - it is to provide reliable energy to all of our communities. Diesel has been our past and is still our present, but we believe our future lies in other technologies.

However, one of QEC's greatest challenges is funding capital projects, including any new renewable and alternative technologies. We currently have eleven more power plants to rebuild at an approximate cost of \$275 million. These rebuilds place significant restriction on additional projects we are able to pursue.

As we work towards addressing our challenges, QEC has continued to make it a priority to ensure our customers have access to reliable and affordable energy. I am proud of QEC's accomplishments in 2017-2018. These accomplishments result from having a dedicated and trained team, a responsive Board of Directors, and input from the customers we serve throughout Nunavut. I look forward to meeting our priorities as we move into 2018-2019.

Yours truly,



Bruno Pereira
President and Chief Executive Officer
Dated: June 11, 2018

KEY ACTIVITIES IN 2017-2018

- Newly appointed Minister Responsible for Qulliq Energy Corporation
- 99.78 percent reliability rate
- 3.73 kWh efficiency rate
- Upgraded electrical distribution systems in Cambridge Bay, Pond Inlet, Grise Fiord and Igloolik
- Commissioned new generator sets in Arviat, Baker Lake, Gjoa Haven, Nauyasat and Cambridge Bay
- Commissioned emergency generator sets in Clyde River and Nauyasat
- Replaced all conventional streetlights with LEDs in Cambridge Bay, Kugluktuk, Rankin Inlet and Iqaluit
- Began construction of power plant replacement projects in Cape Dorset and Grise Fiord
- Upgraded fuel systems in Cambridge Bay, Pond Inlet, Clyde River, Coral Harbour, and Kimmirut
- Decommissioned old power plant in Qikiqtarjuaq & began decommissioning old power plant in Taloyoak
- Approval of major project permit for power plant replacement in Kugluktuk
- Approval of Net Metering Program
- Received seventh North American Occupational Safety and Health Week Award
- Certificate of Recognition (COR) Internal Audit to maintain Northern Safety Association accreditation
- Environmental Site Assessments in Baker Lake, Coral Harbour and Sanikiluaq
- Development of a new Contractor Safety Management Program
- Reviewed and updated IT Disaster Recovery plans in Baker Lake, Iqaluit, Cambridge Bay and Rankin Inlet
- 51 percent Nunavut Inuit employment
- Graduation of two Inuit Leadership Development Program participants
- Filled 41 positions within the Corporation
- New collective agreement expiring December 31, 2020
- Development of the “Energy Wise” campaign
- Submitted General Rate Application and completed community consultations for electricity rate changes
- Two Fuel Stabilization Rate refunds were applied to customer bills in the amount of:
 - 8.23 cents per kilowatt hour for the period of April 1, 2017, to September 30, 2017
 - 5.41 cents per kilowatt hour for the period of October 1, 2017, to March 31, 2018

OUTLOOK FOR 2018-2019 AND BEYOND

Moving forward, QEC looks to strengthen its operational accountabilities and processes, and to ensure that its key priorities are aligned with, and delivered according to, the expectations and directives of its stakeholders. QEC will act in accordance with the *Turaaqtavut* priorities of *Katujjiqatigiinnivut*, to establish strategic partnerships with Inuit organizations, the federal government, and the private sector to meet the needs of our communities, and *Pivaallirutivut*, to develop and manage our renewable and non-renewable resources for the long-term benefit of Nunavummiut. This is essential to meet energy demands and to evolve into the next level of energy delivery that we require in Nunavut. Enhanced efforts will be made to increase Inuit employment and Inuit representation on the Board of Directors in 2018-2019. For our critical infrastructure, QEC will continue to replace power plants that have reached their end of life with new plants designed to accommodate future renewable energy projects. In addressing these priorities, QEC continues to demonstrate its commitment to working with the Government of Nunavut and other stakeholders to deliver the Corporation’s vision to provide Nunavummiut with safe, reliable, sustainable and affordable electricity.

CONTRIBUTING TO ALL COMMUNITIES THROUGH INUIT GUIDING PRINCIPLES

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

QEC's business practices are steered by the Inuit Guiding Principles of:

Pijitsirniq: serving and providing for family and/or community

Ikajuqtigiinni: working together for a common cause

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

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

PIJITSIRNIQ

During the 2017-2018 fiscal year, QEC contributed to the following community events and organizations:

- Astro Theatre Movie Days of Christmas
- Iqaluit Christmas Games
- Iqaluit Toonik Tyme Festival
- Inuksuk High School's Canadian Leadership Conference Fundraiser
- Baffin Regional Chamber of Commerce
- Iqaluit Community Greenhouse Society
- Pangnirtung Hamlet Day Celebration
- Skills Canada Nunavut

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.

Art Sateana of Rankin Inlet was awarded the 2017 Laura Ulluriaq Gauthier Scholarship based on his exemplary career goals, high academic achievements and generous community involvement. In his third year as a science student at the University of Manitoba, Art excels an A plus average in his program. After graduation in 2019, he plans to enter the Faculty of Medicine at the aforementioned university and pursue his goal to become a General Physician.

SKILLS CANADA NUNAVUT

Recognizing the importance of the skilled trades and technology sector to its business, QEC has been a long-term and active supporter of Skills Canada Nunavut. The organization's promotion of skilled trades and technology sector as a viable career for the young generation of Nunavut reflects QEC's vision of a proficient workforce, representative of Nunavut's population. In 2017-2018, QEC contributed corporate promotional items to the 2017 Territorial Skills Competition. QEC's own Terry Leblanc, Journeyperson Electrician, and Gemma Braun, Health and Safety Specialist, participated as judges in the territory's electrical and health and safety competitions respectively. QEC also hosted the health and safety competition in the Iqaluit power plant mechanical and electrical trade rooms where participants identified mock hazards and risks in a real workplace setting.

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 2017, Baker Lake and Iqaluit staff showed their community spirit by taking the time to help clean-up their respective communities.

ENERGY WISE CAMPAIGN

In partnership with the GN's Climate Change Secretariat and Nunavut Housing Corporation, QEC developed the "Energy Wise" awareness campaign, which aims to educate on the importance of energy conservation. School visits, a dedicated Facebook Page, video and radio advertisements, and promotional materials were developed to promote the multi-platform initiative.

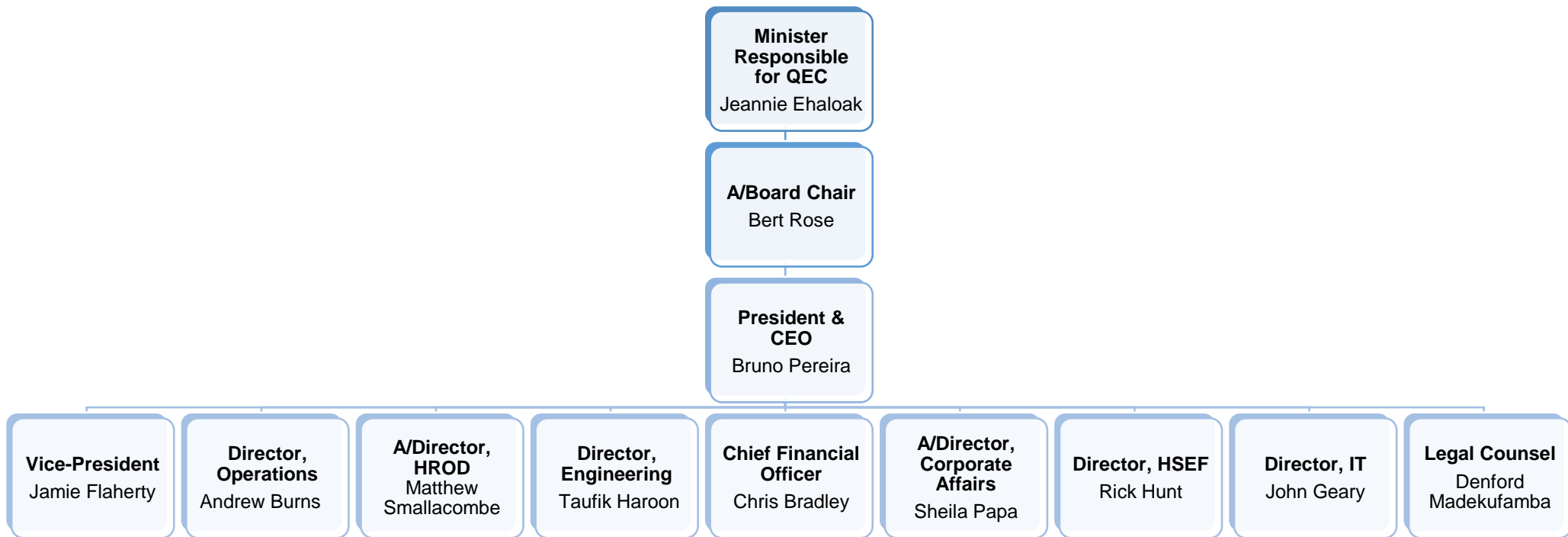
AWARDS AND RECOGNITION

NORTH AMERICAN OCCUPATIONAL SAFETY AND HEALTH (NAOSH) WEEK AWARDS

In 2017-2018, Qulliq Energy Corporation (QEC) received its seventh Territorial North American Occupational Safety and Health (NAOSH) 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.

The NAOSH award is presented to a Nunavut employer with 51 workers or more, this award celebrates QEC's efforts and active participation during the NAOSH Week 2017. The annual event fosters collaboration among employers, employees and stakeholders to raise awareness about injury and illness prevention in the workplace.

ORGANIZATIONAL STRUCTURE



As of March 31, 2018

BOARD OF DIRECTORS

QEC's Board of Directors is appointed by the Minister responsible for QEC. Under the QEC Act, the Board of Directors must be composed of no fewer than six directors, and no more than ten directors. The terms for board members are staggered at two or three year appointments, which helps the Corporation maintain business continuity, allowing for growth in experience and knowledge.

Bert Rose Acting Chairperson (Designated Chairperson effective May 3, 2018)

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

Elijah Evaluarjuk

Elijah Evaluarjuk owned and operated Tujurmivik Hotel and Pizzeria in Igloolik, a business he had run since 2002. He was a shareholder of Savik Enterprises Limited and was a board member representing Baffin Business Development Corporation and Nunavut Business Credit Corporation. In the past he served on the board of Nunasi Corporation and Norterra, and served a four-year term as mayor of Igloolik. Elijah took a leave of absence from the board in November 2017 and sadly passed away on February 10, 2018.

Philip Clark

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

Nelson Pisco

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

Ronnie Campbell

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

Nicole Jauvin

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.

Peter Irniq

Peter Irniq has been a champion of Inuit culture, language, and traditions. As the Commissioner of Nunavut from 2000 to 2005, he devoted his incumbency to the inclusion of Inuit Qaujimajatuqangit in all levels of government and the school system. In addition to his comprehensive work history in the public sector, Mr. Irniq was instrumental in laying out the foundation of various government offices during the formation of Nunavut in 1999. He currently works as an Inuit Culture and Language Consultant, and serves as an Elder-Counselor for the Federal Justice in Kingston, Ontario. Mr. Irniq resides in Ottawa.

Kimberly Fairman

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.

Simeonie Akpalialuk (Designated Vice-Chairperson effective May 3, 2018)

Currently residing in Iqaluit, Simeonie Akpalialuk has also lived in the Northwest Territories, Ontario and British Columbia in his professional career. 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.

BOARD COMMITTEES

HUMAN RESOURCES AND IQ COMMITTEE

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

FINANCE AND AUDIT COMMITTEE

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

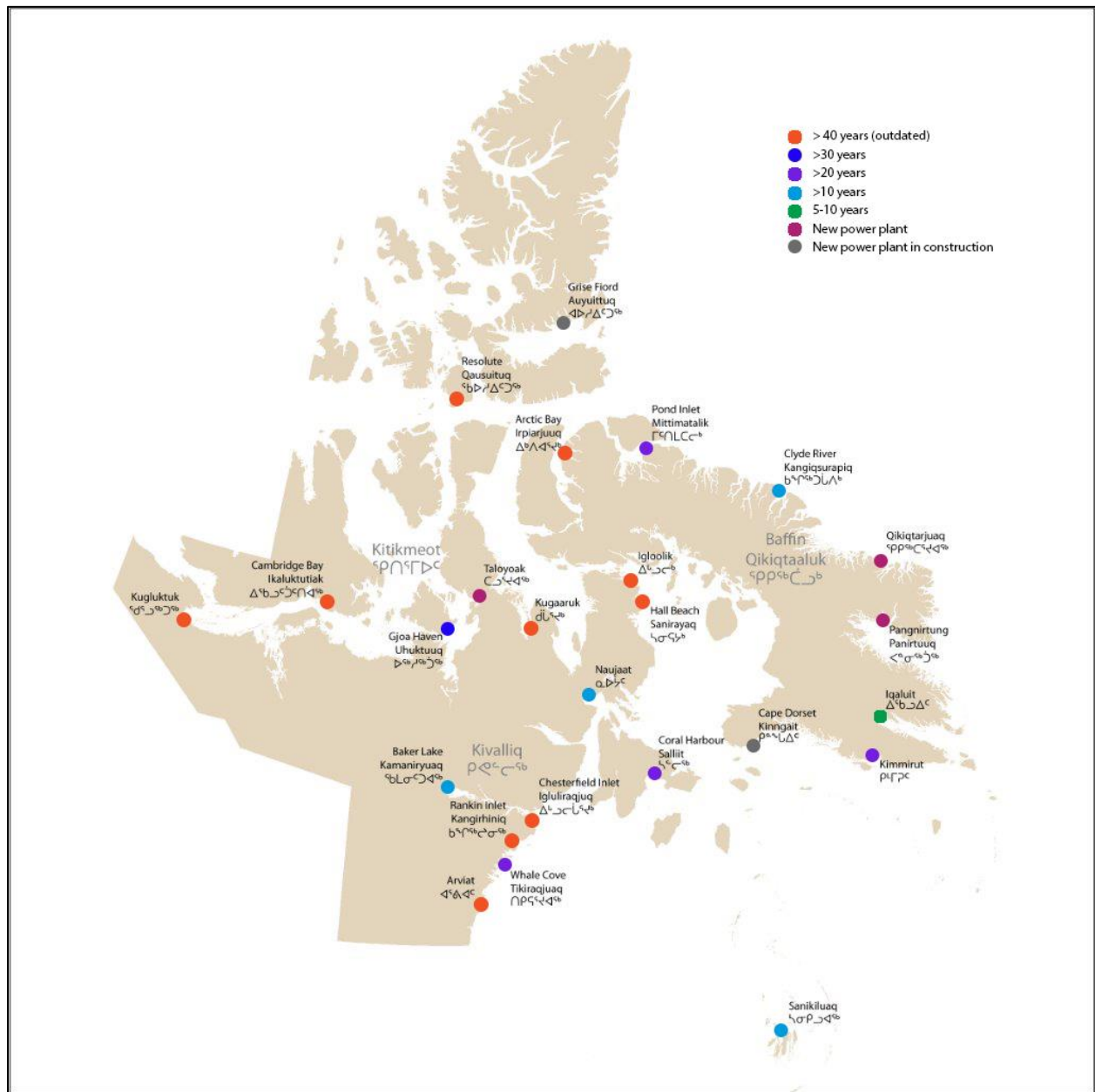
ALTERNATIVE ENERGY COMMITTEE

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

GOVERNANCE COMMITTEE

Re-established in November 2017, the Governance Committee's primary function is to ensure that the QEC Board of Directors maximizes its effectiveness and is abreast of best practices for governance as it pertains to developing effective strategies for oversight and accountability to the Corporation and its shareholder.

NUNAVUT POWER PLANTS BY AGE



OPERATIONS

The Operations department is tasked with the mandate of generating and distributing safe, reliable electricity to all Nunavut communities. Each community has its own power plant operated by employees who live in the community. Local employees are supported by electrical, mechanical and power line technicians based in the regional centers of Cambridge Bay, Iqaluit and Rankin Inlet. Operations continues to build an accountable team with the expertise and willingness to address operational concerns presented by the environment, aging infrastructure and increasing demand for renewable energy alternatives. In addition to its core responsibility of electricity generation and distribution to the territory, Operations works closely with the departments of Engineering, Health Safety, Environment and Facilities, and Finance to facilitate and execute QEC's capital plan.

RELIABILITY

Providing a reliable electricity supply to Nunavummiut is one of Operation's top priorities. In 2017-2018, QEC reported a 99.78 percent reliability rate across the territory. Factors that affected power supply reliability in 2017-2018 included planned outage requirements for commissioning new generator sets in Arviat, Baker Lake, Gjoa Haven, Naujaat and Cambridge Bay, as well as severe weather conditions experienced across the territory during the winter months. QEC also installed emergency stand-by generator sets in Clyde River and Naujaat. Operations continually strives to improve power supply reliability, to meet increased demand for electricity and to cope with the restraints of QEC's power infrastructure.

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

During the 2017-2018 fiscal year, the following communities had the most reliable power supply in the territory:

- Chesterfield Inlet and Naujaat both had a power supply reliability of 99.99 percent
- Kimmirut had a power supply reliability of 99.97 percent
- Kugluktuk had a power supply reliability of 99.93 percent

Operations continues to improve its operational and maintenance practices through pro-active inspections of the power plants and equipment. In 2017-18, Operations continued expanding the Computerized Maintenance Management System. The expansion of this system has allowed for other departments within QEC to benefit from this program, and has also made Operation's information more readily accessible.

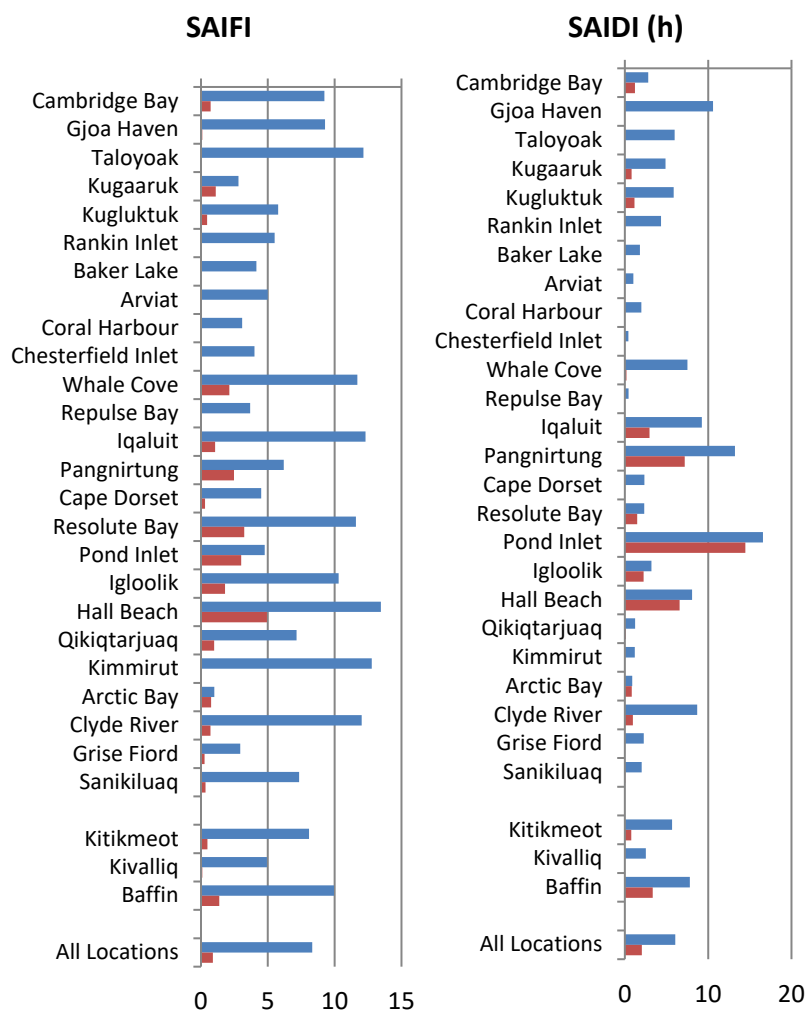
In addition, fuel systems were upgraded in Cambridge Bay, Pond Inlet, Clyde River, Coral Harbour, and Kimmirut to ensure increased longevity of service and help maintain a reliable electricity supply to QEC's customers.

The reliability numbers reported above reflect QEC's commitment to quality and customer focus.

PERFORMANCE REPORTING

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

Each year QEC measures performance indicators such as the average *frequency* of power interruptions for customers (SAIFI) and the average *system interruptions duration* (SAIDI). The tables below indicate the results of this analysis. These are standard power utility industry measurements of performance.



The **System Average Interruption Frequency Index (SAIFI)** shows the average number of interruptions a customer experienced in each community and region from April 1, 2017, to March 31, 2018. The average number of interruptions is calculated by dividing the total number of customer interruptions by the total number of customers served. Unplanned power outages are in blue. Planned power outages are in red.

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, 2017, to March 31, 2018. The average outage duration is calculated by dividing the sum of all customer interruption durations by the total number of customers served. Unplanned power outages are in [blue](#). Planned power outages are in [red](#).

EFFICIENCY

As a component of 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 the power plants are operating at an optimum level while meeting the daily power demand in each community.

In 2017-2018, QEC's fuel efficiency rate was 3.73-kilowatt hours per litre, a slight decrease as compared to 2016-17. This is a result of scheduled maintenance being completed on the Corporation's largest and most efficient gensets.

Despite QEC's aging infrastructure and periodic equipment breakdowns, Operations continually works to improve its fuel efficiency performance. Although QEC continues to be dependent on diesel generation, it devotes continuing efforts to reduce the amount of diesel fuel the Corporation consumes to generate electricity, thereby reducing the amount of greenhouse gas emissions released into the atmosphere.



[LED streetlight installation](#)

GENERATION

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

In 2017-2018, Operations worked with Engineering in commissioning new generator sets in Arviat, Baker Lake, Gjoa Haven, Nauyasat and Cambridge Bay. The generator set upgrades meet the electrical needs of the respective communities and will accommodate increasing power demand as Nunavut's population continues to grow in these areas.

DISTRIBUTION

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

During the 2017-2018 fiscal year, Operations was involved in a variety of distribution projects in an effort to improve reliability and meet the power needs of each community. Working closely with the Engineering department, upgrades to distribution systems were completed in Cambridge Bay, Pond Inlet, Grise Fiord and Igloolik.

ENGINEERING

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

POWER PLANT REBUILD PROJECT

QEC is finalizing project plans to replace all 11 power plants that are operating beyond, or near the end, of their life span. Power plants with aging equipment and infrastructure are at a higher risk of power interruptions due to system failures and in some cases, may not meet the current and future energy requirements of a community. Major projects such as power plant replacements ensure that QEC can deliver safe and reliable power to all communities across the territory. In 2017-2018, construction began for new power plants in Cape Dorset and Grise Fiord and a major project permit was approved for a new power plant in Kugluktuk.

CAPE DORSET POWER PLANT CONSTRUCTION

- Construction for the replacement power plant in Cape Dorset began in July 2017 and is expected to be completed in March 2019.
- The new power plant will be located next to the community's Petroleum Products Division fuel tank farm.



Cape Dorset Power Plant Construction

GRISE FIORD CONSTRUCTION

- Construction for the replacement power plant in Grise Fiord began in July 2017 and is expected to be completed in September 2019.
- The new power plant will be located near the community's airport.
- Due to the remoteness of the community and the logistics planning required to complete this project, QEC has decided to take a pre-fabrication construction approach. The power plant is currently being constructed in Quebec and will be shipped to the community in 7 pieces on the summer sealift for reassembly and commissioning at the final site in Grise Fiord. This will be the first pre-fabricated power plant in Nunavut.

KUGLUKTUK POWER PLANT MAJOR PROJECT PERMIT APPROVAL

- On February 19, 2018, the Minister Responsible for QEC granted QEC permission to proceed with the Kugluktuk power plant project.
- Construction for the replacement power plant in Kugluktuk will begin in 2019 and is anticipated to be completed by 2021.
- The new power plant will be located next to the community's Petroleum Products Division tank farm.

LED STREETLIGHTS PROJECT

QEC actively explores ways to improve energy efficiency and to incorporate industry best practices and developing technologies into its operations. In 2017-2018, the department of Engineering led the expansion of the Light Emitting Diode (LED) streetlight project in Nunavut by replacing all streetlights in Cambridge Bay, Rankin Inlet, Kugluktuk, and Iqaluit. The project expansion was partially funded by Indigenous and Northern Affairs Canada's (INAC) Northern Responsible Energy Approach for Community Heat and Electricity program.



LED streetlight installation

NET METERING PROGRAM

The Net Metering Program will allow 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 will receive credit for the surplus electricity they produce and send to QEC's electrical grids. The program was approved by the Minister Responsible for QEC in September 2017. The Corporation's internal program committee has completed the necessary documentation for customers to apply after the program launch on April 10, 2018.

ADDITIONAL ACCOMPLISHMENTS DURING THE 2017-2018 FISCAL YEAR INCLUDED:

- Completed Arc Flash Safety reports that identify areas of potential risks to minimize hazards and enhance workplace safety.
- Completed power plant assessments in Arviat, Hall Beach, Igloolik, Kugaaruk, Rankin Inlet, and Resolute Bay.
- Installed a new large scale electrical distribution system to supply the Canadian High Arctic Research Station's energy needs in Cambridge Bay.
- Provided three phase power to the water fill station in Igloolik.
- Completed the installation of a new substation in Pond Inlet.
- Upgraded an underground fuel supply line in Cambridge Bay.
- Upgraded fire alarm systems in Cambridge Bay, Kugaaruk and Kugluktuk power plants.
- Upgraded fuel separation system in Iqaluit

DISTRICT HEATING SYSTEM

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

A review and evaluation of DHS in the communities of Rankin Inlet, Arviat and Iqaluit was completed in April 2017. Recommendations included incorporating heat recovery equipment to recover exhaust heat. This capital intensive work will require outside funding. Applications to federal funding programs have been made and will continue to be relied upon to maximize the deployment of the DHS and reduce the demand for diesel. Recommendations from the report were applied to the DHS in Pangnirtung and in the work on the Iqaluit Aquatic Centre. The Engineering team will work towards delivering on the recommendations in the report for the three communities identified should additional funding become available.

Reconnection of DHS from the new power plant in Pangnirtung to the existing two customers was completed with the commissioning of the system in December 2017. In addition, the piping, equipment and control system were upgraded.

QEC's work on connecting the Iqaluit Aquatic Centre to DHS progressed in 2017-2018 to completion of the design phase. In March 2018, Indigenous and Northern Affairs Canada confirmed funding of \$1.7 million for the construction and installation phase of the project. The expected project completion date is December 2018. QEC and the City of Iqaluit are also currently working towards resuming the DHS service to the Water Treatment Plant; reheat station and the booster plant.

ALTERNATIVE ENERGY AND RENEWABLE ENERGY

In October 2017, QEC established a new portfolio that has a dedicated focus on Alternative and Renewable Energy. It is currently staffed by a Senior Advisor, who liaises with staff throughout the Corporation to evaluate and advance projects which will reduce QEC's reliance on diesel fuel and cut carbon emissions to minimize the impact on the environment. QEC works in partnership with federal agencies such as INAC and Natural Resources Canada, and the Government of Nunavut to facilitate alternative and renewable energy initiatives in the territory.

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

In 2017-2018, these new activities took place related to alternative and renewable energy sources:

- In December, QEC issued a Request for Proposal for the collection of data related to the geothermal potential in Nunavut. The study is expected to be delivered in May 2018. Results of the study will help evaluate the potential of geothermal power generation.
- Along with jurisdictional utilities throughout Canada, QEC is participating on the Inter-Utility, Provincial and Territorial Consultative Committee on Nuclear (ICCN). The committee has been established to learn about nuclear power in the form of Small Modular Reactors (SMRs) and their potential use in Canada.
- The report "QEC Energy Framework: The Cost of Generating Electricity in Nunavut" was produced to provide the public with a high-level information on how the cost of electricity is determined and its impact on renewable energy projects, and to further the energy conversation.

HEALTH, SAFETY, ENVIRONMENT AND FACILITIES

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

- Minimize QEC's environmental footprint;
- Ensure all employees understand their rights and responsibilities on issues that have an impact on their health and safety;
- Promote and ensure compliance with QEC's Health and Safety Program;
- Continue the development and revision of safe work practices and procedures;
- Provide health and safety training to all employees;
- Ensure QEC's compliance with all applicable federal and territorial acts and regulations.

On March 22, 2018, Government of Nunavut Cabinet approved the reorganization of QEC's Property Management division. The Property Management division renamed the Facilities division and has been re-allocated from the Vice President to the Director of Health, Safety and Environment.

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 2017-2018, QEC successfully fulfilled the audit requirements of the Certificate of Recognition (COR) from the Northern Safety Association. The COR is a national safety program accreditation that is awarded to employers whose health and safety program meet the national standards established by occupational health and safety regulations.

Since acquiring the COR in 2013, HSEF has made significant enhancements to QEC's Health and Safety Program (HSP) to align itself with the requirements and standards for maintaining the accreditation. HSEF has also pledged to perform and submit an external audit on QEC's HSP every three years and to successfully pass a yearly internal audit.

HSEF continues to conduct health and safety orientations for new employees and contractors working with QEC. As part of the department's efforts to improve the Corporation's HSP, a new e-learning Health and Safety Orientation Program was developed and launched in February 2017. The online platform helps facilitate an efficient orientation program that QEC can deliver on-demand. Regardless of location, an employee or contractor is able to log-on to the system and complete the mandatory orientation. In addition, the online orientation program ensures consistency in information delivery, and provides a mechanism to track and document employees and contractors who successfully complete the orientation program as required by occupational health and safety regulations. In 2017-2018, 93 QEC employees and 236 contractors completed the orientation program.

DURING THE 2017-2018 FISCAL YEAR, THE HSEF STAFF TRAINED:

- 27 employees in Fall Protection
- 28 employees in Standard First Aid, Level A with CPR Endorsement
- 5 employees in Workplace Hazardous Materials Information System (WHMIS)
- 30 employees in fire extinguisher inspection and maintenance
- 79 employees and 58 contractors on QEC's new internal Utility Work Protection Code.
- 11 employees in Elevated Work Platform (EWP) training
- 17 employees in Respiratory Awareness and FIT testing
- 27 employees in Crane Awareness

- 30 employees in the supervisor Familiarization Safety course
- 39 employees in Electrical Safety and Arc Flash Awareness
- 24 contractors have taken QEC's new contractor safety program
- 17 employees have taken the Distribution hazard awareness training

QEC is proud of its continued participation in North American Occupational Safety and Health (NAOSH) Week. Promoted in Canada, USA and Mexico, NAOSH 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 2017-2018, QEC hosted a number of in-house activities for employees as well as community specific events. Some of these included:

- Employee contest to identify hazards and controls measures in the workplace.
- Invited employees to showcase why safety at work is important to them using a Snapchat filter and speech bubbles.
- Encouraged kids to submit an entry for a "Make Safety a Habit" colouring contest and winning submissions would be incorporated into QEC's internal 2019 calendar.
- Internal presentations were made on harassment in the workplace by Workers' Safety and Compensation Commission.
- Hosted NAOSH lunches within the four regional centres to discuss current safety issues through demonstrations for Personal Protective Equipment and self-rescue.
- All electrical staff attended a week long ARC flash high voltage training course specific to their trade.
- Two QEC staff presented at two elementary schools to teach students the importance of electrical and power line safety.



Self-rescue demonstration for NAOSH week

QEC hired a dedicated Health and Safety Professional to the role of HSE Construction Coordinator in April 2017. As a result, the Contractor Safety Program has undergone significant changes and improvements in the areas of minor and major project planning, as well as enhanced rigour of documentation requirements from the orientation phase through to project completion.

Fiscal year 2017-2018 brought the return of the Plant Operator Training Program. This is a program designed to bring Plant Superintendents together from across Nunavut to receive a dedicated week of health and safety training. Training topics included: supervisor safety, electrical safety and arc flash awareness, first aid, elevated work platforms, work protection code, general environmental awareness, crane safety and transportation of dangerous goods. This training is provided every 2 years; in the opposite year the training will be provided to Assistant Plant Operators.

The department of HSEF is committed to maintaining a healthy and safe work environment to ensure new and existing staff receive safety training as required in their positions so that every employee has a long injury-free career at QEC.

ENVIRONMENT

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

Environmental Site Assessments (ESAs) are essential to determine the environmental condition and possible contamination of a property. In 2017-2018, ESAs were conducted on existing and historical QEC power plant sites in Baker Lake, Coral Harbour and Sanikiluaq, marking the completion of an eight-year ESA program that began in 2010. The Corporation now has detailed information of the amount and type of contamination at twenty-eight QEC-owned properties.

The Baker Lake power plant ESA showed a small volume of contamination around the fuel transfer site. This type of contamination is typical around fuel transfer areas, and QEC will refine its transfer procedures in order to reduce further contamination in this area. This was the first assessment completed on the Baker Lake property since the power plant was commissioned in 2005.

Assessments of the power plant sites in Coral Harbour and Sanikiluaq were initially conducted in the late 1990s and early 2000s. The ESA conducted at the Coral Harbour power plant site was consistent with the previous assessment, but did show a slight reduction in the volume of contamination. This was possibly due to natural attenuation.

In Sanikiluaq, the latest ESA identified a larger area of contamination compared to the previous ESA conducted in 1999. The initial ESA performed in Sanikiluaq provided limited information with regard to the extent and volume of contaminated soils. In 2017-2018, environmental consultants were better able to characterize the level and location of contamination providing more accurate information for future remediation.

In addition to the ESA program, QEC also monitors annual soil conditions in every community. During the 2017-2018 fiscal year, a consultant was contracted to analyze and prepare a report on soil sample data taken in each community. The soil sampling report concluded that some areas showed a lessening of contamination, while others, such as waste storage areas and fuel transfer depots, showed an increase in hydrocarbon impacts. HSEF will utilize the information provided in the report to enhance QEC's environmental management practices in accordance with applicable environmental regulations.

In an effort to ensure that communities have reliable fuel supply, help reduce fuel spills, and comply with federal regulations, QEC continues to upgrade its fuel supply system infrastructure across the territory. In 2017-2018, QEC completed upgrades to the Cambridge Bay, Pond Inlet, Clyde River, Coral Harbour, and Kimmirut fuel supply and storage systems.

Two major fuel spills occurred in the 2017-2018 fiscal year. On August 3, 2017, approximately 1,800 litres of fuel drained from waste holding tanks in Cambridge Bay due to vandalism. Immediate environmental containment actions were taken and further remediation measures are expected to be completed when the ground is no longer frozen in summer 2018. On March 16, 2018, approximately 4,000 litres of diesel overflowed in the Grise Fiord power plant storage tanks. QEC staff were onsite conducting maintenance when the incident occurred and immediately contained the spill. Extensive remediation efforts will continue in the 2018-2019 fiscal year. The primary cause of the spill was failed power plant components. Enhanced monitoring and quality assurance measures have been put in place to minimize the risk of future occurrences.

A number of decommissioning activities occurred in Grise Fiord, Pond Inlet, Resolute Bay, Taloyoak and Qikiqtarjuaq during 2017-2018. The power plant in Qikiqtarjuaq has been decommissioned and all power generation equipment has been removed from the building and shipped south for recycling and/or disposal, except for fuel storage and supply systems. The removal of the fuel system in Qikiqtarjuaq has been delayed as another potential use is being explored.

The decommissioning of the Taloyoak power plant was over halfway completed as of March 31, 2018 and the remainder of the decommissioning will take place in fiscal year 2018-2019. Decommissioning of the fuel system has been postponed until fiscal year 2018-2019.

Fuel systems in Resolute Bay, Grise Fiord and Pond Inlet have been removed from service and decommissioned as of August 2017.

HUMAN RESOURCES

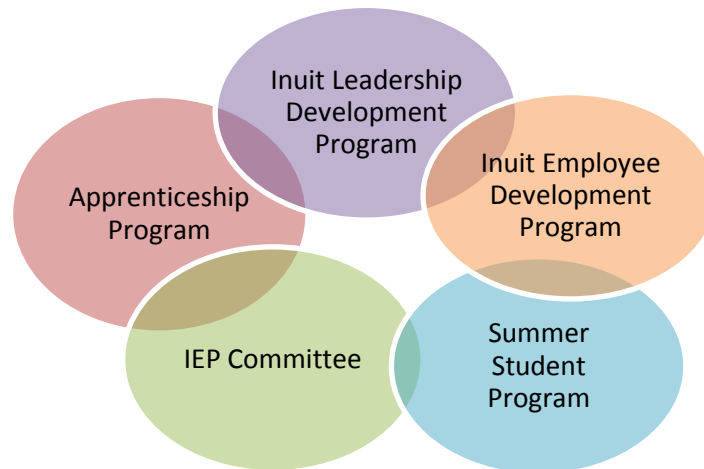
The Human Resources and Organizational Development (HROD) department is responsible for conducting staffing and recruitment, job evaluation, employee and labour relations, organizational development and overall strategic and operational human resources initiatives for the Corporation. The department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

ORGANIZATIONAL DEVELOPMENT

INUIT EMPLOYMENT PLAN

QEC has a long-term strategy to increase Inuit employment through supportive education and work experience initiatives. QEC has developed a detailed Inuit Employment Plan (IEP) with an action plan and a timeline of goals from present date to 2023 and beyond. The IEP describes QEC's commitment to Priority Hiring, reducing employment barriers, succession planning, and developing and retaining staff.

QEC has five programs that contribute to its IEP. Each program is an independent but interconnected recruitment or development opportunity for Nunavut Inuit.



Developed to meet the goals of Article 23 of the *Nunavut Agreement*, each program builds on the foundation of QEC's vision of an empowered and accountable workforce, representative of Nunavut's population, and reflective of Inuit Societal Values, Inuit Qaujimajatuqangit and *Pilimmaksarniq*, the development of skills through observation, mentoring, practice and effort.

In the summer of 2017, the Summer Student Program (SSP) supported 15 students who worked in various departments across the Corporation. To enhance the SSP and to offer students a fuller work experience, the HROD department introduced a mentorship component of the program by giving students access to seasoned employees.

The Inuit Leadership Development Program (ILDP) was launched as part of QEC's innovative approach to increasing employment for Nunavut Inuit at the professional, management, and senior management levels. In spring 2017, two students that were enrolled in the program graduated from university. Both students are now full-time employees with QEC working in their field of study, human resources and finance.

The Career Development for Inuit Program consists of Inuit employees, their manager or supervisor, and HROD partnering to create career development plans that build on the strengths of the employee and focus on the needs of the Corporation. In 2017-2018, QEC developed five individualized career development plans for Inuit employees.

Competition for skilled tradespeople in Nunavut and across Canada has resulted in extended positional vacancies. The Apprenticeship Program was developed to reduce the dependency of hiring trades people outside of the territory and has allowed the HROD department to fill positions in communities with local residents. In 2017-2018, two Inuit apprentices are in the final year of their programs to become certified Power Systems Electrician and Materials Technicians.

The IEP Committee plans to be re-established in 2018. With a renewed focus, the committee will have leadership from a QEC executive along with membership from Inuit employees, human resources staff, managers, supervisors and program leads. The committee will provide support and guidance on the fulfillment of QEC's IEP.

LABOUR AND EMPLOYEE RELATIONS

COLLECTIVE AGREEMENT

A new collective agreement with the Nunavut Employees Union was signed on September 5, 2017, covering a four-year term from January 1, 2017, to December 31, 2020.

PRE-GRIEVANCE INTERVENTION

Recognizing the mutual benefit of early intervention in workplace disputes, QEC's new collective agreement has codified the existing practice of pre-grievance intervention as an alternative approach to more traditional approaches of resolving workplace disputes (such as grievances, litigation, harassment complaints, etc.). Where appropriate, Union Stewards will engage with Management to reach a mutually acceptable outcome to identified issues. In 2017-2018, the pre-grievance intervention process was used four times to help mitigate employee disputes and avoid potential formal grievances.

GRIEVANCES

	Active grievances as of March 31, 2018	
	Policy grievances	Individual grievances
NEU	7	6
Excluded	0	0

	New grievances submitted in 2017/2018	
	Policy grievances	Individual grievances
NEU	0	5
Excluded	0	0

	Grievance resolution by type 2017/2018	
	Policy grievances	Individual grievances
Negotiation	0	1
Mediation	0	0
Arbitration	0	0

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

from the differing perspectives on the matter. In 2017-2018 there were five new grievances filed.

Policy grievance is a situation where the union brings forth a complaint alleging a breach of the terms of the collective agreement resulting from the employer introducing or utilizing a directive or policy that contravenes the collective agreement.

Individual grievance is related to a dispute that affects the individual griever. It is either filed by that employee, or by the union on behalf of that employee.

STAFFING & RECRUITMENT

As of March 31, 2018, QEC filled 41 positions through competition or through appointments from the Inuit Employment programs and has a current capacity level of 87 percent filled. Nunavut Inuit represent 51 percent of QEC's workforce.



Department of Operations employees at the Iqaluit power plant

QEC complies with the Government of Nunavut's Priority Hiring Policy when recruiting and staffing positions throughout Nunavut. The following are areas of priority hiring QEC utilizes in its staffing activities:

- Ensuring to state that the Priority Hiring Policy will be applied in all job ads and competition administration.
- Ensuring the screening of applications for job competitions follows the policy.
- Staff vacant positions by use of restricted competitions (Inuit-only competition, Inuit-only by community).
- Hire term employees in permanent positions when Inuit are not successful in the competition and may qualify for the position in the near future.
- Cancel competitions when no Inuit have qualified and repost the position with stronger recruitment methods meant to attract Inuit applications.
- Hire Inuit casual staff in a vacant position when a competition is unsuccessful in order to provide experience and skills necessary to succeed in the position when it is reposted.
- Apply the policy when hiring any casual staff for short or long-term employment.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation March 31, 2018

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	8.00	-	8.00	100%	-	0%
Middle Management	21.00	8.00	13.00	62%	2.00	15%
Professional	15.00	1.00	14.00	93%	-	0%
Paraprofessional	94.00	10.00	84.00	89%	37.00	44%
Administrative Support	62.40	7.00	55.40	89%	50.80	92%
Total Employment Categories	202.40	26.00	176.40	87%	90.80	51%

Employment Summary, by Community

Arctic Bay	1.60	-	1.60	100%	1.60	100%
Cape Dorset	2.00	-	2.00	100%	2.00	100%
Clyde River	1.60	-	1.60	100%	1.60	100%
Grise Fiord	1.60	0.60	1.00	63%	1.00	100%
Hall Beach	1.60	-	1.60	100%	1.60	100%
Igloolik	2.00	-	2.00	100%	2.00	100%
Iqaluit	88.00	13.00	75.00	85%	24.00	32%
Kimmitut	1.60	0.60	1.00	63%	-	0%
Pangnirtung	2.00	1.00	1.00	50%	1.00	100%
Pond Inlet	2.00	-	2.00	100%	2.00	100%
Qikiqtarjuaq	1.60	0.60	1.00	63%	1.00	100%
Resolute Bay	1.60	-	1.60	100%	1.60	100%
Sanikiluaq	1.60	1.00	0.60	38%	0.60	100%
Arviat	2.00	1.00	1.00	50%	1.00	100%
Baker Lake	47.00	5.00	42.00	89%	22.00	52%
Chesterfield Inlet	1.60	-	1.60	100%	1.60	100%
Coral Harbour	1.60	-	1.60	100%	1.00	63%
Nauyasat	1.60	0.60	1.00	63%	1.00	100%
Rankin Inlet	18.00	1.00	17.00	94%	11.00	65%
Whale Cove	1.60	0.60	1.00	63%	1.00	100%
Cambridge Bay	13.00	1.00	12.00	92%	5.00	42%
Gjoa Haven	2.00	-	2.00	100%	2.00	100%
Kugaaruk	1.60	-	1.60	100%	1.60	100%
Kugluktuk	2.00	-	2.00	100%	2.00	100%
Taloyoak	1.60	-	1.60	100%	1.60	100%
Total Community	202.40	26.00	176.40	87%	90.80	51%

Employment Summary, by Iqaluit and Other Communities

Iqaluit	88.00	13.00	75.00	85%	-	24.00	32%
Other communities	114.40	13.00	101.40	89%	-	66.80	66%
TOTAL	202.40	26.00	176.40	87%		90.80	51%

INFORMATION TECHNOLOGY

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

During the 2017-2018 fiscal year, IT responded to over 3000 reported issues and partnered with various departments to deliver the following projects:

- Automated organizational chart for the HROD department.
- Implemented asset tracking for Information Technology assets in Baker Lake.
- Implemented networking monitoring software in Baker Lake.
- Reviewed and updated Disaster Recovery plans in Baker Lake, Iqaluit, Cambridge Bay and Rankin Inlet.
- Completed an evaluation of the automation of power outage information.
- Tested and evaluated videoconferencing software in QEC's corporate and head offices.

FINANCE

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

The focus of the Finance Department is to:

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

2017-2018 ACCOMPLISHMENTS FOR THE FINANCE DEPARTMENT

In collaboration with Corporate Affairs and the Executive, a General Rate Application (GRA) requesting adjustments to the current electricity rates to match QEC's revenue requirements, and a shift to a territory-wide rate structure, was submitted on October 20, 2017, to the Minister Responsible for QEC. Community consultations and a thorough review process by the Utility Rates Review Council (URRC) continued until the end of the fiscal year. A decision on the application will be made in the early 2018-2019 fiscal year.

The Finance department implemented Nunavummi Nangminiaqtunik Ikajuuti (NNI) which is the process by which local companies are supported in their efforts to compete for QEC contracts. The NNI was successfully initiated on April 1, 2017.

In 2017-2018, a significant amount of financial work went into preparing for the implementation of the Net Metering Program. The billing system has been modified to track activities in these types of accounts and provide up to date information to the customer.

A new line of credit was established with the bank to accommodate our capital spending plans for the upcoming year.

Finance has been working with Operations to develop improved inventory controls and reporting to provide more effective use of inventory and to reduce the amount of inventory kept on hand while ensuring there is always sufficient amounts to enable QEC to provide safe and continuous power to all the communities.

Training programs were identified and researched to meet the commitment to improve customer satisfaction for both internal and external customers. For external customers, a previous survey has enabled QEC to focus on the priorities most important to customers and provided benchmarks against which the Corporation measures performance. The identified priorities included faster and more thorough responses to queries, immediate customer assistance that avoids transfers to several staff, and faster resolution of account issues. Training programs will start early in the 2018-2019 fiscal year, with extensive training expected to be delivered in October 2018.

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

Highlights of Operations and Accumulated Surplus (\$ in thousands)					
For the year ended March 31st	2018	2017	2016	2015	2014
Revenues					
Sale of Power	\$ 118,202	\$ 119,856	\$ 125,801	\$ 124,010	\$ 115,334
Sale of Heat	840	1,156	1,834	1,920	1,820
Other Income	4,819	6,712	6,440	6,686	5,215
Insurance proceeds	7,994	13,000	5,000	-	-
Total Revenues	131,855	140,724	139,075	132,616	122,369
Total Expenses	122,134	128,792	139,228	125,520	118,809
Surplus (deficit) for the Year	\$ 9,721	\$ 11,932	\$ (153)	\$ 7,096	\$ 3,560

Other Income (as indicated in the table above) decreased by 28% due to reduced recoverable projects and therefore, reduced fees.

Insurance proceeds amounting to \$6,096 were related to the Pangnirtung power plant fire in April 2015.

Total Expenses decreased by 5% (2017: 7%) mainly due to decreases in fuel costs (\$945), salaries (\$1,996), and supplies and services (\$1,262).

Revenue from the sale of power decreased by 1.4% (2017: 5% decrease) due entirely to the Fuel Stabilization Rate (FSR) rebate. The rebate is the result of reduced diesel fuel prices during the year which are passed on to qualifying customers. As a result of the decrease in QEC's fuel prices, the FSR fund had a surplus in 2017-2018, resulting in eligible customers receiving a share of the total available rebate amount of \$11.6 million. The refund was automatically applied to customer bills in the amount of 8.23 cents per kilowatt hour for the period of April 1, 2017, to September 30, 2017, and 5.41 cents per kilowatt hour for the period of October 1, 2017, to March 31, 2018. The refund is applicable to all customers other than customers residing in public housing as they are subsidized under the Public Housing Power Support Program, noted below.

The Corporation assists in the administration of two support programs:

- 1) The Public Housing Power Support Program (PHPSP), also known as User Pay Program. The PHPSP subsidizes qualifying residential customers living in public housing. Customers in the program are billed at the rate of 6.0 cents per kWh for their power usage. QEC invoices the Nunavut Housing Corporation for the difference between the approved residential rate and the 6.0 cents per kWh for customers in this program.
- 2) The Nunavut Territorial Power Support Subsidy (NTPSS), also known as Nunavut Electricity Subsidy Program. The NTPSS subsidizes all other qualifying residential customers up to 50 per cent 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. 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.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

Highlights of Operations and Maintenance Expenses					
For the year ended March 31st	2018	2017	2016	2015	2014
Expenses by Object or Type					
Fuel and Lubricants	38%	37%	39%	44%	43%
Salaries, Wages and Benefits	26%	26%	22%	23%	24%
Supplies and Services	18%	18%	16%	16%	18%
Amortization, Write Down and Disposal of Tangible Capital Assets	10%	10%	17%	9%	7%
Travel and Accommodations	4%	4%	3%	4%	4%
Interest Expense	4%	4%	3%	4%	4%
Bad Debt Expense	0%	1%	0%	0%	0%
	100%	100%	100%	100%	100%

In 2017-2018, fuel and lubricants expenses increased as a share of expenses due to a minor increase in the price of fuel and increased generation.

HIGHLIGHTS OF FINANCIAL POSITION

Highlights of Financial Position (\$ in thousands)					
As at March 31st	2018	2017	2016	2015	2014
Financial Assets	\$ 29,346	\$ 33,255	\$ 36,219	\$ 36,050	\$ 25,537
Liabilities	211,524	192,312	178,822	179,905	161,225
Net Debt	(182,178)	(159,057)	(142,603)	(143,855)	(135,688)
Non-financial Assets	309,878	277,036	248,650	250,055	234,792
Accumulated Surplus	\$ 127,700	\$ 117,979	\$ 106,047	\$ 106,200	\$ 99,104

2017-2018 CAPITAL EXPENDITURE SUMMARY

Capital Expenditures by Region	
For the year ended March 31st	2018
Kitikmeot	\$ 5,886
Kivalliq	13,255
Qikiqtaaluk	24,733
Nunavut/Corporate	2,484
Total capital expenditures	\$ 46,358

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)						
For the year ended March 31st	2018	2017	2016	2015	2014	2013
Interest Coverage Ratio						
Surplus before Interest on Long-term Debt	\$ 13,876	\$ 15,856	\$ 3,591	\$ 10,945	\$ 7,876	\$ 10,367
Interest on Long-term Debt	\$ 4,155	\$ 3,933	\$ 4,135	\$ 4,392	\$ 4,666	\$ 4,931
Debt Expense Burden (<i>critical below 1.50</i>)	3.34	4.03	0.87	2.49	1.69	2.10
Debt Ratio						
Assets	\$ 339,224	\$ 310,291	\$ 284,869	\$ 286,105	\$ 260,329	\$ 248,373
Liabilities	\$ 211,524	\$ 192,312	\$ 178,822	\$ 179,905	\$ 161,225	\$ 152,829
Ability to pay Long-term Debt	1.60	1.61	1.59	1.59	1.61	1.63
Debt to Accumulated Surplus						
Bank Indebtedness	\$ 11,201	\$ 8,393	\$ 10,901	\$ 13,376	\$ 14,665	\$ 4,114
Long-term Debt	\$ 163,263	\$ 134,959	\$ 125,364	\$ 117,498	\$ 101,994	\$ 94,451
Total Debt	\$ 174,464	\$ 143,352	\$ 136,265	\$ 130,874	\$ 116,659	\$ 98,565
Accumulated Surplus	\$ 127,700	\$ 117,979	\$ 106,047	\$ 106,200	\$ 99,104	\$ 95,544
Debt ratio	0.58	0.55	0.56	0.55	0.54	0.51
Accumulated Surplus ratio	0.42	0.45	0.44	0.45	0.46	0.49
Debt to Accumulated Surplus Ratio (max. 3:1)	1.37	1.22	1.28	1.23	1.18	1.03

In 2017-2018, QEC repaid principal amounts of \$11,472 (2017: \$10,146) toward the Corporation's long-term debt. Although the debt has increased, QEC has reduced its overall effective interest rate and expense by borrowing through its bank credit lines using bankers' acceptances.

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

DISCLOSURE OF ASSET WRITE-OFFS OVER \$500.00 FOR 2017-2018

In compliance to section 84 of the *Financial Administration Act* of the Government of Nunavut, the corporation is required to publicly disclose any asset, debt or obligation written off during the financial year that exceeds \$500.00 in its annual report.

ACCOUNTS RECEIVABLE WRITE-OFFS

QEC wrote off uncollectable and statute barred receivables with values greater than \$500.00, amounting to \$1,867,079.20 for fiscal year ending March 31, 2018. The amount reported for Nunavut Housing Corporation represents 257 very old accounts.

Name	Type	Amount	Last Disconnect	Status
Savard, Danny	Utility	\$ 22,811.05	2011	Collection action unsuccessful.
J & D Catworks	Utility	23,214.06	2008	Out of Business
Nunavut Construction (1999) Corp	Projects	24,581.90	2007	Disputed due to lack of documentation
Sannitt Co-Operative Ltd	Utility	24,986.28	2011	Co-op closed, committee has been dissolved
Nunaliit Mechanical	Utility	28,249.88	2009	Out of Business
Arctic Express	Utility	28,673.02	2009	Out of Business
Illitiit Society	Utility	29,959.77	2006	Out of Business
Mulco Ltd.	Utility	32,008.27	2007	Bankrupt
Kines, Clare	Utility	39,970.67	2009	Out of Business
SSI Micro	Projects	48,840.94	2006	Disputed due to lack of documentation
Arviat Health Facility Ltd.	Utility	63,858.67	2008	Bankrupt
4608 Nunavut Ltd.	Utility	76,737.85	2006	Out of Business
Nova Construction	Utility	74,626.52	prior to 2004	Out of Business
Sanajit	Utility	152,193.65	prior to 2004	Out of Business
Joint Use Customers	Utility	447,494.00	prior to 2004	Lack of documentation.
Nunavut Housing Corporation	Utility	748,872.67	2012 and prior	Lack of documentation.
		<u>\$ 1,867,079.20</u>		

Note: Accounts Receivable and related collection documentation has been dramatically improved in more recent years.

FIXED ASSET WRITE-OFFS

QEC wrote off retired fixed assets, with a remaining value of \$29,000 for fiscal year ending March 31, 2018.

Reason for Disposal	Cost	Depreciation	Net Book Value
Problems with reliability & operation	\$ 284,000	\$ 284,000	\$ -
Exceeded useful life	\$ 890,000	\$ 880,000	\$ 10,000
Decommissioned old plant assets	\$ 2,451,000	\$ 2,432,000	\$ 19,000
	<u>\$ 3,625,000</u>	<u>\$ 3,596,000</u>	<u>\$ 29,000</u>

QULLIQ ENERGY CORPORATION**FINANCIAL STATEMENTS****March 31, 2018**

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MANAGEMENT STATEMENT

June 28, 2018

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

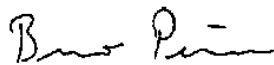
Management is responsible for preparation of the Financial Statements in accordance with Canadian Public Sector Accounting Standards. The preparation of the financial statements involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the 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 and proper records are maintained. 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.

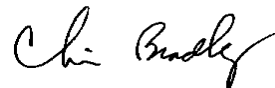
Qulliq Energy Corporation's Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

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



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for Qulliq Energy Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of Qulliq Energy Corporation, which comprise the statement of financial position as at 31 March 2018, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

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 I was not able to satisfy myself concerning these inventory quantities. As a result, I was unable to determine whether any adjustments might be necessary to reported non-financial assets as at 31 March 2018 and 31 March 2017 and to the results of operations, changes in net debt and cash flows for the years then ended. My audit opinion on the financial statements for the year ended 31 March 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Qulliq Energy Corporation as at 31 March 2018, 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.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by Qulliq Energy Corporation and the financial statements are in agreement therewith. In addition, the transactions of Qulliq Energy Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with 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.



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

28 June 2018
Ottawa, Canada



FINANCIAL STATEMENTS

QULLIQ ENERGY CORPORATION

Statement of Financial Position

As at March 31

(in thousands of dollars)

	2018	2017
Financial assets		
Accounts receivable (Note 3)	\$ 29,346	\$ 33,255
Liabilities		
Bank indebtedness (Note 4)	11,201	8,393
Accounts payable and accrued liabilities (Note 5)	15,428	17,402
Deposits payable (Note 6)	4,955	4,085
Due to Petroleum Products Division	12,489	23,382
Debt (Note 7)	163,263	134,959
Due to the Government of Canada (Note 8)	1,352	1,352
Employee future benefits (Note 9)	2,836	2,739
	211,524	192,312
Net debt	(182,178)	(159,057)
Non-financial assets		
Tangible capital assets (Schedule A)	285,802	251,982
Inventories for use (Note 10)	23,008	24,130
Prepaid expenses	1,068	924
	309,878	277,036
Accumulated surplus	\$ 127,700	\$ 117,979
Contractual obligations and contingencies (Note 16)		
Contractual rights (Note 17)		
Liabilities for contaminated sites (Note 18)		
Approved on behalf of the Board:		
		
Bert Rose Chair, Board of Directors	Ronald Campbell Chair, Finance and Audit Committee	

The accompanying notes and schedules 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)

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Sales of power (Note 11)	\$ 124,460	\$ 118,202	\$ 119,856
Insurance proceeds (Note 12)	5,000	7,994	13,000
Other income (Note 13)	4,976	4,819	6,712
Sales of heat	1,800	840	1,156
Total revenues	136,236	131,855	140,724
Expenses by department (Note 14)			
Plant Operations	70,203	63,767	66,665
Shared (Corporate)	17,714	16,234	20,708
Regional Operations	8,408	8,184	8,662
Property Management	9,379	8,106	8,086
Finance	7,412	6,952	7,229
Engineering	2,645	3,037	2,198
Health, Safety & Environment	3,003	2,841	2,660
Information Technology	3,276	2,686	2,578
Territorial Operations	3,187	2,448	2,698
Line Operations	2,238	2,291	2,404
Human Resources	3,026	1,905	1,836
Iqaluit Office	1,552	1,674	1,362
Corporate Affairs	1,416	1,645	1,167
Residual heat	380	185	343
Board	243	179	196
Total expenses	134,082	122,134	128,792
Surplus for the year	2,154	9,721	11,932
Accumulated surplus, beginning of the year	117,979	117,979	106,047
Accumulated surplus, end of the year	\$ 120,133	\$ 127,700	\$ 117,979

The accompanying notes and schedules 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)

	2018 Budget	2018 Actual	2017 Actual
Surplus for the year	\$ 2,154	\$ 9,721	\$ 11,932
Tangible capital assets			
Additions	(39,911)	(41,901)	(36,029)
Capitalized overhead	(3,592)	(3,709)	(3,294)
Capitalized interest (Note 15)	(798)	(748)	(227)
Amortization	14,056	12,509	13,368
Loss on disposal of assets	-	29	528
Other adjustment	(583)	-	-
	(30,828)	(33,820)	(25,654)
Additions to inventories for use	-	(44,511)	(50,039)
Consumption of inventories for use	-	45,633	47,326
Additions of prepaid expenses	-	(3,002)	(2,251)
Use of prepaid expenses	-	2,858	2,232
	-	978	(2,732)
Increase in net debt for the year	(28,674)	(23,121)	(16,454)
Net debt, beginning of the year	(159,057)	(159,057)	(142,603)
Net debt, end of the year	\$ (187,731)	\$ (182,178)	\$ (159,057)

The accompanying notes and schedules 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)

	2018	2017
Cash provided by operating activities:		
Cash received from customers	\$ 126,611	\$ 128,579
Cash paid to suppliers	(84,251)	(73,624)
Cash paid to employees	(30,750)	(35,303)
Insurance proceeds	7,994	13,000
Interest paid	(4,285)	(4,840)
Cash provided by operating activities	15,319	27,812
Cash used for capital activities:		
Tangible capital asset acquisitions	(46,434)	(34,944)
Proceeds on disposition of tangible capital assets	3	2
Cash used for capital activities	(46,431)	(34,942)
Cash provided by financing activities:		
Increase in debt	39,776	19,741
Repayment of debt	(11,472)	(10,146)
Funds received from the Government of Canada	-	43
Cash provided by financing activities	28,304	9,638
(Increase)/decrease in bank indebtedness	(2,808)	2,508
Bank indebtedness, beginning of year	(8,393)	(10,901)
Bank indebtedness, end of year	\$ (11,201)	\$ (8,393)

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2018
(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 the payment of income taxes.

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

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

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

(b) Regulated activities

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

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

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

2 Significant accounting policies

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

(a) Budget

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2018
(in thousands of dollars)

2 Significant accounting policies (continued)

(b) Use of estimates and measurement uncertainty

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

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

(c) Bank indebtedness

Bank indebtedness is comprised of bank account balances in an overdraft position, net of outstanding cheques plus any drawings from the line of credit.

(d) Accounts receivable

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

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

(e) Inventories for use

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2018
(in thousands of dollars)

2 Significant accounting policies (continued)

(f) Tangible capital assets

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

	Useful life
Leased land	35 years
Generation assets	20 - 35 years
Distribution assets	15 - 45 years
Other assets	1 - 40 years
Non-plant buildings	45 years
Vehicles	12 years
Residual heat assets	25 years

Assets under construction are not amortized until put into production.

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

Land leases that transfer substantially all of the benefits and risks incidental to ownership of the land are accounted for as leased land. The value of leased land is recorded at the inception of the lease based upon the present value of minimum lease payments, excluding executory costs. When payment of the lease is made in full at inception, there is no associated capital lease obligation. Leased land is amortized on a straight-line useful life 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. The costs of completed projects are transferred to the costs of the resultant tangible capital assets when that asset is placed into productive use.

(h) Government funding

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2018
(in thousands of dollars)

2 Significant accounting policies (continued)

(i) Employee future benefits liabilities

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

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

(iii) Sick leave benefits - Included in employee future benefits liabilities is an amount for employees who are permitted to accumulate unused sick leave. However, such entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which are expected to be used in future years is management's best estimate on discount rate, employee demographics and sick leave usage of active employees.

(j) Revenues

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

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2018
(in thousands of dollars)

2 Significant accounting policies (continued)

(k) Financial instruments

The following is a list of the Corporation's financial instruments and their related measurement bases as at March 31, 2018.

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

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

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

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

(l) Environmental liability for contaminated sites

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

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

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

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

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

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

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2018
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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.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recorded in the financial statements. 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 or significantly influenced by key management personnel or their close family members.

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

QULLIQ ENERGY CORPORATION
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2 Significant accounting policies (continued)

(o) Changes in accounting policies

The PSAB issued new accounting standards effective for fiscal years beginning on or after April 1, 2017.

As a result, the Corporation adopted an accounting policy for Inter-entity transactions (PS 3420). This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The adoption of this new standard did not result in any financial impact on the Corporation's financial statements. See Note 2(n) for the Corporation's inter-entity accounting policy.

The Corporation also adopted the new accounting standards: Related party disclosures (PS 2200), Contingent assets (PS 3320) and Contractual rights (PS 3380). These new accounting standards only impact note disclosures. The adoption of PS 3320 did not result in a significant impact on the disclosures included in the Corporation's financial statements. The adoption of PS 2200 required additional information to be disclosed in several existing notes, and the adoption of PS 3380 resulted in the addition of Note 16 for Contractual rights.

(p) Future changes in accounting standards

Section PS 3430 Restructuring Transactions has been issued by the Public Sector Accounting Board of Canada and is effective from April 1, 2018. This section addresses the initial recognition, measurement and disclosure of assets and liabilities transferred in restructuring transactions. The Corporation will adopt this new standard on its effective date and anticipates it will have no impact on the financial statements.

3 Accounts receivable

	Related parties	Third parties	2018	2017
Trade receivables	\$ 12,830	\$ 21,175	\$ 34,005	\$ 39,363
GST receivable	-	-	-	470
Employee advances	-	8	8	21
	\$ 12,830	\$ 21,183	\$ 34,013	\$ 39,854
Less: allowance for doubtful accounts	(699)	(3,968)	(4,667)	(6,599)
	\$ 12,131	\$ 17,215	\$ 29,346	\$ 33,255

Related party accounts receivable by source are as follows:

			2018	2017
	Accounts Receivable	Allowance for Doubtful Accounts	Net	Net
Government of Nunavut				
Departments	\$ 6,825	\$ (397)	\$ 6,428	\$ 8,575
Territorial corporations	6,005	(302)	5,703	8,117
	\$ 12,830	\$ (699)	\$ 12,131	\$ 16,692

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4 Bank indebtedness

The Corporation has a credit facility with a limit of \$20,000 (2017 - \$20,000). Interest charged on the credit facility is at prime minus 0.5% (2018 - 2.95%; 2017 - 2.2%). The facility allows for the use of Bankers' Acceptances (BAs) for borrowing. The BAs have a stamping fee of 50 basis points per annum and the interest rate is approximately prime minus 1.9%, subject to market, with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof. The credit facility is secured by a CIBC indemnity/operating agreement and guaranteed by the Government of Nunavut.

			2018		2017
BAs	\$	10,000	\$	10,000	
(Cash at Bank) / Overdraft		1,201		(1,607)	
	\$	11,201	\$	8,393	

5 Accounts payable and accrued liabilities

	Related parties	Third parties	2018		2017
Trade payables and accrued liabilities	\$ 217	\$ 10,569	\$ 10,786	\$	11,554
Payroll liabilities and taxes	46	4,174	4,220		5,848
GST payable	-	422	422		-
	\$ 263	\$ 15,165	\$ 15,428	\$	17,402

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

		2018		2017
Government of Nunavut				
Departments	\$	236	\$	257
Territorial corporations		27		21
	\$	263	\$	278

6 Deposits payable

	Related parties	Third parties	2018		2017
Holdbacks	\$ -	\$ 2,263	\$ 2,263	\$	1,707
Customer utility deposits payable	-	1,401	1,401		1,381
Project deposits payable	14	1,277	1,291		997
	\$ 14	\$ 4,941	\$ 4,955	\$	4,085

Related party deposits payable by source are as follows:

		2018		2017
Government of Nunavut				
Territorial corporations		14		-
	\$	14	\$	-

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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7 Debt

	2018	2017
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.	\$ 29,543	\$ 33,048
Facility B non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$42 due monthly, beginning on August 1, 2011 with the final payment due on May 1, 2021.	1,476	1,906
Facility C non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$53 due monthly, beginning on August 1, 2011 with the final payment due on May 1, 2021.	1,890	2,436
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.	2,677	3,438
Facility E non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$30 due monthly, beginning on March 1, 2012 with the final payment due on February 1, 2022.	3,725	3,919
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.	4,946	6,302
Facility G non-revolving committed loan with interest calculated at a variable rate of prime minus .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.	14,667	15,667
Facility H non-revolving committed loan in four tranches with interest calculated at a variable rate of prime minus .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; and on the fourth tranche of \$166 beginning April 30, 2018 with the final payment due on April 30, 2028. 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.	91,472	54,576

QULLIQ ENERGY CORPORATION
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7 Debt (continued)

Facility I non-revolving committed loan with interest calculated at a variable rate of prime minus .5% per annum, with principal payments of \$67 plus interest due monthly, beginning on May 1, 2014 with the final payment due on April 30, 2024. This facility has an option to utilize BAs with stamping fees calculated at 50 bps per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.

	12,867	13,667
	\$ 163,263	\$ 134,959

Scheduled principal debt repayment amounts are as follows:

2019	\$ 13,846
2020	14,254
2021	14,686
2022	28,146
2023 to 2032	92,331
Total	\$ 163,263

Section 25 of the *Qulliq Energy Corporation Act* defines the Corporation's borrowings not to exceed three times its accumulated surplus at any time. The Corporation's borrowings were 1.37 times its accumulated surplus at March 31, 2018 (2017 - 1.22 times).

The debt is guaranteed by the Government of Nunavut.

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 2018 was \$0 (2017 - \$0), therefore, no repayments have been made to date.

9 Employee future benefits

The Corporation provides resignation, retirement, removal benefits and sick leave to its eligible employees. Severance is based on years of service and final salary, removal benefits based on years of service and their community of residence, while sick leave benefits are based on the number of hours estimated to be above the annual entitlement for a year. These benefits are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefits obligation. The liability for these benefits is as follows:

	2018	2017
Severance, resignation and retirement	\$ 1,784	\$ 1,660
Sick leave	700	700
Removal	352	379
	\$ 2,836	\$ 2,739

The Corporation paid \$678 (2017 - \$542) in employee future benefits during 2018.

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

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

	2018	2017
Discount rate	2.95%	2.20%
Reduction factor for employees with less than 10 years of service	50.0%	50.0%
Estimated age of retirement or resignation	65 years	65 years

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 (2017 - 1.01 times) for members enrolled before January 1, 2013 and 1.00 times (2017 - 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:

	2018	2017
Employer's contributions	\$ 2,149	\$ 2,288
Employees' contributions	1,981	1,892
Total contributions	\$ 4,130	\$ 4,180

10 Inventories for use

	2018	2017
Spare parts	\$ 13,345	\$ 12,772
Fuel	7,300	8,928
Supplies and lubricants	2,363	2,430
	\$ 23,008	\$ 24,130

An allowance for obsolescence of \$500 (2017 - \$1,300) is recorded to reduce slow moving inventory items. 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	2018	2017
Commercial customers	\$ 26,157	\$ 50,000	\$ 76,157	\$ 74,231
Residential customers	37,399	3,047	40,446	43,940
Electrical streetlights and private area lighting	-	1,599	1,599	1,685
	\$ 63,556	\$ 54,646	\$ 118,202	\$ 119,856

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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11 Sales of power (continued)

Related party sales of power by source are as follows:

		2018		2017
Government of Nunavut				
Departments	\$	32,769	\$	34,743
Territorial corporations		30,787		29,287
	\$	63,556	\$	64,030

The Corporation administers the Government of Nunavut's Public Housing Support Subsidy, for which it received \$25,155 (2017 - \$23,301) on behalf of customers. This program subsidizes qualifying residential customers living in public housing by supplementing the customer the difference between the approved residential rate and 6.0 cents per kWh. The Corporation invoices the Nunavut Housing Corporation on a monthly basis for the power subsidies and applies the amounts to individual customer invoices.

The Corporation administers the Government of Nunavut's Territorial Power Support Subsidy, for which is received \$10,151 (2017 - \$10,294) 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 Fund refund was 8.23 cents/kWh from April 1, 2017 to September 30, 2017 (3.07 cent/kWh April 1, 2016 to September 30, 2016) and 5.41 cents/kWh from October 1, 2017 to March 31, 2018 (5.26 cents/kWh from October 1, 2017 to March 31, 2017). The total fuel rebate granted during the year is \$11,576 (2017 - \$7,564).

12 Insurance proceeds

On April 2, 2015 the Corporation's electrical generation plant at Pangnirtung was destroyed by fire. The costs of cleanup, short- and medium-term facilities, and construction of the new plant were substantially covered by insurance. In 2018 the Corporation received \$6,096 (2017 - \$13,000) of insurance proceeds relating to the reconstruction of this plant. The remaining insurance proceeds of \$1,868 (2017 - \$0) relate to a claim submitted for a failed generation asset.

13 Other income

	Related parties	Third parties	2018	2017
Administration and other service fees	\$ 570	\$ 1,091	\$ 1,661	\$ 2,831
Housing recoveries from employees	-	1,484	1,484	1,462
Capital funding from customers	-	1,001	1,001	1,747
Pole rentals	48	625	673	672
	\$ 618	\$ 4,201	\$ 4,819	\$ 6,712

Related party other income by source are as follows:

		2018		2017
Government of Nunavut				
Departments	\$	235	\$	1,227
Territorial corporations		383		44
	\$	618	\$	1,271

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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14 Expenses

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

	Related parties	Third parties	2018	2017
Fuel and lubricants	\$ 42,656	\$ 3,974	\$ 46,630	\$ 47,575
Salaries, wages and benefits	-	31,277	31,277	33,273
Supplies and services	1,615	20,680	22,295	23,557
Amortization of tangible capital assets	-	12,509	12,509	13,368
Travel and accommodations	-	5,041	5,041	4,708
Interest expense (Note 15)	-	4,366	4,366	4,600
Loss on disposal of assets	-	29	29	528
Bad debt (recovery) expense	-	(13)	(13)	1,183
	\$ 44,271	\$ 77,863	\$ 122,134	\$ 128,792

Related party expenses by source are as follows:

	2018	2017
Government of Nunavut		
Departments	\$ 44,235	\$ 34,444
Territorial corporations	36	231
	\$ 44,271	\$ 34,675

15 Interest expense

	2018	2017
Interest on debt	\$ 4,155	\$ 3,933
Interest and bank charges	959	894
Less: Interest capitalized on construction projects	(748)	(227)
	\$ 4,366	\$ 4,600

16 Contractual obligations and contingencies

Operating leases

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

	2019	2020	2021	2022	Total
Related parties					
Departments	\$ 114	\$ -	\$ -	\$ -	\$ 114
	114	-	-	-	114
Third parties	3,026	1,585	792	3	5,406
	\$ 3,140	\$ 1,585	\$ 792	\$ 3	\$ 5,520

Fuel purchase commitments

The Corporation has made purchase commitments of \$53,300 (58,090,000 litres) to purchase fuel in the fiscal year ending March 31, 2019. This amount is due to be paid in fiscal 2019. The majority of the commitment is with the Petroleum Products Division (a commonly controlled entity).

Capital purchase commitments

Commitments in the amount of \$27,257 have been made in relation to upcoming capital expenditures which are expected to be paid in the next two fiscal years.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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16 Contractual obligations and contingencies (continued)

Other operating commitments

Commitments in the amount of \$481 have been made in relation to other upcoming operating expenditures.

Environmental Protection Compliance Orders

In the fall of 2016, the Corporation received a draft Environmental Protection Compliance Order (EPCO) from Environment and Climate Change Canada related to contraventions of regulations for Storage Tank Systems for Petroleum Products at the Corporation's facilities in Cambridge Bay. The Corporation completed all requested corrective measures by the deadline of December 2017. The Corporation is currently awaiting final closure from Environment and Climate Change Canada and therefore the likelihood and extent of any potential future liability is not determinable at March 31, 2018.

17 Contractual rights

Government transfers

Indigenous and Northern Affairs Canada has signed an agreement with the Corporation to provide \$1,700 towards the Iqaluit Aquatic Center District Heating System project in 2019.

18 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 (2017 - 25 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 \$39 million (2017 - \$38 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 (2017 - \$670) related to the monitoring program. The undiscounted future expenditures for this liability are \$1,150 (2016 - \$1,150). This provision is revalued at the current discount rate in effect at each balance sheet date. At March 31, 2018 the future expenditures are discounted using a rate of 2.95%.

During 2016, the Corporation determined that the containment method in use at one of its contaminated sites was no longer functioning as intended. The Corporation proceeded with a Human Health Risk Assessment at this site which resulted in one particular site exceeding the prescribed contaminant levels. In September 2016, the Corporation proceeded with its remediation plan which included a lined landfarm cell and a trench. The remediation of this site is planned to be completed by the summer of 2018. Accounts payable and accrued liabilities includes a provision of \$100 in relation to this site.

QULLIQ ENERGY CORPORATION
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18 Liability for contaminated sites (continued)

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. The remediation of these sites are planned to be completed by the summer of 2018. Accounts payable and accrued liabilities includes a provision of \$560 in relation to these sites.

19 Financial instruments

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

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 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 2018 and 2017, 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:

	2018		2017	
Balance, beginning of year	\$	6,599	\$	5,401
Receivables written off		(1,932)		-
Increase in allowance during year		-		1,198
Balance, end of year	\$	4,667	\$	6,599

The aging analysis of unimpaired accounts receivable, aged by billing date, is as follows:

	Days Past Billing Date				
	31 - 60	61-90	Over 90	2018	2017
March 31, 2018	\$ 7,300	\$ 2,740	\$ 5,939	\$ 15,979	\$ 20,635

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
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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	2018	2017
Debt (including interest) \$	18,824	\$ 86,321	\$ 81,002	\$ 186,147	\$ 152,151
Accounts payable and accrued liabilities	15,428	-	-	15,428	17,402
Due to Petroleum Products Division	12,489	-	-	12,489	23,382
Bank indebtedness	11,201	-		11,201	8,393
Deposits payable	4,955	-	-	4,955	4,085
Due to the Government of Canada	-	1,352	-	1,352	1,352
	\$ 62,897	\$ 87,673	\$ 81,002	\$ 231,572	\$ 206,765

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 fixed and 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:

	2018	2017
Bank indebtedness	\$ 100	\$ 100
Debt	1,190	820
	\$ 1,290	\$ 920

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

20 Comparative figures

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

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

	Leased Land	Generation	Distribution	Residual Heat Assets	Non-plant Buildings	Vehicles	Other Assets	2018	2017
Cost of Capital Assets									
Opening Balance	\$ 1,237	\$ 245,646	\$ 70,612	\$ 19,942	\$ 16,732	\$ 7,204	\$ 5,002	\$ 366,375	\$ 317,621
Transferred from work in progress	-	41,184	2,790	-	2,592	755	514	47,835	49,794
Disposals	-	(3,196)	(294)	-	-	(135)	-	(3,625)	(1,040)
Closing Balance	1,237	283,634	73,108	19,942	19,324	7,824	5,516	410,585	366,375
Accumulated Amortization									
Opening Balance	(515)	(100,652)	(22,047)	(9,058)	(5,164)	(3,278)	(2,926)	(143,640)	(130,784)
Amortization	(23)	(9,287)	(1,409)	(712)	(330)	(579)	(169)	(12,509)	(13,368)
Disposals	-	3,196	274	-	-	126	-	3,596	512
Closing Balance	(538)	(106,743)	(23,182)	(9,770)	(5,494)	(3,731)	(3,095)	(152,553)	(143,640)
Work in Progress									
Opening Balance	-	25,981	2,301	-	954	-	11	29,247	39,491
Additions	351	37,338	4,259	80	2,847	837	646	46,358	39,550
Transferred to cost of tangible capital assets	-	(41,184)	(2,790)	-	(2,592)	(755)	(514)	(47,835)	(49,794)
Closing Balance	351	22,135	3,770	80	1,209	82	143	27,770	29,247
Net Book Value	\$ 1,050	\$ 199,026	\$ 53,696	\$ 10,252	\$ 15,039	\$ 4,175	\$ 2,564	\$ 285,802	\$ 251,982