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CORPORATE PROFILE

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

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

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

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



Qikiqtarjuaq's power plant, built in 2016.

VISION, MISSION, AND GUIDING PRINCIPLES

VISION

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

MISSION

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

VALUES

The Values included within the Mission Statement are:

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

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

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

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

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

CHAIRPERSON'S MESSAGE

This past year has been one with many challenges as we grappled with issues related to COVID-19, human resources, and the delivery of our annual capital plan. We thank the corporation's dedicated and departed employees who delivered on our mandate to provide power to Nunavummiut, who live in 25 arctic communities. We welcomed three new directors to our Board of Directors last September. Thank you to the valued directors who left us during the fiscal year. Their guidance and leadership were significant during the COVID-19 pandemic years. Working together, the directors guided the corporation's leadership to advance over 25 requests for decisions, including new power plants and generator sets, in the last fiscal year.

Our QEC Minister changed after the general election in October; however, we made significant progress on the priorities laid out in the 2021-2022 Letter of Expectation. To recap a few: ensuring a harassment-free workplace, increasing Inuit employment, and safety training were high priorities and will remain so. We strive to be the employer of choice for those seeking a gratifying career in public service. To this end, our Human Resources department was strengthened, and the board began the process of restructuring the corporation's internal reporting relationships. Our goal is to have a happy, productive workforce and improve service delivery to our customers.

Fiscal responsibility and prudent cost management were driving forces in meeting our annual financial obligations. Looking ahead, the board approved the 2022-2023 General Rate Application (GRA) and submitted it to the Minister responsible for QEC. If approved, the GRA will provide a more equitable rate structure for our customers and support the future of renewable energy programs in all Nunavut communities.

Replacing aging power plants from the 1960's era is a top priority for QEC. New power plants in Nunavut are one of a community's most critical and expensive infrastructure assets. They require years of consultation, detailed planning, regulatory and budget approvals, and construction. QEC is rightfully very proud each time a new one is brought online. In December 2021, we commissioned the new Arctic Bay power plant to meet their community's needs for decades.

We are always financially challenged, yet we remain fully committed to building new power plants and replacing generators in the existing plants to extend their useful life. The board made hard decisions to prioritize new power plants for Cambridge Bay, Gjoa Haven, and Igloolik, as well as a new generator upgrade for Iqaluit. The Minister approved major project permit applications that are key requirements to advance these projects to the commissioning stage.

With the financial support of third-party funding, most notably the federal government's Arctic Energy Fund, we can deliver on the challenge to help Nunavut move toward the use of cleaner renewable and alternative energy resources. We owe much to our employees who work hard under challenging conditions to keep our aging power plants operating until they can be replaced. Preventative maintenance was very vital in improving reliability over the last fiscal year. The board looks forward to the next fiscal year and working with our employees to continue to provide Nunavummiut with power in a safe, reliable and efficient manner.

Sincerely,



Keith Peterson

Chairperson, Board of Directors

Qulliq Energy Corporation

PRESIDENT'S MESSAGE

I thank our staff for their hard work and dedication that allowed the corporation to prevail this fiscal year despite staffing shortages during a global pandemic. Their resilience supported me through my first full fiscal year as President and CEO and underpins how essential it is that the workplace remains a healthy environment for our employees. We spent 2021-2022 emphasizing, prioritizing, and focusing on rebuilding a respectful and harassment-free workplace. It is crucial that our employees feel empowered and secure while at our facilities.

Our staff worked tirelessly to improve maintenance practices which resulted in us achieving our highest reliability rating since our establishment. Compared to the previous fiscal year, we reduced the number of power outages customers experienced by more than 50% and reduced the average duration of power outages customers experienced by 33%. This milestone highlights our commitment to providing excellent service.

We began the 2021-2022 fiscal year with our 20th anniversary celebration. Recognizing the support of valued customers, we hosted an online prize draw for a cabin-sized solar energy package to honour two decades of support. We commemorated employees with specially branded anniversary mugs as a sign of appreciation for their continued contributions to the corporation.

We also made significant progress on moving major projects forward in 2021-2022. Baker Lake's new head office took shape and will comfortably accommodate the local workforce in one building. Once completed, we hope our effort to implement unique energy-efficient technologies is recognized by an Energy Star building certification, which could be a first for all of Canada's territories.

2021-2022 also saw six major project permit applications advance, including ministerial approval for power plants in Cambridge Bay, Gjoa Haven, Igloolik, and a generator upgrade in Iqaluit, and submitted applications for new power plants in Kugaaruk and Chesterfield Inlet.

Arctic Bay's new power plant was successfully operational for the long-term benefit of its community. Like all our new power plants, the facility includes renewable energy integration capability, which will allow for opportunities to move the territory toward clean technologies should funding become available.

Interest in our current renewable energy programs continues to grow, especially with our newly launched Commercial and Institutional Power Producer program. The corporation's Net Metering Program also saw renewed interest as funding through territorial government departments became available. Meaningful progress on the pricing structure for the Independent Power Producers Program began in 2021-2022 and the policy will be prioritized to move through the appropriate approval channels in the new fiscal year.

In 2021-2022, we continued to meet the ongoing challenges of the COVID-19 pandemic while maintaining critical electricity services for the territory. A new variant wave near the end of the fiscal year brought heightened public health restrictions and updated operational procedures that kept our staff, communities, and customers safe.

Nearing the end of the fiscal year, significant preparation took place for the 2022-2023 General Rate Application submission to the Minister responsible for QEC. Our focus on fiscal responsibility has informed the lowest rate increase request (of 5.1%) since Nunavut's division from the Northwest Territories. Our leadership is committed to working closely with stakeholders and the public alike in support of a more equitable rate structure for customers across the territory.

Once again I would like to thank the Board of Directors and our staff. This report highlights just some of the stories that shaped our year – serving the communities where we live and work. I continue to be inspired daily by the commitment and passion demonstrated by our workforce and our communities. I appreciate the guidance from the Board of Directors.

Despite the fact that the next fiscal year may bring new challenges and hurdles, I would like to reaffirm our commitment and look forward to continuing growth for QEC while creating more value and increase satisfaction for our customers. Our success is made possible by a diligent workforce, valued customers, and our respected communities.

Sincerely,

A handwritten signature in blue ink that reads "Rick Hunt". The signature is written in a cursive, flowing style.

Rick Hunt
President and Chief Executive Officer
Qulliq Energy Corporation

KEY ACTIVITIES IN 2021-2022

- Celebrated QEC's 20th birthday online and internally
- Appointed three new members to the Board of Directors
- Ongoing Energy Wise energy conservation programming
- Improved internal crisis communications processes
- Achieved 99.98% reliability rate, a record year for Nunavut's solely owned utility
- Reduced average frequency and duration of power outages QEC customers experienced
- Increased number of Commercial and Institutional Power Producer and Net Metering Program customers
- Continued to develop the Independent Power Producer program
- Completed Arctic Bay power plant replacement project
- Continued progress on power plant replacement and solar photovoltaic panel installation in Kugluktuk
- Upgraded generator sets in Whale Cove, Kugaaruk, Clyde river, Pond Inlet and Gjoa Haven
- Approved major project projects in Cambridge Bay, Gjoa Haven, Igloolik and Iqaluit
- Completed electrical distribution surveys in Kivalliq region and remaining communities in Qikiqtaaluk
- Replaced streetlights with LEDs in Coral Harbour, Whale Cove, Gjoa Haven, Sanirajak, Qikiqtarjuaq, and Arctic Bay
- Re-applied for to federal government for funding to further geothermal studies in the territory
- Completed Sanikiluaq district heating installation and continued progress in Taloyoak
- Awarded Certificate of Recognition by Northern Safety Association
- Hosted Health and Safety Week activities for employees
- Improved online training opportunities, including newest arc flash training
- Kugluktuk and Pond Inlet employees received QEC's Award of Excellence for safety
- Created seven new standard operating procedures and one new safe work practice
- Completed Environmental Site Assessments in Resolute Bay, Igloolik, Cambridge Bay, Kugaaruk, Rankin Inlet and Chesterfield Inlet
- Continued progress on new Baker Lake head office and Iqaluit power plant renovations
- Revised COVID-19 Exposure Plan for employees returning to the workplace after lock downs
- Continued implementation of internal COVID-19 travel, prevention and sanitization protocols
- Provided Customer Care and internal employee support during COVID-19 response
- Improved work from home capabilities in response to public health restrictions
- Filled 29 positions through competition or Internal Transfer Assignments
- Nunavut Inuit employees represent 56% of QEC's workforce
- President and CEO led meetings to engage with employees and promote respect in the workplace
- Engaged 97 Inuit employees in the Inuit Career Development Program
- Completed implementation of Star Garden payroll software
- Filed the 2022-2023 General Rate Application with the responsible Minister

INCREASING INTERNAL AND EXTERNAL TRANSPARENCY

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

HAVAQATIGIINGNIQ/IKAJUQTIGIINGNIQ

CRISIS COMMUNICATIONS

In 2021-2022, regular and factual communications continued to play a key role in keeping employees and Nunavut communities not only safe, but comfortable, with new and changing information on how the territory's COVID-19 public health measures impact QEC operations. Regularly providing updates directly to employees, customers, and local hamlets on internal changes (such as critical work travel procedures and public health safety measures) strengthened pertinent relationships and continued to build trust between governments in the last fiscal year.

The last fiscal year also saw QEC coordinating with the City of Iqaluit to quickly and publicly report a propylene glycol and water mixture spill caused by a contractor conducting city work. The corporation also made it a priority to communicate safe water distribution information when Iqaluit's local water supply was contaminated with fuel. An increased need for more comprehensive crisis communications prompted the creation of internal guidelines for the communications division.



NEWLY BRANDED COMMUNICATION

QEC continued developing internal communication templates guided by the corporation's new brand in the last fiscal year. The updated branding, aimed at highlighting employees and Nunavut communities, steered the graphics and aesthetic appeal by bringing normally mundane documents to life. Externally, QEC saw positive results with paid social media advertising, specifically for Facebook and Instagram.

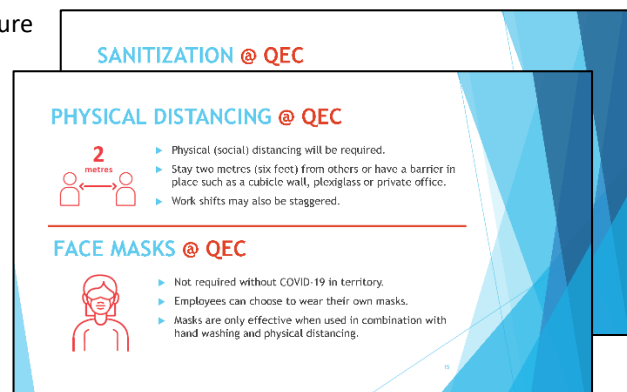


COVID-19 PANDEMIC RESPONSE

For the entire 2021-2022 fiscal year, the Government of Nunavut (GN) declared a Public Health Emergency. As the sole provider of electricity in the territory, QEC was identified as a critical service during Nunavut's COVID-19 response led by the Chief Public Health Officer (CPHO) who focused on keeping all Nunavummiut safe. QEC continued to remain committed to keeping safety a top priority by sharing timely, factual and supportive information with all employees.

Following public health measures implemented by the GN's CPHO, QEC started the 2021-2022 fiscal year with a reduced work structure. The corporation worked diligently to re-implement plans to protect employees and keep critically important electricity systems operating reliably. Staff quickly transitioned to a work from home structure with ease. QEC also cancelled all non-essential duty travel and were required to seek CPHO approval for critical workers travelling to complete emergency work. Testing options were also made available for these employees. COVID-19 information related to payroll and managing stress were shared with all employees.

In June 2021, the corporation updated its plan for exposure control as staff returned to their workplaces and employees were able to apply for travel exemptions outside of the territory. By the end of the month, critical workers flying out of Iqaluit no longer required approval from the CPHO. In late summer, most public health restrictions were lifted across the territory until September 2021 when a positive case of COVID-19 was reported in Nunavut. A territory-wide mask mandate was implemented for all staff in all communities, as per public health restrictions. The corporation also regularly updated both medical and duty travel procedures in fall 2021 due to changing restrictions and requirements from both the territorial and federal governments.



On December 24, 2021, QEC saw its second work from home instruction in the fiscal year due to a significant increase in reported COVID-19 cases in Nunavut. Strict travel restrictions followed to keep Nunavummiut safe. Following CPHO direction, most staff returned to work in the new year and travel restrictions were lifted. In March 2022, at the end of the fiscal year, Nunavut's CPHO and Minister of Health made an announcement of their plan towards lifting the Public Health Emergency across the territory.

OUTLOOK FOR 2022-2023 AND BEYOND

While COVID-19 continued to have an impact on QEC operations in 2021-2022, staffing shortages also created significant obstacles in growth for Nunavut's sole utility. Despite this, QEC employees prevailed in a historical record-breaking year for reliability. Recognizing that near perfect ratings may not be attainable every year, especially due to unforeseen circumstances in an adverse climate like the remote arctic, QEC staff continue to show their willingness to perform and deliver on excellent customer service. This drive for valued customers is also reflected in the corporation's 2022-2023 General Rate Application that proposes a new equitable and fair rate structure for residential and commercial customers across the territory. QEC feels all customers throughout Nunavut should be treated equally, no matter where they live, and hopes to see its proposal approved in the next fiscal year.

QEC has always remained committed to supplying safe and reliable power by replacing and upgrading critical infrastructure with its current capital resources and funding. The corporation will look to the new fiscal year to seek further federal funding to ensure that it can continue to deliver on its mandate while identifying opportunities that would allow the development of renewable resources. The corporation has already garnered private investment in renewable energy through the development and launch of the Commercial and Institutional Power Producer (CIPP) program and future development of the Independent Power Producer (IPP) programs.

Renewable energy systems require significant capital. In the next fiscal year, QEC will continue working on the IPP program and seek investment partnerships with the territorial and federal governments to further grow this avenue for the long term environmental benefits of Nunavummiut. Future financial security, such as funding, will be paramount in this process as it allows QEC to provide an affordable energy service and minimize the impact on customers who are already paying some of the highest electricity rates in Canada.

A safe workplace is also a respectful one. Further fostering and maintaining workplace free of harassment is second only to safety as a top priority for QEC in the next fiscal year. The corporation's Board of Directors, President and CEO, and senior management team remain diligent on preventing and resolving harassment in 2022-2023. Mandatory training in this area for current and new employees will create a more inclusive and diverse environment for many years to come.

FEDERAL FUNDING PROGRAMS

ARCTIC ENERGY FUND

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

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

To date, the corporation has received Arctic Energy Funding approval for a new diesel-solar hybrid power plant in Kugluktuk and nine diesel power generator upgrades in six other remote communities (Clyde River, Rankin Inlet, Chesterfield Inlet, Iqaluit, Coral Harbour, Pond Inlet, and Whale Cove). In 2021-2022, QEC officially received funding through the Arctic Energy Fund to replace generator sets in Clyde River, Whale Cove and Pond Inlet, as well as the diesel-solar hybrid power plant in Kugluktuk.



Kinngait power plant, built in 2018.

ORGANIZATIONAL STRUCTURE

Minister responsible
for QEC
Joanna Quassa

Board Chair
Keith Peterson

President & CEO
Rick Hunt

Vice-President
Jamie Flaherty

Director,
HR & OD
Kerri Lockwood

Director,
Engineering
Taufik Haroon

Director,
Operations
Bill Nippard

A/Chief
Financial Officer
Tosin Omole

A/Director,
Corporate
Affairs
Sandy Lewis

A/Director,
Health Safety
Environment &
Facilities
Bill Nippard

Director,
Information
Technology
John Geary

Legal Counsel
Denford
Madekufamba

As of March 31, 2022

BOARD OF DIRECTORS

QEC's Board of Directors is appointed by the Minister responsible for QEC. Under *the QEC Act*, the Board of Directors must be composed of no fewer than six directors, and no more than ten directors. The appointment terms for board members are staggered and are for up to three-years. This ensures the corporation maintains business continuity and allows for growth in experience and knowledge. In 2021-2022, QEC appointed three new members to the Board of Directors in September 2021, two member terms expired in October 2021, and one member resigned in December 2021 due to personal reasons. The board approved recommendations to the Minister responsible for QEC for two new member appointments at the end of the fiscal year. They are expected to be appointed in early 2022-2023, pending cabinet approval.

As of March 31, 2022, current members include:

Keith Peterson, Chairperson

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

Andrew Nakashuk, Vice Chair

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

Martha Lenio

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

Marvin Dion

With 40 years of experience as a power plant operator and superintendent in both Nunavut and the Northwest Territories, Marvin Dion brings a well-developed understanding of power generation to QEC's Board of Directors. Currently, he works as a foreman with Sarliaq Holdings in Rankin Inlet.

Mr. Dion was previously elected as mayor of Coral Harbor and subsequently served a term as deputy mayor. Over the years, he has also been involved with many Keewatin and Kivalliq regional boards and is a supporter of many community groups.

Clarence Synard

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

Nayab Khan

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

Johnny Mike

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

BOARD COMMITTEES

HUMAN RESOURCES AND IQ COMMITTEE

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

FINANCE AND AUDIT COMMITTEE

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

ALTERNATIVE ENERGY COMMITTEE

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

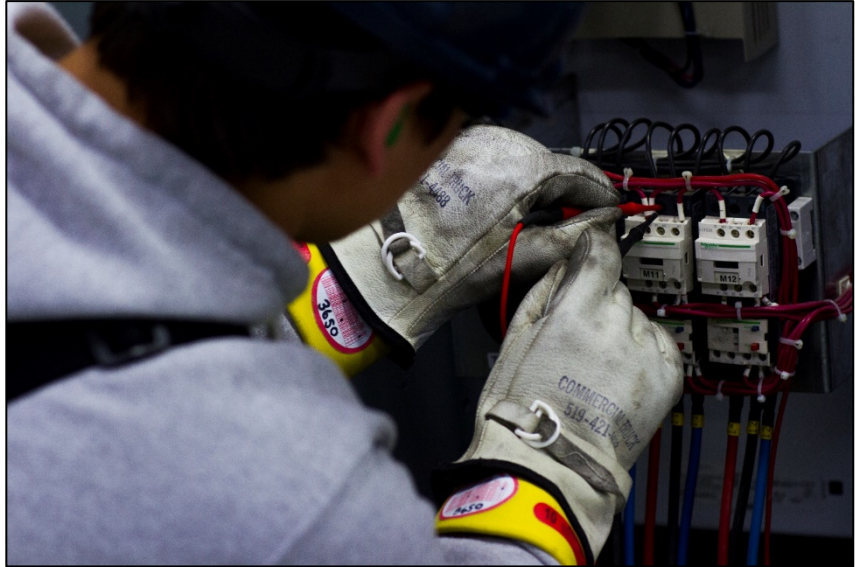
GOVERNANCE COMMITTEE

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

OPERATIONS

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

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



Electrical maintenance is necessary for reliability across the territory.

RELIABILITY

Providing a reliable electricity supply to Nunavummiut is one of Operation's top priorities. In 2021-2022 QEC reported a 99.98 percent reliability rate across the territory, a significant increase from the previous fiscal year, despite challenges of operating a critical service during a global pandemic. This was QEC's best year for reliability in the history of Nunavut's solely owned utility and was achieved through the dedication of the corporation's staff. Changing how electrical systems are operated and maintained, while improving maintenance planning, led to significantly more engine availability, improved distribution performance, and ultimately reduced service interruption frequency and duration for the average customer. Operations continually strives to improve power supply reliability, meet increased demand for electricity, and cope with the harsh northern climate.

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

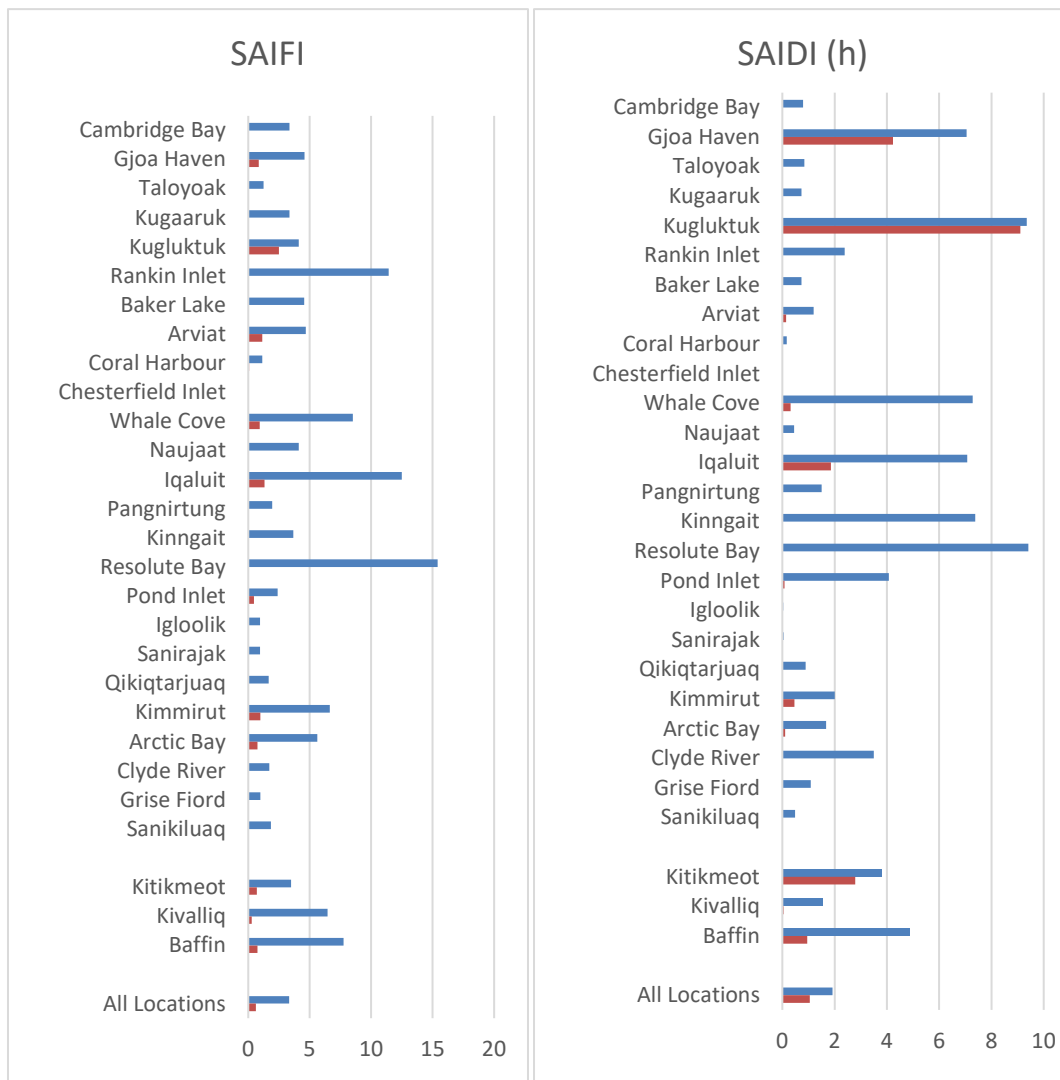
During the 2021-2022 fiscal year, the following communities had the most reliable power supply in the territory:

- Kugaaruk, Cambridge Bay, Taloyoak, Baker Lake, Coral Harbour, Chesterfield Inlet, Naujaat, Igloolik, Sanirajak, Qikiqtarjuaq, and Sanikiluaq all experienced reliability of 99.99%.
- Compared to the previous fiscal year, the corporation reduced the amount of power outages customers experience by more than half (from 6.90 power outages in 2020-2021 to 3.32 power outages in 2021-2022).

QEC also reduced the duration of power outages a customer experiences on average from 5.67 hours in 2020-2021 to 1.92 hours in 2021-2022.

PERFORMANCE REPORTING

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



The **System Average Interruption Frequency Index (SAIFI)** shows the average number of interruptions a customer experienced in each community and region from April 1, 2021, to March 31, 2022. The average number of interruptions is calculated by dividing the total number of customer interruptions by the total number of customers

served. Total power outages are in blue. Planned power outages are in red. In 2021-2022, SAIFI was 3.32 interruptions per customer on average, a decrease from the previous year.

The **System Average Interruption Duration Index (SAIDI)** shows the average outage durations (in hours) for QEC's system in each community and region from April 1, 2021, to March 31, 2022. The average outage duration is calculated by dividing the sum of all customer interruption durations by the total number of customers served. Total power outages are in blue. Planned power outages are in red. In 2021-2022, SAIDI was 1.92 hours per customer on average, an increase from the previous year.

EFFICIENCY

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

In 2021-2022, QEC's fuel efficiency rate was 3.74 kilowatt hours per litre, a rate consistent over the last four fiscal years. Despite QEC's aging infrastructure, Operations continually works to improve its fuel efficiency performance. While primarily reliant on diesel generation, QEC strives to reduce the amount of fuel consumed to generate electricity, which in turn reduces greenhouse gas emissions.

GENERATION

To manage the challenges presented by aging power infrastructure across the territory, Operations adheres to a strict maintenance schedule on all equipment in the 25 power plants. Operations collaborates with the Engineering department on upgrades to existing power plant infrastructure and construction of new power plants. In 2021-2022, Operations worked with Engineering to commission a new power plant in Arctic Bay. Power plant replacement projects allow QEC to meet the long term energy needs of Nunavut communities. Operations continues to work with Engineering on design and planning for diesel power plant replacements across the territory.

DISTRIBUTION



QEC's distribution system sees preventative maintenance in the summer.

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

During the 2021-2022 fiscal year, Operations was involved in a variety of preventative maintenance projects in an effort to improve reliability and meet the power needs of each community. Streetlights in six of the territory's communities (Coral Harbour, Whale Cove, Gjoa Haven, Sanirajak, Qikiqtarjuaq, and Arctic Bay) were also replaced with upgraded high efficiency LED technology.

ENGINEERING

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

POWER PLANT REBUILD PROJECT

QEC has developed project plans to replace 11 power plants that are operating beyond, or near the end of, their life span. Power plants with aging equipment and infrastructure are at a higher risk of power interruptions due to system failures and in some cases, may not meet the current and future energy requirements of a community. Power plant replacements ensure that QEC can provide safe and reliable power to all communities across the territory.

During the 2021-2022 fiscal year, the following activities for power plant rebuild projects took place:

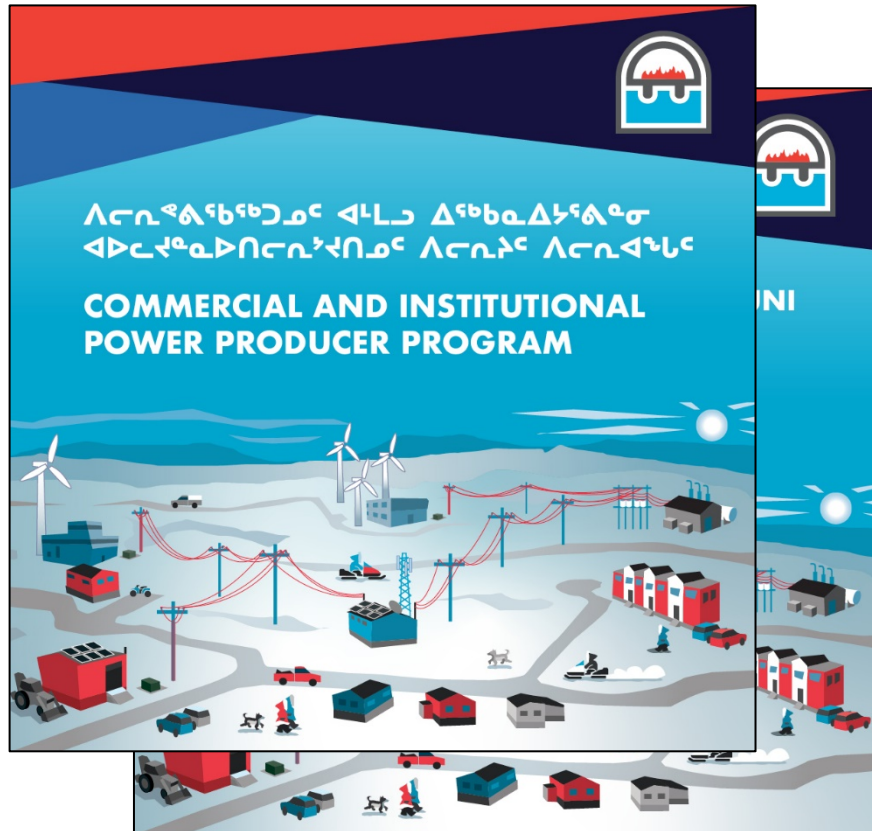
- Arctic Bay's new power plant was commissioned in December 2021. The new power plant was relocated outside of the community at the request of the local hamlet council, which required QEC to install approximately 1.5 kilometers of additional distribution line.
- QEC continues to progress a solar photovoltaic panel installation and battery storage facility for the Kugluktuk power plant. In the previous fiscal year, design build procurement for the project was delayed due to budget constraints and extensive civil work required for the site. In 2021-2022, QEC conducted further studies on optimal land options for the solar-diesel plant and hired a consultant who completed project site and civil design work. Kugluktuk's power plant projected completion date is delayed until 2025-2026 due to tendering issues.
- Electrical distribution surveys were completed for the Kivalliq region as well as the remaining communities from the Qikiqtaaluk region, including Sanikiluaq, Resolute Bay, and Iqaluit.
- The Engineering team also completed generator set replacements in Whale Cove, Kugaaruk, Clyde River, Pond Inlet and Gjoa Haven.
- Preparation work was completed for the approved major projects in Cambridge Bay, Gjoa Haven, Igloolik, and Iqaluit.

NET METERING PROGRAM

Launched in April 2018, QEC's Net Metering Program allows residential customers, and one municipal or hamlet account per community, to generate their electricity supply by installing their own renewable power generation systems of 10 kilowatts or less. Eligible customers receive credit for the surplus electricity they produce and send to QEC's electrical grids. As of 2021-2022 year end, sixteen customers (six residential and ten hamlet) were connected to QEC's billing system. Applications for another six customers were approved, but were not connected by March 31, 2022.

COMMERCIAL AND INSTITUTIONAL POWER PRODUCER PROGRAM

QEC's first full fiscal year running the Commercial and Institutional Power Producer (CIPP) program was in 2021-2022. This program allows existing commercial and institutional customers to generate renewable energy on their premises and sell all generated energy to QEC. For the first time, QEC is able to buy power from CIPP participants at a rate equal to the corporation's diesel savings. In 2021-2022, QEC worked with a consultant on an additional pricing structure analysis for the program as per Ministerial instruction. In the last fiscal year, QEC also approved four applications in this program and the participants are in different phases of installation based on their respective projects. QEC also provided letters of support to another four customers who are planning to apply for the program.



INDEPENDENT POWER PRODUCER PROGRAM

QEC continued developing the Independent Power Producer (IPP) program in 2021-2022. This program will allow producers outside of the utility to generate electrical power from renewable energy systems to sell directly to QEC. Inuit organizations and municipalities will be given the first opportunity to own and operate community scale installations in their respective regions. Similar to the CIPP pricing structure, QEC is proposing to buy power from IPPs for up to the avoided cost of diesel – the maximum price that QEC can pay for renewable energy without raising customer rates.

ALTERNATIVE ENERGY AND RENEWABLE ENERGY

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

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

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

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

There are currently 'on-demand' alternative energy sources known to QEC that have the potential to replace the reliability of diesel power generation, including hydro, geothermal (heat within the earth's crust) and nuclear fission (very small modular reactors). For these energy sources, once 'turned on' can continuously provide heat which can be used to generate electrical power. At present, technological and financial barriers exist for deploying these generation sources in Nunavut.

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

GEOHERMAL

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

Assessment and modelling for geothermal potential has not been completed in the Canadian arctic, but there is potential for geothermal energy obtained from deep hard rock formations. There is an increased potential for high grade geothermal energy found in High Arctic deep sedimentary basins. Both methods could provide clean and reliable energy potential for the territory.

QEC has a multi phase plan to assess geothermal potential in Nunavut. This work received federal recognition and funding, but ultimately required QEC to request a cancellation of the Government of Canada's financial support of

Phase II of the plan on March 31, 2021, due to the corporation's inability to conduct field work during the global pandemic. At the same time, QEC re-applied for the funding with an additional amount to explore what is known as Borehole Thermal Energy Storage (BTES). The federal government approved this request and agreed to provide financial support in January 2022. This three-year program is expected to be completed March 31, 2024.

The addition of BTES to QEC's geothermal evaluation would allow the corporation to assess the potential of capturing and storing waste heat from the electrical generation process, energy normally expelled to the atmosphere, and research how it is stored in deep rock formations. Recovery of this energy could occur when it is needed in the colder months and could be distributed to the community through a district heating system. While BTES would not reduce diesel consumption in the electricity generation process, it would provide reduced diesel consumption and cost savings for customers in the program.

SMALL MODULAR REACTORS

The Government of Canada has deemed nuclear power as "clean energy", meaning that Small Modular Reactors (SMRs) may be a viable alternative form of energy for off-grid and remote communities to replace diesel for electricity and heat. At this time, QEC is only gathering information to assess technical and financial considerations of SMRs in Nunavut. Many factors will be considered including costs, community acceptance, safety data, and environmental assessments. There are no current plans or projects underway for an SMR to be built or tested in Nunavut. In 2021-2022, QEC did not engage in SMR activities.

DISTRICT HEATING SYSTEM



QEC has district heating systems in five communities across the territory.

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

In 2021-2022, the corporation was involved in the following district heating projects:

- Under an agreement of up to \$6.3 million, the Government of Canada's Low Carbon Economy Fund (LCEF) program continues to fund DHS installations in Sanikiluaq and Taloyoak. In 2021-2022, the Sanikiluaq DHS expansion project connecting Nuiyuk School and Paatsaali High School was completed and a heat supply agreement was signed by QEC and the Government of Nunavut's Community and Government Services. The Taloyoak expansion connecting Netsilik School, Moses Teelktaq Pool, Paleajook Eskimo Co-op Garage, and two hamlet garages will be completed in the following fiscal year.

HEALTH, SAFETY, ENVIRONMENT AND FACILITIES

The department of Health, Safety, Environment, and Facilities (HSEF) is responsible for the administration of the corporation's health, safety, and environmental practices along with the maintenance and administration of QEC's real estate property portfolio. HSEF's mandate is to:

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



Health and safety remains a top priority for QEC.

- Provide comprehensive facility management services by developing, implementing and administering processes to manage and maintain QEC's infrastructure to ensure it operates in a safe, efficient and economical manner.
- Adhere to industry best practices and standards, national building code, financial management and procurement rules, and all applicable policies, procedures and laws.

HEALTH AND SAFETY

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

CERTIFICATION OF RECOGNITION

In December 2021, QEC successfully passed an internal Certificate of Recognition (COR) maintenance audit as part of the accreditation process of the Northern Safety Association (NSA). Part of a well-respected, Canada-wide certification program, COR audits evaluate and enhance existing health and safety programs along with workplace practices. The purpose of the COR is to encourage safer workplace behaviours and practices that, in turn, lead to improved safety performance. QEC received a score of 90% in 2021-2022, which is an improvement of the overall score of 86% in the last fiscal year. This demonstrates the level of awareness throughout the organization on various aspects of health and safety in the workplace has improved.

The corporation undergoes internal maintenance audits annually and external audits every three years. The 2021-2022 assessment included 11 worksites visits, 25 employee interviews and a full review of all health and safety documentation. QEC developed an action plan from the internal audit to address identified areas for improvement. QEC management believes that most injuries are preventable. For this reason, the corporation prioritizes feedback from the auditing process to ensure that safety programs are based on continuous improvement. Since acquiring the COR in 2013, HSEF significantly enhanced QEC's Health and Safety Program to align itself with the requirements and standards for maintaining the accreditation.

TRAINING AND COMMUNICATION

QEC's ability to train staff was significantly reduced by COVID-19 restrictions; however, HSEF continues to deliver mandatory health and safety orientations to all new employees and contractors. With e-learning, employees are able to complete the mandatory *Health and Safety Orientation Program* and WHMIS training on-line. The program ensures that employees successfully complete a safety orientation as required by the Nunavut Occupational Health and Safety Regulations. In 2021-2022, 27 QEC employees completed the program.

DURING THE 2021-2022 FISCAL YEAR, HSEF STAFF TRAINED:

- 28 workers in Standard First Aid
- 30 employees in Fall Protection
- 31 employees in Workplace Hazardous Materials Information System (WHMIS)
- 33 employees in Transportation of Dangerous Goods (TDG)
- 30 employees in fire extinguisher inspection and maintenance
- 66 employees and 51 contractors on QEC's internal Utility Work Protection Code
- 29 employees in the Supervisor Familiarization Safety course
- 29 employees in Electrical Safety and Arc Flash Awareness
- 170 contractors in QEC's contractor safety orientation

SAFETY AND HEALTH WEEK

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

In 2021-2022, QEC hosted a number of in-house *Health and Safety Week* activities for employees. Due to COVID-19 restrictions and staff working from home, all of the activities were required to be done remotely. HSEF completed the following events:

- Hosted a Children’s Art Contest (theme: “Creating Safe Workplaces and Communities”) to foster safety culture and awareness. Selected top submissions were included in the internal 2022 QEC calendar.
- Hosted a photo contest with various topics throughout the week (including working safely from home, health and wellness, personal protective equipment, high risk, and arc flash safety).
- Encouraged workers to identify chemical products requiring safety data sheets that were not already listed in our database.
- Encouraged workers to take free safety courses available through the Canadian Centre of Occupational Health and Safety.
- Delivered daily safety messages to online audiences on Twitter and Facebook.

PROGRAM DEVELOPMENT

During the 2021-2022 COVID-19 pandemic restrictions, QEC revised its COVID-19 Exposure Plan for Employees Returning to the Workplace. Additional personal protective equipment and sanitation supplies, along with rapid antigen tests, were provided to all employees and worksites. Barriers were installed in some locations where physical distancing could not be maintained. While this did have an impact on the ability to hold face-to-face in-house training and Annual Operator Training, more on-line training opportunities were available in 2021-2022, including health and safety’s newest arc flash training. QEC acknowledged and awarded QEC’s Award of Excellence to employees in Kugluktuk and Pond Inlet for their continuous efforts in excelling in workplace safety practices.



Bodies of water are important in environmental protection.

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

- Installation and Commissioning of Transformer-Rated Services SOP
- Installation & Commissioning of 3 Phase Self-Contained 7-Jaw Services SOP
- Removal and Replacement of Transformer-Rated Meters SOP
- Removal and Replacement of 3 Phase Self-Contained 7-Jaw Meters SOP
- Installation & Commissioning of Single Phase 4-Jaw and Network 5-Jaw Self-Contained Services SOP
- Pulling a Stuck or Frozen Vehicle SWP

ENVIRONMENT

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

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

As part of this risk-based approach, QEC has an environmental due-diligence monitoring program in place for all facilities. This includes annual collection and analysis of soil samples to document the presence or absence of surface contamination. The results of this sampling program are compared to applicable environmental quality guidelines (e.g., Canadian Soil Quality Guidelines for the Protection of Environment and Human Health) to characterize potential contamination. The long-term sample record can be reviewed to determine if contamination is moving or changing and requires additional investigation. In 2021-2022, ESAs were completed in Resolute Bay, Igloodik, Cambridge Bay, Kugaaruk, Rankin Inlet, and Chesterfield Inlet as part of QEC's ongoing efforts to understand the environmental liability associated with its properties.

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

HSEF's Spill Contingency Plan (SCP), also known as the Common Spill Plan (CSP) was revised and made available in January 2022. During the 2021-2022 fiscal year, QEC experienced two reportable spills. Approximately 1,000-litres of fuel leaked from a fuel tank which was damaged by snow-removal activity at a Coral Harbour Transient Housing Unit. A contractor was immediately hired to remove contaminated snow and further preventive measures were undertaken by replacing the tank and associated hardware. Approximately 150 litres of fuel were spilled at the Naujaat power plant site during a trucked fuel delivery transfer. It is not possible for the site to be remediated due to the location of the leak underneath the emergency back up generator and the support structure underneath it.

In 2021-2022, an Environmental Emergency Plan for the Iqaluit Power Plant was prepared and submitted to Environment and Climate Change Canada, due to new requirements from Environment Canada for entities with a 5-million-litre fuel tank in use. Additionally, Oil-Pollution Prevention Plans and Oil Pollution Emergency Plans (OPEP/OPPP) were prepared for the Cambridge Bay and Rankin Inlet facilities. These are required by Transport Canada for all facilities that have direct marine fuel-filling points.

In 2021-2022, the HSE Department staff also provided support on a variety of topics including: land-usage contract wording, waste-oil furnaces, streetlight replacements, financial updating of historical environmental liabilities and apportionment (QEC versus our predecessors NTPC and NCPC), policy wording pertaining to territory-wide contaminated sites (via a Government of Nunavut working group), planning work for piping installations, liaising with Petroleum Products Division regarding direct pipeline connections to their tank farms, cleaning-out and inspection of the secondary large fuel tank at the Iqaluit power plant, and alternative-energy proposals from private contractors.

ARCTIC ENERGY FUND POWER PLANT REPLACEMENT PROJECTS

Throughout the 2021-2022 fiscal year, the HSEF Department continued to support QEC's Arctic Energy Fund projects which include the design and construction of new power plants in Cambridge Bay, Kugaruuk, Kugluktuk, Gjoa Haven, Igloodik and Chesterfield Inlet. This support included the following activities:

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

The HSEF Department also continued to provide support on revisions to the Kugluktuk hybrid diesel-solar power plant project in 2021-2022. This involved providing input to the revised location selections for the components of the project (e.g., diesel power plant, bulk fuel storage facility, solar panel system, battery building), coordinating additional site investigations to confirm location selection, submitting amendments to the Nunavut Impact Review Board (NIRB) and aviation authorities (including a glare study) for review of the project changes, and submission of a land application to Hamlet of Kugluktuk Council for the lands required for the solar panel system.

FACILITIES

TRANSIENT UNITS

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

As of March 31, 2022, a total of 30 transient units were maintained by QEC. The table below shows the breakdown by community and size of unit (bachelor unit, 1 bedroom unit, 2 bedroom unit, 3 bedroom unit and 4 + bedroom unit).

STAFF HOUSING PORTFOLIO

As of March 31, 2022, a total of 133 staff housing units were maintained by QEC. The table below shows the breakdown by community and size of unit (bachelor unit, 1 bedroom unit, 2 bedroom unit, 3 bedroom unit and 4 + bedroom unit).

	Bachelor	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm	Total # Units
Iqaluit	0	30	17	27	3	0	77
Rankin Inlet	0	1	3	4	0	0	8
Baker Lake	0	13	13	8	0	0	34
Cambridge Bay	0	1	3	8	2	0	14
Total	0	45	36	47	5	0	133

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

In 2021-2022, QEC also worked on updating the Staff Housing Policy and procedure manual, however, the corporation was unable to implement it due to restrictions with collective bargaining. The corporation also began developing the Transient Housing Policy during the last fiscal year.

BAKER LAKE HEAD OFFICE

Significant construction progress took place for QEC's new Baker Lake head office in 2021-2022. Despite requiring immediate remediation works when unexpected soil deterioration occurred during ground thaw, as well as exterior wall insulation supply issues, the corporation quickly implemented contingency work processes which are expected to result in a three-month delay in completion of the project with a newly targeted completion date of December 2022. The estimated project cost of \$16.9 million increased by \$250,000 to cover costs associated with soil remediation. The new head



Construction of new Baker Lake head office.

office is expected to accommodate all administration staff in the community who are currently located in three different offices in the community, with spaces available for growth.

IQUALUIT MAIN PLANT OFFICE RENOVATIONS

In 2021-2022, significant construction progress was made on office space renovations in QEC's Iqaluit power plant, despite the COVID-19 pandemic heavily impacting the contractor's work schedule causing delays. Most of the project was completed by March 31, 2022. Remaining fire alarm system work is required before staff can begin to occupy the renovated spaces. This work is expected to be completed in May 2022.

HUMAN RESOURCES

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

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

STAFFING AND RECRUITMENT

In the 2021-2022 fiscal year, the department filled 29 positions through competition or developmental internal transfer assignments in alignment with QEC's Inuit Employment Plan (IEP). Currently, the department has filled 83% of positions with term or indeterminate employees. Nunavut Inuit employees represent 56% of QEC's workforce as of March 31, 2022.

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

- Screening of competitions comply with the Priority Hiring Policy and applicable GN Directives.
- Including the provision that *"Preference will be given to applicants who are Nunavut Inuit"* in all job ads and ensuring that the Priority Hiring Policy is applied to all competitions.
- Where appropriate, staffing vacant positions by restricting competitions (Inuit-only competition, Inuit-only by community competition).
- Hiring new employees into term positions when Inuit are not successful in the competition for the indeterminate role, but may qualify for the position in the future.
- Cancelling competitions when no qualified Inuit candidates have been identified and reposting to attract Inuit applicants.
- Offering developmental internal transfer assignments when appropriate to Inuit employees and supporting the employee in attaining the education and experience required for the position.
- Hiring Inuit staff to fill vacant positions in a temporary capacity when a competition is unsuccessful, and assisting the employee in gaining the necessary experience and skills required to qualify for consideration when the position is re-advertised.
- Applying priority hiring for any temporary staff for short or long-term employment assignments.
- Establishing relationships with Nunavut high schools and post-secondary institutions to ensure access to QEC Summer Student Program.

LABOUR AND EMPLOYEE RELATIONS

EARLY INTERVENTION

Pre-grievance dispute resolution is an alternative method to more traditional approaches of resolving workplace disputes (such as grievances, litigation, harassment complaints, etc.). Where appropriate, union stewards engage with management in pre-grievance dispute resolution to reach a mutually acceptable outcome to identified issues.

In 2021-2022, there was one pre-grievance, which was successfully resolved prior to being elevated to a grievance submission.

GRIEVANCES

A grievance is typically filed in the event that disputes are not resolved through, or are inappropriate for, the early intervention process. A grievance is a statement of dissatisfaction, produced by an individual, the union or, uncommonly, from excluded employees, regarding the interpretation or application of QEC's Collective Agreement or other instrument that affects the terms and conditions of employment. Negotiation between the parties is usually the first step in resolving grievances. If no resolution is reached, a mediator may be engaged to assist the parties. Ultimately, if there is no accord, the dispute is escalated to a third party arbitrator who hears the matter and renders a decision. As of March 31, 2022, there were six grievances, four of which were individual grievances and two of which were policy grievances. Four grievances were successfully resolved prior to being elevated to an arbitration, while two are active and scheduled for arbitration.

EMPLOYEE RELATIONS INITIATIVES

In 2021-2022, QEC led meetings to engage with employees and promote respect in the workplace. These meetings were led by the President/CEO and occurred in Baker Lake, Iqaluit, Rankin Inlet, and Cambridge Bay. In 2021-2022, mandatory, remote-access respectful workplace training was development for deployment in early 2022-2023.

In the previous fiscal year, the GN Department of Human Resources conducted a Best Practice Review of QEC's Human Resources policies, processes, and practices. The review outlined areas that affect employee and labour relations, including but not limited to the need to review policies governing terms and conditions of employment to ensure alignment, transparency, and clarity, reviewing compensation programs, and reviewing newly created positions to ensure alignment with the Government Organization Policy. As a result, throughout 2021-2022, QEC Human Resources focused heavily on addressing areas of improvement identified by the Best Practice Review. The GN HR department provided positive feedback on QEC's Inuit Employment Plan, Performance Management Tool, and Health and Safety Program.

QEC also evaluated and updated the performance management program in 2021-2022 to meet the corporation's current needs. The overall program was revised to better integrate with other internal processes and forms were revamped to help with implementation efficiency, while ensuring continuity across all performance management practices.

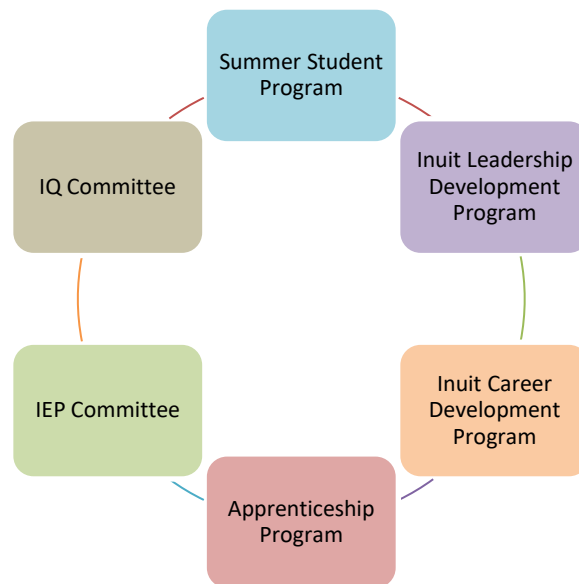
INUIT EMPLOYMENT PROGRAMS

INUIT EMPLOYMENT PLAN

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

INUIT EMPLOYMENT INITIATIVES

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



Summer Student Program (SSP): The purpose of this program is to expose Nunavut students to various functional areas of the organization by providing meaningful work experience over the summer months. Twelve students were hired across the territory for the 2021-2022 summer work term and were employed in a variety of positions ranging from office administration to plant operation.

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

- **Academic:** Supports Inuit who wish to obtain certificates, diplomas, or degrees in an area of study that is beneficial to the corporation. QEC did not have any Inuit employees enrolled in certification, diploma or degree programs for the 2021-2022 fiscal year.
- **Experiential:** Provides Inuit employees with temporary developmental assignments in professional and leadership roles. In 2021-2022, four Inuit employees engaged in Developmental Transfer Assignments to develop leadership within the Middle Management, Professional, and Administrative employment categories.
- **Professional:** Supports Inuit employees in obtaining professional accreditation. One Inuit employee was engaged in attaining professional credentialing in 2021-2022.

The ILDP was also revised in 2021-2022 with the goal of allowing QEC employees to benefit from the Government of Nunavut’s public service training programs.



QEC prioritizes increasing Inuit participation and employment across the corporation.

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

The initiative began in 2018 as part of a four-year commitment to providing Inuk employees with the opportunity to develop a career development plan. As of March 31, 2022, the department had engaged with 95% of its Inuit employees marking the department's successfully achievement of its 4-year commitment to engaging with at least of 90% of interested Inuit employees before the end of the fiscal year. Specifically, 97 Inuit were engaged in the career development planning process: 45 plans were completed, 2 were in progress, and 50 declined participation.

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

Apprenticeship Program: The purpose of this program is to reduce the dependency of hiring qualified journeymen from outside of the territory and allows the corporation to fill positions in communities with local residents. The Apprenticeship Program has been developed and is in the nearing the final stages the approval process as of March 31, 2022.

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

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

HUMAN RESOURCES PROJECTS

HUMAN RESOURCES INFORMATION SYSTEM IMPLEMENTATION

During 2021-2022, the HR department continued implementing StarGarden, a new Human Resources Information System. The HR, IT, and Finance departments completed the implementation of the payroll module. The next phase of the StarGarden project is the implementation of an applicant tracking system designed to improve the HR department's staffing and recruitment processes. QEC foresees significant administrative efficiencies by utilizing this new system.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation

Employment Summary, by Category

	Total Positions				Nunavut Inuit	
	Total Positions	Vacancies	Filled	% Capacity	Hired	% IEP
Executive	2.00	-	2.00	100%	1.00	50%
Senior Management	8.00	3.00	5.00	63%	-	0%
Middle Management	28.00	4.00	24.00	86%	6.00	25%
Professional	100.00	16.00	84.00	84%	38.00	45%
Paraprofessional	44.40	8.60	35.80	81%	29.80	83%
Administrative Support	24.00	3.00	21.00	88%	21.00	100%
Total Employment Categories	206.40	34.60	171.80	83%	95.80	56%

Employment Summary, by Community

Arctic Bay	1.60	-	1.60	100%	1.60	100%
Cape Dorset	2.00	-	2.00	100%	2.00	100%
Clyde River	1.60	-	1.60	100%	1.60	100%
Grise Fiord	1.60	-	1.60	100%	1.60	100%
Hall Beach	1.60	-	1.60	100%	1.60	100%
Igloolik	2.00	-	2.00	100%	2.00	100%
Iqaluit	92.00	20.00	72.00	78%	21.00	29%
Kimmirut	1.60	-	1.60	100%	1.60	100%
Pangnirtung	2.00	-	2.00	100%	2.00	100%
Pond Inlet	2.00	-	2.00	100%	2.00	100%
Qikiqtarjuaq	1.60	-	1.60	100%	1.60	100%
Resolute Bay	1.60	-	1.60	100%	1.60	100%
Sanikiluaq	1.60	0.60	1.00	63%	1.00	100%
Arviat	2.00	-	2.00	100%	2.00	100%
Baker Lake	47.00	10.00	37.00	79%	22.00	59%
Chesterfield Inlet	1.60	-	1.60	100%	1.60	100%
Coral Harbour	1.60	-	1.60	100%	1.60	100%
Nauyasat	1.60	-	1.60	100%	1.60	100%
Rankin Inlet	18.00	2.00	16.00	89%	11.00	69%
Whale Cove	1.60	-	1.60	100%	1.60	100%
Cambridge Bay	13.00	2.00	11.00	85%	6.00	55%
Gjoa Haven	2.00	-	2.00	100%	2.00	100%
Kugaaruk	1.60	-	1.60	100%	1.60	100%
Kugluktuk	2.00	-	2.00	100%	2.00	100%
Taloyoak	1.60	-	1.60	100%	1.60	100%
Total Community	206.40	34.60	171.80	83%	95.80	56%

Employment Summary, by Iqaluit and Other Communities

Iqaluit	92.00	20.00	72.00	78%	21.00	29%
Other communities	114.40	14.60	99.80	87%	74.80	75%
TOTAL	206.40	34.60	171.80	83%	95.80	56%

INFORMATION TECHNOLOGY

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

During the 2021-2022 fiscal year, IT responded to over 3,100 reported issues and partnered with various departments to deliver the following projects.

COMMUNICATIONS REVIEW

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

PAYROLL SOFTWARE

The implementation of new payroll software for finance was completed in 2021-2022. The software allows for the streamlining of the payroll process which includes payment of employees, time and attendance and reporting. The software also allows employees to update their time sheets, view pay slips and the ability to change pertinent information.

IT VISION

In the last fiscal year, IT continued to strategically respond and support staff as many employees were required to work remotely from home during COVID-19, all while continuing to help critical staff using the familiar on premises model. The IT department also focused on ensuring the stability of current IT infrastructure. In keeping with the latest and best security practices, an upgrade to QEC's file storage and backup was also required to stay abreast of updated hardware and software (including email, file storage, operating systems and internal accounting systems).

FINANCE

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

The focus of the Finance department is to:

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

2021-2022 ACCOMPLISHMENTS FOR THE FINANCE DEPARTMENT

PLEASE NOTE ALL DOLLARS ARE IN 000'S

FUEL STABILIZATION RATE FUND

In 2021-2022, one Fuel Stabilization Rate (FSR) refund was approved by the responsible Minister. A refund of 1.29 cents per kilowatt hour (cents/kWh) was applied to monthly customer bills from April 1 to September 30, 2021. An FSR refund was not required for October 1, 2021, to March 31, 2022. The total fuel rebate granted during the 2021-2022 fiscal year was \$1,059 compared to \$3,419 refund in 2020-2021.

INVENTORY

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

In 2021-2022, dedicated finance and operations teams counted the inventory for all locations resulting in better identification of inventory control issues as well as a reduction in inventory attributing to unfiled usage reports. Further inventory controls that were implemented during the fiscal year had an overall positive impact on QEC's inventory processes.

In addition, effort is ongoing to identify obsolete, damaged, and consumables portion of inventory. This is expected to improve accuracy of the carrying value of inventory, and ultimately result in the removal of the qualification related to inventory practices.

GENERAL RATE APPLICATION

QEC spent considerable time 2021-2022 preparing the 2022-2023 General Rate Application. On March 24, 2022, the corporation submitted the application to the Minister responsible for QEC to change electricity rates effective October 1, 2022. The application seeks approval on a shift from the current rate structure to a territory-wide electricity rate that is more equitable for customers. Under this structure, all customers of the same type would pay the same electricity rate regardless of where they are located in Nunavut.

The proposal also uses a different approach than previous applications requesting a territory-wide rate. To minimize financial impacts on customers, QEC is recommending that government rates increase to lower rates for non-government customers. In previous applications, efforts were made to rebalance the rates by proposing communities with higher rates decrease and communities with lower rates increase to make up the shortfall. This approach meant that communities with lower rates (larger communities such as Iqaluit) would see major rate increases.

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31 st (\$ in thousands)	2022	2021	2020	2019	2018
Revenues					
Sale of Power	\$ 130,891	\$ 127,476	\$ 131,632	\$ 127,522	\$ 118,202
Sale of Heat	698	524	946	724	840
Government contributions	9,304	3,417	6,591	593	-
Other Income	5,220	5,666	4,953	6,727	4,819
Insurance proceeds	-	-	-	15	7,994
Total Revenues	146,113	137,083	144,122	135,581	131,855
Total Expenses	135,320	133,142	134,975	131,089	122,134
Surplus (deficit) for the Year	\$ 10,793	\$ 3,941	\$ 9,147	\$ 4,492	\$ 9,721

Revenue from the sale of power increased in 2021-2022 by 2.7% (compared to a 3.1% decrease the previous fiscal year) due to a lower FSR refund of \$2,300 and increased electrical sales (Kwh).

The corporation assists in the administration of two support programs:

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

Arctic Energy Fund grants that were earned during the 2021-2022 fiscal year amounts to \$5,185 (dollars in thousands, compared to \$316 in 2020-2021), booked as income under Government contributions. These grants are designed to offset the related capital expenditures that qualify for the program.

Other Income (as indicated in the table above) decreased by 8% mainly due to decrease in recoverable projects and related administration charges. The previous fiscal year saw a 14% increase due to higher administration charges related to recoverable projects.

Overall Total Expenses increased by 1.6% (compared to a 1% decrease in 2020-2021) mainly from increased overhaul materials, labour and travel.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

For the year ended March 31st (000's)	2022	%	2021	%
Expenses by Object or Type by Dollar and % of Total				
Fuel and Lubricants	47,124	35%	46,693	35%
Salaries, Wages and Benefits	35,450	26%	36,804	28%
Supplies and Services	30,806	23%	28,620	22%
Amortization, Write Down and Disposal of Tangible Capital Assets	14,798	11%	13,744	10%
Travel and Accommodations	4017	3%	3264	3%
Interest Expense	2844	2%	3746	2%
Bad Debt Expense	281	-	271	-
	135,320	100%	133,142	100%

In 2021-2022, fuel and lubricants expenses increased due to higher cost and consumption. Salaries, Wages, and Benefits were lower as the salary rate in 2020-2021 was also applied in 2021-2022 due to lack of a new collective agreement and was also partly due to vacancies and increased capital expense allocation. This expense is expected to increase in 2022-2023 with the anticipated implementation of a new collective agreement effective January 1, 2021. Supplies and Services were higher due to increased maintenance. Amortization higher due to increased asset base associated with capital plan. Interest Expenses were lower due to the decrease in borrowing rate that occurred during the 2020-2021 year, and the prevailing relatively low interest rate environment. Interest expenses are expected to increase in 2022-2023 as the Bank of Canada continues to increase its policy rate to manage inflation. In managing its liquidity and market risks, QEC continues to monitor the interest rate environment and corresponding impact on its borrowing facilities and has initiated discussions with its banker and the Government of Nunavut in exploring fixing a portion of its debt.

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

As at March 31st	2022	2021	2020	2019	2018
Financial Assets	\$ 37,219	\$ 34,308	\$ 49,266	\$ 30,793	\$ 29,346
Liabilities	(265,161)	(237,192)	(250,539)	(235,112)	(211,524)
Net Debt	(227,942)	(202,884)	(201,273)	(204,319)	(182,178)
Non-financial Assets	384,006	348,155	342,603	336,511	309,878
Accumulated Surplus	\$ 156,064	\$ 145,271	\$ 141,330	\$ 132,192	\$ 127,700

As of March 31, 2022, financial assets were higher compared to the previous fiscal year due to an increase in cash at fiscal year end.

Liabilities were higher due to increases in long term debts (due to higher capital expenditures as more projects were implemented) and in the amounts due to suppliers. This resulted in a net debt increase of \$25,058 (calculated in thousands).

2021-2022 CAPITAL EXPENDITURE SUMMARY

Capital Expenditures by Region (\$ in thousands)		
For the year ended March 31 st	2022	2021
Kitikmeot	\$ 5,370	1,815
Kivalliq	14,134	1,518
Qikiqtaaluk	29,131	14,396
Nunavut/Corporate	93	452
Total capital expenditures	\$ 48,728	18,181

Capital expenditures were \$30,547 higher than the previous fiscal year due to the completion of a large capital project in Arctic Bay and the ongoing construction of the new Head Office in Baker Lake as well as other projects moving forward after the pandemic slowdown.

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)					
For the year ended March 31 st	2022	2021	2020	2019	2018
Interest Coverage Ratio					
Surplus before Interest on Long-term Debt	\$ 12,425	\$ 6,362	\$ 14,196	\$ 9,691	\$ 13,876
Interest on Long-term Debt	\$ 1,632	\$ 2,421	\$ 5,058	\$ 5,199	\$ 4,155
Debt Expense Burden (critical below 1.50)	7.6	2.63	2.81	1.86	3.34
Debt Ratio					
Assets	\$ 421,225	\$ 382,463	\$ 391,869	\$ 367,304	\$ 339,224
Liabilities	\$ 265,161	\$ 237,192	\$ 250,539	\$ 235,112	\$ 211,524
Ability to pay Long-term Debt	1.59	1.61	1.56	1.56	1.60
Debt to Accumulated Surplus					
Bank Indebtedness	\$ 10,000	\$ 12,685	\$ 15,874	\$ 9,867	\$ 11,201
Long-term Debt	\$ 209,261	\$ 189,350	\$ 190,994	\$ 186,483	\$ 163,263
Total Debt	\$ 219,261	\$ 202,035	\$ 206,868	\$ 196,350	\$ 174,464
Accumulated Surplus	\$ 156,064	\$ 145,271	\$ 141,330	\$ 132,192	\$ 127,700
Debt ratio	0.58	0.58	0.59	0.60	0.58
Accumulated Surplus ratio	0.42	0.42	0.41	0.40	0.42
Debt to Accumulated Surplus Ratio	1.40	1.39	1.46	1.49	1.37

In 2021-2022, QEC repaid principal amounts of \$32,958 (dollars in thousands), compared to \$17,574 in 2020-2021, toward the corporation's long-term debt. Although total debt increased, QEC has reduced its overall effective interest rate by borrowing through its bank credit lines using Bankers' Acceptances. These provide a much lower rate compared to a fixed rate loan, where the rate could be 350 basis points higher. Rates are expected to increase in the future and the corporation is considering fixing a portion of its debt to mitigate liquidity and market risks.

The corporation's debt to accumulated surplus ratio, referred to as the borrowing limit under Section 25 of the *Qulliq Energy Corporation Act*, was 1.40:1 (2021: 1.39:1) and remained well below the maximum allowed 3:1 ratio.

DISCLOSURE OF DEBT FORGIVENESS FOR 2021-2022

Under Section 84 of the *Financial Administration Act* (Part IX, Public Agencies), QEC is required to publicly disclose in its annual report any asset, debt or obligation that exceeds \$500 and written off during the financial year. Section 83 of the *Financial Administration Act* requires Legislative Assembly approval to forgive debts owed to a public agency. There was no instance of debt forgiveness in 2021-2022.

QULLIQ ENERGY CORPORATION**FINANCIAL STATEMENTS****March 31, 2022**

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Management Statement

July 20, 2022

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

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

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

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

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

On behalf of Qulliq Energy Corporation's management:



Rick Hunt

President and Chief Executive Officer



Bill Nippard

Acting Chief Financial Officer



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister Responsible for Qulliq Energy Corporation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Qulliq Energy Corporation (the Corporation), which comprise the statement of financial position as at 31 March 2022, and the statement of operations and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our Report on the Audit of the Financial Statements, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2022, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Due to the travel restrictions put in place as a result of the COVID-19 pandemic, we were not able to observe the counting of physical inventories for the years ended 31 March 2022 and 31 March 2021, or satisfy ourselves concerning those inventory quantities by alternative means. As a result, we were also unable to determine whether or not management had implemented reliable count procedures and appropriate procedures to account for the usage of spare parts and lubricants inventories. We were therefore unable to determine whether any adjustments might be necessary to reported non-financial assets as at 31 March 2022 and 31 March 2021 and to the results of operations, changes in net debt and cash flows for the years then ended. Our audit opinion on the financial statements for the year ended 31 March 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Compliance with Specified Authorities

Opinion

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

In our opinion, the transactions of Qulliq Energy Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by Qulliq Energy Corporation and the financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

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

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

A handwritten signature in black ink, appearing to read "Michael Robichaud". The signature is fluid and cursive, with the first name "Michael" and last name "Robichaud" clearly distinguishable.

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

Ottawa, Canada
20 July 2022

FINANCIAL STATEMENTS

QULLIQ ENERGY CORPORATION

Statement of Financial Position

As at March 31

(in thousands of dollars)

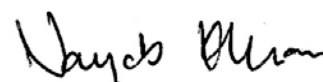
	2022	2021
Financial assets		
Cash	\$ 2,431	\$ -
Accounts receivable (Note 3)	34,788	34,308
	37,219	34,308
Liabilities		
Bank indebtedness (Note 4)	10,000	12,685
Accounts payable and accrued liabilities (Note 5)	19,608	12,441
Utility deposits	1,717	1,632
Due to Petroleum Products Division	17,791	16,246
Deferred revenue	1,854	1,517
Debt (Note 6)	209,261	189,350
Due to the Government of Nunavut (Note 7)	1,646	-
Employee future benefits (Note 8)	3,284	3,321
	265,161	237,192
Net debt	(227,942)	(202,884)
Non-financial assets		
Tangible capital assets (Schedule A)	355,678	321,748
Inventories for use (Note 9)	26,171	24,589
Prepaid expenses	2,157	1,818
	384,006	348,155
Accumulated surplus	\$ 156,064	\$ 145,271

Contractual obligations (Note 14)
 Contractual rights (Note 16)
 Environmental liability for contaminated sites (Note 17)

Approved on behalf of the Board:



Chair, Board of Directors



Chair, Finance and Audit Committee

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

QULLIQ ENERGY CORPORATION

Statement of Operations and Accumulated Surplus

For the year ended March 31

(in thousands of dollars)

	2022	2022	2021
	Budget	Actual	Actual
Revenues			
Sales of power (Note 10)	\$ 133,233	\$ 130,891	\$ 127,476
Government contributions (Note 15)	500	9,304	3,417
Other income (Note 11)	7,316	5,220	5,666
Sales of heat	1,080	698	524
Total revenues	142,129	146,113	137,083
Expenses by department (Note 12)			
Plant Operations	67,993	69,185	68,062
Shared (Corporate)	20,967	21,561	20,535
Property Management	9,716	9,569	10,944
Regional Operations	6,098	7,888	6,781
Finance	6,735	6,408	7,207
Information Technology	3,017	3,356	3,379
Engineering	2,798	2,827	3,366
Territorial Operations	3,350	2,825	2,416
Line East Operations	2,400	2,807	3,529
Health, Safety & Environment	2,651	2,620	2,241
Line West Operations	2,150	1,924	-
Iqaluit Office	1,411	1,362	1,256
Human Resources	2,274	1,235	1,575
Corporate Affairs	1,962	1,170	1,391
Residual heat	294	422	294
Board	299	161	166
Total expenses	134,115	135,320	133,142
Surplus for the year	8,014	10,793	3,941
Accumulated surplus, beginning of the year	145,271	145,271	141,330
Accumulated surplus, end of the year	\$ 153,285	\$ 156,064	\$ 145,271

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

QULLIQ ENERGY CORPORATION**Statement of Change in Net Debt**

For the year ended March 31*(in thousands of dollars)*

	2022	2022	2021
	Budget	Actual	Actual
Surplus for the year	\$ 8,014	\$ 10,793	\$ 3,941
Tangible capital assets			
Additions	(36,279)	(47,776)	(17,839)
Capitalized overhead	(1,234)	(874)	(303)
Capitalized interest (Note 13)	(218)	(78)	(39)
Amortization	13,755	14,798	13,744
	(23,976)	(33,930)	(4,437)
Additions to inventories for use	-	(49,384)	(46,084)
Consumption of inventories for use	-	47,802	45,593
Additions of prepaid expenses	-	(7,832)	(4,155)
Use of prepaid expenses	-	7,493	3,531
	-	(1,921)	(1,115)
Increase in net debt for the year	(15,962)	(25,058)	(1,611)
Net debt, beginning of the year	(202,884)	(202,884)	(201,273)
Net debt, end of the year	\$ (218,846)	\$ (227,942)	\$ (202,884)

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

QULLIQ ENERGY CORPORATION

Statement of Cash Flow

For the year ended March 31

(in thousands of dollars)

	2022	2021
Cash provided by (used for) operating activities:		
Cash received from customers	\$ 138,351	\$ 147,668
Cash paid to suppliers	(77,611)	(84,494)
Cash paid to employees	(35,380)	(35,681)
Interest paid	(2,860)	(3,762)
Cash provided by operating activities	<u>22,500</u>	<u>23,731</u>
Cash used for capital activities:		
Tangible capital asset acquisitions	(44,809)	(20,566)
Cash used for capital activities	<u>(44,809)</u>	<u>(20,566)</u>
Cash provided by (used for) financing activities:		
Increase in debt	52,869	15,930
Repayment of debt	(32,958)	(17,574)
Government contributions received	7,514	1,668
Cash provided by financing activities	<u>27,425</u>	<u>24</u>
Decrease in bank indebtedness	5,116	3,189
Net bank indebtedness, beginning of year	(12,685)	(15,874)
Net bank indebtedness, end of year	\$ (7,569)	\$ (12,685)
Represented by:		
Cash	2,431	-
Bank indebtedness	(10,000)	(12,685)
	<u>(7,569)</u>	<u>(12,685)</u>

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

1 The Corporation

(a) Authority and corporate information

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

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

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

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

(b) Regulated activities

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

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

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

2 Significant accounting policies

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

(a) Budget

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(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 estimates and assumptions relate to employee future benefits liabilities, allowance for doubtful accounts, provision for environmental liabilities, the useful life of tangible capital assets, and the valuation of inventories for use.

(c) Cash

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

(d) Bank indebtedness

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

(e) Accounts receivable

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

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

(f) Inventories for use

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

(g) Tangible capital assets

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

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

Assets under construction are not amortized until put into production.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

2 Significant accounting policies (continued)

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

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

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

(h) Project development costs

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

(i) Government funding

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

(j) Employee future benefits liabilities

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

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

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

(k) Revenues

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

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

2 Significant accounting policies (continued)

(l) Financial instruments

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

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

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

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

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

(m) Environmental liability for contaminated sites

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

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

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

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

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

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

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

2 Significant accounting policies (continued)

(n) Contingencies

Contingent liabilities result from pending lawsuits and like items. The contingencies of the Corporation are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur, or fail to occur, and the costs can be reasonably estimated, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements and no liability is accrued. The Corporation had no contingent liabilities to disclose for the year.

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

(o) Related party transactions

Inter-entity transactions

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

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

Other related party transactions

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

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

(p) Future changes in accounting standards

Section PS 3280 Asset Retirement Obligations, has been issued by the PSAB and is effective for the fiscal years beginning on or after April 1, 2022. This section establishes standards as to how to account for and report a liability for asset retirement obligations along with post-retirement operation, maintenance and monitoring costs.

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

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

3 Accounts receivable

	Related parties	Third parties	2022	2021
Trade receivables	\$ 20,587	\$ 19,493	\$ 40,080	\$ 40,082
Employee advances	-	7	7	-
	\$ 20,587	\$ 19,500	\$ 40,087	\$ 40,082
Less: Allowance for doubtful accounts	(1,137)	(4,162)	(5,299)	(5,774)
	\$ 19,450	\$ 15,338	\$ 34,788	\$ 34,308

Related party accounts receivable by source are as follows:

	2022		2021	
	Accounts Receivable	Allowance for Doubtful Accounts	Net	Net
Government of Nunavut				
Departments	\$ 13,101	\$ (800)	\$ 12,301	\$ 8,948
Territorial corporations	7,486	(337)	7,149	10,171
	\$ 20,587	\$ (1,137)	\$ 19,450	\$ 19,119

4 Bank indebtedness

The Corporation has a credit facility with a limit of \$20,000 (2021 - \$30,000). Interest charged on the credit facility is at prime minus 0.5% (2022 - 2.2%; 2021 - 1.95%). The facility allows for the use of Bankers' Acceptances (BAs) for borrowing. The BAs have a stamping fee of 50 basis points per annum and the interest rate is approximately prime minus 2.0%, subject to market, with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof. The credit facility is secured by a CIBC indemnity/operating agreement and guaranteed by the Government of Nunavut.

	2022	2021
BAs	\$ 10,000	\$ 10,000
Bank overdraft	-	2,685
	\$ 10,000	\$ 12,685

5 Accounts payable and accrued liabilities

	Related parties	Third parties	2022	2021
Trade payables and accrued liabilities	\$ 205	\$ 11,814	\$ 12,019	\$ 6,347
Payroll liabilities and taxes	-	5,027	5,027	4,919
Holdbacks	-	2,416	2,416	877
GST payable	-	146	146	298
	\$ 205	\$ 19,403	\$ 19,608	\$ 12,441

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

	2022	2021
Government of Nunavut		
Departments	\$ 199	\$ 207
Territorial corporations	6	24
	\$ 205	\$ 231

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

6 Debt

	2022	2021
Debtenture, redeemable with interest calculated at a fixed rate of 6.809%, amortized over 20 years, due September 27, 2021. Blended semi-annual payments of \$2,848 with a balloon payment of \$17,502 at the end of the term.	\$ -	\$ 17,502
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.	-	74
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.	-	106
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.	-	188
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.	-	3,092
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.	-	515
Facility G non-revolving committed loan with interest calculated at a variable rate of prime minus 0.5% per annum, with principal payments of \$83 plus interest due monthly, beginning on December 1, 2012 with the final payment due on November 30, 2022. This facility has an option to utilize BAs with stamping fees calculated at 50 basis points per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.	10,667	11,667
Facility H non-revolving committed loan in eight tranches with interest calculated at a variable rate of prime minus 0.5% per annum, with principal payments on the first tranche of \$100 plus interest due monthly, beginning on April 1, 2015 with the final payment due on April 1, 2025; on the second tranche of \$58 plus interest due monthly, beginning on April 1, 2016 with the final payment due on April 1, 2026; on the third tranche of \$82 plus interest due monthly, beginning April 1, 2017 with the final payment due on April 1, 2027; on the fourth tranche of \$166 plus interest due monthly, beginning April 30, 2018 with the final payment due on April 30, 2028; on the fifth tranche of \$160 plus interest due monthly, beginning April 30, 2019 with the final payment due on April 30, 2029; on the sixth tranche of \$80 plus interest due monthly, beginning April 30, 2020 with the final payment due on April 30, 2030; on the seventh tranche of \$66 plus interest due monthly, beginning April 30, 2021 with the final payment due on April 30, 2031; and on the eighth tranche of \$137 plus interest due monthly, beginning April 30, 2022 with the final payment due on April 30, 2032. This facility has an option to utilize BAs with stamping fees calculated at 50 basis points per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.	170,055	145,739

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

6 Debt (continued)

Facility J non-revolving committed loan with interest calculated at a variable rate of prime minus 0.5% per annum, with principal payments of \$67 plus interest due monthly, beginning on May 1, 2014 with the final payment due on April 30, 2024. This facility has an option to utilize BAs with stamping fees calculated at 50 basis points per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.

9,667 10,467

The Government of Nunavut loan's interest is based on the operating account's deposit rate paid by the Government of Nunavut's banker plus 0.15 percent per annum compounded monthly not in advance, beginning on September 29, 2021 in equal monthly instalments of \$173, including principal and interests. The final instalment, together with any other amounts accrued under this loan, is payable August 31, 2031.

18,872 -

\$ 209,261 \$ 189,350

Related party debt by source is as follows:

	2022	2021
Government of Nunavut		
Departments	\$ 18,872	-
	\$ 18,872	-

Scheduled principal debt repayment amounts are as follows:

2023	\$	23,607
2024		12,954
2025		20,235
2026		23,082
2027		17,287
2028 to 2033		112,096
Total	\$	209,261

Section 25 of the *Qulliq Energy Corporation Act* requires the Corporation's borrowings not to exceed three times its accumulated surplus at any time. The Corporation's borrowings were 1.40 times its accumulated surplus at March 31, 2022 (2021 - 1.39 times).

The debt is guaranteed by the Government of Nunavut up to a limit of \$250 million (2021 - \$250 million).

7 Due to the Government of Nunavut

The Government of Nunavut has provided to the Corporation an interest free repayable contribution to help fund its Capital and Operations and Maintenance (O&M) project expenses related to Contractor isolation costs arising from the COVID pandemic. The total amount of funding of \$2,345, applicable to the approved Capital and O&M was approved on June 9, 2021 and received by the Corporation on July 27, 2021. As of March 31, 2022, the Corporation has incurred eligible COVID isolation expenses for a total amount of \$699, which was recorded as revenue under Government contributions, in the Statement of Operations and Accumulated Surplus. The unspent balance at year end of \$1,646 is payable to the Government of Nunavut in the next fiscal year as per agreement.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2022
(in thousands of dollars)

8 Employee future benefits

Pension Plan:

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

Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end is 1.02 times (2021 - 1.01 times) for members enrolled before January 1, 2013 and 1.00 times (2021 - 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:

	2022	2021
Employer's contributions	\$ 2,153	\$ 2,256
Employees' contributions	2,080	2,144
Total contributions	\$ 4,233	\$ 4,400

Severance, removal and sick leave benefits:

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

	2022	2021
Severance	\$ 2,079	\$ 2,094
Sick leave	700	700
Removal	505	527
Total	\$ 3,284	\$ 3,321

The Corporation paid \$510 (2021 - \$769) in employee future benefits during 2022.

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

	2022	2021
Discount rate	2.45%	1.95%
Reduction factor for employees with less than 10 years of service	50.0%	50.0%
Estimated age of retirement or resignation	65 years	65 years

9 Inventories for use

	2022	2021
Spare parts	\$ 16,350	\$ 16,756
Fuel	8,727	5,497
Supplies and lubricants	1,094	2,336
Total	\$ 26,171	\$ 24,589

An allowance for obsolescence of \$507 (2021 - \$507) has been recorded to reduce slow moving inventory items to their estimated replacement cost. There have been no reversals of previous write-downs. No inventories have been pledged as security for liabilities.

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10 Sales of power

	Related parties	Third parties	2022	2021
Commercial customers	\$ 28,356	\$ 47,952	\$ 76,308	\$ 74,939
Residential customers	38,509	14,580	53,089	50,824
Electrical streetlights and private area lighting	-	1,494	1,494	1,713
	\$ 66,865	\$ 64,026	\$ 130,891	\$ 127,476

Related party sales of power by source are as follows:

	2022	2021
Government of Nunavut		
Departments	\$ 33,411	\$ 32,635
Territorial corporations	33,454	33,378
	\$ 66,865	\$ 66,013

The Corporation administers the Government of Nunavut's Public Housing Support Subsidy, for which it invoiced \$26,506 (2021 - \$26,774) on behalf of customers. This program subsidizes qualifying residential customers living in public housing by supplementing the customer the difference between the approved residential rate and 6.0 cents per kWh. The Corporation invoices the Nunavut Housing Corporation on a monthly basis for the power subsidies and applies the amounts to individual customer invoices.

The Corporation administers the Government of Nunavut's Territorial Power Support Subsidy, for which it invoiced \$9,840 (2021 - \$10,106) on behalf of customers. This program subsidizes qualifying residential customers in all communities up to 50% of the Iqaluit base rate on the first 700 kWh consumed each month between April and September, and on the first 1,000 kWh consumed each month between October and March. The Corporation invoices the Government on a monthly basis for the power subsidies and applies the amounts to the individual customer invoices.

The Fuel Stabilization Rate (FSR) refund was 1.29 cents/kWh for April 1, 2021 to September 30, 2021 (FSR refund was 2.76 cents/kWh for April 1, 2020 to September 30, 2020). FSR refund was nil for October 1, 2021 to March 31, 2022 (FSR refund was 1.25 cents/kWh from October 1, 2020 to March 31, 2021). The total fuel rebate granted during the year was \$1,059 (2021 - \$3,419).

11 Other income

	Related parties	Third parties	2022	2021
Administration and other service fees	\$ 631	\$ 1,168	\$ 1,799	\$ 1,973
Housing recoveries from employees	16	1,538	1,554	1,512
Capital funding from customers	27	1,257	1,284	1,600
Pole rentals	46	537	583	581
	\$ 720	\$ 4,500	\$ 5,220	\$ 5,666

Related party other income by source are as follows:

	2022	2021
Government of Nunavut		
Departments	\$ 322	\$ 975
Territorial corporations	398	442
	\$ 720	\$ 1,417

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12 Expenses

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

	Related parties	Third parties	2022	2021
Fuel and lubricants	\$ 35,568	\$ 11,556	\$ 47,124	\$ 46,693
Salaries, wages and benefits	-	35,450	35,450	36,804
Supplies and services	738	30,068	30,806	28,620
Amortization of tangible capital assets (Schedule A)	-	14,798	14,798	13,744
Travel and accommodations	42	3,975	4,017	3,264
Interest expense (Note 13)	80	2,764	2,844	3,746
Bad debt expense	-	281	281	271
	\$ 36,428	\$ 98,892	\$ 135,320	\$ 133,142

Related party expenses by source are as follows:

	2022	2021
Government of Nunavut		
Departments	\$ 36,394	\$ 39,550
Territorial corporations	34	346
	\$ 36,428	\$ 39,896

13 Interest expense

	2022	2021
Interest on debt	\$ 1,632	\$ 2,421
Interest and bank charges	1,290	1,364
Less: Interest capitalized on construction projects	(78)	(39)
	\$ 2,844	\$ 3,746

14 Contractual obligations

Operating leases

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

	2023	2024	2025	2026	2027	Total
Related parties						
Departments	308	-	-	-	-	\$ 308
	308	-	-	-	-	308
Third parties	2,758	785	337	4	-	3,884
	\$ 3,066	\$ 785	\$ 337	\$ 4	\$ -	\$ 4,192

Fuel purchase commitments

The Corporation has made purchase commitments of \$46,515 (54,450,000 litres) to purchase fuel in the fiscal year ending March 31, 2023. This amount is due to be paid in fiscal 2023. The majority of the commitment is with the Petroleum Products Division (a commonly controlled entity).

Capital purchase commitments

Commitments in the amount of \$426 have been made in relation to upcoming capital expenditures which are expected to be paid in the next two fiscal years.

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14 Contractual obligations (continued)

Other operating commitments

Commitments in the amount of \$2,404 have been made in relation to other upcoming operating expenditures which are expected to be paid in fiscal 2023.

15 Government contributions

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

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

The Government of Nunavut has entered into an agreement with the Corporation to provide financial support, under the Government of Canada's Carbon Tax Program, for a maximum of \$2,000 for eligible expenditures incurred and spent for replacement of conventional streetlights across Nunavut with high efficiency bulbs. An amount of \$500 will be provided per year over four years to replace high efficiency bulbs in 21 communities.

The Government of Nunavut provided financial support to the Corporation towards Contractor isolation costs for lost wages for executing capital and operations and maintenance projects during the year.

The Government of Canada has entered into an agreement with the Corporation to provide financial support, under the Clean Energy in Rural and Remote Communities Deployment Program, for a maximum amount of \$3,380 for eligible expenditures incurred, spent, approved and claimed on or before September 30, 2023 on the terms and conditions set out in the said agreement. The Corporation will invest in Solar Photovoltaic with energy storage for Kugluktuk.

The Corporation signed several smaller value funding agreements with Government of Canada towards exploration of alternative and renewable energy resources and improving the energy efficiency.

Government contributions

	2022	2021
Arctic Energy Fund	\$ 5,185	316
Low Carbon Economy Fund	2,690	97
COVID-19 isolation costs (Note 7)	699	1,000
Government of Canada's Carbon Tax Program	500	500
Clean Energy in Rural and Remote Communities Deployment Program	140	49
Other	90	103
ecoENERGY Innovation Initiative	-	1,352
	\$ 9,304	\$ 3,417

16 Contractual rights

The Corporation enters into funding agreements with various government agencies and businesses (Note 15). These funding agreements will result in revenue and assets in the future if and when the Corporation meets the eligibility requirements stipulated within the agreements. The receipt of funding for each program is subject to the Corporation meeting the eligibility requirements under each of the respective funding agreements.

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

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16 Contractual rights (continued)

Arctic Energy Fund	\$	163,161
Low Carbon Economy Fund		3,379
Clean Energy in Rural and Remote Communities Deployment Program		1,889
Government of Canada's Carbon Tax Program		1,000
Other		1,207
	\$	170,636

The Corporation has accrued an amount receivable of \$3,788 (2021 - \$492) for amounts contractually owed under its funding agreements with the Government of Nunavut and the Government of Canada as the Corporation met the eligibility requirements stipulated within the agreements. These receivables are expected to be received in fiscal 2023.

	Less than 1 year	Between 1 and 4 years	2022	2021
Arctic Energy Fund	\$ 8,589	\$ 154,572	\$ 163,161	168,371
Low Carbon Economy Fund	3,379	-	3,379	6,069
Clean Energy in Rural and Remote Communities Deployment Program	1,757	132	1,889	3,325
Government of Canada's Carbon Tax Program	500	500	1,000	1,500
Other	1,052	155	1,207	-
	\$ 15,277	\$ 155,359	\$ 170,636	\$ 179,265

17 Environmental liability for contaminated sites

The Corporation's activities are subject to various federal and territorial laws and regulations, such as the Environmental Protection Act of Nunavut and the Environmental Guideline for Contaminated Site Remediation - 2010, governing the protection of the environment or to minimize any adverse impact thereon. The Corporation conducts its operations so as to protect public health and the environment and believes its operations are in compliance with all applicable laws and regulations.

The Corporation has identified 27 sites (2021 - 27 sites) where the concentration of petroleum hydrocarbons and other pollutants in the soil exceeds environmental standards. The contamination of certain of these sites occurred when other parties were responsible for the use of and/or held tenure to the sites.

Management estimates the future remediation costs to be approximately \$36.5 million (2021 - \$39 million). No environmental liability provision for remediation of these sites has been recognized in these financial statements as there is no legal requirement to remediate these sites; nor does management have the intention to remediate any of the sites. Going forward, an environmental liability provision for the remediation of any of these sites will be recognized if, and when, it is determined that public health is at risk.

The Corporation has a monitoring program in place to ensure that the identified contaminated sites do not harm persons or the environment. Accounts payable and accrued liabilities includes a provision of \$670 (2021 - \$670) related to the monitoring program. The undiscounted future expenditures for this liability are \$1,305 (2021 - \$1,272). The provision was determined by discounting the total future expected cash flows over an estimated period of 45 years using a rate that reflects the Corporations' effective borrowing rate. The provision is subsequently revalued at the current discount rate in effect at each Statement of Financial Position date. At March 31, 2022, the future expenditures are discounted using a rate of 2.45% (2021 - 1.95%).

During 2016, the Corporation determined that the containment method in use at one of its contaminated sites, located in Baker Lake, was no longer functioning as intended. The Corporation proceeded with a Human Health Risk Assessment at this site which resulted in one particular site exceeding the prescribed contaminant levels. In September 2016, the Corporation proceeded with its remediation plan which included a lined land farm cell and a trench. The remediation of this site was completed during the summer of 2019. However, due to some concerns raised by residents, the Corporation is looking to a bigger land farm away from the community and has requested another parcel of land away from the Hamlet. Accounts payable and accrued liabilities includes a provision of \$ 217 (2021 - \$217) in relation to this site.

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17 Environmental liability for contaminated sites (continued)

During 2018, one spill of significant volume occurred at the Corporation's power plant in Grise Fiord spilling 4,000 litres of diesel fuel. In compliance with Section 5 of the Environmental Protection Act of Nunavut, the Corporation is repairing damage caused by these discharges and eliminating any danger to life, health, property or the environment. Partial remediation was completed during the summer of 2018 and 2021. Accounts payable and accrued liabilities includes a provision of \$578 (2021 - \$212) in relation to this site.

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

18 Financial instruments

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk through cash deposits with financial institutions and accounts receivable arising from the sale of electricity and related services to customers. For cash in interest-bearing accounts and accounts receivable, the maximum exposure to credit risk is the carrying amount on the Statement of Financial Position. At the end of 2022, 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:

	2022	2021
Balance, beginning of year	\$ 5,774	\$ 5,907
Increase in allowance during year	268	286
Receivables written-off during the year	(743)	(419)
Balance, end of year	\$ 5,299	\$ 5,774

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

	Days Past Billing Date			2022	2021
	31 - 60	61-90	Over 90		
March 31, 2022	\$ 10,500	\$ 3,074	\$ 6,719	\$ 20,293	\$ 20,247

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.

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Notes to the Financial Statements
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18 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	2022	2021
Debt (including interest)	\$ 26,396	\$ 81,833	\$ 115,772	\$ 224,001	198,114
Accounts payable and accrued liabilities	19,608	-	-	19,608	12,441
Due to Petroleum Products Division	17,791	-	-	17,791	16,246
Bank indebtedness	10,000	-	-	10,000	12,685
Utility deposits	1,717	-	-	1,717	1,632
Due to the Government of Nunavut	1,646	-	-	1,646	-
	\$ 77,158	\$ 81,833	\$ 115,772	\$ 274,763	\$ 241,118

Market Risk

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

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

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

	2022	2021
Bank indebtedness	\$ 100	\$ 127
Debt	1,773	1,679
	\$ 1,873	\$ 1,806

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

19 COVID - 19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic while it rapidly spread throughout Canada and the rest of the world. During the year, the pandemic resulted in changes to the Corporation's operations including (i) the closure of its offices by territorial decree, and (ii) the provision of payment plans for certain customer accounts across the territory.

Although these changes did not have a significant impact to the Corporation for the current year, the operations and financial statements of the Corporation and its clients could be adversely impacted in the event the pandemic is prolonged.

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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	2022	2021
Cost of Capital Assets									
Opening balance	\$ 1,950	\$ 340,468	\$ 78,827	\$ 21,973	\$ 20,873	\$ 8,095	\$ 6,989	\$ 479,175	\$ 479,962
Transferred from work in progress	-	8,120	3,586	-	687	537	657	13,587	4,360
Disposals	-	-	-	-	(167)	(526)	-	(693)	(5,147)
Closing balance	1,950	348,588	82,413	21,973	21,393	8,106	7,646	492,069	479,175
Accumulated Amortization									
Opening balance	(625)	(128,682)	(27,480)	(12,070)	(6,568)	(5,484)	(3,795)	(184,704)	(176,107)
Amortization	(36)	(11,075)	(1,591)	(793)	(415)	(555)	(333)	(14,798)	(13,744)
Disposals	-	-	-	-	167	526	-	693	5,147
Closing balance	(661)	(139,757)	(29,071)	(12,863)	(6,816)	(5,513)	(4,128)	(198,809)	(184,704)
Work in Progress									
Opening balance	-	21,159	3,499	418	1,368	111	722	27,277	13,456
Additions	-	28,249	3,658	3,661	11,311	683	1,166	48,728	18,181
Transferred to cost of tangible capital assets	-	(8,120)	(3,586)	-	(687)	(537)	(657)	(13,587)	(4,360)
Closing balance	-	41,288	3,571	4,079	11,992	257	1,231	62,418	27,277
Net Book Value	\$ 1,289	\$ 250,119	\$ 56,913	\$ 13,189	\$ 26,569	\$ 2,850	\$ 4,749	\$ 355,678	\$ 321,748

Note:

The tangible capital asset additions presented in the Statement of Cash Flow excludes non-cash acquisitions totalling \$5,550 (2021 - \$1,633) which represents unpaid purchases and holdbacks that are included in the outstanding accounts payables and accrued liabilities at year-end.