16TH ANNUAL REPORT 2016-2017



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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.



Baker Lake Power Plant

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

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

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

VISION, MISSION, AND GUIDING PRINCIPLES

QEC'S 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 a vision based on an empowered and accountable workforce, representative of Nunavut's population, and reflective of Inuit Societal Values, Inuit Qaujimajatuqangit and *Sivumut Abluqta*, the mandate document of the fourth Legislative Assembly of the Government of Nunavut. QEC operates as an enterprise with transparency, accountability and integrity.

MISSION STATEMENT

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

GUIDING PRINCIPLES

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

LETTER OF TRANSMITTAL



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

July 7, 2017

Honourable Johnny Mike Minister responsible for Qulliq Energy Corporation Legislative Assembly of Nunavut 926 Queen Elizabeth II Way PO Box 2410 Iqaluit, Nunavut X0A 0H0

Dear Minister Mike:

In accordance with Section 100(1) of the *Financial Administration Act*, I hereby submit on behalf of the Board of Directors of Qulliq Energy Corporation the 16th Annual Report for fiscal year ending March 31, 2017.

Respectfully submitted,

MAMm

Elijah Evaluarjuk Chairperson, Board of Directors Qulliq Energy Corporation

CHAIRPERSON'S MESSAGE

2016-2017 has been a productive year of both change and renewal for Qulliq Energy Corporation. New leadership has strengthened QEC's strategic direction, fostering new opportunities and initiatives.

In June 2016, the Honourable Johnny Mike was appointed as the new Minister responsible for QEC. Bruno Pereira, joined QEC in July 2016 as the new President and Chief Executive Officer followed by Chris Bradley in February 2017, as the new Chief Financial Officer. Also in this fiscal year, Ronnie Campbell and Nicole Jauvin were newly elected to the Board of Directors. Having served as acting chairperson since June 2016, I was also honoured to have been officially appointed in January 2017, to serve as the new Board Chair for QEC.

As the sole power supplier to all Nunavut communities, QEC plays an essential role in building the strength and prosperity of our territory through its provision of a safe, reliable, and affordable electricity supply. Ensuring that the corporation meets this mandate is the Board's top priority.

To help secure a prosperous future for Nunavummiut, QEC is committed to rebuilding and upgrading its existing infrastructure while simultaneously working to fulfil its vision of a sustainable energy future, through the incorporation of new technologies at power plants. QEC continues to seek out innovative solutions to reduce the corporation's dependence on imported diesel fuel, including the development of a Net Metering Program that allows the integration of renewable energy systems into Nunavut's local power grids in order to lessen the territory's carbon footprint.

Another area of focus for the Board is our ongoing commitment to QEC's Inuit Employment Plan. Fulfilling the objectives of Article 23 of the Nunavut Land Claims Agreement, the Board recognizes that increasing QEC's Inuit workforce in all levels of its corporate structure is integral to QEC's long-term success. The corporation is proud of its continued efforts to attract and retain Inuit employees, currently running at 50% of its workforce.

QEC continues to work with the Government of Nunavut, our sole shareholder, to better align our business objectives, and to operate with increased accountability and transparency. In 2016-2017, two QEC Board members attended corporate governance training in Ottawa, in order to better advise the corporation on these practices. The Board is fully committed to strengthening its core competencies by keeping informed of best practices in the industry in order to effectively serve the interests of all Nunavummiut.

I would like to thank the members of the Board, the senior management committee, and all our employees at QEC for their continued support and dedication to the corporation. I look forward to building on our successes in 2016-2017 as we work towards QEC's vision of becoming a sustainable energy provider to Nunavut.

Ulun

Elijah Evaluarjuk Chairperson Dated: June 22, 2017

PRESIDENT'S MESSAGE

The past 12 months have been one of the most active periods in the history of the Qulliq Energy Corporation. The QEC team has worked diligently to deliver significant projects fulfilling QEC's primary duty — to supply Nunavummiut with a safe, reliable, and affordable electricity.

In the fall of 2016, QEC commissioned and officially opened two new power plants in Taloyoak and Qikiqtarjuaq. We also began the commissioning work for a third new power plant in Pangnirtung in March 2017. QEC's fast paced work to replace Pangnirtung's original plant, which was destroyed by fire in April 2015, is a remarkable achievement involving many departments at QEC that we are collectively proud of.

Dedicated to delivering an essential service to the whole territory, QEC continues to focus on rebuilding and maintaining our power infrastructure to ensure that our customers have a power supply that they can rely on at all times. However, along with our focus on reliability, the corporation has also dedicated its efforts towards seeking out solutions to help reduce QEC's dependency on fossil fuel in order to lessen our impact on the environment and dependence on imported fossil fuel.

One of these solutions has been the development of a new Net Metering Program for Nunavut. The program embraces and promotes clean energy while responding to our customers' demand for meaningful solution to climate change, which will allow them to play a part, by connecting home-based alternative power sources, such as wind and solar, to the QEC grid system.

We look forward to the new opportunities presented by the federal government's recent announcement of an Arctic Energy Fund that aims to help northern communities shift from diesel to renewable energy. QEC continues to explore all funding opportunities in order to advance renewable energy projects that can be integrated into our energy system, while maintaining the awareness that electricity costs must remain affordable to our customers.

Customer satisfaction is an important part of what QEC delivers so we are pleased to have launched our new website that now serves our customers in all of Nunavut's official languages. Improving customer service is a priority for the corporation and we look forward to offering additional online services in the next few years.

The health and safety of our employees and customers has always been an important focus for QEC. It is of paramount importance to the corporation that every employee goes safely home to their families at the end of the workday. This fiscal year specific attention has been given to incorporating new regulations that enhance existing safety regulations and safety monitoring.

Recruiting and retaining our Inuit employees is also an ongoing priority for QEC. In 2016-2017, our Inuit employment rate rests at 50% and we are committed to improving on our current achievement. We believe that our long-term success as a corporation rests on the balanced growth of a qualified team of employees who are truly representative of the customers we serve in Nunavut.

QEC is committed to aligning our business objectives with the Government of Nunavut's stated priorities while also cultivating operational excellence in everything that we do. Our pledge to our customers is to work tirelessly to exercise fiscal prudence, to carry-out our mandate in an accountable and transparent manner, and to ensure that we keep the interest of our customers uppermost in the way QEC operates.

I thank the Board of Directors for their support and invaluable counsel during my first year as President of QEC. I would also like to express my sincere thanks to all QEC staff who have worked hard and have been key to the corporation's accomplishments throughout 2016-2017.

Bro Pin

Bruno Pereira President and Chief Executive Officer Dated: June 22, 2017

KEY ACTIVITIES IN 2016-2017

- Newly appointed Minister responsible for Qulliq Energy Corporation
- Newly appointed chairperson
- New President and Chief Executive Officer
- Commissioning of new power plants in Taloyoak, Qikiqtarjuaq, and Pangnirtung
- > 50 percent Nunavut Inuit employment
- 99.79 percent reliability rate
- 3.77 kWh efficiency rate
- Fuel Stabilization Rate refund to customers
- > Certificate of Recognition (COR) External Audit to maintain Northern Safety Association accreditation
- Net Metering Program announcement
- New website in Nunavut's official languages
- > Fuel supply system upgrades for Rankin Inlet, Whale Cove, Arviat and Resolute Bay
- > Distribution system upgrades for Naujaat, Grise Fiord, and Sanikiluaq
- Commissioning of modular unit in Cambridge Bay
- > LED streetlight project expansion to Rankin Inlet, Cambridge Bay, Iqaluit, and Kugluktuk
- Environmental Site Assessments in Kimmirut, Clyde River, and Pond Inlet
- E-learning health and safety orientation program for employees

OUTLOOK FOR 2017-2018 AND BEYOND

Over the next few years, Qulliq Energy Corporation (QEC) looks to strengthen its operational accountabilities and processes, and to ensure that its key priorities are realigned and delivered according to the expectations and directives of its stakeholders. QEC's focus will be on improving its capital and operations plan; financial accountabilities; strategic plan; and health and safety practices. QEC is committed to working with the Government of Nunavut and other stakeholders to deliver the Corporation's vision to provide Nunavummiut with safe, reliable, sustainable and affordable electricity.

CONTRIBUTING TO ALL COMMUNITIES THROUGH INUIT GUIDING PRINCIPLES

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

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

Pijitsirniq: serving and providing for family and/or community
Ikajuqtigiinniq: working together for a common cause
Pilimmaksarniq: development of skills through observation, mentoring, practice and effort
Avatittinnik Kamatsiarniq: respect and care for the land, animals and the environment

PIJITSIRNIQ

During the 2016-2017 fiscal year, QEC contributed to the following community events and organizations:

- Nunavut Food Bank
- Cambridge Bay Housing Association
- Hall Beach Fishing Derby
- Annual RCMP Elders' Christmas Dinner
- Pangnirtung Christmas Games
- Astro Theatre Movie Days of Christmas
- Baker Lake Community Fair
- YWCA Agvvik Nunavut
- Iqaluit Christmas Games
- Kamatsiaqtut Helpline Volunteer Appreciation Dinner
- Skills Canada Nunavut
- Alianait Arts Festival

PILIMMAKSARNIQ & IKAJUQTIGIINNIQ

LAURA ULLURIAQ GAUTHIER SCHOLARSHIP AWARD

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

In September 2016, QEC awarded the scholarship to Mavis Ell for her exceptional academic achievements, and selfless contribution in her home community of Coral Harbour. Fluent in Inuktitut and English, Mavis is completing her third year in the Bachelor of Science in Arctic Nursing program at the Nunavut Arctic College in Iqaluit. Her goal after graduating in 2018 is to practice in her community and help bridge the language gap that Inuit patients face within Nunavut's health care system.

SKILLS CANADA NUNAVUT

Recognizing the importance of the skilled trades and technology sector to its business, QEC has been a long-term and active supporter of Skills Canada Nunavut. In 2016-2017, QEC contributed \$3,000 to the organization's mandate to develop and deliver educational programs and activities for students across Nunavut. The organization's promotion of skilled trades and technology sector as a viable career for the young generation of Nunavut reflects QEC's vision of a proficient workforce, representative of Nunavut's population.

AVATITTINNIK KAMATSIARNIQ

QEC has been an active supporter of the annual Nunavut-wide community clean-up. Organized by the GN's Department of Environment, QEC supports the event by encouraging its employees to participate in this community building initiative. In spring 2016, Baker Lake and Iqaluit staff showed their community spirit by taking the time to help clean-up their respective communities.

AWARDS AND RECOGNITION

NORTH AMERICAN OCCUPATIONAL SAFETY AND HEALTH (NAOSH) WEEK AWARDS

In 2016-2017, Qulliq Energy Corporation (QEC) received its sixth Territorial North American Occupational Safety and Health (NAOSH) award from the Canadian Society of Safety Engineers and the Workers' Safety and Compensation Commission. This recognition demonstrates QEC's efforts and continued commitment to raising and building its safety culture in the workplace.

The NAOSH award is presented to a Nunavut employer with 51 workers or more, this award celebrates QEC's efforts and active participation during the NAOSH Week 2016. The annual event fosters collaboration among employers, employees and stakeholders to raise awareness about injury and illness prevention in the workplace.



As of March 31, 2017

BOARD OF DIRECTORS

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

Elijah Evaluarjuk – Chairperson

Elijah Evaluarjuk owns and operates Tujurmivik Hotel and Pizzeria in Igloolik, a business he has run since 2002. He is a shareholder of Savik Enterprises Limited and is currently a board member representing Baffin Business Development Corporation and Nunavut Business Credit Corporation. In the past he has served on the board of Nunasi Corporation and Norterra, and served a four-year term as mayor of Igloolik.

Bert Rose – Vice-Chair

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

Philip Clark

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

Nelson Pisco

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

Ronnie Campbell

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

Nicole Jauvin

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

BOARD COMMITTEES

HUMAN RESOURCES COMMITTEE

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

FINANCE AND AUDIT COMMITTEE

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

ALTERNATIVE ENERGY COMMITTEE

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

NUNAVUT POWER PLANTS BY AGE



OPERATIONS

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

RELIABILITY

Providing a reliable electricity supply to Nunavummiut is one of Operation's top priorities. In 2016-17, QEC reported a 99.79 percent reliability rate across the territory, a modest improvement from the 99.78% reliability performance posted in the previous fiscal year. Factors that affected power supply reliability in 2016-2017 included planned outage requirements for the commissioning of new power plants in Taloyoak, Qikiqtarjuaq and Pangnirtung and severe weather conditions experienced across the territory during the winter months. Operations continually strives to improve power supply reliability, to meet increased demand for electricity and to cope with the restraints of QEC's aging power infrastructure.

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

During the 2016-2017 fiscal year, the following communities had the most reliable power supply in the territory:

- Chesterfield Inlet, Coral Harbor both had power 99.99 percent of the time.
- Kugaaruk and Arviat both had a power supply of 99.98 percent.
- Hall Beach, Kugluktuk, and Whale Cove all had 99.97 percent availability of power.

Operations continues to improve its operational and maintenance practices through pro-active inspections of the plants and equipment. In 2016-2017, Operations implemented the use of the Computerized Maintenance Management System across the territory. The new system has assisted Operations in more effectively planning, tracking, and sharing maintenance activities and results within the Corporation. The continued enhancement of this system will help the department's efforts to improve QEC's reliability performance.

In addition, fuel storage tanks in Rankin Inlet and Pangnirtung were upgraded, cleaned and inspected to ensure increased longevity of service and help maintain a reliable electricity supply to QEC's customers.

Improvements in reliability are directly linked to QEC's goal to increase efficiency and reduce the Corporation's fuel consumption and reduce the Corporation's operations and maintenance costs. The reliability numbers reported above reflect QEC's continuous improvement efforts.

PERFORMANCE REPORTING

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

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



The System Average Interruption Frequency Index (SAIFI) shows the average number of interruptions a customer experienced in each community and region from April 1, 2016 to March 31, 2017. The average number of interruptions is calculated by dividing the total number of customer interruptions by the total number of customers served. Scheduled outages are in red.

The Customer Average Interruption Duration Index (CAIDI) shows the average duration of an interruption a customer would experience (in hours) in each community and region from April 1, 2016 to March 31, 2017. The average interruption duration is calculated by dividing the sum of all customer interruption durations by the total number of customer interruptions.

The System Average Interruption Duration Index (SAIDI) shows the average outage durations (in hours) for QEC's system in each community and region from April 1, 2016 to March 31, 2017. The average outage duration is calculated by dividing the sum of all customer interruption durations by the total number of customers served. Scheduled outages are in red.

The 2016-2017 CAIDI and SAIDI data for Baker Lake and Kimmirut are considerably higher compared to other communities due to defective equipment and adverse weather, respectively.



EFFICIENCY

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

In 2016-2017, QEC's fuel efficiency rate was 3.77 kWh per liter; the highest fuel efficiency number in the Corporation's history. Two contributing factors to this achievement are the optimal utilization of Iqaluit's two newest and largest generator sets and the automation of the Whale Cove power plant.

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

GENERATION

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

In 2016-2017, Operations worked with Engineering in commissioning the new power plants in Taloyoak, Qikiqtarjuaq and Pangnirtung. These new power plants are now operational and supplying the electrical needs of the respective communities. In addition, three new generator sets were installed in Cambridge Bay, Kimmirut and Clyde River as part of QEC's capital plan. These upgrades ensure that QEC replaces aging equipment and meets the increasing power demand in these communities.

DISTRIBUTION

QEC's Power Line Technicians (PLTs) spend most of the winter months flying into the outlying communities to repair damage to power lines and poles and to deal with 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 2016-17 fiscal year, Operations was involved in a variety of distribution projects in an effort to minimize power line loss, improve reliability, and meet the power needs of each community. Working closely with the Engineering department, upgrades to distribution system projects were completed in Grise Fiord and initiated in Resolute Bay.

ENGINEERING

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

NEW POWER PLANTS

Delivering capital projects on time and on budget is a top priority for the Engineering department. During the 2016-2017 fiscal year, Engineering successfully commissioned new power plants in the communities of Taloyoak, Qikiqtarjuaq, and Pangnirtung. All three power plants feature new fuel-efficient generator sets to minimize pollution and demand-side management technology to enable optimal operation of the new power plants. In addition, the new plants have been designed to meet the increasing energy needs of the communities over the course of the power plants' 40-year life cycle.



New Pangnirtung Power Plant

As a result of the fire that destroyed Pangnirtung's power plant in April 2015, completing the community's new power plant was one of the department's priorities for 2016-2017. To meet this goal, Engineering adapted a designbuild concept to expedite the completion of Pangnirtung's new plant. Design-build is a project delivery method led by a single contractor covering all activities resulting in time and cost savings. Following this approach, the Engineering team is proud to deliver Pangnirtung's new plant in less than two years. The typical planning, procurement, and construction cycle for a new power plant takes approximately three years or more.

LED STREETLIGHTS PROJECT



QEC actively explores ways to improve energy efficiency and to incorporate industry best practices and developing technologies into its operations. In 2016-2017, QEC received additional financial assistance from Indigenous and Northern Affairs Canada's Northern (INAC) REACHE program to help expand its LED (Light Emitting Diode) Streetlights Project in Nunavut. The department of Engineering is overseeing the expansion of the project to replace all streetlights in Cambridge Bay, Rankin Inlet, Kugluktuk, and Iqaluit by December 2017.

NET METERING PROGRAM

The Corporation's new Net Metering Program is scheduled to launch in spring 2017. The first phase of the program will allow residential customers to generate their electricity supply by installing their own renewable power generation systems of 10kW or less, and send surplus electricity they produce to the grid. Engineering has completed the revised Net Metering Policy and is currently working on the Technical Interconnection Requirements of the program.

ADDITIONAL ACCOMPLISHMENTS OF THE ENGINEERING DEPARTMENT DURING THE 2016-2017 FISCAL YEAR INCLUDED:

- Replacement of a generator set and completion of power capacity increase in Kimmirut.
- Completion of the conceptual design for Grise Fiord and Cape Dorset new power plants to be commissioned by 2019.
- Installation of SCADA (Supervisory Control and Data Acquisition) system in Cambridge Bay, Gjoa Haven, Taloyoak, Kugaaruk, Kugluktuk, Iqaluit, and Qikiqtarjuaq power plants.
- Commissioning of a 1.1 megawatt generator set in Cambridge Bay to meet the community and Canadian High Arctic Research Station's power requirements.
- Completion of the Arc flash study for Pangnirtung power plant. The study identified areas of potential risks to minimize hazards and enhance workplace safety.
- Installation of an additional 32 LED streetlights in Iqaluit.

ALTERNATIVE ENERGY AND RENEWABLE ENERGY

The primary focus of Engineering's Energy Management (EM) section is to reduce QEC's reliance on diesel fuel and cut carbon emissions to minimize the impact on the environment. EM works in partnership with federal agencies such as INAC and Natural Resources Canada, and the Government of Nunavut's Climate Change Secretariat to facilitate alternative and renewable energy initiatives in the territory.

EM also collaborates with other organizations and agencies to evaluate the reliability and performance of current alternative and renewable energy technologies in the Arctic environment through the implementation of pilot projects and coordination of feasibility studies.

WIND AND SOLAR ENERGY INITIATIVES

The Corporation is exploring funding opportunities that would allow QEC to advance its renewable energy projects, following the successful solar array demonstration project in Iqaluit and completion of a preliminary feasibility study on wind energy in Nunavut,

The EM section also actively supports and assists organizations pursuing their own renewable energy projects by providing technical assistance and data.

DISTRICT HEATING SYSTEM

District Heating System (DHS) is the process of harnessing the thermal energy produced as a by-product of generating electricity and supplying that captured thermal energy to customers through a piped delivery system. This process enables institutional and commercial customers to burn significantly less fuel to generate heat, minimizing the required maintenance on their heating systems. DHS displaces over 3 million liters of heating fuel in Nunavut on an annual basis and significantly reduces the territory's carbon emissions.

During the 2016-17 fiscal year, QEC completed an assessment to optimize the DHS in Rankin Inlet, Arviat, and Iqaluit. EM continues to conduct feasibility studies for potential DHS connections in Nunavut, and is currently working to reconnect Pangnirtung's DHS to the community.

QEC and the City of Iqaluit are currently working to resume the DHS service to the Water Treatment Plant. QEC will conduct a performance analysis and share the report with the City of Iqaluit once the trial has been completed.

In addition, QEC is actively supporting the City of Iqaluit's objective to connect the new Iqaluit Aquatic Center to DHS. EM completed the design to distribute district heat to the Aquatic Centre in March 2017. This project will advance once the City of Iqaluit has acquired the funding required for the installation of a DHS connection.

IQALUIT SMART GRID PROJECT

The Smart Grid or Advanced Metering Infrastructure project in Iqaluit was completed in 2016-2017. Implemented under the Natural Resources Canada ecoENERGY Innovation Initiative, the smart grid is a modern electrical communication network that allows real time measurement of customer energy consumption, monitors energy flows and adjusts to changes in energy supply and demand. This technology has enabled QEC to respond to outages more efficiently, enhanced its billing capability through the new meters' automatic remote reading system, and improved service reliability. In addition, the Smart Grid technology will allow for the integration of renewable energy systems with the Iqaluit grid and will enable QEC to implement net metering initiative using the bi-directional feature associated with the smart meters.

HEALTH, SAFETY, ENVIRONMENT

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

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

HEALTH AND SAFETY

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

In 2016-2017, QEC successfully fulfilled the audit requirements of the Certificate of Recognition (COR) from the Northern Safety Association. The COR is a national safety program accreditation that is awarded to employers whose health and safety program meet the national standards established by Occupational Health and Safety (OHS).

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

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

During the 2016-2017 fiscal year, the HSE staff trained:

- 72 employees in Fall Protection
- 36 employees in the Workers' Safety and Compensation Commissions "Go Safe: Work Smart" Program
- 39 employees in Standard First Aid, Level A with CPR Endorsement
- 21 employees in Workplace Hazardous Materials Information System (WHMIS)
- 23 employees in fire extinguisher inspection and maintenance
- 66 employees and contractors on QEC's new internal Utility Work Protection Code.
- 43 employees in Elevated Work platform (EWP) training
- 26 employees in Respiratory Awareness and FIT testing
- 6 employees in Crane Awareness Train the trainer
- 72 employees in the supervisor Familiarization Safety course

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

For the sixth consecutive year, QEC has received the Employer Recognition territorial award for the 2016 NAOSH Week celebration. This award is presented to the top employer in Nunavut with more than 51 employees. HSE highlighted NAOSH Week with a speaking tour of Mike Rouselle, a powerline technician who received severe injuries when electricity found a path to ground through his body. His story highlighted his survival and life with permanent mobility impairments, and also focused on the details surrounding the incident including causation and future preventative measures with the aim to avert reoccurrence. Mike travelled to Iqaluit, Baker Lake and Rankin Inlet to increase awareness surrounding occupational health and safety in the workplace for QEC staff and members of the public.

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

ENVIRONMENT

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

Environmental Site Assessments (ESAs) are essential to determine the environmental condition and possible contamination of a property. In 2016-2017, ESAs were conducted on existing and historical QEC power plant sites in Kimmirut, Clyde River and Pond Inlet. Assessments of these power plant sites were initially conducted in the late 1990s and early 2000s. With the exception of Kimmirut, the initial field investigations for all ESAs agreed with previous assessments. Some sites have shown limited natural reduction in and movement of the contamination.

The ESA conducted at the current Pond Inlet plant site showed the absence of environmental contamination which is consistent with the previous assessment, whereas the Clyde River and the old Pond Inlet plant sites showed reductions in the volume of contamination on each site, possibly due to natural diminishing.

At the Kimmirut plant, the latest ESA identified a larger extent of contamination compared to the ESA conducted in 2001. The initial ESA performed in Kimmirut provided limited information with regard to the extent and volume of contaminated soils. In 2016-2017, environmental consultants were better able to characterize the level and position of contamination providing more accurate information for future remediation.

In addition to the annual ESA conducted in select communities, QEC also monitors soil conditions in every community each year. During the 2016-2017 fiscal year, a consultant was contracted to analyze and prepare a report on data collected from soil samples taken in each community. The soil sampling report concluded that some areas showed a lessening of contamination while others such as waste storage areas and fuel transfer depots showed an increase in hydrocarbon impacts. HSE will utilize the information provided in the report to enhance QEC's environmental management practices in accordance with applicable environmental regulations.

In an effort to ensure that communities have reliable fuel supply, help reduce fuel spills, and comply with federal regulations, QEC continues to upgrade its fuel supply system infrastructure across the territory. In 2016-2017, HSE completed upgrades to the Rankin Inlet and Whale Cove fuel supply systems.

QEC hired a consultant to complete a Human Health Risk Assessment (HHRA) and Ecological Risk Assessment (ERA) in the community of Baker Lake in summer 2016 to determine the potential for chemicals to pose unacceptable risks to human health or ecological receptors. The assessments involved onsite collection of soil, groundwater, sediment, surface water and soil vapor samples which were sent to a laboratory for analysis.

The HHRA identified one area of highly concentrated contamination or hotspot which was immediately removed and placed into a landfarm on QEC property for remediation. As a result of this measure, the HHRA concluded that there were no unacceptable risks to humans from soil, groundwater, sediment, or surface water after the hotspot was removed. Furthermore, the ERA also concluded that there were no unacceptable risks to ecological receptors from soil, groundwater, sediment, or surface water and no additional work is required.

HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

The department of Human Resources and Organizational Development provides expertise and support to all QEC departments. This includes designing and implementing progressive human resources and organizational development plans that will enhance overall corporate capacity, compliance with Article 23 of the Nunavut Land Claims Agreement, and positioning the Corporation to successfully meet the changing demands of its business. The department also plays a leadership role in ensuring that all of QEC's human resources and organization development plans are carried out in accordance with applicable legislation, QEC policies, and collective agreement.

INUIT EMPLOYMENT PLAN

QEC's Inuit Employment Plan (IEP) consists of five programs. Each program is an independent but interconnected recruitment or development opportunity for Nunavut Inuit.



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

As of March 31, 2017, QEC has an Inuit employment rate of 50 percent, and continues to be one of the most successful organizations in Nunavut in hiring, training and retaining Inuit employees.

The Summer Student Employment Program (SSEP) is a valuable opportunity for students to use as a springboard into a professional career. SSEP allows them to acquire practical experience while working in a business environment. Summer students are hired for positions in their own communities exposing them to local opportunities. In summer 2016, the SSEP supported 15 students who worked in various departments across the Corporation. To enhance the SSEP and to offer students a fuller work experience, HROD introduced a mentorship component of the program by giving students access to seasoned employees.

In 2013, the Inuit Leadership Development Program (ILDP) was launched as part of QEC's innovative approach to increasing employment for Nunavut Inuit at the professional, management, and senior management levels. QEC sponsors students so they can focus on their academic studies. The Corporation currently has two students enrolled in human resource management and accounting university programs. Following their graduation in 2017, both students will join the departments of HROD and Finance.

As part of QEC's commitment to lifelong learning, the Corporation established the Inuit Employee Development Program (IEDP). Inuit employees, their manager or supervisor, and HROD partner to create career development plans that build on the strengths of the employee and focus on the needs of the Corporation. Currently HROD has 30 existing career development plans.

Competition for skilled tradespeople in Nunavut and across Canada has resulted in extended positional vacancies. The Apprenticeship Program was developed to reduce the dependency of hiring trades people outside of the

territory and has allowed HROD to fill positions in communities with local residents. Two of QEC's apprentices received their Heavy Equipment Technician designation in September 2016 and are now working for the department of Operations.

HROD plans to re-establish the IEP Committee by the end of 2017. The new committee will consist of employees from each territorial region, and will provide support to the overall Inuit Employment Program in areas such as recruitment and career fairs.

ORGANIZATIONAL ACCOUNTABILITY

QEC LEADERSHIP AND DEVELOPMENT

With a goal of identifying and developing talent including rising leaders, individual performance is about creating performance accountability within QEC while increasing organizational effectiveness and building individual capacity.

HROD's corporate and leadership training is defined within this five-tiered platform.



Extensive needs assessments are conducted to determine the most appropriate and effective solutions. Within the training curriculum, we also continue to build on QEC commitment to cultural awareness and respect. One of HROD's areas of focus is to develop the leadership skills of all employees, especially by targeting Nunavut Inuit to help them prepare for supervisory and management positions.

PERFORMANCE MANAGEMENT

Performance management is a corporate initiative that is fundamental in creating performance accountability for everyone at QEC. The HROD team is committed to evolving the program, with best practices and QEC's changing business requirements, toward organizational and individual performance success. The Performance Management training is offered annually.

MENTORSHIP PROGRAM

QEC's Mentorship Program was launched in spring 2016. The program is a self-development process, initiated and driven by an employee, who identifies someone with greater experience (it is not a relationship of authority) to conduct open-ended discussion about setting and revising goals by sharing experiences, knowledge, perceptions and resources. Benefits of the program include: promotion of teamwork, integration of new hires, development of knowledge, capabilities and network, and help to fulfill career goals. To date, HROD has 19 completed mentorships and seven existing matches. Matches for the Mentorship Program include summer students, IEP Committee members and new hires.

LABOUR RELATIONS PROGRAM

As part of QEC's commitment to positive labour relations, HROD is planning to launch two new interactive e-training programs, Creating Positive Union/Management Relations, and Coaching, Correction and Discipline, in spring 2017. The programs are designed to answer basic questions about managing in a unionized environment.

RECRUITMENT

HROD has dedicated staff to provide recruitment and staffing services for the Corporation. In 2016-2017, QEC filled 34 positions and recorded 21 vacant positions. In addition to recruitment, the department provides job evaluation, organizational planning, and relocation services to the Corporation.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation March 31, 2017

Employment Summary, by Category

		Nunavut	Inuit			
	Total Positions	Vacancies	Filled	% Capacity	Hired	% IEP
Executive	2.00	-	2.00	100%	1.00	50%
Senior Management	7.00	-	7.00	100%	-	0%
Middle Management	22.00	4.00	18.00	82%	1.00	6%
Professional	15.00	1.00	14.00	93%	-	0%
Paraprofessional	97.00	7.00	90.00	93%	40.00	44%
Administrative Support	63.80	8.60	55.20	87%	51.20	93%
Total Employment Categories	206.80	20.60	186.20	90%	93.20	50%
Employment Summary, by Commur	nity					
Arcti c 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 🦷	91.00	9.00	82.00	90%	21.00	26%
Kimmirut 🎬	1.60	-	1.60	100%	0.60	38%
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	0.60	1.00	63%	1.00	100%
Sanikiluaq 🎬	1.60	-	1.60	100%	1.60	100%
Arviat	2.00	-	2.00	100%	2.00	100%
Baker Lake	46.00	7.00	39.00	85%	22.00	56%
ChesterfieldInlet 📟	1.60	-	1.60	100%	1.60	100%
Coral Harbour	2.00	-	2.00	100%	2.00	100%
Naujaat 🦷	1.60	-	1.60	100%	1.60	100%
Rankin Inlet 🐖	20.00	3.00	17.00	85%	10.00	59%
Whale Cove	1.60	-	1.60	100%	1.60	100%
CambridgeBay 🐖	13.00	1.00	12.00	92%	5.00	42%
Gjoa Haven 📟	2.00	-	2.00	100%	2.00	100%
Kugaaruk	1.60	-	1.60	100%	1.60	100%
Kugluktuk	2.00	-	2.00	100%	2.00	100%
Taloyoak 🎬	1.60	-	1.60	100%	1.60	100%
Total Community	206.80	20.60	186.20	90%	93.20	50%
Employment Summary, by Iqaluit ar	nd Other Com	nmunities				
Iqaluit	91.00	9.00	82.00	90%	21.00	26%
Other communities	115.80	11.60	104.20	90%	72.20	69%
TOTAL	206.80	20.60	186.20	90%	93.20	50%

INFORMATION TECHNOLOGY

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

During the 2016-2017 fiscal year IT responded to over 3200 reported issues and partnered with various departments to deliver the following projects:

- Administered the production of a new website in Nunavut's official languages to comply with the Official Languages Act and Inuit Language Protection Act.
- Developed a computerized maintenance management system.
- Developed electronic financial reports to assist with capital project tracking and monitoring.
- Wired and connected the new power plants in Taloyoak, Qikiqtarjuaq, and Pangnirtung for telephone and data communication services.

FINANCE

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

Finance's focus is to:

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

2016-2017 ACCOMPLISHMENTS FOR THE FINANCE DEPARTMENT

- Integration of data from Iqaluit's new smart meters into the billing system, providing for more timely, consistent and accurate meter read information.
- Implementation of a new reporting process resulting in more efficient and effective reporting of monthly budget variances as well as an improved and simplified budget preparation process.
- The capital planning policy and process manual was rolled out and, while it is an ongoing evolution, the manual has already improved procedures.
- New banking facilities were implemented to provide funding for the capital program
- Implementation of a customer satisfaction survey which was completed in December 2016. The results from this survey are being used as a benchmark to measure QEC's customer service performance and to provide indications of specific areas where QEC needs to improve. An extensive program will be undertaken

during 2017-18 to provide staff the training and tools to better meet the needs of QEC customers. In addition, the feedback received will help QEC to focus on developing new services.

- Additional current initiatives being worked on to improve QEC's customer service include:
 - Equal payment billings.
 - Expanded payment options.
 - Email billing for those customers who have access to computers and wish to receive theirs bills electronically.
 - Generally more user friendly internet and website services.
- Finance's procurement group has devoted considerable time and effort to Nunavummi Nangminiqaqtunik Ikajuuti (NNI) to fully understand it, to train managers and staff and to ensure that QEC is compliant effective April 1, 2017. This program is fully supported by QEC as it will provide benefits and support to local firms competing for QEC contracts.
- Continued improvements were made to existing contracting and procurement documentation and procedures.

Highlights of Operations and Accumulated Surplus (\$ in thousands)												
For the year ended March 31st	2017		2017 2016		2015		2014			2013		
Revenues												
Sale of Power	\$	119,856	\$	125,801	\$	124,010	\$	115,334	\$	107,867		
Other Revenue	\$	20,868	\$	13,274	\$	8,606	\$	7,035	\$	5,305		
Funding from Government of Nunavut	\$	-	\$	-	\$	-	\$	-	\$	2,422		
Capital Funding from Governments	\$	-	\$	-	\$	-	\$	-	\$	611		
Total Revenues	\$	140,724	\$	139,075	\$	132,616	\$	122,369	\$	116,205		
Total Expenses	\$	128,792	\$	139,228	\$	125,520	\$	118,809	\$	108,680		
Surplus (deficit) for the Year	\$	11,932	\$	(153)	\$	7,096	\$	3,560	\$	7,525		

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

Revenue from the sale of power decreased by 5% (2016: 1.4 % increase) due entirely to the Fuel Stabilization Rate (FSR) rebate. The rebate is the result of reduced diesel fuel prices during the year which are passed on to qualifying customers. As a result of the decrease in QEC's fuel prices, QEC's customers received rebates of \$7,564 during fiscal 2016-17. QEC has also received approval to implement a refund rider of 8.23 cents per kilowatt hour for the period from April 1, 2017 to September 30, 2017. This refund is applicable to all customers other than those customers residing in public housing as they are subsidized under the Public Housing Power Support Program noted below.

The Corporation administers two support programs:

- The Public Housing Power Support Program (PHPSP), also known as User Pay Program. The PHPSP subsidizes qualifying residential customers living in public housing. Customers in the program are billed at the rate of 6.0 cents per kWh for their power usage. QEC invoices the Nunavut Housing Corporation for the difference between the approved residential rate and the 6.0 cents per kWh for customers in this program.
- The Nunavut Territorial Power Support Subsidy (NTPSS), also known as Nunavut Electricity Subsidy
 Program subsidizes all other qualifying residential customers up to 50 per cent of the Iqaluit base rate on
 the first 700 kWh consumed each month between April and September, and on the first 1,000 kWh
 consumed each month between October and March. QEC invoices the Government of Nunavut on a

monthly basis for the NTPSS subsidy and applies the subsidy directly to qualifying customers' bills each month.

Other revenue increased by 57 % (2016: 54.2%) due to insurance proceeds from the Pangnirtung power plant fire of \$13,000 (2016: \$5,000). These amounts are recorded as revenue under required Public Sector Accounting rules.

Total expenses decreased by 7% (2016: 10.9%). While there were a number of offsetting increases and decreases in various expenses, the main difference was the \$10,000 write down of the hydro project in 2016.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

Highlights of Operations and Maintenance Expenses					
For the year ended March 31st	2017	2016	2015	2014	2013
Expenses by Object or Type					
Fuel and Lubricants	37%	39%	44%	43%	45%
Salaries, Wages and Benefits	26%	22%	23%	24%	25%
Supplies and Services	18%	16%	16%	18%	17%
Amortization, Write Down and Disposal of Tangible Capital Assets	10%	17%	9%	7%	6%
Travel and Accommodations	4%	3%	4%	4%	4%
Interest Expense	4%	3%	4%	4%	3%
Bad Debt Expense	1%	0%	0%	0%	0%
	100%	100%	100%	100%	100%

Fuel and lubricants expenses have decreased due to declines in the price of fuel. A number of the categories have increased due to increased activity as well as inflationary increases. Amortization related expenses are down from the prior year due to a 2016 one-time charge that on the write down of the hydro related costs.

HIGHLIGHTS OF FINANCIAL POSITION

Highlights of Financial Position (\$ in thousands)									
As at March 31st	2017		2016		2015		2014		2013
Financial Assets	\$	33,255	\$	36,219	\$	36,050	\$	25,537	\$ 29,559
Liabilities		192,312		178,822		179,905		161,225	152,829
Net Debt		(159,057)		(142,603)		(143,855)		(135,688)	(123,270)
Non-financial Assets		277,036		248,650		250,055		234,792	218,814
Accumulated Surplus	\$	117,979	\$	106,047	\$	106,200	\$	99,104	\$ 95,544

2016-2017 CAPITAL EXPENDITURE SUMMARY

Capital Expenditures by Region		
For the year ended March 31st	2	017
Kitikmeot	\$	7,495,338
Kivalliq		3,230,210
Qikiqtaaluk		25,681,615
Nunavut/Corporate		3,142,324
Total capital expenditures	\$	39,549,487

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)									
For the year ended March 31st	2017		2016		2015		2014		2013
Interest Coverage Ratio									
Surplus before Interest on Long-term Debt	\$	15,638	\$	3,591	\$	10,945	\$	7,876	\$ 10,367
Interest on Long-term Debt	\$	3,933	\$	4,135	\$	4,392	\$	4,666	\$ 4,931
Debt Expense Burden (critical below 1.50)		3.98		0.87		2.49		1.69	2.10
Debt Ratio									
Assets	\$	310,291	\$	284,869	\$	286,105	\$	260,329	\$ 248,373
Liabilities	\$	192,312	\$	178,822	\$	179,905	\$	161,225	\$ 152,829
Ability to pay Long-term Debt		1.61		1.59		1.59		1.61	1.63
Debt to Accumulated Surplus									
Bank Indebtedness	\$	8,393	\$	10,901	\$	13,376	\$	14,665	\$ 4,114
Long-term Debt	\$	134,959	\$	125,364	\$	117,498	\$	101,994	\$ 94,451
Total Debt	\$	143,352	\$	136,265	\$	130,874	\$	116,659	\$ 98,565
Accumulated Surplus	\$	117,979	\$	106,047	\$	106,200	\$	99,104	\$ 95,544
Debt ratio		0.55		0.56		0.55		0.54	0.51
Accumulated Surplus ratio		0.45		0.44		0.45		0.46	0.49
Debt to Accumulated Surplus Ratio (max. 3:1)		1.22		1.28		1.23		1.18	1.03

In 2016-2017, QEC repaid principal amounts of \$10,146 (2016: \$8,896) toward the Corporation's long-term debt. Although the debt has increased, QEC has managed to reduce its overall effective interest rate and expense by borrowing through its bank credit lines using bankers' acceptances.

The Corporation's debt to accumulated surplus ratio, referred to as the borrowing limit under Section 25 of the *Qulliq Energy Corporation Act*, was 1.22 and remained well below the maximum allowed 3:1 ratio.

DISCLOSURE OF PROJECT AND EQUIPMENT WRITE-OFFS OVER \$500 FOR 2016-2017

Under Section 84 of the *Financial Administration Act* of the Government of Nunavut, the Corporation is required to publically disclose any asset, debt or obligation written off during the financial year that exceeds \$500 in its annual report.

QEC wrote off one project, one power plant that was destroyed by fire and six capital assets that had reached the end of their useful lives.

Project/Asset Description	Community	Nature of Disposal	Net Book Value						
Hydro Project costs	Iqaluit	Write-off*	\$ 10,040,743.44						
Power plant	Pangnirtung	Destroyed by fire	1,289,672.55						
Prime mover – engine	Resolute Bay	Non-operational	281,124.71						
Prime mover – engine	Sanikiluaq	End of useful life	132,598.57						
Prime mover – engine	Arviat	Obsolete	80,786.47						
Generator	Sanikiluaq	Obsolete	59,020.55						
Generator	Arviat	Obsolete	37,537.44						
Digger derrick	Kugluktuk	Obsolete	26,619.96						
			\$ 11,948,103.69						
*Project costs were expensed, due to the uncertainty as to the viability of the project, in order to meet Public									
Sector Accounting Standards									

FINANCIAL STATEMENTS

March 31, 2017

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Management Statement

June 27, 2017

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.

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

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

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

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

On behalf of Qulliq Energy Corporation's management:

Bruno Pereira President and Chief Executive Officer

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Chris Bradley, CPA, CA Chief Financial Officer



Bureau du ral vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for Qulliq Energy Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of Qulliq Energy Corporation, which comprise the statement of financial position as at 31 March 2017, and the statement of operations and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

.../2

Basis for Qualified Opinion

Canadian public sector accounting standards require inventories for use to be reported as a non-financial asset when acquired and recognized as an expense when used. Management has not implemented reliable count procedures and appropriate procedures to account for the usage of its spare parts and lubricants inventories, and I was not able to satisfy myself concerning these inventory quantities. As a result, I was unable to determine whether any adjustments might be necessary to reported non-financial assets as at 31 March 2017 and 31 March 2016 and to the results of operations, changes in net debt and cash flows for the years then ended. My audit opinion on the financial statements for the year ended 31 March 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Qulliq Energy Corporation as at 31 March 2017, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

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

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

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

27 June 2017 Ottawa, Canada

Statement of Financial Position

As at March 31

(in thousands of dollars)

	2017	2016
Financial assets		
Accounts receivable (Note 3)	\$ 33,255	\$ 36,219
LIADIIIties Depk indebtedpage (Note 4)	0 202	10 001
Accounts psychia and accrued lighilities (Note 5)	0,393 17 402	10,901
Deposite payable (Note 6)	17,402	11,124
Due to Petroleum Products Division	23 382	23 815
Debt (Note 7)	134 959	125 364
Due to the Government of Canada (Note 8)	1.352	1.309
Employee future benefits (Note 9)	2,739	1,817
	192,312	178,822
	·	
Net debt	(159,057)	(142,603)
Non-financial assets		
Tangible capital assets (Schedule B)	251,982	226,328
Inventories for use (Note 10)	24,130	21,417
Prepaid expenses	924	905
	277.036	248 650
	,000	2-10,000
Accumulated surplus	\$ 117,979	\$ 106,047

Contractual obligations and contingencies (Note 15) Liabilities for Contaminated Sites (Note 16)

Approved on behalf of the Board:

Ullum

Elijah Evaluarjuk Chair, Board of Directors

Philip Clark Chair, Finance and Audit Committee

Statement of Operations and Accumulated Surplus

For the year ended March 31

(in thousands of dollars)

	2017	2017	2016
	Budget	Actual	Actual
Revenues			
Sales of power (Note 11)	\$ 130,316	\$ 119,856	\$ 125,801
Sales of heat	1,900	1,156	1,834
Other revenue (Note 12)	5,313	19,712	11,440
Total revenues	137,529	140,724	139,075
Expenses by department (Note 13)			
Plant Operations	75,646	66,665	71,615
Shared (Corporate)	18,806	20,708	29,766
Regional Operations	8,217	8,662	8,010
Property Management	7,872	8,086	7,095
Finance	7,537	7,229	6,683
Territorial Operations	2,708	2,698	2,927
Health, Safety & Environment	1,864	2,660	1,376
Information Technology	3,179	2,578	3,071
Line Operations	2,370	2,404	2,122
Engineering	2,327	2,198	2,220
Human Resources	2,453	1,836	1,743
Iqaluit Office	1,513	1,362	981
Corporate Affairs	1,135	1,167	1,257
Residual heat	471	343	214
Board	143	196	148
Total expenses	136,241	128,792	139,228
Surplus (deficit) for the year	1,288	11,932	(153)
Accumulated surplus, beginning of the year	106,047	106,047	106,200
Accumulated surplus, end of the year	\$ 107,335	\$ 117,979	\$ 106,047

Statement of Change in Net Debt

For the year ended March 31 (in thousands of dollars)			
	2017	2017	2016
	Budget	Actual	Actual
Surplus (Deficit) for the year	\$ 1,288 \$	11,932	\$ (153)
Tangible capital assets			
Additions	(23,587)	(36,029)	(21,751)
Capitalized interest (Note 14)	(472)	(227)	(391)
Capitalized overhead	(2,123)	(3,294)	(2,057)
Loss on disposal of assets	-	528	668
Amortization	12,655	13,368	12,291
Other adjustment	-	-	72
Writedowns	-	-	11,675
	(13,527)	(25,654)	507
Additions to inventories for use	-	(50,039)	(53,848)
Consumption of inventories for use	-	47,326	54,915
Additions of prepaid expenses	-	(2,251)	(2,521)
Use of prepaid expenses	-	2,232	2,352
	-	(2,732)	898
(Increase) decrease in net debt for the year	(12,239)	(16,454)	 1,252
Net debt, beginning of the year	(142,603)	(142,603)	(143,855)
Net debt, end of the year	\$ (154,842) \$	(159,057)	\$ (142,603)

Statement of Cash Flow

For the year ended March 31

(in thousands of dollars)

	2017			2016
Cash provided by operating activities:				
Cash received from customers	\$	141.579	\$	138.564
Cash paid to suppliers	Ŧ	(73.624)	Ŧ	(83.373)
Cash paid to employees		(35,303)		(33.374)
Interest paid		(4,840)		(4,878)
Cash provided by operating activities		27,812		16,939
Cash used for canital activities.				
Tangible capital asset acquisitions		(34,944)		(22 452)
Proceeds on disposition of tangible capital assets		2		-
Cash used for capital activities		(34,942)		(22,452)
Cash provided by financing activities:				
Increase in debt		19.741		16 853
Repayment of debt		(10,146)		(8,986)
Repayment to the Government of Nunavut		-		(521)
Funds received from the Government of Canada		43		642
Cash provided by financing activities		9,638		7,988
Decrease in bank indebtedness		2,508		2,475
Bank indebtedness, beginning of year		(10,901)		(13,376)
Bank indebtedness, end of year	\$	(8,393)	\$	(10,901)

1 The Corporation

(a) Authority and corporate information

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

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

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

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

(b) Regulated activities

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

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

The Corporation maintains a Fuel Stabilization Rate Fund (FSRF). The purpose of the FSRF is to track differences between the fuel price included in the basic 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 corporate plan approved by the Board of Directors and tabled before the legislature.

(b) Use of estimates and measurement uncertainty

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

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

2 Significant accounting policies (continued)

(c) Bank indebtedness

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

(d) Accounts receivable

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

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

(e) Inventories for use

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

(f) Tangible capital assets

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

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

Assets under construction are not amortized until put into production.

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

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

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and 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.

2 Significant accounting policies (continued)

(g) Project development costs

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

(h) Government funding

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

(i) Employee future benefits liabilities

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

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

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

(j) Revenues

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

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

(k) Financial instruments

The following is a list of the Corporation's financial instruments and their related measurement bases as at March 31,2017.

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

2 Significant accounting policies (continued)

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.

(I) 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.

(m) Contingencies

Contingent liabilities result from pending lawsuits and like items. The contingencies of the Corporation are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur 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.

(n) Future changes in accounting standards

A number of new and amended standards issued by the Public Sector Accounting Board of Canada are not yet effective and have not been applied in preparing these financial statements. The Corporation plans to adopt these new and amended standards on their effective dates and is currently assessing the impact they will have on its financial statements. The following standards will become effective as of April 1, 2017:

PS 2200 Related Party Disclosures, a new standard establishing disclosure requirements for related party transactions.

PS 3210 Assets, a new standard providing guidance applying the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets, a new standard establishing disclosure requirements for contingent assets.

PS 3380 Contractual Rights, a new standard defining and establishing disclosure requirements for contractual rights.

PS 3420 Inter-Entity Transactions, a new standard establishing guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective.

3 Accounts receivable

				2017	2016
		All	lowance for		
			Doubtful		
	Gross		Accounts	Net	Net
Trade receivables	\$ 39,363	\$	(6,599)	\$ 32,764	\$ 36,216
GST receivable	470		-	470	-
Employee advances	21		-	21	3
	\$ 39,854	\$	(6,599)	\$ 33,255	\$ 36,219

4 Bank indebtedness

The Corporation has a credit facility with a limit of \$20,000 (2016 - \$20,000). Interest charged on the credit facility is at prime minus 0.5% (2017 - 2.2%; 2016 - 2.2%). The facility allows for the use of Bankers' Acceptances (BAs) for borrowing. The BAs have a stamping fee of 50 basis points per annum and the interest rate is approximately prime minus 1.9%, subject to market, with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof. The Corporation held \$10,000 of the bank debt in BAs at year-end (2016 - \$10,000). The credit facility is secured by a CIBC indemnity/operating agreement and guaranteed by the Government of Nunavut.

		2017	2016
	(Cash at Bank) / Overdraft	\$ (1,607)	\$ 901
	BAs	10,000	10,000
		\$ 8,393	\$ 10,901
5	Accounts payable and accrued liabilities		
-		2017	2016
	Trade payables and accrued liabilities	\$ 11,554	\$ 7,317
	Payroll liabilities and taxes	5,848	3,807
		\$ 17,402	\$ 11,124
6	Deposits payable		
		2017	2016
	Holdbacks	\$ 1,707	\$ 1,188
	Customer utility deposits payable	1,381	1,396
	Project deposits payable	997	1,908
		\$ 4,085	\$ 4,492
7	Debt	2017	2016
	Debenture, redeemable with interest calculated at a fixed rate of 6.809%, amortized over 20 years, due September 27, 2021. Blended semi-annual payments of \$2,848 with a balloon payment of \$17,502 at the end of the term.	\$ 33,048	\$ 36,326
	Facility B non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$42 due monthly, beginning on August 1, 2011 with the final payment due on May 1, 2021.	1,906	2,318
	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.	2,436	2,960
	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.	3,438	4,168

7 Debt (continued)

	\$ 134,959	\$ 125,364
Facility I non-revolving committed loan with interest calculated at a variable rate of prime minus .5% per annum, with principal payments of \$67 plus interest due monthly, beginning on May 1, 2014 with the final payment due on April 30, 2024. This facility has an option to utilize BAs with stamping fees calculated at 50 bps per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.	13,667	14,466
Facility H non-revolving committed loan in three tranches with interest calculated at a variable rate of prime minus .5% per annum, with principal payments on the first tranche of \$100 plus interest due monthly, beginning on April 1, 2015 with the final payment due on April 1, 2025; on the second tranche of \$58 beginning on April 1, 2016 with the final payment due on April 1, 2026; and on the third tranche of \$82 beginning 1 April 2017 with the final payment due on April 1, 2026; and on the third tranche of \$82 beginning 1 April 2017 with the final payment due on April 1, 2027. This facility has an option to utilize BAs with stamping fees calculated at 50 bps per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.	54,576	36,753
Facility G non-revolving committed loan with interest calculated at a variable rate of prime minus .5% per annum, with principal payments of \$83 plus interest due monthly, beginning on December 1, 2012 with the final payment due on November 30, 2022. This facility has an option to utilize BAs with stamping fees calculated at 50 bps per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.	15,667	16,667
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.	6,302	7,602
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.	3,919	4,104

Scheduled principal debt repayment amounts are as follows:

2018	\$ 11,472
2019	11,857
2020	12,265
2021	12,697
2022 to 2032	86,668
Total	\$ 134,959

Section 25 of the *Qulliq Energy Corporation Act* defines the Corporation's borrowings not to exceed three times its accumulated surplus at any time. The Corporation's borrowings were 1.22 times its accumulated surplus at March 31, 2017 (2016 - 1.28 times).

The debt is guaranteed by the Government of Nunavut.

8 Due to the Government of Canada

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

9 Employee future benefits

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

	2017	2016
Accrued benefit obligation, beginning of year	\$ 1,817 \$	2,191
Costs for year	1,496	499
Adjustments during year	(32)	(565)
Benefits paid during year	(542)	(308)
Accrued benefit obligation, end of year	\$ 2,739 \$	1,817

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

	2017	2016
Discount rate	2.2%	2.2%
Reduction factor for employees with less than 10 years of service	50.0%	50.0%
Estimated age of retirement or resignation	65 years	65 years

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

Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 1.01 times (2016 - 1.15 times) for members enrolled before January 1, 2013 and 1.00 times (2016 - 1.11 times) for members enrolled beginning January 1, 2013. These amounts are included as an expense in salaries, wages and benefits.

10

	2017	2016
Employer's contributions	\$ 2,288	\$ 2,323
Employees' contributions	1,892	1,711
Total contributions	\$ 4,180	\$ 4,034
Inventories for use		
	2017	2016
Spare parts	\$ 12,772	\$ 12,023
Fuel	8,928	6,979
Supplies and lubricants	2,430	2,415
	\$ 24,130	\$ 21,417

An allowance for obsolescence of \$1,300 (2016 - \$1,300) is recorded to reduce slow moving inventory items. There have been no reversals of previous write-downs. No inventories have been pledged as security for liabilities.

11 Sales of power

	2017	2016
Commercial customers	\$ 74,231	\$ 73,639
Residential customers	43,940	50,451
Electrical streetlights and private area lighting	1,685	1,711
	\$ 119,856	\$ 125,801
Sales to residential customers are broken down as follows:	2017	2016
Earned from Public Housing Support Subsidy on behalf of customers	\$ 23,301	\$ 25,714
Charged directly to residential customers	10,345	14,585
Earned from Territorial Power Support Subsidy on behalf of customers	10,294	10,152
	\$ 43,940	\$ 50,451

The Fuel Stablization Rate Fund refund was 3.07 cent/kWh from April 1, 2016 to September 30, 2016 and 5.26 cents/kWh from October 1, 2016 to March 31, 2017 (2016 - 1.8 cents/kWh from November 1, 2015 to March 31, 2016). The total fuel rebate granted during the year is \$7,564 (2016 - \$1,174).

The Corporation is paid to administer the Public Housing Support Subsidy for the Government of Nunavut. 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 the individual customer invoices.

The Corporation administers the Nunavut Territorial Power Support Subsidy for the Government of Nunavut. 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.

12 Other revenue

	2017	2016
Insurance proceeds	\$ 13,000	\$ 5,000
Administration and other service fees	2,831	2,061
Capital funding from customers	1,747	2,451
Housing recoveries from employees	1,462	1,253
Pole rentals	672	675
	\$ 19,712	\$ 11,440

13 Expenses

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

	2017	2016
Fuel and lubricants	\$ 47,575	\$ 53,816
Salaries, wages and benefits	33,273	30,386
Supplies and services	23,557	21,182
Amortization of tangible capital assets	13,368	12,291
Travel and accommodations	4,708	4,391
Interest expense (Note 14)	4,600	4,475
Bad debt expense	1,183	344
Loss on disposal of assets	528	668
Write down of project development cost	-	10,385
Write down of tangible capital assets	-	1,290
	\$ 128,792	\$ 139,228

14 Interest expense

	2017	2016
Interest on debt	\$ 3,933 \$	4,135
Interest and bank charges	894	731
Less: Interest capitalized on construction projects	(227)	(391)
	\$ 4,600 \$	4,475

15 Contractual obligations and contingencies

Operating leases

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

2018	\$ 3,089
2019	1,302
2020	341
2021	6
Total	\$ 4,738

Fuel purchase commitments

The Corporation has made purchase commitments of \$7,930 (4,136,528 Litres) to purchase fuel in the fiscal year ending March 31, 2018. This amount is due to be paid in fiscal 2018.

Capital purchase commitments

Commitments in the amount of \$33,551 have been made in relation to upcoming capital expenditures.

Other operating commitments

Commitments in the amount of \$892 have been made in relation to other upcoming operating expenditures.

Environmental Protection Compliance Orders

In the fall of 2016, the Corporation received a draft Environmental Protection Compliance Order (EPCO) from Environment Canada related to contraventions of regulations for Storage Tank Systems for Petroleum Products at the Corporation's facilities in Cambridge Bay. The Corporation has been given until December 2017 to complete the requested corrective measures.

16 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 25 sites (2016 - 24 sites) where the concentration of petroleum hydrocarbons and other pollutants in the soil exceeds environmental standards. The contamination of certain of these sites occurred when other parties were responsible for the use of and/or held tenure to the sites.

Management has estimated that remediation would cost approximately \$38 million (2016 - \$40 million). No environmental liability provision for remediation of these sites has been recognized in these financial statements as there is no legal requirement to remediate these sites; nor does management have the intention to remediate any of the sites. Going forward, an environmental liability provision for the remediation of any of these sites will be recognized if it is determined that public health is at risk.

16 Liability for contaminated sites (continued)

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 (2016 - \$0) related to the monitoring program. The undiscounted future expenditures for this liability are \$1,150 (2016 - \$0). This provision is revalued at the current discount rate in effect at each balance sheet date. At March 31, 2017 the future expenditures are discounted using a rate of 2.5%.

During 2016, the Corporation determined that the containment method in use at one of its contaminated sites was no longer functioning as intended. The Corporation proceeded with a Human Health Risk Assessment at this site which resulted in one particular site exceeding the prescribed contaminant levels. In September 2016, the Corporation proceeded with its remediation plan which included a lined landfarm cell and a trench. The remediation of this site is planned to be completed by the summer of 2017. Accounts payable and accrued liabilities include a provision of \$100 in relation to this site. The Government of Nunavut and the Corporation signed a memorandum of understanding agreement where the Corporation may be eligible to receive partial reimbursement of future remediation costs for this site.

17 Financial instruments

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk through cash deposits with financial institutions and the sale of electricity and related services to domestic 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 2017 and 2016, 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:

	2017	2016
Balance, beginning of year	\$ 5,401	\$ 5,217
Receivables recovered (written off)	-	(160)
Increase in allowance during year	1,198	344
Balance, end of year	\$6,599	\$ 5,401

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

Days Past Billing Date

	31-60	61-90	Over 90	2017	2016
March 31, 2017	\$ 10,937	\$ 3,020	\$ 6,678	\$ 20,635	\$ 22,276

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.

17 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	1 a	Between and 4 years	Greater than 4 years	2017	2016
Debt	\$ 15,497	\$	73,853	\$ 62,801	\$ 152,151	\$ 145,152
Due to Petroleum Products Division	23,382		-	-	23,382	23,815
Accounts payable and accrued liabilities	17,402		-	-	17,402	10,831
Bank indebtedness	8,393		-	-	8,393	10,901
Deposits payable	4,085		-	-	4,085	4,492
Due to the Government of Canada	-		1,352	-	1,352	1,309
	\$ 68,759	\$	75,205	\$ 62,801	\$ 206,765	\$ 196,500

Market Risk

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

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

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

	2017	2016
Bank indebtedness	\$ 100	\$ 109
Debt	820	688
	\$ 920	\$ 797

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

18 Related party transactions

Qulliq Energy Corporation is a territorial corporation and consequently is related to the Government of Nunavut and its agencies and territorial corporations. The Corporation provides utility services to, and purchases fuel, primarily from the Petroleum Products Division, materials, supplies and other services from these related parties in the normal course of its operations. These transactions are at the same rates and terms as those with similar unrelated customers. See attached Schedule A for details.

19 Comparative figures

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

SCHEDULE A

Schedule of Related Party Balances

As at March 31, 2017

(in thousands of dollars)

		Liability	Asset	Expense	Revenue
Consolidated Revenue Fund					
Office of the Legislative Assembly	\$	- \$	4	\$-	\$ (18)
Departments	+	-	-	-	-
 – Community and Government Services 		-	3,414	181	(23,132)
 Culture and Heritage 		-	107	-	(166)
 Economic Development and Transportation 		-	14	21	(156)
 Education 		-	12	-	(13)
 Environment 		-	8	-	(32)
 Executive and Intergovernmental Affairs 		-	16	41	(15)
 Family Services 		-	18	-	(65)
– Finance		(255)	4,398	2,798	(10,352)
– Health		-	187	103	(688)
– Justice		(2)	76	28	(439)
Territorial Corporations					
Nunavut Arctic College		-	36	-	(110)
Nunavut Business Credit Corporation		-	-	-	-
Nunavut Development Corporation (including subsidiaries)		-	31	-	(348)
Nunavut Housing Corporation (including LHO subsidiaries)		(21)	8,051	231	(28,873)
Revolving Funds					
Liquor Revolving Fund		-	-	-	-
Petroleum Products Revolving Fund		(23,382)	282	31,272	(871)
Other Public Service Bodies		-	-	-	-
District Education Authorities		-	33	-	(8)
Human Rights Tribunal		-	-	-	-
Labour Standards Board		-	-	-	-
Legal Services Board		-	-	-	-
Nunavut Liquor Licensing Board		-	5	-	(15)
Quilliit Nunavut Status of Women Council			-	-	-
Total Related Party Balances	\$	(23,660) \$	16,692	\$ 34,675	\$ (65,301)

Schedule of Tangible Capital Assets

for the year ended March 31, 2017

(in thousands of dollars)

	Leased	Generation	Distribution	Residual	Non-plant	Vehicles	Other	2017	2016
Cost of tangible capital assets	Lanu	Generation	Distribution	11641 455615	Bullulligs	Venicles	assets	2017	2010
Opening balance	\$ 1,237	\$ 203,584	\$ 65,091	\$ 19,785	\$ 16,238	\$ 6,517	\$ 5,169	\$ 317,621	\$ 308,027
Transferred from work in progress	-	42,711	5,521	157	494	807	104	49,794	15,566
Additions	-	-	-	-	-	-	-	-	652
Asset writedown due to fire	-	-	-	-	-	-	-	-	(1,290)
Disposals	-	(649)	-	-	-	(120)	(271)	(1,040)	(5,334)
Closing balance	1,237	245,646	70,612	19,942	16,732	7,204	5,002	366,375	317,621
Accumulated amortization									
Opening balance	-	(91,590)	(20,487)	(8,351)	(4,847)	(2,857)	(2,652)	(130,784)	(123,087)
Amortization	(515)	(9,446)	(1,560)	(707)	(317)	(522)	(301)	(13,368)	(12,291)
Deletion of assets due to fire	-	-	-	-	-	-	-	-	1,907
Adjustment for insurance proceeds and other	-	-	-	-	-	-	-	-	(72)
Disposals	-	384	-	-	-	101	27	512	2,759
Closing balance	(515)	(100,652)	(22,047)	(9,058)	(5,164)	(3,278)	(2,926)	(143,640)	(130,784)
Work in progress									
Opening balance	4	34,555	3,849	-	839	174	70	39,491	41,895
Reclassifications	(4)	4	-	-	-	-	-	-	-
Additions	-	34,133	3,973	157	609	633	45	39,550	23,547
Write down of project development costs and									
other capital assets under constructions	-	-	-	-	-	-	-	-	(10,385)
Transferred to cost of tangible capital assets	-	(42,711)	(5,521)	(157)	(494)	(807)	(104)	(49,794)	(15,566)
Closing balance	-	25,981	2,301	-	954	-	11	29,247	39,491
Net book value	\$ 722	\$ 170,975	\$ 50,866	\$ 10,884	\$ 12,522	\$ 3,926	\$ 2,087	\$ 251,982	\$ 226,328

During 2016, the Corporation reviewed the estimated future economic benefits of its hydro development project. The activities under this project were put on hold as other alternative sources of energy are being developed. The Corporation believes that the costs incurred under its hydro program had lost relevancy and cannot be used in the future in its actual form. The Corporation recorded a write-down of approximately \$10,041. The Corporation obtained approval from the Financial Management Board on June 16, 2016 to proceed with the write-off.

Included in the 2016 write-down of tangible capital assets is an amount of \$1,290 related to the total net book value of the Corporation's power plant in Pangnirtung destroyed by fire on April 2, 2015.

SCHEDULE B

End Page

Qulliq Energy Corporation P.O. Box 420 | Baker Lake, Nunavut XOC 0A0 www.qec.nu.ca

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