

QULLIQ ENERGY CORPORATION

CORPORATE PLAN

2005-2006



Table of Contents

Section	Page
1.0 Introduction.....	04
1.1 Vision.....	04
1.2 Mission.....	05
1.3 Values.....	05
1.4 Logo.....	06
2.0 Environmental Scan and Critical Issues	
2.1 Environmental Scan.....	08
2.1.1 Social.....	08
2.1.2 Political.....	08
2.1.3 Geographic.....	09
2.1.4 Environmental.....	10
2.1.5 Economic.....	10
2.1.6 Corporate History.....	12
2.2 Critical Issues.....	12
2.2.1 Immediate Issues – Accountability.....	12
2.2.2 Immediate Issues – Income.....	13
2.2.3 Immediate Issues – Responding to Economic Initiatives.....	13
2.2.4 Immediate Issues – Conservation Mandate.....	14
2.2.5 Long Term Issues – Human Resources.....	14
2.2.6 Long Term – Generation and Distribution Infrastructure.....	15
3.0 Core Business.....	17
3.1 Expressed Mandates.....	17
3.1.1 The Legislation.....	17
3.1.2 Letter of Expectation addressed to Chair.....	18
3.1.3 Instructions to Deputy Head.....	18
3.1.4 Environmental Imperatives.....	18
3.2 Core Business.....	19
3.2.1 Generate and Retail Electricity.....	19
3.2.2 Increase Efficiencies in Current Operations.....	19
3.2.3 Develop Energy Resources for Economic Opportunities.....	19
3.2.4 Develop Alternate Generation Resources.....	20
3.2.5 Support Nunavummiut in Energy Conservation.....	20
4.0 Priorities	
4.1 Priorities from 2004-2005.....	21
4.2 Priorities for 2005-2006.....	21

Section	Page
4.2.1 Safe and Secure Supply.....	21
4.2.2 Enhanced Accountability.....	22
4.2.3 Capital Initiatives.....	22
4.2.4 Sustainability.....	23
5.0 Conclusion.....	25
Appendix A – Organization Structure	
Appendix B – 2005-2006 Operations	
Appendix C – 2005-2006 Capital	
Appendix D – Pinasuaqtavut	

1.0 INTRODUCTION

Qulliq Energy Corporation (QEC) is a Crown Corporation owned 100% by the Government of Nunavut (GN). Nunavut Power Corporation (NPC) was established by the Nunavut Power Utilities Act. It was renamed Qulliq Energy Corporation and the Nunavut Power Utilities Act was renamed the Qulliq Energy Corporation Act as the result of legislation passed in March 2003.

Qulliq Energy Corporation operates several divisions, some using registered trade names “Nunavut Power” “Qulliq Energy” and “Nunavut Energy Centre”. These are not separate corporations. They all share the same reporting structure and board. The Corporation also has a registered trade name “Qulliq Fuel” which is not currently in use.

Nunavut Power generates and distributes power to Nunavummiut through the operation of twenty-six (26) diesel generation plants in 25 communities, provides mechanical, electrical and line maintenance from three regional centres, and administers Nunavut Power’s billings and the Corporation’s financial activities from offices in Iqaluit and Baker Lake.

Qulliq Energy attends to the overall objects provided by legislation, supports the Minister of Energy on intergovernmental issues, has the mandate to manage the capital projects of the corporation, and respond to issues of alternative generation sources.

Nunavut Energy Centre is a new division for the year 2005-06 and it is taking up the energy conservation mandate for Nunavut, working with individuals, community governments, businesses and non-governmental organizations to identify, evaluate and support the implementation of energy efficiency projects.

1.1 Vision

The Corporation's **Vision** Statement is:

Powering Nunavummiut into the Future ... Today

Powering represents our core business and the Corporation's role of ensuring the availability of a reliable, safe and sufficient supply of electricity, empowering all Nunavummiut and all other stakeholders to grow the residential, commercial and industrial infrastructure of Nunavut.

Nunavummiut represents the people and the unique culture embodied in Nunavut.

Into the Future ... Today means evolving in anticipation of the needs of tomorrow while meeting Nunavummiut needs today.

1.2 Mission

The Corporation's **Mission** Statement is:

Qulliq Energy Corporation is committed to supplying safe, reliable and efficient energy through responsive and respectful interaction with all stakeholders.

1.3 Values

The **Values** included within the Mission Statement are:

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

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

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

Responsive and Respectful guides the Corporation's actions and interaction with all stakeholders, of which there are many. The stakeholders integral to our core business are our customers, the communities we live in, and the long term goals of our shareholder.

1.4 Logo

The Corporation's logo, adapted from the Nunavut Power logo unveiled by the Board of Directors in March 2001, was the winning design chosen from over 200 submissions by Nunavut students. The logo is a symbol that incorporates one of the most traditional of all Inuit tools, the qulliq.



The symbolism of the qulliq is clear and even more so now with the change in the Corporation's name. The means of providing heat and light in the 21st century may have changed, but the importance has not diminished.

The Nunavut Power logo continues to be used for electrical generating activities and the Nunavut Energy Centre Logo appears on materials and buildings engaged in the Corporation's conservation mandate.



2.0 ENVIRONMENTAL SCAN AND CRITICAL ISSUES

2.1 Environmental Scan

Qulliq Energy Corporation operates within a broad spectrum of social, political, geographical, environmental and economic conditions specific to the unique challenges of generating and distributing electricity in Nunavut.

2.1.1 Social

Nunavut is a young jurisdiction with a youthful and growing population situated in 26 widely separated communities. The largest communities have 3 to 6 thousand people, the smallest have several hundred. While employed Nunavummiut are typically well remunerated, wage-economy opportunities and economic activity in Nunavut are limited.

The Corporation operates within the context of an 85% aboriginal population, and the framework built by the Nunavut Land Claims Agreement. In particular, the Corporation works to implement Article 23 of the agreement that requires efforts to create a representative public service, and Article 24 that sets up a procurement preference for Inuit, Nunavut and Local contractors.

2.1.2 Political

The Corporation's sole shareholder, is also its largest customer, its largest supplier, its ultimate regulator and the source of subsidy regimes. The Government of Nunavut and the Minister of Energy play a very significant role in every element of the Corporation's activities.

The Board of the Corporation is appointed by the Minister of Energy, and Qulliq Energy must apply to the Utility Rates Review Council (URRC) for rate changes.

The URRC is required to make rate recommendations to the responsible Minister. The responsible Minister, determines whether to implement the regulator's recommendation, the Corporation's request, or wishes to instruct that the process begin again.

In 2004-05 QEC submitted a General Rate Application for URRC review, and received an Instruction to increase its revenue by 15% through an across-the-board rate increase on April 1, 2005. Hearings were held in many Nunavut communities, and considerable controversy was generated over the corporation's revenue needs, the impacts of price increases on an energy-dependent economy and operational approaches.

The Qulliq Energy Corporation Board has responded to concerns about corporate efficiency by adopting new board structures, reviewing and re-organizing the corporate structure, creating an internal audit function, and working to define Board and corporate structure.

2.1.3 Geographic

Qulliq Energy Corporation serves 26 communities, all located north of 60°. There are no roads linking communities, and no energy grid. Supplies and fuel arrive either by air or by boat in the limited Arctic shipping season.

Outdoor work continues to be necessary for many QEC employees, even as Arctic winters and darkness create hardships and hazards.

Using the de-centralized model initiated under the Footprints in New Snow documents, Qulliq Energy has regional offices in Rankin Inlet and Cambridge Bay, its headquarters in Baker Lake and an executive office and regional centre in Iqaluit.

2.1.4 Environmental

Qulliq Energy Corporation operates in some of the most rigorous environmental conditions of any utility in the world. Weather, distance and darkness generate stresses on employees and equipment. Operating standards tend to be based on general Canadian conditions and resources, and the expectation of a pristine Arctic often raises the bar. Most Corporation employees and Board Members live and work in their home communities across Nunavut, participate in the traditional economy with its dependence on land and sea, and feel a strong personal commitment to sustainable use.

The original operator at most Nunavut Power sites was the federal crown corporation, the *Northern Canada Power Commission*, which had responsibility for generation from 1949 to 1988. After that date operations were managed by the Northwest Territories Power Corporation (NTPC). At the time of division in 2001 the two corporations each agreed to manage environmental issues in their respective territories and to work together to obtain accountability from prior operators.

Qulliq Energy has inventoried its sites for environmental issues, and has a full time environment officer engaged in prevention and remediation. The Board has taken a strong interest in site remediation, and through the Nunavut Minister of Energy, in coordination with NTPC, and using the Intergovernmental Affairs offices in Ottawa, is active in seeking resolution of contamination issues.

2.1.5 Economic

The largest item in QEC's current budget is fuel. All fuel is purchased through the Petroleum Products Division of the GN Department of Community Government and Transportation.

Fuel prices in Nunavut are dependent on the price of crude oil on world markets and the United States versus Canada foreign exchange rate. Anticipated fuel price increases at re-supply in the fall of 2005 will create immediate and growing pressure on corporate finances, which can only be balanced by an application for a fuel rate rider when adequate pricing information is available.

In the longer term, higher fuel prices will make diverse alternatives to diesel generation more and more viable across Nunavut. Although creating a stressful transition, the long term diversity of generation and supply will eventually be seen as a positive impact of fuel pressures, both economically and environmental.

The corporation relies heavily on trades and on trained accounting and technical staff. Although it is a leader in Nunavut in using the apprenticeship system to bring new workers into the trades, national energy projects will attract skilled workers and trades people at rates and in numbers which will continue to impact on Qulliq Energy's recruiting abilities.

The corporation is operating in a time of significant and continuing load growth. Government of Nunavut departments and Nunavut's municipalities are mobilizing to provide improved infrastructure to Nunavummiut. The Department of Education and the Arctic College are building classroom facilities in some communities, Health and Social Services has improved medical facilities under construction, the Nunavut Housing Corporation requires 3000 new housing units, Economic Development and Transportation requires improved airport facilities in some communities, Justice is building a Courthouse and correctional facilities, municipalities require community centres, seniors housing, water and sewage treatment facilities.

There is also significant start up activity in the mining sector, which will challenge the ability of the Corporation to respond to resource development activities.

2.1.6 Corporate History

Qulliq Energy Corporation has been in a process of rapid evolution.

It has taken time to get basic functions and services in place. It has taken time to develop and gain control of budgets, and to put in place a workforce which responds to the mix of needs unique to the Corporation.

At the same time, the Corporation has been asked to respond to the recommendations in the Ikuma II Report, which suggested a new corporate structure, new responsibilities and a significantly altered role in the life of the new territory. Most of the corporation's history and that of its predecessor involve years of quietly providing diesel generation to isolated communities. The new glare of attention and the anticipated role as an energy leader have brought new responsibilities to the Board and managers, all of which has slowly generated change in the Corporation.

Independently of how the Government of Nunavut chooses, in the short or long term, to manage petroleum distribution responsibilities, Qulliq Energy has been given a new direction and role in the economic life of the territory.

2.2 Critical Issues

2.2.1 Immediate Issues- Accountability

The Corporation is now able to accurately predict load growth, operating expenditures, and capital expenditures, translating this information into annual revenue requirements that will support financial viability and operational reliability going forward.

Continuing improvements in financial reporting will ensure that the Board of Directors has the information necessary to continue improving corporate governance, and public and shareholder accountability.

2.2.2 Immediate Issues – Income

The Corporation's approved rates continue to generate less income than both the Corporation and its regulator, the Utility Rates Review Council, acknowledge are required to operate. The corporation continues to predict operating deficits and issues with funds for capital investments.

If this deficit remains unresolved, the corporation will return to experiencing a continuing erosion of equity similar to that experienced from 2001 to 2004.

In an effort to remediate these deficits, the Board, and employees at all levels have initiated a continuous review of procedures and expenditures in order to test expenditures for real value and identify potential efficiencies.

The revenue deficiency will also continue to be addressed on the income side through applications to the Utility Rates Review Council for appropriate funds.

2.2.3 Immediate Issues - Responding to Economic Initiatives

The Corporation and Nunavut are at a point when a significant number of energy dependent economic opportunities are being developed, including in the transportation sector and the mining industry. The Board has solicited instruction on the GN's vision of QEC's role in the process and the levels of participation and risk anticipated.

As these issues are resolved, the Corporation will advance its opportunities in these sectors.

2.2.4 Immediate Issues - Conservation Mandate

The Corporation has responsibility to Nunavummiut to advance economically viable renewable energy opportunities.

This is being accomplished through increased efficiencies in its diesel engines and management of fuel facilities and activities to minimize environmental impacts.

In addition, the Corporation is engaged in the construction of heat recovery projects, the initiation of hydro generation work and the review of wind opportunities.

2.2.5 Long term Issues Human Resources

Qulliq Energy has addressed human resource issues since division from Northwest Territories Power Corporation. The corporation has many competent and committed employees from all parts of Canada and the world. There is a need for skilled employees in the trades, accounting, administration and engineering, and these skills are in very short supply in Nunavut. In order to deliver reliable services today, the Corporation has continued to hire from outside the territory, and has obtained many dedicated and talented employees through this process.

At current levels of beneficiary employment (52% at March 2005) Qulliq Energy ranks among the most successful government institutions in supporting and retaining beneficiary employees, but it is still significantly below the target participation levels, and below the levels demonstrated in some well run business and service organizations across the territory.

The Corporation and Board have demonstrated a commitment and a desire to expand apprenticeship programs and have consistently taken advantage of internship and student employment programs. Active efforts need to continue to draw Nunavummiut into new areas of expertise and skill development.

The long-term ability to achieve the staffing levels mandated in Article 23 of the Nunavut Land Claims Agreement will depend upon Qulliq Energy recruiting and training skilled staff, and continuing to support and encourage beneficiaries to reach their potential.

The most recent employment statistics for the Corporation are attached as an appendix to this business plan.

2.2.6 Long Term - Generation and Distribution Infrastructure

The Corporation is facing population driven demands, demands resulting from new infrastructure requirements and demands resulting from requirements to replace aging infrastructure. All of these demands are reflected in the Corporation's load forecast, which drives capital expenditures.

Qulliq Energy will continue to plan for the capital expenditures necessary to meet anticipated demand for electricity while exploring demand side management opportunities and energy alternatives.

At present, the Corporation's focus is on heat recovery and distribution opportunities, as the technology is proven and the cost benefits readily determinable. Heat recovery and distribution projects achieve a reduction in heating fuel consumption and a reduction in green house gas emissions while generating revenue at a rate sufficient to recover the capital investments over a reasonable period of time.

Hydro and wind have the potential to displace diesel generation in Nunavut. The identification and implementation of viable alternatives to diesel is critical for the future.

The Corporation has budgeted for hydro survey for the Iqaluit area in 2005-06 and will initiate pre-planning activities to define process and community concerns.

Each year similar project reviews will be initiated and the list of tangible and committed renewable energy projects will grow in size and impact.

3.0 CORE BUSINESS

3.1 Expressed Mandates

Qulliq Energy has a specific mandate defined by legislation, and specific instructions, received annually from the Government of Nunavut. Included within that mandate is the core business transitioned from the Northwest Territories Power Corporation April 2001, and the 6 per cent green house gas reduction imposed by the Kyoto protocol.

3.1.1 The Legislation

The Qulliq Energy Corporation Act indicates the objects of the Corporation are:

- a) to generate, transform, transmit, deliver, sell and supply energy on a safe, economic, efficient and reliable basis;
- b) to plan and provide for Nunavut's long term needs for affordable energy, taking into consideration Nunavut's desire to enhance energy self reliance and to conserve energy and energy resources;
- c) to purchase, store, process, distribute, deliver, sell and supply petroleum products and other fuels;
- d) to undertake programs to maximize efficiency of fuel and other energy consumption and to provide advice and information to consumers to enable fuel and energy conservation;
- e) subject to the Utility Rates Review Council Act, to set rates and tariffs for energy and services supplied by the Corporation and its subsidiaries; and
- f) to undertake any other activity ordered or authorized by order of the Commissioner in Executive Council

3.1.2 Letter of Expectation addressed to Chair

In April 2005, the Chair of the Board of Directors was provided with a letter by Minister Picco, and a copy was tabled in the Assembly. The Shareholder directed the Corporation to:

- work within the goals identified in the *Pinasuaqtavut - 2004-09* document, using *Inuit Qaujimagatuqangit* principles
- lead the development of an energy strategy for the GN
- move towards energy self-reliance
- develop capital and fuel riders, responding to the Ministerial Instruction resulting from the Utility Rates Review Council report
- develop strong Board oversight, committees and financial capacity
- strengthen the Baker Lake office and billings systems

and specifically to

- enhance financial reporting
- generate 3 year business plans and projections
- identify lease properties
- work with Finance and the Crown Agencies Council on financial issues

3.1.3 Instructions to Deputy Head

Instruction was also provided directly to the President and CEO through a Mandate Letter reviewed by the Board at its June meeting in Baker Lake. The letter contained essentially the same set of instructions.

3.1.4 Environmental Imperatives

The Corporation and its activities are impacted by the provisions of the Kyoto Protocol. Pending implementation decisions by the Government of Canada, the Qulliq Energy Corporation is advancing projects to reduce fossil fuel use, to comply with the terms of the treaty and to attempt to avoid potential penalties.

3.2 CORE BUSINESSES

3.2.1 Generate and retail electricity

The Corporation's core business of generation and distribution of electricity in twenty-five communities in Nunavut is growing within the mandate defined by legislation. Safety, efficiency and reliability continue to be the standards for these services.

3.2.2 Increase Efficiencies in Current Operations

The business of electricity generation needs to be conducted in a way which is environmentally responsible and economically responsive. This includes:

- Employee training in fuel transfer and hazardous materials handling
- Development of heat recovery and distribution systems
- Attention to fuel efficiencies in both capital and operations phases
- Attention to purchasing, spending and financial management practices

3.2.3 Develop energy resources for economic opportunities

In Nunavut energy is one of the prerequisites to community or economic development. The Corporation, in partnership with government and communities intends to ensure appropriate participation in economic opportunities, consistent with risk, rewards and supply opportunities.

3.2.4 Develop alternate generation resources

The Corporation, through community dialogue and capital initiatives is committed to planning for and developing alternatives to diesel generation. This is a new phase for QEC and has required a review of engineering capacity, community relationships and long term goals.

3.2.5 Support Nunavummiut in energy conservation

The Corporation intends to advance the core business supporting Nunavut in energy conservation through two means:

the *Nunavut Energy Center*, approved by the Board as a conservation resource to individuals, businesses, non-governmental organizations and communities is planned to begin functioning in the fall of 2005

the development of a comprehensive energy strategy to lay out a long term vision of energy use in a 5 and 25 year time frame, as contained in both the Letter of Expectation and the Instruction to Deputy Head.

Some resources for these projects are available through third parties. Although not part of the 2004-05 mandate, it will be necessary to find or commit funds to these objectives in 2005-06 and forward.

4.0 PRIORITIES

4.1 Priorities from 2004-05

The Corporation's priorities for 2004-2005 outlined by the vision, mission and values, and the legislated mandate included the completion of the general rate application process, the resolution of the debt to equity situation and continued improvements in accountability and sustainability.

The continued generation and distribution of electricity in Nunavut's communities, both reliably and safely, reflects positively on any determination as to whether the Corporation is achieving its vision and mission.

The general rate application process has partially addressed the Corporation's revenue requirement and continued load growth has mitigated some of the remaining revenue deficiency. The experience gained during the first general rate application process will be reflected in follow up and future applications.

The Government of Nunavut has addressed the Corporation's debt to equity situation. The restoration of a fuel rider mechanism and the improved ability of Qulliq Energy to generate financial forecasting will facilitate timely and increasingly accurate rate applications.

4.2 Priorities for 2005 – 2006

4.2.1 Safe and Secure Supply

The delivery of a reliable and safe supply of electricity to Nunavut communities is the primary task of the Corporation and underlies all its other goals.

4.2.2 Enhanced Accountability

It is the Corporation's intent to achieve continued improvement in financial accountability, moving towards a system of monthly reporting and accountabilities. Those improvements need to be measured against the expectations of the Government of Nunavut, the Office of the Auditor General and the public.

In addition, the Corporation plans to benchmark existing standards in safety, efficiency, environmental standards, and customer relations and generate standards and accountability in each of these areas.

In the area of rates and rate structures, the Corporation proposes to continue with a series of external reports, based on the recommendations in the February 2005 report of the Utility Rates Review Council. These include:

Study		Proposed Completion Date
QEC External Review		before Christmas 2005
Rate Averaging Study		2005-06
Cost of Service Study		2005-06
Benchmarking Studies	<ul style="list-style-type: none">• Reliability• Safety• Efficiency• Customer Relations	2006-07
Future Removal and Site Restoration Cost Study		2006-07
Amortization Study		2007-08
Lead-Lag Study		2007-08

4.2.3 Capital Initiatives

It is critical that Qulliq Energy, with its counterparts in Nunavut, coordinate energy efficiency projects, load growth demands, energy alternatives developments and fuel supply initiatives.

The approved 2005-06 capital plan, attached as Appendix C shows this balancing of the first three elements.

In addition, the relationship between the corporation as a consumer of fuel services, and its supplier requires focus on:

- the capital planning for electricity generation and efficiency;
- the capital planning for heat recovery (the most immediate opportunity to displace the consumption of fuel), and
- the capital planning to ensure adequate supply of fuel in all communities

Regardless of corporate structures, it is important that expertise be developed relating to the transport and storage of fuel, the avoidance and mitigation of future environmental damage from fuel spills and the remediation of sites already impacted by contamination in the past.

4.2.4 Sustainability.

Financial

The Corporation has not yet reached the point where it has adequate income to be financially self sustaining. Significant progress was achieved during 2004-2005 in the reduction of expenses and in increased efficiencies. That progress will continue during 2005-2006, and will be aided by the price increases authorized commencing April 1, 2005.

The June 2005 application has the potential to stabilize the corporation's finances and to move away from the necessity of direct government contribution, effective April 1, 2006.

Continuing attention needs to be focused on financial accountability within Qulliq Energy and the balancing of revenues and expenditures to maintain a healthy debt ratio and healthy capital expenditures to advance energy and corporate efficiencies.

Supply

World oil prices will continue to have the potential to significantly impact the Corporation's largest expenditure category, and force prices upward (or permit them to move downward, should we be so fortunate). Additional fuel costs, while outside of the Corporation's control, impact on consumers equally with costs generated inside the corporation.

Alternative Generation

It is essential from both an economic and environmental perspective that QEC and Nunavut move way from dependence on fossil fuel. Initial moves include a hydro survey in the capital expenditures plan for 2005/06. The survey will focus on determining the availability of opportunities to displace diesel generation with hydroelectric generation to serve Nunavut's largest community, Iqaluit.

The corporation is engaged in accelerated heat recovery projects. Initial community work in discussing hydroelectric generation and wind impacts are planned for 2005-06.

Human Resources

The corporation is taking a long term perspective in developing and sustaining its apprenticeship programs and is initiating work to bring accelerated access to engineering careers. Work has begun to connect Nunavut students to math and sciences development tools. In the next 5 years we need to create opportunities for Nunavummiut to generate capacity in engineering, geophysics and related sciences.

5.0 CONCLUSION

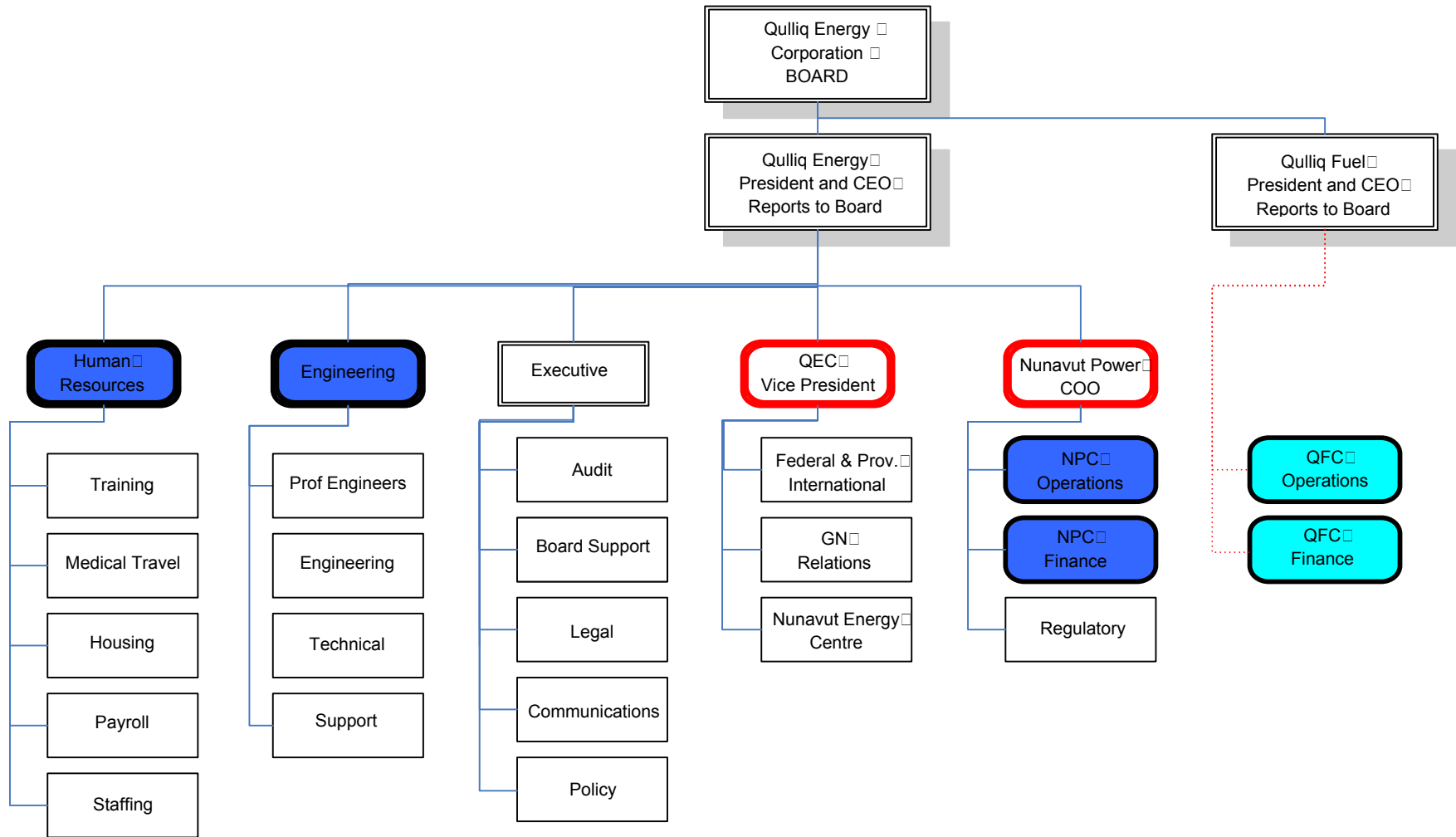
Qulliq Energy Corporation is required to operate in a unique environment, in a demanding climate, under difficult conditions for financial success and under significant human resources challenges.

On each of these items the Corporation is beginning to demonstrate capacity and progress. In the current year the Corporation needs to consolidate these advances, continue to apply the principles that have assisted in turning the corner and to build capacity, both knowledge and skills to move from an exclusively diesel corporation to a modern energy company capable of delivering energy options to Nunavummiut.

There are still significant changes and efforts that need to be made, but we feel that we are on the path to being capable of delivering on the corporation vision first expressed when Nunavut decided to take up its own energy challenge in April 2001..... *Powering Nunavummiut into the Future ... Today*

Simon Merkosak
Chair
Qulliq Energy Corporation
Board of Directors

Appendix A – Organization Structure



Functional reporting structure
Qulliq Energy Corporation

Appendix B – 2005-2006 Operations

Qulliq Energy Corporation
Projected Statement of Income and Retained Earnings
For the year ended March 31
Unaudited
(\$000)

	Projected	Projected	Actual Restated
	YTD 2006	YTD 2005	YTD 2004
Revenue			
Sale of power	\$ 66,837	\$ 55,794	\$ 53,337
Other	1,181	1,289	1,157
	<hr/>	<hr/>	<hr/>
	68,018	57,083	54,494
Expenses			
Fuel and lubricants	28,098	24,798	22,561
Salaries and wages	17,012	15,659	17,785
Supplies and services	12,076	10,474	10,902
Amortization of Property, Plant and Equipment	5,736	4,967	4,941
Interest	4,757	4,676	4,694
Travel and accommodations	3,182	2,148	2,559
	<hr/>	<hr/>	<hr/>
	70,861	62,722	63,442
Operating income (loss) for the period	(2,843)	(5,639)	(8,948)
Gain on settlement of Due to NTPC		535	
		<hr/>	
Net income (loss) before GN Contributions	(2,843)	(5,104)	(8,948)
GN Contributions		22,000	14,000
		<hr/>	
Adjusted net income (loss)	(2,843)	16,896	5,052
Retained earnings, beginning of period	57,344	40,448	35,396
	<hr/>	<hr/>	<hr/>
Retained earnings, end of period	\$ 54,501	\$ 57,344	\$ 40,448

Qulliq Energy Corporation
Projected Balance Sheet
As at March 31
Unaudited
(\$000)

	Projected	Projected	Actual
	YTD	YTD	Restated
	2006	2005	2004
Assets			
Property, Plant and Equipment	\$ 121,338	\$119,044	\$ 112,911
Current Assets			
Cash	1,320	4,446	1,800
Accounts receivable	18,496	16,217	16,171
GN contribution receivable	-	4,460	10,000
Inventories	8,618	7,182	7,074
Prepaid expenses	675	643	592
	<u>29,109</u>	<u>32,948</u>	<u>35,637</u>
	<u>\$ 150,447</u>	<u>\$151,992</u>	<u>\$ 148,548</u>
Liabilities			
Long term debt	\$ 75,456	\$ 77,000	\$ 77,000
Current Liabilities			
Accounts payable and accrued liabilities	6,500	7,118	8,234
Due to PPD	5,260	2,800	9,914
Due to GN	5,111	5,111	5,646
	<u>16,871</u>	<u>15,029</u>	<u>23,794</u>
Deferred credits and other liabilities	<u>8,306</u>	<u>7,306</u>	<u>7,306</u>
Retained Earnings	<u>49,814</u>	<u>52,657</u>	<u>40,448</u>
	<u>\$ 150,447</u>	<u>\$151,992</u>	<u>\$ 148,548</u>

Qulliq Energy Corporation
Projected Statement of Cash Flow
For the year ended March 31
Unaudited
(\$000)

	Projected	Projected	Actual
	YTD	YTD	Restated
	2006	2005	YTD
			2004
Cash provided (required) by operations			
Cash received from customers	\$ 65,739	\$ 57,387	\$ 56,995
Cash received from GN	4,460	27,540	4,000
Cash paid to suppliers and employees	(59,994)	(66,101)	(47,567)
Interest paid	(4,757)	(4,808)	(4,694)
	<u>5,448</u>	<u>14,018</u>	<u>8,734</u>
Cash provided (required) by investing activities			
Addition to Property, Plant and Equipment	<u>(7,030)</u>	<u>(11,372)</u>	<u>(6,146)</u>
Cash provided (required) by financing activities			
Cash inflow (outflow) long term debt	<u>(1,544)</u>	-	8,638
Increase (decrease) in cash	(3,127)	2,646	11,226
Cash, beginning of period	<u>4,446</u>	<u>1,800</u>	<u>(9,426)</u>
Cash, end of period	<u><u>\$ 1,320</u></u>	<u><u>\$ 4,446</u></u>	<u><u>\$ 1,800</u></u>

Appendix C – 2005-2006 QEC Capital Budget updated to June 30, 2005

Plant	Community	Description	
501	Cambridge Bay	Vehicle Replacement	50,000
501	Cambridge Bay	Generator-Set Replacement	250,000
601	Rankin Inlet	Generator Grounding Upgrade	50,000
601	Rankin Inlet	Capacity Increase - Phase 1	1,000,000
602	Baker Lake	New Generating Station - Phase 3	200,000
602	Baker Lake	Vehicle Replacement	50,000
602	Baker Lake	District Heating System – Design	300,000
603	Arviat	District Heating System Expansion	30,000
604	Coral Harbour	Vehicle Replacement	50,000
701	Iqaluit	Vehicle Replacement	50,000
701	Iqaluit	District Heating System - Phase 1	2,300,000
701	Iqaluit	District Heating System – Federal Funding	(1,000,000)
701	Iqaluit	Hydro Survey	400,000
701	Iqaluit	Telephone System	81,948
703	Cape Dorset	Vehicle Replacement	50,000
704	Resolute Bay	Vehicle Replacement	50,000
706	Igloolik	Plant Expansion/Gen-Set/Switchgear	1,200,000
712	Grise Fiord	Engine Replacement	55,000
714	Nanisivik	Modular Generation for Airport	700,000
			<u>5,866,948</u>

Appendix D - Pinasuaqtavut

Guiding Principles

The employees of the Corporation recognize the guiding principles are a valuable source of guidance as we undertake the daily activities of generating, distributing and administering the provision of electricity to our customers.

Objectives of the Second Legislative Assembly of Nunavut

The Corporation's objectives include and are consistent with the objectives of the Second Legislative Assembly of Nunavut. The Corporation is assisting the Government of Nunavut in achieving those objectives by providing:

- reduced dependency on diesel through heat recovery and distribution systems
- environmental protection and monitoring of fuel purchasing, storage and supply
- beneficiary apprenticeship and internship employment programs that remove barriers to employment
- beneficiary recruitment, retention, education and training programs that remove barriers to employment
- responses and solutions relating to the recommendations of the Office of the Auditor General and Legislative Assembly Standing Committees
- services to the public in Nunavut's languages
- administration of electricity rate subsidy programs
- capital planning to support territorial and municipal infrastructure improvements
- participation in the implementation of the revised NNI policy, and
- improved accountability and managing in a fiscally responsible manner.

The Corporation anticipates that the enhanced level of communication and coordination intended to be achieved through the Crown Agencies Council will permit a further and improved alignment of the objectives of Qulliq Energy and the Government of Nunavut.