PRINCE EDWARD ISLAND ENERGY CORPORATION

ANNUAL REPORT 2019-20

Prince Edward Island Energy Corporation
37th Annual Report
For the Year Ended
March 31, 2020

Our Legislated Objectives

Pursuant to section 6 of the *Energy Corporation Act*, the legislated objectives of the Prince Edward Island Energy Corporation are:

….. *"to develop and promote the development of energy systems and the generation, production, transmission and distribution of energy in all its forms on an economic and efficient basis, to provide financial assistance for the development, installation and use of energy systems, and to coordinate all government programs in the establishment and application of energy systems in the province*."

Our Core Activities

Consistent with our legislated objectives, the Corporation:

- Owns and operates wind farm operations at East Point (30 megawatts), Hermanville/Clearspring (30 megawatts) and North Cape (13.56 megawatts);
- Owns electrical transmission facilities in Prince County that connect its North Cape operations and other renewable energy generators to the Maritime Electric grid;
- Finances energy projects and energy systems, particularly those initiatives that involve renewable development in PEI (e.g. Wind Energy Institute of Canada);
- Develops and implements the elements of the Provincial Energy Strategy;
- Increases electrical energy reliability and capacity through the completion of the Cable Interconnection Upgrade Project between PEI and the mainland; and
- Provides guidance to Government for the formulation of provincial policy, programs, legislation and agreements that pertain to energy matters.

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Message from the Minister

The Honourable Antoinette Perry
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

Dear Lieutenant Governor:

Prince Edward Island continues as a world leader in developing wind power to meet its growing electricity requirements. This year, the four wind farms owned by the Corporation generated more than 230,000 MWh of renewable electricity for the use of Islanders.

The Corporation has continued implementing the recommendations from the Provincial Energy Strategy developed in 2016/17. The Corporation's next major project will be development of a new 30-MW wind farm as recommended in the Strategy. A site near the Corporation's existing wind farm in East Point has been identified as the preferred location due to its excellent wind resources and existing transmission infrastructure. An Environmental Impact Assessment for the proposed wind farm has been completed in October 2019 and submitted to regulators for review and approval. In addition, a permit application was submitted to the Rural Municipality of Eastern Kings for approval in November 2019. The Corporation is currently seeking the necessary project approvals at the municipal, provincial and federal levels and now expects the new wind farm to be operational in 2021.

In accordance with subsection 10(1) of the Energy Corporation Act, it is my pleasure to submit to the Legislative Assembly the 37th Annual Report of the Prince Edward Island Energy Corporation which covers activities and finances for the 2019-20 fiscal year.

Respectfully submitted,

Steven Myers
Minister of Transportation, Infrastructure and Energy
Minister Responsible for the Prince Edward Island Energy Corporation

Message from the Chief Executive Officer

The Honourable Steven Myers
Minister of Transportation, Infrastructure and Energy
PO Box 2000
Charlottetown, PE C1A 7N8

Dear Honourable Minister:

This year, the Prince Edward Island Energy Corporation's combined wind farm facilities at East Point, North Cape and Hermanville/Clearspring continued to produce clean energy for Islanders. In the 2019-20 fiscal year, production exceeded 230,000 MWh. Including private and municipal wind farms, approximately 23% of Prince Edward Island's electrical energy for 2019-20 was attributed to wind power.

The Corporation began implementing recommendations from the 2016/17 Provincial Energy Strategy including the planned 2021 Wind Farm. Key achievements were completion of an Environmental Impact Assessment and submission of a permit application to the Rural Municipality of Eastern Kings. The Corporation has also secured its preferred turbine supplier and continues to work closely with the community and key project stakeholders.

In addition, the Corporation maintained its ongoing responsibility to finance the debt incurred to refurbish Point Lepreau and exit from the Dalhousie Thermal Generating Station Participation Agreement. Through its provision of low cost financing, the Corporation continues to provide savings to Island ratepayers.

The Corporation also helped maintain low electricity rates through its continued ownership and low cost financing of the PEI-NB Cable Interconnection. This asset significantly improved the reliability and capacity of PEI's electricity system.

On behalf of the Board of Directors of the Prince Edward Island Energy Corporation, it is my pleasure to provide you with the Annual Report which, in my opinion, accurately describes the activities and finances of the Corporation during the 2019-20 fiscal year.

Yours sincerely,

Kim Horrelt

Kim Horrelt
Chief Executive Officer

Executive Summary

The Prince Edward Island Energy Corporation is a provincial Crown corporation whose form and function is dictated by the *Energy Corporation Act*. Reporting to the Minister responsible for energy matters, the Prince Edward Island Energy Corporation is governed by a Board of Directors that consists of between five and seven members. The day-to-day operations of the Corporation rest with the Chief Executive Officer who is also an ex officio board member.

Through ownership of wind farms at North Cape (10.56 MW), East Point (30 MW), Hermanville/Clearspring (30 MW) and the V-90 prototype (3 MW), the Corporation supplied approximately 231,000 MWh of renewable electricity to Islanders in the 2019-20 fiscal year.

The Corporation reported revenue of $25.5 million this past fiscal year which was an 8% decrease from the previous year. All wind farm revenues decreased compared to the prior year with North Cape showing the largest decrease at 10% compared to the prior year. Hermanville had the lowest revenue decrease at 1%. Total expenses were $16.8 million, an 11% decrease over the previous year, which can be primarily attributed to lower finance costs.

The Corporation also continued to administer debt financing related to the refurbishment of Point Lepreau and the decommissioning of the Dalhousie Thermal Generating facility. As a Government entity, the Corporation has been able to access borrowing rates lower than those available to private industry and then pass the associated savings on to Island ratepayers.

Through its ownership of the PEI-NB Cable Interconnection, the Corporation has further employed its ability to secure low cost financing in the best interests of Island ratepayers. In addition to monetary savings, the PEI-NB Cable Interconnection continues to benefit ratepayers through enhanced electricity system reliability and capacity.

The Corporation continued to implement recommendations from the 2016/17 Provincial Energy Strategy. With regards to the 2021 Wind Farm, a site near the Corporation's existing wind farm in East Point has been identified as the preferred location due to its excellent wind resources and existing transmission infrastructure. The Corporation is currently seeking the necessary project approvals at the municipal, provincial and federal levels and now expects to be operational in 2021.

The wind farms performed with a high degree of availability in 2019-20 with the most significant repair being a generator each at both East Point and North Cape Wind Farms. A complete replacement of the collector line arrestors and repairing the recloser at the East Point Wind Farm were key balance of plant activities. The 5 year service was also completed at the STATCOM.

Board of Directors

The affairs of the Prince Edward Island Energy Corporation are under the direction of a Board of Directors that consists of between five and seven members. Directors are appointed, at pleasure, for a three-year term.

As of March 31, 2020, the board members are as follows:

NAME	POSITION HELD
Deputy Minister of Transportation, Infrastructure & Energy (Darren Chaisson)	Chairperson
Deputy Minister of Finance (Dan Campbell)	Director
Deputy Minister of Economic Growth, Tourism & Culture (Erin McGrath-Gaudet)	Director
Clerk of Executive Council (Paul Ledwell)	Director
Secretary to Treasury Board (Cindy Harris)	Director
Deputy Minister of Environment, Water & Climate Change (Brad Colwill)	Director
Minister of Transportation, Infrastructure & Energy (Steven Myers)	Director

Staff of the Prince Edward Island Energy Corporation

Kim Horrelt, P.Eng. oversaw the day-to-day operations of the Prince Edward Island Energy Corporation in her duties as the Chief Executive Officer. Kim also oversaw significant growth in efficiencyPEI as their suite of programs and staff continue to expand with the goal of reducing PEI's energy footprint.

The Corporation's wind farms were managed by Heather MacLeod, P.Eng. in her role as Director, Energy Policy and Assets. She was also a strong contributor to implementing components of the Energy Strategy including new wind farm planning.

Spencer Long, P.Eng, was hired on 2019-20 as the Engineering Project Manager. He has been a key component in planning the 2021 Wind Farm and implementing other components of the Energy Strategy.

Matthew Praught, CPA, CA, was also hired in 2019-20 and performed the role of Chief Financial Officer for the Energy Corporation. Matthew allocated his financial management time between the Energy Corporation and efficiencyPEI.

The Corporation's Administrative Assistant is Dawn Larter. She also provided clerical support to the Energy and Minerals Division of the Department of Transportation, Infrastructure and Energy.

Blair Arsenault, P.Eng., fulfilled his role as the Energy Operations Technician. He provided oversight on the day-to-day operations of the wind farms and associated assets.

Annual Objectives

The Prince Edward Island Energy Corporation had set the following objectives for the 2019-20 fiscal year:

- Operate and maintain its wind facilities at a high level of availability;
- Plan the 2021 Wind Farm;
- Continue implementation of the 2016/17 Provincial Energy Strategy; and
- Provide advice to Government on various energy issues.

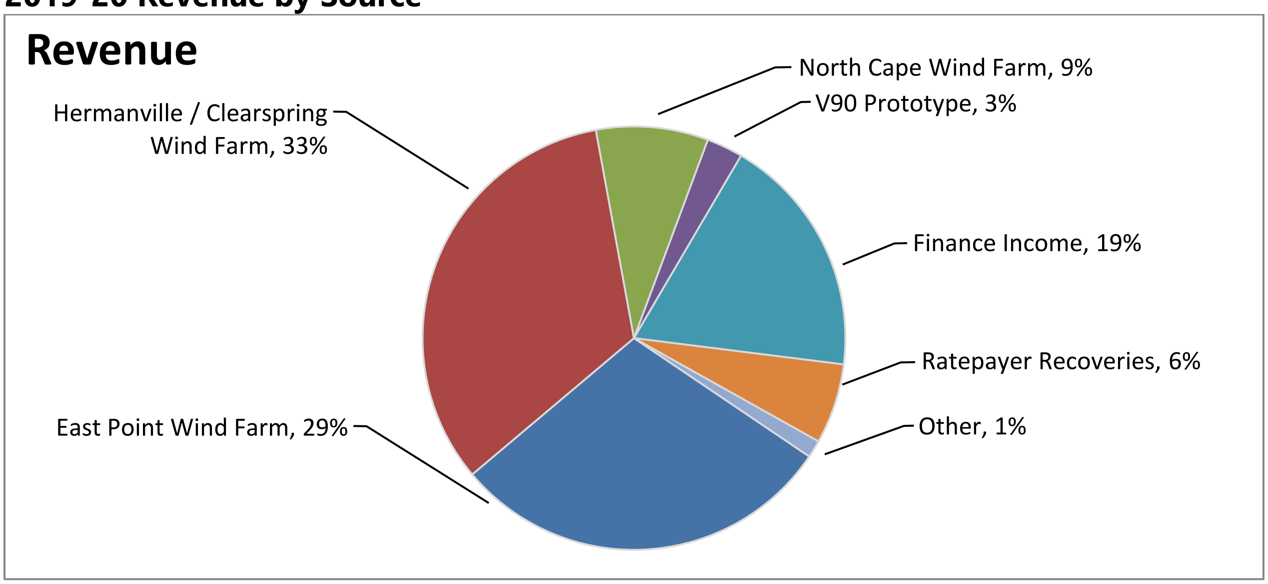
Operational Review for 2019-20

Revenue

The total revenue earned by the Prince Edward Island Energy Corporation during fiscal year 2019-20 was $25.5 million. The main component of this revenue accrued from the operation of its wind farms and related infrastructure. This included electricity sales to Maritime Electric Company Limited (MECL), marketing and transmission fees from private wind facilities, and land and building rentals. Other sources of revenue during this reporting period included interest as well as ratepayer recoveries on the PEI-NB Cable Interconnection. The following graph illustrates the sources of revenue during 2019-20.

Overall, revenue decreased 8% from the prior year. The North Cape Wind Farm experienced the largest year over year decrease at 10%, while the Hermanville/ Clearspring Wind Farm had the smallest year over year decrease at 1%. These decreases resulted from lower electricity production at the wind farms.

2019-20 Revenue by Source

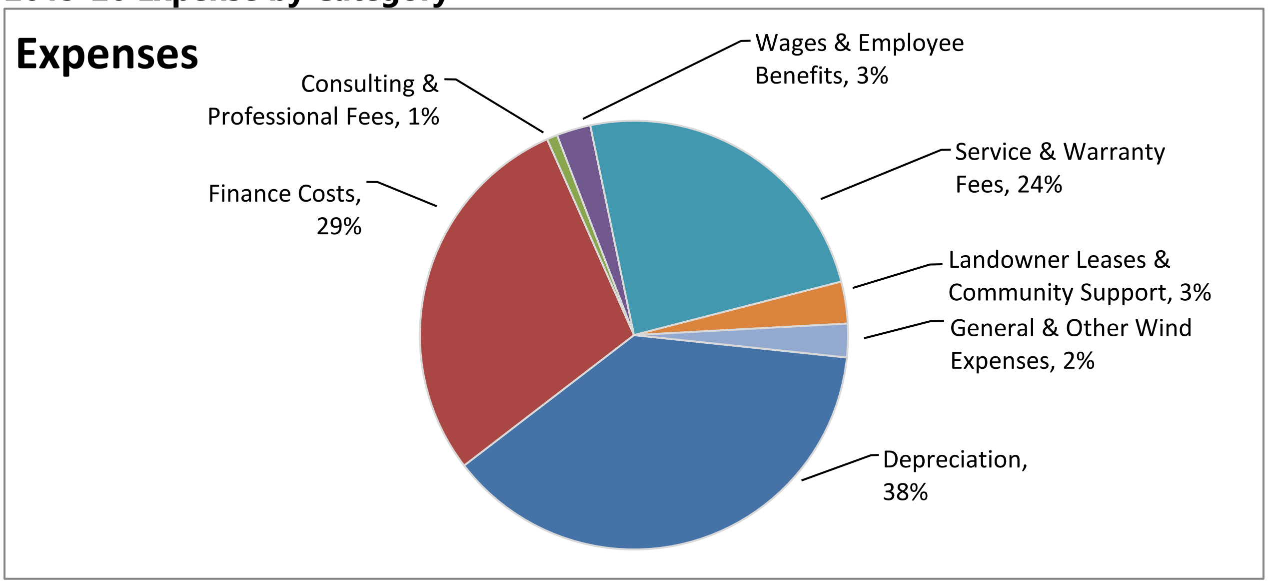


Expenses

Expenses for the Corporation totaled $16.8 million in 2019-20. This represented an 11% decrease compared to the previous year, resulting from decrease in finance costs.

The following graph presents the Corporation's expenses by category for 2019-20.

2019-20 Expense by Category



North Cape Wind Farm

The North Cape Wind Farm was Atlantic Canada's first commercial deployment of wind power. Commissioned in two phases, Phase I in November 2001 and Phase II in November 2003, the project consisted of sixteen (16) Vestas V-47 turbines. With a generating capacity of 660 kilowatts per turbine, the combined generation capacity of this wind facility is 10.56 megawatts. The fleet of Vestas V-47 turbines continues to operate with a high level of reliability and is providing ratepayers with some of the grid's cheapest power.

During the reporting period, the North Cape Wind Farm generated revenues of $2.2 million, which was down 10% compared to the previous year. The wind farm incurred expenditures of $1.5 million which resulted in surplus of $0.7 million. Included in the expenses was approximately $18,000 that was provided to landowners in the vicinity of the wind farm.

The V-47 turbines continued to perform well and pushed through several high wind fall storms with no significant issues. Major maintenance over the fiscal year included the exchange of one generator. The V-47 substation saw minor maintenance in the form of lightning arrestor upgrades and a faulty switch replacement picked up through thermal scanning.

North Cape Performance		
Fiscal Year	**Electricity Production (megawatt-hours)**	**Capacity Factor (%)**
2010/11	32,684	35.3%
2011/12	31,365	33.8%
2012/13	30,362	32.8%
2013/14	32,619	35.3%
2014/15	30,983	33.5%
2015/16	32,789	35.3%
2016/17	30,521	33.0%
2017/18	30,953	33.5%
2018/19	32,398	35.0%
2019/20	**31,039**	**33.5%**
Average	31,571	34.1%

North Cape Financial					
	REVENUE		EXPENSES		PROFIT/ SURPLUS
Fiscal Year	Annual $	Cents/ kWh	Annual $	Cents/ kWh	Annual $
2010/11	$2,967,829	9.1	$2,024,390	6.2	$943,439
2011/12	$2,477,458	7.9	$1,985,124	6.3	$492,334
2012/13	$2,416,913	8.0	$1,840,290	6.1	$576,623
2013/14	$2,435,174	7.5	$1,738,513	5.3	$696,661
2014/15	$2,399,879	7.7	$1,931,019	6.2	$468,860
2015/16	$2,480,954	7.6	$1,731,429	5.3	$749,525
2016/17	$2,336,480	7.7	$1,521,668	5.0	$814,812
2017/18	$2,367,124	7.6	$1,678,650	5.4	$688,474
2018/19	$2,432,779	7.5	$1,417,686	4.4	$1,015,093
2019/20	**$2,185,982**	**7.0**	**$1,482,497**	**4.8**	**$703,485**
Average	$2,450,057	7.8	$1,735,127	5.5	$714,931

East Point Wind Farm

Located in Elmira, along Highway 16A, the East Point Wind Farm consists of ten Vestas V-90 turbines (30 MW), a transformer pad, an overhead collection system and 2.5 kilometers of service roads. All electricity generated from the turbines is sold to MECL under a long-term power purchase agreement. As prescribed in the *Renewable Energy Act Minimum Price Regulations*, the price was originally set at 7.75 cents per kilowatt-hour. After April 1, 2008, and for each year thereafter, a portion of the price, 2.0 cents/kilowatt-hour, has been adjusted based on increases in the Consumer Price Index (CPI).

The East Point wind farm continued its trend of high availability and production near or above 90 million kilowatt-hours per year. A generator replacement and blade maintenance were highlights for the East Point operations. Critical balance of plant maintenance included replacing collector line arrestors as well as the repair to the recloser.

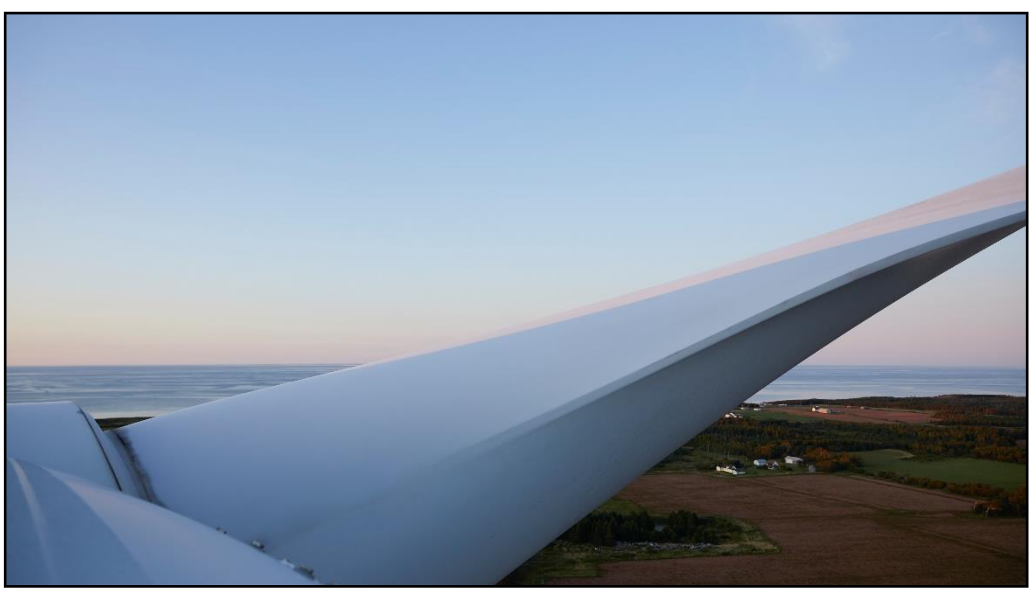
East Point Performance			
Fiscal Year	**Availability* (%)**	**Electricity Production (megawatt-hours)**	**Capacity Factor**
2010/11	97.1%	94,811	36.1%
2011/12	97.2%	98,162	37.3%
2012/13	94.9%	91,176	34.7%
2013/14	96.6%	86,427	32.9%
2014/15	94.4%	87,060	33.1%
2015/16	97.8%	96,043	36.4%
2016/17	96.3%	90,972	34.6%
2017/18	95.3%	90,957	34.6%
2018/19	TBD	91,737	34.9%
2019/20	**96.0%**	**91,998**	**34.9%**
Average	TBD	91,934	35.0%

*As per the Operation and Service Agreement with Vestas, the machine availability is guaranteed to be 95%. Liquidated damages are assessed for availability below 95% and availability incentives are provided above it.

All the turbines at the East Point Wind Farm are located on private lands. Under a three-tier compensation system, a portion of the gross revenue from the wind farm is allocated to landowners who have turbines on their property as well as those who have property in proximity to a turbine. Approximately $175,000 was paid to landowners during 2019-20.

The wind farm generated $150,000 less profit in 2019-20 compared to the previous year. The following chart illustrates the annual revenues and expenditures of the East Point Wind Farm for the last ten fiscal years.

East Point Financial					
	Revenue		***Expenses***		***Profit/Surplus***
Fiscal Year	**Annual $**	**Cents/ kWh**	**Annual $**	**Cents/ kWh**	**Annual $**
2010/11	$8,361,280	8.8	$6,459,536	6.8	$1,901,744
2011/12	$8,738,992	8.9	$6,361,183	6.5	$2,377,809
2012/13	$8,239,977	9.0	$5,757,199	6.3	$2,482,778
2013/14	$7,736,910	9.0	$5,648,017	6.5	$2,088,893
2014/15	$7,823,478	9.0	$4,821,451	5.5	$3,002,027
2015/16	$8,750,605	9.1	$3,488,453	3.6	$5,262,152
2016/17	$8,214,694	9.0	$3,665,606	4.0	$4,549,088
2017/18	$7,380,113	8.1	$3,385,481	3.7	$3,994,632
2018/19	$7,649,298	8.3	$3,507,191	3.8	$4,142,107
2019/20	**$7,502,198**	**8.2**	**$3,509,819**	**3.8**	**$3,992,379**
Average	$8,039,755	8.7	$4,660,394	5.1	$3,379,361



V-90 Prototype Turbine

The Corporation took ownership of the 3-MW Vestas V-90 wind turbine at Norway in 2013 from Aeolus Wind PEI Ltd., a subsidiary of Vestas-Canadian Wind Technologies. The Prototype was originally installed in 2003 and served as a demonstration prototype for Aeolus Wind PEI Ltd. The Vestas V-90 may be seen at a number of wind projects in PEI and Atlantic Canada, with the Corporation deploying this technology at its East Point Wind Farm. In the past year, the V-90 performed well and had limited balance of plant operational issues.

V-90 Prototype Performance			
Fiscal Year	**Availability (%)**	**Electricity Production (megawatt-hours)**	**Capacity Factor (%)**
2014/15	95.0%	10,060	38.3%
2015/16	97.2%	10,335	39.2%
2016/17	97.5%	9,814	37.3%
2017/18	97.2%	9,890	37.6%
2018/19	95.9%	9,543	36.3%
2019/20	**96.2%**	**9,628**	**36.5%**
Average	96.5%	9,878	37.6%

V-90 Prototype					
	Revenue		***Expenses***		***Profit/Surplus***
Fiscal Year	**Annual $**	**Cents/ kWh**	**Annual $**	**Cents/ kWh**	**Annual $**
2014/15	$752,863	7.5	$453,733	4.5	$299,130
2015/16	$802,603	7.8	$438,187	4.2	$364,416
2016/17	$770,660	7.9	$435,771	4.4	$334,889
2017/18	$793,984	8.0	$435,816	4.4	$358,168
2018/19	$770,958	8.1	$468,110	4.9	$302,848
2019/20	**$707,080**	**7.3**	**$424,405**	**4.4**	**$282,675**
Average	$766,358	7.8	$442,670	4.5	$323,688

Hermanville/Clearspring Wind Farm

The Hermanville/Clearspring Wind Farm was operational for its fifth full year after being commissioned in January of 2014. This wind farm marks the first commercial installation of Acciona's AC 3.0-116 turbine (3.0 MW with a 116-meter rotor diameter) in the North American market.

In addition to emission-free electricity at a competitive price for ratepayers, the operational phase of the wind farm is providing highly technical jobs for wind technicians to maintain the ten turbines at a high level of availability. The Corporation and Acciona signed a fifteen-year service and warranty agreement that guarantees a machine availability of 97% through to 2028-29.

Three of the turbines at the Hermanville/ Clearspring Wind Farm are located on private lands with the remaining being situated on Crown land. Compensation is provided to these private land owners as well as neighboring properties in proximity to the turbines. The compensation provided is relative to how close the turbine is to the respective property. The communities of Hermanville and Clearspring also receive compensation through the Northside Windmill Enhancement Fund where community projects are partially funded after an application process. In total, approximately $337,000 was distributed in 2019-20 to landowners and the community.

Hermanville's lower production is correlated with the low availability. While there was no major component replacements, the Acciona turbines are subject to frequent blade stud failures. Acciona Engineering is heavily involved in improving the reliability of the turbines. Replacing the substation UPS battery bank during the STATCOM maintenance was the most significant balance of plant maintenance.

Hermanville/Clearspring Performance			
Fiscal Year	**Availability (%)**	**Electricity Production (megawatt-hours)**	**Capacity Factor**
2014/15	97.2%	110,153	41.9%
2015/16	96.6%	110,223	41.8%
2016/17	92.3%	91,423	34.8%
2017/18	95.7%	100,421	38.2%
2018/19	93.1%	100,767	38.3%
2019/20	**92.4%**	**97,837**	**37.1%**
Average	94.5%	101,804	38.7%

*As per the Operation and Service Agreement with Acciona/Nordex, the machine availability is guaranteed to be 97%. Liquidated damages are assessed for availability below 97% and availability incentives are paid out over 98%.

Hermanville/Clearspring Financial					
	Revenue		*Expenditures*		*Profit/Surplus*
Fiscal Year	**Annual $**	**Cents/ kWh**	**Annual $**	**Cents/ kWh**	**Annual $**
2014/15	$8,775,104	8.0	$5,708,867	5.2	$3,066,237
2015/16	$8,760,174	7.9	$5,697,449	5.2	$3,062,725
2016/17	$7,727,229	8.5	$5,703,074	6.2	$2,024,155
2017/18	$8,107,256	8.1	$5,643,631	5.6	$2,463,625
2018/19	$8,702,848	8.6	$5,438,142	5.4	$3,264,706
2019/20	**$8,477,588**	**8.7**	**$5,245,353**	**5.4**	**$3,232,235**
Average	$8,425,033	8.3	$5,572,753	5.5	$2,852,281

Other Energy Initiatives

2021 Wind Farm Development

During 2019-2020, the Corporation has continued with the development of a new 30-megawatt wind farm. A site near the Corporation's existing wind farm in East Point has been identified as the preferred location due to its excellent wind resources and existing transmission infrastructure. An Environmental Impact Assessment for the proposed wind farm has been completed in October 2019 and submitted to regulators for review and approval. In addition, a permit application was submitted to the Rural Municipality of Eastern Kings for approval in November 2019. The Corporation continues to engage with the community and project stakeholders to deliver a successful project that will align with the recommendations in the Provincial Energy Strategy.

The Corporation is currently seeking the necessary project approvals at the municipal, provincial and federal levels and now expects the wind farm to be operational in 2021.

Storage and Transmission Initiatives

In addition to development of a new wind farm, the Corporation is also focusing on the development of a smart-grid project, the viability of large scale battery storage and future expansion of PEI's transmission system.

Appendix A – Audited Financial Statements

Prince Edward Island Energy Corporation

Consolidated Financial Statements

Year ended March 31, 2020

(Canadian Dollars)

Contents

Grant Thornton

Independent Auditor’s Report

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To the Members of the Board of
Prince Edward Island Energy Corporation

Opinion

We have audited the consolidated financial statements of Prince Edward Island Energy Corporation (the “Corporation”), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of profit, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Prince Edward Island Energy Corporation as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Other matter

The consolidated financial statements for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 27, 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Grant Thornton LLP

Charlottetown, Canada

August 28, 2020

Chartered Professional Accountants

Prince Edward Island Energy Corporation

Consolidated Statement of Financial Position
As at

	March 31, 2020	March 31, 2019
Assets		
Current assets:		
Unrestricted cash (Note 4)	$ 21,678,033	$ 12,191,072
Trade receivables, net (Note 5)	6,793,342	3,849,886
Current portion of other financial assets (Note 6)	4,352,065	3,988,607
Prepaid expenses	880,313	819,832
	33,703,753	20,849,397
Noncurrent assets:		
Restricted cash (Note 4)	1,526,836	1,138,581
Noncurrent other financial assets (Note 6)	91,088,607	96,852,246
Derivative financial instruments	-	3,822,824
Property, plant and equipment (Note 7)	122,882,477	125,259,424
Total Assets	$ 249,201,673	$ 247,922,472
Liabilities and Equity		
Current liabilities:		
Trade payables and accrued liabilities (Note 8)	$ 3,647,131	$ 2,299,414
Current indebtedness (Note 11)	6,353,358	6,175,244
Contract liabilities (Note 9)	1,409,026	1,351,654
	11,409,515	9,826,312
Noncurrent liabilities:		
Derivative financial instruments	19,997,515	5,141,389
Provisions	1,170,350	-
Long-term indebtedness (Note 11)	164,809,124	171,161,206
Total Liabilities	197,386,504	186,128,907
Equity:		
Cash flow hedge reserve	(19,997,515)	(1,318,565)
Retained earnings	71,812,684	63,112,130
Total Equity	51,815,169	61,793,565
Total Liabilities and Equity	$ 249,201,673	$ 247,922,472

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

On behalf of the Board

____________________, Director ____________________, Director

Prince Edward Island Energy Corporation

Consolidated Statement of Profit
For the years ended March 31,

	2020	2019
Revenue from Contracts with Customers		
Wind energy sales	$ 18,532,866	$ 19,103,740
Ratepayer recoveries	1,562,575	1,562,582
Grants	115,000	115,000
Total Revenue from Contracts with Customers	20,210,441	20,781,322
Other Revenue		
Other wind revenue	565,048	536,459
Finance income	4,723,757	6,461,610
Total Other Revenue	5,288,805	6,998,069
Total Revenue	25,499,246	27,779,391
Wind Expenses		
Consultants	4,392	71,321
Depreciation (Note 7)	4,807,564	4,615,881
Electricity	209,954	221,751
Insurance	368,275	329,028
Finance costs	4,831,994	6,943,547
Land owner fees and community support	530,917	503,376
Repairs and maintenance	370,663	438,299
Service and warranty fees	3,704,394	3,626,746
Other wind expenses	36,993	37,107
Total Wind Expenses	14,865,146	16,787,056
Operating Profit	10,634,100	10,992,335
General and Administrative Expenses		
Consulting and professional services	130,173	118,120
Depreciation of non-wind assets (Note 7)	1,562,575	1,562,582
Net (gain) loss on disposal of assets	(274,608)	49,193
Wages and employee benefits	432,217	332,649
Other general expenses	83,189	92,492
Total General and Administrative Expenses	1,933,546	2,155,036
Total Profit for the Year	$ 8,700,554	$ 8,837,299

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

Prince Edward Island Energy Corporation

Consolidated Statement of Comprehensive Income
For the years ended March 31,

	2020	2019
Profit for the Period	$ 8,700,554	$ 8,837,299
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Net gain (loss) on cash flow hedges	(18,678,950)	(6,862,109)
Hedging gains reclassified to profit or loss	-	(140,721)
Total Other Comprehensive Income (Loss) for the Year	(18,678,950)	(7,002,830)
Total Comprehensive Income (Loss) for the Year	$ (9,978,396)	$ 1,834,469

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

Prince Edward Island Energy Corporation

Consolidated Statement of Changes in Equity
For the years ended March 31,

	Cash flow hedge reserve	Retained Earnings	Total Equity
Balance at April 1, 2018	$ 5,684,265	$ 54,274,831	$ 59,959,096
Total Comprehensive Income for the Year			
Profit for the year	$ -	$ 8,837,299	$ 8,837,299
Other comprehensive income	(7,002,830)	-	(7,002,830)
Total Comprehensive Income for the Year	(7,002,830)	8,837,299	1,834,469
Balance at March 31, 2019	$ (1,318,565)	$ 63,112,130	$ 61,793,565
Total Comprehensive Income for the Year			
Profit for the year	$ -	$ 8,700,554	$ 8,700,554
Other comprehensive income	(18,678,950)	-	(18,678,950)
Total Comprehensive Income for the Year	(18,678,950)	8,700,554	(9,978,396)
Balance at March 31, 2020	$ (19,997,515)	$ 71,812,684	$ 51,815,169

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

Prince Edward Island Energy Corporation

Consolidated Statement of Cash Flows
For the years ended March 31,

	2020	2019
Cash flows from operating activities:		
Cash receipts from customers and other	$ 25,610,349	$ 27,134,191
Cash paid to suppliers and employees	(10,068,245)	(11,017,286)
	15,542,104	16,116,905
Cash flows from investing activities:		
Increase in other financial assets	(249,170)	(776,820)
Decrease in other financial assets	5,798,081	10,699,182
Increase in property, plant and equipment	(5,062,645)	(907,871)
Interest received	4,620,574	5,207,163
Other finance income received	-	1,361,697
	5,106,840	15,583,351
Cash flows from financing activities:		
Proceeds from debt	-	19,014,210
Repayment of debt	(6,173,968)	(80,178,167)
Receipt of government grants	201,159	16,664,204
Interest paid	(4,800,919)	(5,722,571)
Other finance costs paid	-	(1,220,976)
	(10,773,728)	(51,443,300)
Net increase (decrease) in cash	9,875,216	(19,743,044)
Cash, beginning of year	13,329,653	33,072,697
Cash, end of year (Note 4)	$ 23,204,869	$ 13,329,653

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

1. Corporate Information and Nature of Operations

The Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporation Act, and therefore is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act. The Corporation's principal business activities include the development and promotion of energy systems in Prince Edward Island.

The Corporation's registered office is located at 16 Fitzroy Street in Charlottetown, Prince Edward Island, C1A 7N8.

In these Consolidated Financial Statements, all dollars are expressed in Canadian dollars.

These Consolidated Financial Statements were authorized for issue by the Corporation's Board of Directors on August 28, 2020.

2. Significant Accounting Policies

Statement of Compliance

These Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared on a going concern basis under the historical cost convention, except for assets required to be measured at fair value in accordance with IFRS.

The preparation of Consolidated Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of Consolidation

These Financial Statements are the Consolidated Financial Statements of Prince Edward Island Energy Corporation and its wholly owned subsidiary, Prince Edward Island Renewable Energy Corporation. All intercompany balances and transactions are eliminated upon consolidation.

Revenue from Contracts with Customers

The Corporation is in the business of providing wind energy and access to electricity grid infrastructure. Revenue from contracts with customers is recognized when control of the good or services are transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The Corporation has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the good or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3.

Sale of wind energy:

The Corporation sells wind power through a number of Power Purchase Agreements (PPAs) with Maritime Electric Company Limited. With the exception of agency services described below, revenue from the sale of wind energy is recognized based on the kilowatt hours of wind energy delivered and the applicable per-kilowatt hour selling price.

The Corporation also purchases and resells wind power on behalf of other entities. The Corporation is acting as an agent in these arrangements and, as a result, records revenue at the net amount that it retains for its agency services.

2. Significant Accounting Policies (continued)

Ratepayer recoveries:

The Corporation provides electricity ratepayers with connection to the mainland electricity grid and ongoing access to a supply of electricity through the PEI-NB Cable Interconnection. Associated ratepayer recovery revenue equal to the capital cost of the Interconnection is recognized over the period of the contract, which coincides with the estimated useful life of the property, plant and equipment, based on the time elapsed. Ratepayer recoveries received in excess of revenue recognized are recorded as contract liabilities.

The amounts recovered from ratepayers explicitly include a significant financing component equal to the financing costs of the PEI-NB Cable Interconnection Project. The portion of the recoveries pertaining to the significant financing component are recognized separately as finance income.

Sale of Renewable Energy Certificates (RECs):

The Corporation acts as an agent in selling RECs to third parties on behalf of the Province of PEI. The Corporation records revenue at the net amount that it retains for its agency services, which is equal to an annual grant provided by the Province.

Other Wind Revenue

Other wind revenue consists primarily of liquidated damages receivable under service and warranty contracts and rent revenue.

Liquidated damages:

The Corporation enters into service and warranty agreements which provide for scheduled and unscheduled wind turbine maintenance. These contracts require that the turbines be available for energy generation a certain percentage of time per contract year. Should actual turbine availability be less than the specified percentage, the Corporation is entitled to receive liquidated damages from the service and warranty provider. Liquidated damages are recognized annually at the end of each contract year for the amount calculated in accordance with the service and warranty contract provisions.

Rent revenue:

The Corporation earns revenue from the rental of land and buildings. Rent revenue is recognized over the period of each lease agreement at the amounts specified in or calculated per the relevant agreement provisions.

Cash

Unrestricted cash in the Consolidated Statement of Financial Position consists of unrestricted bank balances held in Canadian currency.

Restricted cash in the Consolidated Statement of Financial Position consists of bank balances held in Canadian currency which, per the terms of a loan agreement, is restricted for settlement of long-term indebtedness that is expected to occur more than twelve months after the financial year end.

For the purpose of the Consolidated Statement of Cash Flows, cash consists of unrestricted and restricted cash, as defined above.

2. Significant Accounting Policies (continued)

Financial Instruments

Trade Receivables:

Trade receivables are amounts due from customers for the rendering of services or sale of goods in the ordinary course of business.

Financial Assets:

Financial assets within the scope of IFRS 9 *Financial Instruments* are classified as financial assets at fair value through profit and loss, amortized cost or designated as hedging instruments, as appropriate. When financial assets are initially recognized, they are measured at fair value, plus, in the case of financial assets measured at amortized cost, directly attributable financing costs. The Corporation determines the classification of the financial assets at initial recognition, and, where appropriate, evaluates this designation at each financial year end.

Loans and receivables for which the objective of the Corporation's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are recognized at amortized cost.

All other financial assets, except derivative financial instruments designated as hedging instruments, are measured at fair value through profit or loss.

Impairment of Financial Assets:

A financial asset is considered to be impaired if objective evidence indicates that events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date.

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Trade receivables that have been written off are not subject to enforcement activities.

Debt Instruments:

Debt instruments are initially recognized at fair value, which is the proceeds received, less attributable financing costs. Subsequent to initial recognition, debt instruments are stated at amortized cost with any difference net of transaction costs incurred. Any discount between the net proceeds received and the principal value due on redemption is amortized over the duration of the debt instrument and is recognized as part of financing costs using the effective interest method.

Interest on indebtedness is expensed as incurred unless capitalized for qualifying assets in accordance with IAS 23 *Borrowing Costs*.

Debt is classified as a current liability unless the Corporation has an unconditional right to defer settlement for at least 12 months after the reporting period.

2. Significant Accounting Policies (continued)

Derivative Financial Instruments and Hedge Accounting:

The Corporation uses derivative financial instruments in the form of interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Interest rate swaps when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction are classified as cash flow hedges.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Corporation will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Corporation actually hedges and the quantity of the hedging instrument that the Corporation actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above. Additional information regarding derivatives and hedging are provided in notes 11 and 14.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, depending on the observability of the significant inputs used in the measurement.

2. Significant Accounting Policies (continued)

Level 1: quoted prices (unadjusted) for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The useful lives are estimated as follows:

Asset	Rate
Wind turbines and towers	5-40 years
Distribution	30 years
Transmission	40 years
Building	20 years
Radar Equipment	10 years
Roads	40 years

Depreciation is only recognized for assets available for use in their current state.

Assets under Development

Development costs and assets under construction are recorded at cost. Capitalized costs related to an asset under development include all eligible expenditures incurred in connection with the development and construction of the asset until it is available for its intended use. The Corporation capitalizes all directly attributable costs. Upon a project becoming commercially operational, the accumulated costs, including capitalized borrowing costs, if any, are transferred to property, plant and equipment and are amortized on a straight line basis over the estimated useful lives of the various components.

Impairment of Long-Lived Assets

The Corporation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the Corporation makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. The recoverable amount is determined for each asset group for which cash flows are generated independently from other assets in the group. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses from continuing operations are recognized in the Consolidated Statement of Comprehensive Income in the line item “Depreciation”.

2. Significant Accounting Policies (continued)

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the expense for which it is intended to compensate. When the grant relates to an asset, it is deducted from the asset's carrying amount.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Decommissioning provisions

Provisions for the costs to decommission turbines and restore leased land to its original condition, as required by the terms and conditions of the lease, are recognized when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at management's best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Pension Liabilities

Employees of the Corporation are members of the Province of Prince Edward Island pension plan. The pension plan obligation is a liability of the Province and not the Corporation; therefore, no liability for these costs has been recorded.

Standards and Interpretations – New Standard Adopted

IFRS 16 *Leases,* as issued by IASB in January 2016, replaces IAS 17, IFRIC 4, SIC-15 and SIC-27 and is mandatory for all entities beginning on or after January 1, 2019. The Corporation adopted IFRS 16 effective April 1, 2019, but the adoption has had no impact on the consolidated financial statements

3. Critical Accounting Estimates, Judgments and Errors

The preparation of consolidated financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities, and the most critical judgments in applying accounting policies.

Revenue from Contracts with Customers

The Corporation applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

3. Critical Accounting Estimates, Judgments and Errors (continued)

Determining the timing of satisfaction of access to electricity grid infrastructure

The Corporation concluded that revenue for ratepayer recoveries is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by connection to the mainland electricity grid and ongoing access to a supply of electricity. The Corporation recognizes revenue on the basis of time elapsed relative to the total period of the contract, which aligns with the estimated useful life of the PEI-NB Cable Interconnection.

Principal versus agent considerations

The Corporation sells Renewable Energy Certificates (RECs) on behalf of the Province of PEI. The Corporation determined that it does not control the RECs before they are transferred to customers, and it does not have the ability to direct the use of the RECs or obtain benefits from the RECs. Therefore, the Corporation determined that it is an agent in these contracts.

Decommissioning Provisions

In accordance with IAS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site to its original state. Decommissioning and site restoration costs have been estimated based on currently available information. These estimates will be revised as new information becomes available and such changes could have a significant impact on these financial statements.

Asset Lives

Given the relatively new and constantly evolving wind energy industry, it is difficult to predict the useful lives of major components of property, plant and equipment. Useful lives of wind turbines and related infrastructure are determined based on suppliers' estimated design lives of the turbines with reference to the length of the power purchase agreements the Corporation has in place. The estimated useful lives, residual value and depreciation methods will be adjusted as new information becomes available and such changes could have a significant impact on these consolidated financial statements.

COVID 19

Since January 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic remains unclear at this time.

The Corporation has determined that these events have not had a material impact on the carrying value of assets and liabilities reported in these consolidated financial statements as at March 31, 2020, with the exception of derivative financial instruments, the fair value of which declined significantly as a result of a decrease in market interest rates. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Corporation for future periods.

4. Cash

For the purpose of the Consolidated Statement of Cash Flows, cash consists of the following:

	2020	2019
Unrestricted cash	$ 21,678,033	$ 12,191,072
Restricted cash	1,526,836	1,138,581
	$ 23,204,869	$ 13,329,653

5. Trade Receivables

	2020	2019
Trade receivables from contracts with customers	2,995,384	2,711,170
Other trade receivables	3,642,285	1,138,716
HST	155,673	-
	6,793,342	3,849,886

Trade receivables are non-interest bearing and are generally on 30-day payment terms. Included in trade receivables are past due amounts totaling $646,373 (2019 - $7,115). No loss allowance was recognized for the year ended March 31, 2020 as historical experience and factors specific to the debtor indicate that the receivables are recoverable.

6. Other Financial Assets

	2020	2019
Customers of a local utility provider (Point Lepreau financing), 3.41%, receivable in variable monthly installments based on usage which is approximately $346,861 including principal and interest, due March 2038.	$ 54,028,324	$ 57,317,100
Customers of a local utility provider (Point Lepreau financing), 2.81%, receivable in monthly interest only payments up to April 2021, then monthly payments of principal and interest of $117,793, due March 2038.	19,014,210	19,014,210
Customers of a local utility provider (Dalhousie financing), 1.87%, receivable in in variable monthly installments based on usage which is approximately $97,363 of principal and interest, due April 2021.	1,252,015	2,385,442
Customers of a local utility provider (NB Interconnection Transmission prorated share of PEI-NB Cable Interconnection financing), 2.51%, receivable in variable monthly installments based on usage which is approximately $38,236 including principal and interest, due February 2046.	10,740,313	11,032,555
Wind Energy Institute of Canada, 4.02%, receivable in quarterly installments of $223,641 including principal and interest, due June 2036, secured by first charge on materials, buildings and equipment and site specific general security.	10,302,272	11,091,191

6. Other Financial Assets (continued)

Accrued interest receivable	103,538	355
	95,440,672	100,840,853
Less: current portion	(4,352,065)	(3,988,607)
	$ 91,088,607	$ 96,852,246

PEI Energy Accord – Point Lepreau and Dalhousie Financing

In November 2011, the Province of Prince Edward Island entered into the Prince Edward Island Energy Accord which requires the Corporation to assume certain financing responsibilities and recover these costs from customers of a local utility provider. The Prince Edward Island Energy Accord expired February 29, 2016 and a new collection agreement was signed between the Province of PEI, Maritime Electric Company Limited and the Corporation. The costs of electricity include the costs associated with the refurbishment of Point Lepreau Nuclear Generating Station Facility and the exit of the utility provider from the Dalhousie Unit Participation agreement. The Corporation has obtained financing from the Toronto Dominion Bank to cover these costs. Terms and conditions for repayment of the Point Lepreau and Dalhousie debt and the terms and conditions for the receivable from the customers of the utility provider differ because the payments from customers are based on kilowatt hour sales and repayment of debt is a fixed monthly payment. Although there are timing differences in payments received from customers and repayments of debt obligations, all financing costs associated with Point Lepreau and Dalhousie incurred by the Corporation are receivable from customers of the utility provider until the amounts are fully recovered. Due to the variable monthly payments based on kilowatt hour sales and variable interest payments, the current portion recognized, and estimated maturities disclosed may be different from the actual amounts recognized.

PEI-NB Cable Interconnection Project

In May 2014, the Corporation entered into a Construction Agency Agreement with Maritime Electric Company Limited for the upgrade of the interconnection between the electrical systems of Prince Edward Island and mainland Canada. Under this agreement, the Corporation assumes financing responsibility for the upgrade. Financing has been obtained from Toronto Dominion Bank and all financing costs will be recovered from customers of a local utility provider. The PEI-NB Cable Interconnection Project, with the exception of the NB Interconnection Transmission as described below, has been accounted for as property, plant and equipment.

A key component of the PEI-NB Cable Interconnection Project is the construction of transmission facilities in New Brunswick ("NB Interconnection Transmission"). Ownership of this transmission must remain with NB Power in accordance with the provisions of the New Brunswick Electricity Act. A receivable from the customers of the local utility provider has been recorded for the NB Interconnection Transmission costs. Given that the financing obtained from Toronto Dominion Bank is in respect of the entire PEI-NB Cable Interconnection Project, a portion of the payments received from customers must be allocated to the NB Interconnection Transmission. The proportionate share of financing related to the NB Interconnection Transmission has been estimated based on costs incurred to the end of the reporting period. As a result, the current portion recognized in relation to the receivable from customers of the local utility provider may differ from the actual amounts recognized.

7. Property, Plant and Equipment, Net

	Wind Turbines and Towers	Transmission and Distribution	Land and Buildings	Roads	Equipment	Assets under Development	Total
Gross Amount							
At March 31, 2018	96,710,187	78,268,529	1,214,738	2,229,932	-	275,908	178,699,294
Acquisitions	1,128,726	(197,474)	-	13,523	-	108,829	1,053,604
Disposals	(2,627,465)	(190,843)	-	-	-	-	(2,818,308)
At March 31, 2019	95,211,448	77,880,212	1,214,738	2,243,455	-	384,737	176,934,590
Acquisitions	2,175,665	305	-	-	576,786	1,775,618	4,528,374
Disposals	(831,960)	-	-	-	-	-	(831,960)
At March 31, 2020	96,555,153	77,880,517	1,214,738	2,243,455	576,786	2,160,355	180,631,004
Accumulated Depreciation							
At March 31, 2018	41,218,709	5,422,756	250,047	358,297	-	-	47,249,809
Depreciation	3,824,565	2,024,696	31,585	55,942	-	-	5,936,788
Impairment	-	250,000	-	-	-	-	250,000
Disposals	(1,709,134)	(52,297)	-	-	-	-	(1,761,431)
At March 31, 2019	43,334,140	7,645,155	281,632	414,239	-	-	51,675,166
Depreciation	3,976,334	2,040,592	31,585	56,333	38,695	-	6,143,539
Impairment	-	250,000	-	-	-	-	250,000
Disposals	(320,178)	-	-	-	-	-	(320,178)
At March 31, 2020	46,990,296	9,935,747	313,217	470,572	38,695	-	57,748,527
Carrying Amount							
At March 31, 2019	51,877,308	70,235,057	933,106	1,829,216	-	384,737	125,259,424
At March 31, 2020	49,564,857	67,944,770	901,521	1,772,883	538,091	2,160,355	122,882,477

Included in Transmission and Distribution is a 100MW transmission line which is not available for use in its current state. In accordance with the October 2008 agreement between the Corporation and Maritime Electric Company Limited governing the construction of the transmission line, the amount for which the asset can be sold to a third party equals cost less depreciation at a rate of 0% for the first seven years after construction and 5% per annum thereafter. The seven-year period expired December 31, 2015. During the year, an impairment loss of $250,000 (2019 - $250,000) was recognized in depreciation in the Consolidated Statement of Profit or Loss to write down the asset to its recoverable amount. At March 31, 2020, the recoverable amount, based on fair value less costs of disposal, was $3,937,500 (2019 - $4,187,500). Since the estimate of fair value based on the terms of the October 2008 agreement is a significant unobservable input, the fair value of the transmission line is classified as a level 3 fair value.

8. Trade Payables and Accrued Liabilities

	2020	2019
Trade Payables	$ 2,167,472	$ 1,662,116
HST	260,862	572,034
Accrued Liabilities	1,218,797	65,264
	$ 3,647,131	$ 2,299,414

Trade payables are non-interest bearing and normally settled within 30 days. Included in trade payables is $778,267 (2019 - $749,834) due to various Provincial Government controlled departments and agencies.

9. Contract Liabilities

	2020	2019
Balance, beginning of year	1,351,654	639,079
Amount received	3,579,018	4,499,218
Debt collections allocated to repayment of NB Interconnection Transmission	(586,959)	(674,433)
Debt collections allocated to interest revenue	(1,372,112)	(1,549,628)
Debt collection revenue recognized	(1,562,575)	(1,562,582)
Balance, end of year	1,409,026	1,351,654

These amounts relate to the collection and recognition in comprehensive income of ratepayer recoveries on the PEI-NB Cable Interconnection. All end of year balances are current.

10. Provisions

During the year, a review of wind turbine decommissioning and site restoration costs resulted in the recognition of a decommissioning provision. The effect of this change on actual and expected depreciation expense and finance costs in the current and future years is as follows:

	2020	2021	2022	2023	2024	Thereafter
Increase in depreciation expense	113,764	119,691	119,691	119,691	116,678	549,759
Increase in finance costs	31,075	27,270	27,914	28,574	29,014	185,637

11. Long-term indebtedness

	2020	2019
Toronto Dominion term loan, bearing interest at variable rates based on 30-day Bankers' Acceptances, hedged by a floating to fixed interest rate swap bearing interest at 2.51%, payable in monthly payments of principal and interest of $235,399, due February 2046.	$ 66,790,868	$ 67,922,412
Toronto Dominion term loan, bearing interest at variable rates based on 30-day Bankers' Acceptances, hedged by a floating to fixed interest rate swap bearing interest at 3.41%, payable in monthly payments of principal and interest of $346,861, due March 2038.	55,951,939	58,167,464
Toronto Dominion term loan, bearing interest at variable rates based on 30-day Bankers' Acceptances, hedged by a floating to fixed interest rate swap bearing interest at 2.99%, payable in monthly payments of principal and interest of $213,564, due July 2033.	28,152,174	29,845,646
Toronto Dominion term loan, bearing interest at variable rates based on 30-day Bankers' Acceptances, hedged by a floating to fixed interest rate swap bearing interest at 2.81%, payable in monthly interest only payments until April 2021, then monthly payments of principal and interest of $117,793, due March 2038.	19,014,210	19,014,210

11. Long-term indebtedness (continued)

Toronto Dominion term loan, bearing interest at variable rates based on 30-day Bankers' Acceptances, hedged by a floating to fixed interest rate swap bearing interest at 1.87%, payable in monthly payments of principal and interest of $97,363, due April 2021.	1,252,015	2,385,442
Bonds Payable, 5% compounded with dates ranging from December 31, 2006 to April 30, 2008 maturing five years from the date of issuance, guaranteed by the Province of Prince Edward Island.	1,276	1,276
	171,162,482	177,336,450
Less: current portion	(6,353,358)	(6,175,244)
	$ 164,809,124	$ 171,161,206

The aggregate maturities of long-term indebtedness including accrued interest subsequent to March 31, 2020 are as follows: 2021 - $6,353,358; 2022 - $6,271,621; 2023 - $6,439,574; 2024 - $6,637,617; 2025 - $6,841,829; thereafter - $138,618,483.

In accordance with a loan agreement, the Corporation must deposit $30,000 per month into a sinking fund for future settlement of long-term indebtedness. The balance of the sinking fund is presented on the Consolidated Statement of Financial Position as restricted cash.

Additional information regarding derivatives and hedging are provided in notes 12 and 14.

12. Financial Instruments

March 31, 2019	Fair Value through Earnings	Amortized Cost	Derivatives designated as hedging instruments	Total
Cash, including restricted cash	-	13,329,653	-	13,329,653
Trade receivables, net	-	3,849,886	-	3,849,886
Other financial assets, including current	-	100,840,853	-	100,840,853
Trade payables and accrued liabilities	-	(2,299,414)	-	(2,299,414)
Derivative financial instruments, assets	-	-	3,822,824	3,822,824
Derivative financial instruments, liabilities	-	-	(5,141,389)	(5,141,389)
Long-term indebtedness, including current	-	(177,336,450)	-	(177,336,450)
	-	(61,615,472)	(1,318,565)	(62,934,037)
March 31, 2020				
Cash, including restricted cash	-	23,204,869	-	23,204,869
Trade receivables, net	-	6,793,342	-	6,793,342
Other financial assets, including current	-	95,440,672	-	95,440,672
Trade payables and accrued liabilities	-	(3,647,131)	-	(3,647,131)
Derivative financial instruments, liabilities	-	-	(19,997,515)	(19,997,515)
Long-term indebtedness, including current	-	(171,162,482)	-	(171,162,482)
	-	(49,370,730)	(19,997,515)	(69,368,245)

Net gains (losses) by category by period were as follows:

	2020	2019
Financial assets at amortized cost	788,034	823,858
Financial liabilities at amortized cost	(900,377)	(1,446,515)
Derivatives designated as hedging instruments	(18,678,950)	(6,862,109)

Additional details regarding net gains (losses) on derivatives designated as hedging instruments are as follows:

	2020	2019
Hedging gains (losses) recognized in other comprehensive income	(18,678,950)	(6,862,109)
Hedging gains reclassified to profit or loss due to interest rate swap unwinds	-	140,721

The carrying values of financial instruments included in current assets and current liabilities approximate their fair value, reflecting the short-term maturity, normal trade credit terms and/or the nature of these instruments.

Derivative financial instruments consist of interest rate swaps with a financial institution that are designated as cash flow hedges. The carrying values of derivative financial instruments equal their fair values, which are calculated as the present values of the future rights and obligations between the two parties to receive or deliver future cash flows. The fair values of the Corporation's interest rate swaps are classified as Level 2 fair values as the significant inputs are directly or indirectly observable.

12. Financial Instruments (continued)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Corporation enters into interest rate swaps that have similar critical terms as the hedged items, such as reference rate, reset dates, payment dates, maturities and notional amount. As all critical terms of long-term indebtedness and corresponding interest rate swaps matched during the year, the economic relationships were 100% effective.

If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Corporation uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness for interest rate swaps may arise if there is a credit value/debt value adjustment on an interest rate swap which is not matched by the corresponding loan, or if there are differences in critical terms between the interest rate swaps and loans. There was no ineffectiveness during the years ended March 31, 2020 and 2019 in relation to the interest rate swaps.

Additional information regarding derivatives and hedging are provided in notes 11 and 14.

The fair value of other financial assets and long-term debt is calculated by discounting the future cash flow of each instrument at the estimated yield to maturity for the same or similar issues at the balance sheet date, or by using quoted market prices when available. The fair value of the Corporation's other financial assets and long-term debt is determined using the provincial Crown borrowing rate for similar terms. The estimated fair value of other financial assets is $99,872,642 (2019 – $101,912,138). The estimated fair value of long-term indebtedness is $168,253,117 (2019 - $171,105,148).

13. Government Grants

Government grants have been recorded in the Corporation's financial statements as follows:

	2020	2019
Government grants deducted from carrying amount of related asset	1,763,386	1,120,718
Government grants recognized as income	115,000	115,000
	1,878,386	1,235,718

Government grants have been received for construction related to the PEI-NB Cable Interconnection Project which upgraded the interconnection between the electrical systems of Prince Edward Island and mainland Canada, and to compensate the Corporation for selling renewable energy certificate's on behalf of the Provincial Government.

Under the conditions of the grant related to the PEI-NB Cable Interconnection Project, the Corporation must ensure the ongoing operation, maintenance and repair of the assets for a period of five years after the end of the project.

Government grants have also been received and applied against the carrying amount of the development and construction of a 30-megawatt wind farm and an electrical smart-grid project, both scheduled to be completed in 2021.

There are no unfilled conditions or contingencies attached to the other grants.

14. Risk Management

The Corporation's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Corporation uses various strategies to manage these risks.

14. Risk Management (continued)

Market Risk	Risk that the fair value of future cash flows of a financial instrument held by the Corporation will fluctuate because of changes in market prices (i.e. commodity price risk, interest rate risk and currency risk).
Credit Risk	Risk of loss due to the failure of the borrower or counterparty to fulfill its contractual obligations.
Liquidity Risk	Risk that the Corporation cannot meet a demand for cash or fund an obligation when it is due.

Market Risk

Commodity price risk is defined as the risk that the fair value of future cash flows will fluctuate because of changes in the price of electricity. The Corporation manages this risk by entering into long-term PPA's. These PPA's provide price assurance. Currently 100% of the Corporation's electricity production is contracted under long-term PPA's which expire between 2022 and 2033.

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Corporation will fluctuate because of changes in interest rates. The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's long-term debt obligations with floating interest rates.

The Corporation manages its interest rate risk by entering into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At March 31, 2020, after taking into account the effect of interest rate swaps, 100% of the Corporation's borrowings are at a fixed rate of interest (2019 – 100%). The fixed interest rates of the swaps range between 1.87% and 3.41% (2019 – 1.87% and 3.41%). The swap contracts require settlement of net interest receivable or payable on a monthly basis. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The effects of the interest rate swaps on the Corporation's financial position and performance are as follows:

	2020	2019
Carrying amount – derivative financial instruments (assets)	-	3,822,824
Carrying amount – derivative financial instruments (liabilities)	(19,997,515)	(5,141,389)
Notional amount	171,161,206	177,335,174
Maturity date	2020	2019
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since beginning of year	(18,678,950)	(7,002,830)
Change in value of hedged item used to determine hedge effectiveness	18,678,950	7,002,830
Balance in cash flows hedge reserve for continuing hedges	(19,997,515)	(1,318,565)
Weighted average hedged rate for the year	2.91%	2.87%

Additional information regarding derivatives and hedging are provided in notes 11 and 12.

Currency risk is defined as the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Corporation currently incurs almost all of its revenues and expenditures in Canadian dollars but does have some expenses related to its turbine supply and maintenance agreements that are denominated in US dollars. To mitigate these risks, the Corporation monitors the risks associated with foreign exchange rate fluctuations and, from time to time, may enter into forward foreign exchange contracts. As at March 31, 2020, the Corporation did not hold any foreign exchange contacts.

14. Risk Management (continued)

Credit Risk

The Corporation’s credit risk is limited to cash, trade receivables and other financial assets. The Corporation’s maximum exposure to credit risk in relation to each class of recognized financial assets is limited to the carrying amount of those assets as indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event the counterparty fails to perform its obligations under the financial instrument in question. The Corporation considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held).

The Corporation has minimal credit risk with respect to cash as it is held at high-credit quality financial institutions. Trade receivable risk is managed through the PPA process whereby the counterparty to the PPA is a utility subject to government regulation and legislation and is a subsidiary of a highly rated public company. Of the trade receivables balance at the end of the year, $2,990,866 (2019 - $2,708,741) is due from the utility, the Corporation’s largest customer $166,482 (2019 – $134,538) is due from the Federal Government and $1,520,658 (2019 - $ nil) is due from the Prince Edward Island Infrastructure Secretariat in respect of Federal Government grants. Apart from this, the Corporation does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. All other financial assets are categorized as performing as counterparties have a low risk of default and all contractual cash flows have been met. No expected credit loss provisions have been recognized.

The Corporation actively manages its exposure to credit risk by assessing the ability of counterparties to fulfill their obligations under the related contracts prior to entering into such contracts. The Corporation makes detailed assessments of credit quality of all counterparties and, where appropriate, obtains corporate guarantees, collateral or other security to support the ultimate collection of these financial assets.

Liquidity Risk

The Corporation actively manages its liquidity through cash and debt management strategies. Such strategies include continually monitoring forecasted and actual cash flows to assess and further reduce liquidity risk. The Corporation’s cash resources, trade receivables, other financial asset receivables and cash generated from operations significantly exceed the current cash outflow requirements.

15. Capital Management

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long-term obligations and ensuring financial health, while achieving the growth plans of the Corporation. In order to facilitate the management of its capital requirements, the Corporation prepares annual operating budgets and actual to budget forecasts on a quarterly basis. The Corporation's capital consists of short-term debt having a term to maturity of one year or less, long-term debt having a term to maturity greater than one year and equity, primarily in the form of retained earnings. There has been no change with respect to the overall capital risk management strategy during the year.

The Corporation is subject to an externally imposed requirement to contribute to a sinking fund for the future settlement of long-term indebtedness and has complied with this requirement during the year.

16. Commitments and Financial Guarantees

Commitments

Turbine service and warranty agreements:

The Corporation enters into service and warranty agreements in the ordinary course of business. Certain agreements are denominated in US dollars and have been converted to Canadian dollars using the exchange rate in effect at March 31, 2020. The contracts provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable. The committed amounts over the next five years and beyond are as follows: 2021 - $3,664,113; 2022 - $3,664,113; 2023 - $2,227,268; 2024 - $2,207,312; 2025 - $2,207,312; thereafter - $10,662,238.

Power Purchase Agreements (PPAs):

The Corporation is contractually obligated, through PPA's totaling 19 megawatts with private wind developers, to purchase all wind power produced, and then sell all wind power purchased to Maritime Electric Company Limited. These PPA's expire in 2026 (9 megawatts) and 2036 (10 megawatts). The Corporation is contractually obligated, through PPA's totaling 73.56 megawatts, to sell all wind power produced at its wind farm facilities to Maritime Electric Company Limited. These PPA's expire in 2022 (5.28 megawatts), 2023 (3 megawatts), 2024 (5.28 megawatts), 2026 (30 megawatts) and 2033 (30 megawatts).

Land lease payments:

In the normal course of business, the Corporation has entered into agreements for the use of, or option to use, land in perpetuity in connection with the operation of its wind farms. Payment under these agreements is dependent on the amount of power generated by the wind farm assets; therefore, future minimum payments are indeterminable.

Development:

At March 31, 2020, the Corporation had outstanding contractual construction commitments amounting to approximately $24,898,500 (2019 - $nil) which represents a turbine supply agreement for the 30-megawatt wind farm project currently in the development phase. Additional construction costs related to this project have not yet been committed to by the Corporation. Project funding for the 30-megawatt wind farm has been arranged through the Government of Canada's Investing in Canada Infrastructure Plan. Under this Plan, the Government of Canada will provide, through the Province of Prince Edward Island's Department of Transportation, Infrastructure and Energy, up to a maximum of $29,850,000 in funding for the project. As of March 31, 2020, $1,692,350 (2019 – $nil) of project funding had been received or committed to through the Invest in Canada Infrastructure Plan.

At March 31, 2020, the Corporation had arranged a funding agreement with the Government of Canada – Department of Natural Resources to study and develop an electrical smart grid on Prince Edward Island. The project is currently in the study phase. The maximum contribution toward the smart grid project shall not exceed the lesser of 25% of total project costs or a maximum of $4,373,250. At March 31, 2020, funding in the amount of $39,290 (2019 - $nil) had been received or committed to by the Government of Canada – Department of Natural Resources toward the project.

In addition, project funding for electricity transmission infrastructure in western PEI has been arranged through the Government of Canada's Investing in Canada Infrastructure Plan. Under this Plan, the Government of Canada will provide, through the Province of Prince Edward Island's Department of Transportation, Infrastructure and Energy, up to a maximum of $21,250,000 in funding for the project. As of March 31, 2020, no project funding had been received or committed through the Invest in Canada Infrastructure Plan.

17. Related Party Transactions

Salaries and benefits for Corporation employees paid by and reimbursed to the Province of PEI during 2020 totaled $432,217 (2019 - $332,649).

During 2020, the Corporation received $115,000 (2019 - $115,000) in grants from the Province of PEI in exchange for the Corporation acting as an agent in the sale of Renewable Energy Certificates.

17. Related Party Transactions (continued)

During the year, the Corporation provided $142,978 (2019 - $106,679) in funding for a program, administered through the Province of PEI, that supports economic, social and community-based projects in the area surrounding one of the Corporation's wind farms.

Interest paid to the Province of PEI during the year in respect of long-term indebtedness totaled $ Nil (2019 - $203,832).

Key Management Compensation

Key management includes the CEO. Salary and short-term benefits paid to the CEO totaled $158,420 (2019 – $149,893).

18. Prior Period Comparative Figures

Certain prior period comparatives have been restated to conform to the presentation format adopted in the current year.