PRINCE EDWARD ISLAND ENERGY CORPORATION

ANNUAL REPORT
2023-24

Prince Edward Island Energy Corporation
41st Annual Report
For the Year Ended
March 31, 2024

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 (MW)), Hermanville/Clearspring (30 MW) and North Cape (13.56 MW);
- Owns and operates a microgrid system located in Slemon Park, which includes a 10-MW-AC solar facility equipped with 1.5 MWh of long duration zinc bromide battery storage, and lithium ion behind-the-meter battery storage at Hanger 8;
- 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 Blueprint;
- Increases electrical energy reliability and capacity through the ownership of the 360-MW Cable Interconnection Upgrade 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:

The Corporation is pleased to announce the 10-megawatt (MW) solar farm project in Slemon Park is entering its final stages and has been exporting 90% of nameplate power to the grid. The project has had many success stories, including working with a local farmer for grass maintenance/sheep grazing. A major overhaul was completed at Hermanville that has seen turbine average availability increase from a low of 19% in August to 64% by the end of March 2024. Newly root-faced blades are making a significant difference, and some turbines are running at near 100% availability. A further significant overhaul is planned for the 2024 summer maintenance season to ensure the long-term profitability of the farm.

Following lengthy delays and recent regulatory amendments, the Corporation has resumed planning for the Eastern Kings Wind Farm Phase II Project. Roadwork has begun to prepare the site for the new 30-MW wind farm. Also, planning continues on the 100-kilometre transmission line that will connect further renewable energy projects in western PEI.

The Cleantech Innovation Centre will be a state-of-the-art facility, designed to facilitate collaboration between industry, academia, and government. Phase one of construction is slated to begin in May 2024, and phase two is anticipated to commence in Q2 2024. The completion of the Cleantech Innovation Centre will fast track achieving PEI's NetZero goal. Further, our new multi-year Community Renewable Energy Generation Fund has been established to support municipalities, Indigenous communities and community groups in community-led cleaner and greener generation projects.

In accordance with subsection 10(1) of the Energy Corporation Act, it is my pleasure to submit to the Legislative Assembly the 41st Annual Report of the Prince Edward Island Energy Corporation, which covers activities and finances for the 2023-24 fiscal year.

Respectfully submitted,

Steven Myers
Minister of Environment, Energy & Climate Action
Minister Responsible for the Prince Edward Island Energy Corporation

Message from the Chief Executive Officer

The Honourable Steven Myers
Minister of Environment, Energy & Climate Action
PO Box 2000
Charlottetown, PE C1A 7N8

Dear Honourable Minister:

The Slemon Park solar farm is entering its final stages of commissioning and is forecasted to produce approximately 16.5 gigawatt hours (GWh) each year, with energy storage potential via a 1.5-MWh zinc battery. Our new Community Renewable Energy Generation Fund, which is building upon the Sustainable Communities Initiative, is now accepting applications to advance local, community-driven generation projects across the province.

Hermanville/Clearspring rebounded in 2023-24 after a major repair campaign that involved main shaft replacement, blade repairs and blade root facing. A second repair campaign is planned for the summer maintenance season of 2024 that will return the farm back to its designed energy production levels. Also at Hermanville, a demolition plan for Turbine 9 is under development and an insurance claim is in progress.

The Western Transmission Line Expansion Project will allow an additional 100 MW of future wind farm generation capacity in western PEI. The transmission line route is nearly finalized by the Owner's Engineer. The land agents have begun to identify and have initiated preliminary communications with the landowner intersections with the route.

Islanders continue to benefit from the PEI-NB Cable Interconnection through the Corporation's ownership and low-cost financing. In addition, the Corporation maintained its ongoing responsibility to finance the debt incurred to refurbish the Point Lepreau Nuclear Generating Station.

On behalf of the Board of Directors of the Prince Edward Island Energy Corporation, it is my pleasure to provide you with this Annual Report which accurately describes the activities and finances of the Corporation during the 2023-24 fiscal year.

Yours sincerely,

Tyson Bradley
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 157,000 MWh of renewable electricity to Islanders in the 2023-24 fiscal year.

During this reporting period, the 10-MW-AC solar farm at Slemon Park achieved substantial completion and began exporting electricity to the grid for the first time. Energy production from Slemon Park Solar began in late 2023, with 1.9 GWh produced by the end of March. The Energy Corporation looks forward to its first full year of utility solar generation.

The Corporation reported revenue of $23 million this past fiscal year, which was a 5% increase from the previous year. Slemon Park energy production and a Fiona insurance claim were strong contributors to the increase. Total expenses were $19.3 million, a 5% increase over fiscal year 2022-23 with a Community Renewable Energy Generation Fund (CREG) being the largest contributor of this increase.

Beginning this year, the Corporation announced the financing of the multi-year CREG Fund, which has been established to support community-led clean energy generation projects.

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 Island ratepayers through enhanced electricity system reliability and capacity.

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, 2024, the board members were as follows:

NAME	POSITION HELD
Deputy Minister of Environment, Energy & Climate Action (Norbert Carpenter)	Chairperson
Minister of Environment, Energy & Climate Action (Steven Myers)	Director
Deputy Minister of Fisheries, Tourism, Sport & Culture (Michele Koughan)	Director
Clerk of Executive Council (Jamie Aiken)	Director
Secretary to Treasury Board (Cindy Harris)	Director
Deputy Minister of Transportation and Infrastructure (Brian Matheson)	Director
Chief Executive Officer of Innovation PEI (Brad Colwill)	Director

Annual Objectives

The Prince Edward Island Energy Corporation had set the following objectives for the 2023-24 fiscal year:

- Operate and maintain its wind facilities at a high level of availability;
- Plan and execute the proposed 30-MW wind farm;
- Develop the Slemon Park Microgrid Project;
- Support the construction of a 100-kilometre transmission line to western PEI;
- Provide advice to Government on various energy issues, with Government's goal of achieving Net Zero by 2040 being a priority; and
- Support the development of the Cleantech sector in PEI.

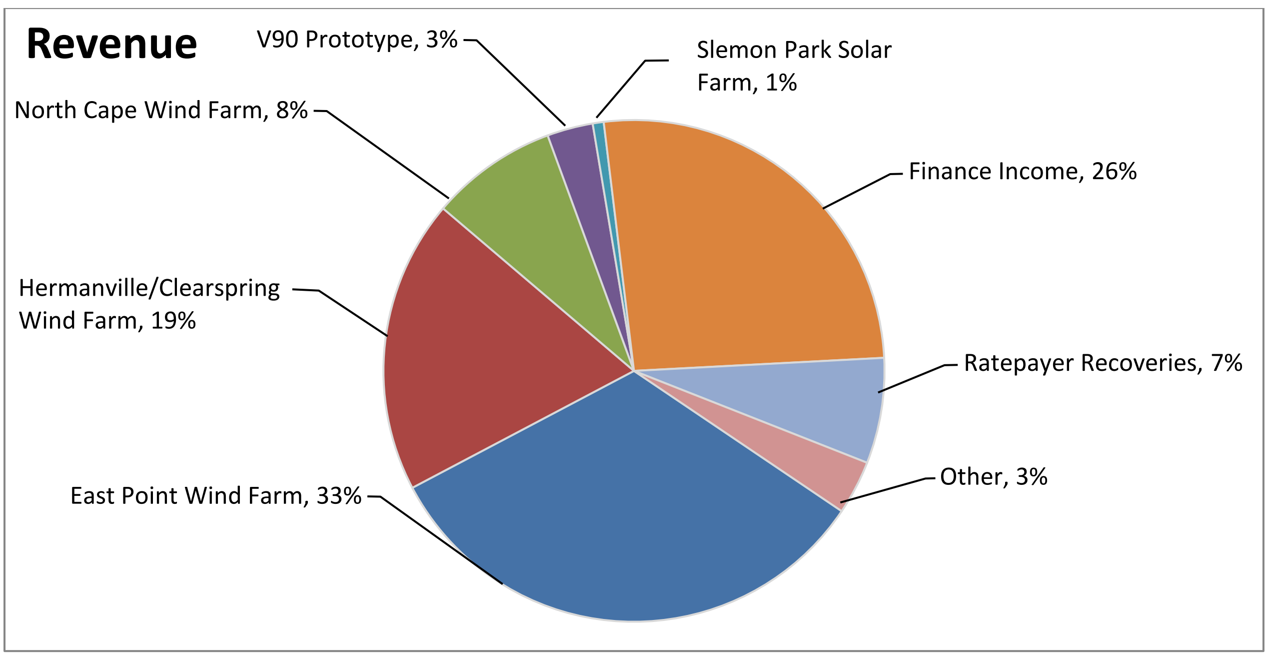
Operational Review for 2023-24

Revenue

The total revenue earned by the Prince Edward Island Energy Corporation during fiscal year 2023-24 was $23 million. The main component of this revenue accrued from the operation of its wind farms and related infrastructure. These revenues included electricity sales to Maritime Electric Company Limited (MECL), marketing and transmission fees from private wind facilities. Other sources of revenue during this reporting period included interest income. The following graph illustrates the sources of revenue during 2023-24.

Overall, revenue increased by 5% from the prior year. Increases in revenue can be attributed to increased energy production at East Point, higher interest rates for finance income and an insurance claim for Slemon Park from Hurricane Fiona damage. Hermanville had the largest decrease while North Cape also struggled. By year end, both farms had engineered solutions to systemic issues that have shown great results thus far.

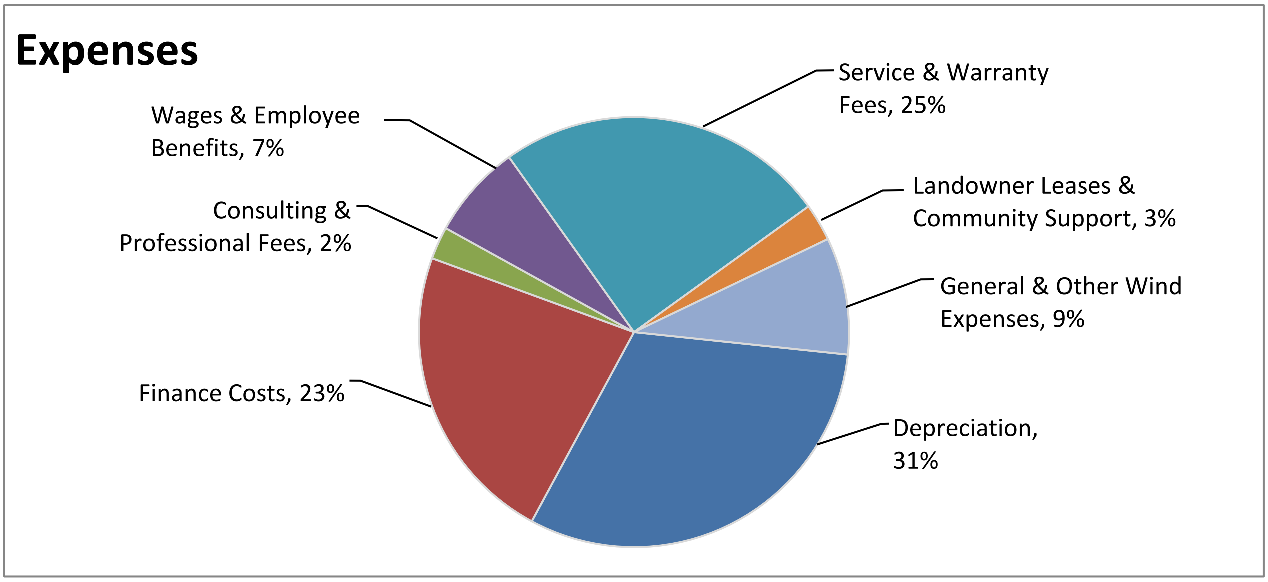
2023-24 Revenue by Source



Expenses

Expenses for the Corporation totaled $19.2 million in 2023-24. This represented a 5% increase compared to the previous year. The general and other wind expenses category saw the largest growth, increasing by $0.7 million. The higher expense was due to staffing increases and grant payments for the CREG Fund.

2023-24 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 kW per turbine, the combined generation capacity of this wind facility is 10.56 MW.

During the reporting period, the North Cape Wind Farm generated revenues of $1.9 million which represented a 6% decrease from the previous year. The reduction in revenues can be attributed to downtime caused by traverse bolt repairs and the age of the turbines, but the traverse modifications are yielding great results so far. Expenditures totaled $1.8 million with no significant change from the previous year. Included in the expenses is approximately $15,900 that was provided to landowners in the vicinity of the wind farm.

The V-47 turbines continued to perform well for an approximately 22-year-old machine, producing over 25 GWh of energy. With warranty and maintenance in place to year 27 of turbine life, the V-47 wind farm continues to be a reliable source of clean energy for Islanders.

North Cape Performance		
Fiscal Year	**Electricity Production (MWh)**	**Capacity Factor (%)**
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%
2020/21	30,584	33.1%
2021/22	29,188	31.5%
2022/23	27,494	29.6%
2023/24	**25,109**	**27.1%**
Average	30,106	33.5%

North Cape Financial					
	Revenue		***Expenses***		***Profit/Surplus***
Fiscal Year	**Annual $**	**Cents/kWh**	**Annual $**	**Cents/kWh**	**Annual $**
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
2020/21	$2,181,412	7.1	$1,578,017	5.2	$603,395
2021/22	$2,118,968	7.3	$1,804,682	6.2	$314,286
2022/23	$2,001,469	7.2	$1,828,701	6.7	$172,768
2023/24	**$1,882,543**	7.5	**$1,852,848**	7.4	**$29,695**
Average	$2,238,759	7.4	$1,682,720	5.6	$556,039

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 substation, an overhead collection system and 2.5 kilometers of service roads. The farm was commissioned in 2007 and has been a very reliable wind farm operating for 17 successive years. T10 underwent a major 10-week yaw ring repair, where every tooth on the yaw ring was repaired and has been running smoothly since the repair. Electricity production rebounded to an impressive 87.2 GWh capping off a successful year of operation and repairs for an aging wind farm.

East Point Performance			
Fiscal Year	**Availability* (%)**	**Electricity Production (MWh)**	**Capacity Factor (%)**
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	94.4%	91,737	34.9%
2019/20	96.0%	91,998	34.9%
2020/21	94.7%	92,788	35.3%
2021/22	94.5%	90,139	34.3%
2022/23	92.4%	79,264	30.2%
2023/24	**95.6%**	**87,210**	**33.1%**
Average	95.1%	89,817	34.1%

*As per the Operation and Service Agreement with Vestas, the machine availability is guaranteed to be 94%. Liquidated damages are assessed for availability below 94% 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 $177,000 was paid to landowners during 2023-24; additionally, municipal taxes were paid to the Rural Municipality of Eastern Kings.

Revenues were $7.5 million for the year, 9% higher than the prior year primarily due to Hurricane Fiona losses for the previous year. Wind farm profit was above the historical average at $4.2 million. 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 $**
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
2020/21	$7,714,719	8.3	$3,447,120	3.7	$4,267,599
2021/22	$7,540,463	8.4	$3,695,799	4.1	$3,844,664
2022/23	$6,899,624	8.7	$3,144,050	3.9	$3,755,574
2023/24	**$7,547,866**	**8.8**	**$3,365,258**	**3.9**	**$4,182,608**
Average	$7,702,306	8.6	$3,603,023	4.0	$4,099,283

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. The prototype experienced downtime due to generator failure during the 2023-24 fiscal year, however surplus still stayed above historical averages primarily due to reduced depreciation expenses.

V-90 Prototype Performance			
Fiscal Year	Availability (%)	Electricity Production (MWh)	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%
2020/21	98.2%	10,252	39.0%
2021/22	94.6%	9,741	37.1%
2022/23	95.5%	9,089	34.6%
2023/24	**83.4%**	**8,639**	**32.8%**
Average	95.1%	9,699	37.3%

V-90 Prototype Financial					
	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
2020/21	$769,197	7.5	$432,113	4.2	$337,084
2021/22	$743,028	7.6	$466,888	4.8	$276,140
2022/23	$688,732	7.6	$244,582	2.7	$444,150
2023/24	**$680,391**	**7.9**	**$315,920**	**3.7**	**$364,471**
Average	$747,950	8.0	$411,553	4.0	$336,397

Hermanville/Clearspring Wind Farm

The Hermanville/Clearspring Wind Farm was operational for its tenth full year after being commissioned in January 2014. This wind farm marks the first commercial installation of Acciona's AW 3.0-116 turbine. In 2016, Acciona was acquired by Nordex USA, Inc.

Energy production and revenue at Hermanville/Clearspring were both down significantly for 2023-24 and reached historical lows in the summer of 2023. However, a repair campaign began in the Fall that included blade repairs, root facing blades, and installing two new main shaft assemblies. The repairs proved to be effective with turbine availability improving from 19% to 64%. A further repair campaign is planned for the summer of 2024 with the aim to bring production back to targeted levels.

Hermanville/Clearspring Performance			
Fiscal Year	**Availability (%) ***	**Electricity Production (MWh)**	**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%
2020/21	89.4%	98,783	37.6%
2021/22	80.5%	81,686	31.1%
2022/23	58.2%	39,750	15.1%
2023/24	**34.1%**	**33,441**	**12.7%**
Average	82.9%	86,448	32.9%

*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%.

In addition to emission-free electricity at a competitive price for ratepayers, the wind farm is providing highly skilled jobs for a minimum of four technicians to maintain the turbines. In 2012, the Corporation and Acciona signed a fifteen-year service and warranty agreement that guarantees a machine availability of 97% through to 2028-29. By 2024-25 the overall liquidated damages cap for the service agreement will be reached and all turbine downtime will have financial impacts for the Corporation. With this in mind, the PEI Energy Corporation has taken a more proactive approach to repairs and is funding the necessary major repairs to ensure the long-term profitability of the farm.

Recognizing the turbines on site still impact landowners in the area, the Corporation has continued to compensate all landowners at historical energy production levels.

The compensation provided is relative to the turbine's proximity to the respective property. The region surrounding Hermanville and Clearspring also receives additional compensation through the Northside Windmill Enhancement Fund, whereby community projects are partially funded through a formal application process. In total, approximately $296,000 was distributed in 2023-24 to landowners and the community.

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
2020/21	$8,919,453	9.0	$5,216,403	5.3	$3,703,050
2021/22	$8,274,143	10.1*	$5,112,620	6.3	$3,161,523
2022/23	$4,924,080	12.4*	$5,607,137	14.1	($683,057)
2023/24	**$4,350,509**	**13.0***	**$5,570,342**	**16.7**	**($1,219,833)**
Average	$7,701,838	9.0	$5,494,302	7.5	$2,207,537

*The Revenue in cents/kWh is above normal due to a low availability number, and Nordex owing PEI Energy Corporation a significant amount of liquidated damages. Overall production was down due to low availability, but Nordex compensated PEI Energy Corporation for a portion of these losses bringing the revenue up and increasing the overall cents/kWh.

Slemon Park Microgrid

Project Overview

The 10-MW AC solar photovoltaic farm located in Slemon Park has been operating and exporting power to the grid since late 2023. Beyond PV generation, the microgrid incorporates long duration battery storage, behind-the-meter battery storage located in Hangar 8, and residential battery storage technology. The industrial tenants of Hangar 8 will be able to realize cost savings by discharging the batteries during periods of peak energy demand, as well as backing up critical loads during power outages. Hangar 8 is slated to become operational in the summer of 2024.

Environmental Measures

Following the events of hurricane Fiona and a historical snowfall in the winter of 2023-24, a northern windbreak is being planted to allieviatve the impacts of future storms. Plantings around the fenceline will begin this fiscal year, while trees from the 2 billion tree program will be planted the following year. Additionally, pollinator beds and bird nesting boxes will be established along the perimeter of the site.

Sheep grazing has been trialed as an alternative to traditional grass cutting. The sheep trial was a success, and the Corporation will continue to graze the site as an alternative to tractor mowing.

GHG Projections

The greenhouse gas (GHG) baseline emission reduction created by the microgrid project is estimated to be 4,500 t_{C02}/year over the 30-year lifespan of the project.

Energy Projections

The microgrid energy generation assets consist of 9.5-MW AC fixed-tilt solar modules and 0.5-MW AC of single-axis tracked panels. The single-axis trackers orient the panels to the optimal angle as the sun moves across the sky throughout the day, thereby increasing energy production. The combined energy yield is projected to be 16.5 GWh/year. With partial power achieved in late 2023, the system produced 1.9 GWh during the fiscal year.

Other Energy Initiatives

30-MW Wind Farm Development

During 2023-2024, the Corporation continued with the development of a new 30-megawatt wind farm. A site near the Corporation's existing wind farm in East Point had been identified as the preferred location due to its excellent wind resources and existing transmission infrastructure. Environmental Approvals were granted for the project on September 2nd, 2020 by the Department of Environment, Water and Climate Change. Following significant delays, regulatory changes in 2023 enabled the Corporation to resume work on this project. Land clearing and road construction is planned for spring and summer of 2024.

Western PEI Transmission Line

Technical and feasibility studies for the 100-kilometre transmission line to western PEI are being spearheaded by the Corporation and the local utility. The $44 million investment by PEI and the Federal government is a significant investment in the energy future of western PEI. An Owner's Engineer is now under contract to update project scope and cost estimates as the first phase of the project. Pending approvals, the project will proceed with issuance of major project tenders with an anticipated substantial completion by 2026.

PEI Energy Blueprint

The PEI Energy Corporation is leading the development of the PEI Energy Blueprint, which will replace the 2017 Provincial Energy Strategy. A Discussion Paper was released in May, immediately followed by the launch of an online survey with several community engagement meetings across the Island. The results of the community engagement, surveys and stakeholder meetings were released in the "What We Heard Report". Ongoing work on the strategy development is based upon the engagement. The Energy Blueprint is expected to be released during the 2024-25 fiscal year.

Sustainable Communities

The Sustainable Communities Initiative encouraged interested communities to explore opportunities for energy generation models that suit their unique needs.

Building upon these efforts, in December 2023, the Corporation announced the three-year $1.5M/year CREG Fund, which is funded and administered by the Corporation. The CREG Fund accepts applications from municipalities, Indigenous communities, and communities of interest across the province. The CREG Fund aims to promote and facilitate community-led clean energy projects, energy demand reduction and energy supply projects within PEI communities. Through building cleaner communities, PEI can reduce greenhouse gas emissions and build a more sustainable province for all.

Cleantech Development

Work is ongoing for the PEI Cleantech Park. The PEI Cleantech Park, located in Georgetown will be a central hub for industry, academia and government to come together to contribute to a clean growth future.

The Corporation continues to partner internally with Finance PEI and Innovation PEI to shape and develop the Cleantech Park and Cleantech Innovation Centre.

Tenders were called for phase one of the Cleantech Innovation Centre, and work will commence in early May 2024. Work is also ongoing to call tenders for phase two of the facility and they are intended to be released in Q2 of 2024.

The Cleantech Academy is a collaborative initiative between the Government of PEI, Holland College, and the University of PEI. It will be housed in the Cleantech Innovation Centre and is part of PEI's cleantech ecosystem. The Academy's mission is to inspire and advance interdisciplinary leaders and change-makers to accelerate the path to net zero.

Appendix A – Audited Financial Statements

Prince Edward Island Energy Corporation

Financial Statements

Year ended March 31, 2024

(Canadian Dollars)

Contents

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Independent auditor's report

To the Directors of Prince Edward Island Energy Corporation

Opinion

We have audited the financial statements of Prince Edward Island Energy Corporation ("the Company"), which comprise the statement of financial position as at March 31, 2024, and the statement of profit, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Prince Edward Island Energy Corporation as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton LLP

Charlottetown, Canada
June 17, 2024

Chartered Professional Accountants

Prince Edward Island Energy Corporation

Statement of Financial Position
As at

	March 31, 2024	March 31, 2023
Assets		
Current assets:		
Unrestricted cash (Note 4)	$ 33,617,143	$ 42,506,384
Trade receivables, net (Note 5)	6,757,273	4,603,918
Current portion of other financial assets (Note 6)	3,833,897	3,819,054
Prepaid expenses	1,076,674	881,551
	45,284,987	51,810,907
Noncurrent assets:		
Restricted cash (Note 4)	3,230,209	2,715,001
Noncurrent other financial assets (Note 6)	72,631,142	76,243,748
Derivative financial instruments	17,948,424	15,012,874
Property, plant and equipment (Note 7)	127,229,800	119,544,553
Total Assets	$ 266,324,562	$ 265,327,083
Liabilities and Equity		
Current liabilities:		
Trade payables and accrued liabilities (Note 9)	$ 2,915,267	$ 5,634,270
Current indebtedness (Note 12)	6,623,146	6,424,201
Contract liabilities (Note 10)	593,448	1,110,230
	10,131,861	13,168,701
Noncurrent liabilities:		
Provisions (Note 11)	7,257,412	3,369,923
Long-term indebtedness (Note 12)	135,297,015	141,923,434
Total Liabilities	152,686,288	158,462,057
Equity:		
Cash flow hedge reserve	17,948,424	15,012,874
Retained earnings	95,689,850	91,852,152
Total Equity	113,638,274	106,865,026
Total Liabilities and Equity	$ 266,324,562	$ 265,327,083

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

On behalf of the Board

______________________, Director ______________________, Director

Prince Edward Island Energy Corporation

Statement of Profit
For the years ended March 31

	2024	2023
Revenue from Contracts with Customers		
Wind and solar energy sales	$ 13,340,165	$ 13,264,847
Ratepayer recoveries	1,562,575	1,562,575
Total Revenue from Contracts with Customers	14,902,740	14,827,422
Other Revenue		
Other wind revenue	2,083,033	1,380,717
Finance income	5,998,728	5,587,853
Total Other Revenue	8,081,761	6,968,570
Total Revenue	22,984,501	21,795,992
Operating Expenses		
Consultants	98,289	79,536
Depreciation (Note 7)	5,977,315	5,876,011
Electricity	251,087	221,269
Insurance	653,069	521,916
Finance costs	4,345,638	4,734,967
Land owner fees and community support	538,998	530,004
Net (gain) loss on disposal of assets	-	11,515
Repairs and maintenance	516,015	214,588
Service and warranty fees	4,257,864	4,350,089
Other wind expenses	77,268	30,464
Total Operating Expenses	16,715,543	16,570,359
Operating Profit	6,268,958	5,225,663
General and Administrative Expenses		
Consulting and professional services	356,184	440,798
Grants	542,230	166,020
Wages and employee benefits	1,359,462	1,013,565
Other general expenses	173,383	102,690
Total General and Administrative Expenses	2,431,259	1,723,073
Total Profit for the Year	$ 3,837,699	$ 3,502,559

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

Prince Edward Island Energy Corporation

Statement of Comprehensive Income
For the years ended March 31,

	2024	2023
Profit for the Period	$ 3,837,699	$ 3,502,559
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Net gain on cash flow hedges	2,935,550	5,937,889
Total Other Comprehensive Income for the Year	2,935,550	5,937,889
Total Comprehensive Income for the Year	$ 6,773,250	$ 9,440,448

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

Prince Edward Island Energy Corporation

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

	Cash flow hedge reserve	Retained Earnings	Total Equity
Balance at April 1, 2022	$ 9,074,985	$ 88,349,592	$ 97,424,577
Total Comprehensive Income for the Year			
Profit for the year	$ -	$ 3,502,559	$ 3,502,559
Other comprehensive income	5,937,889	-	5,937,889
Total Comprehensive Income for the Year	5,937,889	3,502,559	9,440,448
Balance at March 31, 2023	$ 15,012,874	$ 91,852,151	$ 106,865,025
Total Comprehensive Income for the Year			
Profit for the year	$ -	$ 3,837,699	$ 3,837,699
Other comprehensive income	2,935,550	-	2,935,550
Total Comprehensive Income for the Year	2,935,550	3,837,699	6,773,249
Balance at March 31, 2024	$ 17,948,424	$ 95,689,850	$ 113,638,274

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

Prince Edward Island Energy Corporation

Statement of Cash Flows
For the years ended March 31,

	2024	2023
Cash flows from operating activities:		
Cash receipts from customers and other	$ 19,688,303	$ 21,335,963
Cash paid to suppliers and employees	(14,165,496)	(9,610,401)
	5,522,807	11,725,562
Cash flows from investing activities:		
Decrease in other financial assets	3,597,763	3,800,515
Increase in property, plant and equipment	(15,604,564)	(8,410,091)
Interest received	5,998,728	5,587,853
	(6,008,073)	978,276
Cash flows from financing activities:		
Repayment of debt and lease liabilities	(6,427,475)	(12,086,480)
Receipt of government grants	2,750,325	1,836,029
Interest paid	(4,211,618)	(4,598,720)
	(7,888,766)	(14,849,170)
Net increase (decrease) in cash	(8,374,032)	(2,145,333)
Cash, beginning of year	45,221,385	47,366,718
Cash, end of year (Note 4)	$ 36,847,353	$ 45,221,385

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 Financial Statements, all dollars are expressed in Canadian dollars.

These Financial Statements were authorized for issue by the Corporation’s Board of Directors on June 17, 2024.

2. Summary of Material Accounting Policies

Statement of Compliance

These 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 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 Financial Statements are disclosed in Note 3.

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. Summary of Material 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. 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.

Leases

The Corporation as lessee

The Corporation assesses whether a contract is or contains a lease, at inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

2. Summary of Material Accounting Policies (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented together with indebtedness in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Corporation did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Corporation incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37.To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included within property, plant and equipment in the Statement of Financial Position.

The Corporation applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Impairment of Long-Lived Assets’ policy.

2. Summary of Material Accounting Policies (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

(b) The Corporation as lessor

The Corporation enters into lease agreements as a lessor with respect to some of its land. The Corporation also rents equipment for the purpose of wind monitoring.

Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Corporation regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables. Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

Cash

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

Restricted cash in the Statement of Financial Position consists of bank balances held in Canadian currency which, per the terms of a loan agreement and a ratepayer recovery agreement, are 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 Statement of Cash Flows, cash consists of unrestricted and restricted cash, as defined above.

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.

2. Summary of Material Accounting Policies (continued)

Financial Assets: (continued)

Investments, 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.

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.

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.

2. Summary of Material Accounting Policies (continued)

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 12, 13 and 15.

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 financial statements are categorized within the fair value hierarchy, depending on the observability of the significant inputs used in the measurement.

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.

Summary of Material Accounting Policies (continued)

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
Solar	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 Statement of Comprehensive Income in the line item "Depreciation".

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.

2. Summary of Material Accounting Policies (continued)

Provisions (continued)

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.

3. Critical Accounting Estimates, Judgments and Errors

The preparation of 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:

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). 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.

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

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 financial statements.

4. Cash

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

	2024	2023
Unrestricted cash	$ 33,617,144	$ 42,506,384
Restricted cash	3,230,209	2,715,001
	$ 36,847,353	$ 45,221,385

5. Trade Receivables

	2024	2023
Trade receivables from contracts with customers	$ 2,386,159	$ 1,967,834
Other trade receivables	4,371,114	2,636,084
	$ 6,757,273	$ 4,603,918

Trade receivables are non-interest bearing and are generally on 30-day payment terms. Included in trade receivables are past due amounts totaling $nil (2023 - $2,995). No loss allowance was recognized for the year ended March 31, 2024 as historical experience and factors specific to the debtor indicate that the receivables are recoverable. Included in trade receivables is $nil (2023 - $nil) due from Provincial Government controlled entities.

6. Other Financial Assets

	2024	2023
Customers of a local utility provider (Point Lepreau financing), 3.41%, receivable in monthly installments of principal and interest of $329,418 through March 2024, and $346,861 thereafter, due March 2038.	$ 46,271,357	$ 48,490,261
Customers of a local utility provider (Point Lepreau financing), 2.81%, receivable in monthly installments of principal and interest of $102,456 through March 2024, and $107,881 thereafter, due March 2038.	12,398,302	13,025,659
Customers of a local utility provider (NB Interconnection Transmission prorated share of PEI-NB Cable Interconnection financing), 2.51%, receivable in monthly installments of principal and interest of approximately $37,000, due February 2046.	9,715,373	9,909,772
Wind Energy Institute of Canada, 4.02%, receivable in quarterly installments of principal and interest of $224,084, due June 2035, secured by first charge on materials, buildings and equipment and site specific general security.	8,079,654	8,637,110
Accrued interest receivable	-	-
	76,465,038	80,062,802
Less: current portion	(3,833,897)	(3,819,054)
	$ 72,631,142	$ 76,243,748

Point Lepreau

Under the 2011 Prince Edward Island Energy Accord, the Corporation assumed certain financing responsibilities for costs associated with the refurbishment of the Point Lepreau Nuclear Generating Station Facility. These costs are being recovered from the customers of a local utility provider as part of the cost of electricity.

PEI-NB Cable Interconnection Project

The Corporation constructed and financed the upgrade of the interconnection between the electrical systems of Prince Edward Island and mainland Canada that became operational in 2017. The related costs are being recovered from customers of a local utility provider. A key component of the PEI-NB Cable Interconnection Project was 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. The remainder of the PEI-NB Cable Interconnection Project has been accounted for as property, plant and equipment.

7. Property, Plant and Equipment, Net

	Wind Turbines and Towers	Transmission and Distribution	Land and Buildings	Roads	Equipment	Solar	Assets under Development	Total
Gross Amount								
At March 31, 2022	99,255,477	77,949,211	1,230,749	2,243,455	579,801	-	11,154,361	192,413,054
Acquisitions	284,653	-	-	-	-	-	3,575,384	3,860,037
Disposals	-	(164,355)	-	-	-	-	-	(164,355)
At March 31, 2023	99,540,130	77,784,856	1,230,749	2,243,455	579,801	-	14,729,745	196,108,736
Acquisitions	5,716,165	1,432,384	77,000	-	-	15,251,337	1,798,614	24,275,501
Disposals	-	-	-	-	-	-	(10,556,322)	(10,556,322)
At March 31, 2024	105,256,295	79,217,240	1,307,749	2,243,455	579,801	15,251,337	5,972,037	209,827,915
Accumulated Depreciation								
At March 31, 2022	54,978,326	14,503,407	376,907	583,236	154,973	-	31,896	70,628,745
Depreciation	3,479,874	2,042,299	32,209	56,332	58,139	-	16,586	5,685,439
Impairment	-	250,000	-	-	-	-	-	250,000
Disposals	-	-	-	-	-	-	-	-
At March 31, 2023	58,458,200	16,795,706	409,117	639,568	213,112	-	48,482	76,564,185
Depreciation	3,500,610	2,018,646	32,209	56,332	58,138	166,477	(48,482)	5,783,930
Impairment	-	250,000	-	-	-	-	-	250,000
Disposals	-	-	-	-	-	-	-	-
At March 31, 2024	61,958,810	19,064,352	441,326	695,900	271,251	166,477	-	82,598,116
Carrying Amount								
At March 31, 2023	41,081,932	60,989,150	821,632	1,603,887	366,688	-	14,681,264	119,544,553
At March 31, 2024	43,297,485	60,152,888	866,423	1,547,554	308,552	15,084,860	5,972,037	127,229,800

Included within Assets under Development is a right-of-use asset in respect of a land lease associated with the development of an electrical smart grid. Additional information regarding this right-of-use asset is provided in Note 8.

Interest capitalized during the year totaled $10,372 (2023 – $57,544).

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 (2023 - $250,000) was recognized in depreciation in the Statement of Profit or Loss to write down the asset to its recoverable amount. At March 31, 2024, the recoverable amount, based on fair value less costs of disposal, was $2,937,500 (2023 - $3,187,500). 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. Leases

Right-of-use assets

Right-of-use assets included within property, plant and equipment in the Statement of Financial Position are as follows:

	Solar	Assets Under Development
Gross Amount		
At March 31, 2022	-	449,315
Acquisitions	-	-
Disposals	-	-
At March 31, 2023	-	449,315
Acquisitions	449,315	-
Disposals	-	(449,315)
At March 31, 2024	449,315	-
Accumulated Depreciation		
At March 31, 2022	-	31,896
Depreciation	-	16,896
Disposals	-	-
At March 31, 2023	-	48,482
Depreciation	16,529	-
Disposals	48,482	(48,482)
At March 31, 2024	65,011	-
Carrying Amount		
At March 31, 2023	-	400,833
At March 31, 2024	384,304	-

Lease liabilities

Lease liabilities included within indebtedness in the Statement of Financial Position are as follows:

	2024	2023
Current	$ 13,053	$ 11,871
Non-current	385,666	403,268
	$ 398,719	$ 415,139

The Corporation has leases for land for wind farms and the development of an electrical smart grid. With the exception of short-term leases, leases of low-value underlying assets and leases that consist solely of variable lease payments which do not depend on an index or rate, each lease is reflected as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of wind revenues) are excluded from the initial measurement of the lease liability and asset. The Corporation classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Some leases contain an option to renew the lease at the end of the term. The land leases require the Corporation to complete site restoration at the end of the lease.

8. Leases (continued)

The table below describes the nature of the Corporation's leasing activities by type of right-of-use asset:

Right-of-use asset	No. of right-of-use assets leased	Remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Land	1	25 years	1	0	1	0

Future minimum lease payments are as follows:

	Minimum lease payments due						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
At March 31, 2024							
Lease payments	22,917	22,917	22,917	22,917	22,917	460,255	574,841
Finance charges	9,864	9,534	9,195	8,848	8,492	130,188	176,122
Net present values	13,053	13,383	13,722	14,069	14,425	330,067	398,719
At March 31, 2023							
Lease payments	24,278	24,278	24,278	24,278	24,278	487,586	608,977
Finance charges	12,407	12,040	11,663	11,273	10,872	352,004	193,838
Net present values	11,871	12,238	12,615	13,005	13,406	135,582	415,139

Lease payments not recognized as a liability

Certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. These variable lease payments do not depend on an index or rate, but rather are based on the Corporation's wind revenues. The expense relating to payments not included in the measurement of the lease liability is as follows:

	2024	2023
Variable lease payments	$ 385,058	$ 355,991

Interest on lease liabilities for the year ended March 31, 2024 was $10,372 (2023 - $12,602), all of which was capitalized in accordance with IAS 23. Total cash outflow for leases for the year ended March 31, 2024 was $401,895 (2023 - $372,158).

9. Trade Payables and Accrued Liabilities

	2024	2023
Trade Payables	$ 1,875,547	$ 1,126,363
Holdbacks Payable	317,080	2,917,196
HST	-	336,845
Accrued Liabilities	722,640	1,253,865
	$ 2,915,267	$ 5,634,270

Trade payables are non-interest bearing and normally settled within 30 days. Included in trade payables is $436,943 (2023 - $380,191) due to Provincial Government controlled departments and agencies.

10. Contract Liabilities

	2024	2023
Balance, beginning of year	$ 1,110,230	$ 1,566,423
Amounts received	2,584,785	5,096,051
Debt collections allocated to repayment of NB Interconnection Transmission	(405,162)	(435,113)
Debt collections allocated to interest revenue	(1,133,830)	(1,230,315)
Debt collection revenue recognized	(1,562,575)	(1,562,575)
Government grants recognized	-	(2,582,490)
Government grants receivable	-	258,249
Balance, end of year	$ 593,448	$ 1,110,230

These amounts relate to ratepayer recoveries on the PEI-NB Cable Interconnection and grants in respect of the development of an electrical smart grid. All end of year balances are current.

11. Provisions

	2024	2023
Balance, beginning of year	$ 3,369,923	$ 3,398,028
Additional provision made in the period	3,851,055	-
Unwinding of discount	134,021	136,248
Adjustment for change in discount rate	(97,587)	(164,353)
Balance, end of year	$ 7,257,412	$ 3,369,923

These amounts relate to decommissioning provisions. All end of year balances are noncurrent.

The key assumptions, on which the carrying amount of the provision is based, includes risk free rates ranging from 3.84 – 4.64% (2023 - 3.84 – 4.82%) and inflation rate of 2.37% (2023 - 2.34%). The total undiscounted amount of the estimated cash flows required to settle the remaining obligations is $9,700,555 (2023 - $3,744,696).

12. Long-term indebtedness

	2024	2023
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.	$ 61,969,757	$ 63,220,774
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.	46,296,357	48,834,764
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.	20,849,144	22,757,481
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 payments of principal and interest of $107,881, due March 2038.	12,404,907	13,118,201
Other indebtedness and accrued interest payable	1,276	1,276
Lease liabilities	398,719	415,139
	141,920,160	148,347,635
Less: current portion	(6,623,146)	(6,424,201)
	$ 135,297,015	$ 141,623,434

The aggregate maturities of long-term indebtedness, including accrued interest, subsequent to March 31, 2024 are as follows:

	2025	2026	2027	2028	2029	Thereafter
Aggregate maturities	6,608,817	6,812,756	7,023,069	7,239,956	7,463,626	106,371,940

The above aggregate maturities include those in respect of a lease liability for land leased for the development of an electrical smart grid. Additional information regarding lease liabilities is provided in Note 8.

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 Statement of Financial Position as restricted cash.

Additional information regarding derivatives and hedging is provided in Notes 13 and 15.

13. Financial Instruments

	Fair Value through Earnings	Amortized Cost	Derivatives designated as hedging instruments	Total
March 31, 2024				
Cash, including restricted cash	-	36,847,153	-	36,847,153
Trade receivables, net	-	6,757,273	-	6,757,273
Other financial assets, including current	-	76,465,039	-	76,465,039
Derivative financial instruments, assets	-	-	17,948,424	17,948,424
Trade payables and accrued liabilities	-	(2,915,267)	-	(2,915,267)
Long-term indebtedness, including current	-	(141,920,161)	-	(141,920,161)
	-	(24,765,762)	17,948,424	(6,817,339)
March 31, 2023				
Cash, including restricted cash	-	45,221,385	-	45,221,385
Trade receivables, net	-	4,603,919	-	4,603,919
Other financial assets, including current	-	80,062,802	-	80,062,802
Derivative financial instruments, assets	-	-	15,012,874	15,012,874
Trade payables and accrued liabilities	-	(5,634,720)	-	(5,634,270)
Long-term indebtedness, including current	-	(148,347,635)	-	(148,347,635)
	-	(24,093,799)	15,012,874	(9,080,025)

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

	2024	2023
Derivatives designated as hedging instruments	2,935,550	5,937,889

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

	2024	2023
Hedging gains (losses) recognized in other comprehensive income	2,935,550	5,937,889

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.

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.

13. Financial Instruments (continued)

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/debit 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, 2024 and 2023 in relation to the interest rate swaps.

Additional information regarding derivatives and hedging are provided in Notes 12 and 15.

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 $71,896,573 (2023 – $76,683,508). The estimated fair value of long-term indebtedness is $124,146,888 (2023 - $132,120,630).

14. Government Grants

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

	2024	2023
Government grants deducted from related expense	10,878	18,036
Government grants deducted from carrying amount of related asset	3,808,476	4,679,184
Government grants recognized as income	-	-
	3,819,354	4,697,220

Government grants have been received in relation to the development of a 30-megawatt wind farm, an electrical smart-grid project, electricity transmission infrastructure and to compensate the Corporation for selling renewable energy certificate’s on behalf of the Province of PEI. Contract liabilities have been recorded for grants received in advance and are included in Note 10.

15. 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.

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.

15. Risk Management (continued)

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 2024 and 2036.

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, 2024, after taking into account the effect of interest rate swaps, 100% of the Corporation's borrowings are at a fixed rate of interest (2023 – 100%). The fixed interest rates of the swaps range between 2.51% and 3.41% (2023 – 2.51% 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:

	2024	**2023**
Carrying amount – derivative financial instruments (assets)	17,948,424	15,012,874
Carrying amount – derivative financial instruments (liabilities)	-	-
Notional amount	141,520,165	147,004,846
Maturity date	2024	2023
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since beginning of year	2,935,550	5,937,889
Change in value of hedged item used to determine hedge effectiveness	2,935,550	5,937,889
Balance in cash flows hedge reserve for continuing hedges	17,948,424	15,012,874
Weighted average hedged rate for the year	2.90%	2.91%

Additional information regarding derivatives and hedging are provided in Notes 12 and 13.

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, 2024, the Corporation did not hold any foreign exchange contracts.

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).

15. Risk Management (continued)

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, $2,305,677 (2023 - $1,856,157) is due from the utility, the Corporation's largest customer, $466,214 (2023 – $203,540) is due from the Federal Government and $nil (2023 - $nil) is due from the Province of PEI 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.

16. 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.

17. Commitments and Financial Guarantees

Commitments

Committed amounts over the next five years and beyond are as follows:

	2025	2026	2027	2028	2029	Thereafter
Turbine service and warranty	2,415,655	2,415,655	2,415,655	2,,655	1,936,505	2,046,863
Development	25,090,089	-	-	-	-	-
Other	467,485	100,000	100,000	100,000	100,000	2,050,000
	27,973,229	2,515,655	2,515,655	2,515,655	2,036,505	4,096,863

17. Commitments and Financial Guarantees (continued)

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, 2024. The contracts provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable.

Development:

At March 31, 2024, the Corporation had outstanding contractual commitments with respect to the development of a 30-megawatt wind farm, an electrical smart-grid project, and electricity transmission infrastructure. Funding for all three of these projects has been arranged through the Government of Canada's Investing in Canada Infrastructure Plan, which provides funding through the Province of PEI. In addition, funding for the electrical smart-grid project is also being provided by the Government of Canada – Department of Natural Resources (NRCan).

Contractual rights in respect of funding agreements are as follows:

	2024	**2025**
Contractual rights	35,092,600	5,952,130

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 65.28 megawatts, to sell all wind power produced at its wind farm facilities to Maritime Electric Company Limited. These PPA's expire in 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.

The Corporation has also entered into a lease agreement for the use of land in connection with the development of an electrical smart grid. The associated future minimum lease payments are disclosed in Note 8.

18. Related Party Transactions

	2024	2023
Grants from the Province of PEI for		
The Government of Canada's Investing in Canada Infrastructure Plan	905,841	2,116,734
Selling Renewable Energy Certificates	-	-
Expenses to the Province of PEI for		
Corporation employee payroll	1,361,466	1,047,708
A community support program	103,940	174,013

Key Management Compensation

Key management includes the CEO. Salary and short-term benefits paid to the CEO totaled $191,523 (2023 – $177,191).