PRINCE EDWARD ISLAND ENERGY CORPORATION

ANNUAL REPORT 2015/16

Prince Edward Island Energy Corporation
33rd Annual Report
For the Year Ended
March 31, 2016

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 Elmira (30 megawatts), Hermanville/Clearspring (30 megawatts) and North Cape (13.56 megawatts);

- Owns electrical transmission facilities in Prince County that connects 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 (i.e., Wind Energy Institute of Canada);

- Develops and implements the elements of the Provincial Energy Strategy;

- Seeks to increase electrical energy reliability and capacity through the Cable Interconnection Upgrade Project between the PEI grid 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 Frank Lewis
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

Dear Lieutenant Governor:

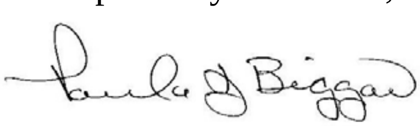
Prince Edward Island continues as a world leader in developing wind power to meet its growing electricity requirements. This year the four wind farms owned by the Prince Edward Island Energy Corporation generated more than 249,000 MWh of renewable electricity for the use of Islanders.

A significant project underway is the Cable Interconnection Upgrade Project. Upon expected project completion in December 2016, the electrical capacity between PEI and NB will increase from 200 MW to 560 MW through the installation of two 180-MW submarine cables. During the year, the Prince Edward Island Energy Corporation completed environmental field work, regulatory filings, engineering design, procurement of components, stakeholder consultation, and the securing of financing for the provincially-funded share of the project.

Also this year, the Corporation began work on a new Provincial Energy Strategy. The Corporation developed a Request for Proposals which included three guiding principles for the Strategy: lowering greenhouse gas emissions, providing cost effective direction, and generating local economic opportunities. The contract for the Strategy was awarded to Dunsky Consulting in February and work began immediately to deliver a completed strategy by Summer 2016.

In accordance with section 10.(1) of the (PEI) *Energy Corporation Act*, it is my pleasure to submit to the Legislative Assembly the 33rd Annual Report of the Prince Edward Island Energy Corporation which covers activities and finances for the 2015-16 fiscal year.

Respectfully submitted,



Paula Bigger
Minister of Transportation, Infrastructure and Energy
Minister Responsible for the Prince Edward Island Energy Corporation

Message from the Chief Executive Officer

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

Dear Honourable Minister:

This year, the Prince Edward Island Energy Corporation's combined wind farm facilities at East Point, North Cape and Hermanville/Clearspring continued to produce clean energy for Islanders. In the 2015-16 fiscal year, production was over 249,000 MWh. Including private and municipal wind farms, 25% of Prince Edward Island's electrical energy for 2015-16 can be attributed to wind power.

The Corporation has two important projects underway. The first is the Cable Interconnection Upgrade Project. Upon expected project completion in December 2016, the commissioning of two new 180-MW submarine cables will increase electrical capacity between PEI and NB from 200 MW to 560 MW. This year, the Corporation completed environmental field work, regulatory filings, engineering design, procurement of components, stakeholder consultation, and the securing of financing for the provincially-funded share of the project. As well, the Corporation began the process for a new Provincial Energy Strategy in early 2016. In February, the contract was awarded to Dunsky Consulting. Work between the consultants and the Corporation began immediately, with an expected delivery of summer 2016.

Financing the debt associated with the past Point Lepreau refurbishment and exit fees accrued from the retirement of the Dalhousie thermal generating station is a responsibility of the PEI Energy Corporation. Our involvement in providing low cost financing for these obligations continues to reduce costs for Island rate payers.

On behalf of the Board of Directors of the Prince Edward Island Energy Corporation it is my pleasure to provide you with the Annual Report that provides a description of the activities and financial accounting for Fiscal Year 2015-16. It is my opinion that this Annual Report accurately describes the activities and finances of the Corporation during this reporting period.

Yours sincerely,

Kim Horrelt

Kim Horrelt
Chief Executive Officer

Executive Summary

The Prince Edward Island Energy Corporation is a provincial Crown corporation whose form and function is dictated by the (PEI) *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 a 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 249,000 MWh of renewable electricity to Islanders in 2015/16.

The Corporation reported revenue of $21.7 million this past fiscal year which was a 6% increase over the previous year. Total expenses decreased to $12.3 million, an 11% decrease over the previous year with the largest savings ($800,000) coming from reduced amortization.

The Corporation continues to administer debt financing for Point Lepreau replacement energy and the operations and maintenance costs for that facility. The Corporation is also servicing the debt associated with the decommissioning of Dalhousie Thermal Generating facility. Utilizing Government's lower financing rates instead of the higher corporate rates, savings in debt charges are accruing to the benefit of Island ratepayers.

During this reporting period, the Corporation was responsible for two important projects; the Cable Interconnection Upgrade Project and development of a new Provincial Energy Strategy. This year, for the Cable Interconnection Upgrade Project, the Corporation completed environmental field work, regulatory filings, engineering design, procurement of components, stakeholder consultation, and the securing of financing for the provincially-funded share of the project. Upon expected project completion in December 2016, the commissioning of two new 180-MW submarine cables will increase electrical capacity between PEI and NB from 200 MW to 560 MW. As well, the Corporation began the process for a new Provincial Energy Strategy in early 2016. In February, the contract was awarded to Dunsky Consulting. Work between the consultants and the Corporation began immediately, with an expected delivery of summer 2016.

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, 2016, the board members are as follows:

NAME	POSITION HELD	TERM OF APPOINTMENT
Deputy Minister of Transportation, Infrastructure & Energy (John MacQuarrie)	Chairperson	June 9, 2015 – June 9, 2018
Deputy Minister of Finance (David Arsenault)	Director	June 9, 2015 – June 9, 2018
Deputy Minister of Economic Development & Tourism (Neil Stewart)	Director	June 9, 2015 – June 9, 2018
Clerk of the Executive Council (Brian Douglas)	Director	June 9, 2015 – June 9, 2018
Secretary to Treasury Board (Dan Campbell)	Director	June 9, 2015 – June 9, 2018
Assistant Deputy Minister of Intergovernmental Affairs (Rochelle Gallant)	Director	June 9, 2015 – June 9, 2018
Minister of Transportation, Infrastructure & Energy	Director	By Virtue of her Office

Staff of the Prince Edward Island Energy Corporation

Mr. Sandy Stewart oversaw the day to day operations of the Prince Edward Island Energy Corporation in his duties as the Chief Executive Officer (CEO) until Kim Horrelt, P.Eng. was appointed to the position. Mr. Sandy Stewart returned to his original position with Innovation & Advanced Learning before retiring from government in December of 2015. The Board of Directors and staff of the PEI Energy Corporation express their gratitude for Sandy's efforts during this busy time and wish him well in his retirement.

Crystal Burrows, CA was also hired in the Fiscal Year 2015/16 to the position of Acting Chief Financial Officer. Crystal took over the financial reins from Vicki Hamilton, CA who moved on to become the Chief Financial Officer for the Finance department.

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

The day-to-day operation of the Corporation's wind generating assets was assigned to Heather MacLeod, P.Eng., when she assumed the position of Manager of Energy Assets in March of 2015.

The Corporation's Senior Engineer is Mark Victor, P. Eng. Mark's primary responsibilities during the reporting period were planning activities and monitoring progress for the electrical cable interconnection upgrade project.

Annual Objectives

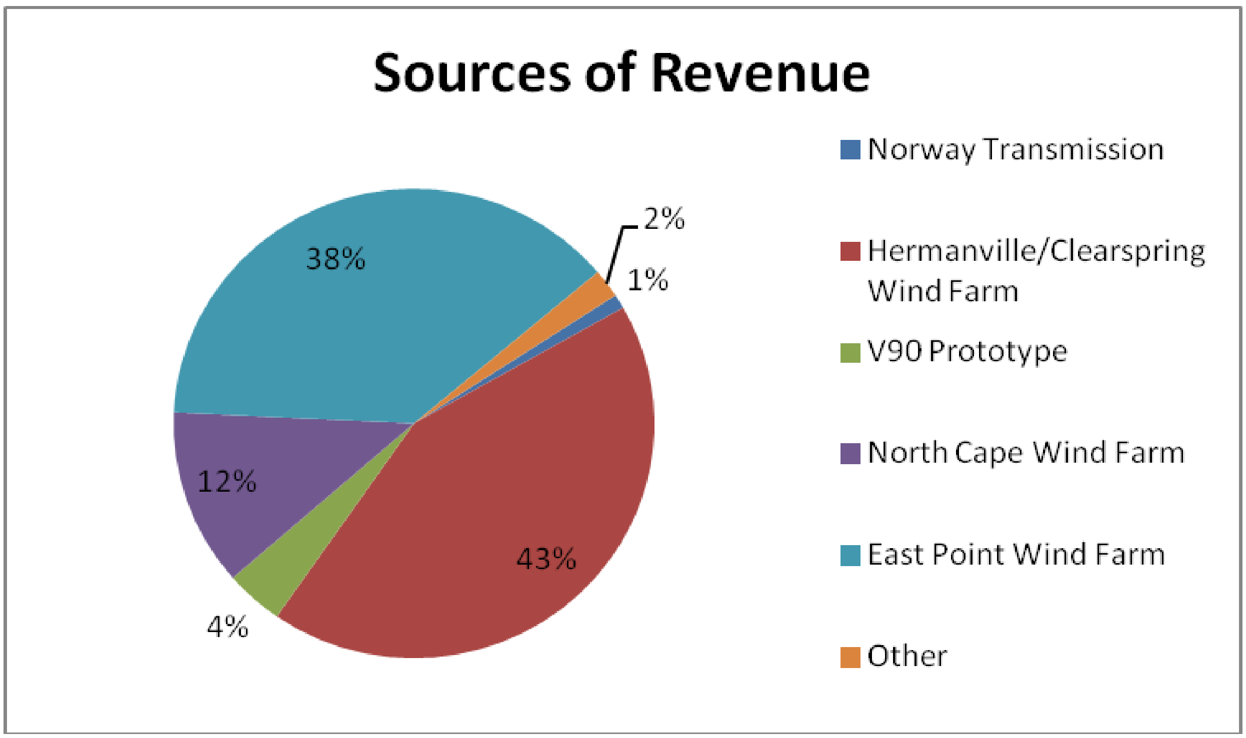
The Prince Edward Island Energy Corporation had set the following objectives for the 2015 - 2016 Fiscal Year:

- Operate and maintain its wind facilities at a high level of availability.
- Begin development of a new Provincial Energy Strategy.
- Undertake the Cable Interconnection Upgrade Project to secure more electrical intertie capacity between Prince Edward Island and New Brunswick.
- Provide advice to Government on various energy issues.

Operational Review for 2015 - 2016

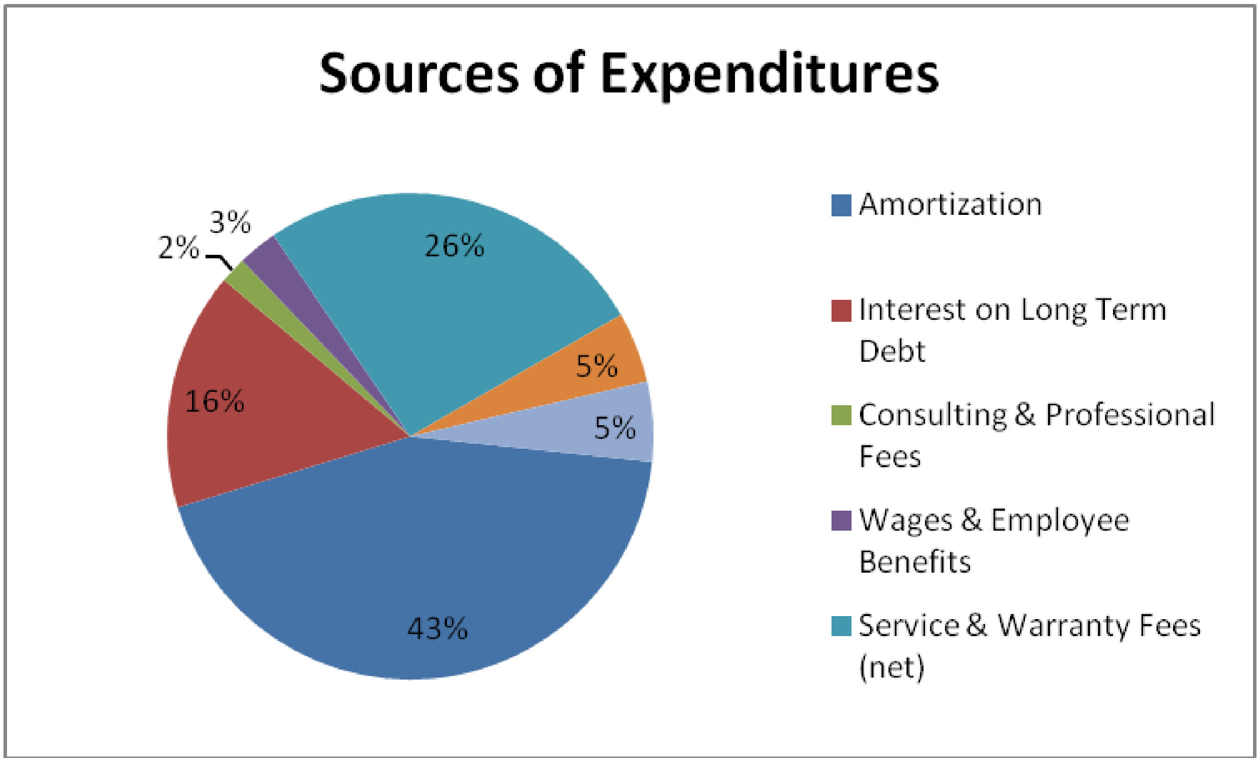
Sources of Revenue

The Total Revenue received by the Prince Edward Island Energy Corporation in Fiscal Year 2015-16 was $21.7 million. The main component of this revenue accrues from the operation of its wind farms and related infrastructure. This includes power sales to MECL, marketing & transmission fees from private wind facilities, federal production incentives and land & building rentals. Other sources of revenue collected during this reporting period were recorded from the sale of environmental attributes and net interest proceeds. The following graph illustrates the sources of revenue during FY 2015/16.



Expenditures

Expenditures for the Corporation totaled $12.3 million in FY 2015-16 which was a $1.5 million decrease over the previous year. The main contributor to this decrease was a reduction in amortization of assets at approximately $800,000.



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 consists of sixteen (16) Vestas V-47 turbines. With a generating capacity of 660 kilowatts per turbine, the combined generation capacity of this wind facility is 10.56 megawatts. The fleet of Vestas V-47 turbines continues to operate with a high level of reliability and is providing rate payers with some of the grid's cheapest power.

During the reporting period, the North Cape Wind Farm recorded revenues of $2.5 million which was similar to the previous year. The wind farm incurred expenditures of $1.7 million which resulted in net income of $800,000, an increase of $300,000 over the prior year. Included in the expenses was approximately $20,000 that was provided to landowners in the vicinity of the wind farm.

Recognizing that the V-47 turbines are approaching the end of their expected lives, an analysis of potential opportunities for re-powering the site is underway. The North Cape wind resource is one of the best, if not the best, in Prince Edward Island. Deployment of new and larger turbines may significantly improve the electrical output from the site while lowering the per kilowatt hour cost of production.

A service and maintenance agreement was agreed upon between the Corporation and Vestas-Canadian Wind Technology Inc. in the 2015-16 Fiscal Year and is contracted until February of 2018. The most significant change to the previous agreement is the implementation of Vestas Online Compact II SCADA Solution that enhance remote monitoring and diagnostics. This will in turn increase the availability and profitability of the wind farm.

North Cape Revenue & Expense – Past Seven Years					
	REVENUE		EXPENDITURES		PROFIT/ SURPLUS
	Annual $	Cents/ kWh	Annual $	Cents/ kWh	Annual $
2009/10	$3,245,544	10.1	$2,501,550	7.8	$743,994
2010/11	$2,967,829	9.1	$2,024,390	6.2	$943,439
2011/12	$2,477,458	7.9	$1,985,124	6.3	$492,334
2012/13	$2,416,913	8.0	$1,840,290	6.1	$576,623
2013/14	$2,435,174	7.5	$1,738,513	5.3	$696,661
2014/15	$2,399,879	7.7	$1,931,019	6.2	$468,860
2015/16	$2,480,954	7.5	$1,731,429	5.3	$749,525

East Point Wind Farm

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

The East Point Wind Farm was commissioned in January 2007 and experienced several operational difficulties in its first years of operation. All the gearboxes have been changed twice and several generators have also required replacement. During the past five years of operation the facility has performed as expected, with high availability and production near or above 90 million kilowatt-hours per year.

Turbine Availability and Electricity Production East Point Wind Farm - FY 2007-08 to FY 2014-15		
Fiscal Year	Availability (%)	Electricity Production (megawatt-hours)
FY 2007/08	89.2	85,497
FY 2008/09	81.0	78,738
FY 2009/10	89.4	86,779
FY 2010/11	97.1	94,811
FY 2011/12	97.2	98,162
FY2012/13	94.9	91,176
FY 2013/14	96.6	86,427
FY 2014/15	94.4	87,060
FY 2015/16	97.8	96,043
Average	93.1	88,581

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

All the turbines at the East Point Wind Farm are located on private lands. Under a three-tier compensation system, 2.5% of the gross revenue from the wind farm is allocated to landowners who have turbines on their property as well as landowners who have property in proximity to a turbine. Approximately $201,000 was paid to landowners during the past fiscal year.

The wind farm recorded $2.3 million more in net revenue in the 2015/16 fiscal year which is due to increased wind production and a reduction in interest and amortization expenses. The following chart illustrates the annual revenues and expenditures of the East Point Wind Farm since the commissioning of the facility.

East Point Wind Farm - Revenue/Expenditures/Surplus					
	Revenue		***Expenditures***		***Profit/Surplus***
	Annual $	**Cents/ kWh**	**Annual $**	**Cents/ kWh**	**Annual $**
2007/08	$7,984,949	9.3	$7,854,749	9.2	$130,200
2008/09	$8,212,907	10.4	$7,454,882	9.5	$758,025
2009/10	$8,097,498	9.3	$5,687,116	6.6	$2,410,382
2010/11	$8,361,280	8.8	$6,459,536	6.8	$1,901,742
2011/12	$8,738,992	8.9	$6,361,183	6.5	$2,377,809
2012/13	$8,239,977	9.0	$5,757,199	6.3	$2,482,778
2013/14	$7,736,910	9.0	$5,648,017	6.5	$2,088,893
2014/15	$7,823,478	8.9	$4,821,451	5.5	$3,002,027
2015/16	$8,750,605	8.1	$3,488,453	3.6	$4,301,718

V-90 Prototype Turbine

The Corporation began its first full year of ownership of the 3 MW Vestas V-90 wind turbine after taking ownership on April 30, 2013 from Aeolus Wind PEI Ltd., a subsidiary of Vestas-Canadian Wind Technologies. The Prototype was originally installed in 2003 and served as a demonstration prototype for Aeolus Wind PEI Ltd. The successful demonstrations of the prototype lead to numerous sales of the V-90 throughout the continent and around the world. The V-90 may be seen at a number of wind projects in PEI and Atlantic Canada, with the Corporation deploying this technology at its East Point Wind Farm.

During the 2015/16 fiscal year, the V-90 prototype performed slightly better than the year previous with an increase of approximately $65,000 in profit.

V-90 Prototype - Revenue/Expenditures/Surplus					
	Revenue		***Expenditures***		***Profit/Surplus***
	Annual $	**Cents/ kWh**	**Annual $**	**Cents/ kWh**	**Annual $**
2014/15	$752,863	7.6	$453,733	4.6	$299,130
2015/16	$802,603	7.9	$438,187	4.3	$364,416

Hermanville/Clearspring Wind Farm

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

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

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

Hermanville/Clearspring Wind Farm - FY 2014-15			
Fiscal Year	**Average Wind Speed (m/sec)**	**Availability (%)**	**Electricity Production (megawatt-hours)**
2014/15	7.94	97.2	110,153
2015/16	8.06	96.6	110,223

The performance of the wind farm was very similar to the year prior at a comprehensive total income of approximately $3 million dollars.

Hermanville/Clearspring - Revenue/Expenditures/Surplus					
	Revenue		***Expenditures***		***Profit/Surplus***
	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

Other Energy Initiatives

Cable Interconnection Upgrade Project

To secure an adequately sized and reliable cable interconnection with mainland Canada, the PEI-NB Cable Interconnection Upgrade Project continued as a priority for the Corporation through 2015/16. Over the course of the year, present activities involved environmental field work, regulatory filings, engineering design, procurement of components with long delivery schedules, stakeholder consultation, and the securing of financing for the provincially-funded share of the project.

In August 2015, through a public and competitive request for proposals process, Maritime Electric awarded a contract to supply and install the 2 x 180-MW submarine cable component of the Interconnection Upgrade Project to LS Cable, a South Korean company. The approximate value of the contract was $70 million.

In September 2015, Environmental Impact Assessment (EIA) applications were filed with provincial (PEI and NB) and federal regulatory agencies. Over the next six months, the applications were subject to review by technical committee, stakeholders groups (e.g. fishers), First Nations, and the general public. As the 2015/16 year came to a close, the EIA process was still underway.

In March 2016, the Corporation secured a loan for $80 million from the Toronto Dominion Bank to finance the provincial portion of the Project cost. The funds to repay the loan will be recovered through electricity rates over a period of approximately 40 years, the design life of the new cables.

Work on the project will continue in 2016/17 with the objective of energizing the new Interconnection Upgrade cables in December 2016.

Legislation Updates

In the Fall 2015 sitting of the Legislature, changes were made to the Electric Power Act. Key changes to the Act include:

- To establish a duty of a public utility to purchase or lease electric energy and capacity to produce electric energy from facilities and equipment owned or leased by the Corporation, if required to do so by the Government.
- To change the percentage of common equity that Maritime Electric Company, Limited is required to maintain from not less than 40 per cent to not less than 30 per cent and not more than 40%.

- To establish the obligation of Maritime Electric Company, Limited to consult with and, at the request of the Corporation, directly involve the Corporation in planning and in negotiations between Maritime Electric Company, Limited, and any third party in relation to the supply or generation of electric energy from any source.
- To require a public utility whose annual capital budget or a portion of it in respect of a proposed improvement utility that relates to the acquisition of new generating equipment or additional generating capacity has been approved by Island Regulatory and Appeals Commission to lease the new generating equipment or additional capacity, as the case may be, from the Energy Corporation, if required to do so by the Government.

Additionally, in January 2016, amendments to the Renewable Energy Act were proclaimed which removed the requirement for a 15% minimum renewable portfolio standard (RPS), as the RPS was being exceeded by both utilities and this status will continue as there are long-term wind energy power purchase agreements in place. The amendment allowed the province to maximize the value of wind energy investments for all Islanders through the revenues from renewable energy credits.

Provincial Energy Strategy

In early 2016, the PEI Energy Corporation developed a Request for Proposals for a new Provincial Energy Strategy. The RFP included the following three guiding principles upon which the new strategy should be based:

- Lowering greenhouse gas emissions;
- Providing cost effective direction; and
- Generating local economic opportunities.

In February, the contract for the Provincial Energy Strategy was awarded to Dunsky Consulting. The Energy Corporation and Dunsky began work immediately to meet a summer 2016 deliverable. In March, the Energy Corporation developed a new website which provided a means to facilitate public input and provide updates on the status of the project.

Debt Restructuring

As part of the PEI Energy Accord, the PEI Energy Corporation assumed debt from Maritime Electric Company, Limited (MECL) in 2011 that was associated with exiting the Dalhousie Thermal Generating Station (Dalhousie) Participation Agreement and refurbishing Point Lepreau Nuclear Generating Station (Point

Lepreau). The Corporation financed this debt through a combination of short-term and long-term loans from Government and the Toronto Dominion Bank (TD Bank). In early 2016, PEIEC received authorization from Treasury Board to refinance the portion of the debt owing to Government through additional long-term loans from TD Bank.

Prince Edward Island Energy Corporation

Consolidated Financial Statements

Year ended March 31, 2016

(Canadian Dollars)

Fitzpatrick & Company
Chartered Accountants

Independent Auditor's Report

To the Board of Directors:

We have audited the accompanying consolidated financial statements of Prince Edward Island Energy Corporation which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of comprehensive income, surplus, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for publicly accountable enterprises.

Fitzpatrick & Company

Chartered Professional Accountants

Charlottetown, PE
June 17, 2016

127 St. Peters Road, Suite 201, Charlottetown, PE C1A 5P3 | (902) 628-9000 | (902) 628-8808 | www.fitzandco.ca

Prince Edward Island Energy Corporation
Consolidated Statement of Financial Position
As at

	March 31 2016	March 31 2015
Assets		
Current assets:		
Cash	78,366,051	6,792,981
Trade receivables, net (note 4)	2,856,808	3,136,626
Current portion of financial assets (note 5)	3,880,631	4,222,018
Prepaid expenses	788,765	361,521
	85,892,255	14,513,146
Noncurrent assets:		
Other financial assets (note 5)	104,220,556	108,385,313
Property, plant, and equipment (note 6)	96,527,927	90,238,655
Total Assets	$ 286,640,738	$ 213,137,114
Liabilities and Surplus		
Current liabilities:		
Trade payables and accrued liabilities (note 7)	1,761,239	1,154,625
Current indebtedness (note 9)	8,194,530	9,710,735
	9,955,769	10,865,360
Noncurrent liabilities:		
Deferred service warranty (note 8)	1,447,774	1,240,337
Long-term indebtedness (note 9)	235,871,889	171,049,665
Surplus	39,365,306	29,981,752
Total Liabilities and Surplus	$ 286,640,738	$ 213,137,114

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

These financial statements were approved by the Corporation's Board of Directors on June 17, 2016.

____________, Director ____________ Director

Prince Edward Island Energy Corporation

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

	2016	2015
Total Wind Revenue	21,358,461	20,052,890
Other Revenue		
Grants	115,000	115,000
Finance revenue, net	185,697	218,601
Total Revenue	21,659,158	20,386,491
Wind Expenses		
Amortization	5,212,684	6,066,747
Consultants	87,790	116,103
Electricity	190,384	269,719
Insurance	314,773	252,632
Finance costs, net	1,885,818	2,549,246
Land owner fees and community support	558,444	507,966
Repairs and maintenance	161,188	276,709
Service and warranty fees	3,226,130	3,267,287
Service and warranty recovery	(253,802)	(465,106)
Other wind expenses	377,786	378,682
Total Wind Expenses	11,761,195	13,219,985
General and Administrative Expenses		
Consulting and professional services	122,746	30,924
Wages and employee benefits	314,444	243,845
Grants	37,396	280,000
Other general expenses	39,823	29,716
Total General and Administrative Expenses	514,409	584,485
Total Expenses	12,275,604	13,804,470
Total Comprehensive Income	$ 9,383,554	$ 6,582,021

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

Prince Edward Island Energy Corporation

Consolidated Statement of Surplus
For the years ended March 31,

	2016	2015
Surplus, beginning of year	29,981,752	23,399,731
Total comprehensive income	9,383,554	6,582,021
Surplus, end of year	$ 39,365,306	$ 29,981,752

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

Prince Edward Island Energy Corporation
Consolidated Statement of Cash Flows
For the years ended March 31,

		2016		2015
Cash flows from operating activities:				
Cash receipts from customers and other		27,736,694		25,314,160
Cash paid to suppliers and employees		(11,234,949)		(10,970,998)
Financing income		3,137,766		3,287,263
Financing costs		(4,726,224)		(5,688,318)
		14,913,287		11,942,107
Cash flows from investing activities:				
Increase in other financial assets		-		(1,840,790)
Decrease in other financial assets		4,552,763		4,276,014
Increase in property, plant and equipment		(11,040,717)		(1,921,480)
		(6,487,954)		513,744
Cash flows from financing activities:				
Proceeds from debt		80,000,000		1,840,790
Repayment of debt		(16,852,263)		(19,684,519)
		63,147,737		(17,843,729)
Net increase (decrease) in cash		71,573,070		(5,387,878)
Cash, beginning of year		6,792,981		12,180,859
Cash, end of year	$	78,366,051	$	6,792,981

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

1. Corporate Information and Basis of Presentation

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

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

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

These Consolidated Financial Statements were prepared on a going concern basis, under the historical cost convention except for assets required to be measured at fair value in accordance with IFRS.

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

2. Significant Accounting Policies

Consolidation

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

Cash

Cash balance represents 100% fully unrestricted balances held in Canadian currency.

Trade Receivables

Trade receivables are amounts due from customers from 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 either financial assets at fair value through profit and loss or amortized cost, as appropriate. When financial assets are initially recognized, they are measured at fair value, plus, in the case of financial assets measured at amortized cost, directly attributable financing costs. The Corporation determines the classification of the financial assets at initial recognition, and, where appropriate, evaluates this designation at each financial year end.

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

All other financial assets are measured at fair value through profit or loss.

2. Significant Accounting Policies (continued)

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.

In relation to trade receivables, a provision for impairment is recorded when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Corporation will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through a provision of doubtful accounts. All impairment losses are recognized in profit and loss.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated amortization and impairment losses. Cost includes the cost of restoring part of the relevant plant and equipment when the recognition criteria are met. Amortization 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
Roads	40 years

Replacements of major components covered under third party service warranty agreements are recorded in property, plant and equipment at fair market value based on the cost the Corporation would have incurred had a service warranty agreement not been in place and are amortized in line with the Corporation's policy above.

Office furniture, equipment and computer equipment are fully expensed in the year of acquisition.

Amortization 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.

2. Significant Accounting Policies (continued)

Impairment of Property, Plant and Equipment

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

Deferred Service Warranty

Deferred service warranty represents replacements of major components covered under a third party service warranty, for which no costs are incurred by the Corporation over and above the annual premiums. Replacements of such components, for which no costs are incurred, are recorded as deferred warranty liability based on the difference between the fair value of the new asset and the net book value of the replaced asset and amortized to income on the same basis as the related amortization expense is charged against the assets reported in property, plant and equipment. Any loss on disposal incurred due to a replacement of a component under the service warranty agreement is shown net against service and warranty recovery.

Debt Instruments

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

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

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

Revenue Recognition

Revenues are recorded in the period in which the transaction or events that give rise to the revenues occur. Service revenue is recorded in the period where the amount of revenue can be measured reliably, the receipt of economic benefit is probable and the benefit to the end user is realized. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Corporation discharges the obligations that led to the collection of funds. Interest revenue is calculated and recognized as specified with the lending agreements.

Service and Warranty Recovery

Service and warranty recovery represents the amortization of deferred service warranty and is recognized to income on the same basis as the related amortization expense is charged for assets replaced under service warranty for which no cost is incurred by the Corporation.

2. Significant Accounting Policies (continued)

Pension Liabilities

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

Standards and Interpretations - Early Adoption

IFRS 9 *Financial Instruments,* 2015 Edition as issued by the IASB in July 2014, to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9 is mandatory for all entities beginning on or after January 1, 2018 with early adoption permitted. The objective of this IFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Upon transition to IFRS, the Corporation had early adopted IFRS 9 and as a result all financial instruments are measured and classified in accordance with this standard.

Standards and Interpretations - not yet Adopted

A number of new standards, amendments and interpretations to existing standards are effective for annual periods beginning after April 1, 2015, and have not been adopted in preparing these consolidated financial statements. Most of the new standards and interpretations are not relevant and are not expected to have a material impact on the Corporation's financial statements, with the exception of the following:

IFRS 15 *Revenue from contracts with customers,* 2015 Edition as issued by IASB in May 2014, to replace IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 is mandatory for all entities beginning on or after January 1, 2018. The objective of this IFRS is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Revenue is expected to be impacted by this implementation.

IFRS 16 *Leases,* 2016 Edition as issued by IASB in January 2016, to replace IAS 17, IFRIC 4, SIC-15 and SIC-27 is mandatory for all entities beginning on or after January 1, 2019. The objective of this IFRS is to ensure that leases and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. Land owner fees and community support is expected to be impacted by this implementation.

3. Critical Accounting Estimates and Judgments

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.

3. Critical Accounting Estimates and Judgments (continued)

PEI Energy Accord

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

Asset Retirement Obligation

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. Such costs are not expected to be material and thus have not been recorded in the Corporation's financial statements. A change in circumstances or events could result in the recognition of such a cost which could be material to the Corporation's 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 amortization methods will be adjusted as new information becomes available and such changes could have a significant impact on these financial statements.

4. Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 day payment terms. All amounts are current and thus no provision for doubtful accounts is necessary for the year ended March 31, 2016.

5. Other Financial Assets

	2016	2015
Customers of a local utility provider (Point Lepreau financing), 3.41%, receivable in monthly installments of $346,861 including principal and interest, due March 2038.	64,126,195	66,316,032
Customers of a local utility provider (Point Lepreau financing), 3.49%, receivable in monthly interest only payments up to March, 2022 then monthly payments of principal and interest of $314,848, due December 2029.	25,775,564	-
Customers of a local utility provider (Dalhousie financing), 2.09%, receivable in monthly payments of principal and interest of $98,522, due March 2021.	5,572,835	-
Wind Energy Institute of Canada, 4.02%, receivable in quarterly installments of $214,860 including principal and interest, due June 2035, secured by first charge on materials, buildings and equipment and site specific general security.	11,480,711	11,868,827
West Cape Wind Energy, Inc., non-interest bearing, receivable in equal annual principal installments of $400,000, amortized to 2018, secured by a guarantee of its parent, Suez Energy North America Inc.	1,145,882	1,495,087
Customers of a local utility provider (Point Lepreau financing), refinanced during the year.	-	25,916,569
Customers of a local utility provider (Dalhousie financing), refinanced during the year.	-	7,006,641
Accrued interest receivable	-	4,175
	108,101,187	112,607,331
Less: current portion	(3,880,631)	(4,222,018)
	104,220,556	108,385,313

The financing costs for Point Lepreau and Dalhousie along with the receivable from Wind Energy Institute of Canada were initially recorded in the financial statements at fair value with subsequent measurement at amortized cost.

The West Cape Wind Energy, Inc. loan receivable was initially recorded at fair value less a discount representing the concessionary term of the loan. The discount is the difference between the face value of the loan and its present value. To determine present value, the Corporation used the Province's 10-year borrowing rate as at December 31, 2008. The loan discount is amortized to revenue using the effective interest rate method. The face value of the loan is $1,200,000 (2015 - $1,600,000) and the accumulated concessionary discount is $54,118 (2015 - $104,913).

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Property, Plant and Equipment, Net

	Wind Turbines and Towers	Transmission and Distribution	Land and Buildings	Roads	Assets under Development	Total
Gross Amount						
At March 31, 2014	102,778,782	18,218,930	1,023,313	2,010,298	205,971	124,237,294
Acquisitions	939,771	732,969	11,020	-	1,201,586	2,885,346
Disposals	(1,254,793)	(36,347)	-	-	-	(1,291,140)
At March 31, 2015	102,463,760	18,915,552	1,034,333	2,010,298	1,407,557	125,831,500
Acquisitions	557,595	-	-	108,701	10,888,858	11,555,154
Disposals	(831,100)	-	-	-	-	(831,100)
At March 31, 2016	102,190,255	18,915,552	1,034,333	2,118,999	12,296,415	136,555,554
Accumulated Amortization						
At March 31, 2014	28,166,135	1,908,091	124,971	146,744	-	30,345,941
Amortization	5,541,741	443,488	31,249	50,269	-	6,066,747
Disposals	(819,843)	-	-	-	-	(819,843)
At March 31, 2015	32,888,033	2,351,579	156,220	197,013	-	35,592,845
Amortization	4,617,222	505,989	31,249	53,068	-	5,207,528
Disposals	(772,746)	-	-	-	-	(772,746)
At March 31, 2016	36,732,509	2,857,568	187,469	250,081	-	40,027,627
Carrying Amount						
At March 31, 2015	69,575,727	16,563,973	878,113	1,813,285	1,407,557	90,238,655
At March 31, 2016	65,457,746	16,057,984	846,864	1,868,918	12,296,415	96,527,927

In accordance with the Agreement for Constructing Transmission Infrastructure made October 2008 between the Corporation and Maritime Electric Company Limited, it was agreed that if a third party would take service for all or a portion of the second 100 MW Transmission line, then they would pay cost less depreciation at the rate of 0% for the first seven years after construction and 5% per annum thereafter. As a result, seven years expired December 31, 2015 and therefore the recoverable amount has decreased by $62,500. Since the cost exceed the recoverable amount, an impairment charge of $62,500 was recognized in amortization in the Consolidated Statement of Comprehensive Income. Included in property, plant and equipment are capitalized borrowing costs totaling $195,232 (2015 – nil).

7. Trade Payables and Accrued Liabilities

	2016	2015
Trade Payables	1,669,500	944,016
HST	63,688	184,985
Accrued Liabilities	28,051	25,624
	1,761,239	1,154,625

Trade payables are non-interest bearing and normally settled within 30 days. Included in trade payables is $444,243 (2015 - $46,239) due to various Provincial Government controlled departments and agencies.

8. Deferred Service and Warranty, Net

	Wind Turbines and Towers
Gross Amount	
At March 31, 2014	3,801,958
Additions	494,701
Disposals	(168,072)
At March 31, 2015	4,128,587
Additions	461,239
Disposals	(153,499)
At March 31, 2016	4,436,327
Accumulated Amortization	
At March 31, 2014	2,589,085
Amortization	411,213
Disposals	(112,048)
At March 31, 2015	2,888,250
Amortization	217,986
Disposals	(117,683)
At March 31, 2016	2,988,553
Carrying Amount	
At March 31, 2015	1,240,337
At March 31, 2016	1,447,774

Additions pertain to increases in asset values due to replacement under service and warranty. Disposals pertain to removal of service warranty upon subsequent replacement.

9. Long-term Indebtedness

	2016	2015
Toronto Dominion, 2.51%, payable in monthly payments of principal and interest of $264,353, due February 2046.	80,000,000	-
Toronto Dominion, 3.41%, payable in monthly payments of principal and interest of $346,861, due March 2038.	64,379,346	66,316,032
Toronto Dominion, 2.99%, payable in monthly payments of principal and interest of $332,458, due July 2033.	53,913,487	56,252,910
Province of PEI, 3.49%, payable in monthly interest only payments until March 31, 2022 then monthly payments of principal and interest of $314,848, due December 2029.	25,766,564	-
Province of PEI, 3.86%, payable in monthly payments of principal and interest of $70,560, due June 2035.	11,489,376	11,884,304
Province of PEI, 2.09%, payable in monthly payments of principal and interest of $98,522, due March 2021.	5,572,835	-
Toronto Dominion, 2.40%, payable in monthly payments of principal and interest of $28,145, due May 2023.	2,211,031	2,492,042
Bank of Montreal, 6.6%, payable in monthly payments of principal and interest of $82,051, due October 2016, secured by a full guarantee provided by the Province of Prince Edward Island.	561,927	1,476,431
Bonds Payable, 5% compounded with dates ranging from December 31, 2006 to April 30, 2008 maturing five years from the date of issuance, guaranteed by the Province of Prince Edward Island.	1,000	1,000
Province of PEI, refinanced during the year.	-	7,006,641
Province of PEI, refinanced during the year.	-	30,600,964
Province of PEI, repaid during the year.	-	4,717,505
Accrued interest payable	170,853	12,571
	244,066,419	180,760,400
Less: current portion	(8,194,530)	(9,710,735)
	235,871,889	171,049,665

The aggregate maturities of long-term indebtedness including accrued interest subsequent to March 31, 2016 are as follows: 2017 - $8,194,530; 2018 - $7,581,910; 2019 - $7,806,610; 2020 - $8,038,169; 2021 - $8,237,417; thereafter - $204,207,783.

10. Financial Instruments

	Fair Value through Earnings	Amortized Cost	Total
March 31, 2015			
Cash	6,792,981	-	6,792,981
Trade receivables, net	3,136,626	-	3,136,626
Other financial assets, including current	-	112,607,331	112,607,331
Trade payables and accrued liabilities	(1,154,625)	-	(1,154,625)
Long term indebtedness, including current	-	(180,760,400)	(180,760,400)
	8,774,982	(68,153,069)	(59,378,087)
March 31, 2016			
Cash	78,366,051	-	78,366,051
Trade receivables, net	2,856,808	-	2,856,808
Other financial assets, including current	-	108,101,187	108,101,187
Trade payables and accrued liabilities	(1,316,996)	-	(1,316,996)
Long term indebtedness, including current	-	(244,066,419)	(244,066,419)
	79,905,863	(135,965,232)	(56,059,369)

Net gains or losses by category by period were as follows:

	2016	2015
Financial assets at fair value	115,374	133,081
Financial assets measured at amortized cost	522,120	552,246
Financial liabilities measured at amortized cost	(2,337,614)	(3,015,970)

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. 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 $106,925,206 (2015 – $115,494,479). The estimated fair value of long-term indebtedness is $159,948,113 (2015 - $183,539,602). Since the Corporation does not intend to settle other financial assets or long-term debt prior to maturity, the fair value estimates do not represent an actual asset or liability and, therefore, have not been recorded in the statements.

11. 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.

11. 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 price of electricity. The company manages this risk by entering into long-term PPA's. These PPA's provide price assurance. Currently 100% of the Corporation's electricity production is contracted under long-term PPA's which expire between 2022 and 2033.

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Corporation will fluctuate because of changes in interest rates. Long-term indebtedness consists of primarily medium to long-term fixed rate debt which does not fluctuate with changes in interest rates. To manage its current and anticipated exposure to interest rate risks, the Corporation has entered into the following interest rate swap contracts:

	Effective Interest Rate	2016	2015
Toronto Dominion Bank - maturing March 2046	2.51%	80,000,000	-
Toronto Dominion Bank - maturing March 2038	3.41%	64,379,346	66,316,032
Toronto Dominion Bank - maturing July 2033	2.99%	53,913,487	56,252,910
Toronto Dominion Bank - maturing May 2023	2.40%	2,211,031	2,492,042
Bank of Montreal - maturing October 2016	6.60%	561,927	1,476,431
		201,065,791	126,537,415

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, 2016, the Corporation did not hold any foreign exchange contacts.

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 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 subsidiary of a highly rated public company. As of March 31, 2016, all of the Corporation's trade receivables were current and there was no allowance for doubtful accounts. 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.

11. Risk Management (continued)

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.

12. 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 surplus.

The Corporation is not subject to externally imposed capital requirements and there has been no change with respect to overall capital risk management strategy during the year.

13. Commitments and Financial Guarantees

Commitments

Turbine service and warranty agreements:

The Corporation enters into service and warranty agreements in the ordinary course of business. Certain agreements are denominated in US dollars and have been converted to Canadian dollars using the exchange rate in effect at March 31, 2016. The contracts provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable, The committed amounts over the next five years and beyond are as follows: 2017 - $3,191,043; 2018 - $3,094,068; 2019 - $2,468,675; 2020 - $2,468,675; 2021 - $2,468,675; thereafter - $10,368,964.

An amendment to the service and warranty agreement at the North Cape location became effective December 12, 2015. In addition to the fixed costs discussed above, the Corporation is required to pay an additional $3.50 per megawatt hour produced by each wind turbine at the North Cape location during the period of December 12, 2015 to February 12, 2018.

Power Purchase Agreements:

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

Land lease payments:

In the normal course of business, the Corporation has entered into agreements for the use, or option to use, of land into 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.

13. Commitments and Financial Guarantees (continued)

Development:

At March 31, 2016, the Corporation had outstanding contractual construction commitments amounting to approximately $130,200,000 (2015 – $266,000) related to PEI-NB Cable Interconnection Project which will upgrade the interconnection between the electrical systems of Prince Edward Island and mainland Canada. Of this total outstanding amount, it is expected that the Federal Government will fund $50,000,000, at minimum.

Energy Strategy:

At March 31, 2016, the Corporation had outstanding contractual commitments amounting to approximately $120,000 (2015 – nil) related to the development of a Provincial Energy Strategy. Of this total outstanding amount, it is expected that the Atlantic Canadian Opportunities Agency (ACOA) will fund 50% and the Province of PEI will fund 40%.

14. Related Party Transactions

These financial statements include the results of financing and normal operating transactions with various Provincial Government controlled departments, agencies and Crown Corporations, with which the Corporation may be considered related. These transactions have been measured at fair value as determined by management.

Key Management Compensation

Key management includes the CEO. Salary and short-term benefits paid to the CEO's totaled $128,919 (2015 – $101,788).