



# Community and Government Services

Petroleum Products  
Division

2021 – 2022  
Annual Report



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## ABOUT THE REPORT

This document contains the annual report of operations for the Petroleum Products Division of the Department of Community and Government Services, Government of Nunavut, for the period of April 1, 2021, to March 31, 2022.

**The report includes the following components:**

- Annual Report: Provides a comprehensive overview of the division's activities and achievements during the fiscal year.
- Consolidated Financial Statements: These statements reflect the Petroleum Products Revolving Fund (PPRF) and show its financial performance and position

The financial statements have been prepared by Petroleum Products Division in accordance with Canadian public sector accounting standards (PSAS), as recommended by the Public Sector Accounting Board of Canada.

To access the Petroleum Products annual report, please visit the Government of Nunavut's official website at <https://assembly.nu.ca/taled-documents>.

## LIST OF ACRONYMS

API	American Petroleum Institute
AVOP	Airside Vehicles Operators Permit
CEPA	Canadian Environmental Protection Act
CGS	Community and Government Services
CRF	Consolidated Revenue Fund
DM	Deputy Minister
EPCO	Environmental Protection Compliance Order
FMB	Financial Management Board
GN	Government of Nunavut
GST	Goods and Services Tax
L	Litres
NYMEX	New York Mercantile Exchange
PHC	Petroleum hydrocarbons
PPD	Petroleum Products Division
PPRF	Petroleum Products Revolving Fund
PPSF	Petroleum Products Stabilization Fund
PSAS	Public sector accounting standards
PwC	PricewaterhouseCoopers
WA	Weighted Average
WHMIS	Workplace Hazardous Materials Information System

## PETROLEUM PRODUCTS DIVISION KEY RESPONSIBILITIES

1. **Purchase and Sale:** Purchase, import, and sell refined petroleum products in accordance with current financial regulations, and strategic/operational plans. To address the evolving needs of developing Nunavut communities are met. To include storage and delivery of the products.
2. **Outsourced Service Providers:** Award, manage, and train outsourced service providers responsible for the transportation, distribution, and supply of refined petroleum products. Effectively monitor contractual obligations are fulfilled effectively.
3. **Infrastructure Operations:** Operate, maintain, inspect, and provide oversight to the development of Nunavut's fuel storage and distribution infrastructure. This is accomplished by identifying emerging community requirements, implementation of rigorous maintenance schedules, ensuring evolving regulatory compliance requirements, and to be responsive to operational needs specific to an Arctic jurisdiction.
4. **Environmental Management:** Responsibly address environmental hazards or spills in compliance with current regulations. Manage land farms to store and remediate materials contaminated by petroleum hydrocarbons (PHCs). Additionally, provide training to contractors on environmental safety, protection, and sustainability practices.

Meeting these key responsibilities, allows the Petroleum Products Division (PPD) to be efficient and promote sustainable management of refined petroleum products in Nunavut, and the ability to meet the needs of communities while maintaining environmental safety and compliance.

## PETROLEUM PRODUCTS REVOLVING FUND

The PPD operates under the *Revolving Funds Act*, which establishes a framework for the safe, economical, efficient, and reliable procurement, transportation, storage, distribution, sale, and supply of refined petroleum products to the residents of Nunavut.

To Finance its operating costs, and In contrast to most, government operations, PPD's expenses must be covered by revenues from petroleum product sales. The Petroleum Products Revolving Fund (PPRF) provides the necessary financial resources for purchasing and distributing fuel consumed by communities across Nunavut.

The price of bulk fuel, obtained from global markets, constitutes the largest and most volatile input cost for PPD. Global events beyond PPD's control, such as international conflicts and natural disasters, can significantly impact fuel prices, leading to substantial fluctuations in forecasted and actual expenditures, including cost of goods sold. PPD adjusts retail prices and revenue forecasts in response to market changes. Rather than a reliance on an appropriated budget, PPD utilizes the PPRF, which currently has a limit of \$250 million, to manage the volatile nature of crude markets and ensure financial stability.

The PPRF functions similarly to a commercial line of credit used in the private sector, financing accounts receivable and inventory of petroleum products. It provides working capital advances for inventory, accounts receivable, operating expenses, and applicable taxes. The authorized limit of the PPRF, representing the maximum allowable

asset surplus over liabilities, is set at \$250 million. PPD is required by the Act to recover any advances from the PPRF through the retail sale of petroleum products.

## PETROLEUM PRODUCTS STABILIZATION FUND

According to the *Revolving Funds Act*, the PPRF is obligated to maintain a "break-even" operation. However, considering the volatile nature of oil and refined petroleum product prices, the Petroleum Products Stabilization Fund (PPSF) was established to minimize the necessity for annual fuel price adjustments to accommodate such fluctuations. The PPSF has a limit of +/- \$20 million. If you go over the limit, the Government of Nunavut (GN) must provide additional funding through a supplementary appropriation. Similarly, if it is exceeded on the positive side, excess funds are transferred back to the GN. PPD is mandated by legislation to remain within the upper and lower limits of the PPSF. The PPSF serves as a mechanism for aggregating the profits and losses of the PPRF, functioning similarly to a retained earnings account found in the financial statements of private sector companies.

## PETROLEUM SUPPLY CHAIN

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PPD is responsible with the purchase, importation, marine transportation, delivery, storage, and sale of petroleum products in Nunavut. The Division is involved in all stages of the petroleum supply chain, ensuring efficient operations from bulk purchase to final delivery to consumers in the territory. PPD's key functions include:

- Coordinating and overseeing Nunavut's annual bulk fuel supply.
- Managing the distribution of fuel in each community.
- Owning, operating, and administering bulk fuel storage facilities in every community.
- Awarding and managing local fuel delivery contracts.
- Handling billing and accounts receivable (excluding only Iqaluit).

In the fiscal year 2021-22, PPD entered the fourth year of a five-year term (with the possibility of two one-year renewals) under an agreement with AV Nunavut Fuels and Woodward's Oil Limited (collectively the "Supplier") for the supply, marine transportation, and delivery of bulk refined petroleum products to the communities of Nunavut. This agreement was awarded in March 2018 and has been instrumental in improving fuel supply operations across the region. The agreement introduced innovative fuel pricing methods and bolstered the supplier's fleet by incorporating three new fuel tankers. These initiatives were implemented to optimize the efficiency and effectiveness of fuel supply operations throughout the territory.

## ANNUAL BULK FUEL RESUPPLY

During the ice-free season, spanning from July to November, Nunavut engages in the importation of petroleum products to meet the energy requirements of its communities. These products are stored in strategically positioned bulk fuel facilities in each community, ensuring a reliable supply throughout the peak winter months. Given the critical nature of this resupply period in maintaining sufficient fuel reserves, the active participation of PPD staff is essential in supervising the operation across the territory.

PPD staff members play a key role in the shore-side operations during the summertime resupply season. There is a collaborative effort that involves close coordination with the vessel's crew members and PPD staff who oversee the process of filling tanks and the conduct of rigorous testing and certification of the fuel. Additionally, PPD works in partnership with an independent marine surveyor, Intertek Commodities Ltd., to ensure compliance and quality assurance throughout the entire process.



In the fiscal year 2021-22, the Petroleum Products Division (PPD) successfully resupplied the communities with approximately 193.9 million litres of petroleum products. However, this volume represents a decline of 20.9 million litres, accounting for nearly a 10% decrease compared to the previous year, 2020-21. Several factors contributed to this reduction in imports. The primary factor was the impact of the Covid-19 pandemic, which led to lower sales of petroleum products. As a result, higher on-hand inventories were carried over into the spring of 2021, creating a surplus relative to previous years. . This surplus necessitated a decrease in the import volume to effectively manage the existing inventory levels.

## PETROLEUM PRODUCT PRICING, TIMING OF FUEL PURCHASES AND RELATIVE SAVINGS

In recent years, there have been notable changes in fuel pricing in Nunavut. Initially, prices were set by community, considering the weighted average commission rates and supply/delivery costs. However, in early 2017, PPD transitioned to regional-based pricing. Subsequently, in April 2019, a uniform pricing structure was implemented for all communities except Iqaluit. This change aimed to ensure pricing equity and was facilitated by a Territory-wide supply and transportation agreement.

For the 2021-22 fiscal year, retail prices saw an increase on April 1, 2021, aligning with the escalation of the federal carbon tax. Apart from this adjustment, prices remained unchanged until later in the fiscal year. On February 6, 2022, the Financial Management Board approved a retail price increase of \$0.08 per liter for all bulk fuel products. This marked the first base price increase since the beginning of the Covid-19 pandemic.

The tables provided below display the retail prices on April 1, 2021, and the adjusted retail prices following February 6, 2022, increase.

# PETROLEUM PRODUCTS DIVISION

## RETAIL PRICE LIST

PRICES EFFECTIVE April 1, 2021

(all taxes included - cents/litre, except naphtha which is shown per can)

COMMUNITY	P50-HTG	P50-DSL	P50-AVN	GASOLINE	100LL	NAPHTHA	JET A1
<b>BAFFIN</b>							
IGLOOLIK	\$ 1.0506	\$ 1.1963	\$ 1.4369	\$ 1.0987		\$ 8.1706	\$ 1.5014
HALL BEACH	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
POND INLET	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
CLYDE RIVER	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
ARCTIC BAY	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
KIMMIRUT	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
CAPE DORSET	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
PANGNIRTUNG	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
QIKIQTARJUAQ	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
IQUALUIT*	0.9847	* -----		* -----	\$ 1.5515	8.1706	1.4453
<b>KIVALLIQ</b>							
RANKIN INLET	\$ 1.0506	\$ 1.1963	\$ 1.4369	\$ 1.0987	\$ 1.6614	\$ 8.1706	\$ 1.5014
ARVIAT	1.0506	1.1963	1.4369	1.0987	1.6614	8.1706	
CHESTERFIELD INLET	1.0506	1.1963	1.4369	1.0987		8.1706	
BAKER LAKE	1.0506	1.1963	1.4369	1.0987		8.1706	
CORAL HARBOUR	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
NAUJAAT	1.0506	1.1963	1.4369	1.0987		8.1706	
WHALE COVE	1.0506	1.1963	1.4369	1.0987		8.1706	
SANIKILUAQ	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
<b>KITIKMEOT</b>							
CAMBRIDGE BAY	\$ 1.0506	\$ 1.1963	\$ 1.4369	\$ 1.0987	\$ 1.6614	\$ 8.1706	\$ 1.5014
KUGLUKTUK	1.0506	1.1963	1.4369	1.0987	1.6614	8.1706	1.5014
BATHURST INLET							
GJOA HAVEN	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
TALOYOAK	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
KUGAARUK	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
RESOLUTE BAY	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014
GRISE FIORD	1.0506	1.1963	1.4369	1.0987		8.1706	1.5014

\*Retail prices for gasoline and diesel for vehicles in Iqaluit are available at vendors' locations

PETROLEUM PRODUCTS DIVISION								
RETAIL PRICE LIST								
PRICES EFFECTIVE FEBRUARY 6, 2022								
(all figures are per litre, except naphtha which is per can)								
ALL COMMUNITIES EXCLUDING IQALUIT								
Product	Base Price	Nunavut Excise Tax	Federal Excise Tax	Carbon Tax	Nunavut Carbon Rebate	GST	Retail Price	
Diesel heating	\$ 1.0269	-	-	\$ 0.1073	-\$ 0.0537	\$ 0.0540	\$ <b>1.1346</b>	
Diesel vehicle	1.0347	\$ 0.0910	\$ 0.0400	0.1073	-	0.0537	0.0610	<b>1.2803</b>
Diesel aviation*	1.3448	0.0100	0.0400	0.1073	-	0.0537	0.0724	<b>1.5209</b>
Gasoline	0.9182	0.0640	0.1000	0.0884	-	0.0442	0.0563	<b>1.1827</b>
Aviation gasoline*	1.4623	0.0100	0.1100	-	-	0.0791	<b>1.6614</b>	
Naphtha (per can)	7.6110	-	-	0.3410	-	0.1705	0.3891	<b>8.1706</b>
Jet fuel*	1.4699	0.0100	0.0400	-	-	0.0760	<b>1.5959</b>	
<i>* Where available</i>								
IQALUIT								
Product	Base Price	Nunavut Excise Tax	Federal Excise Tax	Carbon Tax	Nunavut Carbon Rebate	GST	Retail Price	
Diesel heating	\$ 0.9642	-	-	\$ 0.1073	-\$ 0.0537	\$ 0.0509	\$ <b>1.0687</b>	
Aviation gasoline	1.3576	\$ 0.0100	\$ 0.1100	-	-	0.0739	<b>1.5515</b>	
Naphtha (per can)	7.6110	-	-	0.3410	-	0.1705	0.3891	<b>8.1706</b>
Jet fuel	1.4165	0.0100	0.0400	-	-	0.0733	<b>1.5398</b>	
<i>* Retail prices for gasoline and diesel for vehicles in Iqaluit are available at vendor locations</i>								

PPD's fuel supply agreement offers three pricing options for its petroleum products, allowing flexibility in adapting to market conditions:

1. Early Price Setting PPD can secure fuel prices early in the year (December 1st to March 31st) through futures contracts or physical delivery and storage in southern tankage.
2. Deferred Price Setting: PPD establishes product pricing based on the bill of lading date, using a three-day average. This option applies to tankers loading outside of Canada, allowing price locking during the voyage.
3. Load Port Pricing: The default option involves paying the fuel rate at the time of loading from the refinery onto vessels bound for Nunavut. Prices are determined based on the New York Mercantile Exchange (NYMEX) New York Harbor Ultra-Low Sulfur Diesel Futures Settlements averaged over three trading days, with subsequent adjustments and conversions to Canadian funds.

For the 2021 resupply season, PPD opted for the early price setting option, procuring all fuel through this method. To leverage the lower oil prices during the Covid-19 pandemic, PPD made two strategic purchases of diesel: 50 million litres in March 2020 for delivery in 2021, and an additional 50 million litres sourced in September 2020 and stored at Woodward's oil facilities in Newfoundland for delivery in 2021. The remaining fuel purchases for the 2021 season were secured through futures contracts between January and May 2021.

Although these two fuel purchases in March 2020 and September 2020 for delivery in 2021 fell outside PPD's typical purchase window, they allowed the division to seize the opportunity of historically low prices. As a result, PPD and fuel consumers saved approximately \$20 million compared to the price PPD paid for the rest of its diesel requirements in May 2021. This highlights the advantages of utilizing futures contracts when global oil prices experience significant declines. However, PPD faces limitations in securing large quantities of fuel through futures contracts due to the upper limit imposed by the PPRF, which PPD is mandated to adhere to.

Under the terms of the supply and transportation agreement held with Woodward’s and subject to the availability of funds in the PPRF, PPD can direct the “early purchase” of petroleum products. The instrument used by the supplier is what is known as futures contracts, whereby present prices can be ‘locked-in’ for delivery at a future date.

Early price setting is conducted between the months of December and March in advance of the upcoming resupply season, and provides PPD with the following benefits:

- Winter-grade fuel can be sourced during its normal production cycle, i.e., in winter months (December – March) if physical possession of the product is taken by PPD’s supplier.
- Prices are typically lower during winter months versus the summer months. An analysis of 30 years data shows that petroleum prices are on average 11% lower during winter months (December – March) versus summer (June – September).
- PPD can recommend retail prices to the Financial Management Board that reflects known costs for the upcoming fiscal year. This allows the Division to meet its mandate to break-even and ensure that petroleum prices in Nunavut reflect actual input costs.

In the previous fiscal year, 2020-21, the Petroleum Products Division (PPD) implemented a strategic approach to secure petroleum products at lower prices for the 2021 delivery season. Through a series of early purchases made via futures contracts, PPD capitalized on historically low oil prices resulting from the Covid-19 pandemic.

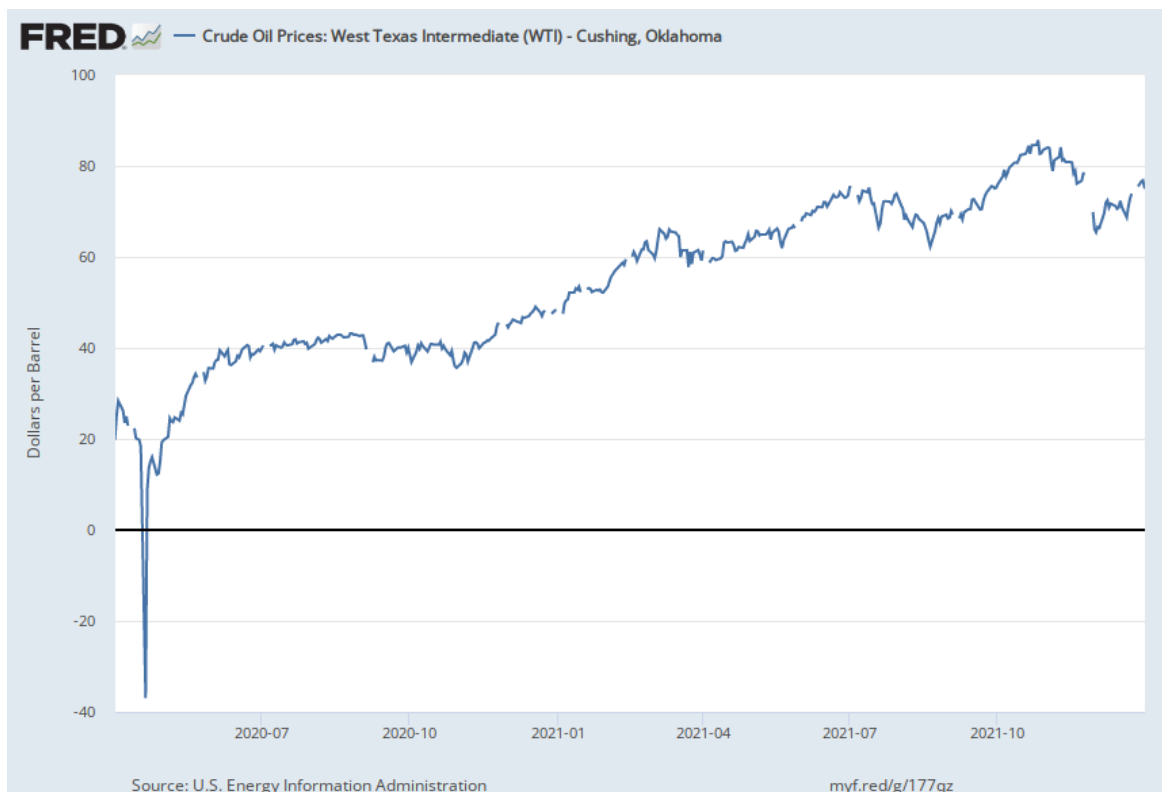
Specifically, in March of 2020 (fiscal year 2019-20), PPD acquired 50 million liters of diesel for delivery in 2021. This purchase was made when oil prices were trading at record lows. Subsequently, in the Fall of 2020, PPD procured an additional 50 million liters of diesel at the spot price, storing this fuel over the winter at a bulk fuel storage facility owned by PPD's supplier. The blended cost per liter of these two purchases amounted to \$0.4955, representing significant savings compared to PPD's blended cost per liter of \$0.6517 in the previous year.

The table below outlines all early purchases made for the 2021 resupply season, with the majority occurring in the fiscal year 2020-21. By locking in the fuel prices while they were still low, PPD effectively contributed to maintaining lower fuel prices in Nunavut during the later stages of the Covid-19 pandemic and throughout a significant portion of the fiscal year 2021-22.

**Summary of Early Purchases for the 2021-22 Resupply Season**

<b>Date</b>	<b>Product</b>	<b>Volume</b>	<b>Price (L)</b>
2020-03-25	Diesel	50,000,000	\$ 0.5318
2020-09-11	Diesel	50,000,000	\$ 0.4591
2021-01-10	Gasoline	23,000,000	\$ 0.5923
2021-05-07	Jet A-1	34,650,000	\$ 0.6578
2021-05-18	Diesel	30,000,000	\$ 0.6971

The strategic approach of securing fuel at favorable prices demonstrates PPD's commitment to cost management and its ability to mitigate price volatility for the benefit of fuel consumers in Nunavut. To provide readers with a sense of the price volatility during the early stages of the Covid-19 pandemic, the graph below depicts the price of oil from April 1, 2020, to December 31, 2021.



During this period, these purchases were made when oil prices were approximately \$40 per barrel or less, contrasting with a range of \$65 to \$75 per barrel during the actual 2021 resupply.

By closely monitoring market conditions and acting decisively, PPD was able to secure fuel at more favorable prices, contributing to cost savings that could be used to keep prices lower for fuel consumers in Nunavut, relative to Southern Canada. The graph serves as a visual representation of the price volatility experienced during the pandemic and underscores the significance of PPD's proactive approach in managing fuel costs for the benefit of the territory.

## METHODOLOGY REGARDING THE TIMING OF PURCHASES

As mentioned earlier, PPD plays a crucial role in the purchase and importation of fuel from global markets. This process involves carefully evaluating various factors such as price, availability, demand forecasts, timing, risk, and fuel type. Here's a closer look at how PPD conducts its fuel purchases:

1. **Monitor Markets:** PPD staff monitor fuel markets daily, analyzing price information from CME Group. This allows them to track price changes, identify trends, and compare rates to existing PPD products, providing insights into market conditions throughout the year.
2. **Preparation:** By December each year, PPD begins preparing for future fuel purchases. It pays down its debt to the GN, creating room under its authorized limit for the next year's contracts. Demand forecasts are updated, market movements are closely monitored, and advice from fuel supplier Woodward's is sought to identify market trends and opportunities.
3. **Initiate Purchase:** When PPD has sufficient funds and positive market assessments, the Director informs the Deputy Minister of Community and Government Services about the proposed purchase, including volume, price, and fuel type.

4. **PPD engages supplier:** With approval from the DM, PPD directs Woodward's to initiate a market purchase. Details such as fuel type and purchase amount are provided. Woodward's engages a commodities trader, such as Glencore, to broker the contract between the supplier and refiners on an international scale.
5. **Supplier confirms purchase:** Woodward's informs PPD once the purchase is completed and takes responsibility for acquiring and shipping fuel to Nunavut.

By diligently evaluating markets, leveraging expert advice, and employing strategic purchasing methods, PPD aims to ensure efficient and cost-effective fuel procurement for the benefit of Nunavut's communities.

## FUEL SOURCE LOCATION

PPD primarily sources fuels from refineries located on the East Coast of Canada, the United States, and occasionally from overseas countries such as Finland or Japan. The specific source location varies each year, with gasoline typically coming from Canadian or international markets, and Jet A1 and diesel obtained from American or Canadian markets.

The choice of source location is influenced by factors such as the availability of high-spec gasoline and pricing considerations. Ultimately, this decision is made by PPD's supplier and commodities dealer.

In the fiscal year 2021-22, all bulk fuel products, including gasoline, diesel, and Jet A-1, were sourced from the United States. Once sourced, the fuels are transported to the Supplier's facilities in Newfoundland via medium-range tankers. From there, they are transferred to ice-class tankers for delivery to Nunavut. Rigorous testing procedures, including third-party surveys at the load port, additional testing during offloading, and laboratory analysis by PPD's quality contractor, ensure that the fuel meets the required standards.

## FUEL TRANSPORTATION

PPD's vendor, Woodward's Oil Limited (Woodward's), operates a fleet of four state-of-the-art ice-class tankers designed to deliver petroleum products to the communities of Nunavut. The tankers are as follows:

1. Qikiqtaaluk W. - A Canadian-flagged vessel, built in 2011, with a capacity of 21,680 cubic meters.
2. Kitikmeot W. - A Canadian-flagged vessel, built in 2010, with a capacity of 21,680 cubic meters.
3. Kivalliq W. - A Canadian-flagged vessel, built in 2004, with a capacity of 16,080 cubic meters.
4. Tuvaq W. - A Canadian-flagged vessel, built in 2012, with a capacity of 8,554 cubic meters.

These tankers are purpose-built to operate in Arctic conditions and possess the following notable safety and environmental features:

- They are fully double-hulled ice-class vessels, ensuring enhanced safety.
- The tankers are equipped with heated enclosed cargo dumping arrangements, enabling operations even in extreme temperatures as low as -40 degrees Celsius.
- The main engines are powerful enough to operate continuously in fast ice up to 0.5 meters thick without any external assistance.
- State-of-the-art navigational and communication equipment is installed on board, ensuring safe navigation in challenging environments.
- Specialized towing arrangements are in place to facilitate icebreaker towing assistance during multiyear solid ice conditions.

- A modern electronic pumping and gauging system is utilized, which enhances safety during petroleum transfer operations.
- The tankers are staffed by highly experienced employees, ensuring the presence of competent personnel on board.

Woodward's is responsible for all fuel transportation operations. During transportation, abbreviated testing of the fuel is conducted to ensure that it remains within required standards. The shore manifold and pipelines connecting the bulk fuel storage facilities are owned by the GN and maintained by PPD. The responsibility shifts to PPD once fuel is being transferred from the ship to the Tank Farm for resupply operations. Typically, PPD Officers, who receive assistance from the staff of the local fuel delivery contractor.

Due to Covid-19 protocols, the resupply season concluded later than usual in late November. Under these protocols PPD officers did not board tankers, and neither Woodward nor Intertek crew members traveled within communities. Like 2020, this made the 2021 resupply more complex than usual and required significant use of charter services to ensure timely transfers of PPD officers between communities and avoid demurrage fees with the marine carrier. The first community in the 2021-2022 resupply season to receive its resupply was Kinngait on June 30 with Iqaluit receiving its final deliveries for the year.

## FUEL SALES AND DISTRIBUTION

Petroleum products are distributed in 24 Nunavut communities through local fuel delivery contractors. These contractors are responsible for operating the bulk fuel storage facilities and providing fuel sales and delivery services to customers paying with both cash and credit. They are compensated based on a per-liter commission structure. While the ownership of tank farms, dispensing units, and fuel delivery trucks remains with PPD, the actual sale and delivery of fuel within the communities are handled by the contracted local fuel providers. The agreements between PPD and the contractors have a duration of ten years, with most expiring on October 31, 2026 and the remainder expire a year later, on October 31, 2027. All agreements include the option to renew for an additional year.

In Iqaluit, the fuel delivery agreement differs from other communities, in that, GN-owned bulk fuel facilities are leased to Uqsuq Corporation. The private operator purchases fuel from the GN during the resupply period and assumes responsibility for all aspects of sale, delivery, billing, as well as the operation and maintenance of the bulk fuel storage facility. Additionally, the lessee owns a fleet of home heating tankers that services all consumers in the area. The operator also has the tankers necessary for transferring gasoline and diesel in bulk to third-party retailers who establish their own prices and sell fuel to consumers within the city.

Although private retailers determine the price of fuel for gasoline and diesel used in automotives, the GN sets the prices for fuel sold in bulk to the retailers. Furthermore, the GN establishes the prices for all other fuels sold by Uqsuq directly to homeowners, businesses, and airlines.

## KEY ACTIVITIES IN 2021-22

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### LEASE OF THE IQALUIT TANK FARM, PIPELINE, AND RELATED INFRASTRUCTURE

In August 2017, a comprehensive analysis was commissioned to evaluate the Iqaluit fuel contract strategy. The resulting report, produced in August 2017, identified opportunities for PPD to enhance the performance of the contracting process. Building upon this analysis, Cabinet approved a short-term negotiated contract with Uqsuq Corporation in June 2018. The initial contract covered a two-year period, from December 1, 2018, to November 30, 2020, with two additional one-year extension options. PPD exercised the first option year in Spring 2020, extending the contract until November 30, 2021.

Despite considerations to potentially alter the contract structure and ownership of fuel and fleet, the decision was made to maintain the current practice for several reasons. The assumptions made in the study that recommended fuel ownership did not fully account for the potential interest income and implied savings that the GN could achieve. Additionally, PPD was actively working to improve transparency and reduce hidden subsidies in fuel pricing, such as the zero cost of capital via the PPRF. By maintaining fuel ownership, Iqaluit's pricing aligns more accurately with the true cost of providing fuel services. The GN also recognized the successful management of billing, collection, and accounts receivable by an Inuit-owned firm and opted to continue with this arrangement.

A Best And Final Offer Request For Proposal (BAFO) was awarded for the lease of the Iqaluit tank farm, Pipeline and related infrastructure. A contract was issued in July 2021.

The contract spans a term of 10 years, commencing on December 1, 2021, and concluding on November 30, 2031, with the option to extend for an additional five years. The contracting strategy dates to a public Request for Proposal process that began on December 1, 2007. Initially, the agreement had a five-year term with the possibility of an additional five-year extension, which was exercised in 2012. To ensure a smooth transition for the new Iqaluit International Airport, a one-year extension was approved by the Executive Council in March 2017.

This long-term lease agreement ensures that Iqaluit will have a secure and reliable delivery of petroleum products in the community for the next ten years. It also strengthens the partnership with an experienced service provider that is 100% Inuit owned, further contributing to the economic development and self-reliance of the region.

### RETAIL PRICES

Retail prices experienced another increase on April 1, 2021, coinciding with the escalation of the federal carbon tax. Apart from this adjustment, retail prices remained unchanged until late in the fiscal year. On February 6, 2022, the Financial Management Board (FMB) approved a retail price increase of \$0.08 per liter on all bulk fuel products. This adjustment marked the first increase in the base price of fuel since the onset of the Covid-19 pandemic.



## PPD OPTIONS ANALYSIS

In the fall of 2018, the Petroleum Products Division (PPD) initiated an assessment of its organizational and corporate structure. The purpose of the assessment was to strategically position the division to effectively manage business growth, meet increased regulatory oversight and health and safety requirements, address the issues related to hidden subsidies to the PPRF (Petroleum Products Revolving Fund) and capital requirements.

Throughout the fiscal year 2020-21, PPD conducted a comprehensive options analysis, considering various corporate and organizational possibilities for the division. These options included:

1. Forming an independent petroleum commission embedded within the Community and Government Services (CGS).
2. Merging with the Qulliq Energy Corporation, a government-owned entity responsible for providing electricity and energy services in Nunavut.
3. Establishing a standalone independent crown corporation solely dedicated to petroleum products.

To support the implementation of the chosen option, Bill 52, known as the *Nunavut Petroleum Products Commission Act*, was introduced in the Legislative Assembly on October 22, 2020. However, the bill faced delays and was ultimately deferred to the final sitting of the Legislative Assembly in the fall of 2021, where it was unsuccessful.

While the proposed legislative framework did not progress as intended, the assessment and analysis conducted by PPD allowed for a thorough exploration of potential structural improvements and paved the way for further discussions and potential future initiatives to address the identified challenges and opportunities within the division.

## RISK MANAGEMENT

PPD employs various strategies to manage the financial risks associated with fuel purchasing. Here's an overview of the key aspects:

**Use of Futures Contracts:** PPD utilizes futures contracts, also known as early purchasing, to secure fuel at known prices in the future. By purchasing the right to acquire fuel at specific prices, PPD ensures a stable supply for Nunavummiut and takes advantage of favorable market conditions. This approach offers flexibility and reduces reliance on spot prices, which can be volatile.

**Spreading Out Purchases:** PPD mitigates market risk by spreading its fuel purchases over several months, including using the spot price during resupply. This approach acknowledges that it's challenging to time purchases at the lowest prices. By purchasing in smaller batches, PPD aims to keep prices down on average, adopting a "hedge within a hedge" strategy.

**Pricing Medium:** PPD shifted its pricing medium from Petro Canada's Montreal Rack price to NYMEX, North America's foremost wholesale commodities exchange. This transition has resulted in significant annualized savings for the GN, as NYMEX offers lower overall prices.

**Conservative Demand Forecasts:** PPD manages demand risk by using conservative forecasts. While Nunavut's fuel demand generally grows steadily, unexpected fluctuations can occur. By purchasing most fuel ahead of the season using futures contracts and leaving room for in-season purchases at spot prices, PPD maintains flexibility while ensuring sufficient supply.

**Competitive Price Risk:** PPD monitors futures prices in the market and works closely with its Supplier to optimize deliveries from southern facilities to Nunavut. This helps address situations where futures agreements may not be available or are unfavorable due to volatile market conditions or uncertainty about future supply and demand.

**Default Risk Mitigation:** To mitigate default risk, PPD requires its Supplier to provide a \$90 million demand performance bond, which is renewed seasonally. This ensures that in the event of any contract default, PPD has financial safeguards in place.

By implementing these risk management measures, PPD aims to navigate the challenges of fuel purchasing, reduce price volatility, and ensure a stable supply of fuel for the benefit of Nunavut communities.

## PETROLEUM PRODUCTS PROVIDED BY PPD

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PPD supplies five fuel products to Nunavut communities, catering to their specific needs:

1. **Gasoline:** PPD offers 92 octane premium winter-grade gasoline, primarily used for light vehicles, snowmobiles, and outboard engines.
2. **Jet A-1:** This certified fuel is specifically designed for turbine aircraft use. Jet A-1 also serves dual purposes as a diesel and heating fuel, providing flexibility in inventory management.
3. **Aviation Gasoline (Avgas):** Avgas is available in limited quantities and only in four communities: Rankin Inlet, Iqaluit, Arviat, and Cambridge Bay. Most air traffic relies on Jet A-1, resulting in minimal demand for Avgas. Due to its low demand and short shelf life of one year, there are no plans to expand its supply to other communities. The price of Avgas is subsidized by other fuel products.
4. **Diesel:** Ultra-low sulfur diesel is the most widely consumed fuel in Nunavut. It serves various purposes, including heating, powering heavy equipment, aviation, and electricity generation.
5. **Naphtha:** Naphtha is a camping fuel product sold in four-liter containers. Its distribution requires labor-intensive efforts, and to ensure affordability for Nunavummiut, it is highly subsidized by other products.

Through the provision of these fuel products, PPD meets the diverse energy requirements of Nunavut communities, supporting transportation, heating, aviation, and recreational needs.

### PRODUCT STANDARDS

PPD takes proactive measures to ensure the quality and compliance of the fuel it procures for Nunavut. As a voting member of the Canadian General Standards Board, PPD adheres to the stringent standards set for Zone H (Arctic Canada).

To verify the quality of fuel, PPD engages Intertek Testing Services as its third-party fuel quality control testing service provider. Intertek is a globally recognized company specializing in assurance, testing, inspection, and certification. Their expertise assists PPD in ensuring that the fuel meets the required standards at the point of loading and throughout marine transportation.

Once the fuel is delivered to each community, PPD conducts further quality checks. Samples are drawn from each tank and sent to Innotech Alberta, a reputable laboratory, for comprehensive analysis and certification of specification.

To provide a comprehensive overview of the specifications for the petroleum products used in Nunavut, please refer to the table below. The table captures important details regarding the fuel's properties and quality standards, ensuring transparency and adherence to regulatory requirements.

#### *Fuel Type CAN/ Canadian General Standards Board Government of Nunavut Variations*

PRODUCT TYPE	SPECIFICATION	EXEMPTIONS
DIESEL	CAN/CGSB-3.517-2017 Type A	Low Temperature Operability - Cloud Point -43C Electrical Conductivity - 100pS/m minimum @ 4C Cetane - must meet the engine ASTM D613 engine test

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<b>AUTOMOTIVE GASOLINE</b>	CAN/CGSB-3.5-2016	Grade 3, Class D Antiknock Performance - minimum 92 Vapour Pressure - minimum 95kPa Oxygenates - No alcohols, MTBE or other oxygenates allowed
<b>Jet A-1</b>	CAN/CGSB-3.23-2018	Type - Jet A-1 Electrical Conductivity - minimum 250pS/m minimum @ 4C
<b>Naphtha</b>	CAN/CGSB-3.27-2005	
<b>Aviation Gasoline 100LL</b>	CAN/CGSB-3.25-2004	

## RETAIL PRICE BENCHMARKS

To effectively evaluate the efficiency of Nunavut's fuel program, it is important to benchmark the fuel pricing in Nunavut against Southern Canada. This benchmarking process allows for assessing the price difference between Nunavut and Southern Canada over time, providing insights into Nunavut's competitiveness in fuel pricing.

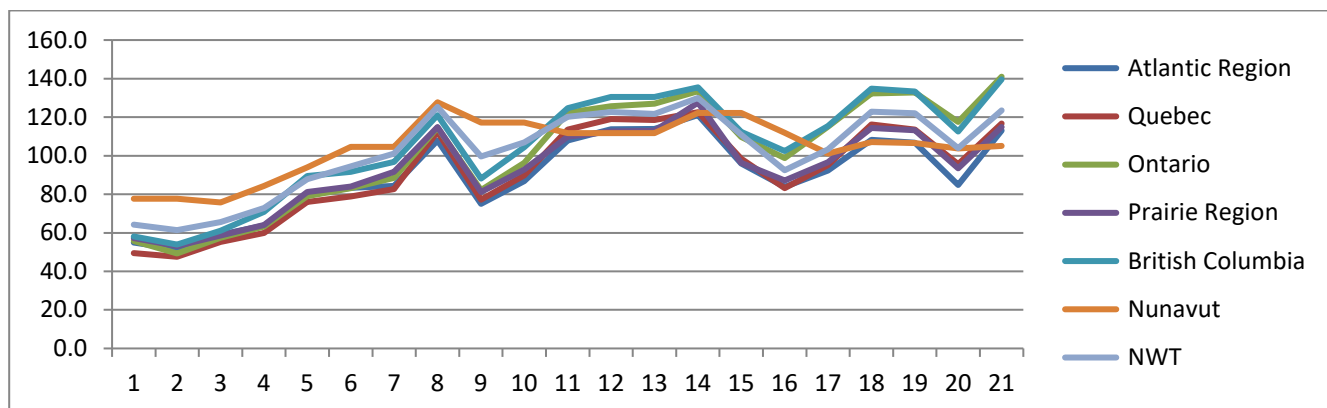
The challenges in the supply and delivery of petroleum in Nunavut incurs additional costs and complexities compared to Southern Canada. Factors such as unique Arctic conditions and the need for winter-grade and premium products to ensure optimal performance in cold weather contribute to these complexities.

Benchmarking data allows PPD to compare the prices of #2 heating oil and regular gasoline in Southern Canada with #1 ultra-low sulphur diesel and premium gasoline (92 Octane) prices in Nunavut. Despite the higher specification and associated costs of Nunavut's products, the tables below demonstrate that Nunavut continues its attempt to maintain a high level of competitiveness with Southern Canada in terms of fuel pricing.

The tables indicate that Nunavut experienced a temporary decline in competitiveness in 2020 but regained its competitive position in 2021 as global prices rebounded. Throughout the 2021-22 fiscal year, Nunavut was able to keep its prices stable, contributing to its competitiveness in fuel pricing.

### *Diesel Heating (\$ / L) Price Across Canada, 2001 – 2021*

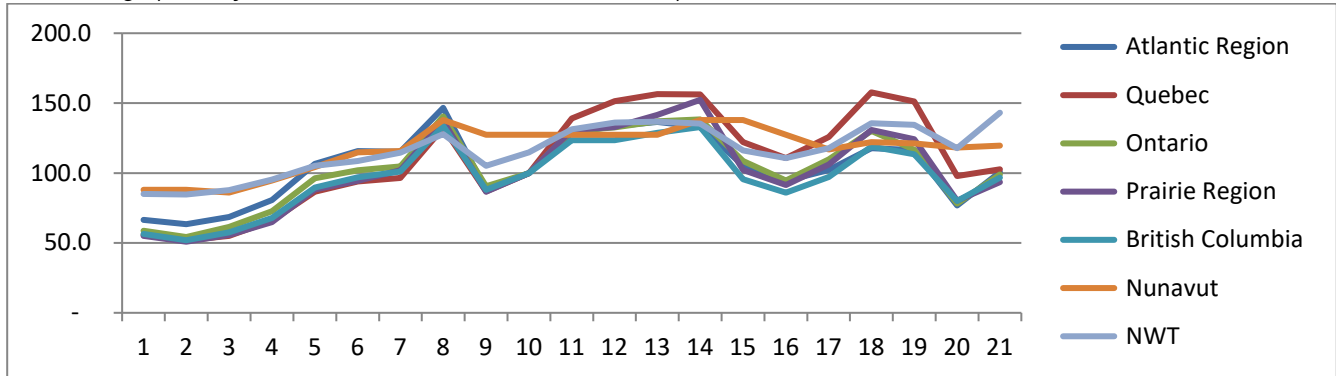
*The average price of diesel heating has remained competitive with Southern Canada*



Consumer Table: 18-10-0001-01 (formerly CANSIM 326-0009) <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101>

### Diesel Motive (\$ / L) Price Across Canada, 2001 – 2021

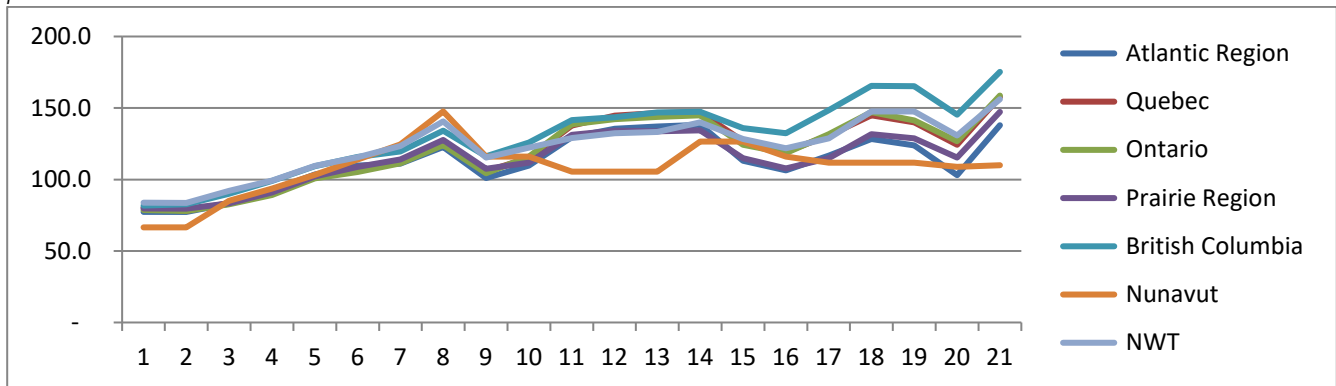
The average price of diesel automotive in Nunavut is competitive with Southern Canada



Consumer Table: 18-10-0001-01 (formerly CANSIM 326-0009) <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101>

### Gasoline (\$ / L) Price Across Canada, 2001 – 2021

The average price of gasoline in Nunavut has remained competitive with Southern Canada despite a higher-grade product in Nunavut.



Consumer Table: 18-10-0001-01 (formerly CANSIM 326-0009) <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101>

In addition to the fuel prices shown in the above tables, it is important to note the prices for Jet A-1, naphtha, and aviation gasoline in Nunavut. Jet A-1 prices in Nunavut are among the highest in Canada, reflecting the unique logistical challenges and additional costs associated with supplying aviation fuel to remote northern communities.

In comparison, naphtha and aviation gasoline prices in Nunavut are relatively lower compared to other regions in Canada. This is explained by these products are cross subsidized by other fuel products, allowing them to be offered at more affordable prices in order to support specific needs within the territory.

While not included in the depicted tables, the prices for Jet A-1, naphtha, and aviation gasoline in Nunavut highlight the varied pricing dynamics and cross-subsidization within Nunavut, reflecting the complexities and considerations involved in fuel pricing across different product categories.

## PRODUCT COST BREAKDOWN

Retail fuel prices in Nunavut are comprised of seven (7) components:

1. The weighted-average (blended) cost of fuel, primarily:
  - a. fuel product costs, and

- b. fuel delivery costs
- 2. Profit margin or subsidy
- 3. Goods and Services Tax (GST)
- 4. Nunavut excise tax
- 5. Federal excise tax
- 6. Carbon Tax (new for 2019)
- 7. Nunavut Carbon Rebate (new for 2019)

### 1 - Weighted Average Fuel Cost

Each community has a unique weighted average (WA) cost for each fuel product, equal to the cost of any existing fuel plus the weighted cost of new fuels (product plus freight), proportionate to the volume of fuel received relative to the volume of existing fuel. For example:

A	B	C = (B/A)	D	E	F = (A + D)		
A fuel volume before receipt of new product (litres)	Existing fuel value	Existing WA cost per liter	Volume of fuel received (litres)	Total cost*	Fuel volume after receipt of new product (litres)	New blended fuel value	New WA cost per litre
1,000	\$900.00	0.9000	2,000	\$2,500.00	3,000	\$3,400.00	\$1.1333

\*Equal to product cost of \$2,000 plus freight cost of \$500

### 2 - Profit Margin or Subsidy

The retail fuel prices in each community are determined by the FMB based on the proposed prices by PPD. Within these prices, there may exist a profit margin or subsidy depending on the cost components of fuel.

If the total cost components of fuel (excluding the profit margin or subsidy) are lower than the retail price, it results in a profit margin. This means that the revenue generated from the fuel sales exceeds the costs associated with acquiring and delivering the fuel. Conversely, if the total cost components of fuel exceed the retail price, it results in a fuel price subsidy. In this case, the cost of acquiring and delivering the fuel exceeds the revenue generated from its sales, leading to a subsidy to cover the difference.

The determination of profit margins or subsidies within retail fuel prices helps ensure the financial viability of the fuel program and balance the costs associated with providing fuel in Nunavut communities.

### 3 - Goods and Services Tax

All petroleum products sold in Nunavut are subject to five percent (5%) GST.

### 4 & 5 - Excise Taxes

Petroleum products sold in Nunavut are subject to varying amounts of Nunavut and Federal excise taxes on a per-liter basis. Note that diesel fuel is taxed subject to its end use, be it heating, motive (e.g., heavy equipment), or aviation fuel:

#### *Nunavut and Federal Excise Taxes on Petroleum Products*

PETROLEUM PRODUCTS						
P50 DIESEL			GASOLINE	AVGAS	NAPHTHA	JET A-1
HEATING	MOTIVE	AVIATION				

NUNAVUT – Territorial Excise Tax	\$ –	\$ 0.091	\$ 0.010	\$ 0.064	\$ 0.010	\$ –	\$ 0.010
NUNAVUT – Federal Excise Tax	–	0.040	0.040	0.100	0.110	–	0.040

## 6 & 7 Carbon Tax and Nunavut Carbon Rebate

Since July 1st, 2019, the Federal Carbon Tax has been applied to certain retail fuel products in Nunavut. Gasoline, P50 diesel, and naphtha are subject to the Carbon Tax. However, P50 diesel used for electricity generation and aviation fuels (Jet A-1 and aviation gasoline) are exempt from the Carbon Tax.

To offset the impact of the Carbon Tax on consumers, the Government of Nunavut introduced the Nunavut Carbon Rebate (NCR). The NCR reduces the Carbon Tax rates by half, resulting in lower per-liter costs for the affected retail fuel products.

## VARIATIONS IN WEIGHTED AVERAGE COSTS

Giving consideration to how WA costs are determined and the blending of existing fuel costs with new fuel costs, variations can arise between the per-liter costs of fuel in different communities. Consider two hypothetical communities: Community 1 and Community 2, with identical pre-resupply fuel costs and weighted averages (\$900.00 and \$0.9000/L, respectively), but different pre-resupply fuel volumes:

COMMUNITY 1			COMMUNITY 2		
A	B	C = (B/A)	A	B	C = (B/A)
FUEL VOLUME BEFORE RECEIPT OF	EXISTING FUEL VALUE	EXISTING WA COST PER LITRE	FUEL VOLUME BEFORE RECEIPT OF	EXISTING FUEL VALUE	EXISTING WA COST PER LITRE
1,000	\$900.00	\$ 0.9000	800	\$720.00	\$ 0.9000

If new fuel is resupplied, even by equal volumes and at equal costs, the new WA costs per liter will be different (\$1.1333/L for Community 1 and \$1.1500/L for Community 2):

COMMUNITY 1							
A	B	C = (B/A)	D	E	F = (A + D)	G = (B + E)	H = (G / F)
FUEL VOLUME BEFORE RECEIPT OF	EXISTING FUEL VALUE	EXISTING WA	VOLUME OF FUEL RECEIVED	TOTAL COST*	FUEL VOLUME AFTER RECEIPT OF	NEW BLENDED	NEW WA COST PER
1,000	\$900.00	\$ 0.9000	2,000	\$ 2,500.00	3,000	\$ 3,400	\$ 1.1333

*\*Equal to product cost of \$2,000 plus freight cost of \$500*

COMMUNITY 2							
A	B	C = (B/A)	D	E	F = (A + D)	G = (B + E)	H = (G / F)
FUEL VOLUME BEFORE RECEIPT OF	EXISTING FUEL VALUE	EXISTING WA	VOLUME OF FUEL RECEIVED	TOTAL COST*	FUEL VOLUME AFTER RECEIPT OF	NEW BLENDED	NEW WA COST PER
800	\$720.00	\$ 0.9000	2,000	\$ 2,500.00	2,800	\$ 3,220.00	\$ 1.1500

*\*Equal to product cost of \$2,000 plus freight cost of \$500*

Realities in the fuel market dictate, it is important to acknowledge that fuel volumes, resupplied volumes, and resupplied fuel costs are not expected to remain constant and equal. Various factors contribute to the variability of resupplied fuel costs, including the timing of fuel purchases and fluctuating world market fuel prices throughout the resupply season and from year to year. Additionally, there are incremental expenses that may arise, such as emergency fuel airlift costs, ad hoc vessel anchoring expenses, and inland freight charges for specific fuel types.

For example, if a community exhausts its gasoline supply before the scheduled resupply, additional costs are incurred for transporting gasoline through multiple airlifts. These expenses, primarily chartering aircraft, are allocated to the fuel costs in the receiving community, leading to increased variance in WA costs between communities.

Fluctuations in fuel transportation charges also contribute to the variation in WA costs. While the current Supplier contract has largely stabilized these charges, historical freight rates have reached as high as \$0.5543 per liter. In the Kitikmeot region, for example, bulk delivery freight charges were as high as \$0.4555 per liter in fiscal year 2008. However, in 2018-19, PPD's freight rates dropped to \$0.1333 per liter for bulk deliveries to all regions.

These examples highlight the dynamic nature of fuel costs and transportation charges, emphasizing the need to account for these factors when evaluating resupplied fuel costs and understanding the variance in WA costs across communities.

## FUEL PRICE COMPONENTS (NUNAVUT AVERAGE)

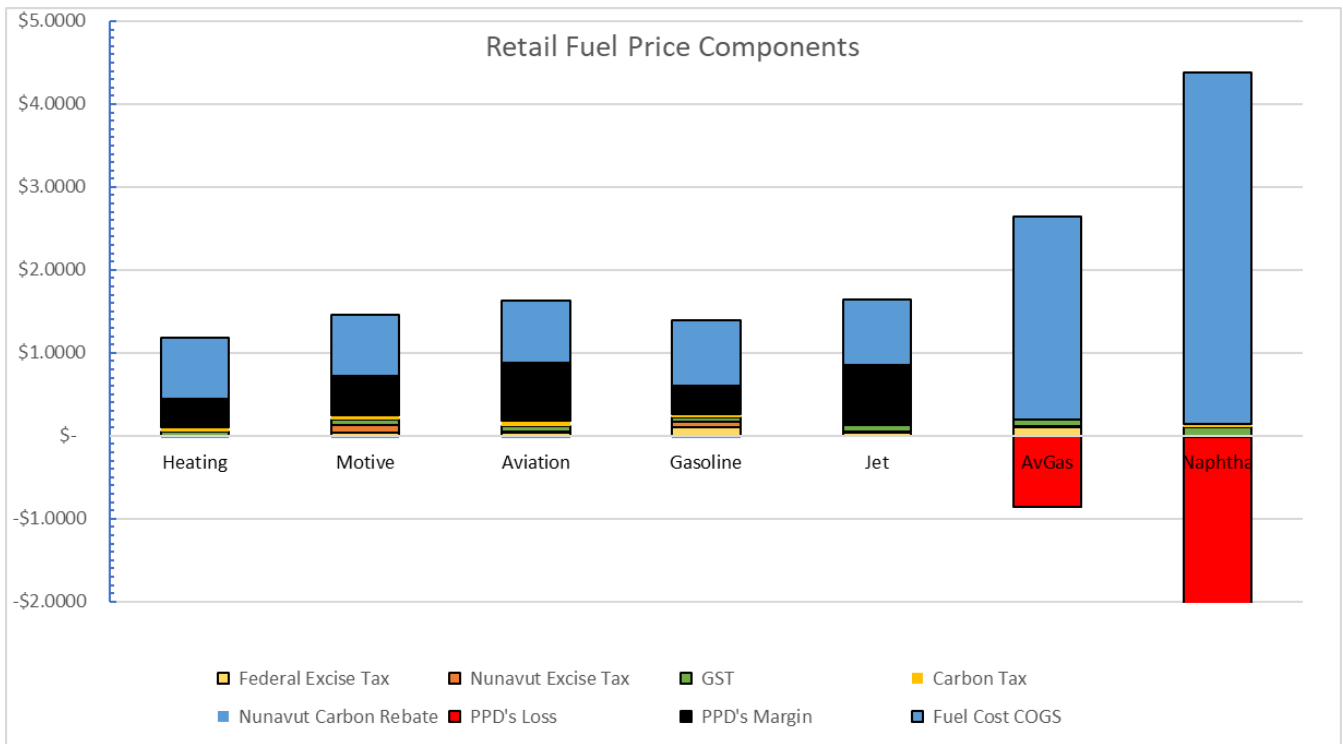
The table and figure below capture the various components that make-up the retail fuel prices.

### *Components of Fuel Prices in Nunavut – All Types 2021-22*

	Heating	Motive	Aviation	Gasoline	Jet	AvGas	Naphtha
<b>Federal Excise Tax</b>	\$ -	\$ 0.0400	\$ 0.0400	\$ 0.1000	\$ 0.0400	\$ 0.1100	\$ -
<b>Nunavut Excise Tax</b>	-	0.0910	0.0100	0.0640	0.0100	0.0100	-
<b>GST</b>	0.0540	0.0610	0.0724	0.0563	0.0760	0.0791	0.0973
<b>Carbon Tax</b>	0.0537	0.0537	0.0537	0.0442	-	-	0.0426
<b>Nunavut Carbon Rebate</b>	- 0.0268	- 0.0268	- 0.0268	- 0.0221	-	-	- 0.0213
<b>PPD's Loss</b>	-	-	-	-	-	- 0.8589	- 2.2956
<b>PPD's Margin</b>	0.3376	0.4763	0.7055	0.3403	0.7240	-	-
<b>Fuel Cost COGS</b>	0.7430	0.7430	0.7430	0.7861	0.7960	2.4412	4.2410
<b>Base Price</b>	1.0806	1.2193	1.4485	1.1264	1.5199	1.5823	1.9454
<b>Retail Price</b>	1.1346	1.2803	1.5209	1.1827	1.5959	1.6614	2.0427

### *Components of Fuel Prices in Nunavut – All Types 2021-22*





# PETROLEUM IMPORTS AND SALES

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## IMPORTS

### 2021-22

In the 2021-22 fiscal year, PPD imported a total of 193,895,052 litres of petroleum products to Nunavut's communities. This represents a decrease of 9.75% or 20,950,900 million litres compared to the previous year's import volume of 214,845,952 litres.

## SALES

The overall trend for Total All fuels shows fluctuations over the years, with a peak in sales in 2019-20 and a dip in 2020-21, followed by a slight increase in 2021-22.

### *Petroleum Sales, 2017-18 to 2021-22 by Fuel Type*

Fuel Type	2017-18	2018-19	2019-20	2020-21	2021-22
	Litres	Litres	Litres	Litres	Litres
Total All					
Diesel	144,508,634	135,454,751	137,627,474	137,475,509	142,388,539
Gasoline	21,881,018	22,183,823	23,362,215	24,202,581	23,606,056
Jet A-1	43,322,277	46,516,446	52,197,524	40,003,652	39,281,294
Total All	210,044,582	204,155,020	213,187,213	201,681,742	205,275,889

The trend for Diesel shows fluctuations over the years, with a slight decrease in sales between 2017-18 and 2018-19, followed by a small increase in the subsequent years. Overall, there is a gradual upward trend from 2018-19 to 2021-22.

The trend for Gasoline shows a consistent increase in sales from 2017-18 to 2020-21, with a small decrease in sales in 2021-22 compared to the previous year.

The trend for Jet A-1 shows fluctuations over the years, with a peak in sales in 2019-20 and a significant drop in sales in 2020-21 and 2021-22 following the Covid-19 pandemic.

Note, sales data is widely dispersed on a community level: where some communities show high rates of growth, others show low or negative growth trends. *Information on community-level data can be provided by PPD on request.*

# BULK FUEL FACILITIES

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## NUNAVUT FUEL CONTEXT

PPD is responsible for the importation of approximately \$200 million worth of fuel products annually, which amounts to approximately 210,000,000 litres. These products are transported via marine vessels.

The GN owns approximately \$180 million worth of infrastructure that is operated and maintained by PPD for the storage and distribution of fuel within the territory. Much of this infrastructure, such as tank farm facilities, were acquired by PPD from the Government of Northwest Territories during the establishment of Nunavut in 1999. PPD not only maintains these existing tank farms but also undertakes necessary facility upgrades to ensure sufficient storage capacity to accommodate the anticipated growth in community populations. The necessary funds for facility upgrades are obtained through the GN's Capital Planning Process.

## FACILITY AGE AND CONDITION

When planning for the capital needs of bulk fuel storage facilities, careful consideration is given to the age and condition of the facilities. Aging infrastructure poses risks in terms of safety, reliability, and compliance with regulatory requirements. Therefore, assessing the facility's age and condition is priority towards making informed decisions.

As indicated, the age and current condition of a facility are key factors. As facilities age, maintenance costs tend to increase, and the risk of failure or inefficiency rises. Given the extreme climates in Nunavut, upgrading or replacing aging infrastructure becomes essential to ensure optimal functionality, and the ability to minimize operational disruptions.

The current condition of the facility which includes assessing the structural integrity, equipment performance, environmental compliance, and adherence to safety standards is used to identify any deficiencies or areas that require improvement. These considerations allow PPD to prioritize capital investments and allocate resources effectively.

Capital planning also involves analyzing the cost-benefit ratio of repairs versus replacement. Factors such as the extent of repairs needed, expected lifespan after repairs, and long-term maintenance requirements assist in determining the cost-effectiveness and long-term benefits of replacing the facility versus the short-term savings of repairs.

Furthermore, future demand projections, technological advancements, and regulatory changes are considered when planning capital investments. Facilities need to be adaptable to evolving needs and comply with emerging industry standards.

In summary, capital planning for bulk fuel storage facilities involves evaluating the age, condition, cost-effectiveness, and long-term sustainability of the infrastructure. This ensures that investments are strategically allocated to maintain safe, reliable, and efficient fuel storage and distribution operations.

## TANK INSPECTIONS

PPD recognizes the importance of assessing the condition of its tanks to ensure safe and reliable fuel storage. While the age of a tank is known, determining its condition requires a thorough inspection by certified technicians

following the American Petroleum Institute (API) 650 guidelines. This inspection covers various aspects, including the tank's structure, containment area, roof, shell, foundation, and other critical components.

To maintain the integrity of its infrastructure, PPD contractors conduct monthly inspections, focusing on leak detection, foreign liquid prevention, and identification of any signs of progressive tank shell aging. These inspections comply with federal requirements and contribute to the overall maintenance of the tank systems.

Furthermore, PPD regional officers perform annual community inspections to address critical issues, verify contractor performance, and identify any outstanding maintenance responsibilities. These inspections involve third-party mechanics and pipeline inspectors who join PPD in assessing the tanks and infrastructure. Deficiencies are reported to PPD headquarters for prompt resolution and appropriate actions.

By conducting regular inspections at both the contractor and regional level, PPD ensures that tank management and compliance are prioritized, potential risks are identified, and necessary maintenance measures are implemented to maintain the overall integrity of the tanks and associated infrastructure.

## NEW TANK FARM PROCESS

When a new tank farm is constructed, it undergoes a thorough inspection and assessment by an experienced and certified inspector. The purpose of this inspection is to identify and rectify any significant problems or issues before the tank farm is put into operation. This ensures that the new tank farm meets all necessary safety and operational standards.

Once the tank farm has been upgraded and deemed fit for operation, various documents and information are provided to PPD. These include a site diagram that illustrates the layout and configuration of the tank farm, tank diagrams that provide detailed information about each individual tank, tank system information that outlines the specific specifications and requirements of the tank system, and a summary of the construction and engineering work carried out by the contractors.

All this information is used by PPD to effectively manage and maintain its tank farms. It serves as a reference point for ongoing maintenance activities, ensuring that proper procedures and protocols are followed. The documentation helps PPD keep track of the tank farm's configuration, maintenance schedules, and any specific requirements unique to that system.

PPD's priority is to ensure that its tank farms are properly maintained, adhere to regulatory standards, and operate safely and efficiently. This proactive approach to maintenance helps minimize potential risk in the tank farm system and allows for the reliable storage and distribution of fuel in Nunavut.

## REGULATORY COMPLIANCE

PPD adheres to the appropriate regulations that govern aboveground storage facilities and the distribution of petroleum products. These regulations include, but are not limited to, the Canadian Environmental Protection Act, Canadian Shipping Act, Measurements Canada, National Fire Code of Canada, and Safety Act. Ensuring code compliance is a priority when evaluating tank farms for upgrades.

In addition to these Canadian regulations, industry standards set by the American Petroleum Institute (API) play a crucial role. The API standards, particularly API 650, 653, and 620, establish the guidelines for the design, construction, and maintenance of aboveground welded storage tanks. Most tanks in Nunavut are built according to the API 650 standard, however standards have evolved over the past two decades. As a result, some tanks and

tank farms in Nunavut may not currently meet the updated code requirements. PPD is actively working to address these compliance issues in a timely manner.

PPD acknowledges the importance of adhering to legislation, regulations, guidelines, and specifications governing aboveground fuel storage and distribution. By adhering to these laws, regulations, and industry standards, PPD ensures the safe and environmentally responsible storage and distribution of fuel in Nunavut while mitigating legal and operational risks.

## COMMUNITY CODE COMPLIANCE TIMELINE

PPD is dedicated to ensuring that all tank farms under its jurisdiction meet the necessary guidelines and regulations. Recognizing the importance of ongoing compliance, PPD has developed a schedule to systematically address code-compliance issues within the communities it serves. By closely monitoring these facilities, PPD can identify any capacity limitations or code compliance issues early on. This proactive approach allows PPD to incorporate necessary facility upgrades into the GN's Capital Planning Process without delay.

While PPD strives to achieve compliance across all tank farms, scope and scale of the required upgrades dictates the requirement to implement a prioritization plan that assesses factors such as the severity of code violations, the risk level associated with non-compliance, and available resources

One of the key challenges faced by PPD is the associated financial cost of the upgrades and code compliance work. The initial budget allocation is being impacted by significant inflation costs of raw materials. As a result, PPD is faced with the need to further refine its prioritization of facilities and seek to secure additional funding to complete the necessary upgrades and work to bring all its facilities into compliance.

PPD actively seeks additional funding sources and engages in strategic financial planning. This includes exploring partnerships, seeking government grants, and advocating for increased budgetary allocations to ensure that the required upgrades can be carried out effectively.

In recent years, securing sufficient capital funding has become increasingly challenging for PPD. The limited availability of GN capital funding has posed significant obstacles to advancing many of PPD's capital projects. As a result, PPD is currently facing a growing infrastructure deficit within its fuel storage and delivery facilities.

To address this infrastructure deficit, substantial investment is required in expanding the capacity of existing facilities and implementing code upgrades. These investments are crucial for ensuring that PPD can effectively meet the energy and transportation needs of Nunavut's communities in a safe and compliant manner.

In the upcoming review phase, it will be imperative for stakeholders to recognize the urgent need for investment in facility expansions and code upgrades. By addressing the infrastructure deficit, PPD can enhance its ability to provide reliable and efficient fuel storage and delivery services to support the ongoing development and growth of Nunavut's communities.

## BULK FUEL FACILITIES UPGRADED IN 2021-22

The Covid-19 pandemic had an impact on the planned code compliance works in Kimmirut, Clyde River, Sanirajak, and Grise Fiord. Initially, these works were delayed due to the challenges posed by the pandemic. However, PPD took action to ensure that the necessary upgrades would be completed.

In February 2021, PPD issued two contracts through a tender process to initiate the code compliance works in all four communities. The materials required for the upgrades were shipped in the 2021-22 fiscal year, laying the foundation for the upcoming construction phase.

The scope of work includes the construction of new road crossings that incorporate double-walled pipes for buried fuel lines. This upgrade is an example of how it enhances the safety and integrity of the fuel distribution system and aligns with code compliance requirements. Additional equipment upgrades will be implemented to ensure full compliance with relevant codes and regulations.

Completion of the code compliance works expected to go through in 2023. By undertaking these necessary upgrades and improvements, PPD aims to enhance the reliability, efficiency, and safety of the fuel infrastructure in Kimmirut, Clyde River, Sanirajak, and Grise Fiord. These efforts contribute to the overall goal of maintaining compliance with applicable codes and regulations, safeguarding the well-being of the communities they serve.

## REGULATORS

PPD maintains regular correspondence with multiple regulatory bodies to ensure compliance with all relevant laws and regulations. These regulatory bodies include Environment and Climate Change Canada, Transport Canada, Measurements Canada, and the Department of Environment within the GN.

To demonstrate adherence to regulatory requirements, PPD routinely shares various types of documents with the regulators. These documents may include Environmental Emergency Plans, Monthly Inspection Checklists, Tank Farm Designs, and As-built drawings. By sharing this information, PPD aims to provide regulators with a comprehensive understanding of its operations and infrastructure.

Enforcement officers from these regulatory divisions engage in ongoing communication with PPD and conduct inspections of PPD's infrastructure to verify compliance. These inspections play a crucial role in assessing PPD's adherence to the prescribed standards and identifying any areas that require improvement or corrective action.

## SALES FORECASTING AND PROJECTIONS

Since Nunavut's establishment as a territory in 1999, the region has witnessed significant population growth, leading to increased fuel demand in various sectors such as air travel, home heating, and electrical power generation. This increase in fuel consumption can be attributed to the expansion of housing units and infrastructure projects.

Over the past 23 years, Nunavut's annual fuel consumption has experienced a substantial rise of approximately 39%. Starting at 148 million litres in 1999, the consumption reached 205.3 million litres in the fiscal year 2021-22. This upward trend highlights the need for accurate forecasting and strategic planning to effectively address the evolving fuel requirements of Nunavut's communities.

PPD fuel forecasting purchasing (e.g., early buying) demonstrates how it proactively engages in annual forecasting to estimate the fuel needs of each community in Nunavut. This process considers historical consumption volumes spanning from the 1999-2000 fiscal year to the present. By analyzing past trends, PPD can generate reliable estimates for the annual bulk fuel orders required by each community.

It is expected that the demand for fuel will continue to increase unless alternative energy sources suitable for extreme conditions become available. Considering this, PPD must plan for ongoing upgrades and expansions of its facilities to ensure compliance with regulations and to meet the growing fuel demand in Nunavut. This proactive

approach is crucial to effectively manage the fuel needs of Nunavut's communities while supporting their sustainable development.

## COMMUNITY CAPACITY LEVELS

In addition to estimating the fuel needs of each community, PPD must also consider the capacity limitations of the tank farms within those communities. It is not enough to simply ensure an adequate bulk fuel order for the entire territory; PPD must also assess the storage capacity of each individual tank farm to accommodate the projected demand.

By utilizing sales forecasting and projections, PPD can determine the specific communities that require capacity upgrades and the timeline for implementing these upgrades. This allows PPD to strategically plan for the expansion of tank farms in communities where the current storage capacity may be insufficient to meet the growing fuel demand. These capacity upgrades are essential to ensure that each community has an adequate fuel supply to support its various needs.

## CAPITAL PLANNING SUMMARY

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As the population of communities in Nunavut continues to grow, it becomes a priority for PPD to consider the fuel storage and delivery capacity across the territory. PPD must also consider the necessary infrastructure is in place to meet the energy and transportation demands of each community. Future development and upgrades are both conducted through the GN's Capital Planning Process.

The goal of PPD is to provide communities with high-quality facilities that are designed to meet the specific needs of an Arctic jurisdiction. Achieving this goal requires a systematic approach that considers various factors and integrates different planning initiatives related to capital development.

Several critical issues are taken into consideration during the facility development process. The age and condition of existing facilities are assessed to determine if upgrades or replacements are necessary. Prioritization is given to competing demands for new facilities and major renovations based on the community's needs and available resources. Compliance with regulatory requirements must also be a key consideration.

PPD embraces newer technologies to enhance facility operations and improve efficiency. Sales forecasting and projections are utilized to identify capacity limitations and ensure that the infrastructure can accommodate the expected demand. Additionally, opportunities for efficiency and capital improvements are explored to optimize facility performance.

By addressing these critical issues and integrating them into the facility development process, PPD aims to provide communities in Nunavut with well-designed, compliant, and efficient fuel storage and delivery facilities that can meet the growing energy needs of Nunavut.

# ENVIRONMENT

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## ENVIRONMENTAL PROTECTION COMPLIANCE ORDERS

As of 2021-22, 14 communities in Nunavut still have environmental code deficiencies. To ensure compliance with the Canadian Environmental Protection Act (CEPA), Environment Canada can issue an Environmental Protection Compliance Order (EPCO) when an offence has been committed.

In 2008, new code requirements were established under CEPA, and as a result, there were a number of Nunavut communities with identified violations. In response, PPD drafted EPCOs in 2012 for Sanikiluaq, Whale Cove, Rankin Inlet, and Iqaluit. The EPCOs addressed issues such as the absence of double-walled underground piping and overfill protection systems.

PPD proactive approach meant the prioritization of communities to address the identified violations. The code deficiencies were resolved in the four listed communities, and similar corrective work was carried out in four additional communities in recent years. Correction projects for Clyde River, Sanirajak, Kimmirut, and Grise Fiord were tendered in 2020-21 and are set for completion in 2022-23.

By the end of 2022-23, it is expected that code deficiencies will remain in 10 communities. The table below provides an overview of the communities with identified code compliance issues, those that have been corrected, and those scheduled for future resolution.



PPD Code Compliance, 2015 – 2022

PETROLEUM PRODUCTS DIVISION – CODE COMPLIANCE							
QIKIQTANI	2015	2016	2017	2018	2019	20	2021
IQUALUIT	Code Compliant*						Planned Upgrade
IGLOOLIK		Code Compliant					
SANIRAJAK				Planned Upgrade		Code Compliant	Electrical Code Compliance Upgrade
POND INLET							Planned Upgrade
CLYDE RIVER				Planned Upgrade		Code Compliant	Electrical Code Compliance Upgrade
ARCTIC BAY							Planned Upgrade
GRISE FIORD						Code Compliant	Electrical Code Compliance Upgrade
RESOLUTE BAY	Code Compliant						
KIMMIRUT				Planned Upgrade		Code Compliant	Electrical Code Compliance Upgrade
KINNGAIT							Planned Upgrade
PANGNIRTUNG	Code Compliant						
QIKIQTARJUAQ							Planned Upgrade
<b>KIVALLIQ</b>							
RANKIN INLET		Code Compliant					
ARVIAT						Planned Upgrade	
CHESTERFIELD INLET			Code Compliant				
BAKER LAKE			Code Compliant				Tank cleaning and API
CORAL HARBOUR			Code Compliant				
NAUJAAT							Planned Upgrade
WHALE COVE		Code Compliant					
SANIKILUAQ		Code Compliant					
<b>KITIKMEOT</b>							
CAMBRIDGE BAY		Code Compliant					
KUGLUKTUK					Code Compliant		
BATHURST INLET				Decommissioning			
GJOA HAVEN T/F				Planned Upgrade		Code Compliant	
TALOYOAK							Need assessment for Taloyoak
KUGAARUK					Code Compliant		
UMINGMAKTOK				Decommissioning			

- *Code Compliant\*:* means compliant with EPCO, not necessarily all codes, standards and regulations.
- *Code Compliant:* means the year the facility was or is expected to be fully compliant with all existing codes, standards, and regulations.
- *Planned Upgrade:* means the expected construction start date of a capacity expansion project that has been substantiated.

## LANDFARMING

To address the environmental impact of operational processes, PPD employs a landfarm in Rankin Inlet for the remediation of hazardous waste, specifically PHC contaminated soil. The landfarm is an ex-situ bioremediation technique that utilizes a combination of aeration, microorganisms, and soil conditioning to treat the soil.

Originally built during tank farm upgrades in 2008, the landfarm was initially intended for remediating PHC contaminated soil from the tank farm area. In 2016-17, operational control of the landfarm was transferred to PPD from CGS following a spill on PPD's pipeline system. Since then, PPD has operated and managed the facility.

In addition to remediating its own spills and accumulated soils within the landfarm, PPD also accepts contaminated soils from local government agencies and businesses in the community. The landfarm management plan, developed in 2019-20, involves spreading the impacted soils in a thin layer across the landfarm area. This stimulates microbial growth and activity for PHC removal through the addition of air and nutrients.

The bioremediation process results in the transformation of PHCs into microorganism protein, carbon dioxide, and water. Volatilization, facilitated by the low boiling points of PHCs, further aids in the remediation process by transferring the contaminants from the soil to the air. This approach allows for the treatment of contaminated soils on-site, avoiding the need for costly transportation to southern facilities for remediation and facilitating their return to their natural state.

Overall, the landfarm serves as an essential tool for PPD to effectively manage and remediate hazardous waste generated from its operational activities, promoting environmental sustainability within Nunavut.

## FUEL SPILLS

In March 2021, a gasoline spill of approximately 10,000 litres occurred at the fuel tank farm in Baker Lake due to a ruptured drain valve on the pipeline. Immediate response measures were taken to contain the spill within the protective berm, and an environmental response team was mobilized.

The environmental response team successfully removed and stored impacted soil, snow, ice, and water in temporary containment cells. Measures were implemented, such as a cut-off wall and a water treatment system, to prevent the movement of hydrocarbons and treat impacted water to meet regulated discharge criteria.

PPD estimates that the cleanup, tank cleaning, and certification costs will amount to approximately \$2 million, funded through the Petroleum Products Revolving Fund. The site has been prepared for overwintering, and remedial efforts are scheduled to resume in the spring of 2022.

Long-term remedial action plans, including exploring land farming options for contaminated soil, will be considered to complete the remediation process. PPD remains committed to addressing the spill and mitigating any further environmental impacts at the Baker Lake Tank Farm

# ENGINEERING

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## STANDARDS AND CRITERIA

PPD recognizes the need to update its existing Standards and Criteria for Above Ground Bulk Fuel Storage in Nunavut. The current standards, developed in 2006, do not reflect the latest regulations, codes, and guidelines that have been introduced since then. To address this, PPD is actively collaborating with GN Infrastructure and outside consultant, Stantec, to develop new Standards and Criteria for Nunavut's Above Ground Bulk Fuel Storage.

The updated standards will encompass all relevant regulatory requirements, including legislation, codes, regulations, standards, and guidelines. The aim is to ensure that the design of Community Bulk Fuel, Airport Bulk Fuel, Distribution Systems, and Compliance Testing Practices align with the latest industry standards.

The process to update the standards began in 2014 but faced delays and interruptions. After being put on hold in 2015, it was reinitiated in 2017. However, due to the Covid-19 outbreak, the project was once again paused and was not finalized by the end of the 2021-2022 fiscal year. PPD remains committed to completing the update and implementing the revised standards to enhance the safety and efficiency of Nunavut's above ground bulk fuel storage facilities.

## HEALTH AND SAFETY

PPD prioritizes the highest standards of health and safety by fostering a culture of awareness among its staff and local contractors. Comprehensive safety training programs are provided to ensure compliance with health and safety legislation, established rules, procedures, and best practices.

Contractors working with PPD are required to meet specific criteria, including holding a valid driver's license for heavy truck operation, providing a 5-year drivers' abstract, possessing an Airside Vehicle Operators Permit (AVOP) if operating airside, and completing Occupational Health and Safety, First Aid, Workplace Hazardous Materials Information System (WHMIS), and Transportation of Dangerous Goods training.

To further support safety practices, PPD has developed a Contractor's Manual that outlines safety rules and regulations for contractors. It covers a wide range of topics, including the proper handling of petroleum products, fuel vapour dangers, fire prevention, spill response procedures, personal protective equipment requirements, and health and safety site orientation.

Regional PPD officers conduct meetings with contractors to review and explain safety information, procedures, and regulations related to the safe handling of petroleum products. Annual reviews of safety information are also conducted between PPD officers and contractors.

PPD provides additional training for contractor employees responsible for fuel handling, covering various aspects such as fuel inventory management, product sampling, tank farm and dispensing facility inspections, spill response and reporting, sales and volume reporting, and cash management.

In the future, PPD plans to offer formal classroom courses to provide more hands-on training for local contractors. These courses will cover general maintenance, safety, spill response, fuel handling and delivery, bulk fuel storage facility maintenance, and general site safety.

By prioritizing health and safety awareness, PPD strives to ensure a safe working environment for its staff and contractors and to maintain the highest standards of safety throughout its operations.

## FINANCE

Financial performance of the Nunavut PPRF and PPSF is summarized in the following PPD Profits and Loss table, along with expenses and transfers to the Consolidated Revenue Fund (CRF).

### *PPD Profits and Loss (\$ 000s)*

*PPD financial results fluctuate each year.*

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<b>Revenue</b>										
Sale of petroleum products	\$ 209,112	\$ 206,316	\$ 223,099	\$ 213,736	\$ 189,914	\$ 194,265	\$ 203,609	\$ 202,498	\$ 184,531	\$ 185,763
rent and other revenue	\$ 2,712	\$ 3,931	\$ 2,584	\$ 3,268	\$ 11,214	\$ 2,933	\$ 2,487	-\$ 1,534	\$ 4,345	\$ 2,560
<b>Total Revenue</b>	\$ 211,824	\$ 210,247	\$ 225,683	\$ 217,004	\$ 201,128	\$ 197,198	\$ 206,096	\$ 200,964	\$ 188,876	\$ 188,323
<b>Expenses</b>										
Supply and Delivery	\$ 226,755	\$ 213,997	\$ 227,020	\$ 214,695	\$ 185,735	\$ 196,104	\$ 208,320	\$ 212,643	\$ 196,933	\$ 187,968
<b>Profit (Loss)</b>	-\$ 14,931	-\$ 3,750	-\$ 1,337	\$ 2,309	\$ 15,393	\$ 1,094	-\$ 2,224	-\$ 11,679	-\$ 8,057	\$ 355
<b>Stabilization Fund Balance</b>	-\$ 4,931	-\$ 8,681	-\$ 10,000	-\$ 7,691	\$ 7,702	\$ 8,796	\$ 6,572	-\$ 5,107	-\$ 13,164	-\$ 12,809
<b>Transfer to CRF</b>	\$ -	\$ -	\$ 285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: PPD Year-end financial statements

## OPERATIONS AND ACCUMULATED SURPLUS

### 2021-22

In 2021-22, sales increased nominally by .67% while rent and other revenue fell by 41%. The decline in rent and other revenue is not uncommon year-over-year.

## SCHEDULE OF EXPENSES

### 2021-22

The decrease in total expenditures in 2021-22 outpaced that of sales revenue. Expenditures fell by \$9 million, or 4.6%, over the previous fiscal year.

#### **Cost of Goods Sold**

The average cost for all bulk fuel products decreased by \$9 million in 2021-22 versus the previous year.

#### **Commission Expenses**

Commission expenses rose versus the previous year (\$15.2 versus \$13.8 million) due in part to the regularly scheduled rate increases contained in the fuel delivery service agreements which became effective October 1<sup>st</sup>, 2016.

## YEAR-END AUDIT

### 2021-22

The preparation and audit of the financial statements for the 2021-22 fiscal year were carried out on a timeline similar to the previous year. PricewaterhouseCoopers (PwC) conducted the audit once again.

The financial statements and audit report for the 2021-22 year-end were finalized and signed-off on October 17, 2022. This was slightly later compared to the previous year's sign-off date of October 8, 2021.

We have included the Financial Statements as an accompanying document in this annual report.

## PETROLEUM VARIANCES

### *Petroleum Variance: % of Total Liters Sold*

FISCAL YEAR	PETROLEUM VARIANCE (Dollars)	PETROLEUM VARIANCE (Litres)	TOTAL SALES BY VOLUME (Litres)	VOLUME WRITTEN-OFF AS % OF TOTAL LITRES SOLD
2004-2005	\$ 867,128.65	373,355	140,170,412	0.27%
2005-2006	\$ 418,738.72	388,360	152,122,568	0.26%
2006-2007	\$ 1,059,968.00	1,711,525	170,277,723	1.01%
2007-2008	\$ 857,961.00	567,981	174,902,345	0.32%
2008-2009	\$ 1,733,449.00	1,635,415	168,448,338	0.97%
2009-2010	\$ 849,232.00	991,859	170,326,396	0.58%
2010-2011	\$ 703,280.00	1,047,991	179,719,258	0.58%
2011-2012	\$ 813,165.00	679,718	190,297,431	0.36%
2012-2013	\$ 468,162.74	369,060	192,787,613	0.19%
2013-2014	\$ 287,317.40	309,275	190,547,890	0.16%
2014-2015	\$ 87,213.00	53,257	196,957,656	-0.03%
2015-2016	\$ 175,720.17	189,755	206,716,344	0.09%
2016-2017	\$ 168,600.70	244,067	196,167,072	0.12%
2017-2018	\$ 172,825.74	103,153	204,074,499	-0.05%
2018-2019	\$ 699,031.50	820,284	203,705,509	0.40%
2019-2020	\$ 820,901.41	957,798	210,977,974	-0.45%
2020-2021	\$ 398,155.80	635,610	196,884,952	0.32%
2021-2022	\$229,725.55	371,538	205,391,102	0.18%

### 2021-22

In the fiscal year 2021-22, PPD experienced an inventory variance of \$229,725.55, equivalent to 371,538 litres of fuel. The petroleum industry faces various factors contributing to fuel variance, such as physical fuel loss from evaporation, meter inaccuracies, theft, leakage, and adjusted losses arising from inaccurate data, like missing sales or accounting errors.

PPD has implemented several internal measures to minimize these potential losses. However, some minimal variance remains inevitable, particularly in cases involving the impact of evaporation. The variance observed in

2021-22 amounts to approximately 0.18% of the total sales volume. It's important to note that despite these challenges, PPD remains committed to maintaining the highest standards of accuracy and efficiency in its operations.

# AUDITED FINANCIAL STATEMENTS

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## NUNAVUT PETROLEUM PRODUCTS REVOLVING FUND

# **Nunavut Petroleum Products Revolving Fund**

Financial Statements  
**March 31, 2022**





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Building *Nunavut* Together  
*Nunavut* liuqatigiingniq  
Bâtir le *Nunavut* ensemble

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Department of Community and Government Services  
Nunalingni Kavamatkunnilu Pivikhaqautikkut  
Ministère des Services Communautaires et gouvernementaux

## Management Responsibility For Financial Reporting

October 17, 2022

The preparation of these financial statements for the Nunavut Petroleum Products Revolving Fund (the "Fund"), and related information, is the responsibility of the Fund's management.

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS), which represent generally accepted accounting principles for government organizations as recommended by the Public Sector Accounting Board of Canada. When PSAS permits alternative accounting methods, management has chosen those it believes are most appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these financial statements.

Management fulfills its accounting and reporting responsibilities by maintaining systems of financial management and internal control. These systems are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, proper records are maintained, and the fund conducts its affairs in accordance with Nunavut's Financial Administration Act.

The Department of Community and Government Services is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control.

The Fund's independent external auditor, PricewaterhouseCoopers LLP, conducts an annual audit of the financial statements in order to express an opinion as to whether the statements present fairly, in all material respects, the financial position, results of operations and accumulated surplus, change in net financial assets and cash flow for the year. Their opinion is included with these financial statements.

Bernard Bourque  
Director

Loren Kaludjak  
Acting Comptroller



## Independent auditor's report

To the Deputy Minister of Community and Government Services of the Government of Nunavut

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nunavut Petroleum Revolving Fund (the Fund) as at March 31, 2022 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at March 31, 2022;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial debt for the year then ended;
- the statement of cash flow for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

#### Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### 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 Canadian public sector accounting standards, and for such internal control as

PricewaterhouseCoopers LLP  
Stantec Tower, 10220 103 Avenue NW, Suite 2200, Edmonton, Alberta, Canada T5J 0K4  
T: +1 780 441 6700, F: +1 780 441 6776

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

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### **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 Fund'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 Fund'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 Fund 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Edmonton, Alberta  
October 17, 2022

**Nunavut Petroleum Products Revolving Fund**  
**Statement of Financial Position**  
**As at March 31, 2022**  
*(thousands of dollars)*

	<b>2022</b>	<b>2021</b>
<b>FINANCIAL ASSETS</b>		
Accounts receivable (Note 3)	\$ 70,899	\$ 58,606
Inventories for resale (Note 4)	176,053	140,550
<b>TOTAL FINANCIAL ASSETS</b>	<b>\$ 246,952</b>	<b>\$ 199,156</b>
<b>LIABILITIES</b>		
Bank indebtedness	\$ 1,132	\$ 905
Accounts payable and accrued liabilities (Note 5)	50,371	24,728
Employee leave and termination benefits	155	375
Due to the Government of Nunavut (Note 1&11)	198,592	176,189
<b>TOTAL LIABILITIES</b>	<b>\$ 250,250</b>	<b>\$ 202,197</b>
<b>NET FINANCIAL DEBT</b>	<b>\$ (3,298)</b>	<b>\$ (3,041)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	3,298	3,041
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>\$ 3,298</b>	<b>\$ 3,041</b>
<b>Accumulated surplus - end of the year</b>	<b>-</b>	<b>-</b>

Commitments and contingencies (Note 12)

Approved by: **Management**

**Director**

The accompanying notes and schedules are an integral part of the financial statements.

**Nunavut Petroleum Products Revolving Fund**  
**Statement of Operations and Accumulated Surplus**  
**For the year ended March 31, 2022**  
*(thousands of dollars)*

	<b>Unaudited 2022 Budget</b>		<b>2022 Actual</b>		<b>2021 Actual</b>
<b>Revenues</b>					
Sale of petroleum products (Note 6)	\$ 196,318	\$	185,763	\$	184,531
Rent and other revenue (expense) (Note 7)	-		2,560		4,345
<b>Total Revenue</b>	<b>\$ 196,318</b>	<b>\$</b>	<b>188,323</b>	<b>\$</b>	<b>188,876</b>
<b>Expenses</b>					
Supply and delivery of petroleum products (Schedule A)	204,196		187,968		196,933
<b>Surplus (deficit) for the year</b>	<b>\$ (7,878)</b>	<b>\$</b>	<b>355</b>	<b>\$</b>	<b>(8,057)</b>
<b>Accumulated surplus - beginning of the year</b>			-		-
<b>(Transfer) charge to Government of Nunavut (Note 11)</b>		<b>\$</b>	<b>(355)</b>	<b>\$</b>	<b>8,057</b>
<b>Accumulated surplus - end of the year</b>			-		-

The accompanying notes and schedules are an integral part of the financial statements.

**Nunavut Petroleum Products Revolving Fund**  
**Statement of Changes in Net Financial Debt**  
**For the year ended March 31, 2022**  
*(thousands of dollars)*

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
<b>Surplus (deficit) for the year</b>	<b>\$ 355</b>	<b>\$ (8,057)</b>
<b>Tangible capital assets</b>		
Additions	(1,498)	(707)
Amortization	1,241	1,219
	<b>\$ (257)</b>	<b>\$ 512</b>
<b>Charge to Government of Nunavut (Note 11)</b>	<b>(355)</b>	<b>8,057</b>
<b>Change in net financial debt</b>	<b>(257)</b>	<b>512</b>
<b>Net financial debt - beginning of the year</b>	<b>(3,041)</b>	<b>(3,553)</b>
<b>Net financial debt - end of the year</b>	<b>\$ (3,298)</b>	<b>\$ (3,041)</b>

The accompanying notes and schedules are an integral part of the financial statements.

**Nunavut Petroleum Products Revolving Fund**  
**Statement of Cash Flow**  
**For the year ended March 31, 2022**  
*(thousands of dollars)*

	<b>2022</b>	<b>2021</b>
<b>Cash provided by (used for) operations</b>		
Sale of petroleum products	\$ 174,793	\$ 202,439
Rent and other revenue	2,560	4,345
Supply and distribution of petroleum products	(198,131)	(145,741)
	<u>(20,778)</u>	<u>61,043</u>
<b>Cash used for capital activities</b>		
Tangible capital asset acquisitions	(1,498)	(707)
<b>Cash used for financing activities</b>		
Net borrowings from (payments to) Government of Nunavut	22,049	(61,563)
<b>Net decrease in cash</b>	<b>(227)</b>	<b>(1,227)</b>
<b>(Bank indebtedness) cash - beginning of the year</b>	<b>(905)</b>	<b>322</b>
<b>(Bank indebtedness) - end of the year</b>	<b>\$ (1,132)</b>	<b>\$ (905)</b>

The accompanying notes and schedules are an integral part of the financial statements.



**Nunavut Petroleum Products Revolving Fund**  
**Notes to the Financial Statements**  
**March 31, 2022**  
*(in thousands of dollars, unless otherwise stated)*

**1. Authority and Operations**

The Nunavut Petroleum Products Revolving Fund (the "Fund") operates under the authority of the *Financial Administration Act* and regulations and the *Revolving Funds Act* (the "Act"). The Petroleum Products Division of the Department of Community and Government Services of the Government of Nunavut (the "Government") is responsible for the administration of the Fund.

Under the Act, the Fund receives working capital advances from the Government's Consolidated Revenue Fund (the "CRF") to finance inventory, accounts receivable and operating expenses. The Fund's purchases of petroleum products and operating expenses are paid from the CRF and funds received by the Fund are deposited in the CRF. The authorized maximum amount of working capital advances which can be made to the Fund is \$250 million. At March 31, 2022, the Fund's advance from the Government of Nunavut did not exceed the \$250 million authorized maximum limit.

The prices for the Fund's petroleum products are approved by the Government. It is the expectation of the Government that the Fund's cost of goods sold and operating expenses will be recovered through the price structure to achieve a break-even operation. Under the Act, there is a special account in the Government's CRF called the Petroleum Products Stabilization Fund to which profits of the Fund shall be credited and losses shall be charged.

**Budget**

Generally accepted accounting principles (GAAP) for public sector in Canada requires a government to present in its financial statements a comparison of the results of operations and changes in net financial assets (debt) for the year with those originally planned.

The Fund did not prepare a budget of changes in net financial assets (debt) for the year and as such it has not been presented in these financial statements. The unaudited budget figures included in the Statement of Operations and Accumulated Surplus are in accordance with page J8 of the approved 2021-22 Main Estimates.

**2. Significant Accounting Policies**

**a. Basis of Accounting**

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), as recommended by the Public Sector Accounting Board of Canada.

**b. Inventories for resale**

Inventories held for resale consist of petroleum products and are valued at the lower of weighted average cost and net realizable value. Inventories which are held with third parties are carried at the lower of cost and net realizable value.

**c. Cash**

Cash is comprised of the Fund's bank account balance net of outstanding cheques.

**d. Non-financial assets**

Non-financial assets, including tangible capital assets, are accounted for by the Fund only if they are expected to be used to provide services in future years. These assets would not normally be used to provide financial resources to discharge liabilities of the Fund unless they were sold. Non-financial assets are amortized or charged to expenses in future periods as they are used to provide or support the provision of Fund services.

**e. Tangible capital assets**

Tangible capital assets are non-financial assets whose useful life exceeds one fiscal year and are intended to be used on an ongoing basis for delivering Fund services. Tangible capital assets with a cost of less than fifty thousand dollars are fully expensed in the year of acquisition. The Fund's tangible capital assets are fuel delivery vehicles which are recorded at cost and amortized on a straight line basis over their estimated useful life of 5 years.

**f. Services provided without charge**

**Tangible capital assets**

The Fund does not record the value of certain tangible capital assets used in its operations. The tangible capital assets include fuel storage facilities owned by the Government which are provided without charge to the Fund. The Fund is responsible for any minor maintenance costs related to these tangible capital assets.

**Financing costs**

The Fund receives working capital advances from the CRF to finance its inventory, accounts receivable and operating expenses. The working capital advances from the CRF are provided without charge to the Fund by the Government.

**Environmental remediation costs**

The Government has assumed responsibility for funding any environmental remediation costs associated with the Fund's operations that incurred prior to the formation of the Territory of Nunavut in 1999 and for remediation and asset retirement costs associated with Tangible Capital assets owned by the Government.

**Other services provided without charge**

The Fund does not record the following services provided without charge by the Government: the procurement of goods and services, the processing of payroll, personnel services, and legal counsel.

**g. Pension plan**

The Fund and its employees, who are deemed to be employees of the Government, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. This multi-employer plan is a defined benefit pension plan for which the Fund and the employees are both required to contribute to the cost of the plan. The general contribution rate multiple effective at year end was 1.01 times for members enrolled prior to January 1, 2013 and 1.00 times for members enrolled beginning January 1, 2013 (2021 - 1.01 times for members enrolled before January 1, 2013 and 1.00 times for members enrolled beginning January 1, 2013). As the plan is accounted for as a multi-employer plan and actuarial information on the plans surplus/deficit is not readily available, the plan is measured using the defined contribution contributions are charged as an expense on a current year basis and represent the total pension obligation. The Fund is not required under present plan legislation to make contributions with respect to actuarial deficiencies to the Public Service Superannuation Account.

**h. Employee leave and termination benefits**

Under the terms and conditions of employment, employees may qualify and earn employment benefits for termination and removal costs based on years of service. The estimated liability for these benefits is based on an actuarial valuation prepared for this purpose and is recorded as the benefits are earned by the employees.

**i. Measurement uncertainty**

Financial statements prepared in accordance with Canadian public sector accounting standards require management to make estimates and judgments that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce inventories to their net realizable value. Actual results may differ from those estimates, although management does not believe that any differences would materially affect the Fund's financial position or reported results of its operations.

Significant uncertainty about the impacts of COVID-19, supply chain disruptions, trade policy, and geopolitical tensions continue to pose risks to the global economic outlook. Also, global financial markets remain vulnerable to geopolitical tensions, such as those between Canada, the U.S., and China, which mainly center around trade and technology, as well as those between Russia and Ukraine. The impact on the Fund and its operations remains uncertain.

**j. Revenues**

Unless otherwise stated, all revenues are reported on an accrual basis in the period in which transactions or events give rise to the revenues. For the sale of petroleum products, revenue is recognized when the product is delivered to the customer and collection is reasonably assured.

Revenue related to services and products received in advance of being earned are deferred and recognized when the services are performed and products delivered.

Recoveries of prior years expenditures, including reversals of prior years expenditure over-accruals, are disclosed in note 7 rent and other revenue. Pursuant to the Financial Administration Act, these recoveries cannot be used to increase the amount appropriated for current year expenditures.

**k. Expenses**

Expenses are recorded on an accrual basis.

**l. Contractual obligations and contingencies**

The nature of the Fund's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. Contractual obligations pertain to fuel resupply and delivery agreements with fuel suppliers, wholesale customers and community contractors. Contractual obligations are not accrued until the terms of those contracts or agreements are met.

The contingencies of the Fund are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur and is quantifiable, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements and no liability is accrued. Contingent liabilities result from among other things, potential environmental contingencies.

**m. Financial instruments**

Financial instruments include cash, accounts receivable, due to the Government of Nunavut, and accounts payable and accrued liabilities.

These financial instruments are measured at amortized cost. Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when these financial instruments are derecognized due to disposal or impairment.

Transaction costs related to the acquisition of these financial instruments are included in the cost of the related instruments.

The fair values of the Fund's cash, accounts receivable, due to the Government of Nunavut and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

**n. Adoption of new accounting standards and future changes in accounting standards**

A number of new and amended standards issued by PSAB are not yet effective and have not been applied in preparing

these financial statements. The following standards for governments will become effective as follows:

PS 1201 - Financial Statement Presentation (effective April 1, 2022), replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure for government financial statements.

PS 2601 - Foreign Currency Translation (effective April 1, 2022), replaces PS 2600 with revised guidance on the recognition, presentation and disclosure of transactions and balances that are denominated in a foreign currency.

PS 3041 - Portfolio Investments (effective April 1, 2022), replaces PS 3040 with revised guidance on accounting for, and presentation and disclosure of, portfolio investments.

PS 3450 - Financial Instruments (effective date deferred from April 1, 2021 to April 1, 2022), a new standard establishing guidance on the recognition, measurements, presentation and disclosure of financial instruments, including derivatives.

PS 3280 - Asset retirement obligations (effective date deferred from April 1, 2021 to April 1, 2022), provides guidance on how to account for and report a liability for retirement of tangible capital assets.

PS 3400 - Revenue (effective date deferred from April 1, 2022 to April 1, 2023), provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

PS 1000 and 1201 – Financial Statement concepts – Purchased intangibles (effective April 1, 2023), Section PS 1000 is amended to allow for recognition of purchased intangibles in financial statements. Sections PS 1201 and 1200 are also amended to remove disclosure requirements for unrecognized purchased intangibles.

PSG 8 – Purchased intangibles (effective April 1, 2023), New guideline explaining scope of the intangibles allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000.

The Fund plans to adopt these new and amended standards on their effective dates and is currently assessing the impact they will have on its financial statements.

### 3. Accounts receivable

	2022	2021
Commercial/Private	\$ 36,757	\$ 31,957
Territorial Municipalities and Housing Associations	5,668	5,591
Nunavut Housing Corporation	15,812	12,244
Quilliq Energy Corporation	17,494	16,038
Government of Nunavut - Community and Government Services Department	6,114	5,046
Government of Canada	1,913	1,276
Fuel and sales taxes receivable	1,327	1,284
	<u>85,085</u>	<u>73,436</u>
Less: Allowance for doubtful accounts	(14,186)	(14,830)
	<u>\$ 70,899</u>	<u>\$ 58,606</u>

### 4. Inventories for resale

	2022	2021
Heating fuel	\$ 115,595	\$ 94,927
Other fuel	27,397	22,182
Gasoline	33,061	23,441
	<u>\$ 176,053</u>	<u>\$ 140,550</u>

Inventories of \$230 were written-off in 2022 to reflect the correction of fuel movements during the annual discharge and dispensing of fuel (2021 - \$398). Inventories include \$116,193 of fuel products held by a third party and carried at cost (2021 - \$63,168 of fuel products held by a third party and carried at cost).

### 5. Accounts payables and accrued liabilities

	2022	2021
Accrued liabilities	\$ 48,592	\$ 20,718
Accounts payable	1,779	4,010
	<u>\$ 50,371</u>	<u>\$ 24,728</u>

### 6. Sale of petroleum products

	2022	2021
Wholesale	\$ 47,414	\$ 63,167
Commercial/Private	58,088	40,730
Territorial Municipalities and Housing Associations	11,299	11,585
Nunavut Housing Corporation	20,780	19,554
Quilliq Energy Corporation	36,303	37,530
Government of Canada	3,571	3,241
Government of Nunavut	8,308	8,724
	<u>\$ 185,763</u>	<u>\$ 184,531</u>

A private contractor in Iqaluit is charged the landed cost of the fuel. The Fund pays or receives the price differential between the approved selling prices set by the Government and a negotiated selling price which would permit the private contractor to earn a fair return on fuel sales.

**7. Rent and other revenue (expense)**

	2022	2021
<b>Rent and other revenue</b>		
Rent and other income	\$ 2,934	\$ 1,295
(Expense) recovery from prior year	(382)	3,047
Interest income	8	3
	<u>\$ 2,560</u>	<u>\$ 4,345</u>

Rent includes leasing fees received from private contractors who are leasing fuel storage facilities in Iqaluit. Interest income includes financing charges on accounts receivable and bank interest.

**8. Tangible capital assets**

	2022	2021
<b>Fuel delivery vehicles</b>		
Cost of tangible capital assets		
Opening balance	\$ 20,156	\$ 19,449
Additions	1,498	707
Closing balance	<u>\$ 21,654</u>	<u>\$ 20,156</u>
Accumulated amortization		
Opening balance	(17,115)	(15,896)
Amortization	(1,241)	(1,219)
Closing balance	<u>\$ (18,356)</u>	<u>\$ (17,115)</u>
Net book value	<u>\$ 3,298</u>	<u>\$ 3,041</u>

**9. Financing costs**

Management estimated that the financing costs relating to its working capital advances from the Government were \$154 for 2022 (2021 - \$366). The financing cost is based upon the average monthly balances due to the Government at a monthly average borrowing rate applicable to the Government. The borrowing rate ranged from 0.53% to 0.78% the year (2021 - 0.53% to 0.69%). These financing costs are not charged to the Fund by the Government.

**10. Related party transactions**

The Fund is controlled by the Government of Nunavut and related to Qulliq Energy Corporation and Nunavut Housing Corporation through common control. The Fund enters into transactions with these entities in the normal course of operations. In addition to the significant transactions with related parties disclosed elsewhere in the financial statements the Fund is related in terms of common ownership to all Government created departments, agencies and Crown corporations

A portion of the total annual sales to Qulliq Energy Corporation are priced at cost; the per-litre cost of fuel and associated freight with no added margin. These are referred to as, "bulk sales" and represent fuel purchased by Qulliq Energy Corporation for generating power throughout the Territory. In 2021-22, bulk sales to Qulliq Energy Corporation totalled 17,557 litres at a value of \$12,022 (2021 - 18,469,668 litres at a value of \$14,615). The Fund also incurred expenses totalling \$1,165 (2021 - \$1,108) from Qulliq Energy Corporation.

**11. Transfer to Government of Nunavut**

The Fund operates under the authority of the Revolving Fund Act. Under the Act, the Fund transfers its surplus or deficit to the Government and the funds are recorded in a special account in the CRF called the Petroleum Products Stabilization Fund (Stabilization Fund). At March 31, 2022, the Fund recorded a transfer to the Government of Nunavut of \$355 (2021 - \$8,057 charge) in the Statement of Operations and Accumulated Surplus pursuant to the Act.

The accumulated surplus or deficit balance in the Stabilization Fund cannot exceed \$20,000. As at March 31, 2022, the Stabilization Fund deficit was \$12,809 (2021 - \$13,164) and is recorded and maintained by the Government of Nunavut

**12. Commitments and contingencies**

**a. Fuel supply and transportation contracts**

After the 2017 re-supply season, multiple contracts with Woodward's Oil Limited for the supply and transportation of petroleum products expired. Following the RFP procurement process, AV Nunavut Fuels Inc., in partnership with Woodward's Oil Limited, was selected as the successful proponent to provide fuel supply and transportation services throughout Nunavut under a single contract. The contract in place has a term of five years, expiring March 1, 2023.

**b. Wholesale resupply contracts**

**Iqaluit**

The Government entered into a five-year contract, which expired November 2017, with Uqsuq Corporation ("Uqsuq") where Uqsuq will lease and operate the fuel storage facility in Iqaluit. Under this contract Uqsuq buys fuel from the Government through the Fund at the landed cost and resells fuel products at prices approved by the Government to residents and businesses of Iqaluit. Following Cabinet approval, several extensions with Uqsuq were granted via negotiated contract which expire in November 2031.

**c. Community fuel delivery contracts**

The Fund provides fuel delivery services in 25 communities in Nunavut. These services are carried out through formal fuel delivery contracts which are awarded by the Government to local individuals or businesses residing in the respective communities. Contracts were awarded for 23 communities on November 1, 2016 and will expire October 31, 2026. In the prior year the contract for Pangnirtung was amended and has effective dates of December 8, 2019 until October 31, 2026.

Of the remaining two communities, one was awarded for Rankin Inlet on November 1, 2017 and will expire November 30, 2027. The final community; Iqaluit, received a one year contract extension which expires in November, 2031. Under the contracts, private contractors are paid a commission for services rendered on a, "cents per litre" basis.

**d. Environmental site assessments and remediation costs**

In the course of normal operations the Fund may become responsible for certain remediation costs related to its tank farms. The cost of such remediation work is not accrued until either a decision to remediate by the entity occurs or the contamination exceeds current environmental health standards, and the cost and timing of the remediation work can be reasonably estimated.

The Fund's accrued estimated cost of remediation is as follows:

Location	Nature of the Environmental Liability	2021		2022	
		Accrued Liability	Work Completed/ Change in Estimated Accrued Liability	Accrued Liability	Accrued Liability
Baker Lake	Fuel spill with the potential contamination of 4,000 M <sup>3</sup> of soil	\$ 866	\$ (866)	\$ -	\$ -
Baker Lake	Gasoline leak	\$ 1,005	\$ (425)	\$ 580	\$ 580
Resolute Bay	Approximately 100,000 L of gasoline spilled at one of the Fund's fuel storage facilities	\$ 75	\$ (75)	\$ -	\$ -
Umingmaktok	EPCO Emergency Plan Compliance	\$ 450	\$ (450)	\$ -	\$ -
		<b>\$ 2,396</b>	<b>\$ (1,816)</b>	<b>\$ 580</b>	<b>\$ 580</b>

The above liabilities are based on the contractors' quotes for remediation of the respective sites. The amounts are undiscounted and net present value technique has not been used since the Fund expects to do the remediation work in the near future. The above figures do not include any recoveries. If they exist, the Fund expects to collect them via insurance or from the fuel delivery contractors in the respective communities.

In prior years, an Environmental Protection Compliance Order (EPCO) was issued to the Fund for deficiencies in Rankin Inlet. The Fund has not included a liability associated with the EPCO as it relates to assets owned by the Government and hence the Government has taken responsibility for the EPCO through its capital projects.

**13. Contingent Assets**

The Fund has no contingent assets at March 31, 2022.

**14. Contractual Rights**

The Fund has no material rights arising from contracts or agreements that will result in both an asset and revenue in the future when the terms of those contracts or agreements are met.

**15. Financial risk management**

The fund has exposure to the following risks from its use of financial instruments: liquidity risk and credit risk.

**a) Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty meeting obligations associated with financial liabilities. The Fund's financial assets and liabilities, with the exception of amounts due to the Government of Nunavut are expected to be settled in less than 6 months. The Fund enters into transactions to purchase goods and services on credit. Liquidity risk is measured by reviewing the Fund's future net cash flows for the possibility of a negative cash flow. The Fund manages the liquidity risk resulting from its accounts payable obligations by maintaining sufficient cash resources and available working capital advances from the Government of Nunavut.

**b) Credit risk**

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund's maximum exposure to credit risk is the carrying value of its accounts receivable. A significant amount of the Fund's accounts receivable is due from government entities and, as such, has low credit risk. The Fund manages credit risk through monitoring of the outstanding balances. At March 31, 2022, allowance for doubtful accounts of \$14,186 was recorded.

**Nunavut Petroleum Products Revolving Fund**  
**Schedule of Expenses by Type**  
**For the year ended March 31, 2022**  
*(thousands of dollars)*

**Schedule A**

	<b>2022</b>		<b>2021</b>	
	<b>Supply &amp; Delivery of Petroleum</b>		<b>Supply &amp; Delivery of Petroleum</b>	
	<b>Products</b>		<b>Products</b>	
<b>Expense type:</b>				
Cost of goods sold	\$	156,461	\$	165,440
Commissions		15,180		13,790
Salaries, wages and employee benefits		4,723		5,084
Operations and maintenance		4,712		6,687
Amortization		1,219		1,219
Bad debt expense (recovery)		(644)		144
Contract and consulting services		5,510		3,620
Travel and relocation		807		949
<b>Total expense</b>	<b>\$</b>	<b>187,968</b>	<b>\$</b>	<b>196,933</b>