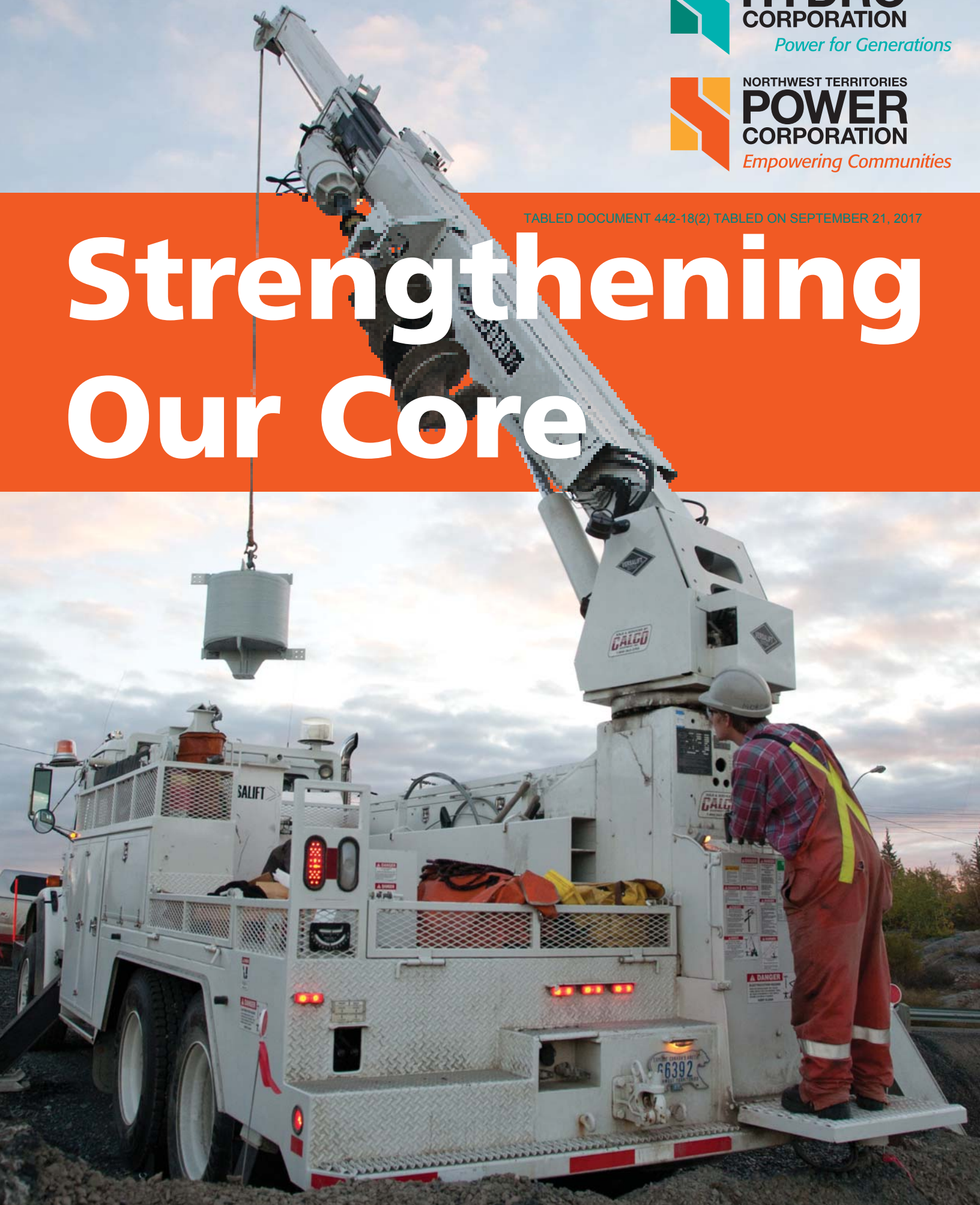


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# Strengthening Our Core



# Mission

**NTPC's mission is to generate, transmit, and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels.**

**NTPC exists to provide value to its shareholder and customers through the efforts of a highly dedicated, skilled, and productive workforce.**

# Vision

Our vision is to be the provider of choice to our customers, a valuable partner to industry and Aboriginal groups in the NWT, as well as a performance leader in the utility industry.

As a performance leader, NTPC will develop a highly innovative team that achieves operational excellence, provides industry-leading customer satisfaction and delivers superior financial performance by demonstrating fiscal responsibility, and pursuing growth opportunities.

NTPC will also work with stakeholders to support development of the tremendous resource potential of the NWT in a sustainable and responsible manner creating long-term benefits for its customers and residents alike.

# Values

While achieving the Corporation's Vision and Mission, NTPC will uphold its core values of:

- Putting the safety of our employees, contractors and the general public first
- Protecting the environment and working towards a sustainable existence
- Complying with all applicable legislation and regulations.

NTPC will act ethically and honestly; treating employees, customers and all other stakeholders with respect, integrity and professionalism.

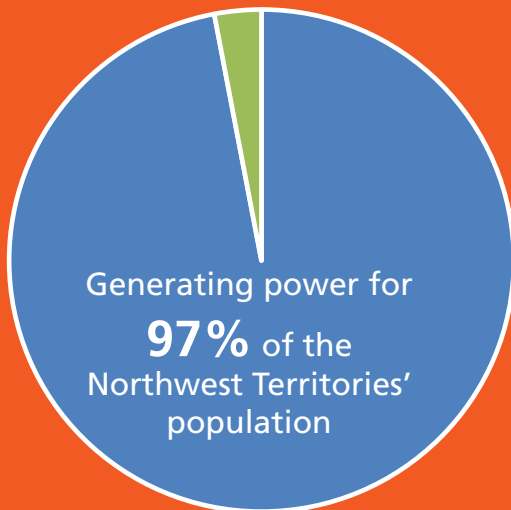
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## Abbreviation Key

CEA	Canadian Electricity Association
CMMS	Computerized Maintenance Management System
GAAP	Generally accepted accounting principles
GNWT	Government of the Northwest Territories
GRA	General Rate Application
HPS	High pressure sodium
IDC	Interest during construction
kW	Kilowatt
kWh	Kilowatt hour
LED	Light-emitting diode
LNG	Liquefied natural gas
MW	Megawatt
NTEC (03)	NT Energy
NTPC	Northwest Territories Power Corporation
NWT	Northwest Territories
NWTEC	Northwest Territories Energy Corporation
OAG	Office of the Auditor General
OGO	Other Government Organization
PSAS	Public Sector Accounting Standards
PUB	Public Utilities Board
PV	Photovoltaic

# Corporate Profile



Northwest Territories Power Corporation was established in 1988 and is the leading electricity supplier in the Territory. Our corporate mission is to generate, transmit, and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels.

NTPC's team is made up of 210 dedicated employees located in 26 communities throughout the territory.

We manage \$358 million in assets including three hydroelectric systems, 26 diesel plants, five solar arrays, one battery storage system, and one natural gas plant. Together these provide a total generating capacity of 133 MW.

NTPC generates power for more than 43,000 residents, located across the Territory's 1.2 million square kilometres. That power is delivered to our customers through 565 kilometres of transmission lines and 375 kilometres of distribution lines stretched between 9,790 power poles.

The Northwest Territories Power Corporation is a subsidiary of NT Hydro which is a Crown Corporation and the Government of the Northwest Territories is its sole shareholder.

# Minister's Message

In Canada and around the world, power generation is regularly at the forefront of our daily news. Aging infrastructure, renewable generation, and carbon pricing are making headlines across the country, including the Northwest Territories.

The Northwest Territories Power Corporation (NTPC) continues its commitment to provide safe, reliable and environmentally sound power generation, transmission and distribution in the most efficient way possible.

During the GNWT's Energy Plan Stakeholder Meetings, we heard from stakeholders from across the Territories and their thoughts, beliefs and experiences will form the foundation of the Northwest Territories 10-year Energy Plan scheduled for release in the fall of 2017. The message was clear – we need to continue to invest in renewable sources of power generation without creating additional upward pressure on electricity rates.

This year, in collaboration with NTPC, the GNWT Department of Infrastructure – Energy Division, researched, designed and built two new solar projects in diesel powered communities – Fort Liard and Wrigley. These projects were connected to NTPC's power system and will aid in decreasing the amount of diesel burned in those communities.

NTPC has a key role to play in the overall economic development of the Northwest Territories. The corporation has initiated the development of a 20-year strategic plan to achieve sustainable electricity rates by expanding the number of large-scale power customers, both within the NWT and outside of the territory. The Strategic Plan will include resource-based opportunities within the Territory, the development of renewable energy projects and transmission connections to the North American grid.

In 2016/17, NTPC invested more than \$16.6 million in infrastructure in 26 communities and a capital budget for a further \$36.3 million has been approved for 2017/18. This is a significant commitment that will support NTPC's strategic rehabilitation and upgrading of existing power generation facilities which is necessary to meet the power needs of the people and businesses of the Northwest Territories today and in the future.



Sincerely,

A handwritten signature in blue ink, appearing to read 'Louis Sebert'.

Honourable Louis Sebert  
Minister responsible for the Northwest Territories Power Corporation

# Board of Directors

## Chairman

*Paul Guy, Deputy Minister - Infrastructure*

## Directors

*Mike Aumond, Secretary to Cabinet & Deputy Minister of the Executive*

*Martin Goldney, Deputy Minister - Justice*

*Sylvia Haener, Deputy Minister - Education Culture and Employment*

*Russel Neudorf, Senior Project Advisor - Infrastructure*

*David Stewart, Deputy Minister - Finance*

*Ron Threlkeld, Utility Advisor*

*Cheryl Tordoff, Corporate Secretary*



## 2016/17 Officers

Paul Guy, Chairman

Emanuel DaRosa, President & CEO

Belinda Whitford, Chief Financial Officer

Paul Toom, Acting Director, Asset Management & Engineering

Dipankar Chakrabarti, Acting Director, Transmission & Distribution

Jay Pickett, Director, Hydro Operations

Mike Ocko, Director, Thermal Operations

Paul Grant, Director, Customer Service

Gordon Jennings, Director, Human Resources

Eddie Smith, Director, Health, Safety & Environment

Glenn Smith, Director, Information Technology

Cheryl Tordoff, Corporate Secretary

# Message to Stakeholders

It is certain that the future operating environment for power generation will be different than it is today: there are new developments in renewable generation, advancements in battery and other storage options and we cannot, with certainty, predict the future cost of fuel used in our thermal communities or the level of water available in our hydro facilities.

What we do know though, is that having a strong core business and a solid strategic plan will ensure that we successfully meet the challenges ahead.

While in 2016/17, NTPC concentrated on its core business, we have now initiated the development of a 20-year Strategic Plan that will create the road map to achieving our goals and objectives.

NTPC has a key role to play in the overall economic development of the NWT and our Strategic Plan will include pursuing resource-based opportunities that will support both sustainable power and economic growth. In order to keep electricity rates sustainable over the longer term, the Plan will address our need to increase revenues by expanding the number of large-scale electricity customers both inside and outside the territory.

The Strategic Plan will also include the development of renewable energy projects and transmission connections to the North American grid.

NTPC's core business is getting stronger because of changes we're making in the following areas:

## **SAFETY AND ENVIRONMENT**

We believe safety is the most important aspect of our work. Working with electricity is dangerous and we want our employees, contractors and the public to return safely home at the end of every day.

In 2014/15, NTPC developed a new Safety Management Program in order to improve its overall safety record and safety culture. Since the introduction of that program, the number of lost-time days per 200,000 worked has dropped from 32.49 in 2014/15, to 5.98 in 2015/16 to 3.34 in 2016/17. Safety is always first.

Through the support of the GNWT, there is increased solar on the generation system in the Territories. Fort Simpson, Fort Liard, Wrigley, Colville Lake and soon Aklavik, have solar, decreasing the amount of diesel burned resulting in lower greenhouse gas (GHG) emissions.

Burning diesel more efficiently also decreases GHG emissions and a variable speed engine in Aklavik is being piloted with the goal of a cleaner solution. In addition, a new hydrogen-injection system is being piloted in Deline, which is expected to decrease the GHG emissions from that plant.

## **INFRASTRUCTURE**

NTPC is putting an intense focus on asset management to ensure a safe, strong, and reliable generation system. NTPC is also incorporating new technologies, when they are reliable and economical for our customers. Our 20-year Capital Plan guides the Corporation's asset maintenance and replacement work.

Our new computerized maintenance management system (CMMS) was integrated into our business in 2015/16, and continues to show its value with a more coordinated approach to the preventative maintenance of NTPC's equipment, vehicles and buildings. This focus on preventative maintenance has driven the need for an increase in capital spending which, in turn, is extending the life of our assets. By extending the life of our assets we are able to delay their replacement, which is more costly than continued maintenance.



## SKILLED WORKFORCE

NTPC employees prove their skill and experience every time they respond to a call to restore power. Whether they are battling the extreme cold in the dead of winter or a hot forest fire in the middle of July, NTPC employees show their true grit by keeping the lights on.

In 2016/17, NTPC employees responded to six power outages caused by forest fires. Along with restoring power and completing their regular maintenance work, NTPC employees also assisted fire fighters onsite when fires were right on our doorstep at the Snare Cascades plant.

While we continue to be challenged in our recruitment of skilled employees, this year we will be developing a strategic recruitment and retention plan with a continued focus on Northern recruitment and training, apprenticeships, and marketing.

In 2016/17, a new management training program was developed in conjunction with Aurora College. The skills they gain will ensure all our managers have good communication skills, can effectively manage employees in an ever-changing industry, and can coach their employees to develop productive teams that understand their role in the success of the company.

## SATISFIED CUSTOMERS

While NTPC continues to score high on our customer satisfaction survey, we believe there is always room for improvement and that our customers will continue to expect more from us in the future. To this end, we continue to strive to be an organization that our customers want to do business with and in 2016/17 we worked hard to become even more customer-centric: We introduced a one-number call centre to provide one point of access for all customers' needs regardless of their question, concern or location in the territory.

In addition, new payment and billing options are being added in the coming year to give customers even more flexibility.

Keeping our customers informed, through our website, Facebook and Twitter accounts, during power outages is a priority for NTPC. Knowing that our crews are out restoring power during an outage helps our customers plan for their response. We also continue to promote emergency preparedness with our customers.

## STRONG COMMUNITIES

NTPC continues to support strong communities through its community investment program which funded more than 70 charities, community groups, and schools, not to mention the hundreds of hours that employees volunteer in the communities where they live and work. Our commitment to empower communities has been extended to the Arctic Winter Games that will take place in Hay River and Fort Smith in March 2018 – many of our staff are volunteering for the event and NTPC has committed to be a key sponsor for the Games.

---

We, on behalf of the Board of Directors, would like to recognize the more than 200 people who make it their everyday business to provide a safe, and reliable power supply to residents and businesses in the Northwest Territories. Thank you for your dedication and commitment to safety and for your willingness to serve, regardless of the challenges and sometimes harsh weather that you face in these vast Territories.

We thank our customers and stakeholders for your trust in us. We look forward to continuing to work with you, and the GNWT, in creating a vision for tomorrow and supporting the implementation of the GNWT 10-Year Energy Plan expected to be released in the fall of 2017.



Paul Guy  
Chairman,  
Board of Directors



Jay Grewal  
President & CEO

# Strengthening Safety

## Lost Time Injury Severity Rate

Fiscal Year	Number of lost time days per 200,000 hours worked (Smaller numbers are better)
<b>2016/17</b>	<b>3.34</b>
2015/16	5.98
2014/15	32.49
2013/14	13.36
2012/13	8.89

**67%**  
of all staff  
are trained  
in first aid.



# Celebrating Long Service

## 5 YEARS

Dennis Bourke  
Robert Closs  
Jason Courtemanche  
François D'Avignon  
Ian Flood  
Gamini Hettiarachchige  
Brian Hope  
Martin Stoodley  
Lina Tao

Yellowknife  
Norman Wells  
Fort Smith  
Yellowknife  
Hay River  
Yellowknife  
Fort Liard  
Yellowknife  
Yellowknife

## 10 YEARS

Jimmy Duggan  
Kevin Dunn  
Eileen Hendry  
Deaon Hope  
Wayne Mercredi  
Joe St. Croix  
Mitchell Touesnard

Hay River  
Yellowknife  
Hay River  
Yellowknife  
Yellowknife  
Yellowknife  
Hay River

## 15 YEARS

Morris Callahan  
Sarah Froese  
Erin Ladouceur  
Lawrence Neyando  
Pennie Pokiak  
Rick Scott

Yellowknife  
Hay River  
Yellowknife  
Inuvik  
Hay River  
Yellowknife

## 20 YEARS

Daniel Bruneau  
Jim Forsyth  
Alvin Orlias  
Belinda Whitford

Fort Simpson  
Hay River  
Colville Lake  
Hay River

## 25 YEARS

Ken Bell  
Marlene McMeekin

Fort Smith  
Hay River

## 30 YEARS

Robert J. Norton

Yellowknife

## 35 YEARS

Stuart Robinson  
Richard Taggart

Yellowknife  
Yellowknife

## 40 YEARS

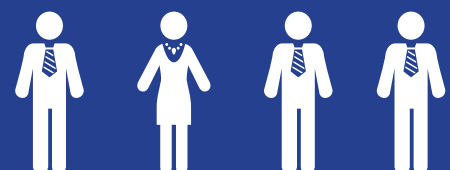
Norman McBride

Yellowknife

# *Thank you!*

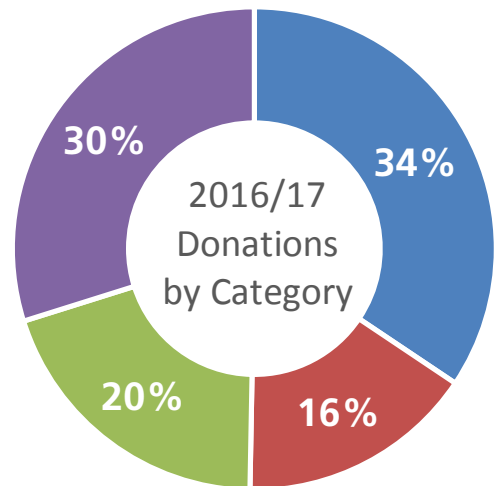
**21%** of NTPC employees have been with the Corporation for 10 or more years -- **that's dedication!**

Almost one in four employees is female



# Strengthening Communities

**\$140,000** supported **73** charities, organizations, schools, and community groups in four areas: health and wellness, education, community and culture, and the environment.



- Community & Culture
- Education
- Environment
- Health & Wellness

# Strengthening Environment



**5,415**

Garbage bags used by 1,955 volunteers to clean-up 17 communities.

NTPC's greenhouse gas emissions (CO2 equivalent) decreased by more than 40,000 tonnes from 2015/16 to 2016/17.

At the Bluefish hydroelectric site, NTPC made some operational adjustments to timing of shutdowns and the release of the water through the spillway to accommodate the spawning fish and their habitat. This resulted in creating additional spawning areas for fish near the Bluefish site.



# Strengthening Infrastructure

## INSTALLED GENERATING CAPACITY



32,715 kW  
HYDRO



5,725 kW  
NATURAL GAS



97,781 kW  
DIESEL

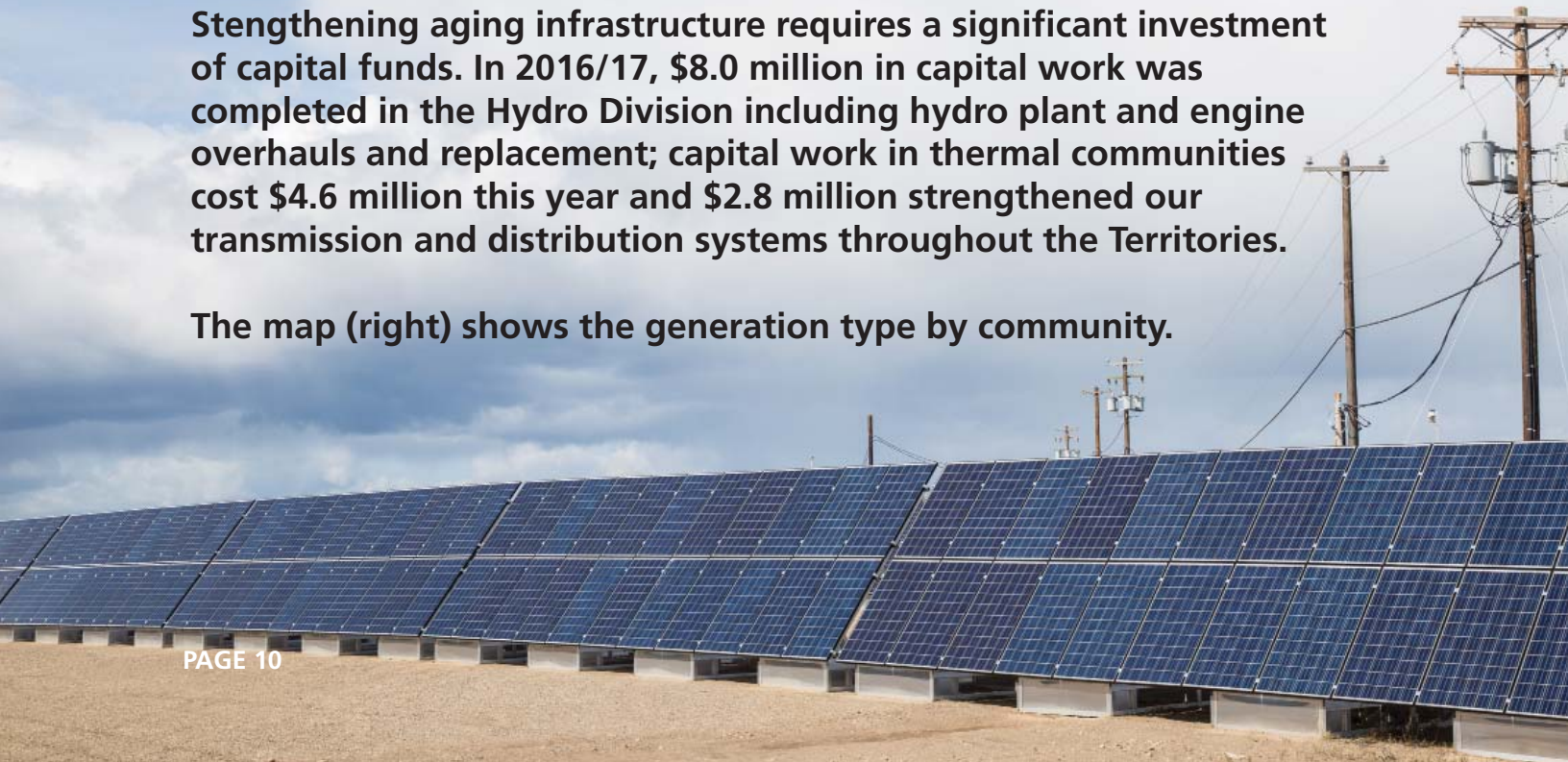


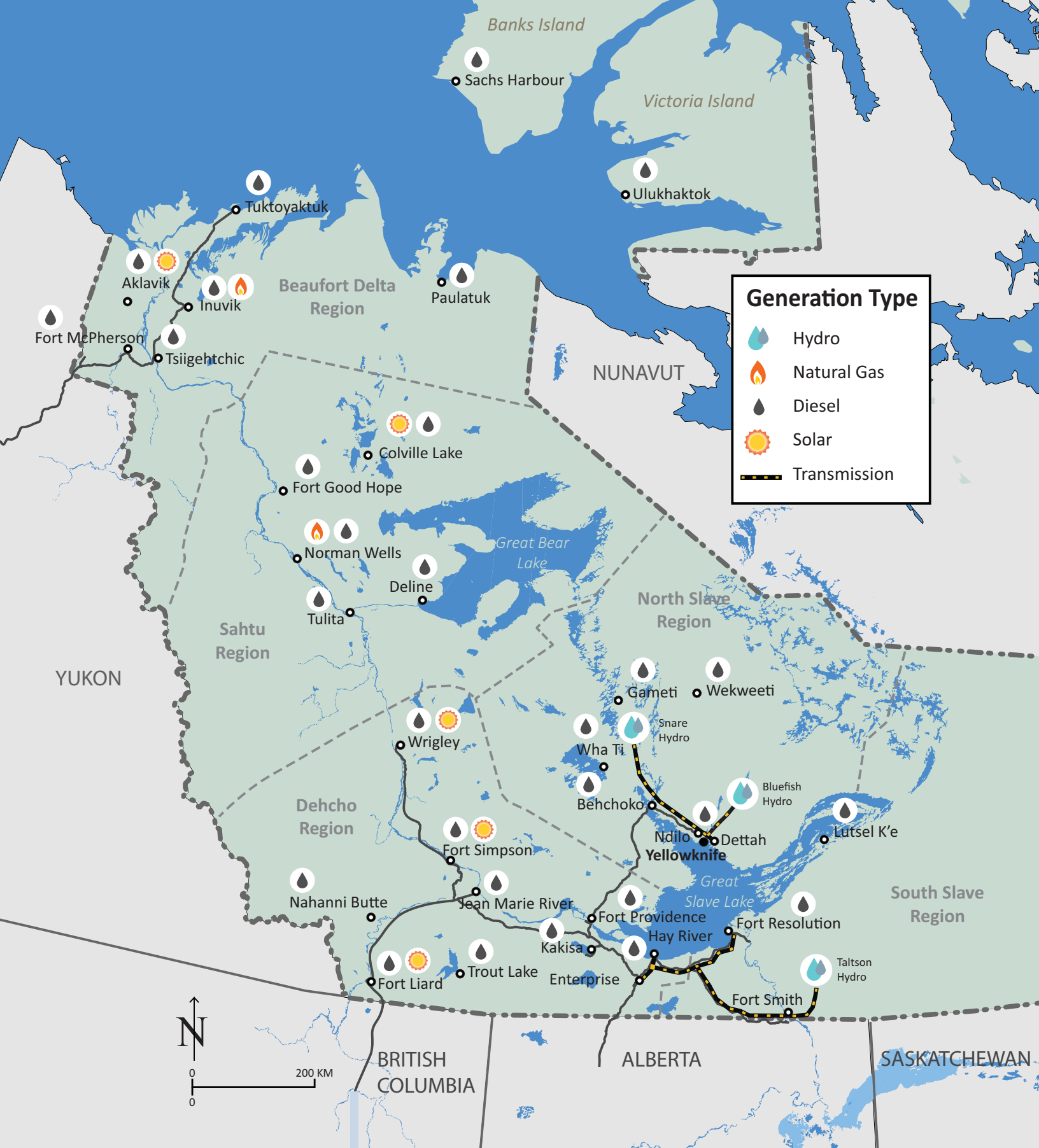
290 kW  
SOLAR

With an asset management approach to infrastructure, NTPC added three new solar arrays to its system in 2016/17 -- in Fort Liard, Wrigley, and Colville Lake.

Strengthening aging infrastructure requires a significant investment of capital funds. In 2016/17, \$8.0 million in capital work was completed in the Hydro Division including hydro plant and engine overhauls and replacement; capital work in thermal communities cost \$4.6 million this year and \$2.8 million strengthened our transmission and distribution systems throughout the Territories.

The map (right) shows the generation type by community.





# Generation Type by Community

**43** minutes is the average length of each outage experienced by the typical NTPC customer.

**110** minutes is the average length of each outage experienced by the typical customer of Canadian utilities\*.

\* 40 utilities that report outages to the Canadian Electricity Association (CEA)

## Strengthening Reliability

When lightning hits a transmission line, protection equipment safeguards the system by shutting down power. When that happens, and once it is safe to do so, we attempt to reclose the line remotely, as this is the most efficient way to restore power. However, if this is unsuccessful, we then start back-up generation to restore power.

The NWT records approximately 360,000 lightning strikes per year.

### NWT Lightning Hot Spots - Average lightning strikes per year

Fort Smith	389
Fort Simpson	273
Norman Wells	114
Yellowknife	93
Inuvik	22



## New one-number calling

No matter where you are or what you need -- you can reach us by dialing:

**1-855-575-6872**

## & Customer Service

# 42...

Intelligent Meter Hubs were installed in Jean Marie River last spring as a pilot project in partnership with the federal government and the Arctic Energy Alliance.

These new meters allow customers to monitor their power usage in real time -- helping them to determine the best way to conserve energy in their home or business.

This successful pilot project has been expanded to 1,331 customers in Fort Smith and is soon to be expanded to Inuvik and Norman Wells.



# NTPC Strategic Direction

The electricity industry in the NWT continues to change and requires NTPC to manage the unique challenges it faces while maintaining reliability and operational efficiency. The current strategy for NTPC supports the GNWT's mandate and is one of supporting economic development while focusing on the core business and three fundamental concepts:

- 1. Reliability:** Increase reliability of our core operations using sound and cost effective practices that ensure long term sustainability.
- 2. Cost Effectiveness:** Improve efficiency in order to control costs over the long term while not exposing NTPC to risk.
- 3. Meeting Commitments:** Match or exceed performance commitments in all aspects of our operations.

By focusing on these three fundamental needs NTPC will bring value to its customers and its shareholder.

## CORE STRATEGIES

### Employee Excellence

Strengthen the Corporation by emphasizing employee development and safety while encouraging and supporting a workplace where employees are engaged, aligned, collaborative, and feel valued and recognized for their efforts.

### Operational Excellence

Strengthen the Corporation by emphasizing effective and efficient use of our assets while using well thought-out planning and execution. Industry-leading practices are to be utilized to achieve top quartile performance.

### Customer Service Excellence

Providing excellent value and service to our customers, while delivering reliable service and ensuring public safety.

### Financial Excellence

Efficient use of resources and information to ensure the financial health of the Corporation is maintained.

# LONG TERM VISION

NTPC has had a strong focus on corporate-wide improvements in past years. Moving forward into 2017/18 this focus continues with a long-term strategy that envisions a utility that includes:

- Zero lost time injuries
- Being one of the top 100 employers in Canada
- Meeting or exceeding the average CEA reliability statistics
- Being #1 in alternative energy implementation within Canada on a per capita basis
- A 25% reduction in the margin between NWT electricity rates and Canadian average index rate
- Reduced diesel usage by 50 per cent
- Supplying three new mines or other large industrial customers within 5 years
- Transmission interconnection to a southern province
- An Intelligent Metering Hub program implemented territory-wide.

Moving forward, the newly formed Energy Solutions Division of the GNWT's Department of Infrastructure will continue to work collaboratively with NTPC to manage funded energy projects while researching and monitoring alternative and renewable energy solutions that can be integrated into NWT communities and the NWT power system.



**Snare Spillway**

# Management Discussion & Analysis

The following is a discussion of the consolidated financial condition and results of the operations of NT Hydro and NTPC for the year ended March 31, 2017. It should be read in conjunction with the audited consolidated financial statements and accompanying notes.

The 2016/17 financial statements enclosed adhere to Public Sector Accounting Standards (PSAS). All financial information is expressed in Canadian dollars.

Management assumes full responsibility for the information provided in this Discussion and Analysis and confirms that appropriate information systems, procedures and controls are in place to ensure that the information provided is both complete and reliable.

This report contains forward-looking statements, including statements regarding the business and anticipated financial performance of NT Hydro and NTPC. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements.

## GOVERNANCE

Before 1988, power generation in the Northwest Territories was provided by the Federally-run Northern Canada Power Commission (NCPC). On May 5, 1988 the GNWT acquired NCPC from the Government of Canada and created a Crown Corporation: the Northwest Territories Power Corporation (NTPC).

NT Hydro, a public agency, was established in 2007 under the Northwest Territories Hydro Corporation Act, and is owned 100% by the Government of the Northwest Territories (GNWT/Shareholder). NT Hydro owns 100% of the Northwest Territories Power Corporation (NTPC), which is also a public agency established under the *Northwest Territories Power Corporation Act*.

NT Hydro's operations stem from NTPC. NTPC is focused on the core business of providing reliable electricity services of operating hydroelectric, diesel, natural gas and solar power generation facilities. NTPC activities are regulated by the Northwest Territories Public Utilities Board (PUB).

NTPC has a wholly-owned subsidiary, the NWT Energy Corporation Ltd. (NWTEC), which under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility. NWTEC is also responsible for the operation, management and shared ownership (50%) of one residual heat project in Fort McPherson, Aadrii Ltd.

In addition to NTPC, NT Hydro owns the NWT Energy Corporation (03) Ltd. (NT Energy) which is incorporated under the *NWT Business Corporations Act*. NT Energy was used in the past to investigate alternative energy options including liquefied natural gas (LNG), solar and mini hydro opportunities as well as supplying NTPC with LNG for NTPC's Inuvik operations. On April 1, 2015 the operations of NT Energy were transferred to the newly formed Energy Services Division of the GNWT's Department of Public Works and Services. In 2016/17 the final transactions to clear NT Energy's operations were completed.

On May 24, 2016 the GNWT revoked the appointment of its existing board members and formed a Board of Directors comprised of Deputy Ministers from the GNWT. Part of the new Board's mandate is to review and recommend an appropriate long term governance structure for NTPC.

## STRONGER CORE

Northwest Territories. We pride ourselves on maintaining 28 reliable power systems in the second largest jurisdiction in Canada – covering 1.3 million square kilometres. NTPC serves all communities in the NWT with the exception of Samba K'e, Kakisa, and Fort Providence. Our service area includes communities that are only accessible by air, river barge or winter roads.

NTPC manages and maintains a territory-wide system of generation, transmission and distribution assets. While we remain focused on strengthening our customer service we continue to achieve our mission to generate, transmit and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels.

NTPC aspires to be a centre of excellence, leading in the development of local and renewable energy sources in the NWT for the benefit of all residents, communities and Aboriginal governments.

***NTPC has been lighting up the Northwest Territories for nearly 30 years.***

# GENERATION COMPARISON BY SOURCE

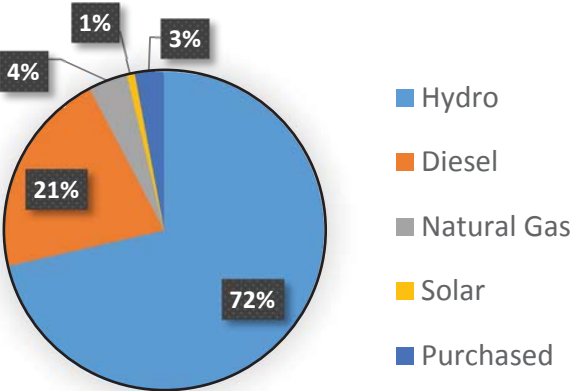
The big news in generation for NTPC in 2015/16 was the completion of the solar/battery/diesel hybrid system in the Colville Lake power plant. Although this one-of-a-kind new plant was officially opened in May 2016, the plant was actually commissioned in September 2015.

NTPC continued to grow generation options to diesel in 2016/17. Liquefied natural gas (LNG) comprised 4% of non-hydro sales and solar generation was <1%. Hydro was building back to normal water level generation and NTPC achieved 72% of total generation from hydro in 2016/17.

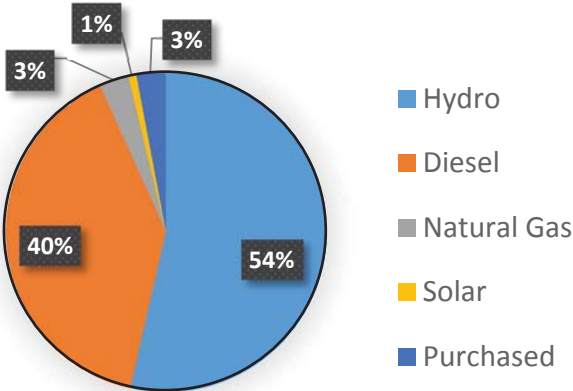
Starting in 2014/15 and running on to the first part of 2016/17, the North Slave Region experienced extreme drought conditions causing water levels at the Snare hydro site to drop lower than ever before recorded. Corporate hydro generation dropped to 54% in 2015/16. In a normal water year (2013/14), 75% of the power generated by NTPC is produced with hydro – water is the most reliable source of renewable generation. The July 2016 water peak brought an average run of water to the Snare system in 2016/17 and the drought conditions were considered over, although the Bluefish reservoir was still low throughout the year. Yellowknife has returned to its reliance on hydro generation.

Diesel still plays a much needed support role in NTPC’s generation specter, both as a source of prime power generation and back up generation. NTPC is working with both the federal and territorial governments to investigate ways to make the consumption of diesel more efficient in generating electricity and heat. In 2017/18, NTPC will be taking on projects such as the exhaust gas recovery unit, variable speed generator and the investigation of battery energy storage systems all with this focus.

**2016/17 Generation by Source**



**2015/16 Generation by Source**



# RELIABILITY

NTPC measures our reliability in the number and length of power outages experienced by the average customer. These numbers are compiled annually and submitted to the Canadian Electricity Association. Below are the comparisons of the NWT number and length of outages with the Canadian numbers.

**Table 1: Reliability of Power Supply to Customers**

	2015 NWT*	2016 NWT*	2016 Canada
Number of outages	4.17	10.2	3.10
Average length of each outage	29 minutes	43 minutes	110 minutes
Total length – all outages	2 hours 2 minutes	7 hours 4 minutes	5 hours 40 minutes

\* Includes disruption of supply to retailer in Yellowknife and Hay River

As indicated in Table 1 above, in 2016 the average customer in the Northwest Territories experienced 10 power outages, lasting an average of 43 minutes each and a total annual outage time of 7 hours and 4 minutes. This is compared to the National Average of three power outages, lasting an average of 1 hour and 50 minutes each, for a total annual outage time of 5 hours and 40 minutes.

NTPC project manager, Ian Flood (left ) and Manager, Energy Services, Myra Berrub (ctr) accept the NWT and NU Association of Professional Engineers and Geoscientists’ (NAPEG) Award for Environmental Excellence for the Colville Lake hybrid solar/diesel with battery storage project.



# 2016/17 FINANCIAL RESULTS

The majority of NT Hydro's operating results come from NTPC operations. Only the windup of NT Energy's financial results will be the difference between NT Hydro and NTPC's consolidated financial results. This discussion will focus on the comparison of 2016/17 actuals to budget.

Capital dominates the changes in NTPC's financial statements in 2016/17 – from a financial definition and through tangible capital assets. The changes in cash, sinking fund investments, debenture debt and the operating line of credit are all reflective of the issuance of a \$60 million long term debenture - \$51.3 million of new long term debt and \$8.7 million for refinancing existing debt.

Changes to NTPC's capital planning process in 2015/16 and vendor delays resulted in the delayed start and delayed completion for a number of capital projects in 2016/17. As a result, accounts payable have decreased by \$4.0 million and the balance of net tangible capital assets has decreased by \$0.8 million as a result of decreases in capital spending in 2016/17 compared to the prior year.

A \$2 million decrease in revenues receivables reflect prior year receivables for insurance proceeds and a fuel rebate from the fuel services division of the GNWT.

Power sales revenues have risen by 2.6% since 2015/16 – reflective of a 4.8% increase in rates implemented August 1, 2016 offset by flat or decreasing unit sales to NTPC's customer groups.

Customer contribution revenues are also under budget by \$0.3 million. These revenues fluctuate from year to year as they are initiated by customers on an as needed basis. As a result of problems with school equipment, Aadrii Ltd., NTEC's joint business venture in Fort McPherson, was not operational until November 2016 and this contributed to the net loss for the year.

The PUB approved a fuel refund rider of 0.36 cents/ kWh effective June 1, 2016 to refund fuel prices which had been lower than those applied in rates. Through this rider NTPC refunded \$0.8 million to customers in 2016/17. This is in contrast to the fuel rider which collected \$1.7 million from customers in the first half of 2015/16 and ended October 31, 2015.

Overall spending in 2016/17 was over budget by \$5.1 million resulting mainly from the loss on disposal from the replacement of aging assets such as the Snare Cascades electric governor and the assets from the Snare Falls overhaul and the net loss on refinancing of the \$8.7 million in debt. Both the loss on disposal of assets and the loss on refinancing have been allocated to functional group based on their proportion of corporate assets. NTPC's operating expenses are functionalized based on generation source as well as corporate expenses and transmission, distribution and retail.



Corporate expenses are offsetting these two unbudgeted losses by \$2.6 million under spent from budget. This underspending is a result of vacancies in a number of roles including management roles and fewer consultants hired for internal audit support services, enterprise risk management and recruitment services.

2016/17 was the final year for GNWT extreme low water funding. This year, the GNWT contributed \$1.7 million in addition to the \$37.2 million provided by the GNWT in 2014/15 and 2015/16 to offset the costs of extreme low water operations for the customers of NTPC. In addition, the GNWT provided \$0.5 million to fund a portion of the apprenticeship program and two projects in Aklavik: the Variable Speed Generator project and the data logger. The Federal government provided \$0.4 million to offset capital costs related to Exhaust Gas Recovery Unit.

NTPC added \$19.1 million in capital assets in 2016/17 as reflected in the Statement of Change in Net Debt. This spending is significantly under budget and reflected in lower amortization expenses as well as the \$9 million in capital carry-over projects to 2017/18.

The large year-to-year changes in the Statement of Cash Flows reflect the financing and capital activities for NTPC in 2016/17 seen in the other financial statements.

## FUTURE OUTLOOK

As 2017/18 begins, NTPC is well into its 2016/19 General Rate Application (GRA) process. Regulatory decisions generally only impact NTPC's revenues and amortization expense under the PSAS accounting framework. As the regulatory framework is such an integral part of NTPC's daily operations, a reconciliation between NTPC's 2016/17 audited PSAS consolidated financial statements and its 2016/17 unaudited rate regulated consolidated financial statements can be found at the end of this annual report.

As part of the 2016/19 GRA process, NTPC applied for a 2016/17 interim rate increase of 4.8% which ran from August 1, 2016 to March 31, 2017. NTPC also applied for a 4.0% rate increase for 2017/18 which is the second Test Year of this GRA. NTPC is expecting a decision from the PUB on the 2016/19 GRA in the fall of 2017 – at which point the final power rates for 2016/17 and 2017/18 will be set as well as amortization rates. Any differences between what NTPC has reflected in its 2016/17 financial results and the PUB's decision will be adjusted for 2017/18.

With the steady rise in the price of fuel in 2016/17, NTPC has requested that the refund rider be turned off effective July 1, 2017 as part of balancing its Territory-wide fuel stabilization fund and the PUB approved the request.

## CAPITAL EXPENDITURES (in thousands)

	Budget 2017/18	Actual 2016/17	Change
Capital expenditures:	\$ 36,301	\$ 16,631	\$ 19,670

Capital expenditures in 2017/18 are forecast at \$36.3 million with a continued focus of replacing aging infrastructure and exploring technologies that will improve fuel and information efficiencies. NTPC's investment in new modular generators at the Jackfish plant in Yellowknife, installation of a variable speed generator pilot project in Aklavik, the next phase of replacing old meter technology with Intelligent Meter Hubs in Inuvik and Norman Wells, the 55 kW solar installation in Aklavik and the final year of the financial integration of the Computerized Maintenance Management System are all projects initiated in prior years that demonstrate NTPC's adoption of new technologies. The installation of the Exhaust Gas Recovery Unit in Inuvik in 2017/18, the control replacement project at Jackfish, the installation of vibration isolators in Inuvik and two plant replacement studies are all new projects in 2017/18 geared towards replacing aging infrastructure and strengthening NTPC's core services.

NTPC has a key role to play in the overall economic development of NWT. We recognize that in order to keep electricity rates sustainable over the longer term, we need to increase revenues, both within the NWT and outside of the territory. To this end, the Corporation has initiated the development of a 20+ year Strategic Plan which will create the road map in achieving this objective. The Strategic Plan will include resource based opportunities within the Territory, the development of alternative energy projects and transmission connections to the North American grid and well-planned replacement of existing infrastructure.

NTPC is committed to working with its shareholder closely in 2017/18 to further the GNWT's Energy Strategy.

Respectfully submitted,



Belinda Whitford  
Chief Financial Officer

**NORTHWEST TERRITORIES HYDRO CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2017**



**NORTHWEST TERRITORIES  
HYDRO  
CORPORATION**

*Power for Generations*



## INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Hydro Corporation

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Hydro Corporation, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Hydro Corporation as at 31 March 2017, 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.

**Report on Other Legal and Regulatory Requirements**

In my opinion, proper books of account have been kept by the Northwest Territories Hydro Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Hydro Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Hydro Corporation Act* and regulations and the by-laws of the Northwest Territories Hydro Corporation.



David Irving, CPA, CA  
Principal  
for the Auditor General of Canada

28 July 2017  
Edmonton, Canada

# NORTHWEST TERRITORIES HYDRO CORPORATION

## Management's Responsibility for Financial Reporting

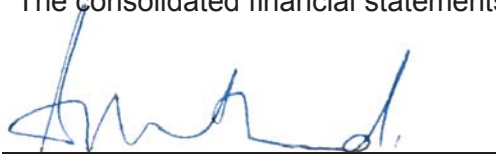
The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant accounting policies are described in Note 2 to the consolidated financial statements. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Northwest Territories Hydro Corporation (NT Hydro) maintains financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further NT Hydro's objectives, are protected from loss or unauthorized use and that NT Hydro acts in accordance with the laws of the Northwest Territories and Canada. Management recognizes its responsibility for conducting NT Hydro's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to an agent of the territorial government. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing his opinion on the consolidated financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

The Board of Directors appoints certain members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and free access to the Audit and Efficiency Committee.

The consolidated financial statements have been approved by the Board of Directors.



**Belinda Whitford**  
Chief Financial Officer



**Andrew Davidson**  
Controller

Hay River, NT  
July 28, 2017

# NORTHWEST TERRITORIES HYDRO CORPORATION

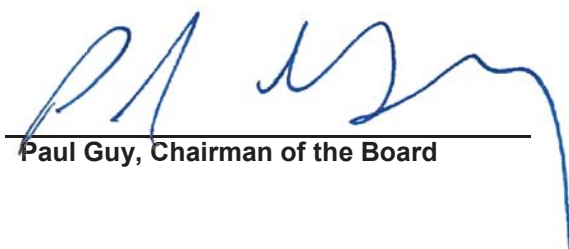
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at March 31 (in thousands of dollars)

	2017	2016
<b>Financial assets</b>		
Cash	\$ 9,831	\$ 1,236
Revenues receivable (Note 3)	12,683	14,559
Loan receivable (Note 4)	14,395	15,306
Sinking fund investments (Note 5)	5,800	7,988
Investment in Aadrii Ltd.	385	393
	<b>43,094</b>	<b>39,482</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	15,303	19,457
Capital lease obligations (Note 4)	18,120	18,568
Debenture debt (Note 5)	230,265	181,818
Asset retirement obligations and environmental liabilities (Note 6)	17,943	17,674
Other employee future benefits (Note 7)	3,077	3,056
Operating line of credit (Note 8)	-	32,600
Deferred government contributions (Note 16)	-	2,702
	<b>284,708</b>	<b>275,875</b>
<b>Net debt</b>	<b>\$ (241,614)</b>	<b>\$ (236,393)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	348,739	349,526
Inventories (Note 10)	8,284	8,981
Prepaid expenses	1,316	1,056
	<b>358,339</b>	<b>359,563</b>
<b>Accumulated surplus / equity (Note 11)</b>	<b>\$ 116,725</b>	<b>\$ 123,170</b>

*Contractual obligations and contingencies (Note 18)*

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

Approved on behalf of the Board:

  
Paul Guy, Chairman of the Board

  
David Stewart, Director

# NORTHWEST TERRITORIES HYDRO CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the year ended March 31 (in thousands of dollars)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
<b>Revenues</b>			
Sale of power (Note 12)	\$ 103,007	\$ 102,405	\$ 99,783
Other revenue and customer contributions (Note 13)	2,169	1,898	2,511
Interest income (Note 15)	1,520	1,525	1,616
Insurance proceeds	-	70	1,278
Fuel rider revenues (refunds) (Note 1)	(905)	(763)	1,711
(Loss) income from investment in Aadrii Ltd.	75	(8)	(39)
	<u>105,866</u>	<u>105,127</u>	<u>106,860</u>
<b>Expenses (Note 14)</b>			
Thermal generation	59,451	61,813	76,942
Hydro generation	18,357	23,055	18,531
Corporate services	17,841	15,300	17,155
Transmission, distribution and retail	10,999	11,005	10,059
Purchased power	2,125	2,604	2,263
Alternative power generation	307	424	336
	<u>109,080</u>	<u>114,201</u>	<u>125,286</u>
<b>Deficit for the year before government contributions</b>	<u>(3,214)</u>	<u>(9,074)</u>	<u>(18,426)</u>
<b>Government contributions</b>			
GNWT extreme low water contributions (Note 16)	580	1,726	23,008
Other government contributions (Note 16)	-	903	1,732
	<u>580</u>	<u>2,629</u>	<u>24,740</u>
<b>(Deficit) surplus for the year</b>	<u>\$ (2,634)</u>	<u>\$ (6,445)</u>	<u>\$ 6,314</u>
Accumulated surplus / equity, beginning of year	<u>123,170</u>	<u>123,170</u>	<u>116,856</u>
<b>Accumulated surplus / equity, end of year</b>	<u>\$ 120,536</u>	<u>\$ 116,725</u>	<u>\$ 123,170</u>

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



**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**For the year ended March 31**  
*(in thousands of dollars)*

	<u>2017</u> <b>Budget</b>	<u>2017</u> <b>Actual</b>	<u>2016</u> <b>Actual</b>
(Deficit) Surplus for the year	\$ (2,634)	\$ (6,445)	\$ 6,314
Tangible capital assets			
Additions	(31,320)	(14,812)	(27,155)
Capitalized overhead	(3,200)	(3,696)	(3,790)
Capitalized interest (Note 15)	(343)	(571)	(745)
Disposals	-	3,850	6,466
Amortization (Note 9)	17,026	16,016	16,155
	<u><b>(17,837)</b></u>	<u><b>787</b></u>	<u><b>(9,069)</b></u>
Additions of inventories	(5,192)	(6,028)	(7,272)
Use of inventories	4,747	6,725	7,431
Additions to prepaids	(1,700)	(1,633)	(1,759)
Use of prepaids	1,600	1,373	1,558
	<u><b>(545)</b></u>	<u><b>437</b></u>	<u><b>(42)</b></u>
<b>Increase in net debt for the year</b>	<u><b>\$ (21,016)</b></u>	<u><b>\$ (5,221)</b></u>	<u><b>\$ (2,797)</b></u>
<b>Net debt, beginning of year</b>	<u><b>(236,393)</b></u>	<u><b>(236,393)</b></u>	<u><b>(233,596)</b></u>
<b>Net debt, end of year</b>	<u><b>\$ (257,409)</b></u>	<u><b>\$ (241,614)</b></u>	<u><b>\$ (236,393)</b></u>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended March 31**  
*(in thousands of dollars)*

	<u>2017</u>	<u>2016</u>
<b>Cash provided by (used in) operating activities</b>		
Cash receipts from customers	\$ 105,550	\$ 103,887
Cash paid to suppliers	(53,241)	(71,331)
Cash paid to employees	(26,954)	(26,690)
Interest paid (Note 4)	(11,331)	(11,310)
Interest received (Note 4)	95	104
Government contributions received	5,508	21,447
Government contributions returned	(5,771)	-
	<u>13,856</u>	<u>16,107</u>
<b>Cash provided by (used in) investing activities</b>		
Sinking fund investment redemptions (Note 5)	2,616	-
Sinking fund installments (Note 5)	(428)	(794)
Loan receivable receipts (Note 4)	174	128
Return of capital from Aadrii Ltd.	-	225
	<u>2,362</u>	<u>(441)</u>
<b>Cash provided by (used in) capital activities</b>		
Acquisition and development of tangible capital assets	(19,089)	(28,824)
(Losses) Proceeds on sale of tangible capital assets	-	162
	<u>(19,089)</u>	<u>(28,662)</u>
<b>Cash (used in) provided by financing activities</b>		
Issuance (repayment) of debenture debt	60,000	-
Net (payments made on) proceeds from operating line of credit	(32,600)	14,485
Repayment of capital lease obligation (Note 4)	(43)	(34)
Early redemption penalty	(4,552)	-
Repayment of debenture debt	(11,339)	(2,552)
	<u>11,466</u>	<u>11,899</u>
<b>Increase (decrease) in cash</b>	<u>\$ 8,595</u>	<u>\$ (1,097)</u>
Cash, beginning of year	1,236	2,333
<b>Cash, end of year</b>	<u>\$ 9,831</u>	<u>\$ 1,236</u>

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

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 1. The Corporation

#### a) Authority and corporate information

The Northwest Territories Hydro Corporation (NT Hydro) was established under the *Northwest Territories Hydro Corporation Act*. NT Hydro is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro (Note 11).

NT Hydro's primary asset is its 100% ownership interest in Northwest Territories Power Corporation (NTPC), which owns and operates hydroelectric, diesel, natural gas and photovoltaic generation facilities to provide utility services in the Northwest Territories. NTPC is a regulated company, established under the *Northwest Territories Power Corporation Act* and controls one wholly-owned subsidiary, the Northwest Territories Energy Corporation Ltd. (NWTEC). NWTEC, under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility (Note 4). NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson, Aadrii Ltd.

NT Hydro has another subsidiary, the Northwest Territories Energy Corporation (03) Ltd. (NTEC(03)). NTEC(03) was inactive in 2016/17 as the operations were transferred to the GNWT's Public Works and Services (PWS) effective April 1, 2015.

#### b) Regulated activities

The activities of NTPC are regulated by the Public Utilities Board (PUB) of the Northwest Territories pursuant to the *Public Utilities Act*. The PUB regulates matters covering rates, financing, accounting for regulatory purposes, construction, operation and service area. As the PUB is a board appointed by the GNWT, and NTPC is a public agency of the GNWT, NTPC and the PUB are related parties.

The PUB is required to review the affairs, earnings and accounts of NTPC a minimum of every three years. The regulatory hearing process used to establish or change rates typically begins when NTPC makes a General Rate Application (GRA) for its proposed electricity rate changes. Normally, NTPC applies for rates in advance of the applicable fiscal years (Test Years) to which the new rates will apply. In addition to GRAs, interim rate applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next GRA, when rates are reviewed and set as final.

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. On January 21, 2013 in Decision 1-2013 the PUB approved a return on equity for 2013/14 of 8.5% on assets outside the thermal zone and 0% for thermal zone assets. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

NTPC filed its 2016/19 GRA on June 30, 2016. This application requests a change to NTPC's amortization rates as well as its energy rates charged to customers. A decision from the PUB is not expected on this GRA until the fall of 2017.

NTPC filed a 2016/17 Interim Rate Application with the PUB on June 30, 2016 requesting a 4.8% increase to base energy rates for all customers effective August 1, 2016. The PUB approved this application on July 26, 2016. NTPC also filed a 2017/18 Interim Rate Application with the PUB on February 28, 2017, proposing a 4% increase to the 2016/17 rates effective April 1, 2017. The PUB approved this application on March 31, 2017. Any difference between the 2016/17 and 2017/18

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 1. The Corporation (continued)

interim rates and the final rates for 2016/17 and 2017/18 approved by the PUB in its decision on the 2016/19 GRA will be refunded or collected from customers on a prospective basis and will be adjusted in 2017/18.

In Decision 16-2010, pursuant to the Electricity Rate Policy Guidelines issued by the Minister Responsible for the PUB, the PUB approved the establishment of the Territory-wide Rate Stabilization Fund (RSF) for NTPC. This fund is subject to a \$2,500 threshold, variances in fuel prices and purchased power prices relative to the PUB approved rates, and accumulates fuel mix variances in dual fuel communities. This fund is drawn down by the use of rate riders or refund riders. The PUB approved a RSF rider of 1.17 cents/kWh effective May 1, 2014 for all firm power customers with the exception of Northland Utilities (NWT) Limited. The collection of this rider completed on October 31, 2015.

On April 29, 2016 NTPC filed a refund rider application to refund the balance of the RSF to customers resulting from the world wide decrease in fuel prices over the past two years. The PUB's Decision 6-2016 approved the refund rider of 0.36 cents/kWh effective June 1, 2016. See subsequent event information in Note 20.

#### c) Economic dependence

NT Hydro has historically been able to maintain its operations and meet its liabilities through the rate regulation process without receiving any significant financial assistance from the GNWT. Over the past few years, in order to mitigate rate increases to customers, the GNWT has provided larger increases in subsidization to customers and rate riders by providing direct contributions to NTPC to apply against those rate increases and the RSF. As a result of this government driven policy, NT Hydro is economically dependent on the GNWT to maintain its operations and meet its liabilities. It is expected that the ongoing operations of NT Hydro will depend on continued financial support from GNWT.

#### d) Governance

On May 24, 2016 the GNWT formed a Board of Directors comprised of Deputy Ministers from the GNWT. Part of the new Board's mandate is to review and recommend an appropriate long term governance structure for NT Hydro.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 2. Significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board (PSAB). The accounting policies set out below have been applied in preparing the consolidated financial statements as at March 31, 2017.

#### a) Basis of consolidation

The consolidated financial statements of NT Hydro consist of the consolidation of NT Hydro and its wholly-owned subsidiaries, from the date that control commences until the date that control ceases. NT Hydro's investment in a government business partnership, resulting from NWTEC's 50% shared ownership in Aadrii Ltd. is accounted for using the modified equity method using NWTEC's 50% share of Aadrii Ltd. to record its investment, net income and other changes in equity.

Inter-entity transactions and balances with wholly owned subsidiaries are eliminated upon consolidation. The inter-entity transactions and balances of the subsidiaries accounted for using the modified equity basis are not eliminated.

The consolidated budget figures presented in these financial statements were approved by the Board and the board of the consolidated entity and include adjustments to eliminate budgeted inter-entity revenues and expenses. The budget figures do not reflect any forecast changes made throughout the year.

#### b) Measurement uncertainty

To prepare these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. Significant estimates include the estimated useful life, impairment and the value of future economic benefits associated with the tangible capital assets, the provision for other employee future benefits and the provision for asset retirement obligations and environmental liabilities.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ significantly from these estimates.

#### c) Inventories

Inventories are only held for use and consist mainly of materials, supplies, lubricants, critical spare parts and fuel. Inventories are recorded at cost. Cost is determined using the weighted average cost method. Impairments, when recognized, result in write-downs to net realizable value.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 2. Significant accounting policies (continued)

#### d) Financial instruments

The financial instruments of NT Hydro are classified and measured at amortized cost using the effective interest method and include the following: cash, revenues receivable, sinking fund investments, loan receivable, accounts payable and accrued liabilities, the operating line of credit, and the debenture debt.

A provision for impairment of revenues receivable and the loan receivable is established when there is objective evidence that NT Hydro will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that revenue receivables are impaired. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of operations and accumulated surplus as bad debt expense. When a receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in the consolidated statement of operations and accumulated surplus.

All financial assets are tested annually for impairment or more frequently if indicators of impairment exist. When these financial assets are impaired, impairment losses are recorded in the consolidated statement of operations and accumulated surplus. Such impairment is not reversed following a subsequent increase in value.

Transaction costs, with respect to financial assets and liabilities carried at amortized cost, are added to the initial cost of the acquired financial asset or financial liability.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 2. Significant accounting policies (continued)

#### e) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at historical cost less accumulated amortization. Costs include amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and capitalized interest directly attributable to construction or development (IDC). Capitalization of interest ceases when no construction or development is taking place or when a tangible capital asset is ready for use in producing goods or services. The IDC rate for 2016/17 was 5.676% (2015/16 – 5.676%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

##### *i) Leased tangible capital assets*

Leases that transfer substantially all of the benefits and risks incidental to ownership of tangible capital assets are accounted for as leased tangible capital assets and a lease liability. The value of the leased tangible capital asset and lease liability is recorded at the inception of the lease based upon the present value of the minimum lease payments, excluding executory costs.

##### *ii) Transfers of tangible capital assets*

Tangible capital assets received as contributions from third parties are recorded as assets and revenue at their fair value at the date of receipt, except in circumstances where fair value cannot reasonably be determined, in which case they are recognized at nominal value.

##### *iii) Impairment*

When conditions indicate that a tangible capital asset no longer contributes to NT Hydro's ability to provide goods and services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect that a permanent decline in the value of the asset has occurred. The related expense is recorded in the consolidated statement of operations and accumulated surplus and is not reversed if conditions subsequently change.

##### *iv) Amortization*

For 2016/17 management has utilized amortization rates as proposed in its most recent amortization study and included in the Phase 1 of the 2016/19 GRA currently in front of the PUB. The PUB may approve different rates for 2016/17 when it issues its decision in 2017/18. Any difference between management's estimate of amortization rates and the final PUB rates will be adjusted in 2017/18. The cost, less residual value, of tangible capital assets, excluding land, is amortized on the straight-line average group useful life basis.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 2. Significant accounting policies (continued)

Annual amortization rates are as follows:

	<b>2017</b>	<b>2016</b>
	<b>Rates (%)</b>	<b>Rates (%)</b>
Electric power plants	1.00 – 4.86	1.00 – 6.63
Transmission and distribution systems	1.54 – 6.67	1.54 – 5.00
Warehouse, equipment, motor vehicles and general facilities	1.31 – 20.00	1.00 – 12.83
Electric power plant under capital lease	1.00 – 4.86	1.33 – 1.54

Assets under construction are not amortized until they are ready for their intended productive use. NTPC uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

#### f) Government contributions

Government contributions are recognized as revenue when the contributions are authorized and any eligibility criteria are met, except to the extent that stipulations of a contribution give rise to an obligation that meets the definition of a liability in which case the contribution is recorded as a deferred government contribution and subsequently recognized as revenue when the stipulations are met.

#### g) Customer contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of cash contributions from customers. These contributions are recorded as revenues when all external restrictions or stipulations imposed by an agreement with the external party related to the contribution have been satisfied, generally when the resources are used for the purposes intended.

#### h) Public service pension plan

All eligible employees participate in the Public Service Pension Plan ("the Plan"), administered by the Government of Canada. The Plan is a multi-employer contributory defined benefit plan established through legislation. NT Hydro's contributions to the Plan are charged as an expense on a current year basis and represent the total pension obligations. NT Hydro is not required under present legislation to make contributions with respect to actuarial deficiencies of the Plan.

#### i) Other employee future benefits

The expected cost of providing these benefits is actuarially determined using assumptions based on management's best estimates and are recognized as employees render service. The benefit plans are not funded and thus have no assets, resulting in plan deficits equal to the accrued benefit obligation.

##### *i) Severance and ultimate removal benefits*

Under the terms and conditions of employment, eligible employees may earn severance and removal benefits based on employee start dates, years of service, final salary and point of hire. The benefits are paid upon resignation, retirement or death of an employee.



## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 2. Significant accounting policies (continued)

#### ii) *Sick leave benefits*

NT Hydro provides certain sick leave benefits that are available to be used in future periods when claimed by the employee upon becoming sick. The sick leave benefits accumulate but do not vest and are not paid out to employees upon resignation, retirement or death of an employee.

#### j) **Asset retirement obligations**

On an annual basis, NT Hydro identifies legal obligations associated with the retirement of its tangible capital assets. Management's best estimate of the future expenditures required to settle the legal obligations are recognized to the extent that they can be reasonably estimated and are calculated based on the estimated future cash flows necessary to discharge the legal obligations, discounted using NT Hydro's cost of borrowing for maturity dates that coincide with the expected future cash flows.

The estimated asset retirement obligation (ARO) is recorded as a liability and a corresponding increase to tangible capital assets. The liability for AROs is increased annually for the passage of time by calculating accretion on the liability based on the discount rates implicit in the initial measurement. Changes in the obligation resulting from revisions to the timing or amount of the estimated undiscounted future cash flows or revisions to the discount rate are recognized as an increase or decrease in the related carrying amount of the related tangible capital asset.

NT Hydro has identified other sites where NT Hydro expects to maintain and operate these assets indefinitely and therefore no related ARO has been recognized.

#### k) **Environmental liabilities**

Environmental liabilities consist of the estimated costs related to the monitoring, maintenance and remediation of environmentally contaminated sites. NT Hydro recognizes environmental liabilities when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NT Hydro is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made.

Environmental liabilities are discounted for the time value of money. NT Hydro reviews its estimates of future environmental liabilities on an on-going basis.

#### l) **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates at year-end. Foreign currency transactions are translated into Canadian dollars using rates in effect at the time the transactions were entered into. All realized exchange gains and losses are included in surplus for the year according to the activities to which they relate.

## **NORTHWEST TERRITORIES HYDRO CORPORATION**

### **Note 2. Significant accounting policies (continued)**

#### **m) Revenues**

Revenues for the sale of power and fuel rider revenues (refunds) are recognized in the period earned based on cyclical meter readings. Sale of power revenues and fuel rider revenues (refunds) include accruals for electricity sales not yet billed.

Interest, contract, contribution and other revenues are recognized on the accrual basis.

#### **n) Expenses**

Expenses are recognized on an accrual basis.

#### **o) Contractual obligations and contingencies**

The nature of NT Hydro's activities require entry into 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 funding commitments for operating and capital projects. Contractual obligations are obligations of NT Hydro to others that will become liabilities in the future when the terms of those contracts or agreements are met.

The contingencies of NT Hydro are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. If the future event is considered likely to occur and is quantifiable, an estimated liability is accrued. If the occurrence of the confirming future event is likely but the amount of the liability cannot be reasonably estimated, the contingency is disclosed. If the occurrence of the confirming future event is not determinable, the contingency is disclosed.

#### **p) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the change in net debt during the year.

#### **q) Future accounting changes**

PSAB issued new standards in March 2015 on Related Party Transactions (PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions) and four new standards related to Assets (PS 3210), Contingent Assets (PS 3320), Contractual Rights (PS 3380) and Restructuring Transactions (PS 3430) in June 2015. All these new standards have an effective date of April 1, 2017, except for PS 3430 that has an effective date of April 1, 2018.

NTPC will analyze the impact of these new standards on its consolidated financial statements.

**NORTHWEST TERRITORIES HYDRO CORPORATION**

**3. Revenues receivable**

At March 31, 2017, the aging of revenues receivable was as follows:

	<b>2017</b>			
	<b>Current (less than 28 days)</b>	<b>29-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Utility	\$ 9,317	\$ 1,062	\$ 424	\$ 10,803
Non-utility	1,174	50	918	2,142
Allowance for doubtful accounts	-	-	(262)	(262)
	\$ 10,491	\$ 1,112	\$ 1,080	\$ 12,683

At March 31, 2016, the aging of revenues receivable was as follows:

	<b>2016</b>			
	<b>Current (less than 28 days)</b>	<b>29-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Utility	\$ 11,180	\$ 523	\$ 298	\$ 12,001
Non-utility	2,436	2	438	2,876
Allowance for doubtful accounts	-	-	(318)	(318)
	\$ 13,616	\$ 525	\$ 418	\$ 14,559

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 3. Revenues receivable (continued)

The changes in the allowance for doubtful accounts were as follows:

	2017	2016
Balance, beginning of the year	\$ (318)	\$ (512)
Receivables written off	91	89
Decrease (increase) to allowance	(35)	105
Balance, end of the year	\$ (262)	\$ (318)

Revenues receivable on utility and non-utility accounts are generally due in 45 days and interest is charged after 28 and 30 days, respectively, at rates in the terms of service agreement. As at March 31, 2017, NT Hydro provided an allowance for doubtful accounts for some of its revenues receivable accounts with amounts outstanding longer than 90 days. Additional disclosures on NT Hydro's exposure and management of credit risk associated with revenues receivable can be found in Note 19.

#### 4. Loan receivable and capital lease obligations

##### Loan receivable

NWTEC loaned \$22,900 to the Dogrib Power Corporation (DPC) to finance the construction of a hydroelectric generating plant on the Snare River (the "Snare Plant") in the NWT between 1994 and 1996. The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWTEC's debenture debt issued to finance the loan. It is due July 2026 and is repayable in equal monthly blended principal and interest payments of \$195.

Loan receivable payments and the capital lease payments for the Snare Plant are settled on a net basis and are presented segregated on the statement of cash flows. Loan receivable principal payments of \$911 (2015/16 - \$827) and interest income of \$1,430 (2015/16 - \$1,513) were offset by capital lease principal payments of \$405 (2015/16 - \$405) and interest expense of \$1,762 (2015/16 \$1,807). As a result, the net cash receipt of \$174 (2015/16 - \$128) is disclosed in the statement of cash flows as loan receivable receipts.

##### Capital lease obligations

###### *Snare Cascades*

NTPC has an initial 65-year lease from the DPC for the Snare Cascades at an imputed interest rate of 9.6% until 2061. The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by arbitration. The renewal term will be based on the end of the useful life of the property or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Cascades is included in electric power plant under capital lease (Note 9).

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 4. Loan receivable and capital lease obligations (continued)

A \$4,000 guarantee from DPC's parent company, the Tlicho Investment Corporation and a blocked account agreement established by DPC provide collateral for the loan receivable. NWTEC has signing authority and full control over the blocked account in the event of default. At the beginning of each fiscal year, the balance in the blocked account must be equal to the top up payments (the difference between the loan payment made by DPC to NWTEC and the lease payment received by DPC from NTPC) required for the next 12 months.

#### *Colville Lake Office*

In 2016, NTPC entered into a capital lease arrangement for a trailer in Colville Lake with minimum monthly payments of \$4 until June 1, 2020.

The present values of the minimum lease payments required for the capital lease obligation over the next five years and thereafter are as follows:

	<b>Snare Cascades</b>	<b>Colville Lake Office</b>	<b>Total</b>
2018	\$ 2,121	\$ 48	\$ 2,169
2019	2,073	48	2,121
2020	2,024	48	2,072
2021	1,974	8	1,982
2022	1,922	-	1,922
Thereafter	44,530	-	44,530
	54,644	152	54,796
Less: amounts representing imputed interest	(36,668)	(8)	(36,676)
<b>Total capital lease obligations</b>	<b>\$ 17,976</b>	<b>\$ 144</b>	<b>\$ 18,120</b>

Additional disclosures on NT Hydro's exposure and management of risk associated with the loan receivable and associated capital lease obligations can be found in Note 19.

**NORTHWEST TERRITORIES HYDRO CORPORATION**

**5. Debenture debt and related sinking fund investments**

	<u>2017</u>	<u>2016</u>
3.982% amortizing debenture, due February 17, 2047	\$ 60,000	\$ -
5.16% amortizing debenture, due September 13, 2040	45,566	46,545
5.443% debenture, due August 1, 2028	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032	10,667	11,333
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	5,528	5,883
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	4,743	5,085
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	4,645	5,002
8.41% sinking fund debentures, due February 27, 2026	-	8,700
	<u>\$ 231,149</u>	<u>\$ 182,548</u>
Less: Unamortized premium, discount and issuance costs	(884)	(730)
	<u>\$ 230,265</u>	<u>\$ 181,818</u>

The GNWT guarantees NT Hydro's debenture debt.

Principal repayments for the next five years are as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>	<u>Total</u>
\$ 3,923	\$ 14,136	\$ 4,364	\$ 4,613	\$ 4,879	\$199,234	\$231,149

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 5. Debenture debt and related sinking fund investments (continued)

#### Sinking fund investments and requirements

Sinking fund investments are held by the Trustee restricted for the redemption of debentures. The agreements require annual installments to retire debt at maturity. NTPC's sinking fund policy allows only Canadian fixed-income investments with investment grade credit. All asset classes are measured at cost or amortized cost, and market value approximates cost due to the short-term to maturity of the investments. Additional disclosures on NTPC's exposure and management of risk associated with sinking fund investments can be found in Note 19.

The weighted average effective rate of return for the year was 0.47% (2015/16 - 0.48%)

Estimated sinking fund investment requirements for future years are as follows:

2018	2019	Thereafter	Total
\$ 425	\$ 425	\$ -	\$ 850

From time-to-time the opportunity arises for NTPC to refinance existing debt with more favorable interest rates. On December 16, 2016, the Board of Directors authorized the redemption of \$8.7 million face value 8.41% debenture due February 27, 2026. As of March 28, 2017, NTPC redeemed in full the debenture at a price of \$152.994, including unpaid accrued interest, per \$100 face value. As per the debenture, the redemption price was calculated to provide a yield to maturity equal to the Government of Canada 1.5% June 1, 2026 yield to maturity plus 0.20%. The full amount of the associated sinking fund (\$2,616) was redeemed and used to repay the debenture with the remainder, including a current year loss on redemption of \$4,552, coming from NTPC's main operating account.

### 6. Asset retirement obligations and environmental liabilities

	2017			2016		
	ARO	Env. Liability	Total	ARO	Env. Liability	Total
Opening balance	\$ 6,846	\$ 10,828	\$ 17,674	\$ 7,086	\$ 11,467	\$ 18,553
Liabilities settled	(92)	(197)	(289)	(1,358)	(283)	(1,641)
Accretion Expense	180	-	180	166	-	166
Valuation Adjustment	185	141	326	871	(356)	515
Additions	219	-	219	255	-	255
Disposals	(167)	-	(167)	(174)	-	(174)
Balance, end of year	\$ 7,171	\$ 10,772	\$ 17,943	\$ 6,846	\$ 10,828	\$ 17,674

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 6. Asset retirement obligations and environmental liabilities (continued)

AROs include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NTPC and the remediation of contaminated sites. Following is a summary of the key assumptions upon which the carrying amount of the AROs is based:

- Total expected future cash flows - \$48,192 (2015/16 - \$48,132)
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 73 years with the majority occurring after 2040.
- The discount rate is the cost of borrowing rate of 2.64% (2015/16 – 2.47%) for those obligations to be settled in less than 10 years and 3.57% (2015/16 – 3.5%) for those obligations to be settled in 10 years or longer.

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NT Hydro estimates that it has 24 sites (2015/16 - 24 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NT Hydro is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

Management estimates that over 75% of the contamination occurred prior to May 5, 1988 when the Government of Canada controlled Northern Canada Power Commission (NTPC's predecessor company). There is no provision recorded in these consolidated financial statements for a potential recovery from the Government of Canada.

### 7. Other employee future benefits

#### a) Public Service Pension Plan:

The employees of NT Hydro participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.01 times (2015/16 – 1.15) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2015/16 – 1.1) the employees' contributions for all other employees. Employer contributions of \$2,249 (2015/16 - \$2,697) were recognized as an expense in the current year. The employees' contribution to this plan were \$1,894 (2015/16 - \$1,850).

The Plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60. Furthermore, contribution rates for current service for all members of the public service will increase gradually to an employer - employee cost sharing ratio of 50:50 by 2017.



**NORTHWEST TERRITORIES HYDRO CORPORATION**

**Note 7. Other employee future benefits (continued)**

**b) Other employee future benefits:**

Summary of other employee future benefit liabilities:

	2017			2016		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Opening net future obligation	\$ 3,012	\$ 44	\$ 3,056	\$ 2,987	\$ 177	\$ 3,164
Less prior year unamortized net actuarial (gain) loss	(60)	72	12	79	5	84
Accrued benefit obligation, beginning of the year	2,952	116	3,068	3,066	182	3,248
Benefits earned	273	10	283	304	14	318
Interest	70	3	73	71	2	73
Benefits paid	(318)	(19)	(337)	(508)	(79)	(587)
Plan amendments	-	-	-	79	-	79
Actuarial gains (losses)	274	156	430	(60)	(3)	(63)
Accrued benefits paid during the year	3,251	266	3,517	2,952	116	3,068
Unamortized net actuarial (gain) loss	(221)	(219)	(440)	60	(72)	(12)
Net Future obligation	<u>\$ 3,030</u>	<u>\$ 47</u>	<u>\$ 3,077</u>	<u>\$ 3,012</u>	<u>\$ 44</u>	<u>\$ 3,056</u>

NT Hydro provides accumulating sick leave employee benefits of one and one quarter days of sick leave per month which will require funding in future periods when claimed upon an employee becoming sick. Sick leave can only be used for paid time off for illness of the employee. Sick leave taken is paid at the employee's normal rate of pay. The sick leave benefits are not paid out to an employee upon termination of employment, resignation or retirement. Unused sick days accumulate and there are no limits to the accumulation. Sick leave benefits accumulate over the periods of service provided by employees and are recognized as services are performed to earn them.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 7. Other employee future benefits (continued)

Total expenses related to the severance, removal benefit and sick leave plan include the following components:

	<u>2017</u>		<u>2016</u>
Current benefits earned	283	\$	313
Interest	73		73
Amortization of net actuarial loss	2		9
	<u>\$ 358</u>	<u>\$</u>	<u>395</u>

The actuarial valuation reflects management's best estimate based upon a number of assumptions about a number of future events including:

	<u>2017</u>		<u>2016</u>
Expected inflation rates	2%		2%
Discount rate used to determine the accrued benefit obligation	2.00%		2.33%
Expected average remaining service life of related employee groups (EARSL)	<u>8.5 years</u>		<u>8.6 years</u>

### 8. Operating line of credit

NTPC has a \$50,000 (2015/16 - \$50,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers' Acceptances or other advances directly against the line of credit.

NTPC's short term debt against its operating line of credit as of March 31, 2017 was nil (2015/16 - \$32,600). The short term debt outstanding at March 31, 2016 had a weighted average 43 day term and a 1.72% weighted average annual interest rate.

**NORTHWEST TERRITORIES HYDRO CORPORATION**

**9. Tangible capital assets**

<b>March 31, 2017</b>						
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
<b>Cost</b>						
Opening balance	\$ 324,949	\$ 89,907	\$ 60,070	\$ 26,891	\$ 16,766	\$ 518,583
Additions	102	950	-	-	18,027	19,079
Transfers – completed projects	14,295	3,200	2,934	2,334	(22,763)	-
Disposals	(3,757)	(225)	(2,367)	(718)	-	(7,067)
Closing balance	<u>335,589</u>	<u>93,832</u>	<u>60,637</u>	<u>28,507</u>	<u>12,030</u>	<u>530,595</u>
<b>Accumulated amortization</b>						
Opening balance	(105,174)	(28,637)	(27,186)	(8,060)	-	(169,057)
Amortization	(9,465)	(2,402)	(3,721)	(428)	-	(16,016)
Disposals and adjustments	1,756	(215)	1,489	187	-	3,217
Closing balance	<u>(112,883)</u>	<u>(31,254)</u>	<u>(29,418)</u>	<u>(8,301)</u>	<u>-</u>	<u>(181,856)</u>
<b>Net book value</b>	<b><u>\$ 222,706</u></b>	<b><u>\$ 62,578</u></b>	<b><u>\$ 31,219</u></b>	<b><u>\$ 20,206</u></b>	<b><u>\$ 12,030</u></b>	<b><u>\$ 348,739</u></b>

<b>March 31, 2016</b>							
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	LNG assets under capital lease	Construction work in progress	Total
<b>Cost</b>							
Opening balance	\$ 312,907	\$ 86,299	\$ 55,091	\$ 26,469	\$ 2,556	\$ 15,637	\$498,959
Additions	1,123	-	-	-	-	30,568	31,691
Transfers – completed projects	15,225	5,088	8,704	422	-	(29,439)	-
Disposals	(4,306)	(1,480)	(3,725)	-	(2,556)	-	(12,067)
Closing balance	<u>324,949</u>	<u>89,907</u>	<u>60,070</u>	<u>26,891</u>	<u>-</u>	<u>16,766</u>	<u>518,583</u>
<b>Accumulated Amortization</b>							
Opening balance	(97,214)	(27,096)	(26,024)	(7,620)	(549)	-	(158,503)
Amortization	(9,531)	(2,365)	(3,819)	(440)	-	-	(16,155)
Disposals	1,571	824	2,657	-	549	-	5,601
Closing balance	<u>(105,174)</u>	<u>(28,637)</u>	<u>(27,186)</u>	<u>(8,060)</u>	<u>-</u>	<u>-</u>	<u>(169,057)</u>
<b>Net book value</b>	<b><u>\$ 219,775</u></b>	<b><u>\$ 61,270</u></b>	<b><u>\$ 32,884</u></b>	<b><u>\$ 18,831</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,766</u></b>	<b><u>\$349,526</u></b>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 10. Inventories

	<u>2017</u>	<u>2016</u>
Materials, supplies and lubricants	\$ 4,567	\$ 4,461
Critical spare parts	3,424	4,169
Fuel	293	351
	<u>\$ 8,284</u>	<u>\$ 8,981</u>

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is only held in five of NTPC's operating plants. The liquefied natural gas (LNG) fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 18. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 18.

### 11. Accumulated surplus / equity

	<u>2017</u>	<u>2016</u>
Share capital, common and preferred shares	\$ 43,129	\$ 43,129
Accumulated operating surplus / equity	73,596	80,041
	<u>\$ 116,725</u>	<u>\$ 123,170</u>

The authorized share capital of NT Hydro is comprised of one common share without par value and one preferred, non-cumulative share without par value. As at March 31, 2017, 1 common share (2015/16 – 1 common share), at \$43,129 per share, (2015/16 – \$43,129 per share), has been issued and fully paid, and one preferred share at one dollar. NT Hydro may only issue its shares to the GNWT.

### 12. Sale of power

	<u>2017</u>	<u>2016</u>
Power sales to external customers	\$ 75,770	\$ 73,649
Power sales to GNWT and related parties	14,820	14,525
GNWT HSP payments	6,230	6,330
GNWT TPSP payments	5,585	5,279
	<u>\$ 102,405</u>	<u>\$ 99,783</u>

Sale of power includes GNWT support program payments received by NTPC on behalf of customers. The GNWT offers these support programs to both NTPC and Northland Utilities Ltd. customers.

The GNWT Territorial Power Support Program ("TPSP") payments subsidize residential power rates to the rate paid in Yellowknife for energy used within a specified threshold.

The GNWT Housing Support Program ("HSP") payments subsidize the difference between the specified rate paid by GNWT residential customers living in public housing and the PUB residential rate for that community.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 12. Sale of power (continued)

NTPC administers these support programs on behalf of the GNWT and invoices the GNWT monthly for the payments. The support payments are subject to the same terms as other utility customers as per NTPC's Terms and Conditions of Service.

### 13. Other revenue and customer contributions

	<u>2017</u>	<u>2016</u>
Miscellaneous (Note 17)	\$ 529	\$ 105
Contract work	446	762
Pole rental	287	283
Connection fees	266	296
Heat revenues	208	291
Contributions in aid of construction	162	774
	<u>\$ 1,898</u>	<u>\$ 2,511</u>

#### Customer contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of financial contributions from customers.

### 14. Expenses

The following is a summary of the expenses for the year by object:

	<u>2017</u>	<u>2016</u>
Fuels and lubricants (Note 18)	\$ 27,467	\$ 40,641
Salaries and wages	26,200	25,050
Supplies and services	20,621	23,934
Amortization (Note 9)	16,016	16,155
Interest expense (Note 16)	12,662	12,380
Net loss on debt (Note 5)	4,552	-
Net loss on disposal of assets	3,850	4,379
Travel and accommodation	2,653	2,581
Accretion on AROs (Note 6)	180	166
	<u>\$ 114,201</u>	<u>\$ 125,286</u>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 15. Interest expense and interest income

#### Interest expense

	<u>2017</u>	<u>2016</u>
Interest on debenture debt and capital leases (Notes 4, 5)	\$ 12,673	\$ 12,556
Short-term debt financing costs (Note 8)	560	569
Capitalized interest during construction	(571)	(745)
	<u>\$ 12,662</u>	<u>\$ 12,380</u>

#### Interest income

	<u>2017</u>	<u>2016</u>
Income on loan receivable (Note 4)	\$ 1,430	\$ 1,513
Income from sinking fund investments (Note 5)	38	35
Income from overdue accounts	57	68
	<u>\$ 1,525</u>	<u>\$ 1,616</u>

### 16. Government contributions

#### GNWT extreme low water contributions

In 2015/16, NTPC signed a multi-year funding agreement with the GNWT to fund diesel fuel and lubricant costs and salaries related to additional operating time resulting from extreme low water on NTPC's hydro system between October 15, 2015 and March 31, 2017. Under this agreement NTPC received \$4,500 in 2016/17. NTPC had an unspent balance of extreme low water contributions from 2015/16 of \$2,702. During 2016/17, NTPC incurred \$1,726 in costs eligible under this agreement (2015/16 - \$23,008), and repaid \$5,771 in unspent 2015/16 and 2016/17 contributions, resulting in an overall net receivable from GNWT of \$295 recorded in revenues receivable at March 31, 2017.

#### Other government contributions

In 2016/17, NTPC signed a single year agreement with Indigenous and Northern Affairs Canada to fund the costs associated with an Exhaust Gas Recovery Unit (EGRU) to operate in the community of Inuvik. NTPC received \$414, of which it had incurred \$394 in eligible costs by March 31, 2017, resulting in a balance recorded under accounts payable and accrued liabilities of \$21.

In 2016/17, NTPC signed four single year agreement with the GNWT. The first agreement was to install a variable speed generator as a pilot project to improve fuel efficiency in Aklavik. The agreement was for \$338, \$300 of which was received during 2016/17. NTPC incurred eligible costs in excess of this amount, and recorded the contribution as revenue. \$38 is recorded in revenues receivable on March 31, 2017. The second agreement was to fund the costs associated with defining data logging information at the Colville Lake project site. This agreement was for \$45, which was fully spent and received as at March 31, 2017. Additionally, NTPC signed an agreement with GNWT for the in-kind transfer of the data logger. This asset had a contribution value of \$35 as recorded under electric power plants in tangible capital assets. The fourth agreement was to fund the costs associated with electricity regulation and energy review analysis. The agreement was for \$60. NTPC incurred \$38 in eligible costs, received \$30 and has recorded a revenue receivable at March 31, 2017 of \$8. NTPC also received \$53 from the GNWT for apprenticeship training support.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 17. Related party transactions and balances

NT Hydro is a Territorial public agency and consequently is related to the GNWT and its agencies and corporations. NT Hydro, through NTPC, provides utility services to, and purchases fuel and other services from, these related parties. These transactions are in the normal course of operations and are at the same rates and terms as those with similar unrelated customers and suppliers.

Transactions with related parties and balances at year-end not disclosed elsewhere in these consolidated financial statements are as follows:

	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Other revenue	\$ 978	\$ 486
<b>Expenses</b>		
Purchases of fuel from Public Works and Services Division of the GNWT (PWS) (Note 18)	\$ 21,002	\$ 34,380
Other operating expenses	243	273
	\$ 21,245	\$ 34,653
<b>Financial assets</b>		
<b>Revenues receivable</b>		
Utility	\$ 1,453	\$ 1,040
Non-utility	39	93
	\$ 1,492	\$ 1,133
<b>Liabilities</b>		
Accounts payable to PWS for fuel (Note 18)	\$ 4,232	\$ 6,610
Other accounts payable and accrued liabilities	12	26
	\$ 4,244	\$ 6,636

### Transfer of NTEC(03) operations

As part of the windup of NTEC(03), a related party to NTPC and initiated in 2014/15, in 2016/17 NTEC(03)'s asset and liability balances were settled. NTPC recorded a net gain totaling \$425 on its previous loan to NTEC(03) as a result of the settlement of NTEC(03) balances. This is recorded in miscellaneous revenue. As at March 31, 2017, NTEC(03) has no remaining assets or liabilities. Management intends to preserve NTEC(03) as an inactive corporation for the foreseeable future.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 18. Contractual obligations and contingencies

#### a) Contractual obligations

NT Hydro and its subsidiaries have entered into agreements for, or are contractually committed for the following expenses that will be incurred subsequent to March 31, 2017:

	<u>Expiry</u>	<u>2018</u>	<u>2019 and subsequent</u>
Non related parties	2021	\$ 8,696	\$ 1,524

NT Hydro and its subsidiaries have entered into the following contractual obligations with related parties:

#### *Fuel management services agreement*

NTPC has a fuel management services agreement with the PWS. Under this agreement fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by PWS. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from PWS in a given year. The contract expires March 31, 2021.

#### *LNG purchases*

On October 31, 2013 NTPC entered into an agreement with NTEC(03) to supply NTPC with LNG to NTPC's Inuvik facilities. This contract was transferred to PWS as of April 1, 2015 without interruption of service. The agreement is effective for five years until October 31, 2018. The price of LNG under this agreement varies with PWS's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee.

#### b) Contingencies

##### *Statement of claim*

The owners of a lodge on Nonacho Lake upstream of the Taltson dam, launched a Judicial Review of the 2012 Water Licence issued by the Mackenzie Valley Land and Water Board (MVLWB) to determine impacts of the Taltson Hydro facility on Nonacho Lake and their lodge operations. As a result of the Review, the MVLWB determined NTPC was to award financial compensation to the owners for future impacts. The owners moved the matter to the NWT Supreme Court. The Supreme Court determined that the MVLWB had not followed procedural fairness and ordered the MVLWB to complete a re-hearing. The re-hearing process started in January 2017 and a decision by the MVLWB is expected in late fall of 2017. The total amount claimed in this action is \$3.2 million however the outcome is not determinable due to the on-going re-hearing process.



## NORTHWEST TERRITORIES HYDRO CORPORATION

### 19. Financial instruments and risk management

#### Risks – overview

NT Hydro's financial instruments include cash, revenues receivable, loan receivable, accounts payable and accrued liabilities, debenture debt, sinking fund investments and the operating line of credit.

NT Hydro is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and interest rate risk. NT Hydro manages these risk exposures on an ongoing basis.

#### a) Credit risk

Credit risk is the risk that a third party will cause a financial loss for NT Hydro by failing to discharge its obligation. The following table sets out NT Hydro's maximum exposure to credit risk under a worst case scenario and does not reflect results expected.

	<u>2017</u>	<u>2016</u>
Loan receivable	\$ 14,395	\$ 15,306
Revenues receivable	12,683	14,559
Sinking fund investments	5,800	7,988
Cash	9,831	1,236
	<u>\$ 42,709</u>	<u>\$ 39,089</u>

#### *Loan receivable*

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by security in place. See Note 4 for additional details.

#### *Revenues receivable*

NT Hydro minimizes revenues receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty six percent (2015/16 - 37%) of NTPC's sales are to two other utilities. Twenty seven percent (2015/16 - 26%) of sales, including HSP and TPSP are to the GNWT.

#### *Sinking fund investments and cash*

NT Hydro minimizes the credit risk of cash and sinking fund investments by dealing with only reputable financial institutions and investing in securities that meet minimum credit ratings as stipulated by its investment policy and limiting exposure to any one security or asset class. An ongoing review is performed to evaluate changes in the status of counterparties.

#### b) Liquidity risk

Liquidity risk is the risk that NT Hydro will encounter difficulty in meeting its obligations associated with its financial liabilities. Debt liquidity risk is managed by the use of sinking fund requirements and amortization provisions on six of the eleven debentures. NT Hydro arranges its financing in such a manner that the total amount of debt maturing in any given year does not exceed its ability to borrow in any given year. This practice gives NT Hydro the maximum flexibility over the use of its cash flow such that both its existing capital expenditure program and its ability to consider any future investment opportunities will not be constrained.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 19. Financial instruments and risk management (continued)

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a \$50,000 operating line with a reputable financial institution. The following table shows the maturities of the operating line of credit, debenture debt, sinking funds, Snare capital lease obligation, the associated loan receivable, and the LNG capital lease agreement:

March 31, 2017					
	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	\$ 3,923	\$ 33,158	\$ 130,218	\$ 63,850	\$ 231,149
Sinking fund investments	-	(5,800)	-	-	(5,800)
Snare capital lease obligation	2,169	9,965	21,374	21,288	54,796
Loan receivable	(2,341)	(11,704)	(7,803)	-	(21,848)
	<u>\$ 3,751</u>	<u>\$ 25,619</u>	<u>\$ 143,789</u>	<u>\$ 85,138</u>	<u>\$ 258,297</u>
March 31, 2016					
	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Operating line of credit	\$ 32,600	\$ -	\$ -	\$ -	\$ 32,600
Debenture debt	2,700	26,138	115,335	38,375	182,548
Sinking fund investments	-	(5,385)	(2,603)	-	(7,988)
Snare capital lease obligation	2,215	10,218	21,941	22,582	56,956
Loan receivable	(2,341)	(11,704)	(10,144)	-	(24,189)
	<u>\$ 35,174</u>	<u>\$ 19,267</u>	<u>\$ 124,529</u>	<u>\$ 60,957</u>	<u>\$ 239,927</u>

#### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Changes in market interest rates will cause fluctuations in the fair value of the loan receivable, the Snare capital lease obligation, the LNG capital lease obligation, debenture debt, and sinking fund investments as all have fixed rates. The impact on net income due to fluctuations in interest rates on the operating line of credit or sinking fund investments is not significant.

#### 20. Subsequent PUB applications

On May 31, 2017 NTPC applied to the PUB to turn off its fuel refund rider effective July 1, 2017. The PUB approved the application on June 30, 2017.

#### 21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Snare Falls headgate structure.



The Colville Lake solar array generates about 20 per cent of the Town's power annually.



**NORTHWEST TERRITORIES POWER CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2017**



**NORTHWEST TERRITORIES  
POWER  
CORPORATION**

*Empowering Communities*



## INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Power Corporation, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Power Corporation as at 31 March 2017, 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.

**Report on Other Legal and Regulatory Requirements**

As required by the *Northwest Territories Power Corporation Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Northwest Territories Power Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Power Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Power Corporation Act* and regulations and the by-laws of the Northwest Territories Power Corporation.



David Irving, CPA, CA  
Principal  
for the Auditor General of Canada

28 July 2017  
Edmonton, Canada

## **NORTHWEST TERRITORIES POWER CORPORATION**

### **Management's Responsibility for Financial Reporting**

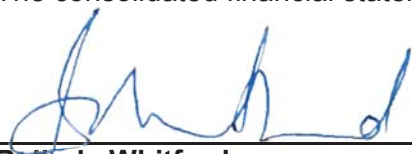
The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant accounting policies are described in Note 2 to the consolidated financial statements. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Northwest Territories Power Corporation (NTPC) maintains financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further NTPC's objectives, are protected from loss or unauthorized use, and that NTPC acts in accordance with the laws of the Northwest Territories and Canada. Management recognizes its responsibility for conducting NTPC's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to an agent of the territorial government. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing his opinion on the consolidated financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

The Board of Directors appoints certain members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and free access to the Audit and Efficiency Committee.

The consolidated financial statements have been approved by the Board of Directors.



**Belinda Whitford**

Chief Financial Officer



**Andrew Davidson**

Controller

Hay River, NT  
July 28, 2017



**NORTHWEST TERRITORIES POWER CORPORATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at March 31**  
*(in thousands of dollars)*

	<b>2017</b>	<b>2016</b>
<b>Financial assets</b>		
Cash	\$ 9,831	\$ 592
Revenues receivable (Note 3)	12,427	14,784
Loan receivable (Note 4)	14,395	15,306
Sinking fund investments (Note 5)	5,800	7,988
Investment in Aadrii Ltd.	385	393
	<b>42,838</b>	<b>39,063</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	15,237	19,404
Capital lease obligations (Note 4)	18,120	18,568
Debenture debt (Note 5)	230,265	181,818
Asset retirement obligations and environmental liabilities (Note 6)	17,943	17,674
Other employee future benefits (Note 7)	3,077	3,056
Operating line of credit (Note 8)	-	32,600
Deferred government contributions (Note 16)	-	2,702
	<b>284,642</b>	<b>275,822</b>
<b>Net debt</b>	<b>\$ (241,804)</b>	<b>\$ (236,759)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	348,707	349,494
Inventories (Note 10)	8,284	8,981
Prepaid expenses	1,316	1,056
	<b>358,307</b>	<b>359,531</b>
<b>Accumulated surplus / equity (Note 11)</b>	<b>\$ 116,503</b>	<b>\$ 122,772</b>

*Contractual obligations and contingencies (Note 18)*

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

**Approved on behalf of the Board:**

  
 Paul Guy, Chairman of the Board

  
 David Stewart, Director

# NORTHWEST TERRITORIES POWER CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the year ended March 31 (in thousands of dollars)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
<b>Revenues</b>			
Sale of power (Note 12)	\$ 103,007	\$ 102,405	\$ 99,783
Other revenue and customer contributions (Note 13)	2,169	1,898	2,511
Interest income (Note 15)	1,520	1,525	1,616
Insurance proceeds	-	70	1,278
Fuel rider revenues (refunds) (Note 1)	(905)	(763)	1,711
(Loss) income from investment in Aadrii Ltd.	75	(8)	(39)
	<u>105,866</u>	<u>105,127</u>	<u>106,860</u>
<b>Expenses (Note 14)</b>			
Thermal generation	59,451	61,813	76,816
Hydro generation	18,357	23,055	18,531
Corporate services	17,841	15,280	17,155
Transmission, distribution and retail	10,999	11,005	10,059
Purchased power	2,125	2,604	2,263
Alternative power generation	307	424	333
	<u>109,080</u>	<u>114,181</u>	<u>125,157</u>
<b>Deficit for the year before government contributions</b>	<u>(3,214)</u>	<u>(9,054)</u>	<u>(18,297)</u>
<b>Government contributions</b>			
GNWT extreme low water contributions (Note 16)	580	1,726	23,008
Other government contributions (Note 16)	-	903	1,732
	<u>580</u>	<u>2,629</u>	<u>24,740</u>
<b>(Deficit) surplus for the year</b>	<u>\$ (2,634)</u>	<u>\$ (6,425)</u>	<u>\$ 6,443</u>
Accumulated surplus / equity, beginning of year	<u>122,772</u>	<u>122,772</u>	<u>116,329</u>
<b>Accumulated surplus / equity, end of year</b>	<u>\$ 120,138</u>	<u>\$ 116,347</u>	<u>\$ 122,772</u>

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

**NORTHWEST TERRITORIES POWER CORPORATION**

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
**For the year ended March 31**  
*(in thousands of dollars)*

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
(Deficit) Surplus for the year	\$ (2,634)	\$ (6,425)	\$ 6,443
Tangible capital assets			
Additions	(31,320)	(14,812)	(27,158)
Capitalized overhead	(3,200)	(3,696)	(3,790)
Capitalized interest (Note 15)	(343)	(571)	(745)
Disposals	-	3,850	4,458
Amortization (Note 9)	17,026	16,016	16,152
	<u>(17,837)</u>	<u>787</u>	<u>(11,083)</u>
Acquisition of inventories	(5,192)	(6,028)	(7,270)
Use of inventories	4,747	6,725	7,431
Acquisition of prepaids	(1,700)	(1,633)	(1,759)
Use of prepaids	1,600	1,373	1,557
	<u>(545)</u>	<u>437</u>	<u>(41)</u>
<b>Increase in net debt for the year</b>	<b>\$ (21,016)</b>	<b>\$ (5,201)</b>	<b>\$ (4,681)</b>
Net debt, beginning of year	<u>(236,759)</u>	<u>(236,759)</u>	<u>(232,078)</u>
<b>Net debt, end of year</b>	<b>\$ (257,775)</b>	<b>\$ (241,960)</b>	<b>\$ (236,759)</b>

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

**NORTHWEST TERRITORIES POWER CORPORATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended March 31**  
*(in thousands of dollars)*

	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used in) operating activities</b>		
Cash receipts from customers	\$ 105,550	\$ 103,955
Cash paid to suppliers	(53,149)	(70,914)
Cash paid to employees	(26,890)	(26,693)
Interest paid (Note 4)	(11,331)	(11,310)
Interest received (Note 4)	95	104
Government contributions received	5,508	21,270
Government contributions returned	(5,771)	-
	<b>14,012</b>	<b>16,412</b>
<b>Cash provided by (used in) investing activities</b>		
Sinking fund investment redemptions (Note 5)	2,616	-
Sinking fund installments (Note 5)	(428)	(794)
Loan receivable receipts (Note 4)	174	128
Return of capital from Aadrii Ltd.	-	225
	<b>2,362</b>	<b>(441)</b>
<b>Cash provided by (used in) capital activities</b>		
Acquisition and development of tangible capital assets	(19,089)	(28,825)
Proceeds on sale of tangible capital assets	-	164
	<b>(19,089)</b>	<b>(28,661)</b>
<b>Cash (used in) provided by financing activities</b>		
Issuance of debenture debt	60,000	-
Net (payments made on) proceeds from operating line of credit	(32,600)	14,485
Repayment of capital lease obligation (Note 4)	(43)	(34)
Early redemption penalty	(4,552)	-
Repayment of debenture debt	(11,399)	(2,552)
Borrowing from related parties	548	817
	<b>11,954</b>	<b>12,716</b>
<b>Increase in cash</b>	<b>\$ 9,239</b>	<b>\$ 26</b>
Cash, beginning of year	592	566
<b>Cash, end of year</b>	<b>\$ 9,831</b>	<b>\$ 592</b>

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

## NORTHWEST TERRITORIES POWER CORPORATION

### 1. The Corporation

#### a) Authority and corporate information

The Northwest Territories Power Corporation (NTPC) was established under the *Northwest Territories Power Corporation Act*. NTPC is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Northwest Territories Hydro Corporation (NT Hydro) is the parent company and holds all of the common shares of NTPC. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro and owns one preferred share of NTPC (Note 11).

NTPC owns and operates hydroelectric, diesel, natural gas and photovoltaic generation facilities for the distribution and transmission of utility services to residents and businesses in the Northwest Territories (NWT). NTPC controls one wholly-owned subsidiary, the Northwest Territories Energy Corporation Ltd. (NWTEC). NWTEC, under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydroelectric facility (Note 4). NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson, Aadrii Ltd.

#### b) Regulated activities

The activities of NTPC are regulated by the Public Utilities Board (PUB) of the Northwest Territories pursuant to the *Public Utilities Act*. The PUB regulates matters covering rates, financing, accounting for regulatory purposes, construction, operation and service area. As the PUB is a board appointed by the GNWT, and NTPC is a public agency of the GNWT, NTPC and the PUB are related parties.

The PUB is required to review the affairs, earnings and accounts of NTPC a minimum of every three years. The regulatory hearing process used to establish or change rates typically begins when NTPC makes a General Rate Application (GRA) for its proposed electricity rate changes. Normally, NTPC applies for rates in advance of the applicable fiscal years (Test Years) to which the new rates will apply. In addition to GRAs, interim rate applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next GRA, when rates are reviewed and set as final.

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. On January 21, 2013 in Decision 1-2013 the PUB approved a return on equity for 2013/14 of 8.5% on assets outside the thermal zone and 0% for thermal zone assets. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

NTPC filed its 2016/19 GRA on June 30, 2016. This application requests a change to NTPC's amortization rates as well as its energy rates charged to customers. A decision from the PUB is not expected on this GRA until the fall of 2017.

NTPC filed a 2016/17 Interim Rate Application with the PUB on June 30, 2016 requesting a 4.8% increase to base energy rates for all customers effective August 1, 2016. The PUB approved this application on July 26, 2016. NTPC also filed a 2017/18 Interim Rate Application with the PUB on February 28, 2017, proposing a 4% increase to the 2016/17 rates effective April 1, 2017. The PUB approved this application on March 31, 2017. Any difference between the 2016/17 and 2017/18 interim rates and the final rates for 2016/17 and 2017/18 approved by the PUB in its decision on the 2016/19 GRA will be refunded or collected from customers on a prospective basis and will be

## **NORTHWEST TERRITORIES POWER CORPORATION**

### **Note 1. The Corporation (continued)**

adjusted in 2017/18.

In Decision 16-2010, pursuant to the Electricity Rate Policy Guidelines issued by the Minister Responsible for the PUB, the PUB approved the establishment of the Territory-wide Rate Stabilization Fund (RSF) for NTPC. This fund is subject to a \$2,500 threshold, variances in fuel prices and purchased power prices relative to the PUB approved base, and accumulates fuel mix variances in dual fuel communities. This fund is drawn down by the use of rate riders or refund riders. The PUB approved a RSF rider of 1.17 cents/kWh effective May 1, 2014 for all firm power customers with the exception of Northland Utilities (NWT) Limited. The collection of this rider completed on October 31, 2015.

On April 29, 2016 NTPC filed a refund rider application to refund the balance of the RSF to customers resulting from the world wide decrease in fuel prices over the past two years. The PUB's Decision 6-2016 approved the refund rider of 0.36 cents/kWh effective June 1, 2016. See subsequent event information in Note 20.

#### **c) Economic dependence**

NTPC has historically been able to maintain its operations and meet its liabilities through the rate regulation process without receiving any significant financial assistance from the GNWT. Over the past few years, in order to mitigate rate increases to customers, the GNWT has provided larger increases in subsidization to customers and rate riders by providing direct contributions to NTPC to apply against those rate increases and the RSF. As a result of this government driven policy, NTPC is economically dependent on the GNWT to maintain its operations and meet its liabilities. It is expected that the ongoing operations of NTPC will depend on continued financial support from GNWT.

#### **d) Governance**

On May 24, 2016 the GNWT formed a Board of Directors comprised of Deputy Ministers from the GNWT. Part of the new Board's mandate is to review and recommend an appropriate long term governance structure for NTPC.

## **2. Significant accounting policies**

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board (PSAB). The accounting policies set out below have been applied in preparing the consolidated financial statements.

#### **a) Basis of consolidation**

The consolidated financial statements of NTPC consist of the consolidation of NTPC and its wholly owned subsidiaries, from the date that control commences until the date that control ceases. Inter-entity transactions and balances with these wholly owned subsidiaries are eliminated upon consolidation. NTPC's investment in a government business partnership, Aadrii Ltd. is accounted for using the modified equity method applied using NWTEC's 50% share of Aadrii Ltd. to record its

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 2. Significant accounting policies (continued)

investment, net income and other changes in equity. The inter-entity transactions and balances with Aadrii Ltd. have not been eliminated.

The consolidated budget figures presented in these financial statements were approved by the Board and the board of consolidated entities and include adjustments to eliminate budgeted inter-entity revenues and expenses. The budget figures do not reflect any forecast changes made throughout the year.

#### b) Measurement uncertainty

To prepare these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. Significant estimates include the estimated useful life, impairment and the value of future economic benefits associated with the tangible capital assets, the provision for other employee future benefits and the provision for asset retirement obligations and environmental liabilities.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ significantly from these estimates.

#### c) Inventories

Inventories are only held for use and consist mainly of materials, supplies, lubricants, critical spare parts and fuel. Inventories are recorded at cost. Cost is determined using the weighted average cost method. Impairments, when recognized, result in a write-down to net realizable value.

#### d) Financial instruments

The financial instruments of NTPC are classified and measured at amortized cost using the effective interest method and include the following: cash, revenues receivable, sinking fund investments, loan receivable, accounts payable and accrued liabilities, the operating line of credit and debenture debt.

A provision for impairment of revenues receivable and the loan receivable is established when there is objective evidence that NTPC will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that revenues receivable are impaired. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of operations and accumulated surplus as bad debt expense. When a receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in the consolidated statement of operations and accumulated surplus.

All financial assets are tested annually for impairment or more frequently if indicators of impairment exist. When these financial assets are impaired, impairment losses are recorded in the consolidated statement of operations and accumulated surplus. Such impairment is not reversed following a subsequent increase in value. Transaction costs, with respect to financial assets and liabilities carried

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 2. Significant accounting policies (continued)

at amortized cost, are added to the initial cost of the acquired financial asset or financial liability.

#### e) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at historical cost less accumulated amortization. Costs include amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and capitalized interest directly attributable to construction or development (IDC). Capitalization of interest ceases when no construction or development is taking place or when a tangible capital asset is ready for use. The IDC rate for 2016/17 was 5.676% (2015/16 – 5.676%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

##### *i) Leased tangible capital assets*

Leases that transfer substantially all of the benefits and risks incidental to ownership of tangible capital assets are accounted for as leased tangible capital assets and a lease liability. The value of the leased tangible capital asset and lease liability is recorded at the inception of the lease based upon the present value of the minimum lease payments, excluding executory costs.

##### *ii) Transfers of tangible capital assets*

Tangible capital assets received as contributions from third parties are recorded as assets and revenue at their fair value at the date of receipt, except in circumstances where fair value cannot reasonably be determined, in which case they are recognized at nominal value.

##### *iii) Impairment*

When conditions indicate that a tangible capital asset no longer contributes to NTPC's ability to provide services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect that a permanent decline in the value of the asset has occurred. The related expense is recorded in the consolidated statement of operations and accumulated surplus and is not reversed if conditions subsequently change.

##### *iv) Amortization*

For 2016/17 management has utilized amortization rates as proposed in its most recent amortization study and included in the Phase 1 of the 2016/19 GRA currently in front of the PUB. The PUB may approve different rates for 2016/17 when it issues its decision in 2017/18. Any difference between management's estimate of amortization rates and the final PUB rates will be adjusted in 2017/18. The cost, less residual value, of tangible capital assets, excluding land, is amortized on the straight-line average group useful life basis.



## NORTHWEST TERRITORIES POWER CORPORATION

### Note 2. Significant accounting policies (continued)

Annual amortization rates are as follows:

	<b>2017</b>	<b>2016</b>
	<b>Rates (%)</b>	<b>Rates (%)</b>
Electric power plants	1.00 – 4.86	1.00 – 6.63
Transmission and distribution systems	1.54 – 6.67	1.54 – 5.00
Warehouse, equipment, motor vehicles and general facilities	1.31 – 20.00	1.00 – 12.83
Electric power plant under capital lease	1.00 – 4.86	1.33 – 1.54

Assets under construction are not amortized until they are ready for their intended productive use. NTPC uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

#### f) Government contributions

Government contributions are recognized as revenue when the contributions are authorized and any eligibility criteria are met, except to the extent that stipulations of a contribution give rise to an obligation that meets the definition of a liability, in which case the contribution is recorded as a deferred government contribution and subsequently recognized as revenue when the stipulations are met.

#### g) Customer contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of cash contributions from customers. These contributions are recorded as revenues when all external restrictions or stipulations imposed by an agreement with the external party related to the contribution have been satisfied, generally when the resources are used for the purposes intended.

#### h) Public service pension plan

All eligible employees participate in the Public Service Pension Plan ("the Plan"), administered by the Government of Canada. The Plan is a multi-employer contributory defined benefit plan established through legislation. NTPC's contributions to the Plan are charged as an expense on a current year basis and represent the total pension obligations. NTPC is not required under present legislation to make contributions with respect to actuarial deficiencies of the Plan.

#### i) Other employee future benefits

The expected cost of providing these benefits is actuarially determined using assumptions based on management's best estimates and are recognized as employees render service. The benefit plans are not funded and thus have no assets, resulting in plan deficits equal to the accrued benefit obligation.

##### i) *Severance and ultimate removal benefits*

Under the terms and conditions of employment, eligible employees may earn severance and removal benefits based on employee start dates, years of service, final salary and point of hire. The benefits are paid upon resignation, retirement or death of an employee.

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 2. Significant accounting policies (continued)

#### ii) *Sick leave benefits*

NTPC provides certain sick leave benefits that are available to be used in future periods when claimed by the employee upon becoming sick. The sick leave benefits accumulate, do not vest and are not paid out to employees upon resignation, or retirement or death of an employee.

#### j) **Asset retirement obligations**

On an annual basis, NTPC identifies legal obligations associated with the retirement of its tangible capital assets. Management's best estimate of the future expenditures required to settle the legal obligations are recognized to the extent that they can be reasonably estimated and are calculated based on the estimated future cash flows necessary to discharge the legal obligations, discounted using NTPC's cost of borrowing for maturity dates that coincide with the expected future cash flows.

The estimated asset retirement obligation (ARO) is recorded as a liability and a corresponding increase to tangible capital assets. The liability for AROs is increased annually for the passage of time by calculating accretion on the liability based on the discount rates implicit in the initial measurement. Changes in the obligation resulting from revisions to the timing or amount of the estimated undiscounted future cash flows or revisions to the discount rate are recognized as an increase or decrease in the related carrying amount of the related tangible capital asset.

NTPC has identified other sites where NTPC expects to maintain and operate these assets indefinitely and therefore no related ARO has been recognized.

#### k) **Environmental liabilities**

Environmental liabilities consist of the estimated costs related to the monitoring, maintenance and remediation of environmentally contaminated sites. NTPC recognizes environmental liabilities when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NTPC is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made.

Environmental liabilities are discounted for the time value of money. NTPC reviews its estimates of future environmental liabilities on an on-going basis.

#### l) **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates at year-end. Foreign currency transactions are translated into Canadian dollars using rates in effect at the time the transactions were entered into. All realized exchange gains and losses are included in surplus for the year according to the activities to which they relate.

## **NORTHWEST TERRITORIES POWER CORPORATION**

### **Note 2. Significant accounting policies (continued)**

#### **m) Revenues**

Revenues for the sale of power and fuel rider revenues (refunds) are recognized in the period earned based on cyclical meter readings. Sale of power revenues and fuel rider revenues (refunds) include accruals for electricity sales not yet billed.

Interest, contract, contribution and other revenues are recognized on the accrual basis.

#### **n) Expenses**

Expenses are recognized on an accrual basis.

#### **o) Contractual obligations and contingencies**

The nature of NTPC's activities require entry into 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 funding commitments for operating and capital projects. Contractual obligations are obligations of NTPC to others that will become liabilities in the future when the terms of those contracts or agreements are met.

The contingencies of NTPC are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. If the future event is considered likely to occur and is quantifiable, an estimated liability is accrued. If the occurrence of the confirming future event is likely but the amount of the liability cannot be reasonably estimated, the contingency is disclosed. If the occurrence of the confirming future event is not determinable, the contingency is disclosed.

#### **p) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the change in net debt during the year.

#### **q) Future accounting changes**

PSAB issued new standards in March 2015 on Related Party Transactions (PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions) and four new standards related to Assets (PS 3210), Contingent Assets (PS 3320), Contractual Rights (PS 3380) and Restructuring Transactions (PS 3430) in June 2015. All these new standards have an effective date of April 1, 2017, except for PS 3430 that has an effective date of April 1, 2018.

NTPC will analyze the impact of these new standards on its consolidated financial statements.

## NORTHWEST TERRITORIES POWER CORPORATION

### 3. Revenues receivable

At March 31, 2017, the aging of revenues receivable was as follows:

	<b>Current (less than 28 days)</b>	<b>29-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Utility	\$ 9,317	\$ 1,062	\$ 424	\$ 10,803
Non-utility	1,033	44	809	1,886
Allowance for doubtful accounts	-	-	(262)	(262)
	<u>\$ 10,350</u>	<u>\$ 1,106</u>	<u>\$ 971</u>	<u>\$ 12,427</u>

At March 31, 2016, the aging of revenues receivable was as follows:

	<b>Current (less than 28 days)</b>	<b>29-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Utility	\$ 11,180	\$ 523	\$ 298	\$ 12,001
Non-utility	2,661	2	438	3,101
Allowance for doubtful accounts	-	-	(318)	(318)
	<u>\$ 13,841</u>	<u>\$ 525</u>	<u>\$ 418</u>	<u>\$ 14,784</u>

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 3. Revenues receivable (continued)

The changes in the allowance for doubtful accounts were as follows:

	<b>2017</b>	<b>2016</b>
Balance, beginning of the year	\$ (318)	\$ (512)
Receivables written off	91	89
Change to allowance	(35)	105
Balance, end of the year	\$ (262)	\$ (318)

Revenues receivable on utility and non-utility accounts are generally due in 45 days and interest is charged after 28 and 30 days, respectively, at rates in the terms of service agreement. As at March 31, 2017, NTPC provided an allowance for doubtful accounts for some of its revenues receivable accounts with amounts outstanding longer than 90 days. Additional disclosures on NTPC's exposure and management of credit risk associated with revenues receivable can be found in Note 19.

#### 4. Loan receivable and capital lease obligations

##### Loan receivable

NWTEC loaned \$22,900 to the Dogrib Power Corporation (DPC) to finance the construction of a hydroelectric generating plant on the Snare River (the "Snare Plant") in the NWT between 1994 and 1996. The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWTEC's debenture debt issued to finance the loan. It is due July 2026 and is repayable in equal monthly blended principal and interest payments of \$195.

Loan receivable payments and the capital lease payments for the Snare Plant are settled on a net basis and are presented segregated on the statement of cash flows. Loan receivable principal payments of \$911 (2015/16 - \$827) and interest income of \$1,430 (2015/16 - \$1,513) were offset by capital lease principal payments of \$405 (2015/16 - \$405) and interest expense of \$1,762 (2015/16 \$1,807). As a result, the net cash receipt of \$174 (2015/16 - \$128) is disclosed in the statement of cash flows as loan receivable receipts.

##### Capital lease obligations

###### *Snare Cascades*

NTPC has an initial 65-year lease from the DPC for the Snare Cascades at an imputed interest rate of 9.6% until 2061. The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by arbitration. The renewal term will be based on the end of the useful life of the property or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Cascades is included in electric power plant under capital lease (Note 9).

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 4. Loan receivable and capital lease obligations (continued)

A \$4,000 guarantee from DPC's parent company, the Tlicho Investment Corporation and a blocked account agreement established by DPC provide collateral for the loan receivable. NWTEC has signing authority and full control over the blocked account in the event of default. At the beginning of each fiscal year, the balance in the blocked account must be equal to the top up payments (the difference between the loan payment made by DPC to NWTEC and the lease payment received by DPC from NTPC) required for the next 12 months.

#### *Colville Lake Office*

In 2016, NTPC entered into a capital lease arrangement for an office in Colville Lake with minimum monthly payments of \$4 until June 1, 2020. The present values of the minimum lease payments required for the capital lease obligations over the next five years and thereafter are as follows:

	<b>Snare Cascades</b>	<b>Colville Lake Office</b>	<b>Total</b>
2018	\$ 2,121	\$ 48	\$ 2,169
2019	2,073	48	2,121
2020	2,024	48	2,072
2021	1,974	8	1,982
2022	1,922	-	1,922
Thereafter	44,530	-	44,530
	54,644	152	54,796
Less: amounts representing imputed interest	(36,668)	(8)	(36,676)
<b>Total capital lease obligations</b>	<b>\$ 17,976</b>	<b>\$ 144</b>	<b>\$ 18,120</b>

Additional disclosures on NTPC's exposure and management of risk associated with the loan receivable and capital lease obligations can be found in Note 19.

**NORTHWEST TERRITORIES POWER CORPORATION**

**5. Debenture debt and related sinking fund investments**

**Debenture debt**

	<b>2017</b>	<b>2016</b>
3.982% amortizing debenture, due February 17, 2047	\$ 60,000	\$ -
5.16% amortizing debenture, due September 13, 2040	45,566	46,545
5.443% debenture, due August 1, 2028	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032	10,667	11,333
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	5,528	5,883
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	4,743	5,085
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	4,645	5,002
8.41% sinking fund debentures, due February 27, 2026	-	8,700
	<b>\$ 231,149</b>	<b>\$ 182,548</b>
Less: Unamortized premium, discount and issuance costs	(884)	(730)
	<b>\$ 230,265</b>	<b>\$ 181,818</b>

The GNWT guarantees NTPC's debenture debt.

Principal repayments for future years are as follows:

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Thereafter</b>	<b>Total</b>
\$ 3,923	\$ 14,136	\$ 4,364	\$ 4,613	\$ 4,879	\$199,234	\$231,149

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 5. Debenture debt and related sinking fund investments (continued)

#### Sinking fund investments and requirements

Sinking fund investments are held by the Trustee restricted for the redemption of debentures. The agreements require annual installments to retire debt at maturity. NTPC's sinking fund policy allows only Canadian fixed-income investments with investment grade credit. All asset classes are measured at cost or amortized cost, and market value approximates cost due to the short-term to maturity of the investments. Additional disclosures on NTPC's exposure and management of risk associated with sinking fund investments can be found in Note 19.

The weighted average effective rate of return for the year was 0.47% (2015/16 - 0.48%)

Estimated sinking fund investment requirements for future years are as follows:

<u>2018</u>	<u>2019</u>	<u>Thereafter</u>	<u>Total</u>
\$ 425	\$ 425	\$ -	\$ 850

From time-to-time the opportunity arises for NTPC to refinance existing debt with more favorable interest rates. On December 16, 2016, the Board of Directors authorized the redemption of \$8.7 million face value 8.41% debenture due February 27, 2026. As of March 28, 2017, NTPC redeemed in full the debenture at a price of \$152.994, including unpaid accrued interest, per \$100 face value. As per the debenture, the redemption price was calculated to provide a yield to maturity equal to the Government of Canada 1.5% June 1, 2026 yield to maturity plus 0.20%. The full amount of the associated sinking fund, \$2,616, was redeemed and used to repay the debenture with the remainder, including a current year loss on redemption of \$4,552, coming from NTPC's main operating account.

### 6. Asset retirement obligations and environmental liabilities

	<u>2017</u>			<u>2016</u>		
	<u>ARO</u>	<u>Env. Liability</u>	<u>Total</u>	<u>ARO</u>	<u>Env. Liability</u>	<u>Total</u>
Opening balance	\$ 6,846	\$ 10,828	\$ 17,674	\$ 7,086	\$ 11,467	\$ 18,553
Liabilities settled	(92)	(197)	(289)	(1,358)	(283)	(1,641)
Accretion Expense	180	-	180	166	-	166
Valuation Adjustment	185	141	326	871	(356)	515
Additions	219	-	219	255	-	255
Disposals	(167)	-	(167)	(174)	-	(174)
Balance, end of year	<u>\$ 7,171</u>	<u>\$ 10,772</u>	<u>\$ 17,943</u>	<u>\$ 6,846</u>	<u>\$ 10,828</u>	<u>\$ 17,674</u>



## NORTHWEST TERRITORIES POWER CORPORATION

### Note 6. Asset retirement obligations and environmental liabilities (continued)

AROs include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NTPC and the remediation of contaminated sites. Following is a summary of the key assumptions upon which the carrying amount of the AROs is based:

- Total expected future cash flows - \$48,192 (2015/16 - \$48,132)
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 73 years with the majority occurring after 2040.
- The discount rate is the cost of borrowing rate of 2.64% (2015/16 – 2.47%) for those obligations to be settled in less than 10 years and 3.57% (2015/16 – 3.5%) for those obligations to be settled in 10 years or longer.

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NTPC estimates that it has 24 sites (2015/16 - 24 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NTPC is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

Management estimates that over 75% of the contamination occurred prior to May 5, 1988 when the Government of Canada controlled Northern Canada Power Commission (NTPC's predecessor company). There is no provision recorded in these consolidated financial statements for a potential recovery from the Government of Canada.

## 7. Other employee future benefits

### a) Public Service Pension Plan

The employees of NTPC participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.01 times (2015/16 – 1.15) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2015/16 – 1.1) the employees' contributions for all other employees. Employer contributions of \$2,249 (2015/16 - \$2,697) were recognized as an expense in the current year. The employees' contribution to this plan were \$1,894 (2015/16 - \$1,850).

The Plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60. Contribution rates for current service for all members of the public service have been gradually increasing the employer - employee cost sharing ratio of 50:50 arrived at in 2017.

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 7. Other employee future benefits (continued)

#### b) Other employee future benefits

Summary of other employee future benefit liabilities:

	2017			2016		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Opening net future obligation	\$ 3,012	\$ 44	\$ 3,056	\$ 2,987	\$ 177	\$ 3,164
Less prior year unamortized net actuarial (gain) loss	(60)	72	12	79	5	84
Accrued benefit obligation, beginning of the year	2,952	116	3,068	3,066	182	3,248
Benefits earned	273	10	283	304	14	318
Interest	70	3	73	71	2	73
Benefits paid	(318)	(19)	(337)	(508)	(79)	(587)
Plan amendments	-	-	-	79	-	79
Actuarial gains (losses)	274	156	430	(60)	(3)	(63)
Accrued benefits paid during the year	3,251	266	3,517	2,952	116	3,068
Unamortized net actuarial (gain) loss	(221)	(219)	(440)	60	(72)	(12)
Net Future obligation	\$ 3,030	\$ 47	\$ 3,077	\$ 3,012	\$ 44	\$ 3,056

NTPC provides accumulating sick leave employee benefits of one and one quarter days of sick leave per month which will require funding in future periods when claimed upon an employee becoming sick. Sick leave can only be used for paid time off for illness of the employee. Sick leave taken is paid at the employee's normal rate of pay. The sick leave benefits are not paid out to an employee upon termination of employment, resignation or retirement. Unused sick days accumulate and there are no limits to the accumulation. Sick leave benefits accumulate over the periods of service provided by employees and are recognized as services are performed to earn them.

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 7. Other employee future benefits (continued)

Total expenses related to the severance, removal benefit and sick leave plan include the following components:

	<u>2017</u>	<u>2016</u>
Current benefits earned	\$ 283	\$ 313
Interest	73	73
Amortization of net actuarial loss	2	9
	<u>\$ 358</u>	<u>\$ 395</u>

The actuarial valuation reflects management's best estimate based upon a number of assumptions about a number of future events including:

	<u>2017</u>	<u>2016</u>
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	2.00%	2.33%
Expected average remaining service life of related employee groups (EARSL)	<u>8.5 years</u>	<u>8.6 years</u>

### 8. Operating line of credit

NTPC has a \$50,000 (2015/16 - \$50,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers' Acceptances or other advances directly against the line of credit.

NTPC's short term debt against its operating line of credit as of March 31, 2017 was nil (2015/16 - \$32,600). The short term debt outstanding at March 31, 2016 had a weighted average 43 day term and a 1.72% weighted average annual interest rate.

**NORTHWEST TERRITORIES POWER CORPORATION**

**9. Tangible capital assets**

<b>March 31, 2017</b>						
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
<b>Cost</b>						
Opening balance	\$ 324,951	\$ 89,907	\$ 60,007	\$ 26,891	\$ 16,766	\$ 518,522
Additions	102	950	-	-	18,027	19,079
Transfers – completed projects	14,295	3,200	2,934	2,334	(22,763)	-
Disposals	(3,757)	(225)	(2,367)	(718)	-	(7,067)
Closing balance	335,591	93,832	60,574	28,507	12,030	530,534
<b>Accumulated amortization</b>						
Opening balance	(105,173)	(28,637)	(27,158)	(8,060)	-	(169,028)
Amortization	(9,465)	(2,402)	(3,721)	(428)	-	(16,016)
Disposals and adjustments	1,756	(215)	1,489	187	-	3,217
Closing balance	(112,882)	(31,254)	(29,390)	(8,301)	-	(181,827)
<b>Net book value</b>	<b>\$ 222,709</b>	<b>\$ 62,578</b>	<b>\$ 31,184</b>	<b>\$ 20,206</b>	<b>\$ 12,030</b>	<b>\$ 348,707</b>

<b>March 31, 2016</b>						
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
<b>Cost</b>						
Opening balance	\$ 312,907	\$ 86,299	\$ 55,028	\$ 26,469	\$ 15,637	\$ 496,340
Additions	1,125	-	-	-	30,568	31,693
Transfers – completed projects	15,225	5,088	8,704	422	(29,439)	-
Disposals	(4,306)	(1,480)	(3,725)	-	-	(9,511)
Closing balance	324,951	89,907	60,007	26,891	16,766	518,522
<b>Accumulated amortization</b>						
Opening balance	(97,214)	(27,096)	(25,999)	(7,620)	-	(157,929)
Amortization	(9,531)	(2,365)	(3,816)	(440)	-	(16,152)
Disposals	1,572	824	2,657	-	-	5,053
Closing balance	(105,173)	(28,637)	(27,158)	(8,060)	-	(169,028)
<b>Net book value</b>	<b>\$ 219,778</b>	<b>\$ 61,270</b>	<b>\$ 32,849</b>	<b>\$ 18,831</b>	<b>\$ 16,766</b>	<b>\$ 349,494</b>

## NORTHWEST TERRITORIES POWER CORPORATION

### 10. Inventories

	<u>2017</u>	<u>2016</u>
Materials, supplies and lubricants	\$ 4,567	\$ 4,461
Critical spare parts	3,424	4,169
Fuel	293	351
	<u>\$ 8,284</u>	<u>\$ 8,981</u>

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is only held in five of NTPC's operating plants. The liquefied natural gas (LNG) fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 18. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 18.

### 11. Accumulated surplus / equity

	<u>2017</u>	<u>2016</u>
Share capital, common and preferred shares	\$ 43,129	\$ 43,129
Accumulated operating surplus / equity	73,218	79,643
	<u>\$ 116,347</u>	<u>\$ 122,772</u>

The authorized share capital of NTPC is comprised of an unlimited number of common shares without par value and one preferred, non-cumulative share without par value. As at March 31, 2017, 431,288 common shares (2015/16 – 431,288 shares) at ten cents per share (2015/16 – ten cents per share) have been issued and fully paid, and one preferred share at one dollar. NTPC may only issue its preferred shares to the GNWT.

### 12. Sale of power

	<u>2017</u>	<u>2016</u>
Power sales to external customers	\$ 75,770	\$ 73,649
Power sales to GNWT and related parties	14,820	14,525
GNWT HSP payments	6,230	6,330
GNWT TPSP payments	5,585	5,279
	<u>\$ 102,405</u>	<u>\$ 99,783</u>

Sale of power includes GNWT support program payments received by NTPC on behalf of customers. The GNWT offers these support programs to both NTPC and Northland Utilities Ltd. customers.

The GNWT Territorial Power Support Program ("TPSP") payments subsidize residential power rates to the rate paid in Yellowknife for energy used within a specified threshold.

The GNWT Housing Support Program ("HSP") payments subsidize the difference between the specified rate paid by GNWT residential customers living in public housing and the PUB residential rate for that community.

NTPC administers these support programs on behalf of the GNWT and invoices the GNWT monthly for the payments. The support payments are subject to the same terms as other utility customers as per NTPC's Terms and Conditions of Service.

## NORTHWEST TERRITORIES POWER CORPORATION

### 13. Other revenue and customer contributions

	<u>2017</u>	<u>2016</u>
Miscellaneous (Note 17)	\$ 529	\$ 105
Contract work	446	762
Pole rental	287	283
Connection fees	266	296
Heat revenues	208	291
Contributions in aid of construction	162	774
	<u>\$ 1,898</u>	<u>\$ 2,511</u>

### 14. Expenses

The following is a summary of the expenses for the year by object:

	<u>2017</u>	<u>2016</u>
Fuels and lubricants (Note 18)	\$ 27,467	\$ 40,641
Salaries and wages	26,200	25,051
Supplies and services	20,601	23,934
Amortization (Note 9)	16,016	16,152
Interest expense (Note 15)	12,662	12,380
Net loss on debt (Note 5)	4,552	-
Net loss on disposal of assets	3,850	4,252
Travel and accommodation	2,653	2,581
Accretion on ARO's (Note 6)	180	166
	<u>\$ 114,181</u>	<u>\$ 125,157</u>

### 15. Interest expense and interest income

#### Interest expense

	<u>2017</u>	<u>2016</u>
Interest on debenture debt and capital leases (Notes 4, 5)	\$ 12,673	\$ 12,556
Short-term debt financing costs (Note 8)	560	569
Capitalized interest during construction	(571)	(745)
	<u>\$ 12,662</u>	<u>\$ 12,380</u>

#### Interest income

	<u>2017</u>	<u>2016</u>
Income on loan receivable (Note 4)	\$ 1,430	\$ 1,513
Income from sinking fund investments (Note 5)	38	35
Income from overdue accounts	57	68
	<u>\$ 1,525</u>	<u>\$ 1,616</u>

## **NORTHWEST TERRITORIES POWER CORPORATION**

### **16. Government contributions**

#### **GNWT extreme low water contributions**

In 2015/16, NTPC signed a multi-year funding agreement with the GNWT to fund diesel fuel and lubricant costs and salaries related to additional operating time resulting from extreme low water on NTPC's hydro system between October 15, 2015 and March 31, 2017. Under this agreement NTPC received \$4,500 in 2016/17. NTPC had an unspent balance of extreme low water contributions from 2015/16 of \$2,702. During 2016/17, NTPC incurred \$1,726 in costs eligible under this agreement (2015/16 - \$23,008), and repaid \$5,771 in unspent 2015/16 and 2016/17 contributions, resulting in an overall net receivable from GNWT of \$295 recorded in revenues receivable at March 31, 2017.

#### **Other government contributions**

In 2016/17, NTPC signed a single year agreement with Indigenous and Northern Affairs Canada to fund the costs associated with an Exhaust Gas Recovery Unit (EGRU) to operate in the community of Inuvik. NTPC received \$414, of which it had incurred \$394 in eligible costs by March 31, 2017, resulting in a balance recorded under accounts payable and accrued liabilities of \$21.

In 2016/17, NTPC signed four single year agreement with the GNWT. The first agreement was to install a variable speed generator as a pilot project to improve fuel efficiency in Aklavik. The agreement was for \$338, \$300 of which was received during 2016/17. NTPC incurred eligible costs in excess of this amount, and recorded the contribution as revenue. \$38 is recorded in revenues receivable on March 31, 2017. The second agreement was to fund the costs associated with defining data logging information at the Colville Lake project site. This agreement was for \$45, which was fully spent and received as at March 31, 2017. Additionally, NTPC signed an agreement with GNWT for the in-kind transfer of the data logger. This asset had a contribution value of \$35 as recorded under electric power plants in tangible capital assets. The fourth agreement was to fund the costs associated with electricity regulation and energy review analysis. The agreement was for \$60. NTPC incurred \$38 in eligible costs, received \$30 and has recorded a revenue receivable at March 31, 2017 of \$8. NTPC also received \$53 from the GNWT for apprenticeship training support.

### **17. Related party transactions and balances**

NTPC is a Territorial public agency and consequently is related to the GNWT and its agencies and corporations. NTPC provides utility services to, and purchases fuel and other services from, these related parties. These transactions are in the normal course of operations and are at the same rates and terms as those with similar unrelated customers and suppliers.

**NORTHWEST TERRITORIES POWER CORPORATION**

**Note 17. Related party transactions and balances (continued)**

Transactions with related parties and balances at year-end not disclosed elsewhere in these consolidated financial statements are as follows:

	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Other revenue	\$ 978	\$ 486
<b>Expenses</b>		
Purchases of fuel from Public Works and Services Division of the GNWT (PWS) (Note 18)	\$ 21,002	\$ 34,380
Other operating expenses	243	273
	\$ 21,245	\$ 34,653
<b>Financial assets</b>		
<b>Revenues receivable</b>		
Utility	\$ 1,453	\$ 1,040
Non-utility	39	93
	\$ 1,492	\$ 1,133
<b>Liabilities</b>		
Accounts payable to PWS for fuel (Note 18)	\$ 4,232	\$ 6,610
Other accounts payable and accrued liabilities	12	26
	\$ 4,244	\$ 6,636

**Transfer of related party operations / loan write-off**

As part of the windup of NTEC(03), a related party to NTPC and initiated in 2014/15, in 2016/17 NTEC(03)'s asset and liability balances were settled. NTPC recorded a net gain totaling \$425 on its previous loan to NTEC(03) as a result of the settlement of NTEC(03) balances. This is recorded in miscellaneous revenue. As at March 31, 2017, NTEC(03) has no remaining assets or liabilities. Management intends to preserve NTEC(03) as an inactive corporation for the foreseeable future.



**NORTHWEST TERRITORIES POWER CORPORATION**

**18. Contractual obligations and contingencies**

**a) Contractual obligations**

NTPC has entered into agreements for, or is contractually committed for the following expenses that will be incurred subsequent to March 31, 2017:

	<u>Expiry</u>	<u>2018</u>	<u>2019 and subsequent</u>
Non related parties	2021	\$ 8,696	\$ 1,524

NTPC has entered into the following contractual obligations with related parties:

*Fuel management services agreement*

NTPC has a fuel management services agreement with the PWS. Under this agreement fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by PWS. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from PWS in a given year. The contract expires March 31, 2021.

*LNG purchases*

On October 31, 2013 NTPC entered into an agreement with NTEC(03) to supply NTPC with LNG to NTPC's Inuvik facilities. This contract was transferred to PWS as of April 1, 2015 without interruption of service. The agreement is effective for five years until October 31, 2018. The price of LNG under this agreement varies with PWS's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee.

**b) Contingencies**

*Statement of claim*

The owners of a lodge on Nonacho Lake upstream of the Taltson dam, launched a Judicial Review of the 2012 Water Licence issued by the Mackenzie Valley Land and Water Board (MVLWB) to determine impacts of the Taltson Hydro facility on Nonacho Lake and their lodge operations. As a result of the Review, the MVLWB determined NTPC was to award financial compensation to the owners for future impacts. The owners moved the matter to the NWT Supreme Court. The Supreme Court determined that the MVLWB had not followed procedural fairness and ordered the MVLWB to complete a re-hearing. The re-hearing process started in January 2017 and a decision by the MVLWB is expected in late fall of 2017. The total amount claimed in this action is \$3.2 million however the outcome is not determinable due to the on-going re-hearing process.

## NORTHWEST TERRITORIES POWER CORPORATION

### 19. Financial instruments and risk management

NTPC's financial instruments include cash, revenues receivable, sinking fund investments, loan receivable, accounts payable and accrued liabilities, debenture debt, and the operating line of credit.

NTPC is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and interest rate risk. NTPC manages these risk exposures on an ongoing basis.

#### a) Credit risk

Credit risk is the risk that a third party will cause a financial loss for NTPC by failing to discharge its obligation. The following table sets out NTPC's maximum exposure to credit risk under a worst case scenario and does not reflect results expected.

	<u>2017</u>	<u>2016</u>
Loan receivable	\$ 14,395	\$ 15,306
Revenues receivable	12,427	14,784
Sinking fund investments	5,800	7,988
Cash	9,831	592
	<u>\$ 42,453</u>	<u>\$ 38,670</u>

#### *Loan receivable*

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by security in place. See Note 4 for additional details.

#### *Revenues receivable*

NTPC minimizes revenues receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty six percent (2015/16 - 37%) of NTPC's sales are to two other utilities. Twenty seven percent (2015/16 - 26%) of sales, including HSP and TPSP are to the GNWT.

#### *Sinking fund investments and cash*

NTPC minimizes the credit risk of cash and sinking fund investments by dealing with only reputable financial institutions and investing in securities that meet minimum credit ratings as stipulated by its investment policy and limiting exposure to any one security or asset class. An ongoing review is performed to evaluate changes in the status of counterparties.

#### b) Liquidity risk

Liquidity risk is the risk that NTPC will encounter difficulty in meeting its obligations associated with its financial liabilities. Debt liquidity risk is managed by the use of sinking fund requirements and amortization provisions on six of the eleven debentures. NTPC arranges its financing in such a manner that the total amount of debt maturing in any given year does not exceed its ability to borrow in any given year. This practice gives NTPC the maximum flexibility over the use of its cash flow such that both its existing capital expenditure program and its ability to consider any future investment opportunities will not be constrained.

## NORTHWEST TERRITORIES POWER CORPORATION

### Note 19. Financial instruments and risk management (continued)

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a \$50,000 operating line with a reputable financial institution. The following table shows the maturities of the operating line of credit, debenture debt, sinking funds, Snare capital lease obligation and the associated loan receivable:

March 31, 2017					
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	\$ 3,923	\$ 33,158	\$ 130,218	\$ 63,850	\$ 231,149
Sinking fund investments	-	(5,800)	-	-	(5,800)
Capital lease obligation	2,169	9,965	21,374	21,288	54,796
Loan receivable	(2,341)	(11,704)	(7,803)	-	(21,848)
	<u>\$ 3,751</u>	<u>\$ 25,619</u>	<u>\$ 143,789</u>	<u>\$ 85,138</u>	<u>\$ 258,297</u>
March 31, 2016					
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Operating line of credit	\$ 32,600	\$ -	\$ -	\$ -	\$ 32,600
Debenture debt	2,700	26,138	115,335	38,375	182,548
Sinking fund investments	-	(5,385)	(2,603)	-	(7,988)
Capital lease obligation	2,215	10,218	21,941	22,582	56,956
Loan receivable	(2,341)	(11,704)	(10,144)	-	(24,189)
	<u>\$ 35,174</u>	<u>\$ 19,267</u>	<u>\$ 124,529</u>	<u>\$ 60,957</u>	<u>\$ 239,927</u>

#### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Changes in market interest rates will cause fluctuations in the fair value of the loan receivable, the capital lease obligation, debenture debt and sinking fund investments as all have fixed rates. The impact on net income due to fluctuations in interest rates on the operating line of credit or sinking fund investments is not significant.

## **NORTHWEST TERRITORIES POWER CORPORATION**

### **20. Subsequent PUB applications**

On May 31, 2017 NTPC applied to the PUB to turn off its fuel refund rider effective July 1, 2017. The PUB approved the application on June 30, 2017.

### **21. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

# Schedule of Write-offs

For the year ended March 31, 2016

## Utility Accounts Over \$500

<b>Customer</b>	<b>Community</b>	<b>Amount</b>
Shawn Degrandpre	Behchoko	758.11
Therese Mackenzie	Behchoko	690.53
William Sangris	Dettah	2,269.62
Dennis Mcleod	Fort Liard	524.18
Phillip Vital	Fort Liard	1,009.95
Chantel Beck	Fort Resolution	520.60
Celine Gargan	Fort Simpson	711.04
Mary Benwell	Fort Smith	1,189.01
John Mckay	Fort Smith	1,227.65
Peter Zoe	Gameti	758.14
Breden Callahan	Inuvik	627.22
Justin Elias	Inuvik	502.04
Millennium Construction Ltd	Inuvik	14,430.93
Katherine Norrad	Inuvik	1,317.01
Margeret Norris-Mcleod	Inuvik	1,113.09
Arnold Ruben	Inuvik	534.22
David J. Stewart	Inuvik	1,338.06
Northern Transportation Co	Inuvik	1,173.09
Susan Catling	Lutsel K'e	1,664.93
George Betsaka	Nahanni Butte	829.80
Antoine Grandjambe	Norman Wells	1,802.50
Joe Jr. Thrasher	Paulatuk	3,886.69
Millennium Construction Ltd	Tuktoyaktuk	1,197.09
Lucky Pokiak	Tuktoyaktuk	1,172.59
Daniel Clement	Tulita	1,475.50
Sherry MacCauley	Tulita	1,366.53
Vanessa Kenny-Andrew	Tulita	689.69
James Horassi	Tulita	1,976.45
Valerie Yakeleya	Tulita	862.33
Geoff Buerger	Ulukhaktok	582.34
Albert F Moses	Wrigley	1,996.97

## Non-Utility Accounts Over \$500

<b>Customer</b>	<b>Community</b>	<b>Amount</b>
Marie Anik Elie	Inuvik	9,477.74



NTPC has been a proud supporter of the Northwest Territories Track and Field Championships for more than 10 years.

**NORTHWEST TERRITORIES POWER CORPORATION**  
**RECONCILIATION FROM AUDITED FINANCIAL STATEMENTS**  
**TO UNAUDITED RATE REGULATED BASIS OF ACCOUNTING**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
**UNAUDITED**

**NTPC**

**Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting**

**As at March 31, 2017**

**UNAUDITED**

**STATEMENT OF FINANCIAL POSITION**

	Audited PSAS Financial Statements	Reclassification Adjustments Note 1	Regulated Assets and Liabilities Note 2	TCA and ARO Adjustments Note 3	Other Note 4	Unaudited Rate Regulated Accounting
<b>Assets</b>						
Current assets						
Cash and short-term investments	\$ 9,831	\$ -	\$ -	\$ -	\$ -	\$ 9,831
Accounts receivables	12,427	1	-	-	-	12,428
Inventories	8,284	(3,424)	-	-	-	4,860
Prepaid expenses	1,316	-	-	-	-	1,316
	<u>31,858</u>	<u>(3,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,435</u>
Property, plant and equipment (net)	348,707	3,423	(1,786)	11,654	-	361,998
Loan receivable	14,395	(14,395)	-	-	-	-
Investment in Aadrii (equity)	385	-	-	-	-	385
Sinking fund investments	5,800	-	-	-	-	5,800
Regulatory assets	-	-	21,455	-	22	21,477
	<u>20,580</u>	<u>(14,395)</u>	<u>21,455</u>	<u>-</u>	<u>22</u>	<u>27,662</u>
	<u><b>\$ 401,145</b></u>	<u><b>\$ (14,395)</b></u>	<u><b>\$ 19,669</b></u>	<u><b>\$ 11,654</b></u>	<u><b>\$ 22</b></u>	<u><b>\$ 418,095</b></u>
<b>Liabilities and Shareholder's Equity</b>						
Current liabilities						
Accounts payable and accrued liabilities	\$ 15,393	\$ (61)	\$ -	\$ -	\$ -	\$ 15,332
Current portion of long-term debt	-	3,923	-	-	-	3,923
	<u>15,393</u>	<u>3,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,255</u>
Long-term debt net of sinking funds	230,265	(9,723)	-	-	(4,927)	215,615
Sinking funds as reflected in assets	-	5,800	-	-	-	5,800
Net lease obligation	18,120	(14,395)	-	-	-	3,725
	<u>248,385</u>	<u>(18,318)</u>	<u>-</u>	<u>-</u>	<u>(4,927)</u>	<u>225,140</u>
Regulatory liabilities	-	1	43,220	(17,664)	(5)	25,552
Asset retirement obligations	17,943	-	-	-	-	17,943
Deferred government contributions	-	61	7,440	-	-	7,501
Employee Future Benefits	3,077	(1)	-	-	(44)	3,032
	<u>21,020</u>	<u>61</u>	<u>50,660</u>	<u>(17,664)</u>	<u>(49)</u>	<u>54,028</u>
Shareholder's equity	116,347	-	(30,991)	29,317	4,999	119,672
	<u><b>\$ 401,145</b></u>	<u><b>\$ (14,395)</b></u>	<u><b>\$ 19,669</b></u>	<u><b>\$ 11,653</b></u>	<u><b>\$ 23</b></u>	<u><b>\$ 418,095</b></u>



**NTPC**

**Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting  
Year Ending Mar 31 2017**

**UNAUDITED**

**STATEMENT OF OPERATIONS**

	<b>Audited PSAS Financial Statements</b>	<b>Reclassification Adjustments Note 1</b>	<b>Regulated Assets and Liabilities Note 2</b>	<b>TCA and ARO Adjustments Note 3</b>	<b>Other Note 4</b>	<b>Unaudited Rate Regulated Accounting</b>
<b>Revenues</b>						
Sale of power	\$ 102,405	\$ -	\$ -	\$ -	\$ -	\$ 102,405
Fuel rider revenue	(763)	763	-	-	-	-
GNWT low water contributions	1,726	(1,726)	-	-	-	-
Net investment income Aadrii	(8)	8	-	-	-	-
Other government contributions	903	115	(810)	-	-	208
Other revenue	1,898	(124)	(449)	-	-	1,325
	106,161	(964)	(1,259)	-	-	103,938
<b>Expenses</b>						
Salaries and wages	-	26,061	(1,287)	-	(20)	24,754
Fuel and lubricants	-	27,157	794	(573)	-	27,378
Supplies and services	-	19,939	(4,737)	(141)	(5)	15,056
Amortization	-	10,828	5,227	961	-	17,016
Travel and accommodation	-	2,656	(344)	-	-	2,312
Amortization of Deferred Charges	-	5,188	-	-	-	5,188
Net loss on disposal of assets	-	8,463	(1,245)	(2,665)	(4,553)	-
Accretion on ARO	-	180	-	(180)	-	-
Thermal generation	61,813	(61,813)	-	-	-	-
Hydro generation	23,055	(23,055)	-	-	-	-
Corporate services	15,280	(15,280)	-	-	-	-
Transmission, distribution and retail	11,005	(11,005)	-	-	-	-
Purchased power	2,604	(2,604)	-	-	-	-
Alternative power generation	424	(424)	-	-	-	-
	114,181	(13,709)	(1,592)	(2,598)	(4,578)	91,704
<b>Earnings from operations</b>	(8,020)	12,745	333	2,598	4,578	12,234
Interest income	1,525	(1,468)	-	-	-	57
<b>Earnings before interest expense</b>	(6,495)	11,277	333	2,598	4,578	12,291
Interest expense	-	11,207	(109)	-	47	11,145
Net earnings before other	(6,495)	70	442	2,598	4,531	1,146
Fuel rider revenue	-	(763)	-	-	-	(763)
Offset to Rider Revenue	-	763	-	-	-	763
Extreme low water revenue	-	1,726	-	-	-	1,726
Offset to extreme low water revenue	-	(1,726)	-	-	-	(1,726)
Insurance proceeds revenue	70	-	-	-	-	70
Insurance expense	-	(70)	-	-	-	(70)
	70	(70)	-	-	-	-
<b>Net income for the year</b>	\$ (6,425)	\$ -	\$ 442	\$ 2,598	\$ 4,531	\$ 1,146
Retained earnings, beginning of year	79,643	-	(31,433)	26,719	468	75,397
Retained earnings, end of year	73,218	-	(30,991)	29,317	4,999	76,543
Share capital	43,129	-	-	-	-	43,129
Shareholder's equity, end of year	\$ 116,347	\$ -	\$ (30,991)	\$ 29,317	\$ 4,999	\$ 119,672

## **NTPC**

### **Notes to Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting Year Ending Mar 31 2017**

#### **Note 1**

Under PSAS, expenses are classified by function - for rate regulated accounting, they are classified by object. (e.g. fuel, salaries etc.) To go from PSAS to Rate Regulated Accounting (RRA), expenses by function (e.g. Hydro Generation) are reduced and expenses by object are increased.

In RRA fuel, salaries and supplies and services related to extreme low water, insurance expenses and fuel riders are presented below earnings from regular operations. Extreme low water revenue, insurance revenue and fuel rider revenue are also presented below earnings from operations.

For RRA, assets and liabilities are classified between current (less than 1 year) and long term (longer than one year).

Under RRA, critical spare inventory is reclassified as property, plant and equipment.

#### **Note 2** For rate regulated accounting, regulatory assets and liabilities are recorded on the balance sheet.

To go from PSAS to RRA, regulatory expenses (e.g. overhaul costs), and opening equity are reduced and regulatory assets are increased. In addition, amortization expense is increased and regulatory assets are decreased to record amortization on regulatory assets in accordance with rates approved by the Public Utilities Board.

Capital contribution revenue from the GNWT and customers are deferred under RRA but included in revenue for PSAS. To go from PSAS to RRA, revenue is reduced, opening equity is increased and regulatory liabilities are increased. The regulatory liabilities are amortized on the same basis as the related assets. To go from PSAS to RRA, amortization and regulatory liabilities are decreased for the amount of amortization on regulatory liabilities.

#### **Note 3** Under PSAS, certain studies are not allowed to be recorded as capital assets and are expensed for PSAS purposes. To go from PSAS to RRA, expenses are reduced and property, plant and equipment (PPE) is increased. Amortization is also increased and net PPE is increased to record amortization expense on these study costs.

Net losses on disposal are recorded as an expense under PSAS in the year of disposal. For RRA, these net losses are deferred and netted with PPE. To go from PSAS to RRA, loss on disposal is reduced and PPE is increased.

Asset retirement obligation costs are recorded as assets for PSAS and are not under rate regulated accounting. To go from PSAS to RRA, PPE is reduced and opening equity is reduced. In addition, amortization expense and opening equity are reduced to eliminate the amortization expense on the asset retirement costs.

#### **Note 4** Other adjustments related to differences in how NTPC accounted for its long term debt swap costs and sick leave. To go from PSAS to RRA, salaries expense were increased and employee future benefits were decreased. Interest expense was increased, and opening equity and long term debt were decreased to account for the deferred swap costs.

## **WEBSITE LINKS:**

NTPC is accountable to its Shareholder - the GNWT, our stakeholders, the Public Utilities Board, and NWT Water Boards. These websites provide all of the documentation that NTPC submits to ensure an open and transparent process.

Northwest Territories Power Corporation: **[www.ntpc.com](http://www.ntpc.com)**

Government of the Northwest Territories: **[www.gov.nt.ca](http://www.gov.nt.ca)**

Public Utilities Board: **[www.nwtpublicutilitiesboard.ca](http://www.nwtpublicutilitiesboard.ca)**

Mackenzie Valley Land and Water Board: **<https://mvlwb.com/>**



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