

**GNWT
2030 ENERGY
STRATEGY**

INTEGRATION
OF RENEWABLES

REDUCE
GREENHOUSE
GAS EMISSIONS
AND DIESEL
CONSUMPTION

LOW CARBON
GENERATION

**NTPC'S
20 YEAR
STRATEGIC
PLAN**

ECONOMIC
SUSTAINABILITY

ENVIRONMENTAL
SUSTAINABILITY

RELIABILITY

**ANNUAL
REPORT
2018-19**



NORTHWEST TERRITORIES
**HYDRO
CORPORATION**

Power for Generations



NORTHWEST TERRITORIES
**POWER
CORPORATION**

Empowering Communities

MISSION, VISION AND VALUES

NTPC's Mission, Vision and Value statements guide its actions and ensure the organization meets the expectations of its shareholder and customers.

Mission

To generate, transmit and distribute clean, reliable and affordable energy to the Northwest Territories.

Vision

To enrich the lives of Northerners by providing power that encourages living, working and investing in the NWT.

Values

Safety – We make safety our first priority, a cornerstone in all decisions.

Commitment – We are determined, agile and know how to keep the lights on.

Community – We work with and for all Northerners.



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Hosting students at the Jackfish Generating Facility in December 2018.

CORPORATE PROFILE

The Northwest Territories Power Corporation (NTPC) was established in 1988 and is the leading electricity supplier in the Territory. Our mission is to generate, transmit and distribute clean, reliable and affordable energy to the Northwest Territories and its' people.

NTPC's team is made up of over 200 dedicated employees, located in 26 communities throughout the territory.

We manage \$377 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 kilometers. This power is delivered to our customers through 565 kilometers of transmission lines and 375 kilometers 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. The Government of the Northwest Territories is its' sole shareholder.

MINISTER'S MESSAGE



It was a busy year at the Northwest Territories Power Corporation as the organization started building its foundation for the future. For the first time in its more than 30 year history, the Corporation completed a 20 Year Strategic Plan to guide its direction over the next two decades.

I was pleased to announce the hiring of Noel Voykin as NTPC's new President and CEO in February. Noel's extensive background in utilities, major projects and mining will serve NTPC well as the Corporation moves into the execution stage of the Strategic Plan.

The Government of the Northwest Territories (GNWT) supports this plan and will be working closely with the utility to achieve our common goals. Some key areas of collaboration are electricity rates as well as the environmental footprint of electricity generation. In order to attract investment, the price of electricity must be affordable. Industry and families cannot continue to pay electricity rates that are significantly higher than the Canadian national average. NTPC's strategic plan, combined with actions that the GNWT is taking, provides an opportunity to make our

electricity rates more competitive with the rest of Canada.

Over the past year, NTPC and the GNWT have secured federal funding approval for several projects that will help the territories reduce its greenhouse gas emissions as well as its dependence on high cost diesel generation. Overhauls of the two generation units at the Snare Forks Hydroelectric Facility, will be heavily subsidized by the Government of Canada. This will extend the operating life of these valuable assets with less burden on electricity customers.

Greenhouse gas reduction projects in Inuvik and Sachs Harbour have also received federal funding support with additional projects in other communities expected to be announced over the next several years. Each of these projects will replace aging facilities and/or reduce diesel fuel consumption.

One of the most exciting projects on the horizon, is the proposed multi-phase expansion of the Taltson Hydroelectric Facility. This project will include a transmission intertie with hydro systems on the North side of Great Slave Lake. The GNWT and NTPC recognize that this project is critical to our joint goals of keeping electricity rates affordable for the people of the NWT, as well as attracting industrial investment and reducing greenhouse gas emissions. The federal government has announced funding support for initial technical studies related to this work.

Sincerely,

Robert C. McLeod
Minister Responsible for NTPC



Snare Cascades.

BOARD OF DIRECTORS

CHAIR:

Paul Guy

VICE-CHAIR:

Mike Aumond

DIRECTORS:

Martin Goldney

Sylvia Haener

Williard Hagen

David Stewart

2018-19 OFFICERS

Paul Guy, Chair

Cheryl Tordoff, Corporate Secretary

Noel Voykin, President and CEO (as of April 1, 2019)

Belinda Whitford, Chief Financial Officer

Scott Spencer, Chief Technical Officer

Mike Ocko, Director, Thermal Operations

Colin Steed, Director, Hydro Operations

Paul Grant, Director, Corporate Planning

Eddie Smith, Director, Health, Safety & Environment

D'arcy Delorey, Director, Information Technology

MESSAGE TO STAKEHOLDERS



All across Canada, significant change is occurring in the electricity sector. Provinces and territories and their corresponding electricity utilities are taking action to address the effects of changing technology, aging infrastructure, changing expectations of regulators and customers and helping to combat the impact of climate change. The Northwest Territories Power Corporation (NTPC) is no exception.

In 2018-19 the Corporation focused much of its attention on developing a 20 Year Strategic Plan (the Plan) and building the foundation for a lower carbon future. Although 75% of the electricity generated by NTPC comes from renewable, carbon-free hydro, there is growing demand for renewable generation, such as solar and wind, and alternate technologies to reduce the use of diesel in our thermal communities. The Government of the Northwest Territories' 2030 Energy Strategy and Strategic Climate Change Framework are fully integrated into the Plan.

Currently, electricity prices in the NWT are approximately five times the Canadian national average. The Strategic Plan aims to reduce

this gap through a combination of objectives, goals and initiatives. While renewables and lower carbon generation technologies are being integrated, NTPC recognizes that customers must continue to receive affordable and reliable electricity services in their communities. Plans for new renewable projects will be measured against three foundational pillars: reliability, economic sustainability and environmental sustainability, prior to moving forward.

Strategic objectives have been identified for the three, five and 10 year planning horizons to establish a path to achieve our long term goals. NTPC will be focused on the following seven objectives:

- Reduce fuel consumption
- Reduce controllable costs through efficiencies and continuous improvement
- Increase distribution customer base
- Increase industrial customer base
- Execute Investing in Canada Infrastructure Program projects
- Invest in core assets
- Taltson Expansion and Great Slave Lake Intertie

Initiatives that will support achievement of these objectives have also been developed. The Plan is a living document that will be updated and revised as events warrant but will remain focused on the ultimate goal: reducing electricity rates and GHG emissions.

Identified projects, which have received funding from the federal and territorial governments, will reduce diesel consumption. The Inuvik Wind project has been announced as a successful applicant to the Investing in Canada Infrastructure Program (ICIP). Under this bilateral funding



New back up diesel plant in Norman Wells – tremendous progress between September 2018 and April 2019

program, approved projects receive 75% funding from the Federal Government with 25% funding being provided by provincial/territorial governments, agencies or Crown Corporations. Inuvik Wind is a fully government funded project: this means that electricity rates will not be impacted by the cost to install and integrate the turbine with the existing infrastructure. New high efficiency diesel generators in Sachs Harbour have also received ICIP funding as they will replace aging, inefficient units as well as reduce GHG emissions. The new plant will be designed to easily allow integration of renewables. Additional announcements about funding for renewable or lower-carbon projects in thermal communities are expected in the coming months and years.

In October 2018, Unit 1 at the Snare Forks Hydroelectric Facility experienced a bearing failure. A complete overhaul of that unit was already scheduled to begin in

April 2019. Due to above average precipitation, water levels remained high throughout the year. This allowed for increased generation at the other hydro units in the Snare and Bluefish systems. The financial impact of the unavailability of the unit was minimized through comprehensive insurance coverage and a warmer than normal fall. The use of diesel generators to replace the lost generation from Snare Forks Unit 1 has been less than originally anticipated.

ICIP funding has been secured to partially offset overhaul cost of both units at Snare Forks. This support will significantly reduce the financial impact on customers as well as restoring the main generation source for communities in the North Slave.

The Strategic Plan also looks at how NTPC can support efforts to attract more industrial customers. In 2018-19, NTPC met with potential mining customers to discuss their anticipated power

needs and responded to a Request for Proposal from one of those companies. We remain optimistic that the mines under consideration will begin operating in the next several years. When this happens we intend to be their power supplier of choice.

The Hay River franchise continued to move forward in 2018-19. Although progress continues, timing for completion of the franchise transfer is dependent on a number of factors.

A one-year pilot project in Aklavik to assess the performance of a variable speed generator (VSG) concluded in February 2019. NTPC will be reviewing data from the past year to assess performance results.

Production resumed at Imperial Oil Limited (IOL) in Norman Wells in November 2018 following an extended shutdown. When the IOL facility is operating, it generates its own electricity and sells the excess



to NTPC to power the community. NTPC's backup diesel plant had been powering Norman Wells while the IOL facility was shut down. Given that the backup plant in Norman Wells is aging, NTPC is commissioning a new plant, with completion expected later this year.

Two modular generators were delivered to the Jackfish Generating Facility in March, marking the end of a project to install five small generators to provide backup power to customers in the North Slave region. This project faced a number of challenges, including delays and unexpected costs, however, NTPC has learned from this experience and continues to work to strengthen project management practices and procedures to be more industry standard.

We are taking steps to expand the options available to our customers for paying bills and tracking their electricity consumption. In October, a new, simpler bill design was introduced. At the same time, paperless billing, pre-authorized payment and budget billing were also unveiled. These new options provide customers with more choice in how they interact with their electricity utility.

Intelligent Meter Hubs or Smart Meters have been and continue to be installed in communities across the NWT. These meters are a key part of the improved customer service experience because they provide current information about consumption levels that can be accessed by customers and also enable NTPC to reduce the time required to respond to outages.

Expansion of the Taltson Hydroelectric Facility is critical to the ultimate success of the Strategic Plan as well as the GNWT's 2030 Energy Strategy. In October 2018, the former President and CEO appeared before the Standing Committee on Indigenous and Northern Affairs to indicate the many ways that an expansion at Taltson would benefit electricity customers, support development of the Slave Geologic Province and generally spur economic growth in the NWT. The 2019 Federal Budget included a commitment to provide \$18 million, over three years, to support planning activities associated with the proposed expansion. NTPC will continue to work closely with the GNWT on this project.

A tentative agreement was reached with our unionized employees on April 6, 2019.

This agreement has now been ratified by all parties. The new Collective Agreement will expire on December 31, 2020.

Attracting and retaining employees for key positions continues to be a challenge facing NTPC. We strive to hire Northerners, which is why we provide scholarships, apprenticeships and attend job fairs in our communities. This helps us expose our young people to our requirements and the educational requirements to fill these roles.

On January 18, 2019, Jay Grewal, President and CEO, left her role with NTPC to assume a similar position with Manitoba Hydro. Upon Jay's departure, Paul Grant, Director, Corporate Planning, served as Interim President until March 31, 2019.

I assumed the role of President and CEO on April 1 of this year and look forward to leading the Corporation forward, building a foundation for the future.

Noel Voykin, P. Eng
President and CEO

PRESIDENT AND CEO



Noel Voykin, President and CEO of NTPC

Noel Voykin joined NTPC as President and CEO on April 1, 2019. His passion for electrical and utility systems started while he worked as an electrical generating system technologist in the Canadian Armed Forces. Noel attended the University of Saskatchewan and graduated with a Bachelor of Engineering Degree in 1990.

After graduation, he joined TransAlta Utilities where he learned the utility business through his exposure to TransAlta's domestic and international operations. After leaving TransAlta, Noel joined a consulting firm where he led the utility and electrical engineering practice. He returned to the utility industry as a Key Account business representative for SaskPower's business interactions with oil companies, where he managed load forecasts, resolved customer issues and negotiated contracts for large industrial loads.

In 2008, Noel joined Cameco Corporation's major projects organization, where he collaborated with a team developing project delivery systems. He led both the project services and infrastructure engineering groups during his tenure in this department. He continued his work as the Director, Technical Services, where he led the research and core engineering functions for Cameco's domestic and international operations.

Since joining the Corporation, Noel has been busy getting to know employees and visiting communities. He is fully supportive of NTPC's 20 Year Strategic Plan and eager to support efforts to provide reliable affordable electricity to the people of the Northwest Territories.

CUSTOMER SERVICE



- One phone number for all customer service questions: **1-800-661-0855**
- In 2018-19, Intelligent Meter Hubs (smart meters) were installed in seven communities: Wha Ti, Fort Liard, Fort Simpson, Rae Edzo, Tuktoyaktuk, Fort McPherson and Fort Resolution.



Customer Service in Inuvik.

CUSTOMER SURVEY

In the fall of 2018, NTPC retained the services of UtilityPULSE, a public opinion firm that has been surveying electricity customers across Canada for the past 20 years. We wanted to know what our customers think about NTPC and where we could improve our service. Thank you to all who took the time to answer the telephone survey.

Outlined below are some of the results from the UtilityPULSE survey. The percentages represent those who strongly or somewhat agree with the statement preceding it.

Provides consistent, reliable electricity	80%
Quickly handles outages and restores power	85%
Provides accurate billing.....	84%
Makes electricity safety a top priority for employees, contractors and the public.....	86%

Customers were asked to list one or two most important things ‘your local utility’ could do to improve service:

Better prices/lower rates	38%
Improve reliability of power	14%
Better communication with customers.....	13%
Better information when outages occur.....	11%
Get involved in green energy	7%

EMPOWERING COMMUNITIES



NTPC is committed to investing in the communities where we operate and where our employees live and work. In-kind donations and sponsorships support the activities and organizations that help to make Northern communities such special places. Many of our employees contribute in their own way giving freely of their time and talents to a wide range of causes.

Over the past year, NTPC directly invested approximately \$105,000 in communities across the NWT. The four areas of focus for our community investment

program are: health and wellness, education, community and culture, and the environment. We also place a priority on youth and building human capacity (skills,

training and knowledge) across the NWT. The proportion of donations in each of the four areas varies from year to year based on the applications received.



DONATIONS BY FUNDING AREA

- Education 36%
- Health and Wellness 22%
- Community 38%
- Environment 3%



RELIABILITY



NTPC – Average outages per customer in 2018:	8.7
Canada – Average outages per customer in 2018:	2.84
NTPC – Average length of each outage	39 minutes (0.65 hours)
Canada – Average length of each outage.....	2.98 hours
NTPC – Total length of all outages (for an average customer)	5.61 hours
Canada – total length of all outages (for an average customer)	8.46 hours



Leading Causes of Outages in 2018-19:

- Adverse Weather
- Power Generation Systems (problems with engines or turbines within a power plant)
- Foreign interference (external objects such as tree branches, trucks, animals coming into contact with transmission or distribution lines)
- Human element

Generation:	57 percent
Transmission:	32 percent
Distribution:	11 percent



Downed wires – Fort Liard – May 2018



Bluefish Hydro Generating Facility

ENVIRONMENT

NTPC is exploring different ways of reducing diesel consumption and greenhouse gas emissions in our Thermal communities. In addition to integrating renewables and testing alternate technologies, we are testing different types of diesel fuel that may be more efficient.

In 2018-19, a pilot project was conducted in Fort Simpson involving 2 million liters of diesel efficient fuel. Analysis is still underway however, this type of fuel may potentially result in a reduction in diesel consumption.

A second pilot project was also initiated in Fort Liard. Summer fuel was used instead of regular diesel between the months of May and September 2018. The price for summer fuel was two cents less per litre when purchased in early 2018. In addition to costs savings, use of summer fuel may result in a significant reduction in diesel consumption.

SAFETY: LOST TIME INJURY SEVERITY RATE

Fiscal Year	Number of lost time days per 200,000 hours worked
2018-19	14.27
2017-18	6.82
2016-17	3.34
2015-16	5.98
2014-15	17.39
2013-14	8.26

ELECTRICITY GENERATION



FINANCIALS

MANAGEMENT DISCUSSION AND 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, 2019. It should be read in conjunction with the audited consolidated financial statements and accompanying notes.

The 2018-19 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.

100% Northern Owned

On May 5, 1988, the Government of the Northwest Territories (GNWT) acquired the Northwest Territories Power Corporation (NTPC) as a Crown Corporation. Since that date NTPC has been proud to be a territorial owned provider of power to the second largest jurisdiction in Canada. Through either direct distribution or wholesaling power to a third party, NTPC serves most of the communities in the NWT with the exception of three. NTPC manages and maintains a territory-wide system of generation, transmission and distribution assets in a service area which includes communities that are only accessible by air, river barge or winter roads.

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. In addition to NTPC, NT Hydro owns 100% of the NWT Energy Corporation (03) Ltd. (NT Energy).

NT Hydro's main operations in 2018-19 stem from NTPC. NTPC is focused on the core business of providing reliable electricity services through generation of power by hydroelectric, diesel, natural gas and solar power generation facilities, as well as transmitting and distributing this power to customers in an environment regulated by the Northwest Territories Public Utilities Board (PUB).

NT Energy is a non-regulated subsidiary which is used to complete higher risk projects than those completed within NTPC. NT Energy's core focus is on growth targets in the 20 Year Strategic Plan specifically planning and developing safe and environmentally responsible energy projects to serve existing and new energy requirements in the

Territories. It is worth noting that some of NT Energy's projects are also funded by the Federal Government's Investing in Canada Infrastructure Program (ICIP).

Building the Foundation

Continuing our focus on delivering safe, affordable, reliable, efficient and environmentally responsible electricity service to our customers was a key driver in the development of our strategic plan. These goals need to be achieved at a time when our industry is being challenged by rapid change from technology, political and customer driven demands.

A key step in building the foundation for the 20 Year Strategic Plan was signing agreements with the GNWT to access funding from ICIP. The GNWT signed a 10 year agreement that includes projects which support NTPC and its customers in reducing future fuel consumption and reliance on fossil fuels, as well as reducing the future rate impact of replacing the Corporation's hydro and thermal infrastructure. In 2018-19 NT Hydro signed three agreements with the GNWT: one for NT Energy to develop the Inuvik Wind project and two for NTPC – one to support the replacement of the Snare Forks hydro units and one to support the replacement of the generation plant in Sachs Harbour.

The Taltson expansion and Great Slave Intertie are foundational to the future long term success of NT Hydro. The company supported the GNWT in its efforts to define these projects and their value for residents and electricity customers in the NWT. There was not a significant financial impact on the Corporation in 2018-19 to support this objective.

NT Hydro submitted a proposal in a competitive bidding process to Fortune Minerals Ltd. to supply power generation at its NICO mine site as part of the objective to increase its industrial customer base. The successful proponent on the project was not yet announced at the time this report was written, but we remain optimistic that the NT Hydro bid will be selected.

NTPC had an ambitious goal for 2018-19; to invest \$44.6M in replacement of core assets to support reliability and safety in providing power to our customers. The Corporation completed 88% of that goal.

A number of long term projects were completed in 2018-19. This included control system upgrades to the two gas engines in Inuvik and the financial integration of the corporate Computerized Maintenance Management System (CMMS). Major projects that continued in 2018-19 and will continue into 2019-20 included the Norman Wells power plant replacement, the Sachs Harbour plant replacement and the upgrade to SCADA systems in the North and South Slave.

With the failure of the Snare Forks Unit 1, some projects were deferred to the 2019-2020 fiscal year. This included replacement of Jackfish generators, the Snare 5B spillway Jackfish control replacement and substation work.

Our project to install Intelligent Metering Hubs in all our communities is 74% complete. These meters will provide our customers better information about their electricity usage and enhance NTPC's ability to quickly restore service and provide improved reliability.

In operations, NTPC built the foundation of the 20 Year Strategic plan through reduction of controllable costs focusing on both efficiencies and continuous improvement. A collective agreement with the Union of Northern Workers was agreed to in principle at the end of this fiscal year. This agreement will expire in 2020. It signifies the end of a collective bargaining process that has taken many years to resolve. The impact of this agreement for work completed between January 2014 and March 31, 2019 is reflected in the 2018-19 results. Although salaries in this year are higher than budgeted, higher vacancies have partially offset these increases.

Continuous improvement in contracts, project management, corporate budgeting and business planning required more time than anticipated in 2018-19. This was the result of higher vacancies and competing priorities of core operational work. These projects will be completed in the next fiscal year.

NTPC worked with the Town of Hay River to close the franchise acquisition process in 2018-19. NTPC and the Town will continue to progress this effort to completion in the upcoming fiscal year.

Reduce Fuel Consumption

A key part of sustainability and electrical reliability in the NWT is defined in the GNWT 2030 Energy Strategy. This strategy stresses maximizing the use of renewable generation and lower greenhouse gas emitting fuels where possible.

NT Hydro started the consultation and design phase of a number of ICIP projects in 2018-19. These projects will significantly reduce fuel consumption in future years.

NTPC completed a number of initiatives in 2018-19. These included installation and testing of a variable speed generator (VSG) in Aklavik, an Exhaust Gas Heat Recovery unit (EGRU) in Inuvik to maximize use of residual heat and piloted different fuel grades in two road accessible communities. The results of these pilot projects are being analyzed and will continue to be monitored into 2019-20.

NTPC faced operational challenges in 2018-19 which were not offset by reductions in fuel consumption. 2018-19 saw the consumption of diesel fuel and NTPC's fuel costs increase 20% over budget and prior year.

The temporary shutdown of Imperial Oil's production facilities in Norman Wells continued until November 2018. This required NTPC to provide diesel generation in the community to offset a power purchase agreement with IOL. Although NTPC was able to increase its power sales temporarily in April 2018 to IOL, those sales also came with the high

generation cost of diesel fuel and the additional maintenance costs of operating the diesel generators.

On the Snare Hydro system, Snare Forks Unit #1 was scheduled for a major overhaul starting April 1, 2019. On October 9, 2018 the upper guide bearings failed, damaging the unit. NTPC employed the successful proponent for the overhaul to start work immediately. Work is ongoing to complete the overhaul and return the unit to service. This work is expected to continue until the fall of 2019. Having this unit out of service for a significant period, has increased diesel fuel consumption to support the Snare Hydro system.

In Inuvik, the challenges of diesel reliance have persisted. NTPC faced LNG supply issues in the early part of 2018-19. In October 2018, there was a fire in one of the exhaust pipes of one of the natural gas units. Two months were required to address deficiencies and get the natural gas generation unit back into service.

2018-19 Financial Results

The majority of NT Hydro's operating results come from NTPC operations. NT Hydro's budget did not include a budget for NT Energy in 2018-19 as the impact on NT Energy's financial results of delivering on the ICIP program were unknown at the time the budget was developed. This discussion will focus on the comparison of NTPC's consolidated 2018-19 actual operating results compared to budget.

NTPC's priorities associated with the 20 Year Strategic Plan are reflected in the 2018-19 financials in revenues, operating costs and capital.

NTPC 2018-19 Performance Indicators

Performance Indicator	2018-19 Results	2017-18 Results
Revenues: Current Year vs Prior Year	104%	104%
Revenues: Actual: Budget	100%	99%
Operating Expenses: Current Year vs Prior Year	112%	90%
Operating Expenses: Actual vs Budget	100%	92%
Net Income as % Total Revenues	1%	7%
Net Income as % Total Assets	0%	2%
Debt to Equity	67:33	66:34
Debt to Debt Cap	66%	67%
Expenditures: Capital to Operating	25:75	20:80

Revenues

2018-19 was the last year for rate increases approved by the PUB as part of NTPC's three year graduated rate increase program. The 4% increase over prior year revenues not only reflects the final rate increase of 2%, but also reflects the increase in electricity sales to IOL in Norman Wells and to the Giant Mine in Yellowknife. Power revenues are on track with budget slightly improved from the prior year.

Expenses

Spending is in line with budget in 2018-19 and up 112% compared to the prior year mainly as a result of increases in fuel and salaries.

The operational challenges in using non-diesel based generation in 2018-19 in Inuvik, Norman Wells and Yellowknife increased both the cost of fuel and the cost of maintenance required on the diesel generation units in those communities. Thermal generation costs coupled with the increase in salaries corporately and the use of contractors to cover work during the filling of vacancies, pushed thermal generation expenses \$3,167,000 over budget.

Hydro generation costs are lower than budget as a result of deferring some planned work for 2018-19 as a result of the failure of the Snare Forks Hydro Unit, along with reduced amortization and interest costs from lower completion of capital work in 2017-18 at the Jackfish plant. This includes the modular generator project as well as control and cooling upgrades. These decrease in costs are offset in part by the salary increases.

An increase in salary costs across all divisions reflects the settlement cost of the Collective Agreement process, which has been outstanding since January 1, 2014. The increases were offset by vacancies, mainly in the thermal and corporate services divisions.

The 2018-19 budget was built with a higher than required estimate for the first year of implementation of the 20 Year Strategic Plan and this is partially reflected by budgeted expenses of \$3,975,000 in corporate services. Continuous improvement initiatives were developed using primarily in house staff in the first year. In 2019-20, these projects will deliver on work efficiencies.

Transmission, distribution and retail spending was close to budget and saw brushing in the Taltson area deferred to accommodate a requirement for additional brushing completed in Norman Wells.

Purchased power costs reflect the startup of IOL in November 2018 after the 20 month shut down and NTPC's return to purchase power in that community.

Net income as a percentage of sales revenues was better than budget mainly as a result of other government contributions from the Federal Government's ICIP. These revenues supported capital work on two projects at NTPC and one at NT Energy.

Financing

Although interest costs are lower than budget as a result of lower spending in 2017-18, in 2018-19 NTPC's capital expenditures increased as NTPC starts to address the number of capital replacement required on its aging infrastructure. NTPC is sitting more than 30% below its legislated debt cap at March 31, 2019 with a debt to equity ratio of 67:33. This ratio is higher than the target of 60:40. With the required replacement of NTPC's assets over the next five years and without additional sources of revenues through increasing sales or customers, this ratio is likely to rise before it starts to move towards the target.

Look Ahead

Water levels in the North Slave look strong heading into 2019-20. Although at least one unit will be down for half the year for capital upgrades, the units that are operating should be able to produce at high levels. NTPC and the Fuel Services Division are working to increase access to LNG for NTPC's Inuvik plant in 2019-20 and NTPC will continue to test the success of various fuel grades in its road access communities as part of its efforts to reduce the consumption of diesel fuel and costs. The higher consumption of diesel in both 2017-18 and 2018-19, along with base diesel prices and delivery costs increasing, have required a fuel rider starting May 1, 2019 to offset the balance growing in the Corporation's Territorial Fuel Stabilization Fund. This rider is applicable to all of NTPC's customers with the exception of the Taltson zone wholesale customer. Without a significant decrease in fuel prices in the next year, NTPC is anticipating this rider will be in place for a three year period.

NTPC will use continuous improvement and change management to effect more efficiency improvements in the corporation's operation in 2019-20.

2019-20 Capital Expenditures

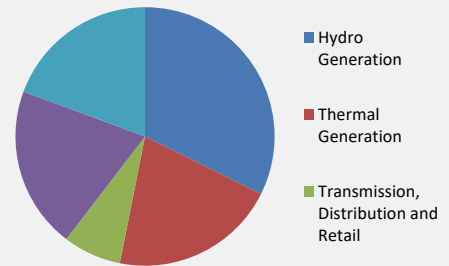
Investments in capital infrastructure are made annually to replace assets that have reached the end of their useful lives.

NTPC continues to support its reliability and replacement of aging corporate infrastructure in 2019-20. The capital program is \$72,870,000 of which NTPC is budgeting to finance 19% through ICIP projects, both approved and proposed. NT Energy has also budgeted for \$17,500,000 in capital spending in 2019-20 to support the continued capital work on alternative energy projects expected to be operational starting in 2020-21. All of these projects are funded through the Federal Government and the GNWT ICIP. NT Hydro will support the GNWT in its progress on the Taltson Expansion and Great Slave Lake Intertie.

in \$000s

	2019-20 NTPC Budget	2019-20 NT Hydro Budget
Hydro Generation	\$ 29,235	\$ 29,235
Thermal Generation	18,769	18,769
Transmission, Distribution and Retail	6,568	6,568
Corporate Services	18,298	18,298
Alternative Power Generation	-	17,500
2019-20 Capital Budget	\$ 72,870	\$ 90,370
GNWT Funding	(13,857)	(31,357)
2019-20 Capital Budget after Government Contributions	\$ 59,013	\$ 59,013

2019-20 NT Hydro Capital Spending



Respectfully submitted,

Belinda Whitford
Chief Financial Officer

**NORTHWEST TERRITORIES HYDRO CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019**



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Hydro Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Northwest Territories Hydro Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Northwest Territories Hydro Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are 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.

In our opinion, the transactions of the Northwest Territories Hydro Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Northwest Territories Hydro Corporation Act*, we report that, in our opinion, proper books of account have been kept by the Northwest Territories Hydro Corporation and the consolidated financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Northwest Territories Hydro Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Northwest Territories Hydro Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.



Lana Dar, CPA, CA
Principal
for the Interim Auditor General of Canada

Vancouver, Canada
19 July 2019

NORTHWEST TERRITORIES HYDRO CORPORATION

Management's Responsibility for Financial Reporting

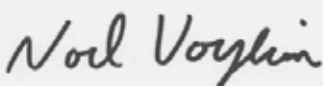
The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant 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.



Noel Voykin

Chief Executive Officer



Belinda Whitford

Chief Financial Officer

Hay River, NT
July 19, 2019

NORTHWEST TERRITORIES HYDRO CORPORATION

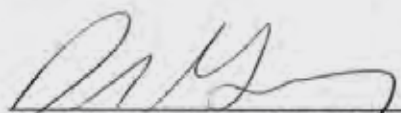
CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at March 31 (in thousands of dollars)

	2019	2018
Financial assets		
Cash	\$ 2,147	\$ 9,077
Revenues receivable (Note 3)	12,877	12,983
Loan receivable (Note 4)	12,290	13,393
Investment in Aadrii Ltd.	453	403
Sinking fund investments (Note 6)	-	6,278
	27,767	42,134
Liabilities		
Operating line of credit (Note 5)	9,041	-
Accounts payable and accrued liabilities	24,551	20,150
Debenture debt (Note 6)	212,303	226,393
Asset retirement obligations (Note 7)	8,456	7,536
Environmental liabilities (Note 8)	13,465	11,408
Capital lease obligations (Note 4)	17,221	17,671
Other employee future benefits (Note 9)	3,102	3,122
Deferred government contributions (Note 17)	3,011	-
	291,150	286,280
Net debt	(263,383)	(244,146)
Non-financial assets		
Tangible capital assets (Note 10)	379,272	358,845
Inventories (Note 11)	9,316	8,459
Prepaid expenses	1,390	1,331
	389,978	368,635
Accumulated surplus / equity (Note 12)	\$ 126,595	\$ 124,489

Contractual obligations (Note 19)

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)

	2019 Budget	2019 Actual	2018 Actual
Revenues			
Sale of power (Note 13)	\$ 110,060	\$ 110,391	\$ 106,356
Other revenue and customer contributions (Note 14)	1,924	2,098	1,957
Interest income (Note 16)	1,351	1,342	1,573
Income from investment in Aadrii Ltd.	75	50	18
Fuel rider refunds	-	-	(250)
	113,410	113,881	109,654
Expenses (Note 15)			
Thermal generation	65,828	68,995	59,959
Hydro generation	22,062	18,882	17,638
Corporate services	16,623	15,594	14,267
Transmission, distribution and retail	10,874	11,312	10,640
Purchased power	-	1,451	201
Alternative power generation	243	236	266
	115,630	116,470	102,971
Surplus (Deficit) for the year before government contributions	(2,220)	(2,589)	6,683
Government contributions			
Other government contributions (Note 17)	-	4,695	1,081
	-	4,695	1,081
Surplus (Deficit) for the year	\$ (2,220)	\$ 2,106	\$ 7,764
Accumulated surplus / equity, beginning of year	124,489	124,489	116,725
Accumulated surplus / equity, end of year	\$ 122,269	\$ 126,595	\$ 124,489

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

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2019 Budget	2019 Actual	2018 Actual
Surplus (Deficit) for the year	\$ (2,220)	\$ 2,106	\$ 7,764
Tangible capital assets			
Additions	(52,460)	(32,739)	(22,065)
Capitalized overhead	(3,200)	(5,402)	(3,470)
Capitalized interest (Note 16)	(530)	(701)	(303)
Disposals	3,267	239	(484)
Amortization (Note 10)	16,884	18,176	16,216
	(36,039)	(20,427)	(10,106)
Additions of inventories	(5,772)	(8,191)	(8,620)
Use of inventories	5,630	7,334	8,445
Additions to prepaids	(2,200)	(1,732)	(1,616)
Use of prepaids	2,100	1,673	1,601
	(242)	(916)	(190)
Increase in net debt for the year	\$ (38,501)	\$ (19,237)	\$ (2,532)
Net debt, beginning of year	(244,146)	(244,146)	(241,614)
Net debt, end of year	\$ (282,647)	\$ (263,383)	\$ (244,146)

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

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2019	2018
Cash provided by operating activities		
Cash receipts from customers	\$ 112,378	\$ 107,722
Cash paid to suppliers	(55,434)	(42,128)
Cash paid to employees	(26,222)	(27,454)
Interest paid	(11,927)	(11,795)
Interest received	89	234
Government contributions received	7,978	1,117
	26,862	26,696
Cash provided by (used in) investing activities		
Loan receivable receipts (Note 4)	290	227
Sinking fund installments (Note 6)	(45)	(478)
Sinking fund investment redemptions (Note 6)	6,323	-
	6,568	(251)
Cash used in capital activities		
Acquisition and development of tangible capital assets	(35,241)	(24,233)
Proceeds on sale of tangible capital assets	21	-
	(35,220)	(24,233)
Cash used in financing activities		
Repayment of capital lease obligation (Note 4)	(45)	(44)
Repayment of debenture debt	(14,136)	(3,922)
Net proceeds from operating line of credit	9,041	-
	(5,140)	(3,966)
Decrease in cash	\$ (6,930)	\$ (754)
Cash, beginning of year	9,077	9,831
Cash, end of year	\$ 2,147	\$ 9,077

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 12).

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. (NT Energy). NT Energy is unregulated and involved in construction and development of energy related capital projects. NT Energy is also undertaking any work to develop prices and respond to requests for electricity pricing for potential mining operations.

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. NTPC filed its 2016/19 GRA on June 30, 2016. This application requested a change to NTPC's amortization rates as well as its energy rates, which include a return on equity component. In Decision 16-2017 the PUB approved amortization rates and a return on equity for 2018-19 of 8% (2017-18 - 8%). 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.

On May 28, 2018 in Decision 8-2018, the PUB approved final rates for 2017-18 and final rates for 2018-19 effective June 1, 2018. The 2018-19 rates included a 2% increase from 2017-18 rates.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 1. The Corporation (continued)

The PUB approved a GRA Adjustment Rider in Decision 12-2018 on July 10, 2018. The rider recovered the revenue shortfall that occurred in April and May 2018 before the PUB approval of final 2018-19 rates in Decision 8-2018. The rider collected a revenue shortfall of \$357 from August 2018 to March 2019. On March 7, 2019 NTPC notified the PUB it would be turning off the rider on March 31, 2019.

c) Economic dependence

NT Hydro has historically been 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 the GNWT.

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 NT Hydro consist of the transactions and balances of NT Hydro and its wholly owned subsidiaries from the date that control commences until the date that control ceases. Inter-entity transactions and balances with wholly owned subsidiaries are eliminated upon consolidation. NT Hydro's investment in government business partnerships are accounted for under the modified equity method to record its investment, net income and other changes in equity. Inter-entity transactions and balances are not eliminated.

The consolidated budget figures presented in these consolidated financial statements were approved by the Board of Directors 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 provisions 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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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.

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, loan receivable, due from related party, sinking fund investments, operating line of credit, accounts payable and accrued liabilities, debenture debt, and capital lease obligations.

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.

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, capitalized interest directly attributable to construction or development (IDC) and legal obligations associated with the retirement of tangible capital assets. 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 2018-19 was 4.97% (2017-18 – 5.08%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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 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

Management has utilized amortization rates approved by the PUB in Decision 8-2018 (Note 1(b)). The cost, less residual value, of tangible capital assets, excluding land, is amortized on the straight-line average group useful life basis. 2018-19 Rates remain unchanged since 2016-17.

Annual amortization rates are as follows:

	2018-19 Rates (%)	2017-18 Rates (%)
Electric power plants	1.00 – 4.86	1.00 – 4.86
Transmission and distribution systems	1.54 – 6.67	1.54 – 6.67
Warehouse, equipment, motor vehicles and general facilities	1.31 – 20.00	1.31 – 20.00
Electric power plant under capital lease	1.00 – 4.86	1.00 – 4.86

Assets under construction are not amortized until they are ready for their intended productive use. NT Hydro 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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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.

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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

j) Asset retirement obligations (ARO)

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The amortization method utilized on ARO costs is consistent with the rates as outlined under Tangible Capital Assets *iv) Amortization*.

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. NT Hydro reviews its estimates of ARO on an annual basis.

k) Environmental liabilities

Environmental liabilities are the result of contaminated sites, defined as a site where as a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized 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. The liability reflects NT Hydro's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

Environmental liabilities consist of the estimated costs related to the monitoring, maintenance and remediation of environmentally contaminated sites. Environmental liabilities are discounted for the time value of money. NT Hydro reviews its estimates of future environmental liabilities on an annual 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.

m) Revenues

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

Interest, other revenue and customer contributions are recognized on an accrual basis.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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 a new standard in November 2018 on Asset Retirement Obligations (PS 3280). This standard has an effective date of April 1, 2021. NT Hydro is currently evaluating the effects on the adoption of this standard.

PSAB issued a new standard in November 2018 on Revenues (PS 3400). This standard has an effective date of April 1, 2022. NT Hydro is currently evaluating the effects on the adoption of this standard.

3. Revenues receivable

At March 31, 2019, the aging of revenues receivable was as follows:

	2019			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	\$ 11,521	\$ 741	\$ 241	\$ 12,503
Non-utility	137	73	420	630
Allowance for doubtful accounts	-	-	(256)	(256)
	\$ 11,658	\$ 814	\$ 405	\$ 12,877

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 3. Revenues receivable (continued)

At March 31, 2018, the aging of revenues receivable was as follows:

	2018			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	\$ 11,536	\$ 728	\$ 308	\$ 12,572
Non-utility	197	264	222	683
Allowance for doubtful accounts	-	-	(272)	(272)
	<u>\$ 11,733</u>	<u>\$ 992</u>	<u>\$ 258</u>	<u>\$ 12,983</u>

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

	2019	2018
Balance, beginning of the year	\$ (272)	\$ (262)
Receivables written off	87	46
Change to allowance	(71)	(56)
Balance, end of the year	<u>\$ (256)</u>	<u>\$ (272)</u>

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, 2019, 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 20.

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 (Snare Cascades) 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 Cascades are settled on a net basis and are presented on a net basis on the consolidated statement of cash flows. Loan receivable principal payments of \$1,103 (2017-18 - \$1,002) and interest income of \$1,238 (2017-18 - \$1,339) were offset by capital lease principal payments of \$405 (2017-18 - \$405) and interest expense of \$1,646 (2017-18 - \$1,697). As a result, the net cash receipt of \$290 (2017-18 - \$239) is disclosed in the consolidated statement of cash flows as loan receivable receipts.

NORTHWEST TERRITORIES HYDRO CORPORATION

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

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 10).

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 obligation over the next five years and thereafter are as follows:

	Snare Cascades	Colville Lake Office	Total
2020	\$ 1,998	\$ 48	\$ 2,046
2021	1,944	8	1,952
2022	1,886	-	1,886
2023	1,827	-	1,827
2024	1,764	-	1,764
Thereafter	39,467	-	39,467
	48,886	56	48,942
Less: amounts representing imputed interest	(31,720)	(1)	(31,721)
Total capital lease obligations	\$ 17,166	\$ 55	\$ 17,221

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 20.

NORTHWEST TERRITORIES HYDRO CORPORATION

5. Operating line of credit

NTPC has a \$40,000 (2017-18 - \$40,000) 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, 2019 was \$9,041 (2017-18 - nil).

6. Debenture debt and related sinking fund investments

Debenture debt

	2019	2018
3.982% amortizing debenture, due February 17, 2047	\$ 57,825	\$ 58,935
5.16% amortizing debenture, due September 13, 2040	43,451	44,535
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	9,333	10,000
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	4,713	5,139
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	3,950	4,366
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	3,817	4,251
6.33% sinking fund debentures, due October 27, 2018	-	10,000
	<u>\$ 213,089</u>	<u>\$ 227,226</u>
Less: Unamortized premium, discount and issuance costs	(786)	(833)
	<u>\$ 212,303</u>	<u>\$ 226,393</u>

The GNWT guarantees all of the debenture debt.

Principal repayments for future years are as follows:

2020	2021	2022	2023	2024	Thereafter	Total
\$ 4,364	\$ 4,613	\$ 4,879	\$ 5,167	\$ 5,806	\$188,260	\$ 213,089

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 6. Debenture debt and related sinking fund investments (continued)

Sinking fund investments and requirements

Sinking fund investments were held by the Trustee restricted for the redemption of debentures. The agreements required annual installments to retire debt at maturity. The sinking fund policy only allowed Canadian fixed-income investments with investment grade credit and all asset classes were measured at cost or amortized cost.

In October 2018 a \$10,000 6.33% debenture was repaid at maturity. The full amount of the associated sinking fund, \$6,323 was redeemed and used to repay the debenture with the remainder coming from NTPC's main operating account. NTPC no longer has debentures with sinking fund provisions.

7. Asset retirement obligations

ARO 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 NT Hydro and the remediation of contaminated sites.

Following is a summary of the key assumptions upon which the carrying amount of the ARO is based:

- Total expected future cash flows - \$14,677 (2017-18 - \$14,766).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 33 years with the majority occurring after 2041.
- The discount rate is the cost of borrowing rate of 2.57% (2017-18 – 3.12%) for those obligations to be settled in less than 10 years and 3.04% (2017-18 – 3.42%) for those obligations to be settled in 10 years or longer.

Following is a summary of the asset retirement obligations:

	2019	2018
Opening balance	\$ 7,536	\$ 7,171
Liabilities settled	(186)	(80)
Accretion expense	224	238
Valuation adjustment	567	36
Additions	315	171
Balance, end of year	\$ 8,456	\$ 7,536

Management, as at March 31, 2019 does not foresee any events or circumstances in the future that would have a significant impact on the estimated value of the asset retirement obligations.

NORTHWEST TERRITORIES HYDRO CORPORATION

8. Environmental liabilities

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 and other substances 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 23 sites (2017-18 - 23 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.

Following is a summary of the key assumptions upon which the carrying amount of the environmental liabilities is based:

- Total expected future cash flows - \$35,148 (2017-18 - \$34,413).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 71 years with the majority occurring after 2089.
- The discount rate is the cost of borrowing rate of 2.57% (2017-18 – 3.12%) for those obligations to be settled in less than 10 years and 3.04% (2017-18 – 3.42%) for those obligations to be settled in 10 years or longer.

Following is a summary of the estimated environmental liabilities:

	2019	2018
Opening balance	\$ 11,408	\$ 10,772
Liabilities settled	(133)	(316)
Valuation adjustment	2,190	952
Balance, end of year	\$ 13,465	\$ 11,408

The valuation adjustment relates to changes in the discount rate applied and changes to expected future cash flows.

NORTHWEST TERRITORIES HYDRO CORPORATION

9. 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 1.00 times (2017-18 – 1.00) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2017-18 – 1.00) the employees' contributions for all other employees. Employer contributions of \$2,038 (2017-18 - \$2,120) were recognized as an expense in the current year. The employees' contribution to this plan was \$2,025 (2017-18 - \$1,935).

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 to an employer - employee cost sharing ratio of 50:50 arrived at in 2017.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 9. Other employee future benefits (continued)

b) Other employee future benefits:

Summary of other employee future benefit liabilities:

	2019			2018		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Opening net future obligation	\$ 3,059	\$ 63	\$ 3,122	\$ 3,030	\$ 47	\$ 3,077
Less prior year unamortized net actuarial (gain) loss	270	(155)	115	221	219	440
Accrued benefit obligation, beginning of the year	2,789	218	3,007	3,251	266	3,517
Benefits earned	259	19	278	284	20	304
Plan Amendments	61	-	61	-	-	-
Interest	90	7	97	65	5	70
Benefits paid	(388)	(63)	(451)	(345)	(35)	(380)
Actuarial (gains) losses	723	118	841	(466)	(38)	(504)
Accrued benefit obligation, end of year	3,534	299	3,833	2,789	218	3,007
Unamortized net actuarial (gain) loss	(482)	(249)	(731)	270	(155)	115
Net future obligation	\$ 3,052	\$ 50	\$ 3,102	\$ 3,059	\$ 63	\$ 3,122

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 9. Other employee future benefits (continued)

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

	<u>2019</u>	<u>2018</u>
Current benefits earned	\$ 278	\$ 304
Interest	97	70
Plan amendments	61	-
Amortization of net actuarial (gain) loss	(6)	52
	<u>\$ 430</u>	<u>\$ 426</u>

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

	<u>2019</u>	<u>2018</u>
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	2.80%	3.20%
Expected average remaining service life of related employee groups (EARSL)	<u>8.5 years</u>	<u>8.4 years</u>

Notes to the Consolidated Financial Statements
For the year ended March 31, 2019
(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

10. Tangible capital assets

March 31, 2019						
	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	\$ 346,396	\$ 98,010	\$ 64,913	\$ 28,733	\$ 14,765	\$ 552,817
Additions	884	-	-	-	37,958	38,842
Transfers – completed projects	11,266	5,335	7,997	-	(24,598)	-
Disposals and adjustments	(2,178)	(356)	(1,413)	-	-	(3,947)
Closing balance	356,368	102,989	71,497	28,733	28,125	587,712
Accumulated amortization						
Opening balance	(119,308)	(33,348)	(32,555)	(8,761)	-	(193,972)
Amortization	(11,215)	(2,419)	(4,082)	(460)	-	(18,176)
Disposals and adjustments	2,223	335	1,150	-	-	3,708
Closing balance	(128,300)	(35,432)	(35,487)	(9,221)	-	(208,440)
Net book value	\$ 228,068	\$ 67,557	\$ 36,010	\$ 19,512	\$ 28,125	\$ 379,272
March 31, 2018						
	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	\$ 335,589	\$ 93,832	\$ 60,637	\$ 28,507	\$ 12,030	\$ 530,595
Additions	171	-	-	-	25,667	25,838
Transfers – completed projects	13,309	4,317	5,080	226	(22,932)	-
Disposals and adjustments	(2,673)	(139)	(804)	-	-	(3,616)
Closing balance	346,396	98,010	64,913	28,733	14,765	552,817
Accumulated amortization						
Opening balance	(112,883)	(31,254)	(29,418)	(8,301)	-	(181,856)
Amortization	(9,804)	(2,288)	(3,664)	(460)	-	(16,216)
Disposals and adjustments	3,379	194	527	-	-	4,100
Closing balance	(119,308)	(33,348)	(32,555)	(8,761)	-	(193,972)
Net book value	\$ 227,088	\$ 64,662	\$ 32,358	\$ 19,972	\$ 14,765	\$ 358,845

Notes to the Consolidated Financial Statements
For the year ended March 31, 2019
(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

11. Inventories

	<u>2019</u>	<u>2018</u>
Materials, supplies and lubricants	\$ 4,953	\$ 4,661
Critical spare parts	4,046	3,458
Fuel	317	340
	<u>\$ 9,316</u>	<u>\$ 8,459</u>

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is 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 19. Diesel fuel requirements for the remaining 20 plants are managed under the fuel management services agreement described in Note 19.

12. Accumulated surplus / equity

	<u>2019</u>	<u>2018</u>
Share capital, common and preferred shares	\$ 43,129	\$ 43,129
Accumulated operating surplus / equity	83,466	81,360
	<u>\$ 126,595</u>	<u>\$ 124,489</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, 2019, 1 common share (2017-18 – 1 common share), at \$43,129 per share (2017-18 – \$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.

13. Sale of power

	<u>2019</u>	<u>2018</u>
Power sales to external customers	\$ 81,654	\$ 78,156
Power sales to GNWT and related parties	17,243	16,077
GNWT TPSP payments	6,205	5,871
GNWT HSP payments	5,289	6,252
	<u>\$ 110,391</u>	<u>\$ 106,356</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.

NORTHWEST TERRITORIES HYDRO CORPORATION

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. The change in GNWT HSP Payment is the direct result of the changes made by NWT Housing Corporation to their User Pay Program in September 2018-19.

Note 13. 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.

14. Other revenue and customer contributions

	<u>2019</u>	<u>2018</u>
Contract work	\$ 680	\$ 531
Heat revenues	449	422
Connection fees	401	466
Pole rental	287	267
Contributions in aid of construction	281	271
	<u>\$ 2,098</u>	<u>\$ 1,957</u>

15. Expenses

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

	<u>2019</u>	<u>2018</u>
Fuel and lubricants (Note 19)	\$ 30,910	\$ 25,844
Salaries and wages	29,319	26,741
Supplies and services	22,415	18,575
Amortization (Note 10)	18,176	16,216
Interest expense (Note 16)	12,657	13,488
Travel and accommodation	2,276	2,352
Net loss (gain) on disposal of assets	493	(484)
Accretion on ARO (Note 7)	224	239
	<u>\$ 116,470</u>	<u>\$ 102,971</u>

NORTHWEST TERRITORIES HYDRO CORPORATION

16. Interest expense and interest income

Interest expense

	2019	2018
Interest on debenture debt and capital leases (Notes 4, 6)	\$ 13,133	\$ 13,688
Short-term debt financing costs	225	103
Capitalized interest during construction	(701)	(303)
	\$ 12,657	\$ 13,488

Interest income

	2019	2018
Income on loan receivable (Note 4)	\$ 1,238	\$ 1,339
Income from overdue accounts and bank balances	58	181
Income from sinking fund investments (Note 6)	46	53
	\$ 1,342	\$ 1,573

17. Government contributions

GNWT

Investing in Canada Infrastructure Program (ICIP)

In 2018-19 NT Hydro's wholly owned subsidiaries entered into three agreements with the GNWT under the Government of Canada's Investing in Canada Infrastructure Program for the following projects:

Snare Forks Overhauls on Units 1 and 2

This agreement between NTPC and the GNWT is to support 75% of the cost of completing turbine and generator upgrades at NTPC's Snare Forks powerhouse to a maximum of \$14,100. The agreement expires March 31, 2021. NTPC received an initial payment of \$6,000. As of March 31, 2019 NTPC has incurred \$3,064 of eligible expenditures on the overhaul of unit 1 and the remaining \$2,936 is recorded as a deferred liability.

Sachs Harbour Plant Replacement

This agreement between NTPC and the GNWT is to support 75% of the costs to fund the installation and commissioning of a new power plant and fuel storage tank in Sachs Harbour to a maximum of \$7,481. The agreement expires March 31, 2021. As of March 31, 2019 NTPC has incurred \$19 of eligible expenditures of which all is recorded as a receivable.

Inuvik Wind

This agreement between NT Energy and the GNWT is to support 100% of the costs of the design, construction and commissioning of the Inuvik highpoint wind project, to a maximum of \$30,000. The agreement expires March 31, 2021. NT Energy received an initial payment of \$1,260. As of March 31, 2019 NT Energy has incurred \$1,186 of eligible expenditures and the remaining \$74 is recorded as a deferred liability.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 17. Government contributions (continued)

	2018-19 Actuals	2018-19 Budget	Total Lifetime Costs	Total Lifetime Budget
Snare Forks Overhauls				
Salaries and wages	\$ 218		\$ 218	
Supplies and services	2,772		2,772	
Transportation costs	74		74	
	\$ 3,064	\$ 6,000	\$ 3,064	\$ 14,100
Sachs Harbour Plant Replacement				
Salaries and wages	\$ 19		\$ 19	
	\$ 19	\$ -	\$ 19	\$ 7,481
Inuvik Wind				
Salaries and wages	\$ 199		\$ 199	
Supplies and services	963		963	
Transportation costs	24		24	
	\$ 1,186	\$ 1,400	\$ 1,186	\$ 30,000
Total ICIP	\$ 4,269	\$ 7,400	\$ 4,269	\$ 51,581

Other agreements

In 2018-19, NTPC entered into three other single year contribution agreements with the GNWT. All committed funding with matching eligible costs have been recorded as revenue as at March 31, 2019.

The first agreement was to fund costs associated with fire risk assessment and mitigation. The total agreement was for \$83, all of which was recognized as revenue. \$75 was received in 2018-19, and \$8 is recorded as receivable at March 31, 2019.

The second agreement was to fund a Talston road feasibility study. The total agreement was for \$50. The total amount was received and recognized as revenue during 2018-19.

NTPC also received and recognized \$33 in revenue from the GNWT for apprenticeship training.

In 2018-19, NT Energy entered into a single year agreement with the GNWT for bridge funding costs associated with establishing an unregulated entity to facilitate the expansion of the electricity system through alternative energy development. The total agreement was for \$250, all of which was received and recognized as revenue in 2018-19.

Federal Government

In 2018-19, NTPC entered into a single year agreement with Natural Resources Canada to fund a solar irradiance measurement unit in Colville Lake. The total value of the agreement was \$10, which was received and recognized as revenue at March 31, 2019.

NORTHWEST TERRITORIES HYDRO CORPORATION

18. 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:

	2019	2018
Revenue		
Other revenue	\$ 215	\$ 439
Expenses		
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 19)	\$ 23,579	\$ 18,667
Other operating expenses	1,036	408
	\$ 24,615	19,075
Financial assets		
Revenues receivable		
Utility	\$ 1,896	\$ 1,343
Non-utility	101	162
	\$ 1,997	\$ 1,505
Liabilities		
Accounts payable to FSD for fuel (Note 19)	\$ 5,110	\$ 6,173
Other accounts payable and accrued liabilities	30	63
	\$ 5,140	\$ 6,236

NORTHWEST TERRITORIES HYDRO CORPORATION

19. Contractual obligations

NT Hydro is contractually committed for the following expenses with non-related parties that will be incurred subsequent to March 31, 2019.

	<u>Expiry</u>	<u>2020</u>	<u>2021 and subsequent</u>
Operational and lease commitments	2022	\$ 9,171	\$ 471

In addition, NT Hydro has entered into the following contractual obligations with related parties:

Fuel management services agreement

NTPC has a fuel management services agreement with the FSD. Under this agreement fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by FSD. 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 FSD in a given year. The contract expires March 31, 2021.

LNG purchases

NTPC has an agreement with FSD to supply NTPC's Inuvik facilities with LNG until March 31, 2020. The price of LNG under this agreement varies with FSD's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee.

NORTHWEST TERRITORIES HYDRO CORPORATION

20. Financial instruments and risk management

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

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>2019</u>	<u>2018</u>
Revenues receivable	\$ 12,877	\$ 12,983
Loan receivable	12,290	13,393
Cash	2,147	9,077
Sinking fund investments	-	6,278
	<u>\$ 27,314</u>	<u>\$ 41,731</u>

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-seven percent (2017-18 - 38%) of NTPC's sales are to two other utilities. Twenty-six percent (2017-18 - 26%) of sales, including HSP and TPSP are to the GNWT.

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.

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. 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 20. 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 \$40,000 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, 2019				
	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	\$ 4,364	\$ 25,946	\$ 129,575	\$ 53,204	\$ 213,089
Operating line of credit	9,041	-	-	-	9,041
Capital lease obligation	2,046	9,127	19,482	18,287	48,942
Loan receivable	(2,341)	(11,704)	(3,121)	-	(17,166)
	<u>\$ 13,110</u>	<u>\$ 23,369</u>	<u>\$ 145,936</u>	<u>\$ 71,491</u>	<u>\$ 253,906</u>

	March 31, 2018				
	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	\$ 14,137	\$ 24,498	\$ 129,942	\$ 58,649	\$ 227,226
Sinking fund investments	(6,278)	-	-	-	(6,278)
Snare capital lease obligation	2,099	9,475	19,996	19,471	51,041
Loan receivable	(2,341)	(11,704)	(5,462)	-	(19,507)
	<u>\$ 7,617</u>	<u>\$ 22,269</u>	<u>\$ 144,476</u>	<u>\$ 78,120</u>	<u>\$ 252,482</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.

Note 21. Comparative figures

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

**NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019**



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Northwest Territories Power Corporation and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Northwest Territories Power Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are 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.

In our opinion, the transactions of the Northwest Territories Power Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Northwest Territories Power Corporation Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Northwest Territories Power Corporation and the consolidated financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Northwest Territories Power Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Northwest Territories Power Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.



Lana Dar, CPA, CA
Principal
for the Interim Auditor General of Canada

Vancouver, Canada
19 July 2019

NORTHWEST TERRITORIES POWER CORPORATION

Management's Responsibility for Financial Reporting

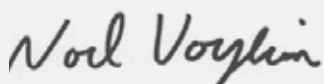
The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant 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.



Noel Voykin
Chief Executive Officer



Belinda Whitford
Chief Financial Officer

Hay River, NT
July 19, 2019

NORTHWEST TERRITORIES POWER CORPORATION

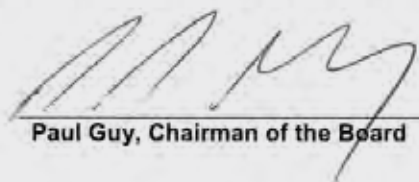
CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at March 31 (in thousands of dollars)

	2019	2018
Financial assets		
Cash	\$ 715	\$ 9,077
Revenues receivable (Note 3)	12,831	12,803
Loan receivable (Note 4)	12,290	13,393
Due from related party (Note 20)	2,076	-
Investment in Aadrii Ltd.	453	403
Sinking fund investments (Note 6)	-	6,278
	28,365	41,954
Liabilities		
Operating line of credit (Note 5)	9,041	-
Accounts payable and accrued liabilities	24,604	20,143
Debenture debt (Note 6)	212,303	226,393
Asset retirement obligations (Note 7)	8,456	7,536
Environmental liabilities (Note 8)	13,465	11,408
Capital lease obligations (Note 4)	17,221	17,671
Other employee future benefits (Note 9)	3,102	3,122
Deferred government contributions (Note 17)	2,936	-
	291,128	286,273
Net debt	(262,763)	(244,319)
Non-financial assets		
Tangible capital assets (Note 10)	377,872	358,660
Inventories (Note 11)	9,316	8,459
Prepaid expenses	1,388	1,331
	388,576	368,450
Accumulated surplus / equity (Note 12)	\$ 125,813	\$ 124,131

Contractual obligations (Note 19)

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>2019</u> <u>Budget</u>	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Revenues			
Sale of power (Note 13)	\$ 110,060	\$ 110,391	\$ 106,356
Other revenue and customer contributions (Note 14)	1,924	2,098	1,957
Interest income (Note 16)	1,351	1,342	1,573
Income from investment in Aadrii Ltd.	75	50	18
Fuel rider refunds	-	-	(250)
	<u>113,410</u>	<u>113,881</u>	<u>109,654</u>
Expenses (Note 15)			
Thermal generation	65,828	68,995	59,959
Hydro generation	22,062	18,882	17,638
Corporate services	16,623	14,582	14,054
Transmission, distribution and retail	10,874	11,312	10,641
Purchased power	-	1,451	201
Alternative power generation	243	236	266
	<u>115,630</u>	<u>115,458</u>	<u>102,759</u>
Surplus (Deficit) for the year before government contributions	<u>(2,220)</u>	<u>(1,577)</u>	<u>6,895</u>
Government contributions			
Other government contributions (Note 17)	-	3,259	889
	<u>-</u>	<u>3,259</u>	<u>889</u>
Surplus (Deficit) for the year	<u>\$ (2,220)</u>	<u>\$ 1,682</u>	<u>\$ 7,784</u>
Accumulated surplus / equity, beginning of year	124,131	124,131	116,347
Accumulated surplus / equity, end of year	<u>\$ 121,911</u>	<u>\$ 125,813</u>	<u>\$ 124,131</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>2019</u> <u>Budget</u>	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Surplus (Deficit) for the year	\$ (2,220)	\$ 1,682	\$ 7,784
Tangible capital assets			
Additions	(52,460)	(31,462)	(21,941)
Capitalized overhead	(3,200)	(5,402)	(3,470)
Capitalized interest (Note 16)	(530)	(701)	(303)
Disposals	3,267	178	(455)
Amortization (Note 10)	16,884	18,175	16,216
	<u>(36,039)</u>	<u>(19,212)</u>	<u>(9,953)</u>
Acquisition of inventories	(5,772)	(8,191)	(8,620)
Use of inventories	5,630	7,334	8,445
Acquisition of prepaids	(2,200)	(1,732)	(1,616)
Use of prepaids	2,100	1,675	1,601
	<u>(242)</u>	<u>(914)</u>	<u>(190)</u>
Increase in net debt for the year	\$ (38,501)	\$ (18,444)	\$ (2,359)
Net debt, beginning of year	<u>(244,319)</u>	<u>(244,319)</u>	<u>(241,960)</u>
Net debt, end of year	\$ (282,820)	\$ (262,763)	\$ (244,319)

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)

	2019	2018
Cash provided by operating activities		
Cash receipts from customers	\$ 112,378	\$ 107,722
Cash paid to suppliers	(54,568)	(41,808)
Cash paid to employees	(26,031)	(27,454)
Interest paid	(11,927)	(11,795)
Interest received	104	234
Government contributions received	6,469	925
	26,425	27,824
Cash provided by (used in) investing activities		
Advances (to) from related parties	(2,271)	18
Loan receivable receipts (Note 4)	290	227
Sinking fund installments (Note 6)	(45)	(478)
Sinking fund investment redemptions (Note 6)	6,323	-
	4,297	(233)
Cash used in capital activities		
Acquisition and development of tangible capital assets	(33,965)	(24,379)
Proceeds on sale of tangible capital assets	21	-
	(33,944)	(24,379)
Cash used in provided by financing activities		
Repayment of capital lease obligation (Note 4)	(45)	(44)
Repayment of debenture debt	(14,136)	(3,922)
Net proceeds from operating line of credit	9,041	-
	(5,140)	(3,966)
Decrease in cash	\$ (8,362)	\$ (754)
Cash, beginning of year	9,077	9,831
Cash, end of year	\$ 715	\$ 9,077

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 12).

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.

NT Hydro has another subsidiary, the Northwest Territories Energy Corporation (03) Ltd. (NT Energy). NT Energy is unregulated and involved in construction and development of energy related capital projects. NT Energy is also undertaking any work to develop prices and respond to requests for electricity pricing for potential mining operations.

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. NTPC filed its 2016/19 GRA on June 30, 2016. This application requested a change to NTPC's amortization rates as well as its energy rates, which include a return on equity component. In Decision 16-2017 the PUB approved amortization rates and a return on equity for 2018-19 of 8% (2017-18 - 8%). 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.

NORTHWEST TERRITORIES POWER CORPORATION

Note 1. The Corporation (continued)

On May 28, 2018 in Decision 8-2018, the PUB approved final rates for 2017-18 and final rates for 2018-19 effective June 1, 2018. The 2018-19 rates included a 2% increase from 2017-18 rates.

The PUB approved a GRA Adjustment Rider in Decision 12-2018 on July 10, 2018. The rider recovered the revenue shortfall that occurred in April and May 2018 before the PUB approval of final 2018-19 rates in Decision 8-2018. The rider collected a revenue shortfall of \$357 from August 2018 to March 2019. On March 7, 2019 NTPC notified the PUB it would be turning off the rider on March 31, 2019.

c) Economic dependence

NTPC has historically been 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 the GNWT.

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 transactions and balances of NTPC and its wholly-owned subsidiary from the date that control commences until the date that control ceases. Inter-entity transactions and balances with the wholly-owned subsidiary are eliminated upon consolidation. NTPC's investment in government business partnerships are accounted for under the modified equity method to record its investment, net income and other changes in equity. Inter-entity transactions and balances are not eliminated.

The consolidated budget figures presented in these consolidated financial statements were approved by the Board of Directors 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 provisions 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.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

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, loan receivable, due from related party, sinking fund investments, operating line of credit, accounts payable and accrued liabilities, debenture debt, and capital lease obligations.

A provision for impairment of revenues receivable, due from related party 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 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, capitalized interest directly attributable to construction or development (IDC) and legal obligations associated with the retirement of tangible capital assets. 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 2018-19 was 4.97% (2017-18 – 5.08%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

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

Management has utilized amortization rates approved by the PUB in Decision 8-2018 (Note 1(b)). The cost, less residual value, of tangible capital assets, excluding land, is amortized on the straight-line average group useful life basis. 2018-19 Rates remain unchanged since 2016-17.

Annual amortization rates are as follows:

	2018-19 Rates (%)	2017-18 Rates (%)
Electric power plants	1.00 – 4.86	1.00 – 4.86
Transmission and distribution systems	1.54 – 6.67	1.54 – 6.67
Warehouse, equipment, motor vehicles and general facilities	1.31 – 20.00	1.31 – 20.00
Electric power plant under capital lease	1.00 – 4.86	1.00 – 4.86

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.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

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.

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, retirement or death of an employee.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

j) Asset retirement obligations (ARO)

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The amortization method utilized on ARO costs is consistent with the rates as outlined under Tangible Capital Assets *iv) Amortization*.

NTPC has identified other sites where NTPC expects to maintain and operate these assets indefinitely and therefore no related ARO has been recognized. NTPC reviews its estimates of ARO on an annual basis.

k) Environmental liabilities

Environmental liabilities are the result of contaminated sites, defined as a site where as a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized 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. The liability reflects NTPC's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

Environmental liabilities consist of the estimated costs related to the monitoring, maintenance and remediation of environmentally contaminated sites. Environmental liabilities are discounted for the time value of money. NTPC reviews its estimates of future environmental liabilities on an annual 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.

m) Revenues

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

Interest, other revenue and customer contributions are recognized on an accrual basis.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

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 a new standard in November 2018 on Asset Retirement Obligations (PS 3280). This standard has an effective date of April 1, 2021. NTPC is currently evaluating the effects on the adoption of this standard.

PSAB issued a new standard in November 2018 on Revenues (PS 3400). This standard has an effective date of April 1, 2022. NTPC is currently evaluating the effects on the adoption of this standard.

NORTHWEST TERRITORIES POWER CORPORATION

3. Revenues receivable

At March 31, 2019, the aging of revenues receivable was as follows:

	2019			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	\$ 11,521	\$ 741	\$ 241	\$ 12,503
Non-utility	111	60	413	584
Allowance for doubtful accounts	-	-	(256)	(256)
	\$ 11,632	\$ 801	\$ 398	\$ 12,831

At March 31, 2018, the aging of revenues receivable was as follows:

	2018			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	\$ 11,536	\$ 728	\$ 308	\$ 12,572
Non-utility	17	264	222	503
Allowance for doubtful accounts	-	-	(272)	(272)
	\$ 11,553	\$ 992	\$ 258	\$ 12,803

NORTHWEST TERRITORIES POWER CORPORATION

Note 3. Revenues receivable (continued)

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

	2019	2018
Balance, beginning of the year	\$ (272)	\$ (262)
Receivables written off	87	46
Change to allowance	(71)	(56)
Balance, end of the year	\$ (256)	\$ (272)

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, 2019, 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 20.

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 (Snare Cascades) 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 Cascades are settled on a net basis and are presented on a net basis on the consolidated statement of cash flows. Loan receivable principal payments of \$1,103 (2017-18 - \$1,002) and interest income of \$1,238 (2017-18 - \$1,339) were offset by capital lease principal payments of \$405 (2017-18 - \$405) and interest expense of \$1,646 (2017-18 - \$1,697). As a result, the net cash receipt of \$290 (2017-18 - \$239) is disclosed in the consolidated 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 10).

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:

	Snare Cascades	Colville Lake Office	Total
2020	\$ 1,998	\$ 48	\$ 2,046
2021	1,944	8	1,952
2022	1,886	-	1,886
2023	1,827	-	1,827
2024	1,764	-	1,764
Thereafter	39,467	-	39,467
	48,886	56	48,942
Less: amounts representing imputed interest	(31,720)	(1)	(31,721)
Total capital lease obligations	\$ 17,166	\$ 55	\$ 17,221

Additional disclosures on NTPC's exposure and management of risk associated with the loan receivable and capital lease obligations can be found in Note 20.

NORTHWEST TERRITORIES POWER CORPORATION

5. Operating line of credit

NTPC has a \$40,000 (2017-18 - \$40,000) 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, 2019 was \$9,041 (2017-18 - nil).

6. Debenture debt and related sinking fund investments

Debenture debt

	2019	2018
3.982% amortizing debenture, due February 17, 2047	\$ 57,825	\$ 58,935
5.16% amortizing debenture, due September 13, 2040	43,451	44,535
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	9,333	10,000
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	4,713	5,139
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	3,950	4,366
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	3,817	4,251
6.33% sinking fund debentures, due October 27, 2018	-	10,000
	\$ 213,089	\$ 227,226
Less: Unamortized premium, discount and issuance costs	(786)	(833)
	\$ 212,303	\$ 226,393

The GNWT guarantees all of the debenture debt.

Principal repayments for future years are as follows:

2020	2021	2022	2023	2024	Thereafter	Total
\$ 4,364	\$ 4,613	\$ 4,879	\$ 5,167	\$ 5,806	\$188,260	\$ 213,089

NORTHWEST TERRITORIES POWER CORPORATION

Note 6. Debenture debt and related sinking fund investments (continued)

Sinking fund investments and requirements

Sinking fund investments were held by the Trustee restricted for the redemption of debentures. The agreements required annual installments to retire debt at maturity. The sinking fund policy only allowed Canadian fixed-income investments with investment grade credit and all asset classes were measured at cost or amortized cost.

In October 2018 a \$10,000 6.33% debenture was repaid at maturity. The full amount of the associated sinking fund, \$6,323 was redeemed and used to repay the debenture with the remainder coming from NTPC's main operating account. NTPC no longer has debentures with sinking fund provisions.

7. Asset retirement obligations

ARO 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 ARO is based:

- Total expected future cash flows - \$14,677 (2017-18 - \$14,766).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 33 years with the majority occurring after 2041.
- The discount rate is the cost of borrowing rate of 2.57% (2017-18 – 3.12%) for those obligations to be settled in less than 10 years and 3.04% (2017-18 – 3.42%) for those obligations to be settled in 10 years or longer.

Following is a summary of the asset retirement obligations:

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 7,536	\$ 7,171
Liabilities settled	(186)	(80)
Accretion expense	224	238
Valuation adjustment	567	36
Additions	<u>315</u>	<u>171</u>
Balance, end of year	<u>\$ 8,456</u>	<u>\$ 7,536</u>

Management, as at March 31, 2019 does not foresee any events or circumstances in the future that would have a significant impact on the estimated value of the asset retirement obligations.

NORTHWEST TERRITORIES POWER CORPORATION

8. Environmental liabilities

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 and other substances 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 23 sites (2017-18 - 23 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.

Following is a summary of the key assumptions upon which the carrying amount of the environmental liabilities is based:

- Total expected future cash flows - \$35,148 (2017-18 - \$34,413).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 71 years with the majority occurring after 2089.
- The discount rate is the cost of borrowing rate of 2.57% (2017-18 – 3.12%) for those obligations to be settled in less than 10 years and 3.04% (2017-18 – 3.42%) for those obligations to be settled in 10 years or longer.

Following is a summary of the estimated environmental liabilities:

	2019	2018
Opening balance	\$ 11,408	\$ 10,772
Liabilities settled	(133)	(316)
Valuation adjustment	2,190	952
Balance, end of year	\$ 13,465	\$ 11,408

The valuation adjustment relates to changes in the discount rate applied and changes to expected future cash flows.

NORTHWEST TERRITORIES POWER CORPORATION

9. 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 1.00 times (2017-18 – 1.00) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2017-18 – 1.00) the employees' contributions for all other employees. Employer contributions of \$2,038 (2017-18 - \$2,120) were recognized as an expense in the current year. The employees' contribution to this plan was \$2,025 (2017-18 - \$1,935).

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 9. Other employee future benefits (continued)

b) Other employee future benefits

Summary of other employee future benefit liabilities:

	2019			2018		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Opening net future obligation	\$ 3,059	\$ 63	\$ 3,122	\$ 3,030	\$ 47	\$ 3,077
Less prior year unamortized net actuarial (gain) loss	270	(155)	115	221	219	440
Accrued benefit obligation, beginning of the year	2,789	218	3,007	3,251	266	3,517
Benefits earned	259	19	278	284	20	304
Plan amendments	61	-	61	-	-	-
Interest	90	7	97	65	5	70
Benefits paid	(388)	(63)	(451)	(345)	(35)	(380)
Actuarial (gains) losses	723	118	841	(466)	(38)	(504)
Accrued benefit obligation, end of year	3,534	299	3,833	2,789	218	3,007
Unamortized net actuarial (gain) loss	(482)	(249)	(731)	270	(155)	115
Net future obligation	<u>\$ 3,052</u>	<u>\$ 50</u>	<u>\$ 3,102</u>	<u>\$ 3,059</u>	<u>\$ 63</u>	<u>\$ 3,122</u>

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 9. Other employee future benefits (continued)

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

	2019	2018
Current benefits earned	\$ 278	\$ 304
Interest	97	70
Plan amendments	61	-
Amortization of net actuarial (gain) loss	(6)	52
	\$ 430	\$ 426

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

	2019	2018
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	2.80%	3.20%
Expected average remaining service life of related employee groups (EARSL)	8.5 years	8.4 years

Notes to the Consolidated Financial Statements
For the year ended March 31, 2019
(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

10. Tangible capital assets

March 31, 2019						
	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	\$ 346,369	\$ 98,010	\$ 64,850	\$ 28,733	\$ 14,641	\$ 552,603
Additions	884	-	-	-	36,681	37,565
Transfers – completed projects	11,266	5,335	7,930	-	(24,531)	-
Disposals and adjustments	(2,151)	(356)	(1,349)	-	-	(3,856)
Closing balance	356,368	102,989	71,431	28,733	26,791	586,312
Accumulated amortization						
Opening balance	(119,307)	(33,348)	(32,527)	(8,761)	-	(193,943)
Amortization	(11,215)	(2,419)	(4,081)	(460)	-	(18,175)
Disposals and adjustments	2,222	335	1,121	-	-	3,678
Closing balance	(128,300)	(35,432)	(35,487)	(9,221)	-	(208,440)
Net book value	\$ 228,068	\$ 67,557	\$ 35,944	\$ 19,512	\$ 26,791	\$ 377,872
March 31, 2018						
	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	\$ 335,591	\$ 93,832	\$ 60,574	\$ 28,507	\$ 12,030	\$ 530,534
Additions	171	-	-	-	25,543	25,714
Transfers – completed projects	13,309	4,317	5,080	226	(22,932)	-
Disposals and adjustments	(2,702)	(139)	(804)	-	-	(3,645)
Closing balance	346,369	98,010	64,850	28,733	14,641	552,603
Accumulated amortization						
Opening balance	(112,882)	(31,254)	(29,390)	(8,301)	-	(181,827)
Amortization	(9,804)	(2,288)	(3,664)	(460)	-	(16,216)
Disposals and adjustments	3,379	194	527	-	-	4,100
Closing balance	(119,307)	(33,348)	(32,527)	(8,761)	-	(193,943)
Net book value	\$ 227,062	\$ 64,662	\$ 32,323	\$ 19,972	\$ 14,641	\$ 358,660

NORTHWEST TERRITORIES POWER CORPORATION

11. Inventories

	<u>2019</u>	<u>2018</u>
Materials, supplies and lubricants	\$ 4,953	\$ 4,661
Critical spare parts	4,046	3,458
Fuel	317	340
	<u>\$ 9,316</u>	<u>\$ 8,459</u>

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is 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 19. Diesel fuel requirements for the remaining 20 plants are managed under the fuel management services agreement described in Note 19.

12. Accumulated surplus / equity

	<u>2019</u>	<u>2018</u>
Share capital, common and preferred shares	\$ 43,129	\$ 43,129
Accumulated operating surplus / equity	82,684	81,002
	<u>\$ 125,813</u>	<u>\$ 124,131</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, 2019, 431,288,000 common shares (2017-18 – 431,288,000 common shares) at ten cents per share (2017-18 – 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.

13. Sale of power

	<u>2019</u>	<u>2018</u>
Power sales to external customers	\$ 81,654	\$ 78,156
Power sales to GNWT and related parties	17,243	16,077
GNWT TPSP payments	6,205	5,871
GNWT HSP payments	5,289	6,252
	<u>\$ 110,391</u>	<u>\$ 106,356</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. The change in GNWT HSP Payment is the direct result of the changes made by NWT Housing Corporation to their User Pay Program in September 2018-19.

NORTHWEST TERRITORIES POWER CORPORATION

Note 13. 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.

14. Other revenue and customer contributions

	2019	2018
Contract work	\$ 680	\$ 531
Heat revenues	449	422
Connection fees	401	466
Pole rental	287	267
Contributions in aid of construction	281	271
	<u>\$ 2,098</u>	<u>\$ 1,957</u>

15. Expenses

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

	2019	2018
Fuels and lubricants (Note 19)	\$ 30,910	\$ 25,844
Salaries and wages	29,128	26,741
Supplies and services	21,614	18,413
Amortization (Note 10)	18,175	16,216
Interest expense (Note 16)	12,642	13,488
Travel and accommodation	2,272	2,352
Net loss (gain) on disposal of assets	493	(455)
Accretion on ARO (Note 7)	224	238
Dividend recovery	-	(78)
	<u>\$ 115,458</u>	<u>\$ 102,759</u>

16. Interest expense and interest income

Interest expense

	2019	2018
Interest on debenture debt and capital leases (Notes 4, 6)	\$ 13,133	\$ 13,688
Short-term debt financing costs	210	103
Capitalized interest during construction	(701)	(303)
	<u>\$ 12,642</u>	<u>\$ 13,488</u>

NORTHWEST TERRITORIES POWER CORPORATION

Note 16. Interest expense and interest income (continued)

Interest income

	<u>2019</u>	<u>2018</u>
Income on loan receivable (Note 4)	\$ 1,238	\$ 1,339
Income from overdue accounts and bank balances	58	181
Income from sinking fund investments (Note 6)	46	53
	<u>\$ 1,342</u>	<u>\$ 1,573</u>

17. Government contributions

GNWT

Investing in Canada Infrastructure Program

In 2018-19 NTPC entered into two agreements with the GNWT under the Government of Canada's Investing in Canada Infrastructure Program (ICIP) for the following projects:

Snare Forks Overhauls on Units 1 and 2

This agreement is to support 75% of the cost of completing turbine and generator upgrades at NTPC's Snare Forks powerhouse to a maximum of \$14,100. The agreement expires March 31, 2021. NTPC received an initial payment of \$6,000. As of March 31, 2019 NTPC has incurred \$3,064 of eligible expenditures on the overhaul of unit 1 and the remaining \$2,936 is recorded as a deferred liability.

Sachs Harbour Plant Replacement

This agreement is to support 75% of the costs to fund the installation and commissioning of a new power plant and fuel storage tanks in Sachs Harbour to a maximum of \$7,481. The agreement expires March 31, 2021. As of March 31, 2019 NTPC has incurred \$19 of eligible expenditures of which all is recorded as a receivable.

	<u>2018-19 Actuals</u>	<u>2018-19 Budget</u>	<u>Total Lifetime Costs</u>	<u>Total Lifetime Budget</u>
Snare Forks Overhauls				
Salaries and wages	\$ 218		\$ 218	
Supplies and services	2,772		2,772	
Transportation costs	74		74	
	<u>\$ 3,064</u>	<u>\$ 6,000</u>	<u>\$ 3,064</u>	<u>\$ 14,100</u>
Sachs Harbour Plant Replacement				
Salaries and wages	\$ 19		\$ 19	
	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 7,481</u>
Total ICIP	<u>\$ 3,083</u>	<u>\$ 6,000</u>	<u>\$ 3,083</u>	<u>\$ 21,581</u>

NORTHWEST TERRITORIES POWER CORPORATION

Note 17. Government Contributions (continued)

Other agreements

In 2018-19, NTPC entered into three other single year contribution agreements with the GNWT. All committed funding with matching eligible costs have been recorded as revenue at March 31, 2019.

The first agreement was to fund costs associated with fire risk assessment and mitigation. The total agreement was for \$83, all of which was recognized as revenue. \$75 was received in 2018-19, and \$8 is recorded as receivable at March 31, 2019.

The second agreement was to fund a Talston road feasibility study. The total agreement was for \$50. The total amount was received and recognized as revenue during 2018-19.

NTPC also received and recognized \$33 in revenue from the GNWT for apprenticeship training.

Federal Government

In 2018-19, NTPC entered into a single year agreement with Natural Resources Canada to fund the installation of a solar irradiance measurement unit in Colville Lake. The total value of the agreement was \$10, which was received and recognized as revenue at March 31, 2019.

NORTHWEST TERRITORIES POWER CORPORATION

18. 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.

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

	2019	2018
Revenue		
Other revenue	\$ 215	\$ 439
Expenses		
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 19)	\$ 23,579	\$ 18,667
Other operating expenses	1,036	408
	\$ 24,615	\$ 19,075
Financial assets		
Revenues receivable		
Utility	\$ 1,896	\$ 1,343
Non-utility	101	162
	\$ 1,997	\$ 1,505
Liabilities		
Accounts payable to FSD for fuel (Note 19)	\$ 5,110	\$ 6,173
Other accounts payable and accrued liabilities	30	63
	\$ 5,140	\$ 6,236

NORTHWEST TERRITORIES POWER CORPORATION

19. Contractual obligations

NTPC is contractually committed for the following expenses with non-related parties that will be incurred subsequent to March 31, 2019.

	<u>Expiry</u>		<u>2020</u>		<u>2021 and</u>
	2022	\$	9,171	\$	471
Operational and lease commitments					

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

Fuel management services agreement

NTPC has a fuel management services agreement with the FSD. Under this agreement fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by FSD. 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 FSD in a given year. The contract expires March 31, 2021.

LNG purchases

NTPC has an agreement with FSD to supply NTPC's Inuvik facilities with LNG until March 31, 2020. The price of LNG under this agreement varies with FSD's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee.

NORTHWEST TERRITORIES POWER CORPORATION

20. Financial instruments and risk management

NTPC's financial instruments include cash, revenues receivable, due from related party, sinking fund investments, loan receivable, accounts payable and accrued liabilities, capital lease obligations, the operating line of credit and debenture debt.

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>2019</u>	<u>2018</u>
Revenues receivable	\$ 12,831	\$ 12,803
Loan receivable	12,290	13,393
Due from related party	2,076	-
Cash	715	9,077
Sinking fund investments	-	6,278
	<u>\$ 27,912</u>	<u>\$ 41,551</u>

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-seven percent (2017-18 - 38%) of NTPC's sales are to two other utilities. Twenty-six percent (2017-18 - 26%) of sales, including HSP and TPSP are to the GNWT.

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.

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.

Due from related party

This balance is the receivable NTPC holds from NT Energy for various transactions and is due on demand. The credit risk associated with this receivable is minimized by the fact that this balance is receivable from NTPC's parent company, which is a public agency and which in turn is owned by the GNWT.

NORTHWEST TERRITORIES POWER CORPORATION

Note 20. Financial instruments and risk management (continued)

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. 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.

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 \$40,000 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, 2019				
	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	\$ 4,364	\$ 25,946	\$ 129,575	\$ 53,204	\$ 213,089
Operating line of credit	9,041	-	-	-	9,041
Capital lease obligation	2,046	9,127	19,482	18,287	48,942
Loan receivable	(2,341)	(11,704)	(3,121)	-	(17,166)
	\$ 13,110	\$ 23,369	\$ 145,936	\$ 71,491	\$ 253,906

	March 31, 2018				
	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	\$ 14,137	\$ 24,498	\$ 129,942	\$ 58,649	\$ 227,226
Sinking fund investments	(6,278)	-	-	-	(6,278)
Capital lease obligation	2,099	9,475	19,996	19,471	51,041
Loan receivable	(2,341)	(11,704)	(5,462)	-	(19,507)
	\$ 7,617	\$ 22,269	\$ 144,476	\$ 78,120	\$ 252,482

NORTHWEST TERRITORIES POWER CORPORATION

Note 20. Financial instruments and risk management (continued)

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.

Note 21. Comparative figures

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

2018-19 SCHEDULE OF WRITE-OFFS

AS OF MARCH 31, 2019

Customer	Zone	Amount
Utility Accounts		
Rabesca's Resources	Behcho Ko	\$ 662.12
Wendy Mantla	Behcho Ko	\$ 1,398.95
Debbie Tucker	Colville Lake	\$ 783.81
Wilbert Cook	Fort Good Hope	\$ 554.63
Martina Kotchea	Fort Liard	\$ 500.72
Allen Hardisty	Fort Liard	\$ 552.43
Floyd Diamond C	Fort Liard	\$ 604.49
Bernice Berreault	Fort Liard	\$ 2,669.24
Jeremy Jerome	Fort McPherson	\$ 926.71
David Cardinal	Fort Resolution	\$ 638.91
Frances Mandeville	Fort Resolution	\$ 1,985.70
Gracyn Tanche	Fort Simpson	\$ 606.70
Paul Simon	Fort Simpson	\$ 623.35
Brandon Buggins	Fort Simpson	\$ 1,415.65
Lynette Blesse	Fort Smith	\$ 511.38
Melanie Morse	Fort Smith	\$ 701.34
James Everett Kaskamin	Fort Smith	\$ 851.91
Charles Lepine	Fort Smith	\$ 860.30
Harokiti Salon	Fort Smith	\$ 1,073.43
Tammy Cumming	Fort Smith	\$ 1,147.27
Video Palace	Fort Smith	\$ 1,385.36
Irene Hessdorfer	Fort Smith	\$ 2,467.40
Video Palace	Fort Smith	\$ 3,116.00
Donald Andre	Inuvik	\$ 519.73
Charlene Elias	Inuvik	\$ 526.06
Douglas Villeneuve	Inuvik	\$ 695.10
John Houle	Inuvik	\$ 932.18
Eliza Hammer	Inuvik	\$ 968.77
Hani Ibrahim Kheir	Inuvik	\$ 990.70
Andre Ouellet	Inuvik	\$ 1,062.10
Delta Cabs	Inuvik	\$ 1,342.98
Maureen Elias	Inuvik	\$ 2,729.66
Estate Of Dean Betsaka	Nahanni Butte	\$ 718.93
Thomas Tremblett	Norman Wells	\$ 536.92
Molly Scott	Norman Wells	\$ 2,608.59
Paul Raddi	Sachs Harbour	\$ 882.52

St. John's Anglican Mission	Tuktoyaktuk	\$ 2,184.73
Brian Mcpherson	Tulita	\$ 691.39
Narcissus Jr. Chocolate	Tulita	\$ 1,002.60
Whiponic Wellputter	Tulita	\$ 6,572.12
Diocese Anglican Mission	Ulukhaktok	\$ 1,118.26
Total Utility Accounts		\$ 64,077.86
Non-Utility Accounts		
Mccaw North Drilling And Blasting Ltd.		\$ 12,673.11
Ronald Daniels		\$ 1,943.28
Northbound Contractors Ltd.		\$ 1,073.73
Total Non-Utility Accounts		\$ 15,690.12

NORTHWEST TERRITORIES POWER CORPORATION
RECONCILIATION FROM AUDITED PSAS FINANCIAL STATEMENTS
TO UNAUDITED RATE REGULATED ACCOUNTING FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

UNAUDITED

NTPC

Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Accounting Financial Statements

As at March 31, 2019

UNAUDITED

CONSOLIDATED BALANCE SHEET / 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
Assets						
Current assets						
Cash	\$ 715	\$ -	\$ -	\$ -	\$ -	\$ 715
Accounts receivables / Revenues receivable	12,831	-	-	-	-	12,831
Due from related party	2,076	-	-	-	-	2,076
Inventories	9,316	(4,046)	-	-	-	5,270
Prepaid expenses	1,388	-	-	-	-	1,388
	<u>26,326</u>	<u>(4,046)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,280</u>
Property, plant and equipment (net) / Tangible capital assets	377,872	4,045	-	8,900	93	390,910
Other long term assets						
Loan receivable	12,290	(12,290)	-	-	-	-
Investment in Aadrii Ltd.	453	-	-	-	-	453
Regulatory assets	-	-	24,718	-	-	24,718
	<u>12,743</u>	<u>(12,290)</u>	<u>24,718</u>	<u>-</u>	<u>-</u>	<u>25,171</u>
	\$ 416,941	\$ (12,291)	\$ 24,718	\$ 8,900	\$ 93	\$ 438,361
Liabilities and Shareholder's Equity						
Current liabilities						
Short-term debt	\$ 9,041	\$ -	\$ -	\$ -	\$ -	\$ 9,041
Accounts payable and accrued liabilities	24,604	(1)	-	-	3	24,606
Current portion of long-term debt	-	870	-	-	-	870
	<u>33,645</u>	<u>869</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>34,517</u>
Long-term debt						
Long-term debt	212,303	(870)	-	-	(4,538)	206,895
Net lease obligation / Capital lease obligation	17,221	(12,290)	-	-	-	4,931
	<u>229,524</u>	<u>(13,160)</u>	<u>-</u>	<u>-</u>	<u>(4,538)</u>	<u>211,826</u>
Other non-current liabilities						
Regulatory liabilities	-	-	42,395	(21,920)	92	20,567
Asset retirement obligations	21,921	-	-	-	-	21,921
Deferred government contributions	2,936	-	11,008	-	-	13,944
Other employee future benefits	3,102	-	-	-	(22)	3,080
	<u>27,959</u>	<u>-</u>	<u>53,403</u>	<u>(21,920)</u>	<u>70</u>	<u>59,512</u>
Shareholder's equity	125,813	-	(28,685)	30,820	4,558	132,506
	\$ 416,941	\$ (12,291)	\$ 24,718	\$ 8,900	\$ 93	\$ 438,361

NTPC

Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Accounting Financial Statements

Year Ending March 31 2019

UNAUDITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND SHAREHOLDER'S EQUITY /
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

	Audited PSAS		Regulated Assets and Liabilities	TCA and ARO		Unaudited Rate Regulated Accounting
	Financial Statements	Reclassification Adjustments		Adjustments	Other	
		Note 1	Note 2	Note 3	Note 4	
Revenues						
Sale of power	\$ 110,391	\$ -	\$ -	\$ -	\$ -	\$ 110,391
Net investment income Aadrii Ltd.	50	(50)	-	-	-	-
Other government contributions	3,259	(72)	(3,187)	-	-	-
Other revenue	2,098	122	(426)	-	-	1,794
	115,798	-	(3,613)	-	-	112,185
Expenses						
Salaries and wages	-	29,128	(1,024)	49	-	28,153
Fuel and lubricants	-	30,910	(3,687)	(1,149)	-	26,074
Supplies and services	-	21,614	(4,068)	(2,267)	3	15,282
Amortization	-	18,175	(315)	(470)	-	17,390
Travel and accommodation	-	2,272	(239)	-	(1)	2,032
Amortization of deferred charges	-	-	6,835	-	-	6,835
Net loss on disposal of assets	-	493	(655)	162	-	-
Accretion on ARO	-	224	-	(224)	-	-
Thermal generation	68,995	(68,995)	-	-	-	-
Hydro generation	18,882	(18,882)	-	-	-	-
Corporate services	14,582	(14,582)	-	-	-	-
Transmission, distribution and retail	11,312	(11,312)	-	-	-	-
Purchased power	1,451	(1,451)	-	-	-	-
Alternative power generation	236	(236)	-	-	-	-
	115,458	(12,642)	(3,153)	(3,899)	2	95,766
Earnings from operations						
	340	12,642	(460)	3,899	(2)	16,419
Interest income	1,342	(1,284)	-	-	-	58
Earnings before interest expense						
	1,682	11,358	(460)	3,899	(2)	16,477
Interest expense	-	11,358	(211)	-	191	11,338
Net income / surplus for the year						
	\$ 1,682	\$ -	\$ (249)	\$ 3,899	\$ (193)	\$ 5,139
Shareholder's equity, beginning of year	81,002	-	(28,436)	26,921	4,751	84,238
Retained earnings, end of year	82,684	-	(28,685)	30,820	4,558	89,377
Share capital	43,129	-	-	-	-	43,129
Shareholder's equity, end of year	\$ 125,813	\$ -	\$ (28,685)	\$ 30,820	\$ 4,558	\$ 132,506

NORTHWEST TERRITORIES POWER CORPORATION

Notes to Reconciliation of Audited PSAS Financial Statements to Unaudited Rate Regulated Accounting Financial Statements

Year Ending March 31, 2019

Note 1 Under PSAS, expenses are classified by function - for Rate Regulated Accounting (RRA), they are classified by object (e.g. fuel, salaries etc.). To go from PSAS to RRA, expenses by function (e.g. Hydro Generation) are reduced and expenses by object are increased.

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 (PPE).

Note 2 For RRA, 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 NWT Public Utilities Board (PUB).

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 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, Net loss on disposal of assets is reduced and PPE is increased.

Asset retirement obligation costs are recorded as assets for PSAS and are not under RRA. 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 was increased and other employee future benefits were decreased to account for sick leave accruals. Interest expense was increased, and opening equity and long term debt were decreased to account for the deferred swap costs.

