TABLED DOCUMENT 283-18(3) TABLED ON OCTOBER 31, 2018

NORTHWEST TERRITORIES
HYDRO CORPORATION
Power for Generations

NORTHWEST TERRITORIES
POWER CORPORATION
Empowering Communities

ANNUAL REPORT 2017-18

MISSION, VISION AND VALUES

Mission
To generate, transmit and distribute clean, reliable and affordable energy to the NWT

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.

TABLE OF CONTENTS

CORPORATE PROFILE

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

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

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

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

The Northwest Territories Power Corporation is a subsidiary of NT Hydro, both of which are Crown Corporations. The GNWT is their sole shareholder.

MINISTER'S MESSAGE

We all recognize the important role that electricity plays in supporting individual and community well-being and supporting economic development. A strong electricity generation, transmission and distribution system is essential to ensuring a high quality of life in the Northwest Territories.

The reliable delivery of affordable electricity to families and businesses is a challenge facing utilities right across Canada and in other parts of the world. Existing infrastructure is aging and the reduction of greenhouse gases has become a high priority for both governments and electricity customers. Investments in renewable technologies must be made to reduce reliance on carbon-emitting generation sources such as diesel while not impacting reliability or putting upward pressure on electricity rates. The GNWT will continue to invest in renewable technologies in support of its 2030 Energy Strategy. In 2017-18, a 55 kilowatt solar array began delivering carbon free electricity in Aklavik. Our total for installed solar power in the NWT is almost 850 kilowatts, making NWT amongst the leaders in Canada in terms of solar capacity installed per person.

The Northwest Territories Power Corporation (NTPC) continues its commitment to providing safe, reliable and environmentally sound power generation, transmission and distribution while keeping costs as low as possible. NTPC began developing a 20 Year Strategic Plan in 2017-18 that is intended to help close the gap between electricity rates in the NWT and the Canadian national average.

In 2017-18, NTPC invested approximately $24 million in capital projects to maintain and upgrade its assets. Key projects included the commissioning of three modular gensets at the Jackfish lake Generating Station to provide backup power as well as the installation of a variable speed generator (VSG) in Aklavik. A one year pilot project to test the performance of the VSG is underway.

The GNWT will continue to work closely with NTPC to ensure that we are able to capitalize on economic development opportunities that emerge from new mining ventures and other industrial projects.

Sincerely,

Robert C. McLeod
Minister Responsible for NTPC


TM3000

MESSAGE TO STAKEHOLDERS

The Canadian electricity sector is undergoing significant changes and NTPC has spent the past year laying the groundwork for future growth that will benefit all customers as well as our Shareholder. Although 75% of the electricity generated by NTPC already comes from renewable, carbon-free hydro, there is growing demand for renewable generation sources such as solar and wind and increased usage of battery and other storage technologies to reduce the use of diesel in our Thermal communities. In 2017-18, the Government of the Northwest Territories (GNWT) moved forward on development of its 2030 Energy Strategy and Strategic Climate Change Framework. NTPC is in alignment with these long-term plans.

Much of our time and energy in 2017-18 was devoted to planning for the future. However, we also completed a number of key capital projects such as commissioning of a variable speed generator in Aklavik and the commissioning of three modular gensets at the Jackfish Lake Generating Station.

In 2016-17, we focused on strengthening our core operations. In 2017-18 we focused on laying the groundwork to ensure that we were ready to take full advantage of opportunities that are on the horizon such as new mines, distribution franchises and the integration of renewable energy with our existing generation assets. We developed plans to ensure successful execution of future projects while continuing to take the actions necessary to provide reliable power to customers and keeping rates as low as possible.

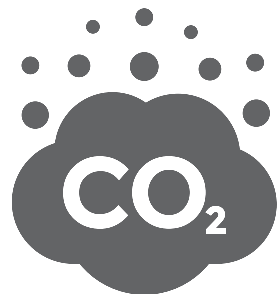
NTPC worked with the GNWT's Department of Infrastructure to identify a list of projects that would qualify for funding support from the Pan Canadian Framework. Under this bilateral funding program, approved projects receive 75% funding from the Federal Government with 25% funding being provided by provincial/territorial governments, agencies or Crown Corporations. The program is intended to support Canada's international obligations to combat climate change by reducing reliance on fossil fuels.

After being appointed as President and CEO of the Corporation in June 2017, I spent the first several months becoming familiar with our assets, the organization, meeting employees, government officials and community leaders. While favourably impressed by the dedication of all parties to providing electricity to customers, it became apparent that a long term strategic plan was necessary to ensure that the Corporation was appropriately positioned for the future.

Beginning in November 2017, our Senior Leadership Team dedicated itself to identifying a path forward that would lead to a reduction in the gap between electricity rates in the NWT compared to the Canadian national average. Based on three key pillars – reliability, economic sustainability and environment

GREENHOUSE GAS EMISSIONS
(CO_2 EQUIVALENT)

have decreased by more than 50,000 tonnes over the past two years



sustainability – we have worked very hard to develop a 20 Year Strategic Plan that will guide the Corporation’s actions over the next two decades. The Plan will be shared publicly in the fall of 2018.

While we were working on the strategic plan, we also completed a number of studies that will support our long term direction. Among the studies completed were the Bluefish Expansion Study and a review of options for replacing the diesel plant in Norman Wells. A third-party review of the Colville Lake Modular Battery Energy Storage System was completed that provides valuable recommendations to optimize the performance of this unique system.

NTPC made progress in strengthening its health and safety programs in 2017-18 by developing and implementing a comprehensive Return to Work Program and a Work Observation Program. We also had a third party assessment done of our Emergency Preparedness and Response Program to ensure that it adequately identifies risks and that roles and responsibilities during an emergency are clearly defined.

On the environmental front, we successfully implemented an Artificial Spawning Bed Pilot Study at the Bluefish Hydroelectric Facility. A lake trout and whitefish spawning habitat was installed in the lower spillway, which resulted in an increase in spawning productivity for the area. We also successfully implemented new waste disposal procedures at Snare, which has reduced sorting and shipping costs for transferring garbage off site. Old waste was removed and the facility has been upgraded to include segregated waste storage areas.

Attracting and retaining employees for key positions continues to be a challenge facing NTPC as well as other employers in the NWT. In 2017-18, we were able to successfully fill the positions of Director, Asset Management and Engineering and Director, Hydro Operations. We strive to hire Northerners, which is why we provide scholarships and apprenticeships and attend job fairs in different communities to let young people know about the types of positions available and the educational requirements to fill these roles.

Jay Grewal
President and CEO

Jay Grewal, President and CEO of NTPC

IN JUNE 2017, JAY GREWAL WAS APPOINTED PRESIDENT AND CEO OF NTPC.

Jay has considerable experience in the resources sector, specifically energy and mining. Prior to joining NTPC, she held the role of Senior Vice President, Strategy and Corporate Development with Capstone Mining Corporation. She was responsible for leading strategic planning, risk management, business effectiveness, stakeholder engagement and sustainability. Jay also held a number of executives positions at BC Hydro, a utilities Crown Corporation including CFO, Strategic Planing, Transmission, Corporate Finance and Shared Services. Additionally, she has extensive experience as a Managing Director within the North American Finance sector.

BOARD OF DIRECTORS

CHAIR:
Paul Guy

VICE-CHAIR:
Mike Aumond

DIRECTORS:
Martin Goldney

Sylvia Haener

Russel Neudorf

Williard Hagen

David Stewart

2017-18 OFFICERS
Paul Guy, ***Chair***

Jay Grewal, ***President & CEO***

Belinda Whitford, ***Chief Financial Officer***

Scott Spencer, ***Director, Asset Management & Engineering***

Dipankar Chakrabarti, ***Director, Transmission & Distribution***

Gary Gazankas, ***Director, Hydro Operations***

Mike Ocko, ***Director, Thermal Operations***

Paul Grant, ***Director, Customer Service***

Gordon Jennings, ***Director, Human Resources***

Eddie Smith, ***Director, Health, Safety & Environment***

Glenn Smith, ***Director, Information Technology***

Cheryl Tordoff, ***Corporate Secretary***

CUSTOMER SERVICE

- One phone number for all your customer service questions: **1-800-661-0855**
- Intelligent Meter Hubs (IMHs) were installed in Inuvik and Norman Wells in 2017-18. By the summer of 2020, all existing NTPC communities will have IMHs in place.
- 50 new poles were installed in Fort Simpson as part of NTPC's annual maintenance program

Aerial view of the Bluefish Generating Station

2017-18 PERFORMANCE

Average outages per customer: **11.65**

Top Three Causes of Outages in 2017-18:
Instrumentation and Control
Adverse Weather
Power Generation Systems

Average length of outages in NWT: **30 minutes**
Average length of outages in rest of Canada: **360 minutes**

LOST TIME INJURY SEVERITY RATE

Fiscal Year	Number of lost time days per 200,000 hours worked
2017-18	6.82
2016-17	3.34
2015-16	5.98
2014-15	4.12
2013-14	13.36

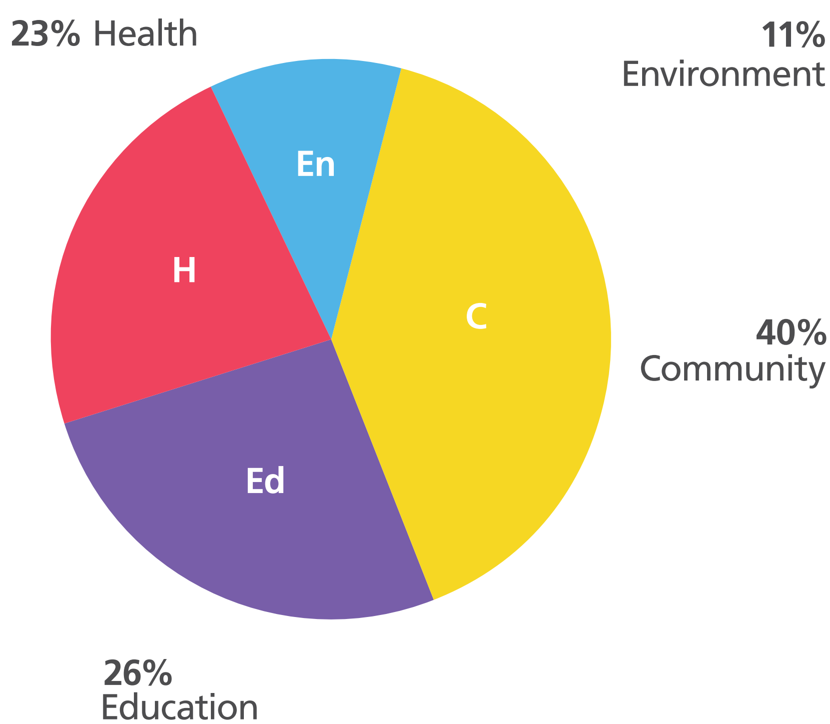
HELPING TO BUILD STRONG COMMUNITIES

NTPC is committed to investing in the communities where we operate and where our employees live and work. Financial and 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 invested approximately $107,000 in communities across the NWT. Our donations are not recovered from our customers.

In addition to our Community Investment program, NTPC was also a major contributor to the 2018 South Slave Arctic Winter Games, donating financially and through employee involvement.

Our four areas of focus for community investments are: health and wellness, education, community and culture, and the environment.



2018 SOUTH SLAVE
ARCTIC WINTER GAMES

Employee volunteers served in a number of roles, including tabulating the results

LONG SERVICE EMPLOYEES

5 YEARS
Catlyn, Sergio
Montague, Adam
Brazeau, Bryan
Mahussier, Mike
Brodhagen, Riley
Banksland, Onida
Williams, John
MacKay, Blaine
Chakrabarti, Dipankar
Millar, Lee

10 YEARS
Doran, Keith
Landry, JP
Pellissey, Michael
Bernhardt, Ernest
McLeod, Kelly
Kenny, Dean
Wetmore, Trevor
Cockney, Richard
Greenland, Michael
Mackie, Crystal
Harrison, Bradley
Clark, Joshua Lane
Rupert, Annette

15 YEARS
Janz, Craig
Berrub, Myra
Smith, Edward
Roche, Todd

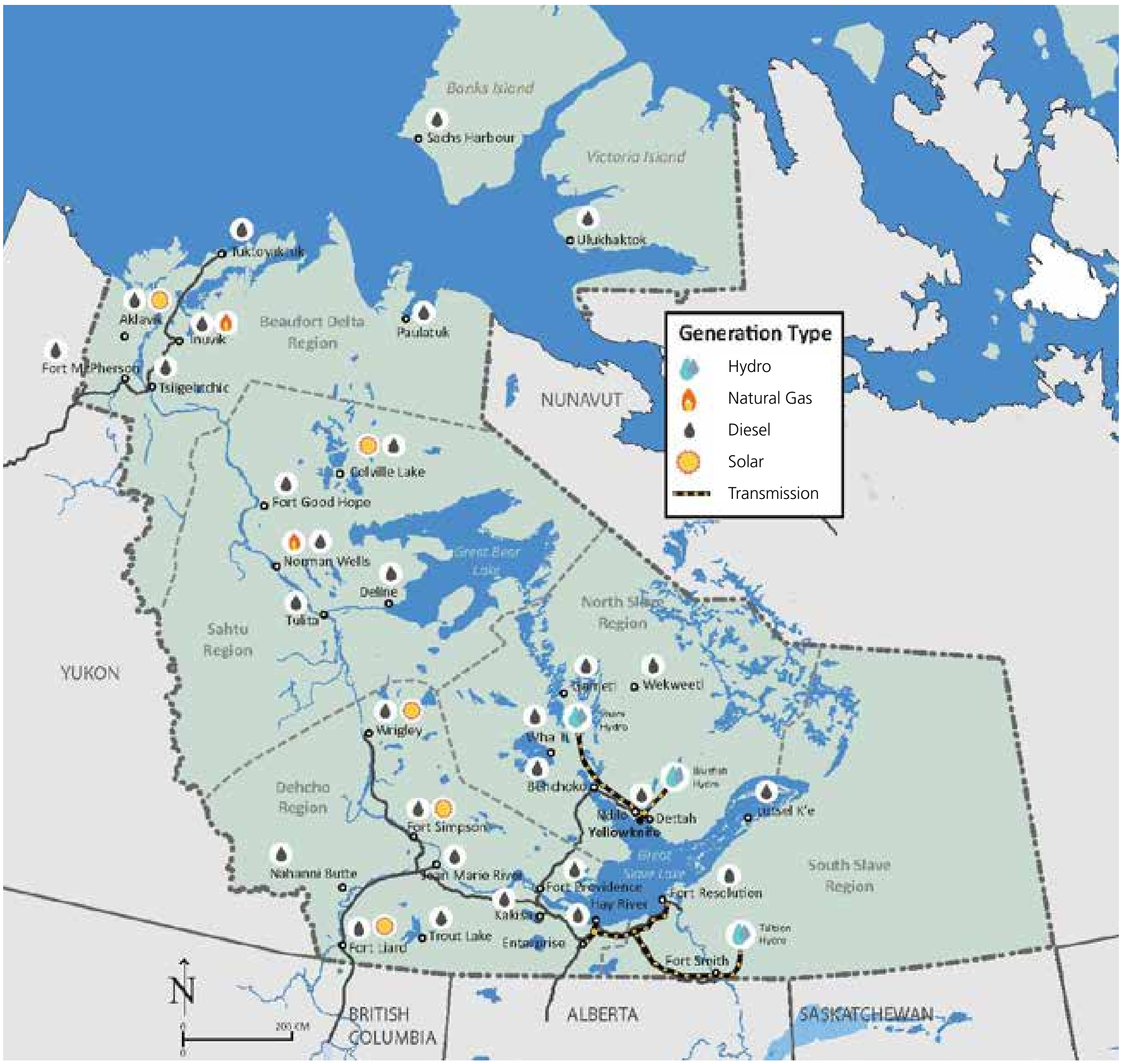
20 YEARS
Bennett, Marilyn
McNeely, Stanley
Eldridge, Robert
Bouchard, Suzanne

25 YEARS
Burgin, Robert
Jonasson, Gerald
Dosedel, Wilma
Gardiner, Vern

Over **50%** of employees are eligible for affirmative action status.

More than **30%** of employees are Indigenous Aboriginal.

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, 2018. It should be read in conjunction with the audited consolidated financial statements and accompanying notes.

The 2017-18 financial statements enclosed adhere to Public Sector Accounting Standards (PSAS). All financial information is expressed in Canadian dollars.

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

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

Governance

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

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

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

In addition to NTPC, NT Hydro owns the NWT Energy Corporation (03) Ltd. (NT Energy) which is incorporated under the *NWT Business Corporations Act*. This unregulated subsidiary undertakes projects which have a high risk associated with timing, financing and longevity.

Laying the Groundwork

Since 1988 NTPC is proud to have been a territorial owned provider of power to 28 reliable and independent systems in the second largest jurisdiction in Canada – covering 1.3 million square kilometres. NTPC serves all communities in the NWT with the exception of Sombe Ké, Kakisa, and Fort Providence. Our service area includes communities that are only accessible by air, river barge or winter roads.

NTPC manages and maintains a territory-wide system of generation, transmission and distribution assets. While NTPC has always been focused on delivering safe, reliable, efficient and environmentally sound electricity service to our customers, 2017-18 brought a change of leadership and a vision to enrich the lives of Northerners by providing power that encourages living, working and investing in the NWT. The tool to deliver on this vision was initiated in 2017-18 through the development of a 20 Year Strategic Plan which will drive reliability, economic sustainability and environmental sustainability for NTPC as well as our customers in an industry which is experiencing rapid change from technology, political and customer driven demands.

Diesel generators provide back up power to hydro communities to ensure reliability of service.

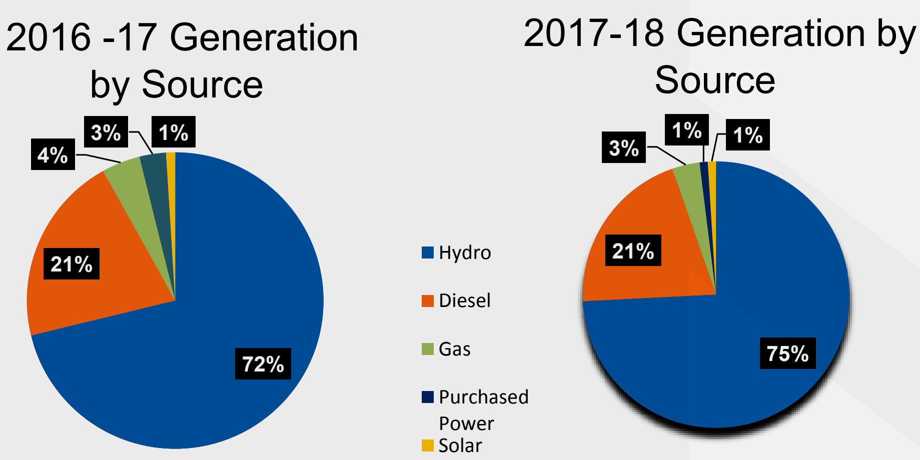
FINANCIALS

Generating Comparison by Source

A key part of sustainability and reliability for delivering power in the NWT is to maximize the use of renewable generation and lower greenhouse gas emitting fuels where possible. 2017-18 was NTPC's first full year of hydro generation in the Snare Zone since recovering from extreme low water conditions between 2014 to 2016 – hydro generation increased to 75% of NTPC's generation as a result.

NTPC continued efforts to grow generation options to diesel in 2017-18. Liquefied natural gas (LNG) comprised 3% of generation – down from the 2016-17 as a result of problems encountered with NTPC's gas engines. Capital work is being completed in 2018-19 to restore NTPC's ability to maximize LNG in Inuvik.

The temporary shut down of Imperial Oil's production facilities in Norman Wells in April 2017, required NTPC to move to diesel generation as the main source of electricity in 2017-18. The expectation is the facility will be back in production in 2018-19, which will shift that diesel generation back to purchased power. Although solar generation continues to be <1% of total generation NTPC added Aklavik solar farm to renewable generation assets.



Diesel still plays a much needed support role in NTPC's generation mix, both as a source of prime power generation and back up generation. NTPC is investigating ways to make the consumption of diesel more efficient in generating electricity and heat and working with both the federal and territorial government to offset capital costs with these projects, ensuring NTPC's customers receiving the maximum benefit from such projects. In 2017-18 NTPC completed the majority of the work around installation of an exhaust gas recovery unit in Inuvik a variable speed generator in Aklavik with this focus.

Reliability

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

Table 1: Reliability of Power Supply to Customers**

	2016 NWT*	**2017 NWT***	**2017 Canada**
Number of Outages	10.2	10.3	2.6
Average Length of Each Outage	43 minutes	30 minutes	3 hours 2 minutes
Total Length – All Outages	7 hours 4 minutes	3 hours 22 minutes	7 hours 55 minutes
**All figures are based on the annual calendar year *Includes disruption of supply to retailer in Yellowknife and Hay River			

As indicated in Table 1 above, in 2017 the average customer in the Northwest Territories experienced 10 power outages, lasting an average of 30 minutes each and a total annual outage time of 3 hours and 22 minutes. Not only has NTPC improved since 2016 but the results are favourable against the National Average of 3 power outages, lasting an average of 3 hours and 2 minutes each, for a total annual outage time of 7 hours and 55 minutes.

NTPC continues to lay the groundwork for reliable power delivery to its customers. One of the Corporation's strategic initiatives is to continue to identify ways in which to improve the reliability of generation, transmission and distribution systems.

2017-18 Financial Results

The majority of NT Hydro's operating results come from NTPC operations. This discussion will focus on the comparison of 2017-18 actuals to budget.

NTPC began laying the groundwork for its 20 Year Strategic Plan in 2017-18 in revenues, operating costs and capital.

In December 2017, the PUB issued an initial decision on NTPC's 2016/19 GRA, which was filed in June 2016. This decision approved the majority of NTPC's operational and capital plans covering a three year period. In May 2018 the PUB issued its final decision on the 2016/19 GRA including finalizing rates for 2016-17, 2017-18 and 2018-19. This gives NTPC's customers predictability in rates until the next GRA.

FINANCIALS

NTPC added $11 million to its net capital assets in 2017-18. This reflects the partial completion of some multi-year projects such as the Jackfish modular genset project, phase II of the intelligent metering hub installation (Norman Wells and Inuvik), and Computerized Maintenance Management System (CMMS) financial integration. The capital spend in 2017-18 also represents work done on initial studies related to asset replacements in Sachs Harbour, Norman Wells and Yellowknife, which are fundamental to ensuring reliability to NTPC's customers.

Power revenues are down compared to budget by $1.6 million mainly reflecting lower than budgeted residential sales as a result of conservation, warmer temperatures across the territory in the first few months of winter and a slow economy.

Power sales revenues have risen by 3.9% since 2016-17 – reflective of a 4.0% increase in rates implemented April 1, 2017 as part of NTPC's 2016/19 application to provide customers with graduated rate increases. This increase in rates offset declining unit sales to NTPC's customers.

Customer contribution revenues and interest income were both in line with the budget and 2016-17 results. While interest income is somewhat predictable customer contributions fluctuate from year to year as they are initiated by customers on an as needed basis.

The PUB approved a fuel refund rider of 0.36 cents/ kWh effective June 1, 2016 to refund fuel prices which had been lower than those applied in rates. This refund rider was intended to last for two years until the end of 2018-19. However rising diesel fuel prices over the past two years along with the change in generation in Norman Wells have reduced the credit in the Territorial Wide Stabilization Fund. The PUB approved the rider to be terminated effective July 1, 2017.

NTPC's operating expenses are functionalized based on generation source as well as corporate expenses and transmission, distribution and retail.

Overall spending in 2017-18 was under budget by $8.6 million. This underspending was across all functions and mainly came from underspending in supplies and services and amortization related to new capital assets.

Underspending in supplies and services was a result of reduced sales which meant fewer hours on thermal generators which required less maintenance and fewer overhauls than budgeted for 2017-18. Some of the maintenance on thermal engines was deferred also as the result of a coordination of maintenance activities in the Snare zone. The deferral of this maintenance work is in accordance with NTPC's scheduled maintenance program and therefore continues to support the delivery of reliable power. Some of the underspending in maintenance in the thermal communities has been offset by the added $1.3 million in the costs resulting from diesel generation in Norman Wells.

Transmission, distribution and retail was underspent in 2017-18 as a result of more time than budgeted on distribution related capital work. Underspending on the 2016-17 was too high. Although NTPC was underspent on its capital plan in 2017-18, NTPC's strategic plan has an initiative to improve the capital planning process as well as strengthen the supporting services around delivery of that plan through continuous improvement reviews.

Corporate services are under spent as a result of vacancies in a number of roles including management roles and fewer consultants hired for internal audit support services, enterprise risk management and recruitment services.

Government contributions in 2017-18 came from the transfer of a $0.6 million solar farm in Aklavik from the GNWT to NTPC as well as the GNWT funding a portion of the capital costs spent in 2017-18 related to an Exhaust Gas Recovery Unit in Inuvik.

The PUB's decisions on the 2016/19 General Rate Application (GRA) had a significant impact on NTPC's regulatory results for 2017-18 as well as 2016-17. Regulatory decisions generally only impact NTPC's revenues and amortization expense under the PSAS accounting framework. As the regulatory framework is such an integral part of NTPC's daily operations, a reconciliation between NTPC's audited PSAS consolidated financial statements and its unaudited rate regulated consolidated financial statements can be found at the end of this annual report. As management was not able to estimate the change expected in the rate regulated results for 2016-17 based on the application before the PUB, the 2016-17 financial results have been restated to reflect the impact of the PUB's Decisions and a revised 2016-17 reconciliation is provided along with the 2017-18 reconciliation.

Future Outlook

As part of the 2016/19 GRA process, NTPC will implement a final 4% rate increase effective June 1, 2018 for the 2018-19 year bases on the PUB's Decision. NTPC has also applied for a revenue shortfall recovery rider to capture the 4% increase for April and May 2018.

With the steady rise in the price of fuel, the diesel generation required in Norman Wells for at least another eight months, and the results of the PUB's Decision in 8-2018 on the fund, NTPC is expecting it will be applying for fuel rate rider for all of its customers in 2018-19. It will also be applying for a Snare Zone hydro refund rider at the same time.

Capital Expenditures (in thousands)

	Budget 2018-19	Actual 2017-18	Change
Capital expenditures:	$ 60,605	$ 24,233	$36,372

Capital expenditures in 2018-19 are forecast at $60.6 million with a continued focus on replacing aging infrastructure and exploring technologies that will improve fuel and information efficiencies. Among the projects that support NTPC's role in the adoption of new technology are: the installation of the Exhaust Gas Recovery Unit in Inuvik, the

FINANCIALS

next phase of replacing old meter technology with Intelligent Meter Hubs in Fort Simpson and seven other communities, the final year of the financial integration of the Computerized Maintenance Management System and plant replacement designs capable of integrating new technology options. The continued co-ordination of work between the GNWT and NTPC to secure funding for NTPC's hydro replacement and alternative energy projects under the Federal Government's Integrated Bilateral Agreement will allow NTPC to continue to support the GNWT in achieving the greenhouse gas emission targets set in the GNWT's 2030 Energy Strategy as well as reducing costs and keeping rates affordable.

NTPC has a key role to play in the overall economic well-being of the NWT. We recognize that in order to keep electricity rates sustainable over the longer term, we need to increase revenues, both within the NWT and outside of the territory. To this end, as part of the implementation of the Corporation's 20 Year Strategic Plan, NTPC will pursue resource based opportunities within the Territory, the development of alternative energy projects and transmission connections to the North American grid and well-planned replacement of existing infrastructure.

Respectfully submitted

Belinda Whitford
Chief Financial Officer

NORTHWEST TERRITORIES HYDRO CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

FINANCIALS

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.

Jay Grewal Chief Executive Officer	**Belinda Whitford** Chief Financial Officer

Hay River, NT
June 26, 2018

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2018	2017
Financial assets		
Cash	$ 9,077	$ 9,831
Revenues receivable (Note 3)	12,983	12,683
Loan receivable (Note 4)	13,393	14,395
Sinking fund investments (Note 5)	6,278	5,800
Investment in Aadrii Ltd.	403	385
	42,134	**43,094**
Liabilities		
Accounts payable and accrued liabilities	20,150	15,303
Capital lease obligations (Note 4)	17,671	18,120
Debenture debt (Note 5)	226,393	230,265
Asset retirement obligations and environmental liabilities (Note 6)	18,944	17,943
Other employee future benefits (Note 7)	3,122	3,077
	286,280	**284,708**
Net debt	**$ (244,146)**	**$ (241,614)**
Non-financial assets		
Tangible capital assets (Note 8)	358,845	348,739
Inventories (Note 9)	8,459	8,284
Prepaid expenses	1,331	1,316
	368,635	**358,339**
Accumulated surplus / equity (Note 10)	**$ 124,489**	**$ 116,725**

Contractual obligations (Note 17)

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

FINANCIALS

NORTHWEST TERRITORIES HYDRO CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31
(in thousands of dollars)

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Sale of power (Note 11)	$ 107,920	$ 106,356	$ 102,405
Other revenue and customer contributions (Note 12)	1,945	1,957	1,898
Interest income (Note 14)	1,459	1,573	1,525
Income (Loss) from investment in Aadrii Ltd.	75	18	(8)
Insurance proceeds	-	-	70
Fuel rider refunds (Note 1)	(984)	(250)	(763)
	110,415	**109,654**	**105,127**
Expenses (Note 13)			
Thermal generation	59,788	59,959	61,813
Hydro generation	20,772	17,638	23,055
Corporate services	16,057	14,267	15,300
Transmission, distribution and retail	12,455	10,640	11,005
Alternative power generation	224	266	424
Purchased power	2,102	201	2,604
	111,398	**102,971**	**114,201**
Surplus (Deficit) for the year before government contributions	**(983)**	**6,683**	**(9,074)**
Government contributions			
Other government contributions (Note 15)	217	1,081	903
GNWT extreme low water contributions	-	-	1,726
	217	1,081	2,629
Surplus (Deficit) for the year	**$ (766)**	**$ 7,764**	**$ (6,445)**
Accumulated surplus / equity, beginning of year	116,725	116,725	123,170
Accumulated surplus / equity, end of year	**$ 115,959**	**$ 124,489**	**$ 116,725**

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)

	2018 Budget	2018 Actual	2017 Actual
Surplus (Deficit) for the year	$ (766)	$ 7,764	$ (6,445)
Tangible capital assets			
Additions	(26,131)	(22,065)	(14,812)
Capitalized overhead	(3,200)	(3,470)	(3,696)
Capitalized interest (Note 14)	(580)	(303)	(571)
Disposals	-	(484)	3,850
Amortization (Note 8)	17,869	16,216	16,016
	(12,042)	**(10,106)**	787
Additions of inventories	(5,772)	(8,620)	(6,028)
Use of inventories	5,630	8,445	6,725
Additions to prepaids	(2,200)	(1,616)	(1,633)
Use of prepaids	2,100	1,601	1,373
	(242)	**(190)**	**437**
Increase in net debt for the year	**$ (13,050)**	**$ (2,532)**	**$ (5,221)**
Net debt, beginning of year	**(241,614)**	**(241,614)**	**(236,393)**
Net debt, end of year	**$ (254,664)**	**$ (244,146)**	**$ (241,614)**

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

FINANCIALS

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2018	2017
Cash provided by (used in) operating activities		
Cash receipts from customers	$ 107,722	$ 105,550
Cash paid to suppliers	(42,128)	(53,241)
Cash paid to employees	(27,454)	(26,954)
Interest paid	(11,795)	(11,331)
Interest received	234	95
Government contributions received	1,117	5,508
Government contributions returned	-	(5,771)
	26,696	**13,856**
Cash provided by (used in) investing activities		
Loan receivable receipts (Note 4)	227	174
Sinking fund installments (Note 5)	(478)	(428)
Sinking fund investment redemptions (Note 5)	-	2,616
	(251)	**2,362**
Cash provided by (used in) capital activities		
Acquisition and development of tangible capital assets	(24,233)	(19,089)
	(24,233)	**(19,089)**
Cash (used in) provided by financing activities		
Repayment of capital lease obligation (Note 4)	(44)	(43)
Repayment of debenture debt	(3,922)	(11,339)
Issuance of debenture debt	-	60,000
Early redemption penalty	-	(4,552)
Payments made on operating line of credit	-	(32,600)
	(3,966)	**11,466**
(Decrease) Increase in cash	**$ (754)**	**$ 8,595**
Cash, beginning of year	9,831	1,236
Cash, end of year	**$ 9,077**	**$ 9,831**

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 10).

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

NT Hydro has another subsidiary, the Northwest Territories Energy Corporation (03) Ltd. (NTEC(03)). See Government Contributions (Note 15) for additional details on transactions between NTPC and NTEC(03).

b) Regulated activities

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

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

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. On December 15, 2017 in Decision 16-2017 the PUB approved a return on equity for 2017-18 of 8.00%. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

NTPC filed its 2016/19 GRA on June 30, 2016. This application requests a change to NTPC's amortization rates as well as its energy rates charged to customers. The PUB issued a final decision in May 2018.

The PUB approved NTPC's 2016-17 Interim Rate Application requesting a 4.8% increase to base energy rates for all customers effective August 1, 2016. NTPC filed a 2017-18 Interim Rate Application, proposing a 4% increase to the 2016-17 rates effective April 1, 2017. The PUB approved this application on March 31, 2017. The 2016-17 and 2017-18 interim rates were approved as final rates on May 28, 2018 in Decision 8-2018.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 1. The Corporation (continued)

On April 29, 2016 NTPC filed a refund rider application to refund the balance of the RSF to customers resulting from the world wide decrease in fuel prices over the previous two years. The PUB's Decision 6-2016 approved the refund rider of $ 0.36/kWh effective June 1, 2016. On May 31, 2017 NTPC applied to the PUB to turn off this refund rider effective July 1, 2017. The PUB approved the application on June 30, 2017.

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

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

The consolidated budget figures presented in these financial statements were approved by the Board 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 provision for asset retirement obligations and environmental liabilities.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available.

Measurement uncertainty exists in these consolidated financial statements. Actual results could differ significantly from these estimates.

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, sinking fund investments, loan receivable, accounts payable and accrued liabilities, the operating line of credit, and the debenture debt.

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

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

e) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at historical cost less accumulated amortization. Costs include amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and capitalized interest directly attributable to construction or development (IDC). Capitalization of interest ceases when no construction or development is taking place or when a tangible capital asset is ready for use. The IDC rate for 2017-18 was 5.08% (2016-17 – 5.676%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

i) Leased tangible capital assets

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

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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

For 2017-18 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.

Annual amortization rates are as follows:

	2018 Rates (%)	**2017 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.

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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.

j) Asset retirement obligations

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

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

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

k) Environmental liabilities

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

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

l) Foreign currency translation

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

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 (refunds) include accruals for electricity sales not yet billed.

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

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingencies

The nature of NT Hydro's activities require entry into contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. Contractual obligations pertain to funding commitments for operating and capital projects. Contractual obligations are obligations of NT Hydro to others that will become liabilities in the future when the terms of those contracts or agreements are met.

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

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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

The Public Sector Accounting Board issued new standards PS 2200 Related Party Disclosures, PS 3420 Inter-Entity Transactions, PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights. NT Hydro has adopted these standards effective April 1, 2017. No significant changes were required as a result of implementing these new standards.

3. Revenues receivable

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)
	$ 11,733	$ 992	$ 258	$ 12,983

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

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

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

	2018	2017
Balance, beginning of the year	$ (262)	$ (318)
Receivables written off	46	91
Change to allowance	(56)	(35)
Balance, end of the year	$ (272)	$ (262)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 3. Revenues receivable (continued)

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, 2018, 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 18.

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 segregated on the consolidated statement of cash flows. Loan receivable principal payments of $1,002 (2016-17 - $911) and interest income of $1,339 (2016-17 - $1,430) were offset by capital lease principal payments of $405 (2016-17 - $405) and interest expense of $1,697 (2016-17 $1,762). As a result, the net cash receipt of $239 (2016-17 - $174) 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 8).

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

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

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

Colville Lake Office

In 2016, NTPC entered into a capital lease arrangement for 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
2019	$ 2,051	$ 48	$ 2,099
2020	1,998	48	2,046
2021	1,944	8	1,952
2022	1,886	-	1,886
2023	1,827	-	1,827
Thereafter	41,231	-	41,231
	50,937	104	51,041
Less: amounts representing imputed interest	(33,366)	(4)	(33,370)
Total capital lease obligations	**$ 17,571**	**$ 100**	**$ 17,671**

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 18.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

5. Debenture debt, related sinking fund investments and line of credit

	2018	2017
3.982% amortizing debenture, due February 17, 2047	$ 58,935	$ 60,000
5.16% amortizing debenture, due September 13, 2040	44,535	45,566
5.443% debenture, due August 1, 2028	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032	10,000	10,667
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of $73	5,139	5,528
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of $69	4,366	4,743
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of $70	4,251	4,645
	$ 227,226	$ 231,149
Less: Unamortized premium, discount and issuance costs	(833)	(884)
	$ 226,393	$ 230,265

The GNWT guarantees NT Hydro's debenture debt.

Principal repayments for future years are as follows:

2019	2020	2021	2022	2023	Thereafter	Total
$ 14,136	$ 4,364	$ 4,613	$ 4,879	$5,167	$194,067	$ 227,226

Line of credit

NTPC has a $40,000 (2016-17 - $50,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers' Acceptances or other advances directly against the line of credit.

There was no amount drawn on the operating line of credit as at March 31, 2018 (2016-17 - nil).

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

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

Sinking fund investments and requirements

Sinking fund investments are held by the Trustee restricted for the redemption of debentures. The agreements require annual installments to retire debt at maturity. NTPC's sinking fund policy allows only Canadian fixed-income investments with investment grade credit. All asset classes are measured at cost or amortized cost, and market value approximates cost due to the short-term to maturity of the investments. Additional disclosures on NTPC's exposure and management of risk associated with sinking fund investments can be found in Note 18.

The weighted average effective rate of return for the year was 0.87% (2016-17 - 0.47%)

Estimated sinking fund investment requirements for 2018-19, the final remaining year of contributions is $388.

In 2016-17, NTPC redeemed an $8.7 million face value 8.41% debenture in full at a price of $152.994, including unpaid accrued interest, per $100 face value. The full amount of the associated sinking fund, $2,616, was redeemed and used to repay the debenture with the remainder, including a loss on redemption of $4,552, coming from NTPC's main operating account.

6. Asset retirement obligations and environmental liabilities

	2018			2017		
	ARO	Env. Liability	Total	ARO	Env. Liability	Total
Opening balance	$ 7,171	$ 10,772	$ 17,943	$ 6,846	$ 10,828	$ 17,674
Liabilities settled	(30)	(316)	(346)	(92)	(197)	(289)
Accretion Expense	238	-	238	180	-	180
Valuation Adjustment	36	952	988	185	141	326
Additions	171	-	171	219	-	219
Disposals	(50)	-	(50)	(167)	-	(167)
Balance, end of year	$ 7,536	$ 11,408	$ 18,944	$ 7,171	$ 10,772	$ 17,943

NORTHWEST TERRITORIES HYDRO CORPORATION

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

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

- Total expected future cash flows - $49,179 (2016-17 - $48,192)
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 72 years with the majority occurring after 2040.
- The discount rate is the cost of borrowing rate of 3.12% (2016-17 – 2.64%) for those obligations to be settled in less than 10 years and 3.42% (2016-17 – 3.57%) for those obligations to be settled in 10 years or longer.

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NT Hydro estimates that it has 24 sites (2016-17 - 24 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NT Hydro is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

7. Other employee future benefits

a) Public Service Pension Plan:

The employees of NT Hydro participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.00 times (2016-17 – 1.01) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2016-17 – 1.00) the employees' contributions for all other employees. Employer contributions of $2,120 (2016-17 - $2,249) were recognized as an expense in the current year. The employees' contribution to this plan was $1,935 (2016-17 - $1,894).

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.

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 7. Other employee future benefits (continued)

b) Other employee future benefits:

Summary of other employee future benefit liabilities:

	2018			2017		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Opening net future obligation	$ 3,030	$ 47	$ 3,077	$ 3,012	$ 44	$ 3,056
Less prior year unamortized net actuarial (gain) loss	221	219	440	(60)	72	12
Accrued benefit obligation, beginning of the year	3,251	266	3,517	2,952	116	3,068
Benefits earned	284	20	304	273	10	283
Interest	65	5	70	70	3	73
Benefits paid	(345)	(35)	(380)	(318)	(19)	(337)
Actuarial gains (losses)	(466)	(38)	(504)	274	156	430
Accrued benefit obligation, end of year	2,789	218	3,007	3,251	266	3,517
Unamortized net actuarial (gain) loss	270	(155)	115	(221)	(219)	(440)
Net Future obligation	$ 3,059	$ 63	$ 3,122	$ 3,030	$ 47	$ 3,077

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.

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 7. Other employee future benefits (continued)

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

	2018	2017
Current benefits earned	$ 304	$ 283
Interest	70	73
Amortization of net actuarial loss	52	2
	$ 426	$ 358

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

	2018	2017
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	3.20%	2.00%
Expected average remaining service life of related employee groups (EARSL)	8.4 years	8.5 years

($000's)

8. Tangible capital assets

	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	(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**

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

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

9. Inventories

	2018	2017
Materials, supplies and lubricants	$ 4,661	$ 4,567
Critical spare parts	3,458	3,424
Fuel	340	293
	$ 8,459	$ 8,284

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is only held in five of NTPC's operating plants. The liquefied natural gas (LNG) fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 17. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 17.

10. Accumulated surplus / equity

	2018	2017
Share capital, common and preferred shares	$ 43,129	$ 43,129
Accumulated operating surplus / equity	81,360	73,596
	$ 124,489	$ 116,725

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, 2018, 1 common share (2016-17 – 1 common share), at $43,129 per share, (2016-17 – $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.

11. Sale of power

	2018	2017
Power sales to external customers	$ 78,156	$ 75,770
Power sales to GNWT and related parties	16,077	14,820
GNWT HSP payments	6,252	6,230
GNWT TPSP payments	5,871	5,585
	$ 106,356	$ 102,405

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.

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 11. 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.

12. Other revenue and customer contributions

	2018	2017
Contract work	$ 531	$ 446
Heat revenues	422	208
Connection fees	347	266
Contributions in aid of construction	271	162
Pole rental	267	287
Miscellaneous	119	529
	$ 1,957	$ 1,898

13. Expenses

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

	2018	2017
Salaries and wages	$ 26,741	$ 26,200
Fuel and lubricants (Note 17)	25,844	27,467
Supplies and services	18,575	20,621
Amortization (Note 8)	16,216	16,016
Interest expense (Note 14)	13,488	12,662
Travel and accommodation	2,352	2,653
Accretion on ARO's (Note 6)	239	180
Net loss on debt (Note 5)	-	4,552
Net (gain) loss on disposal of assets	(484)	3,850
	$ 102,971	$ 114,201

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

14. Interest expense and interest income

Interest expense

	2018	2017
Interest on debenture debt and capital leases (Notes 4, 5)	$ 13,688	$ 12,673
Short-term debt financing costs	103	560
Capitalized interest during construction	(303)	(571)
	$ 13,488	$ 12,662

Interest income

	2018	2017
Income on loan receivable (Note 4)	$ 1,339	$ 1,430
Income from overdue accounts and bank balances	181	57
Income from sinking fund investments (Note 5)	53	38
	$ 1,573	$ 1,525

15. Government contributions

Other government contributions

In 2017-18 NTPC recognized funding of $68 related to a contribution agreement with the Government of Canada's Indigenous and Northern Affairs. $22 of this funding was received in 2017-18 and $46 is recorded in accounts receivable at March 31, 2018.

NTPC also signed six single-year agreements with the GNWT. All committed funding with matching eligible costs have been recorded as revenue.

The first agreement was to fund the costs associated with expanding the residual heat system in Inuvik, and to install an exhaust gas recovery unit. NTPC received funding for the amount of $200, of which NTPC incurred an excess of $200 in eligible costs. The second agreement related to the in-kind contribution from the GNWT to NTPC of a 55kW Solar Photovoltaic project in Aklavik valued at $604.

The third agreement was to fund $67 in costs associated with electricity regulation and energy review analysis. The fourth agreement was to fund $56 in costs associated with investigating energy storage and integration options for Inuvik. NTPC received funding of $56, of which NTPC incurred $56 in eligible costs. The fifth agreement was to fund $69 in costs associated with investigating energy storage and integration options Sachs Harbour and Norman Wells.

NT Hydro's shareholder, the GNWT is in the process of developing a ten-year Energy Strategy and Action Plan. In 2017-18 NT Hydro began working with the GNWT on identifying projects that have the potential to qualify for the Federal Government / GNWT Integrated Bilateral Agreement. As there are many unknowns at this point in time with respect to the risks of the projects, time and effort spent on the initial framework and principles of these projects is being undertaken in the unregulated company, NTEC(03) to protect NTPC's regulated customers from costs that have not been built into rates and may or may not have longer term benefits. NTPC signed contribution agreements with the GNWT for this work and transferred all the costs and offsetting revenues associated with these projects to NTEC(03) as at March 31, 2018.

($000's)

Note 15. Government contributions (continued)

In the sixth agreement NTPC received $17 from the GNWT in apprenticeship training support.

16. 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:

	2018	2017
Revenue		
Other revenue	$ 439	$ 978
Expenses		
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 17)	$ 18,667	$ 21,002
Other operating expenses	408	243
	19,075	$ 21,245
Financial assets		
Revenues receivable		
Utility	$ 1,343	$ 1,453
Non-utility	162	39
	$ 1,505	$ 1,492
Liabilities		
Accounts payable to FSD for fuel (Note 17)	$ 6,173	$ 4,232
Other accounts payable and accrued liabilities	63	12
	$ 6,236	$ 4,244

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

17. Contractual obligations

NT Hydro has entered into agreements for, or are contractually committed for the following expenses that will be incurred subsequent to March 31, 2018:

	Expiry	2019	2020 and subsequent
Non related parties	2022	$ 7,249	$ 1,100

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 entered into an agreement with FSD to supply NTPC's Inuvik facilities with LNG until October 31, 2018. 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.

($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

18. Financial instruments and risk management

Risks – overview

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

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

a) Credit risk

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

	2018	2017
Loan receivable	$ 13,393	$ 14,395
Revenues receivable	12,983	12,683
Cash	9,077	9,831
Sinking fund investments	6,278	5,800
	$ 41,731	$ 42,709

Loan receivable

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

Revenues receivable

NT Hydro minimizes revenues receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty-eight percent (2016-17 - 36%) of NTPC's sales are to two other utilities. Twenty-six percent (2016-17 - 27%) of sales, including HSP and TPSP are to the GNWT.

Sinking fund investments and cash

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

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
($000's)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 18. Financial instruments and risk management (continued)

b) Liquidity risk

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

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, 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	21,180	18,287	51,041
Loan receivable	(2,341)	(11,704)	(5,462)	-	(19,507)
	$ 7,617	$ 22,269	$ 145,660	$ 76,936	$ 252,482

	March 31, 2017				
	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 3,923	$ 33,158	$ 130,218	$ 63,850	$ 231,149
Sinking fund investments	-	(5,800)	-	-	(5,800)
Snare capital lease obligation	2,169	9,965	21,374	21,288	54,796
Loan receivable	(2,341)	(11,704)	(7,803)	-	(21,848)
	$ 3,751	$ 25,619	$ 143,789	$ 85,138	$ 258,297

c) Interest rate risk

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

NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

FINANCIALS

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.

Jay Grewal	**Belinda Whitford**
Chief Executive Officer	Chief Financial Officer

Hay River, NT
June 26, 2018

NORTHWEST TERRITORIES POWER CORPORATION

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

	2018	2017
Financial assets		
Cash	$ 9,077	$ 9,831
Revenues receivable (Note 3)	12,803	12,427
Loan receivable (Note 4)	13,393	14,395
Sinking fund investments (Note 5)	6,278	5,800
Investment in Aadrii Ltd.	403	385
	41,954	**42,838**
Liabilities		
Accounts payable and accrued liabilities	20,143	15,393
Capital lease obligations (Note 4)	17,671	18,120
Debenture debt (Note 5)	226,393	230,265
Asset retirement obligations and environmental liabilities (Note 6)	18,944	17,943
Other employee future benefits (Note 7)	3,122	3,077
	286,273	**284,798**
Net debt	**$ (244,319)**	**$ (241,960)**
Non-financial assets		
Tangible capital assets (Note 8)	358,660	348,707
Inventories (Note 9)	8,459	8,284
Prepaid expenses	1,331	1,316
	368,450	**358,307**
Accumulated surplus / equity (Note 10)	**$ 124,131**	**$ 116,347**

Contractual obligations (Note 17)

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

FINANCIALS

NORTHWEST TERRITORIES POWER CORPORATION

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

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Sale of power (Note 11)	$ 107,920	$ 106,356	$ 102,405
Other revenue and customer contributions (Note 12)	1,945	1,957	1,898
Interest income (Note 14)	1,459	1,573	1,525
Income (Loss) from investment in Aadrii. Ltd	75	18	(8)
Insurance proceeds	-	-	70
Fuel rider refunds (Note 1)	(984)	(250)	(763)
	110,415	**109,654**	**105,127**
Expenses (Note 13)			
Thermal generation	59,788	59,959	61,813
Hydro generation	20,772	17,638	23,055
Corporate services	16,057	14,054	15,280
Transmission, distribution and retail	12,455	10,641	11,005
Alternative power generation	224	266	424
Purchased power	2,102	201	2,604
	111,398	**102,759**	**114,181**
Surplus (Deficit) for the year before government contributions	**(983)**	**6,895**	**(9,054)**
Government contributions			
Other government contributions (Note 15)	217	889	903
GNWT extreme low water contributions	-	-	1,726
	217	**889**	**2,629**
Surplus (Deficit) for the year	**$ (766)**	**$ 7,784**	**$ (6,425)**
Accumulated surplus / equity, beginning of year	116,347	116,347	122,772
Accumulated surplus / equity, end of year	**$ 115,581**	**$ 124,131**	**$ 116,347**

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)

	2018 Budget	2018 Actual	2017 Actual
Surplus (Deficit) for the year	$ (766)	$ 7,784	$ (6,425)
Tangible capital assets			
Additions	(26,131)	(21,941)	(14,812)
Capitalized overhead	(3,200)	(3,470)	(3,696)
Capitalized interest (Note 14)	(580)	(303)	(571)
Disposals	-	(455)	3,850
Amortization (Note 8)	17,869	16,216	16,016
	(12,042)	**(9,953)**	**787**
Acquisition of inventories	(5,772)	(8,620)	(6,028)
Use of inventories	5,630	8,445	6,725
Acquisition of prepaids	(2,200)	(1,616)	(1,633)
Use of prepaids	2,100	1,601	1,373
	(242)	**(190)**	**437**
Increase in net debt for the year	**$ (13,050)**	**$ (2,359)**	**$ (5,201)**
Net debt, beginning of year	**(241,960)**	**(241,960)**	**(236,759)**
Net debt, end of year	**$ (255,010)**	**$ (244,319)**	**$ (241,960)**

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

FINANCIALS

NORTHWEST TERRITORIES POWER CORPORATION

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

	2018	2017
Cash provided by (used in) operating activities		
Cash receipts from customers	$ 107,722	$ 105,550
Cash paid to suppliers	(41,808)	(53,149)
Cash paid to employees	(27,454)	(26,890)
Interest paid	(11,795)	(11,331)
Interest received	234	95
Government contributions received	925	5,508
Government contributions returned	-	(5,771)
	27,824	**14,012**
Cash provided by (used in) investing activities		
Loan receivable receipts (Note 4)	227	174
Sinking fund installments (Note 5)	(478)	(428)
Sinking fund investment redemptions (Note 5)	-	2,616
	(251)	**2,362**
Cash provided by (used in) capital activities		
Acquisition and development of tangible capital assets	(24,379)	(19,089)
	(24,379)	**(19,089)**
Cash (used in) provided by financing activities		
Borrowing from related parties	18	548
Repayment of capital lease obligation (Note 4)	(44)	(43)
Repayment of debenture debt	(3,922)	(11,399)
Issuance of debenture debt	-	60,000
Early redemption penalty	-	(4,552)
Repayment on operating line of credit	-	(32,600)
	(3,948)	**11,954**
(Decrease) Increase in cash	**$ (754)**	**$ 9,239**
Cash, beginning of year	9,831	592
Cash, end of year	**$ 9,077**	**$ 9,831**

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 10).

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. (NTEC(03)). See Government Contributions (Note 15) for additional details on transactions between NTPC and NTEC(03).

b) Regulated activities

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

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

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. On December 15, 2017 in Decision 16-2017 the PUB approved a return on equity for 2017-18 of 8.00%. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

NTPC filed its 2016/19 GRA on June 30, 2016. This application requests a change to NTPC's amortization rates as well as its energy rates charged to customers. The PUB issued a final decision in May 2018.

NORTHWEST TERRITORIES POWER CORPORATION

Note 1. The Corporation (continued)

The PUB approved NTPC's 2016-17 Interim Rate Application requesting a 4.8% increase to base energy rates for all customers effective August 1, 2016. NTPC filed a 2017-18 Interim Rate Application, proposing a 4% increase to the 2016-17 rates effective April 1, 2017. The PUB approved this application on March 31, 2017. The 2016-17 and 2017-18 interim rates were approved as final rates on May 28, 2018 in Decision 8-2018.

On April 29, 2016 NTPC filed a refund rider application to refund the balance of the RSF to customers resulting from the world wide decrease in fuel prices over the previous two years. The PUB's Decision 6-2016 approved the refund rider of $ 0.36/kWh effective June 1, 2016. On May 31, 2017 NTPC applied to the PUB to turn off this refund rider effective July 1, 2017. The PUB approved the application on June 30, 2017.

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 consolidation of NTPC and its wholly owned subsidiaries, from the date that control commences until the date that control ceases. Inter-entity transactions and balances with these wholly owned subsidiaries are eliminated upon consolidation. NTPC's investment in a government business partnership, Aadrii Ltd. is accounted for using the modified equity method applied using NWTEC's 50% share of Aadrii Ltd. to record its investment, net income and other changes in equity. The inter-entity transactions and balances with Aadrii Ltd. have not been eliminated.

The consolidated budget figures presented in these 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 provision for asset retirement obligations and environmental liabilities.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available.

Measurement uncertainty exists in these consolidated financial statements. Actual results could differ significantly from these estimates.

c) Inventories

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

d) Financial instruments

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

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

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

e) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at historical cost less accumulated amortization. Costs include amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and capitalized interest directly attributable to construction or development (IDC). Capitalization of interest ceases when no construction or development is taking place or when a tangible capital asset is ready for use.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

The IDC rate for 2017-18 was 5.08% (2016-17 – 5.676%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

i) Leased tangible capital assets

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

ii) Transfers of tangible capital assets

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

iii) Impairment

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

iv) Amortization

For 2017-18 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.

Annual amortization rates are as follows:

	2018 Rates (%)	2017 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.

j) Asset retirement obligations

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

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

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

k) Environmental liabilities

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

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

l) Foreign currency translation

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

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

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingencies

The nature of NTPC's activities require entry into contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. Contractual obligations pertain to funding commitments for operating and capital projects. Contractual obligations are obligations of NTPC to others that will become liabilities in the future when the terms of those contracts or agreements are met.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

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) Accounting changes

The Public Sector Accounting Board issued new standards PS 2200 Related Party Disclosures, PS 3420 Inter-Entity Transactions, PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights. NTPC has adopted these standards effective April 1, 2017. No significant changes were required as a result of implementing these new standards.

3. Revenues receivable

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

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

	2017			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 9,317	$ 1,062	$ 424	$ 10,803
Non-utility	1,033	44	809	1,886
Allowance for doubtful accounts	-	-	(262)	(262)
	$ 10,350	$ 1,106	$ 971	$ 12,427

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 3. Revenues receivable (continued)

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

	2018	2017
Balance, beginning of the year	$ (262)	$ (318)
Receivables written off	46	91
Change to allowance	(56)	(35)
Balance, end of the year	$ (272)	$ (262)

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, 2018, 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 18.

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 segregated on the consolidated statement of cash flows. Loan receivable principal payments of $1,002 (2016-17 - $911) and interest income of $1,339 (2016-17 - $1,430) were offset by capital lease principal payments of $405 (2016-17 - $405) and interest expense of $1,697 (2016-17 -$1,762). As a result, the net cash receipt of $239 (2016-17 - $174) 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 8).

($000's)

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
2019	$ 2,051	$ 48	$ 2,099
2020	1,998	48	2,046
2021	1,944	8	1,952
2022	1,886	-	1,886
2023	1,827	-	1,827
Thereafter	41,231	-	41,231
	50,937	104	51,041
Less: amounts representing imputed interest	(33,366)	(4)	(33,370)
Total capital lease obligations	**$ 17,571**	**$ 100**	**$ 17,671**

Additional disclosures on NTPC's exposure and management of risk associated with the loan receivable and capital lease obligations can be found in Note 18.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

5. Debenture debt, related sinking fund investments and line of credit

Debenture debt

	2018	2017
3.982% amortizing debenture, due February 17, 2047	$ 58,935	$ 60,000
5.16% amortizing debenture, due September 13, 2040	44,535	45,566
5.443% debenture, due August 1, 2028	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032	10,000	10,667
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of $73	5,139	5,528
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of $69	4,366	4,743
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of $70	4,251	4,645
	$ 227,226	$ 231,149
Less: Unamortized premium, discount and issuance costs	(833)	(884)
	$ 226,393	$ 230,265

The GNWT guarantees NTPC's debenture debt.

Principal repayments for future years are as follows:

2019	2020	2021	2022	2023	Thereafter	Total
$ 14,136	$ 4,364	$ 4,613	$ 4,879	$5,167	$194,067	$ 227,226

Line of Credit

NTPC has a $40,000 (2016-17 - $50,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers' Acceptances or other advances directly against the line of credit.

There was no amount drawn on the operating line of credit as at March 31, 2018 (2016-17 - nil).

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

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

Sinking fund investments and requirements

Sinking fund investments are held by the Trustee restricted for the redemption of debentures. The agreements require annual installments to retire debt at maturity. NTPC's sinking fund policy allows only Canadian fixed-income investments with investment grade credit. All asset classes are measured at cost or amortized cost, and market value approximates cost due to the short-term to maturity of the investments. Additional disclosures on NTPC's exposure and management of risk associated with sinking fund investments can be found in Note 18.

The weighted average effective rate of return for the year was 0.87% (2016-17 - 0.47%)

Estimated sinking fund investment requirements for 2018-19, the final remaining year of contributions, is $388.

In 2016-17, NTPC redeemed an $8.7 million face value 8.41% debenture in full at a price of $152.994, including unpaid accrued interest, per $100 face value. The full amount of the associated sinking fund, $2,616, was redeemed and used to repay the debenture with the remainder, including a loss on redemption of $4,552, coming from NTPC's main operating account.

6. Asset retirement obligations and environmental liabilities

	2018			2017		
	ARO	Env. Liability	Total	ARO	Env. Liability	Total
Opening balance	$ 7,171	$ 10,772	$ 17,943	$ 6,846	$ 10,828	$ 17,674
Liabilities settled	(30)	(316)	(346)	(92)	(197)	(289)
Accretion Expense	238	-	238	180	-	180
Valuation Adjustment	36	952	988	185	141	326
Additions	171	-	171	219	-	219
Disposals	(50)	-	(50)	(167)	-	(167)
Balance, end of year	$ 7,536	$ 11,408	$ 18,944	$ 7,171	$ 10,772	$ 17,943

NORTHWEST TERRITORIES POWER CORPORATION

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

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

- Total expected future cash flows - $49,179 (2016-17 - $48,192)
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 72 years with the majority occurring after 2040.
- The discount rate is the cost of borrowing rate of 3.12% (2016-17 – 2.64%) for those obligations to be settled in less than 10 years and 3.42% (2016-17 – 3.57%) for those obligations to be settled in 10 years or longer.

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NTPC estimates that it has 24 sites (2016-17 - 24 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NTPC is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

7. Other employee future benefits

a) Public Service Pension Plan

The employees of NTPC participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.00 times (2016-17 – 1.01) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2016-17 – 1.00) the employees' contributions for all other employees. Employer contributions of $2,120 (2016-17 - $2,249) were recognized as an expense in the current year. The employees' contribution to this plan was $1,935 (2016-17 - $1,894).

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.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 7. Other employee future benefits (continued)

b) Other employee future benefits

Summary of other employee future benefit liabilities:

	2018			2017		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Opening net future obligation	$ 3,030	$ 47	$ 3,077	$ 3,012	$ 44	$ 3,056
Less prior year unamortized net actuarial (gain) loss	221	219	440	(60)	72	12
Accrued benefit obligation, beginning of the year	3,251	266	3,517	2,952	116	3,068
Benefits earned	284	20	304	273	10	283
Interest	65	5	70	70	3	73
Benefits paid	(345)	(35)	(380)	(318)	(19)	(337)
Actuarial gains (losses)	(466)	(38)	(504)	274	156	430
Accrued benefit obligation, end of year	2,789	218	3,007	3,251	266	3,517
Unamortized net actuarial (gain) loss	270	(155)	115	(221)	(219)	(440)
Net Future obligation	$ 3,059	$ 63	$ 3,122	$ 3,030	$ 47	$ 3,077

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.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 7. Other employee future benefits (continued)

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

	2018	2017
Current benefits earned	$ 304	$ 283
Interest	70	73
Amortization of net actuarial loss	52	2
	$ 426	$ 358

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

	2018	2017
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	3.20%	2.00%
Expected average remaining service life of related employee groups (EARSL)	8.4 years	8.5 years

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

8. Tangible capital assets

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	(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**

March 31, 2017	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	$ 324,951	$ 89,907	$ 60,007	$ 26,891	$ 16,766	$ 518,522
Additions	102	950	-	-	18,027	19,079
Transfers – completed projects	14,295	3,200	2,934	2,334	(22,763)	-
Disposals	(3,757)	(225)	(2,367)	(718)	-	(7,067)
Closing balance	335,591	93,832	60,574	28,507	12,030	530,534
Accumulated amortization						
Opening balance	(105,173)	(28,637)	(27,158)	(8,060)	-	(169,028)
Amortization	(9,465)	(2,402)	(3,721)	(428)	-	(16,016)
Disposals	1,756	(215)	1,489	187	-	3,217
Closing balance	(112,882)	(31,254)	(29,390)	(8,301)	-	(181,827)
Net book value	**$ 222,709**	**$ 62,578**	**$ 31,184**	**$ 20,206**	**$ 12,030**	**$ 348,707**

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

9. Inventories

		2018		2017
Materials, supplies and lubricants	$	4,661	$	4,567
Critical spare parts		3,458		3,424
Fuel		340		293
	$	8,459	$	8,284

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is only held in five of NTPC's operating plants. The liquefied natural gas (LNG) fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 17. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 17.

10. Accumulated surplus / equity

		2018		2017
Share capital, common and preferred shares	$	43,129	$	43,129
Accumulated operating surplus / equity		81,002		73,218
	$	124,131	$	116,347

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, 2018, 431,288 common shares (2016-17 – 431,288 shares) at ten cents per share (2016-17 – 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.

11. Sale of power

		2018		2017
Power sales to external customers	$	78,156	$	75,770
Power sales to GNWT and related parties		16,077		14,820
GNWT HSP payments		6,252		6,230
GNWT TPSP payments		5,871		5,585
	$	106,356	$	102,405

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

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

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

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

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

12. Other revenue and customer contributions

		2018		2017
Contract work	$	531	$	446
Heat revenues		422		208
Connection fees		347		266
Contributions in aid of construction		271		162
Pole rental		267		287
Miscellaneous		119		529
	$	1,957	$	1,898

13. Expenses

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

		2018		2017
Salaries and wages	$	26,741	$	26,200
Fuels and lubricants (Note 17)		25,844		27,467
Supplies and services		18,413		20,601
Amortization (Note 8)		16,216		16,016
Interest expense (Note 14)		13,488		12,662
Travel and accommodation		2,352		2,653
Accretion on AROs (Note 6)		238		180
Net loss on debt (Note 5)		-		4,552
Dividend recovery		(78)		-
Net (gain) loss on disposal of assets		(455)		3,850
	$	102,759	$	114,181

14. Interest expense and interest income

Interest expense

		2018		2017
Interest on debenture debt and capital leases (Notes 4, 5)	$	13,688	$	12,673
Short-term debt financing costs		103		560
Capitalized interest during construction		(303)		(571)
	$	13,488	$	12,662

Interest income

		2018		2017
Income on loan receivable (Note 4)	$	1,339	$	1,430
Income from overdue accounts and bank balances		181		57
Income from sinking fund investments (Note 5)		53		38
	$	1,573	$	1,525

NORTHWEST TERRITORIES POWER CORPORATION

15. Government contributions

Other government contributions

In 2017-18 NTPC recognized funding of $68 related to a contribution agreement with the Government of Canada's Indigenous and Northern Affairs. $22 of this funding was received in 2017-18 and $46 is recorded in accounts receivable at March 31, 2018.

NTPC also signed six single-year agreements with the GNWT. All committed funding with matching eligible costs have been recorded as revenue.

The first agreement was to fund the costs associated with expanding the residual heat system in Inuvik, and to install an exhaust gas recovery unit. NTPC received funding for the amount of $200, of which NTPC incurred an excess of $200 in eligible costs. The second agreement related to the in-kind contribution from the GNWT to NTPC of a 55kW Solar Photovoltaic project in Aklavik valued at $604.

The third agreement was to fund $67 in costs associated with electricity regulation and energy review analysis. The fourth agreement was to fund $56 in costs associated with investigating energy storage and integration options for Inuvik. NTPC received funding of $56, of which NTPC incurred $56 in eligible costs. The fifth agreement was to fund $69 in costs associated with investigating energy storage and integration options Sachs Harbour and Norman Wells. NTPC received all of the funding for these three contributions in 2017-18. The revenues and costs associated with these three contribution agreements were transferred to NTEC(03) effective March 31, 2018. Additional information is in Note 16.

In the sixth agreement NTPC received $17 from the GNWT in apprenticeship training support.

16. 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.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 16. Related party transactions and balances (continued)

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

	2018	2017
Revenue		
Other revenue	$ 439	$ 978
Expenses		
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 17)	$ 18,667	$ 21,002
Other operating expenses	408	243
	$ 19,075	$ 21,245
Financial assets		
Revenues receivable		
Utility	$ 1,343	$ 1,453
Non-utility	162	39
	$ 1,505	$ 1,492
Liabilities		
Accounts payable to FSD for fuel (Note 17)	$ 6,173	$ 4,232
Other accounts payable and accrued liabilities	63	12
	$ 6,236	$ 4,244

Transactions with NTEC(03)

The GNWT is in the process of developing a ten-year Energy Strategy and Action Plan. In 2017-18 NT Hydro began working with the GNWT on identifying projects that have the potential to qualify for the Federal Government / GNWT Integrated Bilateral Agreement. As there are many unknowns at this point in time with respect to the risks of the projects, time and effort spent on the initial framework and principles of these projects is being undertaken in the unregulated company, NTEC(03) to protect NTPC's regulated customers from costs that have not been built into rates and may or may not have longer term benefits. NTPC signed contribution agreements with the GNWT for this work and transferred all the costs and offsetting revenues associated with these projects to NTEC(03) as at March 31, 2018. Additional information on these contribution agreements can be found in Note 15.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

17. Contractual obligations

NTPC has entered into agreements for, or is contractually committed for the following expenses that will be incurred subsequent to March 31, 2018:

	Expiry	2019	2020 and subsequent
Non related parties	2022	$ 7,249	$ 1,100

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 entered into an agreement with FSD to supply NTPC's Inuvik facilities with LNG until October 31, 2018. 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.

($000's)

18. Financial instruments and risk management

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

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

a) Credit risk

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

	2018	2017
Loan receivable	$ 13,393	$ 14,395
Revenues receivable	12,803	12,427
Cash	9,077	9,831
Sinking fund investments	6,278	5,800
	$ 41,551	$ 42,453

Loan receivable

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

Revenues receivable

NTPC minimizes revenues receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty-eight percent (2016-17 - 36%) of NTPC's sales are to two other utilities. Twenty-six percent (2016-17 - 27%) of sales, including HSP and TPSP are to the GNWT.

Sinking fund investments and cash

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

b) Liquidity risk

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

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 18. 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, 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	21,180	18,287	51,041
Loan receivable	(2,341)	(11,704)	(5,462)	-	(19,507)
	$ 7,617	$ 22,269	$ 145,660	$ 76,936	$ 252,482

	March 31, 2017				
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 3,923	$ 33,158	$ 130,218	$ 63,850	$ 231,149
Sinking fund investments	-	(5,800)	-	-	(5,800)
Capital lease obligation	2,169	9,965	21,374	21,288	54,796
Loan receivable	(2,341)	(11,704)	(7,803)	-	(21,848)
	$ 3,751	$ 25,619	$ 143,789	$ 85,138	$ 258,297

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.

2017-18 SCHEDULE OF WRITE OFFS

Customer	Community	Amount
Estate of Dorothy Desjarlais	Fort Smith	$ 1,054.17
Carl Tobac	Fort Good Hope	$ 1,278.92
Larry Michel	Behchoko	$ 889.34
Estate of Sonny Mcleod	Fort Simpson	$ 1,833.22
Our Video Store	Behchoko	$ 1,381.45
Unlimited Tasty Cravings	Inuvik	$ 23,708.10
Sara Garalund	Inuvik	$ 1,002.50
William Jr Aleekuk	Inuvik	$ 805.77
Alexandre Nadan	Inuvik	$ 2,590.83
Philip Beaulieur	Fort Resolution	$ 1,004.00
David Kassem	Inuvik	$ 588.48
Estate of Andrew Pelley	Fort Simpson	$ 536.05
Erin O'Reilly	Fort Smith	$ 779.11
Archie Larocque	Fort Smith	$ 530.95
Rachel Thorne	Tulita	$ 521.27
Genevieve Bekale	Behchoko	$ 551.20
Rod Harrington	Inuvik	$ 509.81
Lindsay Blake	Norman Wells	$ 784.77
Trent Heron	Fort Smith	$ 2,177.22
Laura Poitras	Fort Smith	$ 1,431.34
Natasha Rogers	Inuvik	$ 1,457.56
Nevin Robert Nadeau	Inuvik	$ 608.52
Inuvik Interagency Committee	Inuvik	$ 812.68
Kevin Raymond	Inuvik	$ 173.99
TOTAL UTILITY ACCOUNTS		**$ 47,011.25**

NORTHWEST TERRITORIES POWER CORPORATION

RECONCILIATION FROM AUDITED FINANCIAL STATEMENTS TO UNAUDITED RATE REGULATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018
FOR THE YEAR ENDED MARCH 31, 2017

UNAUDITED

NTPC
Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Accounting Financial Statements
As at March 31, 2017
UNAUDITED
CONSOLIDATED BALANCE SHEET / STATEMENT OF FINANCIAL POSITION

	Audited PSAS Financial Statements	Reclassification Adjustments	Regulated Assets and Liabilities	TCA and ARO Adjustments	Other	Unaudited Rate Regulated Accounting Updated for PUB Decisions	PUB Decisions	Unaudited Rate Regulated Accounting As Previously Reported
		Note 1	Note 2	Note 3	Note 4		Note 5	
Assets								
Current assets								
Cash	$ 9,831	$ -	$ -	$ -	$ -	$ 9,831	$ -	$ 9,831
Accounts receivables / Revenues receivable	12,427	-	1	-	-	12,428	-	12,428
Inventories	8,284	(3,424)	-	-	-	4,860	-	4,860
Prepaid expenses	1,316	-	-	-	-	1,316	-	1,316
	31,858	(3,424)	1	-	-	28,435	-	28,435
Property, plant and equipment (net) / Tangible capital assets	348,707	3,424	-	9,558	(2)	361,687	311	361,998
Loan receivable	14,395	(14,395)	-	-	-	-	-	-
Investment in Aadrii Ltd.	385	-	-	-	-	385	-	385
Sinking fund investments	5,800	-	-	-	-	5,800	-	5,800
Regulatory assets	-	-	22,657	-	-	22,657	(1,180)	21,477
	20,580	(14,395)	22,657	-	-	28,842	(1,180)	27,662
							-	-
	$ 401,145	**$ (14,395)**	**$ 22,658**	**$ 9,558**	**$ (2)**	**$ 418,964**	**$ (869)**	**$ 418,095**
Liabilities and Shareholder's Equity								
Current liabilities								
Accounts payable and accrued liabilities	$ 15,393	$ (61)	$ -	$ -	$ -	$ 15,332	$ -	$ 15,332
Current portion of long-term debt	-	3,923	-	-	-	3,923	-	3,923
	15,393	3,862	-	-	-	19,255	-	19,255
Long-term debt net of sinking funds	224,465	(3,923)	-	-	(4,927)	215,615	-	215,615
Sinking funds as reflected in assets	5,800	-	-	-	-	5,800	-	5,800
Net lease obligation / Capital lease obligation	18,120	(14,395)	-	-	-	3,725	-	3,725
	248,385	(18,318)	-	-	(4,927)	225,140	-	225,140
Regulatory liabilities	-	-	42,978	(17,943)	-	25,035	517	25,552
Asset retirement obligations	17,943	-	-	-	-	17,943	-	17,943
Deferred government contributions	-	61	7,440	-	-	7,501	-	7,501
Other employee future benefits	3,077	-	-	-	(45)	3,032	-	3,032
	21,020	61	50,418	(17,943)	(45)	53,511	517	54,028
Shareholder's equity	116,347	-	(27,760)	27,501	4,970	121,058	(1,386)	119,672
	$ 401,145	**$ (14,395)**	**$ 22,658**	**$ 9,558**	**$ (2)**	**$ 418,964**	**$ (869)**	**$ 418,095**

NTPC
Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Accounting Financial Statements
Year Ending March 31 2017
UNAUDITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND SHAREHOLDER'S EQUITY / STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

	Audited PSAS Financial Statements	Reclassification Adjustments	Regulated Assets and Liabilities	TCA and ARO Adjustments	Other	Unaudited Rate Regulated Accounting Updated for PUB Decisions	PUB Decisions	Unaudited Rate Regulated Accounting As Previously Reported
		Note 1	Note 2	Note 3	Note 4		Note 5	
Revenues								
Sale of power	$ 102,405	$ -	$ -	$ -	$ -	$ 102,405	$ -	$ 102,405
Fuel rider refund	(763)	763	-	-	-	-	-	-
GNWT extreme low water contributions	1,726	(1,726)	-	-	-	-	-	-
Net investment income Aadrii Ltd.	(8)	8	-	-	-	-	-	-
Other government contributions	903	114	(810)	-	1	208	-	208
Other revenue	1,898	(123)	(449)	-	(1)	1,325	-	1,325
	106,161	(964)	(1,259)	-	-	103,938	-	103,938
Expenses								
Salaries and wages	-	26,021	(1,183)	22	6	24,866	(112)	24,754
Fuel and lubricants	-	27,157	(1,973)	(667)	1	24,518	2,860	27,378
Supplies and services	-	19,994	(4,837)	(71)	(30)	15,056	-	15,056
Amortization	-	9,292	6,519	996	4	16,811	205	17,016
Travel and accommodation	-	2,653	(344)	-	3	2,312	-	2,312
Amortization of deferred charges	-	6,724	-	-	-	6,724	(1,536)	5,188
Net loss on disposal of assets	-	8,464	(1,244)	(2,668)	(4,552)	-	-	-
Accretion on ARO	-	180	-	(180)	-	-	-	-
Thermal generation	61,813	(61,813)	-	-	-	-	-	-
Hydro generation	23,055	(23,055)	-	-	-	-	-	-
Corporate services	15,280	(15,280)	-	-	-	-	-	-
Transmission, distribution and retail	11,005	(11,005)	-	-	-	-	-	-
Purchased power	2,604	(2,604)	-	-	-	-	-	-
Alternative power generation	424	(424)	-	-	-	-	-	-
	114,181	(13,696)	(3,062)	(2,568)	(4,568)	90,287	1,417	91,704
Earnings from operations	(8,020)	12,732	1,803	2,568	4,568	13,651	(1,417)	12,234
Interest income	1,525	(1,468)	-	-	-	57	-	57
Earnings before interest expense	(6,495)	11,264	1,803	2,568	4,568	13,708	(1,417)	12,291
Interest expense	-	11,194	(61)	-	44	11,177	(32)	11,145
Net earnings before other	(6,495)	70	1,864	2,568	4,524	2,531	(1,385)	1,146
Fuel rider refund	-	(763)	-	-	-	(763)	-	(763)
Offset to rider refund	-	763	-	-	-	763	-	763
GNWT extreme low water revenue	-	1,726	-	-	-	1,726	-	1,726
Offset to GNWT extreme low water revenue	-	(1,726)	-	-	-	(1,726)	-	(1,726)
Insurance proceeds revenue	70	-	-	-	-	70	-	70
Insurance expense	-	(70)	-	-	-	(70)	-	(70)
	70	(70)	-	-	-	-	-	-
Net income / surplus for the year	**$ (6,425)**	**$ -**	**$ 1,865**	**$ 2,568**	**$4,524**	**$ 2,532**	**$ (1,386)**	**$ 1,146**
Shareholder's equity, beginning of year	122,772	-	(29,625)	24,933	446	118,526	-	118,526
Shareholder's equity, end of year	**$ 116,347**	**$ -**	**$ (27,760)**	**$ 27,501**	**$4,970**	**$ 121,058**	**$ (1,386)**	**$ 119,672**

NTPC
Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Accounting Financial Statements
As at March 31, 2018
UNAUDITED
CONSOLIDATED BALANCE SHEET / STATEMENT OF FINANCIAL POSITION

	Audited PSAS Financial Statements	Reclassification Adjustments	Regulated Assets and Liabilities	TCA and ARO Adjustments	Other	Unaudited Rate Regulated Accounting
		Note 1	Note 2	Note 3	Note 4	
Assets						
Current assets						
Cash	$ 9,077	$ -	$ -	$ -	$ -	$ 9,077
Accounts receivables / Revenues receivable	12,803	-	-	-	-	12,803
Inventories	8,459	(3,459)	-	-	-	5,000
Prepaid expenses	1,331	-	-	-	-	1,331
	31,670	(3,459)	-	-	-	28,211
Property, plant and equipment (net) / Tangible capital assets	358,660	3,458	-	7,976	(2)	370,092
Loan receivable	13,393	(13,393)	-	-	-	-
Investment in Aadrii Ltd.	403	-	-	-	-	403
Sinking fund investments	6,278	-	-	-	-	6,278
Regulatory assets	-	-	22,325	-	-	22,325
	20,074	(13,393)	22,325	-	-	29,006
	$ 410,404	**$ (13,394)**	**$ 22,325**	**$ 7,976**	**$ (2)**	**$ 427,309**
Liabilities and Shareholder's Equity						
Current liabilities						
Accounts payable and accrued liabilities	$ 20,143	$ (45)	$ -	$ -	$ 4	$ 20,102
Current portion of long-term debt	-	14,136	-	-	-	14,136
	20,143	14,091	-	-	4	34,238
Long-term debt net of sinking funds	226,393	(20,414)	-	-	(4,732)	201,247
Sinking funds as reflected in assets	-	6,278	-	-	-	6,278
Net lease obligation / Capital lease obligation	17,671	(13,393)	-	-	1	4,279
	244,064	(27,529)	-	-	(4,731)	211,804
Regulatory liabilities	-	-	42,692	(18,943)	2	23,751
Asset retirement obligations	18,944	-	-	-	-	18,944
Deferred government contributions	-	44	8,066	-	(4)	8,106
Other employee future benefits	3,122	-	-	-	(23)	3,099
	22,066	44	50,758	(18,943)	(25)	53,900
Shareholder's equity	124,131	-	(28,434)	26,919	4,751	127,367
	$ 410,404	**$ (13,394)**	**$ 22,325**	**$ 7,976**	**$ (2)**	**$ 427,309**

NTPC
Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Accounting Financial Statements
Year Ending March 31 2018
UNAUDITED

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

	Audited PSAS Financial Statements	Reclassification Adjustments	Regulated Assets and Liabilities	TCA and ARO Adjustments	Other	Unaudited Rate Regulated Accounting
		Note 1	Note 2	Note 3	Note 4	
Revenues						
Sale of power	$ 106,356	$ -	$ -	$ -	$ 1	$ 106,357
Fuel rider refund	(250)	250	-	-	-	-
Net investment income Aadrii Ltd.	18	(18)	-	-	-	-
Other government contributions	889	1,021	(872)	-	-	1,038
Other revenue	1,957	(1,003)	(531)	-	(1)	422
	108,970	250	(1,403)	-	-	107,817
Expenses						
Salaries and wages	-	26,741	(933)	22	23	25,853
Fuel and lubricants	-	25,844	(1,228)	-	5	24,621
Supplies and services	-	18,413	(3,725)	(1,187)	(83)	13,418
Amortization	-	16,216	(262)	725	-	16,679
Travel and accommodation	-	2,352	(219)	-	(1)	2,132
Amortization of deferred charges	-	-	6,893	-	(9)	6,884
Net loss on disposal of assets	-	(455)	(808)	1,262	-	(1)
Dividend expense	-	(78)	-	-	78	-
Accretion on ARO	-	238	-	(238)	-	-
Thermal generation	59,959	(59,959)	-	-	-	-
Hydro generation	17,638	(17,638)	-	-	-	-
Corporate services	14,054	(14,054)	-	-	-	-
Transmission, distribution and retail	10,641	(10,641)	-	-	-	-
Purchased power	201	(201)	-	-	-	-
Alternative power generation	266	(266)	-	-	-	-
	102,759	(13,488)	(282)	584	13	89,586
Earnings from operations	6,211	13,738	(1,121)	(584)	(13)	18,231
Interest income	1,573	(1,391)	-	-	(1)	181
Earnings before interest expense	7,784	12,347	(1,121)	(584)	(14)	18,412
Interest expense	-	12,097	(203)	-	208	12,102
Net earnings before other	7,784	250	(918)	(584)	(222)	6,310
Fuel rider refund	-	(250)	-	-	-	(250)
Offset to rider refund	-	-	250	-	-	250
	-	(250)	250	-	-	-
Net income / surplus for the year	**$ 7,784**	**$ -**	**$ (667)**	**$ (585)**	**$ (222)**	**$ 6,310**
Shareholder's equity, beginning of year	116,347	-	(27,767)	27,505	4,973	121,058
Shareholder's equity, end of year	**$ 124,131**	**$ -**	**$ (28,434)**	**$ 26,919**	**$ 4,751**	**$ 127,367**

NORTHWEST TERRITORIES POWER CORPORATION
Notes to Reconciliation of Audited PSAS Financial Statements to Unaudited Rate Regulated Accounting Financial Statements
Year Ending March 31, 2018
Year Ending March 31, 2017

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

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

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

Under RRA, critical spare inventory is reclassified as property, plant and equipment (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 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, loss on disposal is reduced and PPE is increased.

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

Note 4 Other adjustments related to differences in how NTPC accounted for it's 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. Interest expense was increased, and opening equity and long term debt were decreased to account for the deferred swap costs.

Note 5 In Note 1 of NTPC's 2016-17 Consolidated Financial Statements, NTPC identified that its 2016/19 General Rate Application was before the PUB and any changes to the 2016/17 Financial Statements resulting from the PUB Decision's on this GRA would be implemented in 2017-18. As the changes resulting from the PUB Decision's on NTPC's 2016/19 GRA (PUB Decisions 16-2017, 1-2018 and 8-2018) were significant to NTPC's 2016-17 RRA financial results, these results have been restated. The PUB Decision affected:
- Overhaul rates
- Rate stabilization funds
- Water licensing deferral accounts
- GRA deferral accounts
- Net salvage rates

A $311 adjustment to ARO transactions between Property, plant and equipment and Regulated liabilities has also been made in 2016-17. This adjustment was not a result of the PUB Decisions on the 2016/19 GRA.