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ANNUAL REPORT 2019-20

NORTHWEST TERRITORIES HYDRO CORPORATION

Power for Generations

NORTHWEST TERRITORIES POWER CORPORATION

Empowering Communities

MISSION, VISION AND VALUES

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

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

Values
Safety – We make safety our first priority, a cornerstone in all decisions
People – We consider the well-being and success of every employee 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

INTRODUCTION

Welcome to the 2019-20 Annual Report for the Northwest Territories Hydro Corporation and Northwest Territories Power Corporation (NTPC).

In this report, you will find information about major achievements and challenges experienced in the last fiscal year as well as updates on performance in key areas such as safety and environment, customer service and reliability.

Financial results for 2019-20 can be found, beginning on page 18.

COVID-19
AND RANSOMWARE ATTACK

Although public declaration of a public health emergency due to COVID-19 did not occur until shortly before the end of the 2019-20 fiscal year, the pandemic has had an impact on preparation of this report and is having a significant impact on NTPC operations and financial performance during the current fiscal year. As part of its initial response to declaration of a public health emergency in the Northwest Territories (NWT), most NTPC employees were working from home by March 20, 2020.

One of the most significant impacts that the pandemic is having on NTPC relates to capital projects. The Corporations have an ambitious capital program over the next several years, with projects such as refurbishment of hydro units, new plants in remote communities and new transmission lines either already underway or expected to begin in the near future. Many of these projects are required to ensure continued reliability of the electricity system in the NWT and to reduce greenhouse gas emissions.

As the result of the pandemic, the travel restrictions that have been put in place as well as the availability of qualified contractors, the schedule for start and completion of some projects is uncertain and may be delayed. NTPC will be adjusting its short and long-term capital plans as required.

On April 30, 2020, NTPC experienced a ransomware attack that required the Corporation to shut down most of its information technology systems while the impact of the attack was assessed. The attack did not impede NTPC's ability to deliver reliable electricity to its customers and there is no evidence that any private or confidential information was accessed.

The ransomware attack compounded the challenge that COVID-19 was already presenting with most employees working from home at the end of the fiscal year and for the first quarter of 2020-21.

NTPC appreciates the efforts of its employees, the office of the Auditor General of Canada and others to complete the work required for this report.

CORPORATE PROFILE

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

NTPC's team is made up of over 200 dedicated employees, located in 26 communities throughout the territory. We manage more than $400 million in assets including: three hydroelectric systems, 26 diesel plants, five solar arrays, one battery storage system, and one natural gas plant. Together these provide a total generating capacity of 133 MW.

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

The NTPC is a subsidiary of the Northwest Territories Hydro Corporation (NT Hydro), which is a Crown Corporation. The Government of the Northwest Territories is its sole shareholder.

MINISTER'S MESSAGE

It was my honour to be appointed as Minister Responsible for the Northwest Territories Hydro Corporation and the Northwest Territories Power Corporation on September 4, 2020.

In the short time I have held responsibility for the Corporations, I've been tremendously impressed by the commitment of NTPC employees to keeping the lights on for their customers. We all depend on reliable electricity to cook our food, power our computers and for many other daily activities. Thank you to the men and women of NTPC for your hard work over the past year.

Members of the 19th Legislature have established a lengthy list of priorities for the next four years. The list includes a focus on the cost of power, increased use of alternative and renewable energy and a commitment to the Taltson Hydro expansion project. The Government of the Northwest Territories (GNWT) supports expansion at Taltson, including an intertie with the North Slave electricity system, for several reasons. First, a 60 MW expansion of Taltson could reduce 240,000 tonnes of greenhouse gas (GHG) emissions annually. Increased generation capacity would also help stabilize electricity rates for NWT residents and businesses and increase reliability of electricity supply. The project would also provide partnership opportunities for Indigenous governments and job opportunities for Northerners. The GNWT will work with NTPC, the federal government and potential future customers to move this project forward.

The priorities of Members of the Legislative Assembly are well-aligned with NTPC's Strategic Plan, which aims to reduce the gap between electricity rates in the NWT and the Canadian national average and to achieve the greenhouse gas emissions targets set in the GNWT's 2030 Energy Strategy. NTPC will be sharing its Strategic Plan with NWT residents in the coming months.

One of my highest priorities is to see that the governance of NTPC delivers the most effective oversight of the Corporation as possible. As its sole shareholder, the GNWT has a responsibility to taxpayers to see that NTPC is run in a financially responsible manner. The Board of Directors has been directed to conduct a review of different governance models and expect to see the results of this review in 2020-21.

Sincerely,

Honourable Diane Archie


TM3000

BOARD OF DIRECTORS

CHAIR:
Joe Dragon

VICE-CHAIR:
Martin Goldney

DIRECTORS:

Sylvia Haener

Sandy Kalgutkar

Rita Mueller

Pamela Strand

2019-20 OFFICERS

*Joe Dragon, **Chair***

*Noel Voykin, **President and CEO***

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

*Paul Grant, **Chief Services Officer***

*Erin Dean, **Director, Human Resources***

*Colin Steed, **Director, Hydro Operations***

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

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

PRESIDENT'S MESSAGE TO STAKEHOLDERS

2019-20 was a year of considerable change at NTPC. I arrived as the new President and CEO on April 1, 2019, a new government was elected in October 2019, a new Minister was appointed in November 2019 and a new Board of Directors was appointed in January 2020. While all of this change was occurring, NTPC employees continued to provide electricity to customers across the Northwest Territories.

The year began on a positive note with the successful conclusion of negotiations with the Union of Northern Employees on a new Collective Agreement. The term of the agreement is from January 1, 2015 to December 31, 2020. The tentative agreement was ratified by NTPC and the UNW in early 2020.

The Strategic Plan for the Corporation was approved by the Board of Directors in early 2020. This plan has been under development since late 2017 and is intended to set long-term strategic direction for NTPC, with the ultimate goals of reducing the gap in electricity rates between the NWT and the Canadian national average and achieving the greenhouse gas emissions reduction targets set in the GNWT's 2030 Energy Strategy. NTPC will be sharing details of its Strategic Plan with customers and other interested parties throughout the next fiscal year.

Structural changes were implemented at NTPC in 2019-20 to better align the Corporation with its Strategic Plan. A new Operations Division was created, which is comprised of work groups that previously operated as separate divisions: Hydro, Thermal and Health Safety and Environment.

Other changes include the establishment of a Corporate Services Division, which includes customer service, logistics and information technology. The former Asset Management and Engineering has shifted focus and is now known as the Engineering and Projects Division. This change was implemented to reflect the fact that NTPC has an ambitious capital program planned for the next several years and must successfully deliver a number of major projects, including refurbishments of hydro units, the construction of new diesel and liquified natural gas (LNG) plants and new transmission lines.

Considerable time and effort were spent in 2019-20 developing a new, comprehensive Project Management Framework. This framework will help ensure that a higher level of certainty related to the scope and cost of projects is achieved during the planning phases.

Work on refurbishment of Unit 1 at the Snare Forks hydro facility continued throughout the year and is expected to return to service in the second quarter of 2020-21. The Government of Canada is financially supporting this refurbishment, committing to pay up to 75% of approved costs for the project

In 2019-20, NTPC constructed the Taltson Winter Road for the first time in many years. The road is needed to bring in equipment prior to the upcoming refurbishment.

through the Investing in Canada Infrastructure Program (ICIP).

ICIP funding for several other projects was announced for several major projects in 2019-20. They include the refurbishment of the Taltson Hydroelectric Facility, construction of a new liquified natural gas (LNG) generating plant in Fort Simpson and a new diesel plant in Lutsel K'e. The regulatory approval process for the ICIP-funded Inuvik Wind project continued over the past year. Construction schedules for these projects as well as others have been impacted by travel restrictions associated with the COVID-19 pandemic.

In preparation for the upcoming refurbishment, the Taltson Winter Road was constructed for the first time in many years. The road was required to bring in heavy equipment and materials that will be used to build a new camp to house workers involved in the refurbishment. The road is expected to be required for at least the next two winters.

Other significant projects completed in the past year include:

- Installed a generator in Deline to replace a failed unit. The replacement unit was previously owned and NTPC was able to purchase it and transport it to the community via ice road for a low cost, helping to contain electricity rates.
- Installed a new, higher efficiency and higher reliability generator in Nahanni Butte
- Upgraded the ventilation system in the Inuvik K-plant, which improves reliability and provides for a healthier and safer workplace for workers

NTPC continues to enhance its ability to generate electricity in Inuvik using LNG. In 2018-19, upgrades were made to the control system in Inuvik that have contributed to a significant increase in LNG generation and a related decline in diesel consumption. Most electricity generation in Inuvik can now be fueled by LNG, which is cheaper and has lower greenhouse gas emissions than diesel. NTPC and the GNWT have also worked to develop a more secure supply chain for LNG which will likely result in even lower costs and GHG emissions.

Progress on completing the transfer of the Hay River electricity distribution franchise to NTPC continues to be slow. The Town of Hay River and the Corporation remain committed to concluding this matter as soon as possible, which will lead to lower electricity rates for local customers.

Sincerely,

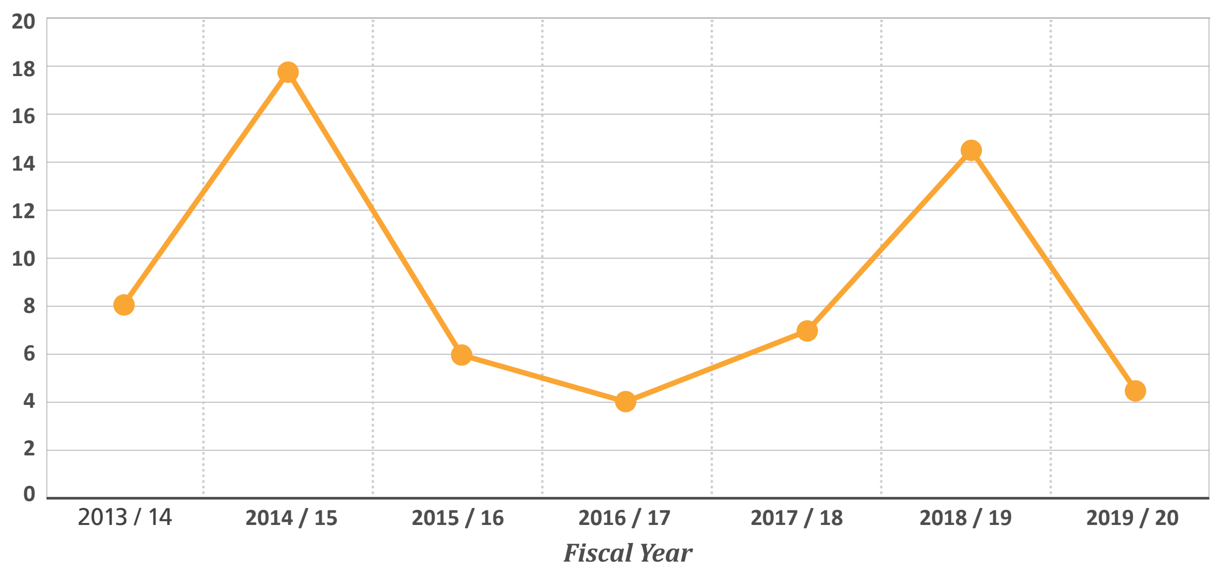
Noel Voykin
President and CEO

SAFETY AND ENVIRONMENT

The safety of employees and customers is NTPC's highest priority. The graph below shows one benchmark of the Corporation's safety performance that is tracked from year-to-year.

Injury severity rate is the number of lost-time work days per 200,000 hours worked. Our goal is to eliminate all injuries, particularly those that result in an employee having to take time off work.

Injury Severity Rate



Environmental Successes:

- Successfully renewed the water licence for Jackfish Lake
- Completed Aquatic Effects Monitoring Program for the Taltson Facility
- Designed and completed a combined Riparian Habitat and Fish Usage Assessment, Mercury in Sediment and Fish Flesh Monitoring, and Sediment and Erosion Monitoring program for Nonacho Lake, Rutledge Lake, Lady Gray Lake, Taltson Forebay, Trudell Creek, and the Lower Taltson River

CUSTOMER SERVICE

New customers enrolled in the Net Metering program

The Net Metering program has proven very popular since it was first introduced in 2014. The program is open to electricity customers who install solar panels on their property that does not exceed 15 kilowatts. Net Metering allows customers to accumulate energy credits monthly for any excess electricity they produce to be used against those months when their usage exceeds their production.

The amount of generation capacity is restricted to 20% of the average load in each eligible community in order to ensure the reliability of the local electricity system. As of March 31, 2020, there were 10 communities that had reached the 20% cap: Aklavik, Colville Lake, Dettah, Fort Liard, Fort Simpson, Inuvik, Jean Marie River, Lutsel K'e, Paulatuk and Tulita.

As of March 31, 2020, there were a total of 66 approved and installed solar locations registered with the Net Metering Program with a total installed capacity of 507 kilowatts. Net metering customers supplied 94 megawatt hours in 2019-20, compared to 30 megawatt hours in 2018-19.

More communities switched to Intelligent Meter Hubs

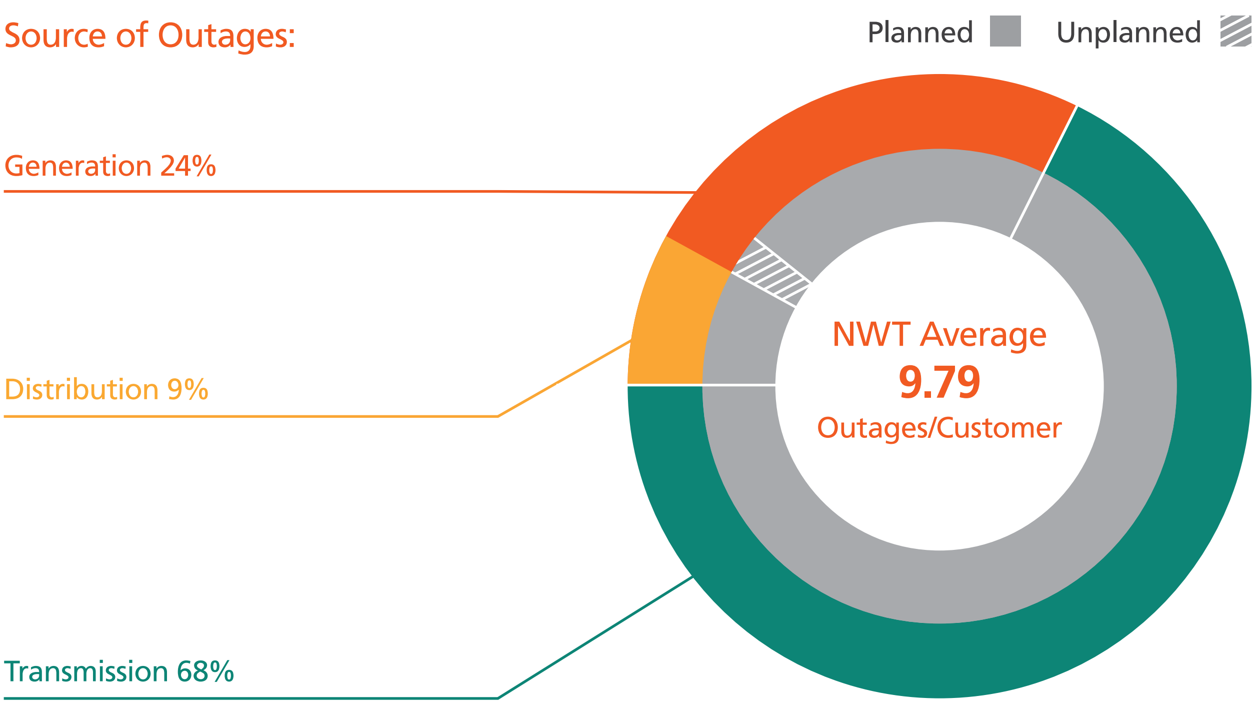
In 2019-20, Intelligent Meter Hubs (smart meters) were installed in six communities: Tulita, Deline, Colville Lake, Sachs Harbour, Fort Good Hope and Tsiigehtchic. Installation of smart meters in the six remaining NTPC communities is expected to occur in 2020-21.

RELIABILITY

The average electricity customer in the NWT continues to experience a higher frequency of outages than the average Canadian customer. However, the total length of time without power experienced by the average customer in the NWT is significantly lower than what the average Canadian customer faces.

Average number of outages per NTPC customer	9.79
Average number of outages across Canada per customer	2.65
Average length of outage per NTPC customer	22 minutes
Average length of outages across Canada per customer	3 hours and 9 minutes
Total length of outages per NTPC customer	3 hours and 39 minutes
Total length of outages across Canada per customer	8 hours and 23 minutes

Source of Outages:



EMPOWERING COMMUNITIES

NTPC is proud to support organizations and events that enrich the lives of our customers in the communities we serve. Our community investment program focuses on four broad areas:

1. Education
2. Health and Wellness
3. Community
4. Environment

Our donations primarily focus on youth activities to help encourage development of a strong and well-rounded northern workforce and to support cultural and community development. However, we encourage non-profit organizations from all across the NWT to apply for funding through our program, whether they are primarily focused on youth or not. All applications that meet the criteria of the Community Investment Policy will be reviewed and considered for support.

MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion of the consolidated financial condition and results of the operations of the Northwest Territories Hydro Corporation (NT Hydro) and of the Northwest Territories Power Corporation (NTPC) for the year ended March 31, 2020. It should be read in conjunction with the audited consolidated financial statements and accompanying notes.

The 2019-20 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 the Corporations. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements.

100% Northern Owned

NTPC has been proud to be a territorial owned provider of power to the second largest jurisdiction in Canada since May 5, 1988, when the Government of the Northwest Territories (GNWT/Shareholder) acquired NTPC as a Crown Corporation. Either through direct distribution of power or wholesaling power to a third party, NTPC serves most of the communities in the NWT apart from three. NTPC manages and maintains a system of generation, transmission and distribution assets over a territory-wide service area that includes communities that are only accessible by air, river barge or winter roads

NT Hydro, a public agency, was established in 2007 under the *Northwest Territories Hydro Corporation Act* and is owned 100% by the GNWT. NT Hydro owns 100% of NTPC, which is also a public agency established under the *Northwest Territories Power Corporation Act*. In addition to NTPC, NT Hydro owns 100% of the NWT Energy Corporation (03) Ltd. (NT Energy).

NT Hydro's main operations in 2019-20 stem from NTPC. NTPC is focused on the core business of providing reliable electricity services through generation of power by hydroelectric, diesel, natural gas and solar power generation facilities, as well as transmitting and distributing this power to customers in an environment regulated by the Northwest Territories Public Utilities Board (PUB).

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

2019-20 Financial Results

2019-20 is NT Hydro's second year implementing its Strategic Plan, with 2017-18 serving as a base line for measuring results.

The majority of NT Hydro's operating results come from NTPC operations. NT Energy's Statement of Financial Position lies mostly in Capital Work in Progress in the form of on-going work to develop the Inuvik High Point Wind project. The remainder of this statement is almost all held in NTPC.

The cost to support the administrative office for NT Energy as well as costs associated with scope and pre-feasibility work for projects to prepare ICIP applications for the Federal Government can be found in the Statement of Operations Corporate Services.

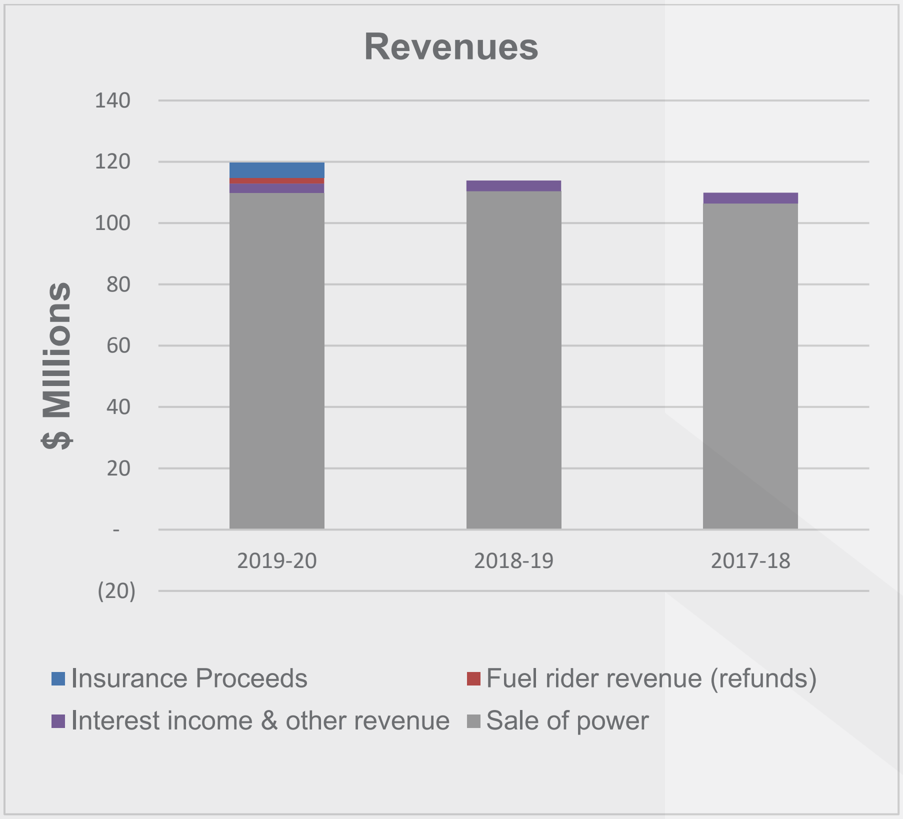
NTPC Results

NTPC continues to move forward in building the foundation for the Strategic Plan. This is reflected in the 2019-20 revenues, operating costs and capital performance indicators reviewed below:

NTPC Performance Indicator	2019-20 Results	2018-19 Results	2017-18 Results
Revenues: Current Year vs Prior Year	105%	104%	104%
Revenues: Actual vs Budget	98%	100%	99%

Revenues

The 2016/19 General Rate Application (GRA) was NTPC's last GRA and 2018-19 was the last year for rate increases approved as part of NTPC's three-year graduated rate program approved by the PUB. NTPC's 2019-20 rates were the same as the previous year. NTPC's 2019-20 operating revenues increased 5% over the prior year but only as a result of $5 million in insurance proceeds received as an interim insurance payment for the restoration of the Snare Forks Unit 1 hydro generating unit and $1.9 million in fuel rider revenues. Looking solely at the sale of power, revenues remained on par with the prior year. Throughout the year, sales had been higher than the prior year. The impact of customers' response to the Covid-19 pandemic in March was a decrease in sales for the last month of the fiscal year. This is reflected in the 98% achievement of NTPC's 2019-20 budgeted revenues.



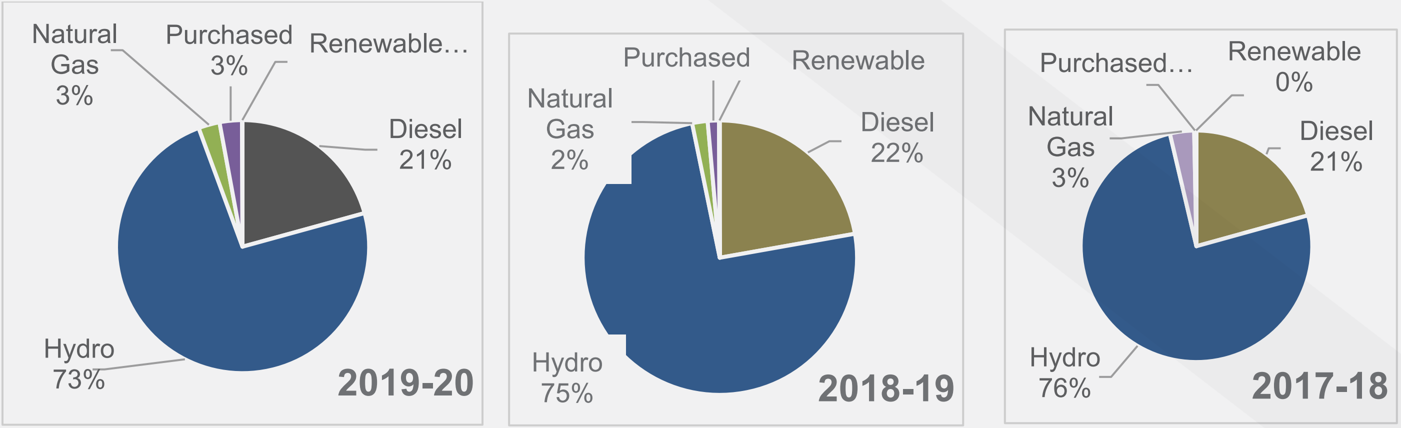
Expenses

NTPC Performance Indicator	2019-20 Results	2018-19 Results	2017-18 Results
Operating Expenses: Current Year vs Prior Year	100%	112%	90%
Operating Expenses: Actual vs Budget	103%	100%	92%

Although there are variances between the functional groups, expenses for 2019-20 was on par with the prior year spending and 3% higher than budget mainly as a result of fuel cost increases, increases in valuation of future environmental cleanup costs, changes to NTPC's cost of disposal and the loss on disposal of assets. The majority of these costs are reflected under thermal generation costs.

Hydro generation is still the largest generation source for NTPC and its customers. Fuel costs were consistent with the prior year although the mix in generation changed as a result of three events: Diesel generation increased in the Snare zone in 2019-20 mainly as a result of the lost capacity of the Snare Forks Unit 1 as its refurbishment continued. This increase in diesel fuel generation offsets decreases seen in Norman Wells with the Imperial Oil Limited back online, providing purchased power beginning in Q3 of 2018-19, and increased natural gas generation in Inuvik with resolution of the transportation problems experienced in 2018-19.

NTPC Generation by Source



In 2019-20 the loss on disposal of assets increased by $3 million as a result of increases in the net book value of assets disposed and the cost to dispose of those assets.

In 2019-20 it was also determined that a method NTPC was pursuing for soil remediation in Aklavik was not as successful as initially hoped. As a result, NTPC intends to remove the contaminated soil in 2020-21 using a more expensive solution. NTPC has increased its provision for environmental cleanup costs by $3 million to reflect this expected increase in costs.

Hydro generation costs were lower than budget as a result of deferring some brushing projects as well as planned maintenance work and the ongoing overhaul work on the

Snare Forks Hydro Unit 1. Since this overhaul was not completed in 2019-20 as anticipated, amortization expense is also lower than budgeted as a result.

NTPC Performance Indicator	2019-20 Results	2018-19 Results	2017-18 Results
Net Income as % Total Revenues	12%	1%	7%
Net Income as % Total Assets	3%	0%	2%
Debt to Equity	66:34	67:33	66:34
Debt vs Borrowing Limit	65%	66%	67%
Expenditures: Capital to Operating	28:72	25:75	20:80

Net income as a percentage of sales revenues and net income as a percentage of total assets increased over the prior year as a result of the three new Federal Contribution Agreements for the Investing in Canada Infrastructure Program (ICIP) that were added in 2019-20. On-going work on the existing projects for the Snare Forks Overhaul and Sachs Harbour diesel plant replacement also contributed to the increase.

Financing

Although interest costs in 2019-20 were lower than the prior year as a result of lower financing costs, higher values of projects in construction also contributed to the decreased costs as NTPC made significant capital expenditures over the past two years as it starts to address the number of capital replacements required on its aging infrastructure. NTPC's operating line of credit balance increased by $20 million in 2019-20. NTPC converted this short-term debt to long term debt on September 30, 2020 to better match the timeframe of financing costs with the life expectancy of the assets being financed. NTPC is using 65% of its borrowing limit, at March 31, 2020.

With capital expenditures increasing in 2019-20 by $7.6 million (20%) over the prior year, NTPC's capital to operating ratio increased. NTPC expects this number to continue to rise as we replace aging infrastructure.

LOOK AHEAD

2019-20 began as an ambitious year with NTPC undertaking a number of major capital projects, developing its project implementation framework, and reorganizing internally to deliver on strategic plan initiatives.

Much of this work came to an abrupt halt in March with the declaration of a Public Health Emergency related to COVID-19. On Friday, March 13, 2020 the NTPC declared a Level 2 Emergency Pandemic. This declaration was based on guidelines contained in NTPC's Pandemic Emergency Preparedness Plan after the World Health Organization declared that COVID-19 had become a world-wide pandemic. NTPC moved to a Level 3 Pandemic Emergency (which is the Corporation's highest level) on March 18, 2020 as a result of the GNWT's declaration of a Territorial Health Emergency. The Corporation has been operating under a level 3 Pandemic Emergency since that time.

Under Pandemic Emergency status, the two prime focus areas for NTPC are:

- Safety of our team members;
- Reliable service for all customers & communities.

The Corporation took several steps in March to limit the risk of infection to staff and the communities it serves while maintaining a high level of service for customers in the initial stages of this pandemic. Significant measures included: cancelling business travel except for emergency and required maintenance, closing offices and requiring non-essential staff to work from home, dividing work crews where possible to limit interaction between critical workers, stopped all but essential capital and operating projects temporarily to allow safe work practices to be developed and subsequently developed protocols and safe work practices to ensure that staff could safely respond to emergency situations and perform maintenance in remote communities.

On March 20, 2020, in coordination with the GNWT to identify financial support initiatives during the pandemic, NTPC removed load limiters and paused collection activities.

With the easing of public health restrictions through the roll out of the GNWT's "Emerging Wisely" plan in May, NTPC's response balances the risk COVID-19 brings to employees and the communities NTPC serves against the risk of loss of electrical service. To achieve this balance, NTPC has taken measures to protect employees and the public appropriate to the threat, while in parallel maintaining and/or restoring as many normal business functions as possible.

NTPC will continue to monitor the impact of the COVID-19 pandemic on supply chains, markets, customers, and any related impacts on the recoverability of assets or settlements of liabilities that could materially impact the Corporation. At this time, it is not possible to predict the ultimate impact of these factors, however pertinent information available at the time of financial statement preparation was used to estimate impacts where possible and appropriate.

The challenge of operating under the new COVID-19 protocols was compounded by a ransomware attack on NTPC at the end of April. As a result of the attack, the Corporation was unable to process bills for two months and the completion of the financial results for March 31, 2020 was delayed. By the end of August 2020, the majority of NTPC systems were restored to full function following best practices for improved security features and protocols.

The 2020-21 fiscal year will be a year of recovery while NTPC continues to deliver its core services of safe, reliable and efficient power to our customers. NT Hydro and NTPC's 2020-21 capital and operating budgets have been revised to reflect the modified scope of work possible under the NWT's Emerging Wisely plan and NTPC's Safe Work Practices for pandemic conditions. NTPC's Operating and Maintenance budgets have been reduced but not significantly enough to warrant a re-submission to the Shareholder. NT Hydro and NTPC's 2020-21 capital budgets are reduced by 46% which will result in a re-submission to the Legislative Assembly in November 2020.

	in $000s					
	2020-21 NTPC Budget Original Approved	Adjustments to 2020-21 Capital Spend	2020-21 NTPC Revised Capital Budget	2020-21 NT Hydro Original Approved Budget	Adjustments to 2020-21 Capital Spend	2020-21 NT Hydro Revised Capital Budget
Hydro Generation	$ 33,161	$ (1,247)	$ 31,914	$ 33,161	$ (1,247)	$ 31,914
Thermal Generation	22,425	(11,385)	11,040	22,425	(11,385)	11,040
Transmission, Distribution and Retail	16,453	(8,504)	7,949	16,453	(8,504)	7,949
Corporate Services	18,557	(16,713)	1,844	18,557	(16,713)	1,844
Alternative Power Generation	4,850	(1,896)	2,954	26,470	(19,664)	6,806
2020-21 Capital Budget	**$ 95,446**	**$ (39,745)**	**$ 55,702**	**$ 117,066**	**$ (57,513)**	**$ 59,554**
GNWT Funding	(24,068)	7,163	(16,905)	(45,688)	25,908	(19,780)
2020-21 Capital Budget after Government Contributions	**$ 71,378**	**$ (32,582)**	**$ 38,797**	**$ 71,378**	**$ (31,605)**	**$ 39,774**

Water levels in the North Slave were abundant in 2019-20 and continue to look strong into 2020-21. This is good news in support of the completion of the Snare Forks Unit 1 overhaul. NTPC and the Fuel Services Division are working to increase the access to LNG for NTPC's Inuvik plant in 2020-21. In July a Super B-train, designed to carry up to 70% greater load capacity than standard LNG trailers, made its first delivery to NTPC's Inuvik generation plant. With this strong truck supply of LNG to Inuvik and the continued development of the new LNG power plant in Ft. Simpson, NTPC can continue to increase the move to lower carbon electricity. NTPC's test of summer grade fuels for road-based communities in 2019-20 has demonstrated improvements of 3-5% in fuel efficiencies.

NTPC will continue to work with its fuel suppliers to find ways to further improve efficiency and reduce the cost of diesel generation.

NTPC will use innovation to implement more efficiency improvements in the Corporation's operation in 2020-21 where possible and will further develop the project implementation framework, including entering a formal alliance with an external engineering company to identify appropriate scope and costs for major capital projects early in the process.

Respectfully submitted
Belinda Whitford
Chief Financial Officer

NORTHWEST TERRITORIES HYDRO CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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 her opinion on the consolidated financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

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

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

Noel Voykin
Chief Executive Officer

Belinda Whitford
Chief Financial Officer

Hay River, NT
October 23, 2020

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Hydro Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Northwest Territories Hydro Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Northwest Territories Hydro Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Hydro Corporation Act* and regulations, and the by-laws of the Northwest Territories Hydro Corporation.

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Lana Dar

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

Vancouver, Canada
23 October 2020

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2020	2019
Financial assets		
Cash	$ 2,003	$ 2,147
Revenues receivable (Note 3)	14,077	12,802
Government contributions receivable (Note 17)	3,965	75
Loan receivable (Note 4)	11,076	12,290
Investment in Aadrii Ltd.	479	453
	31,600	**27,767**
Liabilities		
Operating line of credit (Note 5)	20,959	9,041
Accounts payable and accrued liabilities	28,551	24,551
Debenture debt (Note 6)	207,984	212,303
Asset retirement obligations (Note 7)	8,878	8,456
Environmental liabilities (Note 8)	16,521	13,465
Capital lease obligations (Note 4)	16,768	17,221
Other employee future benefits (Note 9)	2,937	3,102
Deferred government contributions (Note 17)	3,741	3,011
	306,339	**291,150**
Net debt	**(274,739)**	**(263,383)**
Non-financial assets		
Tangible capital assets (Note 10)	408,098	379,272
Inventories (Note 11)	9,127	9,316
Prepaid expenses	1,328	1,390
	418,553	**389,978**
Accumulated surplus / equity (Note 12)	**$ 143,814**	**$ 126,595**

Contractual obligations (Note 19)

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

Approved on behalf of the Board:

Sylvia Haener, Chairperson of the Board

Martin Goldney, Director

NORTHWEST TERRITORIES HYDRO CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2020 Budget	2020 Actual	2019 Actual
Revenues			
Sale of power (Note 13)	$ 111,345	$ 109,806	$ 110,391
Insurance proceeds (Note 17)	5,800	5,000	-
Fuel rider revenue	2,093	1,906	-
Other revenue and customer contributions (Note 14)	1,914	1,791	2,098
Interest income (Note 16)	1,202	1,213	1,342
Income from investment in Aadrii Ltd.	75	76	50
	122,429	**119,792**	**113,881**
Expenses (Note 15)			
Thermal generation	62,989	67,362	68,995
Hydro generation	21,577	19,486	18,882
Corporate services	14,053	15,152	15,594
Transmission, distribution and retail	11,101	10,849	11,312
Purchased power	3,092	3,229	1,451
Alternative power generation	226	240	236
	113,038	**116,318**	**116,470**
Surplus (Deficit) for the year before government contributions	**9,391**	**3,474**	**(2,589)**
Government contributions			
Other government contributions (Note 17)	31,757	13,745	4,695
	31,757	**13,745**	**4,695**
Surplus for the year	**$ 41,148**	**$ 17,219**	**$ 2,106**
Accumulated surplus / equity, beginning of year	126,595	126,595	124,489
Accumulated surplus / equity, end of year	**$ 167,743**	**$ 143,814**	**$ 126,595**

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)

	2020 Budget	2020 Actual	2019 Actual
Surplus for the year	$ 41,148	$ 17,219	$ 2,106
Tangible capital assets			
Additions	(85,393)	(44,224)	(32,739)
Capitalized overhead	(3,717)	(3,205)	(5,402)
Capitalized interest (Note 16)	(1,260)	(1,015)	(701)
Disposals	8,910	1,942	239
Amortization (Note 10)	17,947	17,676	18,176
	(63,513)	**(28,826)**	**(20,427)**
Additions of inventories	(7,164)	(5,259)	(8,191)
Use of inventories	7,386	5,447	7,334
Additions to prepaids	(2,300)	(2,238)	(1,732)
Use of prepaids	2,400	2,301	1,673
	322	**251**	**(916)**
Increase in net debt for the year	**$ (22,043)**	**$ (11,356)**	**$ (19,237)**
Net debt, beginning of year	**(263,383)**	**(263,383)**	**(244,146)**
Net debt, end of year	**$ (285,426)**	**$ (274,739)**	**$ (263,383)**

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

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

	2020	2019
Cash provided by operating activities		
Cash receipts from customers	$ 112,101	$ 112,378
Insurance proceeds (Note 17)	5,000	-
Government contributions received (Note 17)	10,586	7,978
Cash paid to suppliers	(47,440)	(55,434)
Cash paid to employees	(31,949)	(26,222)
Interest paid	(10,272)	(11,927)
Interest received	86	89
	38,112	**26,862**
Cash provided by investing activities		
Loan receivable receipts (Note 4)	343	290
Distribution from Aadrii Ltd.	50	-
Sinking fund installments (Note 6)	-	(45)
Sinking fund investment redemptions (Note 6)	-	6,323
	393	**6,568**
Cash used in capital activities		
Acquisition and development of tangible capital assets	(46,182)	(35,241)
Proceeds on sale of tangible capital assets	26	21
	(46,156)	**(35,220)**
Cash provided by (used in) financing activities		
Repayment of capital lease obligation (Note 4)	(48)	(45)
Repayment of debenture debt	(4,363)	(14,136)
Net proceeds from operating line of credit	11,918	9,041
	7,507	**(5,140)**
Decrease in cash	**$ (144)**	**$ (6,930)**
Cash, beginning of year	2,147	9,077
Cash, end of year	**$ 2,003**	**$ 2,147**

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

NORTHWEST TERRITORIES HYDRO CORPORATION

a) Authority and corporate information

The Northwest Territories Hydro Corporation (NT Hydro) was established under the *Northwest Territories Hydro Corporation Act.* NT Hydro is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro (Note 12).

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

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

b) Regulated activities

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

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

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. NTPC filed its 2016/19 GRA on June 30, 2016. This application requested a change to NTPC's amortization rates as well as its energy rates, which include a return on equity component. In Decision 16-2017 the PUB approved amortization rates and a return on equity for 2018-19 of 8%. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

On May 28, 2018 in Decision 8-2018, the PUB approved final rates for 2018-19 effective June 1, 2018. The PUB approved a GRA Adjustment Rider on July 10, 2018 to recover the revenue shortfall that occurred in April and May 2018 before approval of final 2018-19 rates. The rider collected a revenue shortfall of $357 from August 2018 to March 2019. On March 7, 2019 NTPC notified the PUB it would be turning off the rider on March 31, 2019.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 1. The Corporation (continued)

On March 15, 2019, NTPC filed a collection rider application with the PUB to reduce the balance of the regulated Territory-wide Rate Stabilization Fund as a result of high fuel costs as well as reduced access to lower cost generation through purchased power in Norman Wells and liquefied natural gas generation in Inuvik in the last two years. PUB Decision 4-2019 approved the rider effective May 1, 2019. The rider ranges between 0.69 c/kWh to 0.99 c/kWh for all firm power customers with the exception of Northland Utilities (NWT) Limited.

c) Economic dependence

NT Hydro has historically been dependent on the GNWT to maintain its operations and meet its liabilities. It is expected that the ongoing operations of NT Hydro will depend on continued financial support from the GNWT.

2. Significant accounting policies

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

a) Basis of consolidation

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

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

b) Measurement uncertainty

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

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

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

Note 2. Significant accounting policies (continued)

c) Inventories

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

d) Financial instruments

The financial instruments of NT Hydro are classified and measured at amortized cost using the effective interest method and include the following: cash, revenues receivable, loan receivable, due from related party, operating line of credit, accounts payable and accrued liabilities, debenture debt, and capital lease obligations.

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

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

e) Tangible capital assets

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

The IDC rate for 2019-20 was 4.97% (2018-19 – 4.97%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

i) Leased tangible capital assets

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

ii) Transfers of tangible capital assets

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

iii) Impairment

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

iv) Amortization

Management has utilized amortization rates approved by the PUB in Decision 8-2018 (Note 1(b)). The cost, less residual value, of tangible capital assets, excluding land, is amortized on the straight-line average group useful life basis. 2019-20 Rates remain unchanged since 2016-17.

Annual amortization rates are as follows:

	2019-20 Rates (%)	**2018-19 Rates (%)**
Electric power plants	1.00 – 4.86	1.00 – 4.86
Transmission and distribution systems	1.54 – 6.67	1.54 – 6.67
Warehouse, equipment, motor vehicles and general facilities	1.31 – 20.00	1.31 – 20.00
Electric power plant under capital lease	1.00 – 4.86	1.00 – 4.86

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

f) Government contributions

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

g) Customer contributions in aid of construction

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

h) Public service pension plan

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

i) Other employee future benefits

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

i) Severance and ultimate removal benefits

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

ii) Sick leave benefits

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

j) Asset retirement obligations (ARO)

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

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

k) Environmental liabilities

Environmental liabilities are the result of contaminated sites, defined as a site where as a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NT Hydro is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects NT Hydro's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

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

l) Foreign currency translation

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

m) Revenues

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

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingencies

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

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

p) Non-financial assets

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

q) Future accounting changes

PSAB issued new standards effective April 1, 2022: PS 1201 Financial statement presentation, PS 2601 Foreign currency translation, PS 3041 Portfolio investments and PS 3450 Financial instruments.

PSAB issued a new standard PS 3400 Revenues in November 2018. This standard has an effective date of April 1, 2023.

PSAB issued a new standard in November 2018 on Asset Retirement Obligations (PS 3280). This standard has an effective date of April 1, 2022.

NT Hydro continues to evaluate the potential impacts on its consolidated financial statements from the future adoption of these standards

(in thousands of dollars)

3. Revenues receivable

At March 31, 2020, the aging of revenues receivable was as follows:

	2020			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 12,820	$ 1,035	$ 311	$ 14,166
Non-utility	386	6	1	393
Allowance for doubtful accounts	-	(170)	(312)	(482)
	$ 13,206	$ 871	$ -	$ 14,077

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

	2019			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 11,521	$ 741	$ 241	$ 12,503
Non-utility	137	73	345	555
Allowance for doubtful accounts	-	-	(256)	(256)
	$ 11,658	$ 814	$ 330	$ 12,802

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

	2020	2019
Balance, beginning of the year	$ (256)	$ (272)
Receivables written off	139	87
Change to allowance	(365)	(71)
Balance, end of the year	$ (482)	$ (256)

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, 2020, NT Hydro provided an allowance for doubtful accounts for some of its revenues receivable accounts with amounts outstanding longer than 90 days. Additional disclosures on NT Hydro's exposure and management of credit risk associated with revenues receivable can be found in Note 20.

4. Loan receivable and capital lease obligations

Loan receivable

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

Loan receivable payments and the capital lease payments for the Snare Cascades are settled on a net basis and are presented on a net basis on the consolidated statement of cash flows. Loan receivable principal payments of $1,214 (2018-19 - $1,103) and interest income of $1,127 (2018-19 - $1,238) were offset by capital lease principal payments of $405 (2018-19 - $405) and interest expense of $1,593 (2018-19 - $1,646). As a result, the net cash receipt of $343 (2018-19 - $290) is disclosed in the consolidated statement of cash flows as loan receivable receipts.

Capital lease obligations

Snare Cascades

NTPC has an initial 65-year lease from the DPC for the Snare Cascades at an imputed interest rate of 9.6% until 2061. The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by arbitration. The renewal term will be based on the end of the useful life of the property or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Cascades is included in electric power plant under capital lease (Note 10).

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.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

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

Present value of minimum lease payments

The undiscounted contractual obligations, the effects of discounting and 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
2021	$ 1,944	$ 8	$ 1,952
2022	1,886		1,886
2023	1,827	-	1,827
2024	1,764	-	1,764
2025	1,698	-	1,698
Thereafter	37,769	-	37,769
	46,888	8	46,896
Less: amounts representing imputed interest	(30,128)	-	(30,128)
Total capital lease obligations	**$ 16,760**	**$ 8**	$ **16,768**

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

5. Operating line of credit

NTPC has a $40,000 (2018-19 - $40,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers’ Acceptances or other advances directly against the line of credit.

As at March 31, 2020, NTPC has borrowed $20,959 (2018-19 - $9,041) against the line of credit. In 2019-20 NTPC issued two letters of credit totalling $3,645 against its operating line of credit. These commitments terminate on March 31, 2022 and March 31, 2023.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

6. Debenture debt

	2020	**2019**
3.982% amortizing debenture, due February 17, 2047	$ 56,671	$ 57,825
5.16% amortizing debenture, due September 13, 2040	42,310	43,451
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	8,667	9,333
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of $73	4,248	4,713
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of $69	3,493	3,950
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of $70	3,337	3,817
	$208,726	$ 213,089
Less: Unamortized premium, discount and issuance costs	(742)	(786)
	$207,984	$ 212,303

The GNWT guarantees all of the debenture debt.

Principal repayments for future years are as follows:

2021	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
$ 4,613	$ 4,879	$ 5,167	$ 5,476	$ 5,812	$182,779	$ 208,726

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

(in thousands of dollars)

7. Asset retirement obligations

ARO include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NT Hydro and the remediation of contaminated sites.

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

- Total expected future cash flows - $15,194 (2018-19 - $14,766).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 33 years with the majority occurring after 2041.
- The discount rate is the cost of borrowing rate of 2.48% (2018-19 – 2.57%) for those obligations to be settled in less than 10 years and 3.11% (2018-19– 3.04%) for those obligations to be settled in 10 years or longer.

Following is a summary of the asset retirement obligations:

		2020		2019
Opening balance	$	8,456	$	7,536
Liabilities settled		(100)		(186)
Accretion expense		254		224
Valuation adjustment		(135)		567
Additions		403		315
Balance, end of year	$	8,878	$	8,456

As at March 31, 2020 management does not foresee any events or circumstances in the future that would have a significant impact on the estimated value of the asset retirement obligations.

8. Environmental liabilities

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons and other substances in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NT Hydro estimates that it has 23 sites (2018-19 - 23 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NT Hydro is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 8. Environmental liabilities (continued)

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

- Total expected future cash flows - $37,910 (2018-19 - $35,148).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 70 years with the majority occurring after 2089.
- The discount rate is the cost of borrowing rate of 2.48% (2018-19 – 2.57%) for those obligations to be settled in less than 10 years and 3.11% (2018-19 – 3.04%) for those obligations to be settled in 10 years or longer.

Following is a summary of the estimated environmental liabilities:

	2020	2019
Opening balance	$ 13,465	$ 11,408
Liabilities settled	(126)	(133)
Valuation adjustment	3,182	2,190
Balance, end of year	$ 16,521	$ 13,465

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

9. Other employee future benefits

a) Public Service Pension Plan:

The employees of NT Hydro participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.00 times (2018-19 – 1.00) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2018-19 – 1.00) the employees' contributions for all other employees. Employer contributions of $2,349 (2018-19 - $2,038) were recognized as an expense in the current year. The employees' contribution to this plan was $2,219 (2018-19 - $2,025).

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.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 9. Other employee future benefits (continued)

b) Other employee future benefits:

Summary of other employee future benefit liabilities:

	2020			2019		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Accrued benefit obligation, beginning of the year	$ 3,534	$ 299	$ 3,833	$ 2,789	$ 218	$ 3,007
Benefits earned	284	20	304	259	19	278
Plan Amendments	-	-	-	61	-	61
Interest	95	8	103	90	7	97
Benefits paid	(525)	(140)	(665)	(388)	(63)	(451)
Actuarial (gains) losses	(299)	63	(236)	723	117	840
Accrued benefit obligation, end of year	3,089	250	3,339	3,534	299	3,833
Unamortized net actuarial loss	(127)	(275)	(402)	(482)	(249)	(731)
Net future obligation	$ 2,962	$ (25)	$ 2,937	$ 3,052	$ 50	$ 3,102

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.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 9. Other employee future benefits (continued)

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

	2020	2019
Current benefits earned	$ 304	$ 278
Interest	103	97
Plan amendments	-	61
Amortization of net actuarial (gain) loss	93	(6)
	$ 500	$ 430

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

	2020	2019
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	2.60%	2.80%
Expected average remaining service life of related employee groups (EARSL)	8.5 years	8.5 years

(in thousands of dollars)

10. Tangible capital assets

March 31, 2020	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	$ 356,368	$ 102,989	$ 71,497	$ 28,733	$ 28,125	$ 587,712
Additions	268	-	-	-	48,176	48,444
Transfers – completed projects	11,576	2,542	3,961	-	(18,079)	-
Disposals and adjustments	(1,798)	(602)	(1,625)	-	-	(4,025)
Closing balance	366,414	104,929	73,833	28,733	58,222	632,131
Accumulated amortization						
Opening balance	(128,300)	(35,432)	(35,487)	(9,221)	-	(208,440)
Amortization	(10,527)	(2,517)	(4,172)	(460)	-	(17,676)
Disposals and adjustments	824	165	1,094	-	-	2,083
Closing balance	(138,003)	(37,784)	(38,565)	(9,681)	-	(224,033)
Net book value	**$ 228,411**	**$ 67,145**	**$ 35,268**	**$ 19,052**	**$ 58,222**	**$ 408,098**

March 31, 2019	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 346,396	$ 98,010	$ 64,913	$ 28,733	$ 14,765	$ 552,817
Additions	884	-	-	-	37,958	38,842
Transfers – completed projects	11,266	5,335	7,997	-	(24,598)	-
Disposals and adjustments	(2,178)	(356)	(1,413)	-	-	(3,947)
Closing balance	356,368	102,989	71,497	28,733	28,125	587,712
Accumulated amortization						
Opening balance	(119,308)	(33,348)	(32,555)	(8,761)	-	(193,972)
Amortization	(11,215)	(2,419)	(4,082)	(460)	-	(18,176)
Disposals and adjustments	2,223	335	1,150	-	-	3,708
Closing balance	(128,300)	(35,432)	(35,487)	(9,221)	-	(208,440)
Net book value	**$ 228,068**	**$ 67,557**	**$ 36,010**	**$ 19,512**	**$ 28,125**	**$ 379,272**

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

11. Inventories

	2020	2019
Materials, supplies and lubricants	$ 4,802	$ 4,953
Critical spare parts	4,046	4,046
Fuel	279	317
	$ 9,127	$ 9,316

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is held in five of NTPC's operating plants. The liquefied natural gas (LNG) fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 19. Diesel fuel requirements for the remaining 20 plants are managed under the fuel management services agreement described in Note 19.

12. Accumulated surplus / equity

	2020	2019
Share capital, common and preferred shares	$ 43,129	$ 43,129
Accumulated operating surplus / equity	100,685	83,466
	$ 143,814	$ 126,595

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, 2020, 1 common share (2018-19 – 1 common share), at $43,129 per share (2018-19 – $43,129 per share), has been issued and fully paid, and one preferred share at one dollar. NT Hydro may only issue its shares to the GNWT.

13. Sale of power

	2020	2019
Power sales to external customers	$ 81,527	$ 81,654
Power sales to GNWT and related parties	17,638	17,243
GNWT TPSP payments	6,198	6,205
GNWT HSP payments	4,443	5,289
	$ 109,806	$ 110,391

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

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

The GNWT Housing Support Program (HSP) payments subsidize the difference between the specified rate paid by GNWT residential customers living in public housing and the PUB residential rate for that community. The change in GNWT HSP Payment is the direct result of the changes made by NWT Housing Corporation to their User Pay Program in September 2019-20.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 13. Sale of power (continued)

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

14. Other revenue and customer contributions

	2020	2019
Connection fees	$ 456	$ 401
Contract work	411	680
Heat revenues	398	449
Pole rental	346	287
Contributions in aid of construction	180	281
	$ 1,791	$ 2,098

15. Expenses

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

	2020	2019
Fuel and lubricants (Note 19)	$ 31,024	$ 30,910
Salaries and wages	27,370	29,319
Supplies and services	22,295	22,415
Amortization (Note 10)	17,676	18,176
Interest expense (Note 16)	11,906	12,657
Loss on disposal of assets	3,514	493
Travel and accommodation	2,279	2,276
Accretion on ARO (Note 7)	254	224
	$ 116,318	$ 116,470

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

16. Interest expense and interest income

Interest expense

	2020	2019
Interest on debenture debt and capital leases (Notes 4, 6)	$ 12,445	$ 13,133
Short-term debt financing costs	476	225
Capitalized interest during construction	(1,015)	(701)
	$ 11,906	$ 12,657

Interest income

	2020	2019
Income on loan receivable (Note 4)	$ 1,127	$ 1,238
Income from overdue accounts and bank balances	86	58
Income from sinking fund investments	-	46
	$ 1,213	$ 1,342

17. Other government contributions

Investing in Canada Infrastructure Program (ICIP)

In 2019-20 NT Hydro's wholly owned subsidiaries entered into three agreements with the GNWT under the Government of Canada's Investing in Canada Infrastructure Program (ICIP) for the following projects:

<u>Taltson Hydroelectric Facility Major Overhaul</u>
This agreement is to support 75% of the cost of completing upgrades to various hydro, mechanical and electrical components of the facility in addition to the installation of a tailrace gate to a maximum of $17,820. The agreement expires March 31, 2022. NTPC did not receive a payment in the current year. As of March 31, 2020 NTPC has incurred $3,469 of eligible expenditures of which all have been recorded as a receivable.

<u>Lutsel K'e – New Diesel Power Plant Facility Project</u>
This agreement is to support 75% of the cost of replacing the existing power plant in the community to a maximum of $8,775. The agreement expires March 31, 2022. NTPC did not receive a payment in the current year. As of March 31, 2020 NTPC has incurred $303 of eligible expenditures of which all have been recorded as a receivable.

<u>Fort Simpson – Liquefied Natural Gas Power Generation Facility</u>
This agreement is to support 75% of the cost to complete construction, installation and commissioning of a gas generation plant, as well as sufficient LNG storage and regasification to a maximum of $11,250. The agreement expires March 31, 2023. NTPC did not receive a payment in the current year. As of March 31, 2020 NTPC has incurred $136 of eligible expenditures of which all have been recorded as a receivable.

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

Note 17. Other government contributions (continued)

Snare Forks Overhauls on Units 1 and 2

This agreement is to support 75% of the cost of completing turbine and generator upgrades on two units at NTPC's Snare Forks powerhouse to a maximum of $14,100. The agreement expires March 31, 2021.

In October 2018, Unit 1 experienced a mechanical failure prior to the start of the planned overhaul. NTPC initiated an insurance claim on some of the costs associated with the work being completed on Unit 1 as well as costs associated with additional diesel generation. In 2019-20 NTPC received $5,000 in a preliminary installment on the insurance claim. NTPC allocated $2,900 to the incremental diesel costs incurred as a result of the failure and other costs which are ineligible under the agreement with the GNWT. NTPC has applied the remaining $2,100 as a reduction of total eligible costs in determining other government contributions under the agreement. It is not determinable whether NTPC will receive additional insurance proceeds and management cannot reasonably estimate any such amount at this time.

During the year NTPC received payments of $2,190 (2019 - $6,000). As of March 31, 2020 NTPC recorded $3,132 (2019 - $3,064) of eligible expenditures on the overhaul of Unit 1 and the remaining $1,994 (2019 - $2,936) is recorded as a deferred liability.

Sachs Harbour Plant Replacement

This agreement is to support 75% of the costs to fund the installation and commissioning of a new power plant and fuel storage tanks in Sachs Harbour to a maximum of $7,481. The agreement expires March 31, 2021. During the year NTPC received payments of $4,400. As of March 31, 2020, NTPC has incurred $3,195 (2019 - $19) of eligible expenditures. The difference of $1,186 has been recorded as a deferred liability.

Inuvik Wind

This agreement between NT Energy and the GNWT is to support 100% of the costs of the design, construction and commissioning of the Inuvik High Point Wind project, to a maximum of $30,000. The agreement expires March 31, 2021. During the year NT Energy received payments of $3,600. NT Energy has received total payments of $4,860 as of March 31, 2020 and has incurred $4,320 of eligible expenditures. The remaining $540 is recorded as a deferred liability.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 17. Other government contributions (continued)

The following table summarizes NT Hydro's budget and the actual eligible costs incurred on the respective projects. The actuals reflect the amounts that NT Hydro has recorded as other government contributions

	2020 Budget	2020 Actuals	2019 Actuals	Total Lifetime Costs
Taltson Hydroelectric Overhaul				
Salaries and wages		$ 5	$ -	$ 5
Supplies and services		3,431	-	3,431
Transportation costs		33	-	33
	$ 2,055	**$ 3,469**	**$ -**	**$ 3,469**
Lutsel K'e Diesel Plant				
Salaries and wages		$ 5	$ -	$ 5
Supplies and services		295	-	295
Transportation costs		3	-	3
	$ 525	**$ 303**	**$ -**	**$ 303**
Fort Simpson LNG				
Salaries and wages		$ 20	$ -	$ 20
Supplies and services		116	-	116
	$ 500	**$ 136**	**$ -**	**$ 136**
Snare Forks Overhauls				
Salaries and wages		$ 18	$ 218	$ 236
Supplies and services		2,802	2,772	5,574
Transportation costs		312	74	386
	$ 8,277	**$ 3,132**	**$ 3,064**	**$ 6,196**
Sachs Harbour Plant Replacement				
Salaries and wages		$ 4	$ 19	$ 23
Supplies and services		3,157		3,157
Transportation costs		34		34
	$ 3,000	**$ 3,195**	**$ 19**	**$ 3,214**
Inuvik Wind				
Salaries and wages		$ 85	$ 199	$ 284
Supplies and services		3,005	963	3,968
Transportation costs		44	24	68
	$ 16,000	**$ 3,134**	**$ 1,186**	**$ 4,320**
Total ICIP contributions	**$ 30,357**	**$ 13,369**	**$ 4,269**	**$ 17,638**

(in thousands of dollars)

Note 17. Other government contributions (continued)

Other agreements

In 2019-20, NTPC entered into one other single year contribution agreements with the GNWT to fund costs associated with electricity system analytical work. The total agreement was for $30, all of which was recognized as revenue. $20 was received in 2019-20, and $10 is recorded as receivable at March 31, 2020.

In 2019-20, NT Energy entered into two single year agreements with the GNWT. The first is for bridge funding costs associated with establishing an unregulated entity to facilitate the expansion of the electricity system through alternative energy development. The total agreement was for $250, all of which was received and recognized as revenue in 2019-20.

The second agreement was to support lease costs for the NT Energy office in Hay River. The total agreement was for $96, all of which was received and $96 was recognized as revenue in 2019-20.

18. Related party transactions and balances

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

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

Revenues		**2020**		**2019**
Other revenue	$	439	$	215
Fuel rider revenue		426		-
	$	865	$	215
Expenses				
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 19)	$	25,405	$	23,579
Other operating expenses		1,017		1,036
	$	26,422	$	24,615
Financial assets				
Revenues receivable				
Utility	$	1,613	$	1,896
Non-utility		14		101
	$	1,627	$	1,997
Liabilities				
Accounts payable to FSD for fuel (Note 19)	$	7,333	$	5,110
Other accounts payable and accrued liabilities		56		30
	$	7,389	$	5,140

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

19. Contractual obligations

NT Hydro is contractually committed for the following expenses with non-related parties that will be incurred subsequent to March 31, 2020.

	Expiry	2021	2022 and subsequent
Operational and lease commitments	2022	$ 9,706	$ 565

Capital projects

NT Hydro has contractual obligations totalling $32,398 related to capital projects. NTPC expects to make payments of $25,112 for 2020-21 and $7,286 for 2021-22.

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

Fuel management services agreement

NTPC has a fuel management services agreement with the FSD. Under this agreement, fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by FSD. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from FSD in a given year. There is an annual minimum purchase requirement of 13,000 liters averaged over a 2 year period. The contract expires March 31, 2021.

LNG purchases

NTPC had an agreement with FSD to supply NTPC's Inuvik facilities with LNG that expired on March 31, 2020. The price of LNG under this agreement varied with FSD's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee. There were no minimum purchase requirements under the old contract. NTPC is currently in negotiations with FSD to sign a new agreement.

20. Financial instruments and risk management

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

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

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 20. Financial instruments and risk management (continued)

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.

	2020	2019
Revenues receivable	$ 14,077	$ 12,802
Government contributions receivable	3,965	75
Loan receivable	11,076	12,290
Cash	2,003	2,147
	$ 31,121	$ 27,314

Revenues receivable

NT Hydro minimizes revenues receivable credit risk by taking cash deposits from customers. The size of the deposit varies depending on the risk exposure. Established customers or those with good credit are waived from having to provide a deposit. Thirty-seven percent (2018-19 - 37%) of NTPC's sales are to two other utilities. Twenty-six percent (2018-19 - 26%) of sales, including HSP and TPSP are to the GNWT.

Government contributions receivable

The GNWT accounts for 100% of the government contributions receivable.

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.

Cash

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

b) Liquidity risk

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

(in thousands of dollars)

Note 20. Financial instruments and risk management (continued)

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a $40,000 operating line of credit with a reputable financial institution. The following table shows the maturities of the debenture debt, operating line of credit, Snare capital lease obligation and the associated loan receivable:

	March 31, 2020				
	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 4,613	$ 41,284	$ 115,323	$ 47,506	$ 208,726
Operating line of credit	20,959	-	-	-	20,959
Capital lease obligation	1,952	8,804	19,007	17,133	46,896
Loan receivable	(2,341)	(11,704)	(780)	-	(14,825)
	$ 25,183	$ 38,384	$ 133,550	$ 64,639	$ 261,756

	March 31, 2019				
	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 4,364	$ 25,946	$ 129,575	$ 53,204	$ 213,089
Operating line of credit	9,041	-	-	-	9,041
Capital lease obligation	2,046	9,127	19,482	18,287	48,942
Loan receivable	(2,341)	(11,704)	(3,121)	-	(17,166)
	$ 13,110	$ 23,369	$ 145,936	$ 71,491	$ 253,906

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 and debenture debt as all have fixed rates. The impact on net income due to fluctuations in interest rates on the operating line of credit is not significant.

21. Comparative figures

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

22. Subsequent events

a) COVID 19

The outbreak of COVID-19 in early 2020 caused significant global disruption and an economic downturn. Since the duration of the outbreak and its effects are unknown at this time, it is not possible to provide a reliable estimate of the impact on NT Hydro's future financial statements. NT Hydro continues to assess and monitor the impact of the pandemic on its future financial statements, including the likelihood of decreased revenues, increased expenses, and decreased cash flows.

Relative to its 2019-20 actual results, NT Hydro expects future bad debt expense to increase and the related cash receipts from some customers to decrease due to reduced economic activity and resultant financial difficulties of some utility customers.

b) Long term debt

On September 30, 2020, NTPC borrowed $40,000 from the GNWT at a rate of 2.265% for 30 years. The debt is repayable in semi-annual blended instalments of $922 until September 30, 2050.

NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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 her opinion on the consolidated financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

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

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

Noel Voykin
Chief Executive Officer

Belinda Whitford
Chief Financial Officer

Hay River, NT
October 23, 2020

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Northwest Territories Power Corporation and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Northwest Territories Power Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Power Corporation Act* and regulations, and the by-laws of the Northwest Territories Power Corporation.

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Lana Dar

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

Vancouver, Canada
23 October 2020

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

	2020	2019
Financial assets		
Cash	$ 519	$ 715
Revenues receivable (Note 3)	13,909	12,756
Government contributions receivable (Note 17)	3,965	75
Loan receivable (Note 4)	11,076	12,290
Due from related party (Note 20)	1,538	2,076
Investment in Aadrii Ltd.	479	453
	31,486	28,365
Liabilities		
Operating line of credit (Note 5)	20,959	9,041
Accounts payable and accrued liabilities	28,207	24,604
Debenture debt (Note 6)	207,984	212,303
Asset retirement obligations (Note 7)	8,878	8,456
Environmental liabilities (Note 8)	16,521	13,465
Capital lease obligations (Note 4)	16,768	17,221
Other employee future benefits (Note 9)	2,937	3,102
Deferred government contributions (Note 17)	3,200	2,936
	305,454	291,128
Net debt	(273,968)	(262,763)
Non-financial assets		
Tangible capital assets (Note 10)	403,430	377,872
Inventories (Note 11)	9,127	9,316
Prepaid expenses	1,328	1,388
	413,885	388,576
Accumulated surplus / equity (Note 12)	$ 139,917	$ 125,813

Contractual obligations (Note 19)

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

Approved on behalf of the Board:

Sylvia Haener, Chairperson of the Board

Martin Goldney, Director

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2020 Budget	2020 Actual	2019 Actual
Revenues			
Sale of power (Note 13)	$ 111,345	$ 109,806	$ 110,391
Insurance Proceeds (Note 17)	5,800	5,000	-
Fuel rider revenue	2,093	1,906	-
Other revenue and customer contributions (Note 14)	1,914	1,791	2,098
Interest income (Note 16)	1,202	1,213	1,342
Income from investment in Aadrii Ltd.	75	76	50
	122,429	**119,792**	**113,881**
Expenses (Note 15)			
Thermal generation	62,989	67,362	68,995
Hydro generation	21,577	19,486	18,882
Corporate services	13,628	14,787	14,582
Transmission, distribution and retail	11,101	10,849	11,312
Purchased power	3,092	3,229	1,451
Alternative power generation	226	240	236
	112,613	**115,953**	**115,458**
Surplus (Deficit) for the year before government contributions	**9,816**	**3,839**	**(1,577)**
Government contributions			
Other government contributions (Note 17)	13,857	10,265	3,259
	13,857	**10,265**	**3,259**
Surplus for the year	**$ 23,673**	**$ 14,104**	**$ 1,682**
Accumulated surplus / equity, beginning of year	**125,813**	125,813	124,131
Accumulated surplus / equity, end of year	**$ 149,486**	**$ 139,917**	**$ 125,813**

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

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

	2020 Budget	2020 Actual	2019 Actual
Surplus for the year	$ 23,673	$ 14,104	$ 1,682
Tangible capital assets			
Additions	(68,410)	(40,948)	(31,462)
Capitalized overhead	(3,200)	(3,205)	(5,402)
Capitalized interest (Note 16)	(1,260)	(1,015)	(701)
Disposals	8,910	1,941	178
Amortization (Note 10)	17,947	17,669	18,175
	(46,013)	**(25,558)**	**(19,212)**
Acquisition of inventories	(7,164)	(5,259)	(8,191)
Use of inventories	7,386	5,448	7,334
Acquisition of prepaids	(2,300)	(2,239)	(1,732)
Use of prepaids	2,400	2,299	1,675
	322	**249**	**(914)**
Increase in net debt for the year	**$ (22,018)**	**$ (11,205)**	**$ (18,444)**
Net debt, beginning of year	**(262,763)**	**(262,763)**	**(244,319)**
Net debt, end of year	**$ (284,781)**	**$ (273,968)**	**$ (262,763)**

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

NORTHWEST TERRITORIES POWER CORPORATION

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

	2020	2019
Cash provided by operating activities		
Cash receipts from customers	$ 112,101	$ 112,378
Insurance proceeds (Note 17)	5,000	-
Government contributions received (Note 17)	6,639	6,469
Cash paid to suppliers	(47,371)	(54,568)
Cash paid to employees	(31,815)	(26,031)
Interest paid	(10,272)	(11,927)
Interest received	86	104
	34,368	**26,425**
Cash provided by investing activities		
Repayments from (advances to) related party	538	(2,271)
Loan receivable receipts (Note 4)	343	290
Distribution from Aadrii Ltd.	50	-
Sinking fund installments (Note 6)	-	(45)
Sinking fund investment redemptions (Note 6)	-	6,323
	931	**4,297**
Cash used in capital activities		
Acquisition and development of tangible capital assets	(43,028)	(33,965)
Proceeds on sale of tangible capital assets	26	21
	(43,002)	**(33,944)**
Cash provided by (used in) financing activities		
Repayment of capital lease obligation (Note 4)	(48)	(45)
Repayment of debenture debt	(4,363)	(14,136)
Proceeds from operating line of credit	11,918	9,041
	7,507	**(5,140)**
Decrease in cash	**$ (196)**	**$ (8,362)**
Cash, beginning of year	715	9,077
Cash, end of year	**$ 519**	**$ 715**

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

NORTHWEST TERRITORIES POWER CORPORATION

1. The Corporation

a) Authority and corporate information

The Northwest Territories Power Corporation (NTPC) was established under the *Northwest Territories Power Corporation Act.* NTPC is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Northwest Territories Hydro Corporation (NT Hydro) is the parent company and holds all of the common shares of NTPC. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro and owns one preferred share of NTPC (Note 12).

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

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

b) Regulated activities

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

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

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. NTPC filed its 2016/19 GRA on June 30, 2016. This application requested a change to NTPC's amortization rates as well as its energy rates, which include a return on equity component. In Decision 16-2017 the PUB approved amortization rates and a return on equity for 2018-19 of 8%. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

NORTHWEST TERRITORIES POWER CORPORATION

Note 1. The Corporation (continued)

On May 28, 2018 in Decision 8-2018, the PUB approved final rates for 2018-19 effective June 1, 2018. The PUB approved a GRA Adjustment Rider on July 10, 2018 to recover the revenue shortfall that occurred in April and May 2018 before approval of final 2018-19 rates. The rider collected a revenue shortfall of $357 from August 2018 to March 2019. On March 7, 2019 NTPC notified the PUB it would be turning off the rider on March 31, 2019.

On March 15, 2019, NTPC filed a collection rider application with the PUB to reduce the balance of the regulated Territory-wide Rate Stabilization Fund as a result of high fuel costs as well as reduced access to lower cost generation through purchased power in Norman Wells and liquefied natural gas generation in Inuvik in the last two years. PUB Decision 4-2019 approved the rider effective May 1, 2019. The rider ranges between 0.69 cents/kWh to 0.99 cents/kWh for all firm power customers with the exception of Northland Utilities (NWT) Limited.

c) Economic dependence

NTPC has historically been dependent on the GNWT to maintain its operations and meet its liabilities. It is expected that the ongoing operations of NTPC will depend on continued financial support from the GNWT.

2. Significant accounting policies

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

a) Basis of consolidation

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

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

b) Measurement uncertainty

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

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

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

c) Inventories

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

d) Financial instruments

The financial instruments of NTPC are classified and measured at amortized cost using the effective interest method and include the following: cash, revenues receivable, loan receivable, due from related party, operating line of credit, accounts payable and accrued liabilities, debenture debt, and capital lease obligations.

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

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

e) Tangible capital assets

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

The IDC rate for 2019-20 was 4.97% (2018-19 – 4.97%). 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

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. 2019-20 Rates remain unchanged since 2016-17.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

	2019-20 Rates (%)	2018-19 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.

f) Government contributions

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

g) Customer contributions in aid of construction

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

h) Public service pension plan

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

i) Other employee future benefits

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

i) *Severance and ultimate removal benefits*

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

ii) *Sick leave benefits*

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

j) Asset retirement obligations (ARO)

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

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

k) Environmental liabilities

Environmental liabilities are the result of contaminated sites, defined as a site where as a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NTPC is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects NTPC's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

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

l) Foreign currency translation

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

m) Revenues

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

Interest, other revenue and customer contributions 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.

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

p) Non-financial assets

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

q) Future accounting changes

PSAB issued new standards effective April 1, 2022: PS 1201 Financial statement presentation, PS 2601 Foreign currency translation, PS 3041 Portfolio investments and PS 3450 Financial instruments.

PSAB issued a new standard PS 3400 Revenues in November 2018. This standard has an effective date of April 1, 2023.

PSAB issued a new standard in November 2018 on Asset Retirement Obligations (PS 3280). This standard has an effective date of April 1, 2022.

NTPC continues to evaluate the potential impacts on its consolidated financial statements from the future adoption of these standards.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

3. Revenues receivable

At March 31, 2020, the aging of revenues receivable was as follows:

	2020			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 12,820	$ 1,035	$ 311	$ 14,166
Non-utility	218	6	1	225
Allowance for doubtful accounts	-	(170)	(312)	(482)
	$ 13,038	$ 871	$ -	$ 13,909

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

	2019			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 11,521	$ 741	$ 241	$ 12,503
Non-utility	36	60	413	509
Allowance for doubtful accounts	-	-	(256)	(256)
	$ 11,557	$ 801	$ 398	$ 12,756

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

	2020	2019
Balance, beginning of the year	$ (256)	$ (272)
Receivables written off	139	87
Change to allowance	(365)	(71)
Balance, end of the year	$ (482)	$ (256)

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, 2020, NTPC provided an allowance for doubtful accounts for some of its revenues receivable accounts with amounts outstanding longer than 90 days. Additional disclosures on NTPC's exposure and management of credit risk associated with revenues receivable can be found in Note 20.

NORTHWEST TERRITORIES POWER CORPORATION

4. Loan receivable and capital lease obligations

Loan receivable

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

Loan receivable payments and the capital lease payments for the Snare Cascades are settled on a net basis and are presented on a net basis on the consolidated statement of cash flows. Loan receivable principal payments of $1,214 (2018-19 - $1,103) and interest income of $1,127 (2018-19 - $1,238) were offset by capital lease principal payments of $405 (2018-19 - $405) and interest expense of $1,593 (2018-19 - $1,646). As a result, the net cash receipt of $343 (2018-19 - $290) is disclosed in the consolidated statement of cash flows as loan receivable receipts.

Capital lease obligations

Snare Cascades

NTPC has an initial 65-year lease from the DPC for the Snare Cascades at an imputed interest rate of 9.6% until 2061. The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by arbitration. The renewal term will be based on the end of the useful life of the property or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Cascades is included in electric power plant under capital lease (Note 10).

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.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

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

Present value of minimum lease payments

The undiscounted contractual obligations, the effects of discounting and 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
2021	$ 1,944	$ 8	$ 1,952
2022	1,886		1,886
2023	1,827	-	1,827
2024	1,764	-	1,764
2025	1,698	-	1,698
Thereafter	37,769	-	37,769
	46,888	8	46,896
Less: amounts representing imputed interest	(30,128)	-	(30,128)
Total capital lease obligations	**$ 16,760**	**$ 8**	$ **16,768**

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

5. Operating line of credit

NTPC has a $40,000 (2018-19 - $40,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers' Acceptances or other advances directly against the line of credit.

As at March 31, 2020, NTPC has borrowed $20,959 (2018-19 - $9,041) against the line of credit. In 2019-20 NTPC issued two letters of credit totalling $3,645 against its operating line of credit. These commitments terminate on March 31, 2022 and March 31, 2023.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

6. Debenture debt

	2020	2019
3.982% amortizing debenture, due February 17, 2047	$ 56,671	$ 57,825
5.16% amortizing debenture, due September 13, 2040	42,310	43,451
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	8,667	9,333
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of $73	4,248	4,713
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of $69	3,493	3,950
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of $70	3,337	3,817
	$208,726	$ 213,089
Less: Unamortized premium, discount and issuance costs	(742)	(786)
	$207,984	$ 212,303

The GNWT guarantees all of the debenture debt.

Principal repayments for future years are as follows:

2021	2022	2023	2024	2025	Thereafter	Total
$ 4,613	$ 4,879	$ 5,167	$ 5,476	$ 5,812	$182,779	$ 208,726

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

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

7. Asset retirement obligations

ARO include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NTPC and the remediation of contaminated sites.

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

- Total expected future cash flows - $15,194 (2018-19 - $14,766).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 33 years with the majority occurring after 2041.
- The discount rate is the cost of borrowing rate of 2.48% (2018-19 – 2.57%) for those obligations to be settled in less than 10 years and 3.11% (2018-19– 3.04%) for those obligations to be settled in 10 years or longer.

Following is a summary of the asset retirement obligations:

		2020		2019
Opening balance	$	8,456	$	7,536
Liabilities settled		(100)		(186)
Accretion expense		254		224
Valuation adjustment		(135)		567
Additions		403		315
Balance, end of year	$	8,878	$	8,456

As at March 31, 2020 management does not foresee any events or circumstances in the future that would have a significant impact on the estimated value of the asset retirement obligations.

8. Environmental liabilities

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons and other substances in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NTPC estimates that it has 23 sites (2018-19 - 23 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NTPC is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

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

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 8. Environmental liabilities (continued)

- Total expected future cash flows - $37,910 (2018-19 - $35,148).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 70 years with the majority occurring after 2089.
- The discount rate is the cost of borrowing rate of 2.48% (2018-19 – 2.57%) for those obligations to be settled in less than 10 years and 3.11% (2018-19 – 3.04%) for those obligations to be settled in 10 years or longer.

Following is a summary of the estimated environmental liabilities:

	2020	2019
Opening balance	$ 13,465	$ 11,408
Liabilities settled	(126)	(133)
Valuation adjustment	3,182	2,190
Balance, end of year	$ 16,521	$ 13,465

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

9. Other employee future benefits

a) Public Service Pension Plan

The employees of NTPC participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.00 times (2018-19 – 1.00) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2018-19 – 1.00) the employees' contributions for all other employees. Employer contributions of $2,349 (2018-19 - $2,038) were recognized as an expense in the current year. The employees' contribution to this plan was $2,219 (2018-19 - $2,025).

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.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 9. Other employee future benefits (continued)

b) Other employee future benefits

Summary of other employee future benefit liabilities:

	2020			2019		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Accrued benefit obligation, beginning of year	$ 3,534	$ 299	$ 3,833	$ 2,789	$ 218	$ 3,007
Benefits earned	284	20	304	259	19	278
Plan amendments	-	-	-	61	-	61
Interest	95	8	103	90	7	97
Benefits paid	(525)	(140)	(665)	(388)	(63)	(451)
Actuarial (gains) losses	(299)	63	(236)	723	118	841
Accrued benefit obligation, end of year	3,089	250	3,339	3,534	299	3,833
Unamortized net actuarial loss	(127)	(275)	(402)	(482)	(249)	(731)
Net future obligation	$ 2,962	$ (25)	$ 2,937	$ 3,052	$ 50	$ 3,102

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.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 9. Other employee future benefits (continued)

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

	2020	2019
Current benefits earned	$ 304	$ 278
Interest	103	97
Plan amendments	-	61
Amortization of net actuarial (gain) loss	93	(6)
	$ 500	$ 430

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

	2020	2019
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	2.60%	2.80%
Expected average remaining service life of related employee groups (EARSL)	8.5 years	8.5 years

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

10. Tangible capital assets

	March 31, 2020					
	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	$ 356,368	$102,989	$71,431	$28,733	$26,791	$586,312
Additions	268	-	-	-	44,900	45,168
Transfers – completed projects	11,576	2,542	3,961	-	(18,079)	-
Disposals and adjustments	(1,798)	(602)	(1,625)	-	-	(4,025)
Closing balance	366,414	104,929	73,767	28,733	53,612	627,455
Accumulated amortization						
Opening balance	(128,300)	(35,432)	(35,487)	(9,221)	-	(208,440)
Amortization	(10,527)	(2,517)	(4,165)	(460)	-	(17,669)
Disposals and adjustments	824	165	1,095	-	-	2,084
Closing balance	(138,003)	(37,784)	(38,557)	(9,681)	-	(224,025)
Net book value	**$ 228,411**	**$ 67,145**	**$ 35,210**	**$ 19,052**	**$ 53,612**	**$403,430**

	March 31, 2019					
	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 346,369	$ 98,010	$ 64,850	$ 28,733	$ 14,641	$ 552,603
Additions	884	-	-	-	36,681	37,565
Transfers – completed projects	11,266	5,335	7,930	-	(24,531)	-
Disposals and adjustments	(2,151)	(356)	(1,349)	-	-	(3,856)
Closing balance	356,368	102,989	71,431	28,733	26,791	586,312
Accumulated amortization						
Opening balance	(119,307)	(33,348)	(32,527)	(8,761)	-	(193,943)
Amortization	(11,215)	(2,419)	(4,081)	(460)	-	(18,175)
Disposals and adjustments	2,222	335	1,121	-	-	3,678
Closing balance	(128,300)	(35,432)	(35,487)	(9,221)	-	(208,440)
Net book value	**$ 228,068**	**$ 67,557**	**$ 35,944**	**$ 19,512**	**$ 26,791**	**$ 377,872**

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

11. Inventories

	2020	2019
Materials, supplies and lubricants	$ 4,802	$ 4,953
Critical spare parts	4,046	4,046
Fuel	279	317
	$ 9,127	$ 9,316

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is held in five of NTPC's operating plants. The liquefied natural gas (LNG) fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 19. Diesel fuel requirements for the remaining 20 plants are managed under the fuel management services agreement described in Note 19.

12. Accumulated surplus / equity

	2020	2019
Share capital, common and preferred shares	$ 43,129	$ 43,129
Accumulated operating surplus / equity	96,788	82,684
	$ 139,917	$ 125,813

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, 2020, 431,288,000 common shares (2018-19 – 431,288,000 common shares) at ten cents per share (2018-19 – ten cents per share) have been issued and fully paid, and one preferred share at one dollar. NTPC may only issue its preferred shares to the GNWT.

13. Sale of power

	2020	2019
Power sales to external customers	$ 81,527	$ 81,654
Power sales to GNWT and related parties	17,638	17,243
GNWT TPSP payments	6,198	6,205
GNWT HSP payments	4,443	5,289
	$ 109,806	$ 110,391

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

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

The GNWT Housing Support Program (HSP) payments subsidize the difference between the specified rate paid by GNWT residential customers living in public housing and the PUB residential rate for that community. The change in GNWT HSP Payment is the direct result of the changes made by NWT Housing Corporation to their User Pay Program in September 2019-20.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 13. Sale of power (continued)

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

14. Other revenue and customer contributions

	2020	2019
Connection fees	$ 456	$ 401
Contract work	411	680
Heat revenues	398	449
Pole rental	346	287
Contributions in aid of construction	180	281
	$ 1,791	$ 2,098

15. Expenses

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

	2020	2019
Fuels and lubricants (Note 19)	$ 31,024	$ 30,910
Salaries and wages	27,238	29,128
Supplies and services	22,069	21,614
Amortization (Note 10)	17,669	18,175
Interest expense (Note 16)	11,906	12,642
Loss on disposal of assets	3,514	493
Travel and accommodation	2,279	2,272
Accretion on ARO (Note 7)	254	224
	$ 115,953	$ 115,458

16. Interest expense and interest income

Interest expense

	2020	2019
Interest on debenture debt and capital leases (Notes 4, 6)	$ 12,445	$ 13,133
Short-term debt financing costs	476	210
Capitalized interest during construction	(1,015)	(701)
	$ 11,906	$ 12,642

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 16. Interest expense and interest income (continued)

Interest income

	2020	2019
Income on loan receivable (Note 4)	$ 1,127	$ 1,238
Income from overdue accounts and bank balances	86	58
Income from sinking fund investments	-	46
	$ 1,213	$ 1,342

17. Other government contributions

Investing in Canada Infrastructure Program

In 2019-20 NTPC entered into three agreements with the GNWT under the Government of Canada's Investing in Canada Infrastructure Program (ICIP) for the following projects:

<u>Taltson Hydroelectric Facility Major Overhaul</u>
This agreement is to support 75% of the cost of completing upgrades to various hydro, mechanical and electrical components of the facility in addition to the installation of a tailrace gate to a maximum of $17,820. The agreement expires March 31, 2022. NTPC did not receive a payment in the current year. As of March 31, 2020 NTPC has incurred $3,469 of eligible expenditures of which all have been recorded as a receivable.

<u>Lutsel K'e – New Diesel Power Plant Facility Project</u>
This agreement is to support 75% of the cost of replacing the existing power plant in the community to a maximum of $8,775. The agreement expires March 31, 2022. NTPC did not receive a payment in the current year. As of March 31, 2020 NTPC has incurred $303 of eligible expenditures of which all have been recorded as a receivable.

<u>Fort Simpson – Liquefied Natural Gas Power Generation Facility</u>
This agreement is to support 75% of the cost to complete construction, installation and commissioning of a gas generation plant, as well as sufficient LNG storage and regasification to a maximum of $11,250. The agreement expires March 31, 2023. NTPC did not receive a payment in the current year. As of March 31, 2020 NTPC has incurred $136 of eligible expenditures of which all have been recorded as a receivable.

In 2018-19 NTPC entered into two agreements with the GNWT under the Government of Canada's ICIP for the following projects:

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 17. Other government contributions (continued)

Snare Forks Overhauls on Units 1 and 2

This agreement is to support 75% of the cost of completing turbine and generator upgrades on two units at NTPC's Snare Forks powerhouse to a maximum of $14,100. The agreement expires March 31, 2021.

In October 2018, Unit 1 experienced a mechanical failure prior to the start of the planned overhaul. NTPC initiated an insurance claim on some of the costs associated with the work being completed on Unit 1 as well as costs associated with additional diesel generation. In 2019-20 NTPC received $5,000 in a preliminary installment on the insurance claim. NTPC allocated $2,900 to the incremental diesel costs incurred as a result of the failure and other costs which are ineligible under the agreement with the GNWT. NTPC has applied the remaining $2,100 as a reduction of total eligible costs in determining other government contributions under the agreement. It is not determinable whether NTPC will receive additional insurance proceeds and management cannot reasonably estimate any such amount at this time.

During the year NTPC received payments of $2,190 (2018-19 - $6,000). As of March 31, 2020 NTPC recorded $3,132 (2018-19 $3,064) of eligible expenditures on the overhaul of Unit 1 and the remaining $1,994 (2018-19 $2,936) is recorded as a deferred liability.

Sachs Harbour Plant Replacement

This agreement is to support 75% of the costs to fund the installation and commissioning of a new power plant and fuel storage tanks in Sachs Harbour to a maximum of $7,481. The agreement expires March 31, 2021. During the year, NTPC received payments of $4,400. As of March 31, 2020 NTPC has incurred $3,195 (2018-19 $19) of eligible expenditures. The difference of $1,186 has been recorded as a deferred liability.

The following table summarizes NTPC's budget and the actual eligible costs incurred on the respective projects. The actuals reflect the amounts that NTPC has recorded as other government contributions:

	2020 Budget	2020 Actuals	2019 Actuals	Total Lifetime Costs
Taltson Hydroelectric Overhaul				
Salaries and wages		$ 5	$ -	$ 5
Supplies and services		3,431	-	3,431
Transportation costs		33	-	33
	$ 2,055	**$ 3,469**	**$ -**	**$ 3,469**
Lutsel K'e Diesel Plant				
Salaries and wages		$ 5	$ -	$ 5
Supplies and services		295	-	295
Transportation costs		3	-	3
	$ 525	**$ 303**	**$ -**	**$ 303**

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 17. Other government contributions (continued)

	2020 Budget	2019 Actuals	2019 Actuals	Total Lifetime Costs
Fort Simpson LNG				
Salaries and wages		$ 20	$ -	$ 20
Supplies and services		116	-	116
	$ -	**$ 136**	**$ -**	**$ 136**
Snare Forks Overhauls				
Salaries and wages		$ 18	$ 218	$ 236
Supplies and services		2,802	2,772	5,574
Transportation costs		312	74	386
	$ 8,277	**$ 3,132**	**$ 3,064**	**$ 6,196**
Sachs Harbour Plant Replacement				
Salaries and wages	$	$ 4	$ 19	$ 23
Supplies and services		3,157	-	3,157
Transportation costs		34	-	34
	$ 3,000	**$ 3,195**	**$ 19**	**$ 3,214**
Total ICIP contributions	**$ 13,857**	**$ 10,235**	**$ 3,083**	**$ 13,318**

Other agreements

In 2019-20, NTPC entered into one other single year contribution agreement with the GNWT to fund costs associated with electricity system analytical work. The total agreement was for $30, all of which was recognized as revenue. $20 was received in 2019-20, and $10 is recorded as receivable at March 31, 2020.

(in thousands of dollars)

18. Related party transactions and balances

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

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

	2020	2019
Revenue		
Other revenue	$ 439	$ 215
Fuel rider revenue	426	-
	$ 865	$ 215
Expenses		
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 19)	$ 25,405	$ 23,579
Other operating expenses	1,017	1,036
	$ 26,422	$ 24,615
Financial assets		
Revenues receivable		
Utility	$ 1,613	$ 1,896
Non-utility	14	101
	$ 1,627	$ 1,997
Liabilities		
Accounts payable to FSD for fuel (Note 19)	$ 7,333	$ 5,110
Other accounts payable and accrued liabilities	56	30
	$ 7,389	$ 5,140

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

19. Contractual obligations

NTPC is contractually committed for the following expenses with non-related parties that will be incurred subsequent to March 31, 2020.

	Expiry	2021	2022 and subsequent
Operational and lease commitments	2022	$ 9,706	$ 565

Capital projects

NTPC has contractual obligations totalling $27,366 related to capital projects. NTPC expects to make payments of $20,080 for 2020-21 and $7,286 for 2021-22.

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

Fuel management services agreement

NTPC has a fuel management services agreement with the FSD. Under this agreement, fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by FSD. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from FSD in a given year. There is an annual minimum purchase requirement of 13,000 liters averaged over a 2 year period. The contract expires March 31, 2021.

LNG purchases

NTPC had an agreement with FSD to supply NTPC's Inuvik facilities with LNG that expired on March 31, 2020. The price of LNG under this agreement varied with FSD's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee. There were no minimum purchase requirements under the old contract. NTPC is currently in negotiations with FSD to sign a new agreement.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

20. Financial instruments and risk management

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

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

a) Credit risk

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

	2020	2019
Revenues receivable	$ 13,909	$ 12,756
Government contributions receivable	3,965	75
Loan receivable	11,076	12,290
Due from related party	1,538	2,076
Cash	519	715
	$ 31,007	$ 27,912

Revenues receivable

NTPC minimizes revenues receivable credit risk by taking cash deposits from customers. The size of the deposit varies depending on the risk exposure. Established customers or those with good credit are waived from having to provide a deposit. Thirty-seven percent (2018-19 - 37%) of NTPC's sales are to two other utilities. Twenty-six percent (2018-19 - 26%) of sales, including HSP and TPSP are to the GNWT.

Government contributions receivable

The GNWT accounts for 100% of the government contributions receivable.

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.

Due from related party

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

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 20. Financial instruments and risk management (continued)

Cash

NTPC minimizes the credit risk of cash 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 amortization provisions. NTPC arranges its financing in such a manner that the total amount of debt maturing in any given year does not exceed its ability to borrow in any given year. This practice gives NTPC the maximum flexibility over the use of its cash flow such that both its existing capital expenditure program and its ability to consider any future investment opportunities will not be constrained.

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a $40,000 operating line of credit with a reputable financial institution. The following table shows the maturities of the operating line of credit, debenture debt, Snare capital lease obligation and the associated loan receivable:

	March 31, 2020				
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 4,613	$ 41,284	$ 115,323	$ 47,506	$ 208,726
Operating line of credit	20,959	-	-	-	20,959
Capital lease obligation	1,952	8,804	19,007	17,133	46,896
Loan receivable	(2,341)	(11,704)	(780)	-	(14,825)
	$ 25,183	$ 38,384	$ 133,550	$ 64,639	$ 261,756

	March 31, 2019				
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 4,364	$ 25,946	$ 129,575	$ 53,204	$ 213,089
Operating line of credit	9,041	-	-	-	9,041
Capital lease obligation	2,046	9,127	19,482	18,287	48,942
Loan receivable	(2,341)	(11,704)	(3,121)	-	(17,166)
	$ 13,110	$ 23,369	$ 145,936	$ 71,491	$ 253,906

NORTHWEST TERRITORIES POWER CORPORATION

Note 20. Financial instruments and risk management (continued)

c) Interest rate risk

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

21. Comparative figures

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

22. Subsequent events

a) COVID 19

The outbreak of COVID-19 in early 2020 caused significant global disruption and an economic downturn. Since the duration of the outbreak and its effects are unknown at this time, it is not possible to provide a reliable estimate of the impact on NTPC's future financial statements. NTPC continues to assess and monitor the impact of the pandemic on its future financial statements, including the likelihood of decreased revenues, increased expenses, and decreased cash flows.

Relative to its 2019-20 actual results, NTPC expects future bad debt expense to increase and the related cash receipts from some customers to decrease due to reduced economic activity and resultant financial difficulties of some utility customers.

b) Long term debt

On September 30, 2020, NTPC borrowed $40,000 from the GNWT at a rate of 2.265% for 30 years. The debt is repayable in semi-annual blended instalments of $922 until September 30, 2050.

NORTHWEST TERRITORIES POWER CORPORATION

RECONCILIATION FROM PSAS CONSOLIDATED FINANCIAL INFORMATION
TO RATE REGULATED ACCOUNTING CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2020

UNAUDITED

NTPC
Reconciliation from PSAS Consolidated Financial Balances to Rate Regulated Accounting Consolidated Financial Balances
As at March 31, 2020
UNAUDITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	PSAS Balances	Reclassification Adjustments	Regulated Assets and Liabilities	TCA and ARO Adjustments	Other	Rate Regulated Balances
		Note 1	Note 2	Note 3	Note 4	
Assets						
Current assets						
Cash	$ 519	$ -	$ -	$ -	$ -	$ 519
Accounts receivables / Revenues receivable	13,909	3,965	-	-	-	17,874
Government contributions receivable	3,965	(3,965)				-
Due from related party	1,538	-	-	-	-	1,538
Inventories	9,127	(4,043)	-	-	-	5,084
Prepaid expenses	1,328	-	-	-	-	1,328
	30,386	(4,043)	-	-	-	26,343
Property, plant and equipment (net) / Tangible capital assets	403,430	4,042	-	6,602	-	414,074
Other long term assets						
Loan receivable	11,076	(11,076)	-	-	-	-
Investment in Aadrii Ltd.	479	-	-	-	-	479
Regulatory assets	-	-	25,272	-	-	25,272
	11,555	(11,076)	25,272	-	-	25,751
	$ 445,371	**$ (11,077)**	**$ 25,272**	**$ 6,602**	**$ -**	**$ 466,168**
Liabilities and Shareholder's Equity						
Current liabilities						
Short-term debt	$ 20,959	$ -	$ -	$ -	$ -	$ 20,959
Accounts payable and accrued liabilities	28,207	(1)	-	-	4	28,210
Deferred government contributions	3,200	-	-	-	-	3,200
Current portion of long-term debt	-	4,613	-	-	-	4,613
	52,366	4,612	-	-	4	56,982
Long-term debt						
Long-term debt	207,984	(4,613)	-	-	(4,348)	199,023
Net lease obligation / Capital lease obligation	16,768	(11,076)	-	-	-	5,692
	224,752	(15,689)	-	-	(4,348)	204,715
Other non-current liabilities						
Regulatory liabilities	-	25,399	40,932	(50,797)	(6)	15,528
Asset retirement obligations / Environmental liabilities	25,399	(25,399)	-	25,399	-	25,399
Deferred government contributions	-	-	21,027	-	-	21,027
Other employee future benefits	2,937	-	-	-	(22)	2,915
	28,336	-	61,959	(25,398)	(28)	64,869
Shareholder's equity	139,917	-	(36,687)	32,000	4,372	139,602
	$ 445,371	**$ (11,077)**	**$ 25,272**	**$ 6,602**	**$ -**	**$ 466,168**

NTPC
Reconciliation from PSAS Consolidated Financial Results to Rate Regulated Accounting Consolidated Financial Results
Year Ending March 31 2020
UNAUDITED

	PSAS Results	Reclassification Adjustments	Regulated Assets and Liabilities	TCA and ARO Adjustments	Other	Rate Regulated Accounting Results
		Note 1	Note 2	Note 3	Note 4	
Revenues						
Sale of power	$ 109,806	$ -	$ -	$ -	$ (2)	$ 109,804
Net investment income Aadrii Ltd.	76	(76)	-	-	-	-
Other government contributions	10,265	-	(10,265)	-	-	-
Other revenue	1,791	76	(341)	-	-	1,526
	121,938	-	(10,606)	-	(2)	111,330
Expenses						
Salaries and wages	-	27,238	(1,078)	44	(1)	26,203
Fuel and lubricants	-	31,024	(3,558)	(1,463)	5	26,008
Supplies and services	-	22,069	(3,979)	(3,486)	(1)	14,603
Amortization	-	17,669	(257)	658	1	18,071
Travel and accommodation	-	2,279	(308)	-	-	1,971
Amortization of deferred charges	-	-	6,835	-	-	6,835
Net loss on disposal of assets	-	3,514	(1,826)	(1,687)	(1)	-
Accretion on ARO	-	254	-	(254)	-	-
Thermal generation	67,362	(67,362)	-	-	-	-
Hydro generation	19,486	(19,486)	-	-	-	-
Corporate services	14,787	(14,787)	-	-	-	-
Transmission, distribution and retail	10,849	(10,849)	-	-	-	-
Purchased power	3,229	(3,229)	-	-	-	-
Alternative power generation	240	(240)	-	-	-	-
	115,953	(11,906)	(4,171)	(6,188)	3	93,691
Earnings from operations	5,985	11,906	(6,435)	6,188	(5)	17,639
Interest income	1,213	(1,128)	-	-	-	85
Earnings before interest expense	7,198	10,778	(6,435)	6,188	(5)	17,724
Interest expense	-	10,778	(340)	-	190	10,628
Net earnings before other	**$ 7,198**	**$ -**	**$ (6,095)**	**$ 6,188**	**$ (195)**	**$ 7,096**
Fuel rider revenue	1,906	-	-	-	-	1,906
Offset to Rider Revenue	-	-	(1,906)	-	-	(1,906)
Insurance proceeds revenue	5,000	-	-	(5,000)	-	-
	6,906	-	(1,906)	(5,000)	-	-
Net income for the year	**$ 14,104**	**$ -**	**$ (8,001)**	**$ 1,188**	**$ (195)**	**$ 7,096**
Shareholder's equity, beginning of year	82,684	-	(28,686)	30,812	4,567	89,377
Retained earnings, end of year	96,788	-	(36,687)	32,000	4,372	96,473
Share capital	43,129	-	-	-	-	43,129
Shareholder's equity, end of year	**$ 139,917**	**$ -**	**$ (36,687)**	**$ 32,000**	**$ 4,372**	**$ 139,602**

NORTHWEST TERRITORIES POWER CORPORATION
Notes to Reconciliation from PSAS Consolidated Financial Information to Rate Regulated Accounting Consolidated Financial Information
Year Ending March 31, 2020

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

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

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

Note 2 For RRA, regulatory assets and liabilities are recorded on the balance sheet.

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

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

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

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

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

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

2019-20 NTPC SCHEDULE OF WRITE-OFFS >$500.00

AS OF MARCH 31, 2020

Community	Customer	Total
Aklavik	Knute Hansen	$ 837.89
Behchoko	Brandon Lafferty	$ 532.06
Behchoko	Phillip Whane	$ 1,264.24
Deline	Pamela Menacho	$ 508.02
Dettah	Robert Villeneuve	$ 1,652.02
Fort Good Hope	Darryl Cook	$ 946.96
Fort McPherson	Rachel Reindeer	$ 644.18
Fort McPherson	Pjk General Contracting	$ 1,691.70
Fort Resolution	Norman Lafferty	$ 805.80
Fort Resolution	Greg Balsillie	$ 1,796.53
Fort Simpson	Lawrence Isaiah	$ 845.18
Fort Smith	David Bourke	$ 607.56
Fort Smith	Chevonne Dene	$ 821.04
Fort Smith	Lorne Napier	$ 957.09
Fort Smith	Kozy Carpets & Interiors	$ 1,016.93
Fort Smith	Jordan Mercredi	$ 3,286.93
Inuvik	Arctic Esso	$ 502.04
Inuvik	Doreen Cockney	$ 504.37
Inuvik	Maggie Ipana	$ 577.77
Inuvik	Shane Comeau	$ 606.14
Inuvik	Chris Sharpe	$ 661.50
Inuvik	Jordan Lenz	$ 864.68
Inuvik	Petra Firth	$ 947.54
Inuvik	After Hours Answering Service	$ 1,100.96
Inuvik	Midarctic Transportation	$ 1,183.72
Inuvik	Ricky Firth	$ 4,462.92
Inuvik	Talal Lavoie	$ 8,990.48
Norman Wels	Anna Hardy	$ 500.83
Norman Wels	Northern Industrial Sales	$ 1,322.16
Paulatuk	Bobby Ruben	$ 515.03
Tsiigehtchic	Shane Moore	$ 653.84
Tulita	James Bavard (Estate of)	$ 512.30
Wha Ti	Gerry Nitsiza	$ 681.73
Total Utility Accounts		**$ 42,802.15**
Wrigley	Hamlet of Wrigley	$ 6,898.49
Inuvik	Travis Smith	$ 3,913.75
Fort Good Hope	Chartered Community of Kasho Gotine	$ 64,651.03
Total Non Utility Accounts		**$ 75,463.27**
TOTAL		**$ 118,265.42**