

Northwest Territories Hydro Corporation

2008/09 Annual Report

**Northwest Territories Hydro Corporation
Annual Report
2008/09**

The Honourable Floyd Roland
Minister Responsible for the
Northwest Territories Hydro Corporation
P.O. Box 1320
Yellowknife NT X1A 2L9

I am pleased to submit to you the Annual Report of the consolidated financial statements of the Northwest Territories Hydro Corporation for the 2008/09 fiscal year as required by the *Financial Administration Act*.

We thank you and your staff for the cooperation extended to us during the past fiscal year.

On behalf of the Board,

Lew Voytilla
Chairman

August 31, 2009

Management's Discussion and Analysis

The following Discussion and Analysis is intended to provide an historical and prospective analysis of the Corporation with 2008/09 financial performance as the primary focus. 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. These comments should be read in conjunction with the Consolidated Financial Statements included in this report.

Description of the Corporation's Operations

This year represents the second year of operating under a new corporate structure. The Northwest Territories Power Corporation (NTPC) is now owned by the Northwest Territories Hydro Corporation (NT Hydro or "the Corporation") which in turn is 100% owned by the Government of the Northwest Territories (GNWT). NT Hydro is also a public agency, established under the *Northwest Territories Hydro Act* and now owns, in addition to NTPC, NWT Energy Corporation (03) Ltd. (NTEC(03)) and Sahdae Energy Ltd. (SEL). NTEC(03) and SEL were previously subsidiaries of NTPC. The new structure has been adopted to facilitate the development of hydro on an unregulated basis while protecting the GNWT's investment in NTPC.

NT Hydro, through its wholly-owned subsidiary NTPC, operates hydroelectric, diesel and natural gas generation facilities on a self-sustaining basis to provide utility services in the Northwest Territories. NTPC is established under the *Northwest Territories Power Corporation Act* and has two wholly-owned subsidiaries, the Northwest Territories Energy Corporation (NTEC) and 5383 NWT Limited. NTEC, 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. NTEC is also responsible for the operation, management and shared ownership (50%) in one residual heat project in Fort McPherson. 5383 NWT Ltd. is an inactive company. The utility activities of NTPC are regulated by the Northwest Territories Public Utilities Board (PUB).

NT Hydro is also involved in unregulated hydro development to serve industrial customers through its subsidiaries NTEC(03) and SEL. NTEC(03) is wholly-owned by NT Hydro and has two operations, the development of hydro electric business opportunities outside the regulated business and an investment in Deze Energy Corporation, which is pursuing the development of a hydroelectric project to provide power to the diamond mines. SEL is wholly-owned by NT Hydro and its mandate is to pursue a hydro development project on the Great Bear River to provide power to the potential Mackenzie Valley pipeline.

NT Hydro set objectives and strategies for NTPC in 2008/09 to be efficient and effective while maintaining or improving reliability, delivering quality customer service, operating safely and protecting the environment. In addition, the Corporation continued to work

with aboriginal partners to explore hydro development opportunities through NTEC(03) and SEL. The shareholder set the strategic direction which encompassed the core regulated utility business as well as the development of hydro.

Our Vision

An energy self-sufficient NWT producing minimal green house gas emissions with optimum development and marketing of NWT renewable energy resources.

Mandate

To plan and develop cost-effective, safe and environmentally responsible energy projects to serve existing and new energy requirements to the benefit of the NWT.

Goals

- To make a major contribution to development of new energy sources in the NWT.
- To be proactive in embracing and developing renewable energy technology.
- To provide energy on a timely and competitive basis to serve new energy demand.
- To be capable of managing and delivering large scale energy generation and related transmission projects.
- To have completed construction and started operating at least one significant hydro electric project on time and within budget.
- To be a recognized leader in partnering on energy projects with aboriginal organizations and communities.
- To be profitable and financially strong and capable of generating wealth for the shareholder, partners, and NWT residents.
- To pursue opportunities and development that is consistent with an integrated power grid in the NWT.
- To be an exporter of energy where the benefits of such export primarily accrue to the NWT.
- To make a major contribution to the energy self-sufficiency of the NWT.
- To be a company that puts safety (public and worker), the environment and service reliability first.

Strategies and Objectives for 2008/09

During the next 5 -10 years, NT Hydro will focus on delineating and developing NWT's hydroelectric resources, evaluating and advancing alternative energy sources and reducing fossil fuel dependence. These strategies underpin our 2008/2009 objectives.

- Complete the work necessary to be ready for the start of construction of the Taltson project by early 2011.

- Develop and implement a public communication and education program that will demonstrate the role hydro electricity and alternate energy can play in meeting the future energy needs of the NWT while contributing to the economic prosperity and environmental health of the NWT.
- Put the Bear River project in the position to be the next project NT Hydro would pursue if community support for such a project was provided and the pipeline as a customer could be secured. Reestablish the relationships with the communities in the Sahtu Region in relation to hydro development in that area.
- Ensure that energy development potential is considered in the regional land use and other planning occurring in the NWT.
- Assess and develop alternative energy technologies to reduce reliance on imported fossil fuels.

Hydro and other alternative energy initiatives

Taltson Hydro Expansion

NT Hydro is actively working with its partners the Akaitcho Energy Corporation and the Métis Energy Company Ltd., through the Deze Energy Corporation (Deze), to pursue the expansion of the existing Taltson hydro system in order to transmit and sell power to the diamond mines in the Northwest Territories. Taltson hydro is an 18 MW hydro plant located on the Taltson River approximately 56 km north-east of Fort Smith. It was built by the Northern Canada Power Commission in 1965 to supply electricity to the Pine Point mine and now supplies power to the communities of Fort Smith, Fort Resolution, Hay River and Fort Fitzgerald.

The proposed Taltson hydroelectric expansion project will add a new power plant and transmission line to the existing Twin Gorges power plant on the Taltson River. The project will benefit northern communities, industry and the environment during its estimated 40-year lifespan. As a business venture between Aboriginal nations and a Crown corporation, the Taltson expansion will bring new jobs, training and business opportunities to the South Slave region of the NWT. The lifestyle, values and traditions of local communities are reflected in the project's ownership and design.

This project will provide a clean, renewable source of electricity for industrial customers in the North, and will greatly reduce greenhouse gas emissions from diesel fuel. The hydroelectricity produced by the project will take the place of up to 100 million litres of diesel fuel used every year by the diamond mines, and dramatically reduce the amount of truck traffic transporting fuel over northern roads. The new power plant will generate up to 56 megawatts of electricity and approximately 700 km of transmission line will be built to transport the energy. The estimated cost of expanding the site and building transmission lines to the diamond mines is over \$300 million.

The expansion project is now well into the environmental assessment/permitting stage of development and continues to receive the support of the Government of the Northwest Territories. A series of community consultation meetings were completed in

2008/09 to increase the understanding and support of the local residents for the project. Efforts will continue in this area as the project progresses to construction.

Great Bear Hydro

NT Hydro, through its subsidiary SEL, continues to observe the regulatory review of the Mackenzie Valley Pipeline project and awaits a decision from the regulator indicating whether the proponents of the project will be required to design and build the system with the potential to power the pipeline with hydro. Consultation and project education will be the focus over the next year and beyond, to solidify support for this world-class project that has potential to create significant benefits for the region and the North.

Energy Planning and Renewable Energy

NT Hydro escalated its efforts to identify and plan for more renewable energy on its system in 2008/09. Work continues with communities who are situated near water sources suitable for the development of mini hydro such as Lutsel K'e, Whati and Deline. Dialogue also continues with the Tlicho regarding the development of additional hydro in their region either on the Snare river system or at new sites such as the La Martre River. This hydro will serve future growth from Yellowknife and surrounding area and also be available to serve developing mining loads.

An immersion hydro project was also initiated in Fort Simpson which saw the beginning of the permitting process and the purchase of the hydro unit in 2008/09 with a planned implementation in 2009/10. During 2008/09 three facilities studies were undertaken to assess the potential to utilize residual heat from diesel engines. The first project coming from these studies will commence in 2009/10 and involve the construction of a residual heat system in Fort Liard.

Other renewable projects included a call for proposals for the private sector to develop a demonstration wind project in the NWT. A long lead time was purposely incorporated into the proposal call to allow prospective respondents to put together a plan and develop partnerships for this project. The response to the proposal call was limited and as a result, NT Hydro will shift its focus to support third party wind projects through interconnection and purchase of wind power. Surplus hydro from the Taltson system was utilized by customers in Fort Smith who are displacing fossil fuels by using the electricity on an interruptible basis to heat buildings. The distribution upgrades to accommodate these additional loads were completed in 2008/09.

NT Hydro is also assisting the GNWT in its review of Rates, Regulation and Subsidies and continues to provide energy conservation information to customers to assist them to manage their energy consumption. To reduce our corporate environmental footprint, we have also implemented energy conservation initiatives in our own plants and offices and completed capital upgrades to make use of hydro as a source of energy for our facilities.

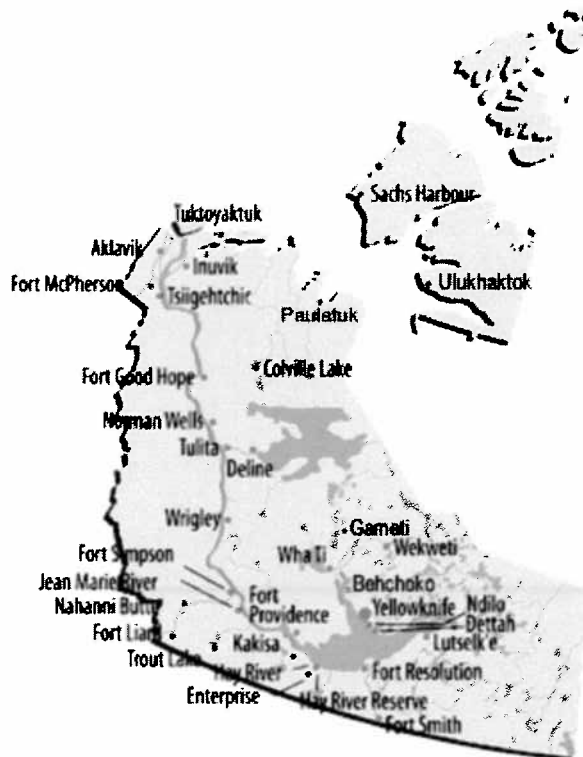
Toward a strong, profitable, well-managed and operated, fully integrated utility

Full-service utility

The Corporation distributes electricity to the end use consumers in 26 of 31 communities and supplies electricity on a wholesale basis to 2 distributing utilities, which in turn retail electricity to customers in Yellowknife, and the Hay River Area. The Corporation's facilities include hydroelectric, diesel and natural gas generation plants, transmission systems, and numerous isolated electrical distribution systems. The Corporation also owns and operates alternative energy assets used for the supply of residual heat, solar power and co-generation.

The insert map illustrates the operating area of the Corporation, a land area that rivals the largest province in Canada. The detailed map highlights the isolation of many of the communities that we serve – some accessible only by air, barge or winter road. The population is divided among the communities, 25 of which have a population less than 1,000 and only 6 of the 31 communities have more than 1,000 persons, none greater than 20,000. Total electrical load is approximately 68 MW with isolated power systems having generating capacities ranging from 65 MW at Snare/Yellowknife to 240 kW at Colville Lake and with the exception of the two small hydro grids these systems are isolated and unconnected, each must be planned for and operated independently.

Figure 1 – NT Hydro Operating Area



Environment and Safety

The Corporation continues to deliver services in an environmentally responsible manner. Only three hazardous material spills occurred in 2008/09 and while volume spilled was 5,300 litres more than the prior period, one spill accounted for the most of that volume. All spills were contained and cleaned up to the satisfaction of the regulators with no further action required on behalf of the Corporation.

The Corporation's five year accident severity rate improved from 17.2 lost time days per 200,000 hours to 9.94. We continue to work on our safety orientation program, adding an interactive teaching and testing tool, increasing emphasis on site specific orientation and expanding our policies to include contractors. The Corporation's objective remains to be accident free and we will continue to emphasize safety in 2009/10.

Reliability, Customer Service and Energy Conservation

Under the objectives of improved reliability and quality customer service, NT Hydro responded to numerous challenges during the year. Reliability in most communities was on par or better than prior year. Overall reliability was down due to three incidents, one of which was a planned outage to relocate transmission lines and the other two happened during winter storm conditions that prevented maintenance crews from travelling to site to restore power. Despite cold weather, accessibility constraints and ancillary events that negatively impacted efforts to restore power, the Corporation worked with customers to minimize impacts and prevent third party damages. For the average customer the lights were on 99.96% of the time and when the lights did go out, the average time to restore power was 20 minutes.

The Corporation is also concerned about providing high quality customer service. Helping customers understand their electricity bill, how they use energy and what they can do to reduce their usage were the key areas of focus in 2008/09. The Corporation introduced a power monitor lending program in 2008/09 and responded to many customers, particularly in thermal generation communities, by installing monitors to help them identify when and where they are using electricity. This program, along with energy conservation tips and energy audits for large commercial customers helps our customers manage their energy use. The Corporation will continue to focus on providing highly reliable services to our customers, communicate on timely basis on matters of importance to our customers and work with customers in an effort to assist them to lower their power bills.

Cost Effective Energy

When it comes to generation source, renewable hydro electricity represents by far the greatest source of power for NWT customers. In 2008/09, hydro power was up 3% to 74% of the total power generated. Diesel generation was down 2% to 16% and gas and purchased power (from natural gas sources) was 1% lower than prior year, representing 10% of the total generation mix. The Corporation is actively working with the GNWT to implement the hydro strategy and is looking to grow the percentage of renewable power beyond the current high level by adding mini-hydro and other renewable generation.

This will continue to be a focus in 2009/10.

Although more expensive than hydro, diesel generation remains the most cost effective way to provide safe reliable power to small communities. The Corporation has fuel stabilization funds that track the difference between forecast fuel cost used for rate setting purposes and the actual fuel cost when the power is generated. Currently fuel riders are in place in all communities to recover fuel cost paid by the Corporation but not yet recovered from customers.

Yellowknife is served by hydro generation and rates are based on average water. Water stabilization funds and fuel stabilization funds were established in 1997. Riders are currently in place for these funds to bring them back within tolerances and will continue in 2009/10.

Over the next year, work will continue on finding ways of lowering costs by making administrative and operating systems more efficient and through possible synergies with others involved in the NWT energy sector.

Profitability, financial strength and sound business practices

The Corporation's return on equity for 2008/09 was 6.2%. The target return on regulated equity approved by the Public Utilities Board (PUB) was 9.25%. In addition to profitability, the Corporation sets a number of performance measures designed to measure differing aspects of corporate performance. In 2008/09 performance targets were set for system reliability, efficiency, safety, human resource retention and financial results. The 2008/09 Objectives and Strategies were set to maximize performance in each category. The Corporation will be updating its performance measures in 2009/10 and will report on the new measures in the next period annual report.

Performance Measure	Long-term Target	2008/09 Expected Results	2008/09 Actual Results
Debt/(Debt + Equity)	55/45	56/44	57/43
Plant Efficiency	3.60	3.59	3.57
Operating Cost per kWh Generated	17 -19 cents/kWh	17.5 cents/kWh	19.7 cents/kWh
Safety – Average lost workdays per 200,000 hrs worked – last 5 years	0	1.77	9.94
System Availability	99.99%	99.98%	99.94%
Net Staff Turnover	9.0%	5.6%	8.0%

The Corporation was not successful at meeting its 2008/09 performance targets in a number of areas. Debt capitalization was marginally higher than the target however still within an acceptable range for an electric utility company. Plant efficiency was slightly below expectation in part due to maintenance that was taking place on primary units, leaving less efficient units to provide primary power. This is not expected to persist in the future. Operating cost was up over target due to some one-time expenses in the area of supplies and services that will not be repeated in future years. A move to implement automation to allow for the central monitoring and control of our isolated plant sites has put upward pressure on satellite services costs since our last rate application however, the improved ability to plan and respond to operational issues is seen as a positive trade-off from these added costs. Our safety performance was improved over the prior year however the measure is based on the performance of other utilities reporting to the Canadian Electricity Association and their performance was exceptional during 2008/09. System availability was down primarily due to three events and effort to restore power in two of these events was impacted by weather that prevented crews from getting to the communities. Staff turnover was up over target but still below the long-term target and not unexpected considering the shortage of skilled employees within the utility industry.

Meeting our workforce needs

As with many utilities operating in North America, the Corporation faces continual challenges to attract and retain skilled staff in an environment of labour shortages, particularly in the trades and engineering fields. Strategies for fulfilling goals in this area are under continual review and the Corporation is looking at options such as employee development, better tools for gauging employee satisfaction and staffing from outside of North America to try to address these needs.

Financial Results

Net income for 2008/09 is \$5.8 million, a decrease from 2007/08 of \$2.5 million. Interruptions in the supply of hydro power to a wholesale customer and a general decline in wholesale sales due in part to the economic slowdown resulted in lower sales revenue. There were no offsetting reductions in expenses due to the low operational costs of hydro power and as a result, net income was negatively impacted.

The Corporation recorded electricity sales of \$82.7 million in 2008/09, up only marginally over 2007/08. By category, sales were lower to wholesale customers but up for both residential and general service. Sales growth was not sufficient to offset inflationary increases in expenses. As well, other revenues were down slightly from prior year resulting in an overall increase in revenue of less than \$0.2 million.

Operating expenses for 2008/09 were up \$3.2 million from 2007/08. This is in line with growth in expenses between 2007/08 and 2006/07 however with flat sales revenue, net income was negatively affected by the increase in expenses.

Interest expense is down slightly from the prior year. In 2008/09 NT Hydro retired a March 9, 2009 11% bond. The Corporation used funds set aside in its sinking fund to repay this debt.

Financing Activities

The Corporation funded its capital program and regulatory costs with a combination of long and short-term debt. A long-term bond issue was finalized August 1, 2008 for \$25 million to convert short-term debt related to capital projects.

Capital Expenditures

Each year the Corporation makes an investment in its capital infrastructure to replace assets that have reached the end of their useful lives. In 2008/09 the Corporation's capital program was in line with the previous year and the majority of projects were to maintain or improve reliability. The capital identified for 2009/10 will continue this trend and will also include the largest capital project undertaken to date by the Corporation – replacement of the Bluefish hydro dam. Most of the work on the dam replacement project to be completed in 2009/10 will be for permitting, planning and mobilization of materials and equipment in readiness for the 2010/11 construction season.

Outlook for 2009/10

Hydro development will be a significant focus for the Corporation in 2009/10. The Taltson expansion project will continue to be a priority for NTEC(03) and its aboriginal partners with most of the activity aimed at completing the regulatory process and securing purchase power agreements with the diamond mines.

The dam at the Bluefish hydro site, which is over 70 years old, is at the end of its useful life and in urgent need of replacement. NTPC has declared the replacement of the dam an emergency and taken steps to minimize the risk of a premature failure of the dam. Despite the fact that the risk of failure of the existing dam has been significantly lowered by these actions, NTPC will continue the construction of a new dam under the emergency provisions of the regulatory acts. NTPC will assign all resources necessary to meet an aggressive timeline for the replacement of the Bluefish hydro dam. Activity in 2009/10 will include completion of the regulatory process, engineering design and mobilization of equipment and materials for the 2010/11 construction season. The new dam will be located downstream from the existing dam and will be constructed while the current dam continues to operate and provide hydro power to the Yellowknife area.

NTPC is working with the Tlicho Investment Corporation (TIC) on the development of a new hydro site to serve anticipated growth in Yellowknife and surrounding areas. Discussions during the past year have concentrated on choosing an appropriate site. Work for 2009/10 will concentrate on feasibility studies and the business model for the development. This site, expected to be developed by 2020 at the earliest, will assist in

the provision of power to the Fortune Minerals' Ltd. NICO mine should it connect to NTPC's system.

On the regulated side of the business, the Corporation is expecting sales of electricity will remain flat or decline over the next period. Although the economy in other parts of Canada is showing signs of weakening, we are not expecting significant declines in the cost of labour, materials, equipment or supplies. We face the challenge of attracting and retaining skilled labour, and transportation costs continue to place upward pressure on commodities resulting in expenses that are outpacing inflation.

In 2009/10 the Corporation will complete more work in readiness for implementation of International Financial Reporting Standards that will apply to NT Hydro in 2011/12.

These projects will involve significant internal and external resources and are aimed at improving resource allocation, customer service and business opportunity response.

Safety and environment will continue to be emphasized in fiscal 2009/10. We will work to achieve results in line with our best years to date, demonstrating our commitment to safeguard the public, our employees and the environment.

The Government of the Northwest Territories is in the process of compiling public input for the future direction of regulation, rates and subsidies. They have also initiated a review of the efficiency and effectiveness of NTPC. The leadership of this Corporation has provided input into these reviews and will continue to cooperate with the government to support its vision for future public policy as it relates to the energy sector.

Our vision is "an energy self-sufficient NWT producing minimal green house gas emissions with optimum development and marketing of NWT renewable energy resources". It is our privilege to provide energy to the people of the North and we thank you for that opportunity.



Judith Goucher
Director, Finance & CFO

**NORTHWEST TERRITORIES HYDRO CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009**

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). Where GAAP permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Hydro Corporation (NT Hydro) undertakes activities that are regulated by the Public Utilities Board of the Northwest Territories, which also examines and approves its accounting policies and practices with respect to recovery of assets and expenses. 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.

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.



Leon Courneya, FCA
President & CEO



Judith Goucher, MA
Director, Finance & CFO

Hay River, NT
June 19, 2009



AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Hydro Corporation

I have audited the consolidated balance sheet of the Northwest Territories Hydro Corporation as at March 31, 2009 and the consolidated statements of operations, comprehensive income, shareholder's equity, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, except for the change in the method of accounting for inventories as explained in note 2 to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.

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

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
June 19, 2009

NORTHWEST TERRITORIES HYDRO CORPORATION

**Consolidated Balance Sheet
As at March 31
(\$000's)**

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash	\$ 5,327	\$ 698
Accounts receivable (Note 6)	21,737	30,099
Inventories (Notes 2 and 7)	3,977	4,081
Prepaid expenses	649	492
	<u>31,690</u>	<u>35,370</u>
Property, plant and equipment, net (Notes 2 and 8)	274,379	257,157
Other long-term assets		
Sinking fund investments (Note 9)	27,954	45,924
Regulatory assets (Note 4)	22,306	14,752
	<u>50,260</u>	<u>60,676</u>
	<u>\$ 356,329</u>	<u>\$ 353,203</u>
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term debt (Note 10)	\$ 29,357	\$ 32,920
Accounts payable, accrued liabilities and derivatives (Note 11)	20,826	22,500
Dividend payable (Note 12)	3,500	3,500
Current portion of long-term debt (Note 13)	1,202	21,153
	<u>54,885</u>	<u>80,073</u>
Long-term debt		
Long-term debt, net of sinking fund investments (Note 13)	125,180	83,428
Sinking fund investments (Note 9)	27,954	45,924
Net lease obligation (Note 14)	1,540	1,446
	<u>154,674</u>	<u>130,798</u>
Other long-term liabilities		
Regulatory liabilities (Note 4)	35,420	35,019
Deferred government contributions (Note 15)	6,630	3,575
Asset retirement obligations (Note 16)	4,330	4,397
Environmental liabilities (Note 17)	3,240	3,240
Employee future benefits (Note 18)	2,905	2,350
	<u>52,525</u>	<u>48,581</u>
Shareholder's equity	94,245	93,751
	<u>\$ 356,329</u>	<u>\$ 353,203</u>

Commitments and contingencies (Note 24)

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

Approved on behalf of the Board:



Lew Voytilla
Chairman of the Board



Louis Sebert
Director

NORTHWEST TERRITORIES HYDRO CORPORATION

**Consolidated Statement of Operations
For the year ended March 31
(\$000's)**

	<u>2009</u>	<u>2008</u>
Revenues		
Sale of power	\$ 82,016	\$ 70,617
Other revenues (Note 19)	1,235	1,339
General Rate Application shortfall	715	11,837
	<u>83,966</u>	<u>83,793</u>
Expenses		
Fuels and lubricants	19,598	18,719
Salaries and wages	19,222	19,016
Supplies and services	13,441	11,829
Amortization (Note 20)	13,304	13,150
Travel and accommodation	2,635	2,276
	<u>68,200</u>	<u>64,990</u>
Earnings from operations	15,766	18,803
Interest income	197	145
Earnings before interest expense	15,963	18,948
Interest expense (Note 21)	10,959	11,075
Income before fuel rider and government assistance	5,004	7,873
Fuel rider revenues (Note 4)	2,684	2,585
Offsetting fuel rider expenses (Note 4)	2,647	2,527
	37	58
Government assistance (Note 22)	776	397
Net income	<u>\$ 5,817</u>	<u>\$ 8,328</u>

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

NORTHWEST TERRITORIES HYDRO CORPORATION

**Consolidated Statement of Comprehensive Income
For the year ended March 31
(\$000's)**

	<u>2009</u>	<u>2008</u>
Net income	\$ 5,817	\$ 8,328
Other comprehensive income		
Reclassification adjustment for losses included in net income	(1,019)	(58)
Unrealized (losses) and gains on available-for-sale financial assets arising during the period	(804)	374
Other comprehensive (loss) income	(1,823)	316
Comprehensive income	<u>\$ 3,994</u>	<u>\$ 8,644</u>

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

**Consolidated Statement of Shareholder's Equity
For the year ended March 31
(\$000's)**

	<u>2009</u>	<u>2008</u>
Share capital (Note 23)	\$ 43,129	\$ 43,129
Retained earnings		
Retained earnings at beginning of year	49,924	45,578
Net income	5,817	8,328
Transition adjustment on adoption of financial instruments standards	-	(482)
Dividend declared (Note 12)	(3,500)	(3,500)
Retained earnings at end of year	<u>\$ 52,241</u>	<u>\$ 49,924</u>
Accumulated other comprehensive income		
Balance at beginning of year	\$ 698	\$ -
Transition adjustment on adoption of financial instruments standards	-	382
Other comprehensive (loss) income	(1,823)	316
Accumulated other comprehensive (loss) income at end of year	<u>\$ (1,125)</u>	<u>\$ 698</u>
Shareholder's equity at end of year	<u>\$ 94,245</u>	<u>\$ 93,751</u>

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Consolidated Cashflow Statement For the year ended March 31 (\$000's)

	<u>2009</u>	<u>2008</u>
Operating activities:		
Cash receipts from customers	\$ 94,752	\$ 86,156
Cash paid to suppliers and employees	(79,901)	(70,894)
Interest received	197	142
Interest paid	(11,417)	(12,037)
Cash flows provided by operating activities	<u>3,631</u>	<u>3,367</u>
Investing activities:		
Property, plant and equipment constructed or purchased	(18,963)	(18,586)
Proceeds from insurance	540	-
Cash flows used in investing activities	<u>(18,423)</u>	<u>(18,586)</u>
Financing activities:		
Proceeds from long-term borrowings	25,000	-
Repayment of long-term debt	(21,153)	(1,105)
Proceeds from sinking fund redemption	20,577	-
Government contributions (Note 15)	3,855	2,000
Net (repayments) proceeds from short-term borrowings	(3,563)	20,120
Dividend paid (Note 12)	(3,500)	(3,500)
Sinking fund instalments	(1,810)	(1,910)
Receipts from (repayment of) net lease obligation	15	(23)
Cash flows provided by financing activities	<u>19,421</u>	<u>15,582</u>
Net increase in cash	4,629	363
Cash at beginning of year	<u>698</u>	<u>335</u>
Cash at end of year	<u>\$ 5,327</u>	<u>\$ 698</u>

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Notes to Consolidated Financial Statements For the years ended March 31, 2009 and March 31, 2008 (\$000's)

1. Authority and operation

The Northwest Territories Hydro Corporation (NT Hydro) is 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. NT Hydro has three subsidiary companies: the Northwest Territories Power Corporation (NTPC), the Northwest Territories Energy Corporation (03) Ltd. (NTEC(03)) and Sahdae Energy Ltd. (SEL).

NT Hydro, through its wholly-owned subsidiary NTPC, operates hydroelectric, diesel and natural gas generation facilities on a self-sustaining basis to provide utility services in the Northwest Territories. NTPC is a regulated company, established under the *Northwest Territories Power Corporation Act* and has two wholly-owned subsidiaries: the Northwest Territories Energy Corporation Ltd. (NTEC) and 5383 NWT Ltd. NTEC, 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. NTEC is also responsible for the operation, management and shared ownership (50%) in one residual heat project in Fort McPherson. See additional disclosure in Note 28. 5383 NWT Ltd. is an inactive company.

NT Hydro is also involved in unregulated hydro development to serve industrial customers through its subsidiaries NTEC(03) and SEL. NTEC(03) is wholly-owned by NT Hydro and has two operations, the development of hydroelectric business opportunities outside the regulated business and an investment in Dezè Energy Corporation, which is pursuing the development of a hydroelectric project to provide power to diamond mines. Sahdae is wholly-owned by NT Hydro and its mandate is to pursue a hydro development project on the Great Bear River to provide power to the potential Mackenzie Valley gas pipeline.

Consolidation

The consolidated financial statements include the accounts of NT Hydro and its wholly-owned subsidiaries: NTPC, NTEC(03) and SEL and NTPC's wholly-owned subsidiaries: NTEC and 5383 NWT Ltd. NT Hydro and its subsidiaries account for interests in jointly controlled entities using the proportionate consolidation method. All intercompany transactions and balances are eliminated upon consolidation.

2. Accounting policies

These consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

Rate regulation

NTPC is currently the only NT Hydro subsidiary that undertakes activities regulated by the Public Utilities Board (PUB) of the Northwest Territories.

NTPC is regulated by the PUB pursuant to the *Public Utilities Act*. The PUB regulates matters covering rates, financing, accounting, 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. Although the PUB and NTPC are related parties, the GNWT can only provide

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Accounting policies continued

administrative guidance to the PUB and cannot give specific direction to the PUB on a case before them.

The PUB is required by the *Public Utilities Act* 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 applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next rate application, when rates are reviewed and set as final.

The PUB uses cost of service regulation to regulate NTPC's earnings on a rate of return basis. In the 2006/08 GRA the PUB approved a target rate of return of 9.25% for 2007/08. The allowed rate of return will be reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

Revenues

All revenues for energy sales, including wholesale power, are recognized in the period earned. Revenue from the sale of power is recognized based on cyclical meter readings. Sales of power include an accrual for electricity sales not yet billed. Interest, contract, contribution and other revenues are recognized on the accrual basis.

Property, plant and equipment

Property, plant and equipment are recorded at original cost less accumulated amortization and unamortized contributions by utility customers to aid in the construction and acquisition of property, plant and equipment. Costs include materials, direct labour and a proportionate share of directly attributable overhead costs.

Certain regulated additions are made with the assistance of cash contributions from customers when the estimated revenue is less than the cost of providing service. These contributions are amortized on the same basis and offset the amortization charge of the assets to which they relate. NTPC retains ownership of these assets.

As a result of using the average group useful life method of accounting for amortization, when an asset is retired or disposed of, the retirement of these assets is charged to the accumulated amortization with no gain or losses reflected in operations. Gains or losses arising from exceptional circumstances are included in earnings.

NT Hydro evaluates its tangible and intangible assets for impairment whenever conditions indicate that estimated undiscounted future net cash flows may be less than the net carrying amount of assets. In cases where the undiscounted expected future cash flows are less than the carrying amount, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the fair value. Fair value is determined using expected discounted cash flows when quoted market prices are not available.

Amortization

Amortization of property, plant and equipment is taken on the straight-line average group useful life basis, at rates which are approved by the PUB, a portion of which is accounted for as a reserve for

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Accounting policies continued

future removal and site restoration costs. Amortization is suspended when assets are removed from service for an extended period of time. Assets held for future use are not amortized until these assets are placed into service, at which time they are reallocated to the appropriate asset group and amortized according to the amortization rates for that group.

The reserve for future removal and site restoration account will be applied to mitigate the impact of asset dismantling and disposal costs and site restoration costs that are not otherwise related to an asset retirement obligation and environmental liabilities.

Amortization rates are as follows:

	<u>%</u>
Electric power plants	1.16 - 5.25
Transmission and distribution systems	1.09 - 4.66
Electric power plant under capital lease	1.16 - 1.54
Warehouse, equipment, motor vehicles and general facilities	1.76 - 9.76
Other utility assets	2.50 - 20.0
Other	20.0

Inventories

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Previous write-downs to net realizable value are reversed if there is a subsequent increase in the value of the related inventories.

Public Service Pension Plan

Employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. Employer contributions to the Plan are expressed as a factor of employees' contributions. The factor may fluctuate from year to year depending on the experience of the Plan. Employer contributions are charged to operations on a current basis and represent the total pension obligations. There is no requirement to make contributions with respect to actuarial deficiencies of the Plan.

Employee future benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for resignation, retirement and ultimate removal costs based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service. The cost of the benefits reflects management's best estimates using expected compensation levels and employee leave credits.

NT Hydro provides severance and ultimate removal benefits to its employees based on employee start dates, years of service, final salary and point of hire. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Asset retirement obligations

On an annual basis, NT Hydro identifies legal obligations associated with the retirement of its property, plant and equipment. The fair value of the future expenditures required to settle the legal obligations are recognized to the extent that they are reasonably estimable and are calculated based on the estimated future cash flows necessary to discharge the legal obligations and discounted using NT Hydro's credit adjusted risk-free rate.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Accounting policies continued

The fair value of the estimated asset retirement obligations are recorded as a liability under other long-term liabilities with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability using NT Hydro's credit adjusted risk-free rate. The offsetting capitalized asset retirement costs are amortized over the estimated useful life of the related asset.

NT Hydro has identified some asset retirement obligations for its hydro, thermal transmission and distribution assets where NT Hydro expects to maintain and operate these assets indefinitely. Therefore, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations for these assets cannot be made at this time.

Environmental liabilities

Environmental liabilities consist of the estimated costs related to the management and remediation of environmentally contaminated sites. NT Hydro recognizes environmental liabilities when it is obligated or likely to be obligated to incur such costs and the costs of remediation can be reasonably estimated. NT Hydro reviews its estimates of future environmental liabilities on an on-going basis.

Government contributions

The contributions approved for purchasing property, plant and equipment are recognized as a deferred capital contribution. Contributions stemming from contribution agreements with the GNWT are repayable to the GNWT when the property, plant and equipment go into service. Contributions stemming from contribution agreements with the Federal Government, are not repayable and are amortized into income on the same basis as the amortization of the related property, plant and equipment when the related property, plant and equipment becomes used and useful. All other contributions are recognized as revenue in the year the contributions are spent.

Measurement uncertainty

To prepare these financial statements in accordance with GAAP, management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities and the cost to complete capital projects in progress. Actual results may differ significantly from these estimates. Significant estimates include amortization of assets, employee future benefits, fair values of financial instruments, regulatory assets and liabilities, asset retirement obligations and environmental liabilities.

Management's estimates and assumptions regarding regulatory assets and liabilities and the timing of NTPC's ability to recover the cost of these assets through future rates, are subject to decisions of the PUB as described in Note 4.

Financial instruments

The financial instruments of the Corporation include financial assets classified as held-for-trading, available-for-sale, loans and receivables or held-to-maturity and financial liabilities classified as held-for-trading or other financial liabilities.

Held-for-trading

A financial instrument that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term is required to be classified as held-for-trading. NT Hydro classifies cash, short-term

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Accounting policies continued

investments, short-term debt, derivatives and embedded derivatives as held-for-trading. These items are recorded at their fair value with gains and losses recorded in interest expense.

Available-for-sale

Assets that are not actively traded, but may still be sold as a result of changes in market conditions or for liquidity purposes are classified as available-for-sale. NT Hydro classifies its equity investments as well as its fixed income investments, other than immunized investments, as available-for-sale. These assets are recorded at fair value with any unrealized gains and losses recorded in other comprehensive income. As gains and losses are realized they are recorded in interest income.

Loans and receivables

Financial assets that are not actively traded are required to be classified as loans and receivables and accounted for at amortized cost using the effective interest rate method. NT Hydro classifies its accounts receivable as loans and receivables. These items are recorded at amortized cost using the effective interest rate method. Due to the short-term nature of receivables, their carrying value approximates their fair value.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets, other than those assets that meet the definition of loans and receivables, with fixed or determinable payments and a fixed maturity, which an entity has the positive intention and ability to hold to maturity. NT Hydro classifies its immunized investments as held-to-maturity. These assets are recorded at amortized cost using the effective interest rate method. As gains and losses are realized, they are recorded in interest income.

Other financial liabilities

NT Hydro classifies its long-term debt and accounts payable as other financial liabilities, which are accounted for at amortized cost using the effective interest rate method. These items are recorded at amortized cost using the effective interest rate method. Due to the short-term nature of accounts payable, their carrying value approximates their fair value.

Other policy decisions:

NT Hydro recognizes its regular-way purchases or sales (those which require actual delivery of financial assets or financial liabilities) on the trade date.

Transaction costs, other than in respect of held-for-trading items, are added to the initial fair value of the acquired financial asset or financial liability. Transactions costs for held-for-trading assets or liabilities are expensed as incurred.

Hedging relationships and derivative financial instruments

NT Hydro may enter into interest rate and commodity swaps to reduce its exposure to fluctuations in interest rates and commodity prices. NT Hydro does not enter into any derivative financial instruments for speculative purposes. As NT Hydro does not account for these contracts using hedge accounting, these instruments are measured at fair value with changes in fair value recognized under rate regulated accounting in the rate stabilization funds described in Note 4. The fair value of these instruments are included in Accounts payable, accrued liabilities and derivatives.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Accounting policies continued

New accounting changes

Financial instruments

In December 2006 the Canadian Institute of Chartered Accountants (CICA) issued two new accounting standards: Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, which became effective for NT Hydro beginning fiscal year 2008/09. Sections 3862 and 3863 will replace Section 3861, Financial Instruments – Disclosure and Presentation. The presentation requirements prescribed by Section 3863 are consistent with the requirements of Section 3861. The adoption of Section 3862 resulted in enhanced disclosures of risk management policies as well as the nature and extent of risk arising from financial instruments. These risks typically include credit risk, liquidity risk, and market risk. The additional disclosure required under these two sections is disclosed in Note 26.

Capital disclosures

In December 2006 the CICA issued accounting standard Section 1535, Capital Disclosures, which became effective for NT Hydro beginning fiscal year 2008/09. Section 1535 requires additional quantitative and qualitative disclosure to enable users to evaluate NT Hydro's objectives, policies and processes for managing financial capital. This information is disclosed in Note 5.

Change in accounting policy

Inventories

In June 2007 the CICA issued Section 3031, Inventories, which affects the measurement and disclosure of inventory. The measurement changes include the requirement to measure inventories at the lower of cost and net realizable value, which is different from the previous guidance of lower of cost or market. The new section also requires an entity to use a consistent cost formula for inventory of a similar nature and use, the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Enhanced disclosure around inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required. As a result of adopting Section 3031, NT Hydro reclassified its major spare parts and standby equipment previously included in inventories to property, plant and equipment. As these inventories are considered plant held for future use, no adjustment to amortization expense or accumulated amortization has been made for these assets. Prior period comparative amounts were restated in accordance with the transitional provisions. The inventories reclassified as at March 31, 2009 were valued at \$685 (2008 - \$524) and have been identified in Note 8 as Assets held for future use. In accordance with Note 2 on amortization, these assets have no amortization expense as they are not amortized until they are placed into service.

3. Future accounting changes

Goodwill and intangible assets

Section 3064, Goodwill and Intangible Assets, provides guidance on the recognition, measurement, presentation, and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Along with the release of Section 3064, Section 1000 was amended to clarify the application of the matching concept and to delete the references permitting the deferral of costs based on this concept. Section 3064 also provides specific guidance on the recognition criteria when intangible assets are developed internally. This section will be effective for NT Hydro's 2009/10 fiscal year. NT Hydro does not have any goodwill recorded on its books, and is currently evaluating the impact on its intangible assets and liabilities resulting from adoption of this section.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 3. Future accounting changes continued

Rate regulated operations

In December 2007 the CICA made two changes that will impact the way in which NT Hydro applies rate regulated accounting.

1. The temporary exemption from CICA Handbook Section 1100, "Generally Accepted Accounting Principles" which permits the recognition and measurement of assets and liabilities arising from rate regulation was removed; and
2. AcG-19, Disclosures by Entities Subject to Rate Regulation, was amended for changes in Section 1100 as well as changes in Section 3465 dealing with future income tax liabilities and assets.

These changes become effective for NT Hydro beginning in April 1, 2009. As permitted by Canadian GAAP, NT Hydro will use standards issued by the Financial Accounting Standards Board in the U.S. as another source of Canadian GAAP. The U.S. Statement of Financial Accounting Standards No. 71 - Accounting for the Effects of Certain Types of Regulation (FAS 71) allows for the recognition and measurement of rate regulated assets and liabilities. As the Corporation meets the requirements of FAS 71, the Corporation does not expect the impact of these changes on its consolidated financial statements to be material.

International Financial Reporting Standards

In 2006 the Accounting Standards Board (AcSB) of Canada announced its intention to adopt International Financial Reporting Standards (IFRS) as Canadian GAAP for publicly accountable entities. The changeover date for full adoption of IFRS for NT Hydro will be April 1, 2011. The Corporation has completed a scoping document which lays out the areas requiring the most resources related to the conversion as well as the differences in all other areas. NT Hydro will be working with consultants over the next year to identify and implement the changes in policies and procedures throughout the Corporation to comply with IFRS for comparative statements in 2010/11 and full implementation in 2011/12.

4. Financial statement effects of rate regulation

NTPC is currently the only NT Hydro subsidiary undertaking activities that are regulated by the PUB. As a result of rate regulation, the regulatory accounting policies adopted by NTPC differ from the accounting policies typically followed by unregulated entities. Specifically, policies in relation to regulatory assets and liabilities and amortization policies are different. A description and summary of the financial statement effects of rate regulation follows. The PUB has approved the accounting treatments described below.

Regulatory assets and liabilities

Regulatory assets and liabilities in these consolidated financial statements are accounted for differently than they would be in the absence of rate regulation.

Where regulatory decisions dictate, NTPC defers certain costs or revenues as assets or liabilities on the consolidated balance sheet and records them as expenses or revenues in the consolidated statement of operations in order to match these expenses and revenues against the amounts collected or refunded through future customer rates. Any adjustments to these deferred amounts are recognized in net income in the period that the PUB renders a subsequent decision.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 4. Financial statement effects of rate regulation continued

Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods, which are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. These liabilities reduce the future rate impact of disposal and remediation costs to customers.

Regulatory assets

	2009	2008	Remaining recovery period
Rate stabilization funds	\$ 13,153	\$ 7,388	Determined by PUB
Regulated employee future benefits	3,164	2,323	Determined by PUB
Reserve for injuries and damages	2,547	3,029	Determined by PUB
Regulatory costs	1,434	1,668	Determined by PUB
Water licensing deferral account	949	704	Determined by PUB
Normalized overhaul costs	611	(967)	Determined by PUB
Snare Cascades deferral account	248	470	Determined by PUB
Other regulatory assets	200	137	Determined by PUB
	<u>\$ 22,306</u>	<u>\$ 14,752</u>	

Rate stabilization funds

The rate stabilization funds were originally established by the PUB in 1997/98 through Decision 1-97 and updated through subsequent decisions. The funds mitigate the impact on utility rates from changes in diesel and natural gas fuel prices as well as fluctuations in hydro generation caused by water levels. The impact of any increases or decreases in fuel prices or hydro generation over the PUB approved amounts is deferred. The deferred amounts are accumulated until the PUB specified limits are reached and management's judgement deems the recovery (refund) appropriate, at which time rate-riders are applied, with PUB approval, to recover or refund the amounts necessary to bring the funds back to the approved limits. The remaining recovery period is indeterminate as the amounts deferred in the account depend on the market price of fuel and water levels on the Snare and Yellowknife river systems. Traditionally, once the PUB specified trigger limits are reached, the recovery period of the balance of the rate stabilization fund receivable (payable) has been 12 - 24 months.

In the absence of rate regulation, GAAP would require that actual fuel expenses be included in the operating results of the year that they are incurred. In 2008/09, fuel expenses were deferred and consequently lower due to the differences in fuel prices of \$7,980 (2008 - \$2,863) and the volume of available water generation of \$(616) (2008 - \$3,566). The increase to the balance of the stabilization fund accounts as a result of the change in the value of the fuel derivative was \$3,253 (2008 - \$nil). In 2009 the implementation of PUB Decision 27-2008 reclassified \$2,556 (2008 - \$nil) of fuel expense from the opening balances of the Yellowknife water and diesel stabilization fund accounts to property, plant and equipment. The net interest revenues accrued on the balance of the funds also decreased interest expense by \$308 (2008 - \$232). In 2008/09 \$179 (2008 - \$nil) of insurance proceeds were applied against the Inuvik fuel stabilization fund account as a result of settling an insurance claim.

There were four fuel stabilization fund rate riders in effect in 2008/09. These riders collected revenues related to fuel expenses deferred in prior years. In 2008/09 these riders collected \$2,425 (2008 - \$6,385) and were reported as fuel rider revenues with an offsetting and equal charge to fuel expense. In 2007/08 \$4,095 of the fuel riders collected was reported as fuel riders applied against the 2007/08

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 4. Financial statement effects of rate regulation continued

GRA shortfall and the remaining amount of the riders collected of \$2,290 was reported as fuel rider revenues with an offsetting and equal charge to fuel expense. .

The net effect of rate regulation on net income was an increase of \$5,765 (2008 - \$4,370).

Regulated employee future benefits

Regulated employee future benefits represent benefits accrued under employment agreements since April 1, 2001. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the rate at which hires, retirements, terminations and new employment agreements contribute to Employee Future Benefits (see Note 18). In the absence of rate regulation, GAAP would require that the actual cost of these events be expensed as they occurred. The net effect of rate regulation on net income was an increase of \$841 (2008 - \$371).

Reserve for injuries and damages

The reserve for injuries and damages includes costs for uninsured and uninsurable losses and the deductible portion of insured claims. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the types and size of emergencies NTPC faces during a given year. In the 2006/08 GRA, the PUB approved \$670 to be included in annual expenses for this fund. In 2008/09 actual costs deferred to this account totalled \$188 (2008 - \$1,102). In the absence of rate regulation, GAAP would require that the actual cost of these events be expensed as they occurred. The net effect of rate regulation on net income was a decrease of \$482 (2008 - increase of \$432).

Regulatory costs

Regulatory costs include all third party costs and staff overtime, supplies, services and travel NTPC incurs directly related to general rate applications and related regulatory proceedings. In the absence of rate regulation, GAAP would require that the actual regulatory costs be expensed as they were incurred. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the actual regulatory costs NTPC incurs and this will vary from year to year as regulatory issues arise. In the 2006/08 GRA, the PUB approved \$600 to be included in annual expenses for this fund. In 2008/09 actual costs deferred to this account totalled \$366 (2008 - \$1,037). The net effect of rate regulation on net income was a decrease of \$234 (2008 - increase of \$437).

Water licensing deferral account

The water licensing deferral account was established in PUB Decision 13-2007. This account is set up to mitigate the uncertainty around the costs to acquire and maintain water licenses associated with the Taltson hydro plant, Bluefish hydro plant and the Snare Hydro system. In the 2006/08 GRA, the PUB approved \$137 to be included in annual expenses for this fund. Costs allocated to this account in 2008/09 totalled \$382 (2008 - \$241). In the absence of rate regulation, GAAP would require that the cost of these events be expensed or capitalized as they occurred. The net effect of rate regulation on net income was an increase of \$245 (2008 - \$104).

Normalized overhaul costs

Normalized overhaul costs include costs over the life of the assets to overhaul hydro, diesel and natural gas units. In the absence of rate regulation, GAAP would require that major overhauls would be capitalized and amortized while all other overhaul costs would be expensed as they were incurred. In the 2006/08 GRA, the PUB approved \$1,693 to be included in annual expenses for this fund. The

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 4. Financial statement effects of rate regulation continued

balance in the account will depend on the frequency and the cost of overhauls and therefore the recovery period is considered to be indeterminate. In 2008/09 actual costs deferred to this account totalled \$3,271 (2008 - \$1,913). The net effect of rate regulation on net income was an increase of \$1,578 (2008 - \$220).

Snare Cascades deferral account

The Snare Cascades deferral account eased the impact on utility rates resulting from the Snare Cascades project being added to the rate base in 1997. The increase in costs caused by the hydro project addition to the rate base, net of savings from displaced diesel generation, was deferred for five years to be amortized and collected through a rate rider over the next ten years to 2011. In the absence of rate regulation, GAAP would require that the actual cost of operations resulting from operating the Snare hydro system with the addition of Snare Cascades be expensed in the year incurred. The rider revenues collected of \$259 (2008 - \$295) less an annual return earned on the balance in the account equal to \$37 (2008 - \$58), are applied against the balance in the deferral account. In 2008/09 the effect of rate regulation on net income as a result of the net rider revenue was a decrease of \$222 (2008 - \$237).

Other regulatory assets

Other regulatory assets include costs incurred for intangible assets that create a long-term benefit to customers. These costs are subject to recovery from the customers through PUB decisions. In the absence of rate regulation, GAAP would require that the actual cost of these events be expensed as they occurred. The remaining recovery period is indeterminate as the amounts deferred to the various accounts depend on what issues arise during the year. The amortization of the various accounts to deferred charges is done on a straight-line basis over periods ranging from 5 to 10 years. Consequently, in the absence of rate regulation, operational expenses would increase by \$136 (2008 - decrease by \$12) and annual amortization expense would decrease by \$73 (2008 - \$51). The net effect of rate regulation on net income was an increase of \$63 (2008 - decrease of \$63).

Fuel rider revenues

Rider revenues with an associated fuel expense:

	2009		2008	
	Rider revenues	Associated fuel expense	Rider revenues	Associated fuel expense
Rate stabilization funds	\$ 2,425	\$ 2,425	\$ 2,290	\$ 2,290
Snare Cascades deferral account	259	222	295	237
	<u>\$ 2,684</u>	<u>\$ 2,647</u>	<u>\$ 2,585</u>	<u>\$ 2,527</u>

Regulatory liabilities

	2009	2008	Remaining settlement period
	Reserve for future removal and site restoration	\$ 31,622	\$ 31,358
Deferred revenues	3,798	3,661	Determined by PUB
	<u>\$ 35,420</u>	<u>\$ 35,019</u>	

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 4. Financial statement effects of rate regulation continued

Reserve for future removal and site restoration

The reserve for future removal and site restoration is a deferral account that records the funds collected from customers for the future removal of assets and the restoration of the NTPC's operating sites that are not otherwise related to an asset retirement obligation or environmental liabilities. This reserve increases annually using PUB approved amortization rates applied over the estimated useful lives of the related assets on a straight-line average group useful life basis. Due to the long-term nature of the assumptions made in deriving these estimates, the amortization rates applied are periodically revised and updated for current information. Actual costs incurred in a given year for asset removals and site clean-up are charged to this account.

The remaining recovery period is indeterminate due to the amounts added to the fund and the amounts drawing down the balance of the fund each year. The amount by which the fund is drawn down each year depends on which assets are removed from service in that year, the cost of disposal, the site restoration projects undertaken in the year and the costs associated with those projects. The fund is built up each year based on the following rates and the balance in plant, property and equipment of those asset categories:

	<u>%</u>
Electric power plants	0.00 – 2.11
Transmission and distribution systems	0.00 – 1.88
Electric power plant under capital lease	0.00 – 0.26
Warehouse, equipment, motor vehicles and general facilities	(0.74) – 0.35

In the absence of rate regulation, GAAP would require that future removal and site restoration costs would be limited to asset retirement obligations and environmental liabilities and the removal and site restoration costs would be expensed in the year incurred if they did not relate to an asset retirement obligation or environmental liabilities and the remaining balance in the reserve would be taken into equity. In the absence of rate regulation NTPC's 2008/09 expenses would have been \$1,534 (2008 - \$1,225) higher by the amount of the removal and site restoration costs deferred. Amortization expenses were \$1,731 (2008 - \$1,686) higher than they would be in the absence of rate regulation.

In the absence of rate regulation, GAAP would also require the net change in the balance of asset retirement obligations (Note 16) and environmental liabilities (Note 17) to be booked to net income rather than to the reserve for future removal and site restoration. The net change in the reserve for future removal and site restoration account balance as a result of changes in the asset retirement obligations and environmental liabilities account balances recorded against the reserve for future removal and site restoration is an increase in the account balance of \$67 (2008 - decrease of \$72). The net effect of rate regulation on net income is a decrease of \$264 (2008 - \$389).

Deferred revenues

Deferred revenues reflect contributions to aid in the construction and acquisition of property, plant and equipment. Deferred revenues are amortized on the same basis as the related property, plant and equipment, and the resulting credit is offset against the corresponding provision for amortization of property, plant and equipment (Note 8). In the absence of rate regulation, GAAP would require that the contributions received in a given year be recorded in revenues for that year and amortization expense would not be offset by the amortization of the deferred revenues. The remaining recovery period is indeterminate as the account is increased each year by new contributions received from customers and drawn down by the straight-line amortization of the account balance. The amortization

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 4. Financial statement effects of rate regulation continued

rates for deferred revenues are the same as those found in Note 2 under Amortization. In 2008/09, revenues were \$3,381 (2008 - \$277) lower than they would have been and amortization on property, plant, and equipment was \$3,244 (2008 - \$392) lower than it would have been in the absence of rate regulation. The net effect of rate regulation on net income is a decrease of \$137 (2008 - increase of \$115).

Capitalized allowance for funds used during construction

The PUB allows NTPC to capitalize an allowance for funds used during construction (AFUDC) based on the most recent PUB-approved cost of capital which is 9.674% for 2007/08 and future years until the next GRA. The AFUDC rate includes a component for the return on equity. In the absence of rate regulation, GAAP would require that Interest During Construction (IDC) be capitalized based on the related cost of debt instead of an AFUDC. Therefore AFUDC as recorded by NTPC is higher than it would be in a non-regulated operation, as is the subsequent amortization of the capitalized equity component. Capitalized AFUDC is recorded as an offset to interest expense (Note 21). Due to the complexities in the calculation, it is not possible to make a reasonable estimate of the carrying value of the equity component of AFUDC to determine the impact of amortization on net income.

In 2008/09, approximately \$352 (2008 - \$372) was capitalized as the return on equity component of the capitalized AFUDC based on NTPC's most recent PUB-approved cost of capital structure.

Capitalized fuel

As per PUB Decision 27-2008, NT Hydro capitalized fuel associated with the new intake structure capital project at the Corporation's Bluefish dam. In the absence of rate regulation, GAAP would require that fuel costs be expensed in the year incurred. Therefore, fuel expense is \$2,556 (2008 - \$nil) lower and amortization expense is \$56 (2008 - \$nil) higher than they would have been in the absence of rate regulation. The net effect of rate regulation on net income is an increase of \$2,500 (2008 - \$nil).

The total net increase (decrease) to net income resulting from rate regulation is as follows:

	<u>2009</u>	<u>2008</u>
Rate stabilization funds	\$ 5,765	\$ 4,370
Regulated employee future benefits	841	371
Reserve for injuries and damages	(482)	432
Regulatory costs	(234)	437
Water licensing deferral account	245	104
Normalized overhaul costs	1,578	220
Snare Cascades deferral account	(222)	(237)
Other regulatory assets	63	(63)
Reserve for future removal and site restoration	(264)	(389)
Deferred revenues	(137)	115
Equity component of AFUDC	352	372
Capitalized fuel	2,500	-
Total increase in net income due to rate regulation	<u>\$ 10,005</u>	<u>\$ 5,732</u>

Revenues approved by the PUB to recover deferred amounts are not reflected in the above analysis.

NORTHWEST TERRITORIES HYDRO CORPORATION

5. Capital management

NT Hydro's capital structure as at March 31, 2009 and March 31, 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Long-term debt	\$ 155,825	\$ 151,978
Less: Sinking funds	27,954	45,924
Less: Unamortized premium, discount and issuance costs	<u>1,489</u>	<u>1,473</u>
Net long-term debt	126,382	104,581
Net lease obligation	1,540	1,446
Shareholder's equity	94,245	93,751
Less (addback) AOCI	<u>(1,125)</u>	<u>698</u>
Adjusted shareholder's equity	95,370	93,053
Total capital	<u>\$ 223,292</u>	<u>\$ 199,080</u>

NT Hydro's capital structure consists of its financing sources for capital projects: shareholder's equity, capital lease obligation and net long-term debt. The Corporation's opportunity to earn income is based on the amount of shareholder's equity it has invested in its rate base. The amount of debt for NTPC is limited to no more than three times shareholder's equity by the *NWT Power Corporation Act*. The amount of NT Hydro debt is also subject to the federally imposed borrowing cap on total GNWT debt of \$500 million under which the Corporation is required to comply. Both NT Hydro and NTPC comply with these external restrictions on their debt limits.

NT Hydro's objectives with respect to managing its capital structure are to maintain effective access to capital on a long-term basis at reasonable rates and within the limitations set by the *NWT Power Corporation Act* and the debt cap limitations of the federal government on the GNWT while striving to deliver targeted financial returns as set by the PUB. The Corporation manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing quarterly financial results. The Corporation has set a long-term debt capitalization target of 50/50. The debt capitalization ratio for 2008/09 is 57/43 (2008 - 53/47).

NTPC's capital structure is approved by the PUB as part of the Corporation's GRA process. The Corporation's long-term debt requires the approval of the GNWT and the PUB and to date has been subject to a guarantee by the GNWT. These objectives are consistent with previous years.

6. Accounts receivable

The aging of accounts receivable was:

	<u>2009</u>				<u>2008</u>
	<u>Current (less than 28 days)</u>	<u>29-90 days</u>	<u>Over 90 days</u>	<u>Total</u>	<u>Total</u>
Utility	\$ 11,110	\$ 2,397	\$ 1,143	\$ 14,650	\$ 18,676
Non-utility	669	560	394	1,623	2,982
GRA receivable 2006/08	5,712	-	-	5,712	8,627
Allowance for doubtful accounts	-	-	(248)	(248)	(186)
	<u>\$ 17,491</u>	<u>\$ 2,957</u>	<u>\$ 1,289</u>	<u>\$ 21,737</u>	<u>\$ 30,099</u>

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Note 6. Accounts receivable continued

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

	2009	2008
Balance, beginning of the year	\$ (186)	\$ (335)
Receivables written off	113	174
Increase to allowance	(175)	(25)
Balance, end of the year	<u>\$ (248)</u>	<u>\$ (186)</u>

Accounts receivable are reviewed for indicators of impairment. An allowance for doubtful accounts is included in accounts receivable. Additional disclosures on NT Hydro's exposure and management of risk associated with accounts receivable can be found in Note 26.

GRA receivable

On May 12, 2008, the PUB finalized the revenue shortfalls and interest for both 2006/07 and 2007/08 in Decision 16-2008. The effect of this decision was reflected in the 2007/08 consolidated financial statements.

The PUB finalized rates in Decision 27-2008 on NTPC's Phase 2 of the GRA October 31, 2008. The PUB decision approved final rates from the 2006/08 GRA, approved adjustments to rate riders to collect the shortfall from the 2006/08 GRA, approved rate riders to collect balances in the stabilization funds and directed NTPC to capitalize the fuel cost associated with the Bluefish capital projects. These adjustments were made in the 2008/09 fiscal year.

NT Hydro had two GRA shortfall receivable balances in 2007/08. The 2006/07 GRA shortfall receivable balance was reported in accounts receivable and the 2007/08 GRA receivable balance was reported as a regulated asset. Both of these balances were consolidated into a collective GRA receivable balance as of October 31, 2008 as per Decision 27-2008 and have been reclassified as accounts receivable.

7. Inventories

	2009	2008
Materials, supplies and lubricants	\$ 3,846	\$ 3,759
Fuel	131	322
	<u>\$ 3,977</u>	<u>\$ 4,081</u>

Inventories are comprised of fuel and materials, supplies and lubricants used in the production of electricity. Production fuel inventory is only held by the Corporation in four of its operating plants. The fuel requirements for the remaining plants are all managed under the fuel management services agreement described in Note 24. Fuel held as inventory and then expensed in 2008/09 totalled \$1,995 (2008 - \$1,822). The 2008/09 supplies and services expense includes \$712 (2008 - \$450) of materials, supplies and lubricants held as inventory throughout the year. The majority of materials, supplies and lubricants are used by the Corporation to make repairs, complete overhauls or generate electricity. A minor portion of materials, supplies and lubricants is used for undertaking revenue generating projects.

NORTHWEST TERRITORIES HYDRO CORPORATION

8. Property, plant and equipment

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	\$ 204,319	\$ (52,891)	\$ 151,428	\$ 144,656
Transmission and distribution systems	71,527	(15,853)	55,674	54,457
Electric power plant under capital lease	26,342	(5,135)	21,207	21,613
Warehouse, equipment, motor vehicles and general facilities	30,882	(10,534)	20,348	18,335
Other	8,458	(4,341)	4,117	4,231
Other utility assets	4,136	(1,237)	2,899	2,984
Assets held for future use	685	-	685	524
	<u>346,349</u>	<u>(89,991)</u>	<u>256,358</u>	<u>246,800</u>
Construction work in progress	18,021	-	18,021	10,357
	<u>\$ 364,370</u>	<u>\$ (89,991)</u>	<u>\$ 274,379</u>	<u>\$ 257,157</u>

Engineering and other direct overhead expenses capitalized during the year amounted to \$2,322 (2008 - \$1,170).

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9. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. As the sinking funds exist to fund the payout of long-term debt, sinking fund income is treated as a reduction of finance charges and is reflected in interest expense (Note 21).

The sinking fund agreements require annual installments to retire debt at maturity. Fair value information for sinking funds is included in Note 26. NT Hydro realized a mark to market return of 1.10% (2008 - 5.90%) on the general portfolio of sinking fund investments.

General portfolio

Cash and short-term investments include cash and fixed income investments with a term to maturity not exceeding one year. All fixed income securities are investment grade credit. NT Hydro's sinking fund policy limits investments in equities to 30% of the total sinking fund market value. Equities can be invested in two funds and are well diversified by sector, issuer, region and liquidity.

Immunized investments

Between February 2006 and November 2006 NT Hydro immunized a portion of the sinking fund investments for the redemption of the March 9, 2009, Sinking Fund Debenture. The assets held in Immunized Investments consisted of federal government guaranteed securities. NT Hydro used these assets to retire the March 9, 2009 debenture.

	2009		2008	
	Class value	Weighted average effective rate of return ⁽¹⁾	Class value	Weighted average effective rate of return ⁽¹⁾
Held-for-trading (fair value)				
Cash & short-term investments	\$ 2,443	0.48%	\$ 1,361	2.90%
Available-for-sale (fair value)				
Corporate bonds	10,511	5.83%	11,142	5.52%
Canadian equities	4,083	(24.52%)	1,570	(4.98%)
Provincial Government guaranteed bonds	3,731	5.14%	3,099	4.98%
Municipal Government guaranteed bonds	3,185	5.92%	2,999	5.70%
Federal Government guaranteed bonds	1,861	4.20%	10,685	4.14%
International equities	1,243	(3.70%)	-	x
US equities	897	(19.08%)	-	
	<u>25,511</u>		<u>29,495</u>	
Held-to-maturity (amortized cost)				
Federal Government guaranteed bonds	-		15,068	4.07%
Total	<u>\$ 27,954</u>		<u>\$ 45,924</u>	

¹ Equities rate is calculated based on time-weighted, mark to market return. All other rates calculated on market yield for cash and fixed income securities.

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10. Short-term debt

NT Hydro has a \$20,000 unsecured line of credit with its bank and on a temporary basis the bank will increase the operating line. NT Hydro also has access on occasion to short-term funds from its shareholder.

	<u>2009</u>	<u>2008</u>
Bankers acceptances and bank overdraft	\$ 17,857	\$ 21,420
Shareholder's advance	11,500	11,500
	<u>\$ 29,357</u>	<u>\$ 32,920</u>

The short-term debt outstanding at year-end had a weighted average 91 day term (2008 - 69 day term) and a 1.20% (2008 - 4.00%) weighted average annual interest rate.

11. Accounts payable, accrued liabilities and derivatives

	<u>2009</u>	<u>2008</u>
Accounts payable and accrued liabilities	\$ 17,573	\$ 22,500
Derivatives	3,253	-
	<u>\$ 20,826</u>	<u>\$ 22,500</u>

NT Hydro entered into two commodity swap agreements in Canadian dollars for Nymex heating oil. As the price of heating oil has a close relationship to the price of fuel the Corporation uses to generate electricity, the Corporation entered into these agreements as a means of managing the risk of price changes. NTPC has fixed the future price of approximately 65% of the fuel used for thermal generation. The first derivative was entered into on October 15, 2008 and the second derivative was entered into on November 3, 2008. Each of these derivatives settles in three periods - at the end of the month for each of July, August and September 2009.

As these derivatives impact the price of fuel for the Corporation, any change in the monthly fair value of the derivatives is recorded in the fuel stabilization fund accounts reported in Note 4.

12. Dividend payable

Pursuant to Section 29 of the *Northwest Territories Power Corporation Act*, the GNWT directed NTPC to declare a dividend of \$3,500 (2008 - \$3,500).

NORTHWEST TERRITORIES HYDRO CORPORATION

13. Long-term debt

	<u>2009</u>	<u>2008</u>
5.443% debenture, due August 1, 2028	\$ 25,000	\$ -
5.995% debenture, due December 15, 2034	25,000	25,000
10 3/4% sinking fund debentures, due May 28, 2012	20,000	20,000
6.83% amortizing debenture, due December 1, 2032	16,000	16,667
11 1/8% sinking fund debentures, due June 6, 2011	15,000	15,000
5% debenture, due July 11, 2025	15,000	15,000
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	7,654	7,824
9 3/4% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	6,751	6,908
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	6,720	6,879
11% sinking fund debentures, due March 9, 2009	-	20,000
	<u>155,825</u>	<u>151,978</u>
Less: Current portion	<u>1,202</u>	<u>21,153</u>
	154,623	130,825
Less: Unamortized premium, discount and issuance costs	<u>1,489</u>	<u>1,473</u>
	153,134	129,352
Less: Sinking fund investments (a)	<u>27,954</u>	<u>45,924</u>
Long-term debt net of sinking fund investments	<u>\$ 125,180</u>	<u>\$ 83,428</u>

a) \$20,000 from the 2008 sinking fund investment balance was used in 2009 to retire the 11% debenture due March 9, 2009.

Principal repayments and estimated sinking fund investment requirements for the next five years:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal repayments	\$1,202	\$1,255	\$16,311	\$21,379	\$1,451
Sinking fund investment contributions	\$2,110	\$2,110	\$ 2,110	\$ 1,410	\$ 460

14. Net lease obligation

NTEC loaned funds to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories from 1994 to 1996. The balance of the loan receivable is \$19,739 (2008 - \$20,193). The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NTEC's long-term debt issued to finance the loan. It is due July 2026 and is repayable in equal monthly payments of \$195. The loan is secured by a charge against the plant and the lease agreement.

NTPC has an initial 65-year lease for the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation until 2061. The value of the capital lease obligation is \$21,218 (2008 - \$21,624).

To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants in property, plant and equipment at an original cost of \$26,342.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 14. Net lease obligation continued

Upon consolidation, the loan receivable held by NTEC is offset with the capital lease obligation of NTPC resulting in a net lease obligation of \$1,479 (2008 - \$1,431). As a result, upon consolidation, in the early years there will be a net payment and in later years there will be a net receipt until such time as the loan receivable is fully repaid in 2026 when only the capital lease obligation payments continue until 2061.

The current portion of the net lease obligation is a receipt of \$61 (2008 - \$15) and is recorded in accounts receivable. Fair value information for the net lease obligation is included in Note 26.

The net lease obligation receipts over the next five years are:

2010	2011	2012	2013	2014
\$61	\$108	\$159	\$216	\$278

15. Deferred government contributions - Capital funding

In 2008/09 the GNWT signed two contribution agreements with NT Hydro's subsidiaries. The first agreement was a two-year contribution agreement with NTEC(03) to provide \$4,500 (2008 - \$2,000) in financial assistance for the Taltson hydro expansion project. In the current year \$3,000 of this funding was received and the remaining \$1,500 will be received in 2009/10. The funding received from the GNWT in the current year was spent in the following manner:

	2009	2008
Regulatory process	\$ 1,854	\$ 968
Engineering / Environmental work	417	136
Partnership	400	441
Legal / Finance	329	237
	<u>\$ 3,000</u>	<u>\$ 1,782</u>

The second agreement was a one-year contribution agreement with NTPC to provide \$190 in financial assistance for residual heat studies in three plants. As of March 31, 2009, only \$55 of this contribution had been spent on the studies and a payable for the difference of \$135 is recorded in accounts payable, accrued liabilities and derivatives.

The accumulated \$6,630 (2008 - \$3,575) in contribution funding includes \$5,375 (2008 - \$2,375) provided by the GNWT which is considered repayable to the GNWT should the Taltson Hydro Expansion Project proceed or if NTEC(03) acquires funding for these costs from other sources. The Taltson Hydro Expansion Project has not been given the authorization to proceed nor has NTEC(03) acquired funding for these costs from other sources, therefore at March 31, 2009, none (2008 - \$nil) of these amounts were repayable to the GNWT.

NORTHWEST TERRITORIES HYDRO CORPORATION

16. Asset retirement obligations

	<u>2009</u>	<u>2008</u>
Balance, beginning of the year	\$ 4,397	\$ 4,325
Liabilities settled	(1,095)	(1,123)
Accretion expense	86	98
Valuation adjustment	839	1,097
Additions	103	-
Balance, end of the year	<u>\$ 4,330</u>	<u>\$ 4,397</u>

Following is a summary of the key assumptions on which the carrying amount of the asset retirement obligations is based:

- Total undiscounted amount of the discounted cash flows - \$7,372
- Expected timing of payments of the cash flows – majority of expenditures expected to occur after 2030
- Discount rate is the credit-adjusted risk free rate of 5.75% for those obligations identified prior to 2009 and 5.87% for those obligations identified in 2009.

17. Environmental liabilities

NT Hydro estimates that it would cost approximately \$13,000 (2008 - \$13,000) to clean-up the environmentally contaminated soil at its 27 sites in the NWT. NT Hydro has recognized a provision for environmental liabilities of \$3,240 (2008 - \$3,240) for the portion of the remediation costs which it believes it is responsible for based on its analysis of the amount of soil impacted before and after the acquisition of the sites by NT Hydro on May 5, 1988 from the Northern Canada Power Commission.

18. Employee future benefits

NT Hydro and all eligible employees contribute to the Public Service Pension Plan (PSPP). This pension plan uses the accumulated benefit method for calculating future benefits and as such provides benefits upon retirement based on years of service and the five best consecutive years of earnings. The benefits are partially indexed to the increase at the Consumer Price Index. NT Hydro's contributions cover all of the costs associated with the pension obligation.

a) Contributions to the PSPP were as follows:

	<u>2009</u>	<u>2008</u>
Employer's contributions	\$ 1,981	\$ 1,880
Employees' contributions	930	823
	<u>\$ 2,911</u>	<u>\$ 2,703</u>

b) Liability for severance and ultimate removal benefits is as follows:

	<u>2009</u>	<u>2008</u>
Accrued benefit obligation, beginning of the year	\$ 2,350	\$ 2,437
Net increase in obligation for the year	892	269
Benefits paid during the year	(337)	(356)
Accrued benefit obligation, end of the year	<u>\$ 2,905</u>	<u>\$ 2,350</u>

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19. Other revenues

	2009	2008
Miscellaneous	\$ 288	\$ 84
Pole rental	281	249
Connection fees	264	187
Interest on GRA shortfall	174	222
Heat revenues	151	123
Contract work	77	474
	<u>\$ 1,235</u>	<u>\$ 1,339</u>

20. Amortization

	2009	2008
Property, plant and equipment	\$ 10,162	\$ 10,390
Deferred revenues (Note 4)	(18)	(392)
Regulatory and other assets (Note 4)	3,160	3,152
	<u>\$ 13,304</u>	<u>\$ 13,150</u>

21. Interest expense

	2009	2008
Interest on long-term debt	\$ 13,978	\$ 13,156
Short-term debt financing costs	502	840
Sinking fund income	(2,620)	(2,114)
Capitalized allowance for funds used during construction	(901)	(807)
	<u>\$ 10,959</u>	<u>\$ 11,075</u>

22. Government assistance

The GNWT provided \$1,006 (2008 - \$517) to NT Hydro and its subsidiaries for operating costs associated related to feasibility studies of mini and immersion hydro projects and programs related to apprenticeship, rate review, and micro turbines. Any funding not expended is repayable to the GNWT and as a result, \$230 (2008 - \$120) of the funding for mini hydro feasibility studies was not expended and is recorded in accounts payable, accrued liabilities and derivatives.

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23. Share capital

	<u>Number of shares</u>	<u>2009</u>	<u>Number of shares</u>	<u>2008</u>
Preferred shares				
Authorized:				
One preferred share, non-cumulative, without par value				
Issued and outstanding:				
Issued on incorporation (one dollar)	1	-	1	-
Common shares				
Authorized:				
One common share without par value				
Issued and outstanding:				
Issued on incorporation	1	\$ 43,129	1	\$ 43,129
	1	\$ 43,129	1	\$ 43,129

NT Hydro may only issue its shares to the Government of the Northwest Territories.

24. Commitments and contingencies

Capital projects

In March 2009, the Board of Directors approved a capital plan of \$19,730 (2008 - \$21,723) which includes the costs to complete projects already in progress at March 31, 2009.

Natural gas purchase commitment

NT Hydro has an agreement to purchase natural gas to produce electricity in Inuvik. The minimum obligation is to purchase 5,622,900 m³ of natural gas per annum until July 2014, consistent with NT Hydro's operational requirements. The price is calculated annually on August 1 and will depend on the Edmonton Average Unbranded High Sulphur Diesel Price as posted in the Bloomberg Oil Buyers Guide on that date.

Fuel management services agreement

NTPC has a fuel management services agreement with the Petroleum Products Division (PPD) of the GNWT. This agreement transferred the fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC to PPD, consistent with NTPC's operational requirements. The price of fuel under this agreement changes with the change in market price, the cost of freight and the amount of fuel purchased by NTPC from PPD in a given year.

Litigation

NT Hydro has been named as a defendant in two lawsuits. The first action names NT Hydro as a co-defendant in a lawsuit arising out of an all terrain vehicle accident. The second action was raised in 1999 and names NT Hydro as a co-defendant with the GNWT and the federal government in a claim for \$45,000 related to the construction of the hydro system on the Taltson River in 1965. It is management's estimate that no significant loss to NT Hydro will result from either of these claims. In

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 24. Commitments and contingencies continued

the event that either of these claims are not settled in favour of NT Hydro, NT Hydro has insurance which may cover all or a portion of the settlement cost.

Dyke breach

On June 15, 2006, a breach occurred at a dyke in the Snare Forks hydro system when water overtopped the dyke. The breach was closed and remediation work on the channel that was created has occurred with input from the Department of Fisheries and Oceans. The breach deposited silt into a lake and has impacted fish habitat. NT Hydro has been charged with one count under the *Fisheries Act* of depositing a deleterious substance in water frequented by fish. Penalties for this type of offence can range from nil to \$1,000 per occurrence. It is expected this matter will be resolved in court during 2009/10.

Workplace incident

On June 3, 2008, a contractor was working at NT Hydro's Snare hydro facility. An accident occurred that resulted in injury to a contractor's employee. On May 20, 2009, NT Hydro was charged with 15 violations under the *NWT Safety Act*. Other co-defendants were also charged with violations under the Act. Penalties can range from nil to \$500 per offence. It is too early to assess whether NT Hydro will be convicted of any of the charges. Resolution of these proceedings is expected in 2009/10.

25. Related party transactions

NT Hydro is a Territorial public agency and consequently is related to the GNWT and its agencies and corporations.

NT Hydro provides utility services to, and purchases fuel and other services from, these related parties. These transactions are at the same rates and terms as those with similar unrelated customers. Transactions with related parties and balances at year-end not disclosed elsewhere in the financial statements are as follows:

	<u>2009</u>	<u>2008</u>
Sale of power and other	\$ 22,825	\$ 25,539
Purchase of fuel from PPD	18,102	16,140
Dividend paid to GNWT	3,500	3,500
Other purchases and payments	1,266	2,541
Government assistance	776	397
Fuel tax paid to GNWT	481	567
Balances at year-end:		
Shareholder's advance (included in short-term debt)	11,500	11,500
Deferred government funding	5,430	2,375
Dividend payable to GNWT	3,500	3,500
Accounts receivable	2,572	2,212
Accounts payable to PPD	2,590	7,214
Accounts payable, accrued liabilities and derivatives	1,468	1,251
Government assistance repayable to the GNWT	365	120

NORTHWEST TERRITORIES HYDRO CORPORATION

26. Financial instruments

Risks – overview

The Corporation's financial instruments and the nature of risks which they may be subject to are set out in the following table.

Financial Instrument	Classification	Risks				
		Credit	Liquidity	Currency	Market risks Interest Rate	Other price
Measured at cost or amortized cost						
Accounts receivable	Loans and receivables	X				
Accounts payable	Other financial liabilities		X	X		
Long-term debt	Other financial liabilities		X		X	
Net lease obligation	Loans and receivables	X	X			
Measured at fair value						
Cash	Held-for-trading	X				
Short-term investments	Held-for-trading	X			X	
Short-term debt	Held-for-trading		X		X	
Derivatives	Held-for-trading	X	X		X	X
Equity investments	Available-for-sale	X		X		X
Fixed income investments	Available-for-sale	X		X	X	

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 by the Corporation:

	2009	2008
Accounts receivable	\$ 21,737	\$ 30,099
Snare Cascades loan receivable	19,773	20,193
Sinking fund fixed income investments	17,427	17,240
Sinking fund equity investments	6,223	1,570
Sinking fund short-term investments	2,443	1,361
Cash	5,327	698
	<u>\$ 72,930</u>	<u>\$ 71,161</u>

Accounts receivable

The majority of NT Hydro's accounts receivable are held by NTPC. NTPC minimizes accounts receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty-four percent (2008 – 34%) of NTPC's sales are to two other utilities. Nineteen percent (2008 – 20%) of sales are to the GNWT, through the Territorial Power Support Program and Housing Support Program. Note 6 analyzes the age of customer accounts receivable.

Snare Cascades loan receivable

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by an assignment of lease payments and the security of the hydro facility itself.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 26. Financial instruments continued

Cash and Sinking Fund Investments

NTPC minimizes the credit risk of cash and sinking fund investments by dealing with only reputable financial institutions and investing in securities that meet minimum credit ratings as stipulated by its investment policy and limiting exposure to any one security or asset class. An ongoing review is performed to evaluate changes in the status of counterparties. The sinking fund fixed income investments do not include federal instruments as these are deemed risk free.

Derivatives

NTPC minimizes the credit risk of its derivative financial instruments by dealing only with reputable financial institutions.

b) Liquidity risk

Debt liquidity risk is managed by the use of sinking fund and amortization provisions on eight of the eleven debentures. NT Hydro arranges its financing in such a manner that the total amount of debt maturing in any given year does not exceed its ability to borrow in any given year. This practice gives the Corporation 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.

Utilities are capital intensive companies and as such all utilities have a permanent amount of debt to finance their investments. The majority of utilities finance with debt requiring bullet repayments so as to maximize their cash flow and recognize that some of their debt will always exist.

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from the shareholder and by maintaining a \$20,000 operating line with a reputable financial institution. The operating line can be temporarily increased on a short-term basis if required.

The following table shows the maturities of the NT Hydro's short and long-term debt as at March 31, 2009.

<u>Timeframe</u>	<u>Dollar Value</u>	
	<u>2009</u>	<u>2008</u>
Less than 1 year	\$ 25,702	\$ 54,074
Greater than 1 year and not later than 6 years	41,926	43,130
Greater than 6 years and not later than 20 years	85,030	60,696
Greater than 20 years	27,667	27,000
	<u>\$ 180,325</u>	<u>\$ 184,900</u>

c) Currency risk

Accounts Payable

NT Hydro is exposed to currency risk by purchasing supplies and property, plant and equipment in U.S. dollars. The Corporation does not hedge the risk related to fluctuations in the exchange rate between the U.S. and Canadian dollar due to the short-term and relatively small dollar value of the exposure.

Sinking Fund Investments

NT Hydro is exposed to currency risk by making sinking fund investments in foreign securities. The Corporate sinking fund policy has the flexibility to allow the use of derivatives to effectively hedge the

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 26. Financial instruments continued

currency exposure if required. The foreign exchange risk from investing in foreign markets, both bonds and equities, is not hedged in the sinking fund portfolio. Investments are made in foreign markets which are forecast to perform well. Hedging the currency risk often results in reducing or eliminating any additional return earned on the investments from appreciating currencies. Hedging also reduces the diversification provided from investing in foreign markets.

d) Interest rate risk

Changes in market interest rates will cause fluctuations in the fair value or future cash flows of long-term debt, short-term debt, interest rate derivatives, and fixed income investments.

NT Hydro's short-term investments and short-term debt have short maturities and fixed rates, thus their fair value will fluctuate as the funds are reinvested or borrowed at current market interest rates.

All of the Corporation's outstanding long-term debt is fixed rate debt and the fair value of fixed rate debt fluctuates with changes in market interest rates but absent early redemption, cash flows do not.

Similar to long-term debt if the Corporation holds a derivative instrument in the form of an interest rate swap, the fair value fluctuates with changes in market interest rates but absent early redemption, as the fixed rate payer, cash flows do not.

e) Other price risk

Other price risk is the risk that the fair value or future cash flows of NT Hydro's financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

When NT Hydro holds a derivative instrument in the form of a fuel commodity swap, the fair value fluctuates with changes in market commodity prices but absent early redemption, as the fixed price payer, cash flows do not.

The Corporation's sinking fund policy allows investment in Canadian and foreign equity and changes in equity prices modify the fair value of the equity investments and future cash flows. To reduce the Corporation's exposure to equity price fluctuations, the policy allows the use of derivatives to effectively hedge the price changes.

f) Market risk

Market risk is the risk that the fair value or future cash flows of NT Hydro's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Net income and other comprehensive income could have varied if the Canadian dollar versus the U.S. dollar foreign exchange rates, market interest rates and equity investment prices varied by reasonably possible amounts from their actual balance sheet date values.

The sensitivity analysis of NT Hydro's exposure to currency risk at the reporting date has been determined based upon the hypothetical change taking place at the current balance sheet date. The U.S. dollar denominated sinking fund balances as at the balance sheet date has been used in the calculations. Purchases of U.S. denominated goods throughout the year have not been included in this analysis due to the small dollar value of these purchases.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 26. Financial instruments continued

The sensitivity analysis of NT Hydro's exposure to interest rate risk at the reporting date has been determined based upon the hypothetical change taking place at the beginning of the fiscal year and being held constant through to the current balance sheet date. Realized gains and losses on sinking fund fixed income sales throughout the year have been recalculated and the unrealized gains and losses at the current balance sheet date have been recalculated for comprehensive income. Long-term debt interest expense varies due to the August 2008 issue. Short-term interest expense and revenue will vary throughout the year.

The sensitivity analysis of NT Hydro's exposure to other price risk arising from equity investments at the reporting date has been determined based upon the hypothetical change taking place at the current balance sheet date. Changes in commodity derivative values through changes in market commodity prices do not affect net income and/or comprehensive income because these changes flow through the stabilization funds under rate regulated accounting.

These sensitivities are hypothetical and should be used with caution. Favourable hypothetical changes in the assumptions result in an increased amount, and unfavourable hypothetical changes in the assumptions result in a decreased amount, of net income and/or other comprehensive income. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear.

In the table, the effect of a variation in a particular assumption on the amount of net income and/or comprehensive income is calculated without change to any other assumption. In reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in more favourable foreign exchange rates as a result of the increased strength in the Canadian dollar), which might magnify or counteract the sensitivities.

	Reasonable possible changes in market risks		
	Exchange rate risk 10%	Market interest rate risk 25 basis points	Other price risk 10%
Net income	\$ 15	\$ 422	\$ 17
Other comprehensive income	195	322	622

g) Fair value determination

The carrying value of cash, short-term investments, accounts receivables, accounts payable and accrued liabilities, and short-term debt approximates their fair value due to the immediate or short-term maturity of these financial instruments.

The fair value of sinking fund investments were determined by using published price quotes. The fair value determination for long-term debt and the net lease obligation was estimated based on quoted market prices for Federal government bonds with the same or similar maturities adjusted for the credit spread at the point of issue.

The fair value of the Corporation's derivative financial instruments used to manage exposure to commodity price risk is estimated based on quoted market prices for the same or similar financial instrument.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 26. Financial instruments continued

As at March 31, 2009, the fair value and carrying value of NT Hydro's financial instruments are:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Corporate bonds	\$ 10,511	\$ 10,511	\$ 11,142	\$ 11,142
Canadian equities	4,083	4,083	1,570	1,570
Provincial Government guaranteed bonds	3,731	3,731	3,099	3,099
Municipal Government guaranteed bonds	3,185	3,185	2,999	2,999
Cash and short term investments	2,443	2,443	1,361	1,361
US and international equities	2,140	2,140	-	-
Federal Government guaranteed bonds	1,861	1,861	10,685	10,685
Immunized investments	-	-	15,068	15,231
Financial obligations				
Long-term debt	\$ 154,336	\$ 193,279	\$ 150,504	\$ 184,134
Net lease obligation	1,479	3,861	1,431	3,232
Derivative	3,253	3,253	-	-

h) Impairment

NT Hydro assesses the decline in the value of the individual investments for impairment to determine whether the decline is other-than-temporary. NT Hydro makes this assessment by considering available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the individual investment.

As at March 31, 2009, NT Hydro provided an allowance for doubtful accounts of \$248 (2008 - \$186) for some of its accounts receivable accounts with amounts outstanding longer than 90 days. The Corporation does not consider any other financial instrument to be impaired (2008 - \$nil).

NORTHWEST TERRITORIES HYDRO CORPORATION

27. Segment information

NT Hydro has two reportable segments: Regulated operations and Non-regulated operations. Regulated operations are operations under NTPC and include the generation, supply and distribution of energy regulated under the *Public Utilities Act*. Management assesses performance of the regulated operations based on the ability to meet targets set out by the Board of Directors. These targets cover the following areas: net income, customer service, safety and environmental, financial integrity, employee satisfaction, reliability and operational efficiency.

Non-regulated operations include operations from NT Hydro unconsolidated, Northwest Territories Energy Corporation Ltd. (NTEC), Northwest Territories Energy Corporation (03) Ltd., Sahdae Energy Ltd. and 5383 NWT Ltd. Management assesses performance of the non-regulated operations based on each company's ability to achieve its objectives.

Included in the Corporation's regulated operations are power sales to three customers that each purchase more than 10% of NT Hydro's power revenues as disclosed in Note 26 under credit risk.

	Regulated operations	Non- regulated operations	Total
Year ended March 31, 2009			
Revenues from external sources	\$ 83,858	\$ 108	\$ 83,966
Operating expenses including amortization	66,430	1,770	68,200
Earnings (loss) from operations	17,428	(1,662)	15,766
Interest income	197	-	197
Interest expense	10,793	166	10,959
Net fuel rider revenues	37	-	37
Government assistance	51	725	776
Net income (loss)	6,920	(1,103)	5,817
Capital expenditures	12,542	4,812	17,354
As at March 31, 2009			
Total assets	\$ 310,188	\$ 65,414	\$ 375,602
	Regulated operations	Non- regulated operations	Total
Year ended March 31, 2008			
Revenues from external sources	\$ 83,748	\$ 45	\$ 83,793
Operating expenses including amortization	63,934	1,056	64,990
Earnings (loss) from operations	19,814	(1,011)	18,803
Interest income	145	-	145
Interest expense	10,949	126	11,075
Net fuel rider revenues	58	-	58
Government assistance	47	350	397
Net income (loss)	9,115	(787)	8,328
Capital expenditures	16,607	1,979	18,586
As at March 31, 2008			
Total assets	\$ 309,942	\$ 63,032	\$ 372,974

NORTHWEST TERRITORIES HYDRO CORPORATION

28. Investments in joint ventures

Included in NT Hydro's financial statements, through its subsidiary NTEC, is the shared ownership (50%) in one residual heat project in Fort McPherson. The impact of this investment is as follows:

	2009	2008
Other revenues	\$ 95	\$ 45
Operating expenses including amortization	50	30
Earnings from operations	45	15
Interest income	3	3
Net income	<u>\$ 48</u>	<u>\$ 18</u>
Current assets	\$ 177	\$ 95
Long-term assets	629	611
	<u>\$ 806</u>	<u>\$ 706</u>
Current liabilities	\$ 11	\$ 5
Long-term liabilities	53	8
Shareholder's equity	742	693
	<u>\$ 806</u>	<u>\$ 706</u>
Cash flows provided by operating activities	\$ 113	\$ 31
Cash flows used in investing activities	(49)	7
Cash flows provided by financing activities	-	-

29. Comparative figures

Certain 2008 figures have been reclassified to conform to the financial statement presentation adopted for 2009.

Northwest Territories Hydro Corporation
Schedule of Write-Offs
For the year ended March 31, 2009 (unaudited)

	Account	Name	Amount
Behchoko			
	118621	Apples Edward	931.88
		Plant Total	931.88
Fort Smith			
	53782	Bassingthwaite Jim	574.10
	32265	902811 NWT Ltd.	13,420.69
		Plant Total	13,994.79
Fort Simpson			
	125164	Norwegian Savana/Harris Ben	712.78
	119053	Sibbeston Johnny	1,067.93
		Plant Total	1,780.71
Inuvik			
	110989	Berry Tanya	1,075.37
	110650	Berry Tanya	1,086.02
	118971	Blake Lindsey	890.48
	122633	Boudreau Lianne	2,786.10
	93272	Devine Tim	689.20
	122867	Elanik Carmen	532.93
	120989	Goodwin Maureen	507.38
	122274	Mansen Terri	863.10
	111187	Hurst Damen	598.72
	121037	Kendi David	1,236.75
	63395	Male Martin	677.91
	122766	McNichol Cindy	2,828.71
	123047	Noksana Agnes	556.32
	121730	Qamitaa Sales & Services	839.80
	120793	Ruben Jean	599.36
	115839	Shinnon Doug	3,140.19
	115840	Shinnon Doug	921.16
	117034	Shinnon Doug	1,968.20
	120670	Steen Warren	514.96
	119045	Stewart Frank	2,508.97
		Plant Total	24,821.63
Aklavik			
Norman Wells			
	49265	Kuyten Allan	569.12
	122070	McDonald Delanie	669.44
		Plant Total	1,238.56
Fort Good Hope			
	124123	Masuzumi Andy	3,665.09
	119463	Pierrot Ronald	1,211.37
	59162	Ramparts Hotel Ltd.	4,697.40
	118823	Ramparts Hotel Ltd.	4,140.36
	116736	Roth Darcy	3,039.43
	124317	Shae Alex	2,268.96
		Plant Total	19,022.61

**Northwest Territories Hydro Corporation
Schedule of Write-Offs
For the year ended March 31, 2009 (unaudited)**

Tuktoyaktuk			
	120800	Cockney Eric	1,158.00
	119662	Cockney Steve	1,119.65
			<hr/>
		Plant Total	2,277.65
Deline			
	118545	Bayha Collin	5,897.99
	123844	Betsidea Morris	1,638.68
	112949	Neyelle Jane	818.18
	123268	Neyelle Thomas	754.03
	120601	Reeves Ed	516.25
			<hr/>
		Plant Total	9,625.13
Tulita			
	123554	Carle Scott	1,367.72
	122183	Yallee Frank	1,371.28
			<hr/>
		Plant Total	2,739.00
Tsiigehtchic			
	118722	Andre Tanya	922.90
			<hr/>
		Plant Total	922.90
Holman			
	121202	Dunn Kevin	2,185.05
			<hr/>
		Plant Total	2,185.05
Sachs Harbour			
	122432	Dillon Brenda	740.38
			<hr/>
		Plant Total	740.38
Wrigley			
	114639	Moses Jesse	526.07
	25079	Petanea Co-op	10,567.26
	124131	Wild Rose Resources Ltd.	7,950.52
			<hr/>
		Plant Total	19,043.85
Fort Liard			
	118448	Berreault Grace	1,098.25
	36821	Deneron Harry	517.69
	118178	Kotchea Raymond	500.55
	111948	McLeod Willie	645.90
	116182	Powder Alex	742.93
			<hr/>
		Plant Total	3,505.32
Whati			
	53561	Nitsiza Bobby/Albina	1,404.30
	102537	Nitsiza Michael P	1,007.56
			<hr/>
		Plant Total	2,411.86
Lutsel K'e			
	124340	Catholique Irene	1,583.56
			<hr/>
		Plant Total	1,583.56
		Corporate Total	<u>106,824.88</u>

Northwest Territories Hydro Corporation

Directives

Date: February 27, 2009

Subject: Cabinet Director Northwest Territories Power Corporation - Payment of Dividend

Decision: The Executive Council directs that:

The Northwest Territories Power Corporation declares a dividend for the purpose of funding the Government of the Northwest Territories Power Subsidy Program for 2008/09 of \$3,500,000 and that the dividend be paid within 120 days of the dividend being declared.

NORTHWEST TERRITORIES HYDRO CORPORATION

Board of Directors' Remuneration

Remuneration for responsibilities as Directors of the NTPC and other companies in the NT Hydro Corporation group of companies is:

All Board Directors, with the exception of the Chairman, receive an annual retainer of \$6000 which is paid in quarterly increments. The meeting per diem is \$500 per day based on attendance. Travel per diem is \$500 per day and pro-rated for travel time. Teleconferences are \$200 based on attendance. There is no specific remuneration for preparation time. It is estimated that approximately twenty days is required of each Director annually for travel, meeting preparation and attendance.

In addition to remuneration as a Board member the Vice-Chairman of the Board receives an annual retainer of \$5000 which is paid in quarterly increments.

In addition to remuneration as Board member Committee chairpersons receive an annual retainer of \$5000 which is also paid in quarterly increments.

The Chairman of the Board is retained under separate contract to perform the specific functions of the Chairman which go beyond meeting preparation and participation. The current Chairman is compensated at the rate of \$1500 for each 8 hour day worked. The Chairman is expected to devote between 60 and 120 days annually to his duties.

Board meetings for all group companies are held at the same time.

Remuneration
2008/09 NT HYDRO CORPORATION SENIOR MANAGEMENT
BASE SALARY & AT-RISK COMPENSATION

POSITION	MINIMUM	MAXIMUM	Eligible % of Base Salary for At-Risk
President & CEO	237,100	288,200	0% - 25%
Director, Finance & CFO	151,300	183,900	0% - 15%
Director, Communication, Corporate Services & COO	151,300	183,900	0% - 15%
Director, Engineering	136,000	165,300	0% - 15%
Director, Information Systems & CIO	135,800	165,000	0% - 15%
Director, Human Resources	130,500	158,600	0% - 15%
Director, Hydro Region	127,100	154,400	0% - 15%
Director, Thermal Region	127,100	154,400	0% - 15%
Director, Business Development	135,400	164,500	0% - 20%
Corporate Secretary*	94,700	115,100	0% - 15%

Total Salary Paid to Officers in 2008/09 = 1,559,084

Total At-Risk Paid to Officers for 2008/09 = 118,900

Positions have been evaluated in accordance with the Hay Methodology of job evaluation. Pay rates for positions and employees are established by applying the following principles: fairness, consistency, equal pay for work of equal value, merit, reasonableness, competitiveness within the utility industry and market conditions.

There are two components under the At-Risk Compensation Plan, the Individual Objectives Component based on the achievement of objectives set for each position and the Performance Target Component; Performance Targets include Productivity; Reliability; Customer Service and Safety and Environment targets.

*50% of Salary and At-Risk is charged to NTPC.

**NORTHWEST TERRITORIES HYDRO CORPORATION
REGULATED OPERATIONS**

**Consolidated Financial Summary
For the Years Ended March 31
(\$000's)
(Unaudited)**

	2009	2008	2007	2006	2005
Operating Revenue	\$83,954	\$83,793	\$73,249	\$67,082	\$68,298
Fuel Rider Revenues	2,684	2,585	7,439	3,837	155
Operating Expenses	66,857	63,965	63,769	55,076	52,255
Fuel And Lubricants Expense	19,598	18,719	17,758	12,679	14,860
Interest Expense (Net Of AFUDC)	10,954	11,075	10,710	8,986	9,846
Earnings From Operations	17,097	19,828	16,919	16,178	15,898
Net Earnings	7,201	9,003	6,445	7,192	6,429
Dividend	4,350	4,300	3,500	3,500	3,300
Expenditures On Property, Plant And Equipment	15,236	18,586	16,555	22,690	28,161
Gross Property, Plant And Equipment	342,986	334,139	316,220	304,394	294,133

Our Communities, Our Commitment

The Corporation has a huge operational presence in the Northwest Territories, but our community commitment doesn't stop there. The Corporation also reinvests thousands of dollars into our communities through sponsorships and donations.

Our sponsorship and donations program invests in a variety of community oriented events and organizations with a primary focus on areas of sport, healthy lifestyles, education, arts & culture and environment. Whenever possible, the Corporation identifies sponsorships that benefit northern youth.

Sponsorships

Fort Smith Trade Show	Ecology North
NWT Basketball Association Cagers Tournaments	Inuvik 50 th Anniversary Celebration
NWT Association of Communities AGM	Taiga Adventure Camp
NWT Track and Field Championships	Start Your Engines Trade Show
Hay River NTPC Ice Breaker Hockey	Dene National Assembly
Native Communication Society of the NWT	CKLB – Dene National Assembly broadcast
Yellowknife Garden Collective	CKLB - Dene SSI Broadcast
Canadian Cancer Society Relay for Life	CKLB – Dene National Water Conference live broadcast
Mark Carney Lunch (Fort Smith, NWT Chamber)	CKLB - Dene Leadership Meeting live broadcast

Donations

Fort Smith Earth Week Committee	RCMP Hay River Spook-a-Rama
Fort Resolution 16 and Under Girls Soccer team	Canadian Cancer Society
Hay River Playschool	Inuvik Ingamo Hall Youth and Elders Fundraiser
NWT Literacy Council PGI Tournament	Hay River Education WOW Program
NTPC Adult Learner Award	Inuvik Minor Hockey
Whati Community festival - Donated a UPS	Tuktoyaktuk Youth Center
Hay River Speedway Association	LGANT AGM
DeBeers Charity Classic Golf Tournament	Rotary/Kiwanis Club Auction Hay River
Fort Simpson Nahendeh Golf Tournament	Hay River Community Public Swim
Corporate Golf Challenge	Secret Santa Hockey Challenge Hay River
Behchoko Canada Day BBQ	Hay River Chamber of Commerce
Kiwanis Golf Classic	Electricity Review Dinner – NWTAC Yellowknife
Fort Smith Golf Tournament	Polar Pond Hockey Tournament Hay River
Hay River Health and Social Services Authority	Bicycle Safety Rodeo
Hay River Museum Society	Whati Canada Day celebration
Hay River Business and Home Leisure Show – donation for Hay River Lions Club	CNIB Golf Tournament Yellowknife
Hay River Business and Leisure show – donation for Hay River Fire Department	Tlicho government – Meander River Hand Games
Ecole Boreal School – silent auction	Fort Smith Animal Society
Whati Recreation Committee	Salt River First Nation Aboriginal Day
Kiwanis Golf Classic Hay River	Fort Resolution Graduation Committee
Hay River Air Rally	Fort Smith Skating Club
Hay River Elks Club	Fort Resolution DKFN Community Wellness
Salt River First Nation – Akaitcho Assembly	Hay River Figure Skating Club
PWK School Trip Fort Smith	SRFN Akaitcho Assembly
Fort Smith Minor Hockey	

2008 LONG SERVICE AWARDS RECIPIENTS*

EMPLOYEE	POSITION TITLE	PLANT	YEARS OF SERVICE
Leguerrier, Yves	Plant Operator	Fort Smith	20 years
Jonasson, Gerald	Plant Superintendent	Lutsel K'e	15 years
Dosedel, Wilma	Customer Service Representative	Inuvik	15 years
Hofmann, Melissa	Human Resource Officer	Hay River	15 years
Gardiner, Vern	Stock Keeper	Hay River	15 years
Burgin, Robert	Electrician/Operator	Yellowknife	15 years
Leblanc, Wayne	Power line Coordinator	Fort Simpson	15 years
Munro, Donna	Human Resource Officer	Hay River	15 years
Goucher, Judy	Director, Finance & CFO	Hay River	10 years
Tkachyk, Wally	Mechanical Eng. Technologist	Hay River	10 years
Lafferty, Charlene	Financial Planning Technician	Hay River	10 years
Bouchard, Suzanne	Accounts Receivable Technician	Hay River	10 years
Eldridge, Robert	Plant Superintendent	Sachs Harbour	10 years
Hansen, Debbie	Manager, Customer Service	Fort Smith	10 years
Riche, Mark	Electrical Engineer	Hay River	10 years
Biggar, Peter	Mechanical Engineer	Hay River	10 years
Bennett, Marilyn	Customer Service Rep	Fort Smith	10 years
McNeely, Stanley	Plant Superintendent	Fort Good Hope	10 years
Courtoreille, Terence	Manager, Financial Planning	Hay River	10 years
Gostick, Bill	IT Help Desk Consultant	Hay River	5 years
Roche, Todd	Customer Service Manager	Fort Simpson	5 years
Rocher, Roberta	Human Resource Officer	Yellowknife	5 years
Janz, Craig	Diesel Mechanic/Operator	Yellowknife	5 years
Hardisty, Eric	Plant Superintendent	Fort Liard	5 years
Brown, Terry	Manager, Finance, Admin & CS	Yellowknife	5 years
Huculak, Darren	Mgr, Project Development & Finance	Corporate Office	5 years
Higgs, Steve	Heavy Duty Mechanic/Operator	Yellowknife	5 years
Smith, Edward	Environmental Analyst	Hay River	5 years
Myers, Mike	Powerline Coordinator	Yellowknife	5 years
Neyelle, Julia	Administrative Assistant/AP Clerk	Inuvik	5 years
Berrub, Myra	Coordinator Business & Energy Dev.	Hay River	5 years
Simpson, Marvin	Electrician	Inuvik	5 years

* Long Service Awards are based on a calendar year

NT Hydro Corporation
BOARD OF DIRECTORS
Members and Advisors
As of March 31, 2009

Lew Voytilla, Chairman	Peter Allen, Vice Chairman
Louis Sebert, Director	Marion LaVigne, Director
Stella Pellissey, Director	Daniel McNeely, Director
James Wah-Shee, Director	---

OFFICERS of the CORPORATION

Lew Voytilla, <i>Chairman</i>	Leon Courneya, FCA <i>President & CEO</i>
Judith Goucher, MA <i>Director, Finance & CFO</i>	Dan Grabke <i>Director, Business Development</i>
Cheryl Tordoff <i>Corporate Secretary</i>	---