

ee Nutaraqjuk • Donna Campbell • Joe Angootealuk
Francis Ruben • Evan Cornock • Wayne Martin
Aindow • John Vanthull • Brian Niziol • Joe Staszuk
Martel • Allen Allison • Stephen Kerr • Romy Lapak
nson • Joatamie Qillaq • George Cheyney
on • Ronnie Akerolik • Aaron Martin
eryle Donahue • Bonnie Lee Comeau
ony Manik • Patrick Lewis • David King
yne Leblanc • Tim Furey • Kenneth Boyer
• Paul Grant • Diana Moes • Brian Saunders
• Michael Ocko • Dwayne Bavard • Terry LeBlanc
• Sharmayne Hirst • Gary Elliott • Shohil Kanji
erie McPhee • Ethel-Jean Gruben • Nancy Magrum
• Kyler Clement • Alex Crawford • Stuart Robinson
ine Michel • Terence Courtoreille • Chris Chatwood
• George Slatter • John Davies • Randy Waddell
natuq • James Dasti • Adam Crout • Louise Schumann
el • Richard Taggart • Glenn Colton • Tim Farrell
n Cunningham • Rick Blennerhassett • Tony Jensen
on • Ralph Totalik • Alex Ittimangnak • Denis Rivard
de Norwegian • Phillip Andre • Shayne Stainbrook
• Cameron Aindow • Kesree Loutit • Pun Chu
lt • Debbie Plumadore • John Kuksuk • Bill Deans
ichael G. Coyne • Brian Willows • Cheryl McMeekin
arth Smith • Christine Jackson • Anthony Watier
Allan Crawford • Doreen Simon • Terry Rafferty

**Northwest Territories
Power Corporation
Annual Report
1996-97**



n Kaodloak • Dennis Wright • Axel Have • Cecil Fehr
lor • Shawn Woon • Pierre Dufour • Andrew Butler
Michael Yarema • Soloman Voisey • Phil Helwig
emore • Celina Hogaluk • James Tonka • Louis Cazon
• Jack Thompson • Peter Maher • Nancy Relucio
ro • Greg Mason • Aileen Kinch • Howie Thomas
issa Hofmann • Robert Chapman • Trisha Rymhs
anzell • Trevor Beswick • Meekalee Crawford





Head Office

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Hay River, NT X0E 1G2
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Fax (867) 874-5229

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5014 49 Street
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Fax (867) 669-3395

Regional Offices

Western Operations

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Inuvik, NT X0E 0T0
Phone (867) 777-7700
Fax (867) 777-4283

Central Operations

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Yellowknife, NT X1A 2P7
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Fax (867) 669-3316

Nunavut Operations

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Iqaluit, NT X0A 0H0
Phone (867) 979-7500
Fax (867) 979-5773

Long Service Employees

The Long Service Award program of personalized gifts and annual ceremonies is the Corporation's way of acknowledging employee commitment and years of service. Following are the recipients for 1996-97:

5 YEARS - 1990/91

Derek Aindow	Hay River
Robert Bolton	Yellowknife
Sharon Byrne-Craig	Iqaluit
Eddie Chocolate	Rae Lakes
Kyler Clement	Hay River
Rex Cockney	Tuktoyaktuk
Bonnie Comeau	Hay River
Evan Cornock	Yellowknife
Jimsey Dick	Inuvik
Cheryle Donahue	Hay River
Dale Finnemore	Fort Simpson
Gary Guy	Resolute
Steve James	Yellowknife
John Kaodloak	Holman
Stephen Kerr	Hay River
Al Kingdon	Iqaluit
Jake Kroeger	Iqaluit
Joseph Kukurski	Iqaluit
Jerry Lennie	Aklavik
Greg Mason	Yellowknife
Frank May	Arctic Bay
Marlene McMeekin	Hay River
Robert Morling	Iqaluit
Brian Niziol	Wrigley
Paul Ollerhead	Yellowknife
Tom O'Neill	Hay River
Arla Pringle	Hay River
Dan Roberts	Yellowknife
Randy Robinson	Rankin Inlet
Tammy Schofield	Hay River
Louise Schumann	Hay River
Shayne Stainbrook	Hay River
Seppo Vuorela	Hay River
Harald Wilson	Hay River
Michael Yarema	Rankin Inlet
Eric Yeager	Inuvik

10 YEARS - 1985/86

Reg Croizier	Yellowknife
Adam Crout	Iqaluit
Michelle Goldsberry	Inuvik
John Vanthull	Yellowknife

15 YEARS - 1980/81

Brian Campbell	Inuvik
Chris Chatwood	Yellowknife
George Cheyney	Inuvik
Lorna Clements	Fort Smith
Allan Crawford	Fort Smith
Ken Dies	Yellowknife
Marvin Dion	Coral Harbour
Gary Elliott	Norman Wells
Tim Furey	Yellowknife
Dan Grabke	Yellowknife
Romy Lapak	Hay River
Beth Olsen	Fort Smith
Robert Schmidt	Hay River
Mike VanBridger	Inuvik
John Wilkie	Inuvik

20 YEARS - 1975/76

Ralph Totalik	Taloyoak
Bob Weinberg	Iqaluit

25 YEARS - 1970/71

Louis Cazon	Fort McPherson
Wayne Martin	Fort Smith
Cliff Sweetland	Igloolik

30 YEARS - 1965/66

Bill Bourque	Hay River
Alex Crawford	Iqaluit

35 YEARS - 1960/61

Sydney Coulas	Hay River
Fred Wittlinger	Cambridge Bay

The Cover:

The Corporation's strength and future is in its people. In appreciation of their contribution, every employee as of March, 1997, is named on this year's cover.





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Northwest Territories Power Corporation

Report of the Board of Directors for
1996-97

The Honourable Charles Dent
Minister Responsible for the
Northwest Territories Power Corporation

I am pleased to submit to you the annual report of the consolidated financial position of the Northwest Territories Power Corporation for the 1996-97 fiscal year.

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

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'P. Alvarez'.

Pierre R. Alvarez
Chairman and CEO

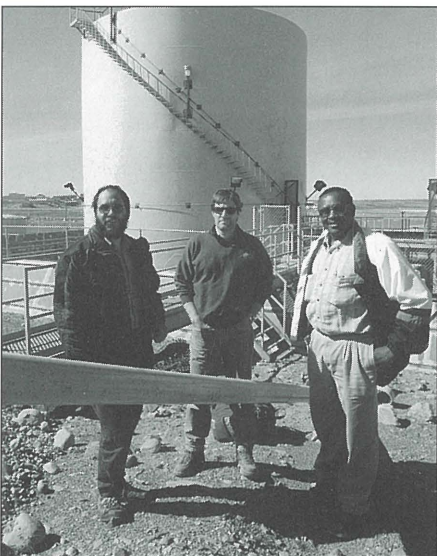
June 30, 1997



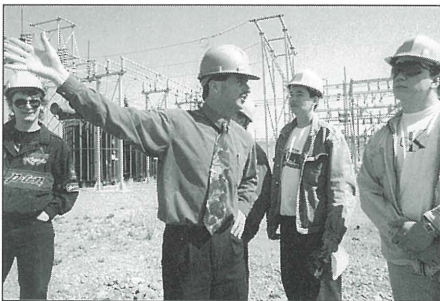
Northwest Territories Power Corporation Key Events of the Year 1996-97



Snow surveys are conducted annually on the Snare hydro system.



Environmental assessments will improve fuel handling and storage systems.



Training programs are a priority for all Corporation employees.

First quarter

- Pierre Alvarez is appointed Chairman of the Board, succeeding founding Chairman, Jim Robertson.
- After almost two years as President and Chief Executive Officer, Jim Guthrie resigns for a new post in the mineral exploration industry.
- Water levels on the Snare hydro system reach near record high levels after two low years. Lightning and technical problems cause numerous outages on the Yellowknife system.

Second quarter

- Environmental assessments are conducted on 12 Corporation plant sites as part of a system-wide survey. By the year 2001, some 54 sites will be evaluated.
- Leon Courneya, Vice President, Finance, is appointed President and Chief Operating Officer. Christine Jackson, previously holding the position of Central Region Finance and Administration Manager, is appointed Vice President, Finance and Chief Financial Officer.
- Dogrib Power Corporation's Snare Cascades hydro plant begins supplying power to the Yellowknife grid. The 4.3 megawatt plant is operated by the Corporation under a 65 year lease agreement.

Third quarter

- The Corporation's capital plan for 1997-98 is set at \$14.2 million, 12 per cent below actual spending the year before.
- A new 2 megawatt generator is installed in Iqaluit to back up rapid load growth.
- The Corporation's business plan for remaining as one company after division of the Territories receives approval in principle from the federal and territorial governments, and Nunavut Tunngavik Inc.
- Baffin region plant operators become the first graduates of the Corporation's Operator Training course. More than 70 operators across the NWT will be trained by the end of 1997.

Fourth Quarter

- Residual heat from diesel generators in Fort McPherson starts flowing to commercial customers.
- The purchase of the Sanikiluaq power station from the territorial government is finalized.
- A 15-year licence to continue operating the Taltson hydro station near Fort Smith is approved by the NWT Water Board.
- Two 80-kilowatt wind generators are commissioned in Kugluktuk.
- A 30-month collective agreement is ratified by the bargaining unit of the Union of Northern Workers. Fourteen contract operator positions become staff positions, for a total of 284 staff and management across the Corporation.
- The General Rate Application for the years 1996 through 1998 is virtually completed, establishing the first rate base changes since 1992.
- The Corporation's first annual Pole Top Rescue Competition, held in Yellowknife, is won by Allan Kingdon of Iqaluit.



The Corporation is a regular contributor at the Nunavut Trade Show in Iqaluit.

Highlights

	1997	1996
<i>(thousands of dollars unless otherwise indicated)</i>		
Earnings from operations	20,694	19,680
Net earnings	9,106	10,665
Cash flow	22,052	19,448
Dividend	5,854	4,292
Expenditures on property and equipment	16,135	17,443
Debt	156,822	128,820
Debt/debt plus equity (per cent)	61.8	57.9
Return on average regulated equity (per cent)	9.7	11.9
Sales (MWh)	438,649	460,540
Generation(MWh)	493,172	502,513



In Umingmaktok, the Honourable Charles Dent, (right) Minister Responsible for the NWT Power Corporation, saw new energy technology at work. A hybrid wind-solar-diesel system, installed by Ivo Mitev of Midnight Sun Energy Supply Ltd. of Yellowknife, keeps freezers and a meeting hall powered year round in the tiny coastal community. The Corporation is investigating this application on a larger scale.



In Fort McPherson, welding continued on Aadrii Ltd.'s district heating system through the winter. The insulated pipe carries residual heat from diesel generating engines to customers in community buildings.

Chairman's Message

The 1996-97 fiscal year saw the Northwest Territories Power Corporation engaged in a range of forward-thinking policy and operational initiatives which, as we enter our tenth year, will continue to improve our performance as the supplier of safe, reliable and cost effective power to the people of the NWT.

Slight Downturn in Sales

One of the barometers of any economy is the sale of electrical energy, and this past year reflects the monetary constraints the NWT is coping with. In this respect, electrical energy sales of \$96.1 million were slightly below the previous year and approximately \$4 million short of expectations. The bottom line impact is a decrease of \$2 million from expected net earnings, to \$9.1 million, or \$1.6 million below last year.

For the first time since 1988, sales of power did not follow the growth pattern that has averaged about two per cent each year. In Yellowknife, our biggest service area, sales were down \$400,000.

The result can be attributed, in part, to continuing reductions in government domestic accounts (which pay higher power rates) due to more tenants and owners shifting to private domestic accounts (paying lower rates). The continued impact of government restraint at federal and territorial levels hurt earnings and sales in all customer classes. In addition, warmer fall weather across the North, reduced sales to mines, an apparent trend toward greater conservation and reduced economic activity all had an affect on sales.

The Corporation is putting additional resources into improving forecast accuracy and responsiveness to changes in the market.

In almost every other area, the past year marked levels of very satisfactory achievement and performance.

Establishing Partnerships

One of the highlights of the year was the commissioning of the Fort McPherson district heating system in February. This innovative business, Aadrii Ltd., is an equal partnership between the Corporation and the Gwich'in Development Corporation. One million dollars was invested by the two partners in an above-ground pipe system to carry and sell residual heat from our diesel engines to public and commercial buildings around the community. It is creating revenues from a valuable by-product, reducing costs for customers, and will be a tremendous benefit to the environment through reduced emissions. We are already at work on similar projects in many other NWT communities.

Committed to the Environment

The Corporation has also assumed an expanded environmental agenda, with the appointment of J. Andrew Nelson as Director of Environmental Affairs, in addition to his duties as Director of Internal Audits. He is leading a five-year assessment program to evaluate all Corporation sites (and, where warranted, adjacent lands) for fuel and oil residues. If required, remedial action will be planned with environmental regulators and the community involved. This program is undertaken



The Board of Directors held one of its quarterly meetings at Trappers Lake Lodge in Yellowknife.

voluntarily by the Corporation and is one of the first of its kind on a territory-wide basis. It follows other environmental initiatives by the Corporation, including PCB removal, waste oil furnace installations, and expanded training in plant management and fuel handling.

Regulatory Decisions

The Corporation has also achieved favourable rulings on regulatory matters, with the conclusion of its 1996-98 General Rate Application before the Northwest Territories Public Utilities Board (PUB). A new element of this process was the successful negotiated settlement of rates. This cooperative approach to rate setting among the Corporation, intervenors and the PUB, helped reduce the time and expense involved. All parties are optimistic this process will lead to further improvements in the overall rate setting system.

The PUB also approved the Corporation's request for economic incentive rates for two innovative proposals to use excess Taltson hydro power at Fort Smith. The Northwest Territories Water Board approved a 15-year renewal of the Taltson water licence.

The Corporation achieved a new level of responsibility in labour relations with the delegation of full collective bargaining authority from the Government of the NWT. The Union of Northern Workers and the Corporation successfully negotiated a 30-month agreement, effective April 1996.

Training a Top Priority

Training for employees continues to be a priority for the Corporation. Employees in the Nunavut region completed an intensive, three week Plant Operator training course designed to improve safety, efficiency and technical knowledge. A total of 70 operators will have completed the course by the end of 1997. The past year also saw the first annual Pole Top Rescue Competition, a valuable training exercise that promotes lifesaving skills for line crews. Next year's competition is planned for Hay River.



The late Jack Hardy, a pioneer businessman in Tulita (formerly Fort Norman) was celebrated by the Corporation in June, 1996, with the naming of the new Jack Hardy power plant in that community. At a ceremony in Yellowknife, Mr. Hardy (seated, right) was joined by Chairman Pierre Alvarez and (standing from left) son Rick Hardy; Corporate Secretary Jeannee Johnson, and Board Member Gordon Stewart. Mr. Hardy passed away early in 1997.

Saving Energy Means Savings for All

As businesses, homeowners and governments become more responsible for the cost of their own utilities, there are growing demands for the more responsible use of heating, electrical and water utilities. Along with other agencies and the Northwest Territories Association of Municipalities, the Corporation is a core partner in a new initiative called the Arctic Energy Alliance. It will promote greater cooperation, awareness and the implementation of ways to save and better manage valuable energy resources.

Business Plan for Division

The creation of Nunavut and a new western territory, through division of the NWT in 1999, will radically change the face of Canada's North. But the delivery of reliable electrical power is something that can and should continue unaltered – at the lowest possible cost and with the least impact on the workforce. This strategic direction by the Board of Directors in 1995 resulted in the Corporation's business plan for managing its affairs through division.

The plan calls for the Corporation to remain as one entity, owned in partnership by the governments of Nunavut and the western territory, with continuance under the Canada Business Corporations Act. The plan received support in principle from our employees and federal, territorial, regional and municipal organizations. The coming year will be critical to the progress of this plan, as it proceeds through the legislative and public consultation process. To help in the transition, our objective is to see implementation of the plan before division takes place in April 1999.

Dividend Continues to Rise

The Territorial Power Support Program is a government subsidy program paid for by dividends from the Corporation. The \$5.9 million cost for 1995-96, saw an increase of 36 per cent from the previous year and 250 per cent from 1988, when the Corporation was created. Dividend payments have now reached conventional commercial levels, and continued growth will impede the financial interests of the Corporation. The Board of Directors has advised the Government that growth in the Program is an issue that should be addressed.



Bernie Campbell, the Corporation's first Director of Safety, retired in March of 1997 after nine years of dedicated service.



Personnel and Board Changes

During the past year, the Board of Directors saw the departure of member Brenda Clake of Iqaluit, and President and CEO Jim Guthrie, along with the appointment of Simon Merkosak of Pond Inlet. I wish to personally recognize the outstanding service of members Lyle Hawkins of Cambridge Bay and Norman Olsen of British Columbia, whose terms drew to a close in May of this year. I would also like to note that Nancy Karetak Lindell of Arviat, whose appointment took effect in March, will not be continuing her Board duties, due to her election as Member of Parliament for Nunavut. We wish her every success.

1996-97 saw the appointment of President and Chief Operating Officer Leon Courneya, after seven years previous experience with the Corporation. His management team also came from within Corporation ranks, and includes Vice Presidents Rick Blennerhassett (Operations) and Christine Jackson (Finance). They are demonstrating a progressive leadership approach in implementing new budgeting, planning and information technology, with greater input and accountability from the field.

The Board of Directors would also like to acknowledge those employees who have distinguished themselves in their duties, and their communities: Lineman Stewart Wilkerson of Rankin Inlet who drove eight hours by Bombardier in blizzard conditions to help restore power to a stormbound Arviat in January; Alan Kingdon of Iqaluit, the top lineman in the Corporation and winner of the Poletop Rescue Competition; and Bernie Campbell of Hay River, who retired after nine years as the Corporation's first Director of Safety and who made a great contribution to the record of safety and environmental issues.

As we enter the tenth year of operation as a northern company and the 50th year as an electrical utility, I am reminded that our core task is to maintain reliable, 24 hour service to our customers, every day of the year. To all our employees, named on the front cover of this report, I congratulate and thank you for your professionalism and commitment to our customers, and to the Corporation, during this past year.

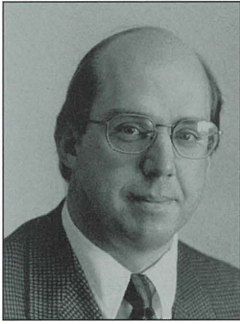
On behalf of the Board of Directors,

Pierre R. Alvarez
Chairman and CEO

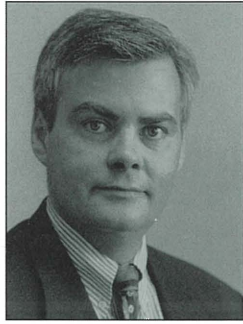
Emerging mine developments are potential new markets for future power developments. Corporation officials and guests toured camps at both BHP Diamonds (shown here) and the Diavik project last summer.

Northwest Territories Power Corporation Board of Directors

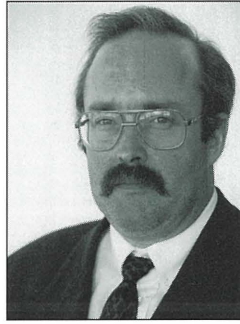
The Corporation's affairs are overseen by a board of directors, the majority of whom are residents of the Northwest Territories and customers of the Northwest Territories Power Corporation. The members oversee the development, adoption and implementation of the Corporation's strategies.



P.R. Alvarez,
Chairman & Chief
Executive Officer,
Yellowknife, NT



R.D. Williams,
Vice Chairman,
Yellowknife, NT



L. Courneya, CA,
President & Chief
Operating Officer,
Hay River, NT



B. Clarke¹,
Canadrill Ltd.,
Iqaluit, NT



R. Hardy,
Retired Businessman,
Tulita, NT

Advisors:

F.F. Abbott, FCA, CVB
Retired Partner
Coopers and Lybrand
Calgary, AB
E.W. Humphrys, P.Eng.
Retired
Ottawa, ON

Committees:

Audit & Efficiency Committee
R.D. Williams, Chairman
P.R. Alvarez
R. Hardy
G.M. Stewart
F.F. Abbott, Advisor
Compensation Committee
J.H. Parker, Chairman
J.N. Olsen, Past Chairman
P.R. Alvarez
L. Hawkins
S. Merkosak

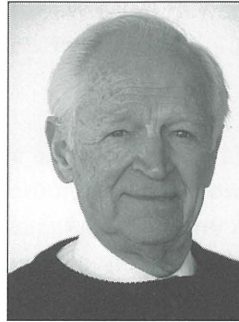
¹ Term expired May 14, 1996
² Term effective May 15, 1996



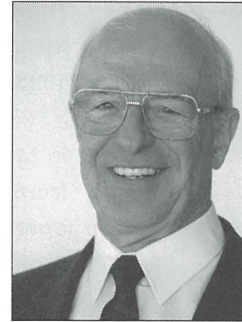
L. Hawkins,
Fred H. Ross &
Associates,
Cambridge Bay, NT



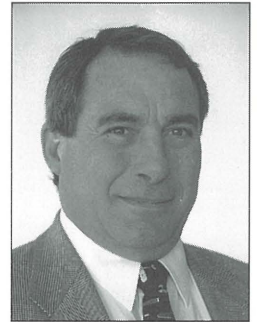
S. Merkosak²,
Merkosak
Construction,
Pond Inlet, NT



J.N. Olsen, P.Eng.,
Retired
West Vancouver, BC



J.H. Parker, O.C., P.Eng.,
Retired
Sidney, BC



G.M. Stewart,
Braden Burry
Expediting,
Yellowknife, NT

Northwest Territories Power Corporation Leadership Team

Officers:

Pierre R. Alvarez
Chairman & Chief Executive Officer

Leon Courneya, CA
President & Chief Operating Officer

R.A. (Rick) Blennerhassett, P. Eng.
Vice President, Operations

Christine A. Jackson, CA
Vice President, Finance & Chief Financial Officer

Derek Aindow
Director, Personnel

Robert Blowers
Director, Materials Management

Bill Braden
Director, Corporate Development

Pun Chu, P. Eng.
Director, Western Operations

John R. Davies
Director, Operations Support Services

Axel Have, P. Eng.
Director, Nunavut Operations

W. Jeanne Johnson
Corporate Secretary

John Locke
Director, Information Systems

J. Andrew Nelson
Director, Internal Audits and Environmental Affairs

Dan Roberts, P. Eng.
Director, Central Operations

Robert M. Sadleir, CA
Director, Finance

Gerd Sandrock, P. Eng.
Director, Engineering

Howie Thomas
Manager, Regulatory Affairs

Operational Review 1996 - 97

Nunavut Operations:

In November of 1996, the Eastern Region was renamed "Nunavut Operations" and the Cambridge Bay Area, with the addition of Kugluktuk was placed under the administration of Iqaluit. With this change, the realigned Nunavut region is operationally responsible for all plants in the future territory of Nunavut.

The 2.0 megawatt (MW) Wartsila genset, was installed and commissioned in the Iqaluit Plant in November of 1996 and was used to supply load during the winter of 1996-97.

In March of 1997, the satellite plant operators from the Kitikmeot Area graduated from the Corporation's in-house Plant Operator Training program. All of the plant operators in the Nunavut Region have undertaken and successfully completed this comprehensive upgrading program.

Western Operations:

The Corporation's newest plant in Tulita was officially opened on June 22, 1996 and was named in honour of Jack Hardy, father of one of the Corporation's longest serving board members – Rod Hardy. Built at a cost of just under \$4 million, this plant is the culmination of several years experience in plant design and will form the basis for future designs. The Corporation's engineering group played a major role in the design, construction and commissioning of this facility. With this project, the group's skill has matured to the level of complete in-house development, should the need arise for a similar undertaking.

Central Operations:

Due to several lightning related outages, coupled with problems caused by the commissioning of the new Snare Cascades hydro plant, outside expertise was required to review and recommend measures to enhance and increase system reliability. This led to the immediate implementation of several improvements, as well as forming the basis for capital improvements for 1997-98 and subsequent years.

The Johnny Simpson hydro plant refurbishment project was completed in August, 1996. This project, costing close to \$3 million dollars, should see increased output and greater responsiveness to system disturbances over the next two to three decades.

During the summer of 1996, the new Snare Cascades hydro plant was commissioned and added to the Snare Hydro generator lineup. Peaking at 4.3 MW, this plant will bring the annual hydro generation component up to 177,000 MW hours available in an average year.



The First Annual Pole Top Rescue Competition was held in March, 1997, to test life-saving skills among line crews from across the NWT. Dwayne Rohne of Fort Smith was one of six Corporation competitors.



Operations Support:

Staff in this group continue to provide close technical support to the regions in areas such as:

- Assistance with a fuel contamination problem in Iqaluit
- Installation of the 2.0 MW Wartsila in Iqaluit
- Installation of new Supervisory Control and Data Acquisition systems in Inuvik and Yellowknife
- Electrical refurbishment of the Taltson hydro plant
- Upgrading of piping systems and installation of additional tankage at the Corporation's Nalluk Tank Farm in Tuktoyaktuk
- Administration of the Corporation's Lineman Apprentice team
- Development of Corporate Standards in Distribution Construction and in Mechanical Maintenance of diesel gensets
- Provision of technical support to the Plant Operator Training Program and the Shift Operator Training Program
- Implementation of remote meter reading technology in the Yellowknife area
- Technical support to the Central Region in hydraulic operation of the Snare and Taltson hydro systems
- Provision of technical advice to various regions in support of the Programmable Logic Controls installation program

Safety Support:

On March 31, 1997, Bernie Campbell, the Corporation's first Director, Safety retired after 9 years of exemplary service. He was succeeded by two Managers of Safety, Brian Willows in the Western/Central region, and Ernest Murdoch in Nunavut. During his last year of service, the implementation of the Corporation's Plant Operator Training and the beginning of development of the Shift Operators Training, were key programs initiated by Mr. Campbell.

Apprentices in the electrical and line trades met Corporation officials during training in Hay River in 1996. From left: Chairman Pierre Alvarez; Robert Bergen (Inuvik), Troy Bradbury (Fort Simpson), Joe Sageatook (Iqaluit), Past President Jim Guthrie, Ronnie Akerolik (Rankin Inlet), Andrew Porter (Cambridge Bay) and Fred LeMouel (Yellowknife).



Line crews completed a critical splice repair on the Snare Yellowknife transmission line in January.

Engineering Group:

A new Director, Engineering, Gerd Sandrock, P.Eng., was appointed in September of 1996. In conjunction with the Vice Presidents of Operations and Finance, a series of improvements to the Capital Budgeting Process have been designed.

Engineering staff attended various conferences and seminars across North America to keep current with developing technologies and alternative providers of equipment. Major projects managed by the group included:

- Installation of new gensets and controls in Kugluktuk
- Installation of a modular genset in Déliné
- Upgrading of the Johnny Simpson hydro plant
- Reconfiguration of the 34.5 kilovolt substation at Yellowknife
- Bio-remediation of oil spill area in Repulse Bay
- Improvements to EMD diesel plant electrical systems at Yellowknife

Energy Utilization Group:

This group was formed in 1996 and given the mandate to manage projects involving the use of residual heat from our diesel plants, wind energy, and the exploitation of alternative technologies. This group managed the Corporation's joint venture project with the Gwich'in Development Corporation in Fort McPherson and successfully installed a district heating system in the community.

Power plant operators and superintendents display new coveralls and certificates from their training course in Cambridge Bay. Back row (left to right) — Jack Thompson, Rankin Inlet; Charlie Simpson, Wha Ti; James Tonka, Nahanni Butte; Louis Balsillie, Fort Resolution; Dolphus Hardisty, Fort Liard; Gerald Jonasson, Lutsel k'e. Front Row — Dan Roberts (Director, Central Operations) Yellowknife; Claude Trudel, Fort Simpson; Edward Chocolate, Rae Lakes; Dale Finnmore, Fort Simpson; Robert Douglas (mechanic), Fort Simpson.



In November of 1996, the Energy Utilization Group installed two 80 kilowatt (kW) Lagerway wind turbines in the community of Kugluktuk. The Group continues to monitor the output and costs of the installation to establish overall economics of wind energy in the arctic.

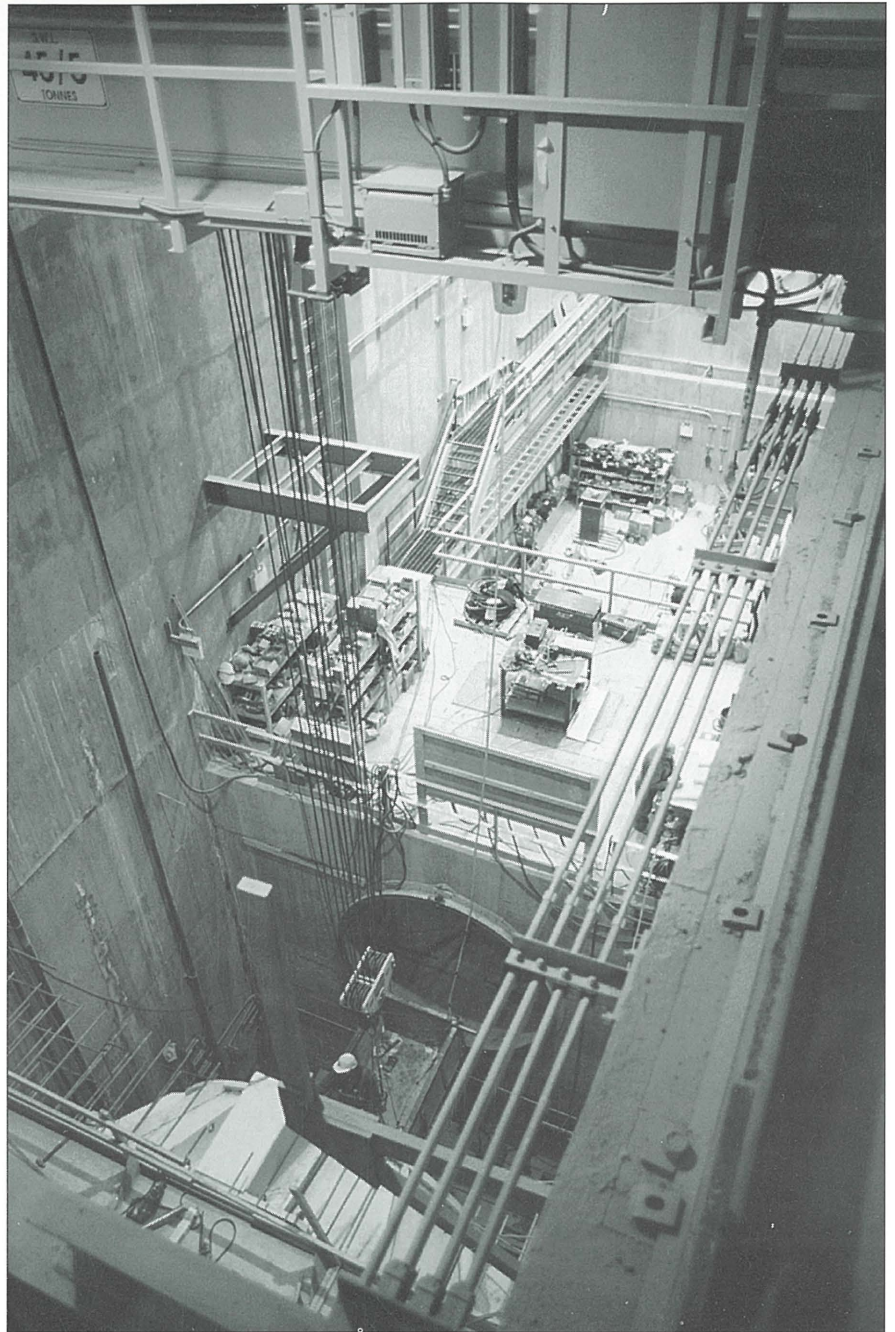
To evaluate different brands of wind turbines, two 50 kW Atlantic Orient machines were purchased and will be installed in 1997 in Sachs Harbour and another Nunavut community.



R.A. (Rick) Blennerhassett, P.Eng.
Vice President, Operations

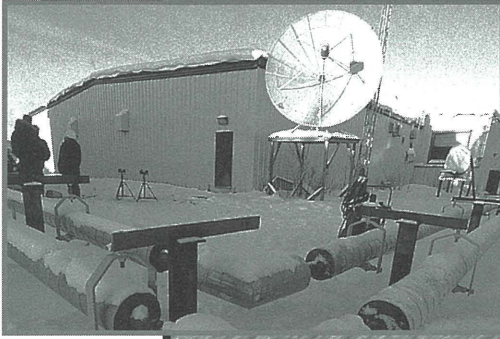


When a lightning strike damaged cables on the Snare Yellowknife transmission line in July, a repair program involving line crews, mechanics and system technicians completed the job in ten hours without interruption of service.



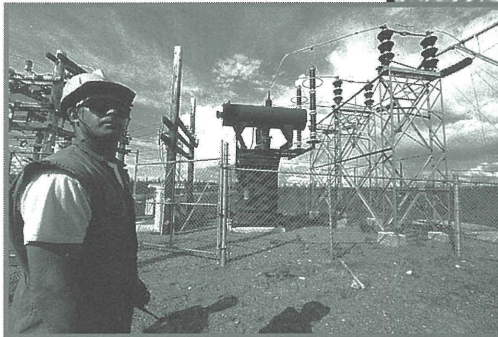
The Snare Cascades hydro plant started delivering commercial power to the Yellowknife grid in July, 1996. The Corporation is operating the plant under a 65-year lease with the Dogrib Power Corporation, owners of the \$27 million facility.

Fort McPherson:
The Aadrii district heating system sends diesel engine heat to hamlet buildings and the Chief Julius School.

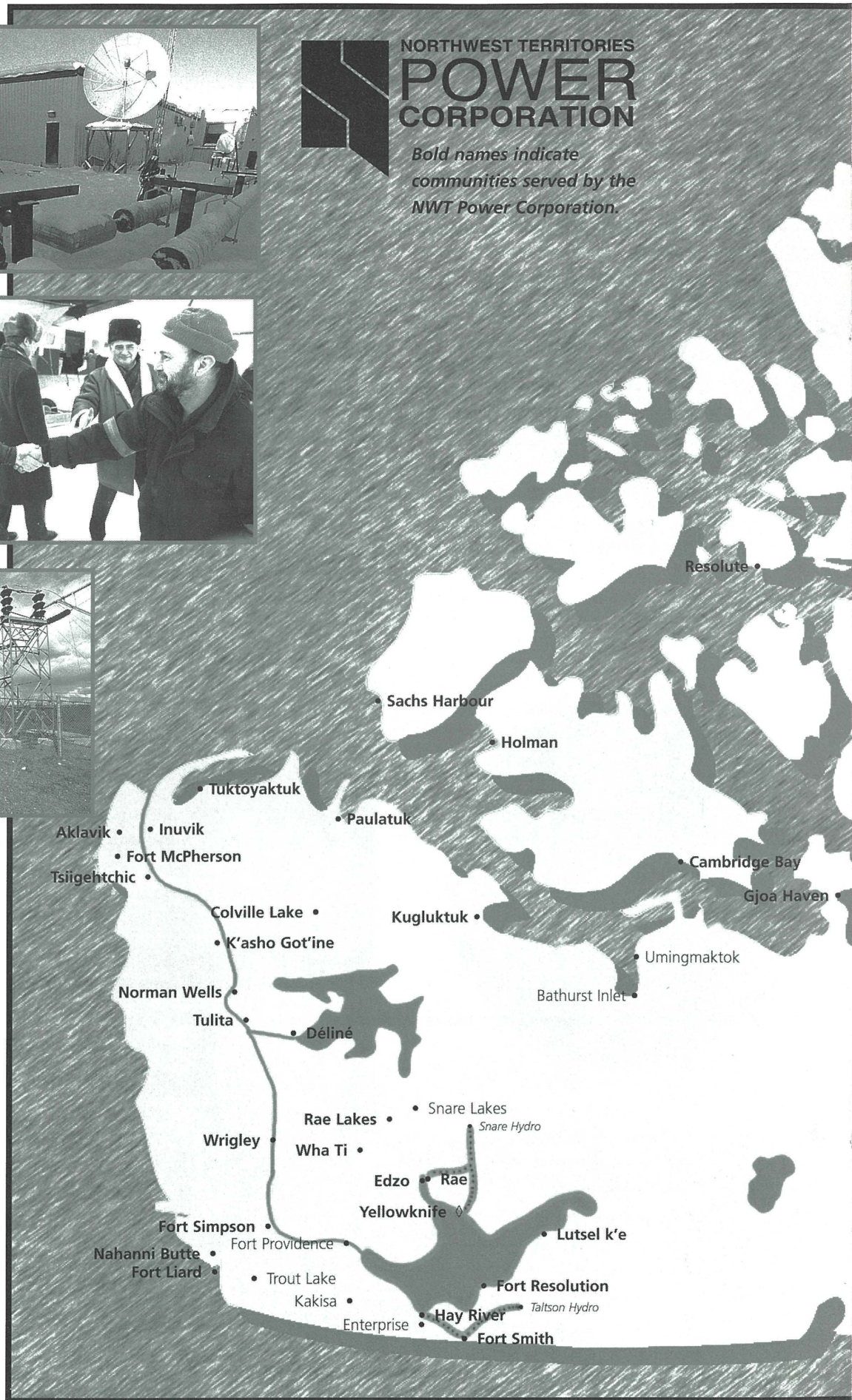


**NORTHWEST TERRITORIES
 POWER
 CORPORATION**
Bold names indicate communities served by the NWT Power Corporation.

Snare Hydro:
Corporation tradesman Mike Leblanc bids farewell to a group of Russian technicians who visited the Cascades site in November, 1996.



Rae Edzo: *Automation and computer upgrades at the Frank Channel station will improve service to these communities.*



Northwest Territories Power Corporation - 1996/97

Revenues	\$102.6 million
Earnings	\$9.1 million
Dividend	\$5.9 million
Assets	\$283.9 million
Generation	493,172 MWh
Installed Capacity:	45,400 kW hydro 123,800 kW diesel
Employees	284
Customers	16,855



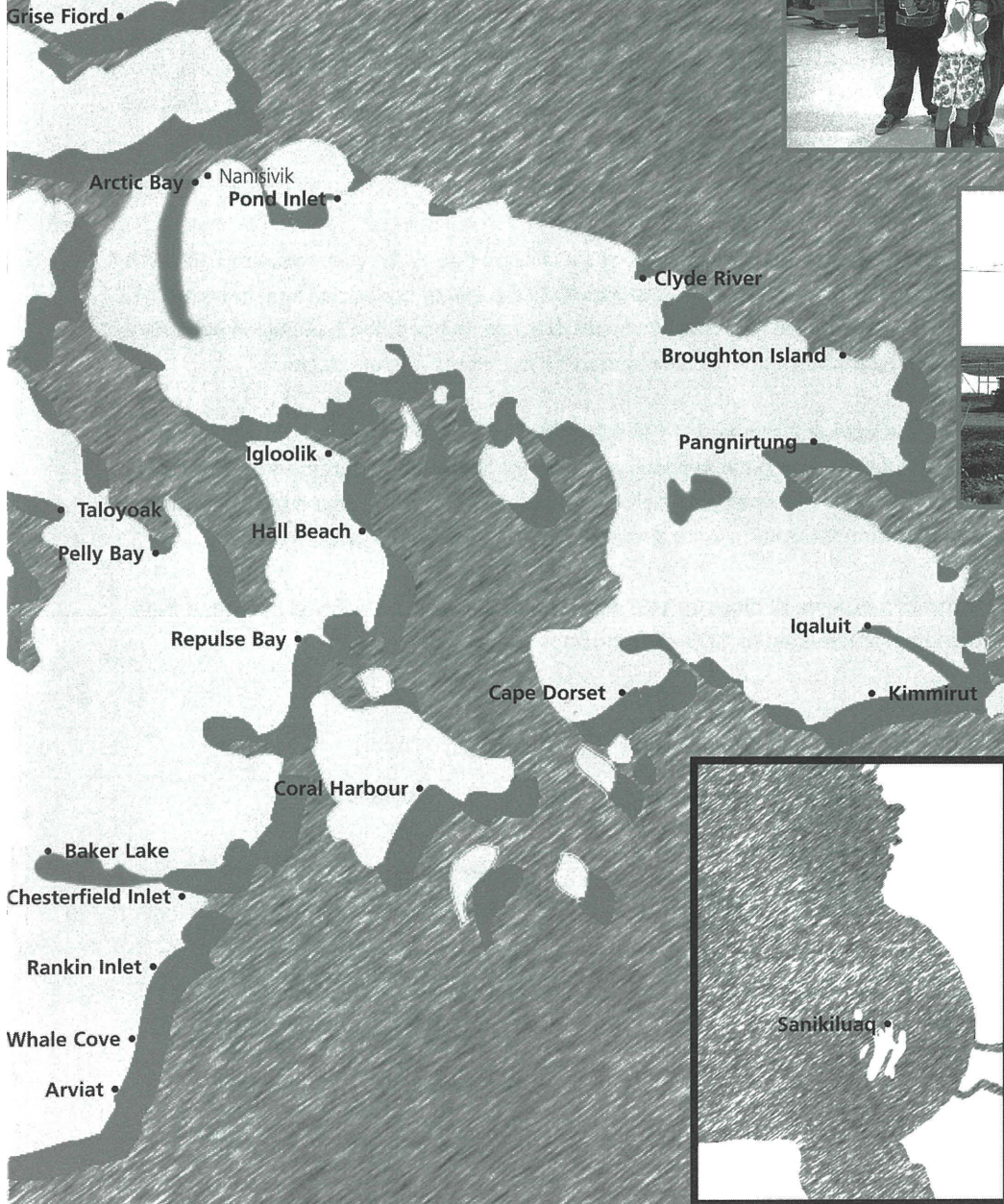
Cambridge Bay: The Corporation continues to research the viability of wind power under arctic conditions.



Tulita: Youngsters enjoy a tour of the new Jack Hardy power plant with Norman Wells superintendent, Gary Elliot.



Sanikiluaq: Purchase of the power plant from the Government of the NWT was finalized.



Financial Review

Regulatory Matters

In a January 1997 decision, the Public Utilities Board ("PUB"), determined the Corporation's rate base, revenue requirements and return on rate base for the fiscal years ended March 31, 1996 to 1998, as a result of a General Rate Application first submitted by the Corporation in December 1995. The decision included approval to:

- a) establish water and fuel stabilization funds to mitigate the impact on rates of unanticipated changes in fuel prices and changes from average water levels;
- b) establish amortization estimates based on the average group useful life basis of straight-line amortization, which includes provision for future removal and site restoration costs. The estimates result in a net accumulated reserve variance of \$28.3 million, to be amortized over ten years; and
- c) include the Snare Cascades hydro project in the rate base for the year ended March 31, 1997, subject to a phase-in of the project, which would lessen the impact on utility rates resulting from the project's addition to the rate base.

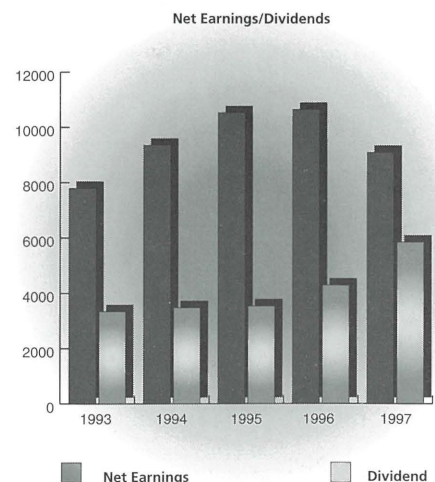
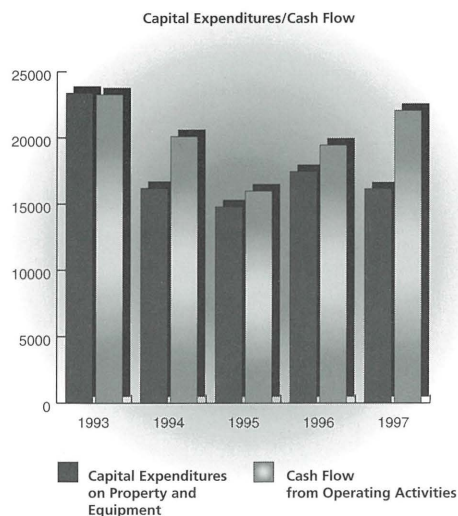
The PUB decision was implemented during the year, and as a result, the Corporation accrued \$1.9 million in revenues earned to March 31, 1997, which will be collected by rate rider in the 1997-98 fiscal year.

Earnings

The Corporation achieved net earnings of \$9.1 million during the year, compared with \$10.7 million for the 1995-96 fiscal year. Revenues from the sale of power and heat increased \$1.9 million as a result of the PUB decision discussed above, but declined \$1.6 million primarily as a result of reduced demand, and demand shifts to lower utility rate classes.

The fuel and lubricants expense of \$34 million includes the amortization of \$2.4 million of fuel costs deferred during the previous year, \$0.6 million in charges arising from the implementation of the water and fuel stabilization funds, and the effects of higher fuel prices. Offsetting these items were decreases resulting from reduced consumption.

Amortization expense declined by \$1.6 million to \$7.8 million, primarily as a result of the PUB decision as it related to 1995-96 amortization estimates.



Interest income climbed to \$2.8 million in the year, which represented an increase of \$0.9 million over 1995-96, while interest expense increased \$3.1 million to \$14.8 million. These increases resulted from additional loan advances to the Dogrib Power Corporation, and new issues of long-term debt and the capital lease.

The Corporation declared a dividend of \$5.9 million, representing an increase of 36 per cent over the 1995-96 dividend of \$4.3 million.

Cash Flow

The Corporation's cash and short-term investment balances declined by \$5.7 million to \$6.9 million at the end of the year, as investing and financing expenditures exceeded the cash flow provided by operating activities.

Cash flow provided by the \$22 million in operating activities was \$2.6 million higher than in 1995-96. The decrease in operating working capital, resulting primarily from the dividend payable, more than offset the reductions in the Capital Replacement Reserve Fund and the Corporation's expenditures on site restoration.

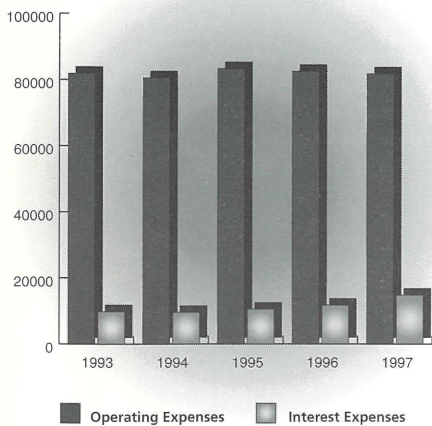
Capital expenditures on property and equipment declined by \$1.3 million in the year, to total \$16.1 million, excluding the \$26.3 million cost of the Snare Cascades hydro electric generating plant leased from the Dogrib Power Corporation. This lease has been accounted for as a capital lease, the obligation of which is reflected in long-term debt. The increase in loan receivable was \$5.9 million lower than in 1995-96 as the Snare Cascades plant, which was financed by the loan, was completed in the year.

The Corporation realized proceeds from long-term debt of \$9 million during the year by issuing a 9.11 per cent debenture for the primary purpose of financing the Snare Cascades plant discussed above. Debt repayments and sinking fund instalments totalled \$7.2 million in the year compared to \$6.2 million in 1995-96 and, as discussed above, the 1996-97 dividend was \$1.6 million higher than the prior year.

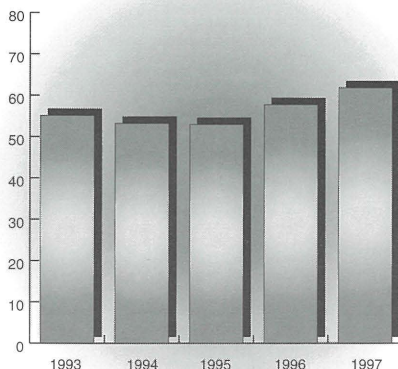
Christine Jackson

C.A. Jackson, CA
Vice President, Finance & CFO

Operating Expenses/Interest Expenses



Debt/Debt plus Equity





Minister Responsible for the Northwest Territories Power Corporation

Pierre Alvarez
Chairman
Northwest Territories Power Corporation

1995-96 Dividend Payment

Pursuant to the Northwest Territories Power Corporation Act (Section 29), subject to the Public Utilities Act and to the direction of the Executive Council (Record of Decision 97-17-2), the Northwest Territories Power Corporation is required to declare dividends for the purpose of funding the Government of the Northwest Territories Power Subsidy Program. The required dividend is \$5,854,059, representing the 1995-96 fiscal year cost of the subsidy program.

Please ensure an appropriated dividend resolution is passed by the Power Corporation's Board of Directors, and that payment is made to the Government of the Northwest Territories no later than March 31, 1997.

Charles Dent

c.c. Hon. John Todd
Minister Responsible for the Public Utilities Board
John Hill
Chairman, Public Utilities Board
Leon Courneya
President, NWT Power Corporation

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Power Corporation is regulated by the Public Utilities Board of the Northwest Territories, which also examines and approves its accounting policies and practices. Consolidated financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Corporation maintains internal 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 the Corporation's aims, are protected from loss or unauthorized use and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a Territorial Crown corporation. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

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

The Board of Directors appoints certain of its 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, CA
President & COO



Christine A. Jackson, CA
Vice President, Finance & CFO

Hay River, Northwest Territories
May 23, 1997

Auditor's Report

To the Minister responsible for the
Northwest Territories Power Corporation

I have audited the consolidated balance sheet of the Northwest Territories Power Corporation as at 31 March 1997 and the consolidated statements of earnings and retained earnings, and changes in financial position 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 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 31 March 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, 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 and the financial statements are in agreement therewith and 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 the Financial Administration Act and regulations, the Northwest Territories Power Corporation Act and the by-laws of the Corporation and its wholly-owned subsidiaries.



Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
23 May 1997

Northwest Territories Power Corporation
Consolidated Statement of Earnings and Retained Earnings
for the year ended March 31, 1997
(\$000's)

	1997	1996
Revenues (Note 3)		
Sale of power	\$ 96,063	\$ 96,547
Sale of heat	3,310	2,545
Other	<u>3,219</u>	<u>3,263</u>
	<u>102,592</u>	<u>102,355</u>
Expenses		
Fuel and lubricants	33,963	34,018
Salaries and wages	22,311	21,989
Supplies and services	14,615	14,158
Amortization	7,801	9,372
Travel and accommodation	<u>3,208</u>	<u>3,138</u>
	<u>81,898</u>	<u>82,675</u>
Earnings from operations	<u>20,694</u>	<u>19,680</u>
Allowance for funds used during construction	450	794
Interest income	<u>2,797</u>	<u>1,927</u>
	<u>3,247</u>	<u>2,721</u>
Earnings before interest expense	23,941	22,401
Interest expense (Note 4)	<u>14,835</u>	<u>11,736</u>
Net earnings	9,106	10,665
Retained earnings at beginning of year	<u>50,596</u>	<u>44,223</u>
	59,702	54,888
Dividend (Note 5)	<u>5,854</u>	<u>4,292</u>
Retained earnings at end of year	<u>\$ 53,848</u>	<u>\$ 50,596</u>

See accompanying notes

Northwest Territories Power Corporation

Consolidated Statement of Changes in Financial Position

for the year ended March 31, 1997

(\$000's)

	1997	1996
Cash provided by (used for):		
Operating activities		
Net earnings	\$ 9,106	\$ 10,665
Items not requiring an outlay of funds		
Amortization expense	7,801	9,372
Amortization of deferred fuel and lubricants costs	2,434	—
Allowance for funds used during construction	(450)	(794)
	<u>18,891</u>	<u>19,243</u>
Decrease (increase) in operating working capital	3,940	(663)
(Decrease) increase in Capital Replacement Reserve Fund	(151)	868
Expenditures on site restoration	(628)	—
	<u>22,052</u>	<u>19,448</u>
Investing activities		
Expenditures on property and equipment	(16,135)	(17,443)
Proceeds on disposal of property and equipment	402	185
Increase in deferred charges and other assets	(1,018)	(2,949)
Increase in loan receivable	(6,967)	(12,865)
	<u>(23,718)</u>	<u>(33,072)</u>
Financing activities		
Proceeds from long-term debt	9,000	36,000
Repayment of long-term debt	(5,752)	(5,450)
Sinking fund instalments	(1,437)	(765)
Dividend	(5,854)	(4,292)
	<u>(4,043)</u>	<u>25,493</u>
Increase (decrease) during the year	(5,709)	11,869
Cash and short-term investments at beginning of year	12,573	704
Cash and short-term investments at end of year	<u>\$ 6,864</u>	<u>\$ 12,573</u>

See accompanying notes

Northwest Territories Power Corporation

Consolidated Balance Sheet

as at March 31, 1997

(\$000's)

ASSETS

	1997	1996
Current assets		
Cash and short-term investments	\$ 6,864	\$ 12,573
Accounts receivable (Note 6)	16,812	14,029
Prepaid expenses	782	645
Inventories (Note 7)	<u>14,351</u>	<u>14,656</u>
	38,809	41,903
Property and equipment (Note 8)	220,179	183,476
Deferred charges and other assets (Note 9)	2,163	4,914
Loan receivable (Note 10)	<u>22,729</u>	<u>15,844</u>
	<u>\$ 283,880</u>	<u>\$ 246,137</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

	1997	1996
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,041	\$ 12,929
Dividend payable	5,854	—
Current portion of long-term debt (Note 12)	7,982	6,745
Capital Replacement Reserve Fund (Note 11)	<u>3,207</u>	<u>3,358</u>
	31,084	23,032
Long-term debt (Note 12)	145,633	118,717
Deferred credits and other liabilities (Note 13)	10,186	10,663
Shareholder's equity (Note 14)	<u>96,977</u>	<u>93,725</u>
	<u>\$ 283,880</u>	<u>\$ 246,137</u>

Commitments (Note 15)

Approved on behalf of the Board:



Pierre R. Alvarez
Chairman & CEO



Ronald D. Williams
Director

See accompanying notes

Northwest Territories Power Corporation

Notes to Consolidated Financial Statements

March 31, 1997

(\$000's)

1. Authority and Operations

The Corporation operates under the authority of the Northwest Territories Power Corporation Act and the Financial Administration Act and is a Crown corporation of the Government of the Northwest Territories.

The Corporation operates diesel and hydroelectric production facilities to provide utility services on a self-sustaining basis in the Northwest Territories. The Corporation is regulated by the Public Utilities Board of the Northwest Territories ("PUB").

The Corporation is exempt from income tax.

2. Accounting policies

A summary of the significant accounting policies follows:

Consolidation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of the Corporation and its wholly-owned subsidiaries, NWT Energy Corporation Ltd. and 923204 N.W.T. Ltd.

NWT Energy Corporation Ltd., under the authority of the Northwest Territories Power Corporation Act, provided construction and project financing to the Dogrib Power Corporation for the construction of a 4.3 MW hydro facility on the Snare River. 923204 N.W.T. Ltd. owns a 50% interest in Aadrii Ltd., a company that owns and operates a district heating system in Fort McPherson, NWT.

Revenue

Utility revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Cash and short-term investments

The Corporation invests in a conservative short-term investment fund, which is restricted to investments of very low risk.

Inventories

Fuel and lubricants are valued at the lower of average cost and net realizable value. Materials and supplies are valued at the lower of cost and replacement cost.

Property and equipment

Property and equipment, excluding that donated to the Corporation, are carried at cost less accumulated amortization. Costs of additions, betterments and major renewals are capitalized. In addition to direct costs of goods and services, capital project costs include an allowance for funds used during construction at a rate approved by the PUB and a share of engineering and general administration expense which is directly attributable to the project.

Notes to Consolidated Financial Statements

Property and equipment donated to the Corporation are recorded at their estimated fair value less accumulated amortization.

Amortization

Amortization of property and equipment is provided on the straight-line average group useful life basis, at rates which are approved by the PUB and which include a provision for future removal and site restoration costs, net of salvage value. The provision for future removal and site restoration costs, net of salvage value, is based on estimates which, by their nature, are subject to measurement uncertainty.

Net removal and site restoration costs and, upon the retirement or sale of assets, the cost of the assets net of disposal proceeds, are charged to accumulated amortization. Gains or losses arising from exceptional circumstances are included in earnings.

Amortization rates are as follows:

Electric power plants	1.3 — 5.0 %
Transmission and distribution systems	1.9 — 5.0 %
Buildings and equipment	2.6 — 9.9 %
Other utility assets	5.0 %
Other	20.0 %

Deferred charges

Financing costs relating to the issue of long-term debt are amortized on a straight-line basis over the remaining term of the related debt. Regulatory costs are amortized on a straight-line basis over a period not exceeding three years.

Deferred credits

Deferred credits reflect donations of assets and contributions to aid in the construction and acquisition of property and equipment, and are amortized on the same basis as the related property and equipment.

Pension plan

Contributions are made by the Corporation and its employees to the Public Service Superannuation Plan administered by the Government of Canada. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

3. Regulatory matters

In December 1995, the Corporation submitted a General Rate Application to determine its rate base, revenue requirements and return on rate base for the years ended March 31, 1996 and 1997. Subsequent to that application, the Corporation was granted approval to implement an interim refundable rider related to a continued low water situation with the Snare River hydro electric system. Pursuant to the rider \$1,549 was collected to March 31, 1996 and an additional \$2,409 was collected to March 31, 1997. In July 1996 the Corporation amended its General Rate Application to incorporate the 1997/98 fiscal year.

Notes to Consolidated Financial Statements

3. Regulatory Matters

The application included:

- a) a proposal to establish water and fuel stabilization funds to mitigate the impact on utility rates of unanticipated changes in fuel prices and changes from average water levels;
- b) a proposal to establish amortization estimates based upon the average group useful life basis of straight-line amortization, and which would include provision for future removal and site restoration costs. The estimates would result in a net accumulated reserve variance of \$28,340, which would be amortized over ten years;
- c) a proposal to include the Snare Cascades hydro project in the rate base in the year ended March 31, 1997, subject to a phase-in of the project that would smooth the impact on utility rates resulting from the project being added to the rate base.

In a January 1997 decision, the PUB determined the Corporation's rate base, revenue requirements, and return on rate base for the fiscal years ended March 31, 1996-98. The decision included approval of proposals (a), (b) and (c) above, all of which were implemented in the year. In addition, the Corporation has accrued \$1,895 of revenue earned to March 31, 1997 pursuant to the PUB decision, and which will be collected by rate rider in the 1997/98 fiscal year.

4. Interest expense

	1997	1996
Interest on long-term debt:		
Sinking fund debentures	\$ 9,438	\$ 8,072
Debentures	2,029	1,162
Capital lease	1,676	—
Promissory note	<u>1,313</u>	<u>1,901</u>
	14,456	11,135
Other interest	<u>379</u>	<u>601</u>
	<u>\$ 14,835</u>	<u>\$ 11,736</u>

5. Dividend

Pursuant to the Northwest Territories Power Corporation Act, the Government of the Northwest Territories directed the Corporation to declare a dividend of \$5,854 (1996-\$4,292).

6. Accounts receivable

	1997	1996
Utilities, net of allowance for doubtful accounts of \$92 (1996-\$83)	\$ 15,641	\$ 12,939
Other, net of allowance for doubtful accounts of \$33 (1996-\$17)	1,022	1,023
Current portion of loan receivable (Note 10)	<u>149</u>	<u>67</u>
	<u>\$ 16,812</u>	<u>\$ 14,029</u>

Included in utility accounts receivable is \$6,871 (1996-\$6,586) in unbilled amounts. There are no concentrations of accounts receivable with any one customer and there is therefore no significant credit risk.

7. Inventories

	1997	1996
Fuel and lubricants	\$ 10,311	\$ 10,485
Materials and supplies	<u>4,040</u>	<u>4,171</u>
	<u>\$ 14,351</u>	<u>\$ 14,656</u>

8. Property and equipment

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	\$ 256,386	\$ 94,322	\$ 162,064	\$ 123,973
Transmission and distribution systems	65,550	23,946	41,604	41,167
Warehouses, equipment, motor vehicles and general facilities	23,009	12,929	10,080	9,154
Other utility assets	2,735	2,078	657	33
Other	<u>2,916</u>	<u>2,670</u>	<u>246</u>	<u>750</u>
	350,596	135,945	214,651	175,077
Construction work in progress	<u>5,528</u>	<u>—</u>	<u>5,528</u>	<u>8,399</u>
	<u>\$ 356,124</u>	<u>\$ 135,945</u>	<u>\$ 220,179</u>	<u>\$ 183,476</u>

1997 accumulated amortization includes a provision of \$45,400 for future removal and site restoration costs.

Engineering and general administration expense capitalized during the year amounted to \$1,889 (1996-\$1,491).

9. Deferred charges and other assets

	1997	1996
Regulatory costs	\$ 749	\$ 433
Financing costs	677	748
Housing loans receivable	490	600
Other	247	54
Low water fuel and lubricants costs	—	2,434
Site restoration costs	<u>—</u>	<u>645</u>
	<u>\$ 2,163</u>	<u>\$ 4,914</u>

The amortization of the 1996 deferred low water fuel and lubricants costs of \$2,434 is included in 1997 fuel and lubricants expense. The amortization of other deferred charges totalled \$690 (1996-\$375) and is included in amortization expense.

10. Loan receivable

	1997	1996
Due from Dogrib Power Corporation	\$ 22,878	\$ 15,911
Less: current portion	<u>149</u>	<u>67</u>
	<u>\$ 22,729</u>	<u>\$ 15,844</u>

The loan to the Dogrib Power Corporation financed the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories. Upon completion of construction in August 1996, the plant was leased by the Dogrib Power Corporation to the Corporation for 65 years (Note 12).

The loan bears interest at an annual rate of 9.6% which is the average rate of interest on NWT Energy Corporation Ltd.'s long term debt issued to finance the loan. It will be repaid over a 30-year period which commenced in August 1996, with monthly payments, including interest, of \$195. The loan is secured by a charge against the plant and the lease agreement.

11. Capital Replacement Reserve Fund

This amount represents funds held for capital repairs to the utilidor system in the town of Inuvik.

Expenditures are made upon the approval of the Inuvik Utilities Planning Committee, which consists of representatives of the Town of Inuvik, the Department of Municipal and Community Affairs of the Government of the Northwest Territories, and the Corporation. During the year the fund earned \$137 (1996-\$187) of interest at rates ranging from 3.4% to 5.3% (1996-5.5% to 8.5%).

12. Long-term debt

	1997	1996
Promissory note to the Government of the Northwest Territories, repayable in ten equal annual instalments of \$5,350 maturing June 23, 1998, bearing interest at 11% payable semi-annually.	\$ 10,700	\$ 16,050
11% sinking fund debentures, due March 9, 2009	20,000	20,000
11½% sinking fund debentures, due June 6, 2011	15,000	15,000
10¾% sinking fund debentures, due May 28, 2012	20,000	20,000
9¾% sinking fund debentures, due May 12, 2014	20,000	20,000
8.41% sinking fund debentures, due February 27, 2026	20,000	20,000
10.0% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	7,891	7,939
9¾% debenture series 2, due October 1, 2025 repayable in equal monthly payments of \$69	7,910	7,960
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	8,956	—
Capital lease	<u>26,082</u>	<u>—</u>
	156,539	126,949
Less: - current portion	7,982	6,745
- funds on deposit with sinking fund trustee	<u>2,924</u>	<u>1,487</u>
	<u>\$ 145,633</u>	<u>\$ 118,717</u>

Notes to Consolidated Financial Statements

All debentures are unconditionally guaranteed by the Government of the Northwest Territories.

Sinking funds are held by the trustee, Montreal Trust of Canada. The rate of return is estimated to be 7%.

The Corporation has leased, for a period of 65 years, a hydroelectric generating plant on the Snare River in the Northwest Territories. To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants in property and equipment at a cost of \$26,342 and the related liability is included in long-term debt. Accumulated amortization of the plant is \$386. The future minimum payments on the lease are approximately \$3,000 in each of 1998-2002 and a total of \$103,000 thereafter, and the imputed interest included in these future payments, at the effective rate of 10%, is \$93,000.

Principal repayments and sinking fund requirements:

1998	\$	7,982
1999		8,699
2000		3,363
2001		3,388
2002		3,410
2003-2062		<u>129,697</u>
	\$	<u>156,539</u>

13. Deferred credits and other liabilities

	1997	1996
Deferred credits	\$ 9,042	\$ 9,289
Employee termination benefits	<u>1,144</u>	<u>1,374</u>
	<u>\$ 10,186</u>	<u>\$ 10,663</u>

Termination benefits are earned by certain employees as a condition of their employment, and are based upon years of service.

14. Shareholder's equity

	1997	1996
Capital Stock		
Authorized: unlimited number of voting common shares without par value		
Issued: 431,288 common shares	\$ 43,129	\$ 43,129
Retained earnings	<u>53,848</u>	<u>50,596</u>
	<u>\$ 96,977</u>	<u>\$ 93,725</u>

15. Commitments

Capital Projects

The estimated cost to complete capital projects as at March 31, 1997, was \$5,420 (1996-\$13,132).

Operating leases

The Corporation has leased property and equipment under various long-term operating leases. The minimum annual payments for these leases are as follows:

1998	\$	680
1999		495
2000		270
2001		195
2002		80
2003-2020		<u>50</u>
	\$	<u>1,770</u>

Supply contracts

The Corporation has entered into contracts to purchase refined oil products. The contracts extend to October 1998, reflect minimum purchase commitments consistent with the Corporation's operational requirements, and are based on market prices.

16. Related party transactions

The Corporation is a Territorial Crown corporation and consequently is related to the Government of the Northwest Territories and its agencies and Crown corporations.

The Corporation 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:

	1997	1996
Sale of power, heat, water and other	\$ 23,445	\$ 23,763
Purchase of fuel	10,689	10,751
Fuel tax	1,948	2,738
Other	1,098	593
Balances at year end:		
Accounts receivable	1,543	1,684
Accounts payable	2,955	2,356
Dividend payable	5,854	—

17. Financial instruments

	1997		1996	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Loan receivable	\$ 22,878	\$ 26,985	\$ 15,911	\$ 15,911
Long-term debt	153,615	180,158	125,462	138,140

The fair value of cash and short-term investments and other current accounts receivable and payable, excluding the current portion of loan receivable and long-term debt, approximates the carrying amount of these instruments due to the short period to maturity. The fair value of loan receivable at March 31, 1997 and long-term debt, excluding the capital lease, is based on quoted market values. The fair value of the capital lease, employee termination benefits and the 1996 loan receivable approximates carrying value.

18. Franchises

Subsection 38(1) of the Public Utilities Act of the Northwest Territories states that no public utility shall operate within a municipality unless the franchise of the public utility has been approved by the PUB.

The Corporation requires franchises for 50 communities. As at March 31, 1997, 32 franchises (1996-27 franchises) have been approved by the PUB, while the remaining franchises are at various stages of the application process.

19. Comparative figures

Certain reclassifications have been made to the comparative figures to conform with the current year's presentation.

Northwest Territories Power Corporation

Schedule of Write-offs

for the year ended March 31, 1997

(unaudited)

The following are those assets, debt or obligations, in excess of \$500, that the Corporation has written off in the year pursuant to section 84 of the Financial Administration Act.

Accounts Receivable

Plant	Name	Amount
Arviat	Traer, Dawn	\$ 634.79
Baker Lake	Ungungai, Hugh	3,270.31
Cape Dorset	Pudluq, Qupperrualuk	535.57
Déliné	Dillon, Gloria	520.34
	JB Arcade & Video	1,134.49
Fort Good Hope	R & M Video	943.56
Fort McPherson	Husky Insurance & Real Estate	2,004.05
Fort Smith	Qitsualik, Tanacki	711.32
Gjoa Haven	Oktok Construction	1,841.37
Inuvik	Blake, Lenny	591.87
	Bourque, Robert	542.90
	Crane, Angus	640.93
	D. Storr and Sons	643.79
	Dahl, Christine	610.20
	Elber, Amin	562.96
	Inglangasuk, Archie	1,010.20
	Sewards Carpentry	1,553.54
Iqaluit	Baines, Keith	927.24
	Mailly, Claudy	1,061.29
Pangnirtung	Imavik Development Corporation	2,662.69
	MacCormack, Kevin	812.64
Rankin Inlet	Amauyak, Bernadette	1,074.06
	Besau, Jason	1,298.74
	Miqsuq	582.06
	Okalik Enterprises	1,940.57
Repulse Bay	Laims Variety Shop	1,485.89
Tuktoyaktuk	Reagan, Jack	849.51
Tulita	Yalee, Alvin	1,404.18
Whale Cove	S.K. Construction Ltd.	1,281.40
Yellowknife	Jeik'O Motel	1,920.80
		<u>\$ 35,053.26</u>
Cash		
Plant		Amount
Kugluktuk		\$ 2,346.74
Iqaluit		551.00
		<u>\$ 2,897.74</u>

Northwest Territories Power Corporation

Consolidated Financial Summary

Years Ended March 31

	1997	1996	1995 (\$000)	1994	1993
Operating revenue	\$ 102,592	\$ 102,355	\$ 103,104	\$ 98,720	\$ 98,327
Operating expenses	81,898	82,675	83,399	80,617	81,900
Fuel and lubricants expense	33,963	34,018	36,568	32,065	32,783
Interest expense	14,835	11,736	10,510	9,564	9,828
Earnings from operations	20,694	19,680	19,705	18,103	16,427
Net earnings	9,106	10,665	10,539	9,360	7,795
Dividend	5,854	4,292	3,538	3,480	3,345
Expenditures on property and equipment	16,135	17,443	14,777	16,178	23,383
Gross fixed assets	350,596	305,540	292,142	277,752	259,900
Net fixed assets	214,651	175,077	166,714	160,165	150,565
Sales (MWh)	438,649	460,540	450,529	442,514	431,339
Generation (MWh)	493,172	502,513	494,280	501,583	479,936
Number of customers	16,855	16,698	16,243	15,349	14,866
Operating Revenues					
Commercial	37.8%	38.2%	39.7%	39.3%	37.4%
Domestic	29.0%	29.0%	29.1%	30.0%	30.0%
Wholesale	17.3%	16.2%	16.2%	16.0%	15.0%
Industrial	8.5%	9.9%	9.0%	8.4%	8.7%
Heat	3.2%	2.5%	3.1%	3.7%	5.8%
Other	4.2%	4.2%	2.9%	2.6%	3.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Operating Expenses					
Fuel and lubricants	41.5%	41.2%	43.9%	39.8%	40.0%
Salaries and wages	27.2%	26.6%	26.2%	27.3%	26.1%
Supplies and services	17.9%	17.1%	16.0%	18.5%	17.7%
Amortization	9.5%	11.3%	10.6%	11.1%	12.7%
Travel and accommodation	3.9%	3.8%	3.3%	3.3%	3.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Lodie Ipeelie • Janice Allin • Vern Gardiner • Camille Hamilton • Martin White • Imoos
Yvonne Browning • Asmundur Asmundsson • Johnny Mike • Gerald Jonasson
Eddie Chocolate • Carol Bennett • Jennifer McSwain • Howie Legge • Jimsey Dick • Dere
Denis Lane • Samuel Kikpak • Joseph Wolken • Pat Harrington • Charlie Simpson • Edwa
Jim Forsyth • Neil McMeckan • Fred Church • Robert J. Norton • Steve Lantz • Randy Rob
Norman McBride • Ken Bell • Sharon Byrne-Craig • Daniel Grabke • Stewart Wilker
Peter Mackey • Joseph Rheaume • Nancy Simms • Ken Dies • Earl B. Kossatz • C
Dana Moran • Leon Courneya • Steven Inukshuk • William Bourque • Jim MacPherson •
Isadore Simmons • Charles MacNeill • Kathy Mouland • Fred LeMouel • Robert Hunt • W
Jobie Inooya • Hermel Gauthier • Mike Foley • Mac Maidens • Robert Sadle
Rod Gray • Joseph Kukurski • Mike VanBridger • Gerd Sandrock • Louie Anakanerl
Shawn Smith • Marlene Barbeau • Robert Douglas • Leon Urban • Kenneth Ban
Cheryl Tordoff • Tanis Stirling • Kenneth Norris • Stephen Sacha • Jolly Davidee • V
Robert Kenneally • Joletta Larocque • Duane Rohne • Steven Inooya • Lawrence Gres
Dennis Labelle • Robert Burgin • Sean O'Neill • Marc Guertin • Yves Leguerrier • Gern
Gordon Murrin • Lorna Clements • Paul Ollerhead • Steve James • Martha Pukniqn
Francis Linklater • Douglas Sanders • Ian Teddy • Sandra Romans • Beth Olsen • Louie Qin
Greg Grady • Tommy Wright • Pauline Holmes • Markoosie Audlakiak • Claude Tru
Dolphus Hardisty • Elly-Mae Evans • Joe Sageatook • Colin Steed • Trudie Schultz • Al
Reginald Croizier • Mark Riche • Paul Campbell • Wendy Ondrack • John Locke • Al King
Troy Bradbury • Rickard Clowater • Doreen Gill • Andrew Porter • Frank May • Rol
Chris Cousins • John Davenport • Ann Lobb • Robert Schmidt • Bernie Campbe
Seppo Vuorela • Daniel Roberts • Nancy Bland • Alexander Gresl • Raymond Beaudri
Darren Buckle • Trevor Weir • Brian Campbell • Dallas Schweitzer • Sydney Glawson •
Erwin Wilson • Joe Fraley • Sam Tutanuak • Robert Bolton • Darryl Campbell •
Ernest Murdoch • Jerry Lennie • James Hogg • David Maguire • Mike Leblanc •

J. Andrew Nelson • Maria Hansen • Arla Pringle • Walter Schultz • Belinda Whitford • Jo
Robert Morling • Bill Braden • Wendy Quartermain • Laura Kowmuk • Billy Evic • Dan T
Wilma Doesdel • James Hammond • Boaz Idlout • George Unka • Jeannee Johnson
Robert Blowers • Velma Schultz • Brian Bishop • John Westergreen • Rex Cockney • Dale F
Greg Bill • Irene Maltais • Gary Guy • John Allen • Marcel Dubeau • Lyle Greenle
Michael Mandeville • Robert Johnson • Sharmayne Hirst • Jake Kroeger • Donna M
John Wilkie • Marvin Dion • Pat Ash • Tommy Betsidea • Nicotye Naglingniq • M
Matthew Walsh • Samson Jorah • Philip Owens • Tony Verbiskey • Susan