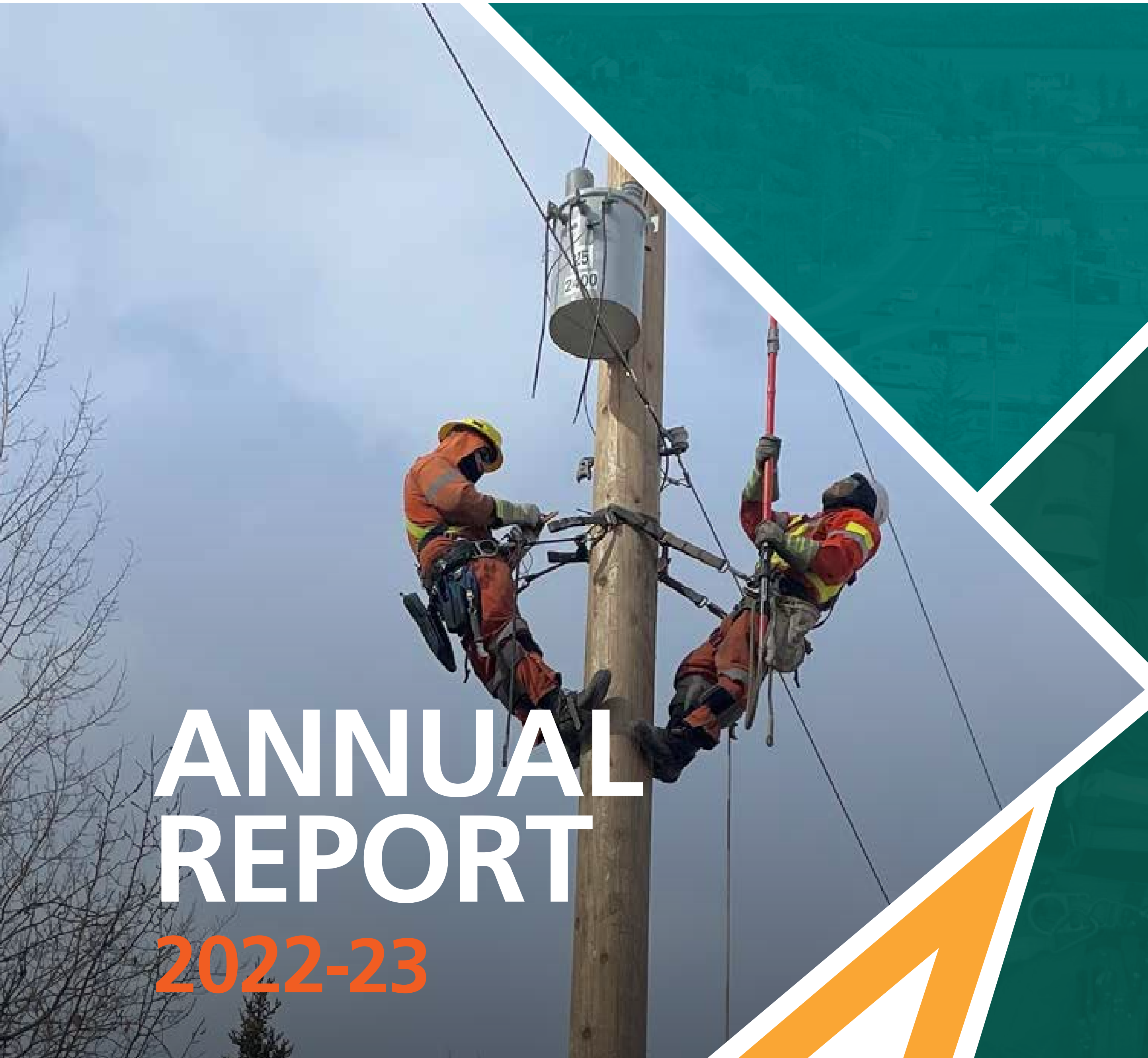


ANNUAL REPORT 2022-23

NORTHWEST TERRITORIES POWER CORPORATION
Empowering Communities

NORTHWEST TERRITORIES HYDRO CORPORATION
Power for Generations

MISSION, VISION AND VALUES

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

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

VALUES
Safety – We make safety our first priority, a cornerstone in all decisions
People – We consider the well-being and success of every employee in all decisions
Commitment – We are determined, agile and know how to keep the lights on
Community – We work with and for all Northerners.

Construction of the Taltson Winter Road over the past several years was critical to transporting key components required for the unit overhaul.

A new high-efficiency plant opened in January 2022. The project received more than $8.7 million in funding from the Government of Canada through the Investing in Canada Infrastructure Program.

CONTENTS

INTRODUCTION

2022-23 can best be categorized as a year of recovery, resiliency and right-sizing as the Northwest Territories Power Corporation (NTPC) and other Canadian utilities emerged from the pandemic, facing significant supply chain issues, inflation and interest rate increases.

The impact of these issues on schedules and ultimately the cost of capital projects and ongoing operations has been notable and is likely to continue throughout 2023-24. Upward pressure on rates is consistent across the country. These economic issues were further complicated by the historic flooding in May 2022 that occurred in Hay River, home of NTPC's head office. While NTPC's corporate assets were not impacted, a number of employees faced devastating damage to their property and a lengthy clean up and repair process.

Low water in the Snare River basin required the use of more diesel generation to meet the demands of the North Slave electricity system as reduced water flow through the six Snare hydro units resulted in lower generation capacity. This situation is expected to continue into 2023-24.

In spite of these challenges, NTPC was able to advance a number of projects and initiatives throughout 2022-23. A new, high-efficiency diesel plant opened in Łutselk'e in January 2023 and several other high profile emission reduction projects are expected to be completed in 2023-24.

NTPC filed a General Rate Application with the NWT Public Utilities Board (PUB) at the end of 2021-22 and the regulatory review process advanced throughout 2022-23. A final decision on new electricity rates for customers in each of the rate zones was issued by the PUB on March 31, 2023.

BOARD OF DIRECTORS

CHAIR	Stephen R. Loutitt
VICE-CHAIR	Martin Goldney
CORPORATE SECRETARY	Christine Duggan

DIRECTORS

William MacKay

Pamela Strand

Erin Kelly

Terence Courtoreille

Robert Jenkins

Wildfires under the transmission line from Taltson caused damage in the summer of 2022.

CORPORATE PROFILE

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

In the fall of 2022, components of the wind turbine arrived by barge in Inuvik.

NTPC's team is made up of over 200 dedicated employees, located in 26 communities throughout the territory. We manage more than $450 million in assets including: three hydroelectric systems, 26 diesel plants, five solar arrays, one battery storage system, and one natural gas plant. Together these provide a total generating capacity of 133 MW. A 3.5 MW wind turbine will be installed in Inuvik in 2023-24.

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

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

MINISTER'S MESSAGE

NTPC expects to see significant projects come to fruition.

Electricity utilities across Canada, including here in the NWT, are facing tremendous pressure from customers to keep rates as low as possible during an inflationary period, to improve reliability despite an increasing number of extreme weather events while, at the same time, transitioning to lower greenhouse gas emitting generation sources. Each of these goals is difficult to achieve on their own but to accomplish all three simultaneously is enormously challenging. Despite this, NTPC management and its Board of Directors continue to focus on achieving these goals.

I continue to be impressed by the dedication and commitment shown by NTPC employees to make progress on these ambitious goals and thank them for their efforts.

Events outside of NTPC's control have made achieving these goals unusually challenging in 2022-23.

Flooding in Hay River in the spring of 2022 had a tremendous impact on employees who work at the corporation's head office given the damage that was done to many homes. It also made recruitment of new employees difficult as there was a severe housing shortage while repairs were being made.

Low water in the Snare River basin also emerged as a significant issue last year as hydro generation in the North Slave had to be curtailed and replaced with more expensive and less clean diesel generation from the Jackfish facility in Yellowknife. Every eight to 10 years over the past several decades, the Snare River experiences a low water event which puts tremendous pressure on rates in the Snare Zone.

The Government of the Northwest Territories and NTPC continue their efforts to access Federal funding for refurbishment or replacement of key electricity infrastructure, thereby reducing the impact on ratepayers. We recognize the cost of living is a challenge for many residents in the North and one of the contributing factors is the cost of power. Federal support for major projects, such as hydro refurbishments and new transmission lines, is critical for the future economic and environmental well-being of the NWT.

In 2023-24, NTPC expects to see significant projects come to fruition including the Inuvik High Point Wind Project, the overhaul of the Taltson hydro unit and the commissioning of a new high-efficiency plant in Sachs Harbour.

Sincerely,

Honourable Diane Archie
Minister Responsible for the Northwest Territories Hydro Corporation

Minister Responsible for the Northwest Territories Power Corporation

YEAR IN REVIEW

The electricity industry is facing a rapidly changing landscape as utilities, customers, governments and others take steps to adapt to and to mitigate against climate change.

Extreme weather events in eastern and western Canada as well as in the United States over the past year have caused extended outages over large geographic areas, raising concern about the resiliency of electricity systems. Although the number of outages experienced in the North is higher than in other jurisdictions, power restoration is generally completed much more quickly due to the localized and isolated nature of our electricity systems.

In 2022-23, NTPC began work on developing a new Outage Reporting process to improve internal and external communication about both planned and unplanned outages. Planned outages are sometimes required to complete necessary maintenance on generation, transmission or distribution assets. The new process ensures that more advance notice is provided to customers when a planned outage is required in their community or section of a community. This allows customers to plan their days more easily and helps minimize the disruption the planned outage may otherwise have caused.

As targets for greenhouse gas (GHG) emissions become more aggressive as part of the Government of Canada's drive to achieve Net Zero emissions by 2050, pressure on the electricity industry is increasing significantly. Investments in non-emitting electricity generation sources are required but existing systems must be maintained until newer, cleaner technology can be put in place. Funding from the federal government for renewable and lower carbon electricity generation project is necessary or electricity rates would have to increase by an unacceptable and unaffordable amount.

The price of diesel increased significantly in 2022-23, rising approximately 40% from the price in December 2021. The higher price plus the additional diesel generation needed in the North Slave due to low water in the Snare River basin puts considerable pressure on future electricity rates.

In 2021 water levels throughout much of the NWT reached record highs. While this naturally-occurring situation caused challenges in some areas, it was beneficial for hydro generation at Snare. In 2022, the situation was very different in the Snare River basin. NTPC first began to observe signs that it was entering a period of low water in this area early in 2022. The snowpack that feeds the basin was measured as below average during the annual inspection conducted by NTPC and the Department of Environment and Climate Change. The low water event was confirmed as data on water inflows following the spring freshet began to be collected.

Throughout 2022-23, a review of NTPC's General Rate Application (GRA) by the NWT Public Utilities Board (PUB) advanced. Several organizations participated throughout the process, including the Thermal Generation Communities and the Towns of Hay River and Fort Smith. Technical and public hearings were held in Yellowknife in September 2022 with remote locations available in Norman Wells, Inuvik and Fort Smith. The PUB issued its final decision on March 31, 2023. Rate increases for residential customers in 2022-23 and 2023-24 were 3.2% in the Snare Zone, 3.1% in the Thermal Zone and 4.9% in both the Taltson Zone and in Norman Wells.

Over the course of the year, progress was made on major capital projects that will help to reduce diesel consumption and GHGs. This includes:

- A new energy efficient diesel plant in Łutselk'e was commissioned and work resumed on construction of a new high efficiency plant in Sachs Harbour.
- Transportation of key components to Inuvik for the new wind turbine was completed, construction of the access road to the turbine site continued and construction of a distribution line to link with the rest of the Inuvik electricity system began.
- Preparatory work for the Taltson overhaul project continued with key components transferred to the site via the winter road.
- NT Energy, a sister company of NTPC, received funding from the Government of the Northwest Territories to begin the planning for a Level 3 electric vehicle charging station in Behchokǫ̀.

NTPC advanced on a pole assessment and replacement program in 2022-23. As part of the second year of a three-year program, a total of 2877 power poles in Dettah, Fort Liard, Fort Resolution, Fort Smith, Jean Marie River, Behchokǫ̀ and Nahanni Butte were inspected and assessed. Approximately 246 were identified for replacement over the next two years.

The Transmission and Distribution team continued to engage in extensive vegetation management (brushing) to support system reliability in communities across the NWT. This work involves the use of local contractors and specialized resources. Brushing was conducted in Wrigley, Inuvik, Norman Wells, Fort Simpson, Nahanni Butte, Lutsel K'e and Fort Good Hope as well as inside Wood Buffalo Park and between Pine Point and Fort Smith. Additional brushing near transmission lines and access roads was completed at Snare Hydro by a division of the Tłı̨chǫ Investment Corporation.

NTPC experienced damage to its transmission line from Taltson as a result of wildfire SS-00622. Although NTPC's hydro generation facility remained untouched by the fires, the transmission line from Taltson hydro generating station to Fort Smith was impacted. The fire damaged two tower bases and the arm structures of a third tower. In addition, there were a number of trees with damaged roots that posed a new hazard to the transmission line.

In 2022-23, NTPC worked through the collective bargaining process with the Union of Northern Workers, which ultimately resulted in ratification of a new agreement in December 2022. The process to negotiate the next Collective Agreement began shortly thereafter and will continue throughout 2023-24.

NTPC received Board approval for its Well Being Strategy, which includes the continued efforts to implement the Psychological Health & Safety Standard. Resource sharing (newsletters and management spotlights), training plans, supporting, and improving the governance of the Mental Health Committee, as well as initial discussions around the integration of psychological health and safety into the broader Health and Safety Management System, advanced throughout the year.

Employee turnover and high vacancy in some job categories continued to pose a challenge but improvement over the previous year was made in both areas. NTPC turnover statistics shown below are representative of both voluntary and involuntary turnover for the identified period.

FISCAL YEAR	TURNOVER (%)
2020-21	10.64%
2021-22	16.36%
2022-23	13.96%

NTPC vacancy statistics shown below are calculated using a snapshot of number of positions vacant at the end of the fiscal year. In 2022-23, we reached a vacancy rate of 18.61% in the third quarter but that number was reduced by more than 5% in the next quarter.

FISCAL YEAR	VACANCY (%)
2020-21	13.01%
2021-22	15.02%
2022-23	13.19%

Minister Diane Archie and Jeff Hussey, CEO of Pine Point Mining Ltd., celebrate the signing of a Memorandum of Understanding regarding access to clean hydro from Taltson.

NTPC and Osisko Metals signed a Memorandum of Understanding (MOU) that outlines the process of negotiating future power connection to the Taltson hydroelectric grid and power purchase agreements. The MOU will allow both parties to explore, discuss and establish mutually agreeable arrangements through which NTPC can supply and sell hydroelectric power and how Osisko Metals can purchase this electricity and any related services for use at the Pine Point Project site. Since the signing of the MOU, Osisko has established a subsidiary, Pine Point Mining Ltd. to bring the project to fruition.

In March 2023, regulatory applications from NTPC, the Town of Hay River and Northland Utilities (NWT) Ltd. were submitted to the Public Utilities Board (PUB), marking a huge step forward for the future of the Hay River electricity distribution franchise. The regulatory review process will continue throughout 2023-24. If accepted by the PUB, electricity customers in Hay River will begin receiving lower rates and NTPC will increase its direct customer base by approximately 25 percent.

COMMITTED TO REDUCING GREENHOUSE GAS EMISSIONS

NTPC is committed to doing its part to reduce GHG emissions that contribute to climate change while ensuring that power supply remains reliable and rates are kept as low as possible. This is a challenge facing many electric utilities, particularly those in the North. The Snare/Bluefish and Taltson hydro systems provide clean, emissions-free electricity to a large percentage of the NWT population but many of the smaller communities NTPC serves currently rely on diesel generators for their power. In addition, hydro communities in the NWT rely on diesel generation to supply back up power.

In an average year, approximately 74% of the power generated by NTPC comes from the two hydro systems which do not produce greenhouse gases. Approximately 24% has been generated from diesel in recent years and another 4% has been produced using natural gas.

In the past fiscal year, the percentage of electricity generated by diesel was impacted by two factors. Due to low water in the Snare system, the percentage of power generated by diesel was higher in the Snare Zone as less hydro generation was available. In Inuvik, consistent and reliable deliveries of LNG resulted in a greater percentage of electricity being generated by natural gas. Overall, this resulted in lower hydro generation, increased diesel and natural gas generation and similar renewable generation to previous years. The percentage of renewable generation is expected to increase significantly in the coming year as Inuvik Wind and several solar projects under development begin contributing to the generation mix. Diesel will continue to be required for backup generation in all communities for the foreseeable future.

Operational adjustments such as the use of higher-efficiency summer fuel in communities on the road system also helps reduce greenhouse gas emissions and NTPC has been placing a higher priority on purchasing more fuel-efficient diesel generators when units require replacement. The new diesel plant that opened in Łutselk'e in 2022-23 is much more efficient and produces lower GHGs than the aged plant that it replaced. The new plant also has the capacity to easily adapt to the addition of renewables to the local electricity system. A new plant in Sachs Harbour that will open in 2023-24 has a similar capability.

In the fall of 2022, a third storage tank for LNG was installed in Inuvik, helping to reduce diesel usage and greenhouse gas emissions.

Diesel generation continues to remain necessary in the NWT despite the greenhouse gas emissions it produces. The NWT electricity system includes 21 remote and isolated communities that receive their power from a local diesel plant. In most communities, there is also a small amount of power that is generated by solar, either through a local solar array or through the Net Metering program or both. The long, dark and cold winters in the NWT reduce the effectiveness of solar installations even if supported by a battery energy storage system.

The primary factor is that diesel remains the most reliable source of power to provide baseload power in the harsh northern climate. Diesel generation technology is well understood and NTPC employees have the skills and experience to maintain its generation assets. NTPC is open to new technologies and will continue to consider alternatives to diesel where it makes sense to do so, factoring in economic, environmental and reliability considerations.

SUPPLY CHAIN CHALLENGES

There are a number of factors contributing to challenges in accessing goods and services in the electricity sector over the past couple of years. Some of those factors are being seen right across the economy and include pent up demand following the pandemic and the war in Ukraine. While many of the supply chain issues for consumer goods have been resolved, the electricity sector continues to face difficulties accessing goods and services in a timely manner.

Extreme weather events across North America in recent years has required utilities to replace destroyed or damaged infrastructure such as power poles, powerlines and transformers. Heavy demand for these items has significantly increased both cost as well as delivery time. For instance, the delivery time for customer meter equipment has historically been about 16 weeks. Currently deliveries are taking up to 52 weeks. The lead time for basic powerline hardware, conductors and transformers has more than doubled and costs have increased by 15%-35%. Replacement switches for operational technology are taking up to 300 days for delivery whereas those parts were generally accessible within two to four weeks. The same holds true for computer chips and computer components – higher prices and longer lead times for delivery.

The supply chain issues are also impacting NTPC's ability to get timely repairs done to its fleet of bucket and digger trucks. Previously, repairs to these specialized trucks would take several weeks to complete but this has become several months over the past year. If the part needing repair is electronic, the lead time can become many months forcing NTPC into long term rentals to cover the gaps in equipment.

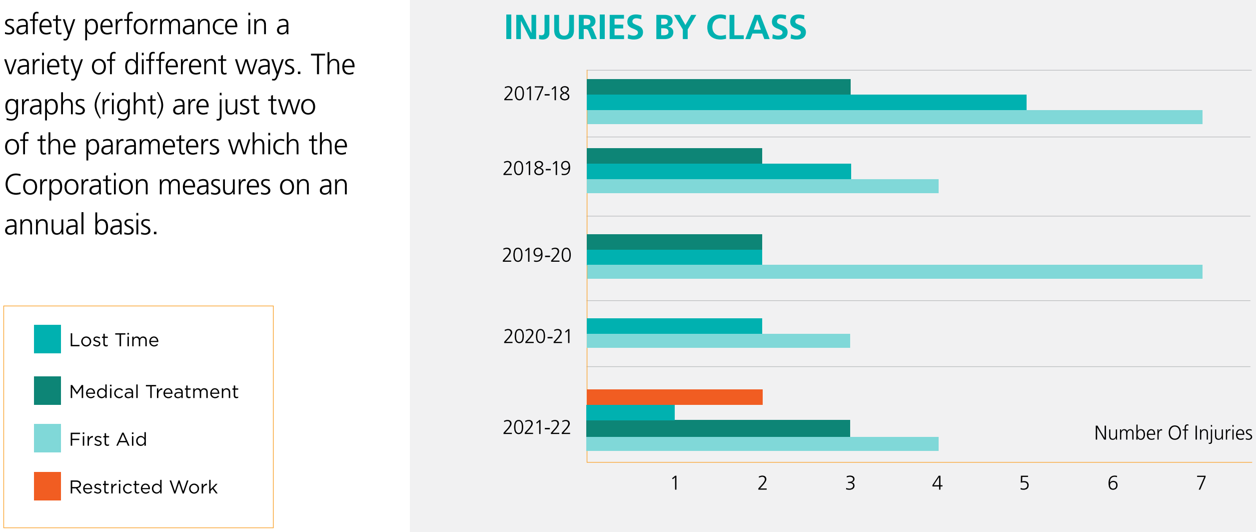
Further complicating the supply chain issues is the challenge to recruit employees and to find contractors available to take on construction/project work. Over the past year or so, there have been occasions where NTPC has reached out to several contractors who have done work for the corporation in the past who indicated they are now too busy to take on additional work.

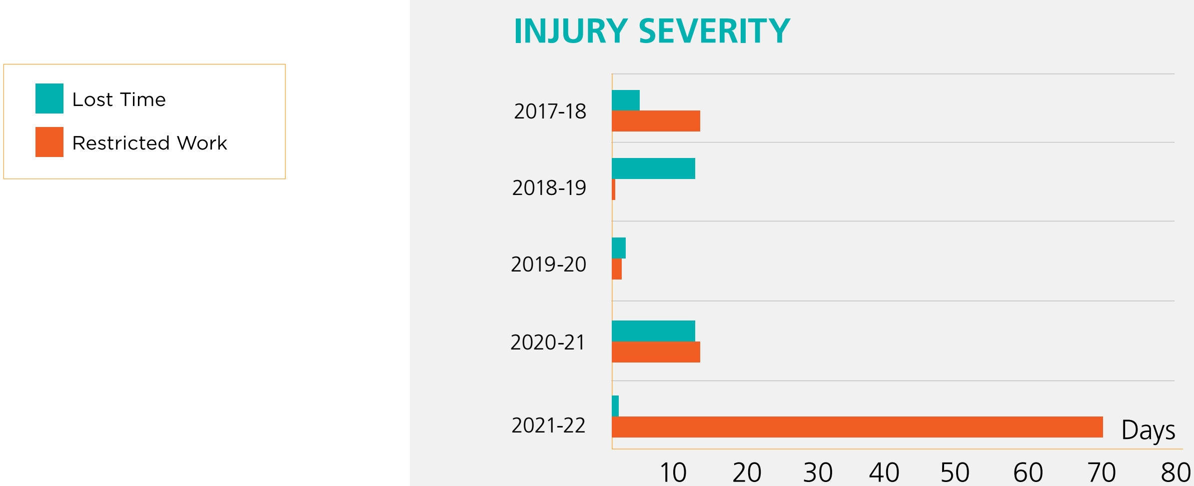
In this environment, it is challenging for NTPC and other utilities to complete major capital works as well as ongoing and emergency maintenance in a timely and cost-effective manner. In response, inventory levels of long-lead time items are being increased and purchasing decisions on key capital projects are being made earlier in the process whenever possible.

SAFETY

The health and safety of employees and the public and respect for the environment are among the highest priorities of NTPC.

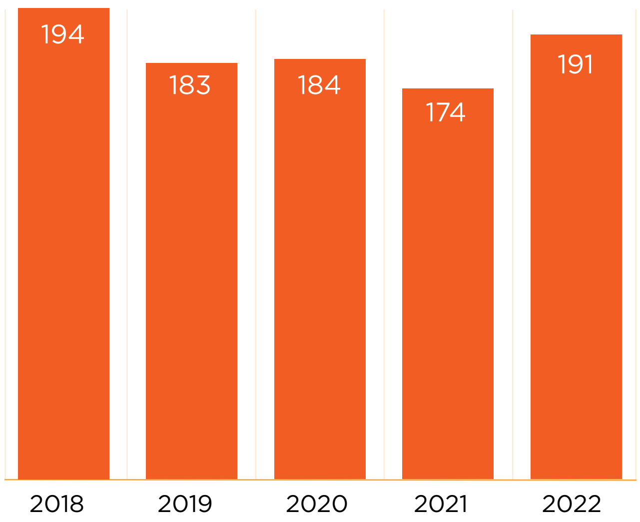
NTPC tracks its health and safety performance in a variety of different ways. The graphs (right) are just two of the parameters which the Corporation measures on an annual basis.





ENVIRONMENT

GREENHOUSE GAS EMISSIONS (tC02e) PER GWh OF GENERATION



NTPC is committed to reducing its greenhouse gas emissions, primarily by using less diesel to generate electricity. This data is tracked annually, using the calendar year rather than the fiscal year. The graph below illustrates our performance over the past five years. The volume of GHG emissions increased in 2022 due to low water in the Snare River and the need to rely on more diesel generation to power Yellowknife and surrounding area.

NTPC has assets with known environmental impacts in 23 communities with an approximate on-site volume of 49,696m3 of impacted soil.

In 2022-23, NTPC completed soil excavation of the historic Aklavik plant site. A total amount of 6759.14 m3 of soil was removed from site.

At this juncture there are no adverse environmental impacts remaining on site, although additional fill is still required to finish the project and a fence around the property remains in place.

NTPC has also received a closure letter for the Fort Resolution historic plant site and are in communications with the Hamlet to decommission the fence, slope the site to grade, and return the site to the Hamlet of Fort Resolution.

NTPC experienced several environmental spills in Inuvik in 2022-23. Two resulted from ongoing operations while the third was found to be from historic activity. In each case, NTPC embarked on cleanup and remediation activities as soon as the spill was identified, thereby helping to minimize the environmental impact.

CUSTOMER SERVICE

NET METERING PROGRAM

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

Currently, the amount of generation capacity is restricted to 20% of the average load in each eligible community in order to ensure the reliability of the local electricity system. Each eligible project is also restricted to a maximum rated capacity generally not exceeding 15 kilowatts.

As of March 31, 2023, there were 78 approved and installed solar locations registered with the Net Metering Program with a total installed capacity of 633 kilowatts. Net metering customers supplied 228 megawatt hours in 2022-23, compared to 30 megawatt hours in 2018-19.

RELIABILITY

As has been the case for many years, the average electricity customer in the NWT experienced a higher frequency of outages in 2022 (calendar year) than the average Canadian customer. However, the average length of outages as well as the total length of time without power experienced by the average NTPC customer is lower than what the average Canadian customer faces. The localized nature of NTPC's electricity systems allows staff to get power restored more quickly than is the case in southern provinces.

AVERAGE NUMBER OF OUTAGES PER NTPC CUSTOMER	12.16
AVERAGE NUMBER OF OUTAGES ACROSS CANADA PER CUSTOMER	2.42
AVERAGE LENGTH OF OUTAGE PER NTPC CUSTOMER	23 Average Minutes
AVERAGE LENGTH OF OUTAGES ACROSS CANADA PER CUSTOMER	2 Hours & 18 Minutes
TOTAL LENGTH OF OUTAGES PER NTPC CUSTOMER	4 Hours & 39 Minutes
TOTAL LENGTH OF OUTAGES ACROSS CANADA PER CUSTOMER	5 Hours & 34 Minutes

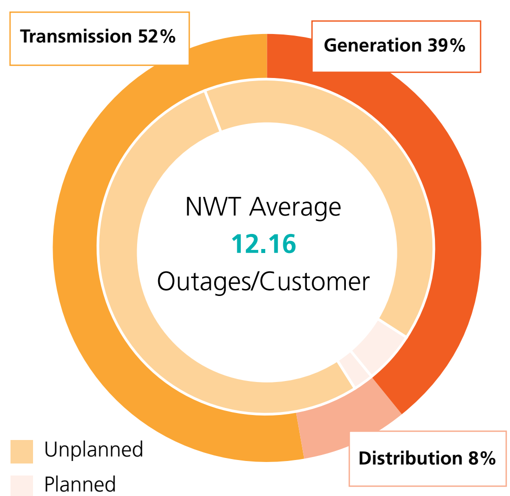
Consultation with Indigenous and community leaders is an important ongoing activity

SOURCE OF OUTAGES

NTPC's total length of outages were significantly increased in 2022 due to two significant outage events that were initiated by external environmental factors. There were a series of outage events in Yellowknife on September 10 and 11 that were initially caused by high winds, which resulted in vegetation contacting the transmission line from Snare. The situation was compounded by mechanical issues at the Jackfish Generation Facility.

In early December, there was a windstorm that began in the Beaufort and then ran down the Mackenzie Valley all the way to Fort Smith over a three-day period.

NTPC has an ongoing vegetation management program which is intended to reduce the impact of high winds on reliability in future years. With unpredictable and extreme weather becoming more common right across Canada, NTPC expects these types of events to increase in frequency in future years.



Data above does not include Hay River electricity customers as NTPC does not currently provide backup power in that community

EMPOWERING COMMUNITIES

NTPC is proud to support organizations and events that enrich the lives of our customers in the communities we serve.

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

Applications for the Community Investment Program increased in 2022-23 as local events resumed following the pandemic but remained below pre-COVID levels.

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

- Education
- Health and Wellness
- Community
- Environment

FINANCIAL STATEMENTS

MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion of the consolidated financial condition and results of the operations of the Northwest Territories Hydro Corporation (NT Hydro) and the Northwest Territories Power Corporation (NTPC) for the year ended March 31, 2023. It should be read in conjunction with the audited consolidated financial statements and accompanying notes.

The enclosed 2022-23 financial statements adhere to Public Sector Accounting Standards (PSAS). All financial information is expressed in Canadian dollars.

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

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

100% Northern Owned

NTPC has been proud to be a Territorial owned provider of power to the second largest jurisdiction in Canada since May 5, 1988, when the Government of the Northwest Territories (GNWT/Shareholder) acquired NTPC as a Crown Corporation from the Federal Government.

Either through direct distribution of power or wholesaling power to a third-party, NTPC serves most of the communities in the Northwest Territories (NWT). NTPC manages and maintains a system of generation, transmission and distribution assets over a territory-wide service area which includes communities that are only accessible by air, barge, or winter roads.

In 2007, GNWT passed the Northwest Territories Hydro Corporation Act, creating NT Hydro. As a result, NT Hydro owns 100% of NTPC, which is also a public agency established under the Northwest Territories Power Corporation Act. In addition to NTPC, NT Hydro owns 100% of NWT Energy Corporation (03) Ltd. (NT Energy).

NT Hydro's main operations in 2022-23 were carried out by NTPC. NTPC is focused on its core business of providing reliable electricity services through generation of power by hydroelectric, diesel, natural gas and solar power generation facilities, as well as transmitting and distributing this power to customers in an environment regulated by the Northwest Territories Public Utilities Board (PUB).

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

A Year in Review

Environmental Challenges

2022-23 presented several environmental challenges for NTPC. May 2022 saw the community of Hay River, home of NTPC's head office, evacuated due to flooding. Forest fires affected several areas including the Taltson hydroelectric site and transmission line delaying refurbishment work, and low precipitation in the Snare basin, the watershed for the Snare hydro system, Yellowknife's primary generation facility, has resulted in a low water event which will continue beyond 2022-23.

Fuel Costs

The sharp rise in world fuel prices beginning in February 2022 has continued as communities have received their annual resupply. These increases have resulted in $9.2M in additional fuel costs. Low water in the Snare hydro system has required 20.38 GWh of increased diesel production from NTPC's Jackfish diesel plant resulting in $7.6M of additional diesel fuel expense.

This increase in cost is included in the attached PSAS financial statements but as a regulated utility NTPC defers fuel costs, over the costs incorporated into electrical rates, into a regulatory deferral account recoverable from customers in the future. Subsequent to the 2022-23 fiscal year, the GNWT made a contribution of $15.2M to offset the amount recoverable from customers.

Regulatory Issues

NTPC submitted General Rate Application (GRA) in March 2022 to the Northwest Territories Public Utilities Board (PUB). A GRA is the process where a regulated utility applies for increases in their rates. It is a PUB process which ensures fairness and transparency in the rate setting process. NTPC's previous rate application was completed in 2018.

NTPC's 2022-23 application resulted in an overall rate increase of between 6.2% and 8.8% over two years.

NTPC made significant advances in assuming the Hay River franchise. In 2017 the Town of Hay River selected NTPC to be their electrical service distributor. Since that time NTPC has been working with the Town on the transfer and sale of assets from the existing service provider to NTPC. In February of 2023 this agreement was provided to the PUB for regulatory review.

Inuvik Wind Project

The Inuvik High Point Wind (IHPW) project, which features the installation of a 3.5 MW wind turbine, a distribution extension and the installation of a battery electric storage system, met significant milestones in 2022-23. This included the delivery of the turbine components into the NWT and land permit approval which allowed construction to begin on the 6.25 KM access road to the turbine site. The IHPW project has the potential to save over three million liters of diesel fuel annually and reduce greenhouse gas emissions by 6,000 tonnes.

COVID-19 Pandemic Recovery

In the spring 2022 COVID-19 restrictions were eased in the NWT. This has allowed for many deferred capital and maintenance projects to be undertaken in 2022-23. Supply chain issues and contractor availability continue to be challenging especially in the electrical utility fields as all utilities vie for these resources.

2022-23 Financial Results

The majority of NT Hydro's operating results come from NTPC's operations. NT Energy's activities consist mostly of capital work in progress related to the Inuvik High Point Wind project.

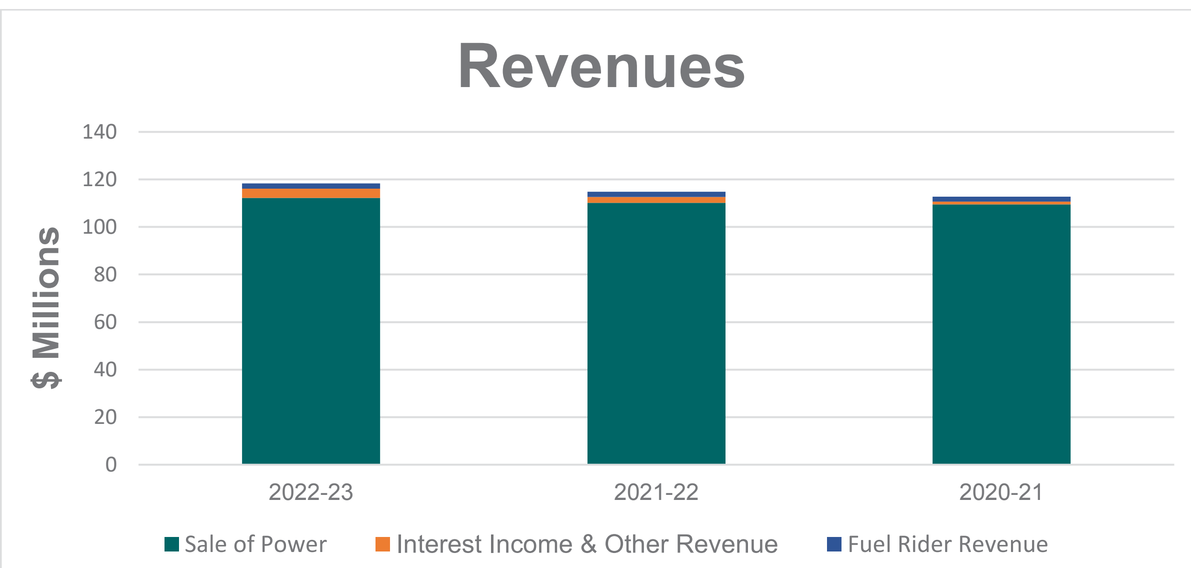
NTPC Results

In 2022-23 NWTs Public Utilities Board approved NTPCs General Rate Application which allowed NTPC to generate additional revenue. NTPC has also been able to move forward with capital projects, such as the Łutsel K'e and Sachs Harbour power plant replacements, and maintenance work which has been delayed over the past few years.

Revenues

NTPC Performance Indicator	2022-23 Results	2021-22 Results	2020-21 Results
Revenues: Current Year vs Prior Year	103%	100%	95%
Revenues: Actual vs Budget	100%	100%	98%

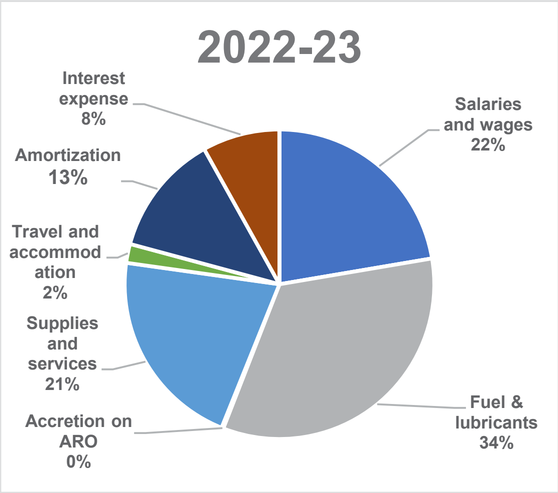
NTPC sales in 2022-23 had a 2% increase over the previous year, indicative of the rate increases approved through the General Rate Application.

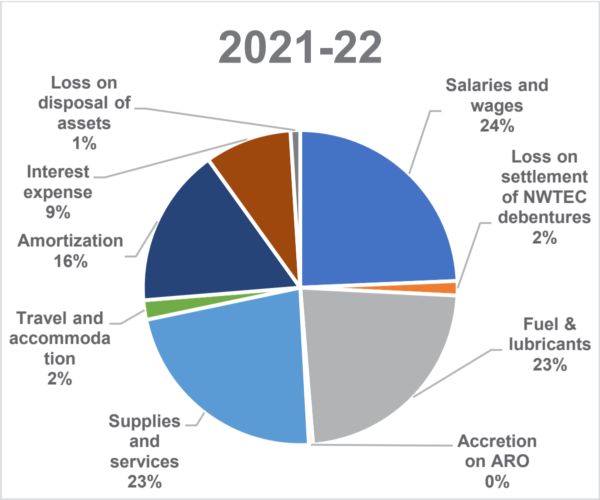


Expenses

NTPC Performance Indicator	2022-23 Results	2021-22 Results	2020-21 Results
Operating Expenses: Current Year vs Prior Year	112%	108%	97%
Operating Expenses: Actual vs Budget	113%	99%	95%

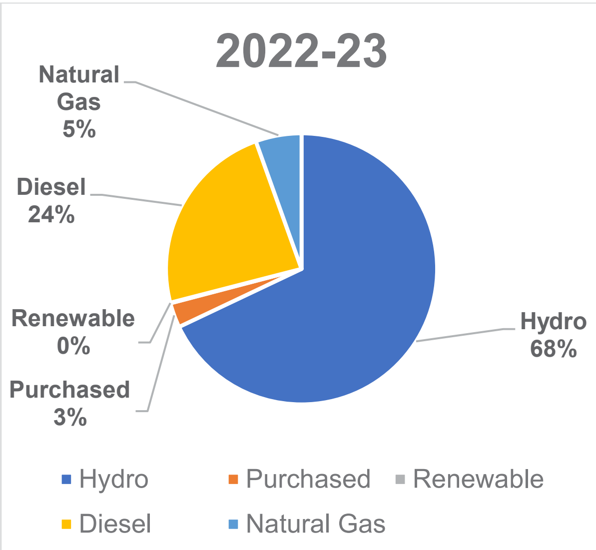
NTPC's 2022-23 operating expenses were significantly higher than budget & previous year's actual spend. Factors contributing to this increase include a significant increase in the price of fuel and the Snare Low Water event.

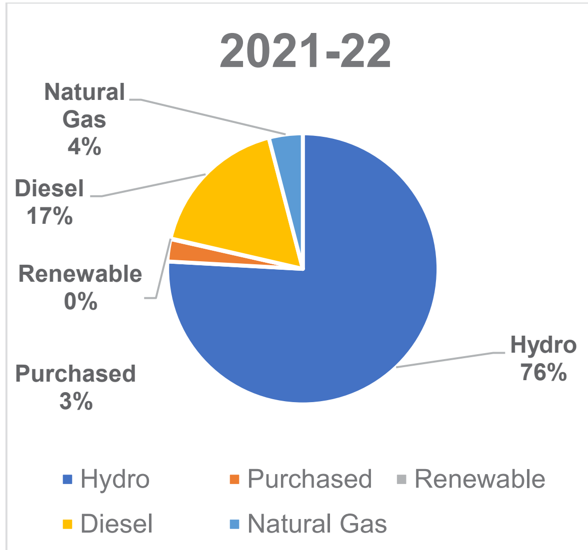




Generation by Source

Hydro continues to be NTPC's primary generation source, providing over 68% of all power generated. Diesel use increased over last year as the Snare Zone required additional diesel generation due to the Low Water Event.





Performance Indicators and Financing

NTPC Performance Indicator	2022-23 Results	2021-22 Results	2020-21 Results
Net Income as % Total Revenues	-10%	5%	16%
Net Income as % Total Assets	-3%	1%	4%
Debt to Equity	2.43	1.87	1.95

Net income, as a percentage of total revenues, fell relative to the previous year due to increased expense costs related to the price of fuel & the Snare Low Water event.

Look Ahead

Resource Challenges

Worldwide shortages of commodities and products continues to result in significant delays and price increases in many items specific to the power industry such as power poles, transformers, conductors, and generators. Other more general items are also facing high inflationary pressures or production delays. Contractors are struggling to satisfy pent-up demand and even struggle to find workers.

Two years of remote work, work-from-home and other flexible work arrangements during COVID-19 has changed employee expectations about what employment looks like. NTPC, like all utilities, has significant challenges in recruiting and retaining qualified workers.

The price of fuel has reached historical highs since the geopolitical events in eastern Europe began in 2022. NTPC relies on diesel fuel to generate power in many communities and large price increases puts pressure on electricity prices, with rate stabilization riders required to recover the increased electricity production costs.

Climate Change and Water Levels

The impact of climate change, including both high-and low-water levels, remains one of the top risks for NTPC. The NWT is warming about three times the global rate, as highlighted in Canada's 2019 Changing Climate Report. To help mitigate climate change, NT Hydro's 2030 strategic plan is aligned with the GNWT's 2030 NWT Climate Change Strategic Framework and 2030 Energy Strategy, which aims to reduce Greenhouse Gas (GHG) emissions from electricity generation. NTPC is accessing government programs to fund GHG reduction and advancing climate change mitigation projects.

Capital Expenditures

NT Hydro's strategic objectives include a focus on investing in core assets, increasing the distribution customer base, advancing GHG reduction projects and reducing fuel consumption. NT Hydro's five-year capital program includes projects to advance these strategic initiatives. The Hay River franchise acquisition and the Fort Providence transmission line will increase the distribution customer base and transition two communities off diesel power, the Inuvik High Point Wind project will reduce fuel consumption and GHG emissions, and the introduction of new high-efficiency diesel power plants in Łutselk'e and Sachs Harbour as well as overhauls of aging hydro infrastructure represents significant investment in core assets.

NT Hydro continues to work closely with the GNWT in securing federal and territorial funding and to advance projects focused on GHG reductions or climate mitigation.

NORTHWEST TERRITORIES HYDRO CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NORTHWEST TERRITORIES HYDRO CORPORATION

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant accounting policies are described in Note 2 to the consolidated financial statements. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Northwest Territories Hydro Corporation (NT Hydro) maintains financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further NT Hydro's objectives, and 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 oversees management's responsibilities for financial reporting and reviews and approves the consolidated financial statements. The internal and external auditors have full and free access to the Board.

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

Cory Strang	**Paul Grant**
Chief Executive Officer	Chief Financial Officer

Hay River, NT
December 11, 2023

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Hydro Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Northwest Territories Hydro Corporation and its controlled entities (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Management Discussion and Analysis section included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Qualified Opinion

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

In our opinion, except for the matter of non-compliance described in the *Basis for Qualified Opinion* section of our Report on Compliance with Specified Authorities, the transactions of the Northwest Territories Hydro Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Northwest Territories Hydro Corporation Act*, we report that, in our opinion, proper books of account have been kept by the Northwest Territories Hydro Corporation and the consolidated financial statements are in agreement therewith.

Basis for Qualified Opinion

Subparagraph 32(1)(b)(ii) of the *Financial Administration Act* of the Northwest Territories requires the Northwest Territories Hydro Corporation to submit its annual report to its Minister not later than 90 days after the end of its fiscal year or not later than an additional period, not exceeding 60 days, that the Minister of Finance may allow. The Northwest Territories Hydro Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the year ended 31 March 2023.

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Lana Dar

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

Vancouver, Canada
11 December 2023

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2023	2022 Restated (Note 3)
Financial assets		
Cash	$ 761	$ 9,927
Revenues receivable (Note 4)	15,196	13,229
Government contributions receivable (Note 18)	7,451	3,505
Investment in Aadrii Ltd.	386	372
	23,794	**27,033**
Liabilities		
Operating line of credit (Note 5)	54,472	950
Accounts payable and accrued liabilities	51,857	27,276
Debenture debt owing to third parties (Note 6)	187,500	190,749
Debenture debt owing to the GNWT (Note 6)	37,596	38,573
Asset retirement obligations (Note 7)	6,498	7,313
Environmental liabilities (Note 8)	17,970	17,619
Capital lease obligation (Note 9)	15,545	15,950
Other employee future benefits (Note 10)	1,985	1,977
Deferred government contributions (Note 18)	2,199	13,117
	375,622	**313,524**
Net debt	**(351,828)**	**(286,491)**
Non-financial assets		
Tangible capital assets (Note 11)	524,642	456,196
Inventories (Note 12)	14,230	10,459
Prepaid expenses	2,033	1,472
	540,905	**468,127**
Accumulated surplus / equity (Note 13)	**$ 189,077**	**$ 181,636**

Contractual obligations and contingent liabilities (Note 20)
Subsequent events (Note 22)

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

Approved on behalf of the Board:

Stephen Loutitt, Chairperson of the Board

Martin Goldney, Director

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2023 Budget	2023 Actual	2022 Actual Restated (Note 3)
Revenues			
Sale of power (Note 14)	$ 114,260	$ 112,269	$ 110,155
Fuel rider revenue	2,152	2,123	2,150
Other revenue (Note 15)	2,075	3,463	2,117
Interest income (Note 17)	75	92	424
Income (loss) from investment in Aadrii Ltd.	75	14	(69)
	118,637	**117,961**	**114,777**
Expenses (Notes 16,17)			
Thermal generation	66,524	83,602	68,896
Hydro generation	21,946	19,044	22,861
Corporate services	16,364	15,070	14,693
Transmission, distribution and retail	11,756	13,081	10,811
Purchased power	3,783	5,039	3,141
Alternative power generation	208	219	201
	120,581	**136,055**	**120,603**
Deficit for the year before government contributions	**(1,944)**	**(18,094)**	**(5,826)**
Government contributions			
Other government contributions (Note 18)	30,093	25,535	25,669
Surplus (Deficit) for the year	**$ 28,149**	**$ 7,441**	**$ 19,843**
Accumulated surplus / equity, beginning of year	**183,630**	**181,636**	**161,793**
Accumulated surplus / equity, end of year	**$ 211,779**	**$ 189,077**	**$ 181,636**

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

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2023 Budget	2023 Actual	2022 Actual Restated (Note 3)
Surplus for the year	$ 28,149	$ 7,441	$ 19,843
Tangible capital assets			
Additions	(106,259)	(81,203)	(41,846)
Capitalized overhead	(4,500)	(3,877)	(3,339)
Capitalized interest (Note 17)	(1,373)	(1,546)	(1,488)
Disposals	2,500	971	2,311
Amortization (Note 11)	20,294	17,209	19,609
	(89,338)	**(68,446)**	**(24,753)**
Acquisition of inventories	(7,700)	(14,643)	(7,745)
Use of inventories	7,700	10,872	6,311
Acquisition of prepaids	(2,700)	(4,069)	(3,307)
Use of prepaids	2,700	3,508	3,389
	-	**(4,332)**	**(1,352)**
Increase in net debt for the year	**$ (61,189)**	**$ (65,337)**	**$ (6,262)**
Net debt, beginning of year	(287,140)	(286,491)	(280,229)
Net debt, end of year	**$ (348,329)**	**$ (351,828)**	**$ (286,491)**

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

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2023	2022
Cash provided by operating activities		
Cash receipts from customers	$ 115,979	$ 115,386
Government contributions received (Note 18)	10,672	32,302
Cash paid to suppliers	(66,926)	(50,978)
Cash paid to employees	(31,683)	(30,607)
Interest paid	(10,948)	(10,071)
Interest received	92	64
	17,186	**56,096**
Cash provided by investing activities		
Loan receivable receipts	-	9,220
	-	**9,220**
Cash used in capital activities		
Acquisition and development of tangible capital assets	(75,249)	(45,459)
Proceeds on sale of tangible capital assets	51	27
	(75,198)	**(45,432)**
Cash provided by (used in) financing activities		
Issuance of debenture debt	-	-
Repayment of capital lease obligation	(405)	(202)
Repayment of debenture debt	(4,271)	(13,664)
Prepayment penalty for debenture debt	-	(1,787)
Proceeds from operating line of credit	53,522	948
	48,846	**(14,705)**
(Decrease) increase in cash	**$ (9,166)**	**$ 5,179**
Cash, beginning of year	9,927	4,748
Cash, end of year	**$ 761**	**$ 9,927**

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

NORTHWEST TERRITORIES HYDRO CORPORATION

1. The Corporation

a) Authority and corporate information

The Northwest Territories Hydro Corporation (NT Hydro) was established under the *Northwest Territories Hydro Corporation Act.* NT Hydro is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro (Note 13).

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

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

b) Regulated activities

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

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. NTPC filed its 2022/23 GRA on March 31, 2022. This application requested a change to NTPC's amortization rates as well as its energy rates, which include a return on equity component. In Decision 6-2023 the PUB approved amortization rates and a return on equity for 2022-23 of 8%. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

The PUB reviews the affairs, earnings and accounts of NTPC every year by way of its annual report of finances.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 1. The Corporation (continued)

On March 15, 2019, NTPC filed a collection rider application with the PUB to reduce the balance of the regulated Territory-wide Rate Stabilization Fund as a result of high fuel costs as well as reduced access to lower cost generation through purchased power in Norman Wells and liquefied natural gas generation in Inuvik in the last two years. PUB Decision 4-2019 approved the rider effective May 1, 2019. The rider ranges between 0.69 cents/kWh to 0.99 cents/kWh for all firm power customers with the exception of Northland Utilities (NWT) Limited. The rider has remained in place through the first 2 quarters of the 2023-24 year due to high fuel prices and is expected to remain in effect until the fund balances are zero.

c) Economic dependence

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

2. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statement of NT Hydro consist of the transactions and balances of NT Hydro and its wholly-owned subsidiaries. Inter-entity transactions and balances with the wholly-owned subsidiaries are eliminated upon consolidation. NTPC's investment in its government business partnership (GBP) is accounted for under the modified equity method to record its investment, net income and other changes in equity. Inter-entity transactions and balances with the GBP are not eliminated.

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

b) Measurement uncertainty

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

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

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

Note 2. Significant accounting policies (continued)

c) Inventories

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

d) Financial instruments

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

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

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

e) Tangible capital assets

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

The IDC rate for 2022-23 was 4.46% (2021-22 – 4.97%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

i) Leased tangible capital assets

Leases that transfer substantially all of the benefits and risks incidental to ownership of tangible capital assets are accounted for as leased tangible capital assets and a lease liability.

The value of the leased tangible capital asset and lease liability is recorded at the inception of the lease based upon the present value of the minimum lease payments, excluding executory costs.

ii) Contributions of tangible capital assets

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

iii) Impairment

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

iv) Amortization

Management has utilized amortization rates approved by the PUB in Decision 6-2023 (Note 1(b)). The cost, less residual value, is amortized over its useful life on a straight-line basis based on the average life of the group. Amortization rates were updated in 2022-23 to reflect the rates approved by the PUB. Assets under construction are not amortized until they are ready for their intended productive use. NTPC uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

Annual amortization rates are as follows:

	2023 Rates (%)	**2022 Rates (%)**
Electric power plants	1.00 – 5.00	1.00 – 4.86
Transmission and distribution systems	1.54 – 6.67	1.54 – 6.67
Warehouse, equipment, motor vehicles and general facilities	1.54 – 20.00	1.31 – 20.00
Electric power plant under capital lease	1.00 – 4.35	1.00 – 4.86

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

f) Government contributions

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

g) Customer contributions in aid of construction

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

h) Public service pension plan

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

i) Other employee future benefits

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

i) Severance and ultimate removal benefits

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

ii) Sick leave benefits

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

j) Asset retirement obligations (ARO)

An asset retirement obligation liability is recognized at the financial reporting date, when all of the following criteria are met:

- NT Hydro has a legal obligation to incur retirement costs
- the past transaction or event giving rise to the liability has occurred
- NT Hydro expects that future economic benefits will be given up
- a reasonable estimate of the amount can be made.

The estimate of an asset retirement obligation incorporates a present value technique. When a liability for an ARO is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The liability is based on management's best estimate of retirement and/or abatement cost.

At each financial reporting date, the carrying amount of the liability is reviewed. NT Hydro recognizes period to period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Once the related tangible capital asset is no longer in productive use, changes to the liability are recognized as an expense in the period they are incurred. NT Hydro continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

k) Environmental liabilities

A contaminated site is a site where physical, chemical, biological or radiological substances have been introduced in air, soil, water or sediment and have an adverse effect. A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NT Hydro is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects NT Hydro's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

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

l) Foreign currency translation

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

Note 2. Significant accounting policies (continued)

m) Revenues

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

Interest and other revenue are recognized on an accrual basis.

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingent liabilities

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

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

p) Non-financial assets

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

q) Future accounting changes

PSAB issued a new standard PS 3400 Revenue in November 2018. This standard has an effective date of April 1, 2023. NT Hydro continues to evaluate the potential impacts on its consolidated financial statements from the adoption of this standard.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

3. Restatement

Effective April 1, 2022, NTPC adopted PS 3280 Asset Retirement Obligations standard, using the modified retroactive approach with restatement of prior year comparatives, and recognized the following to conform with the new standard:

a) Asset retirement obligations, adjusted for accumulated accretion to the effective date;
b) Asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
c) Accumulated amortization on the capitalized cost; and
d) Adjustment to the opening balance of accumulated surplus/equity.

Amounts are measured using information, assumptions and discount rates where applicable that were current on the effective date.

The amount recognized as an asset retirement cost is measured as of the date of the asset retirement obligation. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized as if the provisions of this standard had been in effect to the date as of which this standard is first applied.

Reconciliations of the prior year consolidated financial statements are as follows:

	As previously reported	De-recognition	Recognition	As restated
Consolidated Statement of Financial Position				
Financial assets	$ 27,033	$ -	$ -	$ 27,033
Liabilities				
Asset retirement obligations	(7,962)	6,638	(5,989)	(7,313)
All other	(306,211)	-	-	(306,211)
Net debt	(287,140)	6,638	(5,989)	(286,491)
Tangible capital assets	458,839	(2,961)	318	456,196
Inventories and prepaid expenses	11,931	-	-	11,931
Accumulated surplus/equity, end of year	$ 183,630	$ 3,677	$ (5,671)	$ 181,636

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 3. Restatement (continued)

Consolidated Statement of Operations and Accumulated Surplus	As previously reported	De-recognition	Recognition	As restated
Revenue	$ 114,777	$ -	$ -	$ 114,777
Expenses	(120,748)	355	(210)	(120,603)
Government contributions	25,669	-	-	25,669
Annual surplus for the year	19,698	355	(210)	19,843
Accumulated surplus/equity beginning of year	163,932	3,322	(5,461)	161,793
Accumulated surplus/equity, end of year	$ 183,630	$ 3,677	$ (5,671)	$ 181,636

Consolidated Statement of Change in Net Debt	As previously reported	De-recognition	Recognition	As restated
Surplus for the year	$ 19,698	$ 355	$ (210)	$ 19,843
Tangible capital asset changes	(24,929)	(117)	284	(24,753)
Changes in inventory and Prepaids	(1,352)	-	-	(1,352)
Increase in net debt for the year	(6,583)	238	83	(6,262)
Net debt, beginning of year	(280,557)	6,400	(6,072)	(280,229)
Net debt, end of year	$ (287,140)	$ 6,638	$ (5,989)	$ (286,491)

In connection with adoption of PS 3280, management discovered that NTPC does not have a legal obligation to remove all fuel tanks at the end of their useful lives. As such, related ARO, asset retirement costs in tangible capital assets, accretion expense and amortization expense should not have been recorded in prior years. These have been de-recognized and the comparative figures in these consolidated financial statements have been restated as indicated above in the de-recognition columns.

In accordance with PS 3280, NTPC recognizes ARO related to legal obligations for asbestos abatement together with the related asset retirement cost in tangible capital assets, accretion expense and amortization expense. These have been recognized and the comparative figures in these consolidated financial statements have been restated as indicated above in the recognition columns

(in thousands of dollars)

4. Revenues receivable

At March 31, 2023, the aging of revenues receivable was as follows:

	2023			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 12,727	$ 852	$ 246	$ 13,825
Non-utility	1,290	93	165	1,548
Allowance for doubtful accounts	-	-	(177)	(177)
	$ 14,017	$ 945	$ 234	$ 15,196

At March 31, 2022, the aging of revenues receivable was as follows:

	2022			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 11,339	$ 839	$ 228	$ 12,406
Non-utility	909	3	114	1,026
Allowance for doubtful accounts	-	-	(203)	(203)
	$ 12,248	$ 842	$ 139	$ 13,229

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

	2023	2022
Balance, beginning of the year	$ (203)	$ (579)
Receivables written off	60	191
Change to allowance	(34)	185
Balance, end of the year	$ (177)	$ (203)

Revenues receivable on utility and non-utility accounts are generally due in 28 days and interest is charged after 28 and 30 days, respectively, at rates in the terms of service agreement. As at March 31, 2023, NT Hydro provided an allowance for doubtful accounts for the estimated portion of its revenues receivable accounts that will not be collected. Additional disclosures on NT Hydro's exposure and management of credit risk associated with revenues receivable can be found in Note 21.

5. Operating line of credit

NT Hydro has a $75,000 (2021-22 - $50,000) operating line of credit with its bank. The operating line of credit allows NT Hydro to borrow using Bankers' Acceptances or other advances directly against the line of credit.

As at March 31, 2023, NT Hydro has borrowed $54,472 (2021-22 - $950) against the line of credit. See also Note 22 (a).

NT Hydro has no outstanding letters of credit as of March 31, 2023 (2021-22 - one letter of credit for $3,145) against its operating line of credit.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

6. Debenture debt

a) Owing to Third Parties

	2023	2022
3.982% amortizing debenture, due February 17, 2047 repayable semi-annually in blended payments of $1,722	$ 52,926	$ 54,224
5.16% amortizing debenture, due September 13, 2040 repayable semi-annually in blended payments of $1,684	38,516	39,846
5.443% debenture – interest payable semi-annually, principal is due August 1, 2028	25,000	25,000
5.995% debenture – interest payable semi-annually, principal is due December 15, 2034	25,000	25,000
3.818% debenture – interest payable semi-annually, principal is due November 25, 2052	25,000	25,000
5% debenture – interest payable semi-annually, principal is due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032 repayable semi-annually. The first payment is interest only, the second payment is interest plus $667 principal	6,667	7,333
	$ 188,109	$ 191,403
Less: unamortized premium, discount and issuance costs	(609)	(654)
	$ 187,500	$ 190,749

The GNWT guarantees all third party debenture debt.

b) Owing to the GNWT

	2023	2022
2.265% amortizing debenture, due September 30, 2050 repayable semi-annually in blended payments of $922	$ 37,596	$ 38,573

Principal repayments for future years on all debenture debt are as follows:

2024	2025	2026	2027	2028	Thereafter	Total
$ 4,413	$ 4,566	$ 19,721	$ 4,885	$ 5,055	$187,065	$ 225,705

(in thousands of dollars)

7. Asset retirement obligations

ARO include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NTPC. ARO also includes estimated remediation costs to remove asbestos from NTPC's buildings.

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

- Total expected future cash flows - $13,241 (2021-22 -- $13,872 as restated – Note 3).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 39 years with the majority occurring after 2036.
- The discount rate is the year-end cost of borrowing of 3.96% (2021-22 – 3.33%) for those obligations to be settled in less than 10 years and 4.34% (2021-22 – 3.61%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2021-22 – 2%).

Following is a summary of the asset retirement obligations:

	2023	2022 Restated (Note 3)
Opening balance	$ 7,313	$ 7,523
Liabilities settled	(35)	(1)
Accretion expense	257	254
Valuation adjustment	(1,037)	(473)
Additions	-	10
Balance, end of year	$ 6,498	$ 7,313

The valuation adjustments relate to changes in discount rates, timing of cash flows and estimated costs to retire assets or remediate asbestos. The valuation adjustments are reflected as changes to the carrying value of the tangible capital assets.

8. Environmental liabilities

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons and other substances in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NTPC estimates that it has 23 geographic locations (2021-22 - 23 locations) with multiple sites at each location which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NTPC is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

(in thousands of dollars)

Note 8. Environmental liabilities (continued)

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

- Total expected future cash flows - $69,854 (2021-22 -- $52,551).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 68 years with the majority occurring after 2059.
- The discount rate is the year-end cost of borrowing of 3.96% (2021-22 – 3.33%) for those obligations to be settled in less than 10 years and 4.34% (2021-22 – 3.61%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2021-22 – 2%).

Following is a summary of the estimated environmental liabilities:

		2023		2022
Opening balance	$	17,619	$	14,368
Liabilities settled		(2,877)		(1,383)
Valuation adjustment		3,228		4,634
Balance, end of year	$	17,970	$	17,619

The valuation adjustment relates to changes in the timing of or amount of expected future cash flows and changes to the discount rate applied. The valuation adjustment is recognized in supplies and services expense (Note 16).

(in thousands of dollars)

9. Capital lease obligation

In 1996, NTPC entered into a 65-year lease from the Dogrib Power Corporation for the Snare Cascades at a variable interest rate based on the weighted average return of equity and cost of debt. The lease matures August 2061. The interest rate on the lease as of March 31, 2023 was 7.75% (2021-22 – 7.75%). This rate is recalculated periodically in accordance with PUB orders as established through the GRA process (Note 1(b)). The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by mutual agreement or arbitration. The renewal term will be based on the useful life of the property at the end of the term or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Cascades is included in electric power plant under capital lease (Note 11).

Present value of minimum lease payments

The undiscounted contractual obligations, the effects of discounting and the present values of the minimum lease payments required for the capital lease obligation over the next five years and thereafter are as follows:

2024	$ 1,656
2025	1,624
2026	1,593
2027	1,562
2028	1,530
Thereafter	33,045
	41,010
Less: amounts representing imputed interest	(25,465)
Total capital lease obligation	**$ 15,545**

Additional disclosures on NTPC's exposure and management of risk associated with the capital lease obligation can be found in Note 21.

10. Other employee future benefits

a) Public Service Pension Plan

The employees of NTPC participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is 2% per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.02 times (2021-22 – 1.02) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2021-22 – 1.00) the employees' contributions for all other employees. The employer contribution rate at the end of the year for the portion of the employee's salary above $196 (2021-22 - $191) was 5.29 times (2021-22 – 5.91) the employee's contributions. Employer contributions of $2,577 (2021-22 - $2,288) were recognized as an expense in the current year. The employees' contribution to this plan was $2,348 (2021-22 - $2,148).

The Plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 10. Other employee future benefits (continued)

b) Other employee future benefits

Summary of other employee future benefit liabilities:

	2023			2022		
	Severance and Removal Benefit	Accumulated Sick Leave Benefit	Total	Severance and Removal Benefit	Accumulated Sick Leave Benefit	Total
Accrued benefit obligation, beginning of year	$ 3,297	$ 267	$ 3,564	$ 2,799	$ 221	$ 3,020
Benefits earned	279	19	298	299	21	320
Interest	115	9	124	77	6	83
Benefits paid	(563)	(37)	(600)	(1,269)	(36)	(1,305)
Actuarial (gains) losses	5	(12)	(7)	1,391	55	1,446
Accrued benefit obligation, end of year	3,133	246	3,379	3,297	267	3,564
Unamortized net actuarial gain/(loss)	(1,134)	(260)	(1,394)	(1,255)	(332)	(1,587)
Net future obligation	$ 1,999	$ (14)	$ 1,985	$ 2,042	$ (65)	$ 1,977

NT Hydro provides accumulating sick leave employee benefits of one and one quarter days of sick leave per month which will require funding in future periods when claimed upon an employee becoming sick. Sick leave can only be used for paid time off for illness of the employee. Sick leave taken is paid at the employee's normal rate of pay. The sick leave benefits are not paid out to an employee upon termination of employment, resignation or retirement. Unused sick days accumulate and there are no limits to the accumulation. Sick leave benefits accumulate over the periods of service provided by employees and are recognized as services are performed to earn them.

(in thousands of dollars)

Note 10. Other employee future benefits (continued)

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

	2023	2022
Current benefits earned	$ 298	$ 320
Interest	124	83
Amortization of net actuarial loss	186	48
	$ 608	$ 451

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

	2023	2022
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	4.1%	3.4%
Expected average remaining service life of related employee groups (EARSL)	10.4 years	10.4 years

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

11. Tangible capital assets

March 31, 2023	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 402,630	$ 108,650	$ 79,353	$ 28,733	$ 95,430	$ 714,796
Additions	-	-	-	-	86,626	86,626
Transfers – completed projects	26,854	4,355	13,184	-	(44,393)	-
Disposals and adjustments	(868)	(285)	(1,568)	-	-	(2,721)
Closing balance	428,616	112,720	90,969	28,733	137,663	798,701
Accumulated amortization						
Opening balance	(158,589)	(42,774)	(46,636)	(10,601)	-	(258,600)
Amortization	(10,668)	(2,653)	(3,407)	(481)	-	(17,209)
Disposals and adjustments	108	244	1,398	-	-	1,750
Closing balance	(169,149)	(45,183)	(48,645)	(11,082)	-	(274,059)
Net book value	**$ 259,467**	**$ 67,537**	**$ 42,324**	**$ 17,651**	**$ 137,663**	**$ 524,642**

March 31, 2022 (Restated – Note 3)	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 396,247	$ 107,819	$ 77,482	$ 28,733	$ 63,290	$ 673,571
Additions	10	-	-	-	46,662	46,672
Transfers – completed projects	9,763	997	3,762	-	(14,522)	-
Disposals and adjustments	(3,390)	(166)	(1,891)	-	-	(5,447)
Closing balance	402,630	108,650	79,353	28,733	95,430	714,796
Accumulated amortization						
Opening balance	(148,348)	(40,294)	(43,344)	(10,141)	-	(242,127)
Amortization	(11,734)	(2,624)	(4,791)	(460)	-	(19,609)
Disposals and adjustments	1,493	144	1,499	-	-	3,136
Closing balance	(158,589)	(42,774)	(46,636)	(10,601)	-	(258,600)
Net book value	**$ 244,041**	**$ 65,876**	**$ 32,717**	**$ 18,132**	**$ 95,430**	**$ 456,196**

The cost of land as of March 31, 2023 included in electric power plants asset cost is approximately $5,594 (2021-22 - $5,894). Amortization is not recorded on land.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

12. Inventories

	2023	2022
Materials, supplies and lubricants	$ 9,490	$ 5,200
Critical spare parts	4,244	4,989
Fuel	496	270
	$ 14,230	$ 10,459

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is held in five of NTPC's operating plants.

13. Accumulated surplus/equity

	2023	Restated (Note 3) 2022
Share capital, common and preferred shares	$ 43,129	$ 43,129
Accumulated operating surplus / equity	145,948	138,507
	$ 189,077	$ 181,636

The authorized share capital of NT Hydro is comprised of one common share without par value and one preferred, non-cumulative share without par value. As at March 31, 2023, 1 common share (2021-22 – 1 common share), at $43,129 per share (2021-22 – $43,129 per share), has been issued and fully paid, and one preferred share at one dollar. NT Hydro may only issue its shares to the GNWT.

14. Sale of power

	2023	2022
Power sales to external customers	$ 83,647	$ 82,023
Power sales to GNWT and related parties	17,431	16,947
GNWT TPSP payments	6,601	6,550
GNWT HSP payments	4,590	4,635
	$ 112,269	$ 110,155

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

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

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

(in thousands of dollars)

Note 14. Sale of power (continued)

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

15. Other revenue

	2023	2022
Contract work	$ 1,687	$ 575
Heat revenues	670	482
Pole rental	355	373
Connection fees	310	410
Other	441	277
	$ 3,463	$ 2,117

16. Expenses

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

	2023	2022 Restated (Note 3)
Fuel and lubricants (Notes 19, 20)	$ 45,419	$ 27,638
Salaries and wages	30,572	29,485
Supplies and services	28,908	27,449
Amortization (Note 11)	17,209	19,609
Interest expense (Note 17)	10,971	10,775
Travel and accommodation	2,701	2,422
Loss on settlement of NWTEC debentures	-	1,787
Loss on disposal of assets	18	1,184
Accretion on ARO (Note 7)	257	254
	$ 136,055	$ 120,603

(in thousands of dollars)

17. Interest expense and interest income

Interest expense

		2023		2022
Interest on debenture debt and capital leases (Notes 6, 9)	$	11,383	$	12,014
Short-term debt financing costs		1,134		249
Capitalized interest during construction		(1,546)		(1,488)
	$	10,971	$	10,775

Interest income

		2023		2022
Interest on loan receivable	$	-	$	360
Income from overdue accounts and bank balances		92		64
	$	92	$	424

18. Other government contributions

Government of Canada's Low Carbon Economy Leadership Fund

NTPC entered into two agreements with the GNWT under the Government of Canada's Low Carbon Economy Leadership Fund (LCELF) for the following projects:

Inuvik Power Plant – 3rd LNG Fuel Tank (2021-22 Agreement)
This agreement is to support 75% of the cost of installation of a 3rd LNG tank at the Inuvik Power Plant to a maximum of $878. The agreement expires on March 31, 2023. During the year, NTPC received $686 and incurred $730 (2021-22 - $135) in eligible expenditures. The amount of expenditures in excess of amount received, $179, has been recorded as a government contribution receivable.

Inuvik Power Plant – EV Charging Station in Behchoko (2022-23 Agreement)
This agreement is to support 75% of the cost of installation of an electric vehicle charging station in Behchoko with 2 stalls to a maximum of $468. The agreement expires on September 14, 2023. During the year, NTPC received $31 and incurred $68 in eligible expenditures. The amount of expenditures in excess of amount received, $37, has been recorded as a government contribution receivable.

Investing in Canada Infrastructure Program

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

Note 18. Other government contributions (continued)

Taltson Hydroelectric Facility Major Overhaul
This agreement is to support 75% of the cost of completing upgrades to various hydro, mechanical and electrical components of the facility in addition to the installation of a tailrace gate to a maximum of $17,820. No funds were received in 2022-23. By March 31, 2022, NTPC received a total of $14,855 and had incurred the maximum eligible expenditures per the agreement of $17,820. The amount of eligible expenditures incurred in excess of the amount received, $2,965 (2021-22 - $2,965), has been recorded as a government contribution receivable. The agreement expires March 31, 2024.

Lutsel K'e – New Diesel Power Plant Facility Project
This agreement is to support 75% of the cost of replacing the existing power plant in the community to a maximum of $8,775. During the year, NTPC received payments of $0 (2021-22 - $6,000). As of March 31, 2023, NTPC incurred the maximum eligible expenditures per the agreement of $8,775 (2021-22 - $7,155) and received the maximum eligible funding of $8,775. The amount received in excess of eligible expenditures incurred, $0 (2021-22 - $1,620), has been recorded as a deferred government contribution liability. The agreement expires March 31, 2024.

Fort Simpson – Liquefied Natural Gas Power Generation Facility
This agreement is to support 75% of the cost to complete construction, installation and commissioning of a gas generation plant, as well as sufficient LNG storage and regasification to a maximum of $11,250. During the year, NTPC received payments of $0 (2021-22 - $0). As of March 31, 2023, NTPC has incurred $863 of eligible expenditures. The amount received in excess of eligible expenditures incurred, $1,486 (2021-22 - $1,515), has been recorded as a deferred government contribution liability. The agreement expired March 31, 2023.

In 2018-19, NT Hydro's subsidiaries entered into agreements with the GNWT under the Government of Canada's ICIP for the following projects:

Snare Forks Overhauls on Units 1 and 2
This agreement is to support 75% of the cost of completing turbine and generator upgrades on two units at NTPC's Snare Forks powerhouse to a maximum of $14,100.

In October 2018, Unit 1 experienced a mechanical failure prior to the start of the planned overhaul. NTPC initiated an insurance claim related to the Unit 1 failure including the costs associated with additional diesel generation. In 2019-20, NTPC received $5,000 in a preliminary installment on the insurance claim and recognized this amount as revenue. Further insurance proceeds may be receivable in the future and the amount, if any, will be recognized as revenue and a portion of the ICIP funding may be repayable. As of March 31, 2023, the amount of additional insurance proceeds cannot be reasonably estimated.

During the year, NTPC received payments of $0 (2021-22 - $1,080). Lifetime payments of $9,270 were received in previous years. As of March 31, 2023, NTPC has incurred $9,495 (2021-22 - $9,170) of eligible expenditures. The eligible expenditures incurred in excess of amounts received was $225 and is recorded as a government contribution receivable (2021-22 - $100 deferred government contribution liability).

The agreement expires March 31, 2029.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 18. Other government contributions (continued)

Sachs Harbour Plant Replacement

This agreement is to support 75% of the costs to fund the installation and commissioning of a new power plant and fuel storage tanks in Sachs Harbour to a maximum of $7,481. During the year, NTPC received payments of $0 (2021-22 - $1,881). Lifetime payments of $7,481 have been received. As of March 31, 2023, NTPC has incurred $7,037 of eligible expenditures. The amount received in excess of eligible expenditures incurred, $444 (2021-22 - $2,216), has been recorded as a deferred government contribution liability. The agreement expires March 31, 2024.

Inuvik Wind

This agreement between NT Energy and the GNWT is to support 100% of the costs of the design, construction and commissioning of the Inuvik High Point Wind project, to a maximum of $39,900.

During the year, NT Energy received payments of $9,258 (2021-22 - $19,205). Lifetime payments of $35,910 (2021-22 - $26,652) have been received. As of March 31, 2023, NT Energy has incurred $39,900 (2021-22 - $19,556) of lifetime eligible expenditures. The eligible expenditures incurred in excess of contributions received of $3,990 has been recorded as a government contribution receivable. (2021-22 - $7,096 deferred government contribution liability).

The agreement expires March 31, 2024.

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 18. Other government contributions (continued)

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

	2023 Budget	2023 Actuals	2022 Actuals	Total Lifetime Costs
Taltson Hydroelectric Overhaul				
Salaries and wages		$ -	$ 4	$ 28
Supplies and services		-	4,209	17,724
Transportation costs		-	32	68
	$ 2,965	**$ -**	**$ 4,245**	**$ 17,820**
Lutsel K'e Diesel Plant				
Salaries and wages		$ 67	$ 8	$ 88
Supplies and services		1,421	5,029	8,510
Transportation costs		131	41	176
	$ 1,087	**$ 1,619**	**$ 5,078**	**$ 8,774**
Fort Simpson LNG				
Salaries and wages		$ -	$ (9)	$ 102
Supplies and services		28	124	758
Transportation costs		-	1	3
	$ 375	**$ 28**	**$ 116**	**$ 863**
Snare Forks Overhauls				
Salaries and wages		$ 42	$ 25	$ 417
Supplies and services		240	1,651	8,535
Transportation costs		41	30	541
	$ -	**$ 323**	**$ 1,706**	**$ 9,493**
Sachs Harbour Plant Replacement				
Salaries and wages		$ 39	$ 9	$ 88
Supplies and services		1,689	165	6,852
Transportation costs		44	8	97
	$ 1,223	**$ 1,772**	**$ 182**	**$ 7,037**
Inuvik Wind				
Salaries and wages		$ 294	$ 74	$ 922
Supplies and services		19,862	13,785	38,725
Transportation costs		187	-	253
	$ 14,235	**$ 20,343**	**$ 13,859**	**$ 39,900**
Total ICIP contributions	**$ 19,885**	**$ 24,085**	**$ 25,186**	**$ 83,887**
LCELF and other contributions	**$ 10,208**	**$ 1,450**	**$ 483**	**$ 1,237**
Total government contributions	**$ 30,093**	**$ 25,535**	**$ 25,669**	**$ 85,124**

Note 18. Other government contributions (continued)

Other agreements

In 2022-23, NT Energy entered into three single year agreements with the GNWT. The first is for bridge funding costs associated with establishing an unregulated entity to facilitate the expansion of the electricity system through alternative energy development. The total agreement was for $250, all of which was received and recognized as revenue in 2022-23.

The second agreement was to support lease costs for the NT Energy office in Hay River. The total agreement was for $98 all of which was received and recognized as revenue in 2022-23.

The third agreement was entered into to be utilized to further the work on the Fort Providence/Kakisa Transmission Line. The total agreement was for $550, all of which was received during the 2021-22 year. As of March 31, 2023, $303 (2021-22 - $0) were incurred for the project. The amount received in excess of eligible expenditures of $247 is recorded as a deferred government contribution liability as of March 31, 2023 (2021-22 - $550).

(in thousands of dollars)

19. Related party transactions and balances

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

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

	2023	2022
Revenues		
Other revenue	$ 652	$ 558
Fuel rider revenue	448	457
	$ 1,100	$ 1,015
Expenses		
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 20)	$ 30,761	$ 20,295
Other operating expenses	1,070	1,302
	$ 31,831	$ 21,597
Financial assets		
Revenues receivable		
Utility	$ 468	$ 469
Non-utility	93	-
	$ 561	$ 469
Liabilities		
Accounts payable to FSD for fuel (Note 20)	$ 16,734	$ 3,731
Other accounts payable and accrued liabilities	12	152
	$ 16,746	$ 3,883

(in thousands of dollars)

20. Contractual obligations and contingent liabilities

a) Contractual obligations

NT Hydro is contractually committed for the following expenses with non-related parties that will be incurred subsequent to March 31, 2023.

	2024	2025 and subsequent
Operational and lease commitments	$ 8,349	$ 368

Capital projects

NT Hydro has contractual obligations of $29,325 related to capital projects, of which payments are expected to be made in 2023-24.

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

Fuel management services agreement

NTPC has a fuel management services agreement with FSD. Under this agreement, FSD provides fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from FSD in a given year. There is an annual minimum purchase requirement of 13,000 liters averaged over a 2 year period. The contract expires March 31, 2029.

LNG purchases

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

b) Contingent liabilities

A contractor of NT Hydro has filed a lawsuit seeking recovery of $4,964 for payment under a capital contract. NT Hydro is in the process of filing a statement of defense and counterclaim to offset the amount claimed and losses in excess of the amounts claimed. NT Hydro is also seeking indemnity under a performance bond issued for the project. An assessment of the likelihood of success of the claim, counterclaim or indemnity cannot be made as of March 31, 2023.

In June 2023, uncertainty related to the Safety Acts violation counts dislosed in 2021-22 was resolved. NTPC was issued a $200 fine which was recorded as an expense and accrued liability as of March 31, 2023.

(in thousands of dollars)

21. Financial instruments and risk management

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

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

a) Credit risk

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

	2023	2022
Revenues receivable	$ 15,196	$ 13,229
Government contributions receivable	7,451	3,505
Cash	761	9,927
	$ 23,408	$ 26,661

Revenues receivable

NT Hydro minimizes revenues receivable credit risk by taking cash deposits from customers. The size of the deposit varies depending on the risk exposure. Established customers or those with good credit are waived from having to provide a deposit. Thirty-seven percent (2021-22 - 37%) of NTPC's sales of power are to two other utilities. Twenty-five percent (2021-22 - 26%) of sales of power, including HSP and TPSP are to the GNWT.

Government contributions receivable

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

Cash

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

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 21. Financial instruments and risk management (continued)

b) Liquidity risk

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

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a $75,000 operating line of credit with a reputable financial institution. The following table shows the maturities of the debenture debt, operating line of credit, and capital lease obligation:

	March 31, 2023				
	1 year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 4,414	$ 64,462	$ 106,554	$ 50,275	$ 225,705
Operating line of credit	54,472	-	-	-	54,472
Capital lease obligation	1,656	7,808	17,684	13,862	41,010
	$ 60,542	$ 72,270	$ 124,238	$ 64,137	$ 321,187

	March 31, 2022				
	1 year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Debenture debt	$ 4,271	$ 38,641	$ 132,401	$ 54,663	$ 229,976
Operating line of credit	950	-	-	-	950
Capital lease obligation	1,687	7,965	18,124	14,921	42,697
	$ 6,908	$ 46,606	$ 150,525	$ 69,584	$ 273,623

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 21. Financial instruments and risk management (continued)

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Changes in market interest rates will cause fluctuations in fair value of the debenture debt as these have fixed interest rates. Changes in market interest rates will cause fluctuations in cash flows of the capital lease obligation and operating line of credit as these have variable interest rates.

22. Subsequent events

a) Financing

In April 2023, NTPC issued a new long term debenture of $75,000. Interest is payable semi-annually at 4.34% per year. The debenture is due April 2053. The proceeds were used to repay the line of credit and fund the 2023-24 capital plan.

b) Contribution from the GNWT and low water event

Low water in the Snare/Yellowknife zone occurred in 2022-23 and has persisted in 2023-24. In July 2023, the GNWT authorized and paid a contribution to NTPC of $15,200 to assist with additional fuel costs related to increased fuel prices and additional fuel consumption.

NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NORTHWEST TERRITORIES POWER CORPORATION

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant accounting policies are described in Note 2 to the consolidated financial statements. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Northwest Territories Power Corporation (NTPC) maintains financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further NTPC's objectives, and are protected from loss or unauthorized use, and that NTPC acts in accordance with the laws of the Northwest Territories and Canada. Management recognizes its responsibility for conducting NTPC's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to an agent of the territorial government. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

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

The Board of Directors oversees management's responsibilities for financial reporting and reviews and approves the consolidated financial statements. The internal and external auditors have full and free access to the Board.

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

Cory Strang	**Paul Grant**
Chief Executive Officer	Chief Financial Officer

Hay River, NT
December 11, 2023

Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Northwest Territories Power Corporation and its controlled entity (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Management Discussion and Analysis section included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Qualified Opinion

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

In our opinion, except for the matter of non-compliance described in the *Basis for Qualified Opinion* section of our Report on Compliance with Specified Authorities, the transactions of the Northwest Territories Power Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Northwest Territories Power Corporation Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the change in the method of accounting for asset retirement obligations as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Northwest Territories Power Corporation and the consolidated financial statements are in agreement therewith.

Basis for Qualified Opinion

Subparagraph 32(1)(b)(ii) of the *Financial Administration Act* of the Northwest Territories requires the Northwest Territories Power Corporation to submit its annual report to its Minister not later than 90 days after the end of its fiscal year or not later than an additional period, not exceeding 60 days, that the Minister of Finance may allow. The Northwest Territories Power Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the year ended 31 March 2023.

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Lana Dar

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

Vancouver, Canada
11 December 2023

NORTHWEST TERRITORIES POWER CORPORATION

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

	2023	2022 Restated (Note 3)
Financial assets		
Cash	$ 761	$ 597
Revenues receivable (Note 4)	14,491	12,670
Government contributions receivable (Note 18)	3,461	3,157
Due from related party (Note 21)	13,799	1,482
Investment in Aadrii Ltd.	386	372
	32,898	**18,278**
Liabilities		
Operating line of credit (Note 5)	52,869	950
Accounts payable and accrued liabilities	42,734	25,196
Debenture debt owing to third parties (Note 6)	187,500	190,749
Debenture debt owing to the GNWT (Note 6)	37,596	38,573
Asset retirement obligations (Note 7)	6,498	7,313
Environmental liabilities (Note 8)	17,970	17,619
Capital lease obligation (Note 9)	15,545	15,950
Other employee future benefits (Note 10)	1,985	1,977
Deferred government contributions (Note 18)	1,952	5,471
	364,649	**303,798**
Net debt	**(331,751)**	**(285,520)**
Non-financial assets		
Tangible capital assets (Note 11)	465,340	435,838
Inventories (Note 12)	14,230	10,459
Prepaid expenses	2,033	1,472
	481,603	**447,769**
Accumulated surplus / equity (Note 13)	**$ 149,852**	**$ 162,249**

Contractual obligations and contingent liability (Note 20)
Subsequent events (Note 22)

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

Approved on behalf of the Board:

Stephen Loutitt, Chairperson of the Board

Martin Goldney, Director

NORTHWEST TERRITORIES POWER CORPORATION

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

	2023 Budget	2023 Actual	2022 Actual Restated (Note 3)
Revenues			
Sale of power (Note 14)	$ 114,260	$ 112,269	$ 110,155
Fuel rider revenue	2,152	2,123	2,150
Other revenue (Note 15)	2,075	3,463	2,117
Interest income (Note 17)	75	438	438
Income (loss) from investment in Aadrii Ltd.	75	14	(69)
	118,637	**118,307**	**114,791**
Expenses (Notes 16,17)			
Thermal generation	66,524	83,602	68,896
Hydro generation	21,946	19,044	22,861
Corporate services	15,811	14,259	14,381
Transmission, distribution and retail	11,756	13,081	10,811
Purchased power	3,783	5,039	3,141
Alternative power generation	208	219	201
	120,028	**135,244**	**120,291**
Deficit for the year before government contributions	**(1,391)**	**(16,937)**	**(5,500)**
Government contributions			
Other government contributions (Note 18)	14,012	4,540	11,462
Surplus (Deficit) for the year	**$ 12,621**	**$ (12,397)**	**$ 5,962**
Accumulated surplus / equity, beginning of year	**164,243**	**162,249**	**156,287**
Accumulated surplus / equity, end of year	**$ 176,864**	**$ 149,852**	**$ 162,249**

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

NORTHWEST TERRITORIES POWER CORPORATION

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

	2023 Budget	2023 Actual	2022 Actual Restated (Note 3)
Surplus (deficit) for the year	$ 12,621	$ (12,397)	$ 5,962
Tangible capital assets			
Additions	(72,196)	(42,248)	(27,607)
Capitalized overhead	(4,500)	(3,877)	(3,339)
Capitalized interest (Note 17)	(1,373)	(1,546)	(1,488)
Disposals	2,500	971	2,311
Amortization (Note 11)	20,286	17,198	19,601
	(55,283)	**(29,502)**	**(10,522)**
Acquisition of inventories	(7,700)	(14,643)	(7,745)
Use of inventories	7,700	10,872	6,311
Acquisition of prepaids	(2,700)	(4,062)	(3,300)
Use of prepaids	2,700	3,501	3,386
	-	**(4,332)**	**(1,348)**
Increase in net debt for the year	**$ (42,662)**	**$ (46,231)**	**$ (5,908)**
Net debt, beginning of year	(286,169)	(285,520)	(279,612)
Net debt, end of year	**$ (328,831)**	**$ (331,751)**	**$ (285,520)**

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

NORTHWEST TERRITORIES POWER CORPORATION

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

	2023	2022
Cash provided by operating activities		
Cash receipts from customers	$ 115,978	$ 115,386
Government contributions received (Note 18)	718	12,547
Cash paid to suppliers	(66,542)	(50,833)
Cash paid to employees	(31,314)	(30,486)
Interest paid	(10,902)	(10,071)
Interest received	92	78
	8,030	**36,621**
Cash (used in) provided by investing activities		
(Advances to) repayments from related party	(11,970)	128
Loan receivable receipts	-	9,220
	(11,970)	**9,348**
Cash used in capital activities		
Acquisition and development of tangible capital assets	(43,190)	(32,459)
Proceeds on sale of tangible capital assets	51	27
	(43,139)	**(32,432)**
Cash provided by (used in) financing activities		
Repayment of capital lease obligation	(405)	(202)
Repayment of debenture debt	(4,271)	(13,664)
Prepayment penalty for debenture debt	-	(1,787)
Proceeds from operating line of credit	51,919	948
	47,243	**(14,705)**
Increase (decrease) in cash	**$ 164**	**$ (1,168)**
Cash, beginning of year	597	1,765
Cash, end of year	**$ 761**	**$ 597**

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

NORTHWEST TERRITORIES POWER CORPORATION

1. The Corporation

a) Authority and corporate information

The Northwest Territories Power Corporation (NTPC) was established under the *Northwest Territories Power Corporation Act.* NTPC is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Northwest Territories Hydro Corporation (NT Hydro) is the parent company and holds all of the common shares of NTPC. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro and owns one preferred share of NTPC (Note 13).

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

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

b) Regulated activities

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

The PUB uses cost of service regulation to regulate NTPC’s earnings on a return on equity basis. NTPC filed its 2022/23 GRA on March 31, 2022. This application requested a change to NTPC’s amortization rates as well as its energy rates, which include a return on equity component. In Decision 6-2023 the PUB approved amortization rates and a return on equity for 2022-23 of 8%. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

The PUB reviews the affairs, earnings and accounts of NTPC every year by way of its annual report of finances.

NORTHWEST TERRITORIES POWER CORPORATION

Note 1. The Corporation (continued)

On March 15, 2019, NTPC filed a collection rider application with the PUB to reduce the balance of the regulated Territory-wide Rate Stabilization Fund as a result of high fuel costs as well as reduced access to lower cost generation through purchased power in Norman Wells and liquefied natural gas generation in Inuvik in the last two years. PUB Decision 4-2019 approved the rider effective May 1, 2019. The rider ranges between 0.69 cents/kWh to 0.99 cents/kWh for all firm power customers with the exception of Northland Utilities (NWT) Limited. The rider has remained in place through the first 2 quarters of the 2023-24 year due to high fuel prices and is expected to remain in effect until the fund balances are zero.

c) Economic dependence

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

2. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements of NTPC consist of the transactions and balances of NTPC and its wholly-owned subsidiary. Inter-entity transactions and balances with the wholly-owned subsidiary are eliminated upon consolidation. NTPC's investment in its government business partnership (GBP) is accounted for under the modified equity method to record its investment, net income and other changes in equity. Inter-entity transactions and balances with the GBP are not eliminated.

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

b) Measurement uncertainty

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

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

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

c) Inventories

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

d) Financial instruments

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

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

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

e) Tangible capital assets

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

The IDC rate for 2022-23 was 4.46% (2021-22 – 4.97%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

i) Leased tangible capital assets

Leases that transfer substantially all of the benefits and risks incidental to ownership of tangible capital assets are accounted for as leased tangible capital assets and a lease liability.

The value of the leased tangible capital asset and lease liability is recorded at the inception of the lease based upon the present value of the minimum lease payments, excluding executory costs.

ii) Contributions of tangible capital assets

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

iii) Impairment

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

iv) Amortization

Management has utilized amortization rates approved by the PUB in Decision 6-2023 (Note 1(b)). The cost, less residual value, is amortized over its useful life on a straight-line basis based on the average life of the group. Amortization rates were updated in 2022-23 to reflect the rates approved by the PUB. Assets under construction are not amortized until they are ready for their intended productive use. NTPC uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

Annual amortization rates are as follows:

	2023 Rates (%)	2022 Rates (%)
Electric power plants	1.00 – 5.00	1.00 – 4.86
Transmission and distribution systems	1.54 – 6.67	1.54 – 6.67
Warehouse, equipment, motor vehicles and general facilities	1.54 – 20.00	1.31 – 20.00
Electric power plant under capital lease	1.00 – 4.35	1.00 – 4.86

f) Government contributions

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

g) Customer contributions in aid of construction

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

h) Public service pension plan

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

i) Other employee future benefits

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

i) *Severance and ultimate removal benefits*

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

Note 2. Significant accounting policies (continued)

ii) *Sick leave benefits*

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

j) Asset retirement obligations (ARO)

An asset retirement obligation liability is recognized at the financial reporting date, when all of the following criteria are met:

- NTPC has a legal obligation to incur retirement costs
- the past transaction or event giving rise to the liability has occurred
- NTPC expects that future economic benefits will be given up
- a reasonable estimate of the amount can be made.

The estimate of an asset retirement obligation incorporates a present value technique. When a liability for an ARO is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The liability is based on management's best estimate of retirement and/or abatement cost.

At each financial reporting date, the carrying amount of the liability is reviewed. NTPC recognizes period to period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Once the related tangible capital asset is no longer in productive use, changes to the liability are recognized as an expense in the period they are incurred. NTPC continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

k) Environmental liabilities

A contaminated site is a site where physical, chemical, biological or radiological substances have been introduced in air, soil, water or sediment and have an adverse effect. A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NTPC is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects NTPC's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

l) Foreign currency translation

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

m) Revenues

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

Interest and other revenue are recognized on an accrual basis.

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingent liabilities

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

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

p) Non-financial assets

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

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

q) Future accounting changes

PSAB issued a new standard PS 3400 Revenue in November 2018. This standard has an effective date of April 1, 2023. NTPC continues to evaluate the potential impacts on its consolidated financial statements from the adoption of this standard.

3. Restatement

Effective April 1, 2022, NTPC adopted PS 3280 Asset Retirement Obligations standard, using the modified retroactive approach with restatement of prior year comparatives, and recognized the following to conform with the new standard:

a) Asset retirement obligations, adjusted for accumulated accretion to the effective date;
b) Asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
c) Accumulated amortization on the capitalized cost; and
d) Adjustment to the opening balance of accumulated surplus/equity.

Amounts are measured using information, assumptions and discount rates where applicable that were current on the effective date.

The amount recognized as an asset retirement cost is measured as of the date of the asset retirement obligation. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized as if the provisions of this standard had been in effect to the date as of which this standard is first applied.

Reconciliations of the prior year consolidated financial statements are as follows:

	As previously reported	De-recognition	Recognition	As restated
Consolidated Statement of Financial Position				
Financial assets	$ 18,278	$ -	$ -	$ 18,278
Liabilities				
Assets retirement obligations	(7,962)	6,638	(5,989)	(7,313)
All other	(296,485)	-	-	(296,485)
Net debt	(286,169)	6,638	(5,989)	(285,520)
Tangible capital assets	438,481	(2,961)	318	435,838
Accumulated surplus/equity beginning of year	11,931	-	-	11,931
Accumulated surplus/equity, end of year	$ 164,243	$ 3,677	$ (5,671)	$ 162,249

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 3. Restatement (continued)

Consolidated Statement of Operations and Accumulated Surplus	As previously reported	De-recognition	Recognition	As restated
Revenue	$ 114,791	$ -	$ -	$ 114,791
Expenses	(120,436)	355	(210)	(120,291)
Government contributions	11,462	-	-	11,462
Annual surplus for the year	5,817	355	(210)	5,962
Accumulated surplus/equity beginning of year	158,426	3,322	(5,461)	156,287
Accumulated surplus/equity, end of year	$ 164,243	$ 3,677	$ (5,671)	$ 162,249

Consolidated Statement of Change in Net Debt	As previously reported	De-recognition	Recognition	As restated
Surplus for the year	$ 5,817	$ 355	$ (210)	$ 5,962
Tangible capital asset changes	(10,698)	(117)	293	(10,522)
Changes in inventory and prepaids	(1,348)	-	-	(1,348)
Increase in net debt for the year	(6,229)	238	83	(5,908)
Net debt, beginning of year	(297,940)	6,400	(6,072)	(279,612)
Net debt, end of year	$ (286,169)	$ 6,638	$ (5,989)	$ (285,520)

In connection with adoption of PS 3280, management discovered that NTPC does not have a legal obligation to remove all fuel tanks at the end of their useful lives. As such, related ARO, asset retirement costs in tangible capital assets, accretion expense and amortization expense should not have been recorded in prior years. These have been de-recognized and the comparative figures in these consolidated financial statements have been restated as indicated above in the de-recognition columns.

In accordance with PS 3280, NTPC recognizes ARO related to legal obligations for asbestos abatement together with the related asset retirement cost in tangible capital assets, accretion expense and amortization expense. These have been recognized and the comparative figures in these consolidated financial statements have been restated as indicated above in the recognition columns.

(in thousands of dollars)

4. Revenues receivable

At March 31, 2023, the aging of revenues receivable was as follows:

	2023			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 12,727	$ 852	$ 246	$ 13,825
Non-utility	585	93	165	843
Allowance for doubtful accounts	-	-	(177)	(177)
	$ 13,312	$ 945	$ 234	$ 14,491

At March 31, 2022, the aging of revenues receivable was as follows:

	2022			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	$ 11,339	$ 839	$ 228	$ 12,406
Non-utility	350	3	114	467
Allowance for doubtful accounts	-	-	(203)	(203)
	$ 11,689	$ 842	$ 139	$ 12,670

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

	2023	2022
Balance, beginning of the year	$ (203)	$ (579)
Receivables written off	60	191
Change to allowance	(34)	185
Balance, end of the year	$ (177)	$ (203)

Revenues receivable on utility and non-utility accounts are generally due in 28 days. Interest is charged after 28 and 30 days, respectively, at rates in the terms of service agreement. As at March 31, 2023, NTPC provided an allowance for doubtful accounts for the estimated portion of its uncollectible revenues receivable accounts. Additional disclosures on NTPC's exposure and management of credit risk associated with revenues receivable is included in Note 21.

5. Operating line of credit

NTPC has a $75,000 (2021-22 - $50,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers' Acceptances or other advances directly against the line of credit.

As at March 31, 2023, NTPC has borrowed $52,869 (2021-22 - $950) against the line of credit. See also Note 22 (a).

NTPC has no outstanding letters of credit as of March 31, 2023 (2021-22 - one letter of credit for $3,145) against its operating line of credit.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

6. Debenture Debt

a) Owing to Third Parties

	2023	2022
3.982% amortizing debenture, due February 17, 2047 repayable semi-annually in blended payments of $1,722	$ 52,926	$ 54,224
5.16% amortizing debenture, due September 13, 2040 repayable semi-annually in blended payments of $1,684	38,516	39,846
5.443% debenture – interest payable semi-annually, principal is due August 1, 2028	25,000	25,000
5.995% debenture – interest payable semi-annually, principal is due December 15, 2034	25,000	25,000
3.818% debenture – interest payable semi-annually, principal is due November 25, 2052	25,000	25,000
5% debenture – interest payable semi-annually, principal is due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032 repayable semi-annually. The first payment is interest only, the second payment is interest plus $667 principal	6,667	7,333
	$ 188,109	$ 191,403
Less: unamortized premium, discount and issuance costs	(609)	(654)
	$ 187,500	$ 190,749

The GNWT guarantees all third party debenture debt.

b) Owing to the GNWT

	2023	2022
2.265% amortizing debenture, due September 30, 2050 repayable semi-annually in blended payments of $922	$ 37,596	$ 38,573

Principal repayments for future years on all debenture debt are as follows:

2024	2025	2026	2027	2028	Thereafter	Total
$ 4,413	$ 4,566	$ 19,721	$ 4,885	$ 5,055	$187,065	$ 225,705

(in thousands of dollars)

7. Asset retirement obligations

ARO include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NTPC. ARO also includes estimated remediation cost to remove asbestos from NTPC's buildings.

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

- Total expected future cash flows - $13,241 (2021-22 -- $13,872 as restated - Note 3).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 39 years with the majority occurring after 2036.
- The discount rate is the year-end cost of borrowing of 3.96% (2021-22 – 3.33%) for those obligations to be settled in less than 10 years and 4.34% (2021-22 – 3.61%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2021-22 – 2%).

Following is a summary of the asset retirement obligations:

	2023	2022 Restated (Note 3)
Opening balance	$ 7,313	$ 7,523
Liabilities settled	(35)	(1)
Accretion expense	257	254
Valuation adjustment	(1,037)	(473)
Additions	-	10
Balance, end of year	$ 6,498	$ 7,313

The valuation adjustments relate to changes in discount rates, timing of cash flows and estimated costs to retire assets or remediate asbestos. The valuation adjustments are reflected as changes to the carrying value of the tangible capital assets.

(in thousands of dollars)

8. Environmental liabilities

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons and other substances in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NTPC estimates that it has 23 geographic locations (2021-22 - 23 locations) with multiple sites at each location which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NTPC is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

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

- Total expected future cash flows - $69,854 (2021-22 -- $52,551).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 68 years with the majority occurring after 2059.
- The discount rate is the year-end cost of borrowing of 3.96% (2021-22 – 3.33%) for those obligations to be settled in less than 10 years and 4.34% (2021-22 – 3.61%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2021-22 – 2%).

Following is a summary of the estimated environmental liabilities:

	2023	2022
Opening balance	$ 17,619	$ 14,368
Liabilities settled	(2,877)	(1,383)
Valuation adjustment	3,228	4,634
Balance, end of year	$ 17,970	$ 17,619

The valuation adjustment relates to changes in the timing of or amount of expected future cash flows and changes to the discount rate applied. The valuation adjustment is recognized in supplies and services expense (Note 16).

(in thousands of dollars)

9. Capital lease obligation

In 1996, NTPC entered into a 65-year lease from the Dogrib Power Corporation for the Snare Cascades at a variable interest rate based on the weighted average return of equity and cost of debt. The lease matures August 2061. The interest rate on the lease as of March 31, 2023 was 7.75% (2021-22 – 7.75%). This rate is recalculated periodically in accordance with PUB orders as established through the GRA process (Note 1(b)). The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by mutual agreement or arbitration. The renewal term will be based on the useful life of the property at the end of the term or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Cascades is included in electric power plant under capital lease (Note 11).

Present value of minimum lease payments

The undiscounted contractual obligations, the effects of discounting and the present values of the minimum lease payments required for the capital lease obligation over the next five years and thereafter are as follows:

2024	$	1,656
2025		1,624
2026		1,593
2027		1,562
2028		1,530
Thereafter		33,045
		41,010
Less: amounts representing imputed interest		(25,465)
Total capital lease obligation	**$**	**15,545**

Additional disclosures on NTPC's exposure and management of risk associated with the capital lease obligation can be found in Note 21.

10. Other employee future benefits

a) Public Service Pension Plan

The employees of NTPC participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is 2% per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.02 times (2021-22 – 1.02) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2021-22 – 1.00) the employees' contributions for all other employees. The employer contribution rate at the end of the year for the portion of the employee's salary above $196 (2021-22 - $191) was 5.29 times (2021-22 – 5.91) the employee's contributions. Employer contributions of $2,577 (2021-22 - $2,288) were recognized as an expense in the current year. The employees' contribution to this plan was $2,348 (2021-22 - $2,148).

(in thousands of dollars)

Note 10. Other employee future benefits (continued)

The Plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60.

b) Other employee future benefits

Summary of other employee future benefit liabilities:

	2023			2022		
	Severance and Removal Benefit	Accumulated Sick Leave Benefit	Total	Severance and Removal Benefit	Accumulated Sick Leave Benefit	Total
Accrued benefit obligation, beginning of year	$ 3,297	$ 267	$ 3,564	$ 2,799	$ 221	$ 3,020
Benefits earned	279	19	298	299	21	320
Interest	115	9	124	77	6	83
Benefits paid	(563)	(37)	(600)	(1,269)	(36)	(1,305)
Actuarial (gains) losses	5	(12)	(7)	1,391	55	1,446
Accrued benefit obligation, end of year	3,133	246	3,379	3,297	267	3,564
Unamortized net actuarial gain/(loss)	(1,134)	(260)	(1,394)	(1,255)	(332)	(1,587)
Net future obligation	$ 1,999	$ (14)	$ 1,985	$ 2,042	$ (65)	$ 1,977

NTPC provides accumulating sick leave employee benefits of one and one quarter days of sick leave per month which will require funding in future periods when claimed upon an employee becoming sick. Sick leave can only be used for paid time off for illness of the employee. Sick leave taken is paid at the employee's normal rate of pay. The sick leave benefits are not paid out to an employee upon termination of employment, resignation or retirement. Unused sick days accumulate and there are no limits to the accumulation. Sick leave benefits accumulate over the periods of service provided by employees and are recognized as services are performed to earn them.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 10. Other employee future benefits (continued)

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

	2023	2022
Current benefits earned	$ 298	$ 320
Interest	124	83
Amortization of net actuarial loss	186	48
	$ 608	$ 451

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

	2023	2022
Expected inflation rates	2%	2%
Discount rate used to determine the accrued benefit obligation	4.1%	3.4%
Expected average remaining service life of related employee groups (EARSL)	10.4 years	10.4 years

(in thousands of dollars)

11. Tangible capital assets

	March 31, 2023					
	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 402,630	$ 108,650	$ 79,285	$ 28,733	$ 75,116	$ 694,414
Additions	-	-	-	-	47,671	47,671
Transfers – completed projects	26,854	4,355	12,970	-	(44,179)	-
Disposals and adjustments	(868)	(285)	(1,568)	-	-	(2,721)
Closing balance	428,616	112,720	90,687	28,733	78,608	739,364
Accumulated amortization						
Opening balance	(158,589)	(42,774)	(46,612)	(10,601)	-	(258,576)
Amortization	(10,668)	(2,653)	(3,396)	(481)	-	(17,198)
Disposals and adjustments	108	244	1,398	-	-	1,750
Closing balance	(169,149)	(45,183)	(48,610)	(11,082)	-	(274,024)
Net book value	**$ 259,467**	**$ 67,537**	**$ 42,077**	**$ 17,651**	**$ 78,608**	**$ 465,340**

	March 31, 2022 (Restated – Note 3)					
	Electric power plants	Transmission and Dist. systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 396,247	$ 107,819	$ 77,414	$ 28,733	$ 57,214	$ 667,427
Additions	10	-	-	-	32,424	32,434
Transfers – completed projects	9,763	997	3,762	-	(14,522)	-
Disposals and adjustments	(3,390)	(166)	(1,891)	-	-	(5,447)
Closing balance	402,630	108,650	79,285	28,733	75,116	694,414
Accumulated amortization						
Opening balance	(148,348)	(40,294)	(43,328)	(10,141)	-	(242,111)
Amortization	(11,734)	(2,624)	(4,783)	(460)	-	(19,601)
Disposals and adjustments	1,493	144	1,499	-	-	3,136
Closing balance	(158,589)	(42,774)	(46,612)	(10,601)	-	(258,576)
Net book value	**$ 244,041**	**$ 65,876**	**$ 32,673**	**$ 18,132**	**$ 75,116**	**$ 435,838**

The cost of land as of March 31, 2023 included in electric power plants asset cost is approximately $5,594 (2021-22 - $5,894). Amortization is not recorded on land.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

12. Inventories

	2023	2022
Materials, supplies and lubricants	$ 9,490	$ 5,200
Critical spare parts	4,244	4,989
Fuel	496	270
	$ 14,230	$ 10,459

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is held in five of NTPC's operating plants.

13. Accumulated surplus/equity

	2023	2022 Restated (Note 3)
Share capital, common and preferred shares	$ 43,129	$ 43,129
Accumulated operating surplus / equity	106,723	119,120
	$ 149,852	$ 162,249

The authorized share capital of NTPC is comprised of an unlimited number of common shares without par value and one preferred, non-cumulative share without par value. As at March 31, 2023, 431,288,000 common shares (2021-22 – 431,288,000 common shares) at ten cents per share (2021-22 – ten cents per share) have been issued and fully paid, and one preferred share at one dollar. NTPC may only issue its preferred shares to the GNWT.

14. Sale of power

	2023	2022
Power sales to external customers	$ 83,647	$ 82,023
Power sales to GNWT and related parties	17,431	16,947
GNWT TPSP payments	6,601	6,550
GNWT HSP payments	4,590	4,635
	$ 112,269	$ 110,155

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

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

(in thousands of dollars)

Note 14. Sale of power (continued)

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

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

15. Other revenue

		2023		2022
Contract work	$	1,687	$	575
Heat revenues		670		482
Pole rental		355		373
Connection fees		310		410
Other		441		277
	$	3,463	$	2,117

16. Expenses

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

		2023		2022 Restated (Note 3)
Fuel and lubricants (Notes 19, 20)	$	45,419	$	27,638
Salaries and wages		30,203		29,366
Supplies and services		28,551		27,271
Amortization (Note 11)		17,198		19,601
Interest expense (Note 17)		10,925		10,775
Travel and accommodation		2,673		2,415
Loss on settlement of NWTEC debentures		-		1,787
Loss on disposal of assets		18		1,184
Accretion on ARO (Note 7)		257		254
	$	135,244	$	120,291

(in thousands of dollars)

17. Interest expense and interest income

Interest expense

		2023		2022
Interest on debenture debt and capital leases (Notes 6, 9)	$	11,383	$	12,014
Short-term debt financing costs		1,088		249
Capitalized interest during construction		(1,546)		(1,488)
	$	10,925	$	10,775

Interest income

		2023		2022
Interest on due from related party	$	346	$	-
Interest on loan receivable		-		360
Income from overdue accounts and bank balances		92		78
	$	438	$	438

18. Other government contributions

Government of Canada's Low Carbon Economy Leadership Fund

NTPC entered into two agreements with the GNWT under the Government of Canada's Low Carbon Economy Leadership Fund (LCELF) for the following projects:

Inuvik Power Plant – 3rd LNG Fuel Tank (2021-22 Agreement)
This agreement is to support 75% of the cost of installation of a 3rd LNG tank at the Inuvik Power Plant to a maximum of $878. The agreement expires on March 31, 2023. During the year, NTPC received $686 and incurred $730 (2021-22 - $135) in eligible expenditures. The amount of expenditures in excess of amount received, $179, has been recorded as a government contribution receivable.

Inuvik Power Plant – EV Charging Station in Behchoko (2022-23 Agreement)
This agreement is to support 75% of the cost of installation of an electric vehicle charging station in Behchoko with 2 stalls to a maximum of $468. The agreement expires on September 14, 2023. During the year, NTPC received $31 and incurred $68 in eligible expenditures. The amount of expenditures in excess of amount received, $37, has been recorded as a government contribution receivable.

NORTHWEST TERRITORIES POWER CORPORATION

Note 18. Other government contributions (continued)

Investing in Canada Infrastructure Program

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

Taltson Hydroelectric Facility Major Overhaul
This agreement is to support 75% of the cost of completing upgrades to various hydro, mechanical and electrical components of the facility in addition to the installation of a tailrace gate to a maximum of $17,820. No funds were received in 2022-23. By March 31, 2022, NTPC received a total of $14,855 and had incurred the maximum eligible expenditures per the agreement of $17,820. The amount of eligible expenditures incurred in excess of the amount received, $2,965 (2021-22 - $2,965), has been recorded as a government contribution receivable. The agreement expires March 31, 2024.

Lutsel K'e – New Diesel Power Plant Facility Project
This agreement is to support 75% of the cost of replacing the existing power plant in the community to a maximum of $8,775. During the year, NTPC received payments of $0 (2021-22 - $6,000). As of March 31, 2023, NTPC incurred the maximum eligible expenditures per the agreement of $8,775 (2021-22 - $7,155) and received the maximum eligible funding of $8,775. The amount received in excess of eligible expenditures incurred, $0 (2021-22 - $1,620), has been recorded as a deferred government contribution liability. The agreement expires March 31, 2024.

Fort Simpson – Liquefied Natural Gas Power Generation Facility
This agreement is to support 75% of the cost to complete construction, installation and commissioning of a gas generation plant, as well as sufficient LNG storage and regasification to a maximum of $11,250. During the year, NTPC received payments of $0 (2021-22 - $0). As of March 31, 2023, NTPC has incurred $863 of eligible expenditures. The amount received in excess of eligible expenditures incurred, $1,486 (2021-22 - $1,515), has been recorded as a deferred government contribution liability. The agreement expired March 31, 2023.

NORTHWEST TERRITORIES POWER CORPORATION

Note 18. Other government contributions (continued)

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

Snare Forks Overhauls on Units 1 and 2
This agreement is to support 75% of the cost of completing turbine and generator upgrades on two units at NTPC's Snare Forks powerhouse to a maximum of $14,100.

In October 2018, Unit 1 experienced a mechanical failure prior to the start of the planned overhaul. NTPC initiated an insurance claim related to the Unit 1 failure including the costs associated with additional diesel generation. In 2019-20, NTPC received $5,000 in a preliminary installment on the insurance claim and recognized this amount as revenue. Further insurance proceeds may be receivable in the future and the amount, if any, will be recognized as revenue and a portion of the ICIP funding may be repayable. As of March 31, 2023, the amount of additional insurance proceeds cannot be reasonably estimated.

During the year, NTPC received payments of $0 (2021-22 - $1,080). Lifetime payments of $9,270 were received in previous years. As of March 31, 2023, NTPC has incurred $9,495 (2021-22 - $9,170) of eligible expenditures. The eligible expenditures incurred in excess of amounts received was $225 and is recorded as a government contribution receivable (2021-22 - $100 deferred government contribution liability).

The agreement expires March 31, 2029.

Sachs Harbour Plant Replacement
This agreement is to support 75% of the costs to fund the installation and commissioning of a new power plant and fuel storage tanks in Sachs Harbour to a maximum of $7,481. During the year, NTPC received payments of $0 (2021-22 - $1,881). Lifetime payments of $7,481 have been received. As of March 31, 2023, NTPC has incurred $7,037 of eligible expenditures. The amount received in excess of eligible expenditures incurred, $444 (2021-22 - $2,216), has been recorded as a deferred government contribution liability. The agreement expires March 31, 2024.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

Note 18. Other government contributions (continued)

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

	2023 Budget	2023 Actuals	2022 Actuals	Total Lifetime Costs
Taltson Hydroelectric Overhaul				
Salaries and wages		$ -	$ 4	$ 28
Supplies and services		-	4,209	17,724
Transportation costs		-	32	68
	$ 2,965	**$ -**	**$ 4,245**	**$ 17,820**
Lutsel K'e Diesel Plant				
Salaries and wages		$ 67	$ 8	$ 88
Supplies and services		1,421	5,029	8,510
Transportation costs		131	41	176
	$ 1,087	**$ 1,619**	**$ 5,078**	**$ 8,774**
Fort Simpson LNG				
Salaries and wages		$ -	$ (9)	$ 102
Supplies and services		28	124	758
Transportation costs		-	1	3
	$ 375	**$ 28**	**$ 116**	**$ 863**
Snare Forks Overhauls				
Salaries and wages		$ 42	$ 25	$ 417
Supplies and services		240	1,651	8,535
Transportation costs		41	30	541
	$ -	**$ 323**	**$ 1,706**	**$ 9,493**
Sachs Harbour Plant Replacement				
Salaries and wages		$ 39	$ 9	$ 88
Supplies and services		1,689	165	6,852
Transportation costs		44	8	97
	$ 1,223	**$ 1,772**	**$ 182**	**$ 7,037**
Total ICIP contributions	**$ 5,650**	**$ 3,742**	**$ 11,327**	**$ 43,987**
LCELF and other contributions	**$ 8,362**	**$ 798**	**$ 135**	**$ 933**
Total government contributions	**$ 14,012**	**$ 4,540**	**$ 11,462**	**$ 44,920**

19. Related party transactions and balances

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

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

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

Revenues	**2023**	**2022**
Other revenue	$ 652	$ 558
Interest revenue	346	-
Fuel rider revenue	448	457
	$ 1,446	$ 1,015
Expenses		
Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 20)	$ 30,761	$ 20,295
Other operating expenses	1,070	1,302
	$ 31,831	$ 21,597
Financial assets		
Revenues receivable		
Utility	$ 468	$ 469
Non-utility	93	-
	$ 561	$ 469
Liabilities		
Accounts payable to FSD for fuel (Note 20)	$ 16,734	$ 3,731
Other accounts payable and accrued liabilities	12	152
	$ 16,746	$ 3,883

(in thousands of dollars)

20. Contractual obligations and contingent liability

a) Contractual obligations

NTPC is contractually committed for the following expenses with non-related parties that will be incurred subsequent to March 31, 2023.

	2024	2025 and subsequent
Operational and lease commitments	$ 8,272	$ 368

Capital projects

NTPC has contractual obligations of $18,391 related to capital projects of which payments are expected to be made in 2023-24.

In addition, NTPC had the following contractual obligations with related parties:

Fuel management services agreement

NTPC has a fuel management services agreement with FSD. Under this agreement, FSD provides fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from FSD in a given year. There is an annual minimum purchase requirement of 13,000 liters averaged over a 2 year period. The contract expires March 31, 2029.

LNG purchases

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

b) Contingent liability

In June 2023, uncertainty related to the Safety Acts violation counts disclosed in 2021-22 was resolved. NTPC was issued a $200 fine which was recorded as an expense and accrued liability as of March 31, 2023.

(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

21. Financial instruments and risk management

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

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

a) Credit risk

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

	2023	2022
Revenues receivable	$ 14,491	$ 12,670
Due from related party	13,799	1,482
Government contributions receivable	3,461	3,157
Cash	761	597
	$ 32,512	$ 17,906

Revenues receivable

NTPC minimizes revenues receivable credit risk by taking cash deposits from customers. The size of the deposit varies depending on the risk exposure. Established customers or those with good credit are waived from having to provide a deposit. Thirty-seven percent (2021-22 - 37%) of NTPC's sales of power are to two other utilities. Twenty-five percent (2021-22 - 26%) of sales of power, including HSP and TPSP are to the GNWT.

Due from related party

This balance is the receivable NTPC holds from NT Energy for interest and various intercompany transactions (NTPC paying for capital and operational salaries, supplies, travel and other expense on behalf of NT Energy) and is due on demand. The loan bears interest at a rate of bank prime minus .5%. The credit risk associated with this receivable is minimized because NT Energy is owned by NT Hydro, the parent corporation to both NTPC and NT Energy, and NT Hydro is owned by the GNWT.

Government contributions receivable

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

(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 21. Financial instruments and risk management (continued)

b) Liquidity risk

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

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a $75,000 operating line of credit with a reputable financial institution. The following table shows the maturities of the debenture debt, operating line of credit, and capital lease obligation:

	March 31, 2023				
	1 year or less	**Greater than 1 year and not later than 6 years**	**Greater than 6 years and not later than 20 years**	**Greater than 20 years**	**Total**
Debenture debt	$ 4,414	$ 64,462	$ 106,554	$ 50,275	$ 225,705
Operating line of credit	54,472	-	-	-	54,472
Capital lease obligation	1,656	7,808	17,684	13,862	41,010
	$ 60,542	$ 72,270	$ 124,238	$ 64,137	$ 321,187

	March 31, 2022				
	1 year or less	**Greater than 1 year and not later than 6 years**	**Greater than 6 years and not later than 20 years**	**Greater than 20 years**	**Total**
Debenture debt	$ 4,271	$ 38,641	$ 132,401	$ 54,663	$ 229,976
Operating line of credit	950	-	-	-	950
Capital lease obligation	1,687	7,965	18,124	14,921	42,697
	$ 6,908	$ 46,606	$ 150,525	$ 69,584	$ 273,623

NORTHWEST TERRITORIES POWER CORPORATION

Note 21. Financial instruments and risk management (continued)

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Changes in market interest rates will cause fluctuations in fair value of the debenture debt as these have fixed interest rates. Changes in market interest rates will cause fluctuations in cash flows of the capital lease obligation and operating line of credit as these have variable interest rates.

22. Subsequent events

a) Financing

In April 2023, NTPC issued a new long term debenture of $75,000. Interest is payable semi-annually at 4.34% per year. The debenture is due April 2053. The proceeds were used to repay the line of credit and fund the 2023-24 capital plan.

b) Contribution from the GNWT and low water event

Low water in the Snare/Yellowknife zone occurred in 2022-23 and has persisted in 2023-24. In July 2023, the GNWT authorized and paid a contribution to NTPC of $15,200 to assist with additional fuel costs related to increased fuel prices and additional fuel consumption.

NORTHWEST TERRITORIES POWER CORPORATION

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

FOR THE YEAR ENDED MARCH 31, 2023

UNAUDITED

NTPC
Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting
As at March 31, 2023
UNAUDITED

STATEMENT OF FINANCIAL POSITION	Audited PSAS Financial Statements	Reclassification Adjustments (Note 1)	Regulated Assets and Liabilities (Note 2)	TCA and ARO Adjustments (Note 3)	Other (Note 4)	Unaudited Rate Regulated Accounting
Assets						
Current assets						
Cash and short-term investments	$ 761	$ -	$ -	$ -	$ -	$ 761
Accounts receivables	14,491	-	-	-	-	14,491
Government contributions receivable	3,461	-	-	-	-	3,461
Net receivable from related parties	13,799	-	-	-	-	13,799
Inventories	14,230	(4,244)	-	-	-	9,986
Prepaid expenses	2,033	-	-	-	-	2,033
	48,775	(4,244)	-	-	-	44,531
Property, plant and equipment (net)	465,340	4,244	-	11,579	24	481,187
Other long term assets	-	-	-	-	-	-
Investment in Aadrii (equity)	386	-	-	-	-	386
Regulatory assets	-	-	37,615	-	-	37,615
	386	-	37,615	-	-	38,001
	$ 514,501	$ -	$ 37,615	$ 11,579	$ 24	$ 563,719
Liabilities and Shareholder's Equity						
Current liabilities						
Short-term debt	$ 52,869	$ -	$ -	$ -	$ -	$ 52,869
Accounts payable and accrued liabilities	42,734	-	-	-	(33)	42,701
Deferred government contributions	1,952	-	-	-	-	1,952
Current portion of long-term debt	-	4,413	-	-	-	4,413
	97,555	4,413	-	-	(33)	101,935
Long-term debt	225,096	(4,413)	-	-	(4,025)	216,658
Net lease obligation	15,545	-	-	-	-	15,545
	240,641	(4,413)	-	-	(4,025)	232,203
Other long term liabilities						
Regulatory liabilities	-	24,468	38,784	(48,936)	-	14,316
Asset retirement obligations	24,468	(24,468)	-	24,468	-	24,468
Deferred government contributions	-	-	50,719	-	-	50,719
Employee Future Benefits	1,985	-	-	-	14	1,999
	26,453	-	89,503	(24,468)	14	91,502
Shareholder's equity	149,852	-	(51,888)	36,047	4,068	138,079
	$ 514,501	$ -	$ 37,615	$ 11,579	$ 24	$ 563,719

NTPC
Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting
As at March 31, 2023
UNAUDITED

STATEMENT OF OPERATIONS	Audited PSAS Financial Statements	Reclassification Adjustments (Note 1)	Regulated Assets and Liabilities (Note 2)	TCA and ARO Adjustments (Note 3)	Other (Note 4)	Unaudited Rate Regulated Accounting
Revenues						
Sale of power	$ 112,269	$ -	$ -	$ -	$ (2)	$ 112,267
Net investment income Aadrii	14	(14)	-	-	-	-
Other government contributions	4,540	-	(4,540)	-	-	-
Other revenue	3,463	14	(1,182)	-	7	2,302
	120,286	-	(5,722)	-	5	114,569
Expenses						
Salaries and wages	-	30,203	(1,394)	474	(62)	29,221
Fuel and lubricants	-	45,419	(16,176)	-	2	29,245
Supplies and services	-	28,551	(5,908)	(3,432)	10	19,221
Amortization	-	17,198	268	934	(3)	18,397
Travel and accommodation	-	2,673	(321)	-	8	2,360
Amortization of deferred charges	-	-	6,610	-	-	6,610
Net loss on disposal of assets	-	18	(2,591)	2,563	10	-
Accretion on ARO	-	257	-	(257)	-	-
Thermal generation	83,602	(83,602)	-	-	-	-
Hydro generation	19,044	(19,044)	-	-	-	-
Corporate services	14,259	(14,259)	-	-	-	-
Transmission, distribution and retail	13,081	(13,081)	-	-	-	-
Purchased power	5,039	(5,039)	-	-	-	-
Alternative power generation	219	(219)	-	-	-	-
	135,244	(10,925)	(19,512)	282	(35)	105,054
Earnings from operations	(14,958)	10,925	13,790	(282)	40	9,515
Interest income	438	-	-	-	-	438
Earnings before interest expense	(14,520)	10,925	13,790	(282)	40	9,953
Interest expense	-	10,925	(381)	-	1,656	12,200
Net earnings before other	(14,520)	-	14,171	(282)	(1,616)	(2,247)
Fuel rider revenue	2,123	-	-	-	(3)	2,120
Offset to Rider Revenue	-	-	(2,120)	-	-	(2,120)
	2,123	-	(2,120)	-	(3)	-
Net income for the year	**(12,397)**	**-**	**12,051**	**(282)**	**(1,619)**	**(2,247)**
Retained earnings, beginning of year	119,120	-	(63,939)	36,329	5,687	97,197
Retained earnings, end of year	106,723	-	(51,888)	36,047	4,068	94,950
Share capital	43,129					43,129
Shareholder's equity, end of year	$ 149,852	$ -	$ (51,888)	$ 36,047	$ 4,068	$ 138,079

NORTHWEST TERRITORIES POWER CORPORATION
Notes to Reconciliation from PSAS Consolidated Financial Information to Rate Regulated Accounting Consolidated Financial Information
Year Ending March 31, 2023
UNAUDITED

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

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

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

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

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

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

Note 3

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

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

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

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

FISCAL 2022-23 WRITE OFF LIST

COMMUNITY	CUSTOMER NAME	APPROVED WRITE OFF TOTAL
Aklavik	Henry Jerome	$617.60
Aklavik	Janelle Avik	$1,177.36
Deline	Rachel Menchao	$517.20
Deline	Phoebe Ann Baton	$566.44
Deline	Mark Modeste	$1,072.28
Deline	Doris Sewi	$1,326.20
Fort Simpson	Darlene Tsetso-Horassi	$631.10
Fort Simpson	Jordan Snider	$739.62
Fort Simpson	Estate Of Miranda Isaiah	$1,246.56
Fort Smith	Michael Giesbrecht	$632.97
Fort Smith	Mellisa Daniels	$642.27
Fort Smith	Carol Abraham	$1,213.50
Fort Smith	Jordan Unger	$4,006.26
Inuvik	Shawna Illasiak	$698.26
Inuvik	Petra Kowikchuk	$741.65
Inuvik	Susie Stewart	$1,054.30
Inuvik	Estate Of Frank Thistle	$3,282.07

COMMUNITY	CUSTOMER NAME	APPROVED WRITE OFF TOTAL
Non-Utility	Ronald Pierrot	$948.00
Non-Utility	Darian Laviolette	$1,732.98
Non-Utility	Francis E Ruben	$3,796.19
Non-Utility	Gilbert Thrasher	$4,060.98
Non-Utility	Kyle Tutcho	$19,212.39
Norman Wells	Rebecca Gully	$621.14
Norman Wells	Robin Doctor	$622.45
Norman Wells	Chelsy Bjornson	$829.79
Norman Wells	Elliot Creek Investments Ltd	$1,402.46
Norman Wells	Celeste Huntley	$5,458.76
Sachs Harbour	Fred Alunik	$614.58
Tulita	Same Kodakin	$1,534.39
Wha Ti	Bente Nitsiza	$523.49
Wha Ti	Kimberly Romie	$733.62
TOTAL WRITE OFF		$62,256.85