



ANNUAL REPORT

2023-24



MISSION, VISION, AND VALUES

MISSION

To reliably generate, transmit and distribute energy essential to our customers.

VISION

To provide sustainable, affordable energy that encourages living, working and investing in the Northwest Territories.

VALUES

Safety – We make safety a cornerstone in all our actions and 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



CONTENTS

| | |
|------------------------------------|----|
| Mission, Vision, And Values | 2 |
| Introduction | 4 |
| Minister’s Message | 6 |
| Board Of Directors | 7 |
| Year In Review | 8 |
| Safety | 14 |
| Environment..... | 15 |
| Customer Service | 16 |
| Reliability | 17 |
| Empowering Communities..... | 18 |
| Financial Statements..... | 19 |
| Fiscal 2023-24 Write Off List..... | 95 |

INTRODUCTION



A new high-efficiency plant came into service in Sachs Harbour in March 2024

2023-24 will long be remembered as one of the most challenging years ever experienced in the Northwest Territories. The forced evacuation of thousands of residents due to wildfires and the length of time some were required to remain out of their homes was unprecedented.

Despite the proximity of wildfires and extended evacuation orders in a number of locations, NTPC workers were able to maintain power in most communities throughout, with only a few exceptions.

Low water levels in lakes, rivers and streams throughout the NWT created issues in several sectors, including energy. Extreme low water in the Snare River required NTPC to rely on back up diesel generators to supplement hydro generation to power Yellowknife and surrounding communities.

This situation began in 2022-23 and has continued into 2024-25.

The price of diesel continued to be significantly higher than it was when electricity rates were last set. This required NTPC to rely on short-term debt to finance diesel purchases. An application for a rate rider to recover these additional costs was submitted to the NWT Public Utilities Board in February 2024.

Despite these uncontrollable circumstances, NTPC was able to advance work on key infrastructure

projects, move forward on the purchase of the Hay River distribution franchise, complete a significant regulatory licence renewal, enhance its outage notification process and complete other necessary work supporting safety and reliability.

Following the election of a new territorial government, the Honourable Caroline Wawzonek was appointed as Minister Responsible for the Northwest Territories Power Corporation and assumed this role on December 12, 2023.



Maintenance of distribution lines and power poles is an ongoing activity.

CORPORATE PROFILE

NTPC was established in 1988 and is the leading electricity supplier in the Territory. Our mission is to reliably generate, transmit and distribute energy essential to our customers.

NTPC's team is made up of over 200 dedicated employees, located in 26 communities throughout the territory. We manage more than \$491 million in assets including: three hydroelectric systems, 26 diesel plants, five solar arrays, one wind turbine, two battery storage systems, and one natural gas plant. Together these provide a total generating capacity of more than 135 MW.

NTPC was established in 1988 and is the leading electricity supplier in the Territory. Our mission is reliably generate, transmit and distribute energy essential to our customers.

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 approximately 400 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

On December 12, 2023, I was honoured to be appointed as Minister Responsible for the Northwest Territories Power Corporation (NTPC). The close connections among these government departments and our Crown utility present a significant opportunity to enhance the relationships between them even further.

Addressing energy issues, including electricity generation, transmission and distribution, is critical now and for the future to ensure that the Northwest Territories (NWT) remains an attractive place to live, work and invest. Our key goals in the coming years include achieving the greenhouse gas emission reduction targets outlined in the 2030 Energy Strategy, adding electric vehicle charging stations along major transportation corridors, increasing our capacity to support additional industrial activity, and improving the reliability of electricity service in all communities, all while keeping rates as low as possible.

This work is not without its challenges, and NTPC is often faced with issues beyond its control. In 2023-24, for example, we experienced record low water in the Snare River, restricting hydro generation in the North Slave during a period of high diesel prices.

The previous government recognized the negative impact that these issues could have on electricity rates during a period of rising costs and provided a one-time contribution of \$15.2 million to NTPC for temporary rate relief to customers.

Despite these challenges, NTPC made progress on important infrastructure projects such as Inuvik Wind, a new plant in Sachs Harbour and the Taltson Hydro overhaul. The wind turbine in Inuvik began commercial operation in October 2023 while the Sachs Harbour plant started generating primary power for the community in early 2024.

Partnerships with Indigenous and community governments will play an increasingly important role in the future development of electricity systems in the NWT. Federal and territorial funding will continue to support renewable projects that contribute to greenhouse gas emission reductions.

NTPC and its sister company NT Energy will continue to work with communities and Indigenous governments in developing community energy plans tailored to each local or regional situation.

Although I have only had responsibility for NTPC for several months, I've been tremendously impressed by the commitment of the Corporation's employees to keeping the lights on for customers, regardless of the situation. Even during evacuations, operational staff remained behind to ensure that emergency workers and others had access to reliable power while they fought to protect our communities. Thank you to everyone at NTPC for your continued hard work and dedication.

Caroline Wawzonek

Minister Responsible for the Northwest Territories Power Corporation

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



YEAR IN REVIEW

Despite the presence of wildfires near several of the communities NTPC serves, workers were able to largely maintain reliable power with only a couple of exceptions.

The dedication and commitment of employees despite challenging working conditions helped ensure that first responders and other critical workers remaining in those communities generally had access to power to support their firefighting efforts and had access to amenities such as sewer and water services, refrigeration and communications.

Power was unavailable in Behchoko (Rae) for just over a week after fire destroyed a transmission tower from Snare Hydro and damage was also sustained to the local distribution system. Power could not be restored in Rae

until an Electrical Inspector and NTPC could confirm that it was safe to do so.

A similar situation occurred in the Fort Smith area, with much of the community having consistent power throughout the evacuation but other areas being without power for an extended period at the request of firefighters. These areas included Bell Rock, Thebecha and Salt River. Once the evacuation order was lifted and residents allowed to return, power was safely restored to customers.



The red line indicates the height of the river during a normal water year

The red line indicates the height of the river during a normal water year

LOW WATER AND HIGH DIESEL PRICES

The Snare/Bluefish hydro system, which provides approximately 98% of the power for Yellowknife and surrounding communities in a normal year, was restricted to providing about 65% of Yellowknife's electricity load in 2023-24 because of low water. The remainder was produced by diesel at the Jackfish Generating Facility, which comes at a higher cost than hydro and produces greenhouse gases that clean hydro does not.

This situation has continued into 2024-25. NTPC continues to work with the Department of Environment and Climate Change on water level monitoring to support realistic hydro and diesel generation forecasting, with the aim of maximizing hydro generation as much as possible.

The price of diesel remained approximately 40% higher than the price on which current electricity rates were set. The actual increase varied from community to community based at least in part on timing of local fuel resupply.

This caused a cost increase for NTPC to deliver service to its customers across the NWT, whether it be for primary or back up power.

NTPC and the Government of the Northwest Territories (GNWT) recognized that these unavoidable costs could lead to large rate increases. To keep consumer electricity bills at their current levels, the GNWT made a one-time contribution of \$15.2 million to NTPC in June 2023. Other jurisdictions across Canada supported rate stability through a variety of mechanisms as the issues contributing to increased costs were felt in other provinces and territories.

In February 2024, NTPC applied to the NWT Public Utilities Board (PUB) for a rate rider to recover the extra costs caused by the high price of diesel. The PUB approved a rate rider to recover costs incurred through March 31, 2024 but directed that ongoing costs be incorporated into electricity rates as part of a General Rate Application (GRA). The GRA will be submitted before the end of 2024.

SNARE WATER LICENCE RENEWAL

The water licences for the four hydro facilities on the Snare River (Snare Falls, Snare Forks, Snare Rapids and Snare Cascades) were due to expire in May 2024. Throughout 2023-24, NTPC worked on the licence renewal application and review process, which included extensive consultation with Indigenous governments and the public. NTPC submitted the licence renewal application package on June 29, 2023.

The regulatory review process by the Wek'eezhii Land and Water Board (WLWB) included technical sessions and a public hearing, held in Behchoko. In early April 2024, the WLWB recommended approval of a new water licence for the facilities to the Minister of Environment and Climate Change. The new licence will be in place for 39 years with increased monitoring and reporting required to remain in compliance.

HAY RIVER FRANCHISE

In 2016, the Town of Hay River selected NTPC to be its electricity distributor following a competitive tender process. The franchise transfer has the potential to create a number of benefits, including rate savings for the Town, economies of scale for NTPC's current customers, the retention of net income within the NWT and making it easier to achieve public policy objectives related to energy.

It has taken longer than expected to complete the franchise transfer, but a significant milestone was achieved in 2023-24 when the PUB ruled that the transfer was in the public interest after a comprehensive public review. In its application to the PUB, NTPC proposed that Hay River residential customers would initially pay the same rate as Fort Smith, which would

have resulted in a 20% reduction to current rates. Once NTPC had gained an understanding of the actual cost of operating the Hay River franchise, a new GRA would be submitted with new rates that were based on those actual costs. The PUB did not approve this proposal.

Instead, the PUB directed both NTPC and Naka Power (formerly Northland Utilities NWT. Ltd.) to file a GRA by December 31, 2024 and to work together to identify an appropriate franchise transfer date.

NTPC remains optimistic that the franchise transfer will be completed in 2024-25.

MAJOR CAPITAL PROJECTS

Several major generation projects advanced or were completed in 2023-24 despite the challenges posed by wildfires. Three of these projects received funding support from the federal government's Investing in Canada Infrastructure Program.

The Inuvik High Point Wind Turbine began delivering power to the Inuvik electricity system in October 2023. This project faced obstacles over the past several years but the turbine, battery energy storage system and microgrid controller are operational and workers are gaining operational experience to ensure wind generation is maximized without impacting reliability of the overall electricity system. Much of the baseload power will continue to be provided by diesel and LNG generators but the planned addition of an additional one megawatt of solar to the grid in 2024-25 will further reduce the reliance of Inuvik on fossil fuels. The new solar array has been constructed by Nithtat Energy Ltd.

In February 2024, a new high-efficiency diesel plant came into service in the Hamlet of Sachs Harbour, replacing a plant that had reached its end of life. The new plant was constructed with the intention that it be capable of more easily integrating renewable generation when the community is ready to advance a project.

An overhaul of the Taltson hydro unit began in May 2023, although preparation work had been underway for the previous couple of years. When Taltson is offline, hydro communities in the South Slave are



powered by diesel generators. The overhaul work was originally scheduled to be completed in November 2023 but delays occurred when the entire site had to be evacuated for seven weeks due to wildfires. This pushed work into the winter months, which extended the construction schedule as issues such as icing in the forebay and tailrace were not expected in the original schedule. Once completed, the refurbished Taltson Hydro will deliver clean, reliable power to customers for another 50 to 60 years.

In 2022-23, NTPC received funding from the GNWT to construct a Level 3 electric vehicle charging station in Behchokq. In 2023-24, funding was received to build Level 3 charging stations in Hay River, Fort Smith and Buffalo Junction, forming part of a Yellowknife to the NWT/Alberta border EV charging corridor. All of these charging stations are expected to be commissioned in 2024-25.

ADDITIONAL HIGHLIGHTS

- In January 2024, a fire destroyed the variable speed generator (VSG) in Aklavik. The VSG had been installed several years ago as a pilot project to determine whether its technology improved energy efficiency, reduced diesel consumption and allowed for the integration of high penetration renewables. NTPC is planning to replace the unit as soon as issues remaining from the fire are resolved.
- NTPC continued to enhance its reporting of planned and unplanned outages as well as providing updates on severe weather forecasts through its social media channels to keep customers informed of key activities

ADDITIONAL HIGHLIGHTS

- Condition assessments of wooden power poles were completed in a number of communities in 2023-24, including: Colville Lake, Deline, Fort Good Hope, Inuvik, Norman Wells, Tulita and Wrigley. These assessment help determine which poles are approaching end of life and need to be replaced
- The first \$2000 McBride Scholarship was awarded to Anais Aubrey-Smith from Fort Smith. The McBride Scholarship was established in 2022 to acknowledge the dedication, contribution and loyalty of long-term NTPC employee, Norman McBride. Community involvement is one of the key criteria for this award.

RECRUITMENT AND RETENTION OF EMPLOYEES

Employee turnover and high vacancy in some job categories continued to pose a challenge in 2023-24. NTPC turnover statistics shown here 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% |
| 2023-24 | 12.44% |

NTPC vacancy statistics shown here are calculated using a snapshot of number of positions vacant at the end of the fiscal year. In 2023-24, the vacancy rate remained stubbornly high throughout the year.

| FISCAL YEAR | TURNOVER (%) |
|-------------|--------------|
| 2020-21 | 13.01% |
| 2021-22 | 15.02% |
| 2022-23 | 13.19% |
| 2023-24 | 15% |

SUPPLY CHAIN CHALLENGES

While many of the supply chain issues for consumer goods that emerged following the pandemic have been resolved, the electricity sector continues to face difficulties accessing goods and services in a timely manner.

As described in the 2022-23 Annual Report, extreme weather events across Canada and in the United States as well as the increasing electrification of modern economies have created increased and unprecedented demand for infrastructure such as power poles, powerlines and transformers as well as for industry-specific equipment such as bucket and digger trucks. The situation showed little sign of improvement in 2023-24 with high prices and long-lead times for delivery continuing to cause challenges.



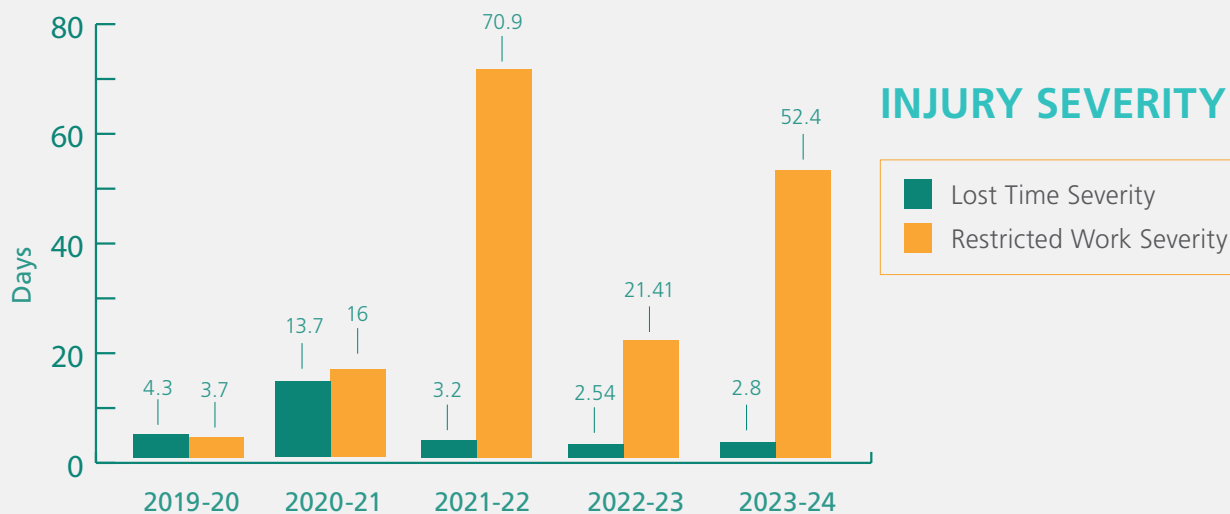
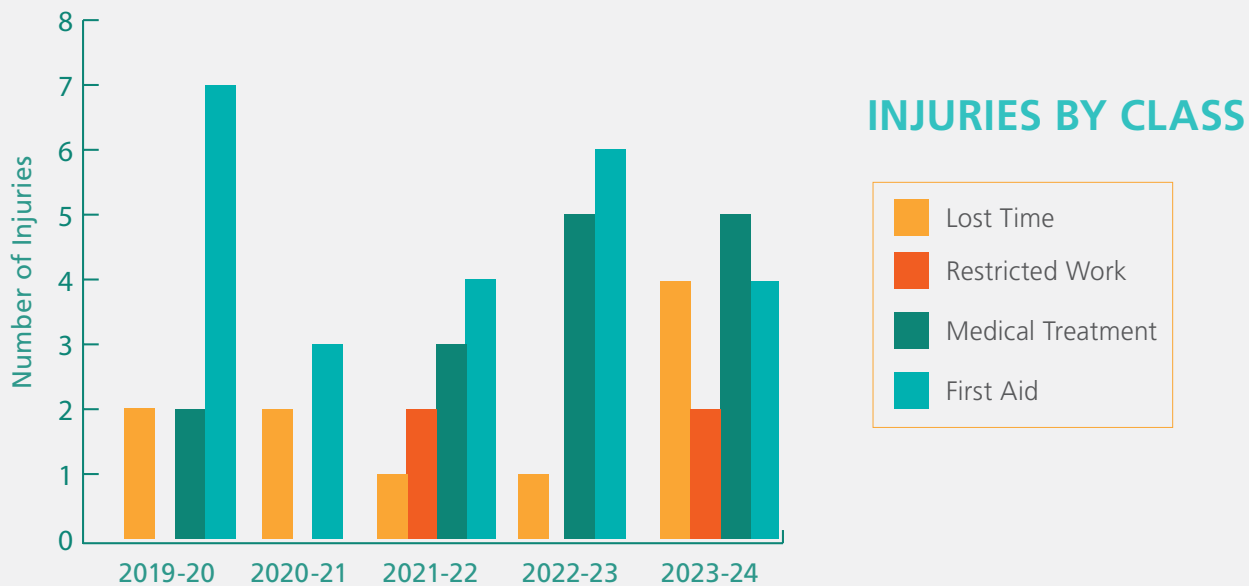
The cost and availability of industry-specific equipment such as transformers, power poles and bucket trucks continued to be challenging in 2023-24

SAFETY

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

In 2023-24, NTPC pled guilty to one count of Safety Act non-compliance associated with a workplace injury that occurred on March 5, 2021 and ultimately led to the workers' death on March 14, 2021.

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



ENVIROMENT

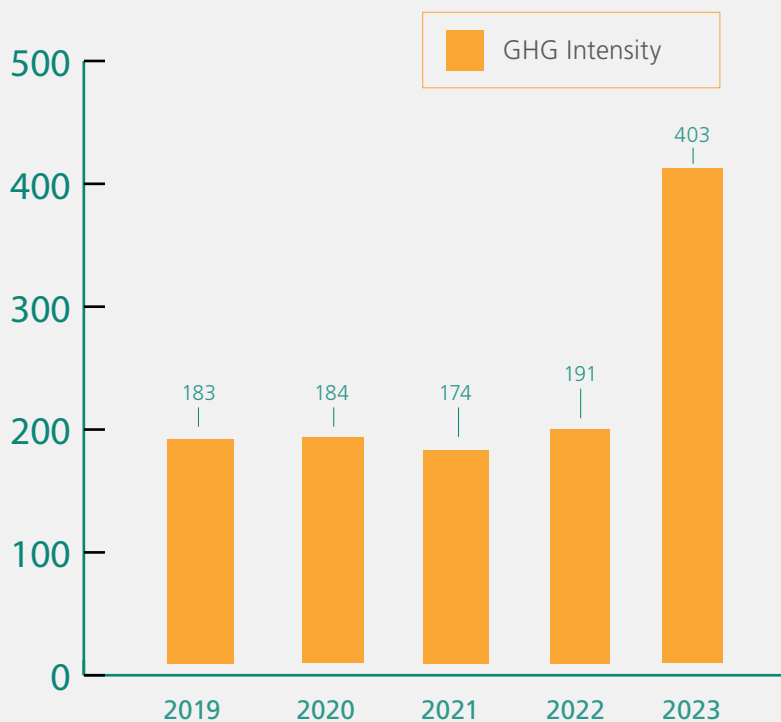
NTPC is committed to reducing its greenhouse gas emissions, primarily by using less diesel to generate electricity. This data is tracked annually, using the calendar year rather than the fiscal year.

The graph below illustrates our performance over the past five years. The volume of GHG emissions increased in 2023 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 22 locations with an approximate on-site volume of 50,000 cubic metres of impacted soil.



GREENHOUSE GAS EMISSIONS (tCO₂e) PER GWh OF GENERATION



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 panels on their property that does not exceed 15 kilowatts.

Net Metering allows customers to accumulate energy credits monthly for any excess electricity they produce to be used against those months when their usage exceeds their production.

Currently, the amount of generation capacity is restricted to 20% of the average load in each eligible community 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, 2024, there were a total of 82 approved and installed solar locations registered with the Net Metering Program with a total installed capacity of 678 kilowatts. Net metering customers supplied 238 megawatt hours in 2023-24, compared to 30 megawatt hours in 2018-19.

RELIABILITY

The average electricity customer in the NWT experienced a higher frequency of outages in the 2023 calendar year than the average Canadian customer.

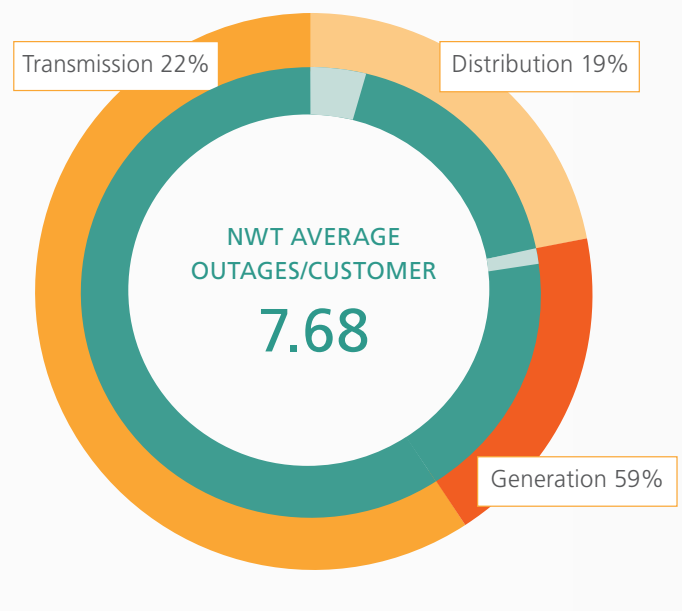
This increased frequency of outages is a common characteristic of remote electricity grids. However, the average length of outages experienced by the average NTPC customer is lower than what the average electricity customer faces across the rest of the country. The localized nature of NTPC’s electricity systems normally allows power to be restored more quickly than is the case in southern provinces.

| | |
|--|-----------|
| AVERAGE NUMBER OF OUTAGES PER NTPC CUSTOMER | 7.68 |
| AVERAGE NUMBER OF OUTAGES ACROSS CANADA PER CUSTOMER | 3.08 |
| AVERAGE LENGTH OF OUTAGE PER NTPC CUSTOMER | 78 MIN |
| AVERAGE LENGTH OF OUTAGES ACROSS CANADA PER CUSTOMER | 3HR 16MIN |
| TOTAL LENGTH OF OUTAGES PER NTPC CUSTOMER | 10HR 2MIN |
| TOTAL LENGTH OF OUTAGES ACROSS CANADA PER CUSTOMER | 10HR 4MIN |

Average restoration time and total outage time for NTPC customers was higher than normal in 2023 due to the impact of forest fire activity, which resulted in several days of interruption time for some customers in Behchoko, and interruptions in other communities. These events had a significant impact on the total length of outages experienced by the average customers.

SOURCE OF OUTAGES

Data above does not include Hay River electricity customers as NTPC did not provide primary power in the community due to the Taltson Hydro shutdown.



EMPOWERING COMMUNITIES

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 2023-24 as local events continued to resume following the pandemic although requests for assistance remained below pre-COVID levels.



OUR COMMUNITY INVESTMENT PROGRAM FOCUSES ON FOUR BROAD AREAS:

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**

Replacement of aging power poles is an ongoing activity

LONG SERVICE AWARD RECIPIENTS

30 YEAR EMPLOYEES

Andre, Phillip

Cunningham, Allan

Simpson, Charlie

25 YEAR EMPLOYEES

Robert, Hugh

Strang, Cory

20 YEAR EMPLOYEES

Cater, Roger

Farmer, Drew

15 YEAR EMPLOYEES

Dewar, David

Jiang, Henry (Hai Long)

Maisog, Clauditte

McKinley, Kerry

Penney, Grant

Plett, Leah

Song, Micheal

Squirrel, Darren

10 YEAR EMPLOYEES

Anderson, Neil

Brown, Andrew

Bullock, Logan

Harrison, Steve

Hunt, Jamie

Lantz, Kris

Welna, Clayton

5 YEAR EMPLOYEES

Belanger, Scott

Brown, Russell

Coleman, Jennifer

Corrigal, Bailey

Daw, Christopher

Goudreau, Connor

Kumar, Sanjay

Ndlovu, Goodyear

Op der Heijde, Michael

Robert, Kristopher

Vasquez, Loudwin

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, 2024. It should be read in conjunction with the audited consolidated financial statements and accompanying notes.

The enclosed 2023-24 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.

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 the NTPC as a Crown Corporation.

Either through direct distribution of power or wholesaling power to a third-party, NTPC serves most of the communities in the 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 the NWT Energy Corporation (03) Ltd. (NT Energy).

NT Hydro's main operations in 2023-24 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

Two extreme environmental events occurred in 2023-24 which resulted in significant negative effects for NT Hydro.

In May 2023, the community of Hay River was evacuated for a period of 11 days due to a forest fire in the area. This was followed by a much larger, one month long, second evacuation in August 2023, involving 60% of the territory's population including the communities of Yellowknife, Fort Smith, Hay River and Jean Marie River as well as the Taltson Hydro site. While NTPC incurred limited physical asset damage, this extended evacuation greatly affected NT PC's ability to complete planned operational work and capital projects. Fire prevention efforts resulted in unanticipated costs and the evacuation significantly reduced electricity sales during this period.

NTPC also continued to experience low water levels in its Snare Hydro system. Hydro generally provides 97% of the electricity generation requirement of Yellowknife, Behchokq and Dettah. The low water event, which began in 2022-23 limited hydro generation to about 50% of total demand. This shortfall required diesel generation using 23.7 million liters of diesel fuel and added \$28.0 million of additional fuel expense and \$4.3 million in additional generation operational costs.

Hay River Franchise

NTPC reached a major milestone in the acquisition of the Hay River franchise in early 2024 when the NWT Public Utilities Board determined that the transfer was in the public interest and the sale could proceed. NTPC has been pursuing the Hay River franchise since 2017 when the Town of Hay River issued a Request for Proposal for the electricity franchise for the Town.

The NWT Public Utilities Board directed both NTPC and Naka Power, the Town's current franchisee, to submit General Rate Applications (GRAs) simultaneously prior to the transfer of the franchise. The expected transfer date is March 1, 2025.

Fuel Costs

NTPC continues to face fuel costs which greatly exceed the fuel costs incorporated into its electricity rates. Fuel prices have increased 40% since electricity rates were last set and low water in the Snare Hydro system has resulted in significant fuel costs.

Excess fuel costs are recoverable from customers over time. This is through the use of the rate stabilization fund and associated fuel riders, or they are recovered through government contributions as they strive to keep electricity rates affordable. In 2023-24 the GNWT contributed \$15.3 million to cover increased fuel costs and in 2024-25 NTPC will receive a further \$30 million from the GNWT to offset the additional fuel costs associated with the low water event. NTPC will incorporate current fuel pricing into its next rate application in fall 2024.

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 was commissioned in the fall of 2023. The project has generated approximately 2.8 GWh of electricity between September 2023 and March 2024. This is equivalent to power for about 400 houses. Wind generation represented 16% of NTPC's power generation in Inuvik during these seven months (10% of annual generation) and saved NTPC and its customers almost \$1.3 million in avoided fuel costs.

2023-24 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.

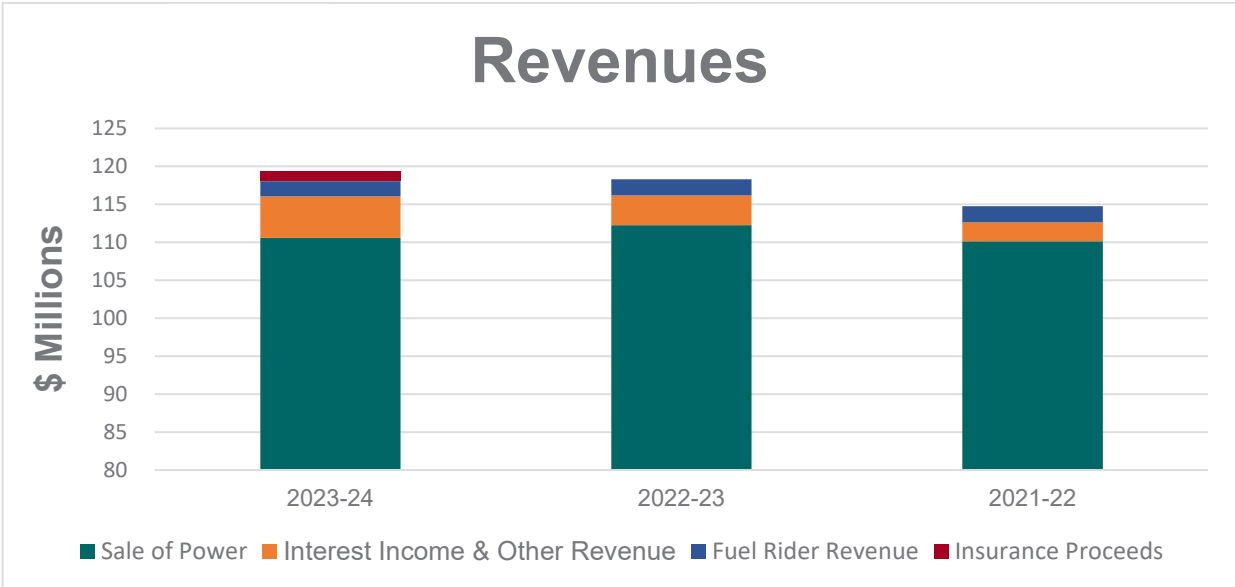
NTPC Results

NTPC had a significant \$34 million loss in 2023-24. This has been primarily driven by historically high fuel prices and the significant fuel use in the Yellowknife diesel plant due to low water in the Snare hydro system.

Revenues

| NTPC Performance Indicator | 2023-24 Results | 2022-23 Results | 2021-22 Results |
|--------------------------------------|------------------------|------------------------|------------------------|
| Revenues: Current Year vs Prior Year | 101% | 103% | 100% |
| Revenues: Actual vs Budget | 95% | 100% | 100% |

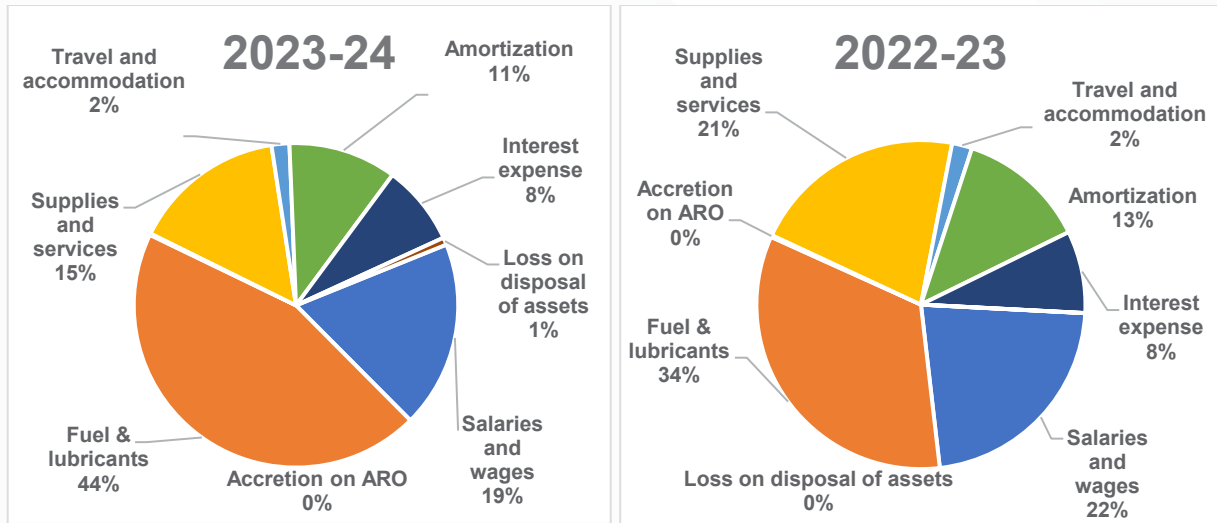
NTPC sales in 2023-24 had a minimal gain over the previous year. This gain was driven by increases in non-electricity revenues as electricity revenues were negatively impacted by the fire evacuation and the reduced sales caused by the Taltson overhaul shutdown and the lost wholesale sales to Hay River, K’alt’odeeche First Nation, Enterprise and Riverwoods.



Expenses

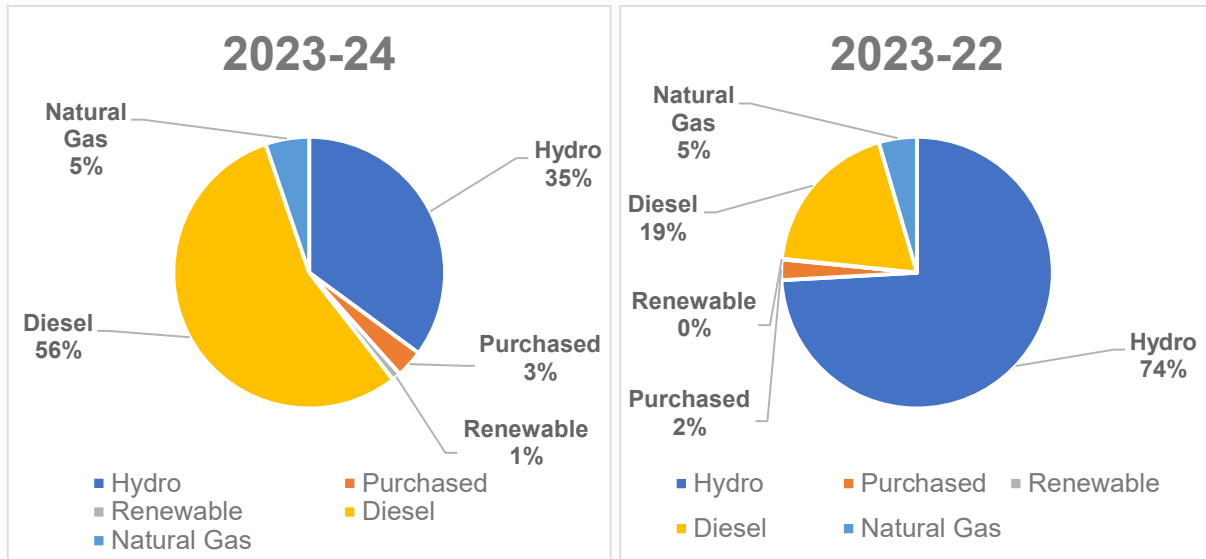
| NTPC Performance Indicator | 2023-24 Results | 2022-23 Results | 2021-22 Results |
|--|------------------------|------------------------|------------------------|
| Operating Expenses: Current Year vs Prior Year | 125% | 113% | 108% |
| Operating Expenses: Actual vs Budget | 112% | 113% | 99% |

NTPC exceeded both its budget and prior year spend primarily due to increased fuel usage and operational costs from the low water event.



Generation by Source

Hydro has traditionally been NTPC’s primary generation source, providing over 76% of all power generated during this low water event and the shutdown on the Taltson hydro site for overhaul hydro has fallen to 35%. The introduction of the Inuvik wind turbine has increased the penetration of renewable energy to 1% with the expectation that this will increase in the future.



Performance Indicators and Financing

| NTPC Performance Indicator | 2023-24 Results | 2022-23 Results | 2021-22 Results |
|-----------------------------------|------------------------|------------------------|------------------------|
| Net Income as % Total Revenues | -29% | -10% | 5% |
| Net Income as % Total Assets | -7% | -3% | 1% |
| Debt to Equity | 3.70 | 2.43 | 1.87 |

Look Ahead

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 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 Greenhouse Gas (GHG) reduction projects and reducing fuel consumption. The 2023-24 NT Hydro capital program included projects to advance these strategic initiatives. The Hay River franchise acquisition will increase the distribution customer base, Inuvik Wind project will reduce fuel consumption and GHG emissions, and the construction 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.

Respectfully submitted



Paul Grant, CPA
Chief Financial Officer

**NORTHWEST TERRITORIES HYDRO CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024**

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

Chief Executive Officer



Paul Grant

Chief Financial Officer

Hay River, NT
August 6, 2024



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 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 2024, 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 2024, 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

Opinion

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

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

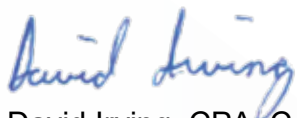
Responsibilities of Management for Compliance with Specified Authorities

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

is necessary to enable the Northwest Territories Hydro Corporation to comply with the specified authorities.

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

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



David Irving, CPA, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
6 August 2024

NORTHWEST TERRITORIES HYDRO CORPORATION

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

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Financial assets | | |
| Cash | \$ 866 | \$ 761 |
| Revenues receivable (Note 4) | 14,901 | 15,196 |
| Government contributions receivable (Note 20) | 936 | 7,451 |
| Investment in Aadrii Ltd. | 415 | 386 |
| | 17,118 | 23,794 |
| Liabilities | | |
| Operating line of credit (Note 5) | 38,966 | 54,472 |
| Accounts payable and accrued liabilities (Note 6) | 75,817 | 51,857 |
| Debenture debt owing to third parties (Note 7) | 258,868 | 187,500 |
| Debenture debt owing to the GNWT (Note 7) | 36,599 | 37,596 |
| Asset retirement obligations (Note 8) | 6,440 | 6,498 |
| Environmental liabilities (Note 9) | 15,066 | 17,970 |
| Capital lease obligation (Note 10) | 15,139 | 15,545 |
| Other employee future benefits (Note 11) | 2,092 | 1,985 |
| Deferred government contributions (Note 20) | 8,192 | 2,199 |
| | 457,179 | 375,622 |
| Net debt | (440,061) | (351,828) |
| Non-financial assets | | |
| Tangible capital assets (Note 12) | 574,469 | 524,642 |
| Inventories (Note 13) | 17,158 | 14,230 |
| Prepaid expenses | 2,261 | 2,033 |
| | 593,888 | 540,905 |
| Accumulated surplus / equity (Note 14) | \$ 153,827 | \$ 189,077 |

*Contractual obligations and contingent liabilities (Note 21)
Subsequent events (Note 23)*

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

Approved on behalf of the Board:



Stephen Loutitt, Board Chair



William MacKay, Vice Chair

NORTHWEST TERRITORIES HYDRO CORPORATION

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

| | 2024 Budget | 2024 Actual | 2023 Actual |
|---|------------------------|------------------------|------------------------|
| Revenues | | | |
| Sale of power (Note 15) | \$ 120,215 | \$ 110,583 | \$ 112,269 |
| Fuel rider revenue | 2,312 | 2,019 | 2,123 |
| Other revenue (Note 16) | 2,397 | 3,597 | 3,463 |
| Interest income (Note 18) | 75 | 79 | 92 |
| Insurance proceeds | - | 1,260 | - |
| Income (loss) from investment in Aadrii Ltd. | 75 | 29 | 14 |
| | 125,074 | 117,567 | 117,961 |
| Expenses (Note 17) | | | |
| Thermal generation | 98,330 | 115,238 | 83,602 |
| Hydro generation | 22,104 | 21,306 | 19,044 |
| Corporate services | 15,449 | 15,818 | 15,070 |
| Transmission, distribution and retail | 12,895 | 13,226 | 13,081 |
| Purchased power | 4,899 | 3,959 | 5,039 |
| Alternative power generation | 239 | 283 | 219 |
| | 153,916 | 169,830 | 136,055 |
| Deficit for the year before government contributions | (28,842) | (52,263) | (18,094) |
| Government contributions | | | |
| Other government contributions (Note 19) | 4,094 | 17,013 | 25,535 |
| Surplus (Deficit) for the year | \$ (24,748) | \$ (35,250) | \$ 7,441 |
| Accumulated surplus / equity, beginning of year | 189,077 | 189,077 | 181,636 |
| Accumulated surplus / equity, end of year | \$ 164,329 | \$ 153,827 | \$ 189,077 |

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)

| | 2024 Budget | 2024 Actual | 2023 Actual |
|--|------------------------|------------------------|------------------------|
| Surplus for the year | \$ (24,748) | \$ (35,250) | \$ 7,441 |
| Tangible capital assets | | | |
| Additions | (72,871) | (65,521) | (81,203) |
| Capitalized overhead | (3,500) | (2,402) | (3,877) |
| Capitalized interest (Note 18) | (1,900) | (2,022) | (1,546) |
| Disposals | 2,400 | 745 | 971 |
| Amortization (Note 12) | 19,821 | 19,373 | 17,209 |
| | (56,050) | (49,827) | (68,446) |
| Acquisition of inventories | (7,700) | (20,592) | (14,643) |
| Use of inventories | 7,700 | 17,664 | 10,872 |
| Acquisition of prepaids | (3,300) | (3,810) | (4,069) |
| Use of prepaids | 3,300 | 3,582 | 3,508 |
| | - | (3,156) | (4,332) |
| Increase in net debt for the year | \$ (80,798) | \$ (88,233) | \$ (65,337) |
| Net debt, beginning of year | (351,828) | (351,828) | (286,491) |
| Net debt, end of year | \$ (432,626) | \$ (440,061) | \$ (351,828) |

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)

| | 2024 | 2023 |
|--|-----------------|-------------------|
| Cash provided by operating activities | | |
| Cash receipts from customers | \$ 117,001 | \$ 115,979 |
| Government contributions received | 29,521 | 10,672 |
| Insurance Proceeds | 1,260 | - |
| Cash paid to suppliers | (84,311) | (66,926) |
| Cash paid to employees | (29,841) | (31,683) |
| Interest paid | (12,290) | (10,948) |
| Interest received | 77 | 92 |
| | 21,417 | 17,186 |
| Cash provided by investing activities | | |
| Loan receivable receipts | - | - |
| | - | - |
| Cash used in capital activities | | |
| Acquisition and development of tangible capital assets | (76,031) | (75,249) |
| Proceeds on sale of tangible capital assets | 44 | 51 |
| | (75,987) | (75,198) |
| Cash provided by financing activities | | |
| Issuance of debenture debt | 75,000 | - |
| Repayment of capital lease obligation | (406) | (405) |
| Repayment of debenture debt | (4,413) | (4,271) |
| (Repayments of) Proceeds from operating line of credit | (15,506) | 53,522 |
| | 54,675 | 48,846 |
| (Decrease) increase in cash | \$ 105 | \$ (9,166) |
| Cash, beginning of year | 761 | 9,927 |
| Cash, end of year | \$ 866 | \$ 761 |

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 14).

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. The PUB reviews the affairs, earnings and accounts of NTPC every year by way of its annual report of finances. 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. In Decision 6-2023 the PUB approved a return on equity of 8% which will remain into effect until it is reassessed in the next General Rate Application (GRA) filing. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

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. NTPC filed with the PUB in February 2024 an application to increase the fuel rider charged to customers. PUB Decision 8-2024 approved a rider increase to 1.07 cents/kWh which came into effect May 1, 2024.

NTPC filed with the PUB an application for a rider for the low water event in the snare zone. This rider is required to help NTPC manage the operational costs associated with the low water event. The rider is for 0.23 cents/kWh and was approved by the PUB in Decision 8-2024. The rider came into effect May 1, 2024.

The PUB directed NTPC to file a GRA application in Decision 1-2024 by December 31, 2024. Due to this decision NTPC has filed for interim rate increases on May 9, 2024 for increases of 15% in the Thermal Zone, 4.4% in the Snare Zone and 4.9% in the Taltson Zone. Upon approval from the PUB, these rate increases are expected to come into effect July 1, 2024.

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), Aadrii Ltd., 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 HYDRO 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 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 obligation.

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.

NORTHWEST TERRITORIES HYDRO 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 2023-24 was 4.46% (2022-23 – 4.46%). 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 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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

iv) Amortization

Management has utilized amortization rates approved by the PUB in Decision 6-2023. The cost, less residual value, is amortized over an asset's useful life on a straight-line basis based on the average life of the group. Assets under construction are not amortized until they are ready for their intended productive use. NT Hydro uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

Annual amortization rates are as follows:

| | 2024 | 2023 |
|---|------------------|------------------|
| | Rates (%) | Rates (%) |
| Electric power plants | 1.00 – 5.00 | 1.00 – 5.00 |
| Transmission and distribution systems | 1.54 – 6.67 | 1.54 – 6.67 |
| Warehouse equipment, motor vehicles and general facilities | 1.54 – 20.00 | 1.54 – 20.00 |
| Electric power plant under capital lease | 1.00 – 4.35 | 1.00 – 4.35 |

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) Contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of cash contributions from external parties. These contributions are recorded as other revenues when all restrictions or stipulations imposed by the external party 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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

i) Other employee future benefits

The expected cost of providing these benefits is actuarially determined using assumptions based on management's best estimates and is 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, ultimate removal 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, ultimate removal 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:

- 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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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.

m) Revenues

Revenues from transactions with performance obligations occur when there is an enforceable promise to transfer goods or services directly to a payor in return for promised consideration. These revenues are recognized when control of the benefits associated with the goods or services have transferred and there is no unfulfilled performance obligation.

Sales of power and fuel rider revenue consist of a single performance obligation, the customer's utilization of power. Performance obligations are satisfied as electricity is delivered because of the continuous transfer of control to the customer. These revenues are measured based on cyclical meter readings. Sale of power revenues and fuel rider revenues include accruals for electricity sale not yet billed.

Contract work revenue relates to construction contracts with customers. These revenues are recognized over time as performance obligations are fulfilled and are measured based on costs incurred.

Interest is recognized on an accrual basis.

n) Expenses

Expenses are recognized on an accrual basis.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

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.

3. Adoption of PS 3400 Revenue

NT Hydro adopted PS 3400 *Revenue*, effective 1 April 2023, which establishes standards on how to account for and report on revenue. The Section sets out general guidance for how entities recognize, measure, present and disclose revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied.

PS 3400 has been applied prospectively in these consolidated financial statements and, as permitted by the transitional provisions, prior periods were not restated.

The implementation of this new Section did not have a material impact on the consolidated financial statements.

NORTHWEST TERRITORIES HYDRO CORPORATION

4. Revenues receivable

At March 31, 2024, the aging of revenues receivable was as follows:

| | 2024 | | | |
|---------------------------------|--|-----------------------|-------------------------|--------------|
| | Current (less than 28 days) | 29-90 days | Over 90 days | Total |
| Utility | \$ 12,428 | \$ 694 | \$ 280 | \$ 13,402 |
| Non-utility | 1,458 | 140 | 155 | 1,753 |
| Allowance for doubtful accounts | - | - | (254) | (254) |
| | \$ 13,886 | \$ 834 | \$ 181 | \$ 14,901 |

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 |

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

| | 2024 | 2023 |
|--------------------------------|-------------|-------------|
| Balance, beginning of the year | \$ (177) | \$ (203) |
| Receivables written off | 61 | 60 |
| Change to allowance | (138) | (34) |
| Balance, end of the year | \$ (254) | \$ (177) |

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, 2024, 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 22.

NORTHWEST TERRITORIES HYDRO CORPORATION

5. Operating line of credit

NT Hydro has a \$75,000 (2022-23 - \$75,000) 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, 2024, NT Hydro has borrowed \$38,966 (2022-23 - \$54,472) against the line of credit.

6. Accounts payable and accrued liabilities

The following is a summary of NT Hydro's accounts payable and accrued liabilities:

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| Payable to related party (Note 20) | \$ 39,689 | \$ 16,734 |
| Trade payables and accrued liabilities | 24,097 | 26,148 |
| Payroll liabilities | 6,403 | 4,290 |
| Interest payable | 3,192 | 1,695 |
| Other payables | 2,436 | 2,990 |
| | <u>\$ 75,817</u> | <u>\$ 51,857</u> |

NORTHWEST TERRITORIES HYDRO CORPORATION

7. Debenture debt

a) Owing to third parties

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| 3.982% amortizing debenture, due February 17, 2047 repayable semi-annually in blended payments of \$1,722 | \$ 51,575 | \$ 52,926 |
| 5.16% amortizing debenture, due September 13, 2040 repayable semi-annually in blended payments of \$1,684 | 37,117 | 38,516 |
| 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 | 6,000 | 6,667 |
| 4.344% debenture – interest payable semi-annually, principal is due April 14, 2053 | 75,000 | - |
| | <u>\$ 259,692</u> | <u>\$ 188,109</u> |
| Less: unamortized premium, discount and issuance costs | (824) | (609) |
| | <u>\$ 258,868</u> | <u>\$ 187,500</u> |

The GNWT guarantees all third party debenture debt.

b) Owing to the GNWT

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| 2.265% amortizing debenture, due September 30, 2050 repayable semi-annually in blended payments of \$922 | \$ 36,599 | \$ 37,596 |

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

| <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>Thereafter</u> | <u>Total</u> |
|-------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| \$ 4,566 | \$ 19,721 | \$ 4,885 | \$ 5,055 | \$ 30,235 | \$231,829 | \$ 296,291 |

NORTHWEST TERRITORIES HYDRO CORPORATION

8. 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 - \$13,020 (2022-23 -- \$13,241).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 38 years with the majority occurring after 2035.
- The discount rate is the year-end cost of borrowing of 4.34% (2022-23 – 3.96%) for those obligations to be settled in less than 10 years and 4.575% (2022-23 – 4.34%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2022-23 – 2%).

Following is a summary of the asset retirement obligations:

| | 2024 | 2023 |
|----------------------|-----------------|-----------------|
| Opening balance | \$ 6,498 | \$ 7,313 |
| Liabilities settled | (7) | (35) |
| Accretion expense | 251 | 257 |
| Valuation adjustment | (313) | (1,037) |
| Additions | 11 | - |
| Balance, end of year | <u>\$ 6,440</u> | <u>\$ 6,498</u> |

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.

NORTHWEST TERRITORIES HYDRO CORPORATION

9. 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 22 geographic locations (2022-23 - 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 - \$69,683 (2022-23 -- \$69,854).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 2 and 67 years with the majority occurring after 2059.
- The discount rate is the year-end cost of borrowing of 4.34% (2022-23 – 3.96%) for those obligations to be settled in less than 10 years and 4.575% (2022-23 – 4.34%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2022-23 – 2%).

Following is a summary of the estimated environmental liabilities:

| | <u>2024</u> | <u>2023</u> |
|----------------------|--------------------|--------------------|
| Opening balance | \$ 17,970 | \$ 17,619 |
| Liabilities settled | (1,078) | (2,877) |
| Valuation adjustment | (1,826) | 3,228 |
| Balance, end of year | <u>\$ 15,066</u> | <u>\$ 17,970</u> |

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 17).

NORTHWEST TERRITORIES HYDRO CORPORATION

10. 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, 2024 was 7.75% (2022-23 – 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 12).

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:

| | | | |
|---|------------|-----------|---------------|
| | 2025 | \$ | 1,624 |
| | 2026 | | 1,593 |
| | 2027 | | 1,562 |
| | 2028 | | 1,530 |
| | 2029 | | 1,499 |
| | Thereafter | | 31,546 |
| | | | 39,354 |
| Less: amounts representing imputed interest | | | (24,215) |
| Total capital lease obligation | | \$ | 15,139 |

Additional disclosures on NTPC's exposure and management of risk associated with the capital lease obligation can be found in Note 22.

NORTHWEST TERRITORIES HYDRO CORPORATION

11. 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 (2022-23 – 1.02) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2022-23 – 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 \$202 (2022-23 - \$196) was 4.63 times (2022-23 – 5.29) the employee's contributions. Employer contributions of \$1,910 (2022-23 - \$2,577) were recognized as an expense in the current year. The employees' contribution to this plan was \$1,749 (2022-23 - \$2,348).

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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 11. Other employee future benefits (continued)

b) Other employee future benefits

Summary of other employee future benefit liabilities:

| | 2024 | | | 2023 | | |
|---|--|--------------------------------------|-----------------|--|--------------------------------------|-----------------|
| | Severance and Removal Benefit | Accumulated Sick Leave Benefit | Total | Severance and Removal Benefit | Accumulated Sick Leave Benefit | Total |
| Accrued benefit obligation, beginning of year | \$ 3,133 | \$ 246 | \$ 3,379 | \$ 3,297 | \$ 267 | \$ 3,564 |
| Benefits earned | 266 | 18 | 284 | 279 | 19 | 298 |
| Interest | 134 | 10 | 144 | 115 | 9 | 124 |
| Benefits paid | (480) | (26) | (506) | (563) | (37) | (600) |
| Actuarial (gains) losses | 101 | (6) | 95 | 5 | (12) | (7) |
| Accrued benefit obligation, end of year | 3,154 | 242 | 3,396 | 3,133 | 246 | 3,379 |
| Unamortized net actuarial gain/(loss) | (1,109) | (195) | (1,304) | (1,134) | (260) | (1,394) |
| Net future obligation | <u>\$ 2,045</u> | <u>\$ 47</u> | <u>\$ 2,092</u> | <u>\$ 1,999</u> | <u>\$ (14)</u> | <u>\$ 1,985</u> |

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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 11. Other employee future benefits (continued)

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

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|---------------|---------------|
| Current benefits earned | \$ 284 | \$ 298 |
| Interest | 144 | 124 |
| Amortization of net actuarial loss | 185 | 186 |
| | <u>\$ 613</u> | <u>\$ 608</u> |

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

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Expected inflation rates | 2% | 2% |
| Discount rate used to determine the accrued benefit obligation | 4.5% | 4.1% |
| Expected average remaining service life of related employee groups (EARSL) | <u>10.4 years</u> | <u>10.4 years</u> |

Notes to the Consolidated Financial Statements
For the year ended March 31, 2024
(in thousands of dollars)

NORTHWEST TERRITORIES HYDRO CORPORATION

12. Tangible capital assets

| March 31, 2024 | | | | | | |
|---------------------------------|----------------------------------|---|--|---|--|-------------------|
| | 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 | \$ 428,616 | \$ 112,720 | \$ 90,969 | \$ 28,733 | \$ 137,663 | \$ 798,701 |
| Additions | 11 | - | - | - | 69,934 | 69,945 |
| Transfers – completed projects | 28,887 | 9,615 | 75,951 | - | (114,453) | - |
| Disposals and adjustments | (1,763) | (79) | (737) | (46) | - | (2,625) |
| Closing balance | 455,751 | 122,256 | 166,183 | 28,687 | 93,144 | 866,021 |
| Accumulated amortization | | | | | | |
| Opening balance | (169,149) | (45,183) | (48,645) | (11,082) | - | (274,059) |
| Amortization | (11,559) | (2,811) | (4,522) | (481) | - | (19,373) |
| Disposals and adjustments | 1,165 | 68 | 631 | 16 | - | 1,880 |
| Closing balance | (179,543) | (47,926) | (52,536) | (11,547) | - | (291,552) |
| Net book value | \$ 276,208 | \$ 74,330 | \$ 113,647 | \$ 17,140 | \$ 93,144 | \$ 574,469 |
| 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 |

The cost of land as of March 31, 2024 included in electric power plants asset cost is approximately \$5,594 (2022-23 - \$5,594). Amortization is not recorded on land.

NORTHWEST TERRITORIES HYDRO CORPORATION

13. Inventories

| | 2024 | 2023 |
|------------------------------------|------------------|------------------|
| Materials, supplies and lubricants | \$ 11,899 | \$ 9,490 |
| Critical spare parts | 4,925 | 4,244 |
| Fuel | 334 | 496 |
| | <u>\$ 17,158</u> | <u>\$ 14,230</u> |

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is held in five of NTPC's operating plants. See also Note 21.

14. Accumulated surplus/equity

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Share capital, common and preferred shares | \$ 43,129 | \$ 43,129 |
| Accumulated operating surplus / equity | 110,698 | 145,948 |
| | <u>\$ 153,827</u> | <u>\$ 189,077</u> |

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, 2024, 1 common share (2022-23 – 1 common share), at \$43,129 per share (2022-23 – \$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.

15. Sale of power

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Power sales to external customers | \$ 81,161 | \$ 83,647 |
| Power sales to GNWT and related parties | 17,823 | 17,431 |
| GNWT TPSP payments | 6,856 | 6,601 |
| GNWT HSP payments | 4,743 | 4,590 |
| | <u>\$ 110,583</u> | <u>\$ 112,269</u> |

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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 15. 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.

16. Other revenue

| | <u>2024</u> | <u>2023</u> |
|-----------------|-----------------|-----------------|
| Contract work | \$ 2,486 | \$ 1,687 |
| Connection fees | 369 | 310 |
| Heat revenues | 326 | 670 |
| Pole rental | 277 | 355 |
| Other | 139 | 441 |
| | <u>\$ 3,597</u> | <u>\$ 3,463</u> |

17. Expenses

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

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|-------------------|-------------------|
| Fuel and lubricants (Notes 20, 21) | \$ 74,267 | \$ 45,419 |
| Salaries and wages | 32,041 | 30,572 |
| Supplies and services | 26,049 | 28,908 |
| Amortization (Note 12) | 19,374 | 17,209 |
| Interest expense (Note 18) | 13,571 | 10,971 |
| Travel and accommodation | 3,036 | 2,701 |
| Loss on disposal of assets | 1,241 | 18 |
| Accretion on ARO (Note 8) | 251 | 257 |
| | <u>\$ 169,830</u> | <u>\$ 136,055</u> |

During the year, fuel expenses exceeded budget because of the effects of ongoing low water conditions. Subsequent to March 31, 2024, the GNWT authorized a contribution of \$30,000 towards the additional costs incurred. Refer to Note 23(a).

NORTHWEST TERRITORIES HYDRO CORPORATION

18. Interest expense and interest income

Interest expense

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| Interest on debenture debt and capital leases (Notes 6, 9) | \$ 14,323 | \$ 11,383 |
| Short-term debt financing costs | 1,270 | 1,134 |
| Capitalized interest during construction | <u>(2,022)</u> | <u>(1,546)</u> |
| | <u>\$ 13,571</u> | <u>\$ 10,971</u> |

Interest income

| | <u>2024</u> | <u>2023</u> |
|--|--------------|--------------|
| Income from overdue accounts and bank balances | \$ 79 | \$ 92 |
| | <u>\$ 79</u> | <u>\$ 92</u> |

19. Other government contributions

NTPC has entered in agreements with the GNWT under the Government of Canada's Investing in Canada Infrastructure Program (ICIP) & Low Carbon Economy Leadership Fund (LCELF) for capital programs that have been completed in the fiscal year.

In June 2023, the GNWT contributed \$15,200 towards increased fuel prices and additional fuel consumption incurred as a result of low water conditions.

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| GNWT Fuel Contribution | \$ 15,200 | \$ - |
| EV Charging Stations Program | 931 | 68 |
| Sachs Harbour Power Plant Program | 445 | 1,771 |
| NT Energy Bridge Funding Program | 250 | 250 |
| NT Energy Rent Program | 98 | 98 |
| Fort Providence/Kakisa Transmission Line Program | 72 | 303 |
| Fort Simpson LNG Program | 17 | 28 |
| Inuvik High Point Wind Program | - | 20,344 |
| Lutsel K'e Power Plant Program | - | 1,620 |
| Inuvik LNG Tank Program | - | 730 |
| Snare Forks Overhaul Program | <u>-</u> | <u>323</u> |
| | <u>\$ 17,013</u> | <u>\$ 25,535</u> |

NORTHWEST TERRITORIES HYDRO CORPORATION

20. Related party transactions and balances

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

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

| Revenues | 2024 | 2023 |
|---|-------------|-------------|
| Other revenue | \$ 320 | \$ 652 |
| Fuel rider revenue | 441 | 448 |
| | \$ 761 | \$ 1,100 |
| | | |
| Expenses | | |
| Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 21) | \$ 50,885 | \$ 30,761 |
| Other operating expenses | 949 | 1,070 |
| | \$ 51,834 | \$ 31,831 |
| | | |
| Financial assets | | |
| Revenues receivable | | |
| Utility | \$ 978 | \$ 468 |
| Non-utility | 243 | 93 |
| Government contributions receivable | 936 | 7,451 |
| | \$ 2,157 | \$ 8,012 |
| | | |
| Liabilities | | |
| Accounts payable to FSD for fuel (Note 21) | \$ 39,689 | \$ 16,734 |
| Deferred government contributions | 8,192 | 2,199 |
| Other accounts payable and accrued liabilities | 3 | 12 |
| | \$ 47,884 | \$ 18,945 |

NORTHWEST TERRITORIES HYDRO CORPORATION

21. 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, 2024.

| | <u>2025</u> | <u>2026 and subsequent</u> |
|-----------------------------------|-------------|----------------------------|
| Operational and lease commitments | \$ 10,888 | \$ 89 |

Capital projects

NT Hydro has contractual obligations of \$7,134 related to capital projects, of which payments are expected to be made in 2024-25.

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.

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, 2024.

Asset retirement obligations

NTPC has not recognized a provision for the closure and restoration obligations for certain generation, transmission and distribution assets which NTPC anticipates maintaining and operating for an indefinite period, making the date of retirement of these assets indeterminate. These significant uncertainties around the timing of any potential future cash outflows are such that a reliable estimate of the liability is not possible at this time. A provision will be recognized when the timing of the retirement of these assets can be reasonably estimated.

NORTHWEST TERRITORIES HYDRO CORPORATION

22. Financial instruments and risk management

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

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.

| | 2024 | 2023 |
|-------------------------------------|-------------|-------------|
| Revenues receivable | \$ 14,901 | \$ 15,196 |
| Government contributions receivable | 936 | 7,451 |
| Cash | 866 | 761 |
| | \$ 16,703 | \$ 23,408 |

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-five percent (2022-23 - 37%) of NTPC’s sales of power are to two other utilities. Twenty-seven percent (2022-23 - 25%) 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.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 22. 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, 2024 | | | | |
|--------------------------|-------------------------------|---|---|--------------------------------------|-------------------|
| | 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 | \$ 17,522 | \$ 121,530 | \$ 203,084 | \$ 161,384 | \$ 503,520 |
| Operating line of credit | 38,966 | - | - | - | 38,966 |
| Capital lease obligation | 1,624 | 7,651 | 17,245 | 12,834 | 39,354 |
| | \$ 58,112 | \$ 129,181 | \$ 220,329 | \$ 174,218 | \$ 581,840 |

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.

NORTHWEST TERRITORIES HYDRO CORPORATION

23. Subsequent events

a) Contribution from the GNWT for costs related to the effects of ongoing low water conditions.

Low water in the Snare/Yellowknife zone occurred in 2022-23 and has persisted in 2023-2024 and 2024-25. In May 2024, the GNWT authorized a contribution to NTPC of \$30,000 to assist with additional fuel costs related to increased fuel prices and additional fuel consumption.

b) Hay River Franchise

In March 2024 the PUB approved the transfer of the Hay River Franchise to NTPC in Decision 1-2024. This will result in the sale of assets in the Hay River community to NTPC. The purchase of the assets is anticipated to occur in the 2024-25 fiscal year. Information about the financial effects is not yet available.

c) Contribution from the GNWT for the Inuvik High Point Wind project

In June 2024, the GNWT authorized a contribution to NTPC of \$38,000 to assist with the additional costs related to completing the Inuvik High Point Wind Turbine.

**NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024**

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 judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The 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
Chief Executive Officer



Paul Grant
Chief Financial Officer

Hay River, NT
August 6, 2024



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 2024, 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 2024, 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

Opinion

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

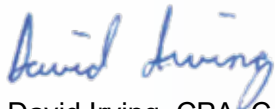
In our opinion, the transactions of the Northwest Territories Power Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Northwest Territories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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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



David Irving, CPA, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
6 August 2024

NORTHWEST TERRITORIES POWER CORPORATION

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

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Financial assets | | |
| Cash | \$ 866 | \$ 761 |
| Revenues receivable (Note 4) | 13,657 | 14,491 |
| Government contributions receivable (Note 20) | - | 3,461 |
| Due from related party (Note 22) | 17,019 | 13,799 |
| Investment in Aadrii Ltd. | 415 | 386 |
| | 31,957 | 32,898 |
| Liabilities | | |
| Operating line of credit (Note 5) | 18,075 | 52,869 |
| Accounts payable and accrued liabilities (Note 6) | 69,488 | 42,734 |
| Debenture debt owing to third parties (Note 7) | 258,868 | 187,500 |
| Debenture debt owing to the GNWT (Note 7) | 36,599 | 37,596 |
| Asset retirement obligations (Note 8) | 6,440 | 6,498 |
| Environmental liabilities (Note 9) | 15,066 | 17,970 |
| Capital lease obligation (Note 10) | 15,139 | 15,545 |
| Other employee future benefits (Note 11) | 2,092 | 1,985 |
| Deferred government contributions (Note 20) | 5,751 | 1,952 |
| | 427,518 | 364,649 |
| Net debt | (395,561) | (331,751) |
| Non-financial assets | | |
| Tangible capital assets (Note 12) | 491,607 | 465,340 |
| Inventories (Note 13) | 17,158 | 14,230 |
| Prepaid expenses | 2,261 | 2,033 |
| | 511,026 | 481,603 |
| Accumulated surplus / equity (Note 14) | \$ 115,465 | \$ 149,852 |

*Contractual obligations and contingent liabilities (Note 21)
Subsequent events (Note 23)*

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

Approved on behalf of the Board:



Stephen Loutitt, Board Chair



William MacKay, Vice Chair

NORTHWEST TERRITORIES POWER CORPORATION

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

| | 2024 Budget | 2024 Actual | 2023 Actual |
|---|------------------------|------------------------|------------------------|
| Revenues | | | |
| Sale of power (Note 15) | \$ 120,215 | \$ 110,583 | \$ 112,269 |
| Fuel rider revenue | 2,312 | 2,019 | 2,123 |
| Other revenue (Note 16) | 2,397 | 3,597 | 3,463 |
| Interest income (Note 18) | 75 | 1,840 | 438 |
| Insurance proceeds | - | 1,260 | - |
| Income from investment in Aadrii Ltd. | 75 | 29 | 14 |
| | 125,074 | 119,328 | 118,307 |
| Expenses (Note 17) | | | |
| Thermal generation | 98,330 | 115,238 | 83,602 |
| Hydro generation | 22,104 | 21,306 | 19,044 |
| Corporate services | 14,831 | 14,064 | 14,259 |
| Transmission, distribution and retail | 12,895 | 13,226 | 13,081 |
| Purchased power | 4,899 | 5,259 | 5,039 |
| Alternative power generation | 239 | 283 | 219 |
| | 153,298 | 169,376 | 135,244 |
| Deficit for the year before government contributions | (28,224) | (50,048) | (16,937) |
| Government contributions | | | |
| Other government contributions (Note 19) | 750 | 15,661 | 4,540 |
| Deficit for the year | \$ (27,474) | \$ (34,387) | \$ (12,397) |
| Accumulated surplus / equity, beginning of year | 149,852 | 149,852 | 162,249 |
| Accumulated surplus / equity, end of year | \$ 122,378 | \$ 115,465 | \$ 149,852 |

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)

| | 2024 Budget | 2024 Actual | 2023 Actual |
|--|------------------------|------------------------|------------------------|
| Deficit for the year | \$ (27,474) | \$ (34,387) | \$ (12,397) |
| Tangible capital assets | | | |
| Additions (Note 12) | (52,871) | (40,866) | (42,248) |
| Capitalized overhead | (3,500) | (2,402) | (3,877) |
| Capitalized interest (Note 18) | (1,900) | (2,022) | (1,546) |
| Disposals (Note 12) | 2,400 | 745 | 971 |
| Amortization (Note 12) | 19,821 | 18,278 | 17,198 |
| | (36,050) | (26,267) | (29,502) |
| Acquisition of inventories | (7,700) | (20,592) | (14,643) |
| Use of inventories | 7,700 | 17,664 | 10,872 |
| Acquisition of prepaids | (3,300) | (3,803) | (4,062) |
| Use of prepaids | 3,300 | 3,575 | 3,501 |
| | - | (3,156) | (4,332) |
| Increase in net debt for the year | \$ (63,524) | \$ (63,810) | \$ (46,231) |
| Net debt, beginning of year | (331,751) | (331,751) | (285,520) |
| Net debt, end of year | \$ (395,275) | \$ (395,561) | \$ (331,751) |

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)

| | 2024 | 2023 |
|--|-----------------|-----------------|
| Cash provided by operating activities | | |
| Cash receipts from customers | \$ 117,001 | \$ 115,978 |
| Government contributions received | 22,921 | 718 |
| Insurance proceeds | 1,260 | - |
| Cash paid to suppliers | (84,124) | (66,542) |
| Cash paid to employees | (29,394) | (31,314) |
| Interest paid | (12,290) | (10,902) |
| Interest received | 77 | 92 |
| | 15,451 | 8,030 |
| Cash used in investing activities | | |
| Advances to related party | (2,757) | (11,970) |
| | (2,757) | (11,970) |
| Cash used in capital activities | | |
| Acquisition and development of tangible capital assets | (48,020) | (43,190) |
| Proceeds on sale of tangible capital assets | 44 | 51 |
| | (47,976) | (43,139) |
| Cash provided by financing activities | | |
| Repayment of capital lease obligation | (406) | (405) |
| Repayment of debenture debt | (4,413) | (4,271) |
| Issuance of debenture debt | 75,000 | - |
| (Repayments of) Proceeds from operating line of credit | (34,794) | 51,919 |
| | 35,387 | 47,243 |
| Increase in cash | \$ 105 | \$ 164 |
| Cash, beginning of year | 761 | 597 |
| Cash, end of year | \$ 866 | \$ 761 |

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 14).

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. The PUB reviews the affairs, earnings and accounts of NTPC every year by way of its annual report of finances. 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. In Decision 6-2023 the PUB approved a return on equity of 8% which will remain into effect until it is reassessed in the next General Rate Application (GRA) filing. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

NORTHWEST TERRITORIES POWER CORPORATION

Note 1. The Corporation (continued)

On 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. NTPC filed with the PUB in February 2024 an application to increase the fuel rider charged to customers. PUB Decision 8-2024 approved a rider increase to 1.07 cents/kWh which came into effect May 1, 2024.

NTPC filed with the PUB an application for a rider for the low water event in the snare zone. This rider is required to help NTPC manage the operational costs associated with the low water event. The rider is for 0.23 cents/kWh and was approved by the PUB in Decision 8-2024. The rider came into effect May 1, 2024.

The PUB directed NTPC to file a GRA application in Decision 1-2024 by December 31, 2024. Due to this decision NTPC has filed for interim rate increases on May 9, 2024, for increases of 15% in the Thermal Zone, 4.4% in the Snare Zone and 4.9% in the Taltson Zone. Upon approval from the PUB, these rate increases are expected to come into effect July 1, 2024.

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), Aadrii Ltd., 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 obligation.

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 2023-24 was 4.46% (2022-23 – 4.46%). 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. The cost, less residual value, is amortized over an asset's useful life on a straight-line basis based on the average life of the group. Assets under construction are not amortized until they are ready for their intended productive use. NTPC uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

Annual amortization rates are as follows:

| | 2024 | 2023 |
|---|------------------|------------------|
| | Rates (%) | Rates (%) |
| Electric power plants | 1.00 – 5.00 | 1.00 – 5.00 |
| Transmission and distribution systems | 1.54 – 6.67 | 1.54 – 6.67 |
| Warehouse equipment, motor vehicles and general facilities | 1.54 – 20.00 | 1.54 – 20.00 |
| Electric power plant under capital lease | 1.00 – 4.35 | 1.00 – 4.35 |

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) Contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of cash contributions from external parties. These contributions are recorded as other revenues when all restrictions or stipulations imposed by the external party 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 is 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, ultimate removal or death of an employee.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

ii) *Sick leave benefits*

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

j) **Asset retirement obligations (ARO)**

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 from transactions with performance obligations occur when there is an enforceable promise to transfer goods or services directly to a payor in return for promised consideration. These revenues are recognised when control of the benefits associated with the goods or services have transferred and there is no unfulfilled performance obligation.

Sales of power and fuel rider revenue consist of a single performance obligation, the customer's utilization of power. Performance obligations are satisfied as electricity is delivered because of the continuous transfer of control to the customer. These revenues are measured based on cyclical meter readings. Sale of power revenues and fuel rider revenues include accruals for electricity sale not yet billed.

Contract work revenue relates to construction contracts with customers. These revenues are recognized over time as performance obligations are fulfilled and are measured based on costs incurred.

Interest is 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.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

p) Non-financial assets

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

3. Adoption of PS 3400 Revenue

NTPC adopted PS 3400 *Revenue*, effective 1 April 2023, which establishes standards on how to account for and report on revenue. The Section sets out general guidance for how entities recognize, measure, present and disclose revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied.

PS 3400 has been applied prospectively in these consolidated financial statements and, as permitted by the transitional provisions, prior periods were not restated.

The implementation of this new Section did not have a material impact on the consolidated financial statements.

NORTHWEST TERRITORIES POWER CORPORATION

4. Revenues receivable

At March 31, 2024, the aging of revenues receivable was as follows:

| | 2024 | | | |
|---------------------------------|-----------------------------------|---------------|-----------------|-----------|
| | Current (less than 28 days) | 29-90 days | Over 90 days | Total |
| Utility | \$ 12,428 | \$ 694 | \$ 280 | \$ 13,402 |
| Non-utility | 215 | 139 | 155 | 509 |
| Allowance for doubtful accounts | - | - | (254) | (254) |
| | \$ 12,643 | \$ 833 | \$ 181 | \$ 13,657 |

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 |

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

| | 2024 | 2023 |
|--------------------------------|----------|----------|
| Balance, beginning of the year | \$ (177) | \$ (203) |
| Receivables written off | 61 | 60 |
| Change to allowance | (138) | (34) |
| Balance, end of the year | \$ (254) | \$ (177) |

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, 2024, 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 22.

NORTHWEST TERRITORIES POWER CORPORATION

5. Operating line of credit

NTPC has access to a \$75,000 (2022-23 - \$75,000) operating line of credit with its bank. The operating line is shared with NTPC’s related parties that consolidate into NTPC’s parent company, NT Hydro. 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, 2024, NTPC has borrowed \$18,075 (2022-23 - \$52,869) against the line of credit. Total utilization of the operating line of credit at March 31, 2024 was \$38,966 (2022-23 - \$54,472).

NTPC has no outstanding letters of credit as of March 31, 2024 (2022-23 – nil).

6. Accounts payable and accrued liabilities

The following is a summary of NTPC’s accounts payable and accrued liabilities:

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| Payable to related party (Note 20) | \$ 39,689 | \$ 16,734 |
| Trade payables and accrued liabilities | 17,821 | 17,057 |
| Payroll liabilities | 6,350 | 4,257 |
| Interest payable | 3,192 | 1,695 |
| Other payables | 2,436 | 2,991 |
| | <u>\$ 69,488</u> | <u>\$ 42,734</u> |

NORTHWEST TERRITORIES POWER CORPORATION

7. Debenture debt

a) Owing to third parties

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| 3.982% amortizing debenture, due February 17, 2047 repayable semi-annually in blended payments of \$1,722 | \$ 51,575 | \$ 52,926 |
| 5.16% amortizing debenture, due September 13, 2040 repayable semi-annually in blended payments of \$1,684 | 37,117 | 38,516 |
| 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 | 6,000 | 6,667 |
| 4.344% debenture – interest payable semi-annually, principal is due April 14, 2053 | 75,000 | - |
| | <u>\$ 259,692</u> | <u>\$ 188,109</u> |
| Less: unamortized premium, discount and issuance costs | (824) | (609) |
| | <u>\$ 258,868</u> | <u>\$ 187,500</u> |

The GNWT guarantees all third party debenture debt.

b) Owing to the GNWT

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| 2.265% amortizing debenture, due September 30, 2050 repayable semi-annually in blended payments of \$922 | <u>\$ 36,599</u> | <u>\$ 37,596</u> |

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

| <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>Thereafter</u> | <u>Total</u> |
|-------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| \$ 4,566 | \$ 19,721 | \$ 4,885 | \$ 5,055 | \$ 30,235 | \$231,829 | \$ 296,291 |

NORTHWEST TERRITORIES POWER CORPORATION

8. 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 - \$13,020 (2022-23 - \$13,241).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 38 years with the majority occurring after 2035.
- The discount rate is the year-end cost of borrowing of 4.34% (2022-23 – 3.96%) for those obligations to be settled in less than 10 years and 4.575% (2022-23 – 4.34%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2022-23 – 2%).

Following is a summary of the asset retirement obligations:

| | 2024 | 2023 |
|----------------------|-------------|-------------|
| Opening balance | \$ 6,498 | \$ 7,313 |
| Liabilities settled | (7) | (35) |
| Accretion expense | 251 | 257 |
| Valuation adjustment | (313) | (1,037) |
| Additions | 11 | - |
| Balance, end of year | \$ 6,440 | \$ 6,498 |

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.

NORTHWEST TERRITORIES POWER CORPORATION

9. 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 22 geographic locations (2022-23 - 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 - \$69,683 (2022-23 - \$69,854).
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 2 and 67 years with the majority occurring after 2059.
- The discount rate is the year-end cost of borrowing of 4.34% (2022-23 – 3.96%) for those obligations to be settled in less than 10 years and 4.575% (2022-23 – 4.34%) for those obligations to be settled in 10 years or longer.
- Inflation was assumed to be 2% (2022-23 – 2%).

Following is a summary of the estimated environmental liabilities:

| | 2024 | 2023 |
|----------------------|-------------|-------------|
| Opening balance | \$ 17,970 | \$ 17,619 |
| Liabilities settled | (1,078) | (2,877) |
| Valuation adjustment | (1,826) | 3,228 |
| Balance, end of year | \$ 15,066 | \$ 17,970 |

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 17).

NORTHWEST TERRITORIES POWER CORPORATION

10. 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, 2024 was 7.75% (2022-23 – 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 12).

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:

| | | | |
|---|------------|-----------|---------------|
| | 2025 | \$ | 1,624 |
| | 2026 | | 1,593 |
| | 2027 | | 1,562 |
| | 2028 | | 1,530 |
| | 2029 | | 1,499 |
| | Thereafter | | 31,546 |
| | | | 39,354 |
| Less: amounts representing imputed interest | | | (24,215) |
| Total capital lease obligation | | \$ | 15,139 |

Additional disclosures on NTPC's exposure and management of risk associated with the capital lease obligation can be found in Note 22.

11. 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 (2022-23 – 1.02) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2022-23 – 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 \$202 (2022-23 - \$196) was 4.63 times (2022-23 – 5.29) the employee's contributions. Employer contributions of \$1,910 (2022-23 - \$2,577) were recognized as an expense in the current year. The employees' contribution to this plan was \$1,749 (2022-23 - \$2,348).

NORTHWEST TERRITORIES POWER CORPORATION

Note 11. 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:

| | 2024 | | | 2023 | | |
|---|--|--------------------------------------|-----------------|--|--------------------------------------|-----------------|
| | Severance and Removal Benefit | Accumulated Sick Leave Benefit | Total | Severance and Removal Benefit | Accumulated Sick Leave Benefit | Total |
| Accrued benefit obligation, beginning of year | \$ 3,133 | \$ 246 | \$ 3,379 | \$ 3,297 | \$ 267 | \$ 3,564 |
| Benefits earned | 266 | 18 | 284 | 279 | 19 | 298 |
| Interest | 134 | 10 | 144 | 115 | 9 | 124 |
| Benefits paid | (480) | (26) | (506) | (563) | (37) | (600) |
| Actuarial (gains) losses | 101 | (6) | 95 | 5 | (12) | (7) |
| Accrued benefit obligation, end of year | 3,154 | 242 | 3,396 | 3,133 | 246 | 3,379 |
| Unamortized net actuarial gain/(loss) | (1,109) | (195) | (1,304) | (1,134) | (260) | (1,394) |
| Net future obligation | <u>\$ 2,045</u> | <u>\$ 47</u> | <u>\$ 2,092</u> | <u>\$ 1,999</u> | <u>\$ (14)</u> | <u>\$ 1,985</u> |

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.

NORTHWEST TERRITORIES POWER CORPORATION

Note 11. Other employee future benefits (continued)

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

| | 2024 | 2023 |
|------------------------------------|-------------|-------------|
| Current benefits earned | \$ 284 | \$ 298 |
| Interest | 144 | 124 |
| Amortization of net actuarial loss | 185 | 186 |
| | \$ 613 | \$ 608 |

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

| | 2024 | 2023 |
|--|-------------|-------------|
| Expected inflation rates | 2% | 2% |
| Discount rate used to determine the accrued benefit obligation | 4.5% | 4.1% |
| Expected average remaining service life of related employee groups (EARSL) | 10.4 years | 10.4 years |

Notes to the Consolidated Financial Statements
For the year ended March 31, 2024
(in thousands of dollars)

NORTHWEST TERRITORIES POWER CORPORATION

12. Tangible capital assets

| March 31, 2024 | | | | | | |
|---------------------------------|------------------------------|---------------------------------------|--|---|--------------------------------------|-------------------|
| | 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 | \$ 428,616 | \$ 112,720 | \$ 90,687 | \$ 28,733 | \$ 78,608 | \$ 739,364 |
| Additions | 11 | - | - | - | 45,279 | 45,290 |
| Transfers – completed projects | 24,677 | 5,044 | 2,758 | - | (32,479) | - |
| Disposals and adjustments | (1,763) | (79) | (737) | (46) | - | (2,625) |
| Closing balance | 451,541 | 117,685 | 92,708 | 28,687 | 91,408 | 782,029 |
| Accumulated amortization | | | | | | |
| Opening balance | (169,149) | (45,183) | (48,610) | (11,082) | - | (274,024) |
| Amortization | (11,447) | (2,773) | (3,577) | (481) | - | (18,278) |
| Disposals and adjustments | 1,165 | 68 | 631 | 16 | - | 1,880 |
| Closing balance | (179,431) | (47,888) | (51,556) | (11,547) | - | (290,422) |
| Net book value | \$ 272,110 | \$ 69,797 | \$ 41,152 | \$ 17,140 | \$ 91,408 | \$ 491,607 |
| 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 |

The cost of land as of March 31, 2024 included in electric power plants asset cost is approximately \$5,594 (2022-23 - \$5,594). Amortization is not recorded on land.

NORTHWEST TERRITORIES POWER CORPORATION

13. Inventories

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|------------------|------------------|
| Materials, supplies and lubricants | \$ 11,899 | \$ 9,490 |
| Critical spare parts | 4,925 | 4,244 |
| Fuel | 334 | 496 |
| | <u>\$ 17,158</u> | <u>\$ 14,230</u> |

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is held in five of NTPC's operating plants. See also Note 21.

14. Accumulated surplus/equity

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Share capital, common and preferred shares | \$ 43,129 | \$ 43,129 |
| Accumulated operating surplus / equity | 72,336 | 106,723 |
| | <u>\$ 115,465</u> | <u>\$ 149,852</u> |

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, 2024, 431,288,000 common shares (2022-23 – 431,288,000 common shares) at ten cents per share (2022-23 – 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.

15. Sale of power

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| Power sales to external customers | \$ 81,161 | \$ 83,647 |
| Power sales to GNWT and related parties | 17,823 | 17,431 |
| GNWT TPSP payments | 6,856 | 6,601 |
| GNWT HSP payments | 4,743 | 4,590 |
| | <u>\$ 110,583</u> | <u>\$ 112,269</u> |

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.

NORTHWEST TERRITORIES POWER CORPORATION

Note 15. 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.

16. Other revenue

| | <u>2024</u> | <u>2023</u> |
|-----------------|-----------------|-----------------|
| Contract work | \$ 2,485 | \$ 1,687 |
| Connection fees | 369 | 310 |
| Heat revenues | 326 | 670 |
| Pole rental | 278 | 355 |
| Other | 139 | 441 |
| | <u>\$ 3,597</u> | <u>\$ 3,463</u> |

17. Expenses

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

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|-------------------|-------------------|
| Fuel and lubricants (Notes 20, 21) | \$ 75,567 | \$ 45,419 |
| Salaries and wages | 31,594 | 30,203 |
| Supplies and services | 25,864 | 28,551 |
| Amortization (Note 12) | 18,278 | 17,198 |
| Interest expense (Note 18) | 13,571 | 10,925 |
| Travel and accommodation | 3,010 | 2,673 |
| Loss on disposal of assets | 1,241 | 18 |
| Accretion on ARO (Note 8) | 251 | 257 |
| | <u>\$ 169,376</u> | <u>\$ 135,244</u> |

During the year, fuel expenses exceeded budget because of the effects of ongoing low water conditions. Subsequent to March 31, 2024, the GNWT authorized a contribution of \$30,000 towards the additional costs incurred. Refer to Note 23(a).

NORTHWEST TERRITORIES POWER CORPORATION

18. Interest expense and interest income

Interest expense

| | <u>2024</u> | <u>2023</u> |
|---|------------------|------------------|
| Interest on debenture debt and capital leases (Notes 7, 10) | \$ 14,323 | \$ 11,383 |
| Short-term debt financing costs | 1,270 | 1,088 |
| Capitalized interest during construction | (2,022) | (1,546) |
| | <u>\$ 13,571</u> | <u>\$ 10,925</u> |

Interest income

| | <u>2024</u> | <u>2023</u> |
|--|-----------------|---------------|
| Interest on due from related party | \$ 1,763 | \$ 346 |
| Income from overdue accounts and bank balances | 77 | 92 |
| | <u>\$ 1,840</u> | <u>\$ 438</u> |

19. Contributions from the Government of the Northwest Territories

NTPC has entered in agreements with the GNWT under the Government of Canada's Investing in Canada Infrastructure Program (ICIP) & Low Carbon Economy Leadership Fund (LCELFF) for capital programs that have been completed in the fiscal year.

In June 2023, the GNWT contributed \$15,200 towards increased fuel prices and additional fuel consumption incurred as a result of low water conditions.

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|------------------|-----------------|
| GNWT Fuel Contribution | \$ 15,200 | \$ - |
| Sachs Harbour Power Plant Program | 445 | 1,771 |
| Fort Simpson LNG Program | 16 | 28 |
| Snare Forks Overhaul Program | - | 323 |
| Inuvik LNG Tank Program | - | 730 |
| EV Charging Stations Program | - | 68 |
| Lutsel K'e Power Plant Program | - | 1,620 |
| | <u>\$ 15,661</u> | <u>\$ 4,540</u> |

NORTHWEST TERRITORIES POWER CORPORATION

20. Related party transactions and balances

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

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

| Revenues | 2024 | 2023 |
|---|-------------|-------------|
| Other revenue | \$ 320 | \$ 652 |
| Interest revenue | 1,763 | 346 |
| Fuel rider revenue | 441 | 448 |
| | \$ 2,524 | \$ 1,446 |
| | | |
| Expenses | | |
| Purchases of fuel from Fuel Services Division of the GNWT (FSD) (Note 21) | \$ 50,885 | \$ 30,761 |
| Purchase of power from NT Energy | 1,299 | - |
| Other operating expenses | 949 | 1,070 |
| | \$ 53,133 | \$ 31,831 |
| | | |
| Financial assets | | |
| Revenues receivable | | |
| Utility | \$ 978 | \$ 468 |
| Non-utility | 243 | 93 |
| Government contributions receivable | - | 3,461 |
| | \$ 1,221 | \$ 4,022 |
| | | |
| Liabilities | | |
| Accounts payable to FSD for fuel (Note 21) | \$ 39,689 | \$ 16,734 |
| Deferred government contributions | 5,751 | 1,952 |
| Other accounts payable and accrued liabilities | 3 | 12 |
| | \$ 45,443 | \$ 18,698 |

NORTHWEST TERRITORIES POWER CORPORATION

21. Contractual obligations and contingent liabilities

a) Contractual obligations

NTPC is contractually committed for the following expenses with non-related parties that will be incurred subsequent to March 31, 2024.

| | <u>2025</u> | <u>2026 and subsequent</u> |
|-----------------------------------|-------------|--------------------------------|
| Operational and lease commitments | \$ 10,639 | \$ 89 |

Capital projects

NTPC has contractual obligations of \$6,348 related to capital projects of which payments are expected to be made in 2024-25.

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.

b) Contingent liabilities

In the normal course of operations, NTPC is subject to legal claims and possible claims. NTPC's evaluation of known and possible claims is that the resolution of these matters is not expected to have a material financial effect.

Asset retirement obligations

NTPC has not recognized a provision for the closure and restoration obligations for certain generation, transmission and distribution assets which NTPC anticipates maintaining and operating for an indefinite period, making the date of retirement of these assets indeterminate. These significant uncertainties around the timing of any potential future cash outflows are such that a reliable estimate of the liability is not possible at this time. A provision will be recognized when the timing of the retirement of these assets can be reasonably estimated.

NORTHWEST TERRITORIES POWER CORPORATION

22. Financial instruments and risk management

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

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.

| | 2024 | 2023 |
|-------------------------------------|-------------|-------------|
| Revenues receivable | \$ 13,657 | \$ 14,491 |
| Due from related party | 17,019 | 13,799 |
| Government contributions receivable | - | 3,461 |
| Cash | 866 | 761 |
| | \$ 31,542 | \$ 32,512 |

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-five percent (2022-23 - 37%) of NTPC's sales of power are to two other utilities. Twenty-seven percent (2022-23 - 25%) of sales of power, including HSP and TPSP are to the GNWT.

Due from related party

NT Energy has a borrowing capacity of up to \$48,000 from NTPC. As at March 31, 2024, the balance outstanding was \$17,019 (2023 - \$13,799). The amount due bears interest at a rate of bank prime minus .5% and is due for repayment December 31, 2025.

Government contributions receivable

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 22. Financial instruments and risk management (continued)

Cash

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

b) Liquidity risk

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

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

| | March 31, 2024 | | | | |
|--------------------------|-------------------------------|---|---|--------------------------------------|-------------------|
| | 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 | \$ 17,522 | \$ 121,530 | \$ 203,084 | \$ 161,384 | \$ 503,520 |
| Operating line of credit | 18,075 | - | - | - | 18,075 |
| Capital lease obligation | 1,624 | 7,651 | 17,245 | 12,834 | 39,354 |
| | \$ 37,221 | \$ 129,181 | \$ 220,329 | \$ 174,218 | \$ 560,949 |

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.

NORTHWEST TERRITORIES POWER CORPORATION

23. Subsequent events

a) Contribution from the GNWT for costs related to the effects of ongoing low water conditions.

Low water in the Snare/Yellowknife zone occurred in 2022-23 and has persisted in 2023-2024 and 2024-25. In May 2024, the GNWT authorized a contribution to NTPC of \$30,000 to assist with additional fuel costs related to increased fuel prices and additional fuel consumption.

b) Hay River Franchise

In March 2024 the PUB approved the transfer of the Hay River Franchise to NTPC in Decision 1-2024. This will result in the sale of assets in the Hay River community to NTPC. The purchase of the assets is anticipated to occur in the 2024-25 fiscal year. Information about the financial effects is not yet available.

c) Contribution from the GNWT for the Inuvik High Point Wind project

In June 2024, the GNWT authorized a contribution to NTPC of \$38,000 to assist with the additional costs related to completing the Inuvik High Point Wind Turbine.

NORTHWEST TERRITORIES POWER CORPORATION

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

FOR THE YEAR ENDED MARCH 31, 2024

UNAUDITED

NTPC

Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting

As at March 31, 2024

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 | \$ 866 | \$ - | \$ - | \$ - | \$ - | \$ 866 |
| Accounts receivables | 13,657 | - | - | - | - | 13,657 |
| Due from related party | 17,019 | - | - | - | - | 17,019 |
| Inventories | 17,158 | (6,570) | - | - | - | 10,588 |
| Prepaid expenses | 2,261 | - | - | - | - | 2,261 |
| | <u>50,961</u> | <u>(6,570)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>44,391</u> |
| Property, plant and equipment (net) | 491,607 | 6,570 | - | 19,201 | 1 | 517,379 |
| Investment in Aadrii (equity) | 415 | - | - | - | - | 415 |
| Regulatory assets | - | - | 62,383 | - | - | 62,383 |
| | <u>415</u> | <u>-</u> | <u>62,383</u> | <u>-</u> | <u>-</u> | <u>62,798</u> |
| | <u>\$ 542,983</u> | <u>\$ -</u> | <u>\$ 62,383</u> | <u>\$ 19,201</u> | <u>\$ 1</u> | <u>\$ 624,568</u> |
| Liabilities and Shareholder's Equity | | | | | | |
| Current liabilities | | | | | | |
| Short-term debt | \$ 18,075 | \$ - | \$ - | \$ - | \$ - | \$ 18,075 |
| Accounts payable and accrued liabilities | 69,488 | - | - | - | - | 69,488 |
| Deferred government contributions | 5,751 | - | - | - | - | 5,751 |
| Current portion of long-term debt | - | 4,566 | - | - | - | 4,566 |
| | <u>93,314</u> | <u>4,566</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>97,880</u> |
| Long-term debt | 295,467 | (4,566) | - | - | (3,759) | 287,142 |
| Obligation under capital lease | 15,139 | - | - | - | - | 15,139 |
| | <u>310,606</u> | <u>(4,566)</u> | <u>-</u> | <u>-</u> | <u>(3,759)</u> | <u>302,281</u> |
| Other long term liabilities | | | | | | |
| Regulatory liabilities | - | 21,506 | 39,690 | (43,012) | - | 18,184 |
| Asset retirement obligations | 21,506 | (21,506) | - | 21,506 | - | 21,506 |
| Deferred government contributions | - | - | 50,269 | - | - | 50,269 |
| Employee Future Benefits | 2,092 | - | - | - | (47) | 2,045 |
| | <u>23,598</u> | <u>-</u> | <u>89,959</u> | <u>(21,506)</u> | <u>(47)</u> | <u>92,004</u> |
| Shareholder's equity | 115,465 | - | (27,576) | 40,707 | 3,807 | 132,403 |
| | <u>\$ 542,983</u> | <u>\$ -</u> | <u>\$ 62,383</u> | <u>\$ 19,201</u> | <u>\$ 1</u> | <u>\$ 624,568</u> |

NTPC

Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting

As at March 31, 2024

UNAUDITED

| | 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 |
|--|--|---|--|---|-------------------|--|
| STATEMENT OF OPERATIONS | | | | | | |
| Revenues | | | | | | |
| Sale of power | \$ 110,583 | \$ - | \$ - | \$ - | \$ - | \$ 110,583 |
| Net investment income Aadrii | 29 | (29) | - | - | - | - |
| Other government contributions | 15,661 | (53) | (15,608) | - | - | - |
| Other revenue | 3,597 | 82 | (1,792) | - | (7) | 1,880 |
| | 129,870 | - | (17,400) | - | (7) | 112,463 |
| Expenses | | | | | | |
| Salaries and wages | - | 31,594 | (1,882) | 20 | (59) | 29,673 |
| Fuel and lubricants | - | 75,567 | (36,747) | (9,133) | - | 29,687 |
| Supplies and services | - | 25,864 | (7,788) | 1,826 | - | 19,902 |
| Amortization | - | 18,278 | 172 | 968 | - | 19,418 |
| Travel and accommodation | - | 3,010 | (487) | - | - | 2,523 |
| Amortization of deferred charges | - | - | 6,610 | - | - | 6,610 |
| Net loss on disposal of assets | - | 1,241 | (1,898) | 657 | - | - |
| Accretion on ARO | - | 251 | - | (251) | - | - |
| Thermal generation | 115,238 | (115,238) | - | - | - | - |
| Hydro generation | 21,306 | (21,306) | - | - | - | - |
| Corporate services | 14,064 | (14,064) | - | - | - | - |
| Transmission, distribution and retail | 13,226 | (13,226) | - | - | - | - |
| Purchased power | 5,259 | (5,259) | - | - | - | - |
| Alternative power generation | 283 | (283) | - | - | - | - |
| | 169,376 | (13,571) | (42,020) | (5,913) | (59) | 107,813 |
| Earnings from operations | (39,506) | 13,571 | 24,620 | 5,913 | 52 | 4,650 |
| Interest income | 1,840 | - | - | - | - | 1,840 |
| Earnings before interest expense | (37,666) | 13,571 | 24,620 | 5,913 | 52 | 6,490 |
| Interest expense | - | 13,571 | (1,704) | - | 263 | 12,130 |
| Net earnings before other | (37,666) | - | 26,324 | 5,913 | (211) | (5,640) |
| Fuel rider revenue | 2,019 | - | - | - | - | 2,019 |
| Offset to rider revenue | - | - | (2,019) | - | - | (2,019) |
| Government contribution towards fuel stabilization funds | - | - | 15,200 | - | - | 15,200 |
| Offset to government contribution revenue for fuel costs | - | - | (15,200) | - | - | (15,200) |
| Insurance proceeds revenue | 1,260 | - | - | (1,260) | - | - |
| | 3,279 | - | (2,019) | (1,260) | - | - |
| Net income for the year | (34,387) | - | 24,305 | 4,653 | (211) | (5,640) |
| Retained earnings, beginning of year | 106,723 | - | (51,881) | 36,054 | 4,018 | 94,914 |
| Retained earnings, end of year | 72,336 | - | (27,576) | 40,707 | 3,807 | 89,274 |
| Share capital | 43,129 | - | - | - | - | 43,129 |
| Shareholder's equity, end of year | \$ 115,465 | \$ - | \$ (27,576) | \$ 40,707 | \$ 3,807 | \$ 132,403 |

NORTHWEST TERRITORIES POWER CORPORATION

Notes to Reconciliation from PSAS Consolidated Financial Information to Rate Regulated Accounting Consolidated Financial Information

Year Ending March 31, 2024

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.

Insurance proceeds received for loss of capital assets are recorded as revenue under PSAS. For RRA, insurance proceeds are recorded as a credit to the capital assets and the credit is amortized over the life of the asset on the same basis as the asset is amortized.

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 2023-24 WRITE OFF LIST

| BY COMMUNITY | UPDATED WRITE OFF |
|------------------------|--------------------|
| AKLAVIK | \$399.50 |
| BEHCHOKO | \$617.63 |
| COLVILLR LAKE | \$26.64 |
| DELINE | \$312.64 |
| DETTAH | \$174.11 |
| FORT GOOD HOPE | \$70.45 |
| FORT LIARD | \$1,372.27 |
| FORT MCPHERSON | \$3,844.21 |
| FORT RESOLUTION | \$537.35 |
| FORT SIMPSON | \$7,315.24 |
| FORT SMITH | \$3,992.64 |
| GAMETI | \$333.66 |
| INUVIK | \$6,594.64 |
| JEAN MARIE RIVER | \$1,621.40 |
| LUTSEL K'E | \$3,808.46 |
| NORMAN WELLS | \$2,443.36 |
| PAULATUK | \$223.02 |
| SACHS HARBOUR | \$250.99 |
| TUKTOYAKTUK | \$550.52 |
| TULITA | \$4,330.76 |
| ULUKHAKTOK | \$905.74 |
| WHATI | \$973.28 |
| TOTAL WRITE OFF | \$40,707.96 |

