

September 23, 2019

Mr. Gord Van Tighem, Chairman
NWT Public Utilities Board
203 - 62 Woodland Drive
Box 4211
Hay River NT X0E 1G1

Dear Mr. Van Tighem,

Re: 2018-19 Annual Report of Finances (AROF)

Please find the attached 2018-19 AROF filing for the Northwest Territories Power Corporation ("NTPC") in both excel and PDF along with the 2018-19 NTPC / NT Hydro Annual Report. The reconciliation between Public Sector Account Standards ("PSAS") and Rate Regulated Accounting ("RRA") standards begins on page 96 of the Annual Report.

Decision 16-2017 directed NTPC to submit the Corporation's 5-year capital plan commencing with the 2018-19 Annual Report of Finances submission. Our intent is to submit the 5-year capital plan by November 1, 2019 after the NTPC Board of Directors has a chance to review the document.

If you have any questions regarding the above matter, please contact me at (867) 874-5200.

Respectfully,



Belinda Whitford, CPA, CA
Chief Financial Officer

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
SUMMARY OF GENERATION, SALES, AND REVENUE
NTPC SUMMARY

Line no.	Description	2017-18 Actual	2018-19 Forecast	2018-19 Actual
SALES AND REVENUE				
Residential				
1	Sales (MWh)	42,414	45,677	42,732
2	Customers	6,769	6,720	6,791
3	Av. MWh Sales/Cust.	6.27	6.80	6.29
4	Revenue (000s)	26,379	28,609	26,955
5	Cents /kWh	62.19	62.63	63.08
General Service				
6	Sales (MWh)	59,007	57,961	60,511
7	Customers	1,890	1,868	1,894
8	Av. MWh Sales/Cust.	31.22	31.03	31.95
9	Revenue (000s)	38,127	38,359	40,362
10	Cents /kWh	64.61	66.18	66.70
Wholesale				
11	Sales (MWh)	192,604	193,790	195,035
12	Customers	2	2	2
13	Revenue (000s)	40,309	41,026	41,185
14	Cents /kWh	20.93	21.17	21.12
Industrial				
15	Sales (MWh)	4,493	6,100	5,454
16	Customers	1	1	1
17	Av. MWh Sales/Cust.	4493	6100	5454
18	Revenue (000s)	899	1,359	1,196
19	Cents /kWh	20.02	22.28	21.94
Streetlights				
20	Sales (MWh)	662	916	649
21	Revenue (000s)	641	883	693
22	Cents /kWh	96.84	96.40	106.85
Total Community				
23	Sales (MWh)	299,180	304,444	304,381
24	Customers	8,662	8,591	8,688
25	Revenue (000s)	106,356	110,236	110,391
26	Cents /kWh	35.55	36.21	36.27
GENERATION (MWh)				
27	Total Station Service	14,110	13,588	13,975
28	Total Losses	16,352	17,150	17,883
29	Losses - % of Gen.	5.0%	5.1%	5.3%
30	Total Generation	329,642	335,182	335,839
Source (MWh)				
31	Hydro Generation	251,256	253,904	252,955
32	Gas Generation	11,230	11,333	6,154
33	Gas Efficiency	2,937	3,340	2,646
34	Cubic Meters (000s)	3,823	3,393	2,326
35	Diesel Generation	68,801	60,066	74,965
36	Diesel Efficiency	3,593	3,599	3,502
37	Liters (000s)	19,150	16,692	21,407
38	Solar Generation	312	245	307
39	Purchased Power	749	9,634	4,495
40	Total Generation	332,348	335,182	338,876
% of Total Generation				
41	Hydro	76.2%	75.8%	75.3%
42	Gas	3.4%	3.4%	1.8%
43	Diesel	20.9%	17.9%	22.3%
44	Purchased	0.2%	2.9%	1.3%
45	Solar	0.09%	0.07%	0.09%
Peak (kW)				
46	Total Peak	61,503	59,417	64,364
47	Load Factor	61.7%	64.4%	60.1%

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
O&M Expense by Account Code and Function - NTPC
(\$000)

Function Codes	Descriptions	2017-18 Actual	2018-19 Forecast	2018-19 Actual
	Generation	15,151	15,754	17,991
	Transmission	258	464	215
	Distribution	3,392	3,014	3,481
	Billing & Customer Accounting	278	475	181
	General Expense Functions	3,892	2,944	4,446
	Administration Functions	2,222	2,189	2,219
	Common Costs	17,145	18,374	18,210
	Grand Total	42,338	43,214	46,743
	Corporate donations	132	135	105
	Grand Total net of Corporate Donations	42,206	43,079	46,638

Variance Explanations between 2018-19 Forecast and 2018-19 Actual:

Generation - Actual costs \$2.237 million higher than forecast due to higher regular payroll costs in Salaries & Wages, and higher materials and vehicle & equipment rental costs in Supplies & Services. These variances are a reflection of the settlement costs of the Collective Agreement and maintenance required on diesel generation units in Thermal communities.

Transmission - Actual costs \$0.249 million lower than forecast as more brushing costs were recorded to Distribution.

Distribution - Actual costs \$0.467 million higher than forecast due to unplanned outages in smaller communities and more brushing costs were recorded to Distribution. This variance is offset by the variance in Transmission and Customer Accounting costs.

Billing & Customer Accounting - Actual costs \$0.294 million lower than forecast as costs were recorded to Distribution. This was a reallocation between function codes.

General Expense Function - Actual costs \$1.502 million higher than forecast as a large portion of Information Technologies (IOT) costs are being allocated to plant. This is a reallocation between function codes.

Common Costs - Some of the head office expenses were allocated to NTPC's unregulated company. A portion of these savings were offset by the PUB forecast reductions.

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
Plant Amortization Expense
(\$000)

Line No.	Description	2017-18 Actual	2018-19 Forecast	2018-19 Actual
1	Fixed Asset Amortization	15,588	17,348	16,373
2	True-up Provision	1,288	1,288	1,288
3	Amortization of Deferred Charges	7,386	7,232	7,199
4	Customer Contribution Amortization	<u>-554</u>	<u>-522</u>	<u>-561</u>
5	Total Depreciation Expense	<u><u>23,707</u></u>	<u><u>25,346</u></u>	<u><u>24,299</u></u>

**NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
RETURN ON RATE BASE - MID YEAR
(\$000)**

Line No.		Mid-Year Capitalization	Less Work in Progress and Capital Lease Obligation	General Mid-Year Capitalization	Mid-Year Capital Ratios	Mid-Year Cost Rate All Excluding Thermal Plant Specific	Mid-Year Cost Rate Thermal Plant Specific	Mid-Year Cost Rate Capital Lease Obligation	General Mid-Year Rate Base All Excluding Thermal Plant Specific	General Mid-Year Rate Base Thermal Plant Specific	Capital Lease Obligation	Total Rate Base	Mid-Year Return on Rate Base All Excluding Thermal Plant Specific	Mid-Year Return on Rate Base Thermal Plant Specific	Mid-Year Return on Capital Lease Obligation	Total Mid-Year Return on Rate Base	Total Mid-Year Cost Rate	
2017-18 Actual																		
1	Common Equity	124,721		124,721	39%	7.08%	0.00%		81,436	38,505		119,941	5,769	-		5,769	4.81%	
2	Long Term Debt	208,812	14,593	194,220	61%	5.07%	7.61%		126,814	59,961		186,775	6,429	4,560		10,990	5.88%	
3	Subtotal: Equity and Debt	333,534		318,941	100%	5.86%	4.63%		208,250	98,466		306,716	12,198	4,560		16,759	5.46%	
4	Capital Lease Obligation	17,774	17,774	-	0%		0.00%	9.23%			17,774	17,774	-		1,640	1,640	9.23%	
5	Total	351,307		318,941	100%	5.86%	4.63%		208,250	98,466	17,774	324,490	12,198	4,560	1,640	18,399	5.67%	
2018-19 Forecast																		
6	Common Equity	134,674		134,674	41%	8.00%	0.00%		88,871	40,950		129,821	7,110	-		7,110	5.48%	
7	Long Term Debt	204,306	6,678	197,628	59%	4.97%	7.46%		130,414	60,093		190,507	6,482	4,480		10,962	5.75%	
8	Subtotal: Equity and Debt	338,980	6,678	332,302	100%	6.20%	4.43%		219,285	101,043		320,328	13,591	4,480		18,071	5.64%	
9	Capital Lease Obligation	17,370	17,370	-	0%		0.00%	9.15%			17,370	17,370	-		1,589	1,589	9.15%	
10	Total	356,350	24,047	332,302	100%	6.20%	4.43%	9.15%	219,285	101,043	17,370	337,697	13,591	4,480	1,589	19,661	5.82%	
2018-19 Actual																		
11	Common Equity	129,894		129,894	42%	5.16%	0.00%		88,694	42,973		131,667	4,577	-		4,577	3.48%	
12	Long Term Debt	203,901	27,429	176,472	58%	4.97%	7.46%		120,498	58,382		178,880	5,989	4,352		10,341	5.78%	
13	Subtotal: Equity and Debt	333,795		306,366	100%	5.05%	4.29%		209,191	101,355		310,547	10,565	4,352		14,918	4.80%	
14	Capital Lease Obligation	17,369	17,369	-	0%		0.00%	9.15%			17,369	17,369	-		1,589	1,589	9.15%	
15	Total	351,164		306,366	100%	5.05%	4.29%	9.15%	209,191	101,355	17,369	327,915	10,565	4,352	1,589	16,507	5.03%	

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
CAPITALIZATION MID-YEAR
(\$000)

Line No.		2017-18 Actual	2018-19 Forecast	2018-19 Actual
	COMMON EQUITY			
1	Opening Balance	121,837	131,119	127,606
2	Net Income	5,769	7,111	4,577
3	Less: Dividends	0	0	
4	Closing Balance	127,606	138,230	132,182
5	Mid-Year Balance [(L1+L4)/2]	124,721	134,675	129,894
	DEBT - LONG TERM			
6	Opening Balance	216,233	213,753	213,470
7	Issue	0	0	
8	Repayment	2,763	(12,616)	(12,860)
9	Closing Balance	213,470	201,138	200,610
10	SINKING FUNDS			
11	Opening Balance	5,800	6,279	6,278
12	Withdrawal for debt repayment	0	(6,279)	(6,278)
13	Contributions, Income & Gains/Losses	478	0	0
14	Closing Balance	6,278	0	0
15	Mid-Year Balance [((L6-L11)+(L9-L14))/2]	208,812	204,306	203,901
	CAPITAL LEASE OBLIGATION			
16	Opening Balance	17,976	17,572	17,571
17	Additions	0		0
18	Payments	(405)	(405)	(405)
19	Closing Balance	17,571	17,167	17,166
20	Mid-Year Balance [(L16+L19)/2]	17,774	17,370	17,369
21	TOTAL MID-YEAR CAPITALIZATION [L5+L15+L20]	351,307	356,350	351,164

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
Revenue Requirement and ROE Reconciliation
(\$000s)

Line No.	Description	2017-18		2018-19	
		Actual	Forecast	Actual	Variance
Revenues					
1	Sales revenues (incl. GNWT power sales contribution)	106,356	110,236	110,391	155
2	Other revenue (incl. government contributions)	1,642	1,896	1,770	(126)
3	Total Revenues	107,998	112,132	112,161	29
Costs					
4	Production fuel and purchase power	23,686	24,044	24,716	672
5	Operations and maintenance	42,206	43,079	46,638	3,559
6	Amortization Expense	23,707	25,346	24,299	(1,047)
7	Subtotal	89,599	92,469	95,653	3,183
8	Interest Expense				
9	LTD interest expense and allowance for interest coverage	12,630	12,551	11,930	(621)
10	Subtotal	12,630	12,551	11,930	(621)
11	Earnings	5,769	7,112	4,577	(2,534)
12	Revenue Requirement	107,998	112,132	112,161	29
13	Common Equity Rate Base	81,436	88,871	88,694	(177)
14	Return on Common Equity	7.1%	8.0%	5.2%	-2.8%

Variance Explanations between 2018-19 Forecast and 2018-19 Actual

Production fuel variance largely due to increased sales to Imperial Oil Limited in Norman Wells.

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
RATE BASE
(\$000s)

Line No.	2017-18 Actual	2018-19 Forecast	2018-19 Actual
1	Gross Plant in Service		
2	504,494	538,725	523,529
3	22,844	24,726	25,401
4	3,810	1,973	3,595
5	523,529	561,478	545,336
6	514,011	550,102	534,432
7	Accumulated Amortization		
8	192,665	211,495	204,874
9	16,876	18,636	17,661
10	3,859	1,973	3,573
11	808	1,000	656
12	204,874	227,158	218,306
13	198,769	219,327	211,590
14	315,242	330,775	322,842
15	15,273	13,301	13,323
16	4,274	2,497	4,065
17	3,379	3,513	3,349
18	13,677	12,388	15,664
19	324,490	337,698	327,915

Schedule 11.6
NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
Construction Work in-Progress Continuity Schedule (\$000)

Project Name	2018-19 Forecast				2018-19 Actual				2018-19 Actual	
	Opening CWIP Balance	2018-19 Expenditures	2018-19 Capital Addition	Closing CWIP Balance	Opening CWIP Balance	2018-19 Expenditures	2018-19 Capital Addition	Closing CWIP Balance	Variance from Forecast	Variance Explanations for Project Above \$200K Variance Threshold
Jackfish T4 Transformer Upgrade					281	25	(294)	12	294	Project was budgeted for 2017-18 but carried forward to 2018-19.
Jackfish Control System Upgrades					399	778	(864)	313	864	Project was budgeted for 2017-18 but carried forward to 2018-19.
Jackfish Digger Truck Replacement						409	(409)		409	Project added to 2018-19 capital plan as the asset was at the end of its useful life.
Snare Rapids Excitation System Upgrade					586	963	(1,549)		1,549	Project was budgeted for 2017-18 but carried forward to 2018-19.
Snare Airstrip Upgrade					356	325	(680)		680	Project carried forward to 2018-19
Snare Falls Distribution Line 5B Spillway	200	1,029	(1,229)		470	1,290	(1,708)	52	479	Project scope was expanded and remote difficult terrain required extensive helicopter work that was not included in the original budget.
Snare Forks New Admin Building					79	206	(285)		285	Project added to the 2018-19 capital plan.
Intelligent Metering Hub		1,000	(1,000)	1	887	521	(1,227)	181	227	Variance due to project work scheduled for 2019-2020 was completed ahead of schedule in 2018-19.
Intelligent Metering Hub (Hay River)					748	153	(253)	649	253	Project added to 2017-18 capital plan subsequent to award of the Hay River Franchise. Project will be completed once the franchise is acquired.
Nahanni Butte Fuel System Upgrade					367	317	(684)		684	Project was budgeted for 2017-18 but carried forward to 2018-19.
Inuvik K-Plant Combustion Air Upgrade					334	866	(1,200)		1,200	Project was budgeted for 2017-18 but carried forward to 2018-19.
Inuvik G10 Exhaust Gas Recover Unit					1,455	618	(2,073)		2,073	Project was budgeted for 2017-18 but carried forward to 2018-19.
Inuvik G12 & G10 Wartsila Control System Upgrade					110	1,135	(1,244)		1,244	New project added to the 2018-19 capital plan due to control system failure. The control system was also obsolete and no longer supported by the manufacturer.
Inuvik Digger Truck Replacement		350	(350)			417	(417)		67	
Tuktoyaktuk Automation Upgrade						435	(435)		435	Project was budgeted for 2017-18 but carried forward to 2018-19.
Fort Good Hope Ventilation Upgrade					625	447	(1,073)		1,073	Project was budgeted for 2017-18 but carried forward to 2018-19.
Paulatuk G1 Genset Replacement						1,166	(1,166)		1,166	Genset replacement brought forward on the capital plan to 2018-19 capital plan as the unit was approaching the end of its useful life and was experiencing elevated O&M costs.
Hydro Server Replacement 2019						275	(275)		275	Project added to 2018-19 capital plan.
Computerized Maintenance System					493	438	(931)		931	Project carried forward to 2018-19
Norman Wells New Power Plant	1,000	4,626	(4,600)	1,026	163	9,796		9,959	(4,600)	Project carried forward to 2019-20
Head Office Roof Replacement						552	(552)		552	Project was budgeted for 2017-18 but carried forward to 2018-19.
Head Office 2019 Server and Storage Replacement						365	(365)		365	Project added to 2018-19 capital plan.
Snare Forks Unit #1 Mechanical Overhaul	250	7,612	(7,862)		384	4,699		5,083	(7,862)	Project started later in 2018-19 than budgeted, with work carried into 2019-20.
Sachs Harbour New Power Plant					207	876		1,083		
Snare Forks G2 Evaluate Mechanical					258			258		
Jackfish Modular Gensets					(1)	2,483		2,482		
YK SCADA Project Upgrades Scoping & Energy Management System	10	380	(390)		43	436		480	(390)	Multi-year project expected to be completed in 2019-20.
Nahanni Butte Replace G2 Genset (DD 4-71)	87	545	(632)			160		160	(632)	Project carried forward to 2019-20
Jean Marie River Replace G3 Genset (DD 4-71)	85	540	(625)						(625)	Project carried forward to 2020-21
Jackfish T5 Reactor Bank/transformer Replacement	100	689	(789)		68	171		239	(789)	Project completion was carried forward to 2019-20.
Tulita New Staff Accommodation						316	(316)		(74)	
Inuvik Paint Tank F						585		585	(585)	Project carried forward to 2019-20
Jackfish - K-Plant Upgrade G1/G4 Cooling system upgrade						792		792	(791)	Project carried forward to 2020-21
Capital less than \$250,000	6,031	5,100	(5,483)	5,649	6,279	6,455	(6,259)	6,474		
Grand Total	7,764	23,640	(24,726)	6,678	14,592	37,099	(24,262)	27,429		

Customer contribution jobs

(551)

Capital Inventory

(588)

Total

(24,726)

(25,401)

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
Net Metering Cost Report (in dollars)

Line No		Rate Zone			Total
		Snare	Taltson	Thermal	
	Residential Net Metering Customers				
L1	Sales exported to NTPC's system (kWh)	31	0	9,183	9,214
L2	Residential Credit to Customer (\$)	11	0	5,586	
	General Service Net Metering Customers				
L3	Sales exported to NTPC's system (kWh)	1,279	49	20,377	21,705
L4	General Service Credit to Customer (\$)	440	9	11,941	
	Estimated Intermittent Generation for Own Consumption				
L5	Installed Capacity (kW)	22	1	311	
L6=L5x1000-(L1+L3)	Estimated Generation at Assumed Solar Potential (1,000 hours/year)	20,690	461	281,440	
L7	Estimated revenue loss from reduced consumption (\$)	7,111	84	164,924	
L8=L2+L4+L7	Total Gross Revenue Loss (\$)	7,562	93	182,451	190,105
L9	Line Loss Adjustment (%)	3.0%	10.4%	5.8%	
L10=(L1+L3+L6)x(1+L9)	Avoided Generation (kWh)	22,660	563	329,038	352,261
L11	Thermal Generation Mix (%)	0.0%	0.0%	100.0%	
L12	Approved Zone Average Fuel Efficiency (kWh/l)	3.750	3.392	3.612	
L13	Approved Zone Average Fuel Price (\$/l)	0.7	0.872	1.107	
L14=(L10xL11)/L12xL13	Avoided Fuel Cost (\$)	0	0	100,843	100,843
L15	Estimated Non-fuel Variable Cost of Generation (cents/kWh)	2.5	2.5	2.5	
L16=L10xL15/100	Avoided Non-fuel Variable Cost (\$)	567	14	8,226	8,807
L17=L14+L16	Total Avoided Cost of Generation (\$)	567	14	109,069	109,650
L18=L8-L17	Net Revenue Loss (\$)	6,995	78	73,382	80,455
	Net Metering Revenue Loss Recovery Test: Net Revenue Loss > 1% of Previous Years Net Income				
L19	1% of Net Income (NI) 2017-18 (if NI is negative, then value is \$0)				57,688
L20=L18-L19	Loss Recovery Calculation: Net Revenue Loss less 1% of Net Income				22,767
L21	Eligible collection from the GNWT				22,767

Notes:

- Credits to customers are based on the current non-government retail rates by rate class and rate zone.
- Line loss adjustment factors are for total line losses, as provided in Schedule 2 of Phase I GRA.
- Thermal generation mix values by rate zone are based on the load forecast by source of generation approved by the Public Utilities Board in the most recent GRA.
- The fuel efficiency rates used are those approved by the Public Utilities Board in the most recent GRA.
- The fuel prices used are those approved by the Public Utilities Board in the most recent GRA.
- Estimated revenue loss from own consumption is based on current non-government general service retail rate by zone.

NORTHWEST TERRITORIES POWER CORPORATION
2018-19 REPORT OF FINANCES
Reconciliation of Utility Income to Audited Financial Statements
(\$000s)

		Audited PSAS Financial Statements	Rate Regulated Financial Statements
		A	B
Power Revenue	P. 65 of annual report	110,391	110,391
PSAS - GNWT contributions	Includes all government funding	3,259	3,259
RRA - GNWT contributions	Capital government funding, Note A		-3,187
PSAS - Other revenue		2,098	2,098
RRA - Other revenue			-376
PSAS - Income from Aadrii	P. 68 annual report, Note 1	50	50
RRA - Income from Aadrii			-50
Interest income		1,342	1,342
RRA - Interest income	Note B		-1,342
Total revenue	P. 65 & 98 of annual report	<u>117,140</u>	<u>112,185</u>
Expenses	P. 65 & 98 of annual report	115,458	
Rate Regulated Expense Adjustments - Reclassifications, Regulated Assets & Liabilities, ARO & Other			
Salaries & wages	P. 86 annual report, Note 15		-975
Fuel & lubricants	P. 86 annual report, Note 15		-4,836
Supplies & services	P. 86 annual report, Note 15		-6,332
Travel & accommodation	P. 86 annual report, Note 15		-240
Amortization	P. 86 annual report, Note 15		-785
Amortization of Deferred Charges	P. 86 annual report, Note 15		6,835
Net loss on disposal of assets	P. 86 annual report, Note 15		-493
Accretion on ARO	P. 86 annual report, Note 15		-224
Interest expense adjustment	Interest expense differential		-1,304
Interest revenue	Offset to interest expense, Note B		-58
Total Expenses		<u>115,458</u>	<u>107,046</u>
Net income for the year	P. 65 & 98 of annual report	1,682	5,139
		Rate Regulated Statements	Rate Regulated GRA Methodology
		B	C
Total RRA revenue		112,185	112,185
Other NWTEC revenue			-82
Interest on overdue accounts and bank balances	P. 87 of annual report, Note 16		58
		<u>112,185</u>	<u>112,161</u>
Total RRA Expenses		107,046	107,046
Corporate donations	Excluded from Revenue Requirement		-105
Amortization differences			74
Interest expense net difference	Interest Coverage Ratio		592
Other expenses related to NWTEC			-82
Interest on overdue accounts and bank balances (B)	P. 87 of annual report, Note 16		58
		<u>107,046</u>	<u>107,583</u>
Net income for the year		5,139	4,577

Note A: Under PSAS accounting all GNWT contributions are revenues. For RRA purposes, capital government contributions are treated as an offset to plant and not included in revenues. The same holds true for customer contributions included in other revenues under PSAS. Capital contributions are removed from revenues under RRA.

Note B: Interest income includes interest on overdue accounts of \$0.058 million. All interest income is treated as revenues under PSAS, all interest revenues for RRA are treated as an offset to interest expense. Interest revenues are treated as revenue for rate making purposes.