



DEMONSTRATING ENVIRONMENTAL LEADERSHIP

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**On the Cover:**

*Sunrise is still weeks away in this December afternoon photo of Sachs Harbour, an Inuvialuit community 300 kilometres northeast of Inuvik. Sachs Harbour is the site of the Power Corporation's most recent wind generating test site. The Corporation's 295 employees, like Iqaluit line maintenance supervisor Marcel Dubeau (inset, top) share in the Corporation's commitment to demonstrating environmental leadership, in projects such as fuel spill containment training in Rankin Inlet, and residual heat systems in Fort McPherson.*

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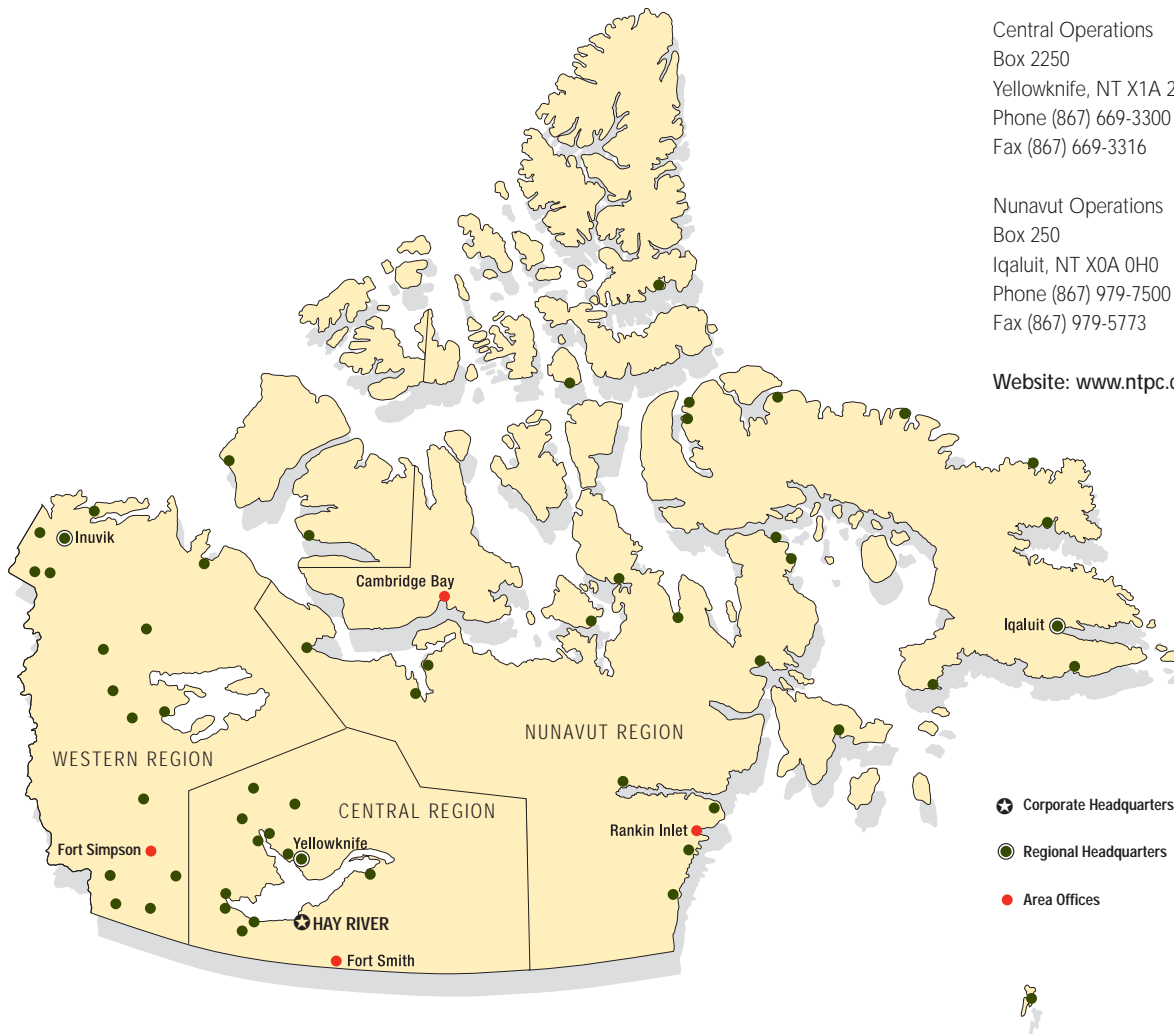
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# Northwest Territories Power Corporation

## Vision

*To be recognized as a progressive company.*

## Mission

*To provide safe, reliable energy and related services in the territories while following sound business practices and demonstrating leadership in protecting the environment. In achieving the Corporation's Vision Statement and objectives, we will endeavor to:*

- *Be cost effective in the utilization of all resources, always remembering that we are spending the customer's money;*
- *Strive to increase shareholder value in the long term;*
- *Be responsive to our customers and their changing needs;*
- *Act ethically and honestly – treating employees, customers and others with fairness, dignity and respect;*
- *Commit to the safety and development of our employees by balancing the needs of our customers with the needs of our families and ourselves;*
- *Respect and protect the environment in all our activities to ensure a sustainable environment for the territories; and*
- *Communicate in an open and timely manner.*

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The Northwest Territories Power Corporation is a crown corporation established by the Northwest Territories Power Corporation Act of 1988. It is owned by the Government of the Northwest Territories, represented by the Minister Responsible for the Northwest Territories Power Corporation. It is governed by a Board of Directors appointed by the Minister.

It is the responsibility of the Corporation to generate, transform, transmit, distribute, deliver, sell and supply electrical and heat energy throughout the Northwest Territories on a safe, economic and reliable basis. The Corporation is subject to regulation by the NWT Public Utilities Board.

The Corporation distributes electricity directly to the consumer in most of the 54 communities it serves. It also supplies electricity on a wholesale basis to two distributing utilities, which in turn, retail electricity to customers in Yellowknife and Hay River. In Inuvik, the Corporation also provides retail heat and operates, under contract, the water and sewerage services.

The Corporation is comprised of 48 separate power systems serving a population of 67,000 in

54 communities over an area of 3.4 million square kilometres. The total load is approximately 90 megawatts, ranging from systems as large as 64,000 kilowatts capacity in Yellowknife, to 150 kilowatts at Jean Marie River. Since these systems are separate and unconnected, each must be planned, managed and operated independently.

The Corporation employs 295 utility professionals, of which approximately 50 percent qualify for Affirmative Action Status, and 70 percent were hired from the North. The Corporation is headquartered in Hay River, Northwest Territories.

As of April 1, 1999, the operating authorities of the Corporation were changed to reflect a two-year transition agreement between the governments of Nunavut and NWT. The governments have set March 31, 2000, as the deadline for deciding on the future continuance and ownership of the Corporation. During this period, day-to-day operations and management continues unchanged.

## Environmental Report



**J. Andrew Nelson**  
Director, Internal Audit & Environmental Affairs

### Demonstrating Environmental Leadership

The NWT Power Corporation is committed to the highest standards of environmental performance. A rigorous environmental protection policy and environmental site assessment audit and management guidelines are in place. All senior management, beginning with the President and CEO, are accountable for environmental performance within their areas of responsibility. At all of our generating facilities, we have programs in place to protect the environment.

During the past year, the Corporation established a five-year (1999-2004) Environmental Management System (EMS) Strategic Plan. The components are as follows:

- Corporation Senior Management and the Board of Directors are committed to the development and implementation of an effective EMS.
- Appropriate policies, standards and procedures are developed, implemented and monitored.
- Employees are assigned responsibility and authority for specific aspects of the system.
- Sufficient resources are provided.
- Employees receive appropriate training.
- Periodic environmental audits and risk assessment are undertaken and corrective



**Environmental Training** Continuous training for plant operators includes fuel spill contingency training by the Canadian Coast Guard. This program in Rankin Inlet included an exercise in stringing a containment boom. Other aspects of training emphasize operating safety and plant efficiency improvements.

action when necessary is implemented in a timely manner.

- The system is subjected to continuing review and improvement.
- Directors and Officers document their overall supervision of the environmental management system.

Over the next five years, the Corporation will define its EMS Program using a number of different approaches.

- In those communities where a Phase I (identify actual and potential site contamination), II (confirm and delineate, or to demonstrate the absence of, contamination) or III (remedial investigation - delineation assessment and associated action plan) assessment has not yet been completed, the Corporation will undertake to complete those studies.
- When a Phase II or III assessment has been completed, a risk assessment study will be completed.
- Concurrent with the site assessment program, the Corporation will undertake a number of operational audits over the next five years, with a view to completing audits at all sites over the five year period. This is a preventative approach to environmental planning. The audits will highlight potential problem areas so that corrective action can be taken, before an environmental situation occurs.
- Employee training will also be ongoing over this period.

The results of the site assessments, risk assessments and operational audits will guide and influence specific actions to be undertaken in future years. Each year, senior management and the Board will be presented with an environmental plan that is based on the priorities that are identified through the assessment and audit programs.

Since the Environmental Assessment Program began in 1996, we have completed Phase I, II and III assessments on a total of 29 sites. In addition, we have installed monitoring wells at five sites and initiated community consultation at six sites.

The Corporation will continue working to reduce greenhouse gas emissions by improving efficiency at our diesel power plants.

**J. Andrew Nelson**  
Director, Internal Audit & Environmental Affairs



*Reducing dependency on imported fuels, cutting environmental impact and lowering heating cost is the goal of residual heat recovery systems like this one in Fort McPherson. Based on this initial project design in 1996, residual heat upgrades and new systems have been commissioned in three more communities in the past two years.*

### Environmental Protection Policy

The Corporation will conduct its operations to ensure that environmental laws in the territories are complied with by:

- Identifying the Corporation's environmental obligations at law.
- Establishing effective policies and procedures appropriate for the Corporation's facilities and operations and for the monitoring and documenting of the Corporation's environmental compliance activities.
- Providing employees with a clear understanding of their responsibilities for environmental compliance by providing training and education appropriate for such responsibilities.

- Developing, and when appropriate carrying out, plans to promptly and effectively respond to environmental impacts resulting from the Corporation's operations.
- Conducting periodic environmental inspections and audits of the Corporation's facilities and operations to identify environmental risks and by taking appropriate steps to eliminate or reduce such risks.
- Encouraging employees to participate in the development and improvement of the Corporation's environmental operating procedures.
- Initiating and maintaining dialogue with government, regulators, industry, community groups and the public to enhance communications and to develop improved operating and other procedures.
- Taking other steps as may be necessary to ensure compliance with applicable environmental laws.

It is part of every employee's duty and job responsibility to comply with and assist the Corporation in the carrying out of this policy.

*Adopted by the Northwest Territories Power Corporation, September 1997*

**Leon Courneya, CA**  
President and Chief Executive Officer

### *Site Assessment Program*

***Digging test pits to determine the extent and nature of past site contamination is part of the Corporation's five-year program to test 60 sites across the NWT and Nunavut. This photo shows work underway at the former power plant at Tulita. Depending on the results, further monitoring, or remediation will be undertaken.***



## President's Message



Leon Courneya, CA  
President & CEO

As the prime power provider for NWT and Nunavut, we've set four performance priorities for our 25,000 customers and 295 employees: safety, reliability, good financial practice and environmental leadership.

For 1998/99, NWT Power Corporation met and in some areas exceeded these expectations.

Our 50th year of operations was also characterized by the pace and scope of change sweeping across the North. We witnessed not only the creation of two new territories, and resulting shifts in our customer base, but dramatic events in the energy and mining sectors that are changing the way we do business.

The Corporation's 295 staff turned in an impressive safety record of only five lost-time accidents in 1998, a dramatic improvement over past years and a strong signal that we can achieve our goal of zero lost-time accidents. As of this reporting date, we have suffered no lost-time accidents in 1999/00.

### *... our target for safety is zero lost-time accidents ...*

In the coming year, we will be introducing a comprehensive program to promote broader awareness and recognition of safety achievements across the Corporation.

With the expiry of our collective agreement with the Union of Northern Workers in December, bargaining teams were preparing for new talks in the spring of 1999. This round will include separate tables for Nunavut and NWT, to reflect the changing employment environments in both territories.

**Reliability is not only** something our customers expect, it's a matter of the pride and the skills we bring to our work.

Credit goes to managers and staff who have continuously improved our system availability record to the point where we are on par with virtually every other Canadian utility.

Action on the Y2K computer issue has been underway since 1997, and we are confident our systems will perform smoothly through the turn of the century. Contingencies include advancing time-sensitive power systems into the year 2000 during the summer of 1999, and keeping virtually all staff at their posts from mid-December to mid-January.

In other operations areas, water levels improved on our Snare and Taltson hydro systems, eliminating low water problems for the year, and likely into next year as well. The Corporation also completed procedures for renewal of our three Snare station licenses, and we are anticipating approval early in 1999/00.

New plant construction will begin in the summer of 1999 in Clyde River and Paulatuk. We also started a \$5 million program to replace defective cable splices on the 140-km Snare transmission line, necessary to maintain reliability of this critical supply link for Yellowknife.

**We achieved** a year of strong financial performance in an uncertain operating environment.

## *50/10 Anniversary Celebrations*

**Employee and customer events across NWT marked celebrations for the start of the utility in 1948, and the creation of today's NWT Power Corporation in 1988. At a thank-you party for the town of Hay River in September, headquarters staff Nancy Magrum, Judith Goucher and Cheryl McMeekin helped out on the balloon brigade.**





**Inuvik Gas Conversion** With the delivery of two new Wartsila engines to Inuvik in February, the Corporation will be able to displace an estimated 6.4 million litres of diesel fuel annually with cleaner-burning natural gas. It means an immediate 33 per cent reduction in greenhouse gas emissions, and a potential 20 per cent reduction in power costs over the life of the Ikhil gas field, which is expected to last at least 15 years. The field will be brought into production in the summer of 1999 by the Inuvialuit Petroleum Corporation. (Photo by Jim MacPherson, NWTPC)

**... net earnings were \$11.5 million, up \$1 million from the previous year ...**

While revenues were virtually unchanged (at \$99.9 million), the Corporation reduced overall expenses from last year by just under \$1 million. This and other events resulted in a net earning of \$11.5 million compared with \$10.5 million the previous year.

We're continuing to refine forecasting techniques, our most valuable tools to predict demand in what is generally a slowing NWT economy, while Nunavut grows as new government infrastructure is built.

1998/99 saw a smaller capital program from our ten year average of about \$20 million. This will accelerate over the next four years to keep pace with Nunavut growth, and replace aging plants and infrastructure.

While there were no system-wide changes to rates in 1998/99, customers in most communities saw a second year of adjustments to rebalance rates. This is in accordance with the 1997 Public Utility Board decision for community cost-based rates. These incremental, revenue-neutral changes are forecasted to end by 2001.

Customers in the diesel communities continued to receive the benefits of the Territorial Government's Power Support Program. Its cost is over \$8 million for 1998/99, funded in part with the dividend paid to the government from Corporation profits.

We're always looking for better ways to manage costs and increase efficiencies.

*Continued ...*

**Our Key Performance Targets**

	Target 98/99	Actual 1999	Target 99/00
Safety: Lost-time accidents	0	5	0
Return on equity	9.9%	11.2	9.6

## President's Message

(Continued)

When world fuel prices took a substantial drop in mid-year, we locked in a futures contract that will save money for the customer. Stabilization funds, authorized by the PUB in 1997, also protect customers and the Corporation from sudden price changes in fuel, or low water years on our two hydro systems.

The Corporation is looking ahead to a review of its Terms and Conditions of Service. An application was filed early in 1999/00 with the NWT and Nunavut Public Utilities Boards, to review conditions last approved in 1995.

**Among environmental initiatives**, we have exceeded our goal, as part of our role in the national Climate Change Voluntary Challenge and Registry Program, to reduce greenhouse gas emissions to pre-1990 levels.

### **... greenhouse gas emissions have been cut by 20% ...**

An overall reduction in diesel consumption since 1990 has seen emissions drop by an impressive 20.3 per cent, or 47,000 tons less of carbon dioxide-equivalent gases. With the conversion of the Inuvik plant to natural gas in the summer of 1999/00, we will see an even greater cut in emissions.

Other work included completion of the third of a five-year program of checking every Corporation plant for their environmental condition. So far, no immediate problems have been found, while six sites have been identified for long term monitoring.

A particular disappointment, however, was the loss of 45,000 litres of fuel in a spill at Taloyoak in the spring of 1998. The Corporation

continuously reviews and upgrades training and fuel handling procedures in its efforts to eliminate spills.

In the field of energy alternatives, we continue to gain experience with wind generation as a way of offsetting diesel power. Three residual heat upgrades were commissioned in Nunavut, and preparations began for a restructuring of the Inuvik system. These systems, which capture the heat created from diesel engines, will be commercialized in other communities in future years.

**The mining sector** in NWT captured world attention this year with the opening of BHP's Ekati diamond mine, and the promise of the Diavik mine also coming on stream. But the Corporation's immediate concern was for the future of the Yellowknife gold properties that have been among our largest customers.

With settlement of the 10-month Miramar Con Mine labour dispute at year end, our fears of losing not only a \$1 million customer, but the 300 direct or related jobs from the whole Yellowknife economy, were calmed.

### **... the future of Yellowknife gold mines is an immediate concern ...**

The Royal Oak Giant Mine situation, however, remains unresolved as the company went into court-ordered receivership in the spring of 1999. The mine has a debt to the Corporation of \$1.7 million, which is backed by a guarantee from the GNWT. Historically, Giant Mine has been a \$5 million-a-year customer, with a similar employment impact to Miramar.

## ***Regional Trade Shows***

***The Corporation participates in trade and career fairs in many communities through the year. In Iqaluit in February, six-year-old Monica Ell was the winner of a Lectro doll at the Nunavut Trade Show. With Monica is Ita Kannayuk, and Corporation lineman Hermal Gauthier (l) and line maintenance supervisor Marcel Dubeau.***





### 10-year NCPD Debt Retired

1999 was the year the Corporation became truly Northern-owned. The final payment was made to the NWT Government for the \$53 million in debt assumed from the federal government for the shares of the former Northern Canada Power Commission. Pictured with a \$5.35 million ceremonial cheque are (l-r) Gord Green, former vice president of finance; Jim Robertson, Corporation founding chairman; and the Hon Charles Dent, Minister Responsible for today's Corporation.



The Corporation is working with government and the receiver to find ways to continue the mine, or assist in an orderly shutdown and clean-up of the 50-year old property.

On a more optimistic note, to generate new business and utilize our expertise, we are talking with other, emerging producers in NWT and Nunavut about serving their electrical and heat needs as the builder and operator of mine site power plants.

**Staff and customers** across the North joined in to help mark 50 years of history since the start of our federally-owned predecessor, and our ten years as today's NWT-owned corporation. We staged open house events in many communities, and the town of Hay River, home to our headquarters since 1989, responded with a huge turnout to our community thank-you party in September.

A highlight of the year was appointing Ted Humphrys as Chair Emeritus of the Board of Directors. Mr. Humphrys, now retired and living in Ottawa, was one of the first employees of the original NWT Power Commission when it started in 1948, and has served with distinction almost continuously since that time.

The year also saw the appointment of one new member to the Board. Mr. Eric Shelton, a senior vice president with Nova Gas Transmission Ltd. of Calgary, brings extensive national energy sector experience to our Board.

The Board steers a course of governance that demands professionalism, integrity and results. It is a strong and effective relationship, thanks in

large part to the leadership of Pierre Alvarez, our chairman since April, 1996. Pierre will be leaving the post to take up senior duties in another energy field with the Calgary-based Canadian Association of Petroleum Producers in the summer of 1999, but will continue to serve as a regular member of the board.

On behalf of everyone at the Corporation, I thank him and wish Pierre and his family every success in the future.

**We're looking ahead** in the coming year to what will be the most critical decision since our Corporation was created.

The governments of Nunavut and NWT have set March 31, 2000, as the deadline for resolving whether to split the Corporation into separate utilities, or find other ways to continue as a jointly owned energy provider. Until that decision is made, and through its implementation, we will continue to serve our customers with pride and commitment.

During our ten-year history as the NWT's own power provider, it is the people who staff this Corporation who have done so much to advance our quality of service, and our contributions to the 54 communities we serve. They deserve my greatest appreciation and congratulations.

A handwritten signature in black ink that reads "Leon Courneya". The signature is written in a cursive, flowing style.

Leon Courneya, CA  
President and CEO

## Management Discussion & Analysis



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

The following Discussion & Analysis is intended to provide an historical and prospective analysis of the Corporation with 1998/99 financial performance as the primary focus. These comments should be read in conjunction with the Consolidated Financial Statements included in this report.

### Results of Operations

The NWT Power Corporation's net earnings for 1998/99 were \$11.5 million, an increase of \$1.0 million over 1997/98. A decrease in total revenues of \$0.1 million was offset by decreased expenditures of \$1.1 million.

Electric sales decreased 17.7 GWh (4.1%) in 1998/99 from 1997/98. The primary cause of the drop in sales was related to the shutdown of one mine in Yellowknife due to a labour dispute. As a result of the mine shutdown, wholesale sales in Yellowknife also dropped.

Although sales dropped 4.1%, actual revenue from electric sales increased by 0.5%. This is a result of two factors. The sales lost were primarily Industrial and Wholesale sales, which are sold at the lowest rates per kWh. This was offset to some degree by increased sales in Nunavut at Commercial and Domestic rates which are higher than the Industrial and Wholesale rates. Therefore, overall, the total average selling price per kWh is higher than the previous year.

It is anticipated that sales for 1999/00 will total 413.8 GWh (an increase of 0.5%). This forecast assumes both mining customers will operate all year. As one mine is operating in receivership, this may not hold true. If a mine closes there would be a decrease in sales requiring the Corporation to review the Yellowknife operation.

### Expenditures

Operating expenditures (excluding amortization and interest expense) decreased \$1.2 million (1.8%) over 1997/98. Fuel expenditures dropped \$2.4 million primarily due to the fact that one mine was closed for the majority of the year due to a strike, resulting in a significant decrease in load in Yellowknife. In Yellowknife, where diesel and hydro generation is mixed, decreases in load often allow for a reduction in the diesel requirement and therefore fuel expenditure. In addition to the reduced load, the Corporation was able to take advantage of the generation provided by the hydro site owned by Miramar during their labour dispute, further offsetting the requirement to generate energy with diesel.

Salaries and wages decreased \$0.8 million (3.6%) and supplies and services increased by \$2.1 million (14.8%) over the 1997/98 fiscal year. There are several causes for the increased expenditure in supplies and services including emergency repairs, minor engine repairs and increased costs associated with overhauls. In addition, the Corporation expensed all costs relating to its plan to keep the Corporation



**Stanton Hospital Donation** The Power Corporation's \$50,000 contribution to the Stanton Regional Hospital Foundation was among the first corporate donations made to the \$2 million fundraising campaign for new diagnostic equipment. The Corporation also made contributions for projects ranging from local festivals to science fairs and the Arctic Winter Games in Yellowknife. Corporation president Leon Courneya presented the first cheque of the three-year commitment to Foundation director Larry Elkin in May, 1998.

### Electric Sales

Customer Class	Electric Revenues (\$ Million)			Electric Sales (GWh)		
	1999	1998	% Change	1999	1998	% Change
Industrial	5.4	6.7	(19.4)	46.1	63.6	(27.0)
Wholesale	16.3	16.5	(1.2)	173.0	176.2	(1.8)
Streetlights	1.7	1.5	13.3	3.9	3.4	14.7
Commercial	38.9	38.0	2.4	107.2	104.1	3.0
Domestic	31.9	31.1	2.6	81.7	82.3	(0.7)
<b>TOTAL</b>	<b>94.2</b>	<b>93.7</b>	<b>0.5</b>	<b>411.9</b>	<b>429.6</b>	<b>(4.1)</b>

*A building boom across Nunavut is driving economic growth, and electrical demand, in Canada's newest territory. Forecasts indicate demand will rise 3% for 1999/00 in Nunavut, and will continue to grow for at least the next six years.*



whole through the division of the territories and those relating to testing, auditing and action on the Year 2000 issue.

#### **Financing Costs**

Financing costs decreased by \$0.4 million (2.6%) as a result of the retirement of a promissory note to the GNWT with the last \$5.3 million payment.

#### **Liquidity and Capital Resources**

##### **Cash Flows in General**

In 1998/99, the Corporation, with the exception of approximately \$2.0 million, funded its own capital program, operating expenditures and dividend payment.

While the Corporation's year-end cash position remained virtually unchanged, the Corporation issued new long-term debt in the

amount of \$10.0 million and retired long-term debt of \$5.3 million. In addition, the Corporation contributed \$2.6 million to sinking funds to retire long-term debt.

##### **Capital Expenditures**

The Corporation expended \$15.9 million (compared to \$11.4 million in 1997/98) in capital projects for 1998/99. The capital program was larger in 1998/99 due to a major project in Inuvik to convert to natural gas as the fuel source for energy generation and due to a failure of splices on the Yellowknife transmission line requiring repair of the line and restoration of an older line to handle transmission while repair work was underway.

*Continued ...*

## ***Power Plant and Fuel Systems***

***Over \$200 million has been invested since 1988 in improving plant efficiency, site clean-ups and improved fuel handling systems. In Baker Lake, upgrades have included new 90,000 litre tanks in steel containment berms, transformer racks and security fencing.***



## Management Discussion & Analysis

(Continued)

The capital program for 1999/00 has been budgeted at \$19.9 million. This budget includes two new power plants and the funds required to complete the Inuvik Gas Project.

### Rate Stabilization Funds

In 1999/00, we anticipate a high water year. Assuming this assumption holds true and we are able to use the water available, the Yellowknife Water Rate Stabilization fund will go from a balance due from customers of \$562 thousand to a balance due to customers of \$1.3 million.

When the fund reaches \$3.0 million due to/from the customer, a rebate/charge is initiated to bring the fund back to the \$3.0 million level.

The Yellowknife fuel fund, Fort Smith fuel fund and Diesel Communities fuel fund are all in a position where the customer has underpaid for the cost of fuel. Minor changes are anticipated to the funds, however, none of these funds are expected to hit their triggers, requiring a rate rider.

The Norman Wells fund is currently at its trigger and a rate rebate has been instituted for the Norman Wells customers. Based on the load forecast, it is anticipated that this fund will hit its trigger again in 1999/00, prompting another rate rebate.

### 1999/00 Forecast

The Corporation anticipates net income for 1999/00 to be approximately \$10.4 million. While sales will increase slightly, fuel expenditure will also increase to accommodate two mines in production and the loss of the benefit of the hydro site owned by Miramar mines.

In addition, the Collective Agreement with the Union of Northern Workers expired on December 31, 1998. The Corporation is currently in negotiations with the union, and the effect of the new agreement on expenses is unknown at this time.

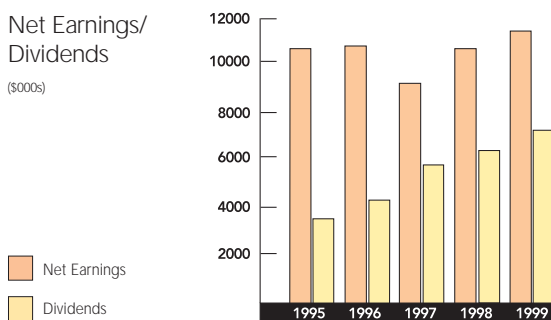
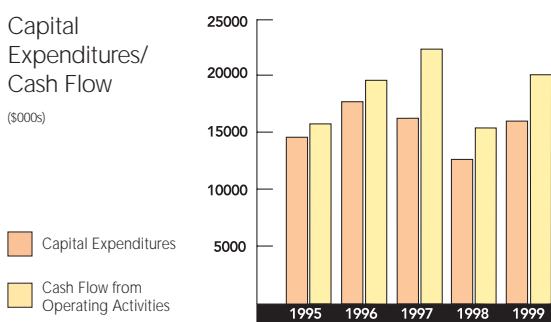
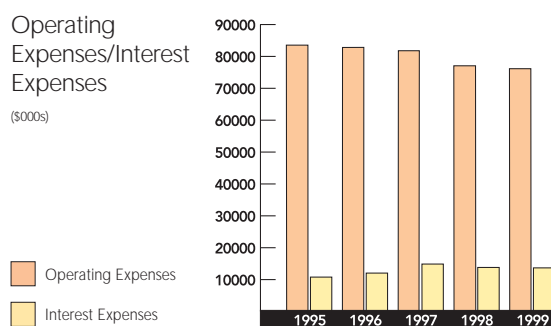
The plan for 1999/00 also includes the expenditure of \$1.3 million more for overhauls than was expended in 1998/99.

### Key Financial Targets and Ratios

The Corporation has identified several key indicators against which to measure corporate performance.

Total Return on Regulated Equity (ROE) is a measurement of the relationship between profit and equity invested in the Corporation. In 1998/99, this ratio increased from 11.0% to 11.2% due to the increased net income enjoyed by the Corporation in 1998/99.

Debt/Debt+Equity Ratio measures the amount of debt the Corporation has as compared to the equity invested in the Corporation. The Corporation is striving towards a target of 50 to 55% debt compared to 45 to 50% equity. For the fiscal year 1998/99, we achieved a ratio of 55/45 as compared to 56/44 for 1997/98. While debt has increased by \$2.2 million, the increase to equity of \$4.9 million (net income less dividend) has resulted in an improvement to this ratio.



**Testing Wind Energy in the Arctic** This 50-kilowatt wind generator at Sachs Harbour is the fourth to be installed by the Corporation in a program to learn more about generating wind power in the Arctic. The economic and mechanical aspects of wind technology have been under review since 1995 to see whether it is a viable alternative to diesel generation.



	1999 Target	1999	1998	1997
Total Return on Regulated Equity	9.9%	11.2%	11.0%	9.9%
Debt/Debt+Equity Ratio	55/45	55/45	56/44	58/42
Plant Efficiency (kwh/litre)	3.56	3.64	3.57	3.69

Plant Efficiency measures the number of diesel kWh generated per litre of fuel consumed. This efficiency ratio is instrumental to the setting of rates. The improvement in the Plant Efficiency ratio of 0.07 kWh/litre is a result of more fuel-efficient engines and the continued installation of Programmable Logic Controls (PLCs). The use of PLCs ensures that the most efficient line-up of engines is used for any given load.

### Year 2000 Issue

The Corporation views the Year 2000 problem as serious and has been working since 1997 to address issues across all of its systems, applications and operations. A Year 2000 Task Force operates under the authority of the President & CEO. An independent review has also been conducted to determine our Year 2000 preparedness.

The Corporation has developed a comprehensive Year 2000 Compliance Plan and is well along in actioning this plan. Contingency plans are being developed to respond to problems that may arise despite our best efforts. All vacation leave has been cancelled between mid-December 1999 and mid-January 2000. Contingency plans are also being developed to look after employees' families in the event our employees are needed to deal with any unforeseen Year 2000 problems.

The Corporation is working with other organizations through the Territorial Emergency Response Committee to coordinate response plans.

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

## Community Consultation

**The Corporation and its senior managers are working on improving communication with customers. Much of this takes place at the community council level. In Kugluktuk in September, 1998, the Board of Directors and Kitikmeot staff met with hamlet officials in the new Kugluktuk Recreation Complex to discuss local and regional issues.**





Minister Responsible for the Northwest Territories Power Corporation

March 24, 1999

Pierre R. Alvarez  
Chairman  
Northwest Territories Power Corporation

1998-99 Dividend Payment

Pursuant to the Northwest Territories Power Corporation Act (Section 29), subject to the Public Utilities Act and to the direction of the Executive Council, the Northwest Territories Power Corporation is required to declare dividends for the purpose of funding the Government of the Northwest Territories Power Subsidy Program. The required dividend is \$6,602,802, representing the 1997-98 fiscal year cost of the subsidy program.

Please ensure an appropriate dividend resolution is passed by the Power Corporation's Board of Directors no later than March 31, 1999.

**Charles Dent**

cc: **Hon. John Todd**  
Minister Responsible for the Public Utilities Board

**John Hill**  
Chairman, Public Utilities Board

**Leon Courneya**  
President & CEO, NWT Power Corporation


## Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with generally accepted accounting principals. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Power Corporation is regulated by the Public Utilities Board of the Northwest Territories, which also examines and approves its accounting policies and practices. Consolidated financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements. The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further the Corporation's aims, are protected from loss or unauthorized use and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principals, and for maintaining standards of conduct that are appropriate to a Territorial Crown corporation. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

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

The Board of Directors appoints certain of its members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and free access to the Audit and Efficiency Committee.

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



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Leon Courneya, CA  
President & CEO



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

*Hay River, NT, May 21, 1999*

## Auditor's Report

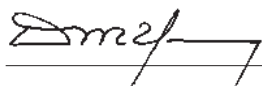
To the Minister responsible for the Northwest Territories Power Corporation

I have audited the consolidated balance sheet of the Northwest Territories Power Corporation as at March 31, 1999 and the consolidated statements of earnings and retained earnings, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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



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**Donald M. Young, FCA**  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
May 21, 1999



## Northwest Territories Power Corporation Financial Statements

### Consolidated Statement of Earnings and Retained Earnings

for the year ended March 31, 1999, (\$000's)

	1999	1998
<b>Revenues</b>		
Sale of power	\$94,182	\$93,809
Sale of heat	2,280	2,918
Other	3,403	3,381
	<u>99,865</u>	<u>100,108</u>
<b>Expenses</b>		
Fuel and lubricants	25,752	28,118
Salaries and wages	22,326	23,165
Supplies and services	16,287	14,178
Amortization of capital assets	8,650	8,217
Travel and accommodation	2,947	3,050
Amortization of deferred charges	445	602
	<u>76,407</u>	<u>77,330</u>
Earnings from operations	<u>23,458</u>	<u>22,778</u>
Allowance for funds used during construction	308	284
Interest income	1,231	1,134
	<u>1,539</u>	<u>1,418</u>
Earnings before interest expense	24,997	24,196
Interest expense (Note 5)	<u>13,502</u>	<u>13,686</u>
Net earnings	11,495	10,510
Retained earnings at beginning of period	<u>58,097</u>	<u>53,848</u>
	69,592	64,358
Dividend (Note 6)	<u>6,603</u>	<u>6,261</u>
Retained earnings at end of period	<u>\$62,989</u>	<u>\$58,097</u>

See accompanying notes

## Northwest Territories Power Corporation Financial Statements

### Consolidated Cash Flow Statement

for the year ended March 31, 1999, (\$000's)

	1999	1998
<b>Cash flows from operating activities</b>		
Cash receipts from customers	\$98,441	\$100,293
Cash paid to suppliers and employees	(65,795)	(72,358)
Interest received	1,226	1,129
Interest paid	(13,289)	(13,471)
Cash flows from operating activities	<u>20,583</u>	<u>15,593</u>
<b>Cash flows used in investing activities</b>		
Purchase of capital assets	(16,944)	(12,596)
Proceeds from sale of equipment	581	233
Cash flows used in investing activities	<u>(16,363)</u>	<u>(12,363)</u>
<b>Cash flows used in financing activities</b>		
Proceeds from long term borrowings	10,000	375
Net proceeds from short term borrowings	335	4,810
Repayment of net lease obligation	(227)	(791)
Sinking fund installments	(2,571)	(2,661)
Repayment of long term debt	(5,719)	(5,038)
Dividend paid	(6,261)	(5,854)
Cash flows used in financing activities	<u>(4,443)</u>	<u>(9,159)</u>
<b>Net increase (decrease) in cash and short-term investments</b>	(223)	(5,929)
<b>Cash and short-term investments at beginning of period</b>	935	6,864
<b>Cash and short-term investments at end of period</b>	<u>\$712</u>	<u>\$935</u>

See accompanying notes

## Northwest Territories Power Corporation Financial Statements

### Consolidated Balance Sheet

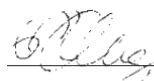
as at March 31, 1999, (\$000's)

	1999	1998
<b>Assets</b>		
Capital assets (Note 7)		
Capital assets in service	\$367,745	\$364,781
Less accumulated amortization	(143,770)	(143,420)
	<u>223,975</u>	<u>221,361</u>
Construction work in progress	8,360	3,036
	<u>232,335</u>	<u>224,397</u>
Current assets		
Cash and short-term investments	712	935
Accounts receivable	17,177	15,859
Prepaid expenses	1,054	1,199
Inventories	12,984	15,484
	<u>31,927</u>	<u>33,477</u>
Other assets		
Deferred charges and other assets (Note 4)	7,437	3,870
Sinking fund investments (Note 8)	8,156	5,585
	<u>15,593</u>	<u>9,455</u>
	<u>\$279,855</u>	<u>\$267,329</u>


### Liabilities and Shareholder's Equity

Long-term debt		
Long-term debt (Note 9)	\$129,680	\$120,075
Net lease obligation (Note 10)	2,446	2,673
	<u>132,126</u>	<u>122,748</u>
Current liabilities		
Bank indebtedness and short-term debt	5,145	4,810
Accounts payable and accrued liabilities	16,381	13,137
Capital Replacement Reserve Fund (Note 11)	2,472	2,583
Current portion of long-term debt (Note 9)	395	5,719
Dividend payable (Note 6)	6,603	6,261
	<u>30,996</u>	<u>32,510</u>
Other liabilities		
Deferred credits and other liabilities (Note 12)	10,615	10,845
Shareholder's equity (Note 13)	106,118	101,226
	<u>\$279,855</u>	<u>\$267,329</u>
Commitments & contingencies (Notes 14, 17 and 18)		

Approved on behalf of the Board:



**Pierre R. Alvarez**  
Chairman of the Board



**Gordon Stewart**  
Chairman of the Audit Committee

See accompanying notes

## Northwest Territories Power Corporation Financial Statements

### Notes to Consolidated Financial Statements

March 31, 1999, (\$000's)

#### 1. Authority and Operation

The Corporation was established under the Northwest Territories Power Corporation Act. The Corporation is a territorial corporation under Schedule B of the Financial Administration Act and is exempt from income tax.

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

#### Division of Territory

Effective April 1, 1999, the Northwest Territories divided into two separate territories. The Government of the Northwest Territories and the Interim Commissioner of Nunavut have entered into an agreement wherein the Corporation will continue as a single Corporation until March 31, 2001, during which time the two governments will reach a determination on the future of the Corporation.

#### 2. Accounting policies

A summary of the significant accounting policies follows:

##### Consolidation

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

NWT Energy Corporation Ltd., under the authority of the Northwest Territories Power Corporation Act, provided financing to the Dogrib Power Corporation for the construction of a 4.3 MW hydro facility. 923204 N.W.T. Ltd. operates and manages various residual heat projects in the territories.

##### Revenue

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

##### Inventories

Fuel and lubricants are valued at average cost. Materials and supplies are valued at average cost.

##### Capital assets

Capital assets, excluding that donated to the Corporation, are recorded at original cost and include materials, direct labour and a proportionate share of overhead costs and an allowance for funds used during construction which provides for a return on capital at a rate approved by the PUB.

Capital assets donated to the Corporation are recorded at their estimated fair value less accumulated amortization.

## Northwest Territories Power Corporation Financial Statements

### Amortization

Amortization of capital assets is provided on the straight-line average group useful life basis, at rates which are approved by the PUB and which include a provision for future removal and site restoration costs, net of salvage value.

On retirement or sale of assets, the accumulated amortization is charged with the cost of the retired unit, net disposal costs and site restoration costs. Gains or losses arising from exceptional circumstances are included in earnings.

### Amortization rates are as follows:

Electric power plants	1.3%	–	5.0%
Transmission and distribution systems	1.9%	–	5.0%
Warehouse, equipment, motor vehicles and general facilities	2.6%	–	9.9%
Other utility assets			5.0%
Other			20.0%

### Deferred charges

The Snare Cascades deferral account was approved by the PUB to ease the impact on utility rates resulting from the Snare Cascade project being added to the rate base. The additional costs of the asset, net of savings from displaced diesel generation, are deferred for five years, to be amortized over the following ten years.

The Reserves for Injuries and Damages, approved by the PUB, represents emergency repairs to equipment which have not been included in the rate base. The balance in the Reserve represents the amount to be included in the rate base for future years. Financing costs relating to the issue of long-term debt are amortized on a straight-line basis over the remaining term of the related debt. Regulatory costs are amortized on a straight-line basis over a period not exceeding three years.

### Sinking fund investments

The Corporation records sinking fund investments at amortized acquisition cost. Any discount or premium arising on purchase is amortized over the period to maturity. As a result of the amortization, earnings from the investment reflect the yield based on purchase costs, not on coupon rates, and the carrying value of the investments are adjusted systematically, over the period they are held, toward the amount expected to be realized at maturity.

### Capital Replacement Reserve Fund

The excess of revenues over expenditures, in the operation of the Inuvik Water and Sewer system are placed in the Capital Replacement Reserve Fund. Capital expenditures of the utility are charged against this fund. Interest is earned on the fund based on the average 30 day BA rate for the month as prescribed by the operating agreement with the Town of Inuvik.

### Deferred credits

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

## Northwest Territories Power Corporation Financial Statements

### Notes to Consolidated Financial Statements

March 31, 1999, (\$000s)

#### Pension plan

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

#### Rate stabilization funds

In January 1997, the PUB approved the establishment of water and fuel stabilization funds to mitigate the impact on utility rates of unexpected changes in fuel prices, changes from average water levels and fluctuations in hydro generation. The balance in the funds are accounted for by excesses and deficiencies in fuel price and water levels, which accumulate until specified limits are reached, at which time rates are increased or decreased to bring the fund to anticipated levels.

#### Measurement uncertainty

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Corporation's best information and judgement. Such amounts are not expected to change materially in the near term.

The provision for future removal and site restoration costs, net of salvage value, is based on estimates which by their nature, are subject to measurement uncertainty.

### 3. Regulatory matters

The Corporation is regulated by the PUB, which administers acts and regulations covering such matters as rates, financing, accounting, construction, operation, and service area. The PUB may award interim rates, subject to final determination. The regulatory treatment of unforeseen significant expenditures and the impact on rates will be examined when the Corporation files amended rate schedules and will take into account any recoveries from third parties.

### 4. Deferred charges and other assets

	1999	1998
Snare Cascades Deferral Account	\$2,231	\$1,063
Rate stabilization funds	1,475	(40)
Fuel spill	1,060	-
Reserve for Injuries and Damages	1,004	1,178
Other	742	407
Financing costs	647	591
Housing loans receivable	240	360
Regulatory costs	38	311
	<u>\$7,437</u>	<u>\$3,870</u>

The rate stabilization funds are comprised of fuel \$913 (1998 - \$788) and water \$562 (1998 - [\$828]).

## Northwest Territories Power Corporation Financial Statements

### 5. Interest expense

	1999	1998
Interest on long-term debt:		
Sinking Fund debentures	\$9,869	\$9,600
Debentures	2,351	2,370
Capital lease	314	410
Promissory note	136	724
	<u>12,670</u>	<u>13,104</u>
Other interest	832	582
	<u>\$ 13,502</u>	<u>\$13,686</u>

### 6. Dividends

Pursuant to the Northwest Territories Power Corporation Act, the Government of the Northwest Territories directed the Corporation to declare a dividend of \$6,603 (1998 - \$6,261).

### 7. Capital assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	\$261,043	\$(97,131)	\$163,912	\$163,136
Transmission & distribution systems	72,727	(28,029)	44,698	44,188
Warehouse, equipment, motor vehicles and general facilities	25,777	(13,046)	12,731	11,877
Other utility assets	4,293	(2,449)	1,844	1,260
Other	3,905	(3,115)	790	900
	<u>367,745</u>	<u>(143,770)</u>	<u>223,975</u>	<u>221,361</u>
Construction work in progress	8,360	-	8,360	3,036
	<u>\$376,105</u>	<u>\$(143,770)</u>	<u>\$232,335</u>	<u>\$224,397</u>

Accumulated amortization includes a provision of \$47,414 (1998 - \$46,456) for future removal and site restoration costs. The provision for 1998/99 is \$1,460 (1998 - \$1,440).

Engineering and general administration expense capitalized during the year amounted to \$2,232 (1998 - \$1,583).

## Northwest Territories Power Corporation Financial Statements

### Notes to Consolidated Financial Statements

March 31, 1999, (\$000's)

#### 8. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. These investments consist of securities and short-term investments issued or guaranteed by the municipal, provincial, or federal governments of Canada, and paper issued by approved banks.

The sinking fund agreement requires the Corporation to make minimum annual installments. The installments required for the next five years are disclosed in Note 9.

	1999		1998	
	Carrying Value	Weighted average effective rate	Carrying Value	Weighted average effective rate
Bank paper	\$4,048	4.77%	\$1,732	5.08%
Federal Government guaranteed	3,518	4.75%	520	7.72%
Provincial Government guaranteed	522	5.63%	3,213	5.89%
Municipal Government guaranteed	49	6.35%	49	8.38%
Cash & short-term investments	19	0.25%	71	0.03%
	<u>\$8,156</u>	<u>4.83%</u>	<u>\$5,585</u>	<u>5.76%</u>

Fair value information for sinking funds is included in Note 16.



## Northwest Territories Power Corporation Financial Statements

### 9. Long-term debt

	1999	1998
Promissory note to the Government of the Northwest Territories, repayable in ten equal annual installments of \$5,350 matured June 23, 1998, bearing interest at 11% payable semi-annually.	\$ -	\$5,350
11% sinking fund debentures, due March 9, 2009	20,000	20,000
11 $\frac{1}{8}$ % sinking fund debentures, due June 6, 2011	15,000	15,000
10 $\frac{3}{4}$ % sinking fund debentures, due May 28, 2012	20,000	20,000
9 $\frac{3}{8}$ % sinking fund debentures, due May 12, 2014	20,000	20,000
6.33% sinking fund debentures, due October 27, 2018	10,000	-
8.41% sinking fund debentures, due February 27, 2026	20,000	20,000
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	7,779	7,838
9 $\frac{3}{4}$ % debenture series 2, due October 1, 2025 repayable in monthly equal payments of \$69	7,797	7,856
9.11% debenture series 3, due September 1, 2026 repayable in monthly equal payments of \$73.	8,823	8,893
6.5% Canada's Northwest Territories Government Aurora Fund (1996) 923204 N.W.T. Ltd.'s portion representing 50%, due December 2002	375	375
5.9% I.B.M. Lease, due December 1, 2000 repayable in monthly equal payments of \$17	301	482
	<u>130,075</u>	<u>125,794</u>
Less: Current portion	395	5,719
	<u>\$129,680</u>	<u>\$120,075</u>

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

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

	Principal Repayments	Sinking Fund Investment Requirements
2000	395	2,747
2001	335	2,754
2002	249	2,755
2003	649	2,756
2004	298	2,982

## Northwest Territories Power Corporation Financial Statements

### Notes to Consolidated Financial Statements

March 31, 1999, (\$000s)

#### 10. Net lease obligation

The NWT Energy Corporation Ltd. loaned funds in 1994/95 through 1996/97 to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories. The balance of the loan receivable is \$22,612 (1998 - \$22,773).

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

Upon completion of construction in August 1996, the NWT Power Corporation leased the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation for 65 years. The value of the capital lease obligation is \$25,285 (1998 - \$25,689).

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

Upon consolidation, the loan receivable held by NWT Energy Corporation Ltd. is offset with the capital lease obligation of the Corporation resulting in a net lease obligation of \$2,446 (1998 - \$2,673).

The net lease obligation will decrease by the following amounts over the next five years.

2000	\$226
2001	208
2002	188
2003	166
2004	142

#### 11. Capital Replacement Reserve Fund

This amount represents funds held for capital repairs to the water and sewer system in the Town of Inuvik.

Expenditures are made upon the approval of the Inuvik Utilities Planning Committee, which consists of representatives of the Town of Inuvik, the Department of Municipal and Community Affairs of the Government of the Northwest Territories, and the Corporation. During the year, the fund earned \$111 (1998 - \$118) of interest at rates ranging from 4.5% to 5.9% (1998 - 3.4% to 5.1%).

The Corporation operates the utility on behalf of the Town of Inuvik, who will take over the operations of the utilidor system in April 2000, at which time the balance of the fund will be turned over to the Town.

## Northwest Territories Power Corporation Financial Statements

### 12. Deferred credits and other liabilities

	1999	1998
Deferred credits	\$9,671	\$9,509
Employee termination benefits	944	1,336
	<u>\$10,615</u>	<u>\$10,845</u>

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

### 13. Shareholder's equity

	1999	1998
Capital Stock		
Authorized: unlimited number of voting common shares without par value		
Issued: 431,288 common shares	\$43,129	\$43,129
Retained earnings	62,989	58,097
	<u>\$106,118</u>	<u>\$101,226</u>

### 14. Commitments and contingencies

#### Capital projects

The estimated cost to complete capital projects in progress as at March 31, 1999, was \$13,574 (1998 - \$9,100).

#### Operating leases

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

2000	\$871
2001	508
2002	148
2003	58
2004	39
2005-2038	100
	<u>\$1,724</u>

## Northwest Territories Power Corporation Financial Statements

### Notes to Consolidated Financial Statements

March 31, 1999, (\$000s)

#### Supply contracts

The Corporation has entered into contracts to purchase refined oil products. The contracts extend to October 2001, reflect minimum purchase commitments consistent with the Corporation's operational requirements, and are based on market prices.

#### Hedging

The Corporation entered into a commodity swap for heating fuel. Although the Corporation purchases diesel fuel, no instrument is readily available for the Corporation to directly hedge against the price fluctuation of diesel fuel. Heating fuel prices however have a very close correlation to diesel fuel prices.

The Corporation typically purchases in excess of 75 million litres of diesel fuel annually. As at March 31, 1999, the Corporation has hedged a total of 37 million litres to be purchased in June, July and August 1999 using a swap contract. The average price for the swap contract on 37 million litres is US\$0.12/litre (US\$0.468/US gallon).

This hedging instrument is used only to manage risk and not for trading purposes. The Corporation did not obtain any security to mitigate credit risk but mitigates this risk by dealing only with a AA financial institution and accordingly, does not anticipate loss for non-performance.

#### Loan guarantee

The Corporation has guaranteed a loan made by the Aurora Fund to Aadrii Limited in the total amount of \$750. This guarantee has been made jointly and severally with another party.

#### Natural gas purchase commitment

The Corporation has entered into an agreement to purchase natural gas to supply Inuvik with fuel for production of electricity. The minimum obligation is to purchase 5,622,900m<sup>3</sup> of natural gas per annum for the next 15 years, beginning on July 1, 1999. The future price shall be calculated annually on the anniversary of the Initial Delivery Date and will depend on the Edmonton Average Unbranded Regular Diesel Price as posted in the Bloomberg Oil Buyers Guide on the anniversary date.

## Northwest Territories Power Corporation Financial Statements

### 15. Related party transactions

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

The Corporation provides utility services to, and purchases fuel and other services from, these related parties. These transactions are at the same rates and terms as those with similar unrelated customers.

Transactions with related parties and balances at year end, not disclosed elsewhere in the financial statements, are as follows:

	1999	1998
Sale of power, heat, water and other	\$23,669	\$23,463
Purchase of fuel	9,773	10,792
Fuel Tax	1,846	1,942
Other	695	1,121
Balances at year end:		
Accounts Receivable	3,113	3,801
Accounts Payable	1,863	2,030

### 16. Financial instruments

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$130,075	\$178,657	\$125,794	\$170,480
Net lease obligation	2,446	6,604	2,673	6,922
Sinking fund investments	8,156	8,213	5,585	5,853

The fair value of cash and short-term investments and other current accounts receivable and payable, excluding the current portion of loan receivable and long-term debt, approximates the carrying amount of these instruments due to the short period to maturity. The Corporation has received a guarantee for a significant outstanding receivable. The fair value of employee termination benefits approximates carrying value. The fair values for the long-term debt and net lease obligation, are determined using market prices for similar instruments. The fair value of the sinking fund investments was determined using market prices.

The Corporation invests in a conservative short-term investment fund which is restricted to investments of very low risk. The average term of the fund will generally be less than 90 days. Investments earned an average of 5% interest.

## Northwest Territories Power Corporation Financial Statements

### Notes to Consolidated Financial Statements

March 31, 1999, (\$000s)

#### 17. Franchises

Subsection 37(1) of the Public Utilities Act of the Northwest Territories states that a public utility shall file with the Board a copy of its franchise before the public utility intends to begin operating under the franchise.

The Corporation requires franchises for 50 communities. As at March 31, 1999, 38 franchises (1998 – 35 franchises) have been approved by the PUB, while the remaining franchises are at various stages of the application process.

#### 18. Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

#### 19. Comparative figures

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

## Northwest Territories Power Corporation Financial Statements

### Schedule of Write-offs

for the year ended March 31, 1999 (unaudited)

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

### Accounts Receivable

Plant	Name	Amount	
Cambridge Bay	Aitaok, Cathy	\$637.51	
	Robinson, Alan	835.68	
Déljine	Laviolette, Tom	605.79	
	Tatti, Tony	796.66	
Fort Smith	Boulet, Sarah	704.92	
	Vermillion, Alberta	549.50	
Hall Beach	Foxe Basin Contractors	1,337.69	
Inuvik	Chicken Chef	10,610.00	
	Dillion, Corrine	695.83	
	Elliot, Gordon	870.15	
	Joujan, Harry	739.90	
	Kikoak, Sharon	744.05	
	Peffer, Harry	829.59	
	Rayven Mechanical	543.66	
	Stabler, Linda	862.05	
	Iqaluit	Csisely, Andrew (Estate of)	710.61
		Csisely, Andrew (Estate of)	793.41
		Guilboard, Jamie	1,406.84
	Hatt, Linn	779.35	
Lutsel K'e	Boucher, Joe	779.84	
Norman Wells	Top Guns	2,249.09	
Pangnirtung	Mullin, Nastania	711.12	
Rankin Inlet	Kalaserk, Joan	1,170.84	
Yellowknife	Arny's General Store	2,727.03	
	Arny's Freezer	1,177.11	
	Rae Café	1,957.31	
		<u>\$35,825.53</u>	

### Cash

Fort Simpson	1,015.55
Resolute Bay	2,581.95
	<u>\$3,597.50</u>

## Northwest Territories Power Corporation Financial Statements

### Consolidated Financial Summary

for the year ended March 31, 1999

	1999	1998	1997	1996	1995
	000's				
Operating revenue	\$99,865	\$100,108	\$102,592	\$102,355	\$103,104
Operating expenses	76,407	77,330	81,898	82,675	83,399
Fuel and lubricants expense	25,752	28,118	33,963	34,018	36,568
Interest expense	13,502	13,686	14,835	11,736	10,510
Earnings from operations	23,458	22,778	20,694	19,680	19,705
Net earnings	11,495	10,510	9,106	10,665	10,539
Dividend	6,603	6,261	5,854	4,292	3,538
Expenditures on property and equipment	16,944	11,387	42,477	17,443	14,777
Gross fixed assets	367,745	364,781	350,596	305,540	292,142
Net fixed assets	223,975	221,361	214,651	175,077	166,714
Sales (M.W.h)	411,902	429,642	432,825	457,321	448,684
Generation (M.W.h)	455,747	482,504	486,576	504,172	496,200
Number of customers	17,658	17,123	16,855	16,698	16,243
Return on Assets Employed (Net income/Avg Total Assets)	4.20%	3.81%	3.44%	4.69%	5.25%
Average Unit Energy Cost (Operating cents/kWh generated)	16.77	15.99	16.11	16.94	16.87



# Operations Report



**Rick A. Blennerhassett, P.Eng.**  
Vice President, Operations &  
Chief Engineer

## Safety

The Corporation's staff continues to strive to achieve a zero lost-time calendar year. Calendar 1998 saw only five such incidents, none of a serious nature. This is a significant reduction from the previous three-year averages of 15 per year. To further raise Safety Awareness in the workplace, several initiatives were undertaken in 1998/99. These include:

- Refresher training for all plant superintendents across the system.
- Development of a lineman upgrade program.
- Implementation of a new Safety Rule Book and Work Protection Code.
- Development and delivery of a Driver Education Program for all employees.
- Development of a Safety Education and Awareness training program targeted at elementary school children.

In 1999/00, the Corporation continues to strive for zero lost-time accidents, and as of the writing of this report, five months have passed without one. To further raise awareness, a Safety Awards Program is being developed for implementation in 1999. This program will reward employees and groups of employees for working "accident free."

## Business Development

Several initiatives were undertaken in 1998/99 to develop new business opportunities. These include:

- Signing of a services contract with NWTel and NWTel Cable to provide community services in 15 communities.
- Signing of an MOU with Manitoba Hydro to exchange services in such areas as staff training, operation of Manitoba Hydro isolated diesel plants, studies relating to transmission service to the Kivalliq area from Manitoba, and development of a Safety Education program for elementary school students.
- Signing of MOUs with third parties to pursue provision of power plant design and construction for several mineral development projects in the NWT and Nunavut.

The Corporation plans to hire a Business Development Officer in 1999 to further the pursuit of new business opportunities.

## Engineering

The newly organized Engineering staff continues to utilize their experience and expertise in several projects across the North. These include:

- Design and construction of three residual heat supply systems in the communities of Kugluktuk, Taloyoak and Pangnirtung.
- Installation of a 50 kW wind turbine in Sachs Harbour.
- Design and installation of new switchgear in Iqaluit.

*Continued ...*

## Long Service Awards

**Recognizing and rewarding the commitment of long service employees is celebrated every year across the Corporation. In Cambridge Bay in September, Kugluktuk Superintendent Sam Kipak (standing, centre) was honoured on his retirement after 30 years of excellent service. With Sam is Luke Novoligak, also a long standing employee who retired several years ago. Seated are (l-r) Lena Kipak, NWT Commissioner Helen Maksagak, and former Commissioner and Corporation Board member John Parker.**



## Operations Report

(Continued)

- Major electrical and mechanical improvements in Arviat.
- Design of new power plants in Clyde River and Paulatuk.
- Design of new fuel storage facilities in Déline.
- Design and installation of two new natural gas gensets in Inuvik.
- Implementation of new SCADA equipment for Inuvik, Iqaluit and Yellowknife.
- Dismantling and removal of the former Pine Point generating station.
- Major renovations to the Repulse Bay plant.
- Implementation of a new Capital Planning policy.

### Western Region Operations

The Western Region comprises 18 power plants in the Deh Cho, Sahtu and Mackenzie Delta areas of the NWT.

The Regional organization structure was modified to improve administrative efficiency by creating two new Operations Supervisor positions for the Sahtu and Mackenzie Delta.

Throughout 1998/99, negotiations continued with employees and the Town of Inuvik to position the Corporation for the

changes caused by the conversion of the Inuvik plant to natural gas, the closing down of the High Temperature Hot Water system, and the take over of water and sewerage operations by the Town.

### Nunavut Region Operations

The Nunavut Region comprises 23 plants in the Kitikmeot, Kivalliq and Baffin areas of Nunavut.

In Nunavut, the Corporation continues to position itself to serve the increasing needs of the new territory. Major improvements are being implemented or planned for the Corporation's facilities in Repulse Bay, Clyde River, Iqaluit, Rankin Inlet and Arviat.

The Baffin area has undergone an organizational change to improve administrative efficiency by creating an Operations Supervisor position in Iqaluit. Jobie Inooya, a former shift supervisor - Iqaluit and plant superintendent from Igloolik will be responsible for the 13 plants in the Baffin. Similar appointments are planned for the Kivalliq and Kitikmeot areas in 1999.



**Close Call at Taltson** A forest fire got dangerously close to the Taltson hydro dam north-east of Fort Smith in July, 1999. The blackened patch in this photo shows how close the blaze came to the 22-megawatt hydro station. Diligent work by fire crews and water bombers stopped the fire in time with virtually no damage to the plant, which supplies Fort Smith, Fort Resolution and Hay River.

### **Snare Transmission Line**

When defective splices were discovered on the 140-kilometre Snare hydro transmission line, a high priority project was started to replace a total of 270 splices. Lineman Aaron Martin is shown using a hydraulic press, capable of 60 tonnes of compression, on one of the replacement splices. The 15-month long program, which will be completed in the winter of 1999/00, involves considerable logistics to get crews and heavy equipment in place in the rugged terrain north of Yellowknife.



### **Central Region Operations**

The Central Region comprises 3 diesel plants at Rae Lakes, Wha Ti and Lutsel K'e and the diesel/hydro systems of Snare/Yellowknife and Taltson/Fort Smith/Fort Resolution.

In 1998/99, problems with L-199, the 115 kV transmission line from Snare Hydro to Yellowknife, required staff to devote resources to correcting the following problems:

- Premature failure of two line splices lead to the removal of several other splices. Testing concluded that all of the line splices and deadends would have to be replaced.
- Several outages in the fall of 1998 lead to the removal of 15 kW of overhead skyline and precipitated consideration of alternative designs for lightning protection that will be implemented in 1999/00.

In May of 1998, problems with the Snare Cascades unit resulted in supplier improvements and an extension of the warranty for an additional two years. The unit has operated successfully since.

On the Taltson system, the Corporation continued to work with affected communities to implement a Water Effects Monitoring Program mandated by the renewal of the water license.

On the Snare system, late fall precipitation brought the hydro component up to historical levels. Developments influencing the status of two of the major mining customers on the system resulted in reduced lands, and staff levels in Yellowknife were adjusted accordingly. However, attrition and reorganization resulted in no layoffs of personnel.

An overvoltage situation in Fort Resolution in October caused considerable damage to customer appliances, however, the Corporation responded quickly to satisfy customer concerns by repairing or replacing all damaged equipment, demonstrating the Corporation's commitment to ensuring customer satisfaction.

**Rick A. Blennerhassett, P.Eng**  
Vice President, Operations & Chief Engineer

## Long Service Employees

The Long Service Awards program of personalized gifts and annual appreciation banquets is the Corporation's way of acknowledging employee service and commitment to the Corporation. The following are the recipients for 1998/99.

### Head Office

NAME	POSITION	LOCATION	SERVICE FOR
Courneya, Leon	President & CEO	Hay River	10 years
Gray, Rod	Stockkeeper II	Hay River	10 years
Holmes, Pauline	Capital Budget Analyst	Hay River	10 years
Magrum, Nancy	Mgt. & Budget Accountant	Hay River	10 years
Maher, Peter	Warehouse Supervisor	Hay River	10 years
McMeekin, Cheryl	Payables Clerk	Hay River	10 years
Simms, Nancy	Sr. Billings Clerk	Hay River	10 years
Tordoff, Cheryl	Inventory Technician	Hay River	10 years
Braden, Bill	Dir., Corp. Development	Yellowknife	5 years
Cunningham, Allan	Systems Analyst	Hay River	5 years
Dufour, Pierre	Civil Eng. Technologist	Hay River	5 years
Jackson, Christine	Vice President, Finance & CFO	Hay River	5 years
Schultz, Trudie	Cost & Rates Analyst	Hay River	5 years

### Central Region

NAME	POSITION	LOCATION	SERVICE FOR
Waddell, Randy	Electrical Technician	Yellowknife	20 years
Sanders, Doug	Systems Operator	Yellowknife	15 years
Davenport, John	Diesel Mechanic	Fort Smith	10 years
Labelle, Dennis	Plant Operator	Yellowknife	10 Years
Rohne, Duane	Lineman	Fort Smith	10 years
Steed, Colin	Indust. Warehouseman	Yellowknife	10 years
McPhee, Valerie	Office Manager	Yellowknife	5 years
Simpson, Charlie	Plant Superintendent	Wha Ti	5 years
Woon, Shawn	Lineman	Yellowknife	5 years

### Western Region

NAME	POSITION	LOCATION	SERVICE FOR
Campbell, Brian	Plant Operator	Inuvik	20 years
MacPherson, Jim	Operations Supt.	Inuvik	15 years
Allison, Alan	Power Engineer	Inuvik	10 years
Browning, Yvonne	Clerk Typist	Fort Simpson	10 years
Colton, Glenn	N/J Plumber	Inuvik	10 years
Ocko, Michael	Electrician	Fort Simpson	10 years
Wolken, Joseph	Power Engineer	Inuvik	10 years
Andre, Philip	Plant Superintendent	Tsiighetchic	5 years
Simon, Isidore	Plant Superintendent	Jean Marie River	5 years
Wright, Tommy	Tradesman	Inuvik	5 years

## Nunavut

NAME	POSITION	LOCATION	SERVICE FOR
Dubeau, Marcel	Lineman Maintenance Supt.	Iqaluit	25 years
Kingdon, Al	Lineman	Iqaluit	15 years
Kenneally, Robert	Plant Superintendent II	Cape Dorset	15 years
Qillaq, Joatamie	Plant Superintendent I	Clyde River	10 years
Murdock, Ernest	Manager, Safety	Iqaluit	10 years
May, Frank	Plant Superintendent I	Arctic Bay	10 years
Manik, Tony	Plant Superintendent I	Resolute Bay	10 years
Jorah, Samson	Plant Superintendent I	Baker Lake	10 years
Ipeelie, Lodie	Tradeshelper	Iqaluit	10 years
Inukshuk, Steven	Plant Superintendent I	Coral Harbour	10 years
Inooya, Jobie	Operations Supervisor	Iqaluit	10 years
Idlout, Boaz	Plant Superintendent I	Pond Inlet	10 years
Evic, Billy	Plant Superintendent I	Pangnirtung	10 years
Taylor, Dan	Electrician	Rankin Inlet	5 years
Mercer, Holly	Office Manager	Rankin Inlet	5 years

## Board of Directors

(at March 31, 1999)

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



Standing, from left: Director, Corporate Development, Bill Braden; Vice President, Operations, Rick Blennerhassett; Board Member, John Parker; President & CEO, Leon Courneya; Director, Personnel, Derek Aindow; Board Member, David Simailak; Board Member, Kelly Kaylo; Financial Advisor, Fred Abbott; Vice President, Finance, Christine Jackson; Corporate Secretary, Jeannee Johnson; Board Member, Eric Shelton; Minister Responsible for the Corporation, Hon. Charles Dent.

Sitting, from left: Board Member, Charlie Evalik; Chairman Emeritus, Ted Humphrys; Chairman, Pierre Alvarez; Vice Chairman, Simon Merkosak; Board Member, Gordon Stewart; Board Member, Tom Zubko.

### Committees of the Board:

#### Audit & Efficiency Committee

G. Stewart, Chairman  
P.R. Alvarez  
C. Evalik  
K. Kaylo  
E. Shelton  
T. Zubko  
F.F. Abbott, Advisor

#### Governance & Compensation Committee

J.H. Parker, Chairman  
P.R. Alvarez  
S. Merkosak  
D. Simailak

### Officers of the Corporation:

Pierre R. Alvarez  
Chairman

Leon Courneya, CA  
President & Chief Executive Officer

R.A. Blennerhassett, P. Eng  
Vice President, Operations &  
Chief Engineer

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

Derek Aindow  
Director, Personnel

Robert Blowers  
Director, Materials Management

Bill Braden  
Director, Corporate Development

Pun Chu, P. Eng  
Director, Western Operations

Axel Have, P. Eng  
Director, Nunavut Operations

Judith Goucher  
Director, Regulatory Affairs

W. Jeannee Johnson  
Corporate Secretary

John Locke  
Director, Information Systems

Diana Moes, CMA  
Director, Finance

J. Andrew Nelson  
Director, Internal Audit &  
Environmental Affairs

Dan Roberts, P. Eng  
Director, Central Operations

Gerd Sandrock, P. Eng  
Director, Engineering



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Les états financiers en français sont  
disponibles sur demande. Veuillez  
communiquer à l'adresse susmentionnée.