

2016

ANNUAL REPORT



ACCOUNTABLE

RESPONSIBLE

RELIABLE

Mission

NTPC's mission is to generate, transmit, and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels. NTPC exists to provide value to its shareholder and customers through the efforts of a highly dedicated, skilled, and productive workforce.

Vision

Our vision is to be the provider of choice to our customers, a valuable partner to industry and Aboriginal groups in the NWT, as well as a performance leader in the utility industry. As a performance leader, NTPC will develop a highly innovative team that achieves operational excellence, providing industry-leading customer satisfaction and delivers superior financial performance by demonstrating fiscal responsibility, and pursuing growth opportunities. NTPC will also work with stakeholders to support development of the tremendous resource potential of the NWT in a sustainable and responsible manner creating long-term benefits for its customers and residents alike.

Values

While achieving the Corporation's Vision and Mission, NTPC will uphold its core values of:

- Putting the safety of our employees and the general public first
- Protecting the environment and working towards a sustainable existence
- Complying with all applicable legislation and regulations.

NTPC will act ethically and honestly; treating employees, customers and all other stakeholders with respect, integrity and professionalism.

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Abbreviation Key

CEA	Canadian Electricity Association
CMMS	Computerized Maintenance Management System
GAAP	Generally accepted accounting principles
GNWT	Government of the Northwest Territories
GRA	General Rate Application
HPS	High pressure sodium
IDC	Interest during construction
IFRS	International Financial Reporting Standards
kW	Kilowatt
kWh	Kilowatt hour
LED	Light-emitting diode
LNG	Liquefied natural gas
MW	Megawatt
NTEC (03)	NT Energy
NTPC	Northwest Territories Power Corporation
NWT	Northwest Territories
NWTEC	Northwest Territories Energy Corporation
OAG	Office of the Auditor General
OGO	Other Government Organization
PUB	Public Utilities Board
PV	Photo Voltaic

CORPORATE PROFILE

Established in 1989, Northwest Territories Power Corporation's mission is to generate, transmit, and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels.

NTPC's team is made up of 200 dedicated employees located in 26 communities throughout the territory.

We manage \$400 million in assets including three hydroelectric systems, 26 diesel plants, four solar arrays, one battery storage system, and one natural gas plant. Together these provide a total generation capacity of 133.13 MW of electricity.

In addition to generating the vast majority of the Territory's power NTPC also purchases power from Esso in Norman Wells to supply that community.

NTPC generates power for more than 42,000 residents spread out across the Territory's 1.2 million square kilometres. That power is delivered to our customers through 565 kilometres of transmission lines and 375 kilometres of distribution lines stretched between 9,790 power poles.



MESSAGE FROM THE MINISTER



With a commitment to reliability, affordability, safety, and sustainability in power generation and distribution, the Northwest Territories Power Corporation is dedicated to delivering an energy system that works for northerners, and a strong energy future for the Northwest Territories.

As NTPC's Shareholder, the Government of the Northwest Territories recognizes the complexity of generating and delivering power in a territory with a small population and a vast land area. The government also recognizes the value of transition towards more local, renewable, and alternative forms of providing energy in our communities.

The Government of the Northwest Territories is currently developing a new Energy Strategy. This process will present opportunities for residents and communities to provide input into the long term approach to energy in our territory.

As Minister for NTPC I have recently made changes to the board of directors of the corporation. The work that the new board pursues will inform the shareholder as we consider the structure most appropriate for the future governance of NTPC.

The growing national discussion on energy and climate change provides the northern regions with challenges and opportunities. Northerners are on the front line in experiencing the effects of a changing climate as we contribute to national and global solutions. NTPC supports the inclusion of renewable and alternative energy where it is sustainable and beneficial. We are committed to a future of efficient energy use, clean energy sources, and sustainable communities.

NTPC plays a critical role in the development of renewable energy systems and the establishment of partnerships to invest in sustainable energy sources for our communities. The Government of the Northwest Territories will continue to look to NTPC to facilitate this transition while providing reliable and affordable electricity to our residents and businesses.

Louis Sebert

Minister responsible for the Northwest Territories Power Corporation

BOARD OF DIRECTORS

David Tucker, Chairman

Jack VanCamp, Vice Chairman

Directors

Louise Dundas Matthews, Chairwoman of Governance & Compensation Committee

Gerry Avery, Chairman of Audit & Efficiency Committee

James McDonald, Board Director

Eric Menicoche, Board Director

Liezl van Wyk, Board Director

Joseph Mackenzie, Board Director

Ron Threlkeld, Utility Advisor

Cheryl Tordoff, Corporate Secretary

Officers

David Tucker, Chairman

Emanuel DaRosa, President & CEO

Judith Goucher, Chief Financial Officer

Gary Gazankas, Director, Asset Management & Engineering

David Duncan, Director, Transmission & Distribution

Jay Pickett, Director, Hydro Operations

Mike Ocko, Director, Thermal Operations

Gordon Jennings, Director, Human Resources

Eddie Smith, Director, Health, Safety & Environment

Glenn Smith, Director, Information Technology

Cheryl Tordoff, Corporate Secretary

Audit Committee

Gerry Avery, Chairman

Eric Menicoche

Liezl van Wyk

Jack VanCamp

Governance & Compensation Committee

Louise Dundas Matthews, Chairwoman

David Tucker

James McDonald

Joseph Mackenzie

MESSAGE TO STAKEHOLDERS



While many things are changing in the world of power generation one thing remains constant – the need for safe, reliable and sustainable electricity. And the Northwest Territories Power Corporation (NTPC) takes its responsibility for generating, transmitting and distributing safe, reliable and sustainable electricity in the NWT very seriously.

While the Government of the Northwest Territories (GNWT) continues to research and test new and emerging technology, NTPC continues to focus on its core business of powering the lives of Northerners. To do this well, NTPC must be accountable to its Shareholder and stakeholders, responsible with the environment and communities and continue to provide reliable power.

Accountable

Strong accountability means NTPC can justify its actions and decisions to its stakeholders and its Shareholder, the GNWT.

We justify our financial statements to Canada's Office of the Auditor General every year during our annual audit; as a Crown Corporation we are accountable to the Territorial Government; the Public Utilities Board holds us accountable for spending; and NTPC's own management team is accountable to the Board of Directors.

Being accountable to our stakeholders, means being accountable to our customers. We do this through transparent processes like the General Rate Application, this annual report with our audited financial statements, and even water board reports. Thanks to the internet, all documents for these processes are available to the general public and we encourage our customers and stakeholders to read them and to ask questions. You'll find a list of websites on page 93.

Responsible

Along with generating and supplying electricity to the vast majority of the NWT, NTPC also has the responsibility of keeping its employees, contractors, and the public, safe; being good stewards of the environment, and supporting the communities where our employees live and work.

This year, NTPC's Transmission and Distribution Division proudly accepted the Canadian Electricity Association Bronze Safety Award for perfect safety. A great success that we strive to achieve in all divisions of our company.

A one-of-a-kind generation plant that includes diesel, solar and battery storage, was installed and commissioned in Colville Lake this year and before the fiscal year ended in March, the

system was working so efficiently the diesel was shutting off for several hours a day. "Quiet", is how the one community member described the new plant. NTPC will continue to work with the GNWT to incorporate more alternative energy sources into the mix when they are economically equal to or better than diesel.

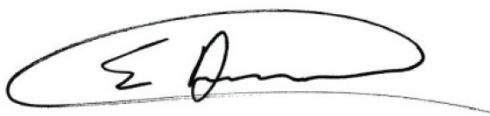
NTPC has 200 employees living in 26 communities in the NWT and supporting events, groups, and activities is important to keep the communities strong and our employees engaged. While our staff members are the face of NTPC in town, they are also members of the community -- it's important to support what is important to communities.

Reliable

Providing reliable electricity is an incredibly complicated challenge, even on the most routine of days and especially for stand-alone systems like those in the NWT. It requires continuous control and coordination of generators, transmission across expansive isolated areas, and ultimately delivery to thousands of customers through local distribution systems.

Today, the reliability of the power system is being challenged, as our infrastructure ages and we continue to experience wildfires near our generation sites and transmission lines. Despite these challenges NTPC saw an improvement in its reliability measures this year and will continue to maintain and replace its infrastructure with a view to a more reliable power system.

Thank you to the Board of Directors, the management team and all NTPC employees for their dedication and commitment to powering the lives of Northerners in the safest way possible.



Emanuel DaRosa
President & CEO

Reliable

Consistently good in quality or performance; able to be trusted to do or provide what is needed.

Accountable

Required or expected to justify and explain actions or decisions.

Responsible

Able to be trusted to do what is right or to do the things that are expected or required.

ACCOUNTABLE

Being accountable means being required or expected to justify and explain actions or decisions. NTPC has many levels of accountability to ensure it uses its customer's money in the most efficient way possible. From internal audits to Canada's Office of the Auditor General, NTPC continually evaluates how it does business and makes adjustments whenever a more efficient process is identified.

Office of the Auditor General (OAG)

NTPC is audited annually by the Office of the Auditor General of Canada and is available in this report starting on page 25. This is done at no charge to the Corporation or customers.

This audit validates that NTPC is accounting for all of its costs and revenues accurately and in the year that they were incurred. In addition, it provides our lenders and insurance providers the assurance they need to provide short and long term loans and insurance on our assets. All annual reports are available on our website at www.ntpc.com/about_us.

Government of the Northwest Territories (GNWT)

As a Crown Corporation, NTPC is accountable to the Minister responsible for the Northwest Territories Power Corporation (NTPC), as laid out in the *NTPC Act*. NTPC has one shareholder, which is the GNWT. As such, NTPC tables its annual budgets for both capital, and operations and maintenance (O&M) along with our Corporate Plan, and this Annual Report, in the Legislative Assembly annually.

Public Utilities Board

All electricity rates are set by the Public Utilities Board (PUB) which has the mandate of ensuring that rates are fair for both the company and the customer.

NTPC submits a General Rate Application (GRA) to the PUB approximately every three years outlining what it is currently costing to generate, transmit and distribute power, along with anticipated costs for the next two to three years. It also outlines the current and expected revenues from rates. Comparing these two figures generates the anticipated change required from rates. It is up to the PUB to substantiate those numbers, listen to those who have concerns with the anticipated change in rates, and then set new rates.

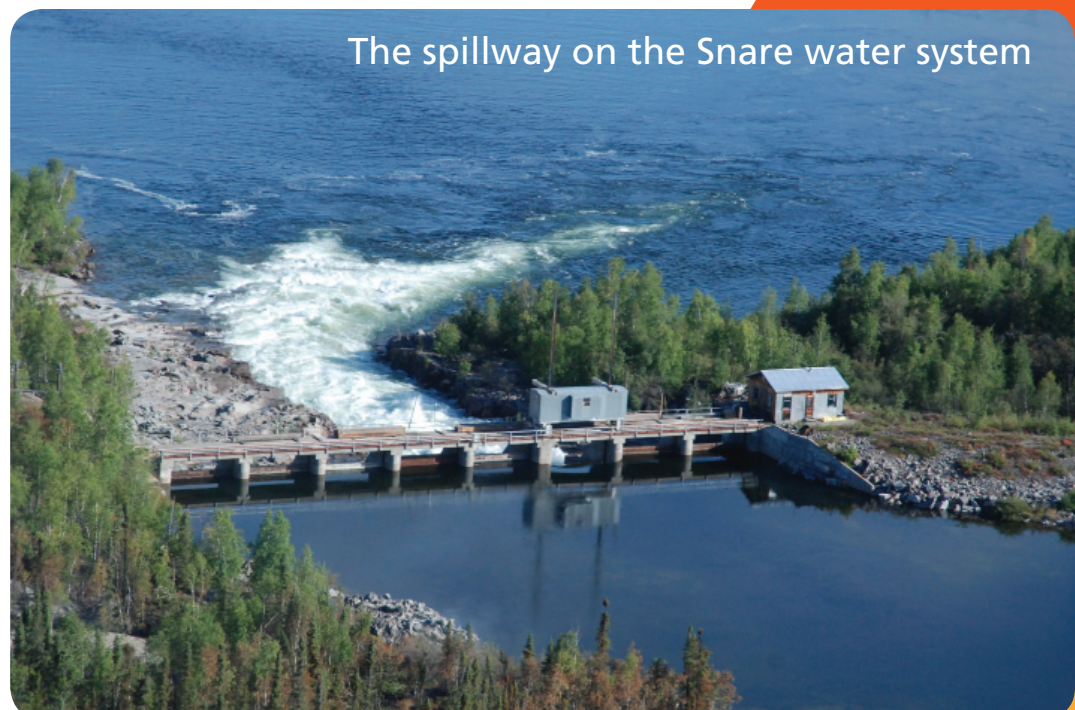
Internal Auditing and Continuous Improvement

NTPC's Internal Auditor provides independent and objective evaluation of programs, services, and issues which adds value to the Corporation's operations. The internal audit activity helps the Corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The continuous improvement function at NTPC further evaluates current business processes and assists with ongoing efforts to improve the effectiveness and efficiency of those processes through the use of industry-recognized continuous improvement methodologies.

Water Boards

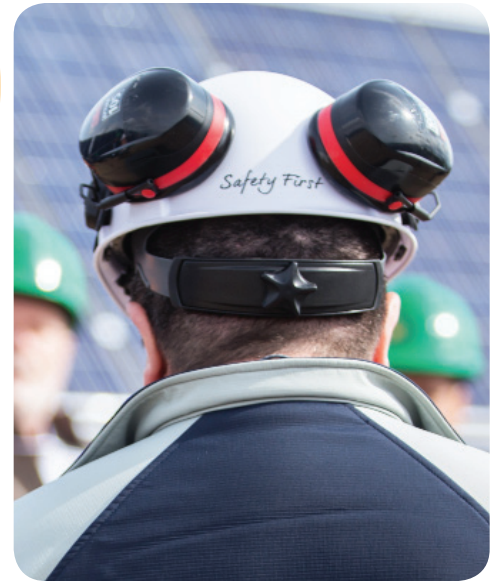
NTPC holds various water licences for its hydro generation facilities across the NWT and is accountable to Territorial Water Boards. To ensure that all applicable legislation is met and/or exceeded quarterly and annual reports are submitted and publicly available at <https://mvlwb.com/> under the Registry link.



RESPONSIBLE

Employee Safety

Working with electricity and the large equipment that is required to generate power can be dangerous. It can expose employees, contractors and the public to unsafe conditions, and as a result we have adopted a 'Safety First' culture.



A safety culture is one that has the following elements:

- Commitment and buy-in from all levels of the organization
- Treated as an investment, not a cost
- Integration into continuous process improvement
- Training and information for all
- System for hazard prevention and control
- Blame-free work environment
- Successes are celebrated

A standard measure of safety performance is Lost Time Injury Severity Rate, which is the number of days that staff did not work due to an injury, for every 200,000 hours worked.

NTPC's Five-Year Lost Time Injury Severity Rate

Fiscal Year	Lost Time Injury Severity Rate (LTISR) (number of lost time days per 200,000 hours worked)
2011/12	25.36
2012/13	8.89
2013/14	13.36
2014/15	32.49
2015/16	5.98

NTPC has implemented a new Health and Safety management System, added a contractor safety program and will continue to monitor safety performance, and ensure due diligence in meeting compliance with regulations and standards, policies, rules, and procedures.

LONG SERVICE AWARDS

Long serving dedicated employees are an indication that a company is a good employer, that there is a strong culture, and that employees are valued.

Help us celebrate these long serving employees who help make NTPC accountable, responsible, and reliable.

20 Years

Tommy Betsidea
Robert Douglas
Paul Grant
Sharmayne Horton

Deline
Fort Simpson
Hay River
Hay River

5 years

Emanuel DaRosa
Nathaniel (Ned) Day
Wickramalal (Lal) Jayatilleka
Jean-Guy Poitras
Gilles Ringuette
Ryan Sutherland
Tony Watier

Hay River
Inuvik
Yellowknife
Yellowknife
Hay River
Yellowknife
Yellowknife

15 Years

Dean Hendrickson
Mark Horton
Dorothy Jones
Clément Longpré

Hay River
Hay River
Hay River
Fort Smith

10 Years

Thess Cruzpe-Cooper
Robbie MacIntosh
Boyd Mallaley
Mervin Penney
Jean Ramsay
Randy Williams

Hay River
Yellowknife
Fort Simpson
Yellowknife
Hay River
Hay River



SOCIALLY RESPONSIBLE

Community Investment

Here at NTPC, we believe it's our social responsibility to invest in our communities. Community investment makes the people, the community, and the Territory stronger. This year we supported organizations and events in 25 communities across the Territory. More than \$100,000 went to the programs below which fall under three categories:

1. Education – encouraging development of a strong northern workforce
2. Health & Wellness – promoting health and wellness, including sports & recreation
3. Community – supporting activities that enrich community, culture and family life

In addition, NTPC invested \$25,000 specifically in environment projects that promote conservation and environmental stewardship. This year 21 communities participated in our Team Up to Clean Up program supporting community clean-up days.

The Inuvik Fall Fair Garden Society also received support from the Environmental Investment program.

Organizations and events supported in 2015/16:

Aklavik - Shingle Point Summer Games
Aklavik Community Feast
Aklavik Mad Trapper Rendezvous Carnival
Arctic Institute of North America
Aurora College
Beaufort Delta Elder Dinner
Billy Joss Golf Tournament - Ulukhaktok
Breast Cancer Donation - Fort Simpson
Brendan Green - Olympian
Canadian Cancer Society Relay for Life
Canadian National Institute for the Blind
Charlie Zoe Nitsiza So K'aodee Hand Games
Circle of Friends
Colville Lake Spring Carnival
Daazraii North Wright Airways
Deline Carnival
Deline First Nation Hand Games
Dene National Assembly
Ecole Boreale Library

Fireman's Ball - Inuvik
Fort Norman Metis -Canol Youth Leadership
Fort Resolution Aboriginal Day
Fort Resolution Dog Musher's Club
Fort Resolution Playground Project
Fort Resolution Soccer
Fort Smith Aboriginal Day
Fort Smith Animal Society
Fort Smith Paddlefest
Fort Smith Skating Club
Hay River Chamber of Commerce
Hay River Christmas Program
Hay River Community Skating
Hay River Curling Club
Hay River Golf Club
Hay River Hospital Foundation
Hay River RCMP Spook-a-rama
Hay River Soup Kitchen
Hay River Youth Centre - Lights On



Ingamo Hall Friendship Centre
 Inuvialuit Oceans Day 2015
 Inuvik Aboriginal Day
 Inuvik Curling Club
 Inuvik Fall Fair Garden Society
 Inuvik Girls Basketball
 Inuvik Junior Ladies Curling
 Inuvik Sunrise Festival
 Inuvik Youth Centre
 Inuvik Santa's Elves
 Junior Female Hockey
 Katlodeeche First Nation Hand Games
 Kingalik Jamboree - Ulukhaktok
 Long John Jamboree
 Midway Lake Music Festival
 Norman Wells Youth Leadership Conference
 Northern Arts & Cultural Centre
 Northern Life Museum
 Northern Safety Association Theo Fleury Tour
 NWT Association of Communities
 NWT Basketball - Cagers
 NWT Centennial Library
 NWT Chamber of Commerce
 NWT Lute Festival
 NWT Track and Field Championships
 Open Sky Creative Society
 P.W. Kaeser High School
 Polar Pond Hockey - Hay River

Princess Alexandra School
 Remote Microgrids Conference
 Sachs Harbour White Fox Jamboree
 Sachs Harbour, Incorporated Hamlet of
 Salvation Army Christmas Program
 Thebacha & Wood Buffalo Astronomical Society
 Tlicho Government
 Tulita 2nd Annual Hand Games
 Tulita Christmas Concert
 Ulukhaktok, Hamlet of
 Whati, Community Government
 Whati Volleyball
 Whati Youth Hand Games
 Yellowknife Association for Community Living
 Yellowknife Chamber of Commerce
 YWCA Yellowknife - Turn Up the Heat



Community investment funds are not collected through rates.

ENVIRONMENTALLY RESPONSIBLE

NTPC works closely with the GNWT Department of Lands, GNWT Department of Environment and Natural Resources, Fisheries and Oceans Canada, the Wek'èezhii Land and Water Board, and the Mackenzie Valley Land and Water Board (among others) to ensure that its facilities are operating in a safe, environmentally friendly manner and that all applicable legislation is met and/or exceeded.

Environmental monitoring for wildlife, fisheries, water quantity, and water quality (among other factors) is completed at the various hydroelectric facilities to ensure they are operating in accordance with the terms of the licences, permits, and any other applicable legislation. The results of the various monitoring programs are reported quarterly and annually and are publically available for review. Dam safety reviews are also completed in accordance with the water licences and are publically available for review.

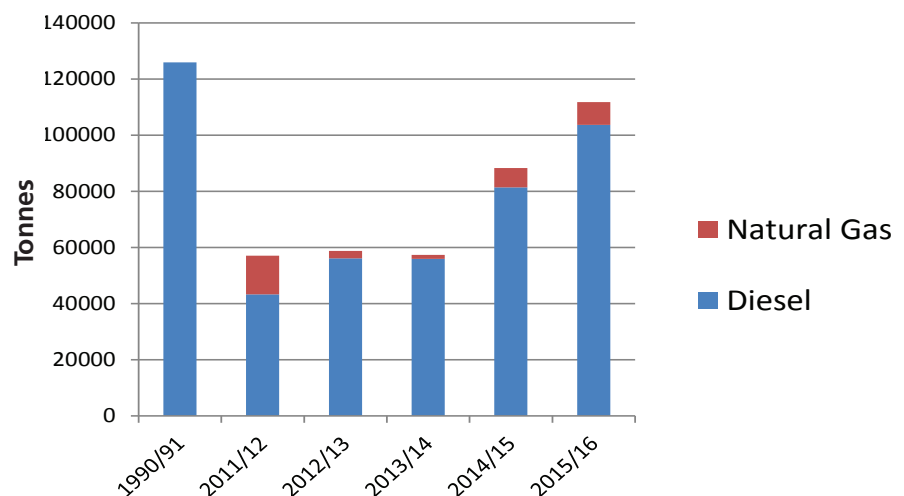
Greenhouse Gas (GHG) Emissions

NTPC takes its environmental responsibility seriously and each year develops strategies to achieve specific goals with respect to environmental performance, including GHG reduction.

NTPC's baseline for GHG was calculated in 1990/91 and we have successfully decreased emissions below that baseline for the past 20 years. NTPC will continue to strive to reduce GHG emissions through increases to energy efficiency, energy conservation programs, and alternative energy projects. Major energy-saving changes to our operating infrastructure will be adopted if they represent an economic benefit, in addition to savings in GHG emissions.

The graph below shows NTPC's GHG emissions in tonnes, by source, including the baseline 1990/91 and the past five years.

Hydro generation is dependent on water levels and thus varies from year to year. In years when water is low on the hydro systems, like 2014 and 2015, diesel generation is increased to make up for hydro shortfalls and results in an increase in GHG emissions.



While we continue to look at ways to efficiently reduce greenhouse gas emissions, NTPC produces a very small percentage of the Territory’s GHGs. In fact, the NWT as a whole only produces 0.2 per cent of Canada’s GHGs and of that, NTPC accounts for just over 3 per cent during a normal water year and almost 8 per cent during low water years. Other factors that contribute to the NWT’s 1.5 megatonnes of GHG include heating, transportation, and mining activities.

Megatonnes of Greenhouse Gas Emissions

Year	Canada	NWT	NTPC	NTPC as % of NWT
1990	612.9	1.6	0.126	7.87%
2005	747.6	1.7	0.0529	3.11%
2014	732.6	1.5	0.112	7.45%

Alternative Energy

NTPC is committed to installing and using alternative energy sources where it is cost-effective and technically proven.

In December of this year the one-of-a-kind solar, battery, diesel, generation plant in Colville Lake was commissioned and at times was producing power exclusively with solar each day. Initial readings indicate that this plant could reduce GHGs by about 200 tonnes annually.



Colville Lake opening:
 Chief Wilbert Kochon,
 Premier Bob McLeod,
 NTPC Minister
 Louis Sebert and
 NTPC President &
 CEO Emanuel DaRosa
 cut the ribbon.

The Colville Lake project included a new plant that was part of NTPC’s capital plan, the two solar installations were funded by the GNWT, and the battery/solar integration study was funded by EcoENERGY for Aboriginal and Northern Communities.

It is thanks to the GNWT’s investment in alternative energy that two additional solar projects will come online early next year in Wrigley and Fort Liard.

RELIABLE

Power Supply

With a track record second to none in the NWT, NTPC has more than 65 years of experience generating, transmitting, and distributing reliable and safe power in Canada's north.

It is important for NTPC to maintain the highest level of service reliability and to make every reasonable effort to improve upon this level of service for its customers. As such, NTPC files regular reliability metrics with the Public Utilities Board and with the Canadian Electricity Association.

In the world of power generation "reliability" is defined as the ability to meet the electricity needs of customers, even when there are unexpected equipment failures or other natural or man-made conditions that reduce the amount of power available. Reliability also means maintaining sufficient resources to provide end-use customers with round-the-clock delivery of electricity.

We measure our reliability in the number and length of power outages experienced by the average customer. These numbers are compiled annually and submitted to the Canadian Electricity Association (CEA). The table below shows how the NWT stacks up against the Canadian averages for number and length of outages for the average customer.

	2014 NWT*	2015 NWT*	2015 Canada
Number of outages	12.33	4.17	2.32
Average length of each outage	23 minutes	29 minutes	2 hours 11 minutes
Total length – all outages	4 hours 40 minutes	2 hours 2 minutes	5 hours 5 minutes

**All figures are based on the annual calendar year

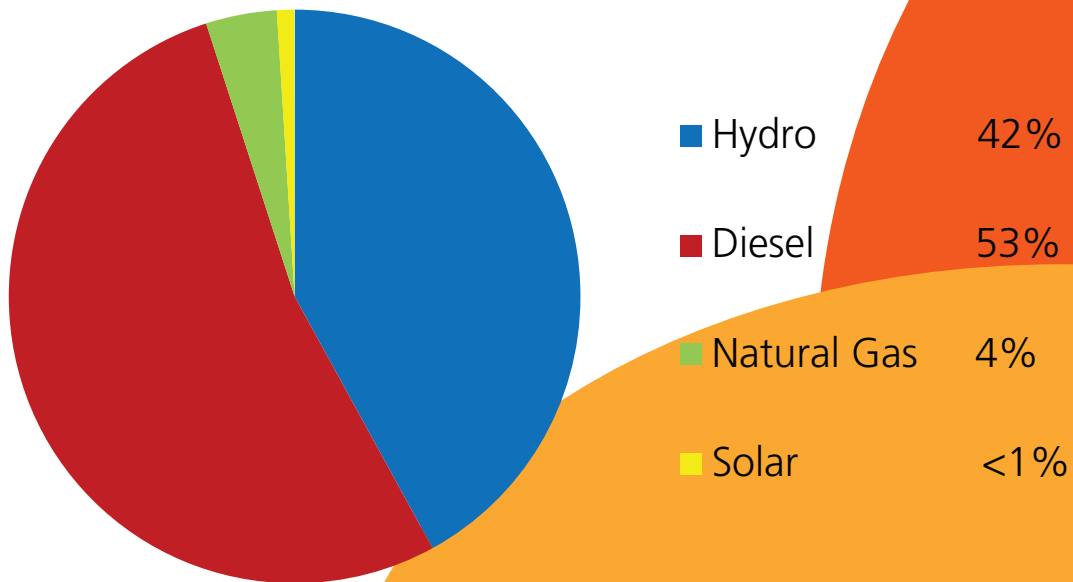
* Includes disruption of supply to retailer in Yellowknife and Hay River

The two main factors influencing the improvement of NTPC's reliability numbers are the continued implementation of the Snare Reliability Improvement Plan and the fact that during the summer months Yellowknife power was generated primarily by diesel. This means power could be restored more quickly because diesels were already running and didn't have to be started, thus decreasing the number of outages caused by wildfires on transmission lines.



To ensure reliability this year, NTPC counted on 93 diesel generators, two natural gas generators, seven hydroelectric turbines, and two solar installations with the capacity to generate more than 113 MW of power. This capacity includes both primary and back-up generation.

NTPC installed capacity by generation type





Snare Falls hydroelectric generation plant



MANAGEMENT DISCUSSION & ANALYSIS

The following is a discussion of the consolidated financial condition and results of the operations of NT Hydro and NTPC for the year ended March 31, 2016. It should be read in conjunction with the audited financial statements and accompanying notes.

Upon becoming classified as an Other Government Organization (OGO) in 2014/15, management determined the most relevant accounting framework to report NTPC's consolidated financial statements is Public Sector Accounting Standards (PSAS), established by the Canadian Public Sector Accounting Board. The 2015/16 financial statements enclosed adhere to PSAS. All financial information is expressed in Canadian dollars.

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

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

Governance

Before 1988, power generation in the Northwest Territories was provided by the Federally-run Northern Canada Power Commission (NCPC). On May 5, 1988 the GNWT acquired NCPC from the Government of Canada and created a Crown Corporation: the Northwest Territories Power Corporation (NTPC).

NT Hydro, a public agency, was established in 2007 under the Northwest Territories Hydro Corporation Act, and is owned 100% by the Government of the Northwest Territories (GNWT/Shareholder). NT Hydro owns 100% of the Northwest Territories Power Corporation (NTPC), which is also a public agency established under the Northwest Territories Power Corporation Act.

NT Hydro's operations stem from NTPC. NTPC is focused on the core business of providing reliable electricity services of operating hydroelectric, diesel, natural gas and solar power generation facilities while NT Energy continued to plan and develop safe and environmentally responsible energy project to serve existing and new energy requirements in the Territories. NTPC activities are regulated by the Northwest Territories Public Utilities Board (PUB).

NTPC has a wholly-owned subsidiary, the NWT Energy Corporation Ltd. (NWTEC), which under the authority of the Northwest Territories Power Corporation Act, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility. NWTEC is also responsible for the operation, management and shared ownership (50%) of one residual heat project in Fort McPherson.

In addition to NTPC, NT Hydro owns the NWT Energy Corporation (03) Ltd. (NT Energy) which is incorporated under the NWT Business Corporations Act. NT Energy's focus was on investigating alternative energy options including liquefied natural gas (LNG), solar and mini hydro opportunities as well as supplying NTPC with LNG for NTPC's Inuvik operations. On April 1, 2015 the operations of NT Energy were transferred to the newly formed Energy Services Division of the GNWT's Department of Public Works and Services. In 2016/17 the corporate structure of NT Energy will be wound up.

On May 24, 2016 the GNWT revoked the appointment of its existing board members and formed a Board of Directors comprised of Deputy Ministers from the GNWT. Part of the new Board's mandate is to review and recommend an appropriate long term governance structure for NTPC.

Strong and Reliable - NTPC

NTPC works around the clock to generate power to more than 42,000 people in the Northwest Territories. We pride ourselves on maintaining 28 reliable power systems in the second largest jurisdiction in Canada – covering 1.3 million square kilometres. NTPC serves all communities in the NWT with the exception of Trout Lake, Kakisa, Wekweèti, and Fort Providence. Our service area includes communities that are only accessible by air, river barge or winter roads.

NTPC manages and maintains a territory-wide system of generation, transmission and distribution assets. While we remain focused on strengthening our customer service we continue to achieve our mission to generate, transmit and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels.

NTPC aspires to be a centre of excellence, leading in the development of local and renewable energy sources in the NWT for the benefit of all residents, communities and Aboriginal governments.

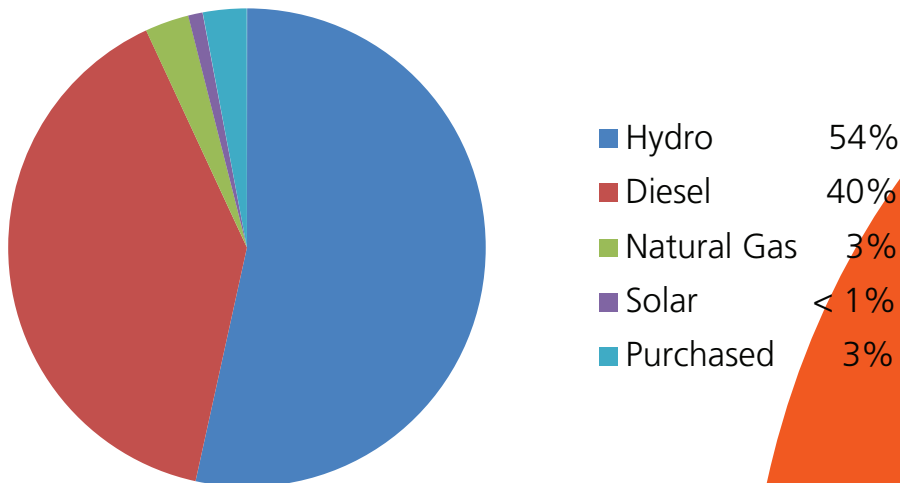
Generating Comparison by Source

The big news in generation for NTPC in 2015/16 was the completion of the solar/battery/diesel hybrid system in the Colville Lake power plant. Although this one-of-a-kind new plant was officially opened in May 2016 the plant was actually commissioned in September 2015.

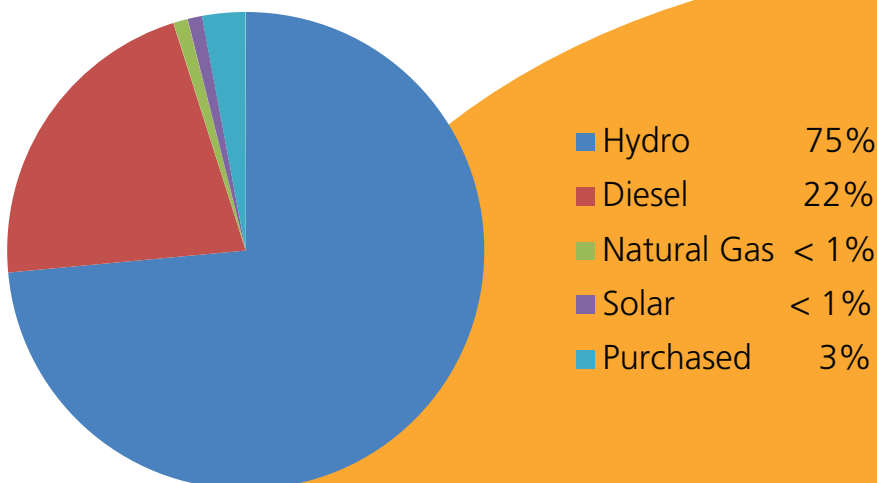
This new hybrid system replaces the first power plant built in 1990, before which the community did not have a source for electricity other than individual generators. The new system includes 136.5 kW of solar PV, 200 kWh of battery storage, three diesel generators (2 x 100 kW, 1 x 150 kW) and a control system that integrates the generation types. This hybrid plant was a result of collaboration between the community of Colville Lake, the GNWT, who contributed \$1.15 million to the capital cost of the project and NTPC.

NTPC continued to grow generation options to diesel in 2015/16. In Inuvik, NTPC continued to improve on its generation using liquefied natural gas (LNG). In 2015/16 natural gas represented almost 40% of generation in Inuvik throughout the year. Power generation by solar although still a small component of NTPC's generation, grew by over 20% in 2015/16

2015/16 Generation by Source



2013/14 Generation by Source



In 2014/15, the North Slave Region started experiencing extreme drought conditions causing water levels at the Snare hydro site to drop lower than ever before recorded. These drought conditions continued in 2015/16 with Corporate hydro generation dropping to 54 per cent. In a normal water year (2013/14), 75 per cent of the power generated by NTPC is produced with hydro – water is the most reliable source of renewable generation. From the results we are seeing to date on the Snare system, 2016/17 looks like a normal water year and NTPC is expecting a return to the majority of its generation coming through hydro.

To ensure reliability the total generating capacity of NTPC's facilities exceeds the peak load in each community. This provides NTPC with the ability to carry out annual maintenance programs without compromising reserve capacity requirements. NTPC balanced water and diesel usage during this past winter in order to maximize hydro-generated power. This resulted in an increase of 20 per cent in the use of diesel to maintain service to the communities of Yellowknife, Behchoko, Ndilo and Dettah.

NTPC Strategic Direction

The electricity industry in the NWT continues to change and requires NTPC to manage the unique challenges it faces while maintaining reliability and operational efficiency.

The current strategy for NTPC supports the GNWT's mandate and is one of supporting economic development while focusing on the core business and three fundamental concepts that are referred to as our pillars:

1. **Reliability:** Increase reliability of our core operations using sound and cost effective practices that ensure long term sustainability.
2. **Cost Effectiveness:** Improve efficiency in order to control costs over the long term while not exposing NTPC to risk.
3. **Meeting Commitments:** Match or exceed performance commitments in all aspects of our operations.

By focusing on these three fundamental needs NTPC will bring value to its customers and its shareholder.

Loading the truck for winter road delivery of supplies



Core strategies

Employee Excellence

Strengthen the Corporation by emphasizing employee development and safety while encouraging and supporting a workplace where employees are engaged, aligned, collaborative, and feel valued and recognized for their efforts.

Operational Excellence

Strengthen the Corporation by emphasizing effective and efficient use of our assets while using well thought-out planning and execution. Industry-leading practices are to be utilized to achieve top quartile performance.

Customer Service Excellence

Providing excellent value and service to our customers, while delivering reliable service and ensuring public safety.

Financial Excellence

Efficient use of resources and information to ensure the financial health of the Corporation is maintained.

2015/16 Financial Results

The majority of NT Hydro's operating results come from NTPC operations. Only the Statement of Financial Position will show any differences in the financial results of NT Hydro Consolidated and NTPC Consolidated. This discussion will focus on the comparison of 2015/16 actuals to budget.

NTPC had electricity sales of \$99.8 million in 2015/16 compared to \$101.7 million in the budget. This decrease is attributed to a 3% decline in unit sales offset partially by a 5.6% increase in power rates. Power rates increased in 2015/16 as the final phase of NTPC's four year graduated rate increase approved in Decision 1-2013. Lower than budgeted sales which started in Q1 and Q2 of 2015/16 resulting from conservation efforts and a reduction in the number of NTPC customers were exacerbated by the warmer than normal winter temperatures in Q3 and Q4 and Wholesale, General Service and Residential sales remained below budget. Partially offsetting the loss in electricity revenues are revenues from other sources. Other revenues and customer contributions, which represent sales of heat and revenue from contract work, exceeded budget by \$334. The Corporation received \$1.3 million in unbudgeted insurance settlements related to an engine fire at the Yellowknife Jackfish plant and a bearing failure in one of the hydro units at the Snare plant. Fuel rider revenues which were implemented in May 2014, continued into 2015/16. This rider ended October 31, 2015. Revenues from this rider exceeded budget and were put in place to collect fuel costs over and above those built into rates.

NTPC's operating expenses are functionalized based on generation source as well as corporate expenses and transmission, distribution and retail. Total operating expenses for NTPC in 2015/16 were \$125.2 million compared to \$127.0 in the budget. The \$31.7 million spent on capital projects in 2015/16 impacted the operating budget in a number of ways. The replacement of significant assets throughout the Corporation resulted in losses on disposal \$4.3 million more than budget. As some of the projects undertaken were not completed in 2015/16 as expected, financing costs were lower than budget by \$0.4 million, and the amortization expenses were underbudget by \$0.6 million. Other differences in 2015/16 between budget and actual came from costs that are more difficult to predict. Fuel and purchased power costs were underbudget by \$3.5 million as a result of falling fuel prices and decreased generation resulting from the reduction in sales. NTPC's environmental liability expenses were underbudget by \$0.9 million. Thermal engine overhaul costs were \$0.5 million higher than budget and staff turnover resulted in actual salary costs \$0.9 million lower than budget.

The GNWT once again offset the costs of extreme low water operations in Yellowknife in 2015/16. This year the GNWT contributed \$23 million. Adding to the \$14.2 million provided in 2014/15, the GNWT has spent a total of \$37.2 million to date to offset the costs of extreme low water operations for the customers of NTPC. In addition, the GNWT provided \$1.7 million to offset costs related to LED streetlight conversion, a solar installation in Ft. Liard and alternative uses for excess generation capacity on the Taltson system.

Future Outlook

As the 2016/17 begins, NTPC has submitted its 2016/19 General Rate Application (GRA) as well as an application for an interim rate increase for 2016/17. NTPC's interim rider for a 4.8% increase in energy rates was approved by the PUB in July and was effective August 1, 2016. As a result of the dramatic fall of fuel prices in 2014/15 and 2015/16, NTPC's fuel stabilization fund had built up to the point that the PUB approved a fuel refund rider as of June 1. This rider is expected to extend over three years and refund approximately \$2.5 million to customers.

The installation of the Computerized Maintenance Management System (CMMS) in 2015/16 should mean a significant shift in NTPC expenditures from corrective to preventative maintenance – all geared at improving reliability and efficiencies. Initial steps for the integration of this CMMS system with the Corporation's financial system will begin in 2016/17 and will result in further operational efficiencies.

Capital expenditures in 2016/17 are forecast at \$27.8 million with a focus of replacing aging infrastructure and exploring technologies that will improve fuel and information efficiencies investment in new modular generators at the Jackfish plant in Yellowknife, final work on the replacement of the Snare Cascades electronic governor, final work to complete the Snare Falls overhaul, a variable speed generator pilot project and the initial phase of replacing old meter technology with Intelligent Meter Hubs.

Capital Expenditures (in thousands)

	Budget 2016/17	Actual 2015/16	Change
Capital expenditures:	\$ 27,848	\$ 31,690	\$ 3,842

Moving forward, NTPC will continue to work collaboratively with its Shareholder in 2016/17 to further the GNWT's Energy Strategy through long-term energy sustainability in the territory through researching, monitoring and funding alternative and renewable energy solutions that can be integrated into NWT communities and the NWT power system and transmission connections that could be transformational to the future economic development of the NWT.

Respectfully submitted,



Belinda Whitford
Chief Financial Officer



NWT Track & Field Championships, Hay River



**NORTHWEST TERRITORIES HYDRO CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016**



**NORTHWEST TERRITORIES
HYDRO
CORPORATION**

Power for Generations



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Hydro Corporation

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Hydro Corporation, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

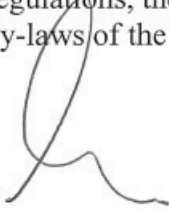
Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Hydro Corporation as at 31 March 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

I report that, in my opinion, the accounting principles in Canadian public sector accounting standards 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 Northwest Territories Hydro Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Hydro Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Hydro Corporation Act* and regulations and the by-laws of the Northwest Territories Hydro Corporation.



Guy LeGras, CPA, CA
Principal
for the Auditor General of Canada

24 August 2016
Edmonton, Canada

NORTHWEST TERRITORIES HYDRO CORPORATION

Management's Responsibility for Financial Reporting

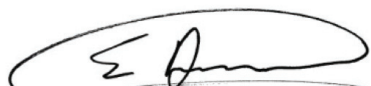
The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant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

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

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing 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 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.



Emanuel DaRosa
President & Chief Executive Officer



Belinda Whitford
Chief Financial Officer

Hay River, NT
August 24, 2016

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2016	2015
Financial assets		
Cash	\$ 1,236	\$ 2,333
Revenues receivable (Note 3)	14,559	12,999
Loan receivable (Note 4)	15,306	16,134
Sinking fund investments (Note 5)	7,988	7,194
Investment in Aadrii Ltd. (Note 6)	393	656
	39,482	39,316
Liabilities		
Accounts payable and accrued liabilities	19,457	22,219
Capital lease obligations (Note 4)	18,568	20,670
Debenture debt (Note 5)	181,818	184,326
Operating line of credit (Note 7)	32,600	18,115
Asset retirement obligations and environmental liabilities (Note 8)	17,674	18,553
Other employee future benefits (Note 9)	3,056	3,248
Deferred government contributions (Note 10)	2,702	5,781
	275,875	272,912
Net debt	\$ (236,393)	\$ (233,596)
Non-financial assets		
Tangible capital assets (Note 11)	349,526	340,456
Inventories (Note 12)	8,981	9,142
Prepaid expenses	1,056	854
	359,563	350,452
Accumulated surplus / equity (Note 13)	\$ 123,170	\$ 116,856

Contractual obligations and contingencies (Note 21)

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

Approved on behalf of the Board:


Paul Guy, Chairman of the Board


David Stewart, Director

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2016 Budget	2016 Actual	2015 Actual
Revenues			
Sale of power (Note 14)	\$ 101,687	\$ 99,783	\$ 96,333
Other revenue and customer contributions (Note 15)	2,177	2,511	2,160
Fuel rider revenues (Note 1)	1,629	1,711	2,996
Interest income (Note 17)	1,539	1,616	1,677
Insurance proceeds	-	1,278	-
(Loss) Income from investment in Aadrii Ltd. (Note 6)	-	(39)	45
	107,032	106,860	103,211
Expenses (Note 16)			
Thermal generation	77,497	76,942	76,208
Hydro generation	18,015	18,531	17,856
Corporate services	17,503	17,155	17,560
Transmission, distribution and retail	11,255	10,059	10,155
Purchased power	2,444	2,263	3,462
Alternative power generation	308	336	332
	127,022	125,286	125,573
Deficit for the year before government contributions	(19,990)	(18,426)	(22,362)
Government contributions			
GNWT extreme low water contributions (Note 10)	19,565	23,008	14,219
Other government contributions (Note 18)	762	1,732	2,228
GNWT power sales contributions (Note 19)	-	-	2,800
	20,327	24,740	19,247
Surplus (deficit) for the year before adjustment for NTPC PSAS conversion	\$ 337	\$ 6,314	\$ (3,115)
Adjustment resulting from NTPC conversion to PSAS, beginning of year	-	-	4,141
Surplus for the year	\$ 337	\$ 6,314	\$ 1,026
Accumulated surplus / equity, beginning of year	116,856	116,856	115,830
Accumulated surplus / equity, end of year	\$ 117,193	\$ 123,170	\$ 116,856

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

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Surplus for the year	\$ 337	\$ 6,314	\$ 1,026
Tangible capital assets			
Additions	(27,899)	(27,155)	(18,320)
Capitalized overhead	(4,175)	(3,790)	(3,575)
Capitalized interest (Note 17)	(476)	(745)	(446)
Disposals	-	6,466	258
Amortization (Note 11)	16,796	16,155	15,439
	<u>(15,754)</u>	<u>(9,069)</u>	<u>(6,644)</u>
Additions of inventories	(5,191)	(7,272)	(6,456)
Use of inventories	4,747	7,431	6,314
Additions to prepaids	(1,700)	(1,759)	(2,057)
Use of prepaids	1,600	1,558	2,255
	<u>(544)</u>	<u>(42)</u>	<u>56</u>
Increase in net debt for the year	<u>(15,961)</u>	<u>(2,797)</u>	<u>(5,562)</u>
Net (debt) financial assets, beginning of year	(233,596)	(233,596)	113,382
Adjustment to net financial assets upon consolidation of NTPC, beginning of year	-	-	(341,416)
Adjusted net debt, beginning of year	<u>(233,596)</u>	<u>(233,596)</u>	<u>(228,034)</u>
Net debt, end of year	<u>\$ (249,557)</u>	<u>\$ (236,393)</u>	<u>\$ (233,596)</u>

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

NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2016	2015
Cash provided by (used in) operating activities		
Cash receipts from customers	\$ 103,887	\$ 101,175
Government contributions received	21,447	25,477
Cash paid to suppliers	(71,331)	(62,208)
Cash paid to employees	(26,690)	(26,941)
Interest paid (Note 4)	(11,310)	(11,508)
Interest received (Note 4)	104	89
	16,107	26,084
Cash provided by (used in) investing activities		
Loan receivable receipts (Note 4)	128	84
Sinking fund investment purchases	(794)	(681)
Return of capital from Aadrii Ltd.	225	-
	(441)	(597)
Cash provided by (used in) capital activities		
Acquisition and development of tangible capital assets	(28,824)	(21,662)
Proceeds on sale of tangible capital assets	162	7
	(28,662)	(21,655)
Cash provided by (used in) financing activities		
Net proceeds from operating line of credit	14,485	227
Repayment of debenture debt	(2,552)	(2,421)
Repayment of capital lease obligations (Note 4)	(34)	(444)
Repayments to related parties	-	(18)
	11,899	(2,656)
(Decrease) increase in cash	\$ (1,097)	\$ 1,176
Cash, beginning of year	\$ 2,333	\$ 475
Adjustment to cash upon consolidation of NTPC, beginning of year	-	682
Adjusted cash, beginning of year	2,333	1,157
Cash, end of year	\$ 1,236	\$ 2,333

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

NORTHWEST TERRITORIES HYDRO CORPORATION

1. The Corporation

a) Authority and corporate information

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

NT Hydro's primary asset is its 100% ownership interest in Northwest Territories Power Corporation (NTPC), which owns and operates hydroelectric, diesel, gas and photovoltaic generation facilities to provide utility services in the Northwest Territories. NTPC is a regulated company, established under the *Northwest Territories Power Corporation Act* and controls one wholly-owned subsidiary, the Northwest Territories Energy Corporation Ltd. (NWTEC). NWTEC, under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility (Note 4). NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson (Note 6).

NT Hydro has another subsidiary, the Northwest Territories Energy Corporation (03) Ltd. (NTEC(03)). NTEC(03) was inactive in fiscal 2016 as the operations were transferred to the GNWT's Public Works and Services (PWS) effective April 1, 2015 (Note 20).

b) Regulated activities

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

The PUB is required to review the affairs, earnings and accounts of NTPC a minimum of every three years. The regulatory hearing process used to establish or change rates typically begins when NTPC makes a General Rate Application (GRA) for its proposed electricity rate changes. Normally, NTPC applies for rates in advance of the applicable fiscal years (Test Years) to which the new rates will apply. In addition to GRAs, interim rate applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next GRA, when rates are reviewed and set as final.

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. On January 21, 2013 in Decision 1-2013 the PUB approved a return on equity for fiscal 2013 and fiscal 2014 of 8.5% on assets outside the thermal zone and 0% for thermal zone assets. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

Decision 8-2015 issued by the PUB on March 12, 2015 was the final Decision related to the phasing in of the 2013/14 revenue requirement. The Decision approved a 6.2% increase in base energy rates effective April 1, 2015 for fiscal 2016.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 1. The Corporation (continued)

In Decision 16-2010, the PUB approved the establishment of the Territory-wide Rate Stabilization Fund (RSF) for NTPC in order to flow through to customers, subject to a \$2,500 threshold, variances in fuel prices and purchased power prices relative to the GRA forecast, and to flow through fuel mix variances in dual fuel communities, pursuant to the Electricity Rate Policy Guidelines issued by the Minister Responsible for the PUB. In April 2014, under NTPC's RSF, the PUB approved a RSF rider of 1.17 cents/kWh effective May 1, 2014 for all firm power customers with the exception of Northland Utilities (NWT) Limited. The collection of this rider completed on October 31, 2015.

Note 23 provides additional information on NTPC's interim rate filing, GRA filing and refund rider filing with the PUB in fiscal 2017.

c) Economic Dependence

NT Hydro has historically been able to maintain its operations and meet its liabilities through the rate regulation process without receiving any significant financial assistance from the GNWT and was classified as a GBE. Over the past few years, in order to mitigate rate increases to customers, the GNWT has provided larger increases in subsidization to customers through rates by providing direct contributions to NTPC to apply against those rate increases. As a result of this government driven policy, NT Hydro is economically dependent on the GNWT to maintain its operations and meet its liabilities. It is expected that the ongoing operations of NT Hydro will depend on continued financial support from GNWT.

2. Significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board (PSAB). The accounting policies set out below have been applied in preparing the consolidated financial statements as at March 31, 2016.

a) Basis of consolidation

The consolidated financial statements of NT Hydro consist of the consolidation of the accounts of the NT Hydro and its wholly-owned subsidiaries, from the date that control commences until the date that control ceases. NT Hydro's investment in a government business partnership, resulting from NWTEC's 50% shared ownership in Aadrii Ltd. (Note 6) is accounted for using the modified equity method using NWTEC's 50% share of Aadrii Ltd. to record its investment, the net income and other changes in equity.

Inter-entity transactions and balances with wholly owned subsidiaries are eliminated upon consolidation. The inter-entity transactions and balances of the subsidiaries accounted for using the modified equity basis are not eliminated.

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

b) Measurement uncertainty

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

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ significantly from these estimates.

c) Inventories

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

d) Financial instruments

The financial instruments of NT Hydro are classified and measured at amortized cost using the effective interest method and include the following: cash, revenues receivable, sinking fund investments, loan receivable, accounts payable and accrued liabilities, the operating line of credit, and the debenture debt.

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

All financial assets, excluding receivables, are tested annually for impairment or more frequently if indicators of impairment exist. When these financial assets are impaired, impairment losses are recorded in the consolidated statement of operations and accumulated surplus. Such impairment is not reversed following a subsequent increase in value.

Transaction costs, with respect to financial assets and liabilities carried at amortized cost, are added to the initial cost of the acquired financial asset or financial liability.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

e) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at historical cost less accumulated amortization. Costs include amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and capitalized interest directly attributable to construction or development (IDC). Capitalization of interest ceases when no construction or development is taking place or when a tangible capital asset is ready for use in producing goods or services. The IDC rate for fiscal 2016 was 5.676% (2015 – 5.676%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

i) Leased tangible capital assets

Leases that transfer substantially all of the benefits and risks incidental to ownership of tangible capital assets are accounted for as leased tangible capital assets and a lease liability. The value of the leased tangible capital asset and lease liability is recorded at the inception of the lease based upon the present value of the minimum lease payments, excluding executory costs.

ii) Transfers of tangible capital assets

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

iii) Impairment

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

iv) Amortization

The cost, less residual value, of tangible capital assets, excluding land, is amortized on the straight-line average group useful life basis.

Annual amortization rates are as follows:

	%
Electric power plants	1.00 – 6.63
Transmission and distribution systems	1.54 – 5.00
Electric power plant under capital lease	1.33 – 1.54
Warehouse, equipment, motor vehicles and general facilities	1.00 – 12.83
LNG and other equipment under capital lease	20.0

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

Assets under construction are not amortized until they are ready for their intended productive use. NT Hydro uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

f) Government contributions

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

g) Customer contributions in aid of construction

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

h) Public service pension plan

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

i) Other employee future benefits

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

i) Severance and ultimate removal benefits

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

ii) Sick leave benefits

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

j) Asset retirement obligations

On an annual basis, NT Hydro identifies legal obligations associated with the retirement of its tangible capital assets. Management's best estimate of the future expenditures required to settle the legal obligations are recognized to the extent that they can be reasonably estimated and are calculated based on the estimated future cash flows necessary to discharge the legal obligations, discounted using NT Hydro's cost of borrowing for maturity dates that coincide with the expected future cash flows.

The estimated asset retirement obligation (ARO) is recorded as a liability and a corresponding increase to tangible capital assets. The liability for AROs is increased annually for the passage of time by calculating accretion on the liability based on the discount rates implicit in the initial measurement. Changes in the obligation resulting from revisions to the timing or amount of the estimated undiscounted future cash flows or revisions to the discount rate are recognized as an increase or decrease in the related carrying amount of the related tangible capital asset.

NT Hydro has identified AROs for certain hydro, thermal, transmission and distribution assets where NT Hydro expects to maintain and operate these assets indefinitely and therefore no related ARO has been recognized.

k) Environmental liabilities

Environmental liabilities consist of the estimated costs related to the monitoring, maintenance and remediation of environmentally contaminated sites. NT Hydro recognizes environmental liabilities when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NT Hydro is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made.

Environmental liabilities are discounted for the time value of money. NT Hydro reviews its estimates of future environmental liabilities on an on-going basis.

l) Foreign currency translation

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

m) Revenues

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

Interest, contract, contribution and other revenues are recognized on the accrual basis.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 2. Significant accounting policies (continued)

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingencies

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

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

p) Non-financial assets

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

3. Revenues receivable

At March 31, 2016, the aging of revenues receivable was as follows:

	2016			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	\$ 11,180	\$ 523	\$ 298	\$ 12,001
Non-utility	2,436	2	438	2,876
Allowance for doubtful accounts	-	-	(318)	(318)
	<u>\$ 13,616</u>	<u>\$ 525</u>	<u>\$ 418</u>	<u>\$ 14,559</u>

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 3. Revenues receivable (continued)

At March 31, 2015, the aging of revenues receivable was as follows:

	2015			Total
	Current (less than 28 days)	29-90 days	Over 90 days	
Utility	\$ 10,336	\$ 691	\$ 325	\$ 11,352
Non-utility	494	-	1,665	2,159
Allowance for doubtful accounts	-	-	(512)	(512)
	<u>\$ 10,830</u>	<u>\$ 691</u>	<u>\$ 1,478</u>	<u>\$ 12,999</u>

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

	2016	2015
Balance, beginning of the year	\$ (512)	\$ (793)
Receivables written off	89	193
Decrease (increase) to allowance	105	88
Balance, end of the year	<u>\$ (318)</u>	<u>\$ (512)</u>

Revenues receivable on utility and non-utility accounts are generally due in 45 days and interest is charged after 28 and 30 days, respectively, at rates in the terms of service agreement. As at March 31, 2016, NT Hydro provided an allowance for doubtful accounts for some of its revenues receivable accounts with amounts outstanding longer than 90 days. Additional disclosures on NT Hydro's exposure and management of credit risk associated with revenues receivable can be found in Note 22.

4. Loan receivable and capital lease obligations

Loan receivable

NWTEC loaned \$22,900 to the Dogrib Power Corporation (DPC) to finance the construction of a hydroelectric generating plant on the Snare River (the "Snare Plant") in the NWT between 1994 and 1996. The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWTEC's debenture debt issued to finance the loan. It is due July 2026 and is repayable in equal monthly blended principal and interest payments of \$195.

Loan receivable payments and the capital lease payments for the Snare Plant are settled on a net basis and are presented on a net basis on the statement of cash flows.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 4. Loan receivable and capital lease obligations (continued)

Capital lease obligations

Snare Plant

NTPC has an initial 65-year lease from the DPC for the Snare Plant at an imputed interest rate of 9.6% until 2061. The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by arbitration. The renewal term will be based on the end of the useful life of the property or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Plant is included in electric power plant under capital lease (Note 11).

A \$4,000 guarantee from DPC's parent company, the Tlicho Investment Corporation and a blocked account agreement established by DPC provide collateral for the loan receivable. NWTEC has signing authority and full control over the blocked account in the event of default. At the beginning of each fiscal year, the balance in the blocked account must be equal to the top up payments (the difference between the loan payment made by DPC to NWTEC and the lease payment received by DPC from NTPC) required for the next 12 months.

Colville Lake Office

In 2016, NTPC entered into a capital lease arrangement for a trailer in Colville Lake with minimum monthly payments of \$4 until June 1, 2020.

LNG Capital Lease Obligation

On April 1, 2015, NTEC(03) transferred its lease obligation related to a liquefied natural gas (LNG) facility in Inuvik to the GNWT. The net present value of the lease obligation transferred was \$1,883.

The present values of the minimum lease payments required for the capital lease obligation over the next five years and thereafter are as follows:

	Colville Lake		
	Snare Plant	Office	Total
2017	\$ 2,167	\$ 48	\$ 2,215
2018	2,121	48	2,169
2019	2,073	48	2,121
2020	2,024	48	2,072
2021	1,974	8	1,982
Thereafter	46,445	-	46,445
	56,804	200	57,004
Less: amounts representing imputed interest	(38,422)	(14)	(38,436)
Total capital lease obligations	\$ 18,382	\$ 186	\$ 18,568

Additional disclosures on NT Hydro's exposure and management of risk associated with the loan receivable and associated capital lease obligations can be found in Note 22.

NORTHWEST TERRITORIES HYDRO CORPORATION

5. Debenture debt and related sinking fund investments

	2016	2015
5.16% amortizing debenture, due September 13, 2040	\$ 46,545	\$ 47,476
5.443% debenture, due August 1, 2028	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032	11,333	12,000
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	5,883	6,206
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	5,085	5,394
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	5,002	5,323
	\$ 182,548	\$ 185,099
Less: Unamortized premium, discount and issuance costs	(730)	(773)
	\$ 181,818	\$ 184,326

The GNWT guarantees NT Hydro's debenture debt.

Principal repayments for the next five years are as follows:

2017	2018	2019	2020	2021	Thereafter	Total
\$ 2,700	\$ 2,857	\$ 13,027	\$ 3,210	\$ 3,413	\$157,341	\$182,548

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 5. Debenture debt and related sinking fund investments (continued)

Sinking fund investments and requirements

Sinking fund investments are held by the Trustee for the redemption of debentures. The agreements require annual installments to retire debt at maturity. NT Hydro's sinking fund policy allows only Canadian fixed-income investments with investment grade credit. All asset classes are measured at cost or amortized cost, and market value approximates cost due to the short-term to maturity of the investments. Additional disclosures on NT Hydro's exposure and management of risk associated with sinking fund investments can be found in Note 22.

The weighted average effective rate of return for the year was 0.48% (2015 - 0.87%)

Estimated sinking fund investment requirements for future years are as follows:

2017	2018	2019	2020	2021	Thereafter	Total
\$ 680	\$ 680	\$ 680	\$ 290	\$ 290	\$ 1,450	\$ 4,070

6. Investment in Aadrii Ltd.

Included in NT Hydro's consolidated financial statements, is NWTEC's 50% shared ownership and joint control of Aadrii Ltd., a residual heat project in Fort McPherson. The investment is accounted for as a government business partnership using the modified equity method. The accounting records of Aadrii Ltd. are based upon International Financial Reporting Standards.

Condensed financial information of Aadrii Ltd. is as follows

Statement of Operations – Years ending March 31

	2016	2015
Heat revenues	\$ 1	\$ 208
Operating expenses including amortization	78	119
Net (loss) income	\$ (77)	\$ 89

Statement of Financial Position as at March 31

	2016	2015
Current assets	\$ 30	\$ 526
Non-current assets	760	810
	\$ 790	\$ 1,336
Current liabilities	\$ 5	\$ 23
Shareholder's equity	785	1,313
	\$ 790	\$ 1,336

Statement of Cash Flows Years ending March 31

	2016	2015
Cash flows provided by operating activities	\$ 24	\$ 146
Repayment to owners	\$ (450)	\$ -

During 2016, Aadrii's heat sales were minimal due to operational problems with the heating system and its primary customer. Normal operations are expected to continue in fiscal 2017.

NORTHWEST TERRITORIES HYDRO CORPORATION

7. Operating line of credit

NT Hydro has a \$50,000 (March 31, 2015 - \$30,000) operating line of credit with its bank. The operating line of credit allows NT Hydro to borrow using Bankers' Acceptances or other advances directly against the line of credit.

The short term debt outstanding at March 31, 2016 had a weighted average 43 day term and a 1.72% (2015 – 1.85%) weighted average annual interest rate.

8. Asset retirement obligations and environmental liabilities

	2016	2015
Balance, beginning of year	\$ 18,553	\$ 15,106
Liabilities settled	(1,641)	(147)
Accretion expense	166	149
Valuation adjustment	515	3,057
Additions	81	388
	<u>\$ 17,674</u>	<u>\$ 18,553</u>

AROs include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NTPC and the remediation of contaminated sites. Following is a summary of the key assumptions upon which the carrying amount of the AROs is based:

- Total expected future cash flows - \$48,132 (2015 - \$48,855)
- Expected timing of payments of the cash flows – asset removal and/or site remediation is expected to occur between 1 and 74 years with the majority occurring after 2040.
- The discount rate is the cost of borrowing rate of 2.47% (2015 – 2.33%) for those obligations to be settled in less than 10 years and 3.5% (2015 – 3.17%) for those obligations to be settled in 10 years or longer.

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NT Hydro estimates that it has 24 sites (2015 - 24 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NT Hydro is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

NORTHWEST TERRITORIES HYDRO CORPORATION

9. Other employee future benefits

a) Public Service Pension Plan:

The employees of NT Hydro participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.15 times (2015 – 1.28) the employees' contributions for employees who started prior to January 2013 and 1.1 times (2015 – 1.28) the employees' contributions for all other employees. Employer contributions of \$2,697 (2015 - \$2,810) were recognized as an expense in the current year. The employees contribution to this plan were \$1,850 (2015 - \$1,743).

The Plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60. Furthermore, contribution rates for current service for all members of the public service will increase gradually to an employer - employee cost sharing ratio of 50:50 by 2017.

b) Other employee future benefits:

Summary of other employee future benefit liabilities:

	2016			2015		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Accrued benefit obligation, beginning of the year	\$ 3,066	\$ 182	\$ 3,248	\$ 3,420	\$ 175	\$ 3,595
Current period benefit cost	454	(59)	395	33	106	139
Benefits paid during the year	(508)	(79)	(587)	(387)	(99)	(486)
Accrued benefit obligation, end of the year	<u>\$ 3,012</u>	<u>\$ 44</u>	<u>\$ 3,056</u>	<u>\$ 3,066</u>	<u>\$ 182</u>	<u>\$ 3,248</u>

An actuarial valuation for accounting purposes was prepared at March 31, 2015 using the projected benefits method prorated on services and the results were extrapolated to March 31, 2016. The next valuation will be conducted as of March 31, 2018.

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 9. Other employee future benefits (continued)

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

	<u>2016</u>	<u>2015</u>
Current benefits earned	\$ 313	\$ 64
Interest	73	75
Amortization of net actuarial loss	9	-
	<u>\$ 395</u>	<u>\$ 139</u>

Expected future benefit payments are as follows:

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>	<u>Total</u>
\$ 439	\$ 349	\$ 426	\$ 379	\$ 416	\$ 1,406	\$ 3,415

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

	<u>2016</u>	<u>2015</u>
Expected inflation rates	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	2.33%	2.33%
Expected average remaining service life of related employee groups (EARSL)	8.6 years	9.3 years

10. Deferred government contributions

In fiscal 2015, NT Hydro signed a contribution agreement with the GNWT to fund an expected \$20,000 in diesel fuel and lubricant costs and salaries related to additional operating time resulting from extreme low water on NTPC's hydro systems incurred between April 1, 2014 and December 31, 2015. NTPC received the \$20,000 from the GNWT in fiscal 2015.

On October 15, 2015 NT Hydro and the GNWT signed a contribution agreement in the amount of \$27,864 to cover the additional operating expenses expected to be incurred by NTPC in fiscals 2016 and 2017 due to continued extreme low water conditions including diesel fuel and lubricant costs, salaries, overhauls and expense related to the failure of a hydro unit at the Snare Falls Hydro Plant in fiscal 2015 not first recoverable through insurance proceeds. The agreement also includes funding for two fiscal 2016 capital projects: \$300 for LED streetlight conversions and \$100 for a 10 – 15 kW solar project in Wrigley. Due to the decrease in NTPC's unit price of diesel fuel, an amendment to the agreement was signed on January 14, 2016 to reduce the total contribution to the amount of \$24,829. The reduction applies solely to the costs related to the extreme low water conditions. NTPC received \$20,329 of this contribution agreement from the GNWT in fiscal 2016.

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 10. Deferred government contributions (continued)

As of March 31, 2016 \$23,008 (2015-\$14,219) has been recorded as extreme low water government contribution to offset equivalent costs resulting from extreme low water. \$5,781 of those contribution revenues are related to the initial contribution agreement from fiscal 2015.

The unspent balance of the extreme low water contribution agreements was \$2,702 (2015 - \$5,781) at March 31, 2016 and is recorded in deferred government contributions. These funds will be recognized as extreme low water government contributions in fiscal 2017 to offset equivalent thermal generation expenses related to the additional diesel fuel and lubricant and other costs resulting from extreme low water between April 1, 2016 and March 31, 2017.

11. Tangible capital assets

	March 31, 2016						
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	LNG assets under capital lease	Construction work in progress	Total
Cost							
Opening balance	\$ 312,907	\$ 86,299	\$ 55,091	\$ 26,469	\$ 2,556	\$ 15,637	\$ 498,959
Additions	1,123	-	-	-	-	30,568	31,691
Transfers – completed projects	15,225	5,088	8,704	422	-	(29,439)	-
Disposals	(4,306)	(1,480)	(3,725)	-	(2,556)	-	(12,067)
Closing balance	324,949	89,907	60,070	26,891	-	16,766	518,583
Accumulated Amortization							
Opening balance	(97,214)	(27,096)	(26,024)	(7,620)	(549)	-	(158,503)
Amortization	(9,531)	(2,365)	(3,819)	(440)	-	-	(16,155)
Disposals	1,571	824	2,657	-	549	-	5,601
Closing balance	(105,174)	(28,637)	(27,186)	(8,060)	-	-	(169,057)
Net book value	\$ 219,775	\$ 61,270	\$ 32,884	\$ 18,831	\$ -	\$ 16,766	\$ 349,526

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 11. Tangible capital assets (continued)

	March 31, 2015						
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	LNG assets under capital lease	Construction work in progress	Total
Cost							
Opening balance	\$ -	\$ -	\$ 63	\$ -	\$ 1,314	\$ 1,203	\$ 2,580
Net change in account balances assumed on consolidation of NTPC from modified equity	298,994	81,793	52,792	26,469	-	17,922	477,970
Additions	1,361	-	-	-	-	20,980	22,341
Transfers – completed projects	15,003	4,714	3,509	-	1,242	(24,468)	-
Disposals	(2,451)	(208)	(1,273)	-	-	-	(3,932)
Closing balance	312,907	86,299	55,091	26,469	2,556	15,637	498,959
Accumulated Amortization							
Opening balance	\$ -	\$ -	\$ (22)	\$ -	\$ (111)	\$ -	\$ (133)
Net change in account balances assumed on consolidation of NTPC from modified equity	(90,727)	(24,987)	(23,706)	(7,185)	-	-	(146,605)
Amortization	(8,807)	(2,302)	(3,457)	(435)	(438)	-	(15,439)
Disposals	2,320	193	1,161	-	-	-	3,674
Closing balance	(97,214)	(27,096)	(26,024)	(7,620)	(549)	-	(158,503)
Net book value	\$ 215,693	\$ 59,203	\$ 29,067	\$ 18,849	\$ 2,007	\$ 15,637	\$ 340,456

NORTHWEST TERRITORIES HYDRO CORPORATION

12. Inventories

	<u>2016</u>	<u>2015</u>
Materials, supplies and lubricants	\$ 4,461	\$ 6,067
Critical spare parts	4,169	2,735
Fuel	351	340
	<u>\$ 8,981</u>	<u>\$ 9,142</u>

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is only held in five of NT Hydro's operating plants. The LNG fuel requirement for NT Hydro's Inuvik plant is managed under the LNG fuel supply agreement described in Note 21. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 21.

13. Accumulated surplus / equity

	<u>2016</u>	<u>2015</u>
Share capital, common and preferred shares	\$ 43,129	\$ 43,129
Accumulated operating surplus / equity	80,041	73,727
	<u>\$ 123,170</u>	<u>\$ 116,856</u>

The authorized share capital of NT Hydro is comprised of one common share without par value and one preferred, non-cumulative share without par value. As at March 31, 2016, 1 common share (2015 – 1 common share), at \$43,129 per share, (2015 – \$43,129 per share), has been issued and fully paid, and one preferred share at one dollar.

NT Hydro may only issue its shares to the GNWT.

14. Sale of power

	<u>2016</u>	<u>2015</u>
Power sales to external customers	\$ 73,649	\$ 70,499
Power sales to GNWT and related parties	14,525	14,928
GNWT HSP payments	6,330	5,983
GNWT TPSP payments	5,279	4,923
	<u>\$ 99,783</u>	<u>\$ 96,333</u>

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

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

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 14. Sale of power (continued)

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

15. Other revenue and customer contributions

	<u>2016</u>	<u>2015</u>
Customer contributions in aid of construction	\$ 774	\$ 536
Contract work	762	353
Connection fees	296	341
Heat revenues	291	555
Pole rental	283	273
Miscellaneous	105	102
	<u>\$ 2,511</u>	<u>\$ 2,160</u>

Customer contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of financial contributions from customers. During year, capital customer contributions of \$774 (2015 - \$536) were recognized as revenue.

16. Expenses

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

	<u>2016</u>	<u>2015</u>
Fuels and lubricants (Note 21)	\$ 40,641	\$ 44,663
Salaries and wages	25,050	26,404
Supplies and services	23,934	22,340
Amortization (Note 11)	16,155	15,439
Interest expense (Note 17)	12,380	12,947
Net loss on disposal of assets	4,379	1,052
Travel and accommodation	2,581	2,579
Accretion on AROs (Note 7)	166	149
	<u>\$ 125,286</u>	<u>\$ 125,573</u>

NORTHWEST TERRITORIES HYDRO CORPORATION

17. Interest expense and interest income

Interest expense

	<u>2016</u>	<u>2015</u>
Interest on debenture debt and capital leases (Notes 4, 5)	\$ 12,556	\$ 12,848
Short-term debt financing costs (Note 7)	569	545
Capitalized interest during construction	(745)	(446)
	<u>\$ 12,380</u>	<u>\$ 12,947</u>

Interest income

	<u>2016</u>	<u>2015</u>
Income on loan receivable (Note 4)	\$ 1,513	\$ 1,588
Income from sinking fund investments (Note 5)	35	59
Income from overdue accounts	68	30
	<u>\$ 1,616</u>	<u>\$ 1,677</u>

18. Other government contributions

NT Hydro recorded \$1,732 in government contributions (2015 - \$2,228) relating to various contribution agreements with the GNWT. The agreements in fiscal 2016 were all one year agreements between NTPC and the GNWT. Total eligible expenditures (capital and operating) were \$1,676, of which \$1,472 was eligible for government contributions. These projects included the LED streetlight replacement program in fifteen communities, solar PV in several communities, organic rankine cycle generator study, and a south slave heat feasibility study. As at March 31, 2016, the resulting net receivable regarding these projects is \$186. Additionally, the GNWT made an in-kind infrastructure contribution in the amount of \$260 of solar panels in Fort Liard, which is recorded in tangible capital assets and government contribution revenues

19. GNWT power sale contributions

As part of the GRA and Decision 1-2013, NTPC signed a contribution agreement in fiscal 2013 with the GNWT to cover anticipated revenue shortfalls. Contributions are provided by the GNWT to NTPC to mitigate the impact of operating expenses on rate increases to customers over three years. Contributions for all years were received in the year specified. The agreement specified maximum contributions as follows:

2013 - \$17.6 million less \$2 million of foregone dividends = \$15.6 million

2014 - \$11.4 million less \$2 million of foregone dividends = \$ 9.4 million

2015 - \$ 4.8 million less \$2 million of foregone dividends = \$ 2.8 million

NORTHWEST TERRITORIES HYDRO CORPORATION

20. Related party transactions and balances

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

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

	2016	2015
Revenue		
Other revenue	\$ 486	\$ 288
Expenses		
Purchases of fuel from PWS (Note 21)	\$ 34,380	\$ 35,538
Other operating expenses	273	782
	\$ 34,653	\$ 36,320
Financial assets		
Revenues receivable		
Utility	\$ 1,040	\$ 1,953
Non-utility	93	347
Allowance for doubtful accounts	-	(68)
	\$ 1,133	\$ 2,232
Liabilities		
Accounts payable to PWS for fuel (Note 21)	\$ 6,610	\$ 8,694
Other accounts payable and accrued liabilities	26	37
	\$ 6,636	\$ 8,731

Transfer of NTEC(03) operations

In fiscal 2015 the GNWT issued a Directive for the operations of NTEC(03) (a wholly-owned subsidiary of NT Hydro) to be brought under the Petroleum Products Division of Public Works and Services (PWS), renamed to "Fuel Services Division" (FSD), effective April 1, 2015. As part of the windup of NTEC(03), NTPC reviewed its loan receivable from NT Hydro for NT Hydro's investment in NTEC(03) and Sahdae Energy Ltd. (SEL) as of March 31, 2014. With the operations of NTEC(03) moving to the FSD in fiscal 2016 and no additional sources of revenues, NT Hydro indicated the loan would not be repaid. In December 2014, NTPC's Board of Directors voted to write off a \$4,565 loan receivable from NT Hydro for NT Hydro's investment in NTEC(03) and SEL and a short-term loan for \$292 resulting from various transactions.

NORTHWEST TERRITORIES HYDRO CORPORATION

21. Contractual obligations and contingencies

a) Contractual obligations

NT Hydro and its subsidiaries have entered into agreements for, or are contractually committed for the following expenses that will be incurred subsequent to March 31, 2016:

	<u>Expiry</u>	<u>2017</u>	<u>2018 and subsequent</u>
Non related parties	2021	\$ 7,690	\$ 3,124

NT Hydro and its subsidiaries have entered into the following contractual obligations with related parties:

Fuel management services agreement

NTPC has a fuel management services agreement with the PWS. Under this agreement fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by PWS. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from PWS in a given year. The contract expires March 31, 2021.

Liquefied natural gas (LNG) purchases

On October 31, 2013 NTPC entered into an agreement with NTEC(03) to supply NTPC with LNG to its' Inuvik facilities. This contract was transferred to PWS as of April 1, 2015 without interruption of service. The agreement is effective for five years until October 31, 2018. The price of LNG under this agreement varies with PWS's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee.

b) Contingencies

Statement of claim

A Statement of Claim naming NTPC as a defendant along with two former employees was received June 11, 2015 in connection with an event that occurred in 2013 while clearing a transmission line near Fort Smith. It is too early to assess any potential liability resulting from this claim.

NORTHWEST TERRITORIES HYDRO CORPORATION

22. Financial instruments and risk management

Risks – overview

NT Hydro's financial instruments include cash, revenues receivable, loan receivable, accounts payable and accrued liabilities, debenture debt, sinking fund investments and the operating line of credit.

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

a) Credit risk

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

	<u>2016</u>	<u>2015</u>
Loan receivable	\$ 15,306	\$ 16,134
Revenues receivable	14,559	12,999
Sinking fund investments	7,988	7,194
Cash	1,236	2,333
	<u>\$ 39,089</u>	<u>\$ 38,660</u>

Loan receivable

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by security in place. See Note 4 for additional details.

Revenues receivable

NT Hydro minimizes revenues receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty seven percent (2015 - 37%) of NTPC's sales are to two other utilities. Twenty six percent (2015 - 27%) of sales, including HSP and TPSP are to the GNWT.

Sinking fund investments and cash

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

NORTHWEST TERRITORIES HYDRO CORPORATION

Note 22. Financial instruments and risk management (continued)

b) Liquidity risk

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

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a \$50,000 operating line with a reputable financial institution. The following table shows the maturities of the operating line of credit, debenture debt, sinking funds, Snare capital lease obligation, the associated loan receivable, and the LNG capital lease agreement:

	March 31, 2016				
	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Operating line of credit	\$ 32,600	\$ -	\$ -	\$ -	\$ 32,600
Debenture debt	2,700	26,138	115,335	38,375	182,548
Sinking fund investments	-	(5,385)	(2,603)	-	(7,988)
Snare capital lease obligation	2,215	10,218	21,941	22,582	56,956
Loan receivable	(2,341)	(11,704)	(10,144)	-	(24,189)
	<u>\$ 35,174</u>	<u>\$ 19,267</u>	<u>\$ 124,529</u>	<u>\$ 60,957</u>	<u>\$ 239,927</u>
	March 31, 2015				
	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Operating line of credit	\$ 18,115	\$ -	\$ -	\$ -	\$ 18,115
Debenture debt	2,552	25,207	116,388	40,953	185,100
Sinking fund investments	-	(4,890)	(2,304)	-	(7,194)
Snare capital lease obligation	2,212	10,360	22,532	23,913	59,017
Loan receivable	(2,341)	(11,704)	(12,484)	-	(26,529)
LNG capital lease obligation	565	1,435	-	-	2,000
	<u>\$ 21,103</u>	<u>\$ 20,408</u>	<u>\$ 124,132</u>	<u>\$ 64,866</u>	<u>\$ 230,509</u>

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Changes in market interest rates will cause fluctuations in the fair value of the loan receivable, the Snare capital lease obligation, the LNG capital lease obligation, debenture debt, and sinking fund investments as all have fixed rates. The impact on net income due to fluctuations in interest rates on the operating line of credit or sinking fund investments is not significant.

NORTHWEST TERRITORIES HYDRO CORPORATION

23. Subsequent events

(a) Power revenues

NTPC filed its 2016/19 GRA on June 30, 2016. NTPC is anticipating a PUB Decision on the application prior to March 31, 2017.

NTPC also filed an Interim Rate Application with the PUB on June 30, 2016. This application requested a 4.8% increase to base energy rates for all customers effective August 1, 2016. The PUB approved this application on July 26, 2016.

On April 29, 2016 NTPC filed a refund rider application to refund the balance of the RSF to customers resulting from the world wide decrease in fuel prices over the past two years. The PUB's Decision 6-2016 approved the refund rider of 0.36 cents/kWh effective June 1, 2016.

(b) Governance

On May 24, 2016 the GNWT revoked the appointment of its existing board members and formed a Board of Directors comprised of Deputy Ministers from the GNWT. Part of the new Board's mandate is to review and recommend an appropriate long term governance structure for NT Hydro.

24. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

**NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016**





INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Power Corporation, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Power Corporation as at 31 March 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Northwest Territories Power Corporation Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards 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 Northwest Territories Power Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Power Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Power Corporation Act* and regulations and the by-laws of the Northwest Territories Power Corporation.



Guy LeGras, CPA, CA
Principal
for the Auditor General of Canada

24 August 2016
Edmonton, Canada

NORTHWEST TERRITORIES POWER CORPORATION

Management's Responsibility for Financial Reporting

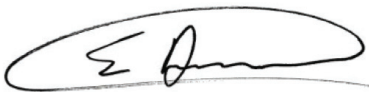
The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant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

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

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing 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.

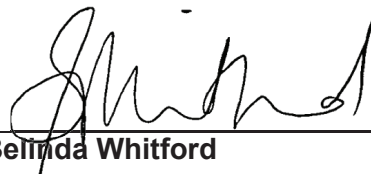
The Board of Directors appoints certain members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and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

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



Emanuel DaRosa

President & Chief Executive Officer



Bellinda Whitford

Chief Financial Officer

Hay River, NT
August 24, 2016

NORTHWEST TERRITORIES POWER CORPORATION


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

	2016	2015
Financial assets		
Cash	\$ 592	\$ 566
Revenues receivable (Note 3)	14,784	14,044
Loan receivable (Note 4)	15,306	16,134
Sinking fund investments (Note 5)	7,988	7,194
Investment in Aadrii Ltd. (Note 6)	393	656
	39,063	38,594
Liabilities		
Accounts payable and accrued liabilities	19,326	21,799
Capital lease obligations (Note 4)	18,568	18,787
Debenture debt (Note 5)	181,818	184,326
Operating line of credit (Note 7)	32,600	18,115
Asset retirement obligations and environmental liabilities (Note 8)	17,674	18,553
Other employee future benefits (Note 9)	3,056	3,248
Deferred government contributions (Note 10)	2,702	5,781
Dividend payable	78	63
	275,822	270,672
Net debt	\$ (236,759)	\$ (232,078)
Non-financial assets		
Tangible capital assets (Note 11)	349,494	338,411
Inventories (Note 12)	8,981	9,142
Prepaid expenses	1,056	854
	359,531	348,407
Accumulated surplus / equity (Note 13)	\$ 122,772	\$ 116,329

Contractual obligations and contingencies (Note 21)

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

Approved on behalf of the Board:



Paul Guy, Chairman of the Board



David Stewart, Director

NORTHWEST TERRITORIES POWER CORPORATION

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

	2016 Budget	2016 Actual	2015 Actual
Revenues			
Sale of power (Note 14)	\$ 101,687	\$ 99,783	\$ 96,333
Other revenue and customer contributions (Note 15)	2,177	2,511	2,138
Fuel rider revenues (Note 1)	1,629	1,711	2,996
Interest income (Note 17)	1,539	1,616	1,677
Insurance proceeds	-	1,278	-
(Loss) Income from investment in Aadrii Ltd. (Note 6)	-	(39)	45
	107,032	106,860	103,189
Expenses (Note 16)			
Thermal generation	77,497	76,816	76,359
Hydro generation	18,015	18,531	17,979
Corporate services	17,503	17,155	15,977
Transmission, distribution and retail	11,255	10,059	10,223
Purchased power	2,444	2,263	3,462
Alternative power generation	308	333	339
	127,022	125,157	124,339
Deficit for the year before government contributions	(19,990)	(18,297)	(21,150)
Government contributions			
GNWT extreme low water contributions (Note 9)	19,565	23,008	14,219
Other government contributions (Note 18)	762	1,732	888
GNWT power sales contributions (Note 19)	-	-	2,800
	20,327	24,740	17,907
Surplus (deficit) for the year before loan write-off	\$ 337	\$ 6,443	\$ (3,243)
Write-off of loan to NT Hydro (Note 20)	-	-	(4,857)
Surplus (deficit) for the year	\$ 337	\$ 6,443	\$ (8,100)
Accumulated surplus / equity, beginning of year	116,329	116,329	124,429
Accumulated surplus / equity, end of year	\$ 116,666	\$ 122,772	\$ 116,329

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

NORTHWEST TERRITORIES POWER CORPORATION

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

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Surplus (deficit) for the year	\$ 337	\$ 6,443	\$ (8,100)
Tangible capital assets			
Additions	(27,899)	(27,158)	(18,281)
Capitalized overhead	(4,175)	(3,790)	(3,575)
Capitalized interest (Note 17)	(476)	(745)	(446)
Disposals	-	4,458	258
Amortization (Note 11)	16,796	16,152	14,998
	<u>(15,754)</u>	<u>(11,083)</u>	<u>(7,046)</u>
Acquisition of inventories	(5,191)	(7,270)	(6,456)
Use of inventories	4,747	7,431	6,314
Acquisition of prepaids	(1,700)	(1,759)	(2,057)
Use of prepaids	1,600	1,557	2,254
	<u>(544)</u>	<u>(41)</u>	<u>55</u>
Increase in net debt for the year	<u>(15,961)</u>	<u>(4,681)</u>	<u>(15,091)</u>
Net debt, beginning of year	<u>(232,078)</u>	<u>(232,078)</u>	<u>(216,987)</u>
Net debt, end of year	<u>\$ (248,039)</u>	<u>\$ (236,759)</u>	<u>\$ (232,078)</u>

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

NORTHWEST TERRITORIES POWER CORPORATION

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

	2016	2015
Cash provided by (used in) operating activities		
Cash receipts from customers	\$ 103,955	\$ 101,204
Government contributions received	21,270	23,991
Cash paid to suppliers	(70,914)	(61,633)
Cash paid to employees	(26,693)	(26,141)
Interest paid (Note 4)	(11,310)	(11,427)
Interest received (Note 4)	104	89
	16,412	26,083
Cash provided by (used in) investing activities		
Loan receivable receipts (Note 4)	128	84
Sinking fund investment purchases	(794)	(681)
Return of capital from Aadrii Ltd.	225	-
	(441)	(597)
Cash (used in) provided by capital activities		
Acquisition and development of tangible capital assets	(28,825)	(21,633)
Proceeds on sale of tangible capital assets	164	7
	(28,661)	(21,626)
Cash (used in) provided by financing activities		
Net proceeds from operating line of credit	14,485	227
Repayment of debenture debt	(2,552)	(2,421)
Repayment of capital lease obligation (Note 4)	(34)	-
Borrowing (repayments) to related parties	817	(1,443)
Dividends paid on preferred shares	-	(339)
	12,716	(3,976)
Increase (decrease) in cash	26	(116)
Cash, beginning of year	566	682
Cash, end of year	\$ 592	\$ 566

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

NORTHWEST TERRITORIES POWER CORPORATION

1. The Corporation

a) Authority and corporate information

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

NTPC owns and operates hydroelectric, diesel, gas and photovoltaic generation facilities for the distribution and transmission of utility services to residents and businesses in the Northwest Territories (NWT). NTPC controls one wholly-owned subsidiary, the Northwest Territories Energy Corporation Ltd. (NWTEC). NWTEC, under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility (Note 4). NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson (Note 6).

b) Regulated activities

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

The PUB is required to review the affairs, earnings and accounts of NTPC a minimum of every three years. The regulatory hearing process used to establish or change rates typically begins when NTPC makes a General Rate Application (GRA) for its proposed electricity rate changes. Normally, NTPC applies for rates in advance of the applicable fiscal years (Test Years) to which the new rates will apply. In addition to GRAs, interim rate applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next GRA, when rates are reviewed and set as final.

The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. On January 21, 2013 in Decision 1-2013 the PUB approved a return on equity for fiscal 2013 and fiscal 2014 of 8.5% on assets outside the thermal zone and 0% for thermal zone assets. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

Decision 8-2015 issued by the PUB on March 12, 2015 was the final Decision related to the phasing in of the 2013/14 revenue requirement for 2015/16. The Decision approved a 6.2% increase in base energy rates effective April 1, 2015.

In Decision 16-2010, the PUB approved the establishment of the Territory-wide Rate Stabilization Fund (RSF) for NTPC in order to flow through to customers, subject to a \$2,500 threshold, variances in fuel prices and purchased power prices relative to the GRA forecast, and to flow through fuel mix variances in dual fuel communities, pursuant to the Electricity Rate Policy Guidelines issued by the Minister Responsible for the PUB. In April 2014, under NTPC's RSF, the PUB approved a RSF rider of 1.17 cents/kWh effective May 1, 2014 for all firm power customers with the exception of Northland Utilities (NWT) Limited. The collection of this rider completed on October 31, 2015.

NORTHWEST TERRITORIES POWER CORPORATION

Note 1. The Corporation (continued)

Note 24 provides additional information on NTPC's interim rate filing, GRA filing and refund rider filing with the PUB in fiscal 2017.

c) Economic dependence

NTPC has historically been able to maintain its operations and meet its liabilities through the rate regulation process without receiving any significant financial assistance from the GNWT. Over the past few years, in order to mitigate rate increases to customers, the GNWT has provided larger increases in subsidization to customers through rates by providing direct contributions to NTPC to apply against those rate increases. As a result of this government driven policy, NTPC is economically dependent on the GNWT to maintain its operations and meet its liabilities. It is expected that the ongoing operations of NTPC will depend on continued financial support from GNWT.

2. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements of NTPC consist of the consolidation of NTPC and its wholly owned subsidiaries, from the date that control commences until the date that control ceases. Inter-entity transactions and balances with these wholly owned subsidiaries are eliminated upon consolidation. NTPC's investment in a government business partnership, Aadrii Ltd. (Note 6) is accounted for using the modified equity method applied using NWTEC's 50% share of Aadrii Ltd. to record its investment, and the net income and other changes in equity. The inter-entity transactions and balances with Aadrii Ltd. have not been eliminated.

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

b) Measurement uncertainty

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

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ significantly from these estimates.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

c) Inventories

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

d) Financial instruments

The financial instruments of NTPC are classified and measured at amortized cost using the effective interest method and include the following: cash, revenues receivable, sinking fund investments, loan receivable, accounts payable and accrued liabilities, the operating line of credit and debenture debt.

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

All financial assets, excluding receivables, are tested annually for impairment or more frequently if indicators of impairment exist. When these financial assets are impaired, impairment losses are recorded in the consolidated statement of operations and accumulated surplus. Such impairment is not reversed following a subsequent increase in value.

Transaction costs, with respect to financial assets and liabilities carried at amortized cost, are added to the initial cost of the acquired financial asset or financial liability.

e) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at historical cost less accumulated amortization. Costs include amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and capitalized interest directly attributable to construction or development (IDC). Capitalization of interest ceases when no construction or development is taking place or when a tangible capital asset is ready for use. The IDC rate for fiscal 2016 was 5.676% (2015 – 5.676%). Gains or losses on disposition are included in the consolidated statement of operations and accumulated surplus.

i) *Leased tangible capital assets*

Leases that transfer substantially all of the benefits and risks incidental to ownership of tangible capital assets are accounted for as leased tangible capital assets and a lease liability. The value of the leased tangible capital asset and lease liability is recorded at the inception of the lease based upon the present value of the minimum lease payments, excluding executory costs.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

ii) Transfers of tangible capital assets

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

iii) Impairment

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

iv) Amortization

The cost, less residual value, of tangible capital assets, excluding land, is amortized on the straight-line average group useful life basis.

Annual amortization rates are as follows:

	%
Electric power plants	1.00 – 6.63
Transmission and distribution systems	1.54 – 5.00
Warehouse, equipment, motor vehicles and general facilities	1.00 – 12.83
Electric power plant under capital lease	1.33 – 1.54

Assets under construction are not amortized until they are ready for their intended productive use. NTPC uses amortization studies and other information to assess amortization rates and substantiate amortization rate changes. Amortization rate changes are accounted for on a prospective basis.

f) Government contributions

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

g) Customer contributions in aid of construction

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

h) Public service pension plan

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

i) Other employee future benefits

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

i) *Severance and ultimate removal benefits*

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

ii) *Sick leave benefits*

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

j) Asset retirement obligations

On an annual basis, NTPC identifies legal obligations associated with the retirement of its tangible capital assets. Management's best estimate of the future expenditures required to settle the legal obligations are recognized to the extent that they can be reasonably estimated and are calculated based on the estimated future cash flows necessary to discharge the legal obligations, discounted using NTPC's cost of borrowing for maturity dates that coincide with the expected future cash flows.

The estimated asset retirement obligation (ARO) is recorded as a liability and a corresponding increase to tangible capital assets. The liability for AROs is increased annually for the passage of time by calculating accretion on the liability based on the discount rates implicit in the initial measurement. Changes in the obligation resulting from revisions to the timing or amount of the estimated undiscounted future cash flows or revisions to the discount rate are recognized as an increase or decrease in the related carrying amount of the related tangible capital asset.

NTPC has identified AROs for certain hydro, thermal, transmission and distribution assets where NTPC expects to maintain and operate these assets indefinitely and therefore no related ARO has been recognized.

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

k) Environmental liabilities

Environmental liabilities consist of the estimated costs related to the monitoring, maintenance and remediation of environmentally contaminated sites. NTPC recognizes environmental liabilities when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, NTPC is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made.

Environmental liabilities are discounted for the time value of money. NTPC reviews its estimates of future environmental liabilities on an on-going basis.

l) Foreign currency translation

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

m) Revenues

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

Interest, contract, contribution and other revenues are recognized on the accrual basis.

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingencies

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

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 2. Significant accounting policies (continued)

p) Non-financial assets

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

3. Revenues receivable

At March 31, 2016, the aging of revenues receivable was as follows:

	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	\$ 11,180	\$ 523	\$ 298	\$ 12,001
Non-utility	2,661	2	438	3,100
Allowance for doubtful accounts	-	-	(318)	(318)
	<u>\$13,841</u>	<u>\$ 525</u>	<u>\$ 418</u>	<u>\$ 14,784</u>

At March 31, 2015, the aging of revenues receivable was as follows:

	Current (less than 28 days)	29-90 days	Over 90 days	Total
Utility	\$ 10,336	\$ 691	\$ 325	\$ 11,352
Non-utility	920	71	2,213	3,204
Allowance for doubtful accounts	-	-	(512)	(512)
	<u>\$ 11,256</u>	<u>\$ 762</u>	<u>\$ 2,026</u>	<u>\$ 14,044</u>

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

	2016	2015
Balance, beginning of the year	\$ (512)	\$ (793)
Receivables written off	89	193
Decrease to allowance	105	88
Balance, end of the year	<u>\$ (318)</u>	<u>\$ (512)</u>

Revenues receivable on utility and non-utility accounts are generally due in 45 days and interest is charged after 28 and 30 days, respectively, at rates in the terms of service agreement. As at March 31, 2016, NTPC provided an allowance for doubtful accounts for some of its revenues receivable accounts with amounts outstanding longer than 90 days. Additional disclosures on NTPC's exposure and management of credit risk associated with revenues receivable can be found in Note 22.

NORTHWEST TERRITORIES POWER CORPORATION

4. Loan receivable and capital lease obligations

Loan receivable

NWTEC loaned \$22,900 to the Dogrib Power Corporation (DPC) to finance the construction of a hydroelectric generating plant on the Snare River (the "Snare Plant") in the NWT between 1994 and 1996. The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWTEC's debenture debt issued to finance the loan. It is due July 2026 and is repayable in equal monthly blended principal and interest payments of \$195.

Loan receivable payments and the capital lease payments for the Snare Plant are settled on a net basis and are presented on a net basis on the statement of cash flows.

Capital lease obligations

Snare Plant

NTPC has an initial 65-year lease from the DPC for the Snare Plant at an imputed interest rate of 9.6% until 2061. The lease can be renewed at NTPC's option subject to the same covenants, obligations and agreements except for the monthly rental price which shall be determined by arbitration. The renewal term will be based on the end of the useful life of the property or the expiry of the Ground Lease, whichever comes first. To reflect the effective acquisition and financing nature of the lease, the Snare Plant is included in electric power plant under capital lease (Note 11).

A \$4,000 guarantee from DPC's parent company, the Tlicho Investment Corporation and a blocked account agreement established by DPC provide collateral for the loan receivable. NWTEC has signing authority and full control over the blocked account in the event of default. At the beginning of each fiscal year, the balance in the blocked account must be equal to the top up payments (the difference between the loan payment made by DPC to NWTEC and the lease payment received by DPC from NTPC) required for the next 12 months.

Colville Lake Office

In 2016, NTPC entered into a capital lease arrangement for an office in Colville Lake with minimum monthly payments of \$4 until June 1, 2020.

The present values of the minimum lease payments required for the capital lease obligations over the next five years and thereafter are as follows:

	Snare Plant	Colville Lake Office	Total
2017	\$ 2,167	\$ 48	\$ 2,215
2018	2,121	48	2,169
2019	2,073	48	2,121
2020	2,024	48	2,072
2021	1,974	8	1,982
Thereafter	46,445	-	46,445
	56,804	200	57,004
Less: amounts representing imputed interest	(38,422)	(14)	(38,436)
Total capital lease obligations	\$ 18,382	\$ 186	\$ 18,568

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

NORTHWEST TERRITORIES POWER CORPORATION

5. Debenture debt and related sinking fund investments

Debenture debt

	2016	2015
5.16% amortizing debenture, due September 13, 2040	\$ 46,545	\$ 47,476
5.443% debenture, due August 1, 2028	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000
6.42% amortizing debenture, due December 18, 2032	11,333	12,000
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	5,883	6,206
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	5,085	5,394
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	5,002	5,323
	\$ 182,548	\$ 185,099
Less: Unamortized premium, discount and issuance costs	(730)	(773)
	\$ 181,818	\$ 184,326

The GNWT guarantees NTPC's debenture debt.

Principal repayments for future years are as follows:

2017	2018	2019	2020	2021	Thereafter	Total
\$ 2,700	\$ 2,857	\$ 13,027	\$ 3,210	\$ 3,413	\$157,341	\$182,548

NORTHWEST TERRITORIES POWER CORPORATION

Note 5. Debenture debt and related sinking fund investments (continued)

Sinking fund investments and requirements

Sinking fund investments are held by the Trustee restricted for the redemption of debentures. The agreements require annual installments to retire debt at maturity. NTPC's sinking fund policy allows only Canadian fixed-income investments with investment grade credit. All asset classes are measured at cost or amortized cost, and market value approximates cost due to the short-term to maturity of the investments. Additional disclosures on NTPC's exposure and management of risk associated with sinking fund investments can be found in Note 22.

The weighted average effective rate of return for the year was 0.48% (2015 - 0.87%)

Estimated sinking fund investment requirements for future years are as follows:

2017	2018	2019	2020	2021	Thereafter	Total
\$ 680	\$ 680	\$ 680	\$ 290	\$ 290	\$ 1,450	\$ 4,070

6. Investment in Aadrii Ltd.

Included in NTPC's consolidated financial statements, is NWTEC's 50% shared ownership and joint control of Aadrii Ltd., a residual heat project in Fort McPherson. The investment is accounted for as a government business partnership using the modified equity method. The accounting records of Aadrii Ltd. are based upon International Financial Reporting Standards.

Condensed financial information of Aadrii Ltd. is as follows

Statement of Operations – Years ending March 31

	2016	2015
Heat revenues	\$ 1	\$ 208
Operating expenses including amortization	78	119
Net (loss) income	\$ (77)	\$ 89

Statement of Financial Position as at March 31

	2016	2015
Current assets	\$ 30	\$ 526
Non-current assets	760	810
	\$ 790	\$ 1,336
Current liabilities	\$ 5	\$ 23
Shareholder's equity	785	1,313
	\$ 790	\$ 1,336

Statement of Cash Flows Years ending March 31

	2016	2015
Cash flows provided by operating activities	\$ 24	\$ 146
Repayment to owners	\$ (450)	\$ -

During 2016, Aadrii's heat sales were minimal due to operational problems with the heating system and its primary customer. Normal operations are expected to continue in fiscal 2017.

NORTHWEST TERRITORIES POWER CORPORATION

7. Operating line of credit

NTPC has a \$50,000 (2015 - \$30,000) operating line of credit with its bank. The operating line of credit allows NTPC to borrow using Bankers' Acceptances or other advances directly against the line of credit.

The short term debt outstanding at March 31, 2016 had a weighted average 43 day term and a 1.72% (2015 – 1.85%) weighted average annual interest rate.

8. Asset retirement obligations and environmental liabilities

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 18,553	\$ 15,106
Liabilities settled	(1,641)	(147)
Accretion expense	166	149
Valuation adjustment	515	3,057
Additions	81	388
Balance, end of year	<u>\$ 17,674</u>	<u>\$ 18,553</u>

AROs include costs related to the disposal of generating plants on leased land, storage tank systems and the associated piping for petroleum products in all communities served by NTPC and the remediation of contaminated sites. Following is a summary of the key assumptions upon which the carrying amount of the AROs is based:

- Total expected future cash flows - \$48,132 (2015 - \$48,855)
- Expected timing of payments of the cash flow – asset removal and/or site remediation is expected to occur between 1 and 74 years with the majority occurring after 2040.
- The discount rate is the cost of borrowing rate of 2.47% (2015 – 2.33%) for those obligations to be settled in less than 10 years and 3.5% (2015 – 3.17%) for those obligations to be settled in 10 years or longer.

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NTPC estimates that it has 24 sites (2015 - 24 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NTPC is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

NORTHWEST TERRITORIES POWER CORPORATION

9. Other employee future benefits

a) Public Service Pension Plan

The employees of NTPC participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.15 times (2015 – 1.28) the employees' contributions for employees who started prior to January 2013 and 1.1 times (2015 – 1.28) the employees' contributions for all other employees. Employer contributions of \$2,697 (2015 - \$2,810) were recognized as an expense in the current year. The employees contribution to this plan were \$1,850 (2015 - \$1,743).

The Plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60. Furthermore, contribution rates for current service for all members of the public service will increase gradually to an employer - employee cost sharing ratio of 50:50 by 2017.

b) Other employee future benefits

Summary of other employee future benefit liabilities:

	2016			2015		
	Severance and Removal Obligation	Accumulated Sick time Obligation	Total	Severance and Removal Obligation	Accumulated Sick time Obligation	Total
Accrued benefit obligation, beginning of the year	\$ 3,066	\$ 182	\$ 3,248	\$ 3,420	\$ 175	\$ 3,595
Current period benefit cost	454	(59)	395	33	106	139
Benefits paid during the year	(508)	(79)	(587)	(387)	(99)	(486)
Accrued benefit obligation, end of the year	<u>\$ 3,012</u>	<u>\$ 44</u>	<u>\$ 3,056</u>	<u>\$ 3,066</u>	<u>\$ 182</u>	<u>\$ 3,248</u>

An actuarial valuation for accounting purposes was prepared at March 31, 2015 using the projected benefits method prorated on services and the results were extrapolated to March 31, 2016. The next valuation will be conducted as of March 31, 2018.

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 9. Other employee future benefits (continued)

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

	2016	2015
Current benefits earned	\$ 313	\$ 64
Interest	73	75
Amortization of net actuarial loss	9	-
	\$ 395	\$ 139

Expected future benefit payments are as follows:

2017	2018	2019	2020	2021	Thereafter	Total
\$ 439	\$ 349	\$ 426	\$ 379	\$ 416	\$ 1,406	\$ 3,415

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

	2016	2015
Expected inflation rates	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	2.33%	2.33%
Expected average remaining service life of related employee groups (EARSL)	8.6 years	9.3 years

10. Deferred government contributions

In fiscal 2015, NTPC signed a contribution agreement with the GNWT to fund an expected \$20,000 in diesel fuel and lubricant costs and salaries related to additional operating time resulting from extreme low water on NTPC's hydro systems incurred between April 1, 2014 and December 31, 2015. NTPC received the \$20,000 from the GNWT in fiscal 2015.

On October 15, 2015 NTPC and the GNWT signed a contribution agreement in the amount of \$27,864 to cover the additional operating expenses expected to be incurred by NTPC in fiscals 2016 and 2017 due to continued extreme low water conditions including diesel fuel and lubricant costs, salaries, overhauls and expense related to the failure of a hydro unit at the Snare Falls Hydro Plant in fiscal 2015 not first recoverable through insurance proceeds. The agreement also includes funding for two fiscal 2016 capital projects: \$300 for LED streetlight conversions and \$100 for a 10 – 15 kW solar project in Wrigley. Due to the decrease in NTPC's unit price of diesel fuel, an amendment to the agreement was signed on January 14, 2016 to reduce the total contribution to the amount of \$24,829. The reduction applies solely to the costs related to the extreme low water conditions. NTPC received \$20,329 of this contribution agreement from the GNWT in fiscal 2016.

As of March 31, 2016 \$23,008 (2015-\$14,219) has been recorded as extreme low water government contribution to offset equivalent costs resulting from extreme low water. \$5,781 of those contribution revenues are related to the initial contribution agreement from fiscal 2015.

NORTHWEST TERRITORIES POWER CORPORATION

Note 10. Deferred government contributions (continued)

The unspent balance of the extreme low water contribution agreements was \$2,702 (2015 - \$5,781) at March 31, 2016 and is recorded in deferred government contributions. These funds will be recognized as extreme low water government contributions in fiscal 2017 to offset equivalent thermal generation expenses related to the additional diesel fuel and lubricant and other costs resulting from extreme low water between April 1, 2016 and March 31, 2017.

11. Tangible capital assets

	March 31, 2016					
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	\$ 312,907	\$ 86,299	\$ 55,028	\$ 26,469	\$ 15,637	\$ 496,340
Additions	1,125	-	-	-	30,568	31,693
Transfers – completed projects	15,225	5,088	8,704	422	(29,439)	-
Disposals	(4,306)	(1,480)	(3,725)	-	-	(9,511)
Closing balance	324,951	89,907	60,007	26,891	16,766	518,522
Accumulated amortization						
Opening balance	(97,214)	(27,096)	(25,999)	(7,620)	-	(157,929)
Amortization	(9,531)	(2,365)	(3,816)	(440)	-	(16,152)
Disposals	1,572	824	2,657	-	-	5,053
Closing balance	(105,173)	(28,637)	(27,158)	(8,060)	-	(169,028)
Net book value	\$ 219,778	\$ 61,270	\$ 32,849	\$ 18,831	\$ 16,766	\$ 349,494

NORTHWEST TERRITORIES POWER CORPORATION

Note 11. Tangible capital assets (continued)

	March 31, 2015					
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	\$ 298,994	\$ 81,793	\$ 52,792	\$ 26,469	\$ 17,922	\$ 477,970
Additions	1,361	-	-	-	20,941	22,302
Transfers – completed projects	15,003	4,714	3,509	-	(23,226)	-
Disposals	(2,451)	(208)	(1,273)	-	-	(3,932)
Closing balance	312,907	86,299	55,028	26,469	15,637	496,340
Accumulated amortization						
Opening balance	(90,727)	(24,987)	(23,706)	(7,185)	-	(146,605)
Amortization	(8,807)	(2,302)	(3,454)	(435)	-	(14,998)
Disposals	2,320	193	1,161	-	-	3,674
Closing balance	(97,214)	(27,096)	(25,999)	(7,620)	-	(157,929)
Net book value	\$ 215,693	\$ 59,203	\$ 29,029	\$ 18,849	\$ 15,637	\$ 338,411

12. Inventories

	2016	2015
Materials, supplies and lubricants	\$ 4,461	\$ 6,067
Critical spare parts	4,169	2,735
Fuel	351	340
	\$ 8,981	\$ 9,142

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is only held in five of NTPC's operating plants. The LNG fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 21. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 21.

NORTHWEST TERRITORIES POWER CORPORATION

13. Accumulated surplus / equity

	2016	2015
Share capital, common and preferred shares	\$ 43,129	\$ 43,129
Accumulated operating surplus / equity	79,643	73,200
	\$ 122,772	\$ 116,329

The authorized share capital of NTPC is comprised of an unlimited number of common shares without par value and one preferred, non-cumulative share without par value. As at March 31, 2016, 431,288 common shares (2015 – 431,288 shares) at ten cents per share (2015 – ten cents per share) have been issued and fully paid, and one preferred share at one dollar.

NTPC may only issue its preferred shares to the GNWT. NTPC declared no dividends (2015 - \$360) payable to NT Hydro (Note 16).

14. Sale of power

	2016	2015
Power sales to external customers	\$ 73,649	\$ 70,499
Power sales to GNWT and related parties	14,525	14,928
GNWT HSP payments	6,330	5,983
GNWT TPSP payments	5,279	4,923
	\$ 99,783	\$ 96,333

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

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

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

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

NORTHWEST TERRITORIES POWER CORPORATION

15. Other revenue and customer contributions

	2016	2015
Customer contributions in aid of construction	\$ 774	\$ 536
Contract work	762	338
Connection fees	296	341
Heat revenues	291	555
Pole rental	283	273
Miscellaneous	105	95
	\$ 2,511	\$ 2,138

Customer contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of financial contributions from customers. During year, capital customer contributions of \$774 (2015 - \$536) were recognized as revenue.

16. Expenses

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

	2016	2015
Fuels and lubricants (Note 21)	\$ 40,641	\$ 45,231
Salaries and wages	25,051	25,600
Supplies and services	23,934	21,512
Amortization (Note 11)	16,152	14,998
Interest expense (Note 17)	12,380	12,866
Net loss on disposal of assets	4,252	1,063
Travel and accommodation	2,581	2,560
Dividends declared on preferred shares (Note 13)	-	360
Accretion on ARO's (Note 7)	166	149
	\$ 125,157	\$ 124,339

NORTHWEST TERRITORIES POWER CORPORATION

17. Interest expense and interest income

Interest expense

	2016	2015
Interest on debenture debt and capital lease (Notes 4,5)	\$ 12,556	\$ 12,767
Short-term debt financing costs (Note 7)	569	545
Capitalized interest during construction	(745)	(446)
	\$ 12,380	\$ 12,866

Interest income

	2016	2015
Income on loan receivable (Note 4)	\$ 1,513	\$ 1,588
Income from sinking fund investments (Note 5)	35	59
Interest on overdue accounts	68	30
	\$ 1,616	\$ 1,677

18. Other government contributions

NTPC recorded \$1,732 in government contributions (2015 - \$888) relating to various contribution agreements with the GNWT. The agreements in fiscal 2016 were all one year agreements between NTPC and the GNWT. Total eligible expenditures (capital and operating) were \$1,676, of which \$1,472 was eligible for government contributions. These projects included the LED streetlight replacement program in fifteen communities, solar PV in several communities, organic rankine cycle generator study, and a south slave heat feasibility study. As at March 31, 2016, the resulting net receivable regarding these projects is \$186. Additionally, the GNWT made an in-kind infrastructure contribution in the amount of \$260 of solar panels in Fort Liard, which is recorded in tangible capital assets and government contribution revenues

19. GNWT power sales contributions

As part of the GRA and Decision 1-2013, NTPC signed a contribution agreement with the GNWT in fiscal 2013 to cover anticipated revenue shortfalls. Contributions are provided by the GNWT to NTPC to mitigate the impact of operating expenses on rate increases to customers over three years. Contributions for all years were received in the year specified. The agreement specified maximum contributions as follows:

- 2013 - \$17.6 million less \$2 million of foregone dividends = \$15.6 million
- 2014 - \$11.4 million less \$2 million of foregone dividends = \$ 9.4 million
- 2015 - \$ 4.8 million less \$2 million of foregone dividends = \$ 2.8 million

NORTHWEST TERRITORIES POWER CORPORATION

20. Related party transactions and balances

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

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

	2016	2015
Revenue		
Other revenue	\$ 486	\$ 288
Expenses		
Purchases of fuel from PWS (Note 21)	\$ 34,380	\$ 35,538
Purchases of fuel from NTEC(03) (Note 21)	-	2,273
Other operating expenses	273	239
	\$ 34,653	\$ 38,050
Financial assets		
Revenues receivable		
Utility	\$ 1,040	\$ 1,953
Non-utility	93	347
Allowance for doubtful accounts	-	(68)
	\$ 1,133	\$ 2,232
Liabilities		
Accounts payable to PWS for fuel (Note 21)	\$ 6,610	\$ 8,694
Short term payable to NTEC(03) for fuel	-	469
Other accounts payable and accrued liabilities	26	31
	\$ 6,636	\$ 9,194

Transfer of related party operations / loan write-off

In fiscal 2015 the GNWT issued a Directive for the operations of NTEC(03) (a wholly-owned subsidiary of NT Hydro) to be brought under the Petroleum Products Division of Public Works and Services (PWS), renamed to "Fuel Services Division" (FSD), effective April 1, 2015. As part of the windup of NTEC(03), NTPC reviewed its loan receivable from NT Hydro for NT Hydro's investment in NTEC(03) and Sahdae Energy Ltd. (SEL) as of March 31, 2014. With the operations of NTEC(03) moving to the FSD in fiscal 2016 and no additional sources of revenues, NT Hydro indicated the loan would not be repaid. In December 2014, NTPC's Board of Directors voted to write off a \$4,565 loan receivable from NT Hydro for NT Hydro's investment in NTEC(03) and SEL and a short-term loan for \$292 resulting from various transactions.

NORTHWEST TERRITORIES POWER CORPORATION

21. Contractual obligations and contingencies

a) Contractual obligations

NTPC has entered into agreements for, or is contractually committed for the following expenses that will be incurred subsequent to March 31, 2016:

	Expiry	2017	2018 and subsequent
Non related parties	2021	\$ 7,690	\$ 3,124

NTPC has entered into the following contractual obligations with related parties:

Fuel management services agreement

NTPC has a fuel management services agreement with the PWS. Under this agreement fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by PWS. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from PWS in a given year. The contract expires March 31, 2021.

Liquefied natural gas (LNG) purchases

On October 31, 2013 NTPC entered into an agreement with NTEC(03) to supply NTPC with LNG to its' Inuvik facilities. This contract was transferred to PWS as of April 1, 2015 without interruption of service. The agreement is effective for five years until October 31, 2018. The price of LNG under this agreement varies with PWS's costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs and an administrative fee.

b) Contingencies

Statement of claim

A Statement of Claim naming NTPC as a defendant along with two former employees was received June 11, 2015 in connection with an event that occurred in 2013 while clearing a transmission line near Fort Smith. It is too early to assess any potential liability resulting from this claim.

NORTHWEST TERRITORIES POWER CORPORATION

22. Financial instruments and risk management

NTPC's financial instruments include cash, revenues receivable, sinking fund investments, loan receivable, accounts payable and accrued liabilities, debenture debt, and the operating line of credit.

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

a) Credit risk

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

	<u>2016</u>	<u>2015</u>
Loan receivable	\$ 15,306	\$ 16,134
Revenues receivable	14,784	14,044
Sinking fund investments	7,988	7,194
Cash	592	566
	<u>\$ 38,670</u>	<u>\$ 37,938</u>

Loan receivable

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by security in place. See Note 4 for additional details.

Revenues receivable

NTPC minimizes revenues receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty seven percent (2015 - 37%) of NTPC's sales are to two other utilities. Twenty six percent (2015 - 27%) of sales, including HSP and TPSP are to the GNWT.

Sinking fund investments and cash

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

b) Liquidity risk

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 22. Financial instruments and risk management (continued)

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from its shareholder and by maintaining a \$50,000 operating line with a reputable financial institution. The following table shows the maturities of the operating line of credit, debenture debt, sinking funds, Snare capital lease obligation and the associated loan receivable:

	March 31, 2016				
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Operating line of credit	\$ 32,600	\$ -	\$ -	\$ -	\$ 32,600
Debenture debt	2,700	26,138	115,335	38,375	182,548
Sinking fund investments	-	(5,385)	(2,603)	-	(7,988)
Capital lease obligation	2,215	10,218	21,941	22,582	56,956
Loan receivable	(2,341)	(11,704)	(10,144)	-	(24,189)
	\$ 35,174	\$ 19,267	\$ 124,529	\$ 60,957	\$ 239,927

	March 31, 2015				
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Operating line of credit	\$ 18,115	\$ -	\$ -	\$ -	\$ 18,115
Debenture debt	2,552	25,207	116,388	40,953	185,099
Sinking fund investments	-	(4,890)	(2,304)	-	(7,194)
Capital lease obligation	2,212	10,360	22,532	23,913	59,017
Loan receivable	(2,341)	(11,704)	(12,484)	-	(26,529)
	\$ 20,538	\$ 18,973	\$ 124,132	\$ 64,866	\$ 228,508

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Changes in market interest rates will cause fluctuations in the fair value of the loan receivable, the capital lease obligation, debenture debt and sinking fund investments as all have fixed rates. The impact on net income due to fluctuations in interest rates on the operating line of credit or sinking fund investments is not significant.

NORTHWEST TERRITORIES POWER CORPORATION

23. Subsequent events

(a) Power revenues

NTPC filed its 2016/19 GRA on June 30, 2016. NTPC is anticipating a PUB Decision on the application prior to March 31, 2017.

NTPC also filed an Interim Rate Application with the PUB on June 30, 2016. This application requested a 4.8% increase to base energy rates for all customers effective August 1, 2016. The PUB approved this application on July 26, 2016.

On April 29, 2016 NTPC filed a refund rider application to refund the balance of the RSF to customers resulting from the world wide decrease in fuel prices over the past two years. The PUB's Decision 6-2016 approved the refund rider of 0.36 cents/kWh effective June 1, 2016.

(b) Governance

On May 24, 2016 the GNWT revoked the appointment of its existing board members and formed a Board of Directors comprised of Deputy Ministers from the GNWT. Part of the new Board's mandate is to review and recommend an appropriate long term governance structure for NTPC.

24. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

SCHEDULE OF WRITE-OFFS

For the year ended March 31, 2016

Utility Accounts Over \$500

Customer	Community	Amount
Eric Hardisty	Fort Liard	501.31
Geoff Johnson	Fort Smith	544.65
Jodie Doctor	Fort Smith	555.05
Doug Mcleod	Inuvik	559.02
Vern Rowe	Fort Smith	623.12
Stephen Bonnetplume	Aklavik	639.82
Mark Charlbois	Norman Wells	675.92
Richard Papik	Aklavik	676.79
Jeremiah Kikoak	Inuvik	680.34
Samantha Timbre	Fort Liard	713.31
Jason Reidford	Sachs Harbour	714.10
Rena Gordon	Inuvik	716.00
Colinda Laviolette	Fort Smith	845.17
E L Mechanical Ltd	Fort Simpson	891.75
Jamie Notaina	Ulukhaktok	892.24
Donny Robert	Fort McPherson	919.28
Rodger Odgard	Norman Wells	1,028.92
Ram Mudalier	Fort Smith	1,030.46
Ruth Jerome-Neyando	Fort McPherson	1,076.24
Angela Kuneyuna	Ulukhaktok	1,134.01
George Whane	Behchoko (Rae/Edzo)	1,138.41
Danita Dennis	Fort Simpson	1,196.13
Brent Johnson	Fort Smith	1,337.06
Charmain Capot-Blanc	Fort Liard	1,341.16
Jody Greenough	Inuvik	1,538.70
Arctic Builders	Ulukhaktok	1,550.98
Louie Goose	Inuvik	1,815.09
Russell Salfi	Fort Smith	1,953.90

Non-Utility Accounts Over \$500

Customer	Community	Amount
Unknown Accident party	Dettah	2,249.00
Pine Point Reunion Committe	Fort Resolution	2,644.43
Amec Earth And Environment	Norman Wells	2,700.45
Dowlands Contracting Ltd.	Inuvik	2,795.00
Sodexo	Fort Simpson	3,476.04
Ellis Communication Ltd	Wrigley	3,520.06
Sodexo Quebec Lte	Fort Simpson	3,723.73
Unknown Accident party	Behchoko (Rae/Edzo)	4,569.53
Unknown Accident party	Inuvik	5,076.54
Teryll Dillon	Inuvik	5,540.68
Unknown Accident party	Fort Simpson	5,680.62
Carter Industries Ltd	Yellowknife	8,409.81
Ventek Enterprises	Gameti	14,030.46

NORTHWEST TERRITORIES POWER CORPORATION
RECONCILIATION FROM AUDITED FINANCIAL STATEMENTS
TO UNAUDITED RATE REGULATED BASIS OF ACCOUNTING
FOR THE YEAR ENDED MARCH 31, 2016
UNAUDITED

NTPC

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

As at March 31, 2016

UNAUDITED

STATEMENT OF FINANCIAL POSITION	Audited PSAS Financial Statements	Reclassification Adjustments (note 1)	Regulated Assets and Liabilities (note 2)	TCA and ARO Adjustments (note 3)	Other (note 4)	Unaudited Rate Regulated Accounting
Assets						
Current assets						
Cash and short-term investments	\$ 592	\$ -	\$ -	\$ -	\$ -	\$ 592.00
Accounts receivables	14,784	(293)	-	-	-	14,491
Net receivable from related parties	-	292	-	-	-	292
Inventories	8,981	(4,169)	-	-	-	4,812
Prepaid expenses	1,056	-	-	-	-	1,056
	<u>25,413</u>	<u>(4,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,243</u>
Property, plant and equipment (net)	349,494	4,169	(1,307)	10,330	-	362,686
Other long term assets						
Loan receivable	15,306	(15,306)	-	-	-	-
Investment in Aadrii (equity)	393	-	-	-	-	393
Sinking fund investments	7,988	-	-	-	-	7,988
Regulatory assets	-	-	20,982	-	-	20,982
	<u>23,687</u>	<u>(15,306)</u>	<u>20,982</u>	<u>-</u>	<u>-</u>	<u>29,363</u>
	<u>\$ 398,594</u>	<u>\$ (15,307)</u>	<u>\$ 19,675</u>	<u>\$ 10,330</u>	<u>\$ -</u>	<u>\$ 413,292</u>
Liabilities and Shareholder's Equity						
Current liabilities						
Short-term debt	\$ 32,600	\$ -	\$ -	\$ -	\$ -	\$ 32,600
Accounts payable and accrued liability	19,326	(5)	-	-	-	19,321
Dividend payable	78	-	-	-	-	78
Current portion of long-term debt	-	2,700	-	-	-	2,700
	<u>52,004</u>	<u>2,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,699</u>
Long-term debt						
Long-term debt net of sinking funds	173,830	(2,700)	-	-	(421)	170,709
Sinking funds as reflected in assets	7,988	-	-	-	-	7,988
Net lease obligation	18,568	(15,306)	-	-	-	3,262
	<u>200,386</u>	<u>(18,006)</u>	<u>-</u>	<u>-</u>	<u>(421)</u>	<u>181,959</u>
Other long term liabilities						
Regulatory liabilities	-	17,674	45,384	(35,348)	-	27,710
Asset retirement obligations	17,674	(17,674)	-	17,674	-	17,674
Deferred government contributions	2,702	-	7,009	-	-	9,711
Employee Future Benefits	3,056	-	-	-	(44)	3,012
	<u>23,432</u>	<u>-</u>	<u>52,393</u>	<u>(17,674)</u>	<u>(44)</u>	<u>58,107</u>
Shareholder's equity	122,772	4	(32,718)	28,004	465	118,527
	<u>\$ 398,594</u>	<u>\$ (15,307)</u>	<u>\$ 19,675</u>	<u>\$ 10,330</u>	<u>\$ (0)</u>	<u>\$ 413,292</u>

NTPC

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

Year Ending Mar 31 2016

UNAUDITED

STATEMENT OF OPERATIONS	Audited PSAS		Regulated		Unaudited	
	Financial Statements	Reclassification Adjustments (note 1)	Assets and Liabilities (note 2)	TCA and ARO Adjustments (note 3)	Other (note 4)	Rate Regulated Accounting
Revenues						
Sale of power	\$ 99,783	\$ -	\$ -	\$ -	\$ -	\$ 99,783
GNWT power revenue contributions	-	-	-	-	-	-
Fuel rider revenue	1,711	(1,711)	-	-	-	-
GNWT low water contributions	23,008	(20,822)	(2,186)	-	-	-
Net investment income Aadrii	(39)	-	-	-	-	(39)
Other government contributions	1,732	(1)	(1,573)	-	-	158
Other revenue	3,789	(1,278)	(988)	-	-	1,523
	129,984	(23,812)	(4,747)	-	-	101,425
Expenses						
Salaries and wages	-	24,444	(915)	-	138	23,667
Fuel and lubricants	-	22,481	5,251	-	-	27,732
Supplies and services	-	18,906	(5,169)	258	-	13,995
Amortization	-	16,153	4,442	577	-	21,172
Travel and accommodation	-	2,557	(384)	-	-	2,173
Net loss on disposal of assets	-	4,253	(1,786)	(2,467)	-	-
Dividend expense	-	-	-	-	-	-
Accretion on ARO	-	166	-	(166)	-	-
Thermal generation	76,816	(76,816)	-	-	-	-
Hydro generation	18,531	(18,531)	-	-	-	-
Corporate services	17,155	(17,155)	-	-	-	-
Transmission, distribution and retail	10,059	(10,059)	-	-	-	-
Purchased power	2,263	(2,263)	-	-	-	-
Alternative power generation	333	(333)	-	-	-	-
	125,157	(36,197)	1,439	(1,798)	138	88,739
Earnings from operations	4,827	12,385	(6,186)	1,798	(138)	12,686
Interest income	1,616	(1,548)	-	-	-	68
Earnings before interest expense	6,443	10,837	(6,186)	1,798	(138)	12,754
Interest expense	-	10,833	(18)	-	50	10,865
Net earnings before other	6,443	4	(6,168)	1,798	(188)	1,889
Fuel rider revenue	-	1,711	-	-	-	1,711
Offset to Rider Revenue	-	(1,711)	-	-	-	(1,711)
Extreme low water revenue	-	20,823	-	-	-	20,823
Offset to extreme low water revenue	-	(20,823)	-	-	-	(20,823)
Insurance proceeds revenue	-	1,278	-	-	-	1,278
Insurance expense	-	(1,278)	-	-	-	(1,278)
	-	-	-	-	-	-
Write off of NT Hydro Loan	-	-	-	-	-	-
	-	-	-	-	-	-
Net income for the year	6,443	4	(6,168)	1,798	(188)	1,889
Retained earnings, beginning of year	73,200	-	(23,142)	22,798	653	73,509
Dividend	-	-	-	-	-	-
Retained earnings, end of year	79,643	4	(29,310)	24,596	465	75,398
Share capital	43,129	-	-	-	-	43,129
Shareholder's equity, end of year	\$ 122,772	\$ 4	\$ (29,310)	\$ 24,596	\$ 465	\$ 118,527

NTPC

Notes to Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting for the Year Ending March 31, 2016

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

Fuel expense, salaries and supplies and services related to extreme low water, insurance expenses and fuel riders are presented below earnings from regular operations. Extreme low water revenue, insurance revenue and fuel rider revenue are also presented below earnings from operations.

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

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

NOTE 2: For rate regulated accounting, regulatory assets and liabilities are recorded on the balance sheet.

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

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

NOTE 3: Under PSAS, certain studies are not allowed to be recorded as capital assets and are expensed for PSAS purposes. To go from PSAS to RRA, expenses are reduced and property, plant and equipment (PPE) is increased. Amortization is also increased and net PPE is increased to record amortization expense on these study costs.

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

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

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

WEBSITE LINKS:

NTPC is accountable to its Shareholder, the GNWT, our stakeholders, the Public the Public Utilities Board and NWT Water Boards. These websites provide all of the documentation that NTPC submits to ensure an open and transparent process.

Northwest Territories Power Corporation: www.ntpc.com

Government of the Northwest Territories: www.gov.nt.ca

Public Utilities Board: www.nwtpublicutilitiesboard.ca

MacKenzie Valley Land and Water Board: <https://mvlwb.com/>

IN MEMORIAM

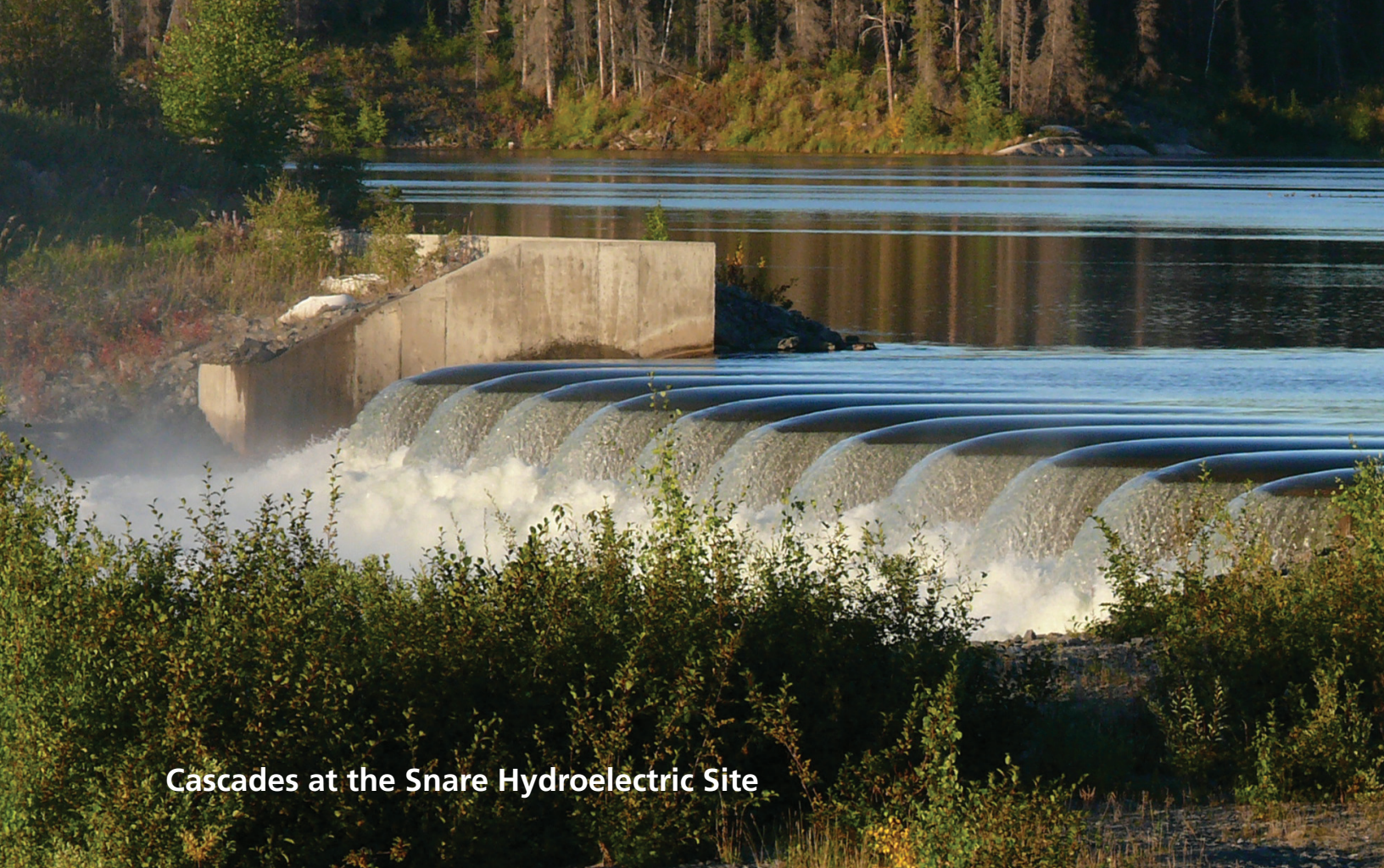


Mark Riche is fondly remembered by family, friends and co-workers for his quick wit, sense of humour, and as an astute observer of all manner of things that went on around him.

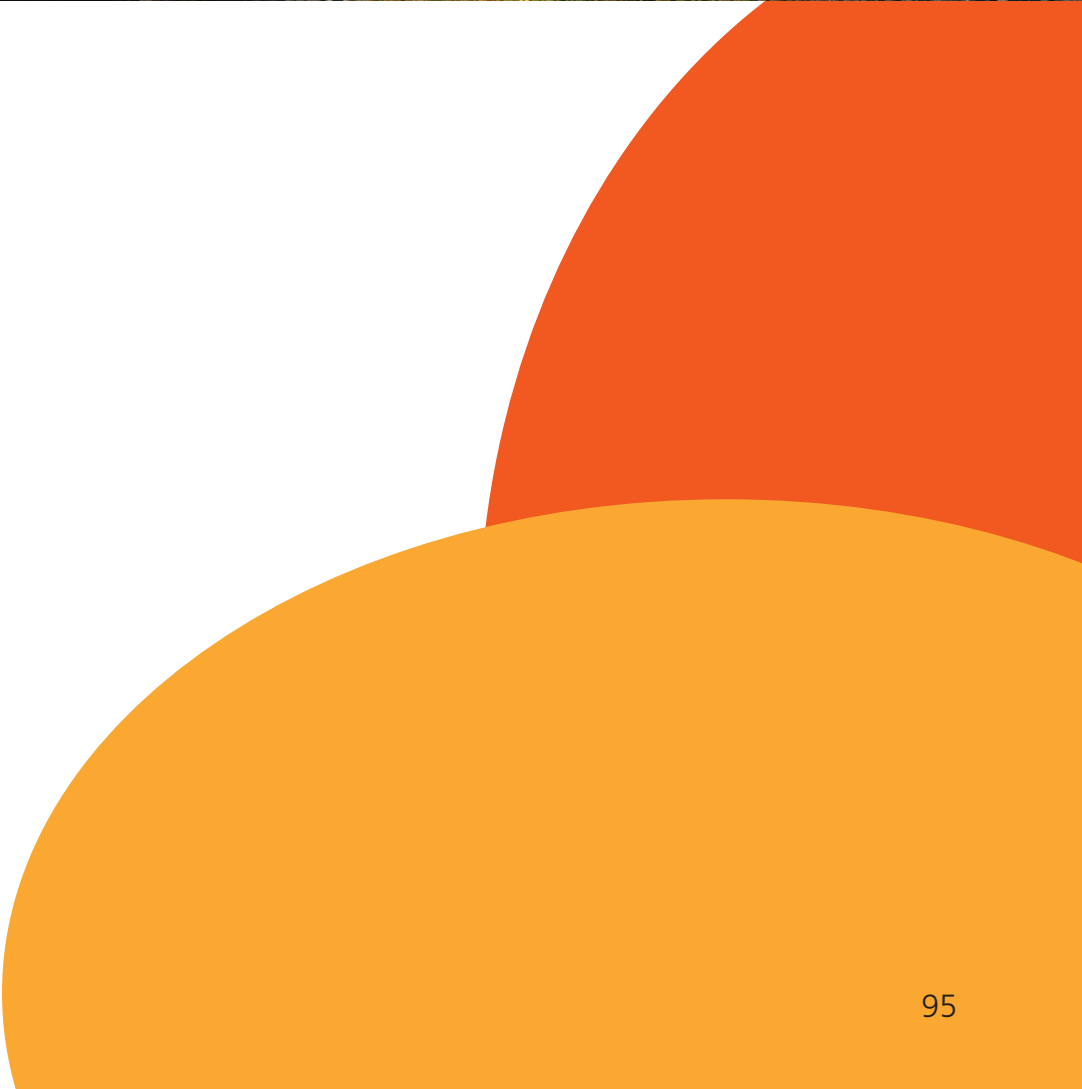
An Electrical Engineer at NTPC for 17 years, Mark was known for his unwavering ethics, unrivaled knowledge of NTPC's hydro and diesel systems, and unparalleled commitment and dedication to his duties, truth and the craft of Engineering.

Mark had a remarkable ability to dissect both technical and philosophical issues, was a mentor to others, and provided extensive and valuable analysis on many projects. Mark was humble in his contributions to keeping operations running smoothly .

Mark is greatly missed by his family, friends and those who worked closely with him.



Cascades at the Snare Hydroelectric Site





4 Capital Drive
Hay River, NT
X0E 1G2

Tel: 867-874-5200
Toll Free: 1-866-575-6872

Website: www.ntpc.com

Facebook: Northwest Territories Power Corporation
Twitter: NTPC_News