

# 2015 Annual Report



NORTHWEST TERRITORIES

**HYDRO  
CORPORATION**

*Power for Generations*



*Powering the Next Generation*

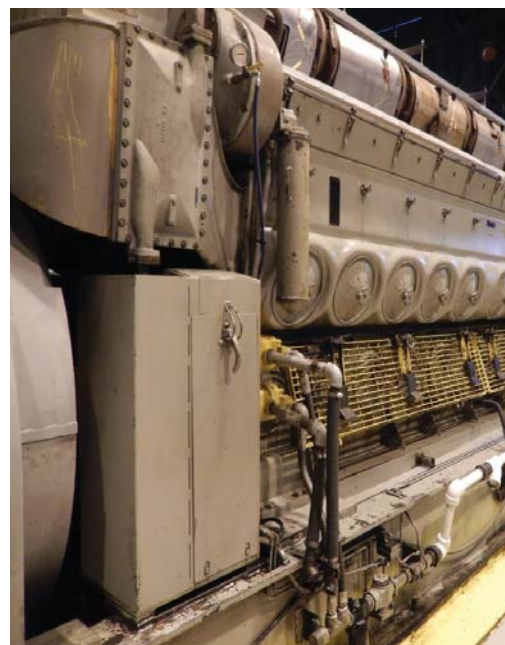
# Please Note

It may appear that this annual report is mainly focussed on the activities of NTPC and that reflects the fact that almost 99 per cent of NT Hydro's annual activities relate to the work of NTPC Consolidated.

In addition, halfway through the 2015 fiscal year the decision was made to move NT Energy to the Government of the Northwest Territories' Department of Public Works and Services' Energy Division at the end of the year. This will be the last NT Hydro annual report that includes the work of NT Energy (NTEC (03)).

## Abbreviation Key

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
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
PSAS	Public Service Accounting Standards
PUB	Public Utilities Board



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# Message from the Minister

Guided by a vision of performance leadership in the electrical industry, NT Hydro is working with the Government of the Northwest Territories (GNWT) towards building a robust electrical system for current and future generations. NT Hydro continues to support the development of our tremendous energy resources for the benefit of the people of this great territory.

This vision is driven by a commitment to serving the residents of the NWT in spite of the unique challenges of our operating environment. In this regard, the GNWT hosted an Energy Charrette in December 2014 to ask the public and stakeholders to help us innovate and define a path forward.

During the charrette, we heard from residents about the importance of affordable, reliable and secure power throughout the NWT as well as the role that NT Hydro can play as an economic driver in all communities. We also heard about NT Hydro's responsibility to meet its commitment to the safety of its employees, the public and the environment.

Affordability. Energy security and reliability. Innovation and economic development. The environment. NT Hydro will move forward and make decisions taking these priorities into account, alongside its mission and values.

Low water in the Snare system and volatile diesel prices have profoundly challenged the Corporation's ability to manage electricity costs. That's why investments and research in alternative projects — like wind generation in Inuvik and Yellowknife and solar generation in Colville Lake — are so important.

During the coming years, NT Hydro will continue to research and install alternative generation where it can help mitigate and counteract environmental impacts. NT Hydro will keep an interconnection to the southern grid in its medium to long-term strategy. Interconnectivity could ultimately add reliability to our system, provide insulation from diesel fuel price fluctuations, facilitate higher levels of wind and solar integration in the system, and provide a source of power for load growth or for the sale of surplus generation to southern Canada.

The future of the NWT is a bright one and NT Hydro has an important role to play in powering residents and businesses as they strive to realize their potential.

A handwritten signature in black ink that reads "M. Miltenberger".

**Minister Michael Miltenberger**  
Minister responsible for the  
Northwest Territories Hydro Corporation

# Message from the Chairman



It has been pointed out in external reports that the NWT power system is remarkably complex for its size. Power generation sources are small and located long distances away from one another, the cost of generation is vulnerable to diesel price fluctuations, and without a connection to the continental power grid, it is difficult to build efficient generation to match the ever-changing demand for power.

This past year presented some additional challenges for NT Hydro and for all residents of the NWT due to an extended drought through-out the summer and fall, coupled with the worst forest fire season in decades. Guided by our mission, vision and values, and supported by the dedication and expertise of our employees, NT Hydro met these challenges head on.

The Board of Directors is tasked with overseeing NT Hydro's business activities and ensuring the safe delivery of reliable, affordable power. From the implementation of its new computerized maintenance management system (CMMS), to installing solar panels in Fort Simpson, to installing a diesel/solar hybrid plant in Colville Lake, the Corporation is actively seeking integration of new and innovative technologies in our generation, transmission, distribution and operating systems to reduce costs and improve reliability.

When forest fires surrounded transmission lines from NT Hydro's hydro sites, our employees worked around the clock to ensure that residents in all NWT communities had reliable power throughout the fire season.

Regardless of the challenges we may face, NT Hydro's Board of Directors remains focused on providing safe and reliable power, on improving operational efficiency and on looking to new energy sources to manage the cost of generation. NT Hydro will continue to control expenditure growth and to innovate, but not at the expense of providing secure and reliable power to all communities.

As 2015 comes to a close, I want to extend my sincere appreciation to our employees and Board Members, past and present, for their hard work and dedication. They persevered through a difficult year that included low water levels, forest fires, a turbine failure at Snare Falls, and increased diesel production. Thank you all for a job well done.

A handwritten signature in black ink, appearing to be 'DT', followed by a horizontal line.

**David Tucker**  
Chair, Board of Directors

# Board of Directors & Officers



**David Tucker**  
Chair



**John D. (Jack) VanCamp**  
Vice Chair



Joseph Mackenzie  
Director



Eric Menicoche  
Director



Louise Dundas  
Matthews  
Director



James McDonald  
Director



Ren Xiang (Paul)  
Tan  
Director



Cheryl Tordoff  
Corporate  
Secretary



**Ron Threlkeld**  
Utility Advisor

## **NT Hydro Officers**

David Tucker, Chairman  
Emanuel DaRosa, President & Chief Executive Officer  
Judith Goucher, Chief Financial Officer  
Cheryl Tordoff, Corporate Secretary

## **NT Energy (NTEC (03)) Officers**

David Tucker, Chairman  
Emanuel DaRosa, President & Chief Executive Officer  
Judith Goucher, Chief Financial Officer  
Andrew Stewart, Director, Business Development  
Cheryl Tordoff, Corporate Secretary

## **NTPC Officers**

David Tucker, Chairman  
Emanuel DaRosa, President & Chief Executive Officer  
Judith Goucher, Chief Financial Officer  
Paul Toom, Acting Director, Asset Management & Engineering  
David Duncan, Director, Transmission & Distribution  
Jay Pickett, Director, Hydro Operations  
Mike Ocko, Director, Thermal Operations  
Michael Doyle, Director, Human Resources  
Eddie Smith, Director, Health, Safety & Environment  
Glenn Smith, Director, Information Technology  
Cheryl Tordoff, Corporate Secretary

## **Audit Committee**

Eric Menicoche, Acting Chairman  
John D. (Jack) VanCamp, Committee Member  
Ren Xiang (Paul) Tan, Committee Member  
David Tucker, Committee Member

## **Governance & Compensation Committee**

Louise Dundas Matthews, Chairwoman  
Joseph Mackenzie, Committee Member  
James McDonald, Committee Member  
David Tucker, Committee Member



# Message to Stakeholders

Every employee who wears our company logo goes to work each day knowing that people count on us to make sure that electricity is generated and transmitted safely and reliably to power their everyday lives.

Our company's success is determined by one thing, and one thing only: how well we serve the people of the Northwest Territories.

## ***We do this by continuing to grow a skilled workforce***

Four additional apprentices and ten summer students were hired in 2015 strengthening the next generation of employees. Current employees gained 1,044 hours of training in more than 16 different areas of expertise, strengthening our company, our employees, and the electrical system of the Northwest Territories.

## ***We do this by holding ourselves to high standards***

Despite the significant challenges we have faced during the past year; from widespread forest fires, to below average water levels, to a turbine failure at Snare Falls, our employees delivered reliable power to all NWT communities in 2015. During the past year, we generated 337,879,077 kWh for residents and businesses throughout the NWT.

## ***We do this by exceeding our customers' expectations***

NWT residents expect and deserve electrical power that is secure, reliable and affordable — goals we work hard to achieve each and every day.

Together with the Department of Environment and Natural Resources and the Arctic Energy Alliance, NTPC launched PowerWise – a power conservation campaign designed to help our customers manage their electrical usage.

Created in response to our customers' needs, the campaign aims to provide customers the information they need to better monitor and manage their energy usage, lowering their electrical bills as well as the overall demand on the Territories' power system.

## ***We do this by managing our finances responsibly***

In 2015, NT Hydro made capital investments of \$21.7 million to address our aging power system. This has improved system reliability, service to our customers, and has set the stage to potentially connect to other power sources in the future.



I would like to thank our Board of Directors for its support, our management team for its dedication to improving the company, and most importantly, our employees for their continued commitment to working safely in the service of our customers.



**Emanuel DaRosa**  
President & CEO



# Powering the NWT Today

NTPC continues to generate the majority of the power for the Northwest Territories with renewable water, at three hydroelectric sites.

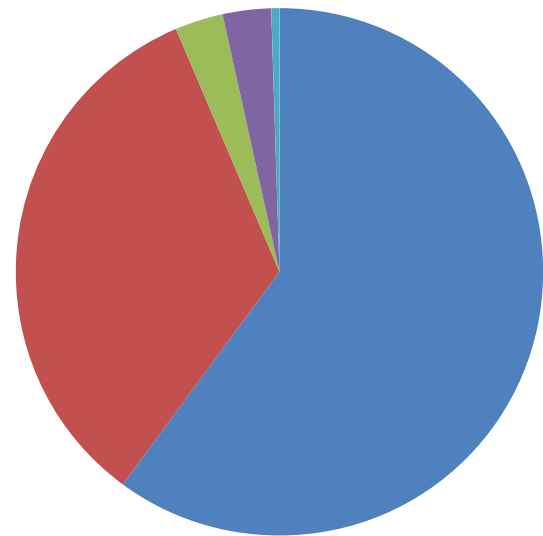
Low water in 2015 created the need to significantly increase the amount of diesel used. Even with this increase, hydro still generated more power than all other generation types combined. Historically, low water years appear to be cyclical — occurring about every 10 years and lasting two years.

Diesel generation in communities outside the North Slave area remained at normal levels and was not affected by the low water on the Snare water system.

## Currently power is generated with:

- 7 turbines at 3 hydroelectric sites: Snare, Bluefish and Taltson
- 28 separate diesel plants in 28 communities
- 1 natural gas plant: Inuvik
- 2 solar arrays: Fort Simpson and Colville Lake
- Surplus power generated by Imperial Oil Limited is purchased to supply power to Norman Wells.

*2015 Generation by Energy Source*



■ Hydro	61%
■ Diesel	34%
■ Natural Gas	3%
■ Purchased	3%*
■ Solar	<1%

# Renewable Generation in the NWT

<p><i>Hydro</i></p> <p>NT Hydro has three hydroelectric power generation sites in the NWT. The Snare and Bluefish sites are located in the North Slave and serve customers in that region, while Taltson is located in and serves the South Slave.</p> <p>The power produced from these systems is transmitted along 545 km of transmission line. During the past decade, the GNWT has funded feasibility studies for hydro projects in Lutsel k'e and Lac La Martre. These projects have not advanced due to remote access, complex logistics, and other factors that contribute to high construction costs.</p>	<p><i>Solar</i></p> <p>In addition to NT Hydro's Fort Simpson solar array which has been operating since 2013, this year a utility-scale solar installation was commissioned in Colville Lake. The project will be expanded in the 2016 fiscal year with the completion of a solar-battery-diesel project.</p> <p>The GNWT's Department of Public Works and Services will also be funding utility-scale solar photo-voltaic projects in two road-connected communities in the NWT during the 2015-16 fiscal year.</p>
<p><i>Wind</i></p> <p>Four locations have been identified in the NWT including two sites in the Beaufort Delta which continue to be studied. Wind data collected at Storm Hills shows wind speeds in the 7-8 metres per second (m/sec) range, however the site is located 60 kilometres from town, making the investment in roads and transmission significant. A new anemometer tower is being installed at High Point, located 13 km from Inuvik, with wind speeds projected to be in the 6-7 m/sec range. While the wind speed may be lower, the closer access could make for a better business case.</p>	<p><i>Biomass</i></p> <p>The GNWT is exploring the feasibility of biomass combined heat and power (CHP) for electricity generation in Fort Simpson. CHP has been successfully implemented in other jurisdictions in large-scale applications that have access to very low-cost biomass. The GNWT study was undertaken to examine technologies suitable for use in Fort Simpson, and to estimate the cost of locally harvested biomass. The final results of this study are expected before the end of the next fiscal year of 2015-16.</p>

# Building Communities for the future

NTPC invests in the communities where we operate and where our employees live and work.

Financial and in-kind donations and sponsorships support activities and organizations that help to make Northern communities strong for today and tomorrow.

Many of our employees also contribute by volunteering their time and talents to a wide range of causes throughout the NWT.

In 2015, NTPC invested more than \$110,000 in 73 events and organizations in more than 20 communities and territory wide:

Aklavik Christmas Feast  
Basketball NWT  
Behchoko Happy Daze  
Behchoko Spring Carnival  
Beluga Jamboree - Tuktoyaktuk  
Brendan Green - Olympic Biathlete  
Canadian National Institute for the Blind  
Chamber of Commerce -Hay River  
Children First Gala - Inuvik  
Christmas Food & Toy Drive  
Dark Sky Festival - Fort Smith  
End of The Road Music Festival  
Fort Good Hope Traditional Games  
Fort Resolution Aboriginal Day  
Fort Resolution Dog Musher's Club

Fort Resolution Minor Hockey  
Fort Smith Paddling Club  
Fort Smith Skating Club  
Gwich'in Education Forum  
Harry Camsell Elementary School  
Hay River BMX/Skate Park Association  
Hay River Curling Club  
Hay River Golf Club Shootout  
Hay River Hospital Foundation  
Hay River Senior Women's Curling Team  
Holman Eskimo Co-op  
Inuvik Curling Club  
Inuvik Figure Skating Club  
Inuvik Youth Centre  
Jean Marie River First Nation Carnival  
Lights On Youth Group - Hay River  
Long John Jamboree  
Metis Cultural Days  
Muskrat Jamboree - Inuvik  
Northern Games Society  
Northern Legion Commemorative Book  
NorthWords NWT - Young Writers  
NWT Association of Communities  
NWT Centennial Library  
NWT Chamber of Commerce  
NWT Literacy Council  
NWT Pride  
NWT Track & Field  
P.W. Kaeser High School - Youth Program  
Paulatuk Hockey Tournament  
Polar Pond Hockey  
Rotary Club of Hay River  
Royal Canadian Legion Alberta-NWT  
Royal Canadian Legion #250  
Sachs Harbour Holiday Feast  
Sachs Harbour White Fox Pancake Breakfast





- Sahtu Dene Council AGM
- Salvation Army
- Santa's Elves
- Senior Ladies Curling
- Skating Sponsorship - Hay River
- Summer Splash - Fort Smith
- Tuktoyaktuk Holiday Celebration
- Tulita Handgames
- Tulita Youth Gym
- Ulukhaktok Billy Joss Open
- Ulukhaktok Holiday Celebrations
- Wha Ti Spring Carnival
- Wha Ti Women's Volleyball Team
- Wha Ti Youth Hand Games
- Winter Games
- Women's Territorial Slo Pitch
- Wood Buffalo Frolics
- Yamozha Kue Society
- Yellowknife Association for Community Living
- Yellowknife Chamber of Commerce
- YWCA - Lynn's Place



# Today's Dedicated Employees

## 2015 Long Service Awards

### 35 Years

Ken Dies Yellowknife

### 30 Years

Denis Rivard Inuvik

### 25 Years

Glenn Colton Inuvik  
Steve James Yellowknife  
John Vanthull Yellowknife

### 20 Years

Pat Harrington Hay River

### 15 Years

Arlene Alcos Hay River  
Tom Deleff Yellowknife  
Trudy Nelner Fort Simpson  
Glenn Smith Hay River

### 10 years

Darren Hazenberg Yellowknife  
John Cazon Fort Smith

### 5 years

Geraldine Byrne Yellowknife  
Joanna Chocolate Gameti  
Evellyn Coleman Hay River  
Donna Dean Hay River  
D'arcy Delorey Hay River  
Andrew Ellis Hay River  
Bill Hayne Hay River  
Tony McDonald Inuvik  
Darren Moorman Tulita  
Mark Plotner Yellowknife  
Todd Simms Fort Simpson  
Jeremy Storvold Hay River  
Robert Sunderland Yellowknife  
Edwin Tejuco Yellowknife





# The Next Generation of Employees

## Scholarships

NTPC is dedicated to developing a skilled, committed and professional northern workforce and wants to encourage residents to further their education in order to develop a sustainable northern workforce. The scholarship program is being offered to assist students with their post-secondary education in an effort to empower residents to attain their career aspirations.

A \$1,000 scholarship is offered to one student in every community NTPC services or has a presence in for post-secondary education in any field the Corporation employs. Preference will be given to those students furthering their education in fields for which the Corporation is having challenges recruiting.

## Apprenticeship Program

NTPC has invested more than \$1 million in our apprenticeship program, which added 12 apprenticeship positions over a three-year period.

## Summer Students

Ten students were hired in various departments of the Corporation in the summer of 2014 giving them valuable work experience in a utility.

**Photograph Left:**  
Summer students and staff participated in the NWT Track and Field Corporate Challenge.



Introducing the next generation of employees to the science of electricity at the Inuvik Science Fair.

# Management Discussion and Analysis

The following is a discussion of the consolidated financial condition and results of the operations of NT Hydro for the year ended March 31, 2015. It should be read in conjunction with the audited financial statements and accompanying notes.

It was determined during fiscal 2015 that NT's Hydro's primary asset, NTPC, no longer met the criteria to be classified as a government business enterprise (GBE) due to its economic dependence on the GNWT. NTPC is classified as an other government organization (OGO), effective April 1, 2014. As a result of the change in NTPC's classification, NT Hydro is also classified as an OGO, effective April 1, 2014 and has adopted Public Sector Accounting Standards (PSAS), established by the Canadian Public Sector Accounting Board.

All financial information is expressed in Canadian dollars and prior year amounts have been restated to conform to PSAS. For more information on the Corporation's transition to PSAS, please see Notes 2, 3 and 26, in the audited financial statements.

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. 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.

## Our beginnings and 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 NTPC, which is also a public agency established under the *Northwest Territories Power Corporation Act*.

During fiscal 2015, NTPC and NT Energy were the two active subsidiaries of NT Hydro. NTPC focused on the core business of providing 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 two wholly-owned subsidiaries, the Northwest Territories Energy Corporation Ltd. (NWTEC) and 5383 N.W.T Ltd. (inactive). 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. 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 Northwest Territories Energy Corporation (03) Ltd. (NT Energy) and Sahdae Energy Ltd. (SEL), both of which are incorporated under the *NWT Business Corporations Act*. NT Energy focussed on an NWT power system plan and alternative energy including liquefied natural gas (LNG). SEL was inactive in fiscal 2015 and there are no current plans for activity in that subsidiary. As of April 1, 2015, NT Energy was absorbed into the newly formed Energy Services Division of the GNWT's Department of Public Works and Services.

## Our business - 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. Our service area includes communities that are only accessible by air, river barge or winter roads. Illustrations 1 and 2 show the operating area of NT Hydro.

**Illustration 1 (Right)**

NTPC serves all communities in the NWT with the exception of Trout Lake, Kakisa, Fort Providence.

**Illustration 2 (below)** NWT in relation to all of Canada's territories and provinces.

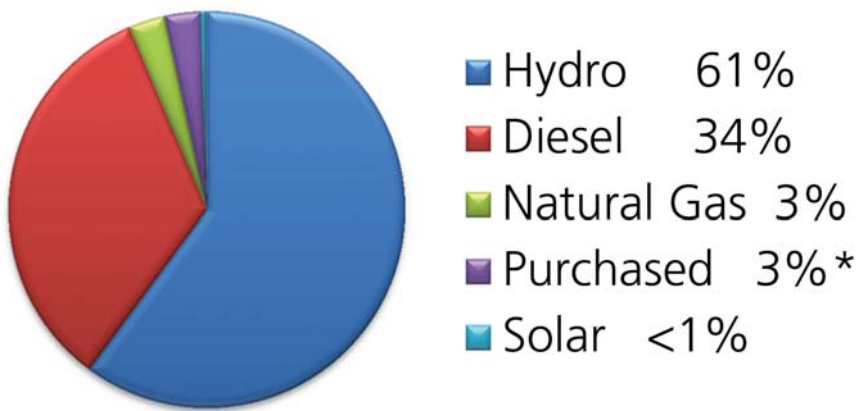


NTPC manages and maintains a territory-wide system of generation, transmission and distribution assets. While we remain focussed on strengthening our customer service we continue to achieve our mission to generate, transmit and distribute electricity in a safe, reliable, efficient and environmentally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

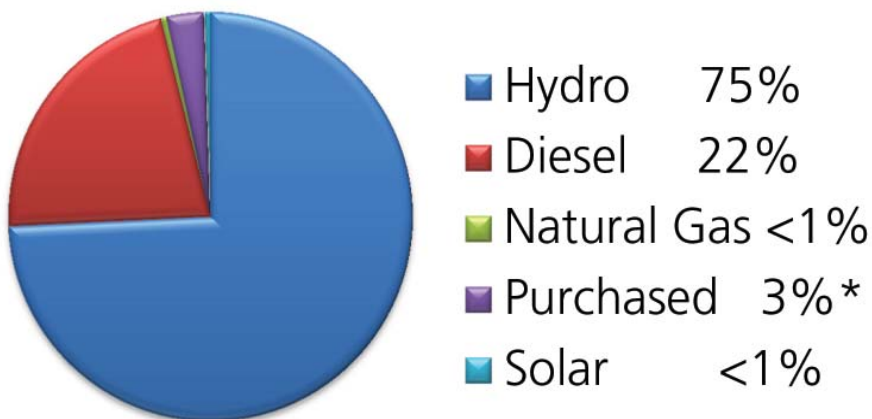
NT Energy aspires to be a centre of excellence, leading in the development of local and renewable energy sources in the NWT for the benefit of all residents, communities and Aboriginal governments.

## Generating Comparison by Source

### 2015 Generation by Source



### 2014 Generation by Source



In 2015, the North Slave Region experienced extreme drought conditions causing water levels at the Snare hydro site to drop lower than ever before recorded. This changed the make-up of our generation by source for the year. In a normal water year, 75 per cent of the power generated by NTPC is produced with hydro – water is the most reliable source of renewable generation. However, the low water this year resulted in a 13 per cent increase in diesel production in the North Slave Region.

In addition, Inuvik generated using liquefied natural gas (LNG) when available throughout the year. This increased generation by natural gas from less than one per cent to three per cent.

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.

## Reliability

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). Below we compare the NWT number and length of outages with the Canadian numbers.

As indicated in Table 1 below, in 2014 the average customer in the Northwest Territories experienced 12.33 power outages, lasting an average of 23 minutes each and a total annual outage time of 4 hours and 40 minutes. This is compared to the National Average of 2.39 power outages, lasting an average of 2 hours and 40 minutes each, for a total annual outage time of 6 hours and 23 minutes.

**Table 1: Reliability of Power Supply to Customers\*\***

	2014 Canada	2014 NWT*
Number of outages (for an average customer)	2.39	12.33
Average length of each outage	2 hr 40 min	23 min
Total length - all outages (for an average customer)	6 hr 23 min	4 hrs 40 min
<p>* This includes disruption of supply to retailer in Yellowknife and Hay River.  ** All figures are based on the 2014 calendar year.</p>		

## 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 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 focussing on these three fundamental needs NTPC will bring value to its customers and its shareholder.

### 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, provides 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 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 toward a sustainable existence; and
- 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.



## 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 our resources and information to ensure the financial health of the Corporation is maintained.

## Key Priorities

1. Realize zero injuries through superior safety performance and practices;
2. Achieve environmental sustainability through increased use of renewable energy;
3. Achieve high levels of reliability while maintaining affordably priced electricity;
4. Meet or exceed all customer commitments;
5. Develop and retain a highly skilled workforce that reflects the demographics of the NWT;
6. Support economic development and growth throughout the NWT;
7. Be efficient and effective in our daily operations through continuous improvement;
8. Support communities and encourage employee involvement;
9. Educate customers and youth about conservation; and
10. Meet the future energy needs of NWT residents through proactive planning and consultation.

# Our Business - NT Energy

Much of NT Energy's work has been exploratory, continuing to quantify and define available renewable energy resources, educate about opportunities and work in partnership with stakeholders to examine local and regional options for electrical generation at a community and regional scale. A five-year plan was developed for the shareholder that builds on the principles of the NWT Hydro Strategy, NWT Energy Plan, The NWT Water Stewardship Strategy, The Greenhouse Gas Strategy, Solar Energy Strategy, the Biomass Energy Strategy and others to provide a vision for electrical generation and transmission. This plan proposes to continue important exploratory work and to identify a host of potential options for the NWT as part of an energy map for the future.

The long-term vision is to harness cost-effective, local energy supply sources and, where possible, to integrate this energy supply into an expanded grid system in the NWT.

## NT Energy investigates opportunities

NT Energy continues to investigate local and renewable energy opportunities that fall within the four pillars of the NT Energy Strategic Plan:

1. Local and Renewable Community Power Supply (Electricity)
2. NWT Power System Plan (Long Term, large scale Planning)
3. Alternative Energy Solutions (Power and Heat)
4. Partnerships with Industry and Aboriginal Government

### Mission

To plan and develop safe and environmentally responsible energy projects to serve existing and new energy requirements in the NWT.

### Vision

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

### Values and Guiding Principles

In achieving our Vision and Mission, we will:

- Act ethically and honestly, treating employees, partners, and others with fairness, dignity and respect;
- Respect and protect the environment in all our activities to ensure a sustainable environment for the NWT and northerners;
- Operate in an economically efficient manner;
- Communicate in an open and timely manner;
- Work in partnership with communities and Aboriginal governments to assess and develop local and renewable energy sources in the NWT;

- Be a source of expertise in project management, environment, engineering and economics in relation to hydro and renewable energy development;
- Work to develop hydro and renewable energy resources in an environmentally responsible manner;
- Prioritize developments that aid in extending NWT transmission to link more NWT communities.

## The Future of NT Energy

Effective April 1, 2015 NT Energy was integrated into the newly formed GNWT Department of Public Works and Services' Energy Division as part of an effort to consolidate the energy functions of the GNWT.

Moving forward, the newly formed Energy Solutions section of the Energy Division will continue to work collaboratively with NTPC to manage funded energy projects while researching and monitoring alternative and renewable energy solutions that can be integrated into NWT communities and the NWT power system.

## 2015 Financial Results

### Operations

The majority of NT Hydro's operating results come from NTPC operations. Comparison from year to year for NT Hydro in the initial year of PSAS transition is difficult given the modified equity basis for NTPC consolidation used in fiscal 2014 compared to the line by line consolidation used in fiscal 2015. This discussion will focus on the comparison of 2015 actuals to budget.

NTPC had electricity sales of \$96.3 million in 2015 compared to \$97.5 million in the budget. This decrease is attributed to a 5.6% increase in power rates offset by a decline in unit sales. Power rates increased in fiscal 2015 as the final phase of NTPC's three year graduated rate increase approved in Decision 1-2013. When GNWT power sales contributions are added into the sale of power, overall power sales revenues are lower than budget by 1.1% in line with NTPC decline in sales units from year to year. This decrease is mainly in the northern communities and can be attributable to a lower number of customers, a warmer winter and potentially an increase in conservation. Some of this decrease in power sales revenues was offset by fuel rider revenues which were implemented in May 2014. These revenues are collecting fuel costs over and above those built into rates. These rider revenues will continue until November 2015.

Expenses under PSAS are now reported by function as opposed to expense elements used in NTPC's previous annual reports. NTPC's functions are based on generation source as well as corporate expenses and transmission, distribution and retail. Total expenses for NTPC in 2015 were \$124.3 million compared to \$107.8 in the PSAS budget. The main driver for this increase was the extreme low water situation experienced on the Snare hydro system. Diesel generation was the main source of electricity for the Yellowknife area and the costs for diesel fuel as well as the cost to operate and maintain the engines contributed to the 15-20% increase in expenses. Forest fires, the failure of the Snare Falls hydro generating unit in February 2015, and the costs for converting to PSAS, also added to the overall increase in expenses.

NT Hydro's expenses of \$1.3 million in fiscal 2015 were mainly a result of NT Energy operations, and are classified as corporate services expenses. These expenses included purchase and transportation costs for liquefied natural gas supplied to NTPC's Inuvik operations, as well as a number of different projects investigating alternative generation and fuel source options. Offsetting the majority of these expenses are other government contributions provided by the GNWT.

Offsetting the majority of extreme low water costs for NTPC, was a \$20 million contribution provided by the GNWT to NTPC in fiscal 2015. Only \$14.2 million of the contribution was applied in 2015 and the remainder will be applied to extreme low water expenses incurred in fiscal 2016. GNWT power sales contributions decreased in 2015 compared to 2014 as part of the three-year graduated rate increase.

## Future Outlook

As the 2016 fiscal year begins the final rate increase from the 2012 general rate application (GRA) will be applied. The next GRA is planned for 2017.

An increase of \$23 million in capital expenditure has been budgeted for the coming fiscal year. This additional investment includes new modular generators at the Jackfish plant in Yellowknife, overhaul of Snare Falls hydro, new Colville Lake diesel/solar plant a computerized maintenance management system and other replacement capital.

### Capital Expenditures (in thousands)

	<b>Budget 2016</b>	<b>Actual 2015</b>	<b>Change</b>
Capital expenditures:	\$ 44,370	\$ 21,662	\$22,708

Looking beyond fiscal 2015, NTPC will continue to work with its shareholder, the GNWT, to ensure long-term energy sustainability in the territory through alternative energy projects and a transmission grid that could be transformational to the future economic development of the NWT.

Respectfully submitted,



Judith Goucher  
Chief Financial Officer





*next generation*





## 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 2015, 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 2015, 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 *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retrospective effect to the adoption of new standards as explained in notes 2a) and 26 to the consolidated financial statements, 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 Part IX of 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, with the exception that the Northwest Territories Hydro Corporation did not meet its statutory deadline for submitting its annual report to its Minister as described in the following paragraph.

Section 100(1) of the *Financial Administration Act* of the Northwest Territories requires the Northwest Territories Hydro Corporation to submit its annual report to its Minister not later than 90 days after the end of its financial year, or an additional period, not exceeding 60 days, that the Minister of Finance may allow. The Northwest Territories Hydro Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the current fiscal year.



Terrance DeJong, CPA, CA  
Assistant Auditor General  
for the Auditor General of Canada

5 November 2015  
Edmonton, Canada

**NORTHWEST TERRITORIES HYDRO CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2015**

# NORTHWEST TERRITORIES HYDRO CORPORATION

## Management's Responsibility for Financial Reporting

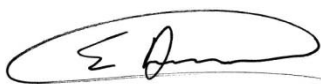
The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant accounting policies are described in Note 3 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.



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**Emanuel DaRosa**

President & Chief Executive Officer



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**Judith Goucher**

Chief Financial Officer

Hay River, NT  
November 5, 2015



# NORTHWEST TERRITORIES HYDRO CORPORATION

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

	2015	2014	April 1 2013
<b>Financial assets</b>			
Cash	\$ 2,333	\$ 475	\$ 1,014
Investment in NTPC (Note 4)	-	120,288	115,156
Revenues receivable (Note 5)	12,999	150	240
Loan receivable (Note 6)	16,134	-	-
Sinking fund investments (Note 8)	7,194	-	-
Investment in Aadrii Ltd. (Note 9)	656	-	-
	<b>39,316</b>	<b>120,913</b>	<b>116,410</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	22,219	743	383
Capital lease obligations (Notes 6 and 7)	20,670	2,327	-
Debenture debt (Note 8)	184,326	-	-
Asset retirement obligations (Note 10)	18,553	-	-
Operating line of credit (Note 11)	18,115	-	-
Deferred government contributions (Note 12)	5,781	-	-
Other employee future benefits (Note 13)	3,248	-	-
Payable to NTPC (Note 23)	-	4,461	5,456
	<b>272,912</b>	<b>7,531</b>	<b>5,839</b>
<b>Net financial assets (debt)</b>	<b>\$ (233,596)</b>	<b>\$ 113,382</b>	<b>\$ 110,571</b>
<b>Non-financial assets</b>			
Tangible capital assets (Note 14)	340,456	2,447	32
Inventories (Note 15)	9,142	-	-
Prepaid expenses	854	1	-
	<b>350,452</b>	<b>2,448</b>	<b>32</b>
<b>Accumulated surplus / equity (Note 16)</b>	<b>\$ 116,856</b>	<b>\$ 115,830</b>	<b>\$ 110,603</b>

*Contractual obligations and contingencies (Note 24)*

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

Approved on behalf of the Board:



David Tucker, Chairman of the Board



John D. (Jack) VanCamp, Vice-Chairman

# NORTHWEST TERRITORIES HYDRO CORPORATION

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

	<b>2015 Budget</b>	<b>2015 Actual</b>	<b>2014 Actual</b>
<b>Revenues</b>			
Sale of power (Note 17)	\$ 97,485	\$ 96,333	\$ -
Fuel rider revenues (Note 4)	-	2,996	-
Other revenue and customer contributions (Note 18)	2,040	2,160	630
Interest income (Note 20)	1,809	1,677	-
Income from investment in Aadrii Ltd. (Note 9)	100	45	-
Income from investment in NTPC (Note 4)	-	-	5,532
	<b>101,434</b>	<b>103,211</b>	<b>6,162</b>
<b>Expenses (Note 19)</b>			
Corporate services	17,938	17,560	2,425
Thermal generation	59,957	76,208	-
Hydro generation	18,155	17,856	-
Transmission, distribution and retail	9,568	10,155	-
Purchased power	3,061	3,462	-
Alternative power generation	453	332	-
	<b>109,132</b>	<b>125,573</b>	<b>2,425</b>
<b>(Deficit) surplus for the year before government contributions</b>	<b>(7,698)</b>	<b>(22,362)</b>	<b>3,737</b>
<b>Government contributions</b>			
GNWT extreme low water contributions (Note 12)	-	14,219	-
GNWT power sales contributions (Note 21)	2,800	2,800	-
Other government contributions (Note 22)	2,164	2,228	1,490
	<b>4,964</b>	<b>19,247</b>	<b>1,490</b>
<b>(Deficit) surplus for the year before adjustment for NTPC PSAS conversion</b>	<b>\$ (2,734)</b>	<b>\$ (3,115)</b>	<b>\$ 5,227</b>
Adjustment resulting from NTPC conversion to PSAS, beginning of year (Note 26)	-	4,141	-
<b>(Deficit) surplus for the year</b>	<b>\$ (2,734)</b>	<b>\$ 1,026</b>	<b>\$ 5,227</b>
Accumulated surplus / equity, beginning of year	115,830	115,830	110,603
<b>Accumulated surplus / equity, end of year</b>	<b>\$ 113,096</b>	<b>\$ 116,856</b>	<b>\$ 115,830</b>

*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>2015</u> <u>Budget</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
(Deficit) surplus for the year	\$ (2,734)	\$ 1,026	\$ 5,227
Tangible capital assets			
Additions	(21,944)	(18,320)	(2,531)
Capitalized overhead	(3,900)	(3,575)	
Capitalized interest (Note 20)	(316)	(446)	-
Disposals	-	258	-
Amortization (Note 14)	16,590	15,439	116
	<u>(9,570)</u>	<u>(6,644)</u>	<u>(2,415)</u>
Additions of inventories	-	(6,456)	-
Use of inventories	-	6,314	-
Additions to prepaids	-	(2,057)	(1)
Use of prepaids	-	2,255	-
	<u>-</u>	<u>56</u>	<u>(1)</u>
<b>(Decrease) increase in net financial assets for the year</b>	<u>\$ (12,304)</u>	<u>\$ (5,562)</u>	<u>\$ 2,811</u>
Net financial assets, beginning of year	\$ 113,382	\$ 113,382	\$ 110,571
Adjustment to net financial assets upon consolidation of NTPC, beginning of year (Note 26)	<u>(341,416)</u>	<u>(341,416)</u>	<u>-</u>
<b>Adjusted net financial assets (debt), beginning of year</b>	<u>(228,034)</u>	<u>(228,034)</u>	<u>110,571</u>
<b>Net financial assets (debt), end of year</b>	<u>\$ (240,338)</u>	<u>\$ (233,596)</u>	<u>\$ 113,382</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)

	2015	2014
<b>Cash provided by (used in) operating activities</b>		
Cash receipts from customers	\$ 101,175	\$ 631
Government contributions received	25,477	1,664
Cash paid to suppliers	(62,208)	(1,103)
Cash paid to employees	(26,941)	(820)
Interest received	1,677	-
Interest paid	(13,359)	(142)
	<b>25,821</b>	<b>230</b>
<b>Cash provided by (used in) investing activities</b>		
Loan receivable receipts	752	-
Sinking fund investment purchases	(681)	-
Dividends received from NTPC	-	455
	<b>71</b>	<b>455</b>
<b>Cash provided by (used in) capital activities</b>		
Acquisition and development of tangible capital assets	(21,662)	-
Proceeds on sale of tangible capital assets	7	-
	<b>(21,655)</b>	<b>-</b>
<b>Cash provided by (used in) financing activities</b>		
Repayment of debenture debt	(2,421)	-
Repayment of capital lease obligations	(849)	(229)
Net proceeds from operating line of credit	227	-
Repayments to related parties	(18)	(995)
	<b>(3,061)</b>	<b>(1,224)</b>
<b>Increase (decrease) in cash</b>	<b>\$ 1,176</b>	<b>\$ (539)</b>
Cash, beginning of year	\$ 475	\$ 1,014
Adjustment to cash upon consolidation of NTPC, beginning of year (Note 26)	682	-
<b>Adjusted cash, beginning of year</b>	<b>1,157</b>	<b>1,014</b>
<b>Cash, end of year</b>	<b>\$ 2,333</b>	<b>\$ 475</b>

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

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 1. 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 16).

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 two wholly-owned subsidiaries: the Northwest Territories Energy Corporation Ltd. (NWTEC) and 5383 NWT Ltd. 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 6). NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson (Note 9). 5383 NWT Ltd. is an inactive company.

NT Hydro is also involved in other energy related projects through its subsidiaries: Northwest Territories Energy Corporation (03) Ltd. (NTEC(03)) and Sahdae Energy Ltd. (SEL). NTEC(03) undertakes projects in support of the Shareholder's Energy Plan and has a 33.3% interest in Deze Energy Corporation which is an inactive company. The operations of NTEC(03) were transferred to the GNWT's Public Works and Services (PWS) effective April 1, 2015 (Note 23 and 24). SEL is an inactive company.

### 2. Basis of presentation

#### a) Basis of accounting

It was determined during fiscal 2015 that NT's Hydro's primary asset, NTPC, no longer met the criteria to be classified as a government business enterprise (GBE) due to its economic dependence on the GNWT (Note 4). NTPC is classified as an other government organization (OGO), effective April 1, 2014. As a result of the change in NTPC's classification, NT Hydro is also classified as an OGO, effective April 1, 2014. Upon becoming classified as an OGO, management determined the most relevant accounting framework to report under for users of NT Hydro's consolidated financial statements is Public Sector Accounting Standards (PSAS), established by the Canadian Public Sector Accounting Board.

These are NT Hydro's first consolidated financial statements prepared in accordance with PSAS, including PS2125, *First-time Adoption by Government Organizations*. An explanation of how the transition to PSAS has affected the reported financial position, results of operations and cash flows of NT Hydro is provided in Note 26. This note includes reconciliations of accumulated surplus at the date of transition and operations and accumulated surplus for the year ended March 31, 2014 reported under Canadian generally accepted accounting principles under Part V of the CPA Handbook (previous GAAP) to those reported for the same periods under PSAS. The change to PSAS has also been implemented retroactively to the date of transition being April 1, 2013, with restatement of prior periods with the adoption of the elections and exemptions in Note 26.



## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 2. Basis of presentation (continued)

Under PSAS, the main qualitative differences between NT Hydro's previous and current consolidated financial statements include the following:

- The consolidated balance sheet has been replaced by the consolidated statement of financial position which segregates financial and non-financial assets and presents net debt (financial assets less liabilities) and accumulated surplus / equity at the statement date.
- The consolidated statement of operations and comprehensive income has been replaced by the consolidated statement of operations and accumulated surplus which shows actual revenue and expenses, with expenses classified on a functional basis, and compares such amounts to budget for the current period.
- The consolidated statement of change in net debt is a new statement and it shows NT Hydro's annual surplus, adjusted for the acquisition and amortization/use of tangible capital assets and other items for the period, explaining the difference between the change in surplus (deficit) and net debt, and compares such change to budgeted changes in the period.
- The presentation of NT Hydro's consolidated statement of cash flows has been revised to be consistent with PSAS, and the balances adjusted to reflect the change in accounting using the modified equity method for the investment in NTPC in fiscal 2014 and the investment in Aadrii Ltd. in fiscal 2015. The acquisition of tangible capital assets, previously reflected as an investing activity, has been revised to be presented as a capital activity. The consolidated statement of cash flows has also been amended to be consistent with other presentation changes to the consolidated statement of financial position and the consolidated statement of operations and accumulated surplus.

#### b) Adoption of new and revised standards and interpretations

The following PSAS standards are new in fiscal 2015. These standards are effective for periods starting on, or after April 1, 2017 and earlier adoption is permitted. NT Hydro has chosen to early adopt these standards retroactively effective April 1, 2013:

- PS2200 *Related Party Disclosures*, provides guidance on the disclosures required for related party transactions. No significant changes to NT Hydro's note disclosure were required as a result of the adoption of this standard.
- PS3420 *Inter-entity Transactions*, establishes standards on the recognition and disclosures required for entities reporting under NT Hydro. No significant changes to NT Hydro's note disclosure were required as a result of the adoption of this standard.

In addition, *PS3260 Liability for Contaminated Sites*, which establishes standards on the recognition and disclosures for contaminated sites, is effective for fiscal years beginning April 1, 2014. The adoption of this standard was adopted retroactively and did not have a significant impact on NT Hydro.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 3. Significant accounting policies

The accounting policies set out below have been applied in preparing the consolidated financial statements as at March 31, 2015, comparative information as at March 31, 2014 and in preparation of an opening PSAS consolidated statement of financial position as at April 1, 2013.

#### 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. Starting in 2015 NT Hydro's investment in a government business partnership, resulting from NWTEC's 50% shared ownership in Aadrii Ltd. (Note 9) 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.

NTPC, at the beginning of 2015, was determined to be classified as an OGO and, as a result, was consolidated by NT Hydro for the year ended March 31, 2015. Prior to fiscal 2015, NTPC was classified as a GBE and was accounted for using the modified equity basis (Note 4).

All inter-entity transactions and balances with the 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.

#### 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.

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: revenues receivable, sinking fund investments, loan receivable, accounts payable and accrued liabilities, the operating line of credit, and the debenture debt.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 3. Significant accounting policies (continued)

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.

#### 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 2015 was 5.676% (2014 – 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.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 3. Significant accounting policies (continued)

#### 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

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.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 3. Significant accounting policies (continued)

#### i) Other employee future benefits

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

#### 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 management 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.



## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 3. Significant accounting policies (continued)

Environmental liabilities are discounted for the time value of money and are included with the AROs on the consolidated statement of financial position. 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.

#### 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.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 4. Investment in NTPC, regulated activities and economic dependence

#### a) Investment in NTPC

NT Hydro's primary asset is its 100% ownership interest in NTPC.

#### i) Condensed financial information

Condensed supplemental financial information of NTPC is provided below as at April 1, 2013 and March 31, 2014, and the year ending March 31, 2014, corresponding to the periods when NTPC has been accounted for on a modified equity basis by NT Hydro. The financial information is presented under NTPC's accounting basis unadjusted, being Part V of the CPA Handbook (previous GAAP of NTPC), as follows:

Financial Position	March 31 2014	April 1 2013
<b>Current assets</b>	\$ 25,642	\$ 27,318
<b>Non-current assets</b>		
Property, plant and equipment, net	341,529	325,331
Regulatory assets	23,228	19,494
Sinking fund investments	6,513	5,676
Intangible assets	1,007	1,150
	<u>372,277</u>	<u>351,651</u>
<b>Total assets</b>	<b>\$ 397,919</b>	<b>\$ 378,969</b>
<b>Current liabilities</b>	\$ 37,244	\$ 22,952
<b>Non-current liabilities</b>		
Debenture debt	183,760	186,080
Net lease obligation	2,653	2,306
Regulatory obligations	34,594	36,262
Asset retirement obligations	13,477	12,224
Deferred government contributions	2,894	2,632
Employee future benefits	3,009	1,357
	<u>240,387</u>	<u>240,861</u>
<b>Total liabilities</b>	<b>\$ 277,631</b>	<b>\$ 263,813</b>
<b>Net assets</b>	<b>\$ 120,288</b>	<b>\$ 115,156</b>
<b>Statement of Operations</b>		<b>For the year ended March 31, 2014</b>
Total revenues		\$ 102,493
Total expenses		96,961
<b>Net income for the year</b>		<b>\$ 5,532</b>

Contractual obligations and contingencies of NTPC are disclosed in Note 24.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 4. Investment in NTPC, regulated activities and economic dependence (continued)

Details of NTPC's operating line of credit, debenture debt (guaranteed by the GNWT) and lease obligations are disclosed in Notes 6, 8 and 11.

#### ii) NTPC classification change to OGO:

It was determined during fiscal 2015 that NTPC no longer met the criteria of a GBE as the result of a number of events including:

- In September 2014, NTPC filed a fuel rider application with the Public Utilities Board (PUB) of the Northwest Territories to recover an expected \$20,000 in additional diesel fuel costs as a result of extreme low water. The GNWT determined that customers were unable to pay the rider and elected to fund these additional fuel costs directly to NTPC.
- In addition to this action, the GNWT advised NTPC that it was unlikely that future rates applied to customers would be set to achieve full cost of service and as a result it was expected that in the future some percentage of rates will be subsidized directly by the GNWT for all customers.

These events create the expectation that the ongoing operations of NTPC will continue to be financially dependent on the GNWT. As a result, on April 1, 2014, NTPC changed classification to an OGO and was consolidated by NT Hydro beginning on that date. In applying consolidation accounting, the accounts of NTPC are adjusted to conform to the PSAS policies of NT Hydro (see Note 26 for details of conversion to PSAS).

#### b) Regulated activities of NTPC

The activities of NTPC are regulated by the PUB 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 (IRA) 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.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 4. Investment in NTPC, regulated activities and economic dependence (continued)

Decision 3-2014 issued by the PUB on March 31, 2014 approved a 5.6% increase in base energy rates effective April 1, 2014 to give effect to the phasing in of the 2013/14 revenue requirement in 2014/15. Decision 8-2015 issued by the PUB on March 12, 2015 approved the final 6.2% increase in base energy rates effective April 1, 2015 for fiscal 2016.

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 \$2.5 million 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.

#### 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 and has been 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, 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. This economic dependence resulted in NTPC being classified as an OGO, beginning in fiscal 2015.

### 5. Revenues receivable

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

	2015			
	Current (less than 28 days)	29-90 days	Over 90 days	Total
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>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 5. Revenues receivable (continued)

At March 31, 2014, the aging of revenues receivable was as follows:

	2014*				April 1 2013*
	Current (less than 28 days)	29-90 days	Over 90 days	Total	Total
Utility*	\$ 10,897	\$ 973	\$ 625	\$ 12,495	\$ 12,907
Non-utility*	1,024	74	439	1,537	3,059
Allowance for doubtful accounts*	-	-	(793)	(793)	(1,206)
<b>NTPC only*</b>	<b>\$ 11,921</b>	<b>\$ 1,047</b>	<b>\$ 271</b>	<b>\$ 13,239</b>	<b>\$ 14,760</b>
NT Hydro – non-utility	\$ 150	\$ -	\$ -	\$ 150	\$ 240
<b>NT Hydro consolidated</b>	<b>\$ 150</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150</b>	<b>\$ 240</b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

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

	2015	2014*
Balance, beginning of the year	\$ (793)	\$ (1,206)
Receivables written off	193	432
Increase (decrease) to allowance	88	(19)
Balance, end of the year, NTPC*	<u>\$ (793)</u>	<u>\$ (793)</u>
<b>Balance, end of the year, NT Hydro consolidated</b>	<b><u>\$ (512)</u></b>	<b><u>\$ -</u></b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

Revenues receivable on utility accounts are generally due in 45 days and interest is charged after 28 days at rates in the terms of service agreement. Revenues receivable on non-utility accounts are generally due in 45 days and subject to interest after 30 days at rates in the terms of service agreement. As at March 31, 2015, 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 25.



## NORTHWEST TERRITORIES HYDRO CORPORATION

### 6. Loan receivable and capital lease obligation

#### 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 Northwest Territories between 1994 to 1996. The balance of the loan receivable is \$16,134 (March 31, 2014 - \$16,886\* and April 1, 2013- \$17,570\*). 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. The loan is recorded at amortized cost.

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

#### Capital lease obligation

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. The value of the capital lease obligation is \$18,787 (March 31, 2014 - \$19,192\* and April 1, 2013 - \$19,598\*). To reflect the effective acquisition and financing nature of the lease, the Snare Plant is included in electric power plant under capital lease (Note 14).

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.

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

Year	
2016	\$ 2,212
2017	2,167
2018	2,121
2019	2,073
2020	2,024
Thereafter	48,419
Less: amounts representing imputed interest on capital lease obligation	<u>(40,229)</u>
<b>Total capital lease obligation</b>	<b><u>\$ 18,787</u></b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

Additional disclosures on NT Hydro's exposure and management of risk associated with the loan receivable and associated capital lease obligation can be found in Note 25.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 7. LNG capital lease obligation

NTEC(03) entered into a 5 year contract to transport liquefied natural gas (LNG) to facilities in Inuvik. The contract includes a capital lease obligation with an imputed interest rate of 3.40% until October 2018. The contract includes a mobile vaporizer and two truck/trailer units delivered in fiscal 2014 with an additional two truck/trailer units delivered in fiscal 2015. The value of the capital lease obligation as at March 31, 2015 is \$1,883 (2014 - \$2,327). To reflect the effective acquisition and financing nature of the lease, the equipment is included in LNG assets under capital lease (Note 14).

The present values of the minimum lease payments required for the LNG capital lease obligation over the next four years are:

<b>Year</b>		
2016	\$	565
2017		576
2018		587
2019		272
		<u>2,000</u>
Less: amounts representing imputed interest		<u>(117)</u>
<b>Total LNG capital lease obligation</b>	<b>\$</b>	<b><u>1,883</u></b>

Additional disclosures on NT Hydro's exposure and management of risk associated with the LNG capital lease obligation can be found in Note 25.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 8. Debenture debt and related sinking fund investments

	2015	2014*	April 1, 2013*
5.16% amortizing debenture, due September 13, 2040	\$ 47,476	\$ 48,361	\$ 49,201
5.443% debenture, due August 1, 2028	25,000	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000	15,000
6.42% amortizing debenture, due December 18, 2032	12,000	12,667	13,333
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000	10,000
8.41% sinking fund debentures, due February 27, 2026	8,700	8,700	8,700
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	6,206	6,503	6,774
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	5,394	5,676	5,932
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	5,323	5,615	5,879
	<u>\$ 185,099</u>	<u>\$ 187,522</u>	<u>\$ 189,819</u>
Less: Unamortized premium, discount and issuance costs	<u>(773)</u>	<u>(1,341)</u>	<u>(1,441)</u>
Debt, NTPC consolidated*		<u>\$ 186,181</u>	<u>\$ 188,378</u>
<b>Debt, NT Hydro consolidated</b>	<b><u>\$ 184,326</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

The GNWT guarantees NT Hydro's debenture debt.

Principal repayments for the next five years are as follows:

2016	2017	2018	2019	2020	Thereafter	Total
\$ 2,552	\$ 2,700	\$ 2,857	\$ 13,027	\$ 3,210	\$160,753	\$ 185,099

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 8. 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 25.

The weighted average effective rate of return for the year was 0.87% (2014 - 0.95\*%)

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

2016	2017	2018	2019	2020	Thereafter	Total
\$ 760	\$ 760	\$760	\$ 290	\$290	\$1,740	\$ 4,600

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

### 9. Investment in government business partnership

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	2015	2014	
Heat revenues	\$ 208	\$ 260	
Operating expenses including amortization	119	92	
<b>Net income</b>	<b>\$ 89</b>	<b>\$ 168</b>	
Statement of Financial Position as at March 31	2015	2014	April 1, 2013
Current assets	\$ 526	\$ 388	\$ 500
Non-current assets	810	860	910
	<b>\$ 1,336</b>	<b>\$ 1,248</b>	<b>\$ 1,410</b>
Current liabilities	\$ 23	\$ 24	\$ 54
Shareholder's equity	1,313	1,224	1,356
	<b>\$ 1,336</b>	<b>\$ 1,248</b>	<b>\$ 1,410</b>
Statement of Cash Flows - Years Ending March 31	2015	2014	
Cash flows (used in) provided by operating activities	\$ 146	\$ (104)	

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 10. Asset retirement obligations

	<u>2015</u>	<u>2014*</u>
Balance, beginning of year* (Note 26)	\$ 15,106	\$ 12,224
Liabilities settled	(147)	(598)
Accretion expense	149	872
Valuation adjustment	3,057	(251)
Additions	388	1,230
Balance, end of year, NTPC*	<u>\$ 18,553</u>	<u>\$ 13,477</u>
<b>Balance, end of year, NT Hydro consolidated</b>	<b><u>\$ 18,553</u></b>	<b><u>\$ -</u></b>

AROs include costs related to the disposal of generating plants on leased land, storage tanks systems and the associated piping for petroleum products in all communities served by NT Hydro 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 - \$48,855 (March 31, 2014 - \$42,242\* and April 1, 2013 - \$37,310\*)
- Expected timing of payments of the cash flows – majority of expenditures expected to occur after fiscal 2030
- The discount rate is the cost of borrowing rate of 2.33% for those obligations to be settled in less than 10 years and 3.17% for those obligations to be settled in 10 years or longer (for March 31, 2014 – the weighted average discount rate was used based on the credit-adjusted risk-free rate of 7.67%\* for those obligations identified prior to fiscal 2014 and 4.10%\* for those obligations identified in fiscal 2014).

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 (March 31, 2014 - 24 sites\*, April 1, 2013 - 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.

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.



## **NORTHWEST TERRITORIES HYDRO CORPORATION**

### **11. Operating line of credit**

NT Hydro has a \$30,000 (March 31, 2014 - \$20,000\* and April 1, 2013 - \$20,000\*) 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, 2015 had a weighted average 31 day term and a 1.85% (2014- 2.02%\*) weighted average annual interest rate.

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

### **12. Deferred government contributions**

In December 2014, NTPC signed a contribution agreement with the GNWT to fund an expected \$20,000 in diesel fuel and lubricant costs resulting from extreme low water on NTPC's hydro systems in fiscal 2015. NTPC received the \$20,000 from the GNWT in fiscal 2015. In January 2015, the agreement was amended to cover costs incurred between April 1, 2014 and December 31, 2015. In March 2015, the agreement was amended a third time to allow NTPC to apply any amounts unspent from the \$20,000 to be applied against fuel and lubricant expenses related to the failure of a hydro unit at the Snare Falls Hydro Plant in February 2015. Any of the \$20,000 applied to the Snare Falls fuel and lubricant expenses would be applied only to those expenses not first recoverable through insurance proceeds.

As of March 31, 2015 \$14,219 has been recorded as extreme low water government contributions to offset equivalent thermal generation expenses related to the additional diesel fuel and lubricant costs resulting from extreme low water in fiscal 2015 (Note 19). The remaining \$5,781 is recorded in deferred government contributions and will be recorded as extreme low water government contributions in fiscal 2016 to offset equivalent thermal generation expenses related to the additional diesel fuel and lubricant costs resulting from extreme low water between April 1, 2015 and December 31, 2015.

Note 28 provides details on an additional agreement signed in fiscal 2016 which covers the continuing costs resulting from extreme low water on NTPC's hydro systems as well as the fuel and lubricant expenses related to the failure of a hydro unit at the Snare Falls Hydro Plant in February 2015.

### **13. 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 pension plan. The basic benefit formula is 2 percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The employer contribution rate effective at the end of the year was 1.28 times (2014 - 1.45\*) the employees' contributions for employees who started prior to January 2013 and 1.28 times (2014 - 1.43\*) the employees' contributions for all other employees. Employer contributions of \$ 2,810 (2014 - \$2,815\*) were recognized as an expense in the current year.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 13. Other employee future benefits (continued)

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

	2015			2014*		
	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 (Note 26)	\$ 3,420	\$ 175	\$ 3,595	\$ 1,942	\$ -	\$ 1,942
Current period benefit cost	33	106	139	1,608	-	1,608
Benefits paid during the year	(387)	(99)	(486)	(541)	-	(541)
Accrued benefit obligation, end of the year, NTPC only*				\$ 3,009	\$ -	\$ 3,009
<b>NT Hydro consolidated</b>	<b>\$ 3,066</b>	<b>\$ 182</b>	<b>\$ 3,248</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

An actuarial valuation for accounting purposes was prepared at March 31, 2015 for NT Hydro's other employee future benefit plans using the projected benefits method prorated on services.

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 13. Other employee future benefits (continued)

The actuarial valuation at March 31, 2015 and cost of severance and removal benefits and sick leave benefits in 2014 reflects management's best estimate based upon a number of assumptions about a number of future events including:

	<u>2015</u>	<u>2014</u>
Expected inflation rates	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	2.33%	2.50%
Expected average remaining service life of related employee groups (EARSL)	9.3 years	N/A

Total expenses in fiscal 2015 related to the severance, removal benefit and sick leave plan include the following components:

Current benefit cost	\$	64
Interest expense		75
	<u>\$</u>	<u>139</u>

Expected severance and removal payments are as follows:

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
\$ 489	\$ 198	\$ 194	\$ 163	\$ 225	\$2,401	\$ 3,670

Expected sick leave payments are as follows:

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
\$ 98	\$ 51	\$ 20	\$ 9	\$ 4	\$ 1	\$ 183

**NORTHWEST TERRITORIES HYDRO CORPORATION**

**14. Tangible capital assets**

	<b>March 31, 2015</b>						
	<b>Electric power plants</b>	<b>T&amp;D systems</b>	<b>Warehouse equipment, motor vehicles, and general facilities</b>	<b>Electric power plant under capital lease</b>	<b>LNG assets under capital lease</b>	<b>Construction work in progress</b>	<b>Total</b>
<b>Cost</b>							
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 – Completed projects	16,364	4,714	3,509	-	1,242	(3,488)	22,341
Disposals	(2,451)	(208)	(1,273)	-	-	-	(3,932)
Closing balance	312,907	86,299	55,091	26,469	2,556	15,637	498,959
<b>Accumulated Amortization</b>							
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)
<b>Net book value</b>	<b>\$ 215,693</b>	<b>\$ 59,203</b>	<b>\$ 29,067</b>	<b>\$ 18,849</b>	<b>\$ 2,007</b>	<b>\$ 15,637</b>	<b>\$ 340,456</b>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 14. Tangible capital assets (continued)

	March 31, 2014							
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	LNG assets under capital lease	Assets held for future (critical spare parts)	Construction work in progress	Total
<b>Cost</b>								
Opening balance	\$264,795	\$ 78,383	\$ 55,326	\$ 26,455	\$ -	\$ 3,274	\$ 15,246	\$443,479
Additions – Completed projects	22,992	1,810	2,268	23	-	-	3,396	30,489
Disposals	(1,940)	(283)	(395)	(9)	-	(45)	-	(2,672)
Closing balance	285,847	79,910	57,199	26,469	-	3,229	18,642	471,296
<b>Accumulated Amortization</b>								
Opening balance	(68,082)	(21,965)	(21,348)	(6,753)	-	-	-	(118,148)
Amortization	(8,208)	(2,160)	(3,614)	(435)	-	-	-	(14,417)
Disposals	1,910	283	596	9	-	-	-	2,798
Closing balance	(74,380)	(23,842)	(24,366)	(7,179)	-	-	-	(129,767)
<b>Net book value NTPC* March 31, 2014</b>								
	<b>\$211,467</b>	<b>\$ 56,068</b>	<b>\$ 32,833</b>	<b>\$ 19,290</b>	<b>\$ -</b>	<b>\$ 3,229</b>	<b>\$ 18,642</b>	<b>\$341,529</b>
<b>Net book value NTPC* March 31, 2013</b>								
	<b>\$196,713</b>	<b>\$ 56,418</b>	<b>\$ 33,978</b>	<b>\$ 19,702</b>	<b>\$ -</b>	<b>\$ 3,274</b>	<b>\$ 15,246</b>	<b>\$325,331</b>
<b>Cost</b>								
Opening balance	\$ -	\$ -	\$ 63	\$ -	\$ -	\$ -	\$ (14)	\$ 49
Additions – Completed projects	-	-	-	-	1,314	-	1,217	2,531
Disposals	-	-	-	-	-	-	-	-
Closing balance	\$ -	\$ -	\$ 63	\$ -	\$ 1,314	\$ -	\$ 1,203	\$ 2,580
<b>Accumulated Amortization</b>								
Opening balance	\$ -	\$ -	\$ (17)	\$ -	\$ -	\$ -	\$ -	\$ (17)
Amortization	-	-	(5)	-	(111)	-	-	(116)
Disposals	-	-	-	-	-	-	-	-
Closing balance	\$ -	\$ -	\$ (22)	\$ -	\$ (111)	\$ -	\$ -	\$ (133)
<b>Net book value NT Hydro consolidated March 31, 2014</b>								
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41</b>	<b>\$ -</b>	<b>\$ 1,203</b>	<b>\$ -</b>	<b>\$ 1,203</b>	<b>\$ 2,447</b>
<b>Net book value NT Hydro consolidated March 31, 2013</b>								
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (14)</b>	<b>\$ 32</b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.



## NORTHWEST TERRITORIES HYDRO CORPORATION

### 15. Inventories

	<u>2015</u>	<u>2014*</u>	<u>April 1 2013*</u>
Materials, supplies and lubricants	\$ 6,067	\$ 5,763	\$ 5,206
Critical spare parts	2,735	-	-
Fuel	340	288	305
Total, NTPC*	<u>\$ 9,142</u>	<u>\$ 6,051</u>	<u>\$ 5,511</u>
<b>Total, NT Hydro consolidated</b>	<b><u>\$ 9,142</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

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 24. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 24.

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

### 16. Accumulated surplus / equity

	<u>2015</u>	<u>2014</u>	<u>April 1 2013</u>
Share capital, common and preferred shares	\$ 43,129	\$ 43,129	\$ 43,129
Accumulated operating surplus / equity	73,727	72,701	67,474
	<b><u>\$ 116,856</u></b>	<b><u>\$ 115,830</u></b>	<b><u>\$ 110,603</u></b>

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, 2015, 1 common share (March 31, 2014 – 1 common share and April 1, 2013 – 1 common share), at \$43,129 per share, (March 31, 2014 – \$43,129 per share and April 1, 2013 – \$43,129 per share), have been issued and fully paid, and one preferred share at one dollar.

NT Hydro may only issue its shares to the GNWT.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 17. Sale of power

	2015	2014*
Power sales to external customers	\$ 70,499	\$ 69,792
Power sales to GNWT and related parties	14,928	11,388
GNWT TPSP payments	4,923	4,798
GNWT HSP payments	5,983	5,626
Total, NTPC*	<u>\$ 96,333</u>	<u>\$ 91,604</u>
<b>Total, NT Hydro consolidated</b>	<b><u>\$ 96,333</u></b>	<b><u>\$ -</u></b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

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.

### 18. Other revenue and customer contributions

	2015	2014*
Heat revenues	\$ 555	\$ 254
Customer contributions in aid of construction	536	-
Contract work	353	228
Connection fees	341	265
Pole rental	273	270
Miscellaneous	102	207
Other government contributions	-	79
Total, NTPC*	<u>\$ 2,160</u>	<u>\$ 1,303</u>
<b>Total, NT Hydro consolidated</b>	<b><u>\$ 2,160</u></b>	<b><u>\$ 630</u></b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 18. Other revenue and customer contributions (continued)

#### Customer contributions in aid of construction

Certain tangible capital asset additions are made with the assistance of cash contributions from customers. During the current year contributions of \$536 (2014 - \$312\*) were received which had external restrictions and stipulations by agreements to use such funds on eligible project expenditures to connect customers to NTPC's electrical grid. Revenue was recognized in the year of \$536 (2014 - \$312\*) as all restrictions imposed by the agreements had been satisfied.

### 19. Expenses

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

	2014		
	2015	NT Hydro, consolidated	NTPC*
Fuels and lubricants (Note 24)	\$ 44,663	\$ 301	\$ 29,200
Salaries and wages	26,404	842	22,489
Amortization (Note 14)	15,439	116	19,468
Supplies and services	22,340	983	12,646
Travel and accommodation	2,579	42	2,344
Interest expense (Note 20)	12,947	141	12,526
Net loss on disposal of assets	1,052	-	-
Accretion on AROs (Note 10)	149	-	-
	<u>\$ 125,573</u>	<u>\$ 2,425</u>	<u>\$ 98,673</u>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

### 20. Interest expense and interest income

#### Interest expense

	2015	2014*
Interest on debenture debt (Note 8)	\$ 12,767	\$ 13,031
Short-term debt financing costs (Note 11)	545	308
Capitalized interest during construction (Note 8)	(446)	(813)
Total, NTPC*		<u>\$ 12,526</u>
Interest on payable to NTPC		114
Interest on LNG capital lease (Note 7)	81	27
<b>Total, NT Hydro consolidated</b>	<u><b>\$ 12,947</b></u>	<u><b>\$ 141</b></u>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 20. Interest expense and interest income (continued)

#### Interest income

	2015	2014*
Income on loan receivable (Note 6)	\$ 1,588	\$ 1,657
Income from sinking fund investments (Note 8)	59	56
Income from overdue accounts	30	186
Income from NT Hydro	-	114
Total, NTPC*	\$ 2,013	\$ 2,013
<b>Total, NT Hydro consolidated</b>	<b>\$ 1,677</b>	<b>\$ -</b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

### 21. GNWT power sales 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

### 22. Other government contributions

NT Hydro and its subsidiaries have recorded \$2,228 in government contributions (2014 - \$1,490) relating to various contribution agreements with the GNWT. One of the agreements in place in fiscal 2015 was a carryover from fiscal 2014 for NT Energy. Of the \$500 available in the agreement, \$450 was provided in fiscal 2014 of which \$286 was spent. In fiscal 2015 NT Energy spent an additional \$32 on the project. The remaining balance of \$132 is recorded in accounts payables and accrued liabilities.

The remaining agreements in fiscal 2015 were all one year agreements. The agreements related to the recovery of operating and maintenance expenses totalled \$1,691 in eligible funding. These projects included furthering the NWT hydro strategy, water monitoring activities, a combined heat and power feasibility study, biomass investigation in Fort Simpson, electric heat distribution study in Fort Smith, participation in the NWT Energy Charrette, Fort Simpson LNG feasibility and design, apprenticeship support, NWT electricity system analysis, Powerwise campaign, and attendance at the Canada Energy Storage summit and a purchase power agreement meeting in Lutsel K'e. \$1,481 was spent on these projects in fiscal 2015 and as of March 31, 2015, the net revenues receivable from the GNWT as at March 31, 2015 is \$28 (2014 - \$129 net receivable).

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 22. Other government contributions (continued)

NTPC entered into three one year capital contribution agreements in fiscal 2015 totaling \$735 in eligible funding. One agreement funded \$100 for LED streetlight installations in Deline and Fort Good Hope. Project costs totaled only \$80 and \$20 is recorded in accounts payable and accrued liabilities as at March 31, 2015. The other two agreements, totaling \$635, partially funded projects in Colville Lake: battery bank integration and the completion of the photovoltaic system. Both of these projects are associated with the construction of the new production plant scheduled to be completed in fiscal 2016. All \$635 of the funding was spent on these projects. \$592 was received in fiscal 2015 and \$43 is recorded in revenues receivable as at March 31, 2015.

### 23. Related party transactions and balances

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

	2015	2014*	April 1 2013*
<b>Expenses</b>			
Purchases of fuel from PWS (Note 24)	\$ 35,538	\$ 24,902	
Other operating expenses	782	757	
NTPC, only*		\$ 25,659	
<b>NT Hydro, consolidated</b>	<b>\$ 36,320</b>	<b>\$ -</b>	
<b>Financial assets</b>			
<b>Revenues receivable</b>			
Utility	\$ 1,953	\$ 1,384	\$ 1,607
Non-utility	347	356	4
Allowance for doubtful accounts	(68)	-	-
NTPC, only*		\$ 1,740	\$ 1,611
Receivable from NTPC for purchases of LNG	-	\$ 457	\$ -
Dividend receivable from NTPC	-	42	96
<b>NT Hydro, consolidated</b>	<b>\$ 2,232</b>	<b>\$ 499</b>	<b>\$ 96</b>
<b>Liabilities</b>			
Accounts payable to PWS for fuel (Note 23)	\$ 8,694	\$ 4,148	\$ 2,191
Other accounts payable and accrued liabilities	37	28	29
NTPC, only*		\$ 4,176	\$ 2,220
Payable to NTPC for transfer of investment in NTEC(03) and SEL	-	\$ 4,565	\$ 4,565
Short term payable to NTPC	-	353	891
<b>NT Hydro, consolidated</b>	<b>\$ 8,731</b>	<b>\$ 4,918</b>	<b>\$ 5,456</b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 23. Related party transactions and balances (continued)

#### Receivable from NTPC for purchases of LNG

This balance is a receivable for NTEC(03) from NTPC for invoices resulting from the purchase and transportation of LNG to NTPC's generation plant in Inuvik.

#### Payable to NTPC for transfer of investment in NTEC(03) and SEL

This balance is the payable from NT Hydro to NTPC for NT Hydro's investment in NTEC(03) and SEL and is due on demand and bears interest at prime less fifty basis points. The credit risk associated with this receivable is minimized by the fact that this receivable is to NTPC's parent company, NT Hydro, which is a public agency and which in turn is owned by the GNWT.

#### Short term payable to NTPC

This balance is payable from NTEC(03) and NT Hydro to NTPC for various transactions. This balance was due on demand and bears interest at prime less fifty basis points.

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.

### **Transfer of related party operations / write off**

As part of the windup of NTEC(03) (Note 24), NTPC reviewed its loan receivable from NT Hydro for NT Hydro's investment in NTEC(03) and SEL. With the operations of NTEC(03) moving to the Petroleum Products Division of Public Works and Services (PWS) of the GNWT 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 the \$4,565 loan receivable from NT Hydro and short term loans of \$292 resulting from various transactions.

All other inter-entity receivables and payables between NTPC and NTEC(03) and NT Hydro were identified as of March 31, 2015 as part of NTEC(03)'s windup and will be settled in fiscal 2016. These transactions and the associated intercompany gains and losses resulting from the write off of the intercompany loans are eliminated in NT Hydro's consolidated results as of March 31, 2015.

## 24. Contractual obligations and contingencies

### ***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, 2015:

	<u>Expiry</u>	<u>2016</u>	<u>2017 to 2018</u>
Non related parties	2018	\$ 2,958	\$ 446



## **NORTHWEST TERRITORIES HYDRO CORPORATION**

### **Note 24. Contractual obligations and contingencies (continued)**

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 PWS of the GNWT. 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 on October 31, 2015, however NTPC and PWS have agreed to extend the current contract term until March 31, 2016.

#### **Liquefied natural gas purchases**

In March 2013, NTEC(03) entered into an agreement with Fortis BC to purchase LNG at the spot rate until December 31, 2014. This contract was subsequently renewed effective January 1, 2015 with no expiry date.

On October 30, 2013, NTEC(03) entered into a contract with Ventures West Transport LP (VW) to transport the LNG from anywhere in Western Canada to NTPC's LNG storage facility in Inuvik. NTEC(03) transfers the ownership of the LNG at the point of delivery into the storage tanks to NTPC. Under the agreement, NTEC(03) is able to request the required volumes and quantities and delivery dates for LNG from VW. The agreement is effective for five years until October 31, 2018. The cost of fuel for NTEC(03) under this agreement includes variable costs for LNG transportation as well as a fixed cost component, which is accounted for as the LNG capital lease obligation in Note 7.

#### **Transfer of NTEC(03) operations**

In fiscal 2015 the GNWT issued a Directive for the operations of NTEC(03) to be brought under the Petroleum Products Division of PWS, to be renamed "Fuel Services Division", effective April 1, 2015. With the transfer of NT Energy operations to the PWS, the existing LNG transportation contract NTPC signed with NTEC(03), will be transferred to PWS without interruption of service although no contract has been signed to date. The existing LNG transportation contract NTEC(03) signed with VW and the LNG purchase contract NTEC(03) had with Fortis BC were both transferred in fiscal 2016 to PWS without interruption of service.

#### ***Contingencies***

##### **Aklavik electric shock incident**

NTPC has been named as a co-defendant in a personal injury claim that occurred in Aklavik in 2012. It is too early to determine what if any cost may be incurred by NTPC as a result of these charges.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 25. 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.

	2015	2014*	April 1 2013*
Loan receivable	\$ 16,134	\$ 16,886	\$ 17,570
Revenues receivable	12,999	17,700	20,216
Sinking fund investments	7,194	6,512	5,676
Cash	2,333	840	1,001
Total, NTPC*		<u>\$ 41,938</u>	<u>\$ 44,463</u>
Revenues receivable	-	150	240
Cash	-	475	1,014
<b>Total, NT Hydro consolidated</b>	<u><b>\$ 38,660</b></u>	<u><b>\$ 625</b></u>	<u><b>\$ 1,254</b></u>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

#### *Loan receivable*

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by security in place. See Note 6 for additional details.

#### *Revenues receivable*

The majority of NT Hydro's revenues receivable are held by NTPC. 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 (2014 – 37%\*) of NTPC's sales are to two other utilities. Twenty seven percent of sales are to the GNWT (2014 - 11% for TPSP and HSP sales\*).

#### *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 25. 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 \$30,000 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, 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
<b>Total, NT Hydro consolidated</b>	<b>\$ 21,103</b>	<b>\$ 20,408</b>	<b>\$ 124,132</b>	<b>\$ 64,866</b>	<b>\$ 230,509</b>

	March 31, 2014					April 1 2013 Total
	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	\$ 17,888	\$ -	\$ -	\$ -	\$ 17,888	\$ 5,979
Debenture debt	2,422	24,346	92,350	68,404	187,522	189,819
Sinking fund investments	-	(4,516)	(1,997)	-	(6,513)	(5,676)
Capital lease obligation	2,256	10,598	23,141	25,278	61,273	63,573
Loan receivable	(2,341)	(11,705)	(14,825)	-	(28,871)	(31,211)
Total, NTPC*	<b>\$ 20,225</b>	<b>\$ 18,723</b>	<b>\$ 98,669</b>	<b>\$ 93,682</b>	<b>\$ 231,299</b>	<b>\$ 222,484</b>
LNG capital lease obligation	447	1,850	-	-	2,327	-
<b>Total, NT Hydro consolidated</b>	<b>\$ 447</b>	<b>\$ 1,850</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,327</b>	<b>\$ -</b>

\*These balances relate to NTPC and its subsidiaries. For fiscal 2013 and fiscal 2014 NT Hydro accounted for its investment in NTPC under the modified equity method for these periods (Note 4) and as a result these balances are not separately presented in the consolidated financial statements of NT Hydro for these periods.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 25. Financial instruments and risk management (continued)

#### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Changes in market interest rates will cause fluctuations in 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.

### 26. Transition to PSAS

As stated in Note 2, these are NT Hydro's first consolidated financial statements prepared in accordance with PSAS. Pursuant to PS2125, NT Hydro has applied the following relevant mandatory exception to retrospective application of PSAS:

#### *Estimates*

PS2125 provides that estimates in accordance with PSAS at the date of transition shall be consistent with estimates made in accordance with previous GAAP (after adjustment to reflect differences in accounting policies), unless there is objective evidence those estimates were in error. There were no adjustments made to previous GAAP estimates.

Pursuant to PS2125, NT Hydro has applied the elections available upon adoption of PSAS as follows:

#### i) Tangible capital assets

NT Hydro has elected not to reassess past write-downs recorded prior to the transition date and has applied the impairment guidance under PS3150 *Tangible Capital Assets* prospectively from the date of transition.

#### ii) Retirement and post-employment benefits

NT Hydro has elected to delay the discount rate provisions of PS3250 *Retirement Benefits* and PS3255 *Post-employment Benefits, Compensated Absences and Termination Benefits* until March 31, 2015, the date of the next actuarial valuation.

#### iii) Investments in government business enterprises and government business partnerships

NT Hydro has elected to account for any investments in GBEs using the modified equity method under PS3070 *Investments in Government Business Enterprises* prospectively from the date of transition. NT Hydro has also elected to account for any investments in government business partnerships using the modified equity method under PS3060 *Government Partnerships* prospectively from the date of transition.

In preparing its opening PSAS consolidated financial statements, NT Hydro has adjusted amounts reported previously in its consolidated financial statements prepared in accordance with Part V of the CPA Handbook (its previous GAAP). An explanation of how the transition from previous GAAP to PSAS has affected NT Hydro's consolidated financial position, results of operations and cash flows is set out in the following tables and the notes that accompany the tables.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

a) Reconciliation of consolidated statement of financial position and accumulated surplus of NT Hydro as at April 1, 2013:

	Previous GAAP (Footnote 2ii)	Adjustment to reflect NTPC on a modified equity basis (Footnote 1)	Related party reclass and other adjustments (Footnote 1 and 2i)	PSAS
<b>Financial assets:</b>				
Cash	\$ 2,015	\$ (1,001)	\$ -	\$ 1,014
Investment in NTPC	-	109,796	5,360	115,156
Revenues receivable	14,904	(14,760)	96	240
Sinking fund investments	5,676	(5,676)	-	-
	<b>22,595</b>	<b>88,359</b>	<b>5,456</b>	<b>116,410</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	14,962	(14,579)	-	383
Capital lease obligations	2,306	(2,306)	-	-
Debenture debt	188,378	(188,378)	-	-
Asset retirement obligations	12,224	(12,224)	-	-
Operating line of credit	5,979	(5,979)	-	-
Deferred government contributions	2,678	(2,632)	(46)	-
Other employee future benefits	1,357	(1,357)	-	-
Payable to NTPC	-	-	5,456	5,456
Regulatory obligations	36,262	(36,262)	-	-
	<b>264,146</b>	<b>(263,717)</b>	<b>5,410</b>	<b>5,839</b>
<b>Net financial assets (debt)</b>	<b>\$ (241,551)</b>	<b>\$ 352,076</b>	<b>\$ 46</b>	<b>\$ 110,571</b>
<b>Non-financial assets:</b>				
Tangible capital assets	325,363	(325,331)	-	32
Intangible assets	1,150	(1,150)	-	-
Inventories	5,511	(5,511)	-	-
Prepaid expenses	590	(590)	-	-
Regulatory assets	19,494	(19,494)	-	-
	<b>352,108</b>	<b>(352,076)</b>	<b>-</b>	<b>32</b>
<b>Accumulated surplus / equity</b>	<b>\$ 110,557</b>	<b>\$ -</b>	<b>\$ 46</b>	<b>\$ 110,603</b>



## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

b) Reconciliation of consolidated statement of financial position and accumulated surplus of NT Hydro as at March 31, 2014:

	Previous GAAP (Footnote 2ii)	Adjustment to reflect NTPC on a modified equity basis (Footnote 1)	Related party reclass and other adjustments (Footnote 2)	PSAS
<b>Financial assets:</b>				
Cash	\$ 1,315	\$ (840)	\$ -	\$ 475
Investment in NTPC	-	115,869	4,419	120,288
Revenues receivable	13,347	(13,239)	42	150
Sinking fund investments	6,513	(6,513)	-	-
	<b>21,175</b>	<b>95,277</b>	<b>4,461</b>	<b>120,913</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	18,113	(16,893)	(477)	743
Capital lease obligations	4,503	(2,653)	477	2,327
Debenture debt	186,181	(186,181)	-	-
Asset retirement obligations	13,477	(13,477)	-	-
Operating line of credit	17,888	(17,888)	-	-
Deferred government contributions	2,934	(2,894)	(40)	-
Other employee future benefits	3,009	(3,009)	-	-
Payable to NTPC	-	-	4,461	4,461
Regulatory obligations	34,594	(34,594)	-	-
	<b>280,699</b>	<b>(277,589)</b>	<b>4,421</b>	<b>7,531</b>
<b>Net financial assets (debt)</b>	<b>\$ (259,524)</b>	<b>\$ 372,866</b>	<b>\$ 40</b>	<b>\$ 113,382</b>
<b>Non-financial assets:</b>				
Tangible capital assets	343,976	(341,529)	-	2,447
Intangible assets	1,007	(1,007)	-	-
Inventories	6,051	(6,051)	-	-
Prepaid expenses	1,052	(1,051)	-	1
Regulatory assets	23,228	(23,228)	-	-
	<b>375,314</b>	<b>(372,866)</b>	<b>-</b>	<b>2,448</b>
<b>Accumulated surplus / equity</b>	<b>\$ 115,790</b>	<b>\$ -</b>	<b>\$ 40</b>	<b>\$ 115,830</b>

**NORTHWEST TERRITORIES HYDRO CORPORATION**

**Note 26. Transition to PSAS (continued)**

**c) Reconciliation of the consolidated statement of operations of NT Hydro for the year ended March 31, 2014:**

	Previous GAAP (Footnote 2ii)	Adjustment to reflect NTPC on a modified equity basis (Footnote 1)	Related party reclass and other adjustments (Footnote2i, 2iii)	Functional adjustment (Footnote 2iv)	PSAS
<b>Revenues</b>					
Sale of power	\$ 91,605	\$ (91,605)	\$ -	\$ -	\$ -
Other revenue and customer contributions	1,323	(1,302)	609	-	630
Interest income	72	(186)	114	-	-
GNWT power sales contributions	9,400	(9,400)	-	-	-
Income from investment in NTPC	-	5,532	-	-	5,532
Other government contributions	1,569	-	(79)	-	1,490
	<u>103,969</u>	<u>(96,961)</u>	<u>644</u>	<u>-</u>	<u>7,652</u>
<b>Expenses</b>					
Fuels and lubricants	28,971	(29,200)	530	(301)	-
Salaries and wages	23,331	(22,489)	-	(842)	-
Amortization	19,578	(19,468)	6	(116)	-
Supplies and services	13,629	(12,646)	-	(983)	-
Travel and accommodation	2,386	(2,344)	-	(42)	-
Interest expense	10,841	(10,814)	114	(141)	-
Corporate services				2,425	2,425
	<u>98,736</u>	<u>(96,961)</u>	<u>650</u>	<u>-</u>	<u>2,425</u>
<b>Surplus for the year</b>	<b>\$ 5,233</b>	<b>\$ -</b>	<b>\$ (6)</b>	<b>\$ -</b>	<b>\$ 5,227</b>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

#### d) Consolidated statement of cash flows

Other than presenting expenditures on additions to tangible capital assets as a separate category and presenting NTPC on a modified equity basis, there were no significant changes to the consolidated statement of cash flows of NT Hydro as a result of the conversion to PSAS for the year ended March 31, 2014:

	Previous GAAP	Adjustment to reflect NTPC on a modified equity basis (Footnote 1)	Related party reclass (Footnote 2)	Activity reclass	PSAS
<b>Operating activities</b>					
Cash receipts from customers	\$ 95,640	\$ (96,330)	\$ 530	\$ 791	\$ 631
Government assistance	11,176	(9,512)	-	-	1,664
Cash paid to suppliers	(75,201)	74,599	(530)	29	(1,103)
Cash paid to employees	-	-	-	(820)	(820)
Interest received	72	(186)	114	-	-
Interest paid	(11,599)	11,571	(114)	-	(142)
	<b>20,088</b>	<b>(19,858)</b>	<b>-</b>	<b>-</b>	<b>230</b>
<b>Investing activities</b>					
Sinking fund instalments	(780)	780	-	-	-
Loan receivable receipts	684	(684)	-	-	-
Investment in NTPC	-	455	-	-	455
	<b>(96)</b>	<b>551</b>	<b>-</b>	<b>-</b>	<b>455</b>
<b>Capital activities</b>					
Property, plant and equipment constructed or purchased	(29,853)	29,853	-	-	-
	<b>(29,853)</b>	<b>29,853</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>					
Net proceeds from short-term debt	11,909	(11,909)	-	-	-
Repayment of long-term debt	(2,298)	2,298	-	-	-
Payments on capital lease obligation	(406)	406	-	-	-
Payables to NTPC, net	-	(995)	-	-	(995)
Repayment of LNG capital lease obligation	(229)	-	-	-	(229)
Government contributions (repayments)	185	(185)	-	-	-
	<b>9,161</b>	<b>(10,385)</b>	<b>-</b>	<b>-</b>	<b>(1,224)</b>
<b>Net (decrease) increase in cash</b>	<b>(700)</b>	<b>161</b>	<b>-</b>	<b>-</b>	<b>(539)</b>
<b>Cash, beginning of year</b>	<b>2,015</b>	<b>(1,001)</b>			<b>1,014</b>
<b>Cash, end of year</b>	<b>\$ 1,315</b>	<b>\$ (840)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 475</b>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

The following notes describe adjustments in reconciliations to arrive at PSAS financial statements:

#### 1) Adjustment to reflect NTPC on a modified equity basis

Under previous GAAP, NTPC and its subsidiaries were consolidated in the consolidated financial statements of NT Hydro as at April 1, 2013 and March 31, 2014 and for the year ended March 31, 2014. Under PSAS, NTPC was considered to be a GBE during those periods and is accounted for under the modified equity method (Note 4).

#### 2) Other adjustments

Other adjustments are PSAS conversion adjustments specific to NT Hydro and its own subsidiary entities and government partnership interests, as follows:

##### i) Deferred government contributions

Under previous GAAP, NT Hydro recorded approved government contributions for purchasing tangible capital assets as deferred government contributions on the consolidated balance sheet. Deferred government contributions were amortized as a reduction to amortization expense on the same basis as the amortization of the related tangible capital assets. Under PSAS, government contributions are recognized in revenue when all stipulations or restrictions, if any, are met. As a result, adjustments were made to the timing of revenue recognition, resulting in a reclassification of the deferred government contributions to accumulated surplus of \$40 at March 31, 2014 (April 1, 2013 - \$46) and increases amortization expense by \$6. There were no new government contributions in 2014 that were recorded as deferred revenues.

##### ii) Current portion of assets and liabilities

The current portion of assets and liabilities are not presented under PSAS. As a result, the current portion of assets and liabilities were reclassified to the appropriate asset or liability balance. The column heading "Previous GAAP" reflects the recombining of short-term and long-term balances.

Under previous GAAP, debt expected to be repaid with sinking fund investments held was separately presented. Under PSAS, no similar presentation exists.

Under previous GAAP, the current portion of the LNG capital lease obligation of \$477 at March 31, 2014 (April 1, 2013 – nil) was recorded in accounts payable and accrued liabilities; however, under PSAS this amount has been reclassified to capital lease obligation.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

#### iii) Related party transactions

Under previous GAAP, all intercompany transactions and balances were eliminated upon consolidation. Under PSAS, NTPC was classified as a GBE and was accounted for using the modified equity basis prior to fiscal 2015, which does not result in the elimination of intercompany transactions and balances. As a result, other revenues and customer contributions and fuel and lubricants expense increased by \$530 for the LNG purchases by NTPC from NTEC(03). In addition, interest income and interest expense increased by \$114 for interest paid by NT Hydro for the short-term payable to NTPC.

#### iv) Functional presentation of expenses

Previous GAAP financial statements presented expenses by object or type in the consolidated statement of operations and accumulated surplus. PSAS requires that expenses be classified by function, with note disclosure providing expenses by object. Adjustments are presented to reclassify expenses under PSAS on a functional basis.



## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

#### 3) Adjustments to reflect NTPC on a consolidated basis April 1, 2014 upon a classification change:

NTPC, on April 1, 2014, changed classification to an OGO and, as a result, was consolidated by NT Hydro beginning on that date. In applying consolidation accounting, the accounts of NTPC are required to be amended to comply with the PSAS policies of NT Hydro. The below table shows the adjustments to convert the consolidated statement of financial position of NTPC as at April 1, 2014 from previous GAAP of NTPC to PSAS (see Note 4):

	Previous GAAP	Notes	Adjustments	PSAS
<b>Financial assets</b>				
Cash	\$ 840	vi	\$ (158)	\$ 682
Revenues receivable	13,239	v, vi, x	4,079	17,318
Sinking fund investments	6,513	-	-	6,513
Loan receivable	-	v	16,886	16,886
Net receivable from related parties	4,461	x	(4,461)	-
Investment in Aadrii Ltd.	-	vi	612	612
	<b>25,053</b>		<b>16,958</b>	<b>42,011</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	16,893	iii, vi	(421)	16,472
Operating line of credit	17,888	-	-	17,888
Capital lease obligation	2,653	v	16,539	19,192
Dividend payable	42	-	-	42
Debenture debt	186,181	v, viii	522	186,703
Deferred government contributions	2,894	ii	(2,894)	-
Other employee future benefits	3,009	iii	586	3,595
Asset retirement obligations	13,477	iv	1,629	15,106
Regulatory obligations	34,594	i	(34,594)	-
	<b>277,631</b>		<b>(18,633)</b>	<b>258,998</b>
<b>Net debt</b>	<b>\$ (252,578)</b>		<b>\$ 35,591</b>	<b>\$ (216,987)</b>
<b>Non-financial assets:</b>				
Tangible capital assets	341,529	iv, vi, vii	(10,164)	331,365
Intangible assets	1,007	vii	(1,007)	-
Inventories	6,051	vii, ix	2,949	9,000
Prepaid expenses	1,051	-	-	1,051
Regulatory assets	23,228	i	(23,228)	-
	<b>372,866</b>		<b>(31,450)</b>	<b>341,416</b>
<b>Accumulated surplus / equity</b>	<b>\$ 120,288</b>		<b>\$ 4,141</b>	<b>\$ 124,429</b>

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

The following notes describe adjustments in reconciliations to arrive at condensed PSAS consolidated statement of financial position of NTPC as at April 1, 2014:

#### i) Rate regulated accounting

Under previous GAAP, NTPC deferred certain costs as assets and certain revenues as liabilities and recorded them in the consolidated statement of operations and accumulated surplus as it collected or refunded the amounts through subsequent customer rates or over an amortization period.

Under previous GAAP, NTPC deferred contributions received from customers for the acquisition or construction of tangible capital assets to connect them to the network as a regulatory obligation. These contributions were amortized and recognized against amortization expense at the same rate as the related tangible capital assets. Under PSAS, contributions with external restrictions or stipulations are recognized as deferred revenue and as revenue in the period in which the resources are used for the purpose specified, being when the related assets are acquired or constructed. As a result, adjustments have been made to the timing of revenue recognition, reducing the related regulatory obligation and increasing accumulated surplus at April 1, 2014 by \$6,439.

All other deferred amounts are not recognized in the consolidated statement of financial position since they do not meet the definition of an asset or liability under PSAS. As a result, as at April 1, 2014 reductions were made to regulatory assets of \$23,228, regulatory liabilities of \$28,155, and accumulated surplus of \$4,927.

#### ii) Deferred government contributions

Under previous GAAP, NTPC recorded approved government contributions for purchasing tangible capital assets as deferred government contributions on the consolidated balance sheet. Deferred government contributions were amortized as a reduction to amortization expense on the same basis as the amortization of the related tangible capital assets. Under PSAS government contributions are recognized in revenue when all stipulations or restrictions, if any, are met. As a result, adjustments were made to the timing of revenue recognition, resulting in a reclassification of the deferred government contributions to accumulated surplus totalling \$2,894 at April 1, 2014.

#### iii) Other employee future benefits

Under previous GAAP, NTPC did not recognize an obligation for non-vesting accumulating sick-leave benefits. Under PSAS, these accumulating benefits are recognized resulting in adjustments to accumulated surplus at April 1, 2014 of \$176 to recognize the resulting other employee future benefits obligation. In addition, previous GAAP classified the current portion of other employee future benefits of \$410 at April 1, 2014 in accounts payable and accrued liabilities; however, under PSAS this has been reclassified to other employee future benefits.

#### iv) Asset retirement obligations and environmental liabilities

Under previous GAAP, AROs were recognized on a fair value basis by discounting the estimated future cash flows using NTPC's credit-adjusted risk-free rate and were recognized as an adjustment to a regulatory reserve. Under PSAS, AROs are recognized on a best estimate basis by discounting the estimated future cash flows using NTPC's cost of borrowing and an adjustment to tangible capital assets. As a result, at April 1, 2014 AROs increased \$1,629 with additions to tangible capital assets of \$3,656 and an increase to accumulated surplus of \$2,027.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

#### v) Debenture debt, loan receivable and capital lease obligation

Under previous GAAP, certain costs related to an extinguishment of a debt transaction were deferred and amortized over the term of the new debt. Under PSAS, these costs would be recognized as an expense when incurred. As a result, debenture debt increased and accumulated surplus decreased by \$522 as of April 1, 2014.

Under previous GAAP, NTPC's capital lease obligation was offset against its loan receivable from DPC for financial statement presentation and disclosure. PSAS does not allow for this netting; therefore, the loan receivable of \$16,886 at April 1, 2014 has been reclassified to financial assets from the capital lease obligation of \$16,539 and revenues receivable of \$347.

#### vi) Government business partnership

Under previous GAAP, NTPC accounted for its shared 50% interest in Aadrii Ltd using the proportionate consolidation method. Under PSAS, the investment is classified as a government business partnership accounted for using the modified equity method. This change resulted in the recognition of an investment in Aadrii Ltd. of \$612 as of April 1, 2014, reallocated from decreases in cash of \$158, revenues receivable of \$35, accounts payable and accrued liabilities of \$11, and tangible capital assets of \$430.

#### vii) Tangible capital assets

Under previous GAAP, enterprise software was presented at March 31, 2014 as an intangible asset totaling \$1,007. Under PSAS, such assets are included in tangible capital assets.

Under previous GAAP, NTPC capitalized fuel associated with a capital project as a result of a decision by the PUB. Under PSAS, the capitalizing of fuel is not permitted in tangible capital assets. Due to this change, tangible capital assets and accumulated surplus decreased \$2,565 as at April 1, 2014.

Under previous GAAP, tangible capital assets replaced under insurance were recorded at full value with the insurance proceeds capitalized as an offset and amortized as a reduction to amortization expense on the same basis as the amortization of the related tangible capital assets. Under PSAS, NTPC is required to recognize insurance proceeds as proceeds on disposal when realized or certain of realization. As a result, adjustments have been made to the timing of revenue recognition, resulting in derecognition of net insurance proceeds from tangible capital assets to accumulated surplus at April 1, 2014 of \$5,522.

Under previous GAAP the straight-line average group useful life basis of amortization supported recognizing the gains and losses on disposal or abandonment of tangible capital assets in accumulated depreciation. PSAS does not allow for the application of this amortization principle. Adjustments were made to increase accumulated surplus and derecognize the accumulated net loss on disposal of tangible capital assets included in tangible capital assets at April 1, 2014 of \$11,539.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### Note 26. Transition to PSAS (continued)

Under previous GAAP, NTPC reported critical spare parts under tangible capital assets for those inventory items where substitutes were not readily available and/or fabricated, the absence of the item would have caused a significant loss of asset service availability, and there was an expectation the asset had benefit extending beyond one year. PSAS requires that tangible capital assets be currently in service; therefore, adjustments of \$3,229 were required at April 1, 2014 to reallocate critical spare parts from tangible capital assets to inventory.

Under previous GAAP, feasibility studies were considered tangible capital assets as they provided long-term benefits to NTPC. PSAS requires tangible capital assets to have physical substance and therefore feasibility studies of \$2,586 at April 1, 2014 were derecognized from tangible capital assets to accumulated surplus.

#### viii) Current portion of assets and liabilities and sinking fund investments

The current portion of assets and liabilities are not presented under PSAS. As a result, the current portion of assets and liabilities were reclassified to the appropriate asset or liability balance. The column heading "Previous GAAP" reflects the recombining of short-term and long-term balances.

#### ix) Inventories

Under previous GAAP, interest was added to the cost of major spare parts inventory while it was being held for installation. Under PSAS, this capitalization of interest costs is not permitted. As a result of this transition change, inventory and accumulated surplus decreased by \$280 at April 1, 2014.

#### x) Related party balances

Under previous GAAP, NTPC presented the net receivable from related parties in the consolidated balance sheet. Under PSAS, no similar presentation exists. As a result, the net receivable from related parties at April 1, 2014 of \$4,461 has been reclassified to revenues receivable.

## NORTHWEST TERRITORIES HYDRO CORPORATION

### 27. Budgeted figures

NT Hydro's budgeted annual surplus was provided for comparison purposes and was derived from the budget approved by the Board of Directors on March 11, 2014. The approved budget for 2015 was based upon previous GAAP. The table below discloses the adjustments required to present the budget on a PSAS basis consistent with the related financial statement amounts.

	<b>2015 budget as approved</b>	<b>PSAS conversion changes</b>	<b>2015 PSAS budget</b>
<b>Revenues</b>			
Sale of power	\$ 98,404	\$ (919)	\$ 97,485
Fuel rider revenues	-	-	-
Other revenue and customer contributions	1,295	745	2,040
Interest income	2,023	(214)	1,809
Income from investment in Aadrii Ltd.	-	100	100
	<b>101,722</b>	<b>(288)</b>	<b>101,434</b>
<b>Expenses</b>			
Corporate services	17,410	528	17,938
Thermal generation	56,174	3,783	59,957
Hydro generation	18,026	129	18,155
Transmission, distribution and retail	9,004	564	9,568
Purchased power	3,082	(21)	3,061
Alternative power generation	345	108	453
	<b>104,041</b>	<b>5,091</b>	<b>109,132</b>
<b>Deficit for the year before government contributions</b>	<b>(2,319)</b>	<b>(5,379)</b>	<b>(7,698)</b>
<b>Government contributions</b>			
GNWT extreme low water contributions	-	-	-
GNWT power sales contributions	2,800	-	2,800
Other government contributions	1,509	655	2,164
	<b>4,309</b>	<b>655</b>	<b>4,964</b>
<b>(Deficit) surplus for the year</b>	<b>\$ 1,990</b>	<b>\$ (4,724)</b>	<b>\$ (2,734)</b>

The cash flow figures required for the consolidated statement of change in net debt were derived from the original budget and cash flow projections prepared by management. The adjusted budget amounts prepared by management have been presented in the consolidated statement of operations and accumulated surplus and the consolidated statement of changes in net debt.



## **NORTHWEST TERRITORIES HYDRO CORPORATION**

### **28. Subsequent events**

#### **GNWT funding agreement**

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 incurred by NTPC in fiscals 2016 and 2017 due to low water levels in the Snare hydro system. The agreement also includes funding for two capital projects in fiscal 2016: \$300 for LED streetlight conversions and \$100 for a 10 – 15 kW solar project in Wrigley.

#### **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.



# Schedule of Write-offs

For the year ended March 31, 2015

## Utility Accounts Over \$500

Customer Name	Community	Amount
Keone Villeneuve	Fort Simpson	500.46
Angus Banksland	Ulukhaktok	549.30
Fast Food	Inuvik	555.93
Walter Andrew	Tulita	556.71
Robert Cleary	Norman Wells	579.48
Dustin Greenland	Inuvik	586.54
Esther Kendi-Ross	Inuvik	595.55
Marlo Allen	Inuvik	608.58
Terrance Allen	Inuvik	639.92
Victoria Gargan	Fort Simpson	678.43
Jonathon Mcleod	Fort Liard	688.72
David Brown/Gloria Villeneuve	Fort Simpson	701.89
Timothy Base/Laurie Rabesca	Behchoko	761.18
Andrew Tyler/Cassdandra Chaplin	Norman Wells	787.79
Warren Barnaby	Fort Good Hope	791.19
Donald Ayres	Norman Wells	824.21
Louisa Black	Gameti	878.19
Sahtu Contracting Ltd	Norman Wells	937.06
Tanya Tourangeau/Brett Tourangeau	Fort Smith	938.02
Jill Rymer	Fort Resolution	970.20
Dowlands Contracting Ltd	Inuvik	1,020.41
Rita Hestline	Fort Smith	1,025.76
SahtuConstruction Ltd.	Fort Good Hope	1,056.93
Contracting Jensen'S	Inuvik	1,165.24
Joseph O'Rielly	Fort Resolution	1,364.37
Esther Kendi-Ross	Inuvik	1,439.50
Dennis Blancho	Colville Lake	1,653.07
Norman Wells Petroleum Ltd	Norman Wells	2,841.48
Stanley Beaulieu	Fort Simpson	2,929.96
North Of Sixty	Fort Simpson	3,646.46
Sahtu Contracting Ltd	Norman Wells	3,826.26
Tthenaago Dev. Corp	Nahanni Butte	5,580.92
Tire Arctic	Inuvik	6,637.29
Nihjaa Properties	Inuvik	9,240.55
Sahtu Contracting Ltd	Norman Wells	14,581.55



# Schedule of Write-offs

For the year ended March 31, 2015

## Non-Utility Accounts Over \$500

Customer Name	Community	Amount
Dave Hehn	Fort Smith	507.08
AC Contracting	Inuvik	680.00
Tulita Land Corporation	Tulita	937.31
Charlie Schaefer	Fort Smith	963.75
Mullen Trucking	Inuvik	5,243.00
Randy Kakfwi	Inuvik	5,863.34
Arctic Cooperative	Inuvik	9,105.46
Northern Properties Management	Inuvik	19,839.85

Northwest Territories Power Corporation

Reconciliation from Audited Financial Statements to Unaudited Rate  
Regulated Basis of Accounting  
For the year ended March 31, 2015  
UNAUDITED



Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting  
For the year ended March 31, 2015  
(in thousands of dollars)  
Unaudited

STATEMENT OF FINANCIAL POSITION	Unaudited					Rate Regulated Accounting
	Audited PSAS Financial Statements	Reclassification Adjustments	Regulated Assets and Liabilities (note 1)	TCA and ARO Adjustments (note 2)	Other (note 3)	
<b>Assets</b>						
Current assets						
Cash and short-term investments	566	-	-	-	-	566
Accounts receivables	14,044	(752)	890	-	6	14,188
Net receivable from related parties	-	1,047	-	-	-	1,047
Inventories	9,142	(2,735)	-	-	-	6,407
Prepaid expenses	854	-	-	-	-	854
	<u>24,606</u>	<u>(2,440)</u>	<u>890</u>	<u>-</u>	<u>6</u>	<u>23,062</u>
Property, plant and equipment (net)	338,411	2,735	-	5,865	(2)	347,009
Other long term assets						
Loan receivable	16,134	(16,134)	-	-	-	-
Investment in Aadrii (equity)	656	-	-	-	-	656
Sinking fund investments	7,194	-	-	-	-	7,194
Regulatory assets	-	-	24,085	-	-	24,085
	<u>23,984</u>	<u>(16,134)</u>	<u>24,085</u>	<u>-</u>	<u>-</u>	<u>31,935</u>
	<u>387,001</u>	<u>(15,839)</u>	<u>24,975</u>	<u>5,865</u>	<u>4</u>	<u>402,006</u>
<b>Liabilities and Shareholder's Equity</b>						
Current liabilities						
Short-term debt	18,115	-	-	-	-	18,115
Accounts payable and accrued liabilities	21,799	357	-	-	(7)	22,149
Dividend payable	63	-	-	-	-	63
Current portion of long-term debt	-	2,468	-	-	-	2,468
	<u>39,977</u>	<u>2,825</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>42,795</u>
Long-term debt						
Long-term debt net of sinking funds	177,132	(2,468)	-	-	(470)	174,194
Sinking funds as reflected in assets	7,194	-	-	-	-	7,194
Net lease obligation	18,787	(15,787)	-	-	-	3,000
	<u>203,113</u>	<u>(18,255)</u>	<u>-</u>	<u>-</u>	<u>(470)</u>	<u>184,388</u>
Other long term liabilities						
Regulatory liabilities	-	-	32,862	-	-	32,862
Asset retirement obligations	18,553	-	1,252	(6,328)	-	13,477
Deferred government contributions	5,781	-	-	3,408	-	9,189
Employee Future Benefits	3,248	(409)	-	-	(182)	2,657
	<u>27,582</u>	<u>(409)</u>	<u>34,114</u>	<u>(2,920)</u>	<u>(182)</u>	<u>58,185</u>
Shareholder's equity	116,329	-	(9,139)	8,785	663	116,638
	<u>387,001</u>	<u>(15,839)</u>	<u>24,975</u>	<u>5,865</u>	<u>4</u>	<u>402,006</u>

Reconciliation from Audited Financial Statements to Unaudited Rate Regulated Basis of Accounting  
For the year ended March 31, 2015  
(in thousands of dollars)  
Unaudited

STATEMENT OF OPERATIONS	Unaudited					Rate Regulated Accounting
	Audited PSAS Financial Statements	Reclassification Adjustments	Regulated Assets and Liabilities (note 1)	TCA and ARO Adjustments (note 2)	Other (note 3)	
<b>Revenues</b>						
Sale of power	96,333	-	919	-	-	97,252
GNWT power revenue contributions	2,800	-	-	-	2	2,802
Fuel rider revenue	2,996	(2,996)	-	-	-	-
GNWT low water contributions	14,219	(14,219)	-	-	-	-
Net investment income Aadrii	45	-	-	-	-	45
Other government contributions	888	-	-	(764)	-	124
Other revenue	2,138	-	(538)	-	-	1,600
	119,419	(17,215)	381	(764)	2	101,823
<b>Expenses</b>						
Salaries and wages	-	25,338	(1,110)	-	(12)	24,216
Fuel and lubricants	-	28,278	236	-	-	28,514
Supplies and services	-	21,512	(5,792)	(1,518)	(4)	14,198
Amortization	-	14,998	4,822	435	-	20,255
Travel and accommodation	-	2,560	(365)	-	-	2,195
Net loss on disposal of assets	-	1,063	(844)	(219)	-	-
Dividend expense	-	360	-	-	(360)	-
Accretion on ARO	-	149	-	(149)	-	-
Thermal generation	76,359	(76,359)	-	-	-	-
Hydro generation	17,979	(17,979)	-	-	-	-
Corporate services	15,977	(15,977)	-	-	-	-
Transmission, distribution and retail	10,223	(10,223)	-	-	-	-
Purchased power	3,462	(3,462)	-	-	-	-
Alternative power generation	339	(339)	-	-	-	-
	124,339	(30,081)	(3,053)	(1,451)	(376)	89,378
<b>Earnings from operations</b>	(4,920)	12,866	3,434	687	378	12,445
Interest income	1,677	(1,572)	-	-	-	105
<b>Earnings before interest expense</b>	(3,243)	11,294	3,434	687	378	12,550
Interest expense	-	11,294	(643)	-	332	10,983
<b>Net earnings before other</b>	(3,243)	-	4,077	687	46	1,567
Fuel rider revenue	-	2,996	-	-	-	2,996
Offset to Rider Revenue	-	(2,996)	-	-	-	(2,996)
Extreme low water revenue	-	14,219	-	-	-	14,219
Offset to extreme low water revenue	-	(14,219)	-	-	-	(14,219)
	-	-	-	-	-	-
Write off of NT Hydro Loan	(4,857)	-	-	-	-	(4,857)
	(4,857)	-	-	-	-	(4,857)
<b>Net income for the year</b>	(8,100)	-	4,077	687	46	(3,290)
Retained earnings, beginning of year	81,300	-	(13,216)	8,098	977	77,159
Dividend	-	-	-	-	(360)	(360)
Retained earnings, end of year	73,200	-	(9,139)	8,785	663	73,509
Share capital	43,129	-	-	-	-	43,129
Shareholder's equity, end of year	116,329	-	(9,139)	8,785	663	116,638

Notes to the Reconciliation from Audited Financial Statements to Unaudited  
Rate Regulated Basis of Accounting  
For the year ended March 31, 2015  
*(in thousands of dollars)*  
Unaudited

Note 1 Under PSAS, regulated assets and liabilities as at April 1, 2014 were charged to retained earnings (accumulated surplus) with changes being recorded to net income.

Note 2 Under PSAS, certain studies are not allowed to be recorded as tangible capital assets and were charged to expense or opening retained earnings.

Net losses on disposal are recorded as an expense under PSAS in the year of disposal.

Under Rate Regulated Accounting, gains and losses are deferred and included in accumulated amortization.

Asset retirement obligations were adjusted under PSAS for differences in discount rates and environmental related obligations were expensed. For PSAS, certain property plant and equipment values were increased to account for asset retirement costs.

Note 3 Other adjustments include differences for how NTPC accounted for its long term debt swap costs, accumulated sick leave and dividends paid to NT Hydro.



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