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NORTHWEST TERRITORIES POWER CORPORATION

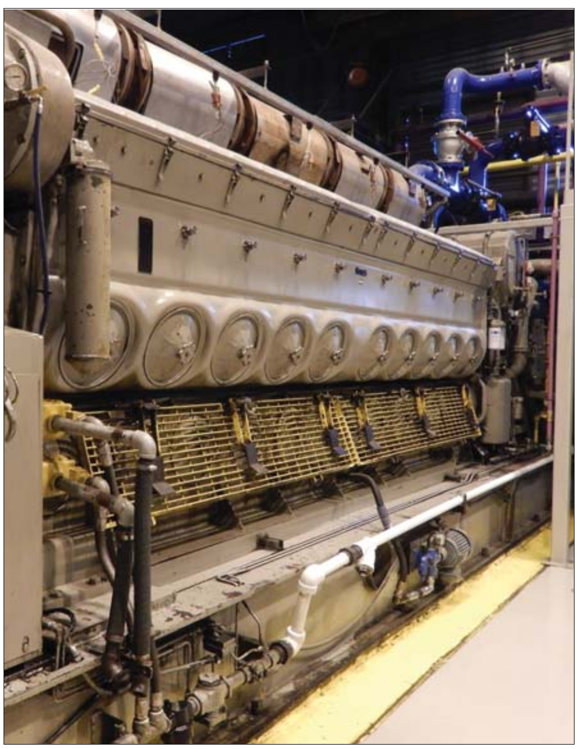
Empowering Communities

2015 Annual Report

The Next Generation of Power in the NWT

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.



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
IFRS	International Financial Reporting Standards
kW	Kilowatt
kWh	Kilowatt hour
LED	Light-emitting diode
LNG	Liquefied natural gas
MW	Megawatt
NTEC (03)	NT Energy
NTPC	Northwest Territories Power Corporation
NWT	Northwest Territories
NWTEC	Northwest Territories Energy Corporation
PUB	Public Utilities Board

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NORTHWEST TERRITORIES POWER CORPORATION

Message from the Minister

Guided by a vision of performance leadership in the electrical industry, the Northwest Territories Power Corporation (NTPC) is working with the Government of the Northwest Territories (GNWT) towards building a robust electrical system for current and future generations. NTPC 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 NTPC can play as an economic driver in all communities. We also heard about NTPC'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. NTPC 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, NTPC will continue to research and install alternative generation where it can help mitigate and counteract environmental impacts. NTPC 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 NTPC has an important role to play in powering residents and businesses as they strive to realize their potential.

J.M. Miltenberger

Minister Michael Miltenberger
Minister responsible for the
Northwest Territories Power 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 the Northwest Territories Power Corporation (NTPC) and for all residents of the NWT due to an extended drought throughout 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, NTPC met these challenges head on.

The Board of Directors is tasked with overseeing NTPC'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 NTPC 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, NTPC'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. NTPC 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.

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

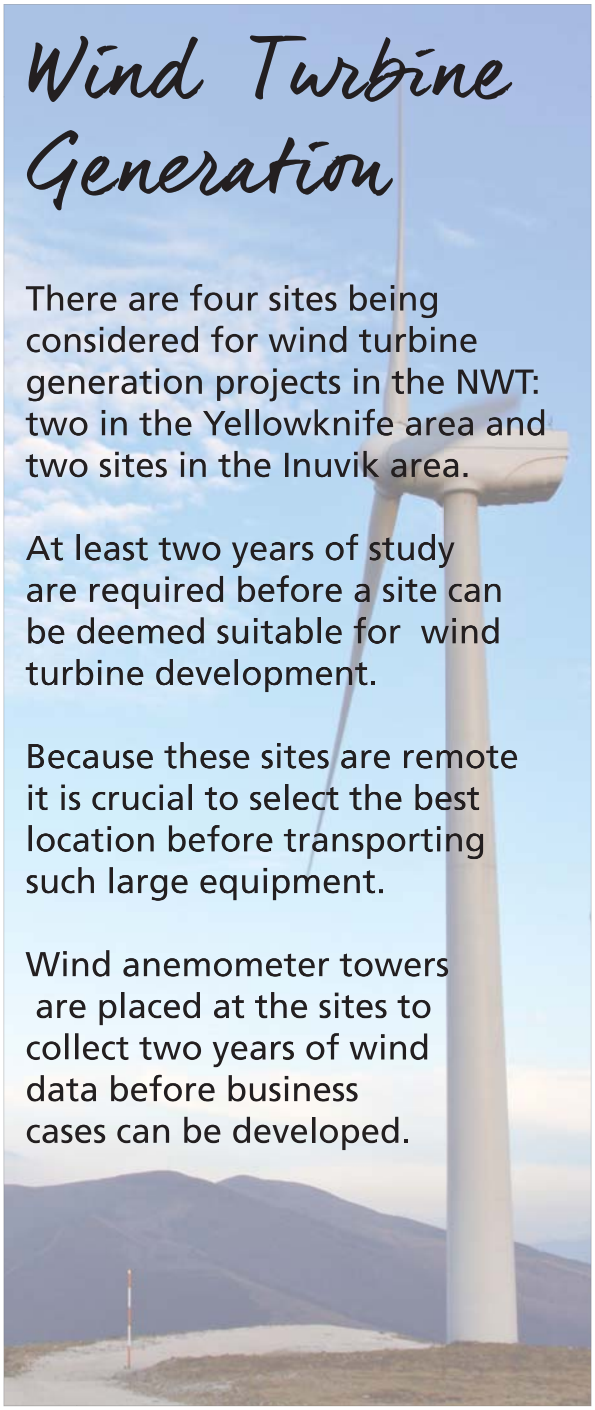
Cheryl Tordoff
Corporate Secretary

Ron Threlkeld
Utility Advisor

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



Wind Turbine Generation

There are four sites being considered for wind turbine generation projects in the NWT: two in the Yellowknife area and two sites in the Inuvik area.

At least two years of study are required before a site can be deemed suitable for wind turbine development.

Because these sites are remote it is crucial to select the best location before transporting such large equipment.

Wind anemometer towers are placed at the sites to collect two years of wind data before business cases can be developed.

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 NTPC 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, NTPC 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 has launched PowerWise – a power conservation campaign designed to help our customers manage their electrical usage.

Created in response to our customer's 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, NTPC 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.

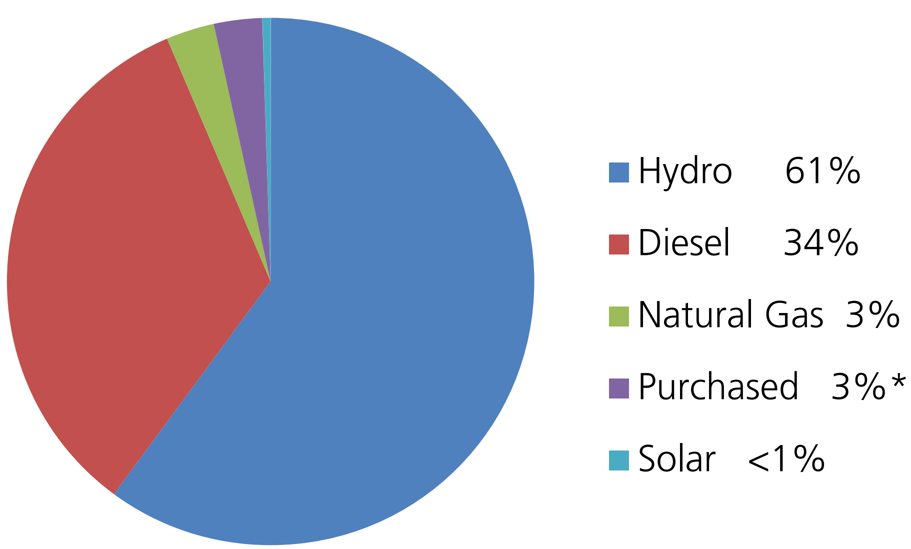
Diesel generation in communities outside the North Slave area remained at normal levels and were not affected by the low water on the Snare water system.

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

Power is purchased from Imperial Oil Limited to supply Norman Wells.

2015 Generation by Energy Source



Renewable Generation in the NWT

Hydro

NTPC 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.

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.

Solar

In addition to NTPC'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.

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.

Wind

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.

Biomass

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.

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


Fort Resolution Dog Mushers


Circus Camp Fort Smith


Fort Good Hope Traditional Games

NWT Track & Field - Hay River

Dark Sky Festival Science Workshop

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

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

The Next Generation of Employees

Scholarships

The NWT Power Corporation 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 the 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.

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

Solar Power Generation

In 2015, the Lutsel K’e Dene First Nation (LKDFN) built a 35 kW solar installation as an Independent Power Producer (IPP). The IPP is a first for the NWT. In this case, LKDFN is the owner and operator of the system and NTPC purchases the electricity from the LKDFN at the avoided cost of fuel.

Management Discussion and Analysis

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

Upon becoming classified as an Other Government Organization (OGO) in fiscal year 2015, management determined the most relevant accounting framework to report NTPC's consolidated financial statements is Public Sector Accounting Standards (PSAS), established by the Canadian Public Sector Accounting Board.

The financial statements enclosed adhere to PSAS and replace the Canadian Generally Accepted Accounting Principles (CGAAP) previously followed.

All financial information is expressed in Canadian dollars unless otherwise specified, 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 NTPC. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements.

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 with NTPC focussing on the core business of providing electricity services and NT Hydro, through its wholly-owned subsidiary, NTPC, operates hydroelectric, diesel, natural gas and solar power generation facilities to provide utility services in the Northwest Territories. NTPC activities are regulated by the Northwest Territories Public Utilities Board (PUB).

NTPC has two wholly-owned subsidiaries, the NWT 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 NT Energy and Sahdae Energy Ltd. (SEL), both of which are incorporated under the NWT Business Corporations Act. NT Energy focussed on an NT 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.

What we do – our business

At NTPC, we work 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 km^2. NTPC has more than 180 permanent full-time employees in 29 communities who ensure that power is generated, transmitted and distributed throughout the territories. 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 NTPC.

Illustration 1
NTPC serves all communities in the NWT with the exception of Trout Lake, Kakisa, Fort Providence and Wekweètì.

Illustration 2
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.

NTPC generates and distributes electricity to the end-use consumers in 26 of the 33 communities in the Territories and supplies electricity on a wholesale basis to two distributing utilities which, in turn, sell electricity to customers in the City of Yellowknife and the Hay River area.

How we supply power

In order to maintain a reliable power supply, NTPC operates with a generating capacity greater than each community's peak demand. NTPC's generating capacity territory-wide is 144.4 MW from:

- 3 hydroelectric systems
- 2 solar arrays
- 1 natural gas plant
- 28 diesel plant

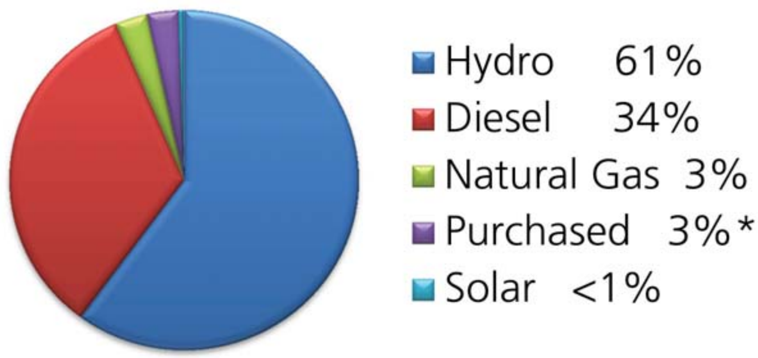
NTPC also purchases power from Imperial Oil Limited to supply power to Norman Wells.

In addition to generation assets, NTPC maintains approximately:

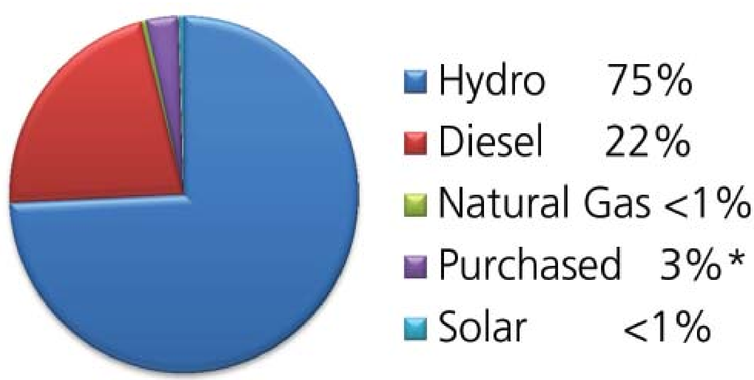
- 565 km of transmission lines from its hydroelectric plants to communities
- 375 km of distribution lines, within communities and
- 9,790 poles

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.

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 hrs 40 min	23 min
Total length - all outages (for an average customer)	6 hrs 23 min	4 hrs 40 min

* This includes disruption of supply to retailer in Yellowknife and Hay River.

** All figures are based on the 2014 calendar year.

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.

2015 Financial Results

Operations

NTPC had electricity sales of $96.3 million in 2015 compared to $92.4 million in 2014. This increase is attributed to a 5.6% increase in power rates as the final phase of NTPC's three year graduated rate increase approved in Decision 1-2013. When GNWT power sales contributions are added in to the sale of power, overall power sales revenues have decreased in fiscal 2015 by 3%. Year over year unit sales also experienced a 1.7% decrease. 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 2015 were $124.3 million compared to $102.6 million in 2014 and 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 increases in expenses.

Offsetting the majority of extreme low water costs, was a $20 million contribution provided by the GNWT 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.

In fiscal 2015, the GNWT issued a Directive for the operations of NTPC's sister company, NTEC(03), to be brought under the Public Works and Services department of the GNWT effective April 1, 2015. As a result NTPC incurred a loss in writing off the loan to its parent, NT Hydro, for funds provided to create the investment in NTEC (03).

Snare Lake experienced the lowest water in recorded history.

Low Water Impact

Low water on the Snare hydro system had a significant impact on operating expenses in 2015 -- increasing from $98 million in 2014 to $126.5 million in 2015. Of which $15 million was required for fuel and low-water-related costs to offset the 20% increase in diesel generation in the North Slave due to low water on the Snare hydroelectric system.

Financing Activities

NTPC did not issue any long term debt in 2015. Operations and capital were financed through a combination of working capital and short term debt.

Capital Expenditures

Each year, NTPC makes an investment in its capital infrastructure to maintain and replace assets that are near end of life. Capital investment levels in 2015 were $21.7 million as compared to $30.8 million in 2014. The majority of projects were to maintain or improve reliability.

Risk Management

NTPC is subject to a variety of risks and uncertainties that could impact the achievement of its business objectives and its financial and operating performance. Risks can be financial, strategic, operational, environmental, compliance or reputational.

NTPC strives to manage all the risks it faces on a cost-effective basis, taking into account the potential reward to be gained in return for acceptance of the risk.

The Board of Directors is accountable for all risks incurred by NTPC and the authority for risk management is delegated to the Chief Executive Officer. The Board of Directors and management regularly review and discuss the risk profile of the organization and consider the nature and amount of risk incurred in the pursuit of the organization's objectives.

Workforce Management

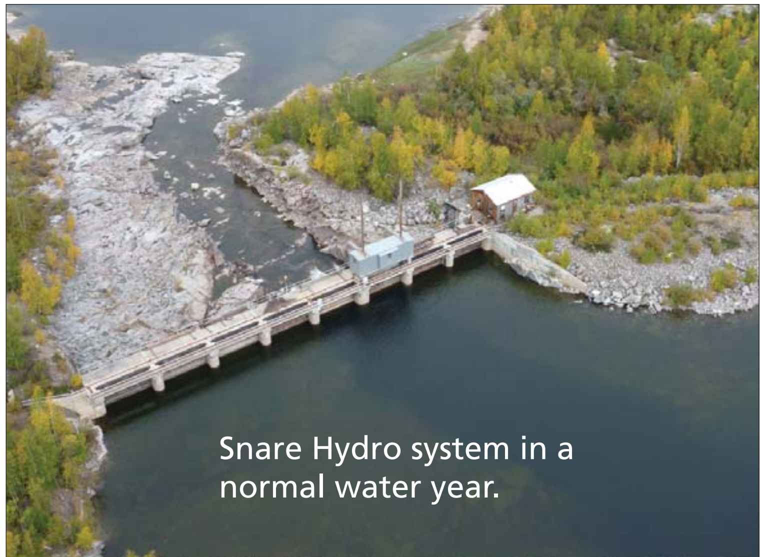
Like many Northern companies, NTPC has difficulty attracting and retaining its workforce due to many factors including a shortage of critical skills, and competition for talent in the North and across the electric utility industry. To mitigate some of these factors NTPC has an Apprenticeship Program, a Scholarship Program, a new marketing strategy for recruitment, succession planning and has increased training for existing staff.

A new corporate-wide recognition program was approved and introduced in March 2015 to help improve retention of current employees.

Infrastructure

Like most utilities, infrastructure and the cost to replace it is an increasing risk.

An asset condition assessment was undertaken to develop a baseline for future asset replacement needs. Aging assets are increasingly expensive to maintain and operate and may be less efficient than newer technologies. Reliability of generation, transmission and distribution facilities is essential for a safe and adequate supply of electricity to serve existing and new customers.



Snare Hydro system in a normal water year.

Snare Hydro system in a low water year.

NTPC is managing this risk by:

- Recruiting and training a skilled workforce
- Ongoing asset condition assessment
- Implementing a Computerized Maintenance Management System
- Diversifying generation sources

In addition, the effects of severe and unpredictable climate events can also affect facilities, change the generation make-up of our power supply system and decrease reliability. Although our facilities are built, operated and maintained to industry standards, they may not withstand all types of severe weather or the additional stress required to address a severe weather event. Losses from decreased revenues and repair costs could be substantial given the remoteness of the majority of our generation plants.

These risks are mitigated, in part, by the design and operation of our systems that can withstand the loss of any single element of the power system. This built-in redundancy provides alternate means of generating and distributing power to our customers.

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)

	Budget 2016	**Actual 2015**	**Change**
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

NORTHWEST TERRITORIES POWER CORPORATION

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Power Corporation, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

.../2

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Power Corporation as at 31 March 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 24 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 Power Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Power Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Power Corporation Act* and regulations and the by-laws of the Northwest Territories Power Corporation, with the exception that the Northwest Territories Power 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 Power 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 Power Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the current fiscal year.

Terrance DeJong

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

5 November 2015
Edmonton, Canada

Snare hydroelectric site

NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

NORTHWEST TERRITORIES POWER CORPORATION

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. A summary of significant accounting policies are described in Note 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 Power Corporation (NTPC) maintains financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further NTPC's objectives, are protected from loss or unauthorized use and that NTPC acts in accordance with the laws of the Northwest Territories and Canada. Management recognizes its responsibility for conducting NTPC's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to an agent of the territorial government. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

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

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

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

Emanuel DaRosa
President & Chief Executive Officer

Judith Goucher
Chief Financial Officer

Hay River, NT
November 5, 2015

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

	2015	2014	April 1, 2013
Financial assets			
Cash	$ 566	$ 682	$ 790
Revenues receivable (Note 4)	14,044	17,318	19,899
Loan receivable (Note 5)	16,134	16,886	17,570
Sinking fund investments (Note 6)	7,194	6,513	5,676
Investment in Aadrii Ltd. (Note 7)	656	612	678
	38,594	**42,011**	**44,613**
Liabilities			
Accounts payable and accrued liabilities	21,799	16,472	13,967
Capital lease obligation (Note 5)	18,787	19,192	19,598
Debenture debt (Note 6)	184,326	186,703	188,956
Asset retirement obligations (Note 8)	18,553	15,106	15,248
Operating line of credit (Note 9)	18,115	17,888	5,979
Deferred government contributions (Note 10)	5,781	-	-
Other employee future benefits (Note 11)	3,248	3,595	2,207
Dividend payable (Note 12)	63	42	96
	270,672	**258,998**	**246,051**
Net debt	**$ (232,078)**	**$ (216,987)**	**$ (201,438)**
Non-financial assets			
Tangible capital assets (Note 13)	338,411	331,365	313,630
Inventories (Note 14)	9,142	9,000	8,573
Prepaid expenses	854	1,051	590
	348,407	**341,416**	**322,793**
Accumulated surplus / equity (Note 12)	**$ 116,329**	**$ 124,429**	**$ 121,355**

Contractual obligations and contingencies (Note 22)

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

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31
(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Revenues			
Sale of power (Note 15)	$ 97,485	$ 96,333	$ 92,414
Fuel rider revenues (Note 1)	-	2,996	-
Other revenue and customer contributions (Note 16)	2,040	2,138	1,409
Interest income (Note 18)	1,923	1,677	1,842
Income from investment in Aadrii Ltd. (Note 7)	100	45	84
	101,548	**103,189**	**95,749**
Expenses (Note 17)			
Thermal generation	59,827	76,359	57,604
Hydro generation	18,559	17,979	17,898
Corporate services	16,302	15,977	13,888
Transmission, distribution and retail	9,730	10,223	9,195
Purchased power	3,061	3,462	3,699
Alternative power generation	367	339	365
	107,846	**124,339**	**102,649**
Deficit for the year before government contributions	**(6,298)**	**(21,150)**	**(6,900)**
Government contributions			
GNWT extreme low water contributions (Note 10)	-	14,219	-
GNWT power sales contributions (Note 19)	2,800	2,800	9,400
Other government contributions (Note 20)	764	888	574
	3,564	**17,907**	**9,974**
(Deficit) surplus for the year before loan write-off	**$ (2,734)**	**$ (3,243)**	**$ 3,074**
Write-off of loan to NT Hydro (Note 21)	-	(4,857)	-
(Deficit) surplus for the year	**$ (2,734)**	**$ (8,100)**	**$ 3,074**
Accumulated surplus / equity, beginning of year	124,429	124,429	121,355
Accumulated surplus / equity, end of year	**$ 121,695**	**$ 116,329**	**$ 124,429**

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

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

	2015 Budget	2015 Actual	2014 Actual
(Deficit) surplus for the year	$ (2,734)	$ (8,100)	$ 3,074
Tangible capital assets			
Additions	(21,944)	(18,281)	(29,315)
Capitalized overhead	(3,900)	(3,575)	(2,500)
Capitalized interest (Note 18)	(316)	(446)	(743)
Disposals	-	258	260
Amortization (Note 13)	16,590	14,998	14,563
	(9,570)	**(7,046)**	**(17,735)**
Acquisition of inventories	-	(6,456)	(3,990)
Use of inventories	-	6,314	3,563
Acquisition of prepaids	-	(2,057)	(2,511)
Use of prepaids	-	2,254	2,050
	-	**55**	**(888)**
Increase in net debt for the year	**$ (12,304)**	**$ (15,091)**	**$ (15,549)**
Net debt, beginning of year	(216,987)	(216,987)	(201,438)
Net debt, end of year	**$ (229,291)**	**$ (232,078)**	**$ (216,987)**

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

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

	2015	2014
Cash provided by (used in) operating activities		
Cash receipts from customers	$ 101,204	$ 95,810
Government contributions received	23,991	9,673
Cash paid to suppliers	(61,633)	(47,658)
Cash paid to employees	(26,141)	(25,458)
Interest received	1,677	1,842
Interest paid	(13,278)	(13,268)
	25,820	**20,941**
Cash provided by (used in) investing activities		
Sinking fund investment purchases	(681)	(836)
Loan receivable receipts	752	684
Return of capital from Aadrii Ltd.	-	150
	71	**(2)**
Cash (used in) provided by capital activities		
Acquisition and development of tangible capital assets	(21,633)	(30,837)
Proceeds (payments) on sale of tangible capital assets	7	45
	(21,626)	**(30,792)**
Cash (used in) provided by financing activities		
Repayment of debenture debt	(2,421)	(2,298)
Repayment of capital lease obligation	(405)	(406)
Dividends paid on preferred shares	(339)	(454)
Repayments to related parties	(1,443)	-
Borrowings from related parties	-	994
Net proceeds from operating line of credit	227	11,909
	(4,381)	**9,745**
Decrease in cash	**$ (116)**	**$ (108)**
Cash, beginning of year	682	790
Cash, end of year	**$ 566**	**$ 682**

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

NORTHWEST TERRITORIES POWER CORPORATION

1. The Corporation

a) Authority and corporate information

The Northwest Territories Power Corporation (NTPC) was established under the *Northwest Territories Power Corporation Act.* NTPC is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Northwest Territories Hydro Corporation (NT Hydro) is the parent company and holds all of the common shares of NTPC. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro and owns one preferred share of NTPC (Note 12).

NTPC owns and operates hydroelectric, diesel, gas and photovoltaic generation facilities for the distribution and transmission of utility services to residents and businesses in the Northwest Territories*.* NTPC 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 5). NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson (Note 7). 5383 NWT Ltd. is an inactive company.

b) Regulated activities

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

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

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

Decision 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 $2,500 threshold, variances in fuel prices and purchased power prices relative to the GRA forecast, and to flow through fuel mix variances in dual fuel communities, pursuant to the Electricity Rate Policy Guidelines issued by the Minister Responsible for the PUB. In April 2014, under NTPC's RSF, the PUB approved a RSF rider of 1.17 cents/kWh effective May 1, 2014 for all firm power customers with the exception of

NORTHWEST TERRITORIES POWER CORPORATION

Note 1. The Corporation (continued)

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 government business enterprise (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 other government organization (OGO), beginning in fiscal 2015. The financial impacts of this change in classification from GBE to OGO are described in Notes 2 and 24.

2. Basis of presentation

a) Basis of accounting

Upon becoming classified as an OGO in fiscal 2015, management determined the most relevant accounting framework to report under for users of NTPC's consolidated financial statements is Public Sector Accounting Standards (PSAS), established by the Canadian Public Sector Accounting Board.

These are NTPC'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 NTPC is provided in Note 24. 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 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 24.

Under PSAS standards, the main qualitative differences between NTPC'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 NTPC's annual surplus, adjusted for the acquisition and amortization/use of tangible capital assets and

Note 2. Basis of presentation (continued)

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 NTPC's consolidated statement of cash flow 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 Aadrii Ltd. 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 flow 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. NTPC 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 NTPC'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 NTPC's parent NT Hydro. No significant changes to NTPC'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 NTPC.

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 NTPC consist of the consolidation of NTPC and its wholly owned subsidiaries, from the date that control commences until the date that control ceases. All inter-entity transactions and balances with these wholly owned subsidiaries are eliminated upon consolidation. NTPC's investment in a government business partnership, Aadrii Ltd. (Note 7) is accounted for using the modified equity method applied using NWTEC's 50% share of Aadrii Ltd. to record its investment, and the net income and other changes in equity. The inter-entity transactions and balances with Aadrii Ltd. have not been eliminated.

Note 3. Significant accounting policies (continued)

b) Measurement uncertainty

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

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

c) Inventories

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

d) Financial instruments

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

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

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

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

e) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at historical cost less accumulated amortization. Costs include amounts that are directly related to the acquisition, design, construction, development, improvement and betterment of the assets. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and capitalized

($000's)

Note 3. Significant accounting policies (continued)

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.

iii) Impairment

When conditions indicate that a tangible capital asset no longer contributes to NTPC'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 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

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

f) Government contributions

Government contributions are recognized as revenue when the contributions are authorized and any eligibility criteria are met, except to the extent that stipulations of a contribution give rise to an

Note 3. Significant accounting policies (continued)

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. NTPC's contributions to the Plan are charged as an expense on a current year basis and represent the total pension obligations. NTPC is not required under present legislation to make contributions with respect to actuarial deficiencies of the Plan.

i) Other employee future benefits

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

i) *Severance and ultimate removal benefits*

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

ii) *Sick leave benefits*

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

j) Asset retirement obligations

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

NORTHWEST TERRITORIES POWER CORPORATION

Note 3. Significant accounting policies (continued)

undiscounted cash flows or revisions to the discount rate are recognized as an increase or decrease in the related carrying amount of the related tangible capital asset.

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

k) Environmental liabilities

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

Environmental liabilities are discounted for the time value of money and are included with the AROs on the consolidated statement of financial position. NTPC reviews its estimates of future environmental liabilities on an on-going basis.

l) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates at year-end. Foreign currency transactions are translated into Canadian dollars using rates in effect at the time the transactions were entered into. All realized exchange gains and losses are included in surplus for the year realized 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, and other revenues are recognized on the accrual basis.

n) Expenses

Expenses are recognized on an accrual basis.

o) Contractual obligations and contingencies

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

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 3. Significant accounting policies (continued)

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

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.

4. Revenues receivable

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

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

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	$ 10,565	$ 932	$ 596	$ 12,093	$ 12,868
Non-utility	579	115	5,324	6,018	8,237
Allowance for doubtful accounts	-	-	(793)	(793)	(1,206)
	$ 11,144	$ 1,047	$ 5,127	$ 17,318	$ 19,899

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
Decrease (increase) to allowance	88	(19)
Balance, end of the year	$ (512)	$ (793)

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 4. Revenues receivable (continued)

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, NTPC provided an allowance for doubtful accounts for some of its revenues receivable accounts with amounts outstanding longer than 90 days. Additional disclosures on NTPC's exposure and management of risk associated with revenues receivable can be found in Note 23.

5. 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 NWT between 1994 and 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.

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 plants under capital lease (Note 13).

A $4,000 guarantee from DPC's parent company, the Tlicho Investment Corporation (TIC) 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 value 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	(40,229)
Total capital lease obligation	$ 18,787

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 5. Loan receivable and capital lease obligation (continued)

Additional disclosures on NTPC's exposure and management of risk associated with the loan receivable and associated capital lease obligation can be found in Note 23.

6. Debenture debt and related sinking fund investments

Debenture debt

	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
	$ 185,099	$ 187,522	$ 189,819
Less: Unamortized premium, discount and issuance costs	(773)	(819)	(863)
	$ 184,326	$ 186,703	$ 188,956

The GNWT guarantees NTPC's debenture debt.

Principal repayments for future 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

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 6. 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. NTPC's sinking fund policy allows only Canadian fixed-income investments with investment grade credit. All asset classes are measured at cost or amortized cost, and market value approximates cost due to the short-term to maturity of the investments. Additional disclosures on NTPC's exposure and management of risk associated with sinking fund investments can be found in Note 23.

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

7. Investment in government business partnership

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

Condensed financial information of Aadrii Ltd. is as follows

Statement of Operations – Years ending March 31	**2015**	**2014**
Heat revenues	$ 208	$ 260
Operating expenses including amortization	119	92
Net income	**$ 89**	**$ 168**

Statement of Financial Position as at March 31	**2015**	**2014**	**April 1, 2013**
Current assets	$ 526	$ 388	$ 500
Non-current assets	810	860	910
	$ 1,336	**$ 1,248**	**$ 1,410**
Current liabilities	$ 23	$ 24	$ 54
Shareholder's equity	1,313	1,224	1,356
	$ 1,336	**$ 1,248**	**$ 1,410**

Statement of Cash Flows Years ending March 31	**2015**	**2014**
Cash flows (used in) provided by operating activities	$ 146	$ (104)

($000's)

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8. Asset retirement obligations

	2015	2014
Balance, beginning of year	$ 15,106	$ 15,248
Liabilities settled	(147)	(598)
Accretion expense	149	103
Valuation adjustment	3,057	(851)
Additions	388	1,204
Balance, end of year	$ 18,553	$ 15,106

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

- Total expected future cash flows - $48,855 (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% (March 31, 2014 – 3.45% and April 1, 2013 - 2.76%) for those obligations to be settled in less than 10 years and 3.17% (March 31, 2014 – 4.16% and April 1, 2013 - 3.69%) for those obligations to be settled in 10 years or longer.

Environmental protection legislation (Environmental Guideline for Contaminated Site Remediation, Northwest Territories Department of Environment and Natural Resources, 2003) establishes maximum standards for concentrations of petroleum hydrocarbons in soil to protect environmental quality and human health from the long-term effect of exposure to them. Legislation requires a responsible party to perform remediation activities if the concentrations exceed standard levels. NTPC estimates that it has 24 sites (March 31, 2014 - 24 sites, April 1, 2013 - 24 sites) which have contaminated soil that exceed the accepted maximum standard in the Northwest Territories. NTPC is responsible for remediation of the contaminated site upon sale of the land or termination of the lease.

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

9. Operating line of credit

NTPC 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 NTPC 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.

10. 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 contribution to offset equivalent thermal generation expenses related to the additional diesel fuel and lubricant costs resulting from extreme low water in fiscal 2015 (Note 17). 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.

11. Other employee future benefits

a) Public Service Pension Plan

The employees of NTPC participate in the Plan. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is 2 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.

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.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 11. Other employee future benefits (continued)

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	$ 3,420	$ 175	$ 3,595	$ 1,942	$ 265	$ 2,207
Current period benefit cost	33	106	139	2,018	107	2,125
Benefits paid during the year	(387)	(99)	(486)	(540)	(197)	(737)
Accrued benefit obligation, end of the year	$ 3,066	$ 182	$ 3,248	$ 3,420	$ 175	$ 3,595

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

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

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:

	2015	2014
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

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 11. Other employee future benefits (continued)

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
	$	139

Expected severance and removal payments are as follows:

2016	2017	2018	2019	2020	Thereafter	Total
$ 489	$ 198	$ 194	$ 163	$ 225	$2,401	$ 3,670

Expected sick leave payments are as follows:

2016	2017	2018	2019	2020	Thereafter	Total
$ 98	$ 51	$ 20	$ 9	$ 4	$ 1	$ 183

12. Accumulated surplus / equity

	2015	2014	April 1 2013
Share capital, common and preferred shares	$ 43,129	$ 43,129	$ 43,129
Accumulated operating surplus / equity	73,200	81,300	78,226
	$ 116,329	$ 124,429	$ 121,355

The authorized share capital of NTPC is comprised of an unlimited number of common shares without par value and one preferred, non-cumulative share without par value. As at March 31, 2015, 431,288 common shares (2014 and 2013 – 431,288 shares) at ten cents per share (2014 and 2013 – ten cents per share) have been issued and fully paid, and one preferred share at one dollar.

NTPC may only issue its preferred shares to the GNWT. NTPC declared dividends totalling $360 (2014 - $400) payable to NT Hydro (Note 17).

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

13. Tangible capital assets

	March 31, 2015					
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 298,994	$ 81,793	$ 52,792	$ 26,469	$ 17,922	$ 477,970
Additions – Completed project	16,364	4,714	3,509	-	(2,285)	22,302
Disposals	(2,451)	(208)	(1,273)	-	-	(3,932)
Closing balance	312,907	86,299	55,028	26,469	15,637	496,340
Accumulated Amortization						
Opening balance	(90,727)	(24,987)	(23,706)	(7,185)	-	(146,605)
Amortization	(8,807)	(2,302)	(3,454)	(435)	-	(14,998)
Disposals	2,320	193	1,161	-	-	3,674
Closing balance	(97,214)	(27,096)	(25,999)	(7,620)	-	(157,929)
Net book value	**$ 215,693**	**$ 59,203**	**$ 29,029**	**$ 18,849**	**$ 15,637**	**$ 338,411**

	March 31, 2014					
	Electric power plants	T&D systems	Warehouse equipment, motor vehicles, and general facilities	Electric power plant under capital lease	Construction work in progress	Total
Cost						
Opening balance	$ 275,956	$ 80,242	$ 50,362	$ 26,455	$ 15,024	$ 448,039
Additions - Completed project	24,977	1,834	2,826	23	2,898	32,558
Disposals	(1,939)	(283)	(396)	(9)	-	(2,627)
Closing balance	298,994	81,793	52,792	26,469	17,922	477,970
Accumulated Amortization						
Opening balance	(83,883)	(23,144)	(20,629)	(6,753)	-	(134,409)
Amortization	(8,636)	(2,205)	(3,287)	(435)	-	(14,563)
Disposals	1,792	362	210	3	-	2,367
Closing balance	(90,727)	(24,987)	(23,706)	(7,185)	-	(146,605)
Net book value, March 31, 2014	**$ 208,267**	**$ 56,806**	**$ 29,086**	**$ 19,284**	**$ 17,922**	**$ 331,365**
Net book value, March 31, 2013	**$ 192,073**	**$ 57,098**	**$ 29,733**	**$ 19,702**	**$ 15,024**	**$ 313,630**

($000's)

14. Inventories

	2015	2014	April 1 2013
Materials, supplies and lubricants	$ 6,067	$ 5,483	$ 4,994
Critical spare parts	2,735	3,229	3,274
Fuel	340	288	305
	$ 9,142	$ 9,000	$ 8,573

Inventories are used to make repairs, complete overhauls or generate electricity. Production fuel inventory is only held in five of NTPC's operating plants. The LNG fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 22. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 22.

15. Sale of power

	2015	2014
Power sales to external customers	$ 70,499	$ 70,602
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
	$ 96,333	$ 92,414

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.

($000's)

16. Other revenue and customer contributions

	2015	2014
Heat revenues	$ 555	$ 124
Customer contributions in aid of construction	536	312
Connection fees	341	265
Contract work	338	228
Pole rental	273	270
Miscellaneous	95	210
	$ 2,138	$ 1,409

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 certain 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.

17. Expenses

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

	2015	2014
Fuels and lubricants	$ 45,231	$ 31,909
Salaries and wages	25,600	25,043
Supplies and services	21,512	14,796
Amortization (Note 13)	14,998	14,563
Interest expense (Note 18)	12,866	12,540
Travel and accommodation	2,560	2,519
Net loss on disposal of assets	1,063	776
Dividends declared on preferred shares (Note 12)	360	400
Accretion on ARO (Note 8)	149	103
	$ 124,339	$ 102,649

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

18. Interest expense and interest income

Interest expense

	2015	2014
Interest on debenture debt (Note 6)	$ 12,767	$ 12,976
Short-term debt financing costs (Note 9)	545	307
Capitalized interest during construction	(446)	(743)
	$ 12,866	$ 12,540

Interest income

	2015	2014
Income on loan receivable (Note 5)	$ 1,588	$ 1,657
Income from sinking fund investments (Note 6)	59	56
Interest on overdue accounts	30	15
Interest revenue from NT Hydro (Note 21)	-	114
	$ 1,677	$ 1,842

19. GNWT power sales contributions

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

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

20. Other government contributions

In fiscal 2015, NTPC recognized $888 (2014 - $574) in contributions from the GNWT relating to various projects.

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.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 20. Other government contributions (continued)

NTPC also entered into various one year agreements with the GNWT totaling $173 in eligible funding. These projects included apprenticeship training support, power conservation campaign, NWT electricity system analysis, electric heat options in the South Slave, attendance at the Canada Energy Storage summit and costs to negotiate a purchase power agreement in Lutsel K'e. $173 of the eligible funding was spent, of which $158 was received by NTPC as of March 31, 2015 and the remaining $15 is recorded in revenues receivable.

21. Related party transactions and balances

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

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

	2015	2014	April 1 2013
Expenses			
Purchases of fuel from PWS (Note 22)	$ 35,538	$ 24,902	
Purchases of fuel from NTEC(03) (Note 22)	2,273	583	
Other operating expenses	782	757	
	$ 38,593	$ 26,242	
Financial assets			
Revenues receivable			
Utility	$ 1,953	$ 1,384	$ 1,607
Non-utility	347	356	4
Allowance for doubtful accounts	(68)	-	-
	$ 2,232	$ 1,740	$ 1,611
Liabilities			
Accounts payable to PWS for fuel (Note 22)	$ 8,694	$ 4,148	$ 2,191
Short term payable to NTEC(03) for fuel (Note 22)	469	457	-
Other accounts payable and accrued liabilities	31	28	29
	$ 9,194	$ 4,633	$ 2,220

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 21. Related party transactions and balances (continued)

Transfer of related party operations / loan write-off

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

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.

22. Contractual obligations and contingencies

Contractual obligations

NTPC has entered into agreements for, or is contractually committed for the following expenses that will be incurred subsequent to March 31, 2015:

	Expiry	2016	2017 to 2018
Non related parties	2018	$ 2,958	$ 446

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

Fuel management services agreement

NTPC has a fuel management services agreement with the PWS. Under this agreement fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC are provided by PWS. The price of fuel under this agreement changes with the change in market price, the cost of freight, the GNWT fuel tax rate and the amount of fuel purchased by NTPC from PWS in a given year. The contract expires on October 31, 2015, however NTPC and PWS have agreed to extend the current contract term until March 31, 2016.

Liquefied natural gas (LNG) purchases

On October 31, 2013 NTPC entered into an agreement with NTEC(03) to supply NTPC with LNG to its' Inuvik facilities. The price of LNG under this agreement varies with NTEC(03)'s costs, which include LNG fuel costs, which are subject to changes in the market price, transportation costs which include a monthly fixed fee of $46, and an administrative fee. The agreement was effective for five years until October 31, 2018. With the transfer of NTEC(03) operations to the PWS as of April 1, 2015, the existing LNG transportation contract NTPC signed with NTEC(03), will be transferred to PWS without interruption of service. No new agreement has been signed to date.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 22. Contractual obligations and contingencies (continued)

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.

23. Financial instruments and risk management

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

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

a) Credit risk

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

	2015	2014	April 1 2013
Loan receivable	$ 16,134	$ 16,886	$ 17,570
Revenues receivable	14,044	17,318	19,899
Sinking fund investments	7,194	6,513	5,676
Cash	566	682	790
	$ 37,938	$ 41,399	$ 43,935

Loan receivable

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by security in place. See Note 5 for additional details.

Revenues receivable

NTPC minimizes revenues receivable credit risk by having a collections policy and terms and conditions of service consistent with industry standards. Credit risk is minimized by NTPC's large customer base. Thirty seven percent (2014 - 37%) of NTPC's sales are to two other utilities. Twenty seven percent (2014 - 24%) of sales are to the GNWT.

Sinking fund investments and cash

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

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 23. Financial instruments and risk management (continued)

b) Liquidity risk

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

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 and the associated loan receivable:

	March 31, 2015				
	1 Year or less	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	Total
Operating line of credit	$ 18,115	$ -	$ -	$ -	$ 18,115
Debenture debt	2,552	25,207	116,388	40,953	185,100
Sinking fund investments	-	(4,890)	(2,304)	-	(7,194)
Capital lease obligation	2,212	10,360	22,532	23,913	59,017
Loan receivable	(2,341)	(11,704)	(12,484)	-	(26,529)
	$ 20,538	$ 18,973	$ 124,132	$ 64,866	$ 228,509

	March 31, 2014					
	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	April 1 2013 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)
	$ 20,225	$ 18,723	$ 98,669	$ 93,682	$231,299	$ 222,484

NORTHWEST TERRITORIES POWER CORPORATION

Note 23. 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 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.

24. Transition to PSAS

As stated in Note 2 these are NTPC's first consolidated financial statements prepared in accordance with PSAS.

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

i) Tangible capital assets

NTPC 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

NTPC 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 partnerships

NTPC has 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, NTPC 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 NTPC's consolidated financial position, results of operations and cash flows is set out in the following tables and the notes that accompany the tables.

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 24. Transition to PSAS (continued)

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

	Previous GAAP	Notes	Adjustments	PSAS
Financial assets				
Cash	$ 1,001	vi	$ (211)	$ 790
Revenues receivable	14,760	v, vi, xi	5,139	19,899
Loan receivable	-	v	17,570	17,570
Sinking fund investments	5,676	-	-	5,676
Investment in Aadrii Ltd.	-	vi	678	678
Net receivable from related parties	5,456	xi	(5,456)	-
	26,893		**17,720**	**44,613**
Liabilities				
Accounts payable and accrued liabilities	14,579	iii, vi	(612)	13,967
Capital lease obligation	2,306	v	17,292	19,598
Debenture debt	188,378	v, viii	578	188,956
Asset retirement obligations	12,224	iv	3,024	15,248
Operating line of credit	5,979	-	-	5,979
Deferred government contributions	2,632	ii	(2,632)	-
Other employee future benefits	1,357	iii	850	2,207
Dividend payable	96	-	-	96
Regulatory obligations	36,262	i	(36,262)	-
	263,813		**(17,762)**	**246,051**
Net debt	**$ (236,920)**		**$ 35,482**	**$ (201,438)**
Non-financial assets				
Tangible capital assets	325,331	iv, vi, vii	(11,701)	313,630
Intangible assets	1,150	vii	(1,150)	-
Inventories	5,511	vii, ix	3,062	8,573
Prepaid expenses	590	-	-	590
Regulatory assets	19,494	i	(19,494)	-
	352,076		**(29,283)**	**322,793**
Accumulated surplus / equity	**$ 115,156**	**i, ii, iii, iv, v, vii, ix**	**$ 6,199**	**$ 121,355**

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 24. Transition to PSAS (continued)

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

	Previous GAAP	Notes	Adjustments	PSAS
Financial assets				
Cash	$ 840	vi	$ (158)	$ 682
Revenues receivable	13,239	v, vi, xi	4,079	17,318
Loan receivable	-	v	16,886	16,886
Sinking fund investments	6,513	-	-	6,513
Investment in Aadrii Ltd.	-	vi	612	612
Net receivable from related parties	4,461	xi	(4,461)	-
	25,053		**16,958**	**42,011**
Liabilities				
Accounts payable and accrued liabilities	16,893	iii, vi	(421)	16,472
Capital lease obligation	2,653	v	16,539	19,192
Debenture debt	186,181	v, viii	522	186,703
Asset retirement obligations	13,477	iv	1,629	15,106
Operating line of credit	17,888	-	-	17,888
Deferred government contributions	2,894	ii	(2,894)	-
Other employee future benefits	3,009	iii	586	3,595
Dividend payable	42	-	-	42
Regulatory obligations	34,594	i	(34,594)	-
	277,631		**(18,633)**	**258,998**
Net debt	**$ (252,578)**		**$ 35,591**	**$ (216,987)**
Non-financial assets				
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)	-
	372,866		**(31,450)**	**341,416**
Accumulated surplus / equity, beginning of year	115,156	-	6,199	121,355
Surplus for the year	5,532	-	(2,458)	3,074
Dividends declared on preferred shares	(400)	viii	400	-
Accumulated surplus / equity	**$ 120,288**		**$ 4,141**	**$ 124,429**

($000's)

NORTHWEST TERRITORIES POWER CORPORATION

Note 24. Transition to PSAS (continued)

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

	Previous GAAP	Notes	Adjustments	Adjustment Note x	PSAS
Revenues					
Sale of power	$ 91,604	i	$ 810	$ -	$ 92,414
Other revenue and customer contributions	1,303	i, ii, vi	106	-	1,409
Interest income	186	v	1,656	-	1,842
Income from investment in Aadrii Ltd.	-	vi	84	-	84
GNWT power sales contributions	9,400	-	-	-	9,400
Other government contributions	-	ii	574	-	574
	102,493		3,230	-	105,723
Expenses					
Fuels and lubricants	29,200	i	2,709	(31,909)	-
Salaries and wages	22,489	i, iii	2,554	(25,043)	-
Supplies and services	12,646	i, iv, vi, vii	2,150	(14,796)	-
Amortization	19,468	i, ii, iv, vi, vii	(4,905)	(14,563)	-
Interest expense	10,814	i, v, ix	1,726	(12,540)	-
Travel and accommodation	2,344	i	175	(2,519)	-
Net loss on disposal of assets	-	i,vii	776	(776)	-
Accretion on AROs	-	iv	103	(103)	-
Dividends declared on preferred shares	-	viii	400	(400)	-
Thermal generation	-	x	-	57,604	57,604
Hydro generation	-	x	-	17,898	17,898
Corporate services	-	x	-	13,888	13,888
Transmission, distribution and retail	-	x	-	9,195	9,195
Purchased power	-	x	-	3,699	3,699
Alternative power generation	-	x	-	365	365
	96,961		5,688	-	102,649
Surplus for the year	**$ 5,532**		**$ (2,458)**	**$ -**	**$ 3,074**

d) Consolidated statement of cash flows

Under previous GAAP the cash held by Aadrii Ltd. was proportionately consolidated. Under PSAS the investment is classified as an investment in government business partnership and consolidated using the modified equity method. There were no other significant changes to the consolidated statement of cash flows as a result of the conversion to PSAS other than those disclosed in Note 2.

Note 24. Transition to PSAS (continued)

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

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 March 31, 2014 by $6,439 (April 1, 2013 - $6,525), and increasing other revenue and government contributions by $315 and amortization expense by $401 in fiscal 2014.

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 March 31, 2014 reductions were made to regulatory assets of $23,228 (April 1, 2013 - $19,494), regulatory liabilities of $28,155 (April 1, 2013 - $29,737), and accumulated surplus of $4,927 (April 1, 2013 - $10,243). Increases were made in fiscal 2014 to sale of power revenue of $810, $2,709 to fuels and lubricants expense, $2,643 to salaries and wages expense, $3,327 to supplies and services expense, $175 to travel and accommodation expense, $57 to interest expense and $544 to net loss on disposal of assets and a decrease of $5,179 to amortization expense.

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 liability to accumulated surplus of $2,894 at March 31, 2014 (April 1, 2013 - $2,632) and increases in other government contributions of $495 and amortization expense of $233 for fiscal 2014. Additionally, in fiscal 2014 $79 of government contributions recognized in the year were reclassified from other revenue and customer contributions to other government contributions.

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 March 31, 2014 of $176 (April 1, 2013 - $265) to recognize the resulting other employee future benefits obligation and an operating impact for fiscal 2014 to decrease salaries and wages expense by $89. In addition, previous GAAP classified the current portion of other employee

Note 24. Transition to PSAS (continued)

future benefits of $410 at March 31, 2014 (April 1, 2013 - $585) 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 March 31, 2014 AROs increased $1,629 (April 1, 2013 - $3,024) with additions to tangible capital assets of $3,656 (April 1, 2013 - $2,145), and an increase to accumulated surplus of $2,027 (April 1, 2013 - $879). In fiscal 2014 there were also increases in amortization expense of $497 and accretion on AROs expense of $103, and a decrease in supplies and services expense of $1,656.

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 March 31, 2014 (April 1, 2013 - $578). In fiscal 2014 this adjustment resulted in a decrease to interest expense of $56.

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 March 31, 2014 (April 1, 2013 - $17,570) has been reclassified to financial assets from the capital lease obligation of $16,539 (April 1, 2013 - $17,292) and revenues receivable of $347 (April 1, 2013 - $278). In addition, the associated interest income of $1,656 in fiscal 2014 from the loan receivable has been reclassified from an offset to interest expense to interest income.

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 March 31, 2014 (April 1, 2013 - $678) reallocated from decreases in cash of $158 (April 1, 2013 - $211), revenues receivable of $35 (April 1, 2013 - $39), accounts payable and accrued liabilities of $11 (April 1, 2013 - $27), and tangible capital assets of $430 (April 1, 2013 - $455). In fiscal 2014, there was also the recognition of income from investment in Aadrii Ltd. of $84, reallocated from decreases in other revenue and customer contributions of $130, supplies and services expense of $21, and amortization expense of $25.

vii) Tangible capital assets

Under previous GAAP, enterprise software was presented at March 31, 2014 as an intangible asset totalling $1,007 (April 1, 2013 - $1,150). 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

Note 24. Transition to PSAS (continued)

decision by the PUB. Under PSAS, the capitalization of this fuel is not permitted in tangible capital assets. Due to this change, tangible capital assets and accumulated surplus decreased $2,565 as at March 31, 2014 (April 1, 2013 - $2,593) and amortization expense decreased by $28 for fiscal 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 a derecognition of net insurance proceeds from tangible capital assets to accumulated surplus at March 31, 2014 of $5,522 (April 1, 2013 - $5,783) and an increase in amortization expense of $261 in fiscal 2014.

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 derecognize the accumulated net loss on disposal of tangible capital assets included in tangible capital assets at March 31, 2014 of $11,539 (April 1, 2013 - $11,822) and increase the loss on disposal reported in fiscal 2014 by $232 and decrease amortization expense by $515.

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 March 31, 2014 (April 1, 2013 - $3,273) 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 that tangible capital assets to have physical substance and therefore feasibility studies of $2,586 at March 31, 2014 (April 1, 2013 - $2,636) were derecognized from tangible capital assets to accumulated surplus. The removal of feasibility studies from tangible capital assets also reduced amortization expense by $550 and increased supplies and services by $500 in fiscal 2014.

viii) Current portion of assets and liabilities, sinking fund investments and dividends

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 dividends were a drawdown of retained earnings. PSAS requires these payments in fiscal 2014 of $400 to be reflected as expenses on the consolidated statement of operations and accumulated surplus.

NORTHWEST TERRITORIES POWER CORPORATION

Note 24. Transition to PSAS (continued)

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 $280 at March 31, 2014 (April 1, 2013 - $211) and interest expense increased by $69 in fiscal 2014.

x) Functional presentation of expenses

Previous GAAP financial statements presented expenses by object 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.

xi) 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 March 31, 2014 of $4,461 (April 1, 2013 - $5,456) has been reclassified to revenues receivable.

($000's)

25. Budgeted figures

NTPC'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 consolidated financial statement amounts.

	2015 budget as approved	PSAS conversion changes	2015 PSAS budget
Revenues			
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	(100)	1,923
Income from investment in Aadrii Ltd.	-	100	100
	101,722	**(174)**	**101,548**
Expenses			
Thermal generation	56,174	3,653	59,827
Hydro generation	18,026	533	18,559
Corporate services	15,763	539	16,302
Transmission, distribution and retail	9,004	726	9,730
Purchased power	3,082	(21)	3,061
Alternative power generation	345	22	367
	102,394	**5,452**	**107,846**
Deficit for the year before government contributions	**(672)**	**(5,626)**	**(6,298)**
Government contributions			
GNWT extreme low water contributions	-	-	-
GNWT power sales contributions	2,800	-	2,800
Other government contributions	87	677	764
	2,887	**677**	**3,564**
(Deficit) surplus for the year	**$ 2,215**	**$ (4,949)**	**$ (2,734)**

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 change in net debt.

NORTHWEST TERRITORIES POWER CORPORATION

26. Subsequent events

GNWT funding agreement

On October 15, 2015 NTPC 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 Hesltine	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

		Unaudited				
STATEMENT OF FINANCIAL POSITION	Audited PSAS Financial Statements	Reclassification Adjustments	Regulated Assets and Liabilities	TCA and ARO Adjustments	Other	Rate Regulated Accounting
			(note 1)	(note 2)	(note 3)	
Assets						
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
	24,606	(2,440)	890	-	6	23,062
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
	23,984	(16,134)	24,085	-	-	31,935
	387,001	(15,839)	24,975	5,865	4	402,006
Liabilities and Shareholder's Equity						
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
	39,977	2,825	-	-	(7)	42,795
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
	203,113	(18,255)	-	-	(470)	184,388
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
	27,582	(409)	34,114	(2,920)	(182)	58,185
Shareholder's equity	116,329	-	(9,139)	8,785	663	116,638
	387,001	(15,839)	24,975	5,865	4	402,006

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	Audited PSAS Financial Statements	Unaudited: Reclassification Adjustments	Regulated Assets and Liabilities (note 1)	TCA and ARO Adjustments (note 2)	Other (note 3)	Rate Regulated Accounting
Revenues						
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
Expenses						
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
Earnings from operations	(4,920)	12,866	3,434	687	378	12,445
Interest income	1,677	(1,572)	-	-	-	105
Earnings before interest expense	(3,243)	11,294	3,434	687	378	12,550
Interest expense	-	11,294	(643)	-	332	10,983
Net earnings before other	(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)
Net income for the year	**(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

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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