

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
NT	Northwest Territories
NWTEC	Northwest Territories Energy Corporation
PUB	Public Utilities Board

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NTPC

Board of Directors



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Chair



David Tucker
Vice Chair



Joseph Mackenzie
Director



Eric Menicoche
Director



Louise Dundas Matthews
Director



James McDonald
Director



Jack VanCamp
Director



Ren Ziang (Paul) Tan
Director



Cheryl Tordoff
Corporate Secretary

Committees

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David Duncan, Director, Transmission and Distribution

Jay Pickett, Director, Hydro Operations

Mike Ocko, Director, Thermal Operations

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Eric Menicoche, Committee Member

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Joseph Mackenzie, Committee Member

James McDonald, Committee Member

A letter from the Chair



During the past year, my colleagues on the Board of Directors have continued to emphasize the importance of safety and reliability in delivering power to residents and businesses across the NT. This includes the safety of people and the environment as central to organizational success.

This year NTPC continued to build on COR certification and took tangible steps to strengthen safety awareness at every level of the company. With more than 80 per cent of all staff trained in first aid and CPR, and the introduction of a Health and Safety Management System, the safety culture of the organization is showing positive signs of growth.

Faced with the harsh reality of Canada's northern winters, reliable power is an essential service for the residents across the territory. Although significant progress has been made in 2013/14, additional reliability improvements will remain a priority for the year ahead.

In December, the GNWT released an Energy Action Plan to help define the path forward for addressing our Territory's significant energy challenges. One of the key priorities is increasing the role of renewable energy in our electricity supply. Working in partnership with the GNWT, NTPC is continuing to deploy renewable energy solutions in our remote diesel communities that will help improve reliability and reduce our reliance on fossil fuel. The 104 kilowatt Solar project is proving its durability in Fort Simpson and investments in the first utility scale storage project in Colville Lake will test the benefits of integrating solar power and battery storage in a remote diesel community.

I'd personally like to thank my colleagues on the Board of Directors, for their insightful contributions this past year and the diligent work of our staff at NTPC for helping to move the organization forward in a positive direction. As we move into another year, the Board of Directors will continue to focus on objectives that provide safe, reliable, and affordable energy options to our customers, while decreasing our reliance on fossil fuel.

Sincerely,

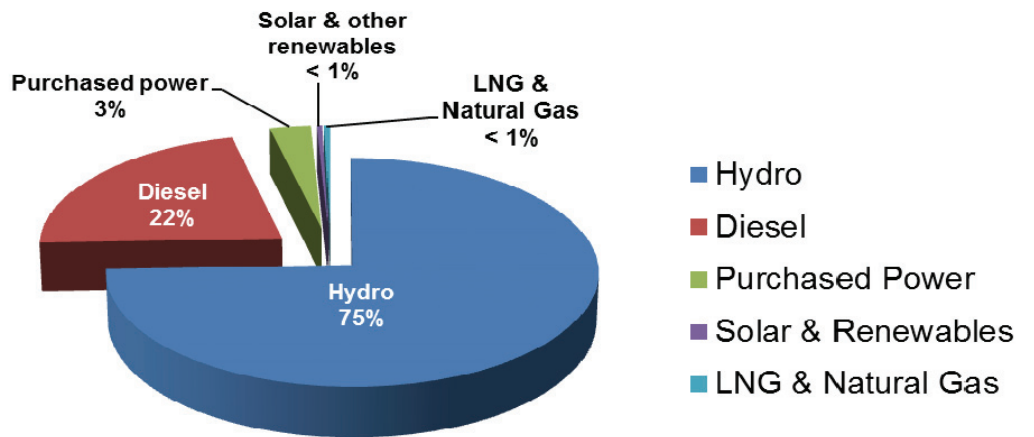
A handwritten signature in black ink, appearing to read 'B. Bell', written in a cursive style.

Brendan Bell
Chair

empowering

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NTPC continues to generate the majority of its power through hydroelectric generation. In fact, 75 per cent of all of the power we generate comes from water, which is a 98 per cent renewable resource. Another three per cent is purchased power and a combination of natural gas and solar. The remaining 22 per cent is driven by diesel consumption.



A message to our stakeholders

The power generated and delivered by NTPC has a profound impact on the way people live, work and play in the Northwest Territories. Making that power available, reliable and affordable directly affects the quality of our life and even the health of our economy.

NTPC takes this responsibility very seriously and throughout our 26-year history we have evolved with the changing needs of our shareholder, customers and the changing face of power generation – at the same time keeping the lights on in one of Canada’s most challenging environments.

It is our intention to be a leader in the field of power generation in Canada.

To do this, we continually strive to improve our performance using industry-leading practices. This is done by strengthening our workforce through an emphasis on training and safety. Having a strong workforce lays the groundwork for operational excellence, which lends itself to providing excellent value and service to our customers -- all the while, maintaining the financial health of the corporation.

Financial position

In 2014, NTPC posted an operating income of \$5.5 million.

NTPC reinvests the small rate of return it earns, 5.5 per cent of sales, into its infrastructure, replacing assets that have reached the end of their useful lives. Capital investment levels in 2014 were \$29.9 million as compared to \$23.7 million in 2013. The majority of these projects were to maintain or improve reliability of power to our customers.

Providing affordable power to our customers is paramount to the economy of the Northwest Territories. One of the ways we do this is by keeping our costs down. At the direction of our shareholder, the GNWT, NTPC strives to keep budget growth at, or below the cost of inflation. When a further increase was required this year it was geared toward safety and taking on additional apprentices.

All changes to rates must be approved by the Public Utilities Board (PUB).

Empowering employees

NTPC employees are proud, long-serving and dedicated individuals who work as a team to provide reliable power to their communities, neighbours and friends. And they aren't just employees, they're customers too.

NTPC employees continually show their dedication. For instance, in December, when Yellowknife experienced a two and a half hour power outage with temperatures dipping below minus 40C, and every other time they left home to restore power on a frigid February day, or a sweltering summer day.

However, attracting and retaining skilled employees is a challenge across the North and NTPC works to meet that challenge by hiring local residents as apprentices, working with schools to promote higher education, funding scholarships and local events that empower Northern youth.

It is our goal to build a corporate culture that attracts, trains, supports, and retains the best and the brightest in the field, to further strengthen our existing team.

Our operations

NTPC continues to generate the majority of its power through hydroelectric generation. In fact, 75 per cent of all of the power we generate comes from water, which is a 98 per cent renewable resource. Another three per cent is purchased power or generated with a combination of wind and solar. The remaining 22 per cent is driven by diesel consumption.

To ensure reliability of power to NTPC customers we maintain a generating capacity greater than the territories peak demand.

The available generation capacity of NTPC assets is 113 Megawatts (MW) which comes from two hydroelectric systems, 78 diesel generators, two natural gas generators in Inuvik, and solar panels in Fort Simpson. The power generated by diesel and natural gas is transmitted within each community and the power generated by the two hydroelectric systems (Snare and Taltson) is transmitted along more than 500 km of power line.

In December, GNWT released the Energy Plan while NTPC released the NT Power System Plan. NTPC is making strides in all three key areas of focus: grid expansion, liquefied natural gas and increased use of renewable resources for power generation.

Exploration of the NT grid expansion, by connecting the Snare and Taltson hydro systems, is underway and if the project is proven viable, preliminary estimates and a business case will be developed, followed by consultation with aboriginal governments and interested groups.



Empowering customers

NTPC empowers its customers by providing the information they want and need in a clear, accessible and timely manner. Meeting the needs of NTPC customers is a high priority for the company and we continually strive to improve the quality of our customers' experience.

This year we launched a new website giving customers the power to manage their account from any computer. They can not only view their bills online but can also pay them online as well.

One major lesson learned from the December power outage in Yellowknife was that we had a long way to go in the area of communications with the public during outages. The new website was designed to provide up-to-the-minute information about power outages in all communities and we revamped our outage communication protocol to ensure more frequent and better communications with customers during a power outage.

To further communicate with, and engage our customers and communities, NTPC plunged into the world of social media and now has a presence on both Facebook and Twitter. Not only do we keep customers up to date on current outages, we also share news and energy conservation tips.

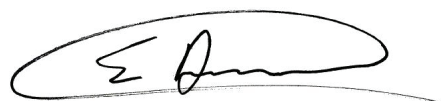
There is more to be done in this area and we continue to encourage customers and stakeholders to continue to provide invaluable feedback by phone, email, website or community meetings.

Empowering the future

In 2014, we will continue to adapt to the changing needs of our customers, communities, stakeholders, shareholder and the territory. We will continue to explore opportunities to provide even safer, more reliable and efficient electricity in the Northwest Territories. We will explore ways to generate power that are more environmentally sound, lessening our dependence on fossil fuels.

The future holds much excitement for NTPC as we venture into alternative energy sources, expand the use of liquefied natural gas, improve reliability and open the lines of communications even further.

We would like to thank the women and men of NTPC for their commitment and dedication as we strive to be even more innovative, responsive and customer-focused while keeping safety as a primary part of everything they do.

A handwritten signature in black ink, appearing to read 'E. DaRosa', enclosed within a large, thin, hand-drawn oval.

Emanuel DaRosa
President & CEO



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Colville Lake is a community with a population of 157 and is only accessible by road during the winter months and then, only by an ice road. Once the spring thaw arrives access is by air only.

The cost to produce electricity in this community is one of the highest in the Territory, making this a great community to install and test an innovative alternative energy power generation system.

We are developing a first-of-its-kind alternative power system for Colville Lake that will be installed next summer. This innovative project includes solar, wind, and battery, and has the potential to replace 40 per cent of the diesel consumption in this small isolated community.

Innovation



Employees

Long service awards

30 Years of Service

Douglas Sanders	Yellowknife
Colin Steed	Yellowknife

25 Years of Service

John Davenport	Fort Smith
Rod Gray	Hay River
Cheryl McMeekin	Hay River
Michael Ocko	Inuvik
Duane Rohne	Fort Smith
Cheryl Tordoff	Yellowknife

20 Years of Service

Phillip Andre	Tsiigehtchic
Allan Cunningham	Hay River
Charlie Simpson	Wha Ti

15 Years of Service

Hugh Robert	Fort McPherson
Dan Roberts	Hay River
Cory Strang	Hay River
Tony Watier	Yellowknife

NTPC Staff win Track & Field Corporate Challenge



10 Years of Service

Roger Cater	Yellowknife
Drew Farmer	Hay River
Leigh Hufty	Yellowknife

5 Years of Service

Grant Penney	Yellowknife
Richard Carpenter	Sachs Harbour
David Dewar	Hay River
Eileen Hendry	Hay River
Henry Jiang	Hay River
Lena Liao	Hay River
Clauditte Maisog	Yellowknife
Kerry McKinley	Fort Simpson
Michael Song	Hay River
Darren Squirrel	Fort Simpson
Leslie Watsyk	Fort Simpson
Trevor Wetmore	Fort Smith



43 years of service



For 43 years Reg Croizier has been a dedicated and committed employee.

Reg spent time in both the Yukon and the Northwest Territories working for the Northern Canada Power Commission in the Yukon, prior to arriving in Fort Smith, NT in 1971.

During this time he operated both Taltson Hydro and the Pine Point diesel plant for many years. In 1992 Reg was transferred to Yellowknife and carried on with his career working at Jackfish and the Snare Hydro system.

With “spring in the air”, Reg decided to retire this year. The Board and staff thank him for his service and wish him the best of luck in his retirement.

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NTPC invests in the communities where we operate and where our employees live and work. Financial and in-kind donations and sponsorships support the activities and organizations that help to make Northern communities such special places. Many of our employees contribute in their own way giving freely of their time and talents to a wide range of causes.

During the past year, we invested more than **\$110,000** in communities, community events, service clubs and organizations across the Northwest Territories.

Community



- Aboriginal Head Start
- Acho Dene Koe Fishing Derby
- ALS Canada
- ARR Mackenzie Jamboree
- Aurora College
- Baby Beluga Carnival
- Basketball NWT
- Canadian Red Cross
- Chief Albert Wright School
- Chik'e Carnival
- Christmas Food & Toy Drive
- Deline First Nation
- Deninu K'ue First Nation
- End of the Road Music Festival
- Fort Providence Youth Fiddling
- Fort Smith Animal Society
- Fort Smith Paddling Club
- Hamlet of Tuktoyaktuk

NTPC donations are not funded through customer rates.

Hamlet of Ulukhaktok
Harry Camsell Elementary School
Hay River Chamber of Commerce
Hay River Curling Club
Hay River Golf Club
Hay River Hospital Foundation
Hay River Ice Breakers Camp
Inuvik Chamber of Commerce Gala
Inuvik Curling Club
Inuvik Native Band
Inuvik Petroleum Show
Junior Squash Tournament
K'amba Carnival
KidSport NWT
Local Government Administrators of NWT
Long John Jamboree
Louis Riel Day Celebration
Lutsel K'e Spring Carnival
Lutsel K'e Youth Camps
Moccasin Spring Carnival
Muskrat Jamboree

Northern Safety Association
NWT Association of Communities
NWT Centennial Library
NWT Chamber of Commerce
NWT Track & Field
Olympian Brendan Green
P.W. Kaeser High School
RCMP Spookarama
Royal Canadian Legion Branch #239
Royal Canadian Legion Branch #250
Royal Canadian Legion Branch #287
Salt River First Nation # 195
Salvation Army NWT
Santa's Elves
Soaring Eagle Friendship Centre
Territorial Dog Races
The Soup Kitchen
Tulita Spring Carnival
Uncle Gables Friendship Centre
Wha Ti Winter Carnival
Yamozha Kue Society



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Youth



Encouraging the development of a strong northern workforce is important at NTPC. To ensure that the future generation of employees is healthy and strong, we invest in NT youth. By supporting sports programs like the Territorial Track and Field competition, Cager's Basketball and hockey camps, NTPC is empowering youth to build both physical and mental strength.

Ensuring students have an opportunity to pursue their dreams of post-secondary education we make one \$1,000 scholarship available in each community where we do business. This year 15 scholarships were presented to hard-working, talented youth in communities throughout the Northwest Territories.

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Net Metering was approved by the Public Utilities Board (PUB) as of January 1, 2014, for implementation by the utilities in the Northwest Territories. The program is open to electricity customers who own small, commercially-proven, renewable energy generators such as solar panels or wind turbines.

Net Metering allows customers to accumulate energy credits monthly for any excess power they produce to be used against those months when their usage exceeds their production. If, in the unlikely event there are any credits left at the end of the net metering cycle on March 31, they will be reset to zero.

Customers



For more information visit:

<http://www.ntpc.com/customer-service/net-billing>

Alternative Energy

In February, power generation in Inuvik was switched to liquefied natural gas (LNG) with a goal of reaching 80 per cent diesel displacement. If this goal is reached, LNG has the potential to reduce electricity costs by 2 per cent across the 21 thermal zone communities. Building on the success of the Inuvik project, we are now examining the possibility of using LNG to displace diesel in other communities that have all-season road access. There is already a feasibility study underway to build a LNG facility in the town of Fort Simpson.

Note: All changes to rates must be approved by the Public Utilities Board.



Management Discussion and Analysis

The following Discussion and Analysis is intended to provide a historical and prospective analysis of Northwest Territories Power Corporation's (NTPC) fiscal 2014, financial performance.

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. These comments should be read in conjunction with the Consolidated Financial Statements included in this report.

NTPC Operations

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.

NTPC Description of Operations

NTPC generates and distributes electricity to the end-use consumers in 26 of the 33 communities in the NT and supplies electricity on a wholesale basis to two distributing utilities which, in turn, retail electricity to customers in Yellowknife and the Hay River area. NTPC's facilities include hydroelectric, diesel, and liquefied natural gas generation plants, transmission systems and numerous isolated electrical distribution systems. NTPC also owns and operates alternative energy assets that supply residual heat and solar power.

NTPC's systems serve a population of approximately 43,000 located in an area of 1.3 million square kilometres. Figure 1, illustrates the operating area of NTPC and highlights the isolation of many of the communities that NTPC serves – some accessible only by air, barge or winter road.

Figure 1 – NTPC Operating Area



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 NT, 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 NT 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 towards a sustainable existence
- Complying with all applicable legislation and regulations

NTPC will act ethically and honestly; treating employees, customers and all other stakeholders with *Respect, Integrity and Professionalism*.

Goals

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 NT
6. Support economic development and growth throughout the NT
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
10. Meet the future energy needs of NT residents through proactive planning and consultation.

Strategies and Objectives for fiscal 2014

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 and inherent to the business NTPC operates as well as its customers' needs. These pillars are:

1. Reliability
2. Cost Effectiveness
3. Meeting Commitments

By focusing on these three fundamental needs of our customers, not only will NTPC bring value to its customers but also its shareholder.

The Board of Director's goals will be met through achievement of excellence in the core strategic elements of Employee Excellence, Operational Excellence, Customer Service Excellence and Financial Excellence. Obtaining excellence in any one element relies to a large extent on excellence achieved in the preceding element.

NTPC's strategy elements are summarized below:

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 so as to ensure the financial health of the Corporation is maintained.

Fiscal 2014 Performance

Key Performance Indicators

Key performance Indicators (KPIs) are an important aspect of changing behaviours within an organization and can be a valuable tool in shifting culture from one of entitlement to that of achievement.

In addition to profitability, NTPC sets a number of performance indicators designed to measure and manage certain aspects of corporate performance and financial position. Following is a summary of those indicators:

Performance Indicator	Entity	2014 Results	2013 Results
Current Ratio	NTPC	0.69	1.18
Capitalization ratio (debt is net of sinking fund balances)	NTPC	60/40	62/38
Plant Efficiency (kWh per litre fuel)	NTPC	3.51	3.51
Operating Expenses/MWh sold (\$)	NTPC	\$268	\$266
Operating Expenses (excluding fuel and amortization)/MWh sold (\$)	NTPC	\$117	\$115
Safety – Average lost workdays per 200,000 hours worked	NTPC	8	9
System Availability			
Outage hours/customer	NTPC	2.81	5.58
Average outage time (minutes)		27	43

The decrease in current ratio is related to short term borrowing due to the increase in the receivable balance in fuel stabilization funds as well as an increased capital plan. A fuel rider effective May 1, as well as new rates in effect April 1 will positively impact the current ratio.

Operating expense per MWh sold was higher due to reliance on contractors to cover vacancies as well as the undertaking of various activities stemming from strategic initiatives.

Our safety indicator improved due to lower work-related accidents resulting from our renewed focus toward health and safety which included the creation of a new Health and Safety Management System, receiving the Northern Safety Association's Certificate of Recognition (COR), implementing a successful concern reporting program, and improvements made to NTPC's health and safety meetings.

System availability improved in 2014 due to a three-year series of initiatives intended to reduce frequency of customer interruptions on the Snare system as well as the completed change from gas to diesel in Inuvik which has significantly reduced outages in this community.

The remaining indicators have marginal year-over-year changes as expected.

Consolidated Financial Results

Operations

Net income for fiscal 2014 was \$5.5 million compared with \$6.8 million in fiscal 2013.

NTPC had electricity sales of \$101.0 million in 2014 compared to \$98.5 million in 2013. Year over year unit sales experienced 3% growth in 2014 over 2013. This growth is mainly attributable to having a colder winter in 2014 than in 2013.

Operating expenses were \$86.1 million compared to \$83.2 million in 2013. Increased supplies spending due to reliance on contractors to cover vacancies and the undertaking of various activities stemming from strategic initiatives combined with increased amortization due to full year amortization on Bluefish as well as additions of large projects such as LNG storage, gas engine conversion and Tank F in Inuvik were the main reasons for the increase. NTPC also concluded Collective Agreement negotiations in fiscal 2013 and the new agreement, which provides yearly wage increases in line with current inflation rates, will be in effect until December 2014.

Interest expense in 2014 was \$10.8 million compared to \$10.1 million in 2013. Lower capitalized interest during construction (IDC) accounted for the majority of the increase in net interest expense. IDC was lower because of the completion of many capital projects including the Bluefish dam replacement project during the year and there were no projects of a similar magnitude open at the end of fiscal 2014.

Financing Activities

NTPC did not issue any long term debt in 2014. 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 replace assets that have reached the end of their useful lives. Capital investment levels in 2014 were \$29.9 million as compared to \$23.7 million in 2013. The majority of projects were to maintain or improve reliability.

Status of Transition to International Reporting Standards

Publicly accountable enterprises were required to transition from Canadian generally accepted accounting principles (GAAP) to international financial reporting standards (IFRS) for fiscal years beginning on or after January 1, 2011. In February 2013, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board (AcSB) extended the existing deferral of the mandatory adoption of IFRS for entities with qualifying rate-regulated activities by an additional year to January 1, 2015.

Although Canadian GAAP and IFRS are based on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact NTPC include property, plant and equipment, regulatory assets and liabilities, employee benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

NTPC intends to adopt IFRS for its fiscal year ending March 31, 2016. NTPC is evaluating the impact the adoption of IFRS on its accounting policies and systems and financial statements. To facilitate the conversion process, NTPC has assembled a project team and engaged external advisors. Regular reporting of the project's status is provided to NTPC's Audit and Efficiency Committee.



Empowering the Future

Looking toward 2015 and beyond

As 2014 comes to a close NTPC looks toward 2015 with a sense of renewed excitement.

While NTPC will continue to work on initiatives that support the strategic plan, including employee, operational, customer service and financial excellence, with an emphasis on safety, training, communications and process improvement, the excitement is geared towards the development and initialization of new projects.

Alternative Energy is an area that both NTPC and our Shareholder are keen to develop and the next few years will see huge strides made in this area.

Colville Lake has one of the highest costs of power production in the territory at just under \$2 per kWh – and only winter road access for fuel delivery. With a plant that needs to be replaced in order to continue to provide reliable service, what better place to install a ground-breaking alternative energy system? The plan is to meet the community electricity needs with 350 kW of diesel generation along with up to 200 kW of renewables (e.g. solar and potentially wind) and a battery system. By producing more than 400% of the required load through these alternative energy sources there is potential to generate close to 40 per cent of the community's electricity requirements from alternative energy sources which will be the highest percentage of any community's load produced by alternative energy.

After a successful launch of the **liquefied natural gas (LNG)** in Inuvik in February 2014, NTPC is now looking to expand the use of LNG to other year-round road-connected communities that are currently using diesel for their power generation. With the completion of a feasibility study and funding put in place, the design of an LNG facility in the Town of Fort Simpson is underway with construction to begin later in 2015. NTPC is also investigating a potential site in Yellowknife for an LNG plant that will help with that city's reliability issues. Along with new LNG plants, the Corporation is also exploring new LNG suppliers that are closer than the current one in Delta, BC.

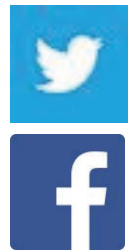
Wind is a new area of energy generation that NTPC is investigating as a feasible alternative for NT – in particular for the Beaufort Delta which has prime wind conditions for turbine generation. Other geographical locations being explored for wind turbines are Berry Hill near Yellowknife and an initial trial turbine may be installed in Colville Lake.



Ensuring excellence in **customer service** is important to NTPC and the coming year will see improvements in several areas affecting our customers.

Reliability of service is the number one concern for many of our customers and the Corporation will continue to implement the 15-Point Reliability Improvement Plan to lower the number of outages in Yellowknife to meet its commitment to cut the number of outages in the City by 70 per cent in three years. With eight of the 15 points completed, outages have already been cut by 48 per cent in the first year. NTPC will complete the final seven points, while also exploring the potential for a back-up battery this year. A large 8 MWh battery could reduce the number even further by providing the 15 – 30 minutes required to start up a generator should there be a disruption in service from Snare and/or Bluefish hydroelectric generation plants. Reliability in other communities is being addressed with capital investments into aging infrastructure. A recent asset assessment project will guide the schedule for replacing assets in order to maintain or improve reliability.

Communication to and from customers is critical in order for any business to provide excellent customer service. In late 2014, a new NTPC website was launched, along with a presence on Facebook and Twitter. Looking forward, NTPC will be holding public meetings in the regions to hear the concerns of our customers and addressing those concerns in an external communications strategy and plan to be completed by the end of 2015.



NTPC committed to replacing its 2000 conventional high pressure sodium streetlights, which cost community governments between \$60 and \$65 each per month, with energy efficient **LED streetlights**. By the end of 2015 approximately 800 streetlights will have been converted to LED in the communities of Gaméti, Tulita, Tuktoyaktuk, Wha Ti, Jean Marie River, Inuvik, Fort Simpson and Lutsel k'e. In future years, NTPC will continue its commitment to install LED streetlights at a rate of at least three communities per year and will work with the NWT Association of Communities to move forward with the plan. Capital projects related to safety and reliability are a priority for NTPC and therefore they do not have capital dollars to expedite the streetlight conversion process.

In 2015, NTPC will be promoting the **Net Metering Program** to encourage increased use of alternative energy to displace diesel generation. This program will complement the NWT Energy Plan and Solar Energy Strategy and is in alignment with Northland Utilities Net Metering Program. The program offers NTPC customers who self-generate with renewable technologies a credit at the retail rate for every kWh of alternative energy generation they supply to the grid. Credits are applied directly to the customer's utility bill. Credits are set back to zero at the end of each fiscal year (March 31) and a new energy bank is created at April 1 of every operating year. All customers, in all rate zones, are eligible to participate in the Net Metering program. The cost saved by customers does decrease NTPC's budgeted revenue and it is important to note that Net Metering will increase system costs to other customers in the same zone due to fixed costs of assets that will still be required for back-up power.

Improving the Operations of the Corporation is crucial to providing safe, efficient, cost-effective power to its customers.

NTPC has relied on historical in-house expertise and manual processes to provide the basis for its asset maintenance and management program. Computerizing maintenance in the power generation sector is one way to extend the life of assets, make smarter purchasing decisions, reduce downtime, and cut costs. A **computerized maintenance management system (CMMS)** is being developed to recognize these benefits at two communities before rolling it out across the territory by year end. Enhanced by long-serving NTPC employees, the new CMMS is a legacy system that will provide the foundation of our maintenance practices for years to come.

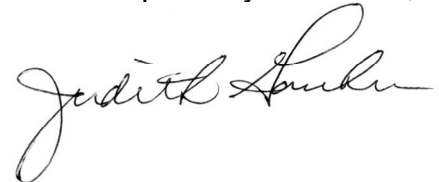
NTPC's new technology-driven **Lone Worker Program** will be fully deployed in 2015 in all communities, plant locations and roads where employees operate and travel. This program adds an additional level of safety to those workers who work alone in the field. The technology provides a mechanism for checking-in and initiating help should the employee require it. Through the adoption of the technology, NTPC will be helping to pioneer a response system that can eventually benefit all Northerners.

Along with these new and exciting projects, NTPC continues to focus on improving performance by developing a strong workforce, improving operational processes and procedures, delivering quality customer service and actively managing costs.

Looking beyond fiscal 2014, NTPC is working with its shareholder, 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 NT.

Throughout fiscal 2015 and beyond, NTPC will continue to strive to provide the safest and, most reliable and cost efficient power generation to our shareholder, customers and the Northwest Territories.

Respectfully submitted,



Judith Goucher
Chief Financial Officer



NTPC and employees proudly support Olympian and Hay River resident, Brendan Green, during the 2014 Sochi Olympic Games.

Brendan had a top ten finish in the Men's 15 km Biathlon.



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 balance sheet as at 31 March 2014, and the consolidated statement of operations and comprehensive income, consolidated statement of shareholder's equity and consolidated statement of cash flow 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Power Corporation as at 31 March 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

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



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

25 June 2014
Edmonton, Canada

**NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

Snare hydroelectric plant



Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). Where GAAP permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Power Corporation (NTPC) undertakes activities that are regulated by the Public Utilities Board of the Northwest Territories, which also examines and approves its accounting policies and practices with respect to recovery of assets and expenses. 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.

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.

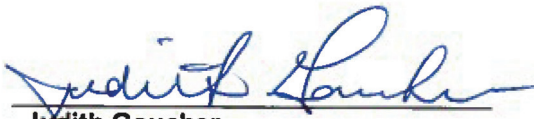
The Auditor General of Canada provides an independent, objective audit for the purpose of expressing his opinion on the consolidated financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with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



Judith Goucher
Chief Financial Officer

Hay River, NT
June 25, 2014

**Consolidated Balance Sheet
As at March 31
(\$000's)**

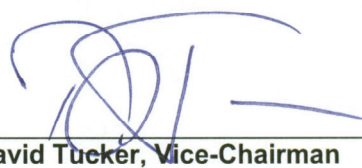
	2014	2013
Assets		
Current assets		
Cash	\$ 840	\$ 1,001
Accounts receivable (Note 5)	13,239	14,760
Inventories (Note 6)	6,051	5,511
Net receivable from related parties (Note 23)	4,461	5,456
Prepaid expenses	1,051	590
	<u>25,642</u>	<u>27,318</u>
Property, plant and equipment, net (Note 7)	341,529	325,331
Other non-current assets		
Regulatory assets (Note 3)	23,228	19,494
Sinking fund investments (Note 8)	6,513	5,676
Intangible assets (Note 9)	1,007	1,150
	<u>30,748</u>	<u>26,320</u>
	<u>\$ 397,919</u>	<u>\$ 378,969</u>
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,893	\$ 14,579
Short-term debt (Note 10)	17,888	5,979
Dividends payable (Notes 20, 22)	42	96
Current portion of long-term debt (Note 11)	2,421	2,298
	<u>37,244</u>	<u>22,952</u>
Long-term debt		
Long-term debt, net of sinking fund investments (Note 11)	177,247	180,404
Sinking fund investments presented as assets (Note 11)	6,513	5,676
Net lease obligation (Note 12)	2,653	2,306
	<u>186,413</u>	<u>188,386</u>
Other non-current liabilities		
Regulatory liabilities (Note 3)	34,594	36,262
Asset retirement obligations (Note 13)	13,477	12,224
Deferred government contributions (Note 14)	2,894	2,632
Employee future benefits (Note 15)	3,009	1,357
	<u>53,974</u>	<u>52,475</u>
Shareholder's equity	120,288	115,156
	<u>\$ 397,919</u>	<u>\$ 378,969</u>
Commitments and contingencies (Note 21)		

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

Approved on behalf of the Board:



Brendan Bell, Chairman of the Board



David Tucker, Vice-Chairman

Consolidated Statement of Operations and Comprehensive Income
For the year ended March 31
(\$000's)

	2014	2013
Revenues		
Sale of power	\$ 91,604	\$ 86,947
GNWT power sales contributions (Note 16)	9,400	11,600
Other revenues (Notes 17)	1,303	1,363
	102,307	99,910
 Expenses		
Fuels and lubricants (Note 3)	29,200	29,379
Salaries and wages	22,489	21,717
Amortization (Note 18)	19,468	18,486
Supplies and services	12,646	11,754
Travel and accommodation	2,344	1,897
	86,147	83,233
 Earnings from operations	16,160	16,677
Interest income	186	233
 Earnings before interest expense	16,346	16,910
Interest expense (Note 19)	10,814	10,102
 Net income and comprehensive income	\$ 5,532	\$ 6,808

Consolidated Statement of Shareholder's Equity
For the year ended March 31
(\$000's)

	2014	2013
Share capital (Note 20)	\$ 43,129	\$ 43,129
 Retained earnings		
Retained earnings and accumulated other comprehensive income at beginning of year	72,027	65,619
Net income and comprehensive income	5,532	6,808
Dividends declared (Note 20)	(400)	(400)
 Retained earnings and accumulated other comprehensive income at end of year	\$ 77,159	\$ 72,027
 Shareholder's equity at end of year	\$ 120,288	\$ 115,156

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

Consolidated Statement of Cash Flow
For the year ended March 31
(\$000's)

	2014	2013
Operating activities:		
Cash receipts from customers	\$ 95,561	\$ 90,055
Government assistance (Notes 3, 16, 17)	9,488	15,553
Cash paid to suppliers and employees	(73,780)	(80,848)
Interest received	186	233
Interest paid	(11,599)	(11,901)
Cash flows provided by operating activities	19,856	13,092
Investing activities:		
Net advances (repayments) from related parties	994	(1,054)
Property, plant and equipment constructed or purchased	(29,851)	(23,661)
Cash flows used in investing activities	(28,857)	(24,715)
Financing activities:		
Net proceeds from (repayments of) short-term debt	11,909	(10,372)
Repayment of long-term debt	(2,298)	(22,184)
Sinking fund instalments	(780)	(580)
Dividends	(454)	(379)
Receipts from net lease obligation	278	216
Government contributions (repayments) (Note 14)	185	(110)
Proceeds from issue of long-term debt (net of issue costs)	-	24,847
Proceeds from sinking fund redemption	-	20,031
Cash flows provided by financing activities	8,840	11,469
Net decrease in cash	(161)	(154)
Cash at beginning of year	1,001	1,155
Cash at end of year	\$ 840	\$ 1,001

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

1. Authority and operation

The Northwest Territories Power Corporation (NTPC) is established under the *Northwest Territories Power Corporation Act*. NTPC is a public agency under Schedule B of the *Financial Administration Act* 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 one preferred share of NTPC (Note 20).

NTPC operates hydroelectric, diesel and gas generation facilities on a self-sustaining basis to provide utility services 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 12). NWTEC is also responsible for the operation, management and shared ownership (50%) in one residual heat project in Fort McPherson (Note 24). 5383 NWT Ltd. is an inactive company.

Consolidation

The consolidated financial statements include the accounts of NTPC and its wholly-owned subsidiaries NWTEC and 5383 NWT Ltd. NTPC and its subsidiaries account for interests in jointly controlled entities using the proportionate consolidation method. All intercompany transactions and balances are eliminated upon consolidation.

2. Significant accounting policies and future accounting changes

(a) Significant accounting policies

These consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

Rate regulation

NTPC is 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, 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. Although the PUB and NTPC are related parties, the GNWT only provides administrative guidance to the PUB and does not give specific direction to the PUB on a case before them.

The PUB is required by the *Public Utilities Act* 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 applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next rate application, when rates are reviewed and set as final.

Note 2. Significant accounting policies and future accounting changes (continued)

On March 23, 2012 NTPC filed a GRA with the PUB for the Test Years 2012/13 and 2013/14. Within this application, NTPC requested the PUB set rates based on a proposed revenue requirement of \$102,500 in fiscal 2013 and \$107,500 in fiscal 2014. The proposed revenue requirement includes a return on equity of 8.5% for the Test Years 2012/13 and 2013/14.

In addition to the GRA, NTPC filed interim rate applications (IRA) with the PUB on March 23, 2012 and March 18, 2013 for the Test Years 2012/13 and 2013/14 respectively. Since GRAs can take many months to complete, IRAs are designed to implement rates on a temporary and refundable basis while a GRA is reviewed. If the PUB's final decision indicates final rates should be higher or lower than interim rates, a refund or surcharge is applied to customers accordingly. NTPC's IRA proposed rate increases for all customer groups in all communities by 7.0%. The PUB approved the IRAs, with interim rates for fiscal 2013 and fiscal 2014 effective for May 1, 2012 and April 1, 2013 respectively.

The allowed rate of return and all other aspects of the GRA were reviewed and tested by the PUB in fiscal 2013. On January 21, 2013, the PUB issued Decision 1-2013 which was the initial approval of NTPC's 2012/14 GRA. Decision 1-2013 approved a number of changes to the revenue requirement and normalized costs. The details of these changes to NTPC's normalized costs and treatment of capitalized interest during construction are disclosed in Note 3. The PUB uses cost of service regulation to regulate NTPC's earnings on a return on equity basis. Decision 1-2013 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.

As part of the GRA and Decision 1-2013, NTPC signed a contribution agreement with the GNWT to cover anticipated revenue shortfalls related to its GRA. Contributions will be provided by the GNWT to NTPC to mitigate the impact of rate increases on customers over a three year period. The agreement specifies maximum contributions as follows:

2013 - \$17,600 (including \$2,000 of foregone dividends)
2014 - \$11,400 (including \$2,000 of foregone dividends)
2015 - \$ 4,800 (including \$2,000 of foregone dividends)

Decision 1-2013 also directed NTPC to file a Compliance Filing Application reflecting the findings, directions and clarification requested in Decision 1-2013. NTPC filed the Compliance Filing on March 4, 2013 and a final decision from the PUB was received on July 9, 2013. Decision 9-2013 confirmed the assumptions made by management in preparing NTPC's fiscal 2013 financial statements. Decision 9-2013 also confirmed the final rates for fiscal 2013 and fiscal 2014 which were equal to the rates approved in the IRA and no refund or surcharge rider was required.

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. These rates for fiscal 2015 were originally approved in principle in Decision 9-2013.

Note 2. Significant accounting policies and future accounting changes (continued)

Revenues

All revenues for energy sales, including wholesale power, are recognized in the period earned. Revenue from the sale of power is recognized based on cyclical meter readings. Sales of power include an accrual for electricity sales not yet billed. Interest, contract, contribution and other revenues are recognized on the accrual basis.

As per Decision 9-2013 NTPC has deferred revenues collected in fiscal 2013 and fiscal 2014 to be taken into revenues in fiscal 2015. Note 3 provides additional details on these deferred revenues included in Regulatory liabilities.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recorded at original cost less accumulated amortization and unamortized contributions by utility customers to aid in the construction and acquisition of property, plant and equipment. Costs include materials, direct labour, a proportionate share of directly attributable overhead costs and any applicable interest during construction (IDC). The IDC rate for fiscal 2014 was approved by the PUB at 5.676% (2013 - 6.540%).

Certain regulated property, plant and equipment additions are made with the assistance of cash contributions from customers when the estimated revenue is less than the cost of providing service. These contributions are amortized on the same basis as the assets to which they relate and offset against amortization expense. NTPC retains ownership of these assets.

As a result of using the average group useful life method of accounting for amortization, when an asset is retired or disposed of, the retirement of these assets is charged to accumulated amortization with no gains or losses reflected in operations. Gains or losses arising from exceptional circumstances are included in earnings.

NTPC evaluates its tangible and intangible assets for impairment whenever conditions indicate that estimated undiscounted future net cash flows may be less than the carrying amount of assets. In cases where the undiscounted expected future cash flows are less than the carrying amount, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the fair value. Fair value is determined using expected discounted cash flows when quoted market prices are not available.

Amortization

Amortization of property, plant and equipment is taken on the straight-line average group useful life basis, at rates which are approved by the PUB, a portion of which is accounted for as a reserve for future removal and site restoration costs (Note 3). Amortization is suspended when assets are removed from service for an extended period of time. Assets held for future use (critical spare parts) are not amortized until these assets are placed into service, at which time they are reallocated to the appropriate asset group and amortized according to the amortization rates for that group.

The reserve for future removal and site restoration account will be applied to mitigate the impact of asset dismantling and disposal costs and site restoration costs that are not otherwise related to an asset retirement obligation and environmental liabilities as described in Note 13.

Note 2. Significant accounting policies and future accounting changes (continued)

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
Other utility assets	4.00 – 20.00
Other	20.00

Amortization of intangible assets is taken on the straight-line average group life basis at an annual rate of 12.43%.

Amortization rates are reviewed by NTPC and by the PUB every three years as required by legislation. NTPC uses amortization studies and other information and/or testimony to substantiate amortization rate changes. The PUB can direct amortization rate changes and these changes are done on a prospective basis. Cumulative excess or deficient amortization calculated at the time of the review is recognized over a period as prescribed by the PUB. NTPC's last amortization study was filed as part of NTPC's 2012/14 GRA. Decision 1-2013 approved new amortization rates effective April 1, 2013. Decision 1-2013 also approved an annual True-Up provision of \$1,839 (2013 – nil) to be collected through customer rates to recognize the cumulative deficiency in the accumulated amortization balances associated with each asset class.

Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Previous write-downs to net realizable value are reversed if there is a subsequent increase in the value of the related inventories.

Public Service Pension Plan

The employees of NTPC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and NTPC to cover current service cost. Pursuant to legislation currently in place, NTPC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of NTPC.

Employee future benefits

Under the terms and conditions of employment, employees may earn non-pensionable benefits for resignation, retirement and ultimate removal costs 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. The expected cost of providing these benefits is recognized as employees render service.

The cost of the benefits reflects management's best estimates using expected compensation levels and years of service. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Note 2. Significant accounting policies and future accounting changes (continued)

Asset retirement obligations

On an annual basis, NTPC identifies legal obligations associated with the retirement of its property, plant and equipment. The fair value of the future expenditures required to settle the legal obligations are recognized to the extent that they are reasonably estimable and are calculated based on the estimated future cash flows necessary to discharge the legal obligations and discounted using NTPC's credit-adjusted risk-free rate.

The fair value of the estimated asset retirement obligations is recorded as a liability under other non-current liabilities with an offsetting charge recorded against the regulatory liabilities – reserve for future removal and site restoration as described in Note 3. The liability for asset retirement obligations is increased annually for the passage of time by calculating accretion (interest) on the liability using NTPC's credit-adjusted risk-free rate.

NTPC has identified some asset retirement obligations for its hydro, thermal transmission and distribution assets where NTPC expects to maintain and operate these assets indefinitely. Therefore, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations for these assets cannot be made at this time.

Environmental liabilities

Environmental liabilities consist of the estimated costs related to the management and remediation of environmentally contaminated sites. NTPC recognizes environmental liabilities when it is obligated or likely to be obligated to incur such costs and the costs of remediation can be reasonably estimated. Environmental liabilities are discounted for the time value of money and included in asset retirement obligations. NTPC reviews its estimates of future environmental liabilities on an on-going basis.

Government contributions

The contributions approved for purchasing property, plant and equipment are recognized as a deferred government contributions on the balance sheet. Deferred government contributions are amortized into income on the same basis as the amortization of the related property, plant and equipment. Amortization of deferred government contributions are netted against amortization expense in the statement of operations. See Note 14 for additional details.

All other government contributions are recognized as revenue in the year the contributions are spent. See Note 17 for additional details.

Measurement uncertainty

To prepare these financial statements in accordance with GAAP management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities and the cost to complete capital projects in progress. Actual results may differ from these estimates. Significant estimates include amortization of assets, employee future benefits, fair values of financial instruments, regulatory assets and liabilities, asset retirement obligations and environmental liabilities.

Note 2. Significant accounting policies and future accounting changes (continued)

Management's estimates and assumptions regarding regulatory assets and liabilities, and the timing of NTPC's ability to recover the cost of these assets through future rates, are subject to decisions of the PUB as described in Note 3.

Financial instruments

The financial instruments of NTPC include financial assets classified as held for trading or loans and receivables and financial liabilities classified as other financial liabilities.

Held for trading

A financial instrument that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term is required to be classified as held for trading. NTPC classifies cash, cash and short-term investments held in the sinking fund, derivatives and embedded derivatives as held for trading. These items are recorded at their fair value with gains and losses recorded in interest income (or interest expense if related to sinking funds).

Loans and receivables

Financial assets that are not actively traded are required to be classified as loans and receivables and accounted for at amortized cost using the effective interest rate method. NTPC classifies its accounts receivable and net receivable from related parties as loans and receivables. Due to the short-term nature of receivables, their carrying value approximates their fair value.

Other financial liabilities

NTPC classifies its accounts payable and accrued liabilities, short-term debt, long-term debt and net lease obligation as other financial liabilities, which are accounted for at amortized cost using the effective interest rate method. Due to the short-term nature of accounts payable and accrued liabilities and short-term debt, their carrying value approximates their fair value.

Other policy decisions:

NTPC recognizes its regular-way purchases or sales (those which require actual delivery of financial assets or financial liabilities) on the trade date.

Transaction costs, other than in respect of held for trading items, are added to the initial fair value of the acquired financial asset or financial liability. Transactions costs for held for trading assets or liabilities are expensed as incurred.

Note 2. Significant accounting policies and future accounting changes (continued)

Hedging relationships and derivative financial instruments

NTPC may enter into interest rate and commodity swaps to reduce its exposure to fluctuations in interest rates and commodity prices. NTPC does not enter into any derivative financial instruments for speculative purposes. As NTPC does not account for these contracts using hedge accounting, these instruments are measured at fair value. Depending on the type of derivative, changes in fair value are recognized in either net income or to regulatory deferral accounts. There are no derivative contracts outstanding at the end of the year (2013 – nil).

(b) Future accounting changes

International Financial Reporting Standards (IFRS)

Publically accountable enterprises were required to transition from Canadian GAAP to IFRS for fiscal years beginning on or after January 1, 2011. In February 2013, the Canadian Accounting Standards Board (AcSB) extended the existing deferral of the mandatory adoption of IFRS for entities with qualifying rate-regulated activities by an additional year to January 1, 2015. The extension is due to the International Accounting Standards Board (IASB)'s decision to restart its project on rate-regulated activities.

The first specific guidance on accounting for the effects of rate regulation under IFRS was issued in January 2014, with the publication of an interim standard – IFRS 14 Regulatory Deferral Accounts. The AcSB has not extended the deferral of the mandatory adoption of IFRS. NTPC intends to adopt IFRS for its fiscal year ending March 31, 2016. NTPC also continues to monitor and evaluate the impact of the adoption of IFRS on its accounting policies and systems and financial statements.

Although Canadian GAAP and IFRS are based on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact NTPC include property, plant and equipment, regulatory assets and liabilities, employee future benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

3. Financial statement effects of rate regulation

As a result of rate regulation, the regulatory accounting policies adopted by NTPC differ from the accounting policies typically followed by unregulated entities. Specifically, policies in relation to regulatory assets and liabilities and amortization policies are different. A description and summary of the financial statement effects of rate regulation follows. The PUB has approved the accounting treatments described below.

Regulatory assets and liabilities

Regulatory assets and liabilities in these consolidated financial statements are accounted for differently than they would be in the absence of rate regulation.

Where regulatory decisions dictate, NTPC defers certain costs or revenues as assets or liabilities on the consolidated balance sheet and records them as expenses or revenues in the consolidated

Notes to the Consolidated Financial Statements
For the year ended March 31, 2014
(\$000's)

Note 3. Financial statement effects of rate regulation (continued)

statement of operations in order to match these expenses and revenues against the amounts collected or refunded through future customer rates. Any adjustments to these deferred amounts are recognized in net income in the period that the PUB renders a subsequent decision.

Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods, which are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. These liabilities reduce the future rate impact of disposal and remediation costs to customers.

Regulatory assets

	<u>2014</u>	<u>2013</u>	<u>Remaining recovery period</u>
Regulated employee future benefits	\$ 6,168	\$ 4,498	Determined by PUB
Water licensing deferral account	5,447	5,320	Determined by PUB
Normalized overhaul costs	4,643	4,634	Determined by PUB
Rate stabilization funds	3,221	461	Determined by PUB
Other regulatory assets	1,440	1,513	Determined by PUB
Reserve for injuries and damages	1,239	1,898	Determined by PUB
Regulatory costs	1,070	1,170	Determined by PUB
	<u>\$ 23,228</u>	<u>\$ 19,494</u>	

The total increase to net income due to rate regulation resulting from changes to the following accounts is as follows:

	<u>2014</u>	<u>2013</u>
Regulated employee future benefits	\$ 1,670	\$ 326
Water licensing deferral account	127	58
Normalized overhaul costs	(1,786)	(1,294)
Rate stabilization funds	2,760	461
Other regulatory assets	(73)	879
Reserve for injuries and damages	(659)	(525)
Regulatory costs	(100)	720
Reserve for future removal and site restoration	2,392	4,973
Contributions in aid of construction	86	(1,664)
Deferred income	(810)	(109)
Capitalized fuel	(39)	(39)
Net increase in net income due to rate regulation	<u>\$ 3,568</u>	<u>\$ 3,786</u>

Revenues approved by the PUB to recover deferred amounts are not reflected in the above analysis.

Note 3. Financial statement effects of rate regulation (continued)

Regulated employee future benefits

Regulated employee future benefits represent benefits accrued under employment agreements since April 1, 2001. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the rate at which hires, retirements, terminations and new employment agreements contribute to Employee Future Benefits (see Note 15). In the absence of rate regulation, GAAP would require that the actual cost of these employee future benefits be expensed in the year in which they were incurred. In fiscal 2014 actual costs deferred to this account totalled \$2,018 (2013 - \$674). In Decision 1-2013, the PUB initiated amortization of this fund for the first time since its inception and approved \$348 (2013 - \$348) to be included in annual expenses for this fund. The net effect of rate regulation on net income was an increase of \$1,670 (2013 – increase of \$326).

Water licensing deferral account

The water licensing deferral account was established in PUB Decision 13-2007. This account is set up to mitigate the uncertainty around the costs to acquire and maintain water licenses associated with the Taltson hydro plant, Bluefish hydro plant and the Snare Hydro system. In Decision 1-2013, the PUB approved \$825 (2013 - \$751) to be included in annual expenses for this fund. Costs allocated to this account in fiscal 2014 totalled \$952 (2013 - \$809). In the absence of rate regulation, GAAP would require that the cost of these events be expensed in the year in which they were incurred. The net effect of rate regulation on net income was an increase of \$127 (2013 – increase of \$58).

Normalized overhaul costs

Normalized overhaul costs include costs over the life of the assets to overhaul hydro, diesel and gas units. In the absence of rate regulation, GAAP would require that major overhauls be capitalized in the year in which they were incurred and amortized to expense over the useful life of the asset while all other overhaul costs are expensed in the year in which they were incurred. In the absence of rate regulation, operational expenses would increase by \$575 (2013 - \$1,137) and annual amortization expense would increase by \$575 (2013 - \$505) as a result of an increase in the balance of property, plant and equipment of \$2,371 (2013 - \$947). In Decision 1-2013, the PUB approved \$2,936 (2013 - \$2,936) to be included in annual expenses for this fund. The balance in the account will depend on the frequency and the cost of overhauls and therefore the recovery period is considered to be indeterminate. In fiscal 2014 actual costs deferred to this account totalled \$2,946 (2013 - \$2,084). The net effect of rate regulation on net income was a decrease of \$1,786 (2013 – decrease of \$ 1,294).

Rate stabilization funds

The rate stabilization funds were originally established by the PUB in fiscal 1998 through Decision 1-97 and updated through subsequent decisions. The funds mitigate the impact on utility rates from changes in diesel and gas fuel prices as well as fluctuations in hydro generation caused by water levels. The impact of any increases or decreases in fuel prices or hydro generation over the PUB-approved amounts is deferred. The deferred amounts are accumulated until the consolidated balance in the funds reaches +/- \$2,500 and management's judgement deems the recovery (refund)

Note 3. Financial statement effects of rate regulation (continued)

appropriate, at which time rate-riders are applied, with PUB approval, to recover or refund the amounts necessary to bring the funds back to a balance of \$0. The remaining recovery period is indeterminate as the amounts deferred in the account depend on the market price of fuel and water levels on the Snare and Yellowknife river systems. Traditionally, once the PUB-specified trigger limits are reached, the recovery period of the balance of the rate stabilization fund receivable (payable) has been approximately 12 to 24 months.

In the absence of rate regulation, GAAP would require that actual fuel expenses be included in the operating results of the year in which they were incurred. In fiscal 2014 fuel expenses were deferred and consequently lower due to the differences in fuel prices of \$1,807 (2013 – higher by \$290) and lower due to the volume of available water generation of \$904 (2013 – lower by \$739). The net interest revenues accrued on the balance of the funds also decreased interest expense by \$49 (2013 – decreased by \$12).

The net effect of rate regulation on net income was an increase of \$2,760 (2013 – increase of \$461).

On April 29, 2014 the PUB approved a fuel rate rider of 1.17 cents/kWh effective May 1, 2014 to recover the consolidated balance in the Territory-wide Rate Stabilization Fund (RSF). See Note 25 for additional details.

Other regulatory assets

Other regulatory assets include costs incurred that create a long-term benefit to customers. These costs are subject to recovery from the customers through PUB decisions. In the absence of rate regulation, GAAP would require that the actual cost of these events be expensed as they occurred. The remaining recovery period is indeterminate as the amounts deferred to the various accounts depend on what issues arise during the year. The amortization of the various accounts to deferred charges is done on a straight-line basis over periods ranging from 5 to 10 years. Consequently, in the absence of rate regulation, operational expenses would increase by \$84 (2013 - \$1,036) and annual amortization expense would decrease by \$157 (2013 - \$157). The net effect of rate regulation on net income was an decrease of \$73 (2013 – increase of \$879).

Reserve for injuries and damages

The reserve for injuries and damages includes costs for uninsured and uninsurable losses and insurance deductibles. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the types and size of emergencies during a given year. In Decision 1-2013, the PUB approved \$670 (2013 - \$670) to be included in annual expenses for this fund. In fiscal 2014 actual costs deferred to this account totalled \$11 (2013 - \$145). In the absence of rate regulation, GAAP would require that the actual cost of these events be expensed in the year they were incurred. The net effect of rate regulation on net income was a decrease of \$659 (2013 – decrease of \$525).

Regulatory costs

Regulatory costs include all third party costs and staff overtime, supplies, services and travel NTPC incurs directly related to general rate applications and related regulatory proceedings. In the absence of rate regulation, GAAP would require that the actual regulatory costs be expensed as they were

Note 3. Financial statement effects of rate regulation (continued)

incurred. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the actual regulatory costs NTPC incurs and this will vary from year to year as regulatory issues arise. In Decision 1-2013, the PUB approved \$243 (2013 - \$243) to be included in annual expenses for this fund. In fiscal 2014 actual costs deferred to this account totalled \$143 (2013 - \$963). The net effect of rate regulation on net income was a decrease of \$100 (2013 – increase of \$720).

Regulatory liabilities

	2014	2013	Remaining settlement period
Reserve for future removal and site restoration	\$ 27,236	\$ 29,628	Determined by PUB
Contributions in aid of construction	6,439	6,525	Determined by PUB
Deferred income	919	109	1 year
	\$ 34,594	\$ 36,262	

Reserve for future removal and site restoration

The reserve for future removal and site restoration is a deferral account that records the funds collected from customers for the future removal of assets and the restoration of NTPC's operating sites that are not otherwise related to an asset retirement obligation or environmental liabilities. Historically, the balance of the reserve increases annually using PUB-approved amortization rates applied over the estimated useful lives of the related assets on a straight-line average group useful life basis. Due to the long-term nature of the assumptions made in deriving these estimates, the amortization rates applied are periodically revised and updated for current information.

In deliberating Decision 1-2013, the PUB determined that the balance of \$40,831 collected as at March 31, 2011 for the retirement of assets and site restoration costs was sufficient to provide for expected future costs. In Decision 1-2013 the PUB approved that the portion of amortization expense previously provided to increase the balance of the reserve would be "paused" until consideration at the next GRA. Therefore, additions to the fund in 2014 and future years through amortization expenses will be equal to \$nil.

Actual costs incurred in a given year for asset removals and site clean-up are charged to this account.

The remaining recovery period for the reserve is indeterminate due to the amounts added to the fund and drawing down the balance of the fund each year. In 2014 no amounts were added to the fund (2013 – \$1,961 added). The amount by which the fund is drawn down each year depends on which assets are removed from service in that year, the cost of disposal, the site restoration projects undertaken in the year and the costs associated with those projects.

Notes to the Consolidated Financial Statements
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Note 3. Financial statement effects of rate regulation (continued)

Up until 2014, the fund was built up each year based on the following rates and the balance in property, plant and equipment of those asset categories:

	%
Electric power plants	0.00 – 2.11
Transmission and distribution systems	0.00 – 1.88
Electric power plant under capital lease	0.00 – 0.26
Warehouse, equipment, motor vehicles and general facilities	(0.74) – 0.35

In the absence of rate regulation, GAAP would require that future removal and site restoration costs would be limited to asset retirement obligations, environmental liabilities and other. The removal and site restoration costs would be expensed in the year incurred. In the absence of rate regulation, NTPC's fiscal 2014 expenses would have been \$1,140 (2013 - \$2,098) higher by the amount of the removal and site restoration costs deferred. Amortization expenses were equal in 2014 (2013 - \$1,961 higher than) what they would be in the absence of rate regulation.

In the absence of rate regulation, GAAP would also require the net change in the balance of asset retirement obligations (Note 13) to be booked to net income rather than to the reserve for future removal and site restoration. The net change in the reserve for future removal and site restoration account balance as a result of changes in the asset retirement obligations and environmental liabilities (Note 13) account balances recorded against the reserve for future removal and site restoration was a decrease in the account balance of \$1,252 (2013 – decrease of \$4,836). The net effect of rate regulation on net income is an increase of \$2,392 (2013 – increase of \$4,973).

Contributions in aid of construction

Contributions in aid of construction are to aid in the construction and acquisition of property, plant and equipment. Contributions are amortized on the same basis as the related property, plant and equipment, and the resulting credit is offset against the corresponding provision for amortization of property, plant and equipment (Notes 7 and 18). In the absence of rate regulation, GAAP would require that the contributions received in a given year be recorded in revenues for that year and amortization expense would not be offset by the amortization of the contributions. The remaining recovery period is indeterminate as the account is increased each year by new contributions received from customers and drawn down by the straight-line amortization of the account balance. The amortization rates for contributions are the same as those found in Note 2 under Amortization. In fiscal 2014 revenues were \$312 (2013 - \$2,175) lower than they would have been and amortization on property, plant, and equipment was \$398 (2013 - \$511) lower than it would have been in the absence of rate regulation. The net effect of rate regulation on net income is an increase of \$86 (2013 – decrease of \$1,664).

Deferred income

Decision 9-2013 issued by the PUB in July 2013 approved NTPC to defer revenue surpluses from the 2012/13 and 2013/14 Test Years to cover revenue shortfalls in 2014/15. This deferred income will be taken into revenues in fiscal 2015. In the absence of rate regulation, GAAP would require that revenues be recorded in the year received. In fiscal 2014 NTPC deferred revenues totalling \$810

Note 3. Financial statement effects of rate regulation (continued)

(2013 - \$109). The net effect of rate regulation on net income is a decrease of \$810 (2013 – decrease of \$109).

Gains and losses on disposal of property plant and equipment

As approved by the PUB, the gains or losses on disposal of property, plant and equipment are deferred. In the absence of rate regulation, GAAP would require the gain or loss on the disposal or retirement of all property, plant and equipment to be included in income in the period of disposal or retirement.

Capitalized fuel

As per PUB Decision 27-2008, NTPC capitalized fuel associated with the new intake structure capital project at NTPC's Bluefish dam. In the absence of rate regulation, GAAP would require that fuel costs be expensed in the year incurred. There was no fuel used in fiscal 2014 (or 2013) in association with this project. Therefore fuel expense in fiscal 2014 (and 2013) was the same as it would have been in absence of rate regulation notwithstanding the rate stabilization fund treatment as previously discussed. Amortization expense was \$39 (2013 - \$39) higher than it would have been in the absence of rate regulation. The net effect of rate regulation on net income is a decrease of \$39 (2013 – decrease of \$39).

4. Capital management

NTPC's capital structure as at March 31, 2014 and March 31, 2013 was as follows:

	2014	2013
Debt, net of sinking fund investments	\$ 179,668	\$ 182,702
Net lease obligation	2,653	2,306
Shareholder's equity	120,288	115,156
Total capital	<u>\$ 302,609</u>	<u>\$ 300,164</u>

NTPC's capital structure consists of its financing sources for capital projects: shareholder's equity, capital lease obligation, net long-term debt and short-term debt not used to finance regulatory assets. NTPC's opportunity to earn income is based on the amount of shareholder's equity it has invested in its rate base. The amount of debt for NTPC is limited to no more than three times shareholder's equity by the *Northwest Territories Power Corporation Act*. The amount of debt is also subject to the federally imposed borrowing cap on total GNWT debt of \$800,000 under which NTPC is required to comply. NTPC complies with these external restrictions on its debt limits.

NTPC's objectives with respect to managing its capital structure are to maintain effective access to capital on a long-term basis at reasonable rates and within the limitations set by the *Northwest Territories Power Corporation Act* and the debt cap limitations of the federal government on the GNWT while striving to deliver targeted financial returns as set by the PUB. NTPC manages its capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing quarterly financial results. NTPC has set a long-term debt capitalization target of 50/50. The debt capitalization ratio for fiscal 2014 is 60/40 (2013 – 62/38).

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For the year ended March 31, 2014
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Note 4. Capital management (continued)

NTPC's capital structure is approved by the PUB as part of the GRA process. NTPC's long-term debt requires the approval of the GNWT and the PUB and to date has been subject to a guarantee by the GNWT. These objectives are consistent with previous years.

5. Accounts receivable

The aging of accounts receivable was:

	2014				2013
	Current (less than 28 days)	29-90 days	Over 90 days	Total	Total
Utility	\$ 10,897	\$ 973	\$ 625	\$ 12,495	\$ 12,907
Non-utility	1,024	74	439	1,537	3,059
Allowance for doubtful accounts	-	-	(793)	(793)	(1,206)
	\$ 11,921	\$ 1,047	\$ 271	\$ 13,239	\$ 14,760

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

	2014	2013
Balance, beginning of the year	\$ (1,206)	\$ (728)
Receivables written off	432	85
Increase to allowance	(19)	(563)
Balance, end of the year	\$ (793)	\$ (1,206)

Accounts receivable are reviewed for indicators of impairment. An allowance for doubtful accounts is included in accounts receivable. Additional disclosures on NTPC's exposure and management of risk associated with accounts receivable can be found in Note 23.

Notes to the Consolidated Financial Statements
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6. Inventories

	2014	2013
Materials, supplies and lubricants	\$ 5,763	\$ 5,206
Fuel	288	305
	\$ 6,051	\$ 5,511

Inventories are comprised of fuel and materials, supplies and lubricants used in the production of electricity. Production fuel inventory is only held by NTPC in five of its operating plants. The liquid natural gas (LNG) fuel requirement for the Inuvik plant is managed under the LNG fuel supply agreement with NTPC's sister company NTEC(03) described in Note 21. Fuel requirements for the remaining twenty plants are all managed under the fuel management services agreement described in Note 21. Production fuel held as inventory and then expensed in fiscal 2014 totalled \$1,832 (2013 - \$1,516). The supplies and services expenses reported in fiscal 2014 includes \$1,010 (2013 - \$1,112) of materials, supplies and lubricants held as inventory throughout the year. The majority of materials, supplies and lubricants are used by NTPC to make repairs, complete overhauls or generate electricity.

7. Property, plant and equipment

	2014			2013
	Cost	Accumulated amortization	Net book value	Net book value
Electric power plants	\$ 285,847	\$ (74,380)	\$ 211,467	\$ 196,713
Transmission and distribution systems	79,910	(23,842)	56,068	56,418
Warehouse, equipment, motor vehicles and general facilities	42,500	(16,405)	26,095	26,332
Electric power plant under capital lease	26,469	(7,179)	19,290	19,702
Other	7,636	(5,828)	1,808	2,360
Other utility assets	7,063	(2,133)	4,930	5,286
Assets held for future use (critical spare parts)	3,229	-	3,229	3,274
	\$ 452,654	\$ (129,767)	\$ 322,887	\$ 310,085
Construction work in progress	18,642	-	18,642	15,246
	\$ 471,296	\$ (129,767)	\$ 341,529	\$ 325,331

Engineering and other direct overhead expenses allocated to assets placed in service during the year amounted to \$2,500 (2013 - \$3,444).

Notes to the Consolidated Financial Statements
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8. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. As the sinking funds exist to fund the payout of long-term debt, sinking fund income is treated as a reduction of finance charges and is reflected in interest expense (Note 19).

The sinking fund agreements require annual installments to retire debt at maturity. Fair value information for sinking funds is included in Note 23. NTPC's sinking fund policy allows only Canadian fixed-income and short-term investments. Cash and short-term investments include cash and fixed-income investments with a term to maturity not exceeding one year. Fixed-income securities have investment grade credit.

	<u>2014</u>		<u>2013</u>	
	Class value	Weighted average effective rate of return ⁽¹⁾	Class value	Weighted average effective rate of return ⁽¹⁾
Held for trading (fair value)				
Cash and short-term investments	\$ 6,513	0.95%	\$ 5,676	0.96%

¹ Rate of return is calculated on market yield for cash and fixed-income securities.

9. Intangible assets

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Enterprise software	\$ 3,687	\$ (2,680)	\$ 1,007	\$ 1,150

10. Short-term debt

NTPC has a \$20,000 unsecured line of credit with its bank and on a temporary basis the bank will increase the operating line. NTPC also has access on occasion to short-term funds from its shareholder, the GNWT.

	<u>2014</u>	<u>2013</u>
Bankers acceptances	\$ 12,500	\$ -
Bank overdraft	5,388	5,979
	<u>\$ 17,888</u>	<u>\$ 5,979</u>

The short-term debt outstanding at March 31, 2014 had a weighted average 30 day term and a 2.02% weighted average annual interest rate.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2014
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11. Long-term debt, net of sinking fund investments

	<u>2014</u>	<u>2013</u>
5.16% amortizing debenture, due September 13, 2040	\$ 48,361	\$ 49,201
5.443% debenture, due August 1, 2028	25,000	25,000
5.995% debenture, due December 15, 2034	25,000	25,000
3.818% debenture, due November 25, 2052	25,000	25,000
5% debenture, due July 11, 2025	15,000	15,000
6.83% amortizing debenture, due December 18, 2032	12,667	13,333
6.33% sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026 repayable in equal monthly payments of \$73	6,503	6,774
9.75% debentures series 2, due October 1, 2025 repayable in equal monthly payments of \$69	5,676	5,932
10% debenture series 1, due May 1, 2025 repayable in equal monthly payments of \$70	5,615	5,879
	<u>\$ 187,522</u>	<u>\$ 189,819</u>
Less: Unamortized premium, discount and issuance costs	1,341	1,441
	186,181	188,378
Less: Sinking fund investments (Note 8)	6,513	5,676
Debt, net of sinking fund investments	179,668	182,702
Less: Current portion	2,421	2,298
Long-term debt, net of sinking fund investments	<u>\$ 177,247</u>	<u>\$ 180,404</u>

Principal repayments and estimated sinking fund investment requirements for the next five years are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Principal repayments	\$2,421	\$2,552	\$2,700	\$2,857	\$13,027
Sinking fund investment contributions	\$ 623	\$ 623	\$ 623	\$ 623	\$ 623

12. Net lease obligation

NWTEC loaned funds to the Dogrib Power Corporation (DPC) to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories from 1994 to 1996. The balance of the loan receivable is \$16,886 (2013 - \$17,570). The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWTEC's long-term debt issued to finance the loan. It is due July 2026 and is repayable in equal monthly payments of \$195.

NTPC has an initial 65-year lease for the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation until 2061. The value of the capital lease obligation is \$19,192 (2013 - \$19,598). To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants under capital lease in property, plant and equipment (Note 7).

Notes to the Consolidated Financial Statements
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Note 12. Net lease obligation (continued)

Upon consolidation, the loan receivable held by NWTEC is offset with the capital lease obligation of NTPC resulting in a net lease obligation of \$2,306 (2013 - \$2,028). The current portion of the net lease obligation is a receipt of \$347 (2013 - \$278) and is recorded in accounts receivable. As a result, upon consolidation, in the early years there will be a net payment and in later years there will be a net receipt until such time as the loan receivable is fully repaid in 2026 when only the capital lease obligation payments continue until 2061.

In April 2013 there was a security change made in the lease/loan agreement between DPC and NWTEC. In 1996 when the lease/loan agreement was signed, DPC granted first charge to NWTEC over the lands, all buildings and all improvements pledging the assets as collateral for the loan. DPC also established a Sinking Fund Trust Agreement. Under this agreement, DPC deposited a portion of the monthly lease payments received by DPC from NTPC, into a sinking fund. This sinking fund was used as collateral and to assist with the loan payments made to NWTEC from 2014 to 2026. The fund was invested in a Government of Canada Treasury Bill. The Terms of the Sinking Fund Agreement allowed DPC to replace the sinking fund with another form of security if all the parties agreed.

After March 31, 2013 DPC, with the approval of NWTEC, withdrew the funds from the sinking fund. A \$4 million guarantee from DPC's parent company, the Tlicho Investment Corporation (TIC) was provided as replacement collateral for the loan from NWTEC to DPC. A blocked account agreement was also established as collateral for the loan. The blocked account agreement assigns certain cash flows to be deposited into a bank account each month. This account is used as additional collateral for the NWTEC loan to DPC. NWTEC has signing authority and full control over the blocked account. At the beginning of each fiscal year, the balance in the blocked account must be equal to the top up payments required for the next 12 months. The top up payment is the difference between the loan payment made by DPC to NWTEC and the lease payment received by DPC from NTPC.

The change in the security does not impact the financial results of the net lease obligation arrangement.

Fair value information for the net lease obligation is included in Note 23.

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

Year	Capital lease	Loan receivable	Total
2015	\$ 2,256	\$ 2,341	\$ (85)
2016	2,212	2,341	(129)
2017	2,167	2,341	(174)
2018	2,121	2,341	(220)
2019	2,073	2,341	(268)
Thereafter	50,444	17,166	33,278
	<u>\$ 61,273</u>	<u>\$ 28,871</u>	<u>\$ 32,402</u>
Less: amounts representing imputed interest on capital lease and loan receivable			(30,097)
Total net lease obligation			<u>\$ 2,305</u>

Notes to the Consolidated Financial Statements
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13. Asset retirement obligations

	<u>2014</u>	<u>2013</u>
Balance, beginning of the year	\$ 12,224	\$ 7,388
Liabilities settled	(598)	(664)
Accretion expense	872	322
Valuation adjustment	(251)	4,840
Additions	1,230	338
Balance, end of the year	<u>\$ 13,477</u>	<u>\$ 12,224</u>

Following is a summary of the key assumptions upon which the carrying amount of the asset retirement obligations is based:

- Total expected future cash flows - \$16,961 (2013 - \$28,306)
- Expected timing of payments of the cash flows – majority of expenditures expected to occur after fiscal 2030
- The weighted average discount rate is the credit-adjusted risk-free rate of 7.67% for those obligations identified prior to fiscal 2014 and 4.10% for those obligations identified in fiscal 2014

Environmental liabilities

NTPC estimates that it would cost approximately \$20,727 (2013 - \$20,891) to clean up the environmentally contaminated soil at its 27 sites in the NWT. The discounted present value of these obligations is \$7,972 (2013 - \$8,632) and is included in asset retirement obligations.

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

14. Deferred government contributions

Following is a summary of deferred government contributions:

	<u>2014</u>	<u>2013</u>
Balance, beginning of the year	\$ 2,632	\$ 2,800
Eligible funding	495	288
	<u>3,127</u>	<u>3,088</u>
Amortization for the year	(233)	(200)
Contributions recognized related to asset disposals	-	(256)
Balance, end of the year	<u>\$ 2,894</u>	<u>\$ 2,632</u>

NTPC entered into a capital contribution agreement for \$345 with the GNWT in fiscal 2014 for capital project funding assistance for a photovoltaic preliminary design project in Colville Lake. None of this funding has been received as of March 31, 2014 and \$345 is recorded in accounts receivable.

For the same project in Colville Lake, NTPC signed a one year agreement for \$150 with the Federal Government through the *ecoENERGY for Aboriginal and Northern Communities program*. NTPC

Note 14. Deferred government contributions (continued)

received \$135 under this program in fiscal 2014 and there is \$15 in accounts receivable as of March 31, 2014. As the project is ongoing, the \$852 spent on the project to date remains as part of the construction work in progress balance.

15. Employee Future Benefits

a) Public Service Pension Plan Contributions:

The employees of NTPC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and NTPC.

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 1.45 times employees' contributions for employees who started prior to January 2013 and 1.43 times employees' contributions for all other employees (2013 – 1.64 times for all employees). Total contributions of \$2,815 (2013 - \$2,737) were recognized as expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

b) Liability for severance and ultimate removal benefits is as follows:

	<u>2014</u>	<u>2013</u>
Accrued benefit obligation, beginning of the year	\$ 1,942	\$ 1,938
Net increase in obligation for the year	2,018	650
Benefits paid during the year	(541)	(646)
Accrued benefit obligation	<u>3,419</u>	<u>1,942</u>
Less: current portion	(410)	(585)
Accrued benefit obligation, end of the year	<u>\$ 3,009</u>	<u>\$ 1,357</u>

16. GNWT power sales contributions

As described in Note 2 under the contribution agreement the GNWT provided \$15,600 to NTPC in fiscal 2013. \$4,000 paid down the receivable set up by NTPC as at March 31, 2012 to retire the balance in the Consolidated Fuel Stabilization Fund. The remaining \$11,600 was recorded as revenues. In fiscal 2014 under the second year of the agreement, NTPC recorded \$9,400 in revenues.

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17. Other revenues

	<u>2014</u>	<u>2013</u>
Pole rental	\$ 270	\$ 272
Connection fees	265	350
Heat revenues	254	222
Contract work	228	305
Miscellaneous	207	121
Other government contributions	79	93
	<u>\$ 1,303</u>	<u>\$ 1,363</u>

Other government contributions

In fiscal 2014, the GNWT provided \$2 (2013 - \$nil) for solar monitoring of the Fort Simpson solar array, \$4 (2013 - \$nil) for staff attendance at a technical solar training workshop, \$30 (2013 - \$15) for NWT electricity system analysis and \$40 for apprenticeship training program funding.

NTPC signed an agreement with Natural Resources Canada to fund \$3 (2013 - \$nil) for solar monitoring of the Fort Simpson solar photovoltaic system. All of this funding was received in fiscal 2014.

Total assistance received from all sources was \$79 (2013 - \$93). Funding receivable from the GNWT as at March 31, 2014 is \$6 (2013 - \$15).

18. Amortization

	<u>2014</u>	<u>2013</u>
Property, plant and equipment	\$ 14,185	\$ 13,837
Regulatory assets (Note 3)	5,179	5,104
Intangible assets	502	267
Contributions in aid of construction (Note 3)	(398)	(722)
	<u>\$ 19,468</u>	<u>\$ 18,486</u>

19. Interest expense

	<u>2014</u>	<u>2013</u>
Interest on long-term debt	\$ 13,031	\$ 13,095
Short-term debt financing costs	308	297
Income from sinking fund investments	(56)	(76)
Income on loan receivable (Note 12)	(1,657)	(1,719)
Capitalized interest during construction	(813)	(1,507)
	<u>\$ 10,757</u>	<u>\$ 10,090</u>

Notes to the Consolidated Financial Statements
For the year ended March 31, 2014
(\$000's)

20. Share capital

	Number of shares	2014	Number of shares	2013
Preferred shares				
Authorized:				
One preferred share, non-cumulative, without par value				
Issued and outstanding:				
1 preferred share (one dollar)				
	1	\$ -	1	\$ -
Common shares				
Authorized:				
Unlimited number of voting common shares without par value				
Issued and outstanding: 431,288 common shares				
	431,288	\$ 43,129	431,288	\$ 43,129

NTPC may only issue its preferred shares to the Government of the Northwest Territories.

NTPC declared dividends totalling \$400 (2013 - \$400) payable to NT Hydro.

21. Commitments and contingencies

Capital projects

In March 2014, the Board of Directors approved a preliminary capital plan for 2015 of \$26,160 (2013 – for a 2014 capital plan of \$28,384) which includes the costs to complete projects already in progress at March 31, 2014.

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, and an administrative fee. The agreement is effective for five years until October 31, 2018.

Fuel management services agreement

NTPC has a fuel management services agreement with the Petroleum Products Division (PPD) of the GNWT. This agreement transferred the fuel inventory and maintenance of fuel tank farms of 20 communities served by NTPC to PPD, consistent with NTPC's operational requirements. 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 PPD in a given year.

Note 21. Commitments and contingencies (continued)

Workplace Incident

Charges were filed by the Workers' Safety and Compensation Commission on February 20, 2014 against NTPC and two of its employees under the *Northwest Territories Safety Act*, after an investigation around an event that occurred in 2013 while clearing a transmission line near Fort Smith. NTPC has made one court appearance and is currently waiting for the discovery phase of the proceedings. It is too early to determine what if any cost may be incurred by NTPC as a result of these charges.

Other

Refer to Notes 12, 13 and 15 for other commitments and contingencies disclosed elsewhere in these consolidated financial statements.

22. Related party transactions

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

	2014	2013
Transactions during the year:		
Sale of power and other	\$ 23,850	\$ 21,990
Purchase of fuel from PPD	24,902	26,090
Other purchases and payments	757	1,198
Purchase of fuel from NTEC(03)	583	-
Balances at year-end:		
Accounts payable to PPD	4,148	2,191
Accounts receivable	1,740	1,611
Accounts payable and accrued liabilities	28	29

23. Financial instruments

Risks – overview

NTPC's financial instruments and the nature of risks which they may be subject to are set out in the following table:

Financial instrument	Classification	Risks			
		Credit	Liquidity	Market risks	
Currency	Interest rate			Other price	
Measured at cost or amortized cost					
Accounts receivable	Loans and receivables	X			
Accounts payable	Other financial liabilities		X	X	
Long-term debt	Other financial liabilities		X		X
Net lease obligation	Other financial liabilities	X	X		X
Short-term debt	Other financial liabilities		X		X
Measured at fair value					
Cash	Held for trading	X			
Short-term investments	Held for trading	X			X

a) Credit risk

Credit risk is the risk that a third party or a related 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.

	2014	2013
Sinking fund short-term investments	\$ 6,512	\$ 5,676
Snare Cascades loan receivable	16,886	17,570
Accounts receivable	13,239	14,760
Receivable from related parties	4,461	5,456
Cash	840	1,001
	<u>\$ 41,938</u>	<u>\$ 44,463</u>

Snare Cascades loan receivable

The credit risk for the loan receivable for the Snare Cascades hydro project was minimized by an assignment of lease payments and the security of the hydro facility itself. See Note 12 for additional details.

Accounts receivable

NTPC minimizes accounts 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 (2013 - 37%) of NTPC's sales are to two other utilities. Eleven percent (2013 - 11%) of sales are to the GNWT, through the Territorial Power Support Program and Housing Support Program. Note 5 analyzes the age of customer accounts receivable.

Note 23. Financial instruments (continued)

Net receivable from related parties

Net receivable from related parties is comprised of the following balances:

	2014	2013
Receivable from NT Hydro		
for transfer of investment in NTEC(03) and SEL	\$ 4,565	\$ 4,565
Short-term receivable from NT Hydro	292	292
Short-term receivable from NTEC(03)	61	599
Short term payable to NTEC(03) for fuel	(457)	-
	\$ 4,461	\$ 5,456

Receivable from NT Hydro for transfer of investment in NTEC(03) and SEL

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

Short-term receivable from NT Hydro

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

There are no active markets for the amounts owing from related parties. NTPC has no immediate plans to demand repayment of the remaining balances.

Short-term receivable from NTEC(03)

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

Short term payable to NTEC(03) for fuel

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

Cash and sinking fund investments

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

b) Liquidity risk

Debt liquidity risk is managed by the use of sinking fund 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

Notes to the Consolidated Financial Statements
For the year ended March 31, 2014
(\$000's)

Note 23. Financial instruments (continued)

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 the shareholder and by maintaining a \$20,000 operating line with a reputable financial institution. The operating line can be temporarily increased on a short-term basis if required.

The following table shows the maturities of the NTPC's short and long-term debt (excluding bank overdraft) as at March 31, 2014:

	Less than 1 year	Greater than 1 year and not later than 6 years	Greater than 6 years and not later than 20 years	Greater than 20 years	2014 Total	2013 Total
Short-term debt	\$ 12,500	\$ -	\$ -	\$ -	\$ 12,500	\$ -
Long-term debt	2,421	24,300	92,470	68,332	187,522	189,819
Snare Cascades lease obligation	405	2,026	5,674	11,087	19,192	19,598
Snare Cascades loan receivable	(752)	(5,057)	(11,076)	-	(16,886)	(17,570)
	<u>\$ 14,574</u>	<u>\$ 21,269</u>	<u>\$ 87,068</u>	<u>\$ 79,418</u>	<u>\$ 202,328</u>	<u>\$ 191,847</u>

c) Currency risk

Accounts payable

NTPC is exposed to currency risk by purchasing supplies and property, plant and equipment in U.S. dollars. NTPC does not hedge the risk related to fluctuations in the exchange rate between the U.S. and Canadian dollar due to the short-term and relatively small dollar value of the exposure.

d) Interest rate risk

Changes in market interest rates will cause fluctuations in the fair value or future cash flows of the net lease obligation, long-term debt, short-term debt, interest rate derivatives, and fixed-income investments.

NTPC's short-term debt instruments have short maturities and fixed rates, thus their fair value will fluctuate as the funds are borrowed at current market interest rates.

All of NTPC's outstanding long-term debt is fixed rate debt and the fair value of fixed rate debt fluctuates with changes in market interest rates but absent early redemption, cash flows do not.

Similar to long-term debt, if NTPC holds a derivative instrument in the form of an interest rate swap, the fair value fluctuates with changes in market interest rates but absent early redemption, as the fixed rate payer, cash flows do not.

Note 23. Financial instruments (continued)

Notes to the Consolidated Financial Statements
For the year ended March 31, 2014
(\$000's)

e) Sensitivity analysis for market risks

Market risk is the risk that the fair value or future cash flows of NTPC's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Net income and comprehensive income could have been different if the variables impacting the financial instrument subject to market risk had varied by reasonably possible amounts from their actual balance sheet date values.

The sensitivity analysis of NTPC's exposure to currency risk at the reporting date has been determined based upon the hypothetical change taking place at the current balance sheet date. Purchases of U.S. denominated goods throughout the year have not been included in this analysis due to the small dollar value of these purchases. NTPC had an engine purchase contract denominated in Euros that is priced in Canadian dollars at the time of the invoice. The invoice date and Euro amount was used to determine the currency risk exposure.

The sensitivity analysis of NTPC's exposure to interest rate risk at the reporting date has been determined based upon the hypothetical change taking place at the beginning of the fiscal year and being held constant through to the current balance sheet date. Short-term interest expense and revenue will vary throughout the year.

These sensitivities are hypothetical and should be used with caution. Favourable hypothetical changes in the assumptions result in an increased amount, and unfavourable hypothetical changes in the assumptions result in a decreased amount, of net income and comprehensive income. Changes in net income and comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and comprehensive income may not be linear.

In the table, the effect of a variation in a particular assumption on the amount of net income and comprehensive income is calculated without change to any other assumption. In reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in more favourable foreign exchange rates as a result of the increased strength in the Canadian dollar), which might magnify or counteract the sensitivities.

	Reasonable possible changes in market variable			
	Currency risk		Interest rate risk	
	10%		25 basis points	
	2014	2013	2014	2013
Net income and comprehensive income	\$359	\$129	\$14	\$21

Notes to the Consolidated Financial Statements
For the year ended March 31, 2014
(\$000's)

Note 23. Financial instruments (continued)

f) Fair value determination

The carrying value of cash, accounts receivables, net receivable from related parties, accounts payable, accrued liabilities and deferred revenues and short-term debt approximates their fair value due to the immediate or short-term maturity of these financial instruments.

The fair value of sinking fund investments were determined by using published price quotes. The fair value determination for long-term debt and the net lease obligation was estimated based on quoted market prices for Federal government bonds with the same or similar maturities adjusted for the credit spread at the point of issue.

As at March 31, 2014, the fair value and carrying value of NTPC's financial instruments are:

	<u>Level</u>	<u>Fair value</u>		<u>Carrying value</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Held for trading financial assets					
Cash	Level 1	\$ 840	\$ 1,001	\$ 840	\$ 1,001
Short-term investments	Level 1	6,513	5,676	6,513	5,676
		<u>\$ 7,353</u>	<u>\$ 6,677</u>	<u>\$ 7,353</u>	<u>\$ 6,677</u>
Other financial liabilities					
Long-term debt	Level 2	\$ 223,359	\$ 241,788	\$ 187,522	\$ 189,819
Net lease obligation	Level 2	6,600	6,574	2,306	2,028
		<u>\$ 229,959</u>	<u>\$ 248,362</u>	<u>\$ 189,828</u>	<u>\$ 191,847</u>

g) Impairment

NTPC assesses the decline in the value of the individual investments for impairment to determine whether the decline is other than temporary. NTPC makes this assessment by considering available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the individual investment.

As at March 31, 2014, NTPC provided an allowance for doubtful accounts of \$793 (2013 - \$1,206) for some of its accounts receivable accounts with amounts outstanding longer than 90 days. NTPC does not consider any other financial instrument to be impaired (2013 - \$nil).

Notes to the Consolidated Financial Statements
For the year ended March 31, 2014
(\$000's)

24. Investments in joint ventures

Included in NTPC's consolidated financial statements, through its subsidiary NWTEC, is the shared ownership (50%) in one residual heat project in Fort McPherson. The impact of this investment is as follows:

	<u>2014</u>	<u>2013</u>
Other revenues	\$ 130	\$ 119
Operating expenses including amortization	46	51
Net income	<u>\$ 84</u>	<u>\$ 68</u>
Current assets	\$ 194	\$ 250
Non-current assets	430	455
	<u>\$ 624</u>	<u>\$ 705</u>
Current liabilities	\$ 12	\$ 27
Shareholder's equity	612	678
	<u>\$ 624</u>	<u>\$ 705</u>
Cash flows (used in) provided by operating activities	\$ (52)	\$ 163
Cash flows used in investing activities	-	-
Cash flows used in financing activities	-	(150)

25. Subsequent events

PUB approval of fuel rate rider

In Decision 16-2010 the PUB approved the establishment of the Territory-wide Rate Stabilization Fund (RSF) for NTPC in order to flow through to customers, subject to a \$2.5 million threshold, variances in fuel prices and purchased power prices relative to the GRA forecast, and to flow through fuel mix variances in dual fuel communities, pursuant to the Electricity Rate Policy Guidelines issued by the Minister Responsible for the PUB.

On March 10, 2014, NTPC filed an Application with the PUB to recover the balance of the RSF through the implementation of a RSF rider. The rider would apply to all firm power customers with the exception of Northland Utilities (NWT) Limited. On April 29, 2014 the PUB approved a RSF rider of 1.17 cents/kWh effective May 1, 2014.

26. Comparative figures

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

Summary Statements of Operations (unaudited) for the five years ended March 31, 2014 (\$000s)

	2014	2013	2012	2011	2010
Revenues					
Sale of power	\$ 91,604	\$ 86,947	\$ 81,690	\$ 81,700	\$ 81,572
GNWT power revenue contributions	9,400	11,600	8,957	-	-
Other	1,303	1,363	1,644	1,223	1,508
	<u>102,307</u>	<u>99,910</u>	<u>92,291</u>	<u>82,923</u>	<u>83,080</u>
Expenses					
Salaries and wages	22,489	21,717	21,142	21,183	19,851
Fuel and lubricants	29,200	29,379	28,112	18,852	19,054
Supplies and services	12,646	11,754	12,460	13,193	13,429
Amortization	19,468	18,486	15,225	14,719	14,145
Travel and accommodation	2,344	1,897	1,974	2,229	2,145
	<u>86,147</u>	<u>83,233</u>	<u>78,913</u>	<u>70,176</u>	<u>68,624</u>
Earnings from operations	16,160	16,677	13,378	12,747	14,456
Interest income	186	221	233	275	478
Earnings before interest expense	16,346	16,898	13,611	13,022	14,934
Interest expense	10,814	10,090	9,506	9,003	8,854
Net earnings	<u>\$ 5,532</u>	<u>\$ 6,808</u>	<u>\$ 4,105</u>	<u>\$ 4,019</u>	<u>\$ 6,080</u>

Summary Balance Sheets (unaudited) for the five years ended March 31, 2014 (\$000s)

	2014	2013	2012	2011	2010
Assets					
Property, plant and equipment	\$ 322,274	\$ 309,473	\$ 276,522	\$ 269,870	\$ 258,434
Construction work in progress	19,255	15,858	35,442	19,208	16,366
	341,529	325,331	311,964	289,078	274,800
Current assets	25,642	27,318	49,158	43,809	29,722
Other long term assets	30,748	26,320	24,496	44,961	60,096
	397,919	378,969	385,618	377,848	364,618

Liabilities and Shareholder's Equity

Current liabilities	37,244	23,061	60,161	35,466	60,626
Long-term debt	186,412	188,386	165,459	187,320	153,653
Other long term liabilities	53,974	52,366	51,250	49,398	47,467
Total liabilities	277,630	263,813	276,870	272,184	261,746
Shareholder's equity	120,289	115,156	108,748	105,664	102,872
	397,919	378,969	385,618	377,848	364,618
Capital expenditures	\$ 29,851	\$ 23,661	\$ 29,075	\$ 21,915	\$ 25,305

Schedule of Write-offs

Utility Accounts Over \$500 for year ended March 31, 2013

CANADIAN REINDEER	500.88	JOHN TAYLOR	695.20
CHRIS WEGG	506.54	DELTA CARDINAL	700.27
DENNIS CHOCOLATE	508.73	ANTHONY DOCTOR	700.50
DARRELL BETSAKA	522.68	LAURA EDJERICON	711.93
L KLONDIKE / TONY BERREAULT	523.89	JENNIFER CARDINAL	732.42
STEVAN PROCHNICKI	535.46	DOUG PRICE CONTRACTING	737.25
JAMES ALLARD	535.67	MARK SHORT	740.08
SOPHIA ABRAHAM-MACKAY	537.33	PETER MENACHO	746.27
MIKE RILIING	539.00	BETTY CHINNA	779.44
KIM SARASIN	541.56	DENIS FIRTH	781.69
CHRIS HOPKINS	546.51	HEIDI ADZIN / DARYLE BLACKDUCK	794.31
DICK WALLACE	546.77	PATRICIA VAN LOON	811.17
LISA CARDINAL	548.20	PRISCILLA BETSAKA	820.25
HADI MOURTADA	548.35	ROBIN INGLANGASUK	823.86
HAROLD BERTRAND	549.25	PAULINE MARY WILLIAH	830.52
ROMEO BETSAKA	555.46	MICHELLE MCLAUGHLIN	834.80
GILLIAN FRANCIENE ROSS	557.06	HOLLY NORRIS	845.20
PRISCILLA LAFFERTY	560.51	NORA BENWELL-BEAVER	846.71
CONSTRUCTION ARMY'S	560.56	JAMES NEUMANN	889.88
SHANNON MENACHO	565.56	GORDON VILLENEUVE	911.74
AKIRA ENTERPRISES	566.13	KENNY WAQUAN	925.92
CHRISTOPHER BLACK / CORRINE SIMI	568.08	WESLEY HARDISTY	930.88
RAMONA RYMER	570.59	MARK WANIANDY	934.55
ARU VASHIESHT	572.59	DWAYNE HURST	941.32
SEAN MAITLAND	581.41	LAURENT LENNIE	946.38
HUGHIE FERDINAND	589.62	DARWIN GARDLUND/KATE JACOBSON	973.49
GORDON TIMBRE	599.71	RON ELDRIDGE	1,003.87
MARY SR SASSIE	601.45	MOUNTAIN COAST HOLDINGS LTD	1,007.64
BRAD BOURQUE	608.60	NANUK PLACE RENTALS	1,013.99
COLTEN MENARD	610.70	INUVIK WORKS PROJECTS	1,020.45
JOHN MAGEE	620.39	FRED/LAURIE TRIMBLE	1,023.05
CRYSTAL KUNEYUNA	621.40	TARA LAROQUE	1,046.12
CHAUNA GRUBEN	621.72	LEANNE BLESSE	1,048.98
BETTY BATON	625.49	INUVIK HOMELESS SHELTER	1,087.19
JOHN DESJARLAIS	628.50	KYLE CLILLIE	1,091.18
MARCEL MARCELLAIS	635.31	MANNY KUDLAK	1,109.18
PAULINE ZOE	644.39	BRIAN GORDON	1,119.55
STEFANY YOUNGMAN	647.03	VINCENT FRASER	1,120.32
AARON CATHOLIQUE	653.27	RIC JAGER	1,131.48
HERB NAKIMAYAK	660.11	BRENDA YENDO	1,162.14
ROGER TREMBLAY	660.66	AARON COTE	1,164.90
FRED JR. CLEMENT	675.89	TULITA DEVELOPMENT LIMITED-OLD	1,195.20
MAUREEN MCNEELY	677.13	JACK WALKER	1,204.46
RUTH GOOSE	678.60	REBECCA POWDER / DUSTIN HOPE	1,209.44
CLIFFORD TAKAZO	683.25	ALVIN CATHOLIQUE	1,224.43
ROSE LEPINE	692.28	L.J. CONTRACTING	1,228.88

STARLITE CORPORATION	1,245.49	FAYE BATON	2,198.14
LEONARD JOSEPH LALONDE	1,257.40	MARLENE KENNY	2,309.79
VICKI GRUBEN	1,318.49	MATTHEW COTCHILLY	2,364.08
LARA & DAWSON SOMERVILLE	1,320.10	LLOYD BATON	2,434.73
DEBBIE FRANKI/ GILBERT MANTLA	1,327.83	MARK WANIANDY JR.	2,461.79
JAMIE GERMO	1,337.25	RITCHIE RASCHER	2,647.54
EVAN MILLET	1,361.58	CAROLINE BAIRD	2,724.79
VALERIE NORWEGIAN	1,366.32	CINDY NITSIZA	2,979.70
LEONARD BUCKLEY	1,385.73	PHEOBE MARCELLAIS	3,084.94
ALEX WELLIN / ROSIE BROWNING	1,402.72	TERENCE LENNIE	3,828.94
JAMES JR ALLARD	1,409.77	PERSIS INGLANGASUK	4,043.64
MAE GREENLAND	1,426.42	MELINDA JOE	4,372.90
FREDDY/MAGGIE ALANAK	1,441.90	WILLIAM TAYLOR	4,587.09
CLINT DEACON	1,448.20	NORTON MICHEL	4,619.49
MARLENE GREENE	1,453.20	SOUTHWIND GENERAL CONTRACTING	4,773.03
LLOYD & PRISCILLA BEKALE	1,457.21	MAUREEN LABOUCAN	5,093.32
INUVIK CONDO CORPORATION #1	1,541.38	MELVIN BLONDIN	5,107.38
JEANNIE SHAE	1,637.72	DENNIS CHEVRIER	5,731.76
DOLPHUS APPLE	1,656.14	ESTHER BERNARDE	6,067.04
THOMAS NEYELLE	1,666.40	EDWARD GON	6,401.96
GEORGE ABRAHAM	1,699.18	ROCKY NORWEGIAN	7,430.81
KEITH WIDOW	1,702.93	LISA LOVEMAN	8,647.74
MARK VITAL	1,707.28	JOHN MAX KUDLAK	8,921.43
974202 NWT LTD O/A TARGET SERV	1,721.03	EVELYN PETER	8,972.35
FRED DRYGEESE	1,756.40	FRANK/DOUGY YALLEE	9,293.44
CHARMAN SMITH	1,824.05	BOBBY CLEMENT	11,001.21
PETER J. ALEXIE	1,832.97	JEFF/DAWN OTTO	17,206.51
DIANE CATHOLIQUE	1,974.82	ROB COOK	35,451.21
DARRYL BOURKE	2,090.43		
HAROLD COOK	2,097.79		
FREDRICK RABESCA	2,174.62		
			<hr/>
			\$304,482.25

Non-Utility Accounts Over \$500 for year ended March 31, 2013

BZT CONTRACTING	599.46
NORTHERN MANAGEMENT DIVISION	633.77
SHAWN LUNDRIGAN	790.43
ALCANTARA OUTFITTING LTD	1,771.05
MANNYS CONSTRUCTION	2,703.43
CHARLIE VILLENEUE	3,880.14
LEROY ANDRE	4,725.26
ULU WELDING	9,985.43
PHH ACCIDENT MGMT SERVICES	23,354.20
	<hr/>
	\$48,443.17





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Fort Smith – PO Box 66, Fort Smith, NT X0E 0P0

Tel: 1-867-872-7115

Inuvik – PO Box 1490, 41 Water St, Inuvik, NT X0E 0T0

Tel: 1-867-777-7719

Yellowknife – PO Box 2250, Yellowknife, NT X1A 2P7

Tel: 1-867-669-3300

