

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



## INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Hydro Corporation

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Hydro Corporation, which comprise the consolidated 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 Hydro 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 Hydro Corporation and its wholly-owned subsidiaries and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Hydro 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 Hydro Corporation Act* and regulations, the *Public Utilities Act* and the by-laws of the Northwest Territories Hydro Corporation and its wholly-owned subsidiaries.



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

25 June 2014  
Edmonton, Canada

## 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 Hydro Corporation (NT Hydro) 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.

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

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

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

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



**Emanuel DaRosa**  
President & CEO



**Judith Goucher**  
Chief Financial Officer

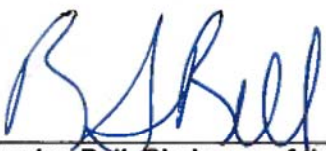
Hay River, NT  
June 25, 2014

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

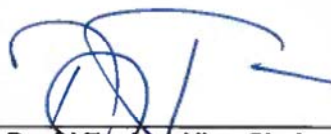
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets		
Cash	\$ 1,315	\$ 2,015
Accounts receivable (Note 5)	13,347	14,904
Inventories (Note 6)	6,051	5,511
Prepaid expenses	1,052	590
	<u>21,765</u>	<u>23,020</u>
Property, plant and equipment, net (Note 7)	343,976	325,363
Other non-current assets		
Regulatory assets (Note 3)	23,228	19,494
Sinking fund investments (Notes 8, 11)	6,513	5,676
Intangible assets (Note 9)	1,007	1,150
	<u>30,748</u>	<u>26,320</u>
	<u>\$ 396,489</u>	<u>\$ 374,703</u>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 18,113	\$ 14,962
Short-term debt (Note 10)	17,888	5,979
Current portion of long-term debt (Note 11)	2,421	2,298
	<u>38,422</u>	<u>23,239</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 8)	6,513	5,676
Net lease obligation (Note 12)	2,653	2,306
LNG capital lease obligation (Note 13)	1,850	-
	<u>188,263</u>	<u>188,386</u>
Other non-current liabilities		
Regulatory liabilities (Note 3)	34,594	36,262
Asset retirement obligations (Note 14)	13,477	12,224
Deferred government contributions (Note 15)	2,934	2,678
Employee future benefits (Note 16)	3,009	1,357
	<u>54,014</u>	<u>52,521</u>
Shareholder's equity	115,790	110,557
	<u>\$ 396,489</u>	<u>\$ 374,703</u>
Commitments and contingencies (Note 23)		

*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)**

	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Sale of power	\$ 91,605	\$ 86,947
GNWT power sales contributions (Note 17)	9,400	11,600
Other revenues (Note 18)	1,323	1,312
Other government contributions (Note 19)	1,569	1,312
	<u>103,897</u>	<u>101,171</u>
<b>Expenses</b>		
Fuels and lubricants (Note 3)	28,971	29,379
Salaries and wages	23,331	22,438
Amortization (Note 20)	19,578	18,486
Supplies and services	13,629	12,442
Travel and accommodation	2,386	1,953
	<u>87,895</u>	<u>84,698</u>
Earnings from operations	16,002	16,473
Interest income	<u>72</u>	<u>233</u>
Earnings before interest expense	16,074	16,706
Interest expense (Note 21)	10,841	10,216
<b>Net income and comprehensive income</b>	<u><u>\$ 5,233</u></u>	<u><u>\$ 6,490</u></u>

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

	<b>2014</b>	<b>2013</b>
<b>Share capital (Note 22)</b>	\$ 43,129	\$ 43,129
<b>Retained earnings</b>		
Retained earnings and accumulated other comprehensive income at beginning of year	67,428	60,938
Net income and comprehensive income	<u>5,233</u>	<u>6,490</u>
<b>Retained earnings and accumulated other comprehensive income at end of year</b>	<u>\$ 72,661</u>	<u>\$ 67,428</u>
<b>Shareholder's equity at end of year</b>	<u><u>\$ 115,790</u></u>	<u><u>\$ 110,557</u></u>

*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)**

	<u>2014</u>	<u>2013</u>
<b>Operating activities:</b>		
Cash receipts from customers	\$ 95,640	\$ 90,175
Government assistance (Notes 17, 19)	11,176	16,635
Cash paid to suppliers and employees	(75,201)	(83,017)
Interest received	72	233
Interest paid	(11,599)	(11,557)
Cash flows provided by operating activities	<u>20,088</u>	<u>12,441</u>
<b>Investing activities:</b>		
Property, plant and equipment constructed or purchased	(29,853)	(23,636)
Cash flows used in investing activities	<u>(29,853)</u>	<u>(23,636)</u>
<b>Financing activities:</b>		
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)
Receipts from net lease obligation	278	216
Repayment of LNG capital lease obligation	(229)	-
Government contributions (repayments) (Note 15)	185	(116)
Proceeds from long-term debt (net of debt issue costs)	-	24,847
Proceeds from sinking fund redemption	-	20,031
Cash flows provided by financing activities	<u>9,065</u>	<u>11,842</u>
<b>Net (decrease) increase in cash</b>	<b>(700)</b>	<b>647</b>
<b>Cash at beginning of year</b>	<b><u>2,015</u></b>	<b><u>1,368</u></b>
<b>Cash at end of year</b>	<b><u>\$ 1,315</u></b>	<b><u>\$ 2,015</u></b>

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

## **1. Authority and operation**

The Northwest Territories Hydro Corporation (NT Hydro) is established under the *Northwest Territories Hydro Corporation Act*. NT Hydro is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories and is exempt from income tax. The Government of the Northwest Territories (GNWT) owns all shares of NT Hydro. NT Hydro controls three wholly-owned subsidiary companies: the Northwest Territories Power Corporation (NTPC), the Northwest Territories Energy Corporation (03) Ltd. (NTEC(03)) and Sahdae Energy Ltd. (SEL).

NT Hydro, through its wholly-owned subsidiary NTPC, operates hydroelectric, diesel and gas generation facilities on a self-sustaining basis to provide utility services in the Northwest Territories. NTPC is a regulated company, established under the *Northwest Territories Power Corporation Act* and controls two wholly-owned subsidiaries: the Northwest Territories Energy Corporation Ltd. (NWTEC) and 5383 NWT Ltd. NWTEC, under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility (Note 12). NWTEC is also responsible for the operation, management and shared ownership (50%) in one residual heat project in Fort McPherson (Note 26). 5383 NWT Ltd. is an inactive company.

NT Hydro is also involved in other energy related projects through its subsidiaries NTEC(03) and SEL. NTEC(03) undertakes projects in support of the Shareholder's Energy Plan. In 2014 NTEC(03) signed an agreement with NTPC to provide transportation services for liquefied natural gas (LNG) to NTPC's Inuvik plant. See Note 23 for additional information. SEL's mandate is to pursue a hydro development project on the Great Bear River to provide power to the potential Mackenzie Valley gas pipeline however with no developments on the pipeline project SEL continues to be inactive.

### **Consolidation**

The consolidated financial statements include the accounts of NT Hydro and its wholly-owned subsidiaries: NTPC, NTEC(03), SEL, as well as NTPC's wholly-owned subsidiaries: NWTEC and 5383 NWT Ltd. NT Hydro 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

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



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.

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)

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

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.

### **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. NT Hydro 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.

NT Hydro 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.

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

### Amortization

NT Hydro and its wholly owned subsidiaries all follow the amortization policies and rates set by NTPC. 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 14.

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	20.0
Other utility assets	4.00 – 20.0
LNG equipment under capital lease	20.0

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.

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

### **Public Service Pension Plan**

Employees are covered through 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 NT Hydro to cover current service cost. Pursuant to legislation currently in place, NT Hydro 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 NT Hydro.

### **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.

### **Asset retirement obligations**

On an annual basis, NT Hydro 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 NT Hydro'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 NT Hydro's credit-adjusted risk-free rate.

NT Hydro has identified some asset retirement obligations for its hydro, thermal transmission and distribution assets where NT Hydro 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. NT Hydro 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. NT Hydro reviews its estimates of future environmental liabilities on an on-going basis.

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

## 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 15 for additional details.

All other government contributions are recognized as revenue in the year the contributions are spent. See Note 19 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, expenses, 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.

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 NT Hydro 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. NT Hydro 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. NT Hydro classifies its accounts receivable as loans and receivables. Due to the short-term nature of receivables, their carrying value approximates their fair value.

### *Other financial liabilities*

NT Hydro classifies its accounts payable and accrued liabilities, short-term debt, long-term debt, the LNG capital lease obligation 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.

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

### *Other policy decisions:*

NT Hydro 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.

*Hedging relationships and derivative financial instruments*

NT Hydro may enter into interest rate and commodity swaps to reduce its exposure to fluctuations in interest rates and commodity prices. NT Hydro does not enter into any derivative financial instruments for speculative purposes. As NT Hydro 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)*

Publicly 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. NT Hydro intends to adopt IFRS for its fiscal year ending March 31, 2016. NT Hydro 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 NT Hydro 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

NTPC is currently the only NT Hydro subsidiary undertaking activities that are regulated by the PUB. 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 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

	2014	2013	Remaining recovery period
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>	

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

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

	<b>2014</b>	<b>2013</b>
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.

**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 16). 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).



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

#### **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) 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 27 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.

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

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 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**

	<b>2014</b>	<b>2013</b>	<b>Remaining settlement period</b>
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
	<u>\$ 34,594</u>	<u>\$ 36,262</u>	

### **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.

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

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.

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:

	<u>%</u>
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 and environmental liabilities. 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 14) 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 14) 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 20). In the absence of rate regulation, GAAP would require that the contributions received in a given year be recorded as revenues for that year and amortization expense would not be offset by the amortization of the contributions. The remaining

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

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 a 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 (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

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

	<u>2014</u>	<u>2013</u>
	\$	\$ 182,702
Debt, net of sinking fund investments	179,668	
Net lease obligation	2,653	2,306
LNG capital lease obligation	2,327	-
Shareholder's equity	<u>115,790</u>	<u>110,557</u>
Total capital	<u>\$ 300,438</u>	<u>\$ 295,565</u>

NT Hydro'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. NT Hydro'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 NT Hydro debt is also subject to the federally imposed borrowing cap on total GNWT debt of \$800,000 under which NT Hydro is required to comply. Both NT Hydro and NTPC comply with these external restrictions on their debt limits.

NT Hydro'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. NT Hydro 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. NT Hydro has set a long-term debt capitalization target of 50/50. The debt capitalization ratio for fiscal 2014 is 61/39 (2013 – 63/37).

NTPC's capital structure is approved by the PUB as part of NTPC's 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:

	<b>2014</b>				<b>2013</b>
	<b>Current (less than 28 days)</b>	<b>29-90 days</b>	<b>Over 90 days</b>	<b>Total</b>	<b>Total</b>
Utility	\$ 10,922	\$ 973	\$ 625	\$ 12,520	\$ 12,907
Non-utility	1,107	74	439	1,620	3,203
Allowance for doubtful accounts	-	-	(793)	(793)	(1,206)
	<u>\$ 12,029</u>	<u>\$ 1,047</u>	<u>\$ 271</u>	<u>\$ 13,347</u>	<u>\$ 14,904</u>

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

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

Accounts receivable are reviewed for indicators of impairment. An allowance for doubtful accounts is included in accounts receivable. Additional disclosures on NT Hydro's exposure and management of risk associated with accounts receivable can be found in Note 25.

## 6. Inventories

	<b>2014</b>	<b>2013</b>
Materials, supplies and lubricants	\$ 5,763	\$ 5,206
Fuel	288	305
	<u>\$ 6,051</u>	<u>\$ 5,511</u>

Inventories are comprised of fuel and materials, supplies and lubricants used in the production of electricity in NTPC. Production fuel inventory is only held by NTPC in five of its operating plants. The liquid natural gas (LNG) fuel requirement for NTPC's Inuvik plant is managed under the LNG fuel supply agreement described in Note 23. Diesel fuel requirements for the remaining 20 plants are all managed under the fuel management services agreement described in Note 23. 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.

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

**7. Property, plant and equipment**

	<b>2014</b>			<b>2013</b>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	<b>Net book value</b>
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	42,563	(16,427)	26,136	26,377
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
LNG equipment under capital lease	1,312	(109)	1,203	-
Assets held for future use (critical spare parts)	3,229	-	3,229	3,274
	<u>\$ 454,029</u>	<u>\$ (129,898)</u>	<u>\$ 324,131</u>	<u>\$ 310,130</u>
Construction work in progress	18,629	-	18,629	30,470
Construction work in progress under capital lease	1,216	-	1,216	-
	<u>\$ 473,874</u>	<u>\$ (129,898)</u>	<u>\$ 343,976</u>	<u>\$ 325,363</u>

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

**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 21).

The sinking fund agreements require annual installments to retire debt at maturity. Fair value information for sinking funds is included in Note 25. NT Hydro'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.

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

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

**9. Intangible assets**

**Notes to the Consolidated Financial Statements**  
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(\$000's)

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

**10. Short-term debt**

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

	<b>2014</b>	<b>2013</b>
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**  
**(\$000's)**

**11. Long-term debt, net of sinking fund investments**

	<b>2014</b>	<b>2013</b>
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:

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
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 DPC until 2061. The value of the capital lease obligation is \$19,192 (2013 - \$19,598). To reflect the effective

**Note 12. Net lease obligation (continued)**

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).

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 25.

**Note 12. Net lease obligation (continued)**

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

<b>Year</b>	<b>Capital lease</b>	<b>Loan receivable</b>	<b>Total</b>
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			(30,096)
Total net lease obligation			<u>\$ 2,306</u>

**13. LNG capital lease obligation**

NTEC(03) entered into a 5 year contract to transport LNG to facilities in Inuvik. The contract includes a capital lease obligation with an imputed interest rate of 3.40% until October 2018. The contract includes a mobile vaporizer and two truck/trailer units delivered in fiscal 2014 with an additional two truck/trailer units delivered in fiscal 2015. The value of the capital lease obligation as at March 31, 2014 is \$2,327 (2013 - \$nil). To reflect the effective acquisition and financing nature of the lease, the equipment is included in LNG equipment under capital lease in property, plant and equipment (Note 7). See Note 23 for additional details on the contractual obligation. Fair value information for the LNG capital lease obligation is included in Note 25.

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

<b>Year</b>	
2015	\$ 549
2016	549
2017	549
2018	549
2019	320
	<u>\$ 2,516</u>
Less: amounts representing imputed interest	(189)
Total net lease obligation	<u>\$ 2,327</u>

The current portion of the LNG capital lease obligation is \$477 and is recorded in accounts payable and accrued liabilities.

#### **14. Asset retirement obligations**

	<b>2014</b>	<b>2013</b>
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>

Asset retirement obligations include costs related to the disposal of generating plants on leased land, storage tanks systems and the associated piping for petroleum products in all communities served by NTPC. 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**

NT Hydro 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 Northern Canada Power Commission (NTPC predecessor company). There is no provision recorded in these financial statements for a potential recovery from the Government of Canada.

#### **15. Deferred government contributions**

Following is a summary of deferred government contributions:

	<b>2014</b>	<b>2013</b>
Balance, beginning of the year	\$ 2,678	\$ 2,852
Eligible funding	495	288
	<u>3,173</u>	<u>3,140</u>
Amortization for the year	(239)	(206)
Contributions related to asset disposals	-	(256)
Balance, end of the year	<u>\$ 2,934</u>	<u>\$ 2,678</u>

#### **Note 15. Deferred government contributions (continued)**

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 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.

## **16. Employee future benefits**

### **a) Public Service Pension Plan:**

The employees of NT Hydro 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 NT Hydro.

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:**

	<b>2014</b>	<b>2013</b>
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	3,419	1,942
Less: current portion	(410)	(585)
Accrued benefit obligation, end of the year	<u>\$ 3,009</u>	<u>\$ 1,357</u>

## **17. 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 Territory-wide Rate 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.

## **18. Other revenues**

	<b>2014</b>	<b>2013</b>
Contract work	\$ 315	\$ 305
Pole rental	270	272
Connection fees	265	350
Heat revenues	254	222
Miscellaneous	219	163
	<u>\$ 1,323</u>	<u>\$ 1,312</u>

## **19. Other government contributions**

NT Hydro and its subsidiaries have recorded \$1,569 in government revenues (2013 - \$1,312) relating to various projects.

One year contribution agreements with the GNWT totalled \$1,108 of this amount and include the recovery of costs related to furthering the NWT hydro strategy and water monitoring activities, a combined heat and power feasibility study, implementing LNG in the town of Inuvik, Whati transmission line design and planning, NWT electricity system analysis, solar PV system monitoring in Fort Simpson, and attendance at a solar training workshop. As of March 31, 2014, the net receivable from the GNWT for these one year agreements is \$135 (2013 - \$130 net receivable) and is recorded in accounts receivable. Federal funding of \$3 was received from Natural Resources Canada for the solar monitoring in Fort Simpson. This funding was received and fully spent in fiscal 2014.

There were a number of multi-year funding agreements signed with the GNWT in fiscal 2014. One was an eighteen month contribution agreement worth \$500 towards grid expansion work between north and south hydro systems. NT Hydro spent \$286 related to this agreement and the remaining balance of \$214 is recorded in accounts payable and accrued liabilities until it is spent. The remaining agreements were apprenticeship support agreements.

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

**20. Amortization**

	<b>2014</b>	<b>2013</b>
Property, plant and equipment	\$ 14,295	\$ 13,837
Regulatory assets (Note 3)	5,179	5,104
Intangible assets	502	267
Contributions in aid of construction (Note 3)	(398)	(722)
	<u>\$ 19,578</u>	<u>\$ 18,486</u>

**21. Interest expense**

	<b>2014</b>	<b>2013</b>
Interest on long-term debt	\$ 13,059	\$ 13,107
Short-term debt financing costs	308	411
Income from sinking fund investments	(56)	(76)
Income on loan receivable (Note 12)	(1,657)	(1,719)
Capitalized interest during construction (Note 2)	(813)	(1,507)
	<u>\$ 10,841</u>	<u>\$ 10,216</u>

**22. Share capital**

	<b>Number of shares</b>	<b>2014</b>	<b>Number of shares</b>	<b>2013</b>
<b>Preferred shares</b>				
Authorized:				
One preferred share, non-cumulative, without par value				
Issued and outstanding:				
Issued on incorporation (one dollar)	<u>1</u>	<u>\$ -</u>	<u>1</u>	<u>\$ -</u>
<b>Common shares</b>				
Authorized:				
One common share without par value				
Issued and outstanding:				
Issued on incorporation	<u>1</u>	<u>\$ 43,129</u>	<u>1</u>	<u>\$ 43,129</u>

NT Hydro may only issue its shares to the Government of the Northwest Territories.

## **23. 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.

### **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.

### **Liquefied natural gas purchases**

In March 2013, NTEC(03) entered into an agreement with Fortis BC to purchase liquefied natural gas (LNG) at the spot rate until December 31, 2014. On October 30, 2013, NTEC(03) entered into a contract with Ventures West Transport LP (VW) to transport the LNG from anywhere in Western Canada to NTPC's LNG storage facility in Inuvik. NTEC(03) transfers the ownership of the LNG at the point of delivery into the storage tanks to NTPC. Under the agreement, NTEC(03) is able to request the required volumes and quantities and delivery dates for LNG from VW. The agreement is effective for five years until October 31, 2018. The cost of fuel for NTEC(03) under this agreement includes variable costs for LNG transportation as well as a fixed cost component. The fixed costs are accounted for as the LNG capital lease obligation in Note 13.

### **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 NT Hydro as a result of these charges.

### **Other**

Refer to Notes 11, 12, 13, and 14 for other commitments and contingencies disclosed elsewhere in these consolidated financial statements.



## 24. Related party transactions

NT Hydro is a Territorial public agency and consequently is related to the GNWT and its agencies and corporations.

NT Hydro 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:

	<u>2014</u>	<u>2013</u>
<b>Transactions during the year:</b>		
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
<b>Balances at year-end:</b>		
Accounts payable to PPD	4,148	2,191
Accounts receivable	1,740	1,611
Accounts payable and accrued liabilities	28	29

## 25. Financial Instruments

### Risks – overview

NT Hydro'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
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
LNG capital lease obligation	Other financial liabilities		X		
Measured at fair value					
Cash	Held for trading	X			
Short-term investments	Held for trading	X			X

**Note 25. Financial instruments (continued)**

a) Credit risk

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

	<b>2014</b>	<b>2013</b>
Snare Cascades loan receivable	\$ 16,886	\$ 17,570
Accounts receivable	13,347	14,904
Sinking fund short-term investments	6,513	5,676
Cash	1,315	2,015
	<u>\$ 38,061</u>	<u>\$ 40,165</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*

The majority of NT Hydro's accounts receivable are held by NTPC. 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.

*Cash and sinking fund investments*

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

b) Liquidity risk

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

Liquidity risk is also managed by continuously monitoring actual and forecast cash flows, having the opportunity to borrow on a short-term basis from 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.

**Note 25. Financial instruments (continued)**

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

NTEC(03) entered into a 5 year contract to transport LNG to storage tanks owned by NTPC. The contract includes variable costs as well as a fixed cost component. The fixed costs are treated as a capital lease agreement with blended payments of principal and interest being made until the contract expires in October 2018.

The following table shows the maturities of the NT Hydro's short and long-term debt (excluding bank overdraft) including the LNG capital lease agreement as at March 31, 2014:

	<b>Less than 1 year</b>	<b>Greater than 1 year and not later than 6 years</b>	<b>Greater than 6 years and not later than 20 years</b>	<b>Greater than 20 years</b>	<b>2014 Total</b>	<b>2013 Total</b>
Short-term debt	\$ 12,500	\$ -	\$ -	\$ -	\$ 12,500	\$ -
Long-term debt	2,421	24,300	92,470	68,331	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)	(11,077)	-	(16,886)	(17,570)
LNG capital lease obligation	477	1,850	-	-	2,327	-
	<u>\$ 15,051</u>	<u>\$ 23,119</u>	<u>\$ 87,067</u>	<u>\$ 79,418</u>	<u>\$ 204,655</u>	<u>\$191,847</u>

c) Currency risk

*Accounts payable*

NT Hydro is exposed to currency risk by purchasing supplies and property, plant and equipment in U.S. dollars. NT Hydro 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, the LNG capital lease obligation, long-term debt, short-term debt, interest rate derivatives, and fixed-income investments.

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

All of NT Hydro'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.

**Note 25. Financial instruments (continued)**

Similar to long-term debt, if NT Hydro 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.

e) Sensitivity analysis for market risks

Market risk is the risk that the fair value or future cash flows of NT Hydro'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 instruments subject to market risk had varied by reasonably possible amounts from their actual balance sheet date values.

The sensitivity analysis of NT Hydro'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 NT Hydro'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/or 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.

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

**Note 25. Financial instruments (continued)**

f) Fair value determination

The carrying value of cash, accounts receivables, accounts payable and accrued liabilities 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, the net lease obligation and the LNG capital 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 NT Hydro'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>
<b>Held for trading financial assets</b>					
Cash	Level 1	\$ 1,315	\$ 2,015	\$ 1,315	\$ 2,015
Short-term investments	Level 1	6,513	5,676	6,513	5,676
		<u>\$ 7,828</u>	<u>\$ 7,691</u>	<u>\$ 7,828</u>	<u>\$ 7,691</u>
<b>Other financial liabilities</b>					
Long-term debt	Level 2	\$ 223,359	\$ 241,788	\$ 187,522	\$ 189,819
Net lease obligation	Level 2	6,600	6,547	2,306	2,028
LNG capital lease obligation	Level 2	1,040	-	1,036	-
		<u>\$ 230,999</u>	<u>\$ 248,362</u>	<u>\$ 190,864</u>	<u>\$ 191,847</u>

g) Impairment

NT Hydro assesses the decline in the value of the individual investments for impairment to determine whether the decline is other than temporary. NT Hydro 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, NT Hydro 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. NT Hydro does not consider any other financial instruments to be impaired (2013 - \$nil).

## 26. Investments in joint ventures

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

	<b>2014</b>	<b>2013</b>
Other revenues	\$ 130	\$ 119
Operating expenses including amortization	46	51
Net income	\$ 84	\$ 68
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)

## 27. Subsequent events

Following are significant events occurring after March 31, 2014:

### **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.

## 28. Comparative figures

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

# Summary Consolidated Financial

For the five years ended March 31, 2013

Unaudited  
(\$000's)

## Summary Statements of Operations

	2014	2013	2012	2011	2010
<b>Revenues</b>					
Sale of power	\$ 91,605	\$ 86,947	\$ 81,690	\$ 81,700	\$ 81,572
GNWT power revenue contributions	9,400	11,600	8,957	-	-
Other	2,892	2,624	3,780	3,464	3,225
	103,897	101,171	94,427	85,164	84,797
<b>Expenses</b>					
Salaries and wages	23,331	22,438	21,786	21,930	20,279
Fuel and lubricants	28,971	29,379	28,112	18,852	19,054
Supplies and services	13,629	12,442	14,101	14,987	15,291
Amortization	19,578	18,486	15,225	14,719	14,146
Travel and accommodation	2,386	1,953	2,070	2,529	2,185
	87,895	84,698	81,294	73,017	70,955
Earnings from operations	16,002	16,473	13,133	12,147	13,842
Interest income	72	221	233	275	289
Impairment and other expenses	-	-	440	-	-
Earnings before interest expense	16,074	16,694	12,926	12,422	14,131
Interest expense	10,841	10,204	9,174	9,250	8,858
Net earnings	\$ 5,233	\$ 6,490	\$ 3,752	\$ 3,172	\$ 5,273

For the five years ended March 31, 2013  
Unaudited  
(\$000's)

## Summary Balance Statement

	2014	2013	2012	2011	2010
<b>Assets</b>					
Property, plant and equipment	\$ 324,131	\$ 310,130	\$ 276,574	\$ 273,289	\$ 261,857
Construction work in progress	19,845	15,233	35,447	33,778	27,612
	343,976	325,363	312,021	307,067	289,469
Current assets	21,765	23,020	45,025.00	39,961.00	23,174
Other long term assets	30,748	26,320	24,496	41,220	56,355
	<u>\$ 396,489</u>	<u>\$ 374,703</u>	<u>\$ 381,542</u>	<u>\$ 388,248</u>	<u>\$ 368,998</u>
<b>Liabilities and Shareholder's Equity</b>					
Current liabilities	\$ 38,422	\$ 23,348	\$ 60,714	\$ 40,787	\$ 60,675
Long-term debt	188,263	188,386	165,459.00	187,320	153,653
Other long term liabilities	54,014	52,412	51,302	59,305	56,605
Total liabilities	280,699	264,146	277,475	287,412	270,933
Shareholder's equity	115,790	110,557	104,067	100,836	98,065
	<u>\$ 396,489</u>	<u>\$ 374,703</u>	<u>\$ 381,542</u>	<u>\$ 388,248</u>	<u>\$ 368,998</u>
Capital expenditures	<u>\$ 29,853</u>	<u>\$ 23,636</u>	<u>\$ 29,131</u>	<u>\$ 25,232</u>	<u>\$ 24,355</u>



# Schedule of Write-offs

**Utility Accounts Over \$500**  
For the year ended March 31, 2013

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

BRIAN GORDON	1,119.55	PETER J. ALEXIE	1,832.97
VINCENT FRASER	1,120.32	DIANE CATHOLIQUE	1,974.82
RIC JAGER	1,131.48	DARRYL BOURKE	2,090.43
BRENDA YENDO	1,162.14	HAROLD COOK	2,097.79
AARON COTE	1,164.90	FREDRICK RABESCA	2,174.62
TULITA DEVELOPMENT LIMITED-OLD	1,195.20	FAYE BATON	2,198.14
JACK WALKER	1,204.46	MARLENE KENNY	2,309.79
REBECCA POWDER / DUSTIN HOPE	1,209.44	MATTHEW COTCHILLY	2,364.08
ALVIN CATHOLIQUE	1,224.43	LLOYD BATON	2,434.73
L.J. CONTRACTING	1,228.88	MARK WANIANDY JR.	2,461.79
STARLITE CORPORATION	1,245.49	RITCHIE RASCHER	2,647.54
LEONARD JOSEPH LALONDE	1,257.40	CAROLINE BAIRD	2,724.79
VICKI GRUBEN	1,318.49	CINDY NITSIZA	2,979.70
LARA & DAWSON SOMERVILLE	1,320.10	PHEOBE MARCELLAIS	3,084.94
DEBBIE FRANKI/ GILBERT MANTLA	1,327.83	TERENCE LENNIE	3,828.94
JAMIE GERMO	1,337.25	PERSIS INGLANGASUK	4,043.64
EVAN MILLET	1,361.58	MELINDA JOE	4,372.90
VALERIE NORWEGIAN	1,366.32	WILLIAM TAYLOR	4,587.09
LEONARD BUCKLEY	1,385.73	NORTON MICHEL	4,619.49
ALEX WELLIN / ROSIE BROWNING	1,402.72	SOUTHWIND GENERAL CONTRACTING	4,773.03
JAMES JR ALLARD	1,409.77	MAUREEN LABOUCAN	5,093.32
MAE GREENLAND	1,426.42	MELVIN BLONDIN	5,107.38
FREDDY/MAGGIE ALANAK	1,441.90	DENNIS CHEVRIER	5,731.76
CLINT DEACON	1,448.20	ESTHER BERNARDE	6,067.04
MARLENE GREENE	1,453.20	EDWARD GON	6,401.96
LLOYD & PRISCILLA BEKALE	1,457.21	ROCKY NORWEGIAN	7,430.81
INUVIK CONDO CORPORATION #1	1,541.38	LISA LOVEMAN	8,647.74
JEANNIE SHAE	1,637.72	JOHN MAX KUDLAK	8,921.43
DOLPHUS APPLE	1,656.14	EVELYN PETER	8,972.35
THOMAS NEYELLE	1,666.40	FRANK/DOUGY YALLEE	9,293.44
GEORGE ABRAHAM	1,699.18	BOBBY CLEMENT	11,001.21
KEITH WIDOW	1,702.93	JEFF/DAWN OTTO	17,206.51
MARK VITAL	1,707.28	ROB COOK	35,451.21
974202 NWT LTD O/A TARGET SERV	1,721.03		
FRED DRYGEESE	1,756.40		
CHARMAN SMITH	1,824.05		
			<b><u>\$304,482.25</u></b>

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**Non-Utility Accounts Over \$500**  
For the year ended March 31, 2013

<b><u>Customer Name</u></b>	<b><u>Amount</u></b>
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
	<u><b>\$48,443.17</b></u>

**Total Write-Offs**

Utility	<b>304,482.25</b>
Non-Utility Accounts	<u><b>48,443.17</b></u>
	<u><b>\$352,925.42</b></u>