

May 20, 2016

Mr. Gord Van Tighem, Chairman
NWT Public Utilities Board
#203-62 Woodland Drive
Box 4211
Hay River, NT X0E 1G1

Dear Mr. Van Tighem,

Re: Northwest Territories Power Corporation – 2013/14 and 2014/15 Annual Report of Finances and Operations

As per Section 76(2)(b) of the *Public Utilities Act*, the Corporation submits the Report of Finances and Operations for the 2013/14 and 2014/15 fiscal years.

Please feel free to contact me at (867) 874-5200 if you have any questions on this matter.

Respectfully,



Cory Strang, CFA
Manager, Budgeting and Regulatory Affairs

NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
SUMMARY OF GENERATION, SALES, AND REVENUE
 NTPC SUMMARY

Line no.	Description	2014 Forecast	2014 Actual	2015 Actual
SALES AND REVENUE				
Residential				
1	Sales (MWh)	45,948	47,852	45,454
2	Customers	6,716	6,706	6,692
3	Av. MWh Sales/Cust.	6.84	7.14	6.79
4	Revenue (000s)	25,933	22,905	24,536
5	Cents /kWh	56.44	47.87	53.98
General Service				
6	Sales (MWh)	61,685	60,287	58,679
7	Customers	1,937	1,861	1,862
8	Av. MWh Sales/Cust.	31.85	32.39	31.51
9	Revenue (000s)	36,663	31,654	33,882
10	Cents /kWh	59.44	52.50	57.74
Wholesale				
11	Sales (MWh)	204,315	200,870	196,845
12	Customers	2	2	2
13	Revenue (000s)	38,595	34,428	36,247
14	Cents /kWh	18.89	17.14	18.41
Industrial				
15	Sales (MWh)	6,972	7,356	7,680
16	Customers	1	1	1
17	Av. MWh Sales/Cust.	6,972	7,356	7,680
18	Revenue (000s)	1,904	1,294	1,333
19	Cents /kWh	27.31	17.59	17.36
Streetlights				
20	Sales (MWh)	1,361	1,326	1,144
21	Revenue (000s)	1,461	1,353	1,262
22	Cents /kWh	107.34	102.10	110.31
Total Community				
23	Sales (MWh)	320,282	317,690	309,803
24	Customers	8,656	8,570	8,557
25	Revenue (000s)	104,555	91,634	97,261
26	Cents /kWh	32.64	28.84	31.39
GENERATION (MWh)				
27	Total Station Service	13,174	14,281	12,425
28	Total Losses	17,872	16,013	13,829
29	Losses - % of Gen.	5.1%	4.6%	4.1%
30	Total Generation	351,327	347,985	336,057
Source (MWh)				
31	Hydro Generation	264,815	260,977	203,838
32	Gas Generation	13,249	1,348	8,945
33	Gas Efficiency		2,579	3,725
34	Cubic Meters (000s)	3,948	523	2,401
35	Diesel Generation	64,929	75,611	113,431
36	Diesel Efficiency	2,943	3,518	3,635
37	Liters (000s)	22,064	21,495	31,204
	Solar Generation			6
38	Purchased Power	8,335	10,049	9,836
39	Total Generation	351,327	347,985	336,057
% of Total Generation				
40	Hydro	75.4%	75.0%	60.7%
41	Gas	3.8%	2.7%	2.7%
42	Diesel	18.5%	21.7%	33.8%
43	Purchased	2.4%	2.9%	2.9%
Peak (kW)				
44	Total Peak	66,195	66,587	64,790
45	Load Factor	60.6%	59.7%	59.2%

Notes:

1. Sales and Revenues for 2014 Test Year reflect 2012-14 GRA Phase II application.
2. Miramar Con mine sales are included as part of wholesale for all years.

**NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
O&M Expense by Account Code and Function - NTPC**

Function Codes	Descriptions	2014 Forecast	2014 Actual	2015 Actual
Generation		12,582	13,538	15,023
Transmission		780	357	1,048
Distribution		3,407	3,201	3,064
Billing & Customer Accounting		1,408	266	257
General Expense Functions		3,491	3,307	2,899
Administration Functions		2,764	2,214	2,158
Common Costs		14,591	15,653	17,461
Grand Total		39,023	38,536	41,911

Variance Explanations:

Generation - Increased costs for preventative maintenance programs and employee training programs. Also included in 2015 are increased costs for extreme low water on the Snare system.

Transmission - Costs were lower in 2014 and higher in 2015 due to a workplace accident in 2014 that resulted in cessation of brushing activities, with this work being performed in 2015, including normal brushing for 2015.

Distribution - certain unfilled vacancies resulted in less than forecast O&M expenses in both 2014 and 2015.

Billing & Customer Accounting - In 2014 test year Billing function included both distribution line customer service and corporate customer service account codes. Currently corporate customer service is reported in Common Costs function.

General Expense Functions - actuals 2014 and 2015 costs were lower due to fewer environmental clean-ups; vehicle upgrades reducing maintenance; more onsite vehicle repairs; reduced oil/lube consumption due to major overhauls of some units.

Administration functions - The 2014 forecast had higher costs for regional centers. For 2014 actual and ongoing, costs are budgeted and tracked by function rather than region to provide improved tracking by function.

Common Costs - the 2014 variance is due to corporate customer service being included in Billing function in 2014 test year forecast.

NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
Plant Amortization Expense

Schedule 6.0

<u>Line No.</u>	<u>Description</u>	<u>2014 Forecast</u>	<u>2014 Actual</u>	<u>2015 Actual</u>
1	Fixed Asset Amortization	13,239	12,529	13,254
2	True-up Provision	1,839	1,839	1,839
3	Amortization of Deferred Charges	5,348	5,587	5,639
4	Customer Contribution Amortization	<u>(608)</u>	<u>(631)</u>	<u>(616)</u>
5	Total Depreciation Expense	<u>19,817</u>	<u>19,323</u>	<u>20,115</u>

Notes:

1. 2014 Forecast amortization expense reflects Inuvik LNG plant adjustments proposed in Phase II.

NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
RETURN ON RATE BASE - MID YEAR
(in thousands of dollars)

Schedule 7.0

Line No.	Mid-Year Capitalization	Less Work in Progress and Capital Lease Obligation	General Mid-Year Capitalization	Mid-Year Capital Ratios	Mid-Year Cost Rate All Excluding Thermal Plant Specific	Mid-Year Cost Rate Thermal Plant Specific	Mid-Year Cost Rate Capital Lease Obligation	General Mid-Year Rate Base All Excluding Thermal Plant Specific	General Mid-Year Rate Base Thermal Plant Specific	Capital Lease Obligation	Total Rate Base	Mid-Year Return on Rate Base All Excluding Thermal Plant Specific	Mid-Year Return on Rate Base Thermal Plant Specific	Mid-Year Return on Capital Lease Obligation	Total Mid-Year Return on Rate Base	Total Mid-Year Cost Rate
2014 Forecast																
1	117,737		117,737	43%	8.50%	0.00%		79,414	39,630		117,332	6,750	-		6,750	5.75%
2	163,685	5,660	157,925	57%	5.68%	8.51%		198,319	53,056		157,685	6,035	4,518		10,553	6.72%
3	281,323		275,363	100%	6.88%	4.87%		185,733	92,685		278,419	12,785	4,518		17,303	6.21%
4	19,429	19,429	-	0%		0.00%	9.47%			19,429	19,429	-	-	1,839	1,839	9.47%
5	300,751		275,363	100%	6.88%	4.87%		185,733	92,685	19,429	297,847	12,785	4,518	1,839	19,142	6.43%
2014 Actual																
6	119,669		119,669	45%	6.34%	0.00%		78,886	38,642		117,528	5,003	-		5,003	4.26%
7	164,387	18,642	145,745	55%	5.71%	8.57%		96,075	47,062		143,137	5,490	4,034		9,524	6.65%
8	284,055		265,413	100%	6.00%	4.71%		174,961	85,704		260,665	10,493	4,034		14,527	5.57%
9	19,395	19,395	-	0%		0.00%	9.47%			19,395	19,395	-	-	1,836	1,836	9.47%
10	303,450		265,413	100%	6.00%	4.71%		174,961	85,704	19,395	280,060	10,493	4,034	1,836	16,363	5.84%
2015 Actual																
11	122,819		122,819	46%	0.69%	0.00%		80,720	43,871		124,592	554	-		554	0.44%
12	182,099	15,637	146,462	54%	3.73%	8.60%		96,259	52,317		148,576	5,520	4,500		10,019	6.74%
13	284,917		269,299	100%	3.43%	4.66%		176,979	96,188		273,167	6,073	4,500		10,573	3.97%
14	18,990	18,990	-	0%		0.00%	9.44%			18,990	18,990	-	-	1,793	1,793	9.44%
15	303,907		269,299	100%	3.43%	4.66%		176,979	96,188	18,990	292,157	6,073	4,500	1,793	12,367	4.23%

NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
CAPITALIZATION MID-YEAR
(in thousands of dollars)

Line No.		2014 Forecast	2014 Actual	2015 Actual
	COMMON EQUITY			
1	Opening Balance	114,309	117,103	122,235
2	Net Income	8,856	5,532	1,568
3	Less: Dividends	2,000	400	400
4	Closing Balance	121,165	122,235	123,402
5	Mid-Year Balance [(L1+L4)/2]	117,737	119,669	122,819
	DEBT - LONG TERM			
6	Opening Balance	171,235	171,234	169,728
7	Issue	0	0	0
8	Repayment	(1,507)	(1,506)	(1,552)
9	Closing Balance	169,727	169,728	168,176
10	SINKING FUNDS			
11	Opening Balance	6,592	5,676	6,513
12	Withdrawal for debt repayment	0	0	0
13	Contributions, Income & Gains/Losses	606	837	681
14	Closing Balance	7,199	6,513	7,194
15	Mid-Year Balance [((L6-L11)+(L9-L14)/2]	163,585	164,387	162,099
	CAPITAL LEASE OBLIGATION			
16	Opening Balance	19,631	19,598	19,192
17	Additions			
18	Payments	(402)	(406)	(405)
19	Closing Balance	19,226	19,192	18,787
20	Mid-Year Balance [(L16+L19)/2]	19,429	19,395	18,990
21	TOTAL MID-YEAR CAPITALIZATION [L5+L15+L20]	300,751	303,450	303,907

NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
RATE BASE
(in thousands of dollars)

Line No.	2014 Forecast	2014 Actual	2015 Actual
1	Gross Plant in Service		
2	447,165	417,287	442,310
3	17,899	27,650	23,227
4	3,948	2,627	3,898
5	461,116	442,310	461,638
6	454,141	429,799	451,974
7	Accumulated Amortization		
8	162,211	156,315	166,878
9	14,958	14,368	15,093
10	3,948	2,665	3,891
11	725	1,140	992
12	172,495	166,878	177,088
13	167,353	161,596	171,983
14	286,788	268,202	279,992
15	13,534	15,446	15,857
16	1,396	2,975	3,184
17	2,786	2,682	2,800
18	6,657	9,245	9,675
19	297,847	280,060	292,157

Notes:

1. 2014 Forecast ratebase reflects Inuvik LNG plant adjustments proposed in Phase II.

Schedule 11.6
NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
Construction Work in-Progress Continuity Schedule (\$000)

Project Name	2014 O&A Capital Addition	2014 Actual					2015 Actual					Variance from Approved	Variance Explanations for Project Above \$200K Variance Threshold	
		Opening CWIP Balance	2014 Expenditures	OH Earned 17%	IDC Earned @ 5.68%	2014 Capital Addition	Opening CWIP Balance	2015 Expenditures	OH Earned 22%	IDC Earned @ 5.68%	2015 Capital Addition			Closing CWIP Balance
Shaner/Jackfish System Transient Stability Upgrade	(3,264)	1,868	779	121	39	(1,362)							362	Higher than forecast total cost as project was only partially completed in 2014
Road and Airway Improvements	(644)												(644)	Project cancelled as part of prioritization review
Recommendations from 2011 DSR	(268)	89	131	22		(242)				(1,412)	(1)	(195)	Project cancelled as part of prioritization review	
Distribution System Upgrade	(1,607)	962	355	71	37		1,425	(13)					(178)	Project cancelled as part of prioritization review
New Garage/Warehouse/Office	(782)												284	Part of work had to be redone to meet proper code requirements
Replace Engine DD 4-71	(472)	148	399	67	17		631	88	19	17	(758)	30	(579)	Project cancelled as part of prioritization review
Automaton/PLC Installation	(269)												(44)	
Replace Engine DD 4-71 - First Engine	(579)		744	126	24		885	7	2	25	(928)		(164)	
Convert to 3 Phase	(972)	74	2		2		78	33	7	3			121	
K-Plant Vent. Sys Upgrade	(262)												(48)	
Frank T" Bulk Fuel Storage Upgrade	(1,184)	46	1,315	208		(1,569)							490	Tender prices came higher than expected; issues with commissioning
Replace Shane Falls RTU	(333)	176	83	36		(205)							(26)	
Replace Shane Tte Sub RTU	(263)	207	26	3		(236)							(20)	
Computerized Maintenance System	(413)	62	931	159	31		1,182	730	161	89		2,161	1,748	Initial scope did not include customization, training and integration
Install Custody Transfer Meters	(268)												(208)	Project cancelled as part of prioritization review
T&D Group - Vehicle and Machinery Purchases	(466)												(456)	
Replace Jackfish Plant RTU	(243)	131	215	36		(382)							139	
Purchase & Install Mod 2 DMW Genset		144	1,898	322	67		2,431	194	42	75	(2,741)		2,741	Project carried out to as part of contingency planning; partly driven by drought
Front Smith Bucket Truck		1	299	25		(326)							326	2013 project came in-service in 2014
Bucket Truck Storage Facility			413	70	1	(375)							375	Facility is required for proper maintenance and to increase asset life
CAT 3516 Engine Replacement		421			12	(433)	109	166	36	1	(313)	(1)	433	2013 project came in-service in 2014
Install 2.8MW EMD		2,655	120	106	58	(2,939)							2,939	2013 project came in-service in 2014
Convert Worsala Gas Engines		1,706	3,608	433	48	(5,795)							5,795	2013 project came in-service in 2014
LNG Storage			5,261	735		(5,996)							5,996	LNG Storage facility project included in revised Inuvik MPP application
Inuvik GE Auto Start		154	481	82	4	(721)							721	Automation of unit in black out to improve power reliability in Inuvik
Upgrade Tank Farm Underground Pipeline		540	339	57	15	(852)							952	Project carried out to address environmental regulations
Construction Engine Block Repl			266	45		(311)							311	Project carried out to address engine block failure
Business Reporting Tool		348	106	18	9	(481)							481	Project carried out to achieve industry practice in reporting from ERP system
110 Transformer Upgrade			291	49	8		348	5	1	18		373		
Duncan Dam- New Stopping & Safety		5	36	6	1		48	414			(407)	5		
Purchase 2 MW load bank Smith		7	166	29	6		207	66	13	8		296		
Engine Reprim Heat Rec			136	23	4		163	910	200	5	(1,277)			
Construction Tail Erema Replac		40	232	39	9		319	258	59	9	(684)			
Plant Access Road			101	17	3		122	339	76	2	(539)			
CAT D303 Engine Replacement			342	58	11		412	445	117	14	(914)	73		
NS Protective Relay Replacement			434	36	14		482	143	32	1	(416)	233		
Select & Install Lone Worker			23	4	1		28	289	64	11		392		
Shane Falls G1 Overhaul								306	6	1		314		
Sewage Lift Station								236	52		(288)	5,117		
Construction Modular Power								4,321	914		(488)			
DMW Mobile Genset								1,124	247	151	(1,266)	5		
Upgrade Fuel System								113				113		
SW Breaker Replacement								179	39	7		225		
Capital Lease								4	1			4		
Shane SB Spillway Repairs								9	2			12		
Shane Falls G1 Overhaul								1	1			1		
Shane Cascable Spillway								16	3	1		20		
Bladder Line Blast Detectors								35	7	5		48		
Fuel System Upgrade								46	9	2		57		
Distribution Line to PV Site								214	47	8		269		
Capital less than \$250,000	(5,588)	5,018	6,070	645	172	(4,263)	7,645	4,926	417	(112)	(7,694)	6,241		
Grand Total	(17,900)	14,810	25,740	3,673	599	(26,675)	18,156	16,862	2,776	359	(22,533)	15,619		
Customer contribution jobs						(975)					(693)			
Total						(27,650)					(23,227)			

NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
Revenue Requirement and ROE Reconciliation
(\$000s)

Line No.	Description	2014			2015
		Actual	Approved	Variance	Actual
	Revenues				
1	Sales revenues (incl. GNWT power sales contribution)	101,034	104,555	(3,521)	100,061
2	Other revenue	1,174	1,058	116	1,498
3	Total Revenues	102,208	105,613	(3,405)	101,559
	Costs				
4	Purchase power	3,618	2,978	640	3,462
5	Diesel Fuel	24,367	24,652	(285)	23,704
6	Operations and maintenance	38,536	39,023	(486)	41,911
7	Depreciation	14,368	15,078	(710)	15,093
8	Amortization of contributions	(631)	(608)	(23)	(616)
9	Amortization of deferred costs/credits	5,587	5,348	239	5,639
10	Subtotal	85,845	86,470	(626)	89,192
11	Interest Expense				
12	LTD interest expense and allowance for interest coverage	11,360	12,392	(1,032)	11,813
13	Subtotal	11,360	12,392	(1,032)	11,813
14	GNWT Foregone Dividend		2,000	(2,000)	
15	Earnings	5,003	6,750	(1,747)	554
16	Revenue Requirement	102,208	105,613	(3,405)	101,559
17	Common Equity Rate Base	78,886	79,414	(528)	80,720
18	Return on Common Equity	6.3%	8.5%	-2.2%	0.7%

Notes:

- 2014 Forecast revenue requirement reflects Inuvik LNG plant adjustments proposed in Phase II.
- 2014 Forecast revenue from sales reflects Miramar Con mine transfer to wholesale and proposed Phase II rates.

NORTHWEST TERRITORIES POWER CORPORATION
2015 REPORT OF FINANCES
Reconciliation of Utility Income to Audited Financial Statements
(\$000s)

Line No.	Description	2014	2015
1	Regulated Income	4,983	568
	Add Non-regulated Income:		
2	Interest income (acc. 3951)	61	46
3	Net non-utility income	84	45
4	Interest during construction	813	735
5		<u>957</u>	<u>826</u>
6	Add Variance in Contribution Amortization	233	
7	Sub-total	6,173	1,393
	Less Non-regulated Expenses:		
8	Corporate donations	132	111
9	Interest on short-term debt	308	545
10	T-line feasibility study amortization	138	
11	Amortization of assets disposed of	64	
12	Interest expense variance		(830)
13		<u>641</u>	<u>(174)</u>
	Add PSAS Adjustments:		
14	Regulated Assets and Liabilities (note 1)		(4,077)
15	TCA and Adjustments (note 2)		(687)
16	Other (note 3)		(46)
			<u>(4,810)</u>
17	Write-off Loan to NT Hydro		(4,857)
18	Net Income as per Financial Statements	5,532	(8,100)

Notes:

- Under PSAS, regulated assets and liabilities as at April 1, 2014 were charged to retained earnings (accumulated surplus) with changes being recorded to net income.
- Under PSAS, certain studies are not allowed to be recorded as tangible capital assets and were charged to expense or opening retained earnings:

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

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

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

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