

2016/17 Corporate Plan



NORTHWEST TERRITORIES
HYDRO
CORPORATION

Power for Generations



NORTHWEST TERRITORIES
POWER
CORPORATION

Empowering Communities

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Introduction

The goal of all Northwest Territories Power Corporation's (NTPC) key stakeholders is to achieve a sustainable energy system in the NWT that is: environmentally conscious, reliable, lowers costs, and facilitates economic development.

Management, in utilities across the country, continues to be challenged by financial, operational, environmental, and regulatory pressures, along with dealing with aging infrastructure.

On April 1, 2015, NWT Energy Corporation (03) Ltd. (NT Energy) was transferred to the Government of the Northwest Territories (GNWT) and at that time NTPC consolidated became the only operating company for the Northwest Territories Hydro Corporation (NT Hydro). NT Hydro reports under the Public Sector Accounting Standards framework.

NTPC's has identified short term goals that will directly benefit its customers, while continuing to build a strong foundation for the success of its long term goal of being the most efficient energy market in the NWT.

Renewables will play an increasing role in sustainable power generation in the NWT as they continue to be more economic, are funded by territorial or federal partners and do not increase customer rates. While solar and wind may both be feasible in the NWT, on their own, they cannot provide the reliability that stakeholders demand.

NTPC will continue to monitor all potential forms of generation that may be deployed in the NWT that are reliable, economical, and that may reduce its carbon footprint. Today, in the NWT, biomass, geothermal, LNG (liquid natural gas), along with wind and solar, are being evaluated for their value to customers and impact on the northern environment.

Accordingly, NTPC's vision incorporates short term and long strategies and looks to a future working with all stakeholders to realize sustainable, reliable and affordable power generation in the NWT.

Long Term Objectives

NT Hydro (holding company for NTPC) and NTPC exist because they provide value to customers and thus the shareholder, the GNWT. NTPC endeavours to provide its shareholder value indirectly by supplying cost-effective and reliable power to its customers, the residents of the NWT. NTPC provides direct value to their common shareholder by carrying out other specific GNWT initiatives and programs.



Northwest Territories Power Corporation (NTPC)

NTPC's Mission, Vision and Value statements guide its future direction of meeting, or exceeding, the expectations of its shareholder and customers.

Mission

NTPC's mission is to generate, transmit and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels. NTPC exists to provide value to its shareholder and customers through the efforts of a highly dedicated, skilled, and productive workforce.

Vision

Our vision is to be the provider of choice to our customers, a valuable partner to industry and Aboriginal groups in the NWT, as well as a performance leader in the utility industry. As a performance leader, NTPC will develop a highly innovative team that achieves operational excellence, providing industry-leading customer satisfaction and delivers superior financial performance by demonstrating fiscal responsibility, and pursuing growth opportunities. NTPC will also work with stakeholders to support development of the tremendous resource potential of the NWT in a sustainable and responsible manner creating long-term benefits for its customers and residents alike.

Values

While achieving the Corporation's Vision and Mission, NTPC will uphold its core values of:

- Putting the safety of our employees and the general public first
- Protecting the environment and working towards a sustainable existence
- Complying with all applicable legislation and regulations.

NTPC will act ethically and honestly; treating employees, customers and all other stakeholders with respect, integrity and professionalism.

Where are we today?

The biggest part of our vision remains focused on corporate-wide improvements leading to performance excellence. Today, we are working towards this in all aspects of our business through initiatives like:

- Increased communications with customers and stakeholders
- Improved health and safety systems
- Improved budgeting and cost management
- Implementation of an asset management framework
- Implementation of a Computerized Maintenance Management System
- Implementation of a lone worker system
- Implementation of Automated Metering Infrastructure
- Pilot of variable speed engines in Aklavik
- Installation of LED streetlights in all our communities in conjunction with Shareholder
- Improving customer communications through development of a virtual call center
- Reductions in diesel reliance through improved engine efficiency, conversion to LNG, etc. in conjunction with Shareholder

The initiatives we are currently working on impact where we are headed but it's important to take a step back and review the current environment in which we are working. This is done by looking at both internal and external pressures and how they have and will change. Below is an overview of the challenges NTPC has taken into account as it developed its strategy.

Current Operating Environment Pressures

Like any company, issues such as the general performance of the economy, competitive pressure in the market and the political environment must be considered when evaluating potential strategic opportunities and threats. The following is a brief overview of the key internal and external factors facing the utility.

Internal

- Aging Infrastructure
- Workforce / Industry Demographics
- Environmental Sustainability
- Regulatory Requirements
- Other Financial Pressures - Fuel, Wages, Inflation, etc.

External

- NWT Market Conditions
- Market Impacts
- Conservation Culture

Achieving the Long-term NTPC Vision

This plan builds on recent strategies that focused on business improvements and new technology evaluation. This new strategy focusses on opportunities for growth, change, collaboration and interconnection.

While there remains a strong focus on corporate-wide improvements -- leading to performance excellence -- we have, in fact, been building our vision for the past few years.

This Strategy goes beyond improving just what we do today and actually envisions a utility that includes:

- Zero lost time injuries
- Meeting or exceeding the average CEA reliability statistics
- Being #1 in alternative energy implementation within Canada on a per capita basis
- A 25% reduction in the margin between NWT electricity rates and Canadian average index rate
- Reduced diesel usage by 50 per cent
- Working with any new mines or large industrial customers to meet power requirements
- Transmission interconnection to a southern province
- An Intelligent Metering program implemented territory-wide.

Moving towards these goals means recognizing opportunities and making changes that improve sustainability, reliability and affordability, while meeting our commitments. Some of these opportunities include:

Sustainability

- Solar Farms in Thermal Communities
- Strengthen Partnerships with Stakeholders
- Wind Studies in the Beaufort
- Wind Farms in Inuvik and Norman Wells

Reliability

- Yellowknife/North Slave System – Bluefish Expansion
- Yellowknife/North Slave – Backup Capacity

Affordability

- Beyond the Meter Services – Intelligent Meter Hubs
- South Slave Heat Sales
- Colville Lake High Solar Penetration Pilot
- Fort Simpson – LNG Potential
- Transmission Interconnection to the South
- Taltson Expansion

NTPC Strategy

NTPC's vision will be built from results in four core strategic elements:

Employee Excellence

Without employee excellence every aspect of a corporate strategy will fail to deliver full value to an organization. Employee excellence is the foundation of NTPC's strategy.

Operational Excellence

Further strategic elements of the corporate strategy cannot be achieved without significant success in operational excellence, which can only be fully recognized once employee excellence is achieved. It is imperative that these components resonate with each and every employee to achieve alignment and focus amongst the entire workforce.

Customer Service Excellence

Customer service excellence can only be truly realized once employee and operational excellence are achieved. Fulfilling customer needs is paramount to NTPC's overall success as outlined in its primary objective, and it will require continuous efforts by management to continue to look for ways to serve its customers and reflect a culture of customer service excellence.

Financial Excellence

In business the ultimate success of any shareholder-focused organization is measured by its financial performance and it is largely a result of employee, operational and customer service performance. In NTPC's case as a crown corporation, senior management, the Board of Directors and the shareholder must balance shareholder and customer value.

Success in each of these elements contributes to a strong foundation, supporting further growth in all four elements. It is imperative that Divisional targets and objectives are in alignment with the Corporate Strategic Plan. This will ensure that the Corporation's efforts are focused and coordinated.



The current strategy for NTPC is one of supporting economic development while focusing on the core business and three fundamental concepts that we will refer to as our pillars and inherent to the business NTPC operates as well as its customers' needs. These pillars are:

1. Reliability
2. Cost Effectiveness
3. Meeting Customer Commitments

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

Reliability

While NTPC works within one of the most challenging environments in Canada, NTPC must endeavor to meet the needs and expectations of its customers with respect to reliability. Several initiatives that directly support this objective are outlined in the initiatives portion of this document.

An example of an initiative supporting reliability is the development of Key Performance Indicators (KPIs) measuring reliability of service in the communities NTPC serves. These are industry standard measures that will allow comparison of NTPC's service to that of other utilities. Other examples include the implementation of a computerized maintenance management system as well as risk/condition based assessments of all NTPC assets. These initiatives will allow NTPC to better plan and manage maintenance activities as well as capital replacements. Both will improve reliability as well as cost effectiveness in the long run.

Cost Effectiveness (the price of electricity)

NTPC needs to be efficient and effective with its resources looking for cost-effective solutions to its challenges. While uncontrollable expenses continue to increase, every effort must be made to demonstrate that controllable costs are held at or below inflation.

Meeting Customer Commitments

It is imperative that NTPC and its employees meet commitments made to customers. This will largely be achieved by shifting the corporate culture to one of having a business focus, as well as increasing respect for both customers, as well as the shareholder, such that every effort is made to fulfill commitments made to these two groups.

Steps have already been made to communicate to employees at all levels of the organization the importance of customer satisfaction. These messages will continue to be reinforced at all levels of the organization.

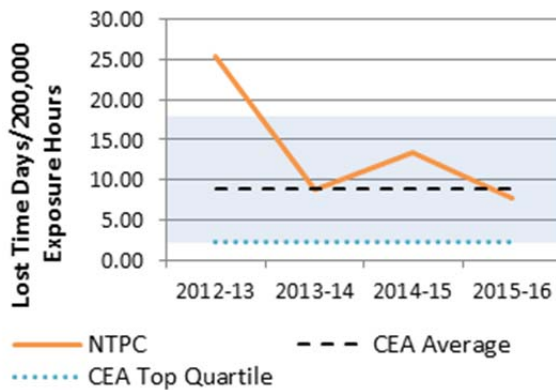
Key Performance Indicators

Key performance indicators (KPIs) are an important aspect of changing behaviours within an organization and can be a valuable tool in affecting change.

KPIs are also structured within the four strategic elements such that they support the key components of each element and thus the corporate strategy.

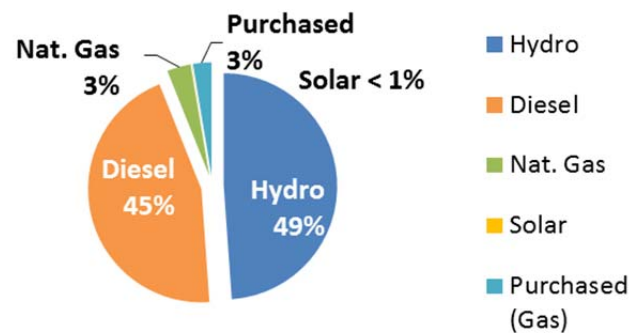
Employee Excellence KPI

Lost Time



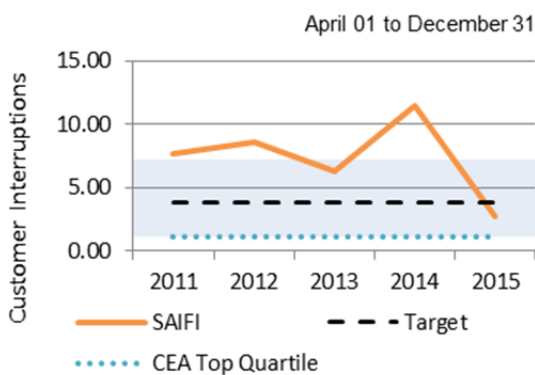
Operational Excellence KPI

Generation by Source 2015/16



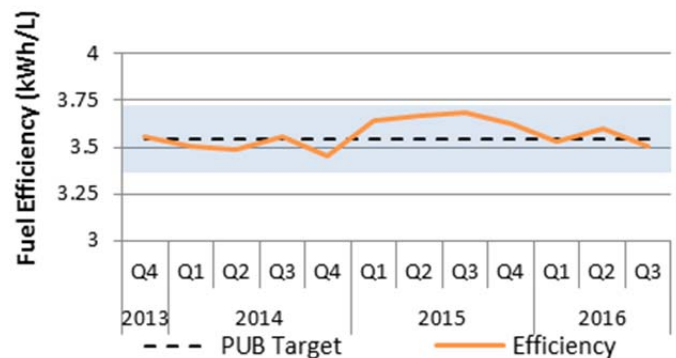
Customer Service Excellence KPI

Average Outages per Customer



Financial Excellence KPI

Fuel Efficiency



2016/17 New Strategic Initiatives

There are 28 new strategic initiatives that will be started in 2016/17 – four of which are in conjunction with our Shareholder, the GNWT. In addition, there are 23 initiatives completed in 2015/16 and four carry-over initiatives from previous years. Status updates are included for those initiatives being carried over.

Strategic Initiatives are divided into the four strategic elements of the NTPC corporate strategy:

- ✦ Employee Excellence;
- ✦ Operational Excellence;
- ✦ Customer Service Excellence; and
- ✦ Financial Excellence.

Employee Excellence Initiatives

Employee Development

(Human Resources)

Completion Target: March 2017

Improve Communications With Employees

(Finance)

Completion Target: March 2017 - Annual

Improve Safety Culture

(Health, Safety & Environment)

Completion Target: March 2019

Improve Contractor Safety

(Health, Safety & Environment)

Completion Target: March 2018

Human Resources 5-Year Plan

(Human Resources)

Completion Target: March 2017

Successful Collective Bargaining

(Human Resources)

Completion Target: TBD

OCI Measurement & Improvement

(Human Resources)

Completion Target: March 2017

Operational Excellence Initiatives

Implement Divisional/Departmental-Level Strategic Planning Across the Organization

(Executive)

Completion Target: March 2017

CMMS Cultural Adoption & Integration

(Operations)

Completion Target: March 2017

Develop an Asset Management Framework

(Asset Management & Engineering)

Completion Target: September 2017

Installation of 7 – 10 MWs of Wind Energy within Proximity of Snare

(Shareholder)

Completion Target: March 2021

Installation of 3-5 MWs of Wind Energy in Inuvik

(Shareholder)

Completion Target: March 2021

Fort Simpson LNG Site Design & Business Case Analysis

(Asset Management & Engineering)

Completion Target: March 2017

Design & Install Variable Speed Generator (VSG) Pilot – Aklavik

(Thermal)
Completion Target: March 2017

Bluefish Redevelopment/Expansion Study
(Asset Management & Engineering)
Completion Target: December 2016

GNWT Solar Projects – Fort Liard,

Wrigley and Aklavik
(Shareholder)
Completion Target: March 2017

Transmission interconnection Paper with Phased Options
(Executive)
Completion Target: March 2017

Customer Service Excellence Initiatives

Implement Customer Service 5Year Plan
(Customer Service)
CompletionTarget: 2021

Complete the North Slave Resiliency Study
(Shareholder)
CompletionTarget: September 2017

South Slave Electric Heat Sale
(Executive)
CompletionTarget: March 2017

Develop Business Case for Intelligent Metering Hub (IMH)
(Transmission & Distribution)
CompletionTarget: June 2017

Engage Stakeholders
(Executive)
CompletionTarget: On-going



Financial Excellence Initiatives

Integrate Public Service Accounting Standards into reporting processes.
(Finance)
CompletionTarget: March 2017

2017 GRA Success
(Finance)
CompletionTarget: March 2018

Identify Corporate Risks in a Risk Registry
(Finance)
CompletionTarget: December 2016

CMMS Financial Integration
(Finance)
CompletionTarget: March 2018

Develop 5, 10 & 20 Year Capital Plan (Based on Power System Plan)
(Asset Management & Engineering)
CompletionTarget: September 2016

Carry-over Initiatives from 2015/16

Employee Excellence Initiatives

Investigate Human Resources Services and Ensure Alignment with Employee Needs
(Human Resources)
Completion Target: April 2016
Current Status: 70% Complete

Development of Core Employee Skills Assessment
(Human Resources)
Original Target Date: September 2013
New Target Date: December 2016
Current Status: 50% Complete

Operational Excellence Initiatives

Installation of Lightning Arrestors on the Transmission Line
(Finance)
Original Target Date: September 2015
New Target Date: June 2016
Current Status: 25% Complete

Financial Excellence Initiatives

New LNG Plant – Fort Simpson
(Shareholder)
Transferred to Shareholder: April 2015



Completed initiatives in 2015/16

Employee Excellence Initiatives

Management Skills Development Phase II
(Human Resources)
Completion Date: March 2016

Provide First Aid Training to 90% of all employees
(Human Resources)
Completion Target: March 2014
Updated Completion Target: March 2016
Current Status: 90% Complete

Improve contractor safety program Phase II
(Health, Safety & Environment (HSE))
Completion Date: March 2016

Implement the Health & Safety Management System
(HSE)
Completion Date: March 2016

Develop and Market Our Brand Identity with Respect to Employee Recruitment and Retention
(Human Resources)
Completion Date: March 2016

Improve safety of employees in isolated situations by implementing Man-Down Alarm Program
(Health, Safety & Environment)
Completion Date: March 2016

Operational Excellence Initiatives

Improve Community Relations Through Community Forums (Operations Directors)
Completion Date: March 2016

Develop and Implement Computerized Maintenance Management System (Phase II) (Information Technology)
Completion Date: December 2015

Maintenance Program Development (Transmission & Distribution)
Completion Date: March 2016

Improve Corporations Supply Chain Contracting Process (supply chain) (Finance)
Completion Date: December 2015

Develop a Transmission System Code (Finance)
Completion Date: March 2016

Maintenance Program Development (Hydro) *Completion Date: September 2015*

Examine Opportunities for Integration of Renewable and Non-Fossil Fuel Base Power Sources (AME)
Transferred to Shareholder: April 2015

Improve Project Life Cycle Management from Project Conceptualization through to Execution (AME)
Completion Date: March 2016

Colville Lake Diesel/Solar/Battery Hybrid Construction (AME)
Completion Date: November 2015

Station Service Reductions (Thermal Division)
Completion Date: September 2015

Develop Economic Analysis for self generation versus staying with NTPC for Large Customers in Inuvik (Energy Services)
Completion Date: October 2015

Customer Service Excellence Initiatives

Customer Service 5-Year Plan
(Customer Service)
Completion Date: December 2015

**Improve Information to Customers on
Rate Comparisons and Generation**
(Finance)
Completion Date: January 2016

Financial Excellence Initiatives

**New LNG Plant – Fort Simpson (Asset
Management & Engineering in conjunction with
Shareholder**
Transferred to Shareholder: April 2015

**Integrated Corporate Voice-Over-
Internet Protocol (VOIP) Phone System**
(Information Technology)
Completion Date: March 2016

**Desktop Computer Virtualization
Technologies (Information Technology)**
Completion Date: December 2015

**Complete Phase II of General Rate
Application (Finance)**
Completion Date: November 2015



NTPC's Mandate

NT Hydro and NTPC share a common mandate: to achieve a sustainable energy system in the Northwest Territories (NWT) that is environmentally conscious, reliable, lowers costs, and facilitates economic development.

Utilities across the country continue to be challenged by financial, operational, environmental, and regulatory pressures, along with dealing with aging infrastructure.

NT Hydro and NTPC have been working closely with their shareholder, the Government of the Northwest Territories (GNWT), to align in ways that lower costs, and enhance reporting and governance:

- In 2014/15 both companies started reporting under the Public Sector Accounting Standards (PSAS) framework,
- In 2015/16, the activities of NT Energy were incorporated into the GNWT and NTPC Consolidated became the only operating company for NT Hydro and
- On May 22, as a cost saving measure, NTPC's Shareholder replaced the paid Board of Directors with a board of GNWT Deputy Ministers. The GNWT will examine options for the future governance of NTPC as part of its ongoing work to address the high cost of living and doing business in the NWT

Renewable energy will continue to be part of the overall approach to meeting NWT energy needs, but they will not entirely replace diesel in the near future or displace hydroelectricity, which is itself an important source of renewable energy. Factors influencing the adoption of renewables include economic viability, funding by federal or territorial partners and their potential impact on customer rates. While solar and wind may both be feasible in the NWT, they cannot provide the reliability that stakeholders demand on their own.

NTPC will continue to monitor all strategic infrastructure options that may be deployed in the NWT that are reliable, economical, and that may reduce its carbon footprint. Today, in the NWT, biomass, geothermal, LNG (liquid natural gas), along with wind and solar, are being evaluated for their value to customers and impact on the northern environment.

Accordingly, NTPC's vision incorporates short term and long strategies that ensure a strong foundation and look to a future working with all stakeholders to realize the most efficient energy market that provides sustainable, reliable and affordable power generation in the NWT.

Performance measures of NTPC's effectiveness in meeting its strategic elements of employee excellence, operational excellence, customer service excellence and financial excellence which support NTPC's mandate are found on page 11.

Legislation requires that this Mandate be reviewed next in 2021/22.

Legislative requirements

NT Hydro was established under the *Northwest Territories Hydro Corporation Act*. NT Hydro is a public agency under Schedule B of the *Financial Administration Act* of the Northwest Territories. The GNWT owns all shares of NT Hydro.

NT Hydro's primary asset is its 100% ownership interest in NTPC, which owns and operates hydroelectric, diesel, gas and photovoltaic generation facilities to provide utility services in the NWT. NTPC is a regulated company, established under the *Northwest Territories Power Corporation Act* and controls the Northwest Territories Energy Corporation Ltd. (NWTEC). NWTEC, under the authority of the Northwest Territories Power Corporation Act, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility. NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson.

NT Hydro had an additional subsidiary; the Northwest Territories Energy Corporation (03) Ltd. (NT Energy). NT Energy was inactive in 2015/16 as the operations of NT Energy were transferred to the GNWT's Public Works and Services effective April 1, 2015.

The majority of the objects for NT Hydro as defined under the *Northwest Territories Hydro Corporation Act* and NTPC as defined under the *Northwest Territories Power Corporation Act* are the same, with a few differing points:

- to generate, transform, transmit, distribute, deliver, sell and supply energy on a safe, economic, efficient and reliable basis;
- to supply water and sewerage services (NTPC only);
- to undertake programs to conserve energy;
- to ensure a continuous supply of energy adequate for the needs and future development of the Northwest Territories;
- to undertake any other activity authorized by the Executive Council; and
- to facilitate the expansion of, addition to or replacement of the Twin Gorges Hydroelectric Generating Facility on the Taltson River, and to participate in the supply and sale of electricity generated by that Facility. (NT Hydro only)

The Corporation may, with the approval of the Executive Council, establish one or more subsidiaries to carry out its objects.

The operations of NT Hydro are currently only comprised of the operations of NTPC. The operations of NTPC are regulated by the Public Utilities Board (PUB) of the Northwest Territories pursuant to the Public Utilities Act. The PUB regulates matters covering rates, financing, accounting for regulatory purposes, construction, operation and service area.

The PUB is required to review the affairs, earnings and accounts of NTPC a minimum of every three years. The regulatory hearing process used to establish or change rates

typically begins when NTPC makes a General Rate Application (GRA) for its proposed electricity rate changes. Normally, NTPC applies for rates in advance of the applicable fiscal years (Test Years) to which the new rates will apply. In addition to GRAs, interim rate applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next GRA, when rates are reviewed and set as final.

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

Historically, NTPC was able to maintain its operations and meet its liabilities through the rate regulation process without receiving any significant financial assistance from the GNWT. Over the past few years, however, the GNWT has needed to provide direct contributions to NTPC to offset increased operating costs that would have resulted in significant rate increases for customers. As a result of this government policy, NTPC is increasingly dependent on the GNWT to maintain its operations and meet its liabilities, a situation that is expected to continue into the future.

NT Hydro and NTPC's operations are aligned with their objects and will continue to be in the future.

Legislative Assembly priorities

The Priorities of the 18th Legislative Assembly were tabled on Thursday, December 17, 2015 during the 1st Session of the 18th Legislative Assembly.

NTPC's 2016/17 corporate plan details NTPC's 2015/16 completed strategic initiatives and its 2016/17 strategic initiatives. These initiatives are aligned with the priorities of the 18th Legislative Assembly and support these priorities in various ways:

Cost-of-living

The 18th Legislative Assembly will lower the cost-of-living by:

1. Supporting the use of energy-efficient technologies in residential, commercial, and public sectors;
2. Increasing the production and transmission of renewable and alternative energy;
3. Working collaboratively to promote federal investment in reducing the cost-of-living for northerners;

NTPC will support these priorities by providing customers with the tools and knowledge they need to understand energy consumption, drivers of consumption, how to conserve energy and the regulatory process. Customers will benefit from operational efficiencies achieved through the rollout of NTPC's Computerized Maintenance Management

System, the installation of an Intelligent Metering Hub system, heat sales options in the South Slave, solar projects, design and installation of a variable speed generator pilot project, replacement of diesel generation with LNG generation and pursuing wind generation opportunities.

Economy, Environment, and Climate Change

The 18th Legislative Assembly will lead economic diversification and environmental stewardship in the NWT by:

1. Making strategic investments in transportation infrastructure and workforce development and utilizing partnerships with northern and Aboriginal businesses;
2. Investing in renewable resources, agriculture, arts, fisheries, forestry, manufacturing, tourism, and traditional harvesting;
3. Improving coordination and effectiveness in resource management systems, recognizing traditional knowledge, land claims agreements, and devolution;
4. Implementing a strategy to mitigate and adapt to climate change in collaboration with other governments and organizations.

NTPC will support these priorities by coordinating with the GNWT on the GNWT's development of its new long term energy plan and support the actions of the GNWT to reduce emissions of greenhouse gases and protect the environment for future generations. The Corporation will be capable of managing and delivering large scale energy generation and transmission projects in conjunction with the GNWT to increase the production and transmission of cost-effective and technically feasible renewable and alternative energy in the NWT and will pursue opportunities for this development. The Corporation will also work with the GNWT and the NWT Public Utilities Board to incorporate independent power producers and net metering customers as sources of local, alternative generation for communities in which NTPC's operates.



Financial Information– Budget Summary – NT Hydro/NTPC

The following represents a budget summary for the year ending March 31, 2017:

	in \$000		
	2016/17 Budget	2015/16 Budget	2014/15 Actual
Revenues			
Sale of power	\$ 103,007	\$ 101,687	\$ 96,333
Fuel rider revenues	-	1,629	2,996
Other revenue and customer contributions	2,169	2,176	2,138
Interest income	1,520	1,539	1,677
Income from investment in Aadrii Ltd.	75	-	45
	106,771	107,032	103,189
Expenses			
Thermal generation	59,451	77,497	76,359
Hydro generation	18,357	18,015	17,979
Corporate services	17,841	17,503	15,977
Transmission, distribution and retail	10,999	11,255	10,223
Purchased power	2,125	2,444	3,462
Alternative power generation	307	308	339
Fuel rider refund	905	-	-
	109,985	127,022	124,339
Deficit before government contributions	(3,214)	(19,990)	(21,150)
Government contributions			
GNWT extreme low water contributions	580	19,565	14,219
Government power sale contributions	-	-	2,800
Other government contributions	-	762	888
	580	20,327	17,907
(Deficit) Surplus before write-off	(2,634)	337	(3,243)
Write-off of loan to NT Hydro	-	-	(4,857)
(Deficit) Surplus for the year	(2,634)	337	(8,100)
Accumulated surplus/equity, beginning of year	116,666	116,329	124,429
Accumulated surplus/equity, end of year	\$ 114,033	\$ 116,666	\$ 116,329

See significant budget summaries and key assumptions on next page.

Budget Summaries – Key Assumptions

NT Hydro and NTPC budgets are one and the same as of April 1, 2016, as NTPC consolidated is the only active subsidiary of NT Hydro as of that date. To that end we have provided all financial information in one set of tables on the preceding page.

The following key assumptions (together with variability and other risk factors) were used in preparation of the 2016/17 budget information. The budget for 2016/17 relies primarily on inflation and capital investment as the main escalation factors for costs revenues include potential rate increase as a result of the 2012/14 GRA.

Deficit for the year:

NTPC is budgeting for a \$2.6 million deficit for 2016/17, compared to a \$337k surplus which is forecast for 2015/16. The following assumptions were used to arrive at the budgeted Statement of Operations:

Revenue:

Power Revenues

Power revenues in the O&M Budget for 2016/17 include a place marker for the proposed 4.8% rate increase. The impact to customers of the 4.8% rate increase budgeted for power revenues is partially offset by the fuel rider refund of \$905K which is budgeted under expenses. This is consistent with the Corporation's GRA and proposed interim rates filings planned for the summer of 2016.

Generally utilities realize 1-2% annual growth in electrical sales which largely offsets inflationary pressures, however NTPC's sales are currently declining. This trend is partially a result of current economic conditions and lower population in the NWT and partially due to conservation and self-generation. The Corporation's conservation territory-wide program is entering its second year of operation and is assumed to offset any sales growth if any should occur. Absent the proposed rate increase, the Corporation is expecting power revenues to decline by \$2.8 million or 3% compared to the 2015/16 budget.

Other Revenues

Other revenues are projected to decrease by \$1.6 million (30%), as a result of the discontinuation of NTPC's fuel rider. This fuel rider was put in place in May 2014 to draw down the territorial fuel stabilization fund. With declining fuel prices starting in 2014, this rider was discontinued on October 31, 2015. The remaining components of other revenues, comprised of residual heat sales, connection fees from new customers and interest income are relatively unchanged from the 2015/16 budget.

Expenses:

Total expenses are budgeted to decrease by \$17.9 million (14%) compared to the 2015/16 budget due to the following:

Thermal Generation expenses are budgeted to decrease by \$18.0 million (23%), due to a large decrease in production fuel expenses, resulting from a decline in fuel prices and an expected return to normal water flows on the Snare system. An expected return to normal water flows in the early part of 2016/17 means a significant reduction in other thermal generation operating costs (fuel, overhauls, genset maintenance, plant staffing) without the extreme low water situation. These decreases are offsetting inflationary increases of \$1.2 million.

The net impact of changes in Hydro Generation (2%), Corporate Services (2%), Transmission, Distribution and Retail (2%), Purchased Power (13%) and Alternative Energy expenses (0%) expense budgets are not significant year to year as a result of inflationary increases being offset by a decrease in purchased power prices which follow the price of diesel fuel.

Government contributions revenues are budgeted at \$580k as the only contribution agreement with the GNWT currently signed for 2016/17 is the Extreme Low Water agreement. Until the expenses associated for 2015/16 have been fully assigned to that agreement, it is not clear what expenses, NTPC will have to assign and recover from that agreement in 2016/17.

2016/17 Statement of Net Debt:

As part of PSAS, a budget is presented for the Statement of Net Debt. The 2016/17 Statement of Net Debt is based on assumptions used for the 2016/17 PSAS O&M budget. Capitalized overhead, capitalized interest and amortization expense all come from 2016/17 PSAS O&M budget. The budgets for the purchases and uses of prepaids and inventories are based on historical usage along with applied knowledge of any changes expected in 2016/17.

Consolidated Statement of Net Debt - NT Hydro and NPTC

In thousands of dollars

	2016/17 Budget
Deficit for the year	\$ (2,634)
Tangible capital assets	
Additions	(31,320)
Capitalized overhead	(3,200)
Capitalized interest	(343)
Disposals	-
Amortization	17,026
	<u>(17,837)</u>
Additions of inventory	(5,192)
Use of inventories	4,747
Additions to prepaids	(1,700)
Use of prepaids	1,600
	<u>(544)</u>
Increase in net debt for the year	<u>(21,015)</u>
Net debt, beginning of year	(249,557)
Net debt, end of year	<u><u>\$ (270,571)</u></u>

NT Hydro and NPTC Capital Expenditures

Investments in capital infrastructure are made annually to replace assets that have reached the end of their useful lives. The capital program for 2016/17 is made up of the following:

	in \$000's	
	2016/17 Budget	2015/16 Forecast
Thermal generation	\$ 5,906	\$ 7,307
Hydro generation	14,887	13,824
Corporate services	1,917	3,276
Transmission, distribution and retail	4,957	3,779
Alternative power generation	181	1,192
GNWT capital funding	-	(685)
	<u>\$ 27,848</u>	<u>\$ 28,693</u>



NORTHWEST TERRITORIES
HYDRO
CORPORATION

Power for Generations

206-5102 50th Avenue
Yellowknife, NT
X1A 3S8

Tel: 867-766-5076



NORTHWEST TERRITORIES
POWER
CORPORATION

Empowering Communities

4 Capital Drive
Hay River, NT
X0E 1G2

Tel: 867-874-5200