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March 13, 2020

The Honourable Shane Thompson
Minister Responsible for the
Northwest Territories Power Corporation
Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NT X1A 2L9

Dear: Minister Thompson:

Re: 2019-20 Capital Spending Budget

In finalizing NT Hydro and NTPC's third quarter results, it has been determined that NTPC's capital spending will be approximately 23% underspent for 2018-19 from its original budget. The underspending is the mainly the result of the following projects:

NT Hydro

\$12 Million Reduction – Inuvik High Point Wind Project

Progress on the Inuvik High Point Wind Project has been delayed in 2019-20 as a result of additional time required on the regulatory applications for the access road. \$16 million of work was planned for 2019-20. NT Energy and the GNWT are continuing to work through the regulatory process. Work from 2019-20 is being deferred to 2020-21 in anticipation of being able to complete the required regulatory approvals however the budgeted completion of this project has not been deferred one year to 2021-22. The costs cost for this project are being recovered through the Investing in Canada Infrastructure Program (ICIP) funded in part by the Government of Canada and Government of the Northwest Territories.

\$1 Million Reduction - Renewable Solutions for Off-Grid Diesel

NT Energy budgeted \$1 million to support a renewable solution option for an off-grid diesel community to be funded through the ICIP program. No project was identified in 2019-20 and NT Energy will continue to work with communities in the NWT to determine if there is a qualifying project possible for 2020-21.

\$0.5 Million Reduction – Fort Simpson New LNG Plant

In the March 2019 Budget process, the Ft Simpson new LNG plant was originally identified as a project to be delivered under NT Energy as NTPC's only LNG plant in Inuvik was delivered by NT Energy there was low convergence with historical construction plans and there were higher possible risks around a trailer based design being considered, transportation corridor along the Ft. Liard highway as well as land acquisition. Planning for LNG storage and logistics is a higher risk project for NTPC and has not been replicated since Inuvik LNG was completed. It was also initially thought that the additional 25% funding on the project might be obtained from the GNWT under NT Energy – which is not available to NTPC.

Since March 2019, the delivery of the Ft Simpson new LNG plant has been reconsidered by the ICIP team (GNWT, NTPC and NT Energy). Although LNG is not used in multiple locations in NTPC, a generation plant is convergent with other NTPC projects such as the new Lutsel Ke diesel plant and the Sachs Harbour diesel plant. The additional 25% funding was not available to the project under NT Energy. It was determined the project should be delivered by NTPC and to capitalize on knowledge in NT Energy from delivering the initial LNG project to NTPC, NTPC will contract the completion of the LNG plant to NT Energy.

NTPC

\$16 Million Reduction – Hay River Franchise

NTPC budgeted a placeholder amount for the purchase of the Hay River Franchise based on initial asset valuations completed by the Town of Hay River. The Franchise was initially expected to transfer in 2018-19. The process continues to move forward but will not be completed in 2019-20. This transfer is expected in 2020-21 and the project budget is being carried over into 2020-21 for this reason.

The reconciliation of NTPC's original approved capital budget against the revised capital budget is provided below. Attached is also the attachment for tabling in the Legislative Assembly.

\$0.5 Million Reduction – Fort Simpson New LNG Plant

As described above under NT Energy, this project was repositioned to proceed under NTPC. NTPC projects are only eligible for 75% of Federal Government funding available under ICIP. Therefore, the funding amount has changed under NTPC.

Revisions to NT Hydro and NTPC's 2019-20 capital budget

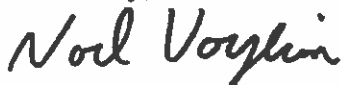
In \$000s

| | 2019-20 NTPC Budget Originally Approved | Adjustments to 2019-20 Capital Spend | 2019-20 NTPC Requested Revised 2019-20 Capital Budget | 2019-20 NT Hydro Originally Approved Budget | Adjustments to 2019-20 Capital Spend | 2019-20 NT Hydro Requested Revised 2019-20 Capital Budget |
|--|--|--|--|--|--|---|
| Hydro Generation | \$ 29,235 | \$ - | \$ 29,235 | \$ 29,235 | \$ - | \$ 29,235 |
| Thermal Generation | 18,769 | 272 | 19,041 | 18,769 | 272 | 19,041 |
| Transmission, Distribution and Retail | 6,568 | - | 6,568 | 6,568 | - | 6,568 |
| Corporate Services | 18,298 | (16,000) | 2,298 | 18,298 | (16,000) | 2,298 |
| Alternative Power Generation | - | - | - | 17,500 | (13,500) | 4,000 |
| 2019-20 Capital Budget | \$ 72,870 | \$ (15,728) | \$ 57,142 | \$ 90,370 | \$ (29,228) | \$ 61,142 |
| GNWT Funding | (13,857) | (223) | (14,080) | (31,357) | 13,277 | (18,080) |
| 2019-20 Capital Budget after Government Contributions | \$ 59,013 | \$ (15,951) | \$ 43,062 | \$ 59,013 | \$ (15,951) | \$ 43,062 |
| % variance from budget | | | -27% | | | -27% |

NT Hydro and NTPC are respectfully requesting your approval for this change in the capital budget as required per the GNWT Planning and Accountability Framework.

We enclose duplicate copy of this letter for your approval and signature. Please return this to us at your earliest convenience.

Sincerely,



Noel Voykin
President & CEO
Northwest Territories Hydro Corporation
Northwest Territories Power Corporation

Enclosure

Approved by:



Honourable Shane Thompson,
Minister Responsible for the
Northwest Territories Power Corporation

**GNWT Legislative Assembly Tabling Document
NT Hydro and NTPC Capital Adjustments 2019-20 Budget**

in \$000s

| | 2019-20 NTPC Budget Originally Approved | Adjustments to 2019-20 Capital Spend | 2019-20 NTPC Requested Revised 2019-20 Capital Budget | 2019-20 NT Hydro Originally Approved Budget | Adjustments to 2019-20 Capital Spend | 2019-20 NT Hydro Requested Revised 2019-20 Capital Budget |
|--|--|--|--|--|--|---|
| Hydro Generation | \$ 29,235 | \$ - | \$ 29,235 | \$ 29,235 | \$ - | \$ 29,235 |
| Thermal Generation | 18,769 | 272 | 19,041 | 18,769 | 272 | 19,041 |
| Transmission, Distribution and Retail | 6,568 | - | 6,568 | 6,568 | - | 6,568 |
| Corporate Services | 18,298 | (16,000) | 2,298 | 18,298 | (16,000) | 2,298 |
| Alternative Power Generation | - | - | - | 17,500 | (13,500) | 4,000 |
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