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January 5, 2022

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

Dear: Minister Archie:

**Re: 2021-22 Amended Capital Budget**

In finalizing NT Hydro and NTPC's second quarter results, it has been determined that NT Hydro's capital expenditures are forecasted to be lower than the approved 2021-22 budget capital budget of \$82.902 million by \$26.276 million (32%) resulting in an amended 2021-22 capital budget for NT Hydro of \$56.626 million. NTPC's infrastructure expenditures are also forecasted to be lower than the approved 2021-22 capital budget of \$71.316 million by \$34.853 million (49%) resulting in an amended 2021-22 capital budget of \$36.463 million for NTPC. Under the Planning and Accountability Framework, "amendments to capital budgets for public agencies that result in a change of 20% of total infrastructure expenditures require submission to the responsible Minister for approval and tabling in the Legislative Assembly as soon as possible."

The GNWT Departments INF and Finance worked with NTPC to review and finalize the 2021-22 capital budget to balance the needs of replacing ageing infrastructure and affordability while advancing the GNWT's energy and climate change goals. The revisions from original budget include budget modifications following consultation with INF and Finance, updated estimates of work that can be completed within fiscal 2021-22 inclusive of business impacts from COVID 19, and modified timelines for completing the Hay River Franchise. The capital projects with the largest capital budget impact are discussed below, with Table 1 providing a reconciliation to the original 2021-22 budget.

## **NT Hydro:**

NT Hydro's capital expenditures are forecasting lower than the 2021-22 approved capital budget due to NTPC's expenditures Q2 forecasting. The impact of this decrease is partially offset by the increase in capital expenditure in NT Energy (NTEC(03)). This increase is due to the transfer of the access road to the Inuvik High Wind project from the GNWT Department of Infrastructure (INF) to NT Energy.

## **NTPC:**

### **Projects that Require Additional Scoping**

- \$1 Million Reduction – Taltson L150 Anchor Upgrade Project was deferred to allow for further scoping of the project and the opportunity to investigate possible third-party funding.
- \$1.2 Million Reduction – Bluefish Life Extension Project has been downsized to a pre-feasibility study in 2021-22 which will be used to inform the scope of future projects to refurbish Bluefish hydro and for third party funding applications.
- \$0.8 Million Reduction – Snare Road Upgrade Project has been deferred while further scoping occurs. In the short-term preventative road maintenance will be completed to mitigate asset risk.
- \$1.4 Million Reduction – Snare Falls Substation Rebuild Project required deferral to reassess project scope, with one transformer being purchased to mitigate the risk of the project being deferred.

### **COVID-19 Delays**

- \$2.7 Million Reduction – Sachs Harbour New Power Plant Project was deferred to 2022-23 because of COVID-19 isolation requirements impacting work schedule for contractors travelling to the community.

### **Community Consultation**

- \$2.143 Million Reduction – Deline Berm Reinstatement Project requires further consultation and engagement with the Deline Got'ine Government to address concerns raised regarding the planned scope of work.

## Project Adjustments

- \$2.650 Million Reduction – Lutsel K’e New Power Plant Project required deferral of the T&D capital work and contractor milestone payment to fiscal 2022-23.
- \$9.848 Million Reduction – Taltson Overhaul Project review resulted in reduced capital expenditures in 2021-22 and deferral of the project to 2023-24 (estimated completion).
- \$16 Million Reduction – The Hay River Franchise acquisition will not be concluded in 2021-22. NTPC is working through the process with the stakeholders.

The reconciliation of NT Hydro and NTPC’s original approved capital budget against the amended capital budget is provided in the table below.

**Table 1 - Amended NT Hydro and NTPC’s 2021-22 Capital Budget**

	in \$000s					
	2021-22 NTPC Budget Originally Approved	2021-22 NT Energy Budget Originally Approved	2021-22 NT Hydro Originally Approved Budget	2021-22 NTPC Requested Amended Capital Budget	2021-22 NTE Requested Amended Capital Budget	2021-22 NT Hydro Requested Amended Capital Budget
Hydro Generation	\$ 23,123		\$ 23,123	\$ 23,482		\$ 23,482
Thermal Generation	23,689		23,689	\$ 7,634		\$ 7,634
Transmission, Distribution and Retail	5,946		5,946	\$ 3,467		\$ 3,467
Corporate Services	2,558		2,558	\$ 1,815		\$ 1,815
Alternative Power Generation		11,586	11,586	\$ 65	\$ 20,163	\$ 20,228
Hay River Franchise	16,000		16,000	\$ -	\$ -	\$ -
<b>2021-22 Capital Budget</b>	<b>\$ 71,316</b>	<b>\$ 11,586</b>	<b>\$ 82,902</b>	<b>\$ 36,463</b>	<b>\$ 20,163</b>	<b>\$ 56,626</b>
GNWT Funding	(11,681)	(11,586)	(23,267)	(6,873)	(20,163)	(27,036)
<b>2021-22 Capital Budget after Government Contributions</b>	<b>\$ 59,635</b>	<b>\$ -</b>	<b>\$ 59,635</b>	<b>\$ 29,590</b>	<b>\$ -</b>	<b>\$ 29,590</b>

NT Hydro and NTPC respectfully request your approval of the amended 2021-22 capital budget as required per the GNWT Planning and Accountability Framework. Please confirm your approval by signing below and returning a copy for our records. If you have any questions regarding this request or the information provided above, please contact me and I will provide additional information as required.

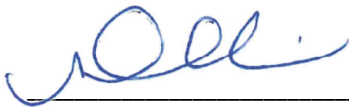
Sincerely,



Cory Strang  
President & CEO  
Northwest Territories Hydro Corporation  
Northwest Territories Power Corporation

Enclosure

Approved by:



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Honourable Diane Archie  
Minister Responsible for the Northwest Territories Hydro Corporation and Northwest Territories Power Corporation