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March 17, 2023

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: 2022-23 NT Hydro Amended Capital Budget

In finalizing NT Hydro and NTPC's third quarter results, it has been determined that NT Hydro's capital expenditures are forecasted to be lower than the approved 2022-23 capital budget of \$111.382 million by \$23.941 million (21%) resulting in an amended 2022-23 capital budget for NT Hydro of \$87.441 million. NTPC's infrastructure expenditures are also forecasted to be lower than the approved 2022-23 capital budget of \$77.319 million by \$27.121 million (35%) resulting in an amended 2022-23 capital budget of \$50.198 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 decrease in NT Hydro's capital expenditures by \$23.941 million below the original budget is a result of the following: a \$3.2 Million increase in current year on the NT Energy wind turbine project and a \$27.121 Million decrease in NTPC capital projects.

Forecast decreases in the NTPC capital budget include:

Hay River Franchise Delay

- \$16 Million Reduction – The Hay River Franchise acquisition will not be concluded in 2022-23. NTPC is working through the process with the stakeholders. This budget is carried forward to 2023-24.

Projects Requiring Further Consultation

- \$2.107 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.
- \$0.647 Million Reduction – Deline Automation/Control/Switchgear Upgrade deferred while consultation with the community continues regarding the possible relocation of the existing Plant or the construction of a new plant.

Projects Requiring Further Scoping

- \$2.4 Million Reduction – Four projects have been deferred to allow for additional project scoping.

Projects Being Deferred or Underspent

- \$2.500 Million Reduction – Snare Falls Substation Rebuild Project deferred to balance capital spending.
- \$0.815 Million Reduction – Sachs Harbour New Power Plant Project carried over to summer 2023-24 due to delays and then cancelation of the barge to Sachs Harbour.
- \$1.890 Million Reduction – Inuvik G11 EGHRU deferred to 2024-25.
- \$0.610 Million Reduction – Fort Smith G1 & G2 Failing Heat Exchanger/Cooling reduced due to decreased costs in the project. Quotes received are far less than the anticipated costs.

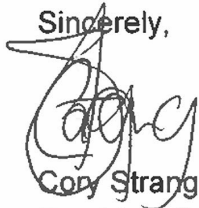
The reconciliation of NT Hydro and NTPC's original approved capital budget against the amended capital budget is provided in the table below.

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

	NTPC 2022-23 Budget	NT Energy 2022-23 Budget	NT Hydro 2022- 23 Budget	NTPC 2022-23 Forecast	NT Energy 2022- 23 Forecast	NT Hydro 2022-23 Forecast	Variance from Budget
Hydro Generation	33,528		33,528	29,853		29,853	(3,675)
Thermal Generation	18,284		18,284	13,008		13,008	(5,276)
Transmission, Distribution & Retail	6,396		6,396	6,315		6,315	(81)
Corporate Services	2,578		2,578	917		917	(1,661)
Alternative Power	500	34,063	34,563	75	37,240	37,315	2,752
Hay River Franchise	16,033		16,033	30		30	(16,003)
Total Capital Budget	77,319	34,063	111,382	50,198	37,240	87,441	(23,941)
<i>Government Contributions Approved</i>	<i>(6,345)</i>	<i>(14,235)</i>	<i>(20,580)</i>	<i>(3,694)</i>	<i>(19,974)</i>	<i>(23,668)</i>	<i>(3,088)</i>
Subtotal Net Capital Budget (Approved Funding)	70,974	19,828	90,802	46,504	17,266	63,773	(27,029)
<i>Government Contributions Proposed</i>	<i>(7,667)</i>	<i>(1,500)</i>	<i>(9,167)</i>				<i>9,167</i>
Subtotal Contributions Approved & Proposed	(14,012)	(15,735)	(29,747)	(3,694)	(19,974)	(23,668)	6,079
Total Net Capital Budget (Approved & Proposed Funding)	83,306	18,328	81,634	48,505	17,266	83,773	(17,861)
Rate Regulated & PSAS Budget	77,319	34,063	111,382	50,198	37,240	87,441	(23,941)

NT Hydro respectfully requests your approval of the amended 2022-23 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

Approved by:



Honourable Diane Archie

Minister Responsible for the Northwest Territories Hydro Corporation and Northwest Territories Power Corporation