

2021-22 Corporate Plan





NTPC's Mission, Vision and Value statements guide its actions and ensure the organization meets or exceeds the expectations of its shareholder and customers.

Mission

To generate, transmit and distribute clean, reliable and affordable energy to the Northwest Territories

Vision

To enrich the lives of Northerners by providing power that encourages living, working and investing in the NWT

Values

***Safety** – We make safety our first priority, a cornerstone in all decisions*

***People** – We consider the well-being and success of every employee in all decisions*

***Commitment** – We are determined, agile and know how to keep the lights on*

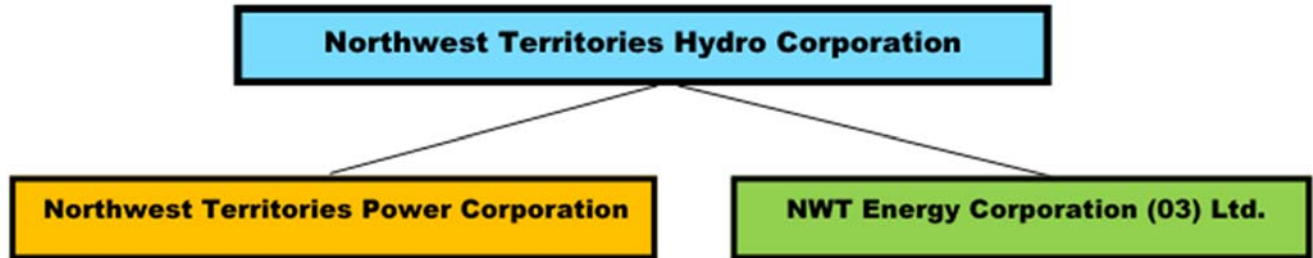
***Community** – We work with and for all Northerners*

TABLE OF CONTENTS

Corporate Overview.....	4
2021-22 Objectives.....	6
Activities to Support Achievement of Strategic Objectives	7
2021-22 Performance Measures	9
Expected Results	10
Evaluation of 2020-21 Corporate Objectives	10
NT Hydro and NTPC -- Financial Information.....	12
NT Hydro and NTPC Budget Summary.....	13
NT Hydro: 2021-22 Consolidated Statement of Operations	15
NT Hydro 2021-22 Consolidated Statement of Changes in Net Debt	16
NTPC 2021-22 Consolidated Statement of Operations	17
NTPC 2021-22 Consolidated Statement of Changes in Net Debt	18
2020-21 Consolidated Capital Expenditures.....	19

Corporate Overview

The Northwest Territories Hydro Corporation (NT Hydro) is a holding company whose sole shareholder is the Government of the Northwest Territories (GNWT). NT Hydro is the parent company of two primary subsidiary companies: the Northwest Territories Power Corporation (NTPC) and the NWT Energy Corporation (03) Limited (NT Energy).



NTPC is responsible for providing power to customers across the North and is the public face of NT Hydro. Activities of NTPC are regulated by the NWT Public Utilities Board (PUB). Capital, operational and maintenance costs are all reviewed by the PUB when NTPC submits a General Rate Application (GRA) in order to set electricity rates.

NT Energy is responsible for managing projects of higher risk that require different approaches than a regulated company. This includes projects that are being financially supported by the Federal and Territorial governments through the Investing in Canada Infrastructure Program (ICIP). NT Energy also pursues large scale business opportunities such as electricity generation for new mines. The activities of NT Energy are not regulated by the PUB; costs incurred do not impact electricity rates.

NWT electricity rates are among the highest in Canada. There are a number of reasons for this, including:

- In the past decade, electricity sales have declined by approximately half a percent per year as the result of stagnant/declining population as well as very little new industrial activity such as mining.
- Aging infrastructure is also a challenge, as it is for most other North American electrical utilities – infrastructure is not just aging but is reaching the end of its design life, particularly NTPC's hydroelectric assets.
- There is a high cost to deliver power in the North given the use of diesel in remote communities and 100% reliance on diesel for back up generation in all communities. The small scale, isolated and non-integrated systems means that there are limited economies of scale available to NTPC.

In 2020-21, the COVID-19 pandemic had a significant impact on all aspects of NT Hydro's operations, including completion or launching of major capital projects. A ransomware attack on NTPC in late April 2020 also caused significant disruption, although an investigation by cyber security experts found no evidence that personal or confidential information was accessed.

Work on the Strategic Plan, which was first introduced in 2018-19, was limited in 2020-21 but progress was made on some of the key initiatives. The Plan is a living document, revised and updated, as events warrant. NTPC expects to launch its campaign to introduce the Plan to customers and other interested stakeholders in 2021-22, although timing and elements of the campaign will be largely shaped by public health restrictions and other COVID-related factors.

Recruitment of employees for key positions continued to be a challenge over the past year with several key roles going unfilled for a significant period of time. Progress was made on developing a succession plan to ensure that corporate knowledge is retained internally when employees retire.

Operational highlights of 2020-21 include:

- Safe Work Practices were developed early in the pandemic to ensure workers could safely enter communities for required maintenance and emergency work while minimizing the risk to employees and community members
- Effectively transitioned employees to working from home for the first several months of the pandemic
- Successfully restored information technology systems following the ransomware attack
- Repairs and refurbishment of the Snare Forks Unit 1 hydroelectric generating plant continued and a return to service occurred at the end of October
- Development of a new Project Implementation Framework (PIF) was completed. Following industry best practice, the framework provides: improved problem identification, project initiation, and business case development; enhanced project definition at the appropriate stage; improved accuracy and certainty of project cost estimates; improved cost and schedule management with greater certainty of project delivery; efficient project & portfolio management and planning to ensure capital is spent on projects that deliver the biggest benefit to our customers
- A Power Purchase Agreement was negotiated with Nihtat Energy Limited whereby NTPC has agreed to purchase power from a solar array that will be constructed in Aklavik
- Construction of a new camp at the Taltson Hydroelectric Facility was completed. In early 2020, a winter road between Fort Smith and Taltson was built for the first time in many years. The road was required to support activities associated with the planned refurbishment of the Taltson facility, including construction of the camp.

2021-22 Objectives

NTPC's Strategic Plan has resulted in fundamental changes in the way we approach our work and how we measure success.

The Strategic Plan focuses on increasing reliability and creating the necessary conditions to ensure the Corporation's long term economic and environmental sustainability. We will achieve success by strengthening our core services while managing costs and by addressing the challenge of aging infrastructure. We will also reduce greenhouse gas emissions (GHGs) through increased integration of renewable technology and by establishing a revenue growth strategy for the future. The revenue growth strategy will provide tangible benefits to customers as well as our Shareholder.

The ultimate goals of the Plan are:

1. Reduce the gap between average electricity rates in the NWT and the Canadian national average
2. Achieve the 25% GHG emissions reduction target for electricity generation in diesel-powered communities, as outlined the Government of the Northwest Territories' 2030 Energy Strategy

Seven strategic objectives were established for the next several years. In 2021-22, NTPC will continue to focus on advancing initiatives that support these strategic objectives, in addition to working on more targeted divisional objectives.

The seven strategic objectives are:

1. Reducing fuel consumption
2. Reducing controllable costs through efficiencies and continuous improvement
3. Increasing distribution customer base
4. Increasing industrial customer base
5. Investing in core assets
6. Executing on Investing in Canada Infrastructure Program (ICIP) projects
7. Supporting the Taltson Expansion and Great Slave Lake Intertie

Activities to Support Achievement of Strategic Objectives

1. Reducing fuel consumption

Electricity generation using diesel fuel is expensive and produces significant greenhouse gases. In addition to the integration of renewable technologies to offset diesel generation, NTPC has identified other actions it will implement to reduce the amount of diesel fuel consumed for electricity generation.

Among the activities that will occur in 2021-22:

- Continue to work with Indigenous organizations and others to integrate renewable projects in thermal communities
- Use of higher efficiency summer fuel in Fort Simpson, Fort Liard, Wrigley, Fort McPherson and Tsiigehtchic
- Placing greater emphasis on energy efficiency when purchasing new diesel generators
- Further planning for construction of a Liquefied Natural Gas (LNG) plant in Tuktoyaktuk

2. Reduce controllable costs through efficiencies and continuous improvement

Over the past several years, NTPC has successfully managed its operating and maintenance costs, with spending increases below the rate of inflation.

Among the activities that will occur in 2021-22:

- Finalize organizational design to ensure the Corporation is positioned to ensure success
- Implement corporate lifecycle planning
- Develop corporate leadership programs
- Rollout a framework for enterprise risk management
- Continued rollout of Project Implementation Framework

A culture of innovation and improvement is being developed where all employees are encouraged to bring forward ideas to improve processes and reduce costs.

3. Increase distribution customer base

In May 2015, the Town of Hay River issued an RFP (Request for Proposal) for the supply of power to the community and chose NTPC as its future electricity distributor. Since October 2015, when NTPC was identified as the successful bidder, the process to transfer the Franchise from the current electricity distributor has

been moving forward, although the date for final resolution remains unclear. By adding Hay River distribution customers to its customer base, NTPC anticipates it will achieve economies of scale which will benefit all customers by reducing upward pressure on electricity rates.

4. Increase industrial customer base

NTPC will continue to meet with mining companies that are considering the establishment of new mines in the NWT. The Corporation aims to be the electricity provider of choice for all new industrial activity in the NWT.

5. Invest in core assets

NTPC will continue with its large-scale capital program that will help to address aging electricity infrastructure challenges in the NWT. The largest capital spending portfolio in the Corporation's history will be executed in 2021-22. Some of the work on core assets will be financially supported by the federal government through ICIP. Federal funding support will significantly reduce the costs that would otherwise be fully borne by electricity customers.

Among the key activities that will continue or start in 2021-22 (depending on public health restrictions related to COVID-19) are:

- Development of a culture that embraces the Project Implementation Framework
- Deliver the capital plan on time and on budget
- Implement an electrical substation program
- Replace supervisory control and data acquisition (SCADA) system
- Effectively manage hydro shutdowns to ensure maximum work is completed
- Explore options for life extension of Unit 1 at the Bluefish Hydroelectric Facility
- Complete engine overhauls in several Thermal communities

6. Execute on Investing in Canada Infrastructure Program (ICIP) projects

ICIP provides funding to support electricity projects that result in reduced GHG emissions. Under this program, the federal government will provide 75% of the funds to integrate renewable or low-carbon technologies in communities powered by diesel generation, to install new transmission lines and to overhaul existing hydroelectric dams. The remaining 25% will either be provided by GNWT or by NTPC.

ICIP funding for several electricity projects in the NWT has been announced and moving these projects forward will continue to be a key area of focus. Applications for additional projects will be submitted in 2021-22.

Projects already approved under ICIP that are expected to advance in 2021-22 are:

- Inuvik Wind project
- Engineering and other planning activities associated with a refurbishment of the Taltson Hydroelectric Facility
- Refurbishment of Unit 2 at Snare Forks
- Construction of an LNG plant in Fort Simpson to reduce GHG emissions
- New, higher-efficiency diesel plants and fuel storage facilities in Sachs Harbour and Lutsel K'e

7. Support the Taltson expansion and Great Slave Lake Intertie

The GNWT is assessing the potential of expanding the Taltson Hydroelectric Facility and creating an intertie between the North and South Slave electricity systems. NTPC provides support to the GNWT related to this potential infrastructure project whenever it is requested.

Some of the work being done in advance of the Taltson plant refurbishment, such as construction of the winter road and construction of a new camp, will support future expansion.

2021-22 Performance Measures

NTPC has been fine-tuning performance measures to help track progress on execution of the Strategic Plan. These performance measures are intended to help track progress on implementation of the seven strategic objectives.

NTPC Key Performance Indicators (KPIs) measuring progress on the strategic objectives include:

1. Average number of outages per customer on a rolling 12-month calendar (SAIFI)
2. Average cost of electricity per kilowatt hour for residential customers
3. Operation and Maintenance cost per kilowatt hour
4. Fuel efficiency (fuel costs per kilowatt hour)
5. Greenhouse gas emissions per gigawatt hour of generation (tCO₂e/GWh)
6. Asset health index
7. Customer Satisfaction Survey

Expected Results

The impact that the COVID-19 pandemic will have on results is difficult to predict but will largely depend on factors such as whether the presence of the disease increases in the NWT, changes to public health orders following widespread vaccination and the length of time that self-isolation requirements for out-of-territory workers remain in place. In spite of this, NTPC expects to see progress on all seven of the strategic objectives in 2021-22. Timing for measurable success will vary by strategic objective with some being fully reliant on activity by third parties (i.e. mining companies, distribution franchises). Initiatives to support the strategic objectives will continue to be reviewed and updated on an annual basis to reflect changes in circumstances such as new challenges or opportunities.

Evaluation of 2020-21 Corporate Objectives

2019-20 served as a base year for the performance measures that track progress on NTPC's Strategic Objectives. The COVID-19 pandemic and ransomware attack had a significant impact on NT Hydro's ability to achieve corporate objectives.

	Baseline Results as of December 31, 2019	2020-21 Results as of December 31, 2020
Average number of outages per customer on a rolling 12-month calendar (SAIFI)	10.32	8.62 ¹
Average cost of electricity per kilowatt hour for residential customers	\$0.65	\$0.62 ²
Operation and Maintenance cost per kilowatt hour	\$0.135	\$0.133 ³
Fuel efficiency (fuel costs per kilowatt hour)	\$0.078	\$0.067 ⁴
Greenhouse gas emissions per gigawatt hour of generation (tCO ₂ e/GWh)	183	183 ⁵
Asset health index	5.0	4.8 ⁶
Customer satisfaction survey		N/A ⁷

¹Factors impacting SAIIFI include increased reliability of the transmission line from Bluefish

²Factors impacting average cost of electricity per kilowatt hour for residential customers include increased residential sales due to the number of people working from home during the pandemic.

³Factors impacting operation and maintenance cost per kilowatt hour include additional costs related to the pandemic (e.g. increased use of charter flights and self-isolation costs for out-of-territory contractors) and productivity losses due to the ransomware attack.

⁴Factors impacting fuel efficiency, measured as fuel costs per kilowatt hour, include increased costs for diesel in communities on the highway system in the thermal zone.

⁵Greenhouse gas emissions per gigawatt hour of generation remained the same. The result reported in the 2019-20 Corporate Plan was miscalculated and has been updated in this document.

⁶Factors impacting the asset health index include completion and/or progress on capital projects to replace or refurbish aging infrastructure.

⁷The customer satisfaction survey was deferred for a year due to the pandemic and the seven-month suspension of collection activities.

NT Hydro and NTPC -- Financial Information

Budget Summary
Statement of Operations – NT Hydro
Changes in Net Debt – NT Hydro
Statement of Operations – NTPC
Changes in Net Debt -- NTPC
Capital Expenditures

NT Hydro and NTPC Budget Summary

NTPC's Consolidated Budget

Revenues

Total power revenues of \$109.6 million are budgeted to decrease by less than 1% from the 2020-21 budget, and base electricity rates are not budgeted to change. The largest reduction is expected to occur in the General Service and Wholesale customer groups, with reductions of 0.2% and 1.7% respectively. However, Residential sales are forecast to increase by 2.3%, which is consistent with other Canadian jurisdictions as more individuals work from home during the pandemic.

Contributions include funding from the GNWT through the Federal Government's Investing in Canada Infrastructure Program (ICIP), which started late in 2018-19. ICIP funding in 2021-22 will be used to support the following three projects: Hydro overhauls at Snare Forks Unit #1 and #2, and replacement of the Sachs Harbour and Lutsel Ke diesel plants.

Expenses

NTPC's implementation of the 20 Year Strategic Plan is reflected in the \$121.6 million budget for operating expenses in 2021-22. Expenses are budgeted to increase by 2.2% from 2020-21 budget. As compared to 2020-21, NTPC's functions are reflecting budgeted cost changes from the following factors:

- Cost increases due to inflation
- Cost increases as a result of IT related spending to harden NTPC's systems against any future ransomware attacks.
- Cost increases to complete required preventative maintenance work.
- Cost increases related to Covid-19.

Function specific increases built into NTPC's (and NT Hydro's) 2021-22 budget include:

Thermal Generation costs are budgeted to decrease by \$0.220M due to lower production fuel costs from lower fuel prices and lower travel due to COVID-19 travel restrictions. This is offset by higher environmental expenses for cleanup costs and increased loss on disposal of assets.

Hydro Generation costs are budgeted to increase by \$1.934M as a result of higher hydro costs for dam maintenance for water license compliance, higher cyclical maintenance costs for Bluefish and Snare, Covid-19 isolation costs and loss on disposal of assets. This is offset by lower travel costs due to COVID-19.

Corporate Services costs are budgeted to increase \$1.368M due to higher costs in the Human Resource division from increased legal costs associated with collective bargaining. Costs to advance the GRA and Hay River franchise are attributed a further \$0.750M. These costs are offset by lower travel costs due to COVID-19 and lower interest expense.

Transmission, Distribution and Retail costs are budgeted to decrease by \$0.274M primarily due to lower travel costs as a result of COVID-19.

Purchase Power costs are budgeted to decrease by \$0.099M due to lower purchase power prices.

NT Hydro

In addition to the work being driven by NTPC, NT Hydro's progress on the Strategic Plan through NT Energy will be delivered through pursuing new customer opportunities including new industrial customers. Mining and economic development is a key part of the GNWT's mandate and a small budget has been provided to support NT Hydro in pursuing generation opportunities with mining or other large industrial customers when they arise.

NT Hydro will also continue to support the GNWT in 2021-22 as required on the development of the Taltson Expansion, Great Slave Lake Intertie projects, as well as the Fort Providence and Wha Ti Transmission line projects. There is a small budget included in NT Hydro's Corporate Services costs to support these activities.

Government contributions of \$23.61 million for NT Hydro (\$11.68 million for NTPC) support NT Hydro and NTPC's execution of ICIP projects. Delivery of these projects will support this objective but also support NTPC's strategic objectives of reducing consumption of diesel fuel and emissions of GHGs. Work on the Inuvik High Point Wind project is expected to advance in 2021-22. Some government contribution revenues have been estimated for projects supported by the GNWT in order to prepare the required applications for the Federal Government's ICIP program.

NT Hydro: 2021-22 Consolidated Statement of Operations

	2021-22 Budget	2020-21 Budget	2019-20 Actual
Revenues			
Sale of Power	\$ 109,599	\$ 109,692	109,806
Fuel Rider Revenue	2,062	2,008	1,906
Other Revenue and Customer Contributions	1,816	1,911	1,791
Interest Income	947	1,081	1,213
Income from Investment in Aadrii Ltd.	75	75	76
	<u>114,499</u>	<u>114,767</u>	<u>114,792</u>
Expenses			
Thermal Generation	67,039	67,272	67,362
Hydro Generation	24,222	22,245	19,486
Corporate Services	16,663	15,247	15,152
Transmission, Distribution and Retail	11,262	11,576	10,849
Purchased Power	2,707	2,806	3,229
Alternative Power Generation	203	249	240
	<u>122,096</u>	<u>119,395</u>	<u>116,318</u>
(Deficit)/Surplus for the Year before Contributions	<u>\$ (7,597)</u>	<u>\$ (4,628)</u>	<u>\$ (1,526)</u>
Contributions			
Government Contributions	23,613	45,584	13,745
Insurance Proceeds	0	1,500	5,000
	<u>23,613</u>	<u>47,084</u>	<u>18,745</u>
Surplus for the Year	<u>\$ 16,016</u>	<u>\$ 42,456</u>	<u>\$ 17,219</u>
Accumulated surplus/equity, beginning of year	\$ 210,197	\$ 167,741	126,595
Accumulated surplus/equity, end of year	<u>\$ 226,213</u>	<u>\$ 210,197</u>	<u>\$ 143,814</u>

(All figures in \$000s)

NT Hydro 2021-22 Consolidated Statement of Changes in Net Debt

Surplus for the year	16,016
Tangible capital assets	
Additions	(82,902)
Capitalized overhead	(6,160)
Capitalized interest	(1,400)
Disposals	10,199
Amortization	19,558
	<u>(44,689)</u>
Additions of inventories	(7,500)
Use of inventories	7,500
Additions to prepaids	(1,700)
Uses of prepaids	1,700
	<u>0</u>
Increase in net debt for the year	<u>(44,689)</u>
Net debt, beginning of year	<u>(305,004)</u>
Net debt, end of year	<u>(349,693)</u>

(All figures in \$000s)

NTPC 2021-22 Consolidated Statement of Operations

	2021-22 Budget	2020-21 Budget	2019-20 Actual
Revenues			
Sale of Power	\$ 109,599	\$ 109,692	109,806
Fuel Rider Revenue	2,062	2,008	1,906
Other Revenue and Customer Contributions	1,816	1,911	1,791
Interest Income	947	1,081	1,213
Income from Investment in Aadrii Ltd.	75	75	76
	<u>114,499</u>	<u>114,767</u>	<u>114,792</u>
Expenses			
Thermal Generation	67,039	67,272	67,362
Hydro Generation	24,222	22,245	19,486
Corporate Services	16,179	14,801	14,787
Transmission, Distribution and Retail	11,262	11,576	10,849
Purchased Power	2,707	2,806	3,229
Alternative Power Generation	203	249	240
	<u>121,612</u>	<u>118,949</u>	<u>115,953</u>
(Deficit)/Surplus for the Year before Contributions	<u>\$ (7,113)</u>	<u>\$ (4,182)</u>	<u>\$ (1,161)</u>
Contributions			
Government Contributions	11,681	23,618	10,265
Insurance Proceeds	0	1,500	5,000
	<u>11,681</u>	<u>25,118</u>	<u>15,265</u>
Surplus for the Year	<u>\$ 4,568</u>	<u>\$ 20,936</u>	<u>\$ 14,104</u>
Accumulated surplus/equity, beginning of year	\$ 170,422	\$ 149,486	125,813
Accumulated surplus/equity, end of year	<u>\$ 174,990</u>	<u>\$ 170,422</u>	<u>\$ 139,917</u>

(All figures in \$000s)

NTPC 2021-22 Consolidated Statement of Changes in Net Debt

Surplus for the year	4,568
Tangible capital assets	
Additions	(71,316)
Capitalized overhead	(6,160)
Capitalized interest	(1,400)
Disposals	10,199
Amortization	19,843
	<u>(44,266)</u>
Additions of inventories	(7,500)
Use of inventories	7,500
Additions to prepaids	(1,700)
Uses of prepaids	1,700
	<u>0</u>
Increase in net debt for the year	<u>(44,266)</u>
Net debt, beginning of year	<u>(279,227)</u>
Net debt, end of year	<u>(323,493)</u>

(All figures in \$000s)

2021-22 Consolidated Capital Expenditures

	2021-22 NTPC Budget	2021-22 NT Energy Budget	2021-22 NT Hydro Budget
Hydro Generation	23,123		23,123
Thermal Generation	23,689		23,689
Transmission, Distribution and Retail	5,946		5,946
Corporate Services	2,558		2,558
Alternative Power Generation	-		-
Hay River Franchise	16,000		16,000
2021-22 Total PSAS Capital Budget	71,316	11,586	82,902
GNWT Funding	(11,681)	(11,586)	(23,267)
2021-22 Net Capital Budget after Government Contributions	59,635	-	59,635

Both the NT Hydro and NTPC capital budgets were approved in principle, subject to Executive Council approval, on the basis that further review would be completed by NTPC, FIN and INF between April and June 2021, and that capital expenditures would be limited during this review period to those necessary to maintain projects schedules and meet contract commitments.

New projects proposed by NTPC totaling \$21 million are not included in this approval. These projects will continue to be reviewed by INF, FIN and NTPC and added at the Quarter 1 capital budget forecast update in June 2021 based on agreement between NTPC, INF and FIN.



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