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March 30, 2021

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: 2020-21 Capital Spending Budget

Reductions are required to the 2020-21 capital plans of the Northwest Territories Hydro Corporation (NT Hydro) and the Northwest Territories Power Corporation (NTPC). NT Hydro's 2020-21 capital budget will be reduced by \$62.2 million (53%) and NTPC's 2020-21 capital budget will be reduced by \$44.4 million (46%). These changes are the result of a number of changes to NT Hydro and NTPC's operating environments, including the expected impact of Covid-19 and the ransomware attack, as well as legal and regulatory delays. The largest impacts are discussed below, and the tables provide a reconciliation to the original budget.

Regulatory Delays – Inuvik High Point Wind Project \$15.7 million

The Inuvik High Point Wind Project will continue to be behind schedule in 2020-21 as a result of delays in the regulatory applications for the access road. In this fiscal year, \$19.5 million of work was planned and only \$3.8 million is now forecast to be completed. NT Energy and the GNWT are continuing to work through the regulatory process which now includes a legal challenge. The costs for this project are being recovered through the Investing in Canada Infrastructure Program (ICIP), funded in part by the Government of Canada and the Government of the Northwest Territories.

Covid-19 and Ransomware - \$34 million

A number of projects scheduled for completion in 2019-20 had to be put on hold in March 2020 as a result of the national and territorial response to the Covid-19 pandemic. During this time, NTPC developed Safe Work Practices to enable the resumption of operations and capital projects in June 2020 under the GNWT's Emerging Wisely Plan. Capital projects that could be completed with NWT businesses or required only design level work represents the majority of capital projects moving forward in 2020-21. In addition to Covid-19, NTPC experienced a ransomware attack in April 2020. This attack created delays in planning and approving capital projects as well as accessing drawings required to initiate design work. NTPC information technology systems have been restored which supported the late resumption of some of NTPC's 2020-21 capital plan. Projects with significant reductions are the Snare Forks G2 Overhaul (\$16 million), the L-150 transmission line re-anchoring project (\$5.5 million), the Snare Falls substation refurbishment (\$1.9 million) and the new Sachs Harbour powerplant (\$3 million).

Legal Delays – Hay River Franchise Acquisition \$16 million

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 transfer continues to be postponed as a result of legal challenges by Northland Utilities (NWT) Ltd. of the arbitrator's decision on assets and valuations. The process continues to move forward but capital costs will be deferred to 2021-22.

Tables 1 and 2 outline the changes to the NT Hydro and NTPC 2020-21 capital budgets.

Table 1 – NT Hydro 2020-21 Revised Capital Budget

	in \$000's		
	2020-21 NT Hydro Budget	Adjustments to Capital Spend	2020-21 NT Hydro Revised Capital Budget
Hydro Generation	\$ 33,161	\$ (3,931)	\$ 29,230
Thermal Generation	22,425	(12,658)	9,767
Transmission, Distribution and Retail	16,453	(10,207)	6,246
Corporate Services	18,557	(15,784)	2,773
Alternative Power Generation	26,470	(19,664)	6,806
2020-21 Capital Budget	117,066	(62,244)	54,823
GNWT Funding	(45,688)	25,908	(19,780)
2020-21 Capital Budget after Government Contributions	\$ 71,378	\$ (36,336)	\$ 35,043

Table 2 – NTPC 2020-21 Revised Capital Budget

	in \$000's		
	2020-21 NTPC Budget	Adjustments to Capital Spend	2020-21 NTPC Revised Capital Budget
Hydro Generation	\$ 33,161	\$ (3,931)	\$ 29,230
Thermal Generation	22,425	(12,658)	9,767
Transmission, Distribution and Retail	16,453	(10,207)	6,246
Corporate Services	18,557	(15,784)	2,773
Alternative Power Generation	4,850	(1,896)	2,954
2020-21 Capital Budget	95,446	(44,476)	50,971
GNWT Funding	(24,068)	7,163	(16,905)
2020-21 Capital Budget after Government Contributions	\$ 71,378	\$ (37,313)	\$ 34,066

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 a 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 Diane Archie,
 Minister Responsible for the
 Northwest Territories Power Corporation