

# 2017/18 Corporate Plan



Snare Rapids Hydroelectric Plant



NORTHWEST TERRITORIES  
**HYDRO**  
CORPORATION

*Power for Generations*



NORTHWEST TERRITORIES  
**POWER**  
CORPORATION

*Empowering Communities*



CN Hill

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## Glossary of Terms

AME	Asset Management & Engineering
GNWT	Government of the Northwest Territories
NTPC	Northwest Territories Power Corporation
NWT	Northwest Territories
PUB	Public Utilities Board
T&D	Transmission & Distribution

# Introduction

The strength, longevity and reliability of our generation system in the future, will be determined largely, by the investments and innovations we make today in technology, infrastructure and our workforce. NTPC's focus has always been, and will always be to generate safe, affordable, reliable power with an increased emphasis on decreasing the use of fossil fuels.

Corporate planning at NTPC begins with our Vision and Mission, shared core values, and broad overarching approach. Our core values guide individual and organizational behavior. NTPC's overarching approach consists of initiatives within each division of NTPC that develop and execute our plan to achieve our strategic and corporate goals. Each of these values guide our leadership in making decisions that optimize performance and stewardship in the current environment. Constant attention to these core values leads to mission success.

## Mission

NTPC's mission is to generate, transmit, and distribute electricity in a safe, reliable, efficient and environmentally sound manner; striving to reduce reliance on fossil fuels.

NTPC exists to provide value to its shareholder and customers through the efforts of a highly dedicated, skilled, and productive workforce.

## Vision

Our vision is to be the provider of choice to our customers, a valuable partner to industry and Aboriginal groups in the NWT, as well as a performance leader in the utility industry.

As a performance leader, NTPC will develop a highly innovative team that achieves operational excellence, providing industry-leading customer satisfaction and delivers superior financial performance by demonstrating fiscal responsibility, and pursuing growth opportunities.

NTPC will also work with stakeholders to support development of the tremendous resource potential of the NWT in a sustainable and responsible manner creating long-term benefits for its customers and residents alike.

## Values

**Safety** – NTPC's constant attention to safety is the cornerstone upon which we build mission success. We are committed, individually and as a team, to protecting the safety of our employees, our contractors and the public.

**Environment** – NTPC is committed to making decisions that protect the environment while working towards a sustainable existence.

**Complying with Regulation** – NTPC, in order to function as an entity in the NWT, will comply with all applicable legislation and regulations.

In addition, NTPC is committed to maintaining an environment of trust, built upon honesty, ethical behavior, respect, and professionalism.

## The future of power generation in the NWT

NTPC is a leader in the territory and in Canada in the use of renewables on a per capita basis. We have a one-of-a-kind hybrid system in Colville Lake, we're exploring future use of wind and have four, soon to be five, solar arrays as part of the generation grids in same number of communities.

Renewables will continue to play an increasing role in sustainable power generation in the NWT. Today, renewables approach or beat the economics of diesel generation. The cost of solar continues to fall and approaches the marginal cost of diesel generation. Wind generation shows considerable promise as a potential source of energy in the NWT and in some locations, wind is strong enough and affordable enough to rival gas generation. Both of these generation sources will be utilized to minimize diesel generation in the NWT providing significant environmental benefits while at the same time ensuring no rate increases to NTPC's customers. However, of themselves, solar and wind cannot provide the reliability that stakeholders demand.

NTPC will continue to monitor all potential forms of generation that may be deployed in the NWT that are reliable, economical, and that may reduce its carbon footprint. Today, NTPC is not only evaluating wind and solar but also biomass, geothermal, as well as LNG (liquid natural gas) developments that may produce value to its customers while also minimizing NTPC's impact on the northern environment.

As long as NWT's two largest grids and its largest industrial customers remain disconnected from the continental grid they will continue to:

- be dependent on fossil fuels,
- lack economies of scale,
- operate at lower efficiencies than in other energy markets, and
- not be able to supply large new loads in a timely manner without further generation development.

Due to the extensive distances that must be overcome, interconnection of the North and South Slave transmission systems with the North American grid is challenging. However, it must be acknowledged that without interconnection, the NWT will be challenged to develop an efficient energy market on par with the rest of the continent.

Accordingly, NTPC's vision incorporates short term and long strategies and looks forward to working with all stakeholders to realize a future with sustainable, reliable and affordable power generation.

# Long Term Objectives

NT Hydro (holding company for NTPC) and NTPC exist because they provide value to customers and thus the shareholder, the GNWT. NTPC endeavours to provide its shareholder value indirectly by supplying cost-effective and reliable power to its customers, the residents of the NWT. NTPC provides direct value to their common shareholder by carrying out other specific GNWT initiatives and programs.

## Where are we today?

The biggest part of our vision remains focused on corporate-wide improvements leading to performance excellence. Today, we are working towards this in all aspects of our business through initiatives like:

- Improved communications with customers
- Improved health and safety systems
- Development of an employee recruitment and retention strategy
- Building local capacity for employment through reinstated apprenticeship program
- Development of the Power System Plan (PSP) along with 5 and 20-year capital plans
- Implementation of an asset management framework
- Implementation of a Computerized Maintenance Management System (CMMS)
- Implementation of Automated Metering Infrastructure (AMI)
- Pilot variable speed engines in Aklavik
- Installation of LED street lights in all our communities
- Development of a transmission and distribution predictive maintenance program
- Reductions in diesel reliance through improved engine efficiency, and conversion to LNG, etc.

The initiatives we are currently working on impact where we are headed but it's important to take a step back and look at the environment in which we are currently working. This is done by looking at both internal and external pressures and how they have and will change. Below is an overview of the challenges NTPC has taken into account as it developed its strategy.

# Environmental Operating Pressures

Like any company, issues such as the general performance of the economy, competitive pressure in the market and the political environment must be considered when evaluating potential strategic opportunities and threats. The following is a brief overview of the key internal and external factors facing the utility.

## Internal

- Aging Infrastructure
- Workforce / Industry Demographics
- Environmental Sustainability
- Regulatory Requirements
- Other Financial Pressures - Fuel, Wages, Inflation, etc.

## External

- NWT Market Conditions
- Market Impacts
- Conservation Culture
- Regulations



EMD Generator  
at Jackfish

# Achieving the Long-term NTPC Vision

This plan builds on previous strategies that focused on business improvements and new technology evaluation. This new strategy focusses on opportunities for growth, change, collaboration and interconnection.

While there remains a strong focus on corporate-wide improvements -- leading to performance excellence -- we have, in fact, been building our vision for the past few years. This Strategy goes beyond improving just what we do today and actually envisions a utility that includes:

- Zero lost time injuries
- Meeting or exceeding the average CEA reliability statistics
- Being number one in Canada in alternative energy on a per capita basis
- 25% margin reduction between NWT electricity rates & Canadian average rate
- Reduced diesel usage by 50 per cent in the long term
- Supply any new mines or other large industrial customers with power
- Transmission interconnection to a southern province
- An Intelligent Metering program implemented territory-wide.

Moving towards these goals means recognizing opportunities and making changes that improve sustainability, reliability and affordability, while meeting our commitments. Some of these opportunities include:

## Sustainability

- Solar Farms in Thermal Communities
- Strengthen Partnerships with Stakeholders
- Wind Studies in Fort Liard and Sachs Harbour
- Wind Farms in Inuvik and Norman Wells
- Wind in in Yellowknife/North Slave

## Reliability

- Yellowknife/North Slave System – Bluefish Expansion
- Yellowknife/North Slave – Governor replacement

## Affordability

- Beyond the Meter Services – Intelligent Meter Hubs
- South Slave Interruptible Heat Sales
- Colville Lake High Solar Penetration Pilot
- Yellowknife/North Slave – LNG Potential
- Transmission Interconnection to the South
- Taltson Expansion

# NTPC Strategy

*NTPC's vision will be built from results in four core strategic elements:*

## **Employee Excellence**

Without employee excellence every aspect of a corporate strategy will fail to deliver full value to an organization. Employee excellence is the foundation of NTPC's strategy.

## **Operational Excellence**

Further strategic elements of the corporate strategy cannot be achieved without significant success in operational excellence, which can only be fully recognized once employee excellence is achieved. It is imperative that these components resonate with each and every employee to achieve alignment and focus amongst the entire workforce.

## **Customer Service Excellence**

Customer service excellence can only be truly realized once employee and operational excellence are achieved. Fulfilling customer needs is paramount to NTPC's overall success as outlined in its primary objective, and it will require continuous efforts by management to continue to look for ways to serve its customers and reflect a culture of customer service excellence.

## **Financial Excellence**

In business the ultimate success of any shareholder-focused organization is measured by its financial performance and it is largely a result of employee, operational and customer service performance. In NTPC's case as a crown corporation, senior management, the Board of Directors and the shareholder must balance shareholder and customer value.

Success in each of these elements contributes to a strong foundation, supporting further growth in all four elements. It is imperative that Divisional targets and objectives are in alignment with the Corporate Strategic Plan. This will ensure that the Corporation's efforts are focused and coordinated.

The current strategy for NTPC is one of supporting economic development while focusing on the core business and three fundamental concepts that we will refer to as our pillars and inherent to the business NTPC operates as well as its customers' needs.

***By focusing on the following three fundamental needs of our customers, not only will NTPC bring value to its customers but also its shareholder:***

## **Reliability**

While NTPC works within one of the most challenging environments in Canada, NTPC must endeavor to meet the needs and expectations of its customers with respect to reliability. Several initiatives that directly support this objective are outlined in the initiatives portion of this document.

An example of an initiative supporting reliability is the development of Key Performance Indicators (KPIs) measuring reliability of service in the communities NTPC serves. These are industry standard measures that will allow comparison of NTPC's service to that of other utilities. Other examples include the implementation of a computerized maintenance management system as well as risk/condition based assessments of all NTPC assets.

These initiatives will allow NTPC to better plan and manage maintenance activities as well as capital replacements. Both will improve reliability as well as cost effectiveness in the long run.



## **Cost Effectiveness** (the price of electricity)

NTPC needs to be efficient and effective with its resources looking for cost-effective solutions to its challenges. While uncontrollable expenses continue to increase, every effort must be made to demonstrate that controllable costs are held at or below inflation.

## **Meeting Customer Commitments**

It is imperative that NTPC and its employees meet commitments made to customers. This will largely be achieved by shifting the corporate culture to one of having a business focus, as well as increasing respect for both customers, as well as the shareholder, such that every effort is made to fulfill commitments made to these two groups.

Steps have already been made to communicate to employees at all levels of the organization the importance of customer satisfaction. These messages will continue to be reinforced at all levels of the organization.

# Key Performance Indicators

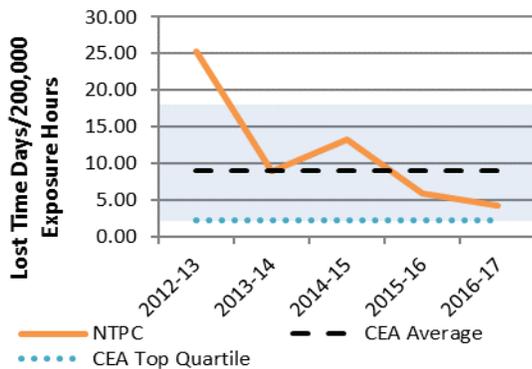
Key performance indicators (KPIs) are an important aspect of changing behaviours within an organization and can be a valuable tool in affecting change.

KPIs are also structured within the four strategic elements such that they support the key components of each element and thus the corporate strategy. KPIs must perform one of two important roles:

- Directing the actions of management and employees by modifying behaviours; or,
- Provide key information used to drive the business in the intended direction.

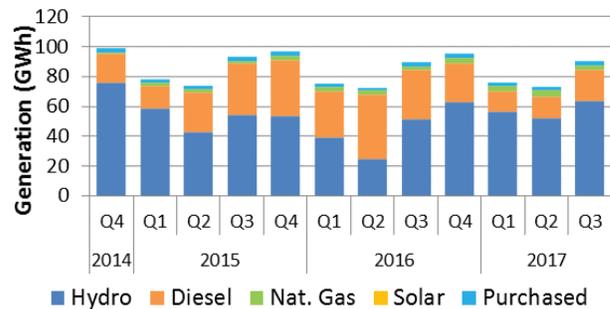
## Employee Excellence KPI

### Lost Time



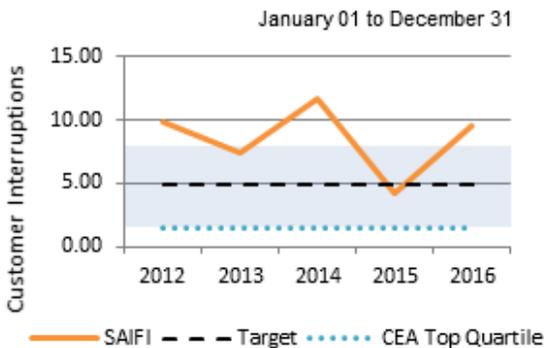
## Operational Excellence KPI

### Generation by Source



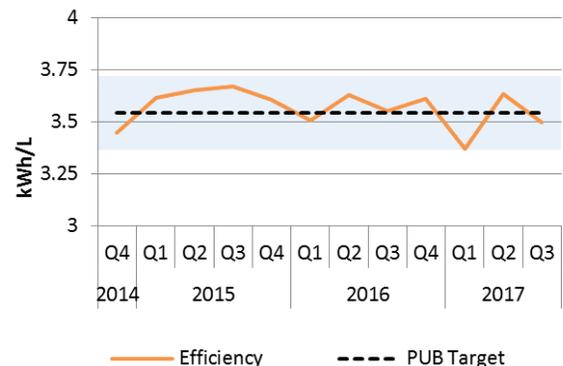
## Customer Service Excellence KPI

### Average Outages per Customer



## Financial Excellence KPI

### Fuel Efficiency



# 2017/18 New Strategic Initiatives

There are 5 new strategic initiatives that will be started in 2017/18. In addition, there are 17 initiatives with longer completion targets, being carried over from 2016/17 – four of which are in conjunction with our Shareholder, the GNWT, and 17 initiatives that were completed in 2016/17. Status updates are included for those initiatives being carried over.

Strategic Initiatives are divided into the four strategic elements of the NTPC corporate strategy:

- Employee Excellence;
- Operational Excellence;
- Customer Service Excellence; and
- Financial Excellence

## Employee Excellence Initiatives

### **Develop & Implement a Comprehensive Competency Framework & Program**

(Human Resources)

Completion Target: March 2019

### **Recruitment & Retention Strategies**

(Human Resources)

Completion Target: September 2018

## Operational Excellence Initiatives

### **Develop and Implement a T&D Predictive Maintenance Program**

(Transmission & Distribution)

Completion Target: March 2019

### **Improve Corporate Knowledge Management**

(Information Technology)

Completion Target: October 2018

## Customer Service Excellence Initiatives

### **Develop Employee Team to Promote NTPC at Community Events**

(Communications)

Completion Target: March 2018

# Carry-over Initiatives from 2016/17

## Employee Excellence Initiatives

### **Improve Safety Culture** (Health, Safety & Environment)

Completion Target: March 2019

Current Status: 85% Complete

### **Successful Collective Bargaining** (Human Resources)

Completion Target:TBD

Current Status: Ongoing

### **Development of Core Employee Skills Assessment** (Human Resources)

Original Target Date: September 2013

New Target Date: June 2017

Current Status: 50% Complete

## Operational Excellence Initiatives

### **Solar Photovoltaic Installations** (Shareholder & NTPC Energy Services)

Completion Target: March 2018

### **Improve Contractor Safety** (Health, Safety & Environment)

Completion Target: March 2018

Current Status: 50% complete

### **Installation of 7 – 10 MWs of Wind Energy within Proximity of Snare** (Shareholder)

Completion Target: March 2021

Current Status: 10% Complete

### **Bluefish Redevelopment/Expansion Study** (Asset Management & Engineering (AME))

Original Target: December 2016

New Target Date: August 2017

Current Status: 30% Complete

### **Installation of 3-5 MWs of Wind Energy in Inuvik** (Shareholder)

Completion Target: March 2021

Current Status: 15% Complete

### **Investigation of Potential Wind Sites** (Shareholder & NTPC Energy Services)

Completion Target: March 2020

### **Fort Simpson LNG Site Design & Business Case Analysis**

(AME in conjunction with Shareholder)

Transferred to Shareholder: April 2015

Current Status: 15% Complete

**CMMS Cultural Adoption & Intregation** (Operations)

Original Target: March 2017

New Target: March 2018

Current Status: 58% Complete

**Design & Install Variable Speed Generator (VSG) Pilot – Aklavik** (Thermal)

Original Target: March 2017

New Target: November 2017

Current Status: 40% Complete

**Asset Management Framework** (AME)

Completion Target: September 2018

## Customer Excellence Initiatives

**Intelligent Metering Hub (IMH) Implementation** (Customer Service)

Completion Target: March 2020

## Financial Excellence Initiatives

**CMMS Financial Integration** (Finance)

CompletionTarget: March 2018

Current Status: 25% Complete

**2017 GRA Success** (Finance)

CompletionTarget: March 2018

Current Status: 50% Complete

**Identify Corporate Risks in a Risk Registry** (Finance)

Completion Target: December 2016

New Target Date: June 2017

Current Status: 70% Complete



# Completed Initiatives 2016/17

## Employee Excellence Initiatives

**Improve Communications With Employees** (Finance)

Completion Date: April 2016

**Employee Development** (Human Resources)

Completion Date: March 2017

**Human Resources 5-Year Plan** (Human Resources)

Completion Date: March 2017

**OCI Measurement & Improvement** (Human Resources)

Completion Date: March 2017

**Investigate Human Resources Services and Ensure Alignment with Employee Needs**

Completion Date: March 2017

(Human Resources)



## Operational Excellence Initiatives

**Develop an Asset Management Framework** (AME)

Completion Date: September 2017

**Fort Simpson LNG Site Design & Business Case Analysis** (AME)

Completion Date: March 2017

**GNWT Solar Projects – Fort Liard, Wrigley and others to be determined**

(Shareholder)

Completion Date: March 2017

**Transmission interconnection Paper with Phased Options** (Executive)

Completion Date: March 2017

**Installation of Lightning Arrestors on the Transmission Line** (Finance)

Completion Date: June 2016

**Implement Divisional/Departmental-Level Strategic Planning Across the Organization**

Completion Date: March 2017

(Executive)

## Customer Service Excellence Initiatives

**South Slave Electric Heat Rate** (Executive)

Completion Date: February 2017

**Complete the North Slave Resiliency Study** (Shareholder)

Completion Date: September 2016

**Develop Business Case for Intelligent Metering Hub (IMH)** (Transmission & Distribution)

Completion Date: June 2016

**Engage Stakeholders** (Executive)

Completion Target: On-going

## Financial Excellence Initiatives

**Integrate Public Service Accounting Standards into reporting processes** (Finance)

Completion Date: March 2017

**Develop 5, 10 & 20 Year Capital Plan (Based on Power System Plan)** (AME)

Completion Date: December 2016



# NTPC's Mandate

NT Hydro and NTPC share a common mandate: to achieve a sustainable energy system in the Northwest Territories (NWT) that is environmentally conscious, reliable, lowers costs, and facilitates economic development.

While utilities across the country continue to be challenged by financial, operational, environmental, and regulatory pressures, aging infrastructure, by far, is the number one challenge. With capital costs rising, NTPC continues to look for ways to lower costs.

NT Hydro and NTPC have been working closely with their shareholder, the Government of the Northwest Territories (GNWT), to align in ways that lower costs, and enhance reporting and governance:

- In 2016/17, as a cost saving measure, NTPC's Shareholder replaced the paid Board of Directors with a board of GNWT Deputy Ministers. The GNWT continues to examine options for the future governance of NTPC as part of its ongoing work to address the high cost of living and doing business in the NWT; and
- A combined NT Hydro/NTPC annual report was produced in 2016.

Alternative generation sources will continue to be part of the overall approach to meeting NWT electricity needs, however they will not entirely replace diesel generation or hydroelectricity, an important source of renewable energy, in the near future. The factors influencing the adoption of renewables, including economic viability, funding by federal or territorial partners and their potential impact on customer rates, continue to be relevant. While solar and wind may both be feasible in the NWT with additional financial support, on their own, they cannot provide the reliability that stakeholders demand.

NTPC will continue to monitor all strategic infrastructure options that are reliable, economical, proven and that may reduce its carbon footprint. Today, in the NWT, biomass, geothermal, LNG (liquid natural gas), along with wind and solar, are being evaluated for their value to customers and their impact on the northern environment.

Accordingly, NTPC's vision incorporates short and long term strategies that ensure a solid foundation on which to build the future. That foundation includes working with all stakeholders to realize the most efficient energy market that provides sustainable, reliable and affordable power generation in the NWT.

Performance measures of NTPC's effectiveness in meeting its strategic elements of employee excellence, operational excellence, customer service excellence and financial excellence which support NTPC's mandate are found on page 11.

Legislation requires that this Mandate be reviewed next in 2021/22.

## Legislative requirements

NT Hydro was established under the Northwest Territories Hydro Corporation Act. NT Hydro is a public agency under Schedule B of the Financial Administration Act of the Northwest Territories. The GNWT owns all shares of NT Hydro.

NT Hydro's primary asset is its 100% ownership interest in NTPC, which owns and operates hydroelectric, diesel, gas and photovoltaic generation facilities to provide utility services in the NWT. NTPC is a regulated company, established under the Northwest Territories Power Corporation Act and controls the Northwest Territories Energy Corporation Ltd. (NWTEC). NWTEC, under the authority of the Northwest Territories Power Corporation Act, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility. NWTEC is also responsible for the joint operation and shared ownership (50%) in one residual heat project in Fort McPherson.

NT Hydro has an additional subsidiary; the Northwest Territories Energy Corporation (03) Ltd. (NT Energy). NT Energy was inactive in 2016/17 as the operations of NT Energy were transferred to the GNWT's Public Works and Services effective April 1, 2015.

The majority of the objects for NT Hydro as defined under the Northwest Territories Hydro Corporation Act and NTPC as defined under the Northwest Territories Power Corporation Act are the same, with a few differing points:

- to generate, transform, transmit, distribute, deliver, sell and supply energy on a safe, economic, efficient and reliable basis;
- to supply water and sewerage services (NTPC only);
- to undertake programs to conserve energy;
- to ensure a continuous supply of energy adequate for the needs and future development of the Northwest Territories;
- to undertake any other activity authorized by the Executive Council; and
- to facilitate the expansion of, addition to or replacement of the Twin Gorges Hydroelectric Generating Facility on the Taltson River, and to participate in the supply and sale of electricity generated by that Facility. (NT Hydro only)

The Corporation may, with the approval of the Executive Council, establish one or more subsidiaries to carry out its objects.

The operations of NT Hydro are currently only comprised of the operations of NTPC. The operations of NTPC are regulated by the Public Utilities Board (PUB) of the Northwest Territories pursuant to the Public Utilities Act. The PUB regulates matters covering rates, financing, accounting for regulatory purposes, construction, operation and service area.

The PUB is required to review the affairs, earnings and accounts of NTPC a minimum of every three years. The regulatory hearing process used to establish or change rates typically begins when NTPC makes a General Rate Application (GRA) for its proposed electricity rate changes. Normally, NTPC applies for rates in advance of the applicable fiscal years (Test Years) to which the new rates will apply. In addition to GRAs, interim rate applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next GRA, when rates are reviewed and set as final.

The PUB uses cost-of-service regulation to regulate NTPC's earnings on a return-on-equity basis. On January 21, 2013 in Decision 1-2013 the PUB approved a return on equity for fiscal 2013/14 of 8.5% on assets outside the thermal zone and 0% for thermal zone assets. The approved return on equity will remain in effect until it is reassessed at the time of the next GRA. As actual operating conditions will vary from forecast, actual returns achieved may differ from approved returns.

NT Hydro and NTPC's operations are aligned with their objects and will continue to be in the future.



Preparing for winter road deliveries

## Legislative Assembly Priorities

The Priorities of the 18th Legislative Assembly were tabled on Thursday, December 17, 2015 during the 1st Session of the 18th Legislative Assembly.

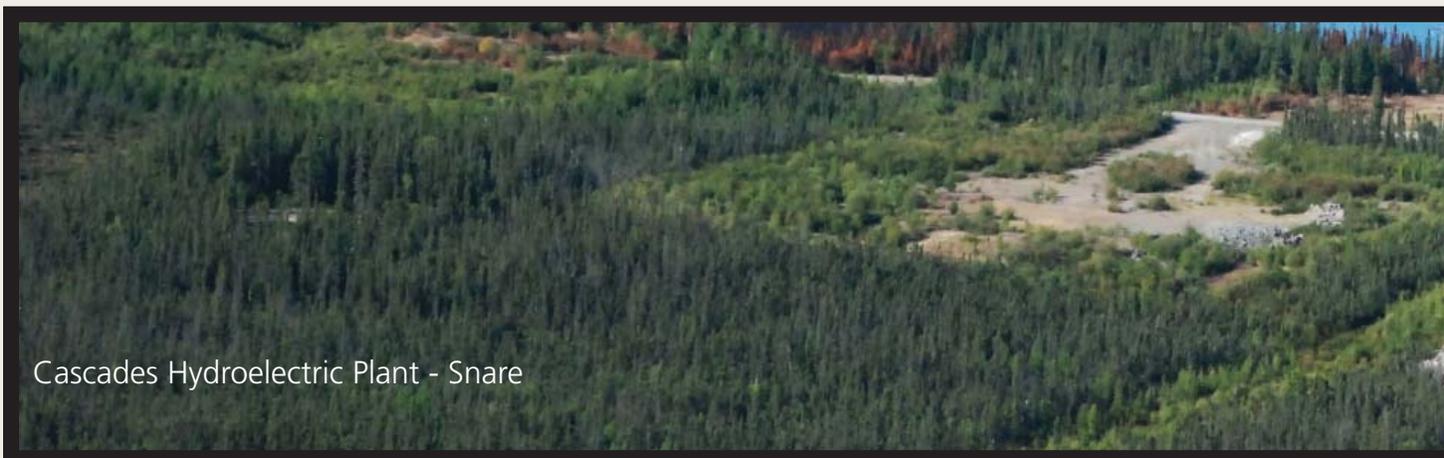
NTPC's 2017/18 corporate plan details NTPC's 2016/17 completed strategic initiatives and its 2017/18 strategic initiatives. These initiatives are aligned with the priorities of the 18th Legislative Assembly and support these priorities in various ways:

### Cost-of-living

The 18th Legislative Assembly will lower the cost-of-living by:

1. Supporting the use of energy-efficient technologies in residential, commercial, and public sectors;
2. Increasing the production and transmission of renewable and alternative energy;
3. Working collaboratively to promote federal investment in reducing the cost-of-living for northerners;

*NTPC will support these priorities by providing customers with the tools and knowledge they need to understand energy consumption, drivers of consumption, how to conserve energy and the regulatory process. Customers will benefit from operational efficiencies achieved through the rollout of NTPC's Computerized Maintenance Management System, the installation of an Intelligent Metering Hub system, heat sales in the South Slave, additional solar projects, design and installation of a variable speed generator pilot project, replacement of diesel generation with LNG generation and pursuing wind generation opportunities.*



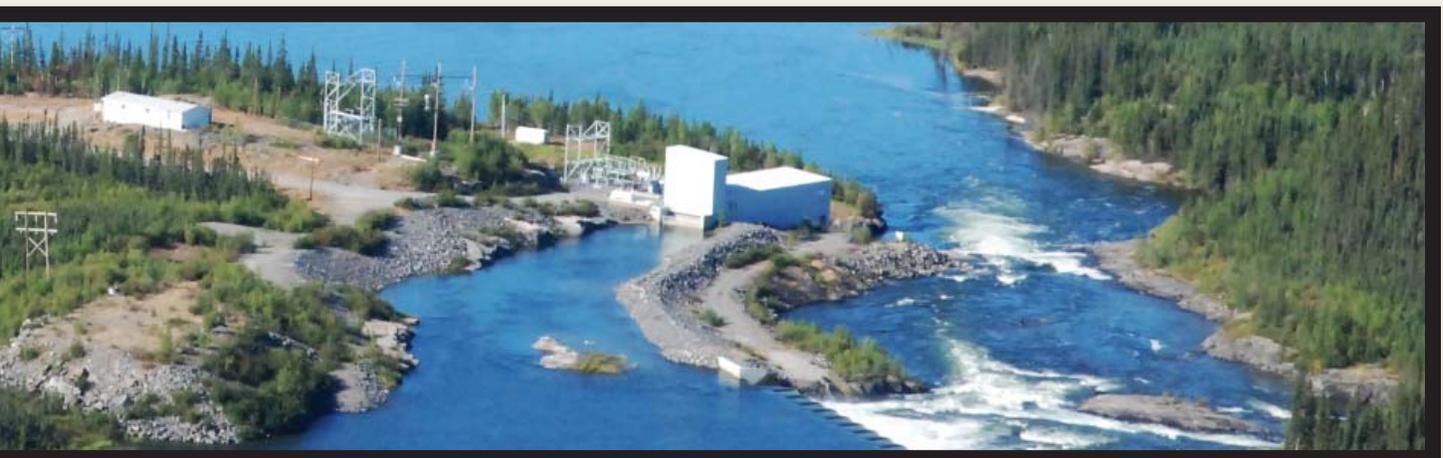
Cascades Hydroelectric Plant - Snare

## Economy, Environment, and Climate Change

The 18th Legislative Assembly will lead economic diversification and environmental stewardship in the NWT by:

1. Making strategic investments in transportation infrastructure and workforce development and utilizing partnerships with northern and Aboriginal businesses;
2. Investing in renewable resources, agriculture, arts, fisheries, forestry, manufacturing, tourism, and traditional harvesting;
3. Improving coordination and effectiveness in resource management systems, recognizing traditional knowledge, land claims agreements, and devolution;
4. Implementing a strategy to mitigate and adapt to climate change in collaboration with other governments and organizations.

*NTPC will support these priorities by coordinating with the GNWT on their development of its new long term energy plan and aligning with the plan upon its completion. NTPC will support the actions of the GNWT to reduce emissions of greenhouse gases; implement future carbon tax initiatives and protect the environment for future generations. The Corporation is capable of managing and delivering large scale energy generation and transmission projects in conjunction with the GNWT to increase the production and transmission of cost-effective and technically feasible renewable and alternative energy in the NWT and will pursue opportunities for this development. The Corporation will also work with the GNWT and the NWT Public Utilities Board to incorporate independent power producers and net metering customers as sources of local, alternative generation for communities in which NTPC's operates.*



# **NT Hydro & NTPC**

## **Financial Information**

**Budget Summary**

**Key Assumptions**

**Changes in Net Debt**

**Capital Expenditures**

## Budget Summary

The following represents a budget summary for the year ending March 31, 2018.

	in \$000's		
	<b>2017/18 Budget</b>	<b>2016/17 Budget</b>	<b>2015/16 Actuals (NTPC Only)</b>
<b>Revenues</b>			
Sale of power	\$ 107,920	\$ 103,007	\$ 99,783
Fuel rider revenues	(984)	(905)	1,711
Other revenue and customer contributions	1,945	2,169	2,511
Interest income	1,459	1,520	1,616
Income from investment in Aadrii Ltd.	75	75	(39)
Insurance Proceeds	-	-	1,278
	<b>110,415</b>	<b>105,866</b>	<b>106,860</b>
<b>Expenses</b>			
Thermal generation	59,788	59,451	76,816
Hydro generation	20,772	18,357	18,531
Corporate services	16,057	17,841	17,155
Transmission, distribution and retail	12,455	10,999	10,059
Purchased power	2,102	2,125	2,263
Alternative power generation	224	307	333
	<b>111,398</b>	<b>109,080</b>	<b>125,157</b>
<b>Deficit before government contributions</b>	<b>(984)</b>	<b>(3,214)</b>	<b>(18,297)</b>
<b>Government contributions</b>			
GNWT extreme low water contributions	-	580	23,008
Other government contributions	217	-	1,732
	<b>217</b>	<b>580</b>	<b>24,740</b>
<b>(Deficit) Surplus for the year</b>	<b>(767)</b>	<b>(2,634)</b>	<b>6,443</b>
Accumulated surplus/equity, beginning of year	114,032	116,666	116,329
<b>Accumulated surplus/equity, end of year</b>	<b>\$ 113,265</b>	<b>\$ 114,032</b>	<b>\$ 122,772</b>

**NOTE:** This Budget does not include a budget for the Hay River Franchise or any significant changes to operations in Norman Wells.

**See significant budget summaries and key assumptions on next page.**

## Budget Summaries – Key Assumptions

NT Hydro and NTPC budgets are one and the same as of April 1, 2016, as NTPC consolidated is the only active subsidiary of NT Hydro as of that date. To that end, all financial information is provided in one set of tables on the preceding page.

The budget for 2017/18 is driven by NTPC's by:

- NTPC's requirement to replace aging infrastructure,
- delivering reliable power to NTPC's customers,
- working with the GNWT to investigate sustainable power supply options
- being efficient and effective with our resources to ensure affordable power,
- meeting commitments made to NTPC's customers and its Shareholder and
- inflation

The following key assumptions (together with variability and other risk factors) were used in preparation of the 2017/18 budget information:

NTPC is budgeting for a \$0.767 million deficit for 2017/18, compared to the \$2.6 million deficit budgeted for 2016/17.

### Revenues:

Power revenues in the O&M Budget for 2017/18 include a place marker for rate increases proposed in Phase I of NTPC's 2016/19 GRA: 4.0% increase for 2017/18 on top of a 4.8% increase proposed for 2016/17. The impact to customers of the proposed rate increases are partially offset by the fuel rider refund of \$0.984 million. This refund rider went into effect June 1, 2016.

Generally utilities realize 1-2% annual growth in electrical sales which largely offsets inflationary pressures. NTPC's sales have been constant or declining in the past few years. This trend is partially a result of current economic conditions and lower population in the NWT and partially due to conservation and self-generation. Based on small increases seen in sales to government customers in 2016/17, NTPC is budgeting a small increase in sales to these customers in 2017/18 offsetting decreases budgeted to other customer groups.

Other revenues are projected to decrease by \$0.3 million compared to the 2016/17 budget, resulting from a slower uptake in 2016/17 for electric heat sales in the south slave (Taltson zone) and reduced customer contributions related to adding new customers to NTPC's system.

### Expenses:

Total expenses are budgeted to increase by \$2.3 million (2%) compared to the 2016/17

budget. Due to a reorganization within the Company in 2016/17 on how internal workgroups are arranged, some costs reported under Thermal Generation, Hydro Generation, Corporate services and Transmission, Distribution and Retail functions in 2016/17 have been reallocated in the 2017/18 budget and there is not a direct comparison of costs between functions year to year.

The overall increase of \$5.9 million in operating expenses is due mainly to inflationary increases of \$2.1 million and a \$3.8 million increase in the 2017/18 budget for the net gain / loss and disposal costs associated with replacing aging infrastructure as per NTPC's power system plan and asset management framework.

These increases in costs for 2017/18 are offset by reductions of \$3.6 million in operating costs for the Thermal functions and Corporate Services. Decreases in the Thermal function are related to a \$2.3 million decrease in overhaul costs and a \$0.6 million decrease in costs budgeted in 2016/17 related to responding to the extreme low water situation. Decreases in Corporate services of \$0.7 million relate to decreases in expenditures budgeted for responding to regulatory requirements in 2017/18.

Government contributions revenues are budgeted at \$0.2 million as there is currently only one known contribution agreement with the GNWT signed for 2017/18.



## 2017/18 Statement of Net Debt:

As part of PSAS, a budget is presented for the Statement of Net Debt. The 2017/18 Statement of Net Debt is based on assumptions used for the 2017/18 PSAS O&M budget. Capitalized overhead, capitalized interest and amortization expense all come from 2017/18 PSAS O&M budget. The budgets for the purchases and uses of prepaids and inventories are based on historical usage along with applied knowledge of any changes expected in 2017/18.

## Consolidated Statement of Changes in Net Debt

	<u>in \$000's</u>
	<u>2017/18</u>
	<u>Budget</u>
<b>Deficit for the year</b>	\$ (767)
<b>Tangible capital assets</b>	
Additions	(26,131)
Capitalized overhead	(3,200)
Capitalized interest	(580)
Disposals	-
Amortizations	17,869
	<u><b>(12,042)</b></u>
Additions of inventory	(5,772)
Use of inventories	5,630
Additions of prepaids	(2,200)
Use of prepaids	2,100
	<u><b>(242)</b></u>
<b>Increase in net debt for the year</b>	<u><b>(13,051)</b></u>
Net Debt, beginning of year	(270,323)
<b>Net Debt, end of year</b>	<u><b>(283,374)</b></u>

## Capital Expenditures

Investments in capital infrastructure are made annually to replace assets that have reached the end of their useful lives. The capital program for 2017/18 is made up of the following:

	in \$000's	
	2017/18 Budget	2016/17 Forecast
Hydro generation	\$ 12,530	\$ 8,943
Thermal generation	10,489	5,837
Transmission, distribution and retail	6,859	4,250
Corporate services	2,990	999
Alternative power generation	658	166
GNWT capital funding	(658)	(760)
	<b>\$ 32,868</b>	<b>\$ 19,435</b>

**NOTE:** These Capital Expenditures do not include capital expenditures for the Hay River Franchise or any significant changes to operations in Norman Wells.

### 2017/18 Capital Budget

