

**PUBLIC UTILITIES BOARD  
OF THE NORTHWEST TERRITORIES**

**ANNUAL REPORT**

**For the year ending  
December 31, 2015**

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## **PUBLIC UTILITIES BOARD OF THE NORTHWEST TERRITORIES**

### **Mandate**

The Public Utilities Board of the Northwest Territories (“**Board**”) is an independent regulatory agency of the Territorial Government operating under and administering the *Public Utilities Act* (“**Act**”). The Board is primarily responsible for the regulation of energy utilities in the Northwest Territories (“**NWT**”), to ensure that the rates charged for energy are fair, just and reasonable. It is also responsible for ensuring utility operators provide safe, adequate and secure services to their customers.

### **Board Organization**

The Board consists of a part time Chairperson and four part time members. The Board Secretary, who reports to the part time Chairperson, administers the office. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees.

The Board requires specialized assistance and so has contracts for legal counsel and technical expertise. No changes are contemplated, as the arrangement is cost effective.

The Minister Responsible for the Board, upon the recommendation of the Executive Council, appoints members of the Board. At the end of 2015, the Board consisted of the following persons:

<b>Chairperson</b>	Gordon Van Tighem, Yellowknife, Northwest Territories
<b>Vice-Chairperson</b>	Sandra Jaque, Fort Smith, Northwest Territories
<b>Member</b>	Charlie Furlong, Aklavik, Northwest Territories
<b>Member</b>	Lorraine Tremblay, Norman Wells, Northwest Territories

The Board was assisted by:

<b>Board Secretary</b>	Louise Larocque, Hay River, Northwest Territories
<b>Legal Counsel</b>	Ayanna Catlyn, Field Law, Yellowknife, Northwest Territories
<b>Consultant</b>	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Calgary, Alberta

## **REGULATORY JURISDICTION**

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation  
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.  
Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited  
Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited  
Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells  
Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.  
Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.  
Head Office: Inuvik, Northwest Territories

## UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

Energy utilities, as defined in the *Act*, are subject to Board regulation. The Board's principal responsibility is to ensure that each utility provides safe, adequate service at rates which are just and reasonable. When it receives an application to set rates, primarily through a General Rate Application (“**GRA**”), the Board must balance the competing interests of consumers, and the utilities. Rates are set through a public hearing process. The Board's objective through the hearing process is to guarantee that the public interest is served and protected.

Public involvement is an essential component of the regulatory process. The Board ensures the opportunity for public participation by directing the applicant to publish a notice, approved by the Board, advising that a hearing is to be held to consider the application. The notice may be published in newspapers throughout the utility's service area, included in each customer's monthly billings, or such other method that the Board considers appropriate.

The Board has the authority to award costs at the conclusion of a hearing. Interveners before the Board may receive up to 100% of their reasonably incurred costs provided that, in the Board's opinion, the intervention contributed in a meaningful way to the Board's understanding of the application.

Interveners are interested parties who register with the Board and receive copies of the application and all written questions and answers.

Interveners may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses, and cross-examine the applicant. The applicant, as well as other interveners, is provided the opportunity to cross-examine the intervener and the intervener's expert witnesses. Alternatively, the intervener may choose to not actively participate in the hearing, but simply receive all available information.

After hearing and reviewing the evidence, the Board issues its Decision on the application. The Board may reject the rate change, modify it, or approve it as requested.

The Board also approves major capital projects, the issuance of long-term debt and municipal franchise agreements.

## 2015 HIGHLIGHTS

The Board's major activities during 2015 were the GRAs of Northland Utilities (NWT) Limited ("**NUL NWT**") and the Northwest Territories Power Corporation ("**NTPC**").

On April 10, 2015, the Executive Council of the Government of the Northwest Territories ("**GNWT**") issued a set of policy directions ("**Instructions**") to the Board pursuant to Section 14(1) of the *Act*. The Instructions pertain to the NTPC 2012/14 Phase II GRA as well as NUL NWT 2014/15 Phase II GRA.

By letter dated April 22, 2015, the Board provided NTPC further elaboration of the Instructions for consideration by NTPC as part of its Phase II evidence, to help facilitate an efficient process for implementation of the Instructions. The Board stated that the Phase II applications, as currently scheduled, would have NTPC file its 2012/14 Phase II GRA by May 1, 2015 and NUL by end of May 2015. In order to allow sufficient time for the required coordination between the utilities to take place, the Board approved the postponement in the filing date of NTPC's Phase II to May 31, 2015. The Board stated that the delay in NTPC's filing date of one month would allow sufficient time for NTPC and NUL to adopt a coordinated approach with respect to the customer fixed charges.

### **Northwest Territories Power Corporation ("**NTPC**")**

#### **2012/2014 Phase II GRA**

In an email, dated May 29, 2015, from NTPC had requested an extension to June 12, 2015 of the deadline for filing its GRA because NTPC is working to combine both the Phase II GRA, Inuvik major project permit update and the stabilization fund update and the interrelationships between these items is taking extra time to work through. NTPC indicated that the stabilization fund update is also impacted by its fiscal 2015 year end and also in the middle of its audit and transition to public sector accounting so the resources are spread quite thin. The Board accepted NTPC's proposed changes to move the GRA filing date to June 12, 2015.

NTPC, by email dated June 11, 2015, filed its 2012/14 Phase II GRA.

By letter dated September 25, 2015, NTPC requested that the Board reconsider the need for an oral hearing respecting the above proceeding, which is currently scheduled for October 20-22, 2015. NTPC submitted, the direct impact of the GNWT guidelines on the rate design and Revenue to Cost Coverage (RCC) aspects of NTPC's Phase II Application as well as the extensive record built up through the information request process suggest a hearing is not required.

However, NTPC suggested that the introduction of net metering rates could best be addressed through a one day workshop with all interested parties at the table.

After receiving comments from interested parties, the Board, in a letter dated October 2, 2015, decided to move forward with a written process. The Board provided a schedule for the remainder of the NTPC Phase II proceeding. The Board stated that a workshop to discuss net metering rates in a broader policy contest could be convened for late January 2016.

The Board will issue a decision for NTPC in early 2016.

#### *Rate Stabilization Fund (“RSF”) Rider*

By letter dated, September 3, 2015, NTPC filed a RSF reconciliation and update for March 31, 2015. Based on the forecast fund balance continuity schedules, NTPC indicated it is on target to remove the current RSF Rider in October 2015.

Following the RSF reconciliation and update filed on September 3, 2015, NTPC confirmed by way of letter dated October 28, 2015, that its RSF Rider (1.17 cents/kWh) will be terminated on October 31, 2015.

The Board issued Decision Letter 002-2015, dated October 30, 2015 approving NTPC’s request for termination of the RSF Rider on October 31, 2015, based on the September 3, 2015 RSF update and NTPC's view that the fuel rider is no longer required after October 31, 2015.

Since a final reconciliation of the RSF account may not be available until sometime after October 31, 2015, NTPC was directed in Decision Letter 002-2015 to file a final reconciliation of the RSF account by December 31, 2015. In Decision Letter 002-2015, the Board also requested that NTPC provide responses to certain Board information requests by November 30, 2015, to assist with the review of the final reconciliation of the RSF.

The Board confirms by way of a Decision, the approval for termination of NTPC’s RSF Rider, effective October 31, 2015 as set out in Decision Letter 002-2015.

#### *Northland Utilities (NWT) Limited (“NUL NWT”)*

##### *2014/15 Phase II GRA*

By letter dated July 25, 2014, NUL NWT filed its Phase II GRA with the Board for approval, with respect to the test years 2014 and 2015. NUL NWT stated that the Phase II GRA consist of a Cost of Service Study (“**COSS**”), Rate Design and corresponding rate schedules and the Terms and Conditions of Service.

In a letter dated March 31, 2015 and April 1, 2015, NUL NWT stated that it has reviewed its previously submitted COSS and is of the opinion that adjustments are required to the COSS which will have a material impact on the currently applied for rates. NUL NWT also indicated that it will take the opportunity to review and consider any impending instructions from the GNWT for this refilling.

In the Board's letter of April 22, 2015, the Board provided further elaboration on the Directions included in the Instruction, for consideration by NUL NWT as part of its amended Phase II evidence, to help facilitate an efficient process for implementation of the Instructions.

By letter dated May 29, 2015, NUL NWT filed its Amended 2014/15 Phase II GRA.

A public hearing was held in Hay River on October 6, 2015. The Board will issue a decision for NUL NWT in early 2016.

### **Other Matters**

The Board dealt with other regulatory matters that are detailed in the decision summary.

Board members participated in the Annual Conference and Annual General Meeting hosted by the Canadian Association of Members of Public Utility Tribunals ("**CAMPUT**"). CAMPUT is the Board's primary resource for providing staff and Board members with training and education in areas of utility regulation.

Ms. Sandra Jaque and Mr. Michael McLeod attended the 2015 CAMPUT Annual Conference in Calgary AB on May 10 to 13, 2015.

Mr. Gordon Van Tighem and Ms. Louise Larocque attended the 2015 CAMPUT Conference and Annual General Meeting in Charlottetown PE, on September 13 to 16, 2015.

Ms. Lorraine Tremblay attended the 2015 Energy Regulation Course in Kingston.

## A LOOK AHEAD

During the NTPC proceeding, NTPC suggested that the introduction to net metering rates could best be addressed through a one day workshop with all interested parties at the table. NTPC, Northland Utilities, the interveners, the Arctic Energy Alliance and the GNWT would all be invited to take part in the workshop and a process would be established for discussion of the specific agenda of topics. The workshop was scheduled for late January 2016, but due to the Territorial election and the executive council not assigned portfolios until December 21, 2015 and also some parties not available in January and February 2016, the Board decided to reschedule the workshop before the end of March 2016.

During the summer of 2016, it is anticipated that NTPC will file its 2016/17 Phase I and II GRA and Northland Utilities (Yellowknife) Limited ("**NUL YK**") is also expected to file its 2016/17 Phase I and II GRA. This will enable the Board to undertake the review of NTPC and NUL YK's affairs, earnings and accounts.

## SUMMARY OF 2015 BOARD DECISIONS

### **DECISION 1-2015**

**January 15, 2015**

#### **Application:**

By letter dated December 19, 2014, the counsel for the Town of Hay River (“**Hay River**”), Mr. Thomas D Marriott, made an application to the Board for intervener costs with respect to NUL NWT’s Phase I GRA, in an amount of \$33,972.99.

By letter dated January 5, 2015, NUL NWT stated that it had reviewed the application and found the costs reasonable and in accordance with the Board’s Scale of Costs.

#### **Order:**

The Board awarded costs in the amount of \$33,972.99 to Hay River.

### **DECISION 2-2015**

**January 30, 2015**

#### **Application:**

By letter dated December 22, 2014, the counsel for the Thermal Generation Communities (“**TGC**”), Mr. G. Ranji Jeerakathil, made an application to the Board for intervener costs with respect to Standardized System of Account and GRA Minimum Filling Requirements Report, in an amount of \$20,792.75.

By letter dated January 8, 2015, Northland Utilities Limited (“**Northland**” collectively “NUL NWT and NUL YK”) stated that it had reviewed the application and found the costs reasonable and in accordance with the Board’s Scale of Costs.

#### **Order:**

The Board awarded costs in the amount of \$20,792.75 to TGC.

### **DECISION 3-2015**

**February 12, 2015**

#### **Application:**

By letter dated December 19, 2014 NTPC advised the Board that it is changing its financial reporting framework to the Public Sector Accounting Standard (“**PSAS**”). NTPC states that the change in reporting standard is required considering the significant financial contributions recently provided by the GNWT to subsidize NTPC customers; consequently, NTPC no longer passes the tests required under Part V of Generally Accepted Accounting Principles and is now required to follow the reporting standard of other government organizations.

With regard to the system of accounts that are to be maintained by a Public Utility, Section 76(2)a) of *the Act* provides that a Public Utility shall:  
keep the records and accounts that the Board may require, including a uniform system of accounting established by the Board;

Having regard to the foregoing, the Board directed NTPC to file an application for approval of the change in accounting standard to PSAS, by January 15, 2015.

By letter dated January 16, 2015, NTPC filed its information in relation to its conversion to the PSAS.

**Order:**

The Board has reviewed the information filed by NTPC and accepted NTPC proposal to adopt the PSAS commencing with the 2015 fiscal year for financial accounting and reporting purposes.

**DECISION LETTER 001-2015**

**February 12, 2015**

**Application:**

Pursuant to Board Decision 13-2009, the Board received a letter, dated February 4, 2015 from Northland requesting approval to make changes to customer's bill. In Directive 8 of Decision 13-2009, the Board directed Northland to modify the customer's bill to show cost per kW/h used.

**Order:**

The Board accepts Northland's request to modify the current customer's bill to reflect the changes stated in its letter.

**DECISION 4-2015**

**February 16, 2015**

**Application:**

By letter dated January 14, 2015, the counsel for the Hydro Communities ("HC"), Mr. Thomas D Marriott, made an application to the Board for intervener costs with respect to Standardized System of Account and GRA Minimum Filling Requirements Report, in an amount of \$10,657.03.

By letter dated January 22, 2015, Northland stated that it had reviewed the application and found the costs reasonable and in accordance with the Board's Scale of Costs.

**Order:**

The Board awarded costs in the amount of \$10,657.03 to HC.

**DECISION 5-2015**

**February 16, 2015**

**Application:**

By letter dated January 14, 2015, the Counsel for the City of Yellowknife (“**Yellowknife**”), Mr. Thomas D. Marriott made an application to the Board for intervener costs with respect to NTPC Low Water Rider Application, in the amount of \$5,394.15.

By letter dated January 29, 2015, NTPC stated that it has no comments regarding the cost claim submitted on behalf of Yellowknife.

**Order:**

The Board awarded costs in the amount of \$5,394.15 to Yellowknife.

**DECISION 6-2015**

**February 16, 2015**

**Application:**

By letter dated January 16, 2015, the Counsel for TGC, Mr. G. Rangi Jeerakathil made an application to the Board for intervener costs with respect to NTPC Low Water Rider Application, in the amount of \$3,362.50.

By letter dated January 29, 2015, NTPC stated that it has no comments regarding the cost claim submitted on behalf of TGC.

**Order:**

The Board awarded costs in the amount of \$3,362.50 to TGC.

**DECISION 7-2015**

**March 10, 2015**

**Application:**

By letter dated December 22, 2014, NTPC submitted an application to the Board for approval of a project permit, pursuant to Section 54 of *the Act*, for a major capital project permit respecting the replacement and relocation of the generation plant at Colville Lake. NTPC states that the total cost of the proposed project is estimated at \$6.6 million including the purchase and installation of three new modular generators (diesel), integrated with 135 kW of solar generation and 200 kWh of battery storage.

**Order:**

The Board approved NTPC’s application for a project permit for the replacement and relocation of the generating plant at Colville Lake.

**DECISION 8-2015**

**March 12, 2015**

**Application:**

By letter dated February 27, 2015, NTPC filed a 2016 Base Rate Adjustment application requesting a 6.2% increase to base rates. The proposed increase is the last of the rates phase-in increase to bring revenues in line with the approved 2013/14 revenue requirement.

**Order:**

The Board has reviewed the application and calculations as set out in the schedules provided and approved the proposed rates schedules, effective April 1, 2015.

**DECISION 9-2015**

**April 27, 2015**

**Application:**

By letter dated April 10, 2015, NUL NWT filed an application to increase the Purchase Power Cost Adjustment Rider (Rider F), applicable to the Hydro Rate Zone, effective May 1, 2015.

**Order:**

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective May 1, 2015.

**DECISION 10-2015**

**April 27, 2015**

**Application:**

By letter dated April 10, 2015, NUL YK filed an application to increase the Purchase Power Cost Adjustment Rider (Rider F), applicable to the City of Yellowknife customers, effective May 1, 2015.

**Order:**

The Board reviewed the schedules and information provided by NUL YK and approved rate rider, effective May 1, 2015.

**DECISION 11-2015**

**June 9, 2015**

**Application:**

By letter dated March 26, 2015, NTPC submitted an application pursuant to Section 67(3)(c) of the *Act* for approval to enter into a capital lease agreement

with the Behdzi Ahda First Nation (“**BAFN**”) to procure an office and sleeper trailer for the new Colville lake power plant.

**Order:**

The Board noted that the proposed capital lease option results in the lowest present value cost compared with the other options of either using temporary accommodations or purchasing the trailer. In addition, the capital lease option provides flexibility in the event NTPC's accommodation requirements change after expiry of the 5 year lease term. The Board approves NTPC's request to enter into a capital lease agreement with the BAFN to procure office and sleeper trailer accommodation required for the new Colville Lake power plant.

**DECISION 12-2015**

**June 16, 2015**

**Application:**

By letter dated May 13 2015, the Counsel for TGC, Mr. G. Rangi Jeerakathil made an application to the Board for intervener costs with respect to NTPC Project Permit Application, Colville Lake Plant, in the amount of \$2,105.50.

By letter dated June 3, 2015, NTPC stated that it has no comments regarding the cost claim submitted on behalf of TGC.

**Order:**

The Board awarded costs in the amount of \$2,105.50 to TGC.

**DECISION LETTER 002-2015**

**October 30, 2015**

**Application:**

NTPC, by letter dated October 28, 2015, indicated that the fuel rider associated with the Territorial Wide Fuel Rider Fund (1.17cents/kWh) will be terminated on October 31, 2015.

**Order:**

The Board approved NTPC's request for termination of the fuel rider on October 31, 2015.

**DECISION 13-2015**

**November 18, 2015**

**Application:**

By letter dated, September 3, 2015, NTPC filed a RSF reconciliation and update for March 31, 2015. Based on the forecast fund balance continuity schedules, NTPC indicated it is on target to remove the current RSF Rider in October 2015.

Following the RSF reconciliation and update filed on September 3, 2015, NTPC confirmed by way of letter dated October 28, 2015, that its RSF Rider (1.17 cents/kWh) will be terminated on October 31, 2015.

The Board issued Decision Letter 002-2015, dated October 30, 2015 approving NTPC's request for termination of the RSF Rider on October 31, 2015, based on the September 3, 2015 RSF update and NTPC's view that the fuel rider is no longer required after October 31, 2015.

Since a final reconciliation of the RSF account may not be available until sometime after October 31, 2015, NTPC was directed in Decision Letter 002-2015 to file a final reconciliation of the RSF account by December 31, 2015. In Decision Letter 002-2015, the Board also requested that NTPC provide responses to certain Board information requests by November 30, 2015, to assist with the review of the final reconciliation of the RSF.

**Order:**

Having reviewed NTPC's RSF reconciliation and update of September 3, 2015 and the October 28, 2015 NTPC letter requesting termination of the territorial wide fuel rider, the Board confirms by way of this Decision, the approval for termination of NTPC's RSF Rider, effective October 31, 2015 as set out in Decision Letter 002-2015.

**DECISION 14-2015**

**November 18, 2015**

**Application:**

By letter dated November 5, 2015, NUL YK filed an application requesting approval of an adjustment to the Purchase Power Cost Adjustment Rider (Rider F), applicable to the City of Yellowknife customers, effective December 1, 2015.

**Order:**

The Board reviewed the schedules and information provided by NUL YK and approved rate rider, effective December 1, 2015.

**DECISION 15-2015**

**December 10, 2015**

**Application:**

By letter dated June 9, 2015, NTPC submitted an application to the Board for approval of a project permit, pursuant to Section 54 of the *Act*, for a major capital project permit respecting the purchase and installation of modular diesel units to replace the current generation capacity of a Mirrlees diesel until. NTPC states that the total cost of the proposed project is estimated at \$6.5 million including the design, purchase and the required additions to the Jackfish plant to connect the modular plants to existing infrastructure. The modular units will allow NTPC

to meet the Required Firm Capacity criteria for Yellowknife if one Mirrlees unit is unavailable. NTPC stated that modular as opposed to permanent diesel generation supports pursuing long term goals of more renewable sources for the Snare/Yellowknife system, as units can be redeployed or sold when not required.

**Order:**

The Board approved NTPC's application for a project permit for the purchase and installation of modular diesel units at the Jackfish plant in Yellowknife to replace the Mirrlees diesel unit and to address capacity concerns arising from low water conditions on the Snare and Bluefish system.

**DECISION 16-2015**

**December 10, 2015**

**Application:**

By letter dated June 9, 2015, NTPC submitted an application to the Board for approval of a project permit, pursuant to Section 54 of the *Act*, for a major capital project permit for a major overhaul of the Snare Falls Hydro unit. NTPC states that the total cost of the proposed project is estimated at \$10.5 million including the diesel fuel expense that NTPC is proposing to capitalize.

**Order:**

The Board approved NTPC's application for a project permit for the major overhaul of the Snare Falls Hydro unit.

**DECISION 17-2015**

**December 17, 2015**

**Application:**

By letter dated November 6, 2015, NUL NWT applied to the Board for approval to issue a long term debt instrument in the amount of \$800,000, by way of an unsecured debenture with an interest rate of 4.001% to ATCO Electric Ltd.

**Order:**

After reviewing the application, the Board approved the issuance of the Debenture, in the principal amount of \$800,000 at an interest rate of 4.001% to ATCO Electric Ltd.