

**PUBLIC UTILITIES BOARD
OF THE NORTHWEST TERRITORIES**

ANNUAL REPORT

**For the year ending
December 31, 2013**

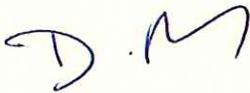
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February 10, 2014

The Honourable George Tuccaro
Commissioner of the Northwest Territories

I am submitting the Annual Report of the Public Utilities Board of the Northwest Territories for the calendar year ending December 31, 2013.



David Ramsay
Minister Responsible for the Public Utilities Board

Attachment



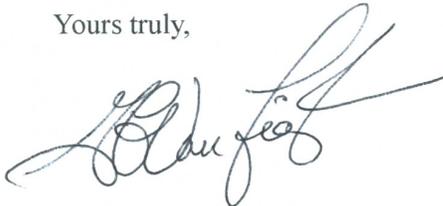
February 10, 2014

The Honourable David Ramsay
Minister Responsible for the
Public Utilities Board of the Northwest Territories

Dear Minister Ramsay:

I am pleased to submit the Annual Report of the Public Utilities Board of the Northwest Territories for the calendar year ending December 31, 2013, in accordance with the provisions of Section 16. (1) of the *Public Utilities Act*.

Yours truly,



Gordon Van Tighem
Chairperson

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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 position of Chairperson has been part time since April 1, 2001. 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 2013, the Board consisted of the following persons:

Chairperson	Gordon Van Tighem, Yellowknife, Northwest Territories
Vice-Chairperson	Sandra Jaque, Fort Smith, Northwest Territories
Member	William Koe, Fort McPherson, Northwest Territories
Member	Michael McLeod, Fort Providence, Northwest Territories
Member	Charlie Furlong, Aklavik, Northwest Territories

The Board was assisted by:

Board Secretary	Louise Larocque, Hay River, Northwest Territories
Legal Counsel	John Donihee, McLennan Ross, Calgary, Alberta
Consultant	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.

2013 HIGHLIGHTS

Scale of Costs for Cost Claims

On March 29, 2013, the Board prepared the Scale of Costs as a consolidation of its practices regarding the submission, consideration and approval of participant cost claims.

The Scale of Costs will provide all parties with greater certainty and clarity regarding the cost claim process rather than continuing to rely upon past practice as a guide.

Development of Standardized System of Accounts/Minimum Filing Requirements (SSA/MFR) – General Rate Application Filing Manual

In a letter dated March 27, 2013, the Board proposed to constitute the SSA/MFR Project Committee, consisting of representative membership from the NWT electric utilities and intervener groups, with Mr. Raj Retnanandan, Board representative, serving as the SSA/MFR Committee Chairperson.

The Membership of the Committee is comprised of representatives from NTPC, Northland, the Thermal Generation Communities, the Hydro Communities and the Dehcho First Nation. The SSA/MFR Committee is charged with the task of collaboratively developing SSAs and MFRs that can be implemented on a cost effective basis for use in GRAs filed with the Board.

Upon receipt of the consensus SSA/MFR, the Board will establish a process to assess whether approval of the SSA/MFR documents is in the public interest.

Northwest Territories Power Corporation (“NTPC”)

2012 to 2014 GRA

The hearing of the GRA was held in the City of Yellowknife on September 26 and 27, 2012. Following the public hearing, the Board issued Decision 1-2013, dated January 21, 2013 determining matters arising from the GRA and directing NTPC to file a Compliance Filing Application reflecting the Board's findings and directions, within 45 days, of the Decision. On March 4, 2013, NTPC submitted its Compliance Filing Application. NTPC stated that the Compliance Filing addresses Board direction Nos. 1 to 23.

By letter dated April 19, 2013, NTPC provided responses to information requests (“IRs”) and indicated updates reflecting 2011/12 actual closing balances had not been fully incorporated on a consistent basis into the March 4, 2013 Compliance filing. Accordingly, NTPC provided an Updated Compliance Filing incorporating the Board’s Directives from Decision 1-2013, including updating for 2011/2012 actual closing balances. The Board issued Decision 9-2013 approving NTPC’s revenue requirement and confirmed the existing interim rates to be final rates.

NTPC and Northland Utilities (Yellowknife) Ltd. (“NUL YK”)

Inquiry into the High Incidence of Power Outage in the City of Yellowknife

On September 5, 2012, the Board issued a letter to NTPC and NUL YK in response to recent press reports and a number of informal complaints from citizens of the city, regarding the high incidence of power outages in the city in the preceding months. The Board indicated that it intended to review the matter further with a view to determining whether there was a cause for concern and if so, to better understand the frequency and duration of the outages and how they might be addressed.

As such, NTPC and NUL YK were directed to jointly file a report with the Board providing reliability information for the Yellowknife wholesale supply system and the NUL YK distribution system, including identification of the cause of recent power outages.

Upon reviewing the joint report, the Board, by letter dated October 24, 2012, initiated a proceeding, pursuant to Section 21 of the *Act*, to formally inquire into the matter of power outages in the city.

The Board established a schedule including a round of IRs to NTPC and NUL YK followed by a Technical Meeting involving interested parties.

On January 29, 2013, a Technical Meeting was held in Yellowknife. NTPC and NUL YK made presentations at the meeting. The presentations were followed by questions by Board staff, followed by open discussion on reporting requirements and next steps. No other interested parties attended this meeting.

Having regard to the broader scope of issues raised and discussed during the Technical Meeting, the Board issued a letter dated February 6, 2013 which set out an expanded scope of issues to be addressed in additional submissions to be filed by NTPC and NUL YK and Northland Utilities NWT Limited (“**NUL NWT**”) (“**Northland**” refers to both NUL YK and NUL NWT).

The Board issued Decision 10-2013, dated August 6, 2013. The directions in this Decision are intended to facilitate greater accountability and transparency on the part of both NTPC and Northland through periodic reporting of reliability data, calculated in a consistent manner, and this in turn may pave the way for adoption of reliability standards in the future, as may be required.

NTPC and Northland

2013 Net Metering Applications

On June 14, 2013 and Jul 31, 2013, the Board received applications for Net Metering from NTPC and Northland, respectively. NTPC filed their application to terminate the existing temporary Net Billing Pilot Project and establish a permanent Net Metering Program effective August 1, 2013. NTPC also sought approval to exempt customer self-generation from its standby charge and, at the choice of the customer, to permanently grandfather customers on the Pilot Project. Northland also filed their application to terminate its Net Billing Pilot Project and establish a permanent Net Metering Program effective October 1, 2013. Northland sought approval of its proposed operating agreement template and specific interconnection guidelines, as well as approval to, at the customer's choice, transition those customers to the Net Metering program.

The Board established a written hearing.

On August 27, 2013, NTPC filed a revised application for its permanent Net Metering Program. The revised application amended the date for termination of the Pilot Project and extended the date for establishing the Net Metering Program to October 1, 2013 and expanded the availability of its Net Metering Program to all communities, including hydro communities and expanded the nature of the acceptable renewable energy beyond solar, to all forms of customer installed intermittent renewable generation.

The Board will be issuing a decision on the Net Metering Applications early in 2014.

Other Matters

As of April 1, 2013, Mr. Gordon Van Tighem became the new Chair of the Board. Mr. Charlie Furlong and Mr. Michael McLeod were also appointed to the Board.

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.

Mr. Gordon Van Tighem attended the 2013 Energy Regulation Course in Kingston, ON.

A LOOK AHEAD

With the changes to Board Membership in 2013 and the introduction of Territorial programs such as the Energy Plan and Economic Opportunity Strategy, 2014 promises to be an evolutionary year.

Our work continues with the development of a Standardized System of Accounts and Minimum Filing Requirements working toward a more comprehensible, cost effective and efficient regulatory process. An update to the *Act* has been brought forward and the recommendations would move us toward innovation in rate setting enjoyed across other jurisdictions. Completion of the Yellowknife Region Outages Review has introduced a new accountability and improved communication.

Challenges continue in some local and our national propane pricing and supply, requiring additional monitoring in the short term. Our Territorial Net Billing Pilot was completed leading to our Net Metering ruling providing opportunities for increased renewable supply supporting the Territorial Energy Strategy.

The challenges of our remote locations and the ongoing and innovative solutions introduced by the GNWT, the Utilities and the Board, continue to bring our members to the National stage with frequent invitations to contribute to sessions on innovation and sustainability.

Our Annual Report is presented herewith summarizing the past year's accomplishments.

SUMMARY OF 2013 BOARD DECISIONS

DECISION 1-2013

January 21, 2013

Application:

By letter dated March 23, 2012, NTPC filed its GRA. The application outlined forecast costs for providing electricity service for the 2012/13 and 2013/14 fiscal years.

The Board held a hearing in the City of Yellowknife on September 26 and 27, 2012.

Order:

The Board directed NTPC to file its Compliance Filing in accordance with the findings and directions in this Decision within 45 days of the date of this Decision.

DECISION 2-2013

January 28, 2013

Application:

By letter dated November 29, 2012, the counsel for the Thermal Generation Communities (“TGC”), Mr. G. Rangi Jeerakathil, made an application to the Board for intervener costs with respect to NTPC 2012/14 GRA, in an amount of \$74,629.65.

By letter dated December 17, 2012, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$74,629.65 to TGC.

DECISION 3-2013

March 27, 2013

Application:

By letter dated February 25, 2013, the counsel for the City of Yellowknife and Town of Hay River (“YK/HR”), Mr. Thomas D. Marriott, made an application to the Board for intervener costs with respect to NTPC 2012/14 GRA, in an amount of \$77,962.50.

By letter dated March 13, 2013, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$77,962.50 to YK/HR.

DECISION 4-2013

March 28, 2013

Application:

By letter dated March 18, 2013, NTPC applied for 2013/14 Interim Rate Riders which would give effect to the 7% increase in rates pursuant to Section 44 of the *Act*. NTPC stated that the proposed rates have been calculated based on increasing existing energy charges (inclusive of base rates and 2012/13 approved interim rates) by 7% for all customer classes in all rate zones.

Order:

The Board reviewed the schedules and information provided by NTPC and approved the interim rate rider application, effective April 1, 2013, on an interim refundable basis.

DECISION 5-2013

April 23, 2013

Application:

By letter dated April 11, 2013, NUL YK submitted an application requesting approval for an increase to the Purchase Power Cost Adjustment Rider (Rider F) applicable to the City of Yellowknife customers.

Order:

The Board reviewed the schedules and information provided by NUL YK and approved the rate rider, effective May 1, 2013.

DECISION 6-2013

April 23, 2013

Application:

By letter dated April 11, 2013, NUL NWT submitted an application requesting approval for an increase to the Purchase Power Cost Adjustment Rider (Rider F) applicable to the Hydro Rate Zone.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved the rate rider, effective May 1, 2013.

DECISION 7-2013

April 23, 2013

Application:

By letter dated April 17, 2013, NUL NWT submitted an application requesting approval to set the Cost Recovery/Refund Rider (Rider H) to 0.0% applicable to all rate classes.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved the rate rider, effective May 1, 2013.

DECISION 8-2013

June 14, 2013

Application:

By letter dated June 7, 2013, NUL YK filed a 2012 Deferral Account Application (Rider T) applicable to customers in the City of Yellowknife. NUL YK stated that in accordance with its 2011-2013 GRA and subsequent Board Decision 13-2011, this application addresses the impact on the 2012 revenue requirement of the difference between the forecast and actual 25 kV capital additions.

Order:

The Board reviewed the schedules and information provided by NUL YK and approved the proposed Rider T at 0% and the proposal to reconcile the 25 kV conversion project deferral account balance in a future Rider T application.

DECISION 9-2013

July 9, 2013

Application:

By letter dated March 4, 2013, NTPC filed its Compliance Filing Application, as directed in Decision 1-2013. NTPC stated that the Compliance Filing addresses Board direction Nos. 1 to 23.

As per Board's schedule for review of the compliance filing, NTPC, by letter dated April 19, 2013, provided responses to information requests from the Board and interested parties. NTPC also provided updated reflecting 2011/12 actual closing balances had not been fully incorporated on the consistent basis into the March 4, 2013 compliance filing.

The Board had reviewed NTPC's updated compliance filing dated April 19, 2013 and accompanying schedules and finds that NTPC has complied with the directive for this filing provided in Decision 1-2013, subject to further directives arising from this Decision.

Order:

The Board directed NTPC to comply with all directions in this Decision, approved the revenue requirements for the 2012/13 and 2013/14 test years and interim rates approved in Decision 11-2012 and 4-2013 are approved as final rates.

DECISION 9-2013 (Errata)

July 12, 2013

Further to Section 25 (3) of the *Act*, Decision 9-2013 (Errata) was issued to correct two minor errors.

1. Item 3 of Section 6 states “the interim rates approved in Decision 4-2013 are approved as final rates for the 2012/13 test year”, it should have stated “the interim rates approved in Decision 4-2013 are approved as final rates for the 2013/14 test year.
2. On Page 30, the Board states “the result of keeping the GNWT contributions at approximately the same levels as contemplated at the time of the Phase 2 proceeding”, it should have stated “the result of keeping the GNWT contributions at approximately the same levels as contemplated at the time of the Phase 1 proceeding.

DECISION 10-2013

August 6, 2013

Application:

On September 5, 2012, the Board issued a letter to NTPC and NUL YK in response to recent press reports and a number of informal complaints from citizens of the City regarding the high incidence of power outages in the City in the preceding months.

NTPC and NUL YK were directed to jointly file a report with the Board providing reliability information for the Yellowknife wholesale supply system and the NUL YK distribution system, including identification of the cause of recent power outages.

On September 21, 2012, NTPC and Northland submitted a joint report regarding the power outages in the City. Upon reviewing the joint report, the Board initiated a proceeding to formally inquire into the matter of power outages. The schedule including a round of information requests, followed by a Technical Meeting involving interested parties.

Order:

The Board directed NTPC and Northland to comply with all directions in this Decision. The adoption of the directions in this Decision are intended to facilitate greater accountability and transparency on the part of both NTPC and Northland through periodic reporting of reliability data, calculated in a consistent manner, and this in turn may pave the way for adoption of reliability standards in the future, as may be required.

DECISION 11-2013

August 15, 2013

Application:

By letter dated July 10, 2013, NTPC filed a copy of the final rate schedules for Board approval. The requested final rate schedules incorporate all rate riders previously approve on an interim basis into the base rates.

Order:

The Board reviewed the schedules and information provided by NTPC and approved as final the rate schedules, effective September 1, 2013.

DECISION 12-2013

September 13, 2013

Application:

By letter dated August 30, 2013, NTPC requested approval of the Board for revisions to the rate schedules to implement the following changes:

1. Establish the following zone based 50W, LED streetlight rates for the fiscal year 2013/14:
 - a. Thermal Zone: \$19.15/lamp/month
 - b. Snare Zone: \$12.90/lamp/month
 - c. Taltson Zone: 44.98/lamp/month
2. Establish the following zone base 50W, LED streetlight rates for the fiscal year 2014/15:
 - a. Thermal Zone: \$20.21/lamp/month
 - b. Snare Zone: \$13.61/lamp/month
 - c. Taltson Zone: \$5.26/lamp/month
3. To determine 2012/14 GRA Phase 2 final rates for streetlights based on the approved load forecast for the 2012/14 GRA.

Order:

The Board has reviewed the schedules and information provided by NTPC and approved the rate schedules, effective October 1, 2013.

DECISION 13-2013

September 26, 2013

Application:

By letter dated July 17, 2013, the counsel for TGC, Mr. G. Ranji Jeerakathil, made an application to the Board for intervener costs with respect to NTPC's GRA, Compliance Filing, in an amount of \$9,982.62.

By letter dated July 31, 2013, NTPC stated that the Corporation understands that the Towns of Inuvik and Norman Wells, the Village of Fort Simpson and Hamlet

of Fort Providence qualify for a 100% GST rebate. Therefore, NTPC recommended that TGC's cost claim be adjusted to exclude GST, a total reduction of \$499.14.

Order:

The Board reviewed TGC's claim and noted that the GST is excluded in the total cost claim. The Board awarded costs in the amount of \$9,982.62, as filed, to TGC.

DECISION LETTER 001-2013

October 21, 2013

Pursuant to Board Decision 18-2012, the Board received a letter, dated September 30, 2013 from Inuvik Gas Ltd. ("IGL") requesting that it be relieved of providing further quarterly reports. IGL stated that, at a minimum, its reporting obligations be reduced to semi-annual filings.

The Board issued a Decision Letter and accepted IGL's request to file semi-annual reports commencing March 31, 2014.

DECISION 14-2013

October 24, 2013

Application:

By letter dated October 11, 2013, NUL NWT filed an application to discontinue the existing Diesel Generation Rider (Rider I), applicable to the Hay River Hydro Rate Zone, effective November 1, 2013.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved NUL NWT's request to close and set to zero the existing Rider I, effective November 1, 2013.

DECISION 15-2013

November 14, 2013

Application:

By letter dated October 4, 2013, the counsel for YK/HR, Mr. Thomas D. Marriott, made an application to the Board for intervener costs with respect to NTPC's GRA, Compliance Filing and 2013/14 Interim Rate Rider Application, in an amount of \$8,788.04

By letter dated October 17, 2013, NTPC stated that the Corporation has no comments regarding the cost claim submitted on behalf of the YK/HR.

Order:

The Board awarded costs in the amount of \$8,788.04 to YK/HR.

DECISION 16-2013

December 11, 2013

Application:

By letter dated November 15, 2013, NUL YK applied to the Board for approval to issue a long term debt instrument in the amount of \$600,000, by way of an unsecured debenture with an interest rate of 4.761% to ATCO Electric Ltd.

Order:

After reviewing the application, the Board approved the issuance of the Debenture, in the principal amount of \$600,000 at an interest rate of 4.761% to ATCO Electric Ltd.

DECISION 17-2013

December 19, 2013

Application:

By letter dated December 2, 2013, NUL NWT filed its Phase 1 GRA with respect to the test years 2014 and 2015. As part of the GRA, NUL NWT requested approval of interim refundable rates by way of Rider K, applicable to each rate class within NUL NWT's hydro and thermal rate zones effective January 1, 2014. NUL NWT indicates Rider K will recover a portion of the 2014 non-fuel revenue requirement shortfall (ie not including any cost increases arising from fuel price increases) consistent with the methodology used relating to NUL NWT's 2011-2013 GRA Interim Refundable Rate Rider, Rider K, for 2011 that was approved in Board Decision 8-2011.

NUL NWT requested Board approval to negotiate Rider K with the Town of Hay River and the Hamlet of Fort Providence and any affected parties that wished to participate and present an agreement. The Board approved NUL NWT's request to negotiate an interim settlement.

Order:

The Board reviewed the Negotiated Settlement Agreement and the schedules provided by NUL NWT and approved the interim rate rider application, effective January 1, 2014, on an interim refundable basis.