

**PUBLIC UTILITIES BOARD
OF THE NORTHWEST TERRITORIES**

ANNUAL REPORT

**For the year ending
December 31, 2017**

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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:

Chairperson	Gordon Van Tighem, Yellowknife, Northwest Territories
Vice-Chairperson	Sandra Jaque, Fort Smith, Northwest Territories
Member	Charlie Furlong, Aklavik, Northwest Territories
Member	Tina Gargan, Fort Providence, Northwest Territories
Member	Danny Yakeleya, Tulita, Northwest Territories

The Board was assisted by:

Board Secretary	Louise Larocque, Hay River, Northwest Territories
Legal Counsel	Ayanna Catlyn, Field Law, Yellowknife, Northwest Territories
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.

2017 HIGHLIGHTS

The Board's major activities during 2017 were the Phase I and II GRAs of Northwest Territories Power Corporation ("**NTPC**") and the General Rate Review ("**GRR**") of Northland Utilities (Yellowknife) Limited ("**NUL YK**").

Northland Utilities (Yellowknife) Limited

2017 General Rate Review

The 2016 report of finances and operations for NUL YK was received by the Board, on May 1, 2017. The report indicates that NUL YK earned a return on equity of 12.33% in 2016. The last test year for which NUL YK was before the Board was 2013, at which time the company was awarded a fair rate of return on equity of 9.30%.

By letter dated May 3, 2017, the Board requested NUL YK to indicate whether it intends to file a GRA for 2017 and provide its views on the matters raised in the Board letter.

Section 65 of the *Act* requires the Board to review the affairs, earnings and accounts of each public utility every three years:

65. (1) The Board shall every three years and may at any other time review the affairs, earnings and accounts of each public utility.

After review the comments from NUL YK and the City of Yellowknife ("**City**") and with respect to meeting the requirements of Section 65 of the *Act*, the Board considered the annual report of finances to be one component of the review process. If the annual report of finances suggested further review and adjustment of rates may be warranted the Board must extend the review to a more detailed review.

In Decision Letter 001-2017, dated June 26, 2017, the Board directed NUL YK to file a GRR application within 60 days of the Decision Letter. This application is to be considered a filing, pursuant to the Board initiated proceeding to review and, if required, adjust NUL YK's rates for 2017.

By letter dated August 25, 2017, NUL YK filed the requested GRR Application. NUL YK stated that the 2017 Revenue Requirement based on the 2017 Business Plan forecast is \$842,000 lower than expected revenue at current rates. NUL YK requested that its forecast revenue requirement be approved and correspondingly that the rates to customers be reduced by \$842,000 in 2017 resulting in an annual rate reduction of 1.8%.

The Board issued Decision 15-2017 approving NUL YK's request to begin refunding the \$842,000 surplus by setting the interim refundable rate rider

("Rider K") to -2.27%, effective October 1, 2017. The Board also set a schedule for the remainder of the GRR proceedings which included Information Request to NUL YK, Argument and Reply Argument.

After reviewing NUL YK's responses to Information Requests ("IRs") and the Argument and Reply from NUL YK and the City, the Board issued Decision 17-2017 directing NUL YK to file a Compliance Filing Application reflecting the findings and directions in this Decision by February 28, 2018.

Northwest Territories Power Corporation

2016/2019 Phase I and II GRA

NTPC's filed its 2016/19 Phase I GRA dated June 30, 2016. Subsequent to the filing of the Phase I GRA, the Board in Decision 12-2016, directed NTPC to file a Phase II application respecting the same test years.

By letter dated March 1, 2017, NTPC submitted it's 2016/19 Phase II GRA.

The hearing of the Phase I and Phase II applications took place in Yellowknife during the week commencing July 10, 2017.

With respect to NTPC Phase I GRA, the Board issued Decision 16, 2017 and directed NTPC to provide a Compliance Filing Application reflecting the findings and direction in this Decision by February 15, 2018.

With respect to NTPC Phase II GRA, the Board will issue a Decision in January 2018.

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 Ms. Tina Gargan attended the 2017 CAMPUT Annual Conference in Vancouver BC on May 7-11, 2017.

Ms. Sandra Jaque attended the 2017 CAMPUT Conference and Annual General Meeting in St. Andrew NB, on September 10 to 13, 2017.

A LOOK AHEAD

Major activities carrying forward from 2017 include the completion of the NTPC 2016/19 Phase I and Phase II GRA process and with the General Rate Review of NUL YK in the final stage, we anticipate a GRA application later in the year.

NTPC's Phase I GRA was filed on June 30, 2016 and we await a final compliance response to the ruling (Decision 16-2017) later in February. As this was a long thorough process we anticipate positive results from the innovations in consultation and public involvement that were introduced.

NUL YK will be providing a Compliance filing in late February regarding the General Rate Review (Decision 17-2017) undertaken when their Annual Financial filing identified excess earnings. This has been a positive step leading into the full GRA expected later this year.

Ongoing NWT Electricity Policy Discussions

Our participation with the NWT Energy Strategy and related topics such as the developing net metering process are anticipated as activities that will contribute to positive development within the NWT. We continue to be invited to lead in National events representing the remote service area we regulate. We are regularly responding to enquiries regarding the innovation and efficiencies the NWT have developed to serve our market.

We will continue to monitor developments with Northland Utilities (NWT) Limited ("**NUL NWT**"), the Inuvik Gas Ltd. and the Town of Norman Wells conversions and other new activities involving local propane suppliers.

SUMMARY OF 2017 BOARD DECISIONS

DECISION 1-2017

January 24, 2017

Application:

By letter dated December 16, 2016, NTPC applied to the Board for approval to issue a long term debt instrument in the amount of \$60 million with an interest rate spread not to exceed 200 basis points over the long Canada bond rate at the time of issuance.

Order:

After reviewing the application, the Board approved the issuance of the Debenture, in the principal amount of \$60 million borrowing by way of a long term debt issue.

DECISION 2-2017

March 8, 2017

Application:

By letter dated February 2, 2017, 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 NTPC's Intelligent Metering Hub ("IMH") at a cost of \$4.25 million. The project involves installation of new metering in all communities, in advance of recertification/replacement requirements for existing meters in the large communities and to improve metering performance in smaller communities.

Order:

The Board approved NTPC's application for a project permit, in the amount of \$4.25 million, for the Corporation's IMH project.

DECISION 3-2017

March 22, 2017

Application:

By letter dated March 6, 2017, NUL NWT filed an application requesting approval of an adjustment to Fuel Cost Adjustment Rider ("Rider A"), effective April 1, 2017.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective April 1, 2017.

DECISION 4-2017

March 31, 2017

Application:

By letter dated March 1, 2017, NTPC filed a 2017/18 Interim Rate Application (“IRA”). Concurrent with and in support of the IRA, NTPC filed its 2017/19 Phase II GRA.

Order:

After reviewing the schedules and information filed by NTPC, the Board approved the interim rate increase, effective April 1, 2017.

DECISION 5-2017

April 5, 2017

Application:

By letter dated March 1, 2017, NTPC submitted an application requesting the Board to issue an Order exempting NTPC from certain requirements of the *Act* with respect to providing residual heat for space or process heating. In its application NTPC made specific reference to residual heat sales from the Inuvik generation plant to the Town of Inuvik.

Order:

The Board approved NTPC’s request for exemption from full regulation of residual heat sales from the Inuvik generation plant under Section 18 of *the Act* subject to certain conditions.

DECISION 6-2017

April 25, 2017

Application:

By letter dated April 11, 2017, NUL NWT filed an application requesting approval of an adjustment to Purchase Power Cost Adjustment Rider (“**Rider F**”), applicable to the Hydro Rate Zone, effective May 1, 2017.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective May 1, 2017.

DECISION 7-2017

April 25, 2017

Application:

By letter dated April 11, 2017, NUL YK filed an application requesting approval of an adjustment to Rider F, applicable to the City of Yellowknife customers, effective May 1, 2017.

Order:

The Board reviewed the schedules and information provided by NUL YK and approved rate rider, effective May 1, 2017.

DECISION 8-2017

May 17, 2017

Application:

By letter dated April 19, 2017, the counsel for the City of Yellowknife/Town of Hay River (“**YK/HR**”), Mr. Mr. Thomas D. Marriott, made an application to the Board for intervener costs with respect to NTPC’s 2017/18 IRA dated March 1, 2017, in an amount of \$2,576.20.

By letter dated May 4, 2017, NTPC stated that it had reviewed the cost claim and that YK/HR has satisfied the conditions set forth in Section 32(2) of the Board’s Rules of Practice and Procedure.

Order:

The Board awarded costs in the amount of \$2,576.20 to YK/HR.

DECISION 9-2017

May 24, 2017

Application:

By letter dated April 26, 2017, NTPC requested approval of an interruptible rate for Imperial Oil Resources N.W.T. Limited in Norman Wells on an interim basis.

Order:

In view of the concern about the lack of an existing alternative supply to IOL to meet their peak demands and, considering that Section 3.2 of the Purchase Power Agreement contemplates similar non-firm supply to IOL, the Board considers NTPC’s request for approval of an interruptible rate for IOL on an interim basis is neither necessary nor appropriate. Accordingly, NTPC’s request for approval of an interruptible rate for supply to IOL on an interim basis was denied.

DECISION 10-2017

May 26, 2017

Application:

By letter dated May 1, 2017, the counsel for the Thermal Generation Communities (“**TGC**”), Mr. G. Rangi Jerrakathil, made an application to the Board for intervener costs with respect to NTPC’s 2017/18 IRA dated March 1, 2017, in an amount of \$4,585.00.

By letter dated May 16, 2017, NTPC stated that it had reviewed the cost claim and that TGC has satisfied the conditions set forth in Section 32(2) of the Board's Rules of Practice and Procedure.

Order:

The Board awarded costs in the amount of \$4,585.00 to TGC.

DECISION LETTER 001-2017

June 26, 2017

Application:

The 2016 report of finances and operations for NUL YK was received by the Board, on May 1, 2017. The report indicates that NUL YK earned a return on equity of 12.33% in 2016. The last test year for which NUL YK was before the Board was 2013, at which time the company was awarded a fair rate of return on equity of 9.30%.

Section 65 of the *Act* requires the Board to review the affairs, earnings and accounts of each public utility every three years:

65. (1) The Board shall every three years and may at any other time review the affairs, earnings and accounts of each public utility.

Order:

After review the comments from NUL YK and the City and with respect to meeting the requirements of Section 65 of the Act, the Board considered the annual report of finances to be one component of the review process. If the annual report of finances suggested further review and adjustment of rates may be warranted the Board must extend the review to a more detailed review.

NUL YK was directed to file a GRR application within 60 days of this letter. This application is to be considered a filing, pursuant to the Board initiated proceeding to review and, if required, adjust NUL YK's rates for 2017.

DECISION 11-2017

June 30, 2017

Application:

By letter dated May 31, 2017, NTPC provided a reconciliation of the Rate Stabilization Fund Rider ("**RSF**") incorporating actual information for fiscal year 2016/17. NTPC requested that the RSF Refund Rider approved in Decision 6-2016 be turned off effective July 1, 2017. The Corporation also requested that the Board approve the full \$0.512 million cost of Aklavik fuel storage in the calculation of the RSF balance.

Order:

After reviewing the application and responses to IRs, the Board denied NTPC's request to include the \$258,000 being 50% of the rental costs for storage in the

community of Aklavik, in the fuel stabilization account. The Board considered this adjustment to be a judgmental assessment for failure to take prudent and proactive action in the face of fuel cost uncertainty and the failure to demonstrate the storage option was the least cost option under the circumstances. NTPC is directed to adjust the RSF continuity schedule accordingly. Subject to this adjustment the Board accepts NTPC proposed RSF fund calculations.

The Board noted that following the Aklavik fuel cost adjustment to the RSF continuity schedule, the RSF balance would reflect a receivable (by NTPC) balance as of June 30, 2017. Accordingly, NTPC's request to terminate the RSF rider is approved effective July 1, 2017

DECISION 12-2017

July 28, 2017

Application:

By email dated July 4, 2017, NTPC submitted for approval the rate schedules removing the RSF refund rider.

Order:

After reviewing the rate schedules, the Board approved the rate schedules, as filed, effective July 1, 2017.

DECISION 13-2017

July 28, 2017

Application:

By letter dated July 10, 2017, NUL YK filed an application requesting approval of an adjustment to Rider F, applicable to the City of Yellowknife customers, effective August 1, 2017.

Order:

The Board reviewed the schedules and information provided by NUL YK and approved rate rider, effective August 1, 2017 to July 31, 2018.

DECISION 14-2017

September 18, 2017

Application:

By letter dated May 26, 2017, the counsel for Northern Territories Federation of Labour ("NTFL"), Mr. Sacha R. Paul, made an application to the Board for intervener costs with respect to NTPC's 2017/18 IRA, in an amount of \$7,726.50.

By letter dated June 13, 2017, NTPC provided comments in regards to the cost claim. NTPC stated that based on the materials filed by NTFL, a portion of the cost should be disallowed by the Board.

By letter dated June 23, 2017, NTFL responded to NTPC's letter. NTFL stated that the Board should reject the submission of NTPC and grant the costs sought.

Order:

The Board took note of NTPC's comments respecting submission of information by NTFL that is not relevant to the interim proceeding. The Board also noted that part of the costs incurred by NTFL arose from gaining familiarity with the process which, in the Board's view should not be paid for by the customers of NTPC.

The Board has considered the value of assistance provided by the intervener to the Board having regard to the inclusion of information in the NTFL submission that is not relevant to an interim proceeding as well as the time involved in gaining familiarity with the process.

The Board determined and approved the consulting costs for Ms. Janaki Balakrishnan and the legal costs for Ms. Megan Smith to be \$1,500.00 each. Mr. Sacha Paul's claim for costs in the amount of \$700.00 is approved in full.

Accordingly, NTPC is directed to pay NTFL's costs in the amount of \$3,700.00 for participation in the IRA proceedings and to charge the amount to the hearing cost reserve account.

DECISION 15-2017

September 26, 2017

Application:

By letter dated August 25, 2107, NUL YK filed the requested GRR Application. NUL YK stated that the 2017 Revenue Requirement based on the 2017 Business Plan forecast is \$842,000 lower than expected revenue at current rates. NUL YK requested that its forecast revenue requirement be approved and correspondingly that the rates to customers be reduced by \$842,000 in 2017 resulting in an annual rate reduction of 1.8%.

NUL YK requested approval to begin refunding the \$842,000 surplus by setting the Rider K to -2.27% effective October 1, 2017. NUL YK proposed that the \$842,000 be refunded to customers on an across the board basis.

Order:

NUL YK's request for approval of a refund rider of -2.27% by way of Rider K was approved effective October 1, 2017.

The Board also set a schedule for the remainder of the GRR proceedings which included Information Request to NUL YK, Argument and Reply Argument.

DECISION 16-2017

December 15, 2017

Application:

By letter dated June 30, 2016, NTPC submitted to the Board, its' Phase I GRA. The Phase I application involves the determination of the Corporation's revenue requirement and the determination of the level of revenues required to meet the revenue requirement. The Application outlines forecast costs for providing electricity service for the 2016/17, 2017/18 and 2018/19 fiscal years

The Board held a hearing in the City of Yellowknife on July 10-13, 2017

Order:

The Board directed NTPC to file its Compliance Filing in accordance with the findings and directions in this Decision by February 15, 2018

DECISION 17-2017

December 28, 2017

Application:

Accordingly, by Decision letter 1-2017 dated June 26, 2017, NUL YK was directed to file a GRR application within 60 days of the Decision letter. The Board stated that the application is to be considered a filing, pursuant to a Board initiated proceeding to review and, if required, adjust NUL YK's rates for 2017.

By letter dated August 25, 2017 NUL YK filed the requested GRR Application.

Order:

The Board directed NUL YK to file a Compliance Filing Application reflecting the findings and directions in this Decision by February 28, 2018.