PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

For the year ending December 31, 2016

TABLE OF CONTENTS

PUBLIC UTILITIES BOARD OF THE NORTHWEST TERRITORIES	. 1
REGULATORY JURISDICTION	.2
UTILITY REGULATION	.3
2016 HIGHLIGHTS	.4
A LOOK AHEAD	.7
SUMMARY OF 2016 BOARD DECISIONS	. 8

PUBLIC UTILITIES BOARD OF THE NORTHWEST TERRITORIES

<u>Mandate</u>

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

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

2016 HIGHLIGHTS

The Board's major activities during 2016 were the GRAs of Northland Utilities (NWT) Limited ("**NUL NWT**") and the Northwest Territories Power Corporation ("**NTPC**").

Northland Utilities (NWT) Limited

2014/15 Phase II GRA

The Board issued Decision 1-2016, dated February 29, 2016 and directed NUL NWT to file its Phase II compliance filing in accordance with the findings and directions in the Decision within 60 days.

On April 29, 2016 NUL NWT filed a 2014/15 Phase II GRA compliance filing. Having reviewed the compliance filing and the accompanying schedule, the Board issued Decision 10-2016 approved the Rate Schedules and Terms and Conditions of Service, effective July 1, 2016.

Northwest Territories Power Corporation

2012/2014 Phase II GRA

Following a written process, the Board issued Decision 7-2016 dealing with all matters raised in the NTPC Phase II application. In its Decision the Board approved, among others, revised Terms and Conditions of Service ("**T&Cs**") to reflect updates to the Net Metering Program eligibility and Industrial Customer definition. The Board also accepted NTPC's Net Metering Program Eligibility and Operation Policy.

The Board's Phase II Decision 7-2016 focused essentially on Phase II methodology and did not therefore approve any changes to NTPC's existing rate levels or structure. However, in Decision 7-2016 the Board determined certain criteria for approval of interruptible rates and in accordance with those criteria provided directions in concurrent Decision 8-2016 to NTPC, to file retail and wholesale interruptible rates for the Taltson Zone.

By letters dated August 10, 2016 and August 17, 2016, NTPC filed a compliance application pursuant to findings and directives in Board Decisions 7-2016 (2012/14 NTPC Phase II GRA) and 8-2016 (Interruptible wholesale rate application).

Specifically, NTPC requested approval of interruptible energy rate schedules for eligible customers in the Taltson Zone as well as approval of the consolidated

T&Cs for NTPC. The T&Cs reflect changes approved in the Phase II Decision 7-2016 as well as changes arising from the new interruptible energy rate offering. In its August 17, 2016 letter, NTPC also requested approval of a complete set of rate schedules, including the proposed interruptible energy rate schedules, effective September 1, 2016.

An interim increase in energy rates of 4.8% effective August 1, 2016 was approved in Decision 12-2016; the complete set of rate schedules filed August 17, 2016 reflect the changes arising from Decision 12-2016.

The Board issued Decision 17-2016 approving NTPC's Rate Schedules, effective September 1, 2016 and NTPC's T&Cs.

<u>2016/2019 GRA</u>

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 August 11, 2016 NTPC informed the Board that it intends to file the 2016/19 GRA Phase II Application by January 31, 2017 and, in order to achieve process efficiencies, requested that the Phase I and Phase II processes be combined.

The Board agrees there would be process efficiencies arising from combing the Phase I and Phase II processes through the adoption of a synchronized schedule.

Pursuant to a process established under Section 21 of the Board's Rules of Practice and Procedure ("**Rules**"), the Board scheduled a technical workshop for NTPC's 2016/19 GRA, on November 30, 2016. As part of this process, the Board asked interveners to comment on Information Requests ("**IRs**") they believed NTPC had not fully responded to and any additional matters arising from review of the filed IR responses. NTPC received clarifying letters from interveners and the Board identifying a total of 92 IRs to discuss. NTPC also received Round Two Information Requests from the Board and submitted a response to those on Monday, November 28, 2016.

On November 30, 2016, the Board staff, consultant and counsel hosted a technical workshop and were attended by consultant and counsel for NTPC and the registered interveners. The technical workshop provided an opportunity for the interested parties to ask questions of NTPC and discuss the 92 IRs. Notes from the technical workshop were made available to the workshop participants by the Board and formed part of the record of the proceeding.

Net Metering Workshop

On December 1, 2016, NTPC held a Net Metering Workshop in Yellowknife. Board consultant and counsel, NTPC, Northland Utilities Limited, Thermal Generation Communities ("**TGC**"), Hydro Communities ("**HC**") and Envision participate in this workshop.

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 attended the 2016 CAMPUT Annual Conference in Montreal QC on May 15 to 18, 2016.

Mr. Gordon Van Tighem and Ms. Louise Larocque attended the 2016 CAMPUT Conference and Annual General Meeting in Winnipeg MB, on September 11 to 15, 2016.

A LOOK AHEAD

Major activities carrying forward from 2016 include the NTPC 2016/19 Phase I and Phase II process.

NTPC's Phase I GRA was filed on June 30, 2016. As a departure from normal practice the Board held a Technical Meeting on November 30, 2016 the purpose of which was to facilitate meaningful customer participation through informal exchange of information among the parties as an adjunct to the normal hearing process. NTPC is expected to file its 2017/18 interim rate application and the 2016/19 Phase II application on February 28, 2017. The hearing of the Phase I and Phase II applications will take place in Yellowknife during the week commencing July 10, 2017.

Ongoing NWT Electricity Policy Discussions

Discussions and workshops spearheaded by the Energy policy and planning section of the Government of the Northwest Territories ("**GNWT**") are ongoing with regard to development of electricity policy and strategies for transitioning to lower carbon electricity resources and improving regulatory outcomes. The Board participated in the first workshop respecting these issues on January 24, 2016. We look forward to follow up discussions taking place during the remainder of 2017.

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 participate in National events representing the remote services we regulate, in addition to responding to enquiries regarding the innovation and efficiencies we have developed to serve our market.

We will be continuing to monitor developments with NUL NWT and the Inuvik Gas Ltd. ("**IGL**") and the Town of Norman Wells conversions.

SUMMARY OF 2016 BOARD DECISIONS

DECISION 1-2016

February 29, 2016

Application:

By letter dated July 25, 2014, NUL NWT filed its 2014/15 Phase II GRA. By letters dated March 31, 2015 and April 1, 2015, NUL NWT requested permission to suspend the current process. NUL NWT indicated that certain adjustment are required to the cost of service study which will have a material impact on the currently applied for rates and also have an opportunity to review and consider any impending instructions from the GNWT.

On May 29, 2015, NUL NWT filed its Amended GRA with updates made to Sections 1, 4, 5, 6 and 7. The hearing was held in the Town of Hay River on October 6, 2015.

Order:

The Board directed NUL NWT to files its Phase II compliance filing in accordance with the findings and directions in the Decision within 60 days of the day of the Decision.

DECISION 2-2016

April 11, 2016

Application:

By letter dated March 8, 2016, the counsel for the Hamlet of Fort Providence ("**Fort Providence**"), Mr. G. Ranji Jeerakathil, made an application to the Board for intervener costs with respect to NUL NWT's 2014/15 Phase II GRA, in an amount of \$91,493.01.

No comments were received from NUL NWT.

Order:

The Board awarded costs in the amount of \$91,493.01 to Fort Providence.

DECISION 3-2016

April 14, 2016

Application:

By letter dated March 8, 2016, the counsel for the TGC, Mr. G. Ranji Jeerakathil, made an application to the Board for intervener costs with respect to NTPC's 2012/14 Phase II GRA, in an amount of \$31,639.67.

By letter dated April 2, 2016, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$31,639.67 to Fort Providence.

DECISION 4-2016

May 26, 2016

Application:

By letter dated January 14, 2015, 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 2014/15 Phase II GRA, in an amount of \$43,057.65.

No comments were received from NUL NWT.

Order:

The Board awarded costs in the amount of \$43,057.65 to Hay River.

DECISION 5-2016

May 30, 2016

Application:

By letter dated April 29, 2016, NTPC filed a 2016/17 Interim Rate Application. On May 2, 2016, the Board noted that interim rate increases in the past have typically been requested in the context of a filed GRA. The Board issued IRs and established a schedule for examination of the interim rate application.

Order:

After reviewing the information filed by NTPC, the Board denied NTPC's application for interim rate increase, effective June 1, 2016.

DECISION 6-2016

May 30, 2016

Application:

By letter dated April 29, 2016, NTPC filed its Rate Stabilization Fund Rider ("**RSF**") application. Based on the forecast balances at June 30, 2016, NTPC is seeking to implement a refund rider of 0.33 cents/kWh, effective June 1, 2016. The refund rider would apply to all firm power customers of NTPC with the exception of NUL NWT.

Order:

After reviewing the information and schedules file by NTPC, the Board adjusted the refund rider to 0.36 cents per kWh in place of the 0.33 cents per kWh refund rider requested by NTPC.

The Board approved the RSF refund rider of 0.36 cents/kWh, effective June 1, 2016.

DECISION 7-2016

June 15, 2016

Application:

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

By email dated June 11, 2015 NTPC filed its 2012/14 Phase II GRA based on the 2013/14 revenue requirement approved in Decision 9-2013 by the Board.

Order:

Following a written process, the Board issued Decision 7-2016 dealing with all matters raised in the NTPC Phase II application.

The Board's Phase II Decision 7-2016 focused essentially on Phase II methodology and did not therefore approve any changes to NTPC's existing rate levels or structure. However, in Decision 7-2016 the Board determined certain criteria for approval of interruptible rates and in accordance with those criteria provided directions in concurrent Decision 8-2016 to NTPC, to file retail and wholesale interruptible rates for the Taltson Zone.

In this Decision the Board approved, among others, revised T&Cs to reflect updates to the Net Metering Program eligibility and Industrial Customer definition. The Board also accepted the Corporation's Net Metering Program Eligibility and Operation Policy.

DECISION 8-2016

June 15, 2016

Application:

By letter dated January 8, 2016 NTPC filed an application with the Board pursuant to Section 43 of the *Act* to establish a rate for Interruptible Wholesale Energy for Resale on the Taltson system. NTPC states, the rate is intended to allow NUL NWT the opportunity to provide retail interruptible electric power for space or process heating to its customers in the NUL NWT Hydro Zone

Order:

Following the written process, the Board directed NTPC to file a proposed wholesale interruptible rate for the Taltson Zone and a proposed retail interruptible rate for the Taltson Zone within 60 days of this Decision in accordance with the Board's findings and directions.

NTPC was also directed to file appropriate amendments to the T&Cs to reflect the Board's findings and directions respecting interruptible service.

DECISION 9-2016

June 23, 2016

Application:

By letter dated June 7, 2016, Northland Utilities (Yellowknife) Limited ("**NUL YK**") filed an application to adjust the Purchase Power Cost Adjustment Rider ("**Rider F**"), applicable to the City of Yellowknife customers, effective July 1, 2016.

Order:

The Board reviewed the schedules and information provided by NUL YK and approved rate rider, effective July 1, 2016.

DECISION 10-2016

June 27, 2016

Application:

By letter dated April 29, 2016, NUL NWT submitted a 2014/15 Phase II GRA Compliance Filing in accordance with the directions in Decision 1-2016.

Order:

Following the written process, the Board approved the Rate Schedules including rate Riders A and F, effective July 1, 2016. The Board also approved the T&Cs.

DECISION 11-2016

July 19, 2016

Application:

By letter dated May 27, 2016, NUL NWT made a cost claim application to the Board with respect to the Phase I and II proceedings in the amount of \$288,132.92.

None of the interested parties provided any comments or issues with respect to the cost claim.

NUL NWT shall be entitled to recover this sum from its customers through the mechanism of the Hearing Costs Deferral Account.

Order:

The Board awarded costs in the amount of \$288,132.92 to NUL NWT.

DECISION 12-2016

July 26, 2016

Application:

By letter dated June 30, 2016, NTPC filed a 2016/17 Interim Rate Application. NTPC applied for interim rates to increase energy charges to all customer classes in all communities by 4.8%, effective August 1, 2016. Concurrent with and in support of the Interim Rate Application, NTPC filed a GRA for the Test Years 2016/17, 2017/18 and 2018/19 on June 30, 2016.

The Board, by letter dated July 6, 2016 acknowledged receipt of the application and provided a schedule for examination of the application.

Order:

The Board approved NTPC's application for rate increase to recover \$3 million in revenue deficiencies for 2016/17, on an interim refundable basis. This increase is to be implemented by a 4.8% interim rate rider applicable to energy rates effective from August 1, 2016 to March 31, 2017.

DECISION 13-2016

August 24, 2016

Application:

By letter dated August 10, 2016, NUL YK filed an application requesting approval of an adjustment to Rider F, applicable to the City of Yellowknife customers, effective September 1, 2016.

Order:

The Board reviewed the schedules and information provided by NUL YK and approved rate rider, effective September 1, 2016.

DECISION 14-2016

August 24, 2016

Application:

By letter dated August 10, 2016, NUL NWT filed an application requesting approval of an adjustment to Rider F, applicable to the Hydro Rate Zone, effective September 1, 2016.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective September 1, 2016.

DECISION 15-2016

August 26, 2016

Application:

By letter dated July 20, 2016, the counsel for TGC, Mr. G. Rangi Jeerakathil, made an application to the Board for intervener costs with respect to NTPC's 2016/17 Interim Application dated April 29, 2016, in an amount of \$4,831.00.

By letter dated August 2, 2016 NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$4,831.00 to TGC.

DECISION 16-2016

August 26, 2016

Application:

By letter dated July 20, 2016, the counsel for Fort Providence, Mr. G. Rangi Jeerakathil, made an application to the Board for intervener costs with respect to NUL NWT 2014/215 Phase II GRA Compliance Filing, in an amount of \$4,966.41.

By letter dated August 5, 2016 NUL NWT stated that they found the cost claim submitted is reasonable and in accordance with the Board's Scale of Cost.

Order:

The Board awarded costs in the amount of \$4,966.41 to Fort Providence.

DECISION 17-2016

September 1, 2016

Application:

By letter dated August 10, 2016 and August 17, 2016, NTPC filed a compliance application pursuant to findings and directives in Board Decisions 7-2016 (2012/14 NTPC Phase II GRA) and 8-2016 (Interruptible wholesale rate application).

Order:

After reviewing the application, the Board approved the rate schedules, effective September 1, 2016 and T&Cs, reflecting the finding and directions in Decisions 7-2016 and 8-2016.

DECISION 18-2016

Application:

By letter dated June 2, 2016, Ms. Janaki Balakrishnan of Envision made an application to the Board for intervener costs with respect to NTPC's 2016/17 Interim Rate Application dated April 29, 2016, in an amount of \$4,644.00.

By letters dated June 27, 2016 NTPC and the NWT Association of Communities provided comments with respect to Envision's application. NTPC stated that it opposes Envision's application in regards to the cost claim. NTPC stated that Section 32(2) of the Board's Rules of Practice and Procedure specifies the factors for consideration in assessing when an award of costs may be made.

Order:

With respect to Section 32(2)(a) of the Rules, the Board notes NTPC's submission that Envision neither made a signification contribution nor did the intervention lead to a better understanding of the issues before the Board. NTPC submitted that Envision confused the issues.

While the Board agrees with NTPC that Envision's comments respecting components of revenue requirement did not add value to the process, Envision's recommendation that "it is advisable that appropriate rate increase is approved following the GRA 2016/2017, as rate increase impacts heavily on small communities with high rates." was nevertheless useful in the Board's deliberations.

With respect to Section 32(2)(b) of the Rules, it appears that Envision was responsible in its participation as it adhered to the Rules for interveners in its submission. However, it does not appear that Envision attempted to cooperate with other interveners.

It is also not evident that Envision made any efforts to secure funding pursuant to Section 32(2)(c) of the Rules. This section requires that the efforts be made where such funding was available.

It is clear that Envision has satisfied Section 32(2)(e) as Envision submitted its application for intervener status in accordance with the requirements.

In view of the above, it is the Board's view that Envision does not qualify for professional fees under Section 32(2) of the Rules since Envision did not represent any particular ratepayer group. As such, Envision's claim would fall under Section 5.4 of the Scale of Costs for fees and honorarium of unrepresented interveners. This section sets out that an intervener may claim an hourly rate not to exceed \$100.00 per hour which would be determined by the Board in its assessment.

The Board awarded costs in the amount of \$500.00 to Envision.

DECISION 19-2016

September 21, 2016

Application:

By letter dated August 8, 2016, the counsel for Hay River, Mr. Thomas D Marriott, made an application to the Board for intervener costs with respect to NUL NWT's 2014/15 Phase II GRA Compliance Filing, in an amount of \$3,956.22.

By letter dated August 25, 2016, NUL NWT stated that they found the cost claim reasonable and in accordance with the Board's Scale of Cost.

Order:

The Board awarded costs in the amount of \$3,956.22 to Hay River.

DECISION 20-2016

September 26, 2016

Application:

By letter dated August 17, 2016, the counsel for HC, Mr. Thomas D Marriott, made an application to the Board for intervener costs with respect to NTPC's 2012/14 Phase II GRA, in an amount of \$20,655.76.

By letter dated August 23, 2016, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$20,655.76 to HC.

DECISION 21-2016

September 26, 2016

Application:

By letter dated August 17, 2016, the counsel for HC, Mr. Thomas D Marriott, made an application to the Board for intervener costs with respect to NTPC's 2016/17 Interim Rate Application dated April 29, 2016, in an amount of \$3,045.99.

By letter dated August 22, 2016, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$3,045.99 to HC.

DECISION 22-2016

September 26, 2016

Application:

By letter dated August 17, 2016, the counsel for Hay River, Mr. Thomas D Marriott, made an application to the Board for intervener costs with respect to NTPC's application for interruptible wholesale energy for resale rate for the Taltson Zone, in an amount of \$8,322.09

By letter dated August 23, 2016, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$8,322.09 to Hay River.

DECISION 23-2016

October 13, 2016

Application:

By letter dated September 20, 2016, the counsel for TGC, Mr. G. Rangi Jeerakathil, made an application to the Board for intervener costs with respect to NTPC's 2016/17 Interim Rate Application dated June 30, 2016, in an amount of \$6,294.25.

By letter dated September 23, 2016, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$6,294.25 to TGC.

DECISION 24-2016

October 13, 2016

Application:

By letter dated September 14, 2016, the counsel for the City of Yellowknife/Town of Hay River ("**YK/HR**"), Mr. Thomas D. Marriott, made an application to the Board for intervener costs with respect to NTPC's 2016/17 Interim Rate Application dated June 30, 2016, in an amount of \$3,560.40.

By letter dated September 23, 2016, NTPC stated that they had no comments in regards to the cost claim.

Order:

The Board awarded costs in the amount of \$3,650.40 to YK/HR.

DECISION 25-2016

December 9, 2016

Application:

By letter dated November 15, 2016, the counsel for Hay River, Mr. Thomas D. Marriott, made an application to the Board for intervener costs with respect to NTPC's 2012/14 Phase II GRA Compliance Filing and Interruptible Energy for Electric Heating Rate, in an amount of \$2,485.10

No comments were received from NTPC.

Order:

The Board awarded costs in the amount of \$2,485.10 to HR.