

**PUBLIC UTILITIES BOARD
OF THE NORTHWEST TERRITORIES**

ANNUAL REPORT

**For the year ending
December 31, 2018**

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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 2018, 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 Beaulieu, 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.

2018 HIGHLIGHTS

The Board's major activities during 2018 were the Phase I and II GRAs Compliance Filing of Northwest Territories Power Corporation ("**NTPC**") and the General Rate Review ("**GRR**") Compliance Filing of Northland Utilities (Yellowknife) Limited ("**NUL YK**").

Northland Utilities (Yellowknife) Limited

2017 General Rate Review Compliance Filing

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.

On February 28, 2018, NUL YK filed its compliance filing. The Board issued a Decision on March 28, 2018.

Northwest Territories Power Corporation

2016/2019 Phase I and II General Rate Application Compliance Filing

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 issued Decision 1-2018 and directed NTPC to provide a Compliance Filing Application reflecting the findings and direction in this Decision by February 15, 2018.

The Board issued Decision 8-2018 and accepted and approved the 2016/17, 2017/18 and 2018/19 revenue requirements and rate schedules as proposed by NTPC in its Phase I and Phase II compliance filing.

Since NTPC did not request a true up of the revenues arising from difference between interim and final rates for the months of April and May 2018, the Board approved the final rates, effective June 1, 2018. The interim rates that were in place from August 1, 2016 to May 31, 2018 are approved as final rates.

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 2018 CAMPUT Annual Conference in Toronto ON on, May 9-11, 2018.

Ms. Louise Beaulieu attended the 2018 CAMPUT Conference and Annual General Meeting in Iqaluit NU, on August 19-22, 2018.

Ms. Tina Gargan and Mr. Danny Yakeleya attended the 2018 Energy Regulation Course in Kingston ON, on June 18-22, 2018.

A LOOK AHEAD

Major activities carrying forward from 2018 include the 5 year review of our GRA Minimum Filing Requirements and anticipated GRA applications from NUL YK and Northland Utilities (NWT) Limited (“**NUL NWT**”).

Corporate changes within the propane sector have us looking into the regulatory status of suppliers in the NWT.

Ongoing NWT Electricity Policy Discussions

Distributed resources and technologies are becoming more affordable and more widely available with many benefiting from the government’s support, public policies and goals for cleaner energy use and greenhouse gas reductions. The introduction of net metering tariffs in 2014 is but one example.

However, the evolving nature of electric generation, consumption, storage and the system has significant implications for the grid, incumbent utilities, consumers and the regulatory framework. Our ongoing participation with Energy Strategy including facilitation of efficient supply and use through appropriate tariff mechanisms are anticipated activities that would continue to contribute to positive development of alternatives within the NWT. We continue to be invited to lead in National events representing the remote service area we regulate. We regularly respond to enquiries regarding the innovation and efficiencies the NWT have developed serving our markets.

We continue to monitor developments with NUL NWT, the Inuvik Gas Ltd. and the Town of Norman Wells conversions and other new activities involving local propane suppliers.

SUMMARY OF 2018 BOARD DECISIONS

DECISION 1-2018

January 15, 2018

Application:

By letter dated March 1, 2017, NTPC submitted its Phase II GRA for the 2016/17, 2017/18 and 2018/19 Test 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 2-2018

February 5, 2018

Application:

By letter dated December 27, 2017, NUL YK applied to the Board for approval to issue a long term debt instrument in the amount of \$7,300,000, by way of an unsecured debenture with an interest rate of 3.583% to ATCO Electric Ltd.

Order:

After reviewing the application, the Board approved the issuance of the Debenture, in the principal amount of \$7,300,000 at an interest rate of 3.583% to ATCO Electric Ltd.

DECISION 2-2018 (Errata)

February 6, 2018

On February 5, 2018, the Board issued Decision 2-2018.

In Decision 2-2018, Paragraph 8 of Section 3 it stated “The Application by Northland Utilities (NWT) Limited for approval to issue a 3.583% debenture in the principal amount of \$7,300,000 to ATCO Electric Ltd. is hereby approved.”, it should have stated “The Application by Northland Utilities (Yellowknife) Limited for approval to issue a 3.583% debenture in the principal amount of \$7,300,000 to ATCO Electric Ltd. is hereby approved.”

The Board stated the further to Section 25 (3) of the *Act*, this errata decision is issued to correct this minor error.

DECISION 3-2018

February 13, 2018

Application:

By letter dated September 28, 2017, the Counsel for the Thermal Generation Communities ("**TGC**"), Mr. G. Rangi Jeerakathil made an application for intervener costs with respect to NTPC's Phase I and II GRA. The costs consisted of Legal Fees and Consultant Fees in the amount of \$148,700.65 for Phase I and \$47,517.17 for Phase II.

By letter dated October 26, 2017, 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 Phase I GRA. Also by letter dated November 2, 2017, Mr. Marriott, made an Application to the Board for intervener costs with respect to NTPC's Phase II GRA. The costs consisted of Legal Fees and Consultant Fees in the amount of \$58,866.38 for Phase I and \$26,056.45 for Phase II.

By letter dated October 26, 2017, the Counsel for the Northern Territories Federation of Labour ("**NTFL**"), Mr. Sacha R. Paul, made an application to the Board for intervener costs with respect to NTPC's Phase I GRA. The costs consisted of Legal Fees, and Consultant Fees in the amount of \$173,160.02 for the Phase I proceedings

By letter dated November 2, 2017, NTPC, made an application to the Board for award of costs with respect to NTPC's Phase I and II GRA. The costs consisted of Internal Fees, Legal Fees, and Consultant Fees in the amount of \$777,415.78 for Phase I and \$394,807.98 for Phase II.

Both NTPC and interested parties provided comments in regards to all applications for costs.

Order:

The Board awarded costs in the amounts of \$144,719.40 for Phase I and \$47,517.17 for Phase II to TGC.

The Board awarded costs in the amounts of \$57,843.88 for Phase I and \$26,056.45 for Phase II to YK/HR.

The Board awarded costs in the amount of \$140,631.72 for Phase I to NTFL.

NTPC's external costs in the amounts of \$629,190.63 for Phase I and \$376,151.23 for Phase II together with the Board approved intervener costs, are approved for recovery from customers through the mechanism of the Hearing Costs Deferral Account.

DECISION 4-2018

February 27, 2018

Application:

By letter dated December 20, 2017, the Counsel for the City of Yellowknife (“**City**”), Mr. Thomas D. Marriott, made an application to the Board for intervener costs with respect to NUL YK’s 2017 GRR. The costs consisted of Legal Fees, and Consultant Fees totaling \$6,409.20.

By letter dated January 16, 2018, NUL YK, made an application to the Board for costs with respect to NUL YK’s 2017 GRR. The costs consisted of Legal Fees and disbursements totaling \$6,900.75.

NUL YK provided comments that it had reviewed the City’s cost claim and found the cost claim to be reasonable and in accordance with the Board’s Scale of Costs.

No comments or issues were received with respect to NUL YK’s application for costs.

Order:

The Board awarded costs in the amount of \$6,409.20 to the City.

NUL YK’s costs in the amount of \$6,900.75 together with the Board approved intervener cost, are approved for recovery from customers through the mechanism of the Hearing Costs Deferral Account.

DECISION 5-2018

March 15, 2018

Application:

By letter dated February 16, 2018, NTPC requested approval for an extension to complete the compliance filing for the Phase I and II GRA. NTPC also requested that the Board confirm that the interim rates approved in Decision 4-2017 continue past March 31, 2018.

The Board, by letter dated February 16, 2018, accepted NTPC’s request for an extension to file the Phase I and II compliance filing. The Board requested that NTPC advise the Board, no later than February 22, 2018 when the compliance filing will be made and to provide reasons why the 2017/18 interim rates should continue past March 31, 2018.

By letter dated February 22, 2018, NTPC advised that it will file the Phases I and II compliance filing by March 16, 2018. NTPC also requested that the current interim rates approved in Decision 4-2017 for 2017/18 remain for 2018/19 pending the Board review of the compliance filings and provided its reasons why the 2017/18 interim rates should continue past March 31, 2018.

Order:

The Board approved NTPC's request for continuation of the current (2017/18) interim rates approved in Decision 4-2017, past March 31, 2018 pending the Board review and approval of final rates for the 2016/19 test period, following a compliance filing review process. Having considered NTPC's reasons, the Board is satisfied that continuation of the 2017/18 rates past March 31, 2018 to be in the public interest.

DECISION 6-2018

March 28, 2018

Application:

By letter dated February 28, 2018, NUL YK filed its GRR compliance filing. NUL YK provided an updated working model of all GRR schedules relating to the establishment of rate base, return, revenue requirement, revenues and revenue excess and all relevant supporting schedules, reflecting the directions in the Board's Decision 17-2017

Order:

The Board reviewed the compliance filing and schedules provided by NUL YK and approved Rate Riders E, K and R, effective April 1, 2018.

DECISION 5-2018 Errata

April 13, 2018

On March 15, 2018, the Board issued Decision 5-2018.

Appendix 1, NTPC Rate Schedules, effective April 1, 2018, was attached to Decision 5-2018. The Taltson Interruptible Heat Rate Schedule which should have been included as part of Appendix 1 was inadvertently left out of the set of Interim Rate Schedules approved in Decision 5-2018.

The Taltson Interruptible Heat Rate Schedule is now attached. The Board stated that further to Section 25 (3) of the *Act*, this errata decision is issued to correct the above omission.

DECISION 7-2018

May 16, 2018

Application:

By letter dated May 7, 2018, NUL NWT filed an application requesting approval of an adjustment to Rider A, applicable to all NUL NWT customers, effective June 1, 2018.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective June 1, 2018.

DECISION 8-2018

May 25, 2018

Application:

By letters dated March 16, 2018, NTPC filed its 2016/19 Phase I and II GRA Compliance Filings, as ordered by the Board in Decisions 16-2017 and 1-2018. NTPC also filed an application for Review and Variance (“**R&V application**”) of Board Decision 16-2017. The R&V application requested that Directive 18 from Decision 16-2017 dealing with the amount of diesel generation to be included in rates for the Snare Yellowknife Zone, be reviewed and varied.

In view of the nature of the issues raised in the R&V application, the Board decided to dispense with submissions on the threshold question respecting admission of the R&V application. In the interest of regulatory efficiency, the Board decided to deal with all three applications concurrently. The Board established a schedule for consideration of the applications

Order:

Having reviewed the Compliance Filing and accompanying schedules, the Board accepted and approved the 2016/17, 2017/18 and 2018/19 revenue requirements and rate schedules as proposed by NTPC in its Phase I and Phase II compliance filing.

Since NTPC did not request a true up of the revenues arising from difference between interim and final rates for the months of April and May 2018, the Board approved the final rates set out in Appendix 1 effective June 1, 2018. The interim rates that were in place from August 1, 2016 to May 31, 2018 are approved as final rates

DECISION 9-2018

June 1, 2018

Application:

By letter dated May 8, 2018, the Counsel for the City, Mr. Thomas D. Marriott, made an Application to the Board for intervener costs with respect to NUL YK's 2017 GRR Compliance Filing. The costs consisted of Legal Fees, and Consultant Fees totaling \$1,607.79

Order:

The Board awarded costs in the amount of \$1,607.79 to the City.

DECISION 10-2018

June 19, 2018

Application:

By letter dated June 8, 2018, NUL NWT filed an application requesting approval for an adjustment to Rider F, applicable to the Hydro Rate Zone, effective July 1, 2018.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective July 1, 2018.

DECISION 11-2018

June 26, 2018

Application:

By letter dated June 8, 2018, NUL YK filed an application requesting approval for an adjustment to Rider F, applicable to the City of Yellowknife customers, effective July 1, 2018.

Order:

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

DECISION 12-2018

July 10, 2018

Application:

By letter dated June 8, 2018, NTPC applied for a "GRA Adjustment Rider" effective August 1, 2018 to collect the revenue shortfall that occurred in April and May 2018

Order:

Having reviewed the rider application and accompanying schedules, the Board accepted and approved implementation of the proposed GRA Adjustment Rider, effective August 1, 2018.

DECISION LETTER 001-2018**July 24, 2018****Application:**

By letter dated July 12, 2018, NTPC sought clarifications respecting the Snare zone diesel cost variances to be included in the Rate Stabilization Fund (“**RSF**”) account, following Board Decisions 16-2017 (2016/19 GRA Phase I Decision) and 8-2018 (2016/19 GRA Compliance Decision). More specifically, NTPC asked whether the RSF account should include variations in the costs for diesel generation, arising only from low water conditions on the Snare zone or, whether it should include costs for all diesel generation volume variances.

In Decision 8-2018, certain changes were approved by the Board following NTPC’s request to increase the costs for diesel generation included in the base rates for the Snare zone customers, from 1.2 GWh to 5 GWh. As part of the balance between base rate increase versus risk of diesel cost variances, the Board deemed all diesel generation costs above 5 GWh to be attributable to low water conditions and considered such costs should be included in the RSF consistent with Guideline 7 of the Government of the NWT Policy Guidelines. Also, as part of the balance, the Board determined that any credits for diesel generation between 1.2 GWh and 5 GWh would flow to the Snare zone customers.

Order:

The Board had considered NTPC’s request to increase the RSF threshold to \$4 million. However, in the Board’s view, increasing the threshold may result in materially higher (or lower) rider levels than under the existing \$2.5 million threshold due to higher (or lower) fund balances to be recovered. In the Board’s view, this may not facilitate rate stability. Further, delaying any rider recovery/refund until the \$4 million RSF threshold is reached means lengthening the delay between cost incurrence and corresponding cost recovery with possible implications for equity and fairness among current and future customers. For these reasons, NTPC’s request to increase the RSF threshold from \$2.5 million to \$4.0 million was denied.

DECISION 13-2018

July 31, 2018

Application:

By letter dated July 9, 2018, NTPC applied to the Board with a request to amend the current rate schedules approved in Decision 1-2018. NTPC states that the approved Street Lighting rate schedules include Mercury Vapour bulbs which the Corporation no longer uses and requested that the Mercury Vapour bulbs be removed from the Street Lighting rate schedules. NTPC filed a complete set of rate schedules including an amended Street Lighting rate schedule reflecting removal of the Mercury Vapour bulbs, effective August 1, 2018

NTPC also requested that the Distributed Resource Technical Interconnection Guidelines ("**Guidelines**") included in the application which are applicable to the Net Metering Program, form part of NTPC's Terms and Conditions of Service as Schedule "F". NTPC noted that the Board approved the Net Metering program in Decision 1-2014 and accepted the same Guidelines at page 43 of that Decision

Order:

Having examined the application, the Board accepted and approved the changes to the Street Lighting rate schedule, effective August 1, 2018. The Board also approved NTPC's request to include the Guidelines that were accepted in Decision 1-2014, as part of NTPC's Terms and Conditions of Service, Schedule "F".

DECISION 14-2018

August 15, 2018

Application:

By letter dated July 12, 2018, the Counsel for TGC, Mr. G. Rangji Jeerakathil, made an application to the Board for intervener costs with respect to NTPC's 2016/19 GRA Compliance Filing and NTPC's R&V application. The costs consisted of Legal Fees and Consultant Fees in the amount of \$9,899.25

By letter dated June 28, 2018, the Counsel for YK/HR, Mr. Thomas D. Marriott, made an application to the Board for intervener costs with respect to NTPC's 2016/19 GRA Compliance Filing, and NTPC's R&V application. The costs consisted of Legal Fees and Consultant Fees in the amount of \$6,514.71

By letters dated July 13, 2018, NTPC filed its external costs with respect to NTPC's GRA Compliance Filing and NTPC's R&V application. The costs consisted of Internal Fees, Legal Fees, and Consultant Fees in the amounts of \$34,417.80 for Phase I, \$21,802.25 for Phase II and \$17,298.65 for the R&V Application

NTPC stated that it has reviewed both of the intervener's cost claims and that it's satisfied the conditions set forth in Section 32(2) of the Board's Rules of Practice and Procedure and the Board's Rules on Costs. NTPC noted that the Board will review the cost claim in accordance with the Board's Scale of Costs

The interested parties did not provided comments in regards to NTPC's costs.

Order:

The Board awarded costs in the amount of \$9,899.25 to TGC.

The Board awarded costs in the amount of \$6,514.71 to YK/HR.

NTPC's external costs in the amount \$34,417.80 for the GRA Phase I Compliance filing, \$21,802.25 for the Phase II Compliance filing and \$17,298.65 for the R&V application, together with the Board approved intervener costs, are approved for recovery from customers through the mechanism of the Hearing Costs Deferral Account.

DECISION 15-2018

August 15, 2018

Application:

By letter dated August 8, 2018, NUL NWT filed an application requesting approval for an adjustment to Rider F, applicable to the Hydro Rate Zone, effective September 1, 2018

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective September 1, 2018.

DECISION 16-2018

August 15, 2018

Application:

By letter dated August 8, 2018, NUL YK filed an application requesting approval for an adjustment to Rider F, applicable to the Hydro Rate Zone, effective September 1, 2018

Order:

The Board reviewed the schedules and information provided by NUL YK and approved rate rider, effective September 1, 2018.

DECISION 17-2018

October 23, 2018

Application:

By letter dated October 9, 2018, NUL NWT filed an application requesting approval of an adjustment to Rider A, applicable to all NUL NWT customers, effective November 1, 2018.

Order:

The Board reviewed the schedules and information provided by NUL NWT and approved rate rider, effective November 1, 2018.