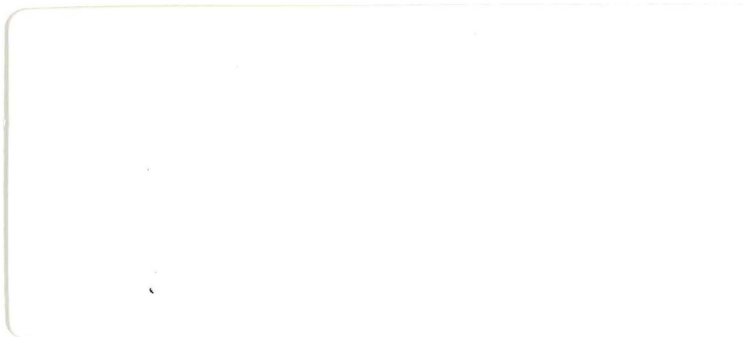


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**PUBLIC UTILITIES BOARD  
OF THE  
NORTHWEST TERRITORIES  
1994 ANNUAL REPORT**

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**Northwest  
Territories** Minister Responsible for the Public Utilities Board

**The Honourable Helen Maksagak  
Commissioner of the Northwest Territories**

**I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1994.**

A handwritten signature in black ink, appearing to read "John Todd", with a large, sweeping flourish above the name.

**John Todd**

**Attachment**



Northwest  
Territories Public Utilities Board

**The Honourable John Todd  
Minister Responsible for  
the Public Utilities Board  
of the Northwest Territories**

**Sir:**

**I have the honour to present the report of the activities of the Northwest Territories  
Public Utilities Board for the calendar year ending December 31, 1994.**

**Respectfully submitted,**

**John E. Hill  
Chairperson  
Public Utilities Board**



## THE PUBLIC UTILITIES BOARD

The Northwest Territories Public Utilities Board is an independent regulatory agency operating under, and administering the Public Utilities Act (the Act). The Board's basic responsibility is to regulate energy utilities under its jurisdiction by ensuring that rates charged for energy are just and reasonable and that utility operations provide safe, adequate and secure service. The Board also approves major capital projects, the issuance of long-term debt and franchise agreements.

The Board is composed of a full-time Chairperson and four part-time members. The Chairperson is the Chief Executive Officer of the Board. The Act provides for the appointment of not more than six temporary members. Temporary members have never been appointed.

At December 31, 1994 the Public Utilities Board consisted of the following members:

Chairperson	John Hill, Hay River, NT
Vice-Chairperson	Ray Mercer, Rankin Inlet, NT
Member	Tom Zubko, Inuvik, NT
Member	Joe Auge, Yellowknife, NT
Member	Vacant

Board Staff consisted of:

Board Secretary	Greg Garbutt
Financial Analyst	Jamie Cameron
Asst. Board Secretary	Louise Larocque
Legal Counsel	John Donihee, Department of Justice
Consultants	Mathew Regulatory Consulting Group Inc.

## REGULATORY JURISDICTION

The following utilities are subject to the Board's jurisdiction:

Northland Utilities (Yellowknife) Limited  
Head Office: Yellowknife, NT

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

Northwest Territories Power Corporation  
Head Office: Hay River, NT

Stittco Utilities NWT Limited  
Head Office: Hay River, NT

Northland Utilities (Yellowknife) Limited ("**Northland (Yk)**") and Northland Utilities (NWT) Limited ("**Northland (NWT)**") are investor-owned utilities which are fully regulated by the Board.

The Northwest Territories Power Corporation ("**NWTPC**") is a territorial crown corporation. On October 1, 1989, the Board assumed limited regulatory jurisdiction over NWTPC and was given full jurisdiction effective April 1, 1992, pursuant to the provisions of the Public Utilities Act and the Northwest Territories Power Corporation Act.

Stittco Utilities NWT Ltd. ("**Stittco**") is an investor-owned utility. In 1990, the utility was exempted from certain provisions in the Public Utilities Act until August 1993. The utility's affairs were reviewed in 1994, and it was determined that a level of 'eased regulation' was warranted.

## UTILITY REGULATION

The Public Utilities Act is the territorial legislation under which the Board is established. All electrical and gas utilities as defined in the Act are subject to Board regulation. The mandate of the Board as expressed by the Act is to regulate public utilities by fixing utility rates and charges and approving franchise agreements.

Rates, service and safety considerations are paramount concerns in the regulatory process. In order to obtain information from all interested persons, the Board requests the attendance of the utility and intervenors at public hearings. The Board will hold a public hearing upon:

- i) receipt of an application from a utility,
- ii) request of the Minister Responsible for the Public Utilities Board,
- iii) issuance of a Directive from the Executive Council, or
- iv) the direction of the Board to investigate a matter under its jurisdiction.

The hearing process includes the following steps:

### 1. **Notice of Application/Hearing**

The Board shall give notice of a hearing to the public by publishing a written notice in a newspaper that is circulated in the Northwest Territories and in the locality affected by the hearing. It is customary that a utility advise mayors, town councils and its major customers in the franchise area of its application by way of general notice.

Copies of an application filed with the Board are available from the Board office or from the offices of the applicant.

### 2. **Intervention**

Public involvement is essential in the regulatory process. The Board welcomes intervenors at its proceedings because effective interventions are necessary to test an applicant's case.

Written notice of intention to intervene is recommended. The notice must be filed with the Board and copies forwarded to the applicant within the time specified in the notice of the hearing.



3. **Pre-Hearing Documentation**

The Board may direct an applicant to furnish additional information to complete or supplement its application. Prior to the hearing, written interrogatories from intervenors and the Board are forwarded to the applicant.

4. **The Hearing**

The hearing is a formal proceeding, requiring all participants who give evidence to be sworn. A transcript of the hearing is prepared by a court reporter. First to testify is usually the applicant, who files information and presents witnesses. The applicant's witnesses are subject to cross examination by the intervenors and may be questioned by the Board. Intervenors may present their own witnesses. Such witnesses are subject to cross examination by the applicant and may be questioned by the Board.

5. **Final Argument**

At the close of the hearing, all interested parties may present argument orally or in writing. Reply argument is also permitted.

6. **The Board Decision**

The Board Decision is a legal document which outlines the Board's conclusions with regard to a hearing. All Board Decisions are filed in the Supreme Court of the Northwest Territories and distributed to hearing participants. Board Decisions are binding upon the parties named. Copies of all Decisions are available to the public upon request.

7. **Variation or Rehearing**

The Board may, on its own initiative, vary a Board Decision or conduct a rehearing. Any party to a hearing may apply for variation of a Decision or rehearing of an application.

8. **Appeal**

Leave to appeal a Decision of the Board may be sought upon a question of law or excess of jurisdiction. Application to the Supreme Court for leave to appeal must be made within 45 days after the receipt of notice of the Decision.

9. **Intervention Costs**

The *Public Utilities Act* provides the Board with the authority to award costs, in its discretion, to intervenors. Costs are awarded to encourage intervention, but as a charge against the applicant utility who, in turn, passes the costs on to the ratepayers. Therefore, before exercising its discretion, the Board must consider the effectiveness of the intervention and whether the costs incurred were necessary and reasonable.

## 1994 IN REVIEW

### Northwest Territories Power Corporation

In response to Phase I of a General Rate Application dated September 1, 1993, and subsequent to public hearing held in Hay River on December 7, 8 and 9, 1993, the Board issued Decision 2-94 determining the Rate Base and Revenue Requirement for the Test Year ending March 31, 1994.

Decision 2-94 also ordered NWTPC to file, with its Phase II application, a statement of its actual revenue for the 1993/94 test year. The filing was to be accompanied by a proposed rider or riders designed to adjust rates during NWTPC's 1994/95 fiscal year to eliminate any surplus or deficiency arising from differences between the revenue determined in Decision 2-94 and actual revenue for 1993/94.

Subsequently, on May 30, 1994, NWTPC filed Phase II of the General Rate Application. The filing included, for the first time, a cost of service analysis, a rate zone proposal and a proposed rate design. NWTPC also applied for approval of an automatic fuel adjustment clause and amendments to its Terms and Conditions of Service.

As ordered, in Decision 2-94, NWTPC filed a statement of actual revenue for 1993/94 indicating a deficiency of \$1,663,000 for 1993/94. When netted against a decrease in fuel expense, the total deficiency was estimated at \$1,492,000, which NWTPC proposed be recovered through a temporary surcharge of 2.5% to be applied to all customers, with the exception of long-term contract customers. In response to submissions made by Northland Utilities and the City of Yellowknife, the Board determined that it would review the matter at the time of the Phase II hearing. Subsequently, the Board accepted the arguments of the intervenors with respect to the filing, and dismissed the proposed deficiency rider.

The Phase II hearing was held in Yellowknife on October 12 and 13, 1994. Following the hearing, the Board, in a letter dated November 14, 1994, requested NWTPC to provide additional information and cost of service analysis respecting the proposed Western and Eastern diesel zones.

NWTPC was asked:

- (a) to group communities within zone 3 and 4 described in the Phase II Application into sub-zones based on similarity of cost on a kilowatthour basis and other criteria referred to in the Application;
- (b) to provide further analysis respecting the communities at the top or bottom of their zones in terms of kilowatthour cost by considering the vintage of the plant, the

effect of the Corporation's five year capital plant and other foreseeable expenses for the community; and

- (c) to assess whether any communities could be anticipated to move between zones in the next several years as a result of significant changes in the cost of providing service to the community.

A hearing to examine the revised data was scheduled for January 16 and 17, 1995 in Iqaluit and January 19 and 20, 1995 in Inuvik. An information session was also scheduled to be held in Fort Simpson on December 29, 1994, but was cancelled due to weather conditions.

The Board's decision with respect to the Phase II General Rate Application will be released in 1995.

On August 8, 1994, NWTPC filed an application with the Board seeking approval to implement, on an interim refundable basis, a temporary rider to recover additional diesel fuel expense in the proposed Snare/Yellowknife zone as described in NWTPC's Phase II application. The request was for an amount of \$4,800,000 related to the generation of an additional 61.5 GW.h of energy from the Jackfish diesel plant. The additional diesel generation was necessary to replace a reduction in hydro generation due to severe low water conditions on the Snare system.

Subsequent to the public hearing in Yellowknife on October 20 and 21, 1994, the Board ordered that an amount of \$4,300,000 should be collected.

The Board concluded that a portion of the allowed deficiency, in an amount of \$1,000,000 ought to be allocated to customers outside the proposed Snare/Yellowknife zone. The Board's determination being based, in part, on the fact that for the five years preceding the application all NWTPC customers had been the beneficiaries of hydro generation consistently above the long term average.

Low water conditions are expected to continue through 1995/96 and 1996/97. The Board has urged NWTPC to consider filing a General Rate Application in 1995 if it is unable to earn its revenue requirement, and has directed NWTPC to develop a proposal for a low water stabilization fund to be filed at the time of its next General Rate Application.

During the year, the Board approved Franchise Agreements for the supply and distribution of electrical power to 17 communities in the Northwest Territories. It is expected that the remaining community franchises will be filed with the Board in 1995. NWTPC was deemed to have an exclusive franchise in all the areas it served until October 1, 1991. The deemed franchise was twice extended by the Board, to October 31, 1992, to enable NWTPC to conclude negotiations, with the Northwest Territories Association of Municipalities, to develop a generic franchise document for all communities served by the

Corporation.

An application for approval of Long Term Debt Financing, in an amount of \$20,000,000 was approved on April 7, 1994. The funds generated were intended to be used to retire outstanding short-term debt and for ongoing capital programs.

The City of Yellowknife applied to the Board of \$44,489.90 in intervenor costs with respect to its participation in NWTPC's Phase I General Rate Application. The Board reviewed the application and was of the view that, while the City was addressing those issues which would have a significant impact on Yellowknife ratepayers, the intervention benefited all ratepayers within the NWT.

The Board considered the costs to be reasonable and ordered NWTPC to forward payment to the City.

#### **Northland Utilities (Yellowknife) Limited**

Northland (Yk), by letter dated September 24, 1993, applied to the Board for changes to its Electric Service Regulations. After a full review with interested parties, the changes were approved.

On November 30, 1994, the Board approved a proposed rider to flow through on an energy basis the low water rider approved for NWTPC.

#### **Northland Utilities (NWT) Limited**

By letter dated July 14, 1994, Northland (NWT) filed with the Board an application to revise its fuel clause rider applicable to all its customers within its service area except those in Hay River. The changes was reviewed and approved August 22, 1994.

Board Decision 14-94, dated November 30, 1994, ordered Northland (NWT) to file with the Board, within 14 days, a proposed rider to flow through on an energy basis the low water rider approved for NWTPC in Decision 12-94. By letter dated December 9, 1994, Northland (NWT) filed a proposed rider to reflect the order in Decision 14-94. The proposed rider was approved in Decision 16-94, dated December 14, 1994.

Northland (NWT) applied to the Board, by letter dated December 15, 1994, for continuation of the currently approved Rider E. Northland (NWT) proposed that the rider remain in place until such time as a final Decision of the Board is received regarding a General Rate Application filing for the 1996 and 1997 test years.

## **Stittco Utilities NWT Limited**

In response to a Board order, Stittco filed a General Rate Application on September 30, 1993 requesting a 7% rate increase. On December 22, 1993, the Board was advised that Stittco had decided to withdraw the General Rate Application and intended to file an application pursuant to Section 18 of the Public Utilities Act exempting Stittco from the provisions of the Act.

On February 15, 1994, Stittco filed an application under Section 18 requesting that, with some exceptions, the provisions of the Act would not apply to Stittco.

A public hearing was held in Hay River, May 26, 1994, to deal with the Section 18 application.

The Board concluded that sufficient competition for alternative fuels exists, in the Hay River market area, to negate the need for full regulation. The Board ordered, pursuant to section 18 of the Act, that with some exceptions the provisions of the Act would not apply to Stittco. The exceptions provide a complaint mechanism, analogous to that which was in place when the Town of Hay River ("**the Town**") and Stittco first entered into the franchise agreement.

## **Town of Hay River**

On December 5, 1994 the Town applied to the Board for review and variance of Board Decision 12-94, asserting that by virtue of a contract between Northland (NWT) and NWTPC the rider to collect \$1,000,000 from customers outside the proposed Snare/Yellowknife zone should not apply to energy purchased by Northland.

By letter dated December 7, 1994, the Board advised the Town that it had decided to hear the review and variance application in two stages. The first stage being a threshold test to be applied to the question of whether the Board will exercise its discretion and order the hearing of stage two.

In its letter the Board requested further written submissions from the Town and provided for an opportunity for other interested parties to respond to the Town's submission.

## **A LOOK AHEAD**

### **Northwest Territories Power Corporation**

The Board considered that additional information and cost of service analysis was required with respect to NWTPC's proposed rate Zone 3 (Western Diesel System) and Zone 4 (Eastern Diesel System), and decided that regional hearings should be held in Iqaluit and Inuvik in January 1995 to hear further evidence on the matter.

The delay caused by the need to hold additional hearings will result in the deferment of the Phase II decision until May 1995.

The expectation that continued low water in the Snare/Yellowknife system and the need for further analysis of the proposed zone configuration is expected to lead to the filing of a new General Rate Application in 1995.

Many communities have not entered into franchise agreements with NWTPC and the Board expects that this omission will be dealt with in 1995.

### **Northland Utilities (NWT) Limited**

The application for the continuation of Rider E was before the Board at year end.

Northland (NWT) will file a General Rate Application for the Test Years 1996 and 1997 before December 31, 1995.

### **Town of Hay River**

The application to Review and Vary Board Decision 12-94 was being considered by the Board.

## SUMMARY OF 1994 BOARD DECISIONS

### DECISION 1-94 - March 8, 1994

**Application** - Northland Utilities (Yellowknife) Limited applied for revisions to its existing Electric Service Regulations.

**Order** - The Board approved the proposed changes to its Electric Service Regulations as submitted.

### DECISION 2-94 - March 10, 1994

**Application** - NWTPC filed a Phase I General Rate Application on September 1, 1993, for the Test Year ending March 31, 1994.

**Order** - The Board reviewed the evidence and determined the Rate Base to be \$164,688,728 and the Revenue Requirement to be \$99,361,684. The Board also ordered that NWTPC shall file with its Phase II application a statement of its actual revenue for the Test Year ending March 31, 1994, to be accompanied by a proposed rider or riders designed to adjust rates to actuals.

### DECISION 3-94 - April 7, 1994

**Application** - NWTPC applied for approval to create and issue a long term debt instrument in the amount of \$20,000,000.

**Order** - The Board approved the amount of \$20,000,000 for long term debt financing subject to the Terms and Conditions in NWTPC's March 23, 1994 application.

### DECISION 4-94 - May 19, 1994

**Application** - The City of Yellowknife applied for Intervenor costs pertaining to NWTPC's General Rate Application hearing dated December 7, 8 and 9, 1993.

**Order** - The Board reviewed and approved the intervenor costs as submitted.



**DECISION 5-94 - May 25, 1994**

**Application** - NWTPC applied for approval of a proposed Franchise Agreement for the supply and distribution of electrical power to users within the Hamlets of Holman, Pangnirtung, Tuktoyaktuk and Broughton Island.

**Order** - The Board approved the Electric Franchise Agreements.

**DECISION 6-94 - July 12, 1994**

**Application** - NWTPC applied for approval of a proposed Franchise Agreement for the supply and distribution of electrical power to users within the Town of Fort Smith.

**Order** - The Board approved the Electric Franchise Agreement.

**DECISION 7-94 - July 12, 1994**

**Application** - NWTPC applied for approval of a proposed Franchise Agreement for the supply and distribution of electrical power to users within the Hamlets of Resolute Bay, Fort McPherson, Aklavik and Rae-Edzo.

**Order** - The Board approved the Electric Franchise Agreements.

**DECISION 8-94 - July 12, 1994**

**Application** - NWTPC applied for approval of a proposed Franchise Agreement for the supply and distribution of electrical power to users within the Hamlets of Arctic Bay, Arviat, Rankin Inlet and Taloyoak.

**Order** - The Board approved the Electric Franchise Agreements.

**DECISION 9-94 - July 26, 1994**

**Application** - Stittco Utilities NWT Limited submitted an application requesting an order pursuant to Section 18 of the Public Utilities Act declaring that the provisions of the Act do not apply to it.

**Order** - The Board reviewed the evidence and declared, pursuant to Section 18 of the Act, that the provisions of the Act do not apply to Stittco with a few exceptions.

**DECISION 10-94 - August 9, 1994**

**Application** - NWTPC applied for approval of a proposed Franchise Agreement for the supply and distribution of electrical power to users within the Hamlets of Coppermine, Pelly Bay, Pond Inlet and Grise Fiord.

**Order** - The Board approved the Electric Franchise Agreements.

**DECISION 11-94 - August 22, 1994**

**Application** - Northland Utilities (NWT) Limited applied to revise its fuel clause rider for all communities except Hay River.

**Order** - The Board approved the proposed rider effective on all bills issued on or after September 1, 1994.

**DECISION 12-94 - November 15, 1994**

**Application** - NWTPC filed an application for approval to implement on an interim refundable basis, a temporary rate rider to recover additional diesel fuel expenses forecast to be incurred during the 1994/95 fiscal year.

**Order** - The Board determined that an amount of \$4,300,000 should be collected. \$1,000,000 from all NWTPC customers outside of the proposed Snare/Yellowknife zone. The balance of the allowed deficiency to be collected from customers within the proposed Snare/Yellowknife zone. The deficiency to be collected by way of riders applied to the energy consumption of all NWTPC customers.

**DECISION 13-94 - November 22, 1994**

**Application** - NWTPC applied for an order to approve a temporary interim refundable low water surcharge riders.

**Order** - The Board approved the temporary Low Water Surcharge Riders, on an interim refundable basis.

**DECISION 14-94 - November 30, 1994**

**Application** - By letter dated November 25, 1994, Northland Utilities (NWT) Limited applied for approval of a rider to recover its increase costs resulting from Decision 12-94 and 13-94.

**Order** - The Board approved the filing of a rider to flow through on an energy basis the low water rider approved for NWTPC.

**DECISION 15-94 - November 30, 1994**

**Application** - By letter dated November 29, 1994, Northland Utilities (Yellowknife) Limited filed a proposed rider to reflect the order contained in Decision 12-94.

**Order** - The Board approved Northland's temporary low water surcharge rider on an interim refundable basis.

**DECISION 16-94 - December 14, 1994**

**Application** - By letter dated December 9, 1994, Northland Utilities (NWT) Limited filed a proposed rider to reflect the order contained in Decision 14-94.

**Order** - The Board approved Northland's temporary low water surcharge rider on an interim refundable basis.

**DECISION 17-94 - December 22, 1994**

**Application** - By letter dated June 3, 1994, NWTPC filed a statement of its actual revenues for 1993/94, accompanied by a proposed rider, as per Board Order #2 of Decision 2-94.

**Order** - After reviewing the submissions of both Northland Utilities (Yellowknife) Limited and the City of Yellowknife, the Board dismissed the proposed rider in response to Board Order #2 contained in Decision 2-94.