



**PUBLIC UTILITIES BOARD
OF THE
NORTHWEST TERRITORIES
1993 ANNUAL REPORT**

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TABLE OF CONTENTS

MINISTER'S LETTER	I
CHAIRPERSON'S LETTER	II
THE PUBLIC UTILITIES BOARD	1
REGULATORY JURISDICTION	2
UTILITY REGULATION	3
1993 IN REVIEW	6
A LOOK AHEAD	9
SUMMARY OF 1993 BOARD DECISIONS	10



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

MAR 21 1994

**Daniel L. Norris
Commissioner**

I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1993.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the left.

John Todd

Attachment



**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 calender year ending December 31, 1993.**

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, 1993 the Public Utilities Board consisted of the following members:

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

Mr. Patterson's term expired January 1, 1994

Mr. Zubko was appointed to the Board on February 11, 1993

Mr. Auge was appointed to the Board on November 15, 1993

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	Stephen Johnson Chartered Accountants 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 are currently being reviewed to determine whether or not an increased level of regulation is 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.

1993 IN REVIEW

Northwest Territories Power Corporation

In July, 1993 the Board issued Decision 9-93 in response to the General Rate Application submitted by NWTPC in February, 1992. The Decision determined the rate base, revenue requirement, and a fair return on equity for the Test Years 1991/92 and 1992/93. The Board also issued a number of Directions to NWTPC as part of the Decision. Some of the more salient features of the Directions were:

- a requirement for NWTPC to conduct a full and complete review of its capital expenditure forecasting process;
- that NWTPC develop procedures to ensure sound monitoring and control of approved forecast capital expenditures;
- that a consultant be retained to review NWTPC's reserve capacity formula;
- that NWTPC compare its capitalization policy with that of other specified utilities; and
- that NWTPC provide detailed support for the service lives for all plant additions subsequent to March 31, 1989.

In July, 1993 the Board also issued Decision 10-93 making final the interim rate increase of 6%, effective April 1, 1992, originally approved in Board Decisions 2-92 and 4-92.

NWTPC filed a General Rate Application on September 1, 1993 for the 1993/94 Test Year. Included in the application was a request for an interim rate increase of 2% which was denied in Decision 12-93.

A public hearing was held in Hay River on December 7,8 and 9, 1993 to consider Phase I of NWTPC's General Rate Application. The Decision determining the Rate Base, Revenue Requirement and Return on Equity to be allowed should be released in March, 1994.

Northland Utilities (Yellowknife) Limited
(formerly Centra Power Inc. or Centra)

In April, 1993 the Board issued Decision 3-93 dealing with the General Rate Application submitted by Centra in August, 1992.

The Decision established a rate base, revenue requirement and fair return on equity for the Test Years 1992 and 1993. The Board also directed the utility to prepare a depreciation study and to reconsider its method of calculating revenue lag, both by the time of its next general rate application. In Decision 8-93, the Board approved the actual rates proposed by Centra as a result of the general rate application.

On February 5, 1993 the utility made application to the Board for approval to transfer ownership of its shares from Westcoast Energy Inc. to Canadian Utilities Ltd. A public hearing was held on May 4, 1993 in Yellowknife. Presentations were made by the City of Yellowknife, Canadian Utilities, Westcoast Energy and NWTPC.

After reviewing all the evidence the Board concluded that the transfer of ownership would be in the public interest and issued Decision 7-93 which approved the sale.

Northland Utilities (NWT) Limited

In March, 1993 the Board issued Decision 1-93 which dismissed the review and variance application received from Northland in late 1992. Also in March, 1993 the Board issued Decision 2-93 which effectively allowed Northland (NWT) to pass along increased purchased power costs from NWTPC.

In April 1993, the Board issued Decision 4-93 in which it approved a rider to collect municipal franchise taxes as well as revisions to Northland (NWT)'s Electric Service Regulations required to comply with Decision 9-92. The Board denied approval of a rider which would have collected a revenue shortfall in 1994. Board Decision 6-93 issued in May approved the implementation of additional rate schedules that were required due to changes in the Territorial Power Support Program of the Government of the Northwest Territories.

In Decision 16-93, the Board approved an extension of a rider, designed to collect a 1992/93 revenue deficiency, into 1994. The extension of this rider was requested in lieu of filing a GRA and was agreed to by the Town of Hay River.

In December 1993, the Board approved a long term debt issue in Decision 17-93. The purpose of the issue was to finance capital expenditures and the redemption of preferred shares.

Stittco Utilities (NWT) Limited

In 1990, the Board deregulated Stittco for a three year period which came to an end in August, 1993 and the Town of Hay River made application to the Board to bring Stittco back under full Board regulation.

The Board reviewed the matter and in August issued Decision 11-93 which placed Stittco back under the regulatory provision of the Public Utilities Act and ordered Stittco to file a General Rate Application by December 31, 1993. Stittco filed an application on September 30, 1993 in which it sought an interim refundable increase effective October 1, 1993. The Board denied the request for an interim increase in Decision 14-93 and deferred the issue of rates until the application was considered.

In November 1993, the applicant applied to the Board for review and variation of 14-93, contending that the applicant would suffer financial hardship should an interim increase not be granted. This application was dismissed in Decision 15-93.

In a recent development Stittco withdrew its General Rate Application and applied for deregulation under section 18 of the Act. The Board will address this issue in early 1994.

Administrative

The Government of the Northwest Territories as part of the New Directions Initiative announced by the Government Leader in June 1992 directed that certain facilities and agencies should be decentralized. The Public Utilities Board was part of this initiative. The Board relocated to a new office in Hay River on February 15, 1993.

A LOOK AHEAD

Regulatory

The Board will be issuing its Decision with regard to Phase I of NWTPC's General Rate Application early in 1994. The Board anticipates the filing of a Phase II application in the spring of 1994.

The Phase II application will include a fully allocated cost of service study by community and rate class within each community including cost of service for long-term contract customers.

NWTPC will also be filing a rate zone proposal. The proposal will include the reasons for its adoption, the cost of service study used in its development and revenue/cost ratios resulting from the adoption of the rate zone proposal.

The Board anticipates that a public hearing will take place during the summer of 1994 with a decision being issued in the latter part of the year.

The application by Stittco Utilities NWT Ltd. pursuant to Section 18 of the Public Utilities Act for an order declaring that with certain exceptions the provisions of the Act to not apply to Stittco will be dealt with in a public hearing to be held in the spring of 1994. A decision will be rendered in the summer.

Northland Utilities (NWT) Ltd. is expected to file a General Rate Application in accordance with the Board Order contained in Decision 16-93 for an appropriate test period by December 31, 1994.

SUMMARY OF 1993 BOARD DECISIONS

DECISION 1-93 - March 24, 1993

Application - Northland Utilities (NWT) Limited applied to review and vary Board Decision 9-92 and 11-92 based on several accounting concerns.

Order - The Board dismissed the application, stating that Northland had failed to satisfy any of the review and variance criteria established in Board Decision 2-89.

DECISION 2-93 - March 24, 1993

Application - Northland Utilities (NWT) Limited applied for approval of interim increases in existing rates, to customers within the Hay River services area, to compensate for increased costs for power purchased from NWTPC.

Order - The Board approved the requested increase in rates, on an interim basis, effective April 1, 1993. The interim increase is subject to further review by the Board.

DECISION 3-93 - April 13, 1993

Application - Centra Power Inc. (now Northland Utilities (Yellowknife) Limited) filed a General Rate Application on August 13, 1992 for the Test Years 1991/92 and 1992/93.

Order - The Board reviewed the evidence and determined that revenue requirements of \$15,703,000 for 1992 and \$16,483,000 for 1993 would be fair and just.

DECISION 4-93 - April 28, 1993

Application - In response to Board Decision 9-92, 11-92 and 1-93 Northland Utilities (NWT) Limited filed on April 16, 1993 an application for approval of a Rider E to collect the revenue deficiency for the 1992/93 test periods, a Rider B to collect the proper amount of franchise tax for the Hay River Area, and revised Electric Service Regulations.

Order - The Board approved Rider B and the revised Electric Service Regulation as submitted. Rider E was approved as amended by the Board. The Board denied the component extending the rider into the 1994 year that would collect a portion of the 1993 deficiency.

DECISION 5-93 - May 5, 1993

Application - The City of Yellowknife applied for intervenor costs related to Centra Power's General Rate Application for the Test Years 1992 and 1993, pursuant to Board Decision 3-93 dated April 13, 1993.

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

DECISION 6-93 - May 5, 1993

Application - In April 1993, the Government of the Northwest Territories advised Northland Utilities (NWT) Limited of changes to the Territorial Power Support Program. Northland in turn applied to the Board for approval for new rate schedules to facilitate the filing modification necessary.

Order - The Board approved the schedules as they did not involve any changes to Northland's rates.

DECISION 7-93 - May 26, 1993

Application - On February 5, 1993 Centra Power Inc. applied to the Board for approval of the sale and transfer of all shares of Centra to Canadian Utilities Limited.

Order - A public hearing was held on May 4, 1993 to examine the matter. After considering all the evidence and submissions by Counsel, the Board approved the sale.

DECISION 8-93 - June 15, 1993

Application - In response to Decision 3-93, Centra Power submitted, on May 5, 1993, the rate schedules designed to collect the approved annual revenues by class of customer.

Order - The Board approved the rate schedules as submitted.

DECISION 9-93 - July 7, 1993

Application - On February 25, 1992 NWTPC filed a General Rate Application for the Test Years 1991/92 and 1992/93.

Order - The Decision established a rate base, revenue requirements and rates of return for the Test Years. The Decision also issued a number of Directions to NWTPC dealing with a variety of management issues.

DECISION 10-93 - July 30, 1993

Application - In a letter dated July 29, 1993 NWTPC requested the Board to make final the interim refundable increase granted in Decisions 2-92 and 4-92 and that it be excused from filing a rider to recover the revenue deficiencies of the 1991/92 and 1992/93 Test Years.

Order - The Board made final the order approving the interim rates, with the exception of the Town of Norman Wells, and also excused NWTPC from filing the rider recovering the revenue deficiencies. Consideration of a Fuel Surcharge Rider is deferred until the next GRA.

DECISION 11-93 - August 17, 1993

Application - The Town of Hay River requested that the Board bring Stittco under the full provisions of the Act. The Board had in Decision 10-90 exempted Stittco from regulation for a period of three years.

Order - The Board after reviewing all submissions relating to the matter ordered that all provisions of the Act apply to Stittco and that it should file a General Rate Application by December 31, 1993.

DECISION 12-93 - September 13, 1993

Application - NWTPC filed a General Rate Application on September 1, 1993 for the 1993/94 Test Year. Included in the application was a request for a 2% interim increase and an Automatic Fuel Adjustment Clause.

Order - The Board denied the request for an interim rate increase and deferred consideration of the Fuel Adjustment Clause until the hearing of the GRA.

DECISION 13-93 - September 13, 1993

Application - The City of Yellowknife applied for intervenor costs pertaining to NWTPC's General Rate Application hearings dated July 7, 1993.

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

DECISION 14-93 - October 22, 1993

Application - On September 30, 1993, Stittco filed a General Rate Application for the 1993/94 Test Year. Contained in the application was a request for an interim rate increase effective October 1, 1993.

Order - The Board denied the request for an interim increase, stating that the application failed to demonstrate that the utility would suffer any financial hardship. Current rates will stay in effect until the Board hears the General Rate Application.

DECISION 15-93 - November 26, 1993

Application - On November 12, 1993, Stittco filed a request for review and variance of Decision 14-93. Stittco asked the Board to reconsider its denial of the request for an interim rate increase, stating that evidence of financial hardship was included in the rate application. Stittco submitted a new request as well, asking that a rider be put in place to recover increased propane costs should the Board again deny the interim rate increase.

Order - The Board denied the request for review and variance, citing that no new evidence had been presented which would cause the Board to reconsider the original Decision. The Board also pointed out that any revenue deficiency could be collected through a rider extending over more than the current Test Year. The Board declined to consider the fuel cost rider, stating that it was not part of the original application.

DECISION 16-93 - December 10, 1993

Application - On November 19, 1993 Northland Utilities (NWT) Limited submitted an application to extend the Rider "E" introduced in the 1993 fiscal year to the 1994 fiscal year, in lieu of filing a full GRA for the 1994 year.

Order - After reviewing the submissions of both Northland and the Town of Hay River, the Board approved the application.

DECISION 17-93 - December 21, 1993

Application - On November 22, 1993 Northland Utilities (NWT) Limited submitted an application to the Board seeking approval for a \$1 million long term debt offering bearing an interest rate of 7.36% per annum.

Order - After reviewing the submissions of both Northland and the Town of Hay River, the Board approved the application.