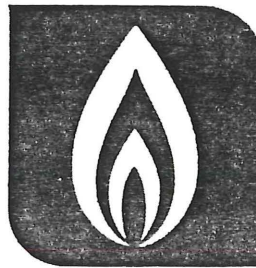


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**PUBLIC UTILITIES BOARD  
OF THE  
NORTHWEST TERRITORIES  
1995 ANNUAL REPORT**



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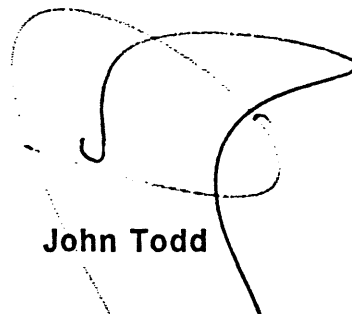


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**The Honourable Helen Maksagak  
Commissioner of the Northwest Territories**

**I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1995.**



**John Todd**

**Attachment**



**January 18, 1996**

**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, 1995.**

**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, 1995 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/Analyst	Jamie Cameron
Asst. Board Secretary	Louise Larocque
Legal Counsel	John Donihee, Department of Justice
Consultants	Marshall Energy & Regulatory Consulting

## 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

The Town of Norman Wells

Northland Utilities (Yellowknife) Limited and Northland Utilities (NWT) Limited 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.

The Town of Norman Wells, pursuant to the Norman Wells Gas Distribution System Act, became owner and operator of the natural gas distribution system within the Town as of April 1, 1995 and subject to the Board's jurisdiction.

## UTILITY REGULATION

The Public Utilities Act is the territorial legislation under which the Board is established. All electric 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.

## 1995 IN REVIEW

### Northwest Territories Power Corporation

On May 30, 1994, NWTPC filed the second phase of its 1993/94 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.

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 held January 16 and 17, 1995 in Iqaluit and January 19 and 20, 1995 in Inuvik.

The Board's decision with respect to the Phase II General Rate Application was issued June 9, 1995. The Board approved the implementation of the Snare/Yellowknife, Taltson and Norman Wells rate zones and determined that the diesel communities should not form part of any rate zone, until further review is undertaken. The Board issued 25 directives, the majority to be effected when NWTPC files its next General Rate Application, and ordered the filing of rate schedules to reflect the Board's decision.

The Board did not approve a Fuel Adjustment Clause, but indicated that it was prepared to examine a Fuel Adjustment Clause reflecting a number of principles outlined in the Board's Phase II Decision when NWTPC files its next GRA.

A decision respecting Terms and Conditions of Service was deferred until other matters dealt with in the Phase II decision were made final.

Subsequently, on August 24, 1995, the Board approved NWTPC's rate schedules and, with some exceptions, NWTPC's Terms and Conditions of Service.

During 1994, the Board approved Franchise Agreements for the supply and distribution of electrical power to 17 communities in the Northwest Territories and anticipated that applications would be received for the approval of the remaining community franchises in 1995. No Franchise Agreements were submitted for Board approval during 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.

It is the Board's opinion that Franchise Agreements are a matter between the negotiating parties and that there is no need for Board involvement, other than as it may effect rates in circumstances where a franchise fee is implemented. The Board is recommending that the Act be amended to reflect this point of view.

The City of Yellowknife applied to the Board for \$51,734.04 in intervenor costs with respect to its participation during 1994 in NWTPC's Phase II General Rate Application, NWTPC's Temporary Surcharge Rider "A" submission and NWTPC's Low Water Surcharge Rider application. The Board reviewed the application and provided NWTPC with an opportunity to comment. The Board's opinion was 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.

NWTPC filed Phase I of a General Rate Application for the Test Years 1995/96 and 1996/97 on December 20, 1995.

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

The Board approved an application by Northland Utilities (Yellowknife) Limited to flow through the increased cost of purchased power arising from the Board's approval of Phase II of NWTPC's General Rate Application.

As well, the Board approved, on an interim refundable basis, the flow through of Northland's increased costs arising from Board approval of NWTPC's low water riders.

The Board approved long term debt financing of approximately \$88,000 on October 23, 1995 and approved the issuance of a 6.55% Debenture in the principal amount of \$1,800,000 to Canadian Utilities Limited on December 1, 1995.

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

Northland Utilities (NWT) Limited, by letter dated December 15, 1994, submitted an application to extend Rider "E" through 1995. Rider "E" was introduced in the 1993 fiscal year and continued, with Board approval, through 1994. Northland proposed that the rider remain in place until such time as the Board renders a Decision with respect to a General Rate Application filing for the 1996 and 1997 test years. Northland stated, in support of its application, that the continuation of Rider "E" would eliminate the need for a 1995 GRA and thereby avoid rate hearing expenses of approximately \$80,000.

The Board provided public notice of the application and invited comment. There was no response to the public notice. The Town of Hay River had, by letter dated December 16, 1994, indicated that it supported Northland's application for continuation of the rider. The Board reviewed actual and forecast data for the years 1993, 1994 and 1995.

The Board, after review of the data provided by Northland, and giving weight to the support provided by the Town and the expense associated with the filing and hearing of a GRA, approved continuation of Rider "E". Northland was ordered to file a General Rate Application for the 1996 and 1997 Test Years before December 31, 1995.

Following Board approval of NWTPC's Phase II rate schedules, Northland filed a proposed rider to reflect the reduced cost of purchased power. The Board found that the rider properly reflected the flow through of the decrease and approved the rider, effective September 1, 1995.

In a letter dated November 24, 1994, Northland applied for approval to issue a Debenture in an amount of \$300,000 with a nominal interest rate of 6.55%. The Board approved the issue December 1, 1995.

### **Stittco Utilities NWT Limited**

The Board, in Decision 9-94 dated July 26, 1994, 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 and Stittco first entered into a franchise agreement. Included in Board Decision 9-94 was an Order that 60 days before Stittco commences to charge a different rate, it

file the new rates with the Board, and provide appropriate notification to the Town of Hay River.

Stittco advised the Board, in a letter dated October 4, 1995, that it proposed to implement new gas rates effective December 4, 1995.

By letter, dated November 27, 1995, the Town complained that the 4% increase in rates proposed by Stittco is not justified. The basis of the complaint is that the allocation of costs between revenue sources should be revised and that Stittco's cost allocations between customer classes is inappropriate.

The Board commenced a written inquiry process and expects the matter to be resolved early in 1996.

### **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 Utilities (NWT) Limited 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 should exercise its discretion and order the hearing of stage two.

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

The Board found that the Town of Hay River had not met the test of convincing the Board to exercise its discretion to review the Decision, and dismissed the application.

### **Town of Norman Wells**

By letter dated April 3, 1995, the Town of Norman Wells applied to the Board for approval of rates, fees and charges in respect of the natural gas distribution system, on an interim basis. The Board approved the application and directed the Town to file by March 31, 1996, an application that will enable the Board to establish a rate base for the gas distribution system and to fix just and reasonable rates.

## **Miramar Con Mine**

In Decision 14-95, the Board approved NWTPC's low water riders applicable to customers in the Snare/Yellowknife zone. By letter dated November 24, 1995, Miramar requested the Board review and vary Decision 14-95. Miramar requested that the low water surcharge levied on its consumption be reduced to the equivalent of 1.3 cents per kW.h and that this be collected by way of twelve equal instalments of \$39,917.

NWTPC advised that it did not oppose the reduction of the rider to 1.3 cents per kW.h from 2.4 cents kW.h, but as there was no set dollar amount that it was trying to recover it was unable to levelize payments for Miramar.

The Board noted that both parties considered the reduction of the rider to 1.3 cents per kW.h to be acceptable, and approved the change.

The Board accepted NWTPC's position that it was unable to levelize payments to Miramar.

## **A LOOK AHEAD**

### **Northwest Territories Power Corporation**

NWTPC filed Phase I of a General Rate Application for the Test Years 1995/96 and 1996/97 on December 20, 1995.

The submission seeks an order or orders of the Board determining a rate base and revenue requirement for each of the Test Years. As well, the application includes proposals with regard to, a deferral account in respect of compensation that may be payable in accordance with the NWT Water Board Licence respecting the Taltson River Basin; a Rate Stabilization Fund to mitigate fuel price changes and variations in hydro conditions; and capitalization of a Power Acquisition Agreement between the Dogrib Power Corporation and NWTPC.

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

Northland (NWT) will file a General Rate Application for the Test Years 1996 and 1997 in January 1996.

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

Northland (Yellowknife) will file a General Rate Application for the Test Years 1996 and 1997 in January 1996.

### **Rules of Practice & Procedure**

The Board has approved new Rules of Practice & Procedure and submitted them to the Department of Justice. It is anticipated that they will be included in Regulations early in 1996.

### **Review of the Public Utilities Act**

By letter, dated June 12, 1995, the Minister Responsible for the Public Utilities Board asked the Board to undertake a review of the Act. The Board has conducted an initial review of the Act and proposed a number of amendments. The Board, in a letter dated December 15, 1995, has requested interested parties to provide comment on the proposed amendments.

Subsequent to receiving responses to its letter, and subject to the approval of the Minister, the Board will draft a Legislative Proposal.

## SUMMARY OF 1995 BOARD DECISIONS

### DECISION 1-95 - February 1, 1995

**Application** - On December 15, 1994 Northland Utilities (NWT) Limited submitted an application to extend an existing rider, (Rider "E"), through 1995.

**Order** - After reviewing the application, and weighing the support for the proposal from the Town of Hay River, the Board approved the application.

### DECISION 2-95 - February 7, 1995

**Application** - The City of Yellowknife applied for intervenor costs arising from its participation in NWTPC's Phase II GRA, Temporary Surcharge Rider "A" submission and the Low Water Surcharge Rider application.

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

### DECISION 3-95 - March 1, 1995

**Application** - The Town of Hay River, by letter dated December 5, 1994 applied to the Board for review and variation of Decision 12-94.

**Order** - The Board reviewed the Town of Hay River's submission and dismissed the application.

### DECISION 4-95 - April 11, 1995

**Application** - The Town of Norman Wells, by letter dated April 3, 1995, applied for approval of rates, fees and charges on an interim basis.

**Order** - The Board approved the rates, as applied for, on an interim basis and directed the Town to file by March 31, 1995 an application that will enable the Board to establish a rate base for the gas distribution system.



### **DECISION 5-95 - June 9, 1995**

**Application** - NWTPC filed Phase II of a GRA with the Board on May 30, 1994 requesting an Order or Orders of the Board:

- "a) fixing and approving just and reasonable rates;
- b) approving an Automatic Fuel Adjustment Clause to account for diesel fuel price variations;
- c) approving amended Terms & Conditions of Service."

**Order** - The Board approved the implementation of the Snare/Yellowknife and Taltson Hydro Zones and the Norman Wells purchased power zone. The Board, for purposes of this Decision, determined that the diesel communities would not be considered part of any rate zone.

The Board provided 25 directives, the majority to be responded to in future filings.

NWTPC was ordered to file, within 30 days, a schedule of rates to reflect the Decision.

### **DECISION 6-95 - July 10, 1995**

**Application** - NWTPC, by letter dated June 1, 1995, filed calculations for the actual diesel fuel expense, for the year ending March 31, 1995, resulting from the additional diesel generation due to low water conditions in the Snare/Yellowknife zone, and requested Board approval.

**Order** - The Board, after reviewing the information provided, determined that the Low Water Surcharge Riders should recover \$3,748,822, and ordered NWTPC to file rate schedules to reflect the Decision.

### **DECISION 7-95 - July 14, 1994**

**Application** - NWTPC filed proposed rate schedules to recover the allowed deficiency of \$3,748,822, approved in Decision 6-95.

**Order** - The Board approved the rate riders as filed.

**DECISION 8-95 - August 24, 1995**

**Application** - NWTPC, subsequent to an exchange of correspondence with the Board clarifying certain issues, filed its response to Board Decision 5-95.

**Order** - The Board approved sales rates effective September 1, 1995. As well, the Board approved, with some exceptions, Terms & Conditions of Service.

**DECISION 9-95 - August 24, 1995**

**Application** - Northland Utilities (NWT) Limited filed, on August 21, 1995, a proposed rider to reflect the reduced cost of purchased power to its customers throughout the Hay River service area, effective September 1, 1995.

**Order** - The Board found that the proposed rider properly reflected the flow through of the decrease. The Purchase Power Adjustment rider was approved.

**DECISION 10-95 - August 25, 1995**

**Application** - Northland Utilities (Yellowknife) Limited filed, on August 21, 1995, a proposed rider to reflect the increased cost of purchased power, applicable to all classes of service throughout the territory served by the company.

**Order** - The Board found that the proposed rider properly reflects the flow through of the increase. The Purchase Power Adjustment rider was approved.

**DECISION 11-95 - October 16, 1995**

**Application** - NWTPC, by letter dated September 30, 1995, filed with the Board an application for interim refundable riders for all customers in the Snare/Yellowknife Zone, other than Miramar Con Mine, equivalent to the 1994/95 Snare/Yellowknife Riders.

**Order** - The Board approved the continuation of all existing low water riders, on an interim refundable basis, for all NWTPC's customers in the Snare/Yellowknife Zone, including Miramar Con Mine.

**DECISION 12-95 - October 23, 1995**

**Application** - Northland Utilities (Yellowknife) Limited, by letter dated October 4, 1995, advised that it agreed in principle with NWTPC's application of September 30, 1995 and with the assumption that the Board would approve the application as filed, applied for continuation of low water riders applicable to its customers in the Snare/Yellowknife Zone.

**Order** - The Board approved Northland's Temporary Low Water Surcharge Rider.

**DECISION 13-95 - October 23, 1995**

**Application** - Northland Utilities (Yellowknife) Limited, by letter dated October 4, 1995, applied to the Board for approval of a long term debt issue of approximately \$88,000.

**Order** - The Board approved the long term debt issue as applied for.

**DECISION 14-95 - October 30, 1995**

**Application** - By letter dated October 24, 1995, NWTPC filed riders to reflect the order contained in Decision 11-95.

**Order** - The Board approved the Temporary Low Water Surcharge Riders as applied for.

**DECISION 15-95 - December 1, 1995**

**Application** - By letter dated November 24, 1995, Northland Utilities (Yellowknife) Limited applied for approval to issue a Debenture in the principal amount of \$1,800,000 with a nominal interest rate of 6.55% to Canadian Utilities Limited.

**Order** - The Board approved Northland Utilities (Yellowknife) Limited's Debenture issue as applied for.

**DECISION 16-95 - December 1, 1995**

**Application** - By letter dated November 24, 1995, Northland Utilities (NWT) Limited applied for approval to issue a Debenture in the principal amount of \$300,000 with a nominal interest rate of 6.55% to Canadian Utilities Limited.

**Order** - The Board approved Northland Utilities (NWT) Limited's Debenture issue as applied for.

**DECISION 17-95 - December 19, 1995**

**Application** - By letter dated November 24, 1995, Miramar Con Mine requested that the Board review and vary Decision 14-95. Miramar requested that the low water surcharge levied on its consumption be reduced to the equivalent of 1.3 cents per kW.h from 2.4 cents per kW.h.

**Order** - The Board approved the amended Temporary Low Water Surcharge Rider.



