

1991 Annual Report



NWT GOVERNMENT LIBRARY



3 1936 00018 839 9

PUBLIC UTILITIES BOARD

OF THE

NORTHWEST TERRITORIES

1991 ANNUAL REPORT

TABLE OF CONTENTS

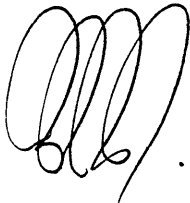
	PAGE
Minister's Letter	i
Chairperson's Letter	ii
The Public Utilities Board	1
Board Organization	2
Regulatory Jurisdiction	4
Utility Regulation	5
1991 In Review	8
A Look Ahead	11
Summary of Board Decisions	13
Northwest Territories Power Systems & Utility Map	16

Daniel L. Norris, Commissioner
Government of the Northwest Territories
Yellowknife, Northwest Territories

Sir:

I take pleasure in submitting the Annual Report of the Northwest Territories
Public Utilities Board for the calendar year ending December 31, 1991.

Sincerely,

A handwritten signature in black ink, consisting of several loops and a final flourish, positioned above the typed name.

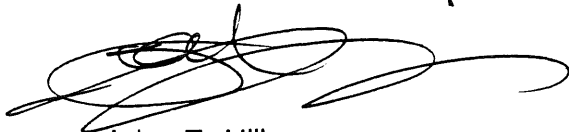
John D. Pollard
Minister Responsible for
the Public Utilities Board
of the Northwest Territories

The Honourable John Pollard
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, 1991.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'John E. Hill', with a long horizontal flourish extending to the right.

John E. Hill
Chairperson
Public Utilities Board

THE PUBLIC UTILITIES BOARD

The Northwest Territories Public Utilities Board is an independent regulatory body responsible for the regulation of the energy utilities under its jurisdiction.

The Board was created by Ordinance assented to on July 18, 1963, coming into force by order of Commissioner B. G. Sivertz on April 25, 1964. The first hearing of the Board was held on Friday, August 13, 1971 in the Council Chambers of the Town of Hay River. The Chairman of the Board appointed by Commissioner Hodgson on July 12, 1971 was John H. Parker.

The Board now derives its authority from the *Public Utilities Act* assented to March 10, 1989 and subsequent amendments. The Act gives the Board its authority as an independent regulatory body whose primary responsibility is to review the affairs, earnings and accounts of energy utilities within its jurisdiction. Applying widely accepted rate-base/rate-of-return methods the Board determines just and reasonable rates that are fair to both customers and investors of those utilities. The regulatory process also enables the Board to review and thereby ensure the delivery of safe and reliable service.

BOARD ORGANIZATION

The beginning of 1991 saw the Board consisting of five part-time members who convened at the Chairperson's direction for the consideration of utility applications. The Board office was under the administration of the Executive Director who reported to the part-time Chairperson.

The Public Utilities Board underwent an organizational restructuring in accordance with amendments to the *Public Utilities Act*. The extensive Board restructure is in anticipation of the increased mandate of the Board, consequential to *Northwest Territories Power Corporation Act* amendments. The amendments provide that, in addition to the Board's present regulating responsibility of determining the rate base and revenue requirements of the Northwest Territories Power Corporation, as of April 1, 1992, the Board will establish the rates for the Power Corporation.

A full-time Chairperson was appointed to the Board effective September 1, 1991. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees. The Act further gave the Minister Responsible for the Public Utilities Board the authority to appoint, upon the recommendation of the Chairperson, a Secretary to the Board.

(Board Organization - cont'd)

The Minister Responsible for the Public Utilities Board, upon the recommendation of Executive Council appoints members of the Board. In 1991 the Public Utilities Board consisted of the following members:

Chairperson	John Hill, Yellowknife, Northwest Territories
Vice Chairperson	Beulah Phillpot, Yellowknife, Northwest Territories
Member	Raymond Mercer, Rankin Inlet, Northwest Territories
Member	Miles Patterson, Calgary, Alberta
Member	Richard Hardy, Yellowknife, Northwest Territories

The Board was assisted by:

Board Secretary	Robert Marshall
Financial Analyst	Vacant
Regulatory Clerk	Beverley Alexander
Administration Clerk	Theresa O'Toole
Legal Counsel	Shane Freitag, Department of Justice John Donihee, Department of Justice
Consultants	Stephen Johnson Chartered Accountants Stone & Webster Canada Ltd. Management Consultants

REGULATORY JURISDICTION

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

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

Centra Power Inc.
Head Office: Leduc, Alberta

Northwest Territories Power Corporation
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.
Head Office: Hay River, Northwest Territories

On October 1, 1989 the Board assumed regulatory jurisdiction over the Northwest Territories Power Corporation pursuant to the provisions of the *Public Utilities Act* and the *Northwest Territories Power Corporation Act*.

The scope of the Board's regulatory authority over the Power Corporation is to determine revenue requirements and to approve its terms and conditions of service for the supply of energy and related services. Amendments to the *Northwest Territories Power Corporation Act* take effect April 1, 1992 and the Power Corporation's rates shall then be determined in accordance with the requirements of that Act and of the *Public Utilities Act*. Under existing legislation the Power Corporation's rates are prescribed by regulation.

In 1990 Stittco Utilities NWT Ltd., an investor-owned utility, was exempted from certain provisions in the *Public Utilities Act* until August 1993. At that time the utility's affairs will be reviewed to determine whether or not an increased level of regulation is warranted.

Northland Utilities and Centra Power are investor-owned utilities and are fully regulated by the Board.

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 approving franchise agreements and fixing utility rates and charges.

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 Public Hearing process has several steps:

1. **Initiation**

The decision of the Board to hold a public hearing will be made upon;

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

2. **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.

3. Intervention

Public involvement is essential in the regulatory process. The Board welcomes intervenors at its proceedings because effective interventions are highly necessary to the Board in testing 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.

4. 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.

5. 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. The applicant usually testifies first to file information and present 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.

6. Final Argument

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

7. The Board Decision

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

8. 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.

9. 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.

10. 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 must pass 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.

1991 IN REVIEW

Northwest Territories Power Corporation

Under existing legislation, the Board has the jurisdiction to set the revenue requirement and to approve the Terms and Conditions of Service of the Power Corporation. The Power Corporation submitted its first application to the Board late in 1989 for an Order of the Board determining the utility's revenue requirement for test years April 1, 1989 to March 31, 1990 and April 1, 1990 to March 31, 1991 and to approve its Terms and Conditions of Service.

The Board examined this application during a public hearing in Hay River on July 4 - 6, 1990. On February 15, 1991 the Board issued and filed with the Supreme Court *Decision 1-91* with respect to the matters spoken to in the July 1990 hearing. Rate base and revenue requirements were determined for the test years ended March 31, 1990 and 1991. Terms and Conditions of Service were approved on an interim basis, with an order requiring that revised Terms and Conditions of Service be prepared and filed by April 1, 1991.

In compliance with the order in *Decision 1-91*, the Power Corporation, by letter dated March 25, 1991, submitted its revised Terms and Conditions of Service. Upon review of the submission, the Board approved the Terms and Conditions of Service and on May 24, 1991 *Decision 3-91* was issued and filed with the Supreme Court.

By letter dated April 19, 1991, the Power Corporation applied to the Board for approval to issue fifteen million dollars (\$15,000,000) of Sinking Fund Debentures. After reviewing the application and support documentation, approval was given by the Board in its *Decision 2-91*, filed with the Supreme Court on May 24, 1991.

By letter dated October 1, 1991, the Board ruled that the deemed franchises held by the Power Corporation in all areas in which it provides service were to be extended to allow sufficient time for new agreements to be negotiated and submitted to the Board for its approval.

Several applications for approval of franchise agreements were filed with the Board and were under consideration at the end of 1991.

Northwest Territories Power Corporation Cost of Service Review

On April 3, 1991, pursuant to the provisions of the *Public Utilities Act* a directive was issued by the Executive Council and the Minister Responsible for the Public Utilities Board to conduct a public review of the Power Corporation's proposed cost of service methodology.

The review commenced on April 22, 1991 with the Board's receipt of the Power Corporation's submission. A rate design consultant was retained by the Board to review the submission and provide comments. The Board issued two sets of information requests to the Power Corporation in order to determine the scope of the review and to ensure that the objectives of the Power Corporation in making the submission were fully understood. The Power Corporation responded to the information requests on May 31, 1991 and June 14, 1991.

The Board held a public hearing in Yellowknife on October 29 and 30, 1991. Representatives from Centra Power Inc., Northland Utilities (NWT) Limited, Nerco Con Mine Limited, Royal Oak Mines Inc., the City of Yellowknife, the Village of Norman Wells and the Government of the Northwest Territories represented by the Department of Energy, Mines & Petroleum Resources were in attendance. Testimony was received from witnesses for the Power Corporation, Centra Power, Nerco Con Mine, the Village of Norman Wells and the Board's consultant. All parties were given the opportunity to make inquiries of the witnesses.

A written report was provided to the Executive Council on December 1, 1991 which presented an analysis of the proposed cost of service methodology. The report identified areas requiring consideration in order for the Power Corporation to achieve an acceptable cost of service methodology.

Centra Power Inc.

Centra filed an application with the Board on October 10, 1990 to determine a rate base, and set the revenue requirement for the test years 1990 and 1991.

The Board issued *Decision 4-91* determining rate base and revenue requirement on August 1, 1991 and ordered Centra to file a schedule of just and reasonable rates reflecting the Decision within thirty days.

In accordance with the order, Centra filed proposed rate schedules by letter dated August 26, 1991 and amended by letter dated September 9, 1991, which were then approved in *Decision 6-91*, filed with the Supreme Court on October 1, 1991.

Northland Utilities (NWT) Limited

Northland made application to the Board for approval to pass through the increased cost of purchased power rates from the Northwest Territories Power Corporation effective September 1, 1991. The cost pass through was approved in *Decision 5-91* on October 1, 1991 on an interim refundable basis.

The Town of Hay River applied to the Board by letter from its legal counsel for the amendment, renewal and extension of the 1981 Electric Franchise Agreement between the Town and Northland Utilities (NWT) Limited. By *Decision 7-91*, dated November 28, 1991, the Board approved the Electric Franchise Agreement as filed.

A LOOK AHEAD

Regulatory

The Board is anticipating a Revenue Requirement Application to be submitted in February of 1992 by the Northwest Territories Power Corporation for the test years April 1, 1991 to March 31, 1992 and April 1, 1992 to March 31, 1993. The Board will hold a public hearing to examine the application in the spring of 1992, with a Decision to be rendered sometime thereafter.

The Power Corporation, upon its receipt of the Board's revenue requirement Decision, is expected to file a cost of service and rate design application in the late summer or early fall of 1992. The Board will then examine this application in a public hearing and anticipates issuing a Decision on these matters late in 1992.

In 1991, the Board received applications for approval of franchise agreements from several of the communities served by the Northwest Territories Power Corporation. Applications submitted by the remaining communities also served by the Power Corporation will be reviewed upon receipt by the Board and Board Decisions are expected to be filed in 1992.

The franchise agreement between Centra Power Inc. and the City of Yellowknife expired September 11, 1991. Negotiations on a new agreement are underway and the Board anticipates an application for the approval of this agreement early in 1992.

(A Look Ahead - cont'd)

Administrative

In August of 1992, the Board will organize and host the Annual General Meeting of the Canadian Association of Members of Public Utility Tribunals (CAMPUT) in Yellowknife. The Annual Conference and General Meeting will be held over a three day period and involve members from public utility and telecommunications regulatory boards across Canada.

SUMMARY OF 1991 BOARD DECISIONS

DECISION 1-91 - February 15, 1991

Application - Northwest Territories Power Corporation applied for approval of its revenue requirement for the 1989-90 and 1990-91 Test Years and for approval of its Terms and Conditions of Service.

Order - The Board determined the revenue requirement of the Power Corporation to be \$92,669,000 and \$94,392,000 for the Test Years ended March 31, 1990 and 1991. The Board approved the Terms and Conditions of Service on an interim basis and directed the Power Corporation to file revised Terms and Conditions of Service by April 1, 1991.

DECISION 2-91 - May 24, 1991

Application - Northwest Territories Power Corporation, pursuant to section 69.1 of the *Public Utilities Act*, applied for Board approval for an issue of \$15,000,000 of Debentures.

The purpose of the debt issue was to repay short-term indebtedness incurred to finance the Power Corporation's 1990/1991 capital expenditure program.

Order - The Board approved issuance of \$15,000,000 of Debentures by the Power Corporation at a rate not to exceed 11.5%. The Board will examine the appropriateness of the final coupon rate.

DECISION 3-91 - May 24, 1991

Application - As directed by the Board in Decision 1-91, the Power Corporation filed revised Terms and Conditions of Service for Board approval.

Order - The Board reviewed and approved the revised Terms and Conditions of Service. The Board expects to review the revised Terms and Conditions of Service at the time of the Power Corporation's next general application to the Board.

DECISION 4-91 - August 1, 1991

Application - Centra Power Inc. applied to the Board for changes in existing rates, tolls and charges for electrical energy furnished by Centra to its customers for the 1990 and 1991 Test Years.

Order - The Board determined the revenue requirement for Centra Power to be \$13,844,133 and \$15,077,124 for the Test Years ended December 31, 1990 and 1991.

The Board ordered that Centra prepare and file with the Board within thirty days a schedule of just and reasonable rates to reflect this Decision.

DECISION 5-91 - October 1, 1991

Application - Northland Utilities (NWT) Limited applied for approval to pass through on an interim basis, increased costs in purchased power rates from the Northwest Territories Power Corporation effective September 1, 1991.

Order - The Board approved, on an interim refundable basis, an 0.8¢ per kW.h cost pass-through effective October 1, 1991.

DECISION 6-91 - October 1, 1991

Application - Centra Power Inc. applied for approval of a schedule of rates reflecting the revenue requirements determined by the Board in Decision 4-91.

Order - The Board approved the sales rates of Centra Power to be effective January 1, 1991 for implementation October 1, 1991.

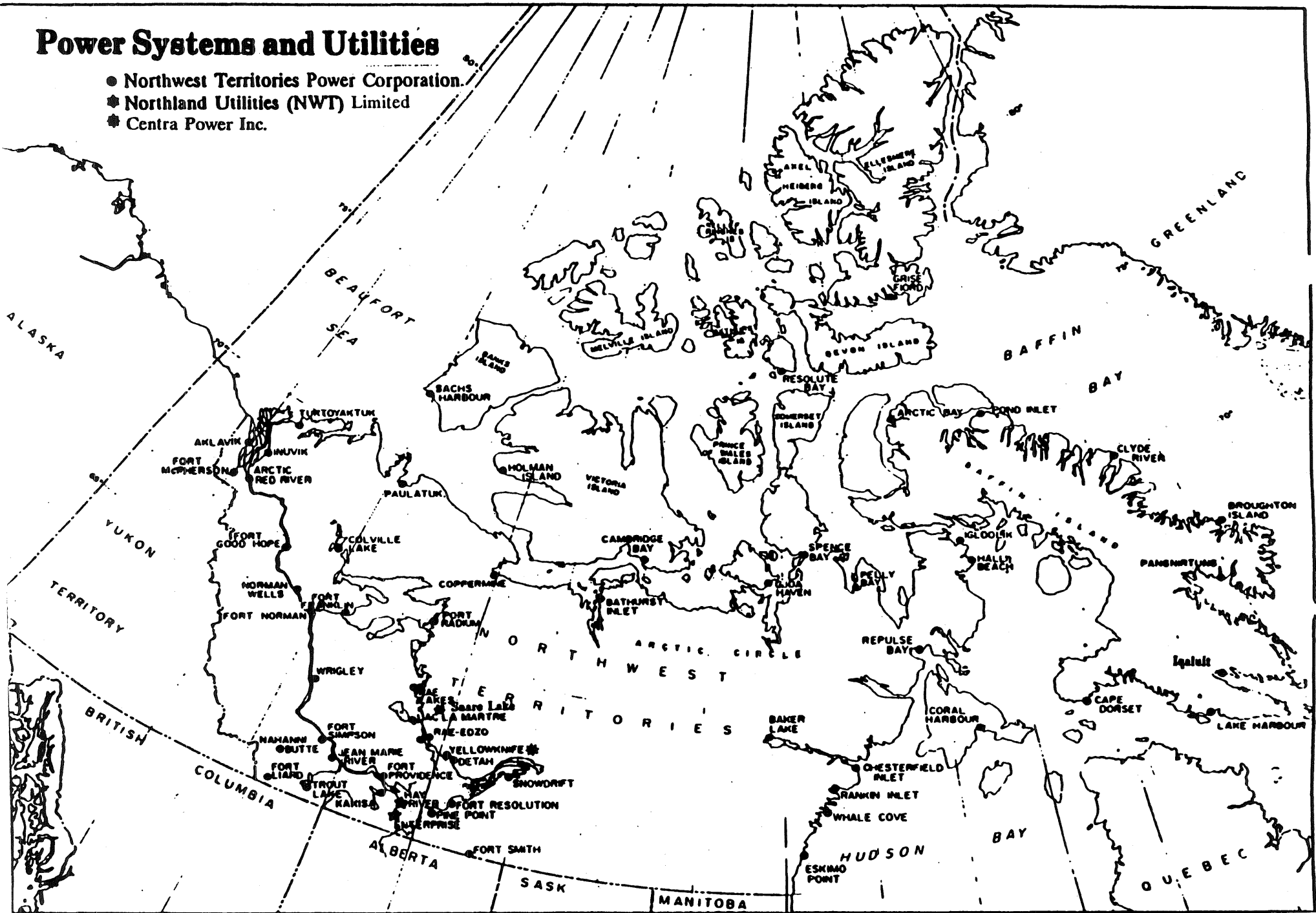
DECISION 7-91 - November 28, 1991

Application - The Town of Hay River applied for approval of a franchise agreement renewal, dated July 21, 1991, between the Town and Northland Utilities (NWT) Limited for the supply and distribution of electrical power to users within the Town of Hay River for a further period of ten years.

Order - The Board approved the franchise agreement renewal.

Power Systems and Utilities

- Northwest Territories Power Corporation.
- ◆ Northland Utilities (NWT) Limited
- ◆ Centra Power Inc.



"Source: Northwest Territories Power Corporation"

▷ ԼՊՈՒՆԱԴԻՐ ԵՆԼԱԿԸ

ՋԵՆԱՎԻ

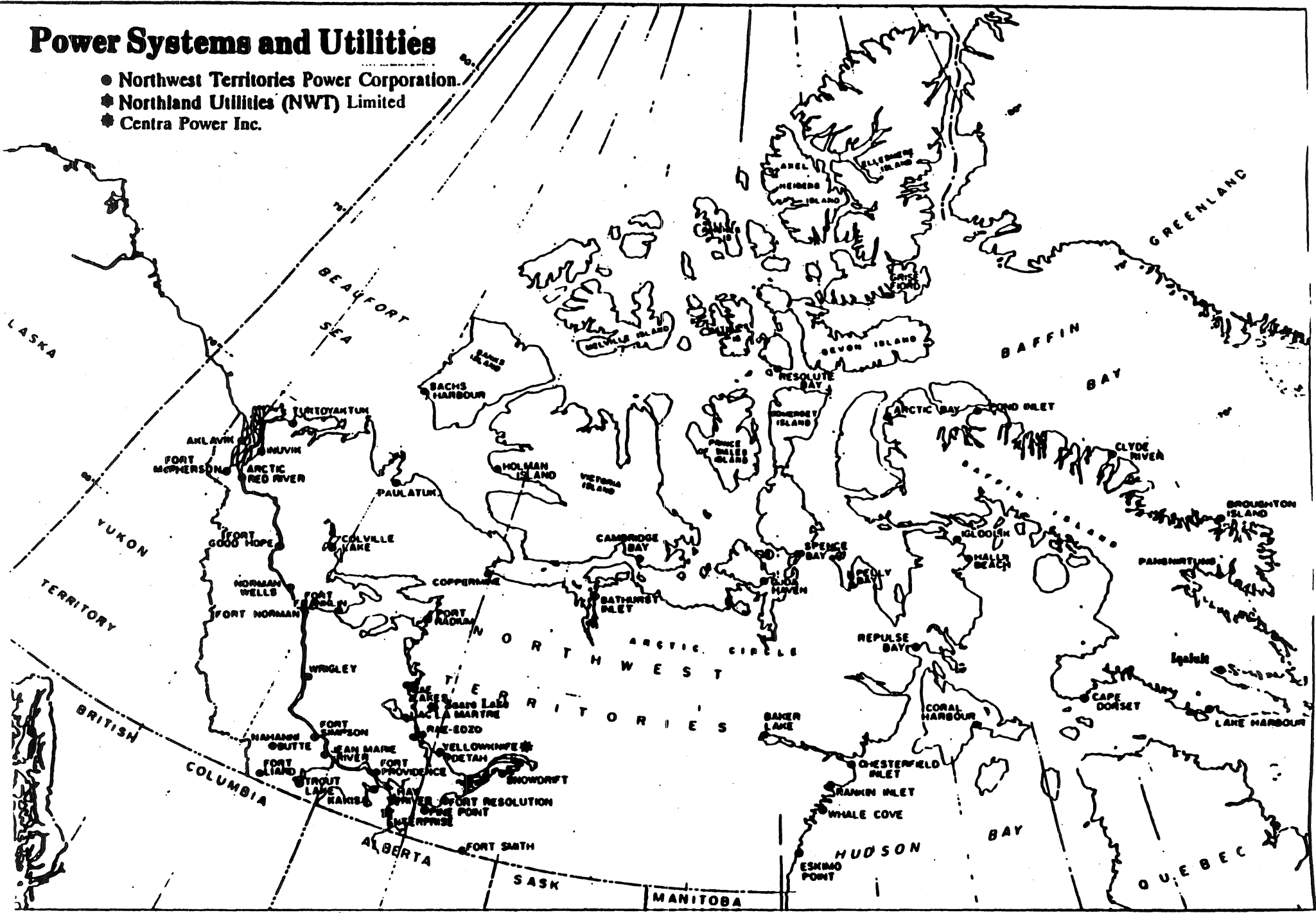
◀ ԳՅՈՒՆ ԻՆՏԵՆՍԻՎ 1991-Դ

ᐃᓗᐃᓂᑦᐅᑦ ᑭᓚᐅᑭᐅᑦᐅᑦᐅᑦ

	ᑭᓚᑭᓚ
ᑭᓂᑦᐅᑦᐅᑦ ᑭᓂᑦᐅᑦᐅᑦ	i
ᐃᑦᑭᓂᑦᐅᑦᐅᑦ ᑭᓂᑦᐅᑦᐅᑦ	ii
ᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ ᑭᓂᑭᓂᑦᐅᑦ	1
ᑭᓂᑭᓂᑦᐅᑦ ᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ	2
ᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ ᑭᓂᑦᐅᑦᐅᑦ	4
ᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ ᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ	5
1991-ᑭᓂ ᑭᓂᐅᑦᐅᑦᐅᑦᐅᑦ	8
ᑭᓂᑦᐅᑦᐅᑦᐅᑦ ᑭᓂᑦᐅᑦᐅᑦ	11
ᑭᓂᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ ᑭᓂᑭᓂᑦᐅᑦ ᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ	13
ᑭᓂᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ ᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦᐅᑦ ᑭᓂᑦᐅᑦᐅᑦ	16

Power Systems and Utilities

- Northwest Territories Power Corporation.
- ◆ Northland Utilities (NWT) Limited
- ◆ Centra Power Inc.



"Source: Northwest Territories Power Corporation"