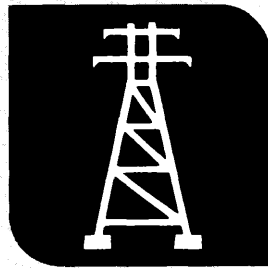


1989 Annual Report



Governor
Secretary
APR 1 / 1990
Governor
Yellowknife

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ANNUAL REPORT

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

Sir:

The undersigned takes pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1989.



Michael A. Ballantyne
Minister Responsible for the
Public Utilities Board of the
Northwest Territories

The Hon. Michael A. Ballantyne
Minister Responsible for the
Northwest Territories
Public Utilities Board

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, 1989.

Respectfully submitted,

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

John E. Hill
Chairman
Public Utilities Board

1989 BOARD ORGANIZATION**The Board**

Chairman	John E. Hill (Inuvik)
Vice-Chairman	Beulah Phillpot (Yellowknife)
Member	Miles Patterson (Calgary)
Member	Raymond Mercer (Rankin Inlet)
Member	Vacant

Board Staff

Executive Director	Dale S. Thomson
Policy/Economic Advisor	Mark R. Schauerte
Utilities Analyst	Robert M. Marshall
Regulatory Clerk	Sherry Shields
Secretary/Receptionist	Lynda Gerhardt
Legal Counsel	Shane Freitag Department of Justice
Consultants	Stephen Johnson Chartered Accountants

Office Location

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Yellowknife, N.W.T.

Mailing Address

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Fax (403) 873-0197

1989 IN REVIEW

New Board

As of January 1st, 1989, a new Public Utilities Board was appointed in the Northwest Territories. The new Board was named in response to the establishment of the N.W.T. Power Corporation and the desire of the Legislative Assembly that the Board have the additional background and expertise required to regulate the new Corporation. Appointments to the Public Utilities Board are for a term of three years.

New Act

Effective March 10, a new Public Utilities Act (S.N.W.T. 1989(1),c.9) was passed to replace the previous Public Utilities Act (R.S.N.W.T. 1974, c. P-17). The new Act provides the Board more comprehensive powers in its regulation of public utilities. This Act ensures a legislative structure which will foster fair treatment to consumers while permitting the suppliers of utility services the opportunity to earn a reasonable return on their investment.

Board and Staff Training

Two Board members participated in the Canadian Association of Members of Public Utility Tribunals (CAMPUT) annual regulatory studies program at McGill University in Montreal.

A member of the Board and a staff member participated in the Public Utilities Report (P.U.R.) Utility Management Program held in Berkley, California. The courses dealt with utility finance, utility regulation and rate design.

Two Board members attended the National Association of Regulatory Utility Commissioners (NARUC) annual regulatory studies program held at the University of Michigan in East Lansing, Michigan. This program provides current information on ratemaking principles and practices and is considered to be among the finest utility regulation training programs available.

Utilities Analyst

The position of utilities analyst was created by the Legislative Assembly in April to provide further support to the Board in the evaluation and analysis of applications before the Board. This position reports to the Executive Director and was filled late in November by Mr. Robert Marshall, whose background is in economics and energy.

A LOOK AHEAD

Policy

The Board has, in certain instances, awarded costs to intervenors who participate in the regulatory proceedings before it. However, there is no formal policy in place regarding the awarding of intervenor costs. Board policy will be developed in 1990 to provide guidelines to intervenors and applicants reporting the criteria and procedures which the Board will use to assess and award costs.

The issue of chargebacks will be addressed to help alleviate the increasing financial burden on the Board of regulating the public utilities in the N.W.T. The Board will be considering various means by which to recoup a portion of the costs incurred in holding regulatory hearings.

N.W.T. Power Corporation

The Power Corporation's first revenue requirement application will be before the Board in the spring of 1990. The Board is responsible for approving the general revenue requirement of the Power Corporation while the rates and the rates structure must be approved by the Government of the Northwest Territories.

REGULATED UTILITIES

In 1989, the following utilities were subject to the Board's jurisdiction.

Northland Utilities (NWT) Limited.
Head Office: Hay River, N.W.T.

I.C.G. Northern Utilities Ltd.
Head Office: Leduc, Alberta

Stittco Utilities NWT Ltd.
Head Office: Hay River, N.W.T.

N.W.T. Power Corporation
Head Office: Hay River, N.W.T.

On October 1, 1989 the Board assumed regulatory jurisdiction over the Northwest Territories Power Corporation pursuant to the provisions of the Public Utilities Act (S.N.W.T. 1989(1),c.9), as amended, and the Northwest Territories Power Corporation Act (S.N.W.T. 1989(1),c.9), as amended.

The Board has jurisdiction to determine the Power Corporation's revenue requirements and to approve its terms and conditions of service for the supply of energy and related services.

The Board does not have jurisdiction over the Power Corporation's rates or rate structure. The Government of the Northwest Territories has exclusive jurisdiction over the rates and the rate structure. Any changes to the rates or rate structure must be presented to the Legislative Assembly and are not under the authority of the Board.

UTILITY REGULATION

The Public Utilities Act (**the 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 receipt of an application from a utility, upon request of the Minister responsible for the Public Utilities Board, upon the issuance of a Memorandum of Instruction from the Executive, or upon 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 the application received by the Board are available from the Board's office or the offices of the applicant.

3. **Intervention**

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 formal, 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 Order**

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

8. **Review and Appeal**

Leave to appeal a Decision or Order 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 or Order.

SUMMARY OF 1989 BOARD ORDERSDECISION 1-89 MARCH 7, 1989**BACKGROUND**

Stittco Utilities NWT Ltd. filed a General Rate Application for approval of proposed distribution rates for propane service in the Town of Hay River for the year September 1, 1988 to August 31, 1989. This was pursuant to Board Decision 2-88 requesting Stittco Utilities to file a general rate application for the test year September 1, 1988 to August 31, 1989.

ORDERED

The Board approved the rates filed by Stittco on an interim refundable basis. The Board was anticipating another General Rate Application for propane rates for the test year August 1, 1989 to July 31, 1990 to be filed by June 1, 1989. The Board indicated its intent to hear both applications at the same time to minimize costs.

DECISION 2-89 JUNE 29, 1989**BACKGROUND**

Northland Utilities (NWT) Ltd. made application for a variation in Board Decision 7-88 which finalized interim order Decisions 3-88, 4-88 and 5-88 regarding rates and electrical service regulation in the Town of Hay River.

A public hearing was held in Hay River on May 2, 1989.

INTERVENOR: Town of Hay River

ORDERED

The application to vary Decision 7-88 was allowed in part as it related to the refund to Northland's customers. Northland was directed to refund to its customers \$79,982.00 by way of a rider of 0.4 cents per kilowatt hour for a period of approximately ten months commencing on bills rendered on or after August 1, 1989.

DECISION 3-89 JUNE 30, 1989**BACKGROUND**

Stittco Utilities NWT Ltd. made application for a project permit to construct additional gas distribution facilities within the Town of Hay River.

A public hearing was held in Hay River on May 23 and 24, 1989.

INTERVENOR: Town of Hay River

ORDERED

The Board issued a project permit subject to the additional gas distribution facilities being constructed in accordance with Stittco's application and the evidence given in the hearing.

DECISION 4-89 JUNE 30, 1989**BACKGROUND**

Stittco Utilities NWT Ltd. made application for changes in the existing rates, tolls and charges for propane service provided to its customers within the Town of Hay River. This corresponds to the expected rate application referred to in Board Order 1-89.

A public hearing was held in Hay River on May 23 and 24, 1989.

INTERVENOR: Town of Hay River

DECISION 5-89 DECEMBER 5, 1989**BACKGROUND**

ICG Northern Utilities Ltd. made application for changes in the existing rates, tolls and charges for electrical energy service provided to its customers within the Northwest Territories.

A public hearing was held on September 12, 1989 in Yellowknife.

INTERVENORS:

**The City of Yellowknife
The Consumers' Association of Canada
Polar Developments Ltd.**

ORDERED

1. The Board determined a mid year rate base of \$1,363,474 for 1989 and a mid year rate base of \$2,394,519 for 1990.
2. The Board determined the rate of return of 15% on rate base, net of corporate taxes. A revenue requirement of \$958,143 was allowed for 1989 and a revenue requirement of \$1,675,044 was allowed for 1990.
3. Stittco was directed to file by July 30, 1989 a schedule of rates and appropriate riders for the test years 1989 and 1990.

ORDERED

The Board ordered that:

1. ICG include customer deposits in its capital structure for purposes of determining the return requirement.
2. ICG is to examine the appropriateness of the method used to determine the components of the capital structure.
3. The mid year rate base shall be \$6,478,992.
4. Fair return on rate base include bank advances at a rate of return of 13%, long term debt at a rate of return of 13.02%, preferred equity at a rate of return of 6.48%, common equity at a rate of return of 13.5% and customer deposits at a rate of return of 10.29%.
5. ICG investigate the means by which the number of accidental outages can be reduced and file with the Board monthly reports on accidental outages.
6. ICG file a report addressing the issue of demand side management with the Board within six months of the date of the decision.
7. ICG file by Jan 4, 1990 a schedule of rates for the test year 1989.

DECISION 6-89 DECEMBER 13, 1989**BACKGROUND**

Stittco Utilities NWT Ltd. made application for changes in its existing rates, tolls and charges for propane service to its customers within the Town of Hay River pursuant to Board Decision 4-89 for proposed rates for the test years ending July 31, 1989 and July 31, 1990.

ORDERED

The Board ordered that:

1. The interim rates approved in Board Order 1-89 be replaced by the final rates approved in this Order on or after August 1, 1988 and on or before July 31, 1989. The interim rates approved in Board Order 1-89 are approved as interim refundable rates effective on or after August 1, 1989.
2. Stittco file by January 12, 1990, a detailed calculation of its revised revenue requirement for the test year August 1, 1989 to July 31, 1990 recognizing that the project, for which a project permit was issued pursuant to Order 3-89, will not proceed.
3. Stittco file by January 12, 1990, a schedule of rates for the test year August 31, 1989 to July 31, 1990 to recover its revised revenue requirement for that year.

DECISION 7-89 DECEMBER 13, 1989**BACKGROUND**

The Town of Hay River made application pursuant to Section 59 of the Public Utilities Act to have the Board direct Stittco Utilities NWT Ltd. to proceed with the expansion of the gas distribution facilities within the Town of Hay River.

ORDERED

The Board will hold a hearing of the Town's application which is to take place in Hay River at a time to be scheduled by the Board.

DECISION 8-89 DECEMBER 15, 1989**BACKGROUND**

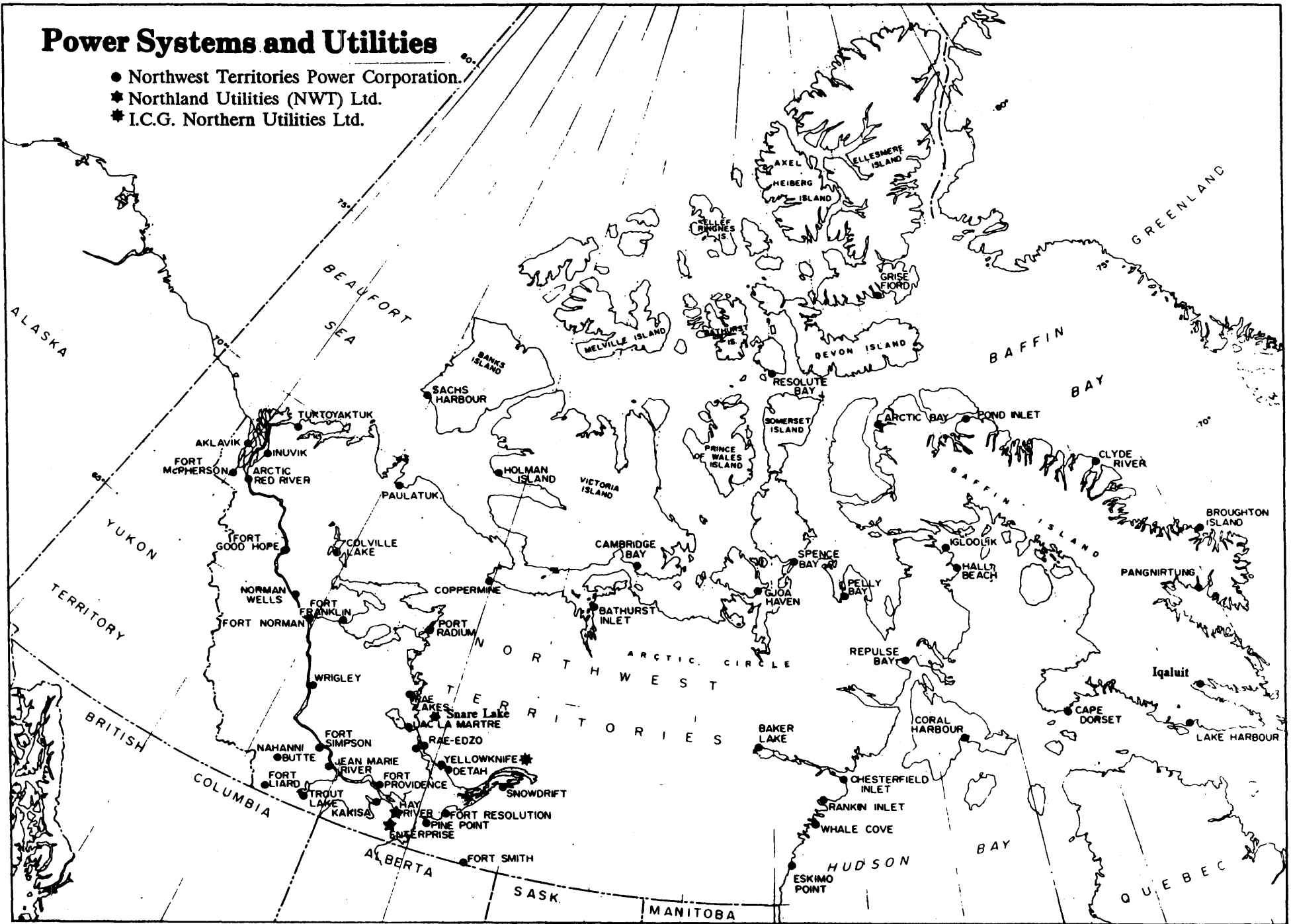
ICG Northern Utilities Ltd. made application for changes to the franchise tax rate charged by Northern to its customers in the Northwest Territories.

ORDERED

The Board approved the change in the franchise tax rate on electrical consumption from 2.42% to 2.40%.

Power Systems and Utilities

- Northwest Territories Power Corporation.
- ★ Northland Utilities (NWT) Ltd.
- ✱ I.C.G. Northern Utilities Ltd.



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