

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

**For the year ending
December 31, 1998**

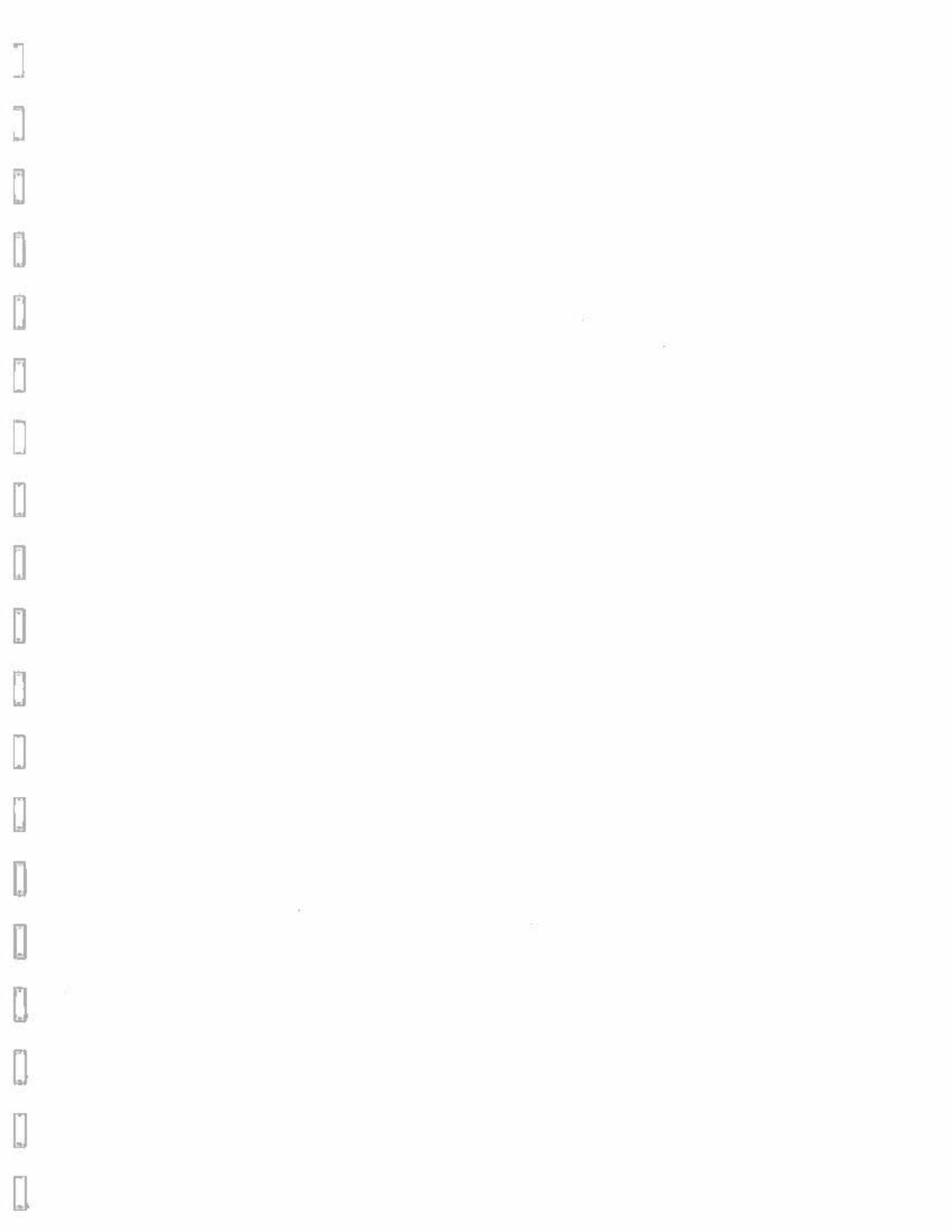
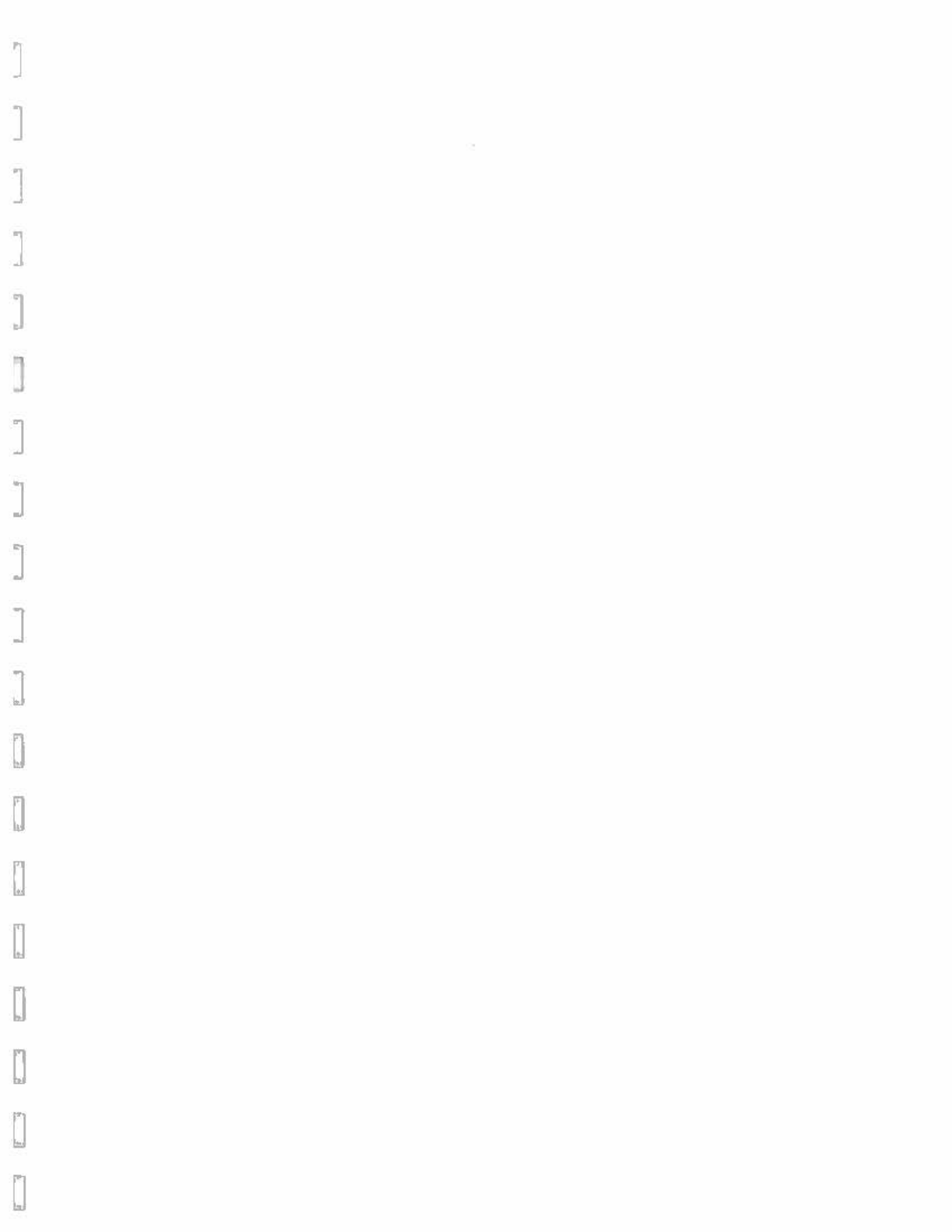


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**Northwest
Territories Minister Responsible for the Public Utilities Board**

**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, 1998.

A handwritten signature in black ink, consisting of a large, stylized loop that encloses a smaller, more defined shape, with a long, thin tail extending downwards and to the left.

John Todd

Attachment





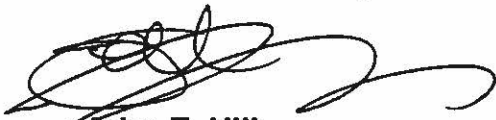
February 16, 1999

**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, 1998.**

Respectfully submitted,



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



SUMMARY OF 1998 BOARD DECISIONS

DECISION 1-98 - February 2, 1998

Application - By letter dated December 5, 1997, the Town of Norman Wells submitted its application for approval of natural gas rates for 1998. As well the Town requested that the Board approve the implementation of a 'Purchase Gas Adjustment Rider'.

Order - The Board directed the Town to provide notice to all ratepayers that the Board would hold a public hearing of the application by way of a written process. No interventions were received by the Board. The Board after reviewing the evidence put forth by the Town, approved the natural gas rates for 1998, and the 'Purchase Gas Adjustment Rider'.

DECISION 2-98 - March 19, 1998

Application - By letter dated February 5, 1998, Northwest Territories Power Corporation ("NWTPC") filed rate schedules to reflect the direction given by the Board in Decision 12-97.

Order - The Board approved NWTPC's rate schedules as submitted.

DECISION 3-98 - June 2, 1998

Application - By letter dated November 18, 1997, NWTPC submitted a rate application for the Municipality of Sanikiluaq for the 1998 and 1999 test years. NWTPC requested the Board:

- 1) determine a rate base for Sanikiluaq that is used or required to be used in provision of energy and related services to the public in Sanikiluaq, including the appropriate allowance for working capital for the Corporation's Test Year;
- 2) determine Sanikiluaq's revenue requirements for the Test Years for the provision of energy to the public in Sanikiluaq;
- 3) fix and approve just and reasonable rates to be charge by the Corporation for energy to be supplied by the Corporation to Sanikiluaq customers;
- 4) approve rebalanced rates effective December 1, 1997 and approving new rates effective April 1, 1998; and
- 5) approve the inclusion of Sanikiluaq as a community in the previously approved Fuel Stabilization Fund approved for all diesel communities in Board Decision 1-97.

Order - The Board reviewed the application by way of a public hearing, dealt with through a written process. The Board determined that certain changes should be made to NWTPC's forecasts. Interim rates were made final and NWTPC was ordered to file riders to reflect over/under collections where appropriate.

NWTPC was ordered to file rate schedules reflecting the Decision.

Other elements of the application were approved as applied for.

As well, the Board directed NWTPC to arrange a meeting with the Municipal Council to negotiate a franchise, and to discuss matters raised by the community with respect to environmental matters and other issues.



DECISION 4-98 - June 10, 1998

Application - By letter dated June 4, 1998, NWTPC responded to Decision 3-98 by submitting rate schedules.

Order -The Board approved NWTPC's rate schedules as submitted.

DECISION 5-98 - June 18, 1998

Application - The Counsel for the Municipality of Sanikiluaq applied for Intervenor Costs with respect to NWTPC's 1997/98 and 1998/99 Sanikiluaq Rate Application.

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

DECISION 6-98 - June 24, 1998

Application - NWTPC applied for approval of a proposed Franchise Agreement for the supply and distribution of electrical power to users within the Hamlet of Tulita.

Order - The Board approved the Electric Franchise Agreement.

DECISION 7-98 - July 24, 1998

Application - By letter dated July 15, 1998, Northland Utilities (Yellowknife) Limited submitted an application to refund an over collection of franchise taxes collected in the period September 1993 to September 1997.

Order - The Board reviewed and approved Northland's rate schedules reflecting a reduction in the franchise tax rate to 1.9%.

DECISION 8-98 - August 12, 1998

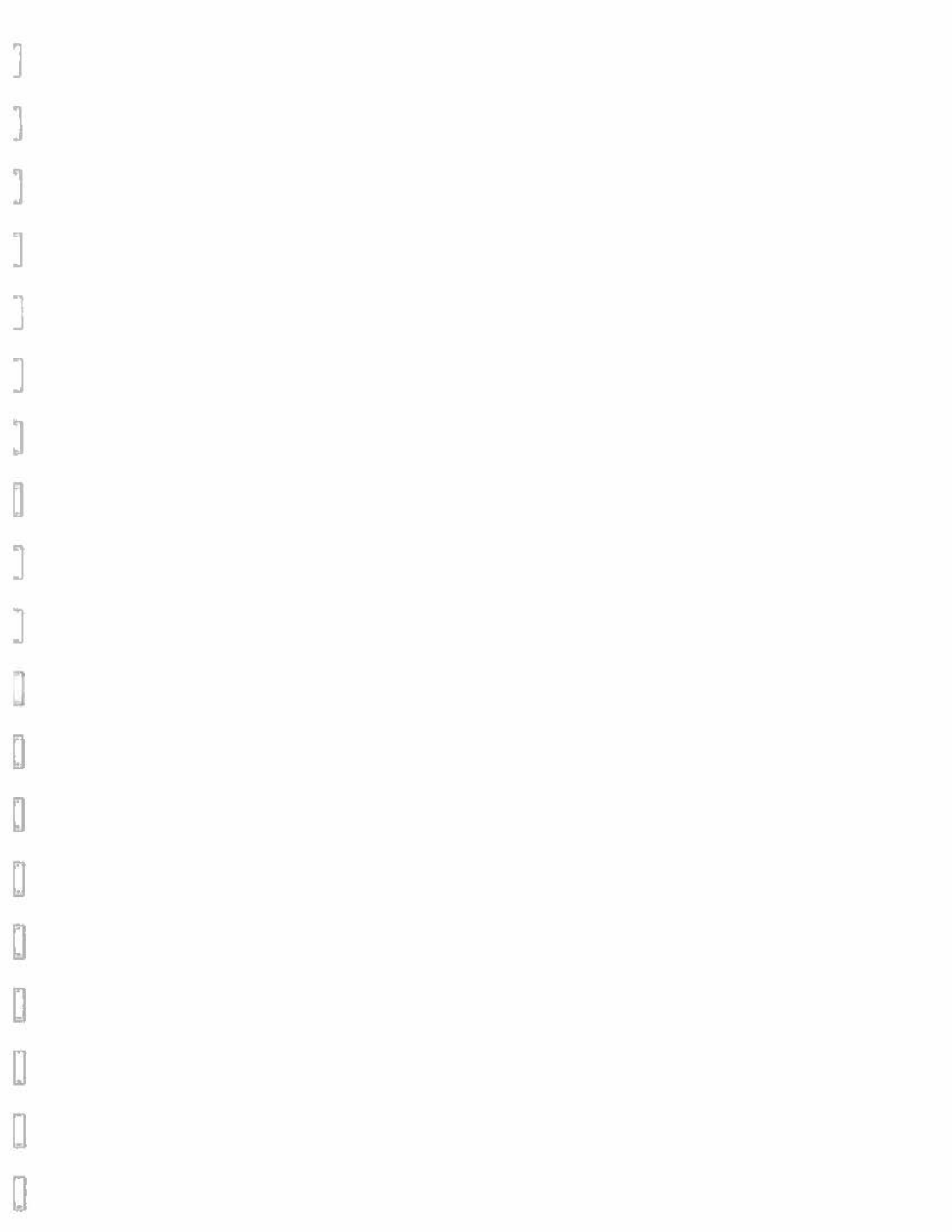
Application - By letter dated July 31, 1998, NWTPC applied for approval to issue a long term debt instrument in the amount of \$10,000,000 by way of a debenture for a twenty-year term.

Order - After reviewing the application, the Board approved the \$10,000,000 of Long Term Debt Financing.

DECISION 9-98 - August 28, 1998

Application - The Town of Inuvik applied for approval of a proposed Franchise Agreement between the Town and Inuvik Gas Ltd. for the supply and distribution of natural gas to users within the town.

Order - The Board found that the proposed Franchise Agreement was in the public interest and approved the proposed Franchise Agreement.



DECISION 10-98 - October 7, 1998

Application - On July 14, 1998, Inuvik Gas Ltd. 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 Inuvik Gas Ltd. with some exceptions.

DECISION 11-98 - October 7, 1998

Application - On July 14, 1998, Alta Gas Marketing Inc., Ikhil Resources Ltd., and IPL Holding Inc. submitted applications requesting an order declaring that pursuant to section 18 of the Public Utilities Act, they are not public utilities for the purpose of the Act.

Order - The Board reviewed the evidence and declared, pursuant to section 18 of the Act, that Alta Gas Marketing Inc., Ikhil Resources Ltd., and IPL Holding Inc. are not public utilities for the purposes of the Act.

DECISION 12-98 - October 7, 1998

Application - By letter dated October 7, 1998, NWTPC applied for approval to change the basis spread noted in Decision 8-98, from 70 basis points over the benchmark long Canada to 103 basis points.

Order - After reviewing the application and the information provided in support thereof the Board approved the change in the basis spread approved in Decision 8-98.

DECISION 13-98 - November 17, 1998

Application - By letter dated November 5, 1998, Northland Utilities (NWT) Limited submitted an application for approval of a project permit pursuant to section 54 of the Public Utilities Act for a major capital project.

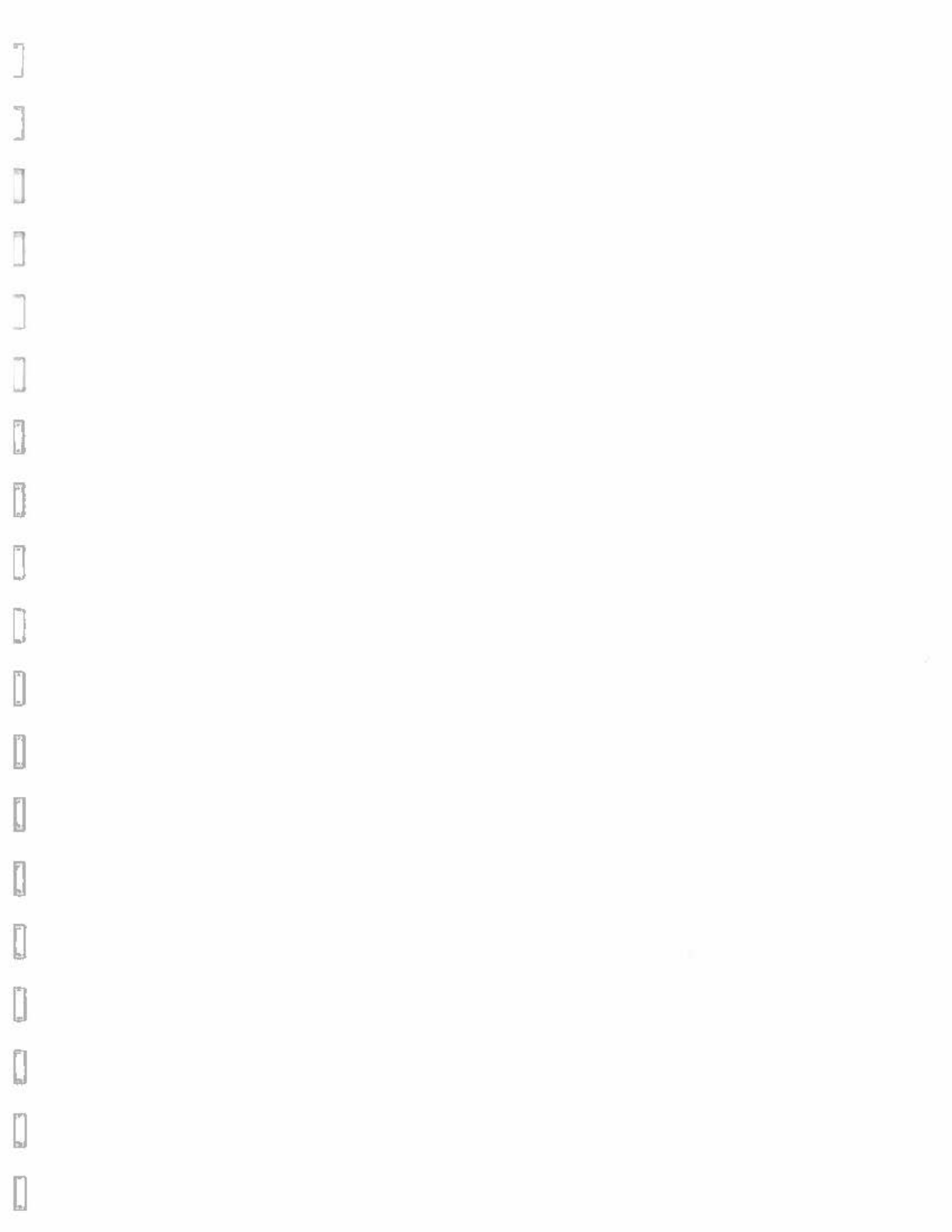
Order - After giving consideration to the public need for the project and the reliability of the utility, the Board approved the application.

DECISION 14-98 - December 9, 1998

Application - By letter dated November 17, 1998, Northland Utilities (NWT) Limited submitted an application to revise its fuel clause rider for all communities it services, with the exception of Snare Lake.

Order - After reviewing the application and the responses to the Board's Information Requests, the Board approved the proposed Riders as applied for.

Northland also requested approval of a Diesel Generation Rider, throughout the Hay River service area. The Rider reflects the terms of the negotiated settlement agreement endorsed by the intervenors, the elements of which were approved by the Board in Decision 6-96.



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 has a full-time Chairperson and four part-time members, as well, the Act provides for the appointment of not more than six temporary members. A temporary member was appointed for the first time in 1998, to assist with Division related matters. The Chairperson is the Chief Executive Officer of the Board.

As at December 31, 1998, the Board members were:

Chairperson	John Hill, Hay River, NT
Vice-Chairperson	Ray Mercer, Rankin Inlet, NT
Member	Gene Nikiforuk, Inuvik, NT
Member	Peter Allen, Yellowknife, NT
Member	Tony Whitford, Yellowknife, NT
Temporary Member	Bill Lyall, Cambridge Bay, NT

The Board was assisted by:

Board Secretary	Louise Larocque
Legal Counsel	John Donihee
Consultant	Energy Management & Regulatory Consulting Ltd.



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
Head Office: Norman Wells, NT

Aadrii Ltd.
Head Office: Yellowknife, NT

Inuvik Gas Ltd
Head Office: Inuvik, NT

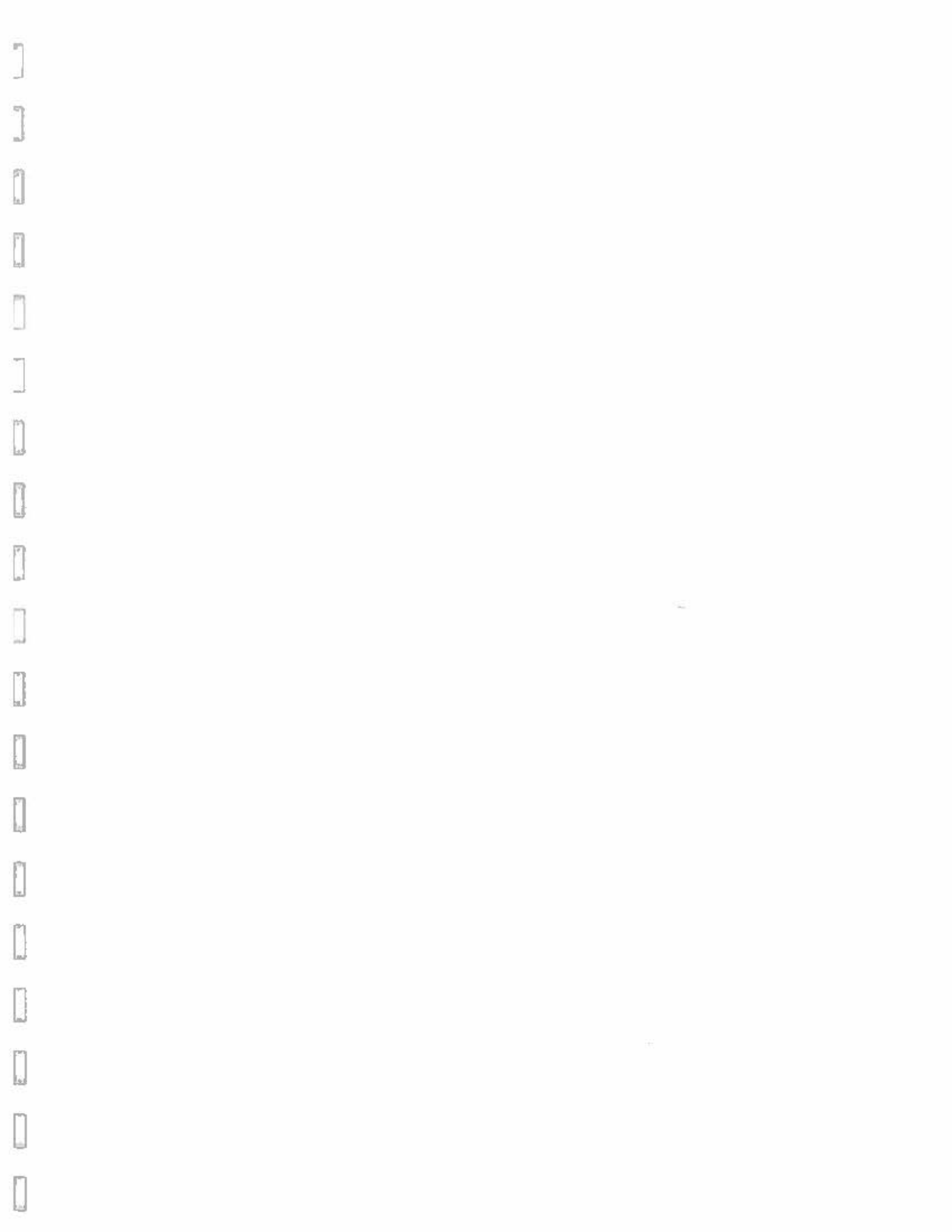
Northland Utilities (Yellowknife) Limited and Northland Utilities (NWT) Limited are investor-owned utilities fully regulated by the Board.

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 Limited ("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' should be continued.

The Town of Norman Wells became owner and operator of the natural gas distribution system within the Town as of April 1, 1995, pursuant to the provisions of the Norman Wells Gas Distribution Act, which also stipulated that the natural gas distribution system be subject to regulation by the Board.

Aadrii Ltd. is a joint venture between the Gwich'in Development Corporation and NWTPC,



which jointly owns and operates a district heating system in Fort McPherson, NT. In response to an application under Section 18 of the Act, the Board declared that the provisions of the Act do not apply to Aadrii, with some exceptions.

Inuvik Gas Ltd. will be the owner and operator of a natural gas distribution within the boundaries of the Town of Inuvik. In response to an application under Section 18 of the Act, the Board declared that the provisions of the Act do not apply to Inuvik Gas Ltd., with some exceptions.

UTILITY REGULATION

Energy utilities, as defined in the Act, are subject to Board regulation. The Board's principal responsibility is to ensure that each utility provides safe, adequate service at rates which are just, and reasonable. When setting rates the Board must balance the competing interests of consumers, and the utilities. Rates are set through a public hearing process. The Board's objective through the hearing process is to guarantee that the public interest is served, and protected.

Public involvement is an essential component of the regulatory process. The Board ensures the opportunity for public participation by directing the applicant to publish a notice, approved by the Board, advising that a hearing is to be held to consider the application. The notice may be published in newspapers throughout the utility's service area, or through notice to each customer in monthly billings, or such other notice to the public that the Board considers appropriate.

The Board has the authority to award costs at the conclusion of a hearing. Intervenors before the Board may receive up to 100% of their reasonably incurred costs provided that, in the Board's opinion, the intervention contributed in a meaningful way to the Board's understanding of the application.

Intervenors are interested parties who register with the Board and receive copies of the application and all written questions and answers.

Intervenors may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses, and cross-examine the applicant. The applicant as well as other intervenors are provided the opportunity to cross-examine the intervenor and the intervenor's expert witnesses.

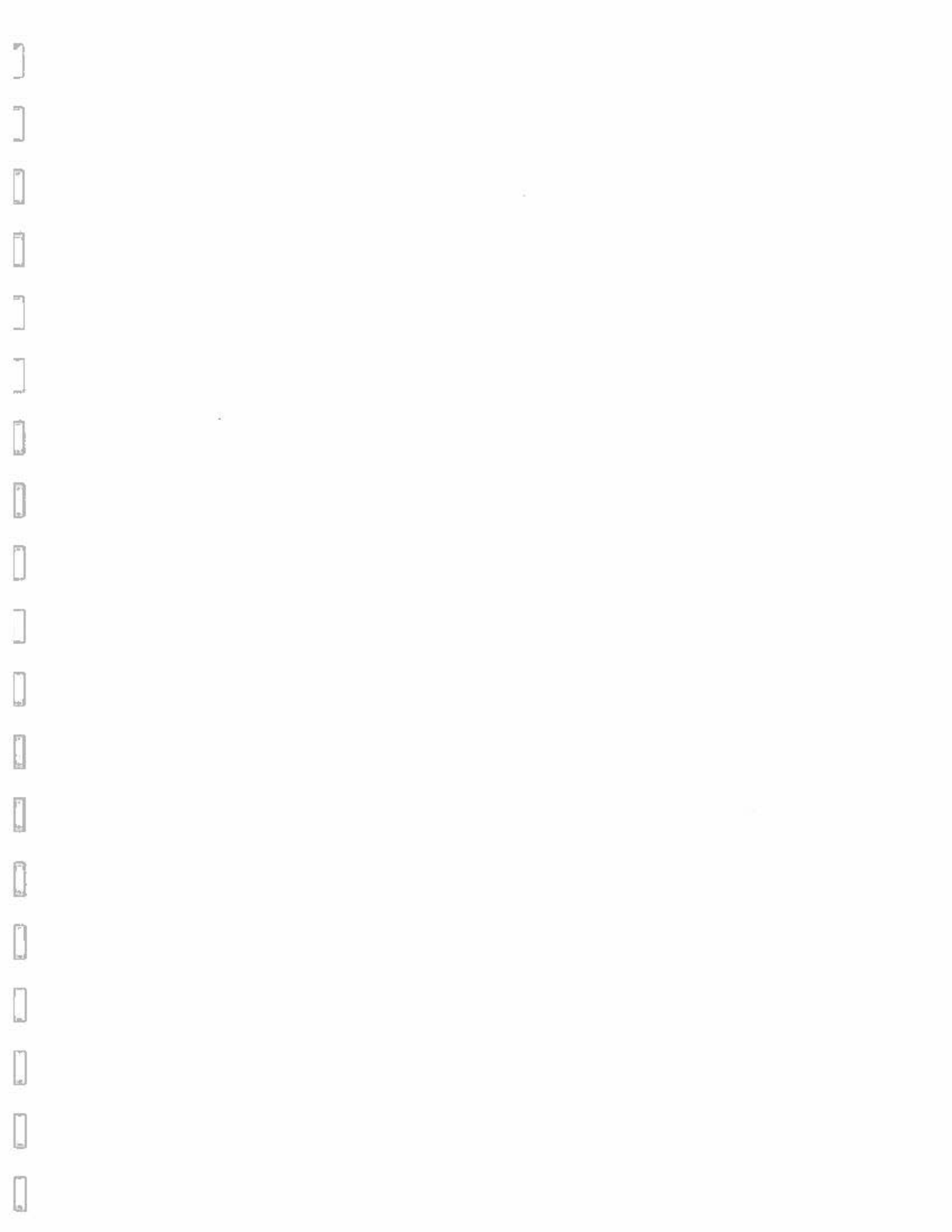
Alternatively, the intervenor may choose to not actively participate in the hearing, but simply receive all available information.

After hearing and reviewing the evidence, the Board issues its decision outlining the Board's determination of the application. The Board may turn down the rate change,



modify it, or approve the entire request. The Board's decision and its reasons are then filed in the Supreme Court of the Northwest Territories.

The Board also approves major capital projects, the issuance of long-term debt and franchise agreements.



A LOOK AHEAD

Legislative

Since early 1995 the Board has been considering how it could assist in a smooth transition respecting regulatory matters after division and the creation of two new territories. In formulating its recommendations to the Minister responsible for the Public Utilities Board, the Board took into account the support for the retention of NWTPC as a single entity after division.

The Board's view was that two autonomous Public Utilities Boards regulating one utility operating in two jurisdictions could make conflicting or inconsistent decisions. The Board conducted an investigation with respect to jurisdictional separation of utilities in the United States operating across state borders. As a result of no agreement between states being served by one utility, the utility often receives different rates of return on equity, different rate structures, and regulatory decisions that conflict with each other.

Section 29 of the Nunavut Act provides that the Northwest Territories Public Utilities Act will become the Act in each territory.

The Board has proposed legislation that will enable each Board to enter into an agreement for the establishment of a joint division to deal with those applications filed by a utility serving both jurisdictions. Where an agreement is entered into to create a joint division it will be composed of equal numbers of members from each board. A decision or act of the joint division will be considered a decision or act of each Board.

Canadian Association of Members of Public Utility Tribunals (CAMPUT)

The Northwest Territories Public Utilities Board is an active participant in the activities of CAMPUT. The Board expects to host the CAMPUT Annual Conference and Annual General Meeting in the year 2000.

It is hoped that the Nunavut Public Utilities Board will become a CAMPUT member and will participate as a co-host of the 2000 Annual Conference.

