

**THE PUBLIC UTILITIES BOARD
OF THE
NORTHWEST TERRITORIES**

DECISION 17-2013

DECEMBER 19, 2013

IN THE MATTER OF the Public Utilities Act, being Chapter 110 of the Revised Statutes of the Northwest Territories, 1988(Supp.), as amended;

AND IN THE MATTER OF a General Rate Application by Northland Utilities (NWT) Limited for changes in the existing rates, tolls and charges for electrical energy and related services provided by Northland Utilities (NWT) Limited to its customers within the Northwest Territories with respect to the 2014 and 2015 test years;

AND IN THE MATTER OF an Application for approval of Interim Rates effective January 1, 2014.

THE PUBLIC UTILITIES BOARD

BOARD MEMBERS

Gordon Van Tighem	Chairman
Sandra Jaque	Vice-Chair
William Koe	Member
Michael McLeod	Member
Charlie Furlong	Member

BOARD STAFF

Louise Larocque	Board Secretary
Raj Retnanandan	Board Consultant
Evan W. Dixon	Board Counsel

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1. APPLICATION

By letter dated December 2, 2013, Northland Utilities (NWT) Limited ("**Northland**" or "**NUL**") filed its Phase 1 General Rate Application ("**GRA**") with the Northwest Territories Public Utilities Board ("**the Board**") with respect to the test years 2014 and 2015.

As part of the Application NUL requested approval of interim refundable rates by way of Rider K, applicable to each rate class within NUL's hydro and thermal rate zones effective January 1, 2014. NUL indicates Rider K will recover a portion of the 2014 non-fuel revenue requirement shortfall (ie not including any cost increases arising from fuel price increases) consistent with the methodology used relating to NUL's 2011-2013 GRA Interim Refundable Rate Rider, Rider K, for 2011 that was approved in Board Decision 8-2011.

NUL indicates, Rider K has been designed to collect 50% of the 2014 non-fuel revenue requirement shortfall of \$488,000, or \$244,000, by setting the rider to \$0.00717 per kWh commencing January 1, 2014. NUL proposed that Rider K will continue until a Board decision is rendered regarding the final approved revenue requirement at which time the difference between the forecast revenue collected on the approved Rider K and the final approved revenue requirement will be reconciled and the difference will be collected or refunded to customers through Northland's Temporary Surplus/Shortfall Rider, Rider E. The detailed derivation of Rider K was provided in Schedule 12.1.

Northland requested Board approval to negotiate Rider K with the Town of Hay River, the Hamlet of Fort Providence and any affected parties that wished to

participate, and present an agreement, if achievable, to the Board for its final approval.

In a letter dated December 5, 2013, the Board stated that, having reviewed the Interim Application, it had decided to approve NUL's request to negotiate an interim settlement. However, prior to commencement of negotiations, NUL was directed to respond to the Board's information requests respecting the Interim Application.

Pursuant to the provisions of Section 13.(1) of its Rules of Practice and Procedure, the Board directed Northland to publish a notice of the public hearing of the GRA in newspapers that circulate in the Northwest Territories. The Board also issued a mailing list of interested persons along with a schedule for the proceeding.

By letter dated December 9, 2013, Northland provided responses to the Board information requests.

2. NEGOTIATED SETTLEMENT

By letter dated December 16, 2013, NUL filed a Negotiated Settlement Agreement (NSA) with the Board. The NSA requests Board approval of Rider K in the amount of \$0.00717 per kWh, effective January 1, 2013, in accordance with NUL's request for approval of interim refundable rates.

The NSA provides, amongst other things:

Northland Utilities (NWT) Limited ("Northland") has concluded this Negotiated Settlement with the Town of Hay River ("Hay River") and the Hamlet of Fort Providence ("Fort Providence") regarding Northland's request for approval of its Interim Refundable Rate Rider, Rider K, applicable to each rate class within Northland's hydro and thermal rate zones effective January 1, 2014 (the "Interim Rate Application"). [NSA Para 1]

The terms of the Negotiated Settlement reflect a "package deal" and, therefore, it is not possible for the Northwest Territories Public Utilities Board ("Board") to accept any parts of the Negotiated Settlement and still reflect the overall agreement reached as between the parties. The parties specifically agree that it is not possible for the Board to impose any terms and conditions on any approval of this Negotiated Settlement and still preserve the agreed upon "package deal" with respect to the matters addressed by this Negotiated Settlement. Thus, if the Board does not accept the Negotiated Settlement, as filed, there shall be no settlement among the parties of the issues raised by the Interim Rate Application and the parties hereto will be free to litigate such issues before the Board.[Para 2]

The parties agree that the Board will approve the Interim Rate Application as filed (as described more particularly in Section 12 of Northland's 2014-2015 Phase 1 General Rate Application filed with the Board December 2, 2013 ("2014-2015 Phase 1 GRA")). [NSA Para 5]

The Board's assessment of the request for interim rate increase in light of the NSA follows.

3. DECISION

NUL indicates the major components of the rate increase are related to lower sales, higher operations and maintenance costs as well as 2014 capital growth.

Through its response to the Board's information request, NUL provided the following rationale in support of its request for the proposed interim rate increase:

Northland believes that the interim rate increase applied for to derive the rates in the Application is consistent with the criteria approved by the Board for the derivation of interim rate amounts, as set out in Decision 8-2011 and Decision 10-2008. Northland considers that 50% of the requested rate increase is a reasonable amount, in this instance, to allow for purposes of an interim rate increase. It reflects an appropriate intermediate position between current and the final rates arising from the final approved revenue requirements for 2014 and 2015. Secondly, without the interim rate increase, Northland's forecast returns for 2013 and 2014 are very low (6.31% and 4.5%, respectively). The January 1, 2014 interim rate increase is therefore essential to supporting Northland's operating and maintenance programs and the continued provision of safe and reliable service. Finally, Northland has proposed a modest interim rate increase request in order to facilitate a reasonable and efficient negotiated settlement for purposes of setting January 1, 2014 interim rates. Additional interim rate adjustments can be considered, if required, as the 2014-2015 GRA process unfolds in the coming months.[BR NUL 1a)]

The Board notes from BR NWT 3 Attachment 1 that the proposed Rider K of \$0.00717 per kWh, would result in an increase of \$3.73 per month for typical Residential customers consuming 520 kWh per month and \$7.17 per month for a typical General Service customer consuming 1000 kWh per month, before consideration of the Territorial Power Support Program (TPSP) and the GNWT Rate Equalization Program (GREP). The TPSP and GREP are available only to non Government customers. Once the TPSP and GREP are factored in, a typical non Government Residential customer and a typical non Government General

Service customer in the Communities of Fort Providence, Dory Point/Kakisa, Trout Lake and Wekweti would see no increase as a result of Rider K. However, since GREP does not apply to non Government General Service customers in Hay River, a typical non Government General Service customer in Hay River would see an increase in the monthly bill of \$7.17 as a result of Rider K.

The Board is of the view that interim rates must reflect an appropriate balance; interim rates should not be set too low, which could ultimately lead to a significant shortfall burden accumulating that would eventually have to be recovered from ratepayers; similarly, a shortfall rider should not be set too high such that significant refund may eventually be required.

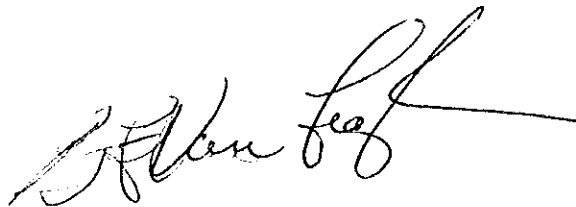
Having reviewed NUL's evidence and in light of the NSA, the Board agrees that approving the request for an interim increase in existing rates by way of Rider K in the amount of \$0.00717 per kWh, to recover 50% of the 2014 forecast deficiency reflects an appropriate balance while maintaining overall rate stability. Accordingly, the Board approves the request for the increase in rates by way of Rider K, effective January 1, 2014 on an interim refundable basis.

4. BOARD ORDER

NOW THEREFORE, IT IS ORDERED THAT:

1. Northland Utilities (NWT) Limited's Rate Riders K, attached hereto as Appendix 1, are approved effective January 1, 2014.
2. Nothing in this Decision and order shall bind, affect or prejudice the Board in its consideration of any other matter or question relating to Northland Utilities (NWT) Limited.

**ON BEHALF OF THE
PUBLIC UTILITIES BOARD
OF THE NORTHWEST TERRITORIES**

A handwritten signature in black ink, appearing to read "Gordon Van Tighem", with a long horizontal flourish extending to the right.

**Gordon Van Tighem
Chairman**

Dated December 19, 2013

FOLLOWING IS

APPENDIX 1

ATTACHED TO AND FORMING PART OF

THE PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

DECISION 17-2013

DATED December 19, 2013



RIDER K
INTERIM RATE RIDER

Available

- Throughout Northland Utilities (NWT) Ltd. service area.

Applicable

- To all classes of service.

Rates

- An interim refundable surcharge rider used to collect the non fuel and purchase power revenue shortfall. Service will be rendered at the available rates with the following surcharge.

\$0.00717 / kW.h