

The Northwest Territories Public Utilities Board

September 27, 2022

Mr. Chris Cullingham
Manager, Regulatory
ATCO Electric
17 A.C., 10035 – 105 Street
Box 2426, Stn. Main
Edmonton AB T5J 2V6

Dear Mr. Cullingham:

Re: Northland Utilities (NWT) Limited (NUL) - 2023 General Rate Application

1. The Board is in receipt of NUL's General Rate Application and the application for interim rates. The application requests in part as follows:
 - (1) Pursuant to Sections 66 and 68 of the Public Utilities Act (PUA), approvals to discontinue its operations in Hay River pursuant to the Hay River Franchise Agreement (the Franchise Agreement) and to dispose of the Hay River Franchise Assets (the Franchise Assets) and deferral account balances to Hay River, including approval to recover costs related to the discontinuation and disposition of the Franchise Agreement and Franchise Assets to the Town, and a deferral account to address the timing of transfer of Hay River assets effective January 1, 2023 (included in Section 1B);
 - (2) Approval of Northland's revenue requirement for the 2023 Test Year (one-year Test Period);
2. NUL states, interim approval will create administrative efficiencies, reduce complexities with the Hay River Disposition and limit future true-ups. NUL states, it is not seeking interim approval regarding public interest considerations for the discontinuation of the Hay River Franchise Agreement or the disposition costs to be recovered from the Town of Hay River.

3. The application arises primarily from the expected sale of NUL's assets in the Hay River franchise area to the Town of Hay River (Town). NUL provides details respecting estimated changes in costs and revenues arising from the sale transaction as follows:
- Assets sale proceeds of \$10.7million and gain on sale of assets amounting to \$2.2million [Table 1B-1]
 - Costs associated with termination of the Hay River Franchise by NUL totaling \$2.2million [Table 1B-4]
 - Changes to NUL's operating costs including those related to allocation of administrative costs following the sale of franchise and interim rates effective January 1, 2023 for recovery of such costs
 - Transfer of existing deferral accounts that are associated with the Hay River Franchise to the new owner/operator/franchisee of the assets as of the date of the sale of franchise
 - Creation of certain deferral accounts to track any surpluses or shortfalls associated with Northland providing service to Hay River beyond January 1, 2023.
4. The following table sets out the applied for revenue requirement:

**Table 1-1 – Applied-For Revenue Requirement
(\$000s)**

	Total Company	2023	
		Hydro Zone	Thermal Zone
Northland Revenue Requirement (before Transmission Revenue and Fuel Prices)	5,357	1,893	3,467
Increase Over Existing Rates	1,421	1,128	293
Revenue Requirement Increase (Before Transmission Revenue and Fuel Prices (%))	36%	148%	9%
Revenue Requirement Increase (decrease) Net of Transmission revenues and Fuel Prices	(354)	17	(371)
Revenue Requirement Increase Net of Increase in Fuel Prices (%)	-9%	2%	-12%

5. NUL states, any changes to the approved revenue requirements or allocation of costs will have significant implications on the resulting rates for the Company's remaining customers, and in its view, the rate impacts should be considered by the Board when assessing whether the Hay River Disposition meets the public interest test, including no harm to remaining customers.
6. The Board not only has a responsibility to ensure no harm to remaining customers of NUL but also has the responsibility to ensure the customers served under the Hay River Franchise are subject to no harm as a result of the Hay River Franchise purchase and sale transaction.
7. The Board notes NUL's statement that the transaction for the purchase and sale of the Franchise Assets has not yet closed. A full transition of the Franchise Assets to Hay River is expected to occur in early 2023. Since the transaction has not closed a commercial agreement reflecting the terms of the asset purchase and sale agreement has not been completed. NUL also states, costs related to termination of the Hay River Franchise (\$2.2million) should be borne by Hay River customers and be collected via a one-time payment upon transition from the Town.
8. However, in the absence of a commercial agreement for purchase and sale of assets, and in the absence of any commitment by the new provider of electricity service in the Hay River Franchise area to hold customers harmless, the Board has no means of assessing whether the treatment of costs and revenues proposed by NUL in this application are consistent with the understanding of all parties involved in the sale transaction and in the provision of electricity services to customers in the Hay River Franchise area.
9. For the Board to consider whether the asset purchase and sale transaction is in the public interest, it must be provided with information that demonstrates, the asset purchase and sale transaction results in no harm to all customers including those in the Hay River Franchise area.
10. The Board also does not have sufficient information to assess the reasonableness of the proposed interim rates for NUL in the absence of a commercial agreement with the Town that validates NUL's proposal to flow certain costs related to the transaction to the Town by way of deferral accounts.
11. For the above reasons, the Board will accept NUL's application but, will hold it in abeyance until the following information is provided to the Board by the various parties involved in the transaction if and when commercial agreements are concluded:

- The commercial agreement between NUL and the Town describing, among others, the treatment of costs arising from the sale transaction, that are proposed by NUL to be passed through to the Hay River Franchise Customers including a description of how such costs will be treated by the Town for regulatory purposes.
- If agreement cannot be reached, the identification of those costs that require a ruling by the Board with supporting information.
- The new provider of electricity services in the Hay River franchise area (example: Northwest Territories Power Corporation) to describe the regulatory treatment of any costs arising from the sale transaction that were flowed through to the provider by the Town including confirmation that the transferred asset costs reflect the net book value of assets acquired from NUL and confirming that the Hay River Franchise customers will be held harmless as a result of the sale transaction.

12. NUL is requested to provide an update on the status of the requested information within 120 days of this letter, if not filed by that time. If there are any questions please contact the Board secretary, Ms. Doris Minoza at 867-874-3944.

Yours truly,

Gordon Van Tighem
Board Chair

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