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June 20, 2013

Attention: **Deana Lemke**
Executive Secretary
Yukon Utilities Board
Via E-mail: yub@utilitiesboard.yk.ca

Dear Ms. Lemke,

Reference: Yukon Electrical Company Limited's 2013-15 General Rate Application
Request for Interim Rates

Stantec Consulting, on behalf of the Town of Watson Lake, has reviewed the request for interim rates submitted by the Yukon Electrical Company Limited (YECL) as part of its 2013-15 General Rate Application (GRA), which is now before the Yukon Utilities Board (YUB).

YECL is seeking permission to recover 50% of the projected 2013 shortfall in revenue that will be created by the difference in the proposed 2013 revenue requirement and the revenue that will be collected in 2013 from the current rates. YECL is proposing to collect the revenue shortfall with the application of a 6.5% rider to be applied to all electrical consumption on or after July 1, 2013.

YECL also states: "*any required 2013 "true up" will be part of the Board's final order setting rates for this GRA*."

We have identified two concerns with YECL's proposal.

Retroactive Ratemaking
Although it is not explicitly stated, it appears that it is YECL's intention to collect 50% of the projected 2013 revenue shortfall in the period from July 1st to December 31st, 2013 using Rider R and then to collect the other 50% of the projected 2013 shortfall with the "true up" after the conclusion of the GRA, perhaps through the use of a shortfall rider.

As 50% of the projected 2013 shortfall is from the period from Jan. 1st to June 30th, a period during which the rates that were in place were final rates, it is our view collecting a revenue shortfall that was created in this period would constitute retroactive ratemaking and should be denied.

We note that this matter has been ruled on by the Northwest Territories Public Utilities Board and we attach that Board's Decisions 10-2008 and 8-2011.

Reference: Yukon Electrical Company Limited's 2013-15 General Rate Application Request for Interim Rates

Given the limited time in which the parties and the Board have to consider the interim rate application, it is our recommendation that the Board defer its consideration and conclusion on the potential recovery of that portion of the 2013 revenue shortfall that was created in the period from Jan. 1st to June 30th to the review of the main GRA. By deferring this matter to the main review, the Board, YECL and the interveners can explore the issue in a more deliberate and considered manner.

Level of Rider R

By setting Rider R at 6.5%, YECL is seeking to collect 50% of the projected 2013 revenue shortfall over 50% of 2013. In essence, YECL is seeking to collect 100% of the revenue shortfall that is created in the period from July 1st to Dec. 31st.

It is our view that this proposal does not recognize that a typical review process will produce reductions in the revenue requirement and so the final revenue shortfall for the period from July 1st to Dec. 31st is likely to be lower than that projected by YECL. If the Board were to approve Rider R at 6.5% as requested by YECL, it is likely that YECL will overearn in the period from July 1st to Dec. 31st.

It is our view and recommendation that a more appropriate target for the recovery of the revenue shortfall created in the period from July 1st to Dec. 31st would be 80% of the projected shortfall for that period. It is our recommendation that Rider R be set to recover the revenue shortfall calculated using the following equation.

2013 revenue shortfall x 0.5 x 0.8 = revenue shortfall to be recovered by Rider R

0.5 represents the 6 months (50%) of the year that Rider R would be applied and 0.8 is the 80% target for recovery in the period from July 1st to Dec. 31st. The target then for revenue recovery using Rider R should be $1,460,000 instead of the $1,825,000 proposed by YECL. This produces our recommended level for Rider R of 5.2%.

Regards,

Joe Acorn

Joe Acorn, P.Eng.
Team Lead, Environmental Management

THE PUBLIC UTILITIES BOARD
OF THE
NORTHWEST TERRITORIES

DECISION 10-2008 **March 19, 2008**

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 an 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 their customers within the Northwest Territories.

THE PUBLIC UTILITIES BOARD

BOARD MEMBERS	Joe Acorn	Chairman
	John Hill	Vice-Chairman
	William Koe	Member
	Sandra Jaque	Member
BOARD STAFF	Louise Larocque	Board Secretary
	Raj Retnanandan	Board Consultant
	John Donihee	Board Counsel

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1. APPLICATION

By letter dated February 8, 2008, Northland Utilities (NWT) Limited ("**Northland**") filed Phase I of the General Rate Application ("**GRA**", "**Application**") to determine the revenue requirements for the 2008/2010 test period.

Pursuant to the provisions of section 13.(1) of its Rules of Practice and Procedure, the Northwest Territories Public Utilities Board ("**the Board**"), by letter dated February 15, 2008, directed Northland to publish notice of the public hearing of the Application in newspapers that circulated in the Northwest Territories. The Board also provided a list of interested persons to whom Northland was to provide copies of the GRA.

By another letter dated February 15, 2008, the Board provided Northland and all interested parties with the GRA hearing schedule, requesting that interested parties provide comment on the interim rates application by February 25, 2008 and Northland to reply to any comments by March 3, 2008.

As part of the Phase 1 application, Northland requested Board approval for two 2008 riders, as explained below.

> *In this application, Northland is seeking approval of an Interim Refundable Rate Rider, Rider K, and the Temporary Refund/Surcharge Rider, Rider E, effective March 1, 2008, applicable to each rate zone within Northland's service area to recover the difference between the forecast 2008 Revenue Requirement and the revenue on existing rates and riders (less Franchise Tax) amounting to $1,065,000 (please refer to Schedule 12.1, Table A). These riders would be applied to all customer bills to collect the revenue shortfall on an interim refundable basis.*
>
> *In lieu of the availability of a formal cost of service study to determine the allocations of the total revenue requirement to the respective rate zones, Northland has derived a proxy method. Northland has allocated the 2008*

Revenue Requirement of $9,607,000 to the NWT rate zones for the determination of Rider K and Rider E as follows: (Please refer to Schedule 12.1 and the proposed rate schedule included as Attachment 1 for details.)

1. *Removed the Town of Hay River Franchise Tax expense of $210,000 from the total costs of $9,607,000 reported in Schedule 2.1 (ref: Table A);*
2. *Separated the remaining Revenue Requirement of $9,397,000 into nonfuel and fuel and purchase power expenses (ref: Table B, Columns 5 & 6);*
3. *The non-fuel portion of the revenue requirement amounting to $5,610,000 is then allocated to each rate zone based on the 2006 non-fuel allocations from the 2005/06 NWT GRA re-filing (ref: Table B, Column 4 & 6);*
4. *The fuel and purchase power portion of the revenue requirement is directly assigned to each rate zone as per Schedule 3.1 and 4.1 (ref: Table B, Column 5);*
5. *The total revenue shortfall of $1,065,000 is allocated to each rate zone (ref: Table C, Column 2) as the difference between the allocated revenue requirement (ref: Table B, Column 7) and the revenue on existing rates (ref: Table C, Column 1);*
6. *In keeping with the Board's direction regarding NTPC's Interim Rate Application, rate impacts are capped to 15% (reference Decision 1-2007). The Dory Point – Kakisa rate zone is affected by this rate cap. Capping the proposed revenue increase to 15% creates an under-collection of $40,208 which has been allocated to Hay River and Fort Providence as per the currently approved cost transition methodology between the Dory Point – Kakisa, Fort Providence and Hay River rate zones. (ref: Table C, Column 3 and 4)*
7. *The Interim Refundable Rate Rider, Rider K, for each rate zone is determined by dividing the proposed revenue increases by the respective 2008 annual sales forecast. (ref: Table C, Column 6). These rates will collect $865,000 of the $1,065,000 total shortfall on a going forward basis. (Ref: Table C, Column 7)*

Northland is also seeking approval to collect the remaining $200,000 shortfall, as a result of the timing of this application, using the Temporary Refund/Surcharge Rider, Rider E, over the remaining 10-months of the year. Please refer to Schedule 12.2 for and Attachment 1 for details.

The two riders are derived in Schedules 12.1 and 12.2 and are listed below.

	Rider K (cents/kwh)	**Rider E (%)**
Hay River	2.675	3.361
Fort Providence	3.525	1.773
Dory Point/Kakisa	12.651	3.904
Wekweti	8.941	1.863
Trout Lake	2.612	0.723

Northland did not provide a table showing the impact of these two riders upon the ratepayers.

By another letter dated February 15, 2008, the Board provided Northland and all interested parties with the GRA hearing schedule and requested interested parties to provide comments on the interim rates application by February 25, 2008 with Northland to reply to any comments by March 3, 2008.

The Town of Hay River ("**Hay River**") filed their comments, by letter dated February 25, 2008, regarding Northland's request for interim rates. Hay River stated the following:

> *We have briefly reviewed the proposed cost increases with the above factors in mind, and have identified the following items that we consider should not be approved on an interim basis without full examination. NUL-NWT is forecasting a $612,000 increase in operations and maintenance expenses or 23% in 2008 over the 2007 forecast amount. This amount is also $805,000 greater than the 2006 actual O&M expenses. Included in the O&M increases are 23% for production, 25% for transmission, 21% for distribution, 13% for public information, 14% for customer accounting and 27% for administration and general including significant increases in affiliate and head office charges and uncollectible accounts. The Town considers that only 50% of the increase in O&M expenses should be included in interim rates pending further review. There is a $154,000 increase in the forecast charges to the Plant Maintenance Reserve over the period 2008-2010 as compared to 2005-2007. There is also a $117,000 increase in rate hearing costs due to forecast rate hearing costs of $452,000 as compared to just $100,000 forecast in the 2005/2006 proceeding. The Town believes that these increases should not be approved on an interim basis without further review.*
>
> *NUL-NWT has also forecast a significant increase in return on rate base. Three items stand out, 9.60% return on common as compared to the 9.25% recently awarded to NTPC for 2007/08, an increase in the equity ratio from 39% to 40% approved in 2005/2006 GRA 3 to 44.3% in 2008. The equity related items also attract income taxes. These increases should not be included in interim rates pending full review. All of the foregoing amounts also attract franchise taxes.*
>
> *The Town submits that the above discussed adjustments total $649,000 out of the $1,073,000 requested increase or about 60%. Accordingly, the Town of Hay River submits that 50% of the requested interim increase would not be unreasonable.*

The Board, on February 25, 2008, received a letter from Mr. Rangi Jeerakathil, representing the Hamlet of Fort Providence ("**Fort Providence**"), setting out the position of Fort Providence on the interim application. Fort Providence stated the following:

> *In light of the foregoing, Fort Providence recommends the NWT PUB allow recovery of no more than 75% of the projected 2008 shortfall. Providing relief at this level should eliminate the potential that the interim rates are in fact too high; this may be the outcome if some of the contentious items noted above result in the PUB approving less than the forecast level of costs. In our view, awarding 75% of the forecast shortfall also eliminates any financial hardship potentially occurring to NUL NWT. It will also provide an opportunity to mitigate any rate spikes that may arise from a lower amount of interim rates i.e. not only will the PUB be approving final rates which will be higher than interim rates, but customers will also be faced with paying the shortfall associated for that period of time from January 1, 2008 to the date final rates take place in 2008.*
>
> *As well, we note that based on the expected mid June 2008 hearing date, it is reasonable to assume the PUB will render its decision well before the year end, effectively eliminating any concerns about regulatory lag.*
>
> *NUL NWT should therefore be directed to file with the Board and all interested parties a revised interim rate application, reflecting recovery of 75% of its forecast 2008 revenue shortfall, using the same principles it has applied as documented in Section 12 of its 2008-2010 GRA.*

By letter dated March 3, 2008, Northland replied to the interveners' comments and argued that its request for interim rates was reasonable and should be implemented.

> *NUL will first address the submissions made by The Town. The Town points out that there is a 23% increase in O&M expenses and simply states that only 50% of the increase in O&M expenses should be included in interim rates pending further review. NUL has put in a great deal of time and effort in developing its O&M forecasts based on reasonable assumptions for increases in labor, pension, brushing, affiliate and other costs. For The Town to arbitrarily state that these costs should be limited to 50% without any examination of or comment on NUL's O&M methodologies and assumptions does not provide a valid basis for accepting this request.*

> *The Town further states that deferred charges & credits: rate case reserve and plant maintenance reserve should be disallowed outright. There is no merit in this assertion as NUL provided valid reasons to support the increases, as detailed in its application. With respect to rate case expenses, NUL has hired an independent expert for purposes of addressing cost of capital and capital structure matters; and has also retained outside parties to develop sales forecasts and to prepare loss studies, both of which were ordered by the Board in Decision 9-2006. Regarding plant maintenance, NUL has derived suitable benchmarks from other utilities. Please refer to NUL's response to Direction 9 in Section 11 of its application.*
>
> *With respect to the submissions made by Fort Providence, NUL is in full agreement with Fort Providence's statement ". . .the NUL NWT's proposed rate increases, even if untested at this time, appear material and could lead to a potential rate shock to most of the communities served by NUL."*
>
> *While Fort Providence lists a number of "contentious" items on page 4 of its comments, NUL submits that merely reiterating a long list of items, without providing any basis for why any of these items should be disallowed or reduced, does not provide grounds for discounting these items, particularly when NUL has provided a sound and reasoned basis for the requested increases in its Application. Fort Providence, however, is more reasonable than The Town, in these matters, as Fort Providence acknowledges "awarding 75% of the forecast shortfall also eliminates any financial hardship potentially occurring to NUL NWT. It will also provide an opportunity to mitigate any rate spikes that may arise from a lower amount of interim rates." While NUL appreciates the recognition of these matters by Fort Providence, their proposal still understates the level of interim rates that is appropriate in the circumstances.*
>
> *In sum, NUL submits that its requested interim rate increases are material, supportable, and are required to maintain the financial integrity of what is a small utility. Otherwise, NUL will be required to carry a significant, and unwarranted, financial burden for a lengthy period of time. NUL submits that it has provided sufficient justification to approve the interim rates and requests that its Interim Tariff Application be approved, as filed.*

On Mar. 10, 2008, Northland refiled its interim rate application to reflect an implementation date of Apr. 1st instead of the original date of Mar. 1st. The calculation of Rider K remained the same but Rider A increased due to there now being a 3-month retroactive shortfall instead of the original 2 months. The two riders are derived in the revised Schedules 12.1 and 12.2 and are listed below.

	Rider K (cents/kwh)	**Rider E (%)**
Hay River	2.675	5.835
Fort Providence	3.525	2.951
Dory Point/Kakisa	12.651	6.516
Wekweti	8.941	3.335
Trout Lake	2.612	1.186

2. DECISION

The Board has reviewed the application and information provided by Northland and the comments provided by Hay River and Fort Providence. Before ruling on the interim rate application, it is necessary for the Board to first deal with a preliminary matter.

Retroactive Ratemaking

By requesting permission to recover revenue in the period between Jan. 1st, 2008 (the start of the test year) and Apr. 1st, 2008 (the start of the interim rates), Northland is requesting that the Board engage in retroactive ratemaking.

The Board recently dealt with this same issue in relation to an application from the Northwest Territories Power Corporation ("**NTPC**"). The Board issued a letter decision on Dec. 31st, 2007 in which the Board explained how it would handle this matter.

> *"The NTPC argues that Section 51(2)(b) grants the Board explicit authority to engage in retroactive ratemaking to allow for the reconciliation of revenues back to the start of the test year.*
>
> *The Board agrees with the NTPC that Section 51(2)(b) grants the Board the authority to engage in retroactive ratemaking for the purpose of reconciling revenues for the period from April 1st, 2006 to January 31st, 2007. While the Board agrees that Section 51(2)(b) can be used, the NTPC has only identified the "how" but neglected the "why".*
>
> *As indicated by the phase "may give effect", the use of Section 51(2)(b) is clearly an exercise in Board discretion. The exercise of Board discretion is not, and should never be, considered to be automatic. In particular, the NTPC errs in stating that: "…the Board … should allow for the recovery of the Corporation's shortfalls…".*
>
> *If the NTPC wishes for the Board to exercise its discretion under Section 51(2)(b), the obligation lies with the NTPC to convince the Board to do so based upon what is "just and reasonable".*

> *In support of the late filing NTPC points out that the Board has consistently in the past allowed for the reconciliation of revenues back to the start of the test year regardless of when the GRA was filed. In doing so, the Board has not previously required evidence from the NTPC relating to the reason for late filing.*
>
> *Given the Board's practice in the past to not require evidence with regard to its exercise of discretion under Section 51(2)(b), the Board finds that it is just and reasonable that the NTPC be allowed to reconcile its revenues back to April 1st, 2006. If the Board were to deviate from its past practice at this point, the Board would be treating the NTPC in an unjust and unreasonable manner. Consequently, the Board has decided that it will allow the reconciliation of revenues back to April 1st, 2006.*
>
> *However, the Board still has concerns about allowing the NTPC to habitually file Phase 1 GRAs late into the test year. It delays the final conclusion of the whole GRA process and complicates matters by creating the potential for actual amounts to be brought into what should be exclusively a forecasting exercise.*
>
> *For future GRAs, the Board's expectation is that the NTPC will file its Phase 1 GRA with sufficient time to permit the approval of interim rates for the first day of the test year.*
>
> *If significant reasons exist that prevent the NTPC from filing in time to have interim rates in place for the start of the test year, then the Board accepts that Section 51(2)(b) could be used. However, a significant burden will be upon the NTPC to convince the Board that it would be just and reasonable for the Board to exercise its discretion and allow reconciliations in the period between the start of the test year and the start of the interim rates."*

The Board recognizes that its Dec. 31st, 2007 letter decision was released too late to affect Northland's filing of this Phase 1 GRA and request for interim rates. For that reason, the Board has decided that it will allow the recovery of revenue in the period between Jan. 1st, 2008 and the start of the interim rates. However, for future GRAs, the same expectations that the Board outlined for the NTPC in its Dec. 31st letter will also apply equally to Northland.

Interim Rate Riders

In determining the level of interim rates there must be a balancing of various factors such as providing for the financial security of the utility, not permitting unreasonable or highly questionable expenses to be included in the rates and avoiding rate shock and instability for the ratepayers.

The Board is concerned about the eventual impact on the ratepayers of new higher rates at the end of the GRA process combined with significant shortfall riders. To try to minimize the impact of such a scenario, the Board must try to set the interim rates at a level that will be close to the eventual approved revenue requirement for 2008. Setting the interim rates too low will allow a significant shortfall burden to accumulate that will eventually have to be recovered from the ratepayers with a shortfall rider. On the other side, the interim rates should not be set so high that significant refunds will eventually be required.

Having reviewed the arguments of the parties, the Board finds that Northland and Hay River have both adopted a position that the Board finds to be outside the range of what the Board would consider acceptable.

Hay River refers to factors used by the Alberta Utilities Commission (AUC) when assessing interim rate applications. These factors include quantum and need factors followed by general public interest factors. Hay River argues that the Board should only allow 50% of the revenue deficiency to be recovered in the interim rate riders due to increases to certain expenses that Hay River finds to be high as well as issues with Northland's requested return on equity and capital structure.

While the Board would agree that some of the items included by Northland will likely require adjustment by the Board, the Board does not find that the amounts put forward by Northland can be considered patently unreasonable. Furthermore, while it appears to the Board that Hay River might have applied the quantum and need factors as described by the AUC, it is not apparent to the Board that Hay River has applied the general public interest factors.

For its part, Northland argues that the interim rate riders should be set at levels to recover 100% of the difference between 2008 revenue at existing rates and the requested 2008 revenue requirement. While the Board does not find it unreasonable for Northland to be requesting 100% recovery, the Board finds it unlikely that the eventual approved 2008 revenue requirement will not have some reductions from what is being requested by Northland. Hence, a level of recovery by the interim rate riders at less than 100% is likely to be more reflective of what will actually occur.

The Board finds that the 75% level of recovery suggested by Fort Providence is more acceptable and likely than the 50% and 100% recoveries suggested by Hay River and Northland, respectively.

Besides the level of recovery proposed by Northland, the Board also has concerns about the combined effect of the two riders. Together the two riders would produce rate increases of greater than 15% in both Hay River and Dory Point/Kakisa.

The Board has decided that it will allow Northland to use the interim rate riders to recover 80% of the difference between forecast 2008 revenue at existing rates and the requested 2008 revenue requirement subject to a 15% limit on the combined impact of both riders on each individual community.

3. BOARD ORDER

NOW THEREFORE, IT IS ORDERED THAT:

1. Northland Utilities (NWT) Limited is directed to refile its application for interim rates for each of the communities designed to recover 80% of the difference between forecast 2008 revenue at existing rates and the requested 2008 revenue requirement subject to a 15% limit on the combined impact of both riders on each individual community.

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

Joe Acorn

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Joe Acorn
Chairman

Dated March 19, 2008

THE PUBLIC UTILITIES BOARD

OF THE

NORTHWEST TERRITORIES

DECISION 8-2011 **JUNE 22, 2011**

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 an 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 their customers within the Northwest Territories through an adjustment to the Interim Refundable Rate Riders Application and Deferral Account Application.

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1. APPLICATION

By letter dated April 21, 2011, Northland Utilities (NWT) Limited ("**Northland**" or "**NUL**") filed its Phase I General Rate Application ("**GRA**") with the Northwest Territories Public Utilities Board ("**the Board**") with respect to the test period 2011 to 2013.

Pursuant to the provisions of Section 13.(1) of its Rules of Practice and Procedure, the Board, by letter dated April 27, 2011, directed Northland to publish notice of the public hearing of the Application in newspapers that circulated in the Northwest Territories. The Board also provided a list of interested persons to whom Northland was to provide copies of the Application.

As part of the Phase 1 Application, NUL requests approval of interim refundable rates effective July 1, 2011 ("**Interim Application**"). NUL also requests approval of changes to Rider H to reflect recovery of certain 2010 Deferral account balances, effective July 1, 2011.

In its Interim Application, Northland requests Board approval as follows:

> "……Northland is requesting approval of its Interim Refundable Rate Rider, Rider K, and its Temporary Refund/Surcharge Rider, Rider E, effective July 1, 2011, applicable to each rate class within each of Northland's rate zones. Consistent with Decision 10-2008, regarding Northland's 2008-2010 GRA interim rates, Northland's requested 2011 Interim Refundable Rate Rider K will recover 80% of the requested revenue requirement increase for 2011. This is the difference between the requested 2011 Revenue Requirement less fuel and purchase power costs, and Franchise Tax, and the revenue on existing rates and riders less fuel and purchase power revenue and Franchise Tax, amounting to $127,652. Fuel, purchase power and Franchise Tax have been excluded because specific riders are utilized for the recovery of the costs relating to these costs. Northland's Interim Refundable Rate Rider, Rider K, has been designed to collect the estimated revenue shortfall on a going forward basis, and is proposed to be set to $0.00365 per kWh commencing July 1, 2011. Northland is of the view that its proposed

> approach, which is consistent with previous approved applications of Rider K, will provide an intermediate position between current and the proposed final rates.
>
> In addition, Northland is requesting to collect 80% of the forecast revenue shortfall between January 1 and June 30, 2011, over 18-months, commencing July 1, 2011, by setting the Temporary Surplus/Shortfall Rider, Rider E, to 0.472%. Please refer to Schedule 12.1 for details. To the extent the interim refundable rate riders collect a requested 2011 revenue requirement that is different than the final 2011 approved revenue requirement, the difference between the forecast revenue collected on the approved interim riders and the final approved revenue requirement will be reconciled through a future adjustment to Rider K and E."[1]

Northland provided a table showing the impact of the proposed Riders K and E on sample residential and commercial customer monthly bills for each rate zone:

Impact to Customer's Bill

	Hay River	Fort Providence	Dory Point - Kakisa	Trout Lake	Wekweeti
Residential					
Government	1.6%	1.1%	0.8%	0.8%	0.9%
Non-Government	2.3%	2.4%	2.3%	2.4%	2.4%
General Service					
Government	2.0%	1.1%	0.8%	0.8%	1.0%
Non-Government	2.0%	0.0%	0.0%	0.0%	0.0%

Notes:
Non-Government
Residential includes GREP and TPSP
General Service includes GREP

For purposes of the bill impact calculations shown in the above table, an average monthly consumption of 700 kWh was used for a sample residential customer and 1,000 kWh consumption and 5 kW demand were used for a sample general service customer. The above table reflects the rebates, as applicable, of the Government of Northwest Territories Rate Equalization Program ("**GREP**") and

[1] Application Section 12; Page 12-1

the Territorial Power Subsidy Program ("**TPSP"**) for Non-Government Residential and Commercial customers.

In addition to Riders K and E arising from the Interim Application, Northland also requests approval of changes to Rider H to reflect recovery of certain 2010 Deferral Account balances:

> "Northland proposes to change the Cost Recovery - Rider H from -0.110% (Decision 10-2010) to 0.656% to collect a net deferral account balance of $90,268 from customers. Rider H is designed to recover this balance over an 18 month period between July 1, 2011 and December 31, 2012. As previously described the deferral account consists of balances as of December 31, 2010:
>
> - True-up of Income Tax Deferrals (CCA and Capital Repair Tax impacts)
> - Collection of Pension Cash Contribution Deferral
> - Previous OPEB and Pension Refund Rider, Rider Q, remaining balance
>
> Details on the calculation of Rider H are provided in Schedule 13.6…"[2]

Northland provided a table showing the impact of the proposed change in Rider H on sample residential and commercial customer monthly bills for each rate zone:

Impact to Customer Bills

	Hay River	Fort Providence	Dory Point - Kakisa	Trout Lake	Wekweeti
Residential					
Government	0.7%	0.7%	0.7%	0.7%	0.9%
Non-Government	0.4%	0.3%	0.3%	0.3%	0.3%
General Service					
Government	0.7%	0.6%	0.7%	0.7%	0.9%
Non-Government	0.7%	0.1%	0.0%	0.1%	0.0%

Notes:
Non-Government
Residential includes GREP and TPSP
General Service includes GREP

[2] Application, Section 13, NUL Deferral Account Application; Page 6 of 7

For purposes of the bill impact calculations in the above table, an average monthly consumption of 700 kWh was used for a sample residential customer and 1,000 kWh consumption and 5 kW demand were used for a sample general service customer. The above table reflects, as applicable, the GREP and TPSP rebates for Non-Government Residential and Commercial customers.

By letter dated April 27, 2011, the Board set out the GRA hearing schedule including dates for Information Requests, Argument and Reply respecting the Interim Application and the Rider H Application.

By letters dated May 16, 2011, the Board, the Town of Hay River ("**HR**") and the Hamlet of Fort Providence ("**FP**") filed Information Requests. By letter dated May 24, 2011, Northland provided responses to Information Requests.

By letters dated May 31, 2011, Northland, HR and FP filed Argument.

By letters dated June 7, 2011, Northland, HR and FP filed Reply Argument.

2. POSITIONS OF INTERESTED PARTIES

FP submits there are a number of issues in the current GRA which, will be subject to further discussion and debate. Given the relatively small size of the 2011 projected revenue deficiency, the 2011 revenue deficiency may not even arise should the Board make reductions to some of the 2011 applied-for amounts. Further, the 2011 proposed increases at the community level do not pass the Board's threshold test i.e. that there is a material revenue deficiency at the community level which if left unaddressed could result in a “substantial rate shock”.

FP submits, given the size of the 2011 projected revenue deficiency, NUL will be able to continue to provide safe and reliable service in the absence of interim rates. In FP's view, it is not likely that the proposed increase of $127,652 is necessary to preserve NUL's financial integrity. FP recommends therefore that the 2011 Interim Application be denied.

With respect to recovery of the forecast revenue deficiency for the period January 1, 2011 to June 30, 2011 by way of Rider E, FP submits clear direction was given to NUL in Decision 10-2008 that the Board will not automatically entertain the consideration of interim rates for the stub period which commences the start of the Test Year to the date the interim rates are proposed to go into effect.

FP submits NUL has not provided sufficient evidence for the Board to exercise its discretion under Section 51(2)(b) of the *Public Utilities Act* ("***Act***") to approve recovery of the revenue deficiency for the period January 1, 2011 to June 30, 2011. Hence, the proposed Rider should be denied.

FP submits, in the event the Board were convinced Rider E should be approved, in the interest of simplicity and ease of understanding, that rider should be expressed on a cents/kWh basis, similar to Rider K rather than as a percent rider as proposed by NUL.

FP opposes the approval of Rider H since, in its view, there is no need for interim approval of Rider H given that the overall increases are and will not result in substantial rate shock when final rates are determined for each community.

HR submits NUL has not explained why its request to recover costs for the January 1, 2011 to June 30, 2011 period is not retroactive ratemaking. NUL's reasons for not filing in time to have interim rates in place prior to the start of the year are not persuasive. HR did not comment on NUL's request for approval of interim rates by way of Rider K.

With respect to the need for the interim increase in rates, NUL indicates it has provided complete regulatory schedules for 2009 and 2010 that detail actual returns of 7.02% and 6.16% in 2009 and 2010 respectively. NUL submits the evidence already on the record as part of this proceeding demonstrates that FP's submission that the 2011 shortfall may be substantially eliminated following a full testing is plainly unreasonable and should be rejected by the Board.

With respect to recovery of the revenue deficiency applicable to the part of the 2011 test year prior to implementation of interim rates, NUL requests that the Board exercise its discretion under Section 51(2)(b) of the *Act* to approve recovery of the revenue deficiency respecting this stub period. NUL argues filing in April 2011, as it did, facilitated regulatory efficiency as a result of the Company being able to recognize the 2010 actual results in the test year forecasts. Further, NUL indicates implementation issues related to the Revised Energy Rate Policy Guidelines and IFRS have been challenging and time consuming with the result NUL did not have the resources to file the Interim Application prior to January 1, 2011.

NUL indicates it would have no issue with respect to explaining the purpose and derivation of Rider E and therefore opposes FP's suggestion that Rider E, if approved, be structured as a cents/kWh rider as opposed to a percent rider, in the interest of simplicity and ease of understanding. NUL indicates FP's suggestion would be costly both in terms of implementation time and labour costs for programming changes and testing.

3. DECISION

The Board considers it appropriate to set 2011 interim rates at a level reasonably close to the revenue requirement that would eventually be established for NUL for the 2011 test year. Setting the interim rates too low would allow any shortfall burden to accumulate that would eventually have to be recovered from the ratepayers with a shortfall rider. On the other hand, the interim rates should not be set so high that significant refunds would eventually be required. Neither of these outcomes would be consistent with the principle of intergenerational equity.

Based on prima facie evidence, the Board is persuaded that the requested interim increase designed to recover 80% of the forecast 2011 revenue deficiency is appropriate. Accordingly, the Board will approve NUL's request for implementation of Rider K, effective July 1, 2011.

With respect to implementation of Rider E for recovery of the revenue deficiency from January 1, 2011 to June 30, 2011 the Board notes intervener concerns respecting lack of persuasive evidence. In this regard the Board notes FP's argument that NUL has not provided sufficient evidence for the Board to exercise its discretion under Section 51(2)(b) of the *Act*.

The Board acknowledges that there may be pros and cons, depending upon the perspective, of having filed the GRA in 2011 rather than in late 2010. However, that is not the test that was established by the Board in Decision 10-2008. The Board concludes that it has not been provided with significant reasons for NUL being prevented from filing its GRA in time to have the interim rates in place for the first day of the test year. The Board will not approve Rider E and there will be no reconciliation of revenues for the period Jan. 1, 2011 to June 30, 2011.

The Board notes the request for implementation of changes to Rider H to recover 2010 deferral balances related to pension funding and income tax adjustments is consistent with the practice contemplated in past Decisions. The Board will therefore approve the implementation of Rider H effective July 1, 2011. Support for the deferral account calculations for 2010 will be subject to full review and examination at the time of the main hearing of the Application.

4. BOARD ORDER

NOW THEREFORE, IT IS ORDERED THAT:

1. Northland Utilities (NWT) Limited's Rate Riders K, and H, attached hereto as Appendix 1, are approved effective July 1, 2011.

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

Joe Acorn

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Joe Acorn
Chairman

Dated June 22, 2011

FOLLOWING IS

APPENDIX 1

ATTACHED TO AND FORMING PART OF

THE PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

DECISION 8-2011

DATED JUNE 22, 2011

RIDER K

Interim Refundable Rate Rider

AVAILABLE: Throughout Northland Utilities (NWT) Ltd. service area.

APPLICABLE: To all classes of service effective the following dates:

Hay River	-	2011 07 01
Fort Providence	-	2011 07 01
Dory Point/Kakisa	-	2011 07 01
Wekweeti	-	2011 07 01
Trout Lake	-	2011 07 01

RATE: A surcharge rider to collect the 2011 non fuel and purchase power revenue shortfall. Service will be rendered at the available rates with the following surcharge.

Hay River	-	$ 0.00365 per kW.h
Fort Providence	-	$ 0.00365 per kW.h
Dory Point/Kakisa	-	$ 0.00365 per kW.h
Wekweeti	-	$ 0.00365 per kW.h
Trout Lake	-	$ 0.00365 per kW.h

RIDER H
COST RECOVERY/REFUND RIDER

Available

- Throughout Northwest Territories (NWT) Ltd. Service area.

Applicable

- To all classes of service.

Rate

	Rider
Hay River	0.656 %
Fort Providence	0.656 %
Dory Point and Kakisa	0.656 %
Wekweeti	0.656 %
Trout Lake	0.656 %