



FEB 23 2017

Mr. Gordon Van Tighem  
Chair  
Northwest Territories Public Utilities Board  
203 Woodland Drive  
PO BOX 4211  
HAY RIVER NT X0E 1G1

Dear Mr. Van Tighem:

### **2017 Electricity Rate Policy Direction**

Under Subsection 14(1) of the *Public Utilities Act*, the Executive Council of the Government of the Northwest Territories (GNWT) has the authority to issue directives to the Public Utilities Board (Board).

The following directives are for all electric utilities in the NWT unless otherwise specified, and will promote rate stability, gradualism and allows for greater flexibility in rate design.

### **2017 Electricity Rate Policy Direction**

Pursuant to Subsection 14(1) of the *Public Utilities Act*, the Government of the Northwest Territories Executive Council directs that the Board implement the following directives:

#### **Revenues to Cost Coverage Ratios Range of Reasonableness:**

##### **1. 90% to 110% Revenue to Cost Ratio by Zone**

A range of reasonableness for zone based revenue to cost ratios is desirable as it allows for greater flexibility in rate design and promotes gradualism when customers in a particular zone are faced with changing economic circumstances. The NWT has relatively small rate zones that can be significantly impacted by economic events and zone based revenue to cost ratio between 90% and 110% over the long term will promote rate stability.

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**2. 80% to 110% Revenue to Cost Ratio for non-Government customers**

To reduce the cost pressures faced by non-Government customers and to allow for greater flexibility in rate design, the revenue to cost ratio for non-Government customers should be between 80% and 110%.

**3. 100% to 130% Revenue to Cost Ratio for Government customers**

This allows for the GNWT to pay higher rates in certain zones to reduce the cost pressures faced by non-Government customers, and allow for greater flexibility in rate design. The revenue to cost ratio for Government customers should be between 100% and 130%.

**Rate Rebalancing:**

**4. 1% Rate Rebalancing for non-Government customers**

To allow a gradual transition to rates that are not within the range of reasonableness for revenue to cost ratios by customer class and by zone, any rate impacts to non-Government customers arising from the realignment of rates between zones and customer classes should not exceed one percent per year.

**5. 3% Rate Rebalancing for Government customers**

To allow a gradual transition to rates that are not within the range of reasonableness for revenue to cost ratios by customer class and by zone, any rate impacts to Government customers arising from the realignment of rates between zones and customer classes should not exceed three percent per year.

**Other Directives:**

**6. Defer addressing Community Based Government Rates in NTPC thermal communities under the next General Rate Application (GRA)**

Community government utility bills are paid through contribution agreements to communities from Municipal and Community Affairs and combining thermal community government rates would require funding adjustments to communities. For this reason the PUB is directed to defer any other rate

rebalancing changes to Government rates in thermal zones, outside of bringing those rates within the 100% to 130% revenue to cost ratio zone, until the next GRA so that governments can prepare for these changes.

**7. NTPC Monthly Fixed Customer Charges and Demand Charges to Remain the Same**

Maintaining a low monthly customer charge assists residential customers to manage cost of living through conservation and efficiency. Businesses can also manage their energy consumption more easily than their demand consumption. Recovering a portion of fixed and demand charge costs through energy rates provides better price signals to businesses and residents. The current NTPC monthly customer and demand charges should remain the same until further direction is given. Monthly customer and demand charges should be comparable across zones and utilities to ensure no undue disparity between customers.

**Clarification for Government Directions**

It is noted by the GNWT that in Decision 7-2016, the PUB stated:

“There is no guidance from the GNWT on the future direction of change for Government customer class revenue to cost ratios. The PUB is concerned by the extremely high rates applicable to Government customers in certain communities and considers that steps should be taken to bring these community based rates closer to zone based cost of service.”

8. For issues similar to this that require clarification of government direction, the PUB is directed to request clarification in writing from the Minister Responsible for the PUB and take no action of those issues until clarification is obtained. Should the PUB require modification to government directions in order to resolve a rate setting or design issue, the PUB is directed to request clarification in writing from the Minister Responsible for the PUB.

**This Directive Prevails:**

9. To the extent of any conflict between this directive and the Revised Electricity Rate Policy Guidelines issued February 10, 2011, or on Electricity Rate Policy Guidelines issues on April 15th, 2015 this directive prevails.

Sincerely,



Glen Abernethy  
Minister Responsible for the  
Public Utilities Board

- c. Mr. Gary Bohnet, Principal Secretary