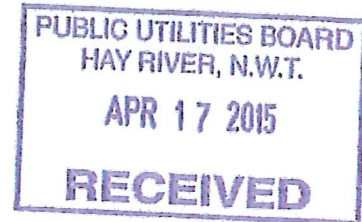




Northwest Territories Minister Responsible for the Public Utilities Board



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

APR 13 2015

Dear Mr. Van Tighem:

Electricity Rate Policy Guidelines

Under subsection 14(1) of the *Public Utilities Act*, the Executive Council of the Government of the Northwest Territories ("GNWT") is permitted to issue policy directions to the Public Utilities Board ("Board"). Due to a number of circumstances affecting the Northwest Territories electricity system in recent years, the GNWT has determined that it is prudent to issue a policy direction.

In recent years, the GNWT has made a substantial commitment to lowering the cost of living by providing subsidies to the electricity system. This includes extraordinary subsidies totalling approximately \$55 million related to smoothing the impacts of the most recent Northwest Territories Power Corporation ("NTPC") General Rate Application ("GRA"), and to offset costs associated with low water conditions in the Snare hydro system.

As well, a Northwest Territories Energy Charrette was held on November 3-4, 2014, to consider future energy supply and energy policy options, and affordability was a key objective discussed at the Energy Charrette. Given the importance of affordable power to Northwest Territories residents, and given the level of subsidization the GNWT has provided to ensure affordable and stable power, the GNWT is issuing the direction set out below to help ensure rate stability. This will allow the GNWT to consider the outcomes of the Energy Charrette and identify options for reform of our electricity system for the consideration of the next government – the 18th Legislative Assembly.

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It is important that the current and/or immediate next GRA Phase II processes of Northland Utilities Limited ("NUL") and NTPC minimize impacts on affordability and rate stability for customers. It is also important that there is clarity with respect to the implementation of Net Metering Policy – a commitment contained in the GNWT Energy Plan. The following direction addresses these issues and is applicable to the current or immediate next GRA Phase II proceedings of the above mentioned utilities.

Electricity Rate Policy Guidelines

Pursuant to subsection 14(1) of the *Public Utilities Act*, the Executive Council directs that the Board implement the following direction:

- 1) Any rate impacts to non-government customers arising from the realignment of rates between rate zones and rate classes in the NTPC 2012/13 and 2013/14 Phase II proceedings should not exceed one percent in 2015/16 and three percent per year thereafter until the realignment is fully transitioned or until the commencement of the next Phase II process.
- 2) As the GNWT expects NTPC to file a full Phase I and Phase II GRA in 2016, the NTPC 2012/13 – 2013/14 Phase II proceedings should be considered primarily as a methodology review with graduated rate changes as described in (1).
- 3) Rate realignment of community based rates for government customers, other than government-industrial class, designed to achieve levelized zone based government rates for NTPC, shall be deferred until the next Phase II GRA for NTPC, expected in 2016.
- 4) The structure of NUL (NWT) electricity rates, and specifically the customer charge, should remain comparable with that of NTPC to ensure there are no undue disparities in the electricity bills of customers residing in different service areas, and to keep electricity rates as comparable as possible. The timing of changes to the customer charge component of rates should be implemented by the Board in a manner that would minimize the potential for such disparities.
- 5) The Board should determine and establish clearly defined Net Metering rates criteria for each of the electricity utilities, that consider the following principles:
 - a) Costs associated with Net Metering should be transparent and should be tracked by utilities and reported through the Board to the GNWT on an annual basis. Costs should be defined as the lost revenues less the avoided cost of generation or purchased power, as the case may be.

- b) Costs, as defined in (a), should be borne by the applicable utility's customers, until they reach a level deemed to be material by the Board, at which time the Board may recommend funding by the GNWT.
 - c) Government customers, with the exception of municipal governments in thermal communities, should not be eligible for Net Metering.
 - d) The Net Metering rates implementation criteria should consider providing a degree of certainty of benefits to customers in consideration of their willingness to make an investment in renewable energy assets.
 - e) The capacity for individual systems taking part in Net Metering should be no greater than 15 kilowatts to ensure all residents and businesses have an opportunity to participate in the Net Metering program.
- 6) To the extent of any conflict between this directive and the Revised Electricity Rate Policy Guidelines issued February 10, 2011, this directive prevails.

Sincerely,



David Ramsay

c. Ministerial Energy Coordinating and Climate Change Committee

Mr. Gary Bohnet
Principal Secretary

Mr. Paul Guy
Deputy Minister
PWS