

November 25, 2024

Northwest Territories Public Utilities Board
203 – 62 Woodland Drive
Box 4211
Hay River, NT X0E 1G1

**Attention: Gordon Van Tighem
Board Chairman**

**RE: Naka Power Utilities (NWT) (Naka-NWT)
2025 General Rate Application (GRA)
Proceeding ID 2024-020**

In Decision 1-2024, the Northwest Territories Public Utilities Board (the Board) directed Naka Power Utilities (NWT) (Naka-NWT) as follows:

- a) To execute the sale of the Hay River Franchise Assets (Hay River Disposition) prior to December 31, 2024, subject to any extra time required by the utilities needed to realize economic efficiencies in order to mitigate adverse rate impacts arising from the transaction; and
- b) To file Phase I and II General Rate Applications (GRAs) for the 2024 Test Year or multiple test years to reflect and implement the Board's applicable determinations from Decision 1-2024 prior to that date.

In further correspondence dated June 11, 2024, the Board deferred the Hay River Disposition date to March 1, 2025 and, in addition to the directions contained in Decision 1-2024, directed Naka-NWT to include a 2025 Test Year, annualized both with and without Hay River. Attached herein is Naka-NWT's 2025 GRA.

Naka-NWT is seeking relief from the Board's direction to include a 2024 Test Year revenue requirement in this Application on the basis that its 2023 approved rates are sufficient to recover its forecast costs for 2024, and the sale of the Hay River Franchise Assets has been deferred to 2025. This will reduce regulatory costs and increase process efficiency. Naka-NWT has provided its 2024 forecast within this Application and does not consider it prudent to undertake a full GRA process for 2024. Accordingly, Naka-NWT respectfully requests that the Board approve Naka-NWT's existing rates as final for 2024.

For 2025, Naka-NWT has provided two revenue requirements, one annualized revenue requirement inclusive of Hay River and one without, as directed. The body of the Application focuses on the latter.

In preparation of its Application, Naka-NWT has incorporated efficiencies, including a reduction in head office support costs post-disposition and sharing of management resources with Naka Power Utilities (Yellowknife) beginning in 2024. Overall, Naka-NWT anticipates it will be able to reduce its total cost of service by more than 50 percent following the 45 percent reduction to its rate base.

Despite these efforts, all being equal under the existing rate design framework, Naka-NWT's customers would be subject to significant rate shock and harm as a result of the Hay River Disposition. This is due to lost economies of scale of service to densely populated areas in the Hydro Zone (Hay River) and retaining operational responsibility for higher cost service in remote, low populated communities served by thermal generation. Naka-NWT submits that this result is not in alignment with the Board's previous determination that the Hay River Disposition has satisfied the no harm test.

Naka-NWT has significant concern with disparities between its position and those positions recently presented in NTPC's 2024-2026 General Rate Application. Naka-NWT does not believe that NTPC has sufficiently accounted for the total cost of transmission services, based on existing policy and prior decisions which require costs to be allocated on the basis of energy. NTPC also proposes significant shortfalls for its revenue-to-cost ratios for a large portion of its customer base. The impact of those shortfalls is then applied for recovery, on a postage stamp basis, across NTPC's remaining customer base, primarily Naka-NWT and Naka-YK customers, through NTPC's Wholesale rate.

Naka-NWT is generally supportive of postage-stamp concepts and is of the view that a harmonized rate structure throughout the entire NWT has significant benefit and is necessary to appropriately mitigate harm. The existing seven rate zone structure, for a small jurisdiction, has been a challenge due to significant complexity and regulatory burden. These issues are further compounded by the impacts of the Hay River Disposition – Naka-NWT has significant concerns with satisfying regulatory requirements associated

with the zone system in a cost-effective manner following the Hay River Disposition, with its two zones and sparse customer base. Harmonization of rates ensures fair and equitable rates for all customers in the Northwest Territories, increases regulatory efficiency and provides fair distribution of government subsidies for all utility customers. However, this concept must be approached in a wholistic manner to remain in the public interest.

Accordingly, Naka-NWT is requesting a bifurcated process for this Application and for NTPC's recently-filed 2024-2026 General Rate Application. The proposed process would first test and approve the utilities' respective revenue requirements. Separately, and in parallel to the testing of revenue requirements, Naka-NWT is requesting that the Board take steps, in coordination with the Government of the Northwest Territories (GNWT), to initiate a combined and collaborative process to review and reform rate design in the Northwest Territories in order to ensure that all customers in the territory are treated fairly and equitably with respect to utility rates.

Naka-NWT considers that a collaborative rate reform process involving the utilities, the Board, and the GNWT will be most efficient and effective in assessing necessary rate reform in the Northwest Territories, recognizing that GNWT involvement or policy direction may be required to implement changes to the utilities' rate design framework. Naka-NWT intends to correspond directly with the GNWT with respect to the need for a collaborative and comprehensive rate design review process pursuant to the discussion and relief requested in Sections 1 and 1B of the Application, in the near term.

Subject to whether the requested rate reform process is established, and the outcome of that proceeding, Naka-NWT has also proposed a new Taltson Zone Revenue Offset based on harmonization of the integrated Taltson Zone, as well as the implementation of Government and Non-Government base rates, in order to partially mitigate rate harm and ensure equitable treatment of all utility customers. Naka-NWT's requests in this regard are detailed in Sections 1, 1B, and 14 of the Application.

At the time of this Application, the Hay River Disposition has not yet occurred, and Naka NWT will continue to serve the Town of Hay River until at least March 1, 2025. In

order to begin collecting shortfalls and to minimize future true-ups, Naka-NWT proposes to recover 70 percent of the shortfalls, in each zone, on an interim refundable basis. Please refer to Section 1.4 and Section 15 of the Application for further details respecting Naka-NWT's 2025 Interim refundable Rider R request.

Consistent with other small utility operations in the NWT, a light-handed approach must be contemplated for Naka-NWT. The cost of Naka-NWT's 2023 General Rate Application was nearly three times more than the approved change in revenue requirement. Due to the scope of the first iteration of the GRA, Naka-NWT's relatively small size, and in an effort to promote regulatory efficiency and to limit head office labour resources required, Naka-NWT proposes to limit the number of intervener requests to a maximum of 50, including sub-parts.¹

Accordingly, for the determination of revenue requirement, Naka-NWT proposes the following written process.

Table 1: Proposed Process Step

Process Step	Proposed
File Application	November 25, 2024
Notice of Application	December 2, 2024
Intervener Registration	December 11, 2024
IRs to Naka-NWT from Board & Interveners	December 20, 2024
IR Responses from Naka-NWT	January 17, 2025 ¹
Intervener Evidence, if necessary	January 24, 2025
IRs to Interveners on Evidence	January 29, 2025
IR Responses from Interveners	February 10, 2025
Rebuttal Evidence, if necessary	February 14, 2025
Written Argument	February 24, 2025
Reply Argument	March 7, 2025

Note 1: Key staff resources are unavailable due to year end reporting and planned vacations over the holiday season, Naka-NWT is unable to provide responses prior to this date.

Subject to the Board's approval and in accordance with Section 22(5) of the *Public Utilities Act (PUA)* and Section 13.1 of Rules of Practice and Procedure, Naka-NWT is prepared to commence the public notification process with respect to the Application.

¹ In an effort to reduce regulatory burden measures such as this have been adopted by the Alberta Utilities Commission.

Advertisements will be placed in News/North, The Hub, and any other news outlet Naka-NWT deems appropriate. Naka-NWT will provide copies of each advertisement to the Board.

If you have any questions with respect to this GRA, please contact me at elizabeth.rogers@atco.com.

Yours truly,

Beth Rogers CPA, CMA
Director, Regulatory