

**THE PUBLIC UTILITIES BOARD
OF THE
NORTHWEST TERRITORIES**

DECISION 13-2010

SEPTEMBER 10, 2010

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 Northwest Territories Power Corporation and Northland Utilities Limited for approval to undertake a Net Billing Pilot Project.

THE PUBLIC UTILITIES BOARD

BOARD MEMBERS

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Sandra Jaque	Vice-Chairman
William Koe	Member
Jake Heron	Member

BOARD STAFF

Louise Larocque	Board Secretary
Raj Retnanandan	Board Consultant
John Donihee	Board Counsel

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1. BACKGROUND

In April 2009, the Northwest Territories Power Corporation and Northland Utilities Limited ("**Utilities**" or "**Applicants**") submitted a proposal to the Northwest Territories Public Utilities Board ("**Board**") to undertake a net metering pilot project. The purpose of the pilot project was to test the feasibility and logistics of having system connected customers, with acceptable renewable energy generation in excess of their own needs, sell their excess energy into the grid.

In May 2009, as a result of input from other stakeholders, the Utilities withdrew their proposal in favour of the formation of a Net Metering Committee ("**Committee**") that would include the Utilities and the Department of Environment and Natural Resources ("**ENR**").

The Committee met on January 27, 2010 and February 11, 2010 to share perspective on distributed generation and explore how the parties might collaborate to advance a net metering pilot project. The Applicants note that while there were no communities in the Northwest Territories ("**NWT**"), at that time, that were in need of additional generation for capacity reasons, the Committee was interested in initiating a Net Billing Pilot Project ("**Project**") to acquire additional operational data, to better understand the issues involved with customer self-generation and to prepare for future discussions on broader distributed generation policy questions. The Committee agreed to undertake the Project as this was considered to be a more suitable approach to promote customer self-generation in the NWT than net metering.

2. APPLICATION

By letter dated April 13, 2010, the Utilities with support from ENR submitted a proposal for the Project. The Utilities indicate the purpose of this project is to test the feasibility and logistics of having system connected customers, with acceptable renewable energy generation to meet some or all of their own electrical needs through self generation and sell any excess energy into the grid. Also included with the proposal was a letter, dated April 9, 2010, from ENR to provide written confirmation of their support of the Project and indicate ENR's intention to participate as a partner in this initiative.

The Utilities state that the Project is open to all customers in the NWT (except Government of the NWT ("**GNWT**") and Federal Government accounts) and will have a duration of 24 months. In addition, the following criteria were proposed with respect to the Project:

- Only commercially available renewable energy technologies will be considered for this pilot project.
- In order to keep this initiative manageable the total overall size (all communities) of the pilot project would be capped at 50 kW. The utilities will need to consider the potential impact on their systems before an installation will be permitted however, no single installation will exceed 5 kW.
- In order to ensure other customers are not impacted by this pilot project, all incremental installation and metering costs will be borne by the project proponents.
- In thermal communities, the utilities will purchase any excess energy from these installations at the avoided cost of fuel or purchased power. In hydro communities, the utilities will purchase any excess energy at the avoided costs hydro generation. In Yellowknife and Hay River it is proposed that NTPC's wholesale rate as approved by the PUB is appropriate.

- Both utilities agree to exercise the same interconnection standards to promote consistency and will use the interconnection guidelines approved by the PUB for NTPC.

By letter dated April 28, 2010, the Board advised all interested parties that the Utilities had filed the application and set a deadline of May 10, 2010 for the filing of information requests (“**IRs**”). On May 10th, the Board submitted IRs and the Utilities were requested to file the responses by May 21, 2010.

The Board received requests from Stand Alone Energy (“**SAE**”) and Arctic Energy Alliance (“**AEA**”) requesting to file IRs. By letter, dated May 31, 2010, the Board revised the schedule in response to their request.

As per the schedule, SAE submitted its IRs and the Utilities provided their responses. On June 14, 2010, the Thermal Generation Communities (“**TGC**”) filed Argument on behalf of the Town of Inuvik, Village of Fort Simpson and Hamlet of Fort Liard. No other interested parties filed Argument. On June 18, 2010, the Utilities filed Reply Argument.

3. BOARD ANALYSIS AND DECISIONS

Various issues have been raised during the IRs process and in argument which the Board will address in the following sections.

Objectives of the Pilot Project

The TGC recommends adding a couple of objectives to the pilot project. Specifically, the TGC requests the Utilities to assess how small scale generation can be reflected in system planning and to compare the effectiveness of net metering versus net billing so as to increase the use of small-scale renewable energy.

The Board does not see the need to issue a direction on this matter but does expect the issues raised by the TGC to be addressed by the Utilities and the GNWT in evaluating the success of the pilot project and the long-term incorporation of small-scale renewable energy into the electrical system.

Capacity and System Planning

The TGC recommended that the GNWT provide some direction on the issue of stranded costs and that the Utilities recognize customers' self-generation as part of system planning.

The Board recognizes these as issues that will eventually need to be addressed if the pilot project were to be successful and lead to more widespread use of small-scale renewable energy. However, it is the Board's view that it is too early for it to be issuing directions on these matters.

Net Billing vs. Net Metering

The TGC recommends that the project be undertaken on the basis of net metering instead of net billing. The TGC also recommends that the Utilities provide contract certainty with respect to price and contract term over the economic life of the self-generation projects.

While the Board recognizes that net metering could be more beneficial for the project proponents, the Board is also aware that net metering results in additional costs being borne by the utility or those customers that are not self-generators. The Board notes that ENR has three funding programs that can help offset a portion of the cost to install grid connected renewable energy systems. The Board expects these ENR subsidy programs will be considered by project proponents as part of their economic evaluation.

The Board is therefore prepared to accept the use of net billing for the pilot project but will expect a thorough analysis of this issue should the pilot project evolve into something more permanent and long-term.

The Board notes the TGC recommendation that project proponents be provided with revenue certainty over the economic life of the proposed projects. The Board also notes the Applicant's view, given the proposed 5 kW limit for an individual project, they would expect the main driver for customers signing up for the pilot project will be the ability to reduce their energy consumption from the grid, rather than an opportunity for a steady revenue stream by selling into the grid. The Applicants note, should the pilot program end in 2012 and not be replaced by a permanent net billing program (or some other similar arrangement), the self-generation customers can continue to displace a portion of their own consumption from the grid over the economic life of their systems. Given the particular design concept embodied in the Applicants' proposal the Board is

prepared to accept the limited revenue certainty offered by the program. The Board expects the project proponents to consider the limited certainty provided by the pilot project in designing their project and assessing their level of economic commitment and risk. However, the Board does expect the Utilities to address this issue when they report back to the Board on the outcomes of the pilot project and its potential evolution into a permanent part of the electrical system.

Monthly vs. Yearly Reconciliations

The Utilities propose that customer energy production be measured separately and then credited to the customer's account. The Utilities propose that the compensation to the customers be done on a yearly basis due to the need to make such adjustments manually into the billing systems and the likely small amounts of money involved.

While the Board accepts that making manual adjustments may result in some additional costs, given the potentially small number of projects involved the Board is of the view that providing compensation more frequently will likely facilitate the uptake of the program. The Board directs the Utilities to make reconciliations and provide compensation to customers at least on a quarterly basis.

Equipment Costs

The Utilities propose that *"Project proponents will be required to cover all costs associated with equipment purchase (including meters), installation, interconnection to the grid, operation and maintenance."*

The Board is concerned that requiring the project proponents to cover all incremental costs will be a disincentive for participation in the pilot project. While

the project proponents can and should be responsible for any costs on their side of the meter(s), meter costs are typically the responsibility of the utilities. While the Board appreciates the desire to avoid placing costs upon other ratepayers, the small size of the pilot project, combined with the prospect that this project could provide information leading to long-term benefits for the electrical system as a whole, leads the Board to conclude that such costs can fairly and reasonably be covered by the Utilities and later be recovered from all ratepayers.

The Board directs the Utilities to cover all capital and installation costs regarding their own infrastructure, such as meters, necessary to connect a proposed generation project with the project proponents being responsible for any costs on their side of the meter(s). The Utilities are to track their costs and seek recovery from all ratepayers in their next General Rate Application.

Splitting of the 50 kW Limit

The TGC has recommended splitting the 50 kW pilot project limit between thermal and hydro communities. The Utilities expressed no opposition to this idea.

The Board accepts the first-come, first-serve approach as proposed by the Utilities with no formal split of the 50 kW limit between the thermal and hydro communities. The Board does not wish to have viable projects in the hydro communities delayed while waiting for theoretical projects in the thermal communities or vice versa. However, the Board expects the Utilities to use some judgment and discretion to try to ensure that there are projects completed in both thermal and hydro communities.

Types of Projects

The Utilities propose limiting the pilot project to projects that they consider proven, which only includes solar panels and wind turbines. The Utilities consider other technologies such as fuel cells or micro-hydro to be unproven but do not provide a rationale for these views. In reply argument, the Utilities note that solar panels and wind turbines are the technologies which are eligible for GNWT funding.

In the Board's view the availability or not of funding from the GNWT is a matter for the project proponents to consider when evaluating the economics of their proposed project but it should not dictate the types of technologies which can be used under this pilot project. As long as interconnection standards are being applied, it should not matter to the Utilities what type of renewable generation project is being proposed if the risk of failure, both economically and operationally, lies with the project proponents.

The Board directs the Utilities to permit renewable generation projects besides solar panels and wind turbines as part of the pilot project.

Communication with Customers

The Utilities state they intend to use a newspaper advertisement and handouts at the counter to communicate details of the pilot project to customers. These options were chosen to try to keep costs associated with the pilot project to a minimum. The Utilities indicate if the Board were of the view that bill stuffers should also be sent to customers, they will comply with the Board's wishes.

The Board considers bill stuffers would ensure all customers are made aware of the pilot program and may facilitate program uptake on the part of customers.

Accordingly, the Board directs the applicants to use bills stuffers as a means of communicating the program details to customers, among others methods.

Assistance to Customers

The Board notes TGC's suggestion that the Utilities need to be proactive in assisting customers in (i) identifying commercially available renewable energy technologies and (ii) providing comprehensive cost/benefit assessments. Alternatively, the Utilities should refer customers to external parties such as the AEA, or work in tandem with such parties to provide relevant information to interested customers.

The Board considers the recommendations made by the TGC to be reasonable expectations of the Utilities. While the Board is not issuing specific directions on this matter, the Board does expect the Utilities to provide a level of assistance and cooperation to project proponents to try to ensure that this pilot project is a success.

Duration of and Reporting on the Pilot Project

The Utilities propose that the project commence on May 1, 2010 and end on April 30, 2012. Given the amount of lead time necessary to evaluate and install such projects, it is the Board view that the original timeline was not sufficient. With the loss of the summer of 2010, it is even less likely that such a short pilot project would produce meaningful information.

Given the current date and the amount of lead time necessary for renewable energy projects, it is the Board's view that the pilot project needs to be longer than proposed by the Utilities. The Board approves the pilot project for the period from September 1, 2010 to April 30, 2013.

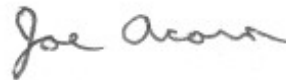
The Board directs that the Utilities provide the Board with progress reports: 1) by September 1, 2011 and 2) in sufficient time to have a more permanent net billing or metering policy, if that is the desired outcome, in place for May 1, 2013.

4. BOARD ORDER

NOW THEREFORE, IT IS ORDERED THAT:

The Northwest Territories Public Utilities Board approves the request by the Northwest Territories Power Corporation and Northland Utilities Limited to undertake a Net Billing Pilot Project pursuant to the Application filed on April 13, 2010 and the directions and comments from the Board contained within this Decision.

**ON BEHALF OF THE
PUBLIC UTILITIES BOARD
OF THE NORTHWEST TERRITORIES**



**Joe Acorn
Chairman**

Dated September 10, 2010