

*Northwest Territories Power Corporation
2006/07 AND 2007/08 GENERAL RATE APPLICATION
Thermal Generation Communities (TGC) responses to
Northwest Territories Power Corporation Information Requests #1
April 5, 2007*

NTPC.TGC-1

Reference

Section 3 - Generation Using Sources Other Than Diesel Fuel

Request

In Mr. Merani's view should the Corporation pursue alternative energy projects where these are not the least cost supply options for individual communities?

RESPONSE

No. Please refer to Response BR.TGC-2 (a) as well.

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NTPC.TGC-2

Reference

Section 3 - Generation Using Sources Other Than Diesel Fuel

Request

In Mr. Merani's view would it be acceptable for individual communities to bear higher short term costs related to capital investment in Alternative Energy projects in order to mitigate longer term variable costs such as diesel fuel expense?

RESPONSE

As long as there is a properly prepared cost benefit analyses that supports the net overall positive NPV, the proposal advanced by NTPC appears to be reasonable.

Please refer to Response BR.TGC-2 (a) as well

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NTPC.TGC-3

Reference

Section 3 - Generation Using Sources Other Than Diesel Fuel

Request

Is Mr. Merani aware that in the 2001/03 General Rate Application the Corporation proposed an Alternative Energy Fund to assist with the development of future Alternative Energy projects and that this proposal was withdrawn during the negotiated settlement process?

RESPONSE

Mr. Merani was not involved in the 2001/03 GRA or in the NSA entered into by NTPC and the intervenors.

As we understand, the NTPC proposal was that 100% of the capital projects undertaken pursuant to the Alternative Energy Fund proposal were to be funded entirely by customers.

Under the proposal advanced by TGC, if the economics of the alternate energy generation sources are enhanced either with the availability of external funding through any level of government or as trading in emission credits becomes more established, NTPC should aggressively undertake such projects. This is a matter of societal benefit, and as such, it behooves on the utility to seek out all such "green project" opportunities and any and all external funding.

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NTPC.TGC-4

Reference

page 9, lines 28 and 29.

Request

Does Mr. Merani support a community based rate approach to ratemaking or does he consider that a postage stamp style rate would be more appropriate?

RESPONSE

The question of whether NTPC should or should not adopt a community or postage stamp approach to rates is a Phase 2 matter.

However, notwithstanding any views Mr. Merani may have with respect to Phase 2 matters, the NWT PUB has ruled in favour of a community-based approach to rate making most recently in Decision 9-2006 dated March 31, 2006 respecting Northland Utilities (NWT) Ltd's 2006-2007 GTA.

Having decided on a community-based approach in principle, it is inappropriate to then subject a significant portion of the Revenue Requirement, which is subject to true up after the rates have been set, to a postage stamp treatment.

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NTPC.TGC-5

Reference

Fuel Stabilization Funds

Request

Please confirm that under Mr Merani's proposed treatment of the diesel stabilization fund on a community specific basis, that NTPC would be required to track; implement; collect and reconcile riders and fuel stabilization fund balances as well as manage the regulatory requirements, including applications; responses to interrogatories and argument for each individual diesel community. If this is correct, please provide Mr. Merani's proposal for increased appropriations to the regulatory deferral account that it would be appropriate to include in the 2006/07 and 2007/08 test years in order to implement the proposal, if adopted.

RESPONSE

Unfortunately, the adoption of a community-based rate making scheme makes it necessary for NTPC to not only track fuel costs by individual community, but all other costs. Under such an approach, it does not make sense to adopt a hybrid approach.

While there may be some increased costs, the expectation is that once the process is set up, and the Board approves the parameters for both what is to be included in a community-based fuel stabilization fund and its subsequent reporting, the annual review we expect should become fairly mechanical.

At this time, it is not possible to identify the exact amount of the increase, if any, in the hearing cost reserve account for the test years.

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NTPC.TGC-6

Reference

page 11 lines 22 through page 12 line 13.

Request

Please confirm that if the method proposed by Mr. Merani is adopted; should the actual fuel efficiency be lower than that approved in the General Rate Application, then the fuel stabilization fund would be charged for the difference between actual and forecast fuel efficiency.

RESPONSE

Yes, the objective is to for NTPC to remain revenue neutral, so that it should not be harmed when actual fuel efficiencies are lower than anticipated, not should it be allowed to gain when fuel efficiencies are higher than forecast.