

November 27, 2007

Mr. Joe Acorn, Chairman
NWT Public Utilities Board
#203 – 62 Woodland Drive
Hay River, NT
X0E 1G1

Dear Mr. Acorn,

NTPC 2006/07 and 2007/08 Phase I General Rate Application Board Decision 17-2007

Pursuant to Board Decision 17-2007 enclosed is the Northwest Territories Power Corporation's (the "Corporation" or "NTPC") Phase I second refiling (the "Second Refiling") addressing certain Board directives in Decisions 13-2007 and 17-2007. The Corporation is also including the supporting calculations for the re-filing schedules in Excel format.

The Second Refiling addresses Board Direction Nos. 1, 2, 6, 8 and 11 from Decision 17-2007. The Corporation will address Directive Nos. 4 and 12 from Decision 17-2007 by way of a separate filing by November 30, 2007. Other Directives from Decision 17-2007 will be addressed during the Corporation's Phase II application or the next General Rate Application, consistent with the timelines set out in Decision 17-2007.

Table 1 provides an illustration of the changes to revenue requirement and shortfalls in 2006/07 and 2007/08 as a result of implementing the Board's directions in Decision 17-2007.

Table 1. Impact on Revenue Requirement and Shortfalls of Implementing Directives from Decision 17-2007

	<u>2006/07</u>	<u>2007/08</u>
Revenue Requirement per October 1, 2007 Refiling	77,511	82,070
Fuel Expense Changes due to sales forecast changes; fuel price corrections and removal of Outage related Fuel on Snare/Yellowknife System	(574)	(589)
Lower Amortization Expense due to removing capitalized Fuel		(4)
Lower Return on Ratebase due to removing capitalized Fuel		(29)
Lower Return on Ratebase due primarily to Weighted Average Cost of Debt Changes	(30)	(58)
Revenue Requirement as at November 30, 2007	76,906	81,389
Shortfall per October 1, 2007 Refiling	(13,469)	(17,590)
less: Changes to shortfall as a result of lower revenue requirement	(605)	(681)
add: Increased Revenue as a result of sales forecast changes	310	298
Shortfall as at November 30, 2007	(12,554)	(16,612)

Further information with respect to the Directives addressed by this Second Refiling is provided below.

Directive 1: “NTPC is directed to reflect the effective cost of debt rates of 9.520% in 2006/07 and 9.791% in 2007/08, for purposes of its second refiling.

Board Decision 17-2007 provided clarification and additional directions related to three main points:

- Confirming that the 6% normalized return for sinking funds earnings is properly applicable to the entire sinking fund portfolio balances in the two test years.
- Directing that the sinking fund balance should be calculated on a mid-year basis consistent with the mid year debt and debt interest calculations.
- Directing that the debt interest for all long-term debt instruments should be calculated on a mid-year basis, including the 6.42% amortizer.

The Board Decision provided a calculation of the effective cost of long term debt of 9.520% in 2006/07 and 9.791% in 2007/08. The Corporation notes that these calculations included two deviations from the Board’s Decision 13-2007:

- The calculation in Decision 17-2007 omitted debt financing costs.
- The calculation in Decision 17-2007 included amortization of financing costs that were slightly different than those included in the Corporation’s filing and the response to HC.NTPC-1 from the re-filing interrogatories.

Table 2 provides a calculation of the average cost of debt that is consistent with the Board’s directions in Decision 17-2007 with respect to mid-year sinking fund balances

and mid-year calculation of debt interest but includes the debt financing costs and amortization of financing costs as approved in Decision 13-2007. Other minor differences in Table 2 between the calculations in Decision 17-2007 and those included in the re-filing are due to rounding and are not material.

Table 2. Calculation of Average Cost of Debt

(\$ 000s)

		Decision 17-2007		Schedule 3.7 November 30 Refiling	
		2006/07	2007/08	2006/07	2007/08
1	MAD Mid-Year Debt	131,367	130,700	131,367	130,700
2	Sinking Fund OB	37,804	43,068	37,804	43,067
3	1/2 Contributions	1,522	1,522	1,522	1,522
4	1/2 Interest	1,110	1,266	1,110	1,266
5	SFI Mid-Year SF	40,436	45,856	40,436	45,855
6	Debt Financing OB			1,704	1,578
7	Additions			0	0
8	Amortization			126	124
9	Debt Financing CB			1,578	1,454
10	UFC Mid-Year Debt Financing Costs			1,641	1,516
11	I Interest on Mid-Year Debt	10,756	10,714	10,756	10,714
12	SFE Sinking Fund Earnings (net of mgmt fees)	2,220	2,532	2,220	2,533
13	AFC Amort Finance Costs	120	126	126	124
14	(I+AFC-SFE)	8,656	8,307	8,663	8,305
15	(I+AFC-SFE)/(MAD-UFC-SFI)	9.520%	9.791%	9.702%	9.966%

The Corporation respectfully requests confirmation that the calculation of the weighted average cost of debt included in Table 2 and Schedule 3.7 of this Second Refiling package is consistent with the Board's directives in Decision 13-2007 and 17-2007.

Directive 2: "NTPC is directed to provide a schedule showing the calculation of station service using the weighting method for station service directed by the Board in Directive 10 of Decision 13-2007 as part of the second refiling.

Tables 3 and 4 show the 3 years of station service and the weightings used to calculate the station service forecasts for the 2006/07 and 2007/08 test years. Shaded rows indicate where the station service forecasts were capped at 5 per cent of generation.

Table 3. 2006/07 Station Service Calculations

Plant No.		2003/04	2004/05	2005/06	2006/07	2006/07	
		Actual MWh	Actual MWh	Actual MWh	Forecast MWh	Generation MWh	% of Generation
101 Snare System		5,991	7,006	6,291	6,260	193,389	3.2%
	Weighting	3	1	2			
104 Wha Ti		24	23	23	23	1,715	1.4%
	Weighting	1	3	2			
		45	64	85	48	955	5.0%
	Weighting	3	2	1			
		85	87	96	81	1,620	5.0%
	Weighting	3	2	1			
201 Fort Smith		833	788	690	746	22,183	3.4%
	Weighting	1	2	3			
203 Fort Resolution*		95	104	111	111	2,694	4.1%
	Weighting	-	-	3			
205 Fort Simpson		302	264	231	254	8,156	3.1%
	Weighting	1	2	3			
206 Fort Liard		44	45	33	38	2,765	1.4%
	Weighting	2	1	3			
207 Wrigley		25	24	27	25	720	3.4%
	Weighting	2	3	1			
208 Nahanni Butte							
	Weighting	2	3	1			
209 Jean Marie River							
	Weighting	3	1	2			
301 Inuvik							
	Weighting	2	1	3			
304 Norman Wells*		59	67	101	81	8,486	0.9%
	Weighting	-	3	2			
305 Tuktoyaktuk		180	198	226	193	4,336	4.5%
	Weighting	3	2	1			
306 Fort McPherson*		164	23	153	153	3,489	4.4%
	Weighting	-	-	3			
307 Aklavik		77	127	117	98	2,811	3.5%
	Weighting	3	1	2			
308 Deline		57	58	56	57	2,590	2.2%
	Weighting	2	1	3			
309 Fort Good Hope		127	126	76	101	2,849	3.6%
	Weighting	1	2	3			
310 Inuvik							
	Weighting	1	2	3			
311 Paulatuk		54	50	53	52	1,336	3.9%
	Weighting	1	3	2			
312 Inuvik							
	Weighting	3	1	2			
313 Tsiigehtchic		44	44	39	42	834	5.0%
	Weighting	2	1	3			
314 Colville Lake		7	4	2	4	306	1.2%
	Weighting	1	2	3			
315 Ulukhaktok		67	68	62	64	1,906	3.4%
	Weighting	2	1	3			

Notes:

* The station service forecast is based solely on the new operating experience of the plant.

Table 4. 2007/08 Station Service Calculations

Plant No.		2004/05	2005/06	2006/07	2007/08	2007/08	
		Actual kWh	Actual kWh	Forecast kWh	Forecast kWh	Generation kWh	% of Generation
101	Snare System	7,006	6,291	6,260	6,395	195,727	3.3%
	Weighting	1	2	3			
104	Wha Ti	23	23	23	23	1,718	1.3%
	Weighting	3	1	2			
105	Gameti	64	85	48			
	Weighting	2	1	3			
110	Lutsel K'e	87	96	81		1,600	1.7%
	Weighting	2	1	3			
201	Fort Smith	788	690	746	725	22,335	3.2%
	Weighting	1	3	2			
203	Fort Resolution*	104	111	111	111	2,676	4.2%
	Weighting	-	-	3			
205	Fort Simpson	264	231	254	244	8,275	3.0%
	Weighting	1	3	2			
206	Fort Liard	45	33	38	37	2,658	1.4%
	Weighting	1	3	2			
207	Wrigley	24	27	25	25	675	3.7%
	Weighting	3	1	2			
208	Nahanni Butte	28	31				
	Weighting	2	1	3			
209	Jean Marie River	31	31				
	Weighting	1	2	3			
301	Inuvik	1,783	1,812				
	Weighting	1	2	3			
304	Norman Wells*	67	101	81	89	8,766	1.0%
	Weighting	3	-	2			
305	Tuktoyaktuk	198	225	193	200	4,357	4.6%
	Weighting	2	1	3			
306	Fort McPherson*	23	153	153	153	3,453	4.4%
	Weighting	-	-	3			
307	Aklavik	127	117	98	109	2,817	3.9%
	Weighting	1	2	3			
308	Deline	58	56	57	57	2,610	2.2%
	Weighting	1	3	2			
309	Fort Good Hope	126	76	101	93	2,864	3.2%
	Weighting	1	3	2			
		127	122	106	107	2,147	5.0%
	Weighting	1	2	3			
311	Paulatuk	50	53	52	51	1,364	3.7%
	Weighting	3	1	2			
		104	96	44	42	85	3.6%
	Weighting	1	2	3			
313	Tsiigehtchic	44	39	42	41	854	4.8%
	Weighting	1	3	2			
314	Colville Lake	4	2	4	3	310	0.9%
	Weighting	1	3	2			
315	Ulukhaktok	68	62	64	64	1,977	3.2%
	Weighting	1	3	2			

Notes:

* The station service forecast is based solely on the new operating experience of the plant.

Directive 6: “NTPC is directed to give 50:50 weighting to the Corporation’s original sales forecast by community and the residential sales forecast by community using the four-year simple average consumption per customer method, in its second refiling application.”

The Corporation has revised its forecasts for residential sales using a weighting of 50% of the original sales forecasts and 50% of the four-year simple average consumption per customer. These changes are reflected in Schedules 2.1, 2.2 and 2.3 as well as the Appendix A Schedules included with this Second Refiling.

It should be noted that changes to the sales forecast drive a number of other changes including:

- Changes to generation forecasts;
- Changes to line loss and station service forecasts (particularly where line losses and station service have been capped as a percentage of generation);
- Changes to fuel expense (as a result of changes to generation forecasts); and
- Changes to revenues at existing rates.

The net impact of all of these changes has been a reduction to the Corporation’s shortfall in each test year (as increases to revenues at existing rates more than offset the resulting increases in fuel expense).

Directive 8. “The Board approves the Snare water stabilization fund as originally filed. NTPC is directed to zero out any diesel fuel costs related to the Snare system from revenue requirement in its second refiling”.

The Corporation has returned the diesel generation requirements for the Snare Yellowknife system to 2.109 GW.h in 2006/07 and 1.379 GW.h in 2007/08 (refer to Schedule A.1) and zeroed out diesel fuel costs related to the Snare system (refer to line 13 of Schedule 3.1).

Directive 11. “NTPC is directed to provide a second Phase 1 refiling application by November 30, 2007. As part of the second Phase I refiling, NTPC is directed to file the rate base, return on rate base, revenue requirement, revenue and revenue deficiency/excess for the two test years resulting from the Board’s directions and approvals in this Decision and Decision 13-2007 together with all supporting calculations in Excel format.”

The Corporation has included copies of all requested filing schedules with this Second Refiling that reflect the Board’s directions in Decision 13-2007 and Decision 17-2007. The Corporation has also included versions of the filing schedules in Excel format.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith A Goucher". The signature is fluid and cursive, with a small dash at the end.

Judith A Goucher
Director, Finance & CFO

cc: Interested Parties