

- *The Minister is obliged by legislation to seek the advice of the Utility Rates Review Council (URRC). The application is then filed with the URRRC.*
- *The URRC will hold public and private hearings so that power users can provide input on whether the proposed rate or tariff is fair and reasonable considering the cost of providing service and other factors.*
- *Once public hearings are completed, the URRC will make recommendations to the minister in a final report.*
- *The Minister will give careful consideration to the report but is not bound by it.*
- *After 30 days of receiving the URRC's final report, the Minister, after consulting with Executive Council, will instruct QEC.*

How long does the GRA process take?

The general rate application process will generally take about 5 months to complete. A final decision on the corporations GRA may not be known until early 2005

What are the changes requested in the GRA?

There are several changes requested in the GRA.

- *a determination of the rate base for the corporation's property that is used or required to be used in the provision of electricity and related services to the public within Nunavut including an appropriate allowance for working capita.*
- *a determination of the corporation's revenue requirement for the provision of electricity and related services to the public in Nunavut*
- *the re-institution of an effective rate stabilization fund to mitigate the impact of changing fuel prices on electricity rates including a clearly defined process to be followed to implement a fuel rider as and when required*
- *the approval of a rate structure appropriate for Nunavut and its communities*
- *the approval of a revised Terms and Conditions of Service (A copy of Terms and Conditions of Service is available by request.)*
- *and such further approvals as QEC may request and the URRC recommend*

When was the last time electricity rates changed?

Rates have not changed for over seven years.

How does the cost of diesel affect Qulliq Energy Corporation?

Nunavut's number one source of power is diesel. Major increases in world oil prices, inflation and other expenses mean that Qulliq Energy's current electricity rates are not high enough to cover costs.

What is QEC's current financial situation?

Since division from Northwest Territories Power Corporation, Qulliq Energy has experienced significant operating losses primarily because its revenues have not kept pace with rising operating costs. Since March 31, 2001, QEC has experienced a steady decline in retained earnings. QEC requires rate relief in order to continue to provide service in a safe and reliable manner and address violations of debt covenants and legislative requirements

How are electricity rates and rate structures established?

Once the revenue requirement has been established, it will be necessary to choose a rate structure. The rate structure will determine how the total revenue requirement will be allocated to customer classes in Nunavut communities.

For the purpose of establishing rates and rate structures, customers are usually categorized into rate groups or customer classes. For example, commercial, residential and sub groups like commercial government and commercial non-government.

How were the current rates established?

The rates currently in place were established as a result of the Northwest Territories Power Corporation general rate application to the Northwest Territories Public Utilities Board in 1997/98 for communities in the eastern and central Arctic.

What options are there for deciding on a rate structure?

Three different rate structures were considered.

Community Rates – This means a consumer’s bill would reflect local operating and capital costs. Power rates would vary greatly between communities.

Territorial Rates – This means that consumers throughout the territory will be asked to pay the same rate based on the average territorial operating and capital costs.

Blended Rates – This means capital costs would be averaged throughout the territory, and combined with local communities operating costs, which could differ from community to community.

What is the current rate structure?

Currently, electricity rates are calculated under a community-rate system, consumer bills reflect local operating and capital costs resulting in each of the 25 communities having different rates. At the present time, there are hundreds of different rate combinations being applied in the territory.

What kind of rate structure is QEC proposing?

QEC is proposing to discontinue the community rate structure and treat all Nunavummiut equally by implementing a territorial rate structure. The corporation also proposes that the adjustments necessary to move to a territorial rate structure could be implemented over a three year period.

A territorial rate structure will result in increases in some communities and decreases in others, but would be neutral to the total revenue requirement of the corporation.

Do current electricity rates reflect the true cost of energy?

No, pricing does not accurately reflect the current cost of electricity. QEC needs to bill sufficient revenues to ensure that the corporation is fiscally sound. The status quo is not an option.

Does QEC require rate relief?

Yes, the corporation requires rate relief in order to continue to provide service in a safe and reliable manner and to address violations of debt covenants and legislative requirements.

What is QEC's total annual revenue requirement?

QEC needs \$77 million a year to operate. Currently, it is taking in \$19 million less. The revenue gap cannot be sustained indefinitely.

Why is there a revenue gap and why is it expanding?

Since the last GRA under the Northwest Territories Power Corporation of 1997/98, significant changes have combined to expand the gap between existing revenues and revenue requirements.

- *Fuel prices have increased dramatically. QEC is completely dependent on diesel fuel.*
- *As capital assets age and are removed from service, capital expenditures in today's dollars are incurred in order to maintain generation capacity.*
- *As communities grow, capital expenditures are incurred in order to increase generation capacity.*
- *The need to replace capital assets at the end of their useful lives and add capital assets to meet load growth has increased the corporation's borrowings, resulting in additional debt servicing costs and higher amortization costs.*
- *As a result of division, a new and different set of operating costs and operating locations were established to provide financial administration, engineering, human resource, information technology and operation capability.*

The Government of Nunavut recognized the critical nature of QEC's financial situation and committed a total of \$14 million in funding in lieu of a fuel rider, \$4 million during fiscal 2003/04 and \$10 million during fiscal 2004/05.

When will the consumer see a change in electricity rates?

Customers should anticipate a change in their electrical bills by April 2005.

How will the rate increase affect consumers?

The impact on Nunavummiut will be an increase in some communities and a decrease in others if a territorial rate structure is recommended and approved.

How much fuel is used by QEC and consumed in Nunavut each year?

QEC is totally dependent on the use of diesel fuel to generate power. Twenty-six diesel generation power plants operate in 25 communities. QEC uses in excess of 40 million liters of fuel a year.

Will the government continue to provide the existing subsidy programs?

The Corporation anticipates that the extent to which the government subsidizes electricity rates will not be known until the GRA process is completed.

How does the cost of energy in Nunavut compare to the Northwest Territories?

NWT has filed a GRA since 1997/98 to increase rates and make further adjustments to rates to recover increased fuel costs through fuel rate riders when necessary. Energy costs in the NWT are keeping up with rising fuel costs. Currently, the cost of electricity is higher in NWT diesel communities.

Current NPC Rates versus NTPC Rates

