

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
6TH COUNCIL, 42ND SESSION**

SESSIONAL PAPER NO. 1-42

JUNE 12, 1970



26 May 1970

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1st reading during
the 42nd Session of
Council.

SESSIONAL PAPER NO. 1
(Second Session, 1970)

June 12, 1970

SUBSIDIZATION OF KILOWATT
HOUR RATE FOR ELECTRICAL POWER

DISPOSITION

Tabled	To Committee	Accepted as Read	Accepted as Amended	Deferred (to Session)	Rejected	Noted not Considered

SUBSIDIZATION OF KILOWATT HOUR RATE FOR ELECTRICAL POWER

Introduction

Several services, such as the supply of water, sewage pick-up and housing, are already subsidized. Through the rental housing scheme, all essential services are provided at a greatly reduced rate. Although detailed information is lacking, indications are that in most northern settlements the Government of the N.W.T. pays for almost all of the electrical power produced in the community. We propose, therefore, that this indirect subsidization be changed to a direct subsidization of electrical power from 12¢ per kilowatt hour down to at least 6¢ per kilowatt hour.

Need for Subsidization

Although electrical power is not as essential a need as water or sanitation services, it has become an accepted part of modern living. All government staff housing is supplied with electricity and it is the aim of the Territorial government to have the same essentials of living available to all residents of the N.W.T.

Although gas or kerosene lamps may be used for light instead of electricity, lamps are not as safe and are a fire hazard.

Radios, tape recorders, and many technical items of modern life are run by electricity. Indirectly, such items provide education in modern living and, through communication, an insight into the rest of Canadian life.

The cost of electricity in the North is far higher than anywhere else in Canada and yet the income of most people is substantially lower. Unless electrical power is subsidized directly or indirectly, the majority of Northern residents simply cannot afford it.

Lack of Detailed Information

It appears that in most settlements many residents are, in fact, indirectly supplied with electrical power at a very low cost or no cost at all. Unfortunately, up until now, most houses have not been equipped with electric meters. Furthermore, because of a lack of trained staff, few detailed records are kept on the production of electricity, the distribution of electricity, or revenue received from the sale of electricity. We simply do not know, therefore, to what extent electricity is now subsidized nor can we estimate accurately, the additional cost to the Government of the N.W.T. to subsidize electricity directly to 6¢ per kilowatt.

Meters have been ordered for most houses in the Mackenzie District and will be installed in 1970-71. By the end of 1972, it is expected that most houses in the Eastern Arctic will be similarly equipped. More and better trained staff is going into the field and, in most cases, NCPC is taking over the supply of power. A more detailed breakdown of revenue will be available in 1970-71. In general, then, more information on the supply of electricity will be available by the end of this year.

Such information as is now available is outlined in the next section.

Cost of Subsidy

The Territorial Government now supplies free sewage and garbage pick-up to all residents. Similarly, water delivery is subsidized to the extent that for \$5 a month, residents receive from \$15 to \$25 per month worth of water, depending upon the location.

All occupants of Northern or Territorial rental housing receive services, including water delivery, sewage pick-up, supply of electricity, and supply of fuel oil, in return for a rent which varies between \$2 and \$7 per month, depending upon income. Part of this rent goes to the amortization of the house and a smaller proportion towards the supply of services. Since the cost of electricity alone may run as high as \$400 per month, in effect, all residents of rental housing receive subsidized electricity. Northern residents who live in their own homes, but who are unable to pay rent for services, would receive social assistance to pay for the cost of electricity.

The result of this indirect subsidy is that people, in effect, are forced either to get rid of their own homes and move into rental housing, or ask for social assistance. It is simply not practical to remain in your own house and pay for electricity and fuel. In some settlements, such as Sachs Harbour, the majority of residents live in good houses and would prefer to remain in them. Under the present scheme, however, they must consider seriously, selling their houses to the government and either rent back or receive new houses from the government, in order to receive subsidized electricity and fuel.

Appendix A gives some costs of producing electricity and revenue received from the sale of electricity in locations where NCPC operates. The arrangement between the Government of the N.W.T. and NCPC is that the Government of the N.W.T. pays for the total cost of electricity produced in a given settlement minus the revenue received. This involves a direct subsidy from approximately 2 - 10 per cent of the total cost of the electricity in the community.

These figures also indicate that from three-quarters to four-fifths of the electricity produced in the community is consumed by the Government of the N.W.T. This includes staff housing, schools, warehouses, etc., and rental and welfare housing.

NCPC figures shown in Appendix A, for Aklavik and Fort McPherson, indicate an annual cost ranging from \$153 per capita in Aklavik to \$196 per capita in Fort McPherson. Based on a total population of 35,000 this would indicate that a total of approximately six million dollars worth of electricity is produced annually in the N.W.T. The Government of the N.W.T. paid in 1969-70, \$87 per capita in Aklavik and \$136 per capita in Fort McPherson. Therefore, on the basis of these figures, a total of approximately 4.5 million dollars worth of electricity is consumed and paid for annually by the Government of the N.W.T. Of the remaining one and half million dollars worth, at least half would be commercially consumed, leaving approximately three-quarters of a million dollars worth consumed domestically. Subsidizing 50 per cent of this cost would mean a total expenditure of about \$375,000 per year.

In fact, in most small settlements of the N.W.T. an even higher proportion is consumed by the Government of the N.W.T. It appears that the majority of residents in the N.W.T. will soon be living in subsidized housing, (either staff or Northern/Territorial housing) so that in fact a sum much less than \$375,000 would probably be required to lower the cost of electricity for domestic consumers living in their own homes.

Recommendation

It is recommended, therefore, that the Commissioner negotiate with the Federal Government to provide the necessary funds for the subsidization of electrical power in the Northwest Territories from 12¢ per kilowatt hour to 6¢ per kilowatt hour for domestic consumers.

May, 1970

APPENDIX A

Cost of electrical power and revenue from the sale of
electricity in Aklavik and Fort McPherson, 1969-70.

(\$000)

<u>Settlement</u>	<u>Cost</u>	<u>Revenue</u>	<u>Paid by N.W.T. Gov't</u>	<u>Consumed by N.W.T. Gov't</u>	<u>Direct Subsidy</u>
Aklavik	115	28	87	84	3
Fort McPherson	160	24	136	120	16



GOVERNMENT OF THE NORTHWEST TERRITORIES
CANADA

26 May 1970


COMMISSIONER

Sessional Paper

Subsidization of Kilowatt

Hour Rate for Electrical Power

- Attached is a draft of the sessional paper on the subsidization of electricity, which you requested for the June session of the Territorial council.
- I also attach a telex dated January 22nd, 1970 from Mr. Olson the assistant General Manager of operations for NCPC, upon which, are based the costs in Appendix A.

for 
S.W. Hancock,
Director,
Dept. of Local Government.

Attached

cc: Director of Public Works

8/6/70

Mr Bennett

*Commissioner
for your review.
I have a copy.*

*I agree.
AW*

JJP

copy

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May, 1970

A P P E N D I X A

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John Johnson

NCPC YK
162 22/1/70

PE JOHNSON
THE FOLWNG TX SENT TODAY TO C.W. GILCHRIST, TERR TREAS NWT GOVT
WHO TXD IN FOR INFO

161 22/1/70
ATTN C.W. GILCHRIST TREASURER

RE UR TX F4143CW-

RE AKLAVIK NWT TOTAL COST OPERATE AKLAVIK PWR PLANT CURRENT FISCAL YR ESTIMATED	115,000 DLRS
REVENUE FROM SALES TO OTHERS (PRIVATE ND OTHER GOVT DEPT)(230,000KWHR AT 12 CTS) -	23,000
 BALANCE TO BE BILLED TO NWT GOVT	 87,000 DLRS

BUT NO, RPT NO, PWR ACCTNT R SENT TO NWT GOVT RE
AKLAVIK. WE R STILL CCNTG ON THE SAME BASIS AS SET
UP ORONLY BY IAND I.E. COSTS R BILLED LESS REVENUE
FROM OTHERS. ALMOST 100 PERCENT OF NWT GOVT SERVS
R METERED ND INDICTNS R ANNUAL KWHR USAGE BY NWT GOVT
SERVS WILL B ABOUT 700,000 KWHRS. @ 12.5cts/kwh

subsidy
84,000
3,000

RE FT MCPHERSON - ANNUAL COSTS CURRENT FISCAL YR FOR FT MCPHERSON PWR PLANT ESTIMATED AT	150,000 DLRS
REVENUE FROM SALE OF 200,000 KWHR AT 12 CTS TO OTHR DEPTS ND GEN PUBLIC	24,000
SAL TO R BILLED TO NWT GOVT - (PLS NOT NO PWR BILLS SENT NWT GOVT RE FT MCPHERSON)	136,000 DLRS

ALMOST 100 PRCNT OF NWT GOVT SERVICES METERED ND
ANNUAL CONSUMPTH APPROXIMATES 1,000,000 KWHRS @ 12.5cts/kwh

subsidy
120,000
16,000

PLS ADVS IF FRTRH INFO REQD. I HV PASSED SAME INFO TO R REGIONAL
SUPERVISOR P.E. JOHNSON IN YK WHO WILL PASS QUESTIONS TO US IF
HE CANNOT RDLY ANSWR.

G. OLSON ASST GM OPERATIONS
NCPC OTT

APPROVED
J. W. Johnson
Commissioner