

MR. CURLEY

TABLING STATEMENT

MR. SPEAKER: I WISH TO TABLE THE FOLLOWING DOCUMENT

DIRECT EVIDENCE OF THE GOVERNMENT OF THE  
NORTHWEST TERRITORIES BEFORE THE NATIONAL  
ENERGY BOARD IN THE MATTER OF AN INQUIRY  
INTO MATTERS RELATING TO THE NORTHERN  
CANADA POWER COMMISSION

AND

A PRESS RELEASE REFERRING TO THE DOCUMENT  
IN INUKTITUT

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Northwest Territories Minister of Energy, Mines and Resources



Tabled Document No. Feb 12/85













## Gov't against power hikes without subsidy

YELLOWKNIFE (Jan. 8) ---A proposal that would dramatically increase NCPG power rates for many customers in the NWT is only acceptable to the Territorial government if federal subsidies rise to compensate for the hikes.

"Without this federal subsidy, we are absolutely opposed to the implementation of these rates," said Tagak Curley, minister of energy, mines and resources.

And until a subsidy to bring down these proposed prices to reasonable levels is forthcoming, the minister added, existing rates should remain in force and any price increase be limited to the four-per-cent ceiling dictated by federal guidelines.

NCPG was ordered by the National Energy Board to re-design its rates based on consumers paying the full cost of the service, with separate rate structures for hydro-serviced and for diesel-serviced communities.

As a result, private residential customers in all communities except Yellowknife could end up paying as much as double or more for their power. Meanwhile, Yellowknife rates -- industrial, commercial and residential -- could decrease under the proposal.

The Territorial government's opposition to the proposed power increases was sent Monday to the NEB in Ottawa.

"This system cannot be introduced unless the federal government is willing to commit itself at the same time to a federal subsidy that would bring the cost to consumers outside Yellowknife down to a level they can afford to pay," Curley said.

Curley added that he has written to federal Indian and Northern Affairs Minister David Crombie to point out in strong terms that diesel customers simply cannot afford these increases. At the same time, Curley held a meeting Monday in Yellowknife with representatives of northern consumer, business and industry interests to explain his government's position.

The federal government has traditionally subsidized power rates in the Territories year-to-year, but no long-term commitment to do so exists.

Over the years, rates for communities and other users have not been based on any clear plan. The result is that rates vary even among the same class of users. In general, however, most private consumers now pay below cost, government pays near cost, Yellowknife users pay above cost, and so too do NWT industrial users.

The NWT government has no quarrel in principle with the new system the National Energy Board ordered NCPC to design.

"As a matter of fact," said Curley, "rate rationalization (where rates properly reflect the cost of providing the service) has been a long-standing goal of our government and of the NWT Public Utilities Board.

"It is unfair that some users should help finance the system for others by paying more for the service than it costs, as is the case now, especially among large industrial users," Curley added. "The new system the NEB ordered NCPC to design (in which rates are all based on the actual cost) is simple, stable and equitable."

The stumbling block, said the minister, is that "without the coincidental development of a satisfactory subsidy program the rates NCPC proposes to charge are simply beyond many people's ability to pay them.

"The rate design and subsidy system are two sides of the same coin and must be considered together," Curley said.

Curley said it is imperative that the federal and territorial governments sit down and negotiate an "adequate" subsidy program as rapidly as possible.

Details of the proposed new rate structure and how it would affect all classes of users in communities of the north are available from the Territorial government's Energy Secretariat in Yellowknife.

-30-

CONTACT:

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Energy Secretariat  
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or

Barry Craig  
Dept. of Information  
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**BEFORE  
THE NATIONAL ENERGY BOARD**

**IN THE MATTER OF an Inquiry into matters  
relating to the  
NORTHERN CANADA POWER COMMISSION**

**DIRECT EVIDENCE OF  
THE GOVERNMENT OF THE NORTHWEST TERRITORIES**

THE NATIONAL ENERGY BOARD

ORDER NO. EHR-1-84

IN THE MATTER OF an Inquiry into matters relating  
to the Northern Canada Power Commission pursuant to  
Subsections 22(2) and 20(3) of the National Energy  
Board Act.

Energy, Mines and Resources Secretariat  
Government of the Northwest Territories  
February, 1985

List of Witnesses for  
The Government of the Northwest Territories

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BEFORE  
THE NATIONAL ENERGY BOARD

IN THE MATTER OF an inquiry into  
matters relating to the  
Northern Canada Power Commission

PANEL 1 - POLICY

PREPARED EVIDENCE OF PANEL CONSISTING OF:

THE HONOURABLE T. CURLEY  
MINISTER FOR ENERGY, MINES AND RESOURCES  
GOVERNMENT OF THE NORTHWEST TERRITORIES





1 The Council fulfils a Cabinet function, establishing  
2 territorial government priorities, policies and  
3 programs.  
4

5 **Q4 Would you describe the general attitude of the**  
6 **Executive Council concerning the recent developments**  
7 **of NCPC?**  
8

9 **A4** Let me say, at the outset, we were encouraged by the  
10 decision of the federal Minister to relocate the Head  
11 Office of N.C.P.C. to Yellowknife.  
12

13 With all due respect Mr. Chairman, I believe it is  
14 also appropriate to say that the G.N.W.T. is still  
15 firmly committed to the position it outlined before  
16 this Board in 1983. The Commission should be divided  
17 into separate Yukon and N.W.T. companies, these  
18 companies should be regulated by local authorities,  
19 and in the N.W.T., the company should be transferred  
20 to territorial ownership. These changes should take  
21 place coincidental with a financial restructuring of  
22 the Commission with a view to reducing the interest  
23 burden and establishing equity. The Honourable  
24 Richard Nerysoo's evidence was very clear on these  
25 points, and I refer you to his previous testimony.  
26

1 I do not intend to infer that the National Energy  
2 Board is incapable of adequately regulating N.C.P.C.  
3 We are saying that the N.W.T. is capable of, and has a  
4 right to control the instrument of their power  
5 supply. This is a proper thing, it will come, and we  
6 are prepared for it now.

7  
8 Therefore we will continue to work closely with the  
9 Honourable David Crombie, to effect the orderly  
10 transfer of the Commission to the N.W.T.

11  
12 **Q5 What is the opinion of the Executive Council on the**  
13 **rate design which forms the basis of N.C.P.C.'s**  
14 **current rate proposal?**

15  
16 **A5** I would like to deal first with the rate design  
17 itself, as a separate question, putting aside for the  
18 moment the effects of its implementation. We see the  
19 adoption of a single diesel zone rate schedule and a  
20 single hydro zone rate schedule, both based on costs,  
21 as a reasonable rate design practice in the NWT. Such  
22 a scheme will add a measure of simplicity and  
23 stability that we have not had to date. Moreover, I  
24 believe such a design meets our definition of fairness  
25 and will be acceptable to most citizens of the NWT.

1 On the other hand, we believe that this rate design  
2 will impair our ability to replace diesel electric  
3 generation with local energy sources. In this event,  
4 the design would frustrate the attainment of the  
5 energy goals of the federal and territorial  
6 governments, goals which were struck to improve the  
7 economic and social well being of the citizens in the  
8 N.W.T.

9  
10 The point is that communities must be allowed to  
11 benefit in exchange for the local risks and  
12 disruptions that will accompany any alternative energy  
13 project. The application of equalized rates across  
14 diesel communities must allow for some flexibility to  
15 accomodate an incentive to accept more efficient means  
16 of generation.

17  
18 Turning now from the theoretical aspects of the  
19 proposed rate design, we begin to have a great deal of  
20 difficulty with the system as soon as the resulting  
21 prices and their effects on certain customers are  
22 considered.

1 The implementation of the new schedules is utterly  
2 impossible without a significant degree of  
3 subsidization. **Without this subsidization, we are**  
4 **absolutely opposed to the implementation of this**  
5 **design and these rates.**

6  
7 I realize I am talking about two things here, rates  
8 and subsidies. It can be argued that these two issues  
9 must be kept separate. Perhaps they can be  
10 theoretically, but certainly not practically.

11  
12 Mr. Chairman, I suggest that in the hearings that are  
13 taking place now, you are getting only one side of the  
14 picture - that being the costs that are attributable  
15 to groups of customers. In another time and another  
16 place, these would be translated into prices that  
17 customers would be asked to pay.

18  
19 However, in this time and place there is a necessary  
20 second side that must be considered, that being a  
21 subsidization package to be blended with the published  
22 rates. The two combined should result in fair and  
23 bearable charges to consumers in the NWT.

1 Our position, Mr. Chairman, is that you may determine  
2 an appropriate allocation of costs, and you may allow  
3 this determination to be translated to rates.

4 However, you may not allow these rates to be imposed  
5 until such time as a compatible subsidy system has  
6 been put in place.

7  
8 We believe that it is within your current authority  
9 and responsibility to elaborate to the Federal  
10 Minister those issues which you touched on your  
11 August, 1983 report, and I quote from page 15;

12  
13 "... the Board notes that, given the high cost of  
14 electricity in the North, it appears that  
15 subsidies will continue to be required".

16  
17 In addition, we on our part, will seek an opportunity  
18 to discuss this issue with the Minister of Indian and  
19 Northern Affairs prior to decisions being made. This  
20 would be in concert with the recommendations of the  
21 Subcommittee on the Northern Canada Power Commission's  
22 report Electrical Power North of 60°, the well known  
23 Penner Report. Their recommendations with respect to  
24 the charges ultimately levied on customers are  
25 discussed on Page 63 of the report:

26  
27 ...7  
28

1 "the subcommittee has no magic formula for  
2 deciding what rates are fair in the North. "

3  
4 "the federal and territorial governments, through  
5 negotiations, will establish maximum prices for  
6 electrical power rates in each of the territories  
7 taking into account rates elsewhere in Canada."  
8

9 It may not be possible for the two governments to  
10 reach a satisfactory agreement before March 31, 1984.  
11 In that event the current rate structure should remain  
12 in force, with price increases subject to the 4% cap  
13 of the federal Administered Price Guideline.  
14

15 Mr. Chairman, that concludes my remarks today. There  
16 are other important issues of an accounting and  
17 technical nature that will be addressed by officials  
18 of this government. I have appeared before you today  
19 to ensure that there is no doubt or confusion with  
20 respect to our perception of these rates and their  
21 application to customers in the NWT.  
22

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1 As a last item, I would like to take this opportunity to  
2 welcome the Edmonton employees of N.C.P.C. that will be moving  
3 here. The economic development of the North is a stimulating  
4 challenge for us all. We need the assistance of these  
5 dedicated men and women.

6  
7 Those employees whose situation allows them to move, will find  
8 Yellowknife a truly hospitable and vibrant community. I am  
9 sure that when the dust of the move has settled, they will not  
10 regret their decision.

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BEFORE  
THE NATIONAL ENERGY BOARD

IN THE MATTER OF An Inquiry into  
Matters Relating to the  
Northern Canada Power Commission

PANEL - 2 - TAB 2 REVENUE REQUIREMENT  
TAB 3 RATE DESIGN

PREPARED EVIDENCE OF PANEL CONSISTING OF:

MR. P.J. HART  
MR. S.C.W. WOOD



1 A2 This testimony is intended to identify GNWT areas of  
2 concern relating to NCPC accounting practises. More  
3 specifically, I believe NCPC's cost allocation methods  
4 with respect to head office and interest expenses are  
5 inappropriate. As well, I feel there is a need for  
6 the separation of NCPC's financial accounts along  
7 territorial lines.

8  
9 Q3 In what way are NCPC cost allocations inappropriate?

10  
11 A3 A basic objective of a rate structure is to enable a  
12 utility to meet its revenue requirements without  
13 burdening one group of customers to the benefit of  
14 another. Because cost is the principle criterion in  
15 the design of rates, an appropriate allocation of  
16 costs is vital to the determination of just and  
17 reasonable rates. We note that the National Energy  
18 Board, in its August 1983 recommendations, endorses  
19 cost base rates (4.1 pg. 9, 4.3.2 pg. 12). Mr.  
20 Christie, in this evidence, also supports this concept  
21 (3-17). Price Waterhouse and Associates in Appendix I  
22 page 6 of Mr. Christie's evidence, further stresses  
23 the importance of "track[ing] the manner in which head  
24 office and regional office expenses are incurred on  
25 behalf of the plants".

26  
27 ...3

28



1 I note that the National Energy Board recommended that  
2 NCPC conduct a study to determine the extent to which  
3 its current allocation procedure tracks the manner in  
4 which head office expenses are actually incurred on  
5 behalf of service areas (4.3.2 pg. 12). Presumably  
6 this study is the one prepared by Price Waterhouse and  
7 Associates and submitted by Mr. Christie as evidence.

8  
9 With respect to head office cost allocations this  
10 report recommends that:

11  
12 "Head and regional office costs should be  
13 assigned directly to functional levels where  
14 practical, and otherwise allocated based on the  
15 relationship to functionalized assets and costs."

16  
17 Price Waterhouse and Associates describe functional  
18 levels as production, transmission, distribution and  
19 customer categories.

20  
21 The Price Waterhouse study further states that "Costs  
22 which can be identified specifically to the Yukon or  
23 NWT or a particular plant should be assigned directly  
24 to these areas..." (pg. 8).

1 The essential point is that Price Waterhouse and  
2 Associates in their study were attempting to  
3 rationalize head office costs so that these costs  
4 could be matched with their cause. Nowhere in the  
5 Price Waterhouse and Associates study was there  
6 reference to the method of cost allocation being  
7 proposed by NCPC.

8  
9 Price Waterhouse and Associates suggest that  
10 production costs be allocated on a per kWh basis, and  
11 transmission and distribution be distributed on the  
12 basis of customer group coincident demand. They also  
13 recommended customer costs be allocated based 95% on  
14 the number of customers and 5% according to revenues  
15 assessed.

16  
17 **Q5 What is your specific concern regarding the head**  
18 **office cost allocation method being proposed by NCPC?**

19  
20 **A5** Head office expenses relate to all the cost elements  
21 of NCPC's activities including the costs of customer  
22 service, labour, materials, supplies and capital. A  
23 simple allocation on the basis of labour costs does  
24 not constitute as correct an assignment of these costs  
25 as is possible. For example, 54% of head office  
26 expense has been allocated to the NWT diesel zone.  
27 This does not appear to be warranted considering that  
28 these customers consume only 20% of system power.

1 In addition, it is proposed that NWT customers be  
2 assigned 84% of head office costs. If NCPC had chosen  
3 a different method of cost allocation, such as kWh  
4 consumption, the NWT would only be paying 60% of head  
5 office costs.

6  
7 The size of head office costs and the significantly  
8 different results obtained under various methods of  
9 cost allocation, require that these costs be  
10 distributed as logically and as fairly as practical.

11  
12 **Q6 What direction should NCPC be given with respect to**  
13 **head office cost allocations?**

14  
15 **A6** There are many methods that can be used to assign head  
16 office expense. It is not my intention to recommend a  
17 specific practice, but rather to suggest that the one  
18 chosen is unacceptable. NCPC should be asked to  
19 perform its cost allocations in a way that more  
20 accurately reflects the cause of these costs.

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1 The principle of allocating cost to customers who  
2 cause these costs should be applied to interest  
3 expense. The proposed treatment results in any  
4 increase in the debt cost rate being allocated across  
5 the entire company and borne by customers in all rate  
6 zones. For example, if a large capital project was  
7 developed at a time of high interest rates, the  
8 interest cost of the facility would be charged to all  
9 customers, even though only one small group might  
10 benefit.

11  
12 An illustration of the effect and magnitude of this  
13 phenomenon can be seen by examining interest costs in  
14 the two NWT rate zones. Both NWT rate zones have a  
15 lower average cost of capital than NCPC as a whole  
16 (9.29% vs. 10.20%). Averaging debt costs across all  
17 rate zones has the effect of shifting one million  
18 dollars of cost from Yukon customers to NWT customers.

19  
20 ...9  
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1       **Q8       What direction should NCPC be given with respect to**  
2       **its interest cost allocations?**

3  
4       **A8       Interest constitutes a material cost element. It**  
5       **represents 21.5% of N.C.P.C.'s total expenses. The**  
6       **cost allocation method used will have a significant**  
7       **impact on the rates charged in individual rate zones.**  
8       **Rates charged to individual rate zones should reflect**  
9       **the interest cost of the debt incurred to provide zone**  
10      **based generating facilities.**

11  
12      **Q9       You stated that the separation of NCPC's financial**  
13      **accounts was an issue of concern. Would you please**  
14      **elaborate on this issue?**

15  
16      **A9       I feel that NCPC needs a completely separate set of**  
17      **financial records for its NWT operations which are**  
18      **distinct from its Yukon or Field B.C. operations.**

19  
20      It is my opinion that this separation should include  
21      an allocation of the "equity of Canada" and "retained  
22      earnings" accounts on an individual territorial basis.

23

24

25



1 Provincial practice is perhaps instructive in this  
2 case. The tendency of the provinces to establish  
3 their own individual utilities, no doubt stems from  
4 their recognition of the critical nature of the  
5 service, and their desire to deal with the issue on a  
6 province-wide basis. Regulation takes place to ensure  
7 that the consumers within the jurisdiction's own  
8 borders pay only the true costs of operation therein.  
9 The fact that N.C.P.C. has a mandate to operate in  
10 three jurisdictions does not release it from the  
11 requirement to consider each area separately, as if it  
12 had its own separate utility. I do not believe that  
13 any provincial regulator or government, were it faced  
14 with the same operational situation, would accept the  
15 current accounting practice.

16  
17 As long as N.C.P.C. continues to serve three separate  
18 jurisdictions, it should be required to maintain  
19 separate financial accounts for each jurisdiction.  
20  
21  
22  
23  
24  
25

1 Curriculum Vitae

2 Stuart C.W. Wood

3 Address: 600 Williams, Yellowknife, Northwest Territories

4 Date of Birth: November 9, 1954

5 Marital Status: Married

6 Education: Society of Management Accountants (RIA) - fifth level  
7 student enrolled with the Alberta Chapter

8 University of Guelph (1974-76) B.A. Economics

9 Experience:

10 Canadian Imperial Bank of Commerce 1977-78

11 Hired as a manager trainee, Mr. Wood learnt all aspects of branch banking,  
12 including security and stock trading, accounts reconciliation, limited money  
13 lending and foreign exchange dealings. During his tenure, Mr. Wood worked in  
14 three branches and supervised up to eight people.

14 NWT Housing Corporation 1978-82

15 Working first in the position of District Accountant, Mr. Wood gained  
16 experience in organization planning, budget preparation and implementation,  
17 cashflow analysis and internal auditing. As a program officer, Mr. Wood  
18 designed teaching modules and developed training techniques. Finally, as  
19 Program Coordinator, Mr. Wood was responsible for the training of staff, the  
20 administration of home ownership programs, the counselling of clients, the  
21 research of housing markets and the analysis of policy.

19 Energy, Mines and Resources Secretariat 1982 - present

20 In this current position as Resource Economist, Mr. Wood is responsible for  
21 the analysis and evaluation of the economics of resource development and  
22 provides advice and counsel to GNWT ministers. Working in this capacity Mr.  
23 Wood has designed a resource management and revenue sharing strategy. Mr.  
24 Wood also evaluates the economic impacts of major resource development and  
25 energy supply projects.



1       **Q2       What is the purpose of your testimony?**

2

3       **A2       This testimony is in two parts. The first describes**  
4               some conceptual concerns with respect to the new rate  
5               design. The second part deals with the anticipated  
6               effects of the proposed rates and the transition from  
7               the current structure to the cost-based rates under  
8               consideration.

9

10       **Conceptual Issues**

11

12       **Q3       What is the position of the Government of the**  
13               **Northwest Territories with respect to the rate design**  
14               **proposed by NCPC?**

15

16       **A3       The Government of the Northwest Territories believes**  
17               that the development of NWT diesel and hydro zone  
18               specific rates for each customer class is an  
19               acceptable approach to rate making in the N.W.T. We  
20               recognize the direction given by the Board to this  
21               effect in their report of August 1983, and concur with  
22               the manner in which NCPC has implemented that  
23               direction.

24

25

26

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1 It may be possible to accommodate this concern within  
2 the framework recommended by the Board by allowing  
3 some flexibility in pricing to encourage communities  
4 to benefit from the acceptance of new, more  
5 cost-effective production technologies.

6  
7 **Q4 What rate design principles do you consider**  
8 **appropriate for the NWT?**

9  
10 **A4** Bonbright\* has put forward a list of rate design  
11 principles which are generally considered to be  
12 desirable. Some of these principles can be  
13 summarized as follows:

- 14 - simplicity
- 15 - public acceptability, fairness
- 16 - allows full cost recovery
- 17 - stability of revenue and rates
- 18 - promotes efficient use

19 I feel another principle must be emphasized, that  
20 being:

- 21 - **promotes efficient production**

22 \*Decision 2-80, NWT Public Utilities Board, Yellowknife,  
23 February 25, 1981

24 ...5  
25

1 I make this point in the belief that much can be done  
2 in the long term to increase the utilization of the  
3 NWT's own energy resource, and in this way to promote  
4 reasonable and more stable prices. This is a goal of  
5 the GNWT Energy Policy (Attachment 1) and that of the  
6 Federal Government.

7  
8 **Q5 Why is "efficient production" an important principle**  
9 **in the NWT's case?**

10  
11 **A5** NCPC is dealing with an unusual electrical system  
12 in this jurisdiction. The system is unique in that it  
13 is largely comprised of isolated communities, each of  
14 which forms its own small system.

15  
16 Development of a long run efficient production source  
17 requires a community by community assessment, to  
18 determine how local resources might replace diesel.

19  
20 The second aspect of this question is the way in which  
21 people in these communities perceive the land and the  
22 resources on it. It is our suggestion that  
23 alternative energy projects will not be permitted by  
24 communities under the equalized zone pricing method.



1       **Q7       Can you give examples of the kind of capital**  
2       **development you are referring to?**

3

4       A7       Three types of development are worthy of mention in  
5       this regard.

6

7               1.   Diesel communities may have viable small scale  
8               hydro options open to them.

9

10              Coppermine is an example currently under study.  
11              Whether or not the project is found to be  
12              economic on the basis of technical studies is  
13              beside the point; it stands as an  
14              illustration of what might be done.

15

16              The scenarios that have been studied to date have  
17              projected capital costs in the order of \$30 to  
18              \$50 million. The inclusion of such in the hydro  
19              zone pool would add a minimum of 23% to the  
20              revenue requirement.

21

22              2.   Relatively large hydro projects may be undertaken  
23              either as additions to the current systems, or to  
24              serve new industrial or municipal loads. A case  
25              in point would be the Wolverine Creek project on  
26              the Great Bear River to supply

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1 Norman Wells, Fort Norman and Fort Franklin. I do not  
2 believe this project is being actively pursued, but it  
3 does serve as an example for the purposes of this  
4 argument.

5  
6 The projected capital cost is in the order of \$120  
7 million. The inclusion of such a project in the hydro  
8 zone pool would add 90% to the revenue requirement.

9  
10 Obviously any new hydro project will have a noticeable  
11 impact on the rates of the current customers. The  
12 extent to which new hydro projects should be included  
13 in the zone cost pool depends upon the relative weight  
14 assigned to various rate making objectives. We  
15 believe a relatively high value should be assigned to  
16 the encouragement of production efficiency. Obviously  
17 any new hydro project will have a noticeable impact on  
18 the rates of current customers.

19  
20 3. The last example relates to non-hydro alternative  
21 energy projects utilizing wind, coal, wood  
22 gasification, nuclear or other energy sources.  
23 These may be further down the road than hydro  
24 alternatives, but it is nevertheless important to  
25 know now what rate making practices would  
26 apply.

1 To establish sensitivity to the economic benefits  
2 of projects, communities could be allowed the  
3 full benefit of lower operating costs through an  
4 averaging of these new costs with the diesel zone  
5 rate on a weighted basis.

6  
7 **Q8 Do you have any other concerns with the proposed rate**  
8 **design?**

9  
10 **A8** There are two other notable difficulties with the  
11 equalized rate plan.

12  
13 1. Affect on Conservation Decision

14 In practice, community electrical rates will be  
15 relatively insensitive to community costs, since  
16 these costs have already been pooled. Price as a  
17 signal is somewhat attenuated. Agencies with  
18 buildings in many communities, seeking to  
19 conserve their own funds, will tend to base their  
20 conservation decisions on factors other than the  
21 true economic efficiency of the conservation.

22 There are a number of agencies in this situation  
23 including the GNWT, the Government of Canada, the  
24 Co-op stores and the Hudson's Bay Company.

1 To help overcome this problem, it would be useful  
2 to have access to documentation that sets out  
3 annually the avoidable costs of service in each  
4 community. Each of these larger agencies could  
5 then assess where conservation dollars should  
6 really be spent.

7  
8 If the correct price signals cannot be provided  
9 through rates, then the Commission should provide  
10 clear and detailed cost information as a  
11 surrogate.

12  
13 2. Self Generation

14 It is a simple fact of equalizing rates that  
15 communities with relatively high costs will pay  
16 less than their cost of service, and those with  
17 relatively low costs will pay more. Considering  
18 the latter case, the difference between actual  
19 community cost and posted rate may be  
20 substantial, particularly in larger centers such  
21 as Inuvik.

22  
23 Any large consumer in such a community will base  
24 his own decisions with respect to sourcing his  
25 energy needs on the posted price. In June 1983,  
26 the Board heard testimony from a businessman in  
27 Inuvik who said that the then NCPC rate was just  
28 below the point at which he would install his own  
29 generation.







1 We would suggest that a regulator's ability to stand  
2 aloof from social considerations is a matter of  
3 degree. **Therefore the Board must recognize what the**  
4 **social impacts would be if these rates are**  
5 **implemented, and must, if they deem them unacceptable,**  
6 **identify to the Minister that action must be taken**  
7 **prior to their installation.**

8  
9 **Q11 What action does the GNWT believe is necessary?**

10  
11 **A11** The GNWT concurs with the comments of the Board in  
12 this matter, given in their August 1983 report on Page  
13 15:

14 "...given the high cost of electricity in the  
15 North, it appears that subsidies will continue to  
16 be required."

17  
18 "...the choice of the appropriate scheme and the  
19 amounts involved should rest with the government  
20 which is financially responsible for providing  
21 the subsidy."

22  
23 The current Federal Power Support Program (FPSP) and  
24 Commercial Power Rate Relief Program (CPRRP) which are  
25 due to expire March 31, 1985, essentially establish a  
26 predetermined reasonable block of consumption that  
27 will be subsidized down to a predetermined reasonable  
28 price.

1 We agree that this methodology appears to be the best  
2 way in which to establish and deliver a subsidy.  
3 However, we are not aware of the Federal Government's  
4 intentions with respect to the continuation of the  
5 current subsidies or their replacement with a new  
6 program. We consider it important that there be a  
7 dialogue between the two governments prior to a  
8 Federal decision on subsidy program design.  
9

10 **Continuation of the FPSP and CPRRP at the levels**  
11 **implicit in the 1984-85 Yellowknife rates would not**  
12 **compensate adequately for the proposed rate**  
13 **increases.**  
14

15 Determination and approval of the appropriate subsidy  
16 program may not be complete by March 31, 1985.  
17

18 **Q12 What should happen if an acceptable subsidy system is**  
19 **not worked out by March 31, 1985?**  
20

21 **A12** Failing the development of an adequate subsidy system,  
22 the Federal Administered Pricing Guideline should be  
23 applied, whereby no customer in the NWT should be  
24 asked to pay more than 104% of the 1984/85 rate in  
25 1985/86.  
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Curriculum Vitae

February 1984

Peter J. Hart

Address: 4911 Matonabee Street, Yellowknife, Northwest Territories

Date of Birth: 1943, Ottawa, Ontario

Marital Status: Married

Education: Bachelor of Commerce (ECON), St. Patricks College,  
University of Ottawa, 1965

Master of Business Administration,  
Queen's University at Kingston, 1979

Experience: Supervisor, Computer Training Group  
Bell Canada, Montreal, Quebec, 1965-1967

Senior Systems Analyst  
Ontario Hydro, Toronto, Ontario, 1968-1972

Manager, Systems and Program Development  
Government of the Northwest Territories  
Yellowknife, Northwest Territories, 1973-1977

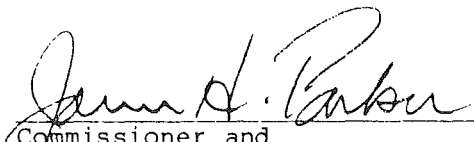
Special Assistant to the Minister responsible  
for Energy, Government of the Northwest Territories  
1980-1981

Energy Advisor  
Energy, Mines and Resources Secretariat  
Government of the Northwest Territories, 1982

The Government of the Northwest Territories will promote the efficient use of energy in the NWT and increase the utilization of NWT energy resources in a manner consistent with the economic and social well being of its people.

The Government of the Northwest Territories will act according to the following principles:

1. Residents will be helped to recognize and avoid waste.
2. Consumer financial responsibility for energy purchases will be increased.
3. Energy efficiency in buildings will be encouraged.
4. Administrative practices within government relating to energy use will be redesigned to promote conservation.
5. NWT energy use will be monitored to provide the basis for energy planning.
6. New sources of energy will be identified on a community by community basis.
7. Industry shall be encouraged to contribute to the identification of community alternative supply.
8. Projects proposing to supply energy to NWT residents will be evaluated and approved according to their long run ability to deliver a sure and low cost supply that is consistent with the interests of the people affected.

  
Commissioner and  
Chairman of the Executive Council  
83-10-19

Reference

For elaboration of this Policy refer to Directive.