

Northern Canada Power Commission Act

Mr. Speaker, It should always be remembered that the Northern Canada Power Commission is a public corporation operating in the public interest and bringing the benefits of low-interest borrowing and profit-free power to northerners. The commission does not seek a profit. It seeks to provide power at the most economical cost to its customers, three of whom are private distributing utilities. Therefore, its rates are based on costs. It is only logical that they be averaged within the regions and that there be some latitude to average costs throughout the system without excessive subsidies to high-cost regions at the expense of low-cost areas. This requires that the commission be given latitude, and the proposed amendments are designed to provide that latitude. However, the commission's schedule of rates will still remain subject to approval by the governor in council.

Also, the presence of territorial representatives on the commission, the minister's accountability to Parliament for the commission's activities, and the continual and close scrutiny of the Auditor General, provide the necessary safeguards. Power being produced and distributed by the public sector in the north will continue to serve the public interest. Further scrutiny by a board or committee responsible to the minister would, therefore, appear to be unnecessary as far as the commission is concerned.

I turn, now, to advances for capital expenditures. In developing power for relatively small markets it is sometimes necessary to build a plant which has capacity not immediately usable. A dam which will generate more power than can be used immediately might work at half load, for example. Such a situation would result in very high power rates under the present law. The amendments before us would allow deferral of part of the capital investment until load has increased to take up the capacity. Such deferral would require the approval of the governor in council.

Currently, the commission is required under section 16(3) of the act to commence payments of both principal and interest immediately following completion of a project, except that the principal portion of the first two instalments, which usually are relatively small amounts at that stage, may be deferred. In the Yukon, for example, extensive studies carried out over the past four years indicate that a large capacity power site may be required to enable orderly development and economic stability in the long-term supply of electrical energy. The only sites which offer long-term price stability are those which involve a relatively high capital cost for initial development.

The commission's capacity additions over the past few years have been based on a low capital cost consistent with dependability during the period of gradual load growth so as to cater to this concept of larger capacity installations. The addition of one or two large-scale mining developments, however, would triple or quadruple present power demand in the Yukon and would likely justify the initial development of a least one large scale installation within the next five years.

[Mr. Buchanan.]

In connection with the approval of contracts, section 6(3) of the act requires the commission to obtain the approval of the governor in council to undertake any project or enter into any contract in excess of \$50,000. While the proposed amendment to the act would delete section 6(3), the commission would still be subject to government contracts regulations under the Financial Administration Act, which limit entry into contracts without Treasury Board approval to \$100,000 for construction contracts and \$50,000 for purchase contracts. Thus, there will still be adequate review by Treasury Board of contracts entered into by Northern Canada Power Commission.

I wish to deal, now, Mr. Speaker with the question of surplus funds. Any surpluses or profits generated remain with the Northern Canada Power Commission system to the ultimate benefit of its consumers. Thus, profits are not drained off as a source of revenue to the federal government nor to other parts outside the north. Surplus funds may now be held for six months, after which time the commission may reduce rates or use surplus funds for the expansion or improvement of that plant in respect to which such surplus funds accrued.

Under the proposed amendments, surplus funds could be used to benefit the entire system rather than the individual plant in respect to which such surplus funds accrued. Again, the objective is flexibility. However, I should insert a few words of explanation as well as of caution here. There is a tendency to think that rate equalization will lead to two results. First, that rates in the smaller, higher-cost communities will be lowered by applying surpluses earned in the larger, more profitable communities until rates are equal across the board. Second, that the more industrialized regions in the west will be expected to carry much of the cost of supplying service to the eastern Arctic. If applied without thought or planning, this could be the outcome, but this approach will not be taken.

The policy of the commission will be to set rates on a regional basis with the Yukon and Northwest Territories regions, possibly encompassing areas beyond their political boundaries but within their economic development zone. Thus, consumers in Whitehorse or Yellowknife, for example, will not directly support the cost of electricity in communities literally thousands of miles away.

The precise boundaries of the regions should be left to the commission to determine. This will be one of the more important contributions that the new territorial members will be able to make. It must also be recognized that flexibility must be maintained so that extensive areas of the north can take advantage of the future development of large generating facilities capable of serving and, indeed, requiring the markets of more than one region.

I must also caution against great expectations or great apprehensions. As in southern Canada, rate equalization cannot be taken to the extreme and a uniform rate set throughout a whole region. Consumers in a lower-cost community expect to receive, and indeed should receive,