

## **B. Rate Rationalization**

It is not possible to recover all service costs on an individual customer basis. Rates are determined by grouping customers by types of consumption or types of services provided. Whenever consumers are grouped, certain of them suspect that they are, in effect, subsidizing the other members of the group. Additionally, it is often felt that industrial or commercial consumers can better bear the costs of electrical power and should pay higher rates than residential consumers. A converse argument states that industrial consumers should receive lower rates because of their higher volume demands and the more stable relationship of their total demand to peak demand.

The above issues, and many others, are of great concern in the North; with the small population base, the allocation of costs among consumer categories and locations can significantly affect the rates charged. Such concerns inevitably cause the utilities operating in the North, especially the NCPC, to become involved as vehicles of social engineering, a role to which they vehemently object as not being within their mandate.

Although the initial determination of electrical power demand and forecast of costs can be determined with relative accuracy, the application of social, political, and ability-to-pay concerns causes rate setting to move away from a full cost-recovery approach so that forms of cross-subsidization are bound to occur. Otherwise, a strictly applied user-pay approach would mean inequality of burden for isolated communities with different fuel sources and varying transportation charges.

Over the past few years, the NCPC has been trying to develop a rate rationalization scheme that would introduce a uniform approach in each territory so that classes of customers receiving comparable treatment would be accorded equal costs. This approach has met with resistance from the territories, who view it as another form of internal subsidization and would prefer to see any financial assistance come directly from government. Rate setting is not just a mechanistic costing process, but involves exercising a high degree of judgement. As long as this is true, consumers will want some regulatory process to protect their interests.

## **C. Removing Limits to Territorial Jurisdiction**

Because power distribution is by necessity a monopoly of the public or private body granted the right to provide electrical power, some means of regulating their investments, costs and rates is necessary if the interests of the consumers are to be protected. In provinces where large public corporations supply electrical power, the trend is to subject these corporations to regulation by an independent regulatory body that determines whether the rate structure desired by the corporation should be approved. The three private utilities operating in the territories are subject to external review, in this case, by the public utility boards created to regulate the production, transmission and delivery of electricity in the territories.