News Release

High World Oil Price Drives Electricity Surcharge

IQALUIT, Nunavut (September 14, 2005) – A electricity rate surcharge proposed by Qulliq Energy Corporation (QEC) will still keep electricity rate increases in Nunavut to among the lowest in Canada, says Energy Minister Edward Picco.

"QEC is proposing a rider that simply covers the cost of fuel. It asks the consumer to pay increases that would be considered moderate in other parts of Canada, while maintaining the company's balance sheet and its ability to be a reliable and secure provider of electricity," said Picco.

The minister has submitted QEC's proposal for a 3.98 cent per kilowatt hour (kWh) increase in electricity prices in all communities to the Utility Rates Review Council (URRC.) The council makes recommendations to the minister, who will instruct QEC.

The proposed rider was calculated by combining the new price for diesel and the amount of any remaining fuel that was purchased during the last sealift season when the world oil price was significantly lower. The numbers will be reviewed when sealift is final and will likely be adjusted slightly in March 2006. QEC is proposing to implement the initial fuel stabilization rider from Oct. 1, 2005 to March 31, 2006. This is the same period as is covered by the new 1,000 kWh monthly subsidy for homeowners.

The Government of Nunavut recently increased fuel prices by 9.6 cents a litre because of the high world oil price. All of Nunavut's electricity is currently generated from diesel. The proposed fuel stabilization rider is designed to enable QEC to offset increases in diesel costs, and was instituted as part of the February 2005 URRC recommendations.

"Even with the new fuel prices, Nunavut has seen amongst the lowest percentage increases in Canada. We have been protected from the significant rate increases that we are seeing in other jurisdictions. We compare very favourably," said Picco.

The URRC laid out procedures for the implementation of a rate stabilization fund and adjustment mechanism for fuel price increases or decreases when it responded last February to a QEC general rate application. Under this regimen the balance in the stabilization fund cannot be larger or lower than $1 million. Forecasts now indicate that the fund's balance will exceed this threshold within the next two months. The mechanism permits consumers to either receive a refund or be asked to pay a surcharge to bring the balance in the fund to zero at the end of any six month period.

"The URRC has designed a conservative fiscal framework for QEC and the proposed fuel rider reflects this," said Picco.

In accepting the URRC's rate recommendations last February, the government announced an electricity rate freeze until April 1, 2006 for residential customers in social housing units. "We stand by this commitment," Picco said.

-30-

Media Contact:

Laurie-Anne White
Office of the Minister
(867) 975-5003
.