



News Release

QEC Takes Next Step to Strengthen Finances

IQALUIT, Nunavut (May 9, 2006) – Qulliq Energy Corporation (QEC) has filed an application with Energy Minister Ed Picco to seek a rate adjustment of 6.1 % that will further strengthen Nunavut's electricity generator.

The application has been forwarded to the Utility Rates Review Council (URRC) for review. The URRC is an arm's-length board that gives advice to the Government of Nunavut about rates to be charged by the corporation.

In February 2005, the URRC recommended a 15 per cent Nunavut-wide increase to electricity rates. At that time the URRC provided several suggestions for responding to financial issues at QEC. One of the suggestions was that an external review of the corporation be undertaken to test its structure and financial system.

While recommending an across-the-board increase the URRC said it recognized that a 15 % increase would fall short of what QEC would require to be financially independent. The URRC indicated that it would consider additional adjustments subsequent to April 1, 2005.

The URRC estimated the revenue shortfall each month after April 1, 2005 would be approximately 6.3 %.

"Instead of a 6.3 % adjustment, the new application looks for a base adjustment of 6.1%, thanks to our savings to date and revised calculations" said Simon Merkosak, Chair, Qulliq Energy Board of Directors. "In addition, we need to make up the shortfalls since April 1, 2005, as predicted by the URRC. This would be a temporary surcharge, but we recognize that Nunavummiut are concerned about the total impact on their wallets."

"As a small businessman and a homeowner I am always concerned about energy costs, but I also see what is happening internationally, and the new work Qulliq is taking on with hydro-generation surveys and energy conservation." said Merkosak "We need to invest in electricity alternatives now or all of Nunavut will continue to be held hostage by high world oil prices. The next few years will be a significant test for all of us."

The rate change filed this week does not include the anticipated fuel price increases in the 2006 re-supply. Those will be known following purchasing by the Petroleum Products Division of the Government of Nunavut. The resulting fuel costs will be calculated and delivered to the URRC in September 2006 as an adjustment to the existing Fuel Rate Rider.

Electricity in Nunavut is three to six times higher for a private domestic consumer than it would be in a major Canadian city in the south. The higher cost is consistent with the generally higher cost of living in the North. Housing association tenants in Nunavut pay rates similar to the more modest southern Canadian cities. However, southern consumers have also experienced significant price increases in recent months

Since November 2005, Qulliq Energy has been steadily reducing deficit projections, based on efficiencies identified within the utility. These savings, including \$5 million in 2004-05, have not been enough fill the revenue gaps.

Copies of the application for the base rate change and surcharge have been provided to members of the legislative assembly, and have been mailed to mayors across Nunavut. Additional copies can be obtained at www.nunavutpower.com, or by calling 867-979-7534.

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