

What is a General Rate Application?

The customers of a public utility company are often referred to as “ratepayers” and the prices that a public utility charges its customers are often referred to as the “rates. As a regulated entity, a public utility company must obtain approval from its regulator to charge certain rates to its customers for the services it provides them.

Before changing its rates, a public utility company must make an application to its regulator seeking approval to do so and providing evidence on why the rates should be changed. This type of application, known as a General Rate Application, is usually a very large document that contains a huge amount of information on the public utility company’s assets, operations and financial affairs. The public utility company is required to provide this information in order to explain why it needs to change its rates.

Most regulatory boards in Canada hold public hearings to obtain comments and input on a GRA before issuing a decision. The main purpose of the hearing is to allow affected parties, known as intervenors, to ask questions about the utility company’s application and provide their own views to the regulatory agency. Once the hearings are over, the regulatory agency reviews all the evidence it has collected and issues a Decision, or Board Order, either approving the utility company’s request (often with conditions attached) or denying it.

Under the rate base/rate of return method of regulation used by the NWT Public Utilities Board, a GRA is usually handled in two phases. The first phase, known as the “Revenue Requirement”, examines the utility company’s revenues and expenses. The purpose of Phase I of a GRA is to determine the amount of revenue that the utility company needs to earn in a year to cover its costs in providing service to its customers and to earn a fair return on its investment. Once the PUB issues a decision on the Phase I revenue requirement, the utility company files a Phase II application, in which it proposes how it is going to collect its annual revenue requirement from its customers. The main purpose of a Phase II filing is to determine the specific rates that each type of customer will be charged and to demonstrate that these rates will enable the utility company to collect its annual revenue requirement.

For more information on the details of a Phase I or Phase II filing, please refer to the other fact sheets.