



2014
ANNUAL REPORT
UTILITY RATES REVIEW COUNCIL
OF NUNAVUT

UTILITY RATES REVIEW COUNCIL OF NUNAVUT

ANNUAL REPORT

For the year ending March 31, 2014

Members of the Nunavut Legislative Assembly:

I take pleasure in submitting the Annual Report of the Nunavut Utility Rates Review Council for the calendar year ending March 31, 2014.

Original Signed By:

Hon Peter Taptuna
Minister responsible for the Utility
Rates Review Council

May 15, 2014

The Honourable Peter Taptuna
Minister responsible for the
Utility Rates Review Council
Of Nunavut

Dear Minister:

I have the honour presenting the Annual Report of the Utility Rates Review Council of Nunavut for the calendar year ending March 31, 2014.

Respectfully submitted,



Raymond Mercer
Chair, Utility Rates Review Council
Of Nunavut

The Utility Rates Review Council

1. MANDATE

The *Utility Rates Review Council Act*, created in the spring of 2001, and amended in the summer of 2010, gives the power to the URRC to provide advice to ministers regarding rates and tariffs to be charged by designated utilities and any other matters as requested and directed by the minister responsible for the URRC.

Under the Act, a designated utility is defined as *a utility or a member of class of utilities designated in the regulations*:

Additionally, a utility is any of the following that provides goods or services to the public:

- (a) a corporation that is owned or controlled by the Government of Nunavut, and to which this Act applies either by legislation or a regulation made under paragraph 20(1)(a):*
- (b) a department or administrative division of the Government of Nunavut to which this Act applies either by legislation or a regulation made under paragraph 20(1)(a):*
- (c) a person or organisation not mentioned in paragraph (a) or (b) to which this Act applies either by legislation or a regulation made under paragraph 20(1)(a)*

The Qulliq Energy Corporation and as a consequence Nunavut Power Corporation, as Designated Utilities, are subject to the URRC through the *Utility Rates Review Council Act*.

2. PURPOSE

The purpose of the Review Council as outlined in section 7 of the URRC Act:

The purposes of the Review Council are to:

- (a) advise the responsible Minister of a designated utility concerning the imposition of rates and tariffs in accordance with sections 11 to 18.*
- (b) advise the responsible Minister of a utility other than a designated utility with regard to any questions that the responsible Minister refers to it concerning rates, tariffs and rate structures,*
- (c) advise the responsible Minister for any utility concerning any matter related to the utility that is referred to it by the responsible Minister on the advice of the Executive Council,*
- (d) advise any Minister concerning any matter related to charges for the provision of goods and services that is referred to it by the Minister on the advice of the Executive Council,*
- (e) advise the Minister responsible for the Qulliq Energy Corporation, concerning applications for permission for major capital projects under section 18.1 of the Qulliq Energy Corporation Act.*

3. ORGANISATION

The Review Council consists of five part-time members appointed for a term of three years. The Minister responsible for the URRC appoints members of the Review Council and designates one member of the Review Council as a chair and one member as vice-chair.

The Minister responsible for the URRC is responsible for appointing Council members. As of January 2014, the following members are on the URRC:

Raymond Mercer	Chair
Robert Kirk Janes	Member
Graham Lock	Member
Jimmy Akavak	Member
Anthony Rose	Member

Temporary Members

The responsible Minister for the URRC, on the request of the council, may appoint, in addition to the members appointed under Subsection 3. (1) of the URRC Act, no more than two temporary members of the Review Council for the purpose of dealing with a particular matter before the Review Council and may specify the terms and duties of the temporary members. Temporary members were not required for this fiscal year.

Executive Director

Under Section 3 (9), the Review Council may appoint an executive director and fix the terms and conditions of the appointment. Duties of executive director are under 3 (10), the executive director shall (a) keep a record of all proceedings of the Review Council and have custody of all of the Review Council's records and documents; and (b) perform any other duties that may be assigned by the Review Council. Laurie-Anne White continues her duties as executive director.

Consultants

Mr. Raj Retnanandan has been retained on contract as per Section 8(1) (b) of the URRC Act as an advisor to the URRC. Mr. Retnanandan comes to the URRC with extensive knowledge and expertise in energy management and regulatory consultations.

Mr. John Donihee continues to be retained as per Section 8(1)(b) of the URRC Act, as Legal Counsel to the URRC. Mr. Donihee comes to the URRC with extensive knowledge and expertise in energy law and regulatory consultations.

4. BUDGET

In 2013-2014 the Review Council operating and maintenance budget was \$587,900. The Review Council remained within its budget for the year.

5. SUMMARY OF 2013-2014 RECOMMENDATIONS:

The following recommendations were made with respect to rates in regards to the Application for a Joint Use service by letter dated February 7, 2013 by Qulliq Energy Corporation - Report 2013-02:

By letter dated February 7, 2013, QEC applied to the Minister responsible for QEC, requesting approval of new rates for Joint Use service, effective April 1, 2013 (Application). By letter dated February 11, 2013 the Minister requested advice from the URRC with respect to the Application.

Section 13. (1.1) Minor Application of the URRC Act states, “Where, in the opinion of the Review Council, the application for the proposed rate or tariff is a minor application, the Review Council, shall report to the responsible Minister within 90 days of receiving the responsible Minister’s request for advice under subsection 12 (2).” And that Section 13 (1) of the Act states “The Review Council shall report to the responsible Minister its recommendation that:

- a) the imposition of the proposed rate or tariff should be allowed,
- b) the imposition of the proposed rate or tariff should not be allowed, or
- c) another rate or tariff specified by the Review Council should be imposed.”

In accordance with the above the URRC recommends that the following rates for Joint Use service be implemented effective April 1, 2013 and April 1, 2014 respectively:

Rates Effective April 1, 2013				
	Number of Connections			
	Single	Double	Triple	Quadruple
Existing Rates	\$27.42	\$17.14	\$13.72	
URRC Recommended Rates	\$45.42	\$22.96	\$15.47	\$11.72
Rates Effective April 1, 2014				
	Number of Connections			
	Single	Double	Triple	Quadruple
URRC Recommended Rates	\$63.42	\$32.06	\$21.60	\$16.37

2. The URRC recommends that QEC be directed to comply with the directions contained in this Report.

Nothing in this Report shall prejudice the URRC in its consideration of any other matters respecting QEC.

The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider by letter dated May 17, 2013 by Qulliq Energy Corporation - Report 2013-03:

Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 12 (1) of the Utility Rates Review Council Act (Act), to seek approval from the responsible Minister prior to imposing a rate or tariff. The responsible Minister in turn is

required pursuant to Section 12 (2) of the Act, to seek the advice of the Utility Rates Review Council (URRC) on the utility's request to impose a rate or tariff.

By Letter dated May 17, 2013, QEC applied to the Minister responsible for QEC, requesting approval for a Fuel Stabilization Rate (FSR) Rider of 5.31 cents per kWh, from June 1, 2013 to November 30, 2013. By letter dated May 17, 2013 the Minister requested advice from the URRC with respect to the Application.

In accordance with the above the URRC recommends:

Section 13 (1) of the Act states:

Under section 13.1.

13. (1) The Review Council shall report to the responsible Minister its recommendation that:

- (a) the imposition of the proposed rate or tariff should be allowed;
- (b) the imposition of the proposed rate or tariff should not be allowed;

or

- (c) another rate or tariff specified by the Review Council should be imposed.

(1.1) Where, in the opinion of the Review Council, the application for the proposed rate or tariff is a minor application, the Review Council shall report to the responsible Minister within 90 days of receiving the responsible Minister's request for advice under subsection 12(2).

In accordance with the above the URRC recommends that a fuel stabilization rider of 5.31 cents per KWh be approved for QEC, for the period June 1, 2013 to November 30, 2013.

2. The URRC recommends that QEC be directed to comply with the directions contained in this Report.

3. Nothing in this Report shall prejudice the URRC in its consideration of any other matters respecting QEC.

The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider by letter dated December 5, 2013 by Qulliq Energy Corporation - Report 2014-01:

Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 12 (1) of the Utility Rates Review Council Act (Act), to seek approval from the responsible Minister prior to imposing a rate or tariff. The responsible Minister in turn is required pursuant to Section 12 (2) of the Act, to seek the advice of the Utility Rates Review Council (URRC) on the utility's request to impose a rate or tariff.

By Letter dated December 4, 2013, QEC applied to the Minister responsible for QEC, requesting approval for a Fuel Stabilization Rate (FSR) Rider of 5.31 cents per kWh, from December 1, 2013 to March 31, 2014. By letter dated December 5, 2013 the Minister requested advice from the URRC with respect to the Application.

The following recommendations were made with respect to a Major Capital Project Permit Application respecting construction of a new power plant in Grise Fiord made by the Qulliq Energy Corporation on December 4, 2013, URRC Report 2014-02:

Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 18.1 of the Qulliq Energy Corporation Act (QEC Act), to seek approval from the responsible Minister prior to undertaking a major capital project. In this regard, Section 18.1 of the QEC Act provides as follows:

"Definition

(1) In this section, "major capital project" means a capital project that has a total cost that exceeds \$5,000,000.

Major capital project

(2) The Corporation shall not undertake, nor permit any of its subsidiaries to undertake, a major capital project unless it applies in advance to the Minister for an order giving permission for the project.

Minister may seek advice

(3) Before responding to an application for permission made under subsection (2), the Minister may seek the advice of the Utility Rates Review Council established under the *Utility Rates Review Council Act*.

Corporation to provide information

(4) The Corporation shall provide the Minister and the Utility Rates Review Council with any information necessary for the Minister to decide whether permission should be granted.

What Minister may do

(5) The Minister may (a) grant permission for undertaking the major capital project, with or without conditions; or (b) refuse permission.

Order

(6) Permission granted by the Minister under paragraph (5)(a) shall be in the form of an order."

In accordance with the above the URRC recommends:

Sections 13(3) and 13(4) of the Act provides as follows with respect to a Final Report requested by the Minister:

Final report

(3) Within 30 days of receiving a report made under subsection (1), the responsible Minister, if he or she thinks it appropriate to do so, may request in writing that the Review Council make a final report, within a time stipulated by the responsible Minister.

Contents of final report

(4) Where the responsible Minister has made a request under subsection (3), the Review Council shall reconsider its report, and shall make a final report that may:

- (a) make the same recommendation as in its initial report; or
- (b) any other recommendation that may be made under subsection (1).

Report 2014-01 recommended that an FSR rider of 3.92 cents per kWh be approved for the period December 1, 2013 to March 31, 2014. In this Final Report the URRC recommends that the fuel stabilization rider of 3.92 cents per KWh be extended to April 30, 2014.

2. Nothing in this Report shall prejudice the URRC in its consideration of any other matters respecting QEC.

6. CANADIAN ASSOCIATION OF MEMBERS OF PUBLIC UTILITY TRIBUNAL (CAMPUT)

The URRRC continued its ongoing association with CAMPUT in 2013-2014. The membership of CAMPUT is made up of all the Boards and Councils from the ten provinces and three territories plus the National Energy Board. CAMPUT also admitted a number of quasi-judicial boards as associate members to CAMPUT, as part of their ongoing goal of improving all types of regulation in Canada. A full list of CAMPUT membership can be found at the end of this report.

The Chair and the executive director along with two council members attended the annual CAMPUT educational conference. This is part of the Council's continuing education. This year the conference was held in Niagara Falls in May 2013. This conference brought together regulators and utilities from across North America to discuss emerging regulatory issues. The theme of the conference was "Serving the Public Interest: The Regulator's Balancing Act". This is a very informative and well attended conference; most regulators attend, as well as utilities and their staff. The Qulliq Energy Corporation President and a member of his staff were also present.

The URRRC attended the CAMPUT annual general meeting (AGM) in September 2013. This year it was hosted by Newfoundland. This meeting brings together the member boards from across Canada to discuss events and issues that affect the regulatory community. The URRRC was represented by the chair, one council member and the executive director.

URRC members Jimmy Akavak and Anthony Rose attended the CAMPUT Energy Regulation Course held at Queen's University in early summer 2013.

A CAMPUT Regulatory Key Topics Meeting took place in February 2014, with a panel discussion on northern specific issues. This was in preparation for the annual general meeting to be held this summer in Yellowknife. The URRC Chair sat on the panel and raised several issues specific to Nunavut. These included:

1. Cost of Capital (aging infrastructure)
2. Required Firm Capacity (RFC) (the need to have a full separate back-up generator),
and
3. Official Languages and a Consensus Government

The URRC continues to be actively involved in CAMPUT. It has one member on the CAMPUT Education Committee.

Please see *Appendix I* for a list of CAMPUT members and its committee.

7. A LOOK AHEAD AT 2014-2015

By letter dated December 5, 2013, the Minister responsible for QEC requested advice from the URRC with respect to a General Rate Application. The Report is due on or before May 19, 2014.

It is expected that an application for a fuel stabilization rider will be submitted this year, as well as more Major Project Permits Applications for plant upgrades or replacements.

This year's CAMPUT annual conference will take place in May of 2014 in Halifax. The theme of the conference is "Reliability and Security: A Kaleidoscope of Regulatory Challenges".

In August of 2014, CAMPUT will hold its AGM in Yellowknife, NT. The URRC as a member of CAMPUT is expected to be represented at that AGM.

The External Review of the URRC Report was provided to the current Minister for the URRC.

ON BEHALF OF THE NUNAVUT UTILITY RATES REVIEW COUNCIL



DATED May 15, 2014

Ray Mercer, Chair

Appendix I

CAMPUT Member Boards

The current CAMPUT membership includes the following federal, provincial and territorial boards and commissions:

- Alberta Utilities Commission
- British Columbia Utilities Commission
- Manitoba Public Utilities Board
- National Energy Board
- New Brunswick Energy and Utilities Board
- Newfoundland & Labrador Board of Commissioners of Public Utilities
- Northwest Territories Public Utilities Board
- Nova Scotia Utility and Review Board
- Nunavut Utility Rates Review Council
- Ontario Energy Board
- Prince Edward Island - Island Regulatory and Appeals Commission
- Régie de l'énergie du Québec
- Saskatchewan Rate Review Panel
- Yukon Utilities Board

CAMPUT Associate Members

- Alberta Energy Regulator
- Bureau d'audiences publiques sur l'environnement (BAPE), Québec
- Canada - Nova Scotia Offshore Petroleum Board (CNSOPB)
- Canadian Nuclear Safety Commission (CSNC)
- Comisión Reguladora de Energía (CRE), Mexico
- Efficiency NB, New Brunswick
- Utilities Regulation & Competition Authority (URCA), Bahamas

CAMPUT Executive Committee:

The affairs of CAMPUT are directed and managed by its Executive Committee which is elected annually from the Association's membership. The Committee comprises the Chair, Vice-Chair, Past Chair, Secretary-Treasurer, Chair of the Education Committee, and the Chair of the Regulatory Affairs Committee. The executive director of CAMPUT provides support to the Executive Committee and manages the day-to-day operations of the Association.

Executive Committee:

Ken Quesnelle

Chair

Board/Commission: Ontario Energy Board

(416) 440-7731

ken.quesnelle@ontarioenergyboard.ca

Willie Grieve, Q.C.

Vice Chair

Board/Commission: Alberta Utilities Commission

(403) 592-4525

willie.grieve@auc.ab.ca

Régis Gosselin

Secretary-Treasurer

Board/Commission: Manitoba Public Utilities Board

(204) 945-2460

regis.gosselin@gov.mb.ca

Louis Legault

Chair, Regulatory Affairs

Board/Commission: Régie de l'énergie

(514) 873-2452, ext. 305

louis.legault@regie-energie.qc.ca

Len Kelsey

Chair, Education

Board/Commission: British Columbia Utilities Commission

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len.kelsey@bcuc.com

Philip Davies
Chair, Stakeholder Engagement
Board/Commission: National Energy Board
(403) 221-3057
philip.davies@neb-one.gc.ca

Murray Doehler
Chair, International Relations
Board/Commission: Nova Scotia Utility and Review Board
(902) 424-4448
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Raymond Gorman, Q.C.
Past Chair
Board/Commission: New Brunswick Energy and Utilities Board
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CAMPUT Executive Director:

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Executive Director
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(905) 827-5139
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