

# 2010 ANNUAL REPORT UTILITY RATES REVIEW COUNCIL OF NUNAVUT

## UTILITY RATES REVIEW COUNCIL OF NUNAVUT

### **ANNUAL REPORT**

For the year ending March 31, 2010

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, 2010.

Original Signed By

Hon Tagak Curley Minister Responsible for the Utility Rates Review Council

The Honorable Tagak Curley Minister responsible for the Utility Rates Review Council Of Nunavut

#### Dear Minister:

I have the honor of presenting the Annual Report of the Utility Rates Review Council of Nunavut for the calendar year ending March 31, 2010.

Respectfully submitted,

Raymond Mercer

Chair, Utility Rates Review Council

Of Nunavut

#### The Utility Rates Review Council

#### 1. MANDATE

The *Utility Rates Review Council Act* (Act), created in the spring of 2001, 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:

A utility is defined as:

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 organization 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 sections11 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 advise of the Executive Council,
- (e) advise the Minister Responsible for the Act concerning applications under the section 18.1 of that Act.

#### 3. ORGANIZATION

The Council consists of three part time appointed members for a term of three years, which will expire July 31, 2010. The Minister Responsible for the Utility Rates Review Council appoints members of the Council and designates one member of the Review Council as Chairperson. At present the URRC consists of the following members:

Raymond Mercer Chairperson Vivienne Aknavigak Member Gordon Rennie Member

In addition, the Minister Responsible for the Review Council may appoint up to two additional temporary members to the Council as well as a Secretary who shall keep a record of all proceedings of the Review Council and have custody of all its records and documents.

On June 10, 2004 Kirk Janes was appointed as Secretary to the URRC. Mr. Janes brings with him the knowledge and expertise to carry out the duties as Secretary to the Council. Mr. Janes continues to fill this position and carry out the duties as secretary.

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.



Utilities Rate Review Council of Nunavut 2009-2010 Annual Report Mr. John Donihee has been 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.

For the purposes of this report there is an application before the Legislative Assembly that when passed will change the make-up of the Council. This will be expanded upon in the "Look Ahead" section of the report.

#### 4. BUDGET

In 2009-10 the Council operating and maintenance budget was \$167,000.00. The Council stayed within its' budget for the year.

#### 5. SUMMARY OF 2009-2010 RECOMMENDATIONS:

The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider in January of 2009 by Qulliq Energy Corporation - Report 2009-01:

1. Section 13 (1) of the Act states:

The Review Council, within 90 days of receiving the responsible Minister's request for advice under section 12, 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 a fuel stabilization rider of 12.52 cents per Kwh be approved for QEC, for the period February 1, 2009 to June 30 2009.



The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider in June of 2009 by Qulliq Energy Corporation - Report 2009-02:

1. Section 13 (1) of the Act states:

The Review Council, within 90 days of receiving the responsible Minister's request for advice under section 12, 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 a fuel stabilization rider of 7.96 cents per Kwh be approved for QEC, for the period July 1, 2009 to September 30, 2009 and a rider of 4.68 cents per kwh be approved for the period October 1, 2009 to December 31, 2009, together with the implementation of the summary of directions.

The following recommendations were made with respect to rates in regards to the Request for Position on Future Removal and Site Restoration Fund Application in December of 2009 by Qulliq Energy Corporation - Report 2010-01:

1. Section 13 (1) of the Act states:

The Review Council, within 90 days of receiving the responsible Minister's request for advice under section 12, 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

By letter dated February 12, 2010 the Minister informed the URRC that QEC does not consider the request to be an application and therefore the review contemplated in the URRC's January 7, 2010 letter is not necessary.

...cont

The following recommendations were made with respect to rates in regards to the Request for Position on Future Removal and Site Restoration Fund Application in December of 2009 by Qulliq Energy Corporation - Report 2010-01: (cont)

By letter dated March 10, 2010 the Council responded to the Ministers letter, clarifying the position of the Council. Under the Councils' legislation any matter referred to them for review and recommendation having to do with rates and tariffs is considered an application and as such the Council will be providing the Minister with a Final Report.

In view of the Minister's advise that the review contemplated in the January 7, 2010 letter is not necessary, the URRC considers the summary of these proceedings as set out herein to constitute its Final Report respecting the matter.

The URRC expects the matter respecting the appropriate treatment of the Future Removal and Site Restoration fund for regulatory purposes will be dealt with as part of the upcoming General Rate Application (GRA).

The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider in December of 2009 by Qulliq Energy Corporation - Report 2010-02:

1. Section 13 (1) of the Act states:

The Review Council, within 90 days of receiving the responsible Minister's request for advice under section 12, 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 a fuel stabilization rider of 4.68 cents per Kwh be approved for QEC, for the period January 1, 2010 to September 30, 2010.

#### 6. Canadian Association of Members of Public Utility Tribunal (CAMPUT)

The URRC continued its' ongoing association with CAMPUT in 2009-10. 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 this year 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 Chairperson, Secretary and the Councils consultant attended the CAMPUT International Financial Reporting Standards (IFRS) Course in Montreal April 28<sup>th</sup>, 2009. The course looked at the major potential impacts of the transition to IFRS from the perspectives of ratepayers, regulated utilities and the ratemaking process. The Course was very well attended and was very beneficial in understanding the transition and transition issues to IFRS.

The URRC attends the CAMPUT Educational Conference as a part of its continuing education. This conference brings together regulators, industry representatives, government and the general public to discuss issues of importance in the industry. This years meeting was held in St John, New Brunswick and was very well attended by industry and regulators. The Organizers also arranged for a tour of the new LNG Terminal being built in St John, since our tour the facility has begun accepting LKNG tankers. The URRC was represented by the Chairman and the Council's Secretary.

The URRC attends the CAMPUT Annual General Meeting (AGM) on a yearly basis. This conference brings together the member boards from across Canada to discuss events and issues that affect the regulatory community. Representatives from all board were present for the meetings in Winnipeg, Manitoba. The URRC was represented by the Chairman and the Council's Secretary.

The URRC continues to be actively involved in various committees of CAMPUT. Raymond Mercer continued his role with the Chairs Policy Committee that provides direction to CAMPUT on Major policy issues and is the voice of the national body whenever presenting to the F/P/T Ministers of Energy. He also is a member of the Organizing Committee for the 2011 CAMPUT Educational Conference in Vancouver B.C. This group develops the agenda, retains the moderators and presenters for conference. Kirk Janes continued his ongoing role with the Education Committee, that oversees the Queens University CAMPUT Regulatory Course and other training events over the year.

#### 7. A LOOK AHEAD AT 2010-2011

The Council is currently reviewing an application by QEC for a For Approval of Major Project Permit (MPP) to Upgrade the Iqaluit Distribution System from 5kV to 25kV that was received in February 2010. The Council expects to submit a report on the MPP on or before April 30, 2010 to the Responsible Minister for QEC. The Council expects to receive a number of MPP's and FSR's as QEC continues to invest in plant and equipment and deals with the high cost of fuel.

Over the course of this year the Council expects to see a number of studies done by QEC as a result of the last GRA. These studies; Rate Averaging, Cost of Service, Benchmarking, Future Removal & Site Restoration Cost are expected to be completed and will form part of the justification and support for any future GRA's. These studies will form the basis of the next General Rate Application which is expected in the Fall of 2010 from QEC.

During the 2006 – 2007 year the URRC completed its' internal review. The review looked at issues that were raised by the general public during the 04-05 General Rate Application (GRA), issues raised by interested parties and the Corporation. The Council also reviewed its' legislation with the goal of improving the way the Council operates. The Council looks forward to the completion of the Amendment of the *URRC Act* to deal with a number of the issues that came about from the review. The Council expects the Legislative Assembly will pass Bill 21 in the next few days. The Council will begin the larger review of our Legislation as directed by the Minister over the coming year, to see if our Regulatory system is serving all Nunavummiut and QEC as it should.

#### Canadian Association of Members of Public Utility Tribunal (CAMPUT)

The Chairperson and Secretary for the URRC attended the CAMPUT Annual Educational Conference as part of the Council's continuing education. This year the conference will be held in Montreal Quebec from May 2 to 5, 2010. This conference brings together regulators, utilities from Canada, U.S. and Mexico to discuss emerging issues in electricity and gas markets. This is always a very informative and well attended conference; a must for regulators, utilities and their staff to participate in.

The URRC will be attending the CAMPUT Annual General Meeting (AGM) in August of this year. This conference brings together the member boards from across Canada to discuss events and issues that affect the regulatory community. Representatives are expected to be present from all boards at the meetings in Whitehorse, Yukon. The URRC will be represented by the Chairman and the Council's Executive Director.



CAMPUT as part of its continuing education of its member boards has once again scheduled a number of conferences, training courses and meetings for the upcoming year. The URRC members and staff hope to be able to take part in the continuing education sponsored by CAMPUT over the next year.

#### ON BEHALF OF THE NUNAVUT UTILITY RATES REVIEW COUNCIL

DATED July 30, 2010 Ray Mercer, Chairman