



ᓄᓇᑭᓴᑦ ᐅᓴᓴᓄᓄᓄᓄ ᓄᓄᓄᓄᓄᓄ ᓄᓄᓄᓄᓄᓄ ᓄᓄᓄᓄᓄᓄ

UTILITY RATES REVIEW COUNCIL OF NUNAVUT

IGLUIN AULATJUTITIGUN AKITUTILAANGINNUT KATIMAYIIT NUNAVUNMI

CONSEIL D'EXAMEN DES TAUX DES ENTREPRISES DE SERVICES DU NUNAVUT

2018
ANNUAL REPORT
UTILITY RATES REVIEW COUNCIL
OF NUNAVUT



UTILITY RATES REVIEW COUNCIL OF NUNAVUT

ANNUAL REPORT

For the year ending December 31, 2018

Members of the Legislative Assembly of Nunavut:

I take pleasure in submitting the Annual Report of the Utility Rates Review Council of Nunavut for the year ending December 31, 2018.

Original Signed By:

Premier Joe Savikataaq
Minister responsible for the Utility
Rates Review Council



March 26, 2019

The Honourable Joe Savikataaq

Minister responsible for the
Utility Rates Review Council
Of Nunavut

Dear Mr. Premier:

I have the honour of presenting the Annual Report of the Utility Rates Review Council of Nunavut for the year ending December 31, 2018.

Respectfully submitted,

A handwritten signature in blue ink, which appears to read 'Anthony Rose', is positioned below the 'Respectfully submitted,' text.

Anthony Rose
Chair, Utility Rates Review Council
Of Nunavut

The Utility Rates Review Council of Nunavut

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 Utility Rates Review Council of Nunavut (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 (Review Council).

Under the Act, a designated utility is defined as *a utility or a member of a 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 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 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 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 chair and one member as vice-chair.



As of December 31, 2018, the following URRC members are:

Anthony Rose	Chair
Graham Lock	Vice-Chair
Jimmy Akavak	Member
Robbin Sinclaire	Member
Nadia Ciccone	Member

The appointments for Anthony Rose, Jimmy Akavak, Robbin Sinclaire and Nadia Ciccone are all expiring in the 2019 calendar year. Per section 3 (6) of the URRC Act, members of the Review Council retain their membership until they are re-appointed or a new member is appointed.

Temporary Members

The responsible Minister for the URRC, on the request of the council, may appoint, in addition to the members appointed under Section 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 Section 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.

Consultants

Per Section 8 (1) (b) of the URRC Act, in 2018, the URRC has entered into an agreement with the Alberta Utilities Commission to provide analysis and drafting services for matters referred to the URRC.

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 and indigenous law, in addition to regulatory consultations.

4. **BUDGET**

In 2018-2019 the Review Council operating and maintenance budget was \$475,000.

2018 – 2019 Utility Rates Review Council O&M Budget		
Budget Item	2018-19 Main Estimates	2018-19 Revised Main Estimates
Permanent Salaries	\$188,000	\$188,000
Casual Wages	\$52,000	\$52,000
Travel & Transportation	\$60,000	\$60,000
Materials & Supplies	\$5,000	\$5,000
Purchased Services	\$50,000	\$50,000
Contract Services	\$100,000	\$100,000
Fees & Payments	\$15,000	\$15,000
Other Expenses	\$3,000	\$3,000
Computer Hardware & Software	\$3,000	\$3,000
TOTAL Operations & Maintenance	\$476,000	\$476,000

5. SUMMARY OF 2018 RECOMMENDATIONS:

The following recommendations were made with respect to rates in regard to the following application:

Report # 2018-01 on Qulliq Energy Corporation General Rate Application March 26, 2018.

Qulliq Energy Corporation (QEC) filed a General Rate Application (GRA) for the April 1, 2018, to March 31, 2019, Test Year (2018/19 Test Year) with the responsible Minister for QEC, on October 27, 2017. The responsible Minister referred the matter to the Utility Rates Review Council (URRC) for review and recommendations, pursuant to Section 12 of the *Utility Rate Review Council Act*. This is the fourth GRA filed by QEC since division from the Northwest Territories Power Corporation (NTPC).

1. The following is a summary of the major components of QEC's GRA:

- A reduction in the existing base rate revenues by \$864,000 to reflect the 2018/19 test year forecast revenue requirement of \$134.047 million.
- Realignment of existing community-based rates to reflect Nunavut wide cost of service rates, through a 6 year rate realignment process, commencing in 2018/19. QEC proposed a 5% maximum realignment increase per year.
- Approval of a revenue phase in mechanism starting with the elimination of the Fuel Stabilization Rider refund of 5.41¢/kWh on April 1, 2018, effectively returning rates to base rates approved in the 2014 GRA.

As a result, the URRC made the following recommendations:

- The Utilities Rate Review Council (URRC) supported the proposed move towards rates for all communities based on Nunavut wide cost of service. However, the URRC considered that the maximum rate realignment increases resulting therefore

should be limited to 3% in each of 2018/19 and 2019/20 in order to preserve rate stability for all customers.

- The URRC recommended a reduction in Grise Fiord Plant Fees to be included in rate base from \$20.0 million to \$14.9 million.
- The URRC recommended that the Finance and Audit Committee which reports to QEC's Board of Directors provide a report annually to the Minister Responsible, detailing its independent assessment of the effective implementation of the requirements set out in QEC's capital planning manual. This is recommended to be carried out until the next GRA.
- The URRC recommended that QEC be directed to implement or augment mechanisms to ensure due accountability. In addition to controls and approvals for all activities including retirements, dispositions and write offs.
- The URRC recommended Implementation of effective systems to manage and track QEC's supplies and spares inventory.
- The URRC recommended that QEC address the appropriate treatment of a provision for negative salvage including future retirement and site restoration as part of the next depreciation study, and lastly,
- The URRC recommended awarding QEC a rate of return on equity of 8.30% considering the business risks of QEC to be no higher than those of a generic Canadian utility determined by the Alberta Utilities Commission (AUC) in Decision 20622-D01-2016 dated October 7, 2016.

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

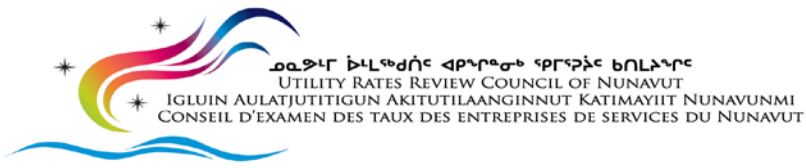
The Canadian Association of Members of Public Utility Tribunals (CAMPUT) is Canada's Energy and Utility Regulators is a self-supporting, non-profit association of Canadian federal, provincial, and territorial regulatory boards and commissions. These boards and commissions are responsible for the regulation of the electric, water, gas, and pipeline utilities in Canada. Some CAMPUT members are also responsible for the regulation of matters such as automobile insurance.

The URRC continued its ongoing association with CAMPUT. The membership of CAMPUT is made up of all the boards and councils from the ten provinces and three territories in addition to the National Energy Board. As part of their ongoing goal of improving numerous types of regulation in Canada, CAMPUT also admitted a number of quasi-judicial boards as associate members to CAMPUT.

CAMPUT's regular conferences, annual general meetings (AGM) and training events offer an invaluable opportunity for members of the URRC to remain well informed and up-to-date on the highly dynamic and demanding field of energy regulation.

The URRC was pleased to host the 2018 CAMPUT Annual General Meeting in Iqaluit in August of 2018. The URRC extends its thanks to the conference organizing committee and speakers from Northern and Southern Canada whose combined efforts resulted in an engaging and universally well received conference program.

The next CAMPUT AGM will be in Halifax, Nova Scotia.



URRC members are actively engaged as members of CAMPUT's Education and Regulatory Affairs Committees. As part of the Council's continuing education, the URRC is represented at CAMPUT's annual conference held each May.

CAMPUT meetings bring together the member boards from across Canada to discuss events and issues that affect the regulatory community.

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

7. A LOOK AHEAD AT 2019

At the end of 2018 the URRC had begun work on a Fuel Stabilization Rate Rider application brought forward as a result of a Territory-wide increase to fuel prices. At the time that this 2018 Annual report was submitted, the URRC FSR Report had gone to Cabinet the previous week.

The URRC notes that QEC has begun development of an Independent Power Producer program and looks forward to reviewing an application to amend QEC's terms of service to allow for the program.

ON BEHALF OF THE UTILITY RATES REVIEW COUNCIL OF NUNAVUT



DATED March 26, 2019
Anthony Rose, 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



Shane Parrish
Board/Commission: National Energy Board
(403) 221-3233
shane.parrish@neb-one.gc.ca

J. Scott MacKenzie, Q.C.
Secretary-Treasurer
Board/Commission: Island Regulatory and Appeals Commission
(902) 892-3501
smackenzie@irac.pe.ca

Christine Long, Chair, Education
Board/Commission: Ontario Energy Board
(416) 440-7647
Christine.long@oeb.ca

David Morton
Chair, International Affairs
Board/Commission: British Columbia Utilities Commission
(604) 660-4700
david.morton@bcuc.com

CAMPUT Executive Director:
Cynthia Chaplin, Executive Director
CAMPUT
(416) 821-3931
cynthia@camput.org