



2022
ANNUAL REPORT
UTILITY RATES REVIEW COUNCIL
OF NUNAVUT



UTILITY RATES REVIEW COUNCIL OF NUNAVUT

ANNUAL REPORT

For the year ending December 31, 2022

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, 2022.

Original Signed By:

Minister David Joanasie
Minister responsible for the Utility
Rates Review Council


April 12, 2023

The Honourable David Joanasié
Minister responsible for the
Utility Rates Review Council
of Nunavut

Dear Minister Joanasié,

I have the honour of presenting the Annual Report of the Utility Rates Review Council of Nunavut for the year ending December 31, 2022.

Respectfully submitted,



256 444-6226

Monica Ell-Kanayuk
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. ORGANIZATION

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, 2022, the following URRC members are:

Monica Ell-Kanayuk	Chair
Graham Lock	Vice-Chair
Robbin Sinclair	Member
Nadia Ciccone	Member
Bill Williams	Member

The appointment of Nadia Ciccone has expired. 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.

Recruiting Members in 2022

In 2022, there has been several attempts to find candidates. The first one was in early 2022 when the Premier sent a letter to all MLAs seeking candidates.

The next one was through an advertisement sent to each community. It ran from October 1 to December 1, 2022. This last attempt has been extended until an Inuk of the Nunavut agreement is found.

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 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. The Alberta Utilities Commission has designated Mr. Wade Vienneau to provide support on all applications received.

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 2022, the Council's operating and maintenance budget was \$341,000.

2022 Utility Rates Review Council O&M Budget	
Budget Item	Main Estimate
Permanent Salaries	\$192,000
Casual Wages	\$52,000
Travel & Transportation	\$20,000
Materials & Supplies	\$5,000
Purchased Services	\$5,000
Contract Services	\$50,000
Fees & Payments	\$10,000
Tangible Expenses	\$5,000
Computer Hardware & Software	\$3,000
Other Expenses	\$97,000
TOTAL Operations & Maintenance	\$341,000

5. SUMMARY OF 2022 RECOMMENDATIONS:

The following recommendations were made with respect to rates regarding the following applications:

Under 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.

Report 2022-01 Kugaaruk/Chesterfield Inlet Respecting Construction of New Power Plants

- In accordance with the above, the URRC recommends as follows:

6. Project-specific recommendations

That the major capital project permit approvals for construction of new power plants in Chesterfield Inlet and Kugaaruk, be approved subject to the following recommendations.

- The project designs in Chesterfield Inlet and Kugaaruk should include sites, buildings, foundations, and other aspects of the facility that are designed for a 40-year life.
 - That QEC be directed, prior to finalizing plant designs, to develop and submit, for consideration by the Minister, viable plant design alternatives that both meet community capacity needs for the first 10-12 years (the time period suggested by QEC) and provide for capacity growth over the lifespan of the plants.
 - That if the projected costs after tendering exceed the proposed costs for Chesterfield Inlet (for the alternative approved by the Minister) by more than 25 percent, that QEC be instructed to prepare and submit a new MPPA to the Minister responsible for QEC.
 - That if the projected costs after tendering exceed the proposed costs for Kugaaruk (for the alternative approved by the Minister) by more than 25 percent, that QEC be instructed to prepare and submit a new MPPA to the Minister responsible for QEC.
 - That the prudence of the actual cost of each of the projects be examined at the time each is proposed to be included in rate base.

- That, at the time of the next applicable GRA, QEC provide details about the removal of assets, related to the two MPPAs, that are no longer used and required to be used (e.g., gensets, buildings and ancillary equipment). This should include the retirement of the assets and associated dismantling and cleanup costs.

General recommendations

- That QEC provide information to the URRC about the detailed plans, cost and status of the cleanup at the existing power plants, an assessment of residual liability for the sites that have unacceptable structural issues after removal from service, and any plans for redeployment/reutilization of the gensets in the next applicable GRA.
- That future MPPAs provide an assessment of other feasible approaches/options rather than replace or not (with the latter always being unacceptable nor feasible given current/future demand). For example, future power plant applications could be based on long-term forecast needs but provide flexible approaches for meeting the needs as they change.
- That if QEC is unable to access funding from the AEF program, or any other future federal fund assistance programs, as stated in any of the Applications and IR responses, that the Minister instruct the corporation to prepare and submit a new MPPA for approval as the loss of the funding would be considered a significant change.
- That QEC have its ability to simultaneously plan and execute six large projects assessed by an independent third party with a focus on identifying and mitigating areas of weakness and/or risk.
- That QEC advise the Minister of its plans and timing to improve or replace the power plants at the remaining communities that have power plants more than 40

years old or have structural damage to the building site in order that redeployment opportunities can be properly assessed. This information should also be provided in the next GRA as supplemental information stemming from those plans and assessment

Report 2022-02. General Rate Application (GRA)

The URRC recommendations on the GRA for test year 2022-2023, are the following:

Revenue requirement recommendations

That the 2022/23 forecast revenue requirement of \$144.015 million be approved subject to the following recommendations:

- That QEC adjust its fuel efficiency forecast methodology to include the estimated fuel efficiency for new or materially altered power plants for the first three years of operation. After the three-year period, the use of the three-year weighted average method would be reasonable.
- That QEC estimate site restoration expenses based on the work it plans to undertake in the test year.

Rate design recommendations

That the transition to Nunavut-wide rates be approved subject to the following recommendations:

- That rates be designed to collect \$141.504 million (i.e., revenue requirement of \$144.015 less non-electricity revenues of \$2.511 million).
- That QEC move at least one third of the way toward full Revenue Cost Coverage with respect to demand and customer charges. Similar to how QEC limited the increases on non-government customers to 5.1 per cent, the URRC recommends that QEC

increase demand and customer charges in a manner that limits the overall bill impacts to 5.1 per cent for non-government customer rate classes.

- That QEC create Municipal Tax-Based and Municipal Non-Tax-Based rates. For the purposes of the general rate application the Municipal Tax-Based rate(s) for the City of Iqaluit could be determined similarly to the non-government rate(s).
- The URRC recommends that the new Municipal Tax-Based rate should see the same 5.1 per cent increase as all other non-government customers. The URRC also recommends that other government and Municipal Non-Tax-Based customer rates be adjusted to recover the shortfall that will result from reclassifying the City of Iqaluit government customers.
- That, in the event QEC does not create Municipal Tax-Based and Municipal Non-Tax-Based rates, the shortfall created by the City of Iqaluit reclassification be allocated to all other government accounts in the manner proposed by QEC.
- That QEC monitor the impacts of the proposed transition to Nunavut-wide rates (including the reclassification of City of Iqaluit accounts) and reassess based on the Government of Nunavut's response and/or adjustments made to how it funds hamlets. Further, if adverse outcomes are observed, QEC make an application to address such impacts.

Report 2022-03 Heat Rate Formula Revision

Having considered the foregoing matters, the URRC recommends as follows:

Heat Rate Formula Revision

- That the QEC reduce the cost factor used in the heat rate formula from 90% to 75% effective December 1, 2022.
- The URRC recommends that QEC demonstrate (using a business case) that any new DHS projects are economic and if an application to the Minister is required.

Future GRAs and general recommendations

- That QEC identify DHS amounts excluded/deducted from its revenue requirement in future GRAs.
- That if DHS revenue does not exceed O&M then QEC should apply to the Minister if its plans to correct the situation require a rate change or the expenditure of enough capital to trigger an application.
- That QEC apply to the Minister if the results of the third party external review of DHS require a rate change or the expenditure of enough capital to trigger an application.

Note that nothing in these Reports shall prejudice the URRC in its consideration of any other matters respecting QEC.

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

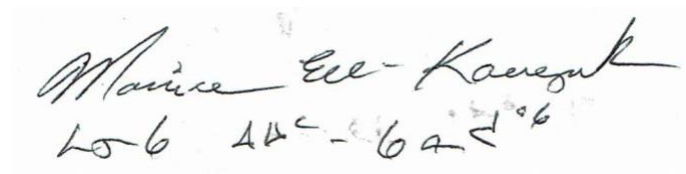
The Canadian Association of Members of Public Utility Tribunals (CAMPUT) is Canada's Energy and Utility Regulators. It is a self-supporting, non-profit association of Canadian federal, provincial, and territorial regulatory boards and commissions. These boards, councils and commissions are responsible for the regulation of the electric, water, gas, and pipeline utilities across 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 its ongoing goal of improving numerous types of regulation in Canada, CAMPUT also admitted several quasi-judicial boards as associate members to CAMPUT.

7. A LOOK AHEAD AT 2023

Looking forward to 2023, the URRC will continue to review and make recommendations respecting applications forthcoming from the Minister Responsible for Qulliq Energy Corporation. The URRC anticipates applications from QEC respecting upgrades/replacements to power plants, adjustments to the net metering program, and a Fuel Stabilization Rider (FSR).

ON BEHALF OF THE UTILITY RATES REVIEW COUNCIL OF NUNAVUT



Monica Ell-Kanayuk
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DATED April 12, 2023
Monica Ell-Kanayuk, Chair