



# **Standing Committee on Oversight of Government Operations and Public Accounts**

## ***Report on the Review of the 2012-2013 Annual Report and 2014-2018 Corporate Plan of the Qulliq Energy Corporation***

**2<sup>nd</sup> Session of the 4<sup>th</sup> Legislative Assembly of Nunavut  
Fall 2014 Sitting**

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Simeon Mikkungwak, MLA  
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Joe Savikataaq, MLA  
Isaac Shooyook, MLA**

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## Introduction

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Subsection 35(3) and section 36 of the *Qulliq Energy Corporation Act* provide that:

### Annual report

35. (3) The Corporation shall, within three months after the end of each fiscal year, prepare a report on the preceding fiscal year in accordance with the *Financial Administration Act*.

### Tabling of report

36. The Minister shall table before the Legislative Assembly a copy of the report referred to in subsection 35(3) at the first session of the Legislative Assembly following the receipt of the report by the Minister.

The Qulliq Energy Corporation's 2012-2013 annual report was tabled in the Legislative Assembly on March 19, 2014. The Qulliq Energy Corporation's 2014-2018 corporate plan was tabled in the Legislative Assembly on June 12, 2014.

The Qulliq Energy Corporation plays a significant role in Nunavut's economy and the day-to-day lives of residents.

The Qulliq Energy Corporation's current corporate plan anticipates that it will raise approximately \$135 million in revenue during the 2014-2015 fiscal year and spend approximately \$113 million on fuel and other operating expenses. The Qulliq Energy Corporation has approximately 200 positions in Nunavut's 25 communities.

The Qulliq Energy Corporation's primary source of revenue is the sale of power to residential customers, businesses and other entities.

The Qulliq Energy Corporation differs from the government's departments and other major Crown agencies and territorial corporations insofar as its annual operations and maintenance budget and annual capital budget are not appropriated by the Legislative Assembly through the main estimates and capital estimates approval process.

This process, which is undertaken through the proceedings of the Legislative Assembly's Committee of the Whole, provides elected Members of the Legislative Assembly with the opportunity to directly question witnesses, in detail, on planned expenditures and initiatives, prior to voting on the requested appropriation.

Consequently, in the interest of transparency and accountability, the Standing Committee undertook to hold a hearing on the Qulliq Energy Corporation's most recently-tabled annual report and current corporate plan.

The September 23, 2014, hearing on the 2012-2013 annual report and 2014-2018 corporate plan of the Qulliq Energy Corporation took place in the Chamber of the Legislative Assembly.

The Standing Committee's hearing was televised live across the territory and was open to the public and news media to observe from the Visitors' Gallery. The transcript from the Standing Committee's hearing is available on the Legislative Assembly's website.

## Chronology of Recent Events

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- On October 30, 2007, *Ikummatiit: the Government of Nunavut's Energy Strategy*, was tabled in the Legislative Assembly.
- On November 1, 2007, the provisions in the *Qulliq Energy Corporation Act* providing for the creation of an Affordable Energy Fund came into force.
- On February 24, 2011, the Qulliq Energy Corporation's 2009-2010 report on contracting, procurement and leasing activities was tabled in the Legislative Assembly by the Minister responsible for the Qulliq Energy Corporation. As of October 20, 2014, annual reports for the 2010-2011, 2011-2012, 2012-2013 and 2013-2014 fiscal years have not yet been tabled.
- On July 1, 2012, responsibility for the Government of Nunavut's Energy Secretariat was transferred from the Department of Executive and Intergovernmental Affairs to the Department of Economic Development and Transportation.
- On October 23, 2012, the Qulliq Energy Corporation's *Action Plan in Response to the Auditor General of Canada's 2012 Report on Procurement of Goods and Services* was tabled in the Legislative Assembly.
- On September 17, 2013, the 2013-2014 Ministerial *Letter of Expectation* to the Chairperson of the Qulliq Energy Corporation's Board of Directors and the Chairperson's response to the *Letter of Expectation* were tabled in the Legislative Assembly by the Minister responsible for the Public Agencies Council.
- On November 1, 2013, the Qulliq Energy Corporation's 2014 General Rate Application (GRA) was submitted to the Utility Rates Review Council (URRC).
- On November 7, 2013, the Qulliq Energy Corporation's 2014 General Rate Application (GRA) was withdrawn.
- On November 28, 2013, the Premier announced the departure of the former President of the Qulliq Energy Corporation, Mr. Peter Mackey, and the appointment of the new President of the Qulliq Energy Corporation, Mr. Peter Ma. The formal notice of the appointment of the new President was published in Part I of the March 2014 edition of the *Nunavut Gazette*.
- On December 20, 2013, the Qulliq Energy Corporation re-submitted its 2014 General Rate Application (GRA) to the Utility Rates Review Council.
- On December 31, 2013, the Qulliq Energy Corporation's collective agreement with Nunavut Employees Union expired.

- On January 6, 2014, the former Chairperson of the Qulliq Energy Corporation’s Board of Directors issued a news release concerning his resignation and those of a majority of the members of the Board of Directors.
- On January 6, 2014, and May 9, 2014, new appointments to the Qulliq Energy Corporation’s Board of Directors were made. As of September 1, 2014, the members of the Qulliq Energy Corporation’s Board of Directors are:
  - David Omilgoetok, Chairperson (Cambridge Bay)
  - Julie-Anne Elizabeth Miller, Vice-Chairperson (Iqaluit)
  - Joshua Arreak (Pond Inlet)
  - Philip Clark (Mississauga, Ontario)
  - Elijah Evaluardjuk (Igloolik)
  - George Hickes (Winnipeg, Manitoba)
  - Roy Mullins (Chesterfield Inlet)
  - Nelson Pisco (Iqaluit)
  - T. Bert Rose (Iqaluit)
  - Allysha Sateana (Rankin Inlet)
- On January 29, 2014, the Minister responsible for the Qulliq Energy Corporation formally advised the Utility Rates Review Council by way of correspondence that the Minister had issued instructions to the QEC that would:
  - “1. To retract the instruction to move towards a territorial rate that was issued to QEC by a letter of instruction on February 20, 2012 from a former Minister responsible for QEC.
  2. To remove Phase II of QEC's 2014/15 General Rate Application, currently under review by the Utility Rates Review Council, and seek only implementation of Phase I component of the Application by way of an equal percentage across-the board increase to current rates. All customers would see the same percentage increase in their current rates.
  3. To file a Phase II General Rate Application that provides several Cost of Service study options for consideration in its next General Rate Application, that is expected to be submitted by 2018.”
- On February 14, 2014, the Qulliq Energy Corporation filed amendments to its General Rate Application.
- On March 19, 2014, the Minister responsible for the Qulliq Energy Corporation announced in the Legislative Assembly that the corporation’s 2014 General Rate Application (GRA) had been modified to “retract the move to a territorial rate.” Additional amendments to the Qulliq Energy Corporation’s General Rate Application were filed with the Utility Rates Review Council on this date.

- On March 19, 2014, the Qulliq Energy Corporation's 2012-2013 annual report was tabled in the Legislative Assembly by the Minister responsible for the Qulliq Energy Corporation.
- On April 28, 2014, the Utility Rates Review Council's Report to the Minister responsible for the Qulliq Energy Corporation on the Qulliq Energy Corporation's 2014 General Rate Application (GRA) was submitted.
- On May 16, 2014, the Utility Rates Review Council's Final Report to the Minister responsible for the Qulliq Energy Corporation on the Qulliq Energy Corporation's 2014 General Rate Application (GRA) was submitted.
- On May 30, 2014, the Qulliq Energy Corporation's revised *Terms and Conditions of Service* came into effect.
- On June 3, 2014, the Qulliq Energy Corporation publicly announced that it had been authorized to impose an increase in base rates of 7.1%, effective May 1, 2014, to all customer classes and communities.
- On June 12, 2014, the Qulliq Energy Corporation's 2014-2018 corporate plan was tabled in the Legislative Assembly by the Minister responsible for the Qulliq Energy Corporation.

## Observations and Recommendations

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### Issue: Corporate Governance

During the Standing Committee's September 23, 2014, hearing on the 2012-2013 annual report and 2014-2018 corporate plan of the Qulliq Energy Corporation, Members raised a number of questions concerning the Qulliq Energy Corporation's governance framework. It is important to note that the following observations concern matters distinct from the regulatory processes that are prescribed by the *Utility Rates Review Council Act*.

Members noted that there are a number of entities and individuals that have roles within the corporation's governance framework, including:

- The Chairperson and members of the Board of Directors of the Qulliq Energy Corporation;
- The Minister responsible for the Qulliq Energy Corporation;
- The President of the Qulliq Energy Corporation;
- The Financial Management Board;
- The Executive Council; and
- The Public Agencies Council.

However, there has been a lack of public clarity as to where the final decision-making authority rests with respect to such matters as the:

- Approval of the Qulliq Energy Corporation's multi-year corporate plans;
- Approval of the Qulliq Energy Corporation's strategic plans;
- Approval of the Qulliq Energy Corporation's annual reports;
- Approval of the annual Ministerial *Letter of Expectation* to the Chairperson of the Qulliq Energy Corporation's Board of Directors;
- Approval of the Qulliq Energy Corporation's annual operations and maintenance budget;
- Approval of the Qulliq Energy Corporation's annual and multi-year capital plans and budgets;
- Approval of tentative collective agreements with the Nunavut Employees Union;
- Appointment of the President of the Qulliq Energy Corporation; and
- Appointment of the Chairperson and members of the Qulliq Energy Corporation's Board of Directors.

To illustrate this ambiguity, section 12 of the *Qulliq Energy Corporation Act* provides that:

President

12. (1) There shall be a president of the Corporation appointed by the Minister, on the recommendation of the Board.

Remuneration

(2) The Minister shall, on the recommendation of the Board, fix the remuneration and other terms and conditions of employment of the president.

On November 28, 2013, the Premier of Nunavut formally announced the departure of the former President of the Qulliq Energy Corporation and the appointment of a new President of the Qulliq Energy Corporation. The formal notice of the appointment of the new President was published in Part I of the March 2014 edition of the *Nunavut Gazette*. On September 26, 2014, the Premier of Nunavut formally announced the appointment of a new President of the Qulliq Energy Corporation. The extent to which these appointments were made in conformity with section 12 of the *Qulliq Energy Corporation Act* is not entirely clear.

In 2011, the *Nunavut Housing Corporation Act* was amended by the Legislative Assembly to require the establishment of an audit committee of the corporation's board of directors. The legislation provides that:

Audit committee

(3) The Board shall establish an audit committee to ensure the critical and objective oversight of the Corporation's

(a) standards of integrity and behaviour;

(b) reporting of financial information; and

(c) practices of strategic management and financial control.

The Qulliq Energy Corporation's 2014-2018 corporate plan indicates that the role of the Board Governance and Policy Committee of the Board of Directors is to "update Board governance and operating policies."

**Standing Committee Recommendation #1:**

**The Standing Committee recommends** that the *Qulliq Energy Corporation Act* be amended to require the establishment of an audit committee of the corporation's board of directors. These amendments should parallel, to the greatest practicable extent, the 2011 amendments to the *Nunavut Housing Corporation Act*.

**The Standing Committee further recommends** that all approved governance and operating policies of the Board of Directors of the Qulliq Energy Corporation be tabled in the Legislative Assembly as soon as practicable.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report clarify, in detail, the respective authorities of the Chairperson and members of the Board of Directors of the Qulliq Energy Corporation, the Minister responsible for the Qulliq Energy Corporation, the President of the Qulliq Energy Corporation, the Financial Management Board, the Executive Council and the Public Agencies Council with respect to the:

- Approval of the Qulliq Energy Corporation's multi-year corporate plans;
- Approval of the Qulliq Energy Corporation's strategic plans;
- Approval of the Qulliq Energy Corporation's annual reports;
- Approval of the annual Ministerial *Letter of Expectation* to the Chairperson of the Qulliq Energy Corporation's Board of Directors;
- Approval of the Qulliq Energy Corporation's annual operations and maintenance budget;
- Approval of the Qulliq Energy Corporation's annual and multi-year capital plans and budgets;
- Approval of tentative collective agreements with the Nunavut Employees Union;
- Appointment of the President of the Qulliq Energy Corporation; and
- Appointment of the Chairperson and members of the Qulliq Energy Corporation's Board of Directors.

**Issue: Qulliq Energy Corporation's Contracting, Procurement and Leasing Activities**

On February 24, 2011, the Qulliq Energy Corporation's 2009-2010 annual report on contracting, procurement and leasing activities was tabled in the Legislative Assembly by the Minister responsible for the Qulliq Energy Corporation. On October 21, 2014, the 2011-2012 and 2012-2013 annual reports on contracting, procurement and leasing activities were tabled in the Legislative Assembly.

It is noteworthy that the 2013-2014 Ministerial *Letter of Expectation* to the Chairperson of the Board of Directors of the Qulliq Energy Corporation instructed the corporation to prepare for tabling in the Legislative Assembly a "comprehensive report on all procurement, contracting and leasing activities undertaken by the Qulliq Energy Corporation."

On October 23, 2012, the Qulliq Energy Corporation's *Action Plan in Response to the Auditor General of Canada's 2012 Report on Procurement of Goods and Services* was tabled in the Legislative Assembly.

An ongoing issue that has not been resolved is the extent to which the Government of Nunavut's NNI Policy applies to the contracting, procurement and leasing activities of the Qulliq Energy Corporation.

Although the corporation's 2009-2010 report on contracting, procurement and leasing activities indicates that the NNI Policy was applied by the corporation during that fiscal year, testimony provided by the corporation's former President on the occasion of the consideration of the Auditor General of Canada's 2012 *Report on Procurement of Goods and Services* indicated that the corporation considered itself to be exempt from the NNI Policy on the grounds that "following the NNI Policy increases the cost of operating the utility. This cost is passed on to customers in the electricity rates."

In response to Members' questions on this issue during the Standing Committee's September 23, 2014, hearing, the President of the Qulliq Energy Corporation stated that:

"Right now, part of the Government of Nunavut's NNI review committee that was struck by the Department of Executive and Intergovernmental Affairs and the Department of Economic Development and Transportation. So we have been part of that whole review process. I think it's the view of the Minister and certainly the board to see somehow that we implement NNI within the corporation. At this point, I can't tell you when, but we've been very actively engaged with that review process."

**Standing Committee Recommendation #2:**

**The Standing Committee recommends** that the Qulliq Energy Corporation's annual contracting, procurement and leasing reports for the 2010-2011 and 2013-2014 fiscal years be tabled in the Legislative Assembly as soon as practicable.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update on the status of the Qulliq Energy Corporation's implementation of its *Action Plan in Response to the Auditor General of Canada's 2012 Report on Procurement of Goods and Services*.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report clarify the extent to which the NNI Policy applies to the Qulliq Energy Corporation's contracting, procurement and leasing activities.

**Issue: Qulliq Energy Corporation’s Organizational Design and Inuit Employment Initiatives**

The Qulliq Energy Corporation’s 2014-2018 corporate plan indicates that the corporation has a total of 194 positions, 174 of which were filled as of March 31, 2014. Although the Qulliq Energy Corporation’s “headquarters” is located in Baker Lake, its “directorate” is located in Iqaluit. The majority of the corporation’s executive and senior management positions are located in Iqaluit. This situation is analogous to that of the Nunavut Housing Corporation, which has a “headquarters” located in Arviat and a “directorate” located in Iqaluit.

The Qulliq Energy Corporation’s 2014-2018 corporate plan indicates that it had a total of 7 senior management positions as of March 31, 2014. 6 of these positions were filled and one was vacant. No senior management positions were filled by beneficiaries of the *Nunavut Land Claims Agreement*.

The Qulliq Energy Corporation’s 2014-2018 corporate plan indicates that it had a total of 24 middle management positions as of March 31, 2014. 21 of these positions were filled and three were vacant. Three middle management positions were filled by beneficiaries of the *Nunavut Land Claims Agreement*.

During the Standing Committee’s September 23, 2014, hearing, a number of questions were asked by Members concerning the Qulliq Energy Corporation’s organizational design and Inuit employment initiatives. With respect to the issue of relocating the corporation’s executive and senior management positions to its headquarters in Baker Lake, testimony from the President of the Qulliq Energy Corporation indicated that:

“... that’s a decision for Executive Council to make. I think, in all honesty, we’re maybe a bit early in our development as a government. Certainly it’s always been the intention and the dream when Nunavut was created to decentralize as many positions to the communities as well so they can gain the economic opportunities and employment and training opportunities. At this point in time, my honest answer to you is I don’t know when but hopefully someday in the near future that would happen.”

**Standing Committee Recommendation #3:**

**The Standing Committee recommends** that the Government of Nunavut’s response to this report provide a detailed timeline for the achievement of a fully representative workforce for each of the Qulliq Energy Corporation’s six occupational categories.

**The Standing Committee further recommends** that the Government of Nunavut’s response to this report provide a detailed timeline for the relocation of the Qulliq Energy Corporation’s executive and senior management positions to its headquarters in Baker Lake.

**Issue: Capital Planning, Hydroelectric Development and Wind Energy**

The Qulliq Energy Corporation's 2014-2018 corporate plan indicates that "due to a lack of corporate and private ratepayers, there is an inability to charge suitable rates to generate the necessary revenue in small communities to properly fund the required maintenance and capital improvements to the power infrastructure. The corporation continues to address the lack of revenue by filing General Rate Applications and Fuel Stabilization Rider applications, and requesting the Government of Nunavut to cover Fuel Stabilization Rider shortfalls."

The Qulliq Energy Corporation's 2012-2013 annual report indicated that the corporation was in the process of "securing additional borrowing of \$74,000,000 to fund capital expenditures over a three-year period from 2013 to 2015."

The Qulliq Energy Corporation's 2014-2018 corporate plan indicates that one of its priorities for the 2014-2015 fiscal year has been to "develop a 40-year long-term capital planning document identifying major capital projects." It also indicates that one of its priorities for the 2014-2015 fiscal year has been to "identify power plant replacement priorities for the next 5-year capital plan."

The Qulliq Energy Corporation's response to its 2013-2014 Ministerial *Letter of Expectation* stated that "there is an immediate need to replace 17 power plants in the next decade."

In its April 28, 2014, report concerning the Qulliq Energy Corporation's recent General Rate Application, the Utility Rates Review Council noted that the Qulliq Energy Corporation has been "actively seeking diverse approaches to financing its infrastructure requirements," including the use of Public-Private Partnerships (P3s).

In its April 28, 2014, report concerning the Qulliq Energy Corporation's recent General Rate Application, the Utility Rates Review Council also raised concerns regarding the significant differences between what the corporation planned to spend on its Iqaluit main power plant expansion and distribution system upgrade projects, and the actual costs of these capital projects. The Utility Rates Review Council stated that the increases in costs for these capital projects provided "grossly misleading signals to customers of the QEC." It also indicated that "[cost] overruns of 43% and 58% are clearly outside acceptable norms."

On October 30, 2007, *Ikummatiit: the Government of Nunavut's Energy Strategy*, was tabled in the Legislative Assembly. *Ikummatiit* indicated that the Qulliq Energy Corporation and the Petroleum Products Division of the Department of Community and Government Services would be "reviewing the[ir] business and working relationship."

In its April 28, 2014, report concerning the Qulliq Energy Corporation's recent General Rate Application, the Utility Rates Review Council also raised concerns regarding the Qulliq Energy Corporation's current fuel storage capacity in Nunavut communities. In its

report, it noted that “in Iqaluit alone, the shortage of fuel tank capacity caused QEC to incur additional charges from February 2013 forward, which, on an annualized basis, would amount to a fuel cost increase of more than \$1.0 million.”

The Qulliq Energy Corporation’s 2014-2018 corporate plan indicates that one of its current initiatives to “reduce Nunavut’s dependence on fossil fuels” is the “creation of an Arctic Wind Test facility in Arviat.”

The Qulliq Energy Corporation’s 2012-2013 annual report indicated that “Wind monitoring equipment was erected in Cape Dorset in the fall of 2012. The data being collected is currently being analyzed over a 12-month period to gain an understanding of the actual wind potential for the Cape Dorset site. The 12 month collection of data is the first step required for any further development of a wind site.”

In its April 28, 2014, report concerning the Qulliq Energy Corporation’s recent General Rate Application, the Utility Rates Review Council noted that the Qulliq Energy Corporation has had “discussions with a potential mine, Agnico-Eagle, in Rankin Inlet to share the diesel generation plant costs in the community.”

During the Standing Committee’s September 23, 2014, hearing, a number of questions were asked by Members concerning work being undertaken under the auspices of the Hudson Bay Neighbours Regional Roundtable with respect to hydroelectric power transmission from Manitoba to the Kivalliq, as well as the status of hydroelectric development in the vicinity of Iqaluit.

**Standing Committee Recommendation #4:**

**The Standing Committee recommends** that the Qulliq Energy Corporation’s 40-Year Capital Planning Document that is referenced in its 2014-2018 corporate plan be tabled in the Legislative Assembly no later than March 31, 2015.

**The Standing Committee further recommends** that the Government of Nunavut’s response to this report provide a detailed update concerning what specific actions have been taken by the Qulliq Energy Corporation to address the capital planning deficiencies that were noted by the Utility Rates Review Council in reference to the Iqaluit main power plant expansion and distribution system upgrade projects.

**The Standing Committee further recommends** that the Government of Nunavut’s response to this report provide a detailed update concerning what specific actions have been taken by the Qulliq Energy Corporation to address the fuel storage capacity issues that were noted by the Utility Rates Review Council in its April 28, 2014, report concerning the Qulliq Energy Corporation’s recent General Rate Application.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update concerning what current or planned initiatives are, or will be, undertaken by the Qulliq Energy Corporation and the Petroleum Products Division of the Department of Community and Government Services with respect to fuel pricing, fuel purchases and other areas in which the entities have contractual or working relationships.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update concerning the Qulliq Energy Corporation's ongoing and planned initiatives with respect to the use of Public-Private Partnerships (P3s) for the purpose of power plant construction and/or alternative energy development.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update concerning work being undertaken under the auspices of the Hudson Bay Neighbours Regional Roundtable with respect to hydroelectric power transmission from Manitoba to the Kivalliq.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update concerning the status of hydroelectric development in the vicinity of Iqaluit.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update concerning the status of the Qulliq Energy Corporation's Arctic Wind Test facility in Arviat.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update concerning the status of the Qulliq Energy Corporation's wind energy test project in Cape Dorset.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed update concerning the status of the Qulliq Energy Corporation's discussions with Agnico-Eagle Mines concerning power generation issues in the Kivalliq.

**Issue: Affordable Energy Fund**

Section 39.1 of the *Qulliq Energy Corporation Act* provides that:

Affordable Energy Fund

39.1. (1) There shall be established in the accounts of Nunavut an account to be known as the "Affordable Energy Fund".

Purpose

(2) The purpose of the Fund is to hold money appropriated to it in order, directly or indirectly, to subsidize the cost of energy or otherwise make energy more affordable.

Part of Consolidated Revenue Fund

(3) The Fund forms a part of the Consolidated Revenue Fund.

Credits to Fund

(4) There shall be credited to the Fund all money appropriated to the Fund to directly or indirectly subsidize the cost of energy or otherwise make energy more affordable.

Transfers from Fund

(5) The Minister may, by order, authorize the transfer of money from the Affordable Energy Fund to fulfill the purpose of the Fund, and may include in the order any conditions the Minister considers necessary on the use of the money.

On November 1, 2007, the provisions in the *Qulliq Energy Corporation Act* providing for the creation of an Affordable Energy Fund came into force.

On October 30, 2007, *Ikummatiit: the Government of Nunavut's Energy Strategy*, was tabled in the Legislative Assembly. *Ikummatiit* stated in part that:

"The GN's energy-subsidy programs are multi-layered and complex, making it difficult to monitor and track energy subsidies. As a result, the true cost of meeting Nunavut's energy demand is difficult to ascertain. Most Nunavummiut do not know the true level of subsidization because of this complexity. The general lack of public knowledge of the high level of subsidization is one reason why the Government is urged to increase subsidies when energy prices rise, as they have over the last several years. An affordable energy fund would include a tracking and reporting mechanism. It may also include the management of direct and indirect subsidies."

*Ikummatiit* also stated that:

"The Government of Nunavut will proclaim legislation creating an Affordable Energy Fund on November 1, 2007. The Affordable Energy Fund will be managed by the Department of Finance. Funding will be made available for

alternative energy and efficiency projects. In addition, the department will track direct and indirect energy subsidies.”

The formal *Mission Statement* of the Qulliq Energy Corporation is as follows:

“QEC provides safe, reliable and efficient electricity and plans long-term, affordable energy for Nunavummiut.”

However, the extent to which the Affordable Energy Fund has been utilized remains unclear. In response to Members’ questions on this issue during the Standing Committee’s September 23, 2014, hearing, the president of the Qulliq Energy Corporation stated that:

“To my knowledge, there is zero in that affordable energy fund at this point in time ... back in my day as the Deputy [Minister] of Finance, I think that responsibility ended up being with Finance. I don’t know why, but I think it did. I don’t actually currently know where it sits, but I think it’s back to QEC ... it has obviously sat dormant for the last five, six, or seven years, I guess, and we need to do something with it.”

**Standing Committee Recommendation #5:**

**The Standing Committee recommends** that the Government of Nunavut’s response to this report clarify which department, Crown agency or territorial corporation is responsible for administering the Affordable Energy Fund under section 39.1 of the *Qulliq Energy Corporation Act*.

**The Standing Committee further recommends** that the Government of Nunavut’s response to this report clarify, in detail, the specific factors that have accounted for no funds having been appropriated to date for the purpose of administering the provisions of section 39.1 of the *Qulliq Energy Corporation Act*.

**The Standing Committee further recommends** that the Government of Nunavut’s response to this report clarify, in detail, its short-, medium- and long-term plans with respect to the administration of the Affordable Energy Fund.

**Issue: Contaminated Sites**

The Qulliq Energy Corporation's 2012-2013 annual report indicated that:

“Significant environmental costs have been identified by the corporation; however, a provision for environmental liabilities was not recognized because the corporation believes it is not responsible for these remediation costs. A provision for environmental liabilities will be accrued in the financial statements if it is determined that the corporation is liable for the remediation of a site that is contaminated.”

The Qulliq Energy Corporation's 2014-2018 corporate plan indicates that it has:

“... inventoried its sites for environmental issues, and has two full-time staff from the health, safety and environment department engaged in prevention and remediation. The corporation is anticipating that the federal government will take responsibility for remediation of these inherited sites.”

Significant discussion took place during the Standing Committee's September 23, 2014, hearing concerning the issue of contaminated sites that were inherited from the federal Northern Canada Power Commission. The Standing Committee is disappointed at the lack of federal willingness to accept responsibility for site remediation costs.

**Standing Committee Recommendation #6:**

**The Standing Committee recommends** that the Government of Nunavut's response to this report provide a detailed inventory of contaminated sites that were inherited from the federal Northern Canada Power Commission, and that this inventory include a detailed description of the nature and extent of the contamination at each site.

**The Standing Committee further recommends** that the Government of Nunavut's response to this report provide a detailed chronology of formal communications that have taken place since April 1, 1999, between the Qulliq Energy Corporation and the Government of Canada concerning the issue of remediation of contaminated sites that were inherited from the federal Northern Canada Power Commission.