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UTILITY RATES REVIEW COUNCIL OF NUNAVUT

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

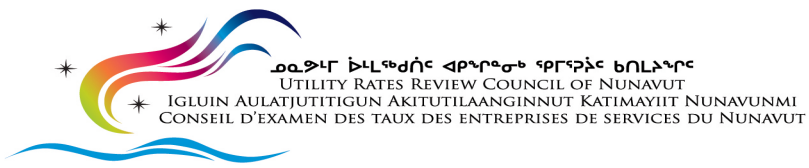
2021
ANNUAL REPORT
UTILITY RATES REVIEW COUNCIL
OF NUNAVUT



UTILITY RATES REVIEW COUNCIL OF NUNAVUT

ANNUAL REPORT

For the year ending December 31, 2021

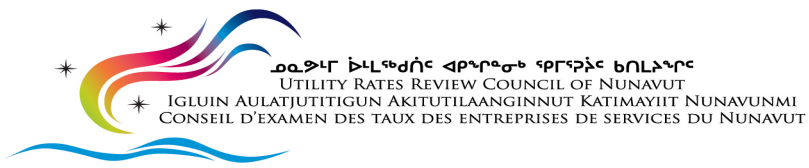


Members of the Legislative Assembly of Nunavut:

I take pleasure in submitting the Annual Report of the Utility Rates Review Council of Nunavut for the year ending December 31, 2021.

Original Signed By:

Premier Akeeagok
Minister responsible for the
Utility Rates Review Council
of Nunavut



March 31st, 2022

The Honourable PJ Akeeagok
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, 2021.

Respectfully submitted,

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, therefore 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 regarding 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, 2021, the following URRC members are:

Anthony Rose	Chair
Graham Lock	Vice-Chair
Robbin Sinclair	Member
Nadia Ciccone	Member
Bill Williams	Member

The appointments for Anthony Rose and Nadia Ciccone expire in 2022. In 2021, Bill Williams was appointed to fill a vacancy. And Robbin Sinclair was reappointed as member. Per section 3 (6) of the URRC Act, members of the Review Council retain their membership until they are re-appointed, a new member is appointed, or resigns. Mr. Lock's appointment expired in 2021 and Mr. Rose in February 2022.

Temporary Members

The Minister for the URRC, on the request of the Council, may appoint, in addition to 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.

Per Section 8 (1) (b) of the URRC Act, the URRC retains Mr. John Donihee as Legal Counsel. Mr. Donihee comes to the URRC with extensive knowledge and expertise in energy and indigenous law, in addition to regulatory consultations. The URRC has not required his services for several years. He does not require a retainer.

4. **BUDGET**

In 2021, the Council's operating and maintenance budget was \$341,000 compared to \$475,000 in recent years.

2021 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

This was largely in keeping with the Government of Nunavut's austerity measures during the COVID-19 pandemic. Those measures included suspending in-person Council meetings as well as the cancellation of all in-person training and professional development events.

5. SUMMARY OF 2021 RECOMMENDATIONS:

The following recommendations were made with respect to matters 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 2021-01 Fuel Stabilisation Rider (FSR) ending September 2021

- In accordance with the above, the URRC recommends that a fuel stabilization rate refund rider of 1.29 cents per kWh be approved for QEC, for the period April 1, 2021, to September 30, 2021.

Report 2021-02 Power Plants MPP

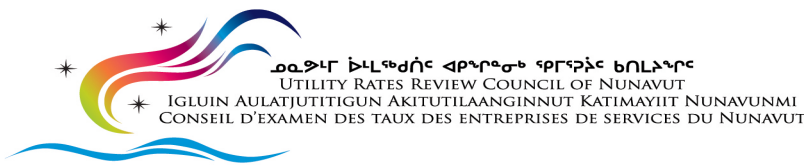
On March 3, 2021, QEC applied to the responsible Minister for approval of major capital project permits for new power plants in the communities of Cambridge Bay, Gjoa Haven and Igloolik, and the replacement of a generator set (genset) in the Iqaluit power plant (the Applications). On March 12, 2021, the Minister requested advice from the URRC with respect to the Applications. The URRC's consideration of these matters as set out in its report are as follows:

- That the major capital project permit approvals for construction of new power plants in Cambridge Bay, Gjoa Haven and Igloolik, and a genset replacement in the Iqaluit power plant as described in the Applications and Information Request (IR) responses be approved.

- That if the projected costs after tendering exceed the proposed costs for Cambridge Bay of \$50.237 million 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 Gjoa Haven of \$36.274 million 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 Igloolik of \$35.745 million 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 Iqaluit of \$8.415 million by more than 25 percent, that QEC be instructed to prepare and submit a new MPPA to the Minister responsible for QEC.
- That QEC retain an engineering company with experience in the local soil, topography and weather conditions and utilize design criteria that will assure that reported foundation deterioration found in existing plants will not repeat itself at the new sites (example of Cambridge Bay, Gjoa Haven and Igloolik).
- 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 general rate application (GRA), QEC provide details about the removal of assets, related to the four major project permit application (MPPA), that are no longer used and required to be used (for example, gensets, buildings and ancillary equipment). This should include the retirement of the assets and associated dismantling and clean-up 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 GRA.
- That future MPPA applications 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 yet provide flexible approaches for meeting the needs as they change.
- That if QEC is unable to access funding from the AEF program 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 advise the Minister regarding the financial responsibility for cost variances within the AEF program (i.e., if there is a cost overrun for a project, is the overrun eligible for AEF funding or is it to be borne by QEC and hence intended to be recovered from customer rates?).
- That information regarding the AEF funds used, proposed/applied for, as well as plans for potential projects that would make use of the remaining funds should be part of QEC's corporate strategic planning process and made available to the Minister Responsible and in the next GRA.
- That QEC have its ability to simultaneously plan and execute four 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



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 assessments.

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. It also includes the National Energy Board along with numerous 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.

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 regulatory key topics held each January, the international conference held in May in a province or territory, as well as the CAMPUT annual general meeting. All meetings in 2021 were held remotely via Zoom.

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

6. A LOOK AHEAD AT 2022

In 2022, the URRC will continue to review and make recommendations respecting applications forthcoming from the Minister responsible for Qulliq Energy Corporation. On December 23, 2021, the URRC received two applications to replace generation plants. They are for the communities of Chesterfield Inlet and Kugaaruk. The URRC Report for both applications are due in June 2022. QEC will submit a general rate application (GRA) in April 2022. The URRC will have 150 days to report back on the GRA findings.

ON BEHALF OF THE UTILITY RATES REVIEW COUNCIL OF NUNAVUT



DATED March 31, 2022
Anthony Rose, Chair