



2006
ANNUAL REPORT
UTILITY RATES REVIEW COUNCIL
OF NUNAVUT

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ANNUAL REPORT

For the year ending March 31, 2006



Minister Responsible for the Utility Rates Review Council

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, 2006.

Paul Okalik
Premier



Utility Rates Review Council

The Honorable Paul Okalik
Minister responsible for the
Utility Rates Review Council
Of Nunavut

Dear Minister:

I have the honor of presenting the Annual Report of Nunavut Utility Rates Review Council for the calendar year ending March 31, 2006.

Respectfully submitted,

Ray Mercer
Chair, Utility Rates Review Council

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 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 Act concerning applications under the section 18.1 of that Act.*

3. ORGANIZATION

The Review Council consists of three part time appointed members for a term of three years, which will expire July 31, 2007. 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	Rankin Inlet	Chairperson
Louie Qingnatuq	Gjoa Haven	Member
Gordon Rennie	Iqaluit	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.

Also, Mr. Raj Retnanandan, advisor to the URRC, has been retained on contract as per Section 8(1)(b) of the URRC Act. Mr. Retnanandan comes to the URRC with extensive knowledge and expertise in energy management and regulatory consultations.

4. BUDGET

The URRC's 2005-06 operating and maintenance budget was \$219,000.00 The actual expenditures were up compared with previous non-GRA years but were still well within our O&M budget.

5. SUMMARY OF 2005-2006 RECOMMENDATIONS:

The following recommendations were made with respect to rates in regards to the Application for a Capital Stabilization Fund by Qulliq Energy Corporation:

1. The URRC recommends implementation of the following capital stabilization rebalancing subsidy rate riders, effective November 1, 2005, for the following communities by rate class:

Credit Riders Applicable by Rate Class to Communities of Kimmirut and Whale Cove Effective November 1, 2005		
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	Kimmirut \$ Per Kwh	Whale Cove \$ Per Kwh
Domestic Non Govt	(0.1620)	(0.1273)
Domestic Govt	(0.1637)	(0.2144)
Commercial Non Govt	(0.1718)	(0.1995)
Commercial Govt	(0.1686)	(0.2186)
Street Lights	(0.1643)	(0.1988)

2. The URRC recommends implementation of the following capital stabilization-rebalancing levy rate riders, effective November 1, 2005, for the following communities:

Levy Applicable to all Rate Classes in the following Communities Effective November 1, 2005		
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		\$ Per Kwh
501	Cambridge Bay	0.0039
502	Gjoa Haven	0.0039
503	Taloyoak	0.0039
504	Kagaaruk	0.0039
505	Kugluktuk	0.0039
601	Rankin Inlet	0.0039
602	Baker Lake	0.0039
603	Arviat	0.0039
604	Coral Harbour	0.0039
605	Chesterfield Inlet	0.0039
607	Repulse Bay	0.0039
701	Iqaluit	0.0039
702	Pangnirtung	0.0039
703	Cape Dorset	0.0039
704	Resolute Bay	0.0039
705	Pond Inlet	0.0016
706	Iglolik	0.0039
707	Hall Beach	0.0039
708	Qikiqtarjuaq	0.0039
710	Arctic Bay	0.0039
711	Clyde River	0.0039
712	Grise Fiord	0.0039
713	Sanikiluaq	0.0039

3. The URRC determines and recommends the subsidies and levies determined pursuant to this Report continue unchanged until they are reviewed, changed or rescinded at the next GRA.
4. QEC is directed to create a capital stabilization-rebalancing deferral account to recover or refund any material rider over or under collections during the period November 1, 2005 to March 31, 2006 determined on an actual basis. QEC is directed to apply for recovery or refund of the 2005/06 capital stabilization- rebalancing deferral account balance in the 2006/07 fiscal year.

For future years, the URRC considers no rider reconciliations or deferral accounts are required as the riders established on the basis of the 2004/05 test year forecasts of sales and revenues would be expected to result in revenue neutrality on a forecast basis.

5. The URRC recommends rejection of the capital stabilization- new plant funding proposal.

The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider in September of 2005 by Qulliq Energy Corporation:

1. That a fuel stabilization rider of \$0.0398 per Kwh be approved for QEC, for all consumption effective October 1, 2005 to March 31, 2006.

The URRC notes from the GN news release that the FSR of \$0.0398 per Kwh was implemented effective November 1, 2005 as opposed to October 1, 2005. Accordingly the fuel stabilization account balance as of March 31, 2006 would be higher than originally forecast by QEC. The URRC expects this balance will be recognized the next time QEC files an FSR application.

2. That the Minister's February 21, 2005 instructions to QEC respecting the rate stabilization fund and adjustment mechanism for fuel price increases and decreases be amended as follows:

Qulliq Energy Corporation will adopt the following procedures with respect to implementation of the rate stabilization fund and adjustment mechanism for fuel price increases or decreases:

- The balance in the rate stabilization fund as of April 1, 2005 shall be zero;
- The amount charged or credited in each month to the fund will reflect the following adjustment formula for each community:
Actual or forecast generation in Kwh/Last URRC approved efficiencies in Kwh per liter* (Actual price per liter-forecast price per liter);
- Interest shall be charged or deducted from the rate stabilization fund balance based on short term interest rates;
- If at any point in time the forecasts indicate the fund balance will exceed the threshold of plus or minus \$1 million within a six month period the Corporation shall apply to the Responsible Minister for approval of a Nunavut wide fuel rider designed to recover or refund the balance in the fund over a suitable period targeting a zero balance at the end of the above mentioned six month period, when recovery or refund is complete;
- The Nunavut wide fuel rider shall be 3.98 cents per Kwh rider applicable to all consumption.

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

The URRC continued its' ongoing association with CAMPUT in 2005 -06. 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.

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 Quebec City and was very well attended by industry and regulators. The URRC was represented by the Chairman, a Council Member and the Council's Secretary.

CAMPUT as a part of their continuing education program for its member Boards and Councils, offered an introductory course on regulation at Queens University. A nominal fee for accommodation and meals was the only cost to attend the course. CAMPUT also made a travel subsidy available to all of its member Boards and Councils. The URRC's Secretary took part in the course with the assistance of these CAMPUT subsidies.

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 Saskatoon. The URRC was represented by the Chairman and the Council's Secretary.

7. A LOOK AT 2006-2007

Late in 05-06 Quilliq Energy Corporation received the final report on their External Review that the URRC had requested in its' final report on the GRA. The report was done by CMC Consultants Inc out of Winnipeg and looked at various areas within the Company. The URRC thought the report was a good starting point and looks forward to seeing the continuing work that will result from the review.

In 05-06 the Minister Responsible for the URRC gave the URRC a mandate to review all aspects of the Councils functions, practices & procedures and the Legislation that enables the Council. The Council has had preliminary discussions with the Department of Justice, QEC and the Councils' Legal Advisor. The Council hopes to bring forward a report making recommendations to the Minister in the near future to improve the overall functioning of the Council.

The Council is currently reviewing an application by QEC for a Fuel Stabilization Rider that was received on February 24, 2006. The Council recommended an interim rider to the Minister responsible for QEC so that there was no interruption in collection while the application was being reviewed. The Council expects to submit a report on the FSR on or before May 24, 2006 to the Responsible Minister.

The Council anticipates that an application by QEC on residual heat for Rankin Inlet and Iqaluit, maybe forth coming in the next few months. Once the Council has the opportunity to review the information a process for this specific application will be put into place to insure that a proper review occurs.

The Council has been in ongoing discussions with QEC on an outstanding rate increase estimated at 6.3% from the last GRA respecting the 2004/05 test year. The URRC expects to see in the near future, certain outstanding information to confirm or vary the Councils initial determination that an additional 6.3% may be required by QEC to meet their revenue requirement for the GRA test year.

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.

Canadian Association of Members of Public Utility Tribunal (CAMPUT)

The Chairperson, Members and Secretary for the URRC will be attending the CAMPUT Annual Educational Conference as part of the Council's continuing education. This year the conference will be held in Ottawa from May 14th to May 17th, 2006. 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.

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

Original signed by

**DATED April 28, 2006
Ray Mercer, Chairman**