

2007 ANNUAL REPORT UTILITY RATES REVIEW COUNCIL OF NUNAVUT

UTILITY RATES REVIEW COUNCIL OF NUNAVUT

ANNUAL REPORT

For the year ending March 31, 2007

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, 2007.

Paul Okalik Premier Minister Responsible for the 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 the Utility Rates Review Council of Nunavut for the calendar year ending March 31, 2007.

Respectfully submitted,

Raymond Mercer Chair, Utility Rates Review Council Of Nunavut

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 sections11 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 advise 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 Igaluit 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.

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

Mr. John Donihee has been 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 law and regulatory consultations.

4. BUDGET

In 2006-07 the Council operating and maintenance budget was \$190,000.00. The Council stayed within its' budget for the year.

5. SUMMARY OF 2006-2007 RECOMMENDATIONS:

The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider in March of 2006 by Qulliq Energy Corporation - Report 2006-01:

1. Section 13 (1) of the Act states:

The Review Council, within 90 days of receiving the responsible Minister's request for advice under section 12, 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

In accordance with the above the URRC recommends:

That a fuel stabilization rider of \$0.0398 per Kwh be approved for QEC, for all consumption effective April 1, 2006 to September 30, 2006.

The following recommendations were made with respect to rates in regards to the Application for a Base Rate Adjustment Application Effective October 1, 2006 in May of 2006 by Qulliq Energy Corporation - Report 2006-02:

1. URRC recommends the revenue deficiency for the period April 1, 2005 to September 30, 2006 be funded by the Government of Nunavut instead of the customers of QEC. The URRC has quantified the revenue deficiency to be recovered in this manner to be \$5.16 million as shown in Schedule G Attached.

2. The URRC recommends QEC be directed to adjust the energy components of base rates for residential and commercial customers, effective October 1, 2006, as follows:

Residential Energy Rate 5.91% Commercial Energy Rate 5.91%

The URRC recommends QEC be directed to adjust the base rates for street lights, effective October 1, 2006, as follows:

Street Lights 5.44%

The following recommendations were made with respect to rates in regards to the Application for Extension of the Existing Fuel Stabilization Rider in September of 2006 by Qulliq Energy Corporation-Report 2006-03:

1. Section 13 (1) of the Act states:

The Review Council, within 90 days of receiving the responsible Minister's request for advice under section 12, 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

In accordance with the above the URRC recommends:

That the existing fuel stabilization rider of \$0.0398 per Kwh be extended to apply to all consumption effective October 1, 2006 to November 30, 2006.



The following recommendations were made with respect to rates in regards to the Application for a Fuel Stabilization Rider in October of 2006 by Qulliq Energy Corporation Report 2007-01:

1. Section 13 (1) of the Act states:

The Review Council, within 90 days of receiving the responsible Minister's request for advice under section 12, 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

In accordance with the above the URRC recommends that a fuel stabilization rider of \$0.0787 per Kwh be approved for QEC, for all consumption effective November 1, 2006 to March 31, 2007.

- 2. The URRC recommends that the Minister responsible for QEC give due consideration to engaging the Federal Government in the development of a sustainable long term electricity generation and transmission plan for Nunavut.
- 3. The URRC recommends that the principles and methods application respecting a restructured FSR should be filed on a timely basis so as to allow the URRC sufficient time to determine the parameters for a restructured FSR for incorporation into the fall FSR application.
- 4. The URRC recommends QEC to address the appropriateness of the use of a single FSR rider for all communities, at the time of the principles and methods application respecting the restructured FSR.
- 5. The URRC recommends that QEC address the merits and practicality of an annual FSR rider at the time of the principles and methods application respecting the restructured FSR.

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

The URRC continued its' ongoing association with CAMPUT in 2006-07. 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 Ottawa and was very well attended by industry and regulators. The URRC was represented by the Chairman and the Council's Secretary. QEC also had representation at the Conference for the first time in its history; the Council hopes that QEC continues to take part in the yearly Educational conference.

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 New Brunswick. The URRC was represented by the Chairman.

7. A LOOK AT 2006-2007

During the 2006 – 2007 year the URRC completed its' internal review. The review looked at issues that were raised by the general public during the 04-05 General Rate Application (GRA), issues raised by interested parties and the Corporation. The Council also reviewed its' legislation with the goal of improving the way the Council operates.

The review has lead to the tabling of the Council's Rules of Practice & Procedure and Rate Setting Guidelines and direction to move forward with a Legislative proposal to deal with issues identified within the Act during the 07-08 year.

8. A LOOK AHEAD AT 2007-2008

The Council is currently reviewing an application by QEC for a Fuel Stabilization Rider (FSR) that was received on March 2, 2006. The Council recommended an interim rider to our Minister responsible for URRC 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 30, 2007 to the Responsible Minister for QEC.

As part of the URRC's continuing education, the Council will be taking an Access To Information and Protection of Privacy Act (ATIPP) Training course. The course is being offered by the Manager of ATIPP with the Department of Executive & Intergovernmental Affairs. The Manager has agreed to provide the training for the Council while they are in Iqaluit to finalize the FSR report.



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 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 Kelowna, British Columbia from April 29 to May 3, 2007. 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 May 14, 2007
Ray Mercer, Chairman