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UTILITY RATES REVIEW COUNCIL OF NUNAVUT
IGLUIN AULATJUTITIGUN AKITUTILAANGINNUT KATIMAYIIT NUNAVUNMI
CONSEIL D'EXAMEN DES TAUX DES ENTREPRISES DE SERVICES DU NUNAVUT

August 18, 2022

Hon. Craig Simailak
Minister Responsible for the Qulliq Energy Corporation
Legislative Assembly of Nunavut
P.O. Box 2410
Iqaluit, NU X0A 0H0

Dear Minister Simailak,

RE: The 2022/23 General Rate Application, Utility Rates Review Council of Nunavut's Report 2022-02.

By letter dated March 24, 2022, the Qulliq Energy Corporation (QEC) applied to the Minister Responsible for QEC for approval of QEC's forecast revenue requirement for the 2022/23 test year of $144.015 million, and the transition from the existing rate structure to a Nunavut-wide levelized rate structure. The amount to be collected from customers through the Nunavut-wide rates is forecast to be $141.504 million (i.e., revenue requirement of $144.015 less non-electricity revenues of $2.511 million). By letter dated March 24, 2022, the Minister Responsible for QEC requested advice from the Utility Rates Review Council of Nunavut (URRC) with respect to QEC's application.

In response to the application and the Minister's request, please find attached the URRC's Report 2022-02, respecting QEC's 2022/23 general rate application.

Yours truly,

Graham Lock

Graham Lock, Vice-Chair
Utility Rates Review Council of Nunavut

CC: Premier P.J. Akeeagok, Minister Responsible for the URRC
Jimi Onalik, Deputy Minister, Executive and Intergovernmental Affairs
Rick Hunt, President, Qulliq Energy Corporation
Laurie-Anne White, Executive Director, URRC

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Report to the Minister Responsible for the Qulliq Energy Corporation on:

The 2022/23 General Rate Application

Report 2022-02

August 18, 2022

1.0 EXECUTIVE SUMMARY

1. Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 12 of the *Utilities Rates Review Council Act* (URRC Act), to seek approval from the responsible Minister prior to imposing a rate or tariff.

2. By letter dated March 24, 2022, QEC applied to the Minister Responsible for QEC for approval of QEC's 2022/23 general rate application (GRA). The GRA was for approval of the forecast revenue requirement for the 2022/23 test year of $144.015 million, and the transition from the existing rates structure to a Nunavut-wide levelized rate structure. The amount to be collected from customers through the Nunavut-wide rates is forecast to be $141.504 million (i.e., revenue requirement of $144.015 less non-electricity revenues of $2.511 million). By letter dated March 24, 2022, the Minister Responsible for QEC requested advice from the Utility Rates Review Council of Nunavut (URRC) with respect to QEC's application.

3. The URRC's consideration of these matters and recommendations are set out in the report. In summary, the URRC recommends:

   a. That the 2022/23 forecast revenue requirement be approved subject to the following recommendations:

      i. 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.

      ii. That QEC estimate site restoration expenses based on the work it plans to undertake in the test year.

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

      i. That QEC move at least one third of the way toward full revenue 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.

ii. 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).

iii. 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.

iv. 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.

v. 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.

4. Further recommendations are included in Section 7.0 at the end of the report. These recommendations primarily relate to improvements to future GRAs and information that would be of assistance to the URRC.

5. In Section 7.0 the URRC also directed QEC to submit annual reporting, including regulatory schedules (similar to what was submitted as GRA schedules 3.1 through 6.4), System Average Interruption Duration Index (SAIDI)/ System Average Interruption Frequency Index (SAIFI) information, and staffing levels (full-time equivalent complement and vacancies) and other information of regulatory significance should commence after the end of the 2022/23 fiscal year. The URRC directs that reporting be submitted within 180 days of the end of the fiscal year for

information purposes in accordance with URRC *Rules of Procedure and Practice and Rate Setting Guidelines (*March 2007, page 16).

UTILITY RATES REVIEW COUNCIL OF NUNAVUT

MEMBERS

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Bill Williams	Member

SUPPORT

Laurie-Anne White	Executive Director
Wade Vienneau	Consultant

LIST OF ABBREVIATIONS

AEF	Arctic Energy Fund
CIPP	Commercial and Institutional Power Producer
COS	Cost of Service
FTE	Full-Time Equivalent
FSR	Fuel Stabilization Rate
GN	Government of Nunavut
GRA	General Rate Application
IPP	Independent Power Producers
IR	Information Request
kW	Kilowatt
kWh	Kilowatt-Hour
MPPA	Major Project Permit Application
NESP	Nunavut Electricity Subsidy Program
NNC	Nunavut Nukkiksautiit Corporation
O&M	Operation and Maintenance
PSAS	Public Sector Accounting Standard
QEC	Qulliq Energy Corporation
RCC	Revenue Cost Coverage
ROE	Return on Equity
SAIDI	System Average Interruption Duration Index[1]
SAIFI	System Average Interruption Frequency Index[2]
UPC	Use/Usage-Per-Customer
URRC	Utility Rates Review Council of Nunavut
URRC Act	*Utility Rates Review Council Act*

[1] SAIDI - SAIDI is the average outage duration for each customer served (usually measured in minutes or hours over the course of a year).

[2] SAIFI - SAIFI is the average number of interruptions that a customer would experience (usually measured in units of interruptions per customer over the course of a year).

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2.0 BACKGROUND

6. Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 12 of the *Utilities Rates Review Council Act* (URRC Act), to seek approval from the responsible Minister prior to imposing a rate or tariff. In this regard, Section 12 of the URRC Act provides for the application for approval of a rate or tariff as follows:

> (1) A designated utility that desires to impose a rate or tariff shall make an application in writing to the responsible Minister for approval of the rate or tariff.
>
> Request for advice of Review Council
> (2) Within 15 days of receiving an application under subsection (1), the responsible Minister shall request the advice of the Review Council.
>
> Notice to elected officials
> (3) The responsible Minister shall give reasonable notice of a request for advice under subsection (2) to mayors and members of the Legislative Assembly who represent a municipality or constituency where the residents, in his or her opinion, are likely to be affected by the rate or tariff.

7. Section 7(e) of the URRC Act states, among others, the purposes of the Utility Rates Review Council of Nunavut (URRC) are to advise the responsible Minister of a designated utility concerning the imposition of rates and tariffs in accordance with sections 11 to 18 (of the URRC Act).

8. Section 13(2) of the URRC Act states, among others, the URRC shall have regard to whether the proposed rate or tariff is fair and reasonable, considering:

    a. The cost of providing the service, including related financing costs.

9. By letter dated March 24, 2022, QEC applied to the Minister Responsible for QEC for approval of QEC’s forecast revenue requirement for the 2022/23 test year of $144.015 million, and the transition from the existing rates structure to a Nunavut-wide levelized rate structure. The amount to be collected from customers through the Nunavut-wide rates is forecast to be $141.504 million (i.e., revenue requirement of $144.015 less non-electricity revenues of $2.511 million). By letter dated March 24, 2022, the Minister Responsible for QEC requested advice from the URRC with respect to QEC’s application. The URRC’s consideration of these matters is set out in this report.

3.0 PARTICULARS OF THE APPLICATION

10. QEC submitted its combined Phase 1 and Phase 2 general rate application (GRA or the Application) for the 2022/23 test year and applied, pursuant to Section 12 of the URRC Act, for an instruction or instructions by the responsible Minister:

    a. Approving QEC's forecast 2022/23 test year revenue requirement of $144.015 million. The amount to be collected from customers through the Nunavut-wide rates is forecast to be $141.504 million (i.e., revenue requirement of $144.015 less non-electricity revenues of $2.511 million).

    b. Approving QEC's proposed rates effective October 1, 2022, as set out in schedules 8.1 and 8.2.

    c. For any other instructions within the responsible Minister's authority as QEC may request and the responsible Minister determines proper.

11. QEC provided an overview, background and a summary of its history in the Application. QEC noted that it is the only generator, transmitter and distributor of electrical energy for retail supply in Nunavut's 25 communities. QEC noted that demand in those communities ranged from approximately 200 kilowatts (kW) at Grise Fiord to 10 megawatts at Iqaluit.

12. QEC noted that it has approximately 15,500 customers, serving a population of about 39,000 people located in an area of approximately 2.1 million square kilometres. QEC also noted the challenges posed by low customer densities, the unique and harsh environment it operates in and that it is the only energy corporation in Canada without significant local energy resources or regional electricity transmission capability. QEC further noted that it has a substantial dependency on fossil fuels.

3.1 REVENUE REQUIREMENT

13. As noted above, QEC requested approval, from the responsible Minister, of a forecast revenue requirement for the 2022/23 test year of $144.015 million, which would result in a shortfall of $6.6 million based on revenue at existing rates, as reflected in Table 5.1 from the Application:

Table 5.1
Variance from Revenues at Existing Rates 2022/23 ($000s)

	2022/23 Forecast
Non-Fuel O&M	64,620
Production Fuel	51,543
Fixed Asset Amortization	13,747
Return on Rate Base	14,105
Revenue Requirement	144,015
less: Non-Electrical Revenues	2,511
Revenues at Existing Rates	134,919
Surplus/(Shortfall)	(6,585)
MW.h sales	183,135
Surplus/(Shortfall) (cents per kW.h)	(3.60)
Shortfall as % of Existing Revenues	*4.9%*
Mid-Year Rate Base	305,425

14. The forecast revenue requirement of $144.015 million is about $11.1 million higher than that requested in the 2018/19 GRA primarily due to increases in non-fuel operation and maintenance (O&M) expenses ($4.5 million), production fuel ($2.7 million), and fixed asset amortization ($3.0 million). The increase in costs is partially offset by higher revenues at existing rates ($4.6 million), primarily due to load growth. The shortfall of $6.6 million results from these forecast changes since the 2018/19 GRA as reflected in Table 5.2 from the Application:

Table 5.2
Variance from Revenues at Existing Rates
2018/19 GRA Forecast Compared to 2022/23 ($000s)

	2018/19 GRA Forecast	2022/23 Forecast	Changes 2018/19 to 2022/23
Non-Fuel O&M	60,173	64,620	4,446
Production Fuel	48,820	51,543	2,723
Fixed Asset Amortization	10,734	13,747	3,013
Return on Rate Base	13,165	14,105	940
Revenue Requirement	132,893	144,015	11,122
Less: Non-Electrical Revenues	2,548	2,511	(36)
Revenues at Existing Rates	130,345	134,919	4,573
Surplus/(Shortfall)	(0)	(6,585)	(6,585)
MWh sales	178,851	183,135	4,284
Shortfall (cents per kWh)	0.00	3.60	3.60
Shortfall as % of Existing Revenues	*0%*	*4.9%*	

15. For continuity, QEC also provided the actual/forecast revenue requirement for each year from 2018/19 to 2020/21, and the GRA forecast as Schedule 4.1 from the Application:

Schedule 4.1
Qulliq Energy Corporation 2022/23 General Rate Application
Revenue Requirement ($000)

Line No.		2018/19 GRA Forecast	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
1	**Operation & Maintenance Expense**						
2	Salaries and Wages	$ 31,287	$ 33,188	$ 36,797	$ 36,833	$ 36,150	$ 36,371
3	Supplies and Services	23,459	20,717	22,193	26,895	21,605	22,204
4	Site Restoration Expense	161	240	(247)	238	161	161
5	Travel and Accommodation	5,317	5,124	5,140	3,261	6,222	5,909
6	**Non-Fuel Operation & Maintenance Expense**	**60,223**	**59,268**	**63,883**	**67,227**	**64,138**	**64,645**
7	Less: Corporate Donations	(50)	(8)	(14)	(6)	(40)	(25)
8	**Non-Fuel Operation & Maintenance Expense for GRA**	**60,173**	**59,261**	**63,870**	**67,221**	**64,098**	**64,620**
9	**Fuel and Lubricants Expense**	**48,820**	**50,166**	**48,784**	**47,340**	**45,497**	**51,543**
10	**Amortization**						
11	Fixed Asset Amortization	10,485	10,906	10,391	10,716	12,252	13,498
12	Add: Financing Cost Amortization	249	249	249	249	249	249
13	**Total Net Amortization Expense**	**10,734**	**11,155**	**10,640**	**10,965**	**12,501**	**13,747**
14	**Total Return on Rate Base**	**13,165**	**8,580**	**13,770**	**7,425**	**13,151**	**14,105**
15	**Total Revenue Requirement**	**132,893**	**129,163**	**137,064**	**132,952**	**135,246**	**144,015**

16. QEC noted some of the challenges and opportunities it is facing, along with measures it has taken to mitigate impacts on its customers. QEC also summarized some of the initiatives it continues to explore regarding renewable energy sources and conservation initiatives. Some of these include the net metering program, the commercial and institutional power producer (CIPP) program, the LED street light replacement program, and a 500-kW solar panel installation with storage capacity at the Kugluktuk power plant.

17. QEC submitted that it has improved the fuel efficiency at its power plants. QEC forecast an increase to 3.77 kW per litre of diesel in 2022/23, up from 3.71 kW in 2014/15 and 3.76 kW in 2018/19. QEC noted this would result in reduced consumption of about 100,000 litres of diesel (or $94,000) for the 2022/23 forecast.

18. QEC also noted that its station service rate had improved due to a variety of initiatives and plant upgrades. The forecast station service rate of 3.1 per cent of generation in 2022/23 is improved from 3.3 per cent in 2018/19 and 3.5 per cent in 2014/15.

19. QEC provided some narrative and analysis in support of each major revenue and expense category in the Phase 1 portion of the GRA. Some of the largest changes are summarized below. Each revenue and expense category will be examined later in this report based on information provided in the Application and responses to URRC information requests (IRs).

20. The forecast 2022/23 non-fuel O&M expenses increased approximately $4.446 million from the approved 2018/19 GRA. This was mainly due to general inflationary pressures and increased salaries and wages from organizational restructuring and labour agreements.

21. The forecast 2022/23 fuel and lubricants expense increased $2.723 million from the approved 2018/19 GRA primarily due to increased sales and diesel fuel prices, partially offset by improved fuel efficiency as noted above.

22. The forecast amortization and return on rate base increased by $3.103 million and $0.940 million, respectively, from the approved 2018/19 GRA. This was mainly due to increased investments made to replace aging power plants and other electricity infrastructure in order to maintain safe and reliable service to QEC's customers. QEC also provided details regarding capital expenditures from 2018/19 through the 2022/23 forecast years.

23. The forecast revenues at existing rates increased by $4.573 million from the approved 2018/19 GRA. This was mainly due to increased domestic and commercial customers. QEC identified some of the communities that had experienced increased and/or decreased sales. QEC noted that changes were reflective of recent population growth trends, housing development and economic activity.

3.2 RATE DESIGN

24. QEC noted that in a Ministerial Instruction dated May 30, 2018, it was instructed to work with the Government of Nunavut (GN) Department of Finance in reviewing the existing Nunavut Electricity Subsidy Program (NESP) for the purpose of developing a rate structure that ensures the needs of all Nunavummiut are taken into consideration.

25. QEC proposed a transition from the current community-based rate structure to a Nunavut-wide levelized rate structure (sometimes referred to as "postage stamp rates"). Under Nunavut-wide rates, all customers in the same rate class would pay the same rates, in all communities throughout Nunavut. QEC submitted that this approach is better aligned with GN policy objectives and Inuit societal values. QEC also noted it is consistent with the URRC's recommendation in Report 2018-01[3] of adopting higher revenue to cost coverage (RCC) ratios for government customers with a view to minimizing the effects of high rate increases on investment and economic growth in Nunavut.

26. QEC proposed to change its rates so that the forecast revenues would match the forecast costs. This would require additional revenue of $6.6 million. QEC proposed to collect the shortfall by adjusting base energy rates, while maintaining existing customer and demand charges. The average increase in base energy rates is 5.1 per cent. QEC proposed that the new rates be implemented effective October 1, 2022. For additional information about the changes to the different domestic and commercial rate classes, please refer to Schedule 8.1 from the Application.

[3] Report 2018-01, Qulliq Energy Corporation's 2018/19 General Rate Application.

Schedule 8.1
2022/23 Rate Proposal

		Domestic Non-Government			Domestic Government			Commercial Non-Government			Commercial Government		
		Existing Rates (cents/kWh)	Proposed Rates (cents/kWh)	Change	Existing Rates (cents/kWh)	Proposed Rates (cents/kWh)	Change	Existing Rates (cents/kWh)	Proposed Rates (cents/kWh)	Change	Existing Rates (cents/kWh)	Proposed Rates (cents/kWh)	Change
501	Cambridge Bay	75.39	61.57	-18.3%	75.39	93.44	23.9%	64.73	50.79	-21.5%	64.73	85.35	31.9%
502	Gjoa Haven	89.68	61.57	-31.3%	92.70	93.44	0.8%	85.95	50.79	-40.9%	85.95	85.35	-0.7%
503	Taloyoak	99.19	61.57	-37.9%	107.83	93.44	-13.3%	97.50	50.79	-47.9%	97.50	85.35	-12.5%
504	Kugaaruk	116.05	61.57	-46.9%	116.05	93.44	-19.5%	102.82	50.79	-50.6%	102.82	85.35	-17.0%
505	Kugluktuk	93.81	61.57	-34.4%	99.53	93.44	-6.1%	87.27	50.79	-41.8%	87.27	85.35	-2.2%
601	Rankin Inlet	60.63	61.57	1.5%	60.63	93.44	54.1%	52.96	50.79	-4.1%	58.94	85.35	44.8%
602	Baker Lake	69.25	61.57	-11.1%	69.25	93.44	34.9%	64.75	50.79	-21.6%	64.75	85.35	31.8%
603	Arviat	78.68	61.57	-21.7%	78.68	93.44	18.8%	73.22	50.79	-30.6%	73.22	85.35	16.6%
604	Coral Harbour	95.24	61.57	-35.3%	95.24	93.44	-1.9%	87.18	50.79	-41.7%	87.18	85.35	-2.1%
605	Chesterfield Inlet	98.31	61.57	-37.4%	98.31	93.44	-5.0%	91.48	50.79	-44.5%	91.48	85.35	-6.7%
606	Whale Cove	90.71	61.57	-32.1%	148.74	93.44	-37.2%	112.87	50.79	-55.0%	125.17	85.35	-31.8%
607	Naujaat	84.99	61.57	-27.6%	84.99	93.44	9.9%	74.58	50.79	-31.9%	74.58	85.35	14.4%
701	Iqaluit	58.56	61.57	5.1%	58.56	93.44	59.6%	48.31	50.79	5.1%	49.76	85.35	71.5%
702	Pangnirtung	64.38	61.57	-4.4%	69.06	93.44	35.3%	56.82	50.79	-10.6%	62.80	85.35	35.9%
703	Kinngait	67.42	61.57	-8.7%	70.92	93.44	31.8%	63.02	50.79	-19.4%	70.92	85.35	20.3%
704	Resolute Bay	102.38	61.57	-39.9%	104.30	93.44	-10.4%	97.53	50.79	-47.9%	97.53	85.35	-12.5%
705	Pond Inlet	90.21	61.57	-31.7%	98.04	93.44	-4.7%	82.67	50.79	-38.6%	82.67	85.35	3.2%
706	Igloolik	61.70	61.57	-0.2%	61.70	93.44	51.4%	56.49	50.79	-10.1%	56.49	85.35	51.1%
707	Sanirajak	89.23	61.57	-31.0%	92.74	93.44	0.7%	85.90	50.79	-40.9%	85.90	85.35	-0.6%
708	Qikiqtarjuaq	77.37	61.57	-20.4%	88.89	93.44	5.1%	73.26	50.79	-30.7%	88.89	85.35	-4.0%
709	Kimmirut	104.93	61.57	-41.3%	104.68	93.44	-10.7%	87.81	50.79	-42.2%	88.27	85.35	-3.3%
710	Arctic Bay	87.99	61.57	-30.0%	87.99	93.44	6.2%	78.50	50.79	-35.3%	78.50	85.35	8.7%
711	Clyde River	77.66	61.57	-20.7%	78.17	93.44	19.5%	68.56	50.79	-25.9%	68.56	85.35	24.5%
712	Grise Fiord	92.50	61.57	-33.4%	112.45	93.44	-16.9%	107.25	50.79	-52.6%	107.25	85.35	-20.4%
713	Sanikiluaq	82.00	61.57	-24.9%	82.00	93.44	14.0%	78.54	50.79	-35.3%	78.54	85.35	8.7%

27. QEC provided its proposed street light rates, reflecting its ongoing LED conversion program. The rates for all types of street lights will increase by 5.1 per cent, noting that the rates for LED fixtures were already level across all communities. The rates were provided in Schedule 8.2 from the Application.

Schedule 8.2
2022/23 Rate Proposal – Street lights

	Existing Rates ($/month)								22/23 Proposed Rates ($/month)								Change from Existing Rates
	High Pressure Sodium		Mercury Vapour			LED			High Pressure Sodium		Mercury Vapour			LED			All Types
	100W	**250W**	**175W**	**250W**	**400W**	**60W**	**90W**	**210W**	**100W**	**250W**	**175W**	**250W**	**400W**	**60W**	**90W**	**210W**	
Cambridge Bay	41.26	67.19	40.93	50.60	66.49	21.81	32.71	76.33	43.38	70.64	43.03	53.21	69.91	22.93	34.39	80.25	5.1%
Gjoa Haven	45.71	74.40	45.38	56.08	73.70	21.81	32.71	76.33	48.06	78.22	47.72	58.96	77.49	22.93	34.39	80.25	5.1%
Taloyoak	62.60	102.04	62.27	76.98	101.34	21.81	32.71	76.33	65.82	107.28	65.47	80.94	106.54	22.93	34.39	80.25	5.1%
Kugaaruk	51.55	83.97	51.22	63.30	83.27	21.81	32.71	76.33	54.20	88.29	53.85	66.55	87.55	22.93	34.39	80.25	5.1%
Kugluktuk	65.43	106.72	65.10	80.55	106.02	21.81	32.71	76.33	68.80	112.21	68.45	84.69	111.47	22.93	34.39	80.25	5.1%
Rankin Inlet	38.16	62.10	37.83	46.74	61.39	21.81	32.71	76.33	40.12	65.29	39.78	49.15	64.55	22.93	34.39	80.25	5.1%
Baker Lake	38.49	62.62	38.16	47.17	61.92	21.81	32.71	76.33	40.47	65.84	40.12	49.59	65.10	22.93	34.39	80.25	5.1%
Arviat	33.67	54.73	33.34	41.16	54.02	21.81	32.71	76.33	35.40	57.54	35.05	43.27	56.80	22.93	34.39	80.25	5.1%
Coral Harbour	61.66	100.54	61.33	75.86	99.84	21.81	32.71	76.33	64.83	105.71	64.48	79.76	104.97	22.93	34.39	80.25	5.1%
Chesterfield Inlet	63.90	104.24	63.57	78.66	103.54	21.81	32.71	76.33	67.19	109.60	66.84	82.71	108.86	22.93	34.39	80.25	5.1%
Whale Cove	70.15	114.42	69.82	86.36	113.72	21.81	32.71	76.33	73.76	120.30	73.41	90.80	119.56	22.93	34.39	80.25	5.1%
Naujaat	53.27	86.80	52.93	65.45	86.09	21.81	32.71	76.33	56.00	91.26	55.66	68.81	90.52	22.93	34.39	80.25	5.1%
Iqaluit	36.94	60.10	36.61	45.23	59.39	21.81	32.71	76.33	38.84	63.19	38.49	47.56	62.45	22.93	34.39	80.25	5.1%
Pangnirtung	34.84	56.65	34.51	42.64	55.94	21.81	32.71	76.33	36.63	59.56	36.28	44.83	58.82	22.93	34.39	80.25	5.1%
Kinngait	45.85	74.62	45.52	56.26	73.92	21.81	32.71	76.33	48.21	78.45	47.86	59.15	77.71	22.93	34.39	80.25	5.1%
Resolute Bay	90.44	147.62	90.11	111.51	146.92	21.81	32.71	76.33	95.09	155.21	94.74	117.24	154.47	22.93	34.39	80.25	5.1%
Pond Inlet	66.29	108.09	65.96	81.58	107.39	21.81	32.71	76.33	69.70	113.65	69.35	85.77	112.91	22.93	34.39	80.25	5.1%
Igloolik	46.17	75.18	45.84	56.65	74.48	21.81	32.71	76.33	48.54	79.04	48.20	59.56	78.30	22.93	34.39	80.25	5.1%
Sanirajak	63.13	102.91	62.79	77.68	102.20	21.81	32.71	76.33	66.37	108.19	66.02	81.67	107.46	22.93	34.39	80.25	5.1%
Qikiqtarjuaq	52.69	85.86	52.36	64.74	85.16	21.81	32.71	76.33	55.40	90.27	55.05	68.06	89.53	22.93	34.39	80.25	5.1%
Kimmirut	67.70	110.39	67.36	83.31	109.69	21.81	32.71	76.33	71.18	116.06	70.83	87.60	115.32	22.93	34.39	80.25	5.1%
Arctic Bay	52.99	86.36	52.66	65.11	85.66	21.81	32.71	76.33	55.72	90.80	55.37	68.46	90.06	22.93	34.39	80.25	5.1%
Clyde River	62.17	101.34	61.83	76.48	100.64	21.81	32.71	76.33	65.36	106.55	65.01	80.41	105.81	22.93	34.39	80.25	5.1%
Grise Fiord	75.78	123.62	75.45	93.36	122.92	21.81	32.71	76.33	79.68	129.97	79.33	98.15	129.23	22.93	34.39	80.25	5.1%
Sanikiluaq	53.31	86.90	52.98	65.53	86.20	21.81	32.71	76.33	56.05	91.37	55.70	68.89	90.63	22.93	34.39	80.25	5.1%

28. The GRA application includes QEC's estimates of the bill impacts for the different customer classes using the proposed Nunavut-wide rate structure, assuming monthly consumption of 1,000 kilowatt-hour (kWh) for domestic customers and 2,000 kWh for commercial customers.

29. Bill impacts from changing the existing rates to the proposed rate structure for the above-mentioned assumed monthly consumptions are summarized in Table 8.4 from the Application.

Table 8.4
2022/23 Rate Proposal Bill Impacts Over the Existing Rates

	Iqaluit Average Bill Changes	**All Other Communities Average Bill Changes**
Non-government Domestic - NESP Subsidized	Increase of 5.1%	Increase of 5.1%
Non-government Domestic - Unsubsidized	Increase of 5.0%	Decrease of 46.2% (Kugaaruk) to Increase of 1.5% (Rankin Inlet)
Non-government Commercial	Increase of 4.9%	Decrease of 3.9% (Rankin Inlet) to 54.0% (Whale Cove)
Government Domestic	Increase of 57.8%	Decrease of 36.7% (Whale Cove) to Increase of 52.5% (Rankin Inlet)
Government Commercial	Increase of 68.8%	Decrease of 31.3% (Whale Cove) to Increase of 49.3% (Igloolik)

30. QEC also provided an estimate of the bill impacts by community in Schedule 8.4 from the Application. This was again based on the assumed monthly consumptions.

Schedule 8.4
2022/23 Rate Proposal Bill Impact Estimates*

Plant No.	Community	Domestic Subsidized Bills Existing	Domestic Subsidized Bills Proposed	% of Difference from Existing	Domestic Full Bills Existing	Domestic Full Bills Option 1	% of Difference from Existing	Commercial Bills Existing	Commercial Bills Option 1	% of Difference from Existing	Gov Domestic Bills Existing	Gov Domestic Bills Option 1	% of Difference from Existing	Gov Commercial Bills Existing	Gov Commercial Bills Option 1	% of Difference from Existing
501	Cambridge Bay	$ 307.45	$ 323.25	5.1%	$ 810.49	$ 665.40	-17.9%	$ 1,401.32	$ 1,108.59	-20.9%	$ 810.49	$ 999.98	23.4%	$ 1,401.32	$ 1,834.36	30.9%
502	Gjoa Haven	$ 307.45	$ 323.25	5.1%	$ 960.52	$ 665.40	-30.7%	$ 1,847.03	$ 1,108.59	-40.0%	$ 992.23	$ 999.98	0.8%	$ 1,847.03	$ 1,834.36	-0.7%
503	Taloyoak	$ 307.45	$ 323.25	5.1%	$ 1,060.35	$ 665.40	-37.2%	$ 2,089.50	$ 1,108.59	-46.9%	$ 1,151.11	$ 999.98	-13.1%	$ 2,089.50	$ 1,834.36	-12.2%
504	Kugaaruk	$ 307.45	$ 323.25	5.1%	$ 1,237.38	$ 665.40	-46.2%	$ 2,201.32	$ 1,108.59	-49.6%	$ 1,237.38	$ 999.98	-19.2%	$ 2,201.32	$ 1,834.36	-16.7%
505	Kugluktuk	$ 307.45	$ 323.25	5.1%	$ 1,003.88	$ 665.40	-33.7%	$ 1,874.60	$ 1,108.59	-40.9%	$ 1,063.94	$ 999.98	-6.0%	$ 1,874.60	$ 1,834.36	-2.1%
601	Rankin Inlet	$ 307.45	$ 323.25	5.1%	$ 655.54	$ 665.40	1.5%	$ 1,154.15	$ 1,108.59	-3.9%	$ 655.54	$ 999.98	52.5%	$ 1,279.64	$ 1,834.36	43.3%
602	Baker Lake	$ 307.45	$ 323.25	5.1%	$ 746.07	$ 665.40	-10.8%	$ 1,401.77	$ 1,108.59	-20.9%	$ 746.07	$ 999.98	34.0%	$ 1,401.77	$ 1,834.36	30.9%
603	Arviat	$ 307.45	$ 323.25	5.1%	$ 845.00	$ 665.40	-21.3%	$ 1,579.70	$ 1,108.59	-29.8%	$ 845.00	$ 999.98	18.3%	$ 1,579.70	$ 1,834.36	16.1%
604	Coral Harbour	$ 307.45	$ 323.25	5.1%	$ 1,018.90	$ 665.40	-34.7%	$ 1,872.80	$ 1,108.59	-40.8%	$ 1,018.90	$ 999.98	-1.9%	$ 1,872.80	$ 1,834.36	-2.1%
605	Chesterfield Inlet	$ 307.45	$ 323.25	5.1%	$ 1,051.16	$ 665.40	-36.7%	$ 1,963.11	$ 1,108.59	-43.5%	$ 1,051.16	$ 999.98	-4.9%	$ 1,963.11	$ 1,834.36	-6.6%
606	Whale Cove	$ 307.45	$ 323.25	5.1%	$ 971.39	$ 665.40	-31.5%	$ 2,412.19	$ 1,108.59	-54.0%	$ 1,580.69	$ 999.98	-36.7%	$ 2,670.56	$ 1,834.36	-31.3%
607	Repulse Bay	$ 307.45	$ 323.25	5.1%	$ 911.33	$ 665.40	-27.0%	$ 1,608.16	$ 1,108.59	-31.1%	$ 911.33	$ 999.98	9.7%	$ 1,608.16	$ 1,834.36	14.1%
701	Iqaluit	$ 307.45	$ 323.25	5.1%	$ 633.80	$ 665.40	5.0%	$ 1,056.45	$ 1,108.59	4.9%	$ 633.80	$ 999.98	57.8%	$ 1,086.93	$ 1,834.36	68.8%
702	Pangnirtung	$ 307.45	$ 323.25	5.1%	$ 694.86	$ 665.40	-4.2%	$ 1,235.27	$ 1,108.59	-10.3%	$ 744.05	$ 999.98	34.4%	$ 1,360.76	$ 1,834.36	34.8%
703	Kinngait	$ 307.45	$ 323.25	5.1%	$ 726.80	$ 665.40	-8.4%	$ 1,365.47	$ 1,108.59	-18.8%	$ 763.55	$ 999.98	31.0%	$ 1,531.29	$ 1,834.36	19.8%
704	Resolute Bay	$ 307.45	$ 323.25	5.1%	$ 1,093.85	$ 665.40	-39.2%	$ 2,090.17	$ 1,108.59	-47.0%	$ 1,114.02	$ 999.98	-10.2%	$ 2,090.17	$ 1,834.36	-12.2%
705	Pond Inlet	$ 307.45	$ 323.25	5.1%	$ 966.12	$ 665.40	-31.1%	$ 1,778.02	$ 1,108.59	-37.7%	$ 1,048.36	$ 999.98	-4.6%	$ 1,778.02	$ 1,834.36	3.2%
706	Igloolik	$ 307.45	$ 323.25	5.1%	$ 666.74	$ 665.40	-0.2%	$ 1,228.33	$ 1,108.59	-9.7%	$ 666.74	$ 999.98	50.0%	$ 1,228.33	$ 1,834.36	49.3%
707	Sanirajak	$ 307.45	$ 323.25	5.1%	$ 955.81	$ 665.40	-30.4%	$ 1,845.91	$ 1,108.59	-39.9%	$ 992.68	$ 999.98	0.7%	$ 1,845.91	$ 1,834.36	-0.6%
708	Qikiqtarjuak	$ 307.45	$ 323.25	5.1%	$ 831.33	$ 665.40	-20.0%	$ 1,580.37	$ 1,108.59	-29.9%	$ 952.23	$ 999.98	5.0%	$ 1,908.66	$ 1,834.36	-3.9%
709	Kimmirut	$ 307.45	$ 323.25	5.1%	$ 1,120.63	$ 665.40	-40.6%	$ 1,886.03	$ 1,108.59	-41.2%	$ 1,118.06	$ 999.98	-10.6%	$ 1,895.66	$ 1,834.36	-3.2%
710	Arctic Bay	$ 307.45	$ 323.25	5.1%	$ 942.82	$ 665.40	-29.4%	$ 1,690.40	$ 1,108.59	-34.4%	$ 942.82	$ 999.98	6.1%	$ 1,690.40	$ 1,834.36	8.5%
711	Clyde River	$ 307.45	$ 323.25	5.1%	$ 834.36	$ 665.40	-20.2%	$ 1,481.77	$ 1,108.59	-25.2%	$ 839.74	$ 999.98	19.1%	$ 1,481.77	$ 1,834.36	23.8%
712	Grise Ford	$ 307.45	$ 323.25	5.1%	$ 990.10	$ 665.40	-32.8%	$ 2,294.32	$ 1,108.59	-51.7%	$ 1,199.62	$ 999.98	-16.6%	$ 2,294.32	$ 1,834.36	-20.0%
713	Sanikiluaq	$ 307.45	$ 323.25	5.1%	$ 879.85	$ 665.40	-24.4%	$ 1,691.29	$ 1,108.59	-34.5%	$ 879.85	$ 999.98	13.7%	$ 1,691.29	$ 1,834.36	8.5%

* Based on monthly consumption of 1,000 kWh for domestic customers and 2,000 kWh for commercial customers.

31. QEC noted that non-government bill increases will be limited to 5.1 per cent. Non-government customers receiving a territorial electricity subsidy (assuming no changes to the GN-controlled NESP) will see increases of approximately $11 per month, while those not receiving a subsidy will see decreases in their monthly bills in 23 of the 25 Nunavut communities.

32. QEC noted that non-government commercial customers will see decreases in their monthly bills in all communities except the City of Iqaluit. In the City of Iqaluit, the bill increases will be 4.9 per cent, or approximately $52 per month.

33. QEC submitted that it referred to its cost-of-service (COS) study as an important input to its rate design, however it also considered other economic, policy and administrative objectives. QEC stated its rate design objectives for the 2022/23 GRA were:

    a. Rates must be set to recover the revenue requirement of $141.5 million (i.e., revenue requirement of $144.015 less non-electricity revenues of $2.511 million).

    b. Implement Nunavut-wide rates.

    c. Move toward a 95-105 per cent RCC ratio for each rate class.

    d. Administrative efficiency.

    e. Focus rate adjustments on the energy portion of the rate.

    f. No bill increases to non-government customer classes resulting from transitioning to a Nunavut-wide rate structure.

34. QEC submitted that it considered alternative rate structures but it recommended approval of its proposed approach. QEC stated it could be fully implemented independently with respect to existing government subsidy programs and policies and was in compliance with the URRC Act. The proposed approach would also be easier to manage within QEC's existing billing system, and is easier to understand for QEC customers and staff.

35. QEC provided additional narrative and analysis in support of the rates in the Phase 2 portion of the GRA. The proposed rates and billing impacts are summarized above. The URRC has not repeated all of that material in this report. The rate design will be examined later in this report based on information provided in the Application and responses to URRC IRs.

4.0 PROCESS

4.1 MAJOR OR MINOR APPLICATIONS

36. Under the URRC Act, it is directed that at the sole discretion of the URRC, the URRC shall determine whether an application is either minor or major for the purposes of determining the time required for processing of the application; a minor application provides for a time limit of 90 days for the URRC to report to the responsible Minister while a major application provides a time limit of 150 days. The URRC considered the significant effects on both the revenue requirement and rate design across all of Nunavut proposed in the subject Application, the need for IRs and responses, and the need for submissions from the public. As a result, the URRC determined to treat the Application as a major application.

37. The URRC determined that the 150-day deadline for submitting its report to the responsible Minister would be August 19, 2022.

4.2 PUBLIC PROCESS

38. On April 25, 2022, the URRC caused notice of the Application to be provided in each community across Nunavut in accordance with COVID-19 practices used by the GN at that time. A notice of the Application was prepared and distributed to residents and customers in all communities. The notice was read on community radio, and also posted on the URRC website, social media, by letter to each Member of the Legislative Assembly of Nunavut and mayors and senior administrative officers of each hamlet across Nunavut. QEC also made the Application available to the public, as well as public service announcements regarding the Application noting both the opportunity and deadline for making a submission regarding the Application to the URRC.

39. The URRC also scheduled public information sessions on May 30 and June 14, 2022, so that QEC could provide a presentation to customers and other interested parties regarding the effects of the GRA. These virtual sessions were conducted using the Zoom video-conferencing platform, so that customers and other interested parties across Nunavut could be informed and have an opportunity to ask questions or state

their views (concerns and/or support) about any aspect of the GRA they were interested in. The presentation was also available on the QEC website for reference by the public before and after the sessions. The two sessions were attended by community representatives/officials, non-government customers, and other members of the public. The URRC was in attendance at both sessions.

40. The URRC also provided an opportunity for the public to make written comments respecting the Application by the deadline of June 17, 2022. Public submissions were received from residents, and commercial and government customers. The matters raised in the submissions were addressed by QEC in various responses after they were submitted. The public submissions and QEC's responses were considered by the URRC in this report.

41. The URRC asked for more information from QEC regarding the Application. This was conducted through three rounds of IRs. The URRC asked a number of questions in order to better understand the forecast revenue requirement and the transition to Nunavut-wide rates. The URRC explored the reasonableness of the revenue requirement and the effects of the transition to Nunavut-wide rates on QEC, the municipalities, and its customers. QEC responded to the three rounds of IRs from the URRC on May 17, 2022, June 27, 2022, and July 18, 2022.

42. In response to the third round of IRs, QEC provided revised rates for Domestic Government and Commercial Government rate classes that would result from the change of City of Iqaluit accounts to non-government rates. The URRC also noted that four hamlets and the City of Iqaluit were the only municipalities to participate in the public information sessions or provide written submission. The URRC needed to determine if the change to City of Iqaluit accounts would be a significant issue and one which might warrant further process whereby affected hamlets might want to provide further input regarding the GRA. The URRC determined that the proposed change was not significant enough in impact or nature to ratepayers overall to warrant the additional time, effort, cost and delay involved in further process.

5.0 PUBLIC SUBMISSION PROCESS

43. The URRC process provided an opportunity for the public to submit their views (concerns or support) on the GRA and allow QEC the opportunity to reply to those concerns. This process took place via oral information sessions and written submissions to the URRC. The URRC's recommendations in this report to the responsible Minister are made using a fair and open procedure, appropriate to the recommendation being made considering the URRC's statutory, institutional, and social context, with an opportunity for those affected to put forward their views and have them considered by the URRC.

44. The written public submissions (except for the three submissions from individuals) and the QEC responses to those submissions (except for the responses to individuals) are attached to this report as appendices. The submissions from individuals were not included for privacy reasons.

5.1 PUBLIC SUBMISSIONS

45. The URRC received oral submissions from various parties at the information sessions. A representative of the City of Iqaluit commented on the impact the change to Nunavut-wide rates would have on the City of Iqaluit. A representative of GN Climate Change Secretariat noted that fuel prices were likely to increase based on the world fuel situation. The Hamlet of Kimmirut expressed concerns about the potential effects of any rate increases on its residents. A representative of Cambridge Bay mostly commented on aspects of the net metering and CIPP programs with respect to the prices paid for purchased solar power. A representative of the Nunavut Nukkiksautiit Corporation (NNC) expressed concerns about the full phase-in of Nunavut-wide rates and the effects on smaller communities looking to install renewable generation. A representative of NRStor also expressed concerns about the ability of communities to attract renewable energy development.

46. The URRC received eight written public submissions regarding the GRA. Three residents[4] (Joel Fortier, Maggie Kingmeatok, and Hazel Turner) expressed concerns about the proposed change to a Nunavut-wide rate, and other affordability and billing matters. Two commercial entities (Iqaluit Chamber of Commerce and the NNC) expressed concerns about the proposed change to a Nunavut-wide rate, and other matters related to the CIPP and independent power producers (IPP) programs that are outside the scope of the GRA. The three remaining submissions were made by the City of Iqaluit, Hamlet of Kinngait and Hamlet of Rankin Inlet.

47. The Iqaluit Chamber of Commerce noted that the direct increases in electricity rates to Iqaluit businesses are nominal; however, it was concerned that the 70 per cent increase in municipal/government entities in the City of Iqaluit would be recuperated by increased fees to the business community.

48. The NNC stated that it did not consider QEC's reasons for changing to a Nunavut-wide rate to be compelling. The NNC also expressed concerns about district heating and QEC renewable energy programs.

49. The City of Iqaluit stated that its concerns related to the change to a Nunavut-wide rate, specifically that commercial government accounts will increase by 71.5 per cent, and non-government residential and commercial rates will increase by 5.1 per cent. The City of Iqaluit noted that the increase in government accounts of $1.335 million will result in an increase in property taxes. The City of Iqaluit noted that it is the only tax-based community in Nunavut and that the change to a Nunavut-wide rate will place a significant burden on Iqaluit residents and businesses. The City of Iqaluit requested QEC consider it a non-government commercial entity for the billing purposes due to its unique situation compared to other communities in Nunavut (i.e., its ability to assess property taxes as a source of revenue).

[4] The submissions by residents/domestic customers and QEC's responses to those submissions were summarized to avoid disclosing personal information.

50. The Hamlet of Kinngait submitted it was concerned about the 5.1 per cent increase in rates to its residents. The Hamlet of Kinngait considered the rate increase to be sudden, large, and without explanation.

51. The Hamlet of Rankin Inlet submitted that the change to Nunavut-wide rates would artificially cross-subsidize consumers and no longer reflect the true cost of power in communities. The Hamlet of Rankin Inlet stated it was opposed to QEC's proposed change to Nunavut-wide rates as it would negatively affect municipal governments and business.

5.2 QEC RESPONSES TO PUBLIC SUBMISSIONS

52. QEC responded to each of the submissions. The responses addressed the various concerns and QEC provided explanations regarding its GRA and the proposed revenue requirement and rate changes. Further, QEC provided bill impact comparisons for each community referred to in the public submissions.

53. QEC noted that some of the NNC concerns were outside the scope of the GRA, specifically around CIPP and IPP programs, which are under development and will be the subject of a future application.

54. QEC's response to the City of Iqaluit addressed the various concerns raised. QEC also stated that it supported the City of Iqaluit request to be reclassified as a non-government customer.

5.3 URRC RESPONSE TO PUBLIC SUBMISSIONS

55. The URRC notes the public submissions and QEC's responses. The URRC has considered each of the submissions and the QEC responses when dealing with each component of the GRA. The analysis and recommendation in each section that follows may not specifically mention a public submission or QEC response, however they were considered by the URRC.

56. The URRC notes that some matters not specifically related to the GRA were raised in the public submissions and will be addressed in Section 6.9 of this report.

57. The URRC thanks residents, commercial and government entities for taking the time to participate in information sessions and make submissions. The URRC also thanks QEC for its responses to those submissions. This extra input was of assistance to the URRC in its analysis and informed its recommendations.

6.0 EXAMINATION OF THE APPLICATION

6.1 REVENUE (SALES AND NON-SALES) AND GENERATION FORECAST

58. The URRC notes that QEC summarized major facility changes and forecasting methods for 2022/23. QEC provided corporate-wide sales, revenue, line losses, generation requirements and fuel requirements in Schedule 3.1 of the Application. QEC also provided details for each of the 25 communities in Appendix A of the Application.

59. The URRC notes that QEC has forecast increased sales in most communities, however this was partially offset by decreased sales in the City of Iqaluit, and by decreased street light sales (due to the LED conversion program).

60. Overall, the URRC notes that the forecast growth rate appears to be reasonable based on a year-to-year comparison in total and by community since the 2018/19 GRA. An average annual growth rate of 0.6 per cent since the 2018/19 GRA seems to be in line with population growth information provided in recent major project permit applications (MPPAs). The URRC notes that population information was referenced but not provided in the Application.

61. The URRC also notes that the COVID-19-related restrictions during 2020, 2021 and 2022 may have introduced some uncertainty into the trends or analysis of actual data used to produce the 2022/23 forecast.

62. The URRC primarily based its examination of sales and generation on the major categories used in the Application.

6.1.1 SALES BY RATE CLASS AND TOTAL SALES

63. The URRC notes that QEC prepares its load forecast based on a two-step process. A baseload forecast is prepared using a customer forecast and a use/usage-per-customer (UPC) forecast, and adjusted based on a review of any known or reasonably expected load changes in a community.

64. The URRC notes QEC's submission that it followed previously approved methods and that no adjustments were made for the 2022/23 forecast. The only exception related to the calculation of UPC where QEC submitted that distortion of normal power

consumption in 2019/20 was excluded (QEC clarified that it noticed abnormally high UPC in many communities during 2019/20).

65. The URRC is generally satisfied that the sales forecast for 2022/23 was prepared consistent with the previous GRA and that it is reasonable. However, the URRC has observations and recommendations regarding the customer forecast and UPC.

6.1.2 CUSTOMER FORECAST

66. QEC submitted that it prepared its customer forecast as described on pages 3-10 and 3-11 of the Application. A separate forecast of domestic and commercial customers was prepared for each community. The URRC notes that it has no visibility of the monthly customers, population information QEC has relied on, or the other factors that were considered.

67. The URRC notes that QEC's customer forecasting methods are relatively simple, relying on actual customer data and Nunavut Bureau of Statistics population projections. So long as the communities and rate classes remain consistent, and the forecasts remain relatively accurate, the URRC sees little reason to recommend changes to the baseload customer forecast.

68. The URRC recommends that in future GRAs, QEC provide more information about the other factors it reviewed to determine if adjustments were considered and/or made to the baseload customer forecast for any communities.

6.1.3 USAGE PER CUSTOMER

69. QEC submitted that it prepared its UPC forecast as described on pages 3-11 and 3-12 of the Application. A separate forecast of UPC for domestic and commercial customers was prepared for each community. The URRC notes that it has no visibility of the actual information QEC has relied on (other than what was provided in Appendix A of the Application), or the other factors that were considered.

70. The URRC asked for more information about UPC in IR URRC-QEC-1-8. QEC defended its forecasting method in its response noting that its forecast sales for each

year from 2017/18 through 2019/20 were within one per cent of the actual sales for those years. The URRC considers that it would be useful if QEC provided some analysis or quantitative information to shed some light on the sensitivity of various drivers of UPC, in addition to the simple historical annual average method it has relied on.

71. The URRC agrees that so long as QEC's customers continue to use electricity in a stable and predictable manner then its forecasting method is sufficient. However, it would be helpful to understand what impacts weather, building construction, size of building, number of occupants, energy conservation, work-from-home initiatives, district heating or other factors have on electricity consumption in Nunavut. If QEC had additional information, it may also inform any decisions to further separate rate classes based on the type or size of customer. For example, not all domestic or commercial customers have the same characteristics and/or electricity consumption. Further, although it is clear the COVID-19 pandemic affected domestic and commercial electricity consumption, it is not clear by how much. It is understandable that commercial customers were affected by shutdowns and closures, but it is less clear what the COVID-19 effects were on domestic customers.

72. It is unclear to the URRC at this time what the drivers are for UPC and/or how to quantify them. The URRC recommends that in the next GRA, QEC provide a more detailed quantitative analysis or assessment of the factors affecting UPC.

6.1.4 STREET LIGHT SALES FORECAST

73. QEC submitted that it prepared its street light sales forecast as described on page 3-12 of the Application. Actual sales for the most recent year were the baseload forecast, which was reviewed and adjusted to reflect changes in lamp counts or lamp types.

74. The URRC notes that the forecast was based on a quantifiable method using the number and type of lamps in each community. The URRC notes from responses to its IRs that the replacement of conventional street light bulbs with LED fixtures is continuing and that street light sales revenue has decreased since 2018/19.

75. The URRC considers the 2022/23 forecast is, on balance, reasonable despite this impact.

6.1.5 GENERATION FORECAST

76. QEC submitted that its 2022/23 generation forecast in Schedule 3.1 of the Application was prepared using previously approved forecast methodologies. The forecast generation is the sum of sales, line losses and station service. The sales were forecast as discussed in the above sections of this report. The line losses and station service were forecast based on a five-year actual average percentage of sales. QEC excluded 2019/20 due to abnormally high UPC in many communities. The forecast 3.1 per cent station service rate for 2022/23 was marginally lower than the 3.3 per cent forecast in 2018/19 but was unchanged from the 2018/19 actual rate. The forecast 4.6 per cent line losses rate for 2022/23 was marginally higher than the 4.2 per cent forecast in 2018/19, but lower than the 4.7 per cent actual rate.

77. QEC also submitted its 2022/23 fuel requirements in Schedule 3.1 of the Application. The fuel requirements were based on the forecast fuel efficiency for each community using a three-year weighted average as described in page 3-13 of the Application. The highest efficiency year is given a weighting of three, the next highest year is given a weighting of two, and the lowest year is given a weighting of one.

78. QEC noted in the Application and in response to IRs that the forecast fuel efficiency methodology is consistent with the approach used in the 2018/19 GRA. QEC defended its use of the methodology in its responses to IRs URRC-QEC-1-14 and URRC-QEC-2-3 noting that previous forecast efficiency rates in other GRAs were very close to the actual efficiencies for those years. The URRC does not dispute that overall, and in years of relatively few new (and small) power plants, the methodology may be quite accurate. It will eventually reflect the efficiency changes related to new or materially altered units, but the changes will not be fully reflected until the end of the three-year weighting period. Furthermore, while the impact of a new power plant in one small community out of 25 may not drastically affect the overall company-wide efficiency, that does not

appear to be a good reason for not attempting to forecast the impact of newer and improved equipment.

79. The URRC notes that QEC also provided a number of reasons why it is difficult to estimate fuel efficiency rates for new units not yet in service. The URRC appreciates that it may be difficult to estimate efficiency rates for new units, for the reasons provided. Notwithstanding, it is obvious that the efficiency for a new unit must be higher than the three-year weighted average rate of a 40 to 50-year-old unit that is being replaced.

80. QEC's reluctance to depart from its three-year weighted average methodology is puzzling, especially when it has a known "new or changed" circumstance for a community. The URRC notes that fuel efficiency of new power plants is a factor QEC considers in its MPPAs for new power plants and seems comfortable estimating and including it in support of those applications. The URRC recommends 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.

81. Except for the above recommendation, the forecast 2022/23 fuel requirement appears to be reasonable.

6.1.6 NON-ELECTRICITY REVENUE FORECAST

82. QEC submitted its 2022/23 forecast revenue as described on pages 3-8, 3-13 and 3-14 of the Application and included the amounts in Schedule 3.3 of the Application. QEC prepared forecasts of three categories – joint use, miscellaneous charges, and project time and materials.

83. The 2022/23 forecast revenue is consistent with the 2018/19 GRA forecast and the actual amounts from 2018/19 to 2020/21.

84. The URRC considers the 2022/23 forecast non-electricity revenue to be reasonable.

6.2 OPERATION AND MAINTENANCE

85. QEC provided details regarding its 2022/23 forecast O&M expenses in Table 4.3 of the Application, comparing the 2022/23 forecast to the 2018/19 GRA forecast. QEC also provided the amounts from the 2018/19 GRA and actual/forecast amounts from 2018/19 through 2020/21 compared to the 2022/23 forecast in Schedule 4.1 of the Application.

86. The URRC notes that the overall forecast O&M has increased by $4.446 million since the 2018/19 GRA. The 2022/23 forecast of $64.620 million increased on an average annual rate of 1.8 per cent since the 2018/19 GRA compared to average annual inflation for Nunavut of 1.4 per cent (for the period from January 2019 to January 2022). QEC submitted that in real terms the average annual increase in O&M is about 0.4 per cent.

87. QEC's forecast is separated into salaries and wages, supplies and services, site restoration, and travel and accommodation. The URRC will review each category of the O&M forecast separately further below, however the URRC notes that, subject to some recommendations in those sections, the 2022/23 forecast appears to be reasonable.

6.2.1 O&M – SALARIES AND WAGES

88. QEC submitted its 2022/23 forecast of salaries and wages of $46.371 in Table 4.3 of the Application, a $5.084 million increase compared to the 2018/19 GRA. QEC stated the forecast reflected: cost of living increases consistent with QEC's collective agreements, annual step (merit) increments for employees, and changes to staff complement in response to several strategic priorities for QEC.

89. QEC provided information about the average increases in hourly rates, average annual salaries and wages per full-time equivalent (FTE) positions, average annual increases including both cost of living and merit increases.

90. QEC stated that in order to continue to provide safe and reliable service, QEC revised its organizational structure. QEC submitted the new structure promoted opportunities for growth, cross-training and collaboration, and increased employment opportunities

through Inuit employment initiatives in management roles. Further, QEC stated the new structure allowed for increased work efficiency between various regions.

91. Overall, QEC submitted the forecast FTE complement increased to 209, which represented a net increase of three FTEs from the 2018/19 GRA. QEC submitted it had a forecast vacancy rate of 10.2 per cent for 2022/23.

92. The URRC asked for clarification of a number of matters with respect to the 2022/23 forecast salaries and wages. QEC provided the sought-after clarification in its responses to IRs URRC-QEC-1-15 and URRC-QEC-2-6. The URRC wanted additional information about salaries and wages by location and function, vacant positions, details about average salaries and wages, details about overtime, and additional information about internal acting assignments. The URRC notes that staffing has been a challenge for QEC during the past few years, and it appears that the challenges will continue during the upcoming forecast 2022/23 test year.

93. The URRC notes that the overall 2022/23 forecast of salaries and wages appears to be reasonable, however it is difficult to make a firm recommendation based on the high vacancy rate and the high amount of overtime included in the forecast. Overtime represents almost 10 per cent of the total forecast salaries and wages.

94. The URRC is concerned about the ongoing use of acting assignments, whereby QEC stated that the staff will cover their "regular" roles and the acting assignments simultaneously. QEC noted staff in these situations were expected to only handle the priority tasks of each position. The URRC is concerned that QEC is at risk if vacancies continue to be filled in this manner on a long-term basis. It poses risks for QEC, including employee safety, staff burnout, staff turnover and the potential for matters to be ignored or unnoticed for extended periods, all of which could result in increased costs for QEC or missed opportunities, inefficiencies and potential service outages. Alternatively, if non-priority work can be "parked" for an extended period, it raises questions about the value in having staff assigned to perform such non-essential tasks as part of regular duties.

95. The URRC has asked QEC about its staffing and ability to handle the engineering, project management, accounting, purchasing, and other requirements of multiple major projects in recent MPPAs. QEC has assured the URRC that it has the capacity and capability to successfully complete the projects, even with the approval of multiple, often concurrent, projects.

96. The URRC continues to be concerned about QEC's vacancies and acting assignments, particularly in the more senior roles, and in roles related to the construction of the six power plant projects (the subject of recent MPPAs) where the risks and potential effects/costs of errors and oversights are much greater to QEC.

97. With the above-noted cautions, the URRC recommends approval of the salaries and wages 2022/23 forecast.

6.2.2 O&M – SUPPLIES AND SERVICES

98. QEC provided details regarding its 2022/23 forecast of supplies and services of $22.204 million in Table 4.3 of the Application, a $1.255 million decrease compared to the 2018/19 GRA. The decrease mainly reflected an average decrease of 1.4 per cent per year, primarily due to reductions in materials expenses, external services and freight, partially offset by increases in insurance expense.

99. The URRC asked for additional information about supplies and services. QEC provided helpful information in its response to IR URRC-QEC-1-16, noting that the reduced forecast for materials and external services reflects reduced availability of materials and external services due to the COVID-19 disruptions to the supply chain on general maintenance work.

100. The URRC notes that QEC appears to have addressed most, if not all, of the inventory issues raised in previous URRC reports and Auditor General of Canada findings.

101. The URRC considers the 2022/23 supplies and services forecast to be reasonable.

6.2.3 O&M – TRAVEL AND ACCOMMODATION

102. QEC provided details regarding its 2022/23 forecast of travel and accommodation of $5.909 million in Table 4.3 of the Application, a $0.592 million increase compared to the 2018/19 GRA. The increase represents a 2.7 per cent annual increase.

103. The URRC asked for additional information about travel and accommodation. QEC provided helpful information in its response to IR URRC-QEC-1-17, noting that the increased forecast for travel and accommodation reflects higher medical travel expenses.

104. The URRC considers the 2022/23 travel and accommodation forecast to be reasonable.

6.2.4 O&M – SITE RESTORATION AND RELATED EXPENSES

105. QEC provided details regarding its 2022/23 forecast of site restoration and related expenses of $0.161 million in Table 4.3 of the Application. QEC submitted that the forecast amount is unchanged from the 2018/19 GRA.

106. The URRC asked for additional information about site restoration expenses. QEC provided helpful information in its response to IR URRC-QEC-2-10, noting that it still considers the estimate from the 2010/11 GRA to be reasonable. QEC also noted that an initiative is underway to implement a new Public Sector Accounting Standard (PSAS) Asset Retirement Obligations (PS3280), with work scheduled for June 2022.

107. The URRC considers that the 2022/23 site restoration expense forecast should reflect the estimated restoration work for the test year, and not a forecast from over 10 years ago. The URRC understands that a one-year period may not reflect QEC's ongoing site restoration work, however the same could be said for many/most portions of QEC's revenue requirement.

108. The URRC notes that QEC's reporting requirements of asset retirement obligations may change as a result of work on PS3280; nevertheless, the URRC recommends that QEC estimate site restoration expenses based on the work it plans to undertake in the test year.

6.3 PRODUCTION FUEL AND LUBRICANTS

109. QEC provided details regarding its 2022/23 forecast of production fuel and lubricants expenses of $51.543 million in Table 4.4 of the Application, an increase of $2.723 million from the 2018/19 GRA.

110. The URRC asked for additional information about production fuel and lubricants expenses. QEC provided helpful information in its response to IR URRC-QEC-1-18, which improved the URRC's understanding of the increased expenses.

111. The URRC considers the 2022/23 forecast to be reasonable, subject to additional recommendations regarding production fuel in the sections below.

6.3.1 PRODUCTION FUEL

112. QEC submitted details about the 2022/23 forecast of production fuel. The URRC notes that the $2.605 million increase in production fuel is due to increased sales and price of fuel/diesel, partially offset by improved fuel efficiency as discussed in pages 4-8 through 4-10 of the Application and as reflected in Table 4.4.

113. The URRC has already commented on the increased production fuel and fuel efficiencies in the generation forecast section of this report. The $1.317 million increase in production fuel expenses due to increased sales appears to be reasonable. The URRC also considers the $0.094 million decrease due to improved fuel efficiencies to be reasonable, subject to recommendations provided in the generation forecast section of this report related to reflecting the efficiency of new or materially altered units in the forecast when they are forecast to be installed (i.e., not after the end of the three-year weighting period).

114. The URRC asked for more information about the 2022/23 forecast fuel price. It is noted that the cost of diesel is forecast to increase to $0.96 per litre, up $0.03 per litre from the 2018/19 GRA. The URRC noted that world fuel prices have increased significantly and asked QEC about the forward outlook of the cost of diesel in IR URRC-QEC-1-18.

115. The URRC notes from that response that QEC is a price taker and does not prepare forward-looking price forecasts. The URRC also understands that price differences in the cost of diesel, between forecasts and actuals, are addressed through the fuel stabilization rate (FSR) fund.

116. The URRC understands the workings of the FSR fund and accepts that it will adjust for differences in the cost of diesel, thereby keeping QEC and its customers "whole" with respect to the cost of diesel. However, the URRC recommends that QEC make efforts to forecast the cost of diesel in its GRA forecast so as to minimize the use of the FSR as much as possible and to be in a position to explain to customers any changes that flow to them.

6.3.2 LUBRICANTS

117. QEC submitted details about the 2022/23 forecast of lubricants. The URRC notes from the response to IR URRC-QEC-1-18 that the $0.212 million increase in lubricants is due to an increased number of gensets, the addition of emergency units and increased cost of the lubes.

118. The URRC considers that the 2022/23 forecast appears to be reasonable based on the explanation provided by QEC.

6.4 AMORTIZATION

119. QEC provided details regarding its 2022/23 forecast of amortization expense of $13.747 million in Table 4.5 of the Application, an increase of $3.013 million from the 2018/19 GRA. QEC also provided additional details in Schedule 4.3 of the Application.

120. The URRC asked for additional information about the forecast amortization expense in IR URRC-QEC-1-29. Based on QEC's response, the URRC understands that QEC would plan to file an updated depreciation study in its next GRA.

121. The URRC accepts that QEC has calculated amortization expense using previously approved methods and depreciation/amortization rates. The URRC also accepts regulatory adjustments to fixed assets based on previous GRAs, and adjustments

related to non-electric assets and Arctic Energy Fund (AEF)/customer contributions that have been made by QEC in its forecast.

122. The URRC considers the 2022/23 forecast of amortization expense is reasonable. The increase is understandable based on increases to rate base since the 2018/19 GRA.

123. The URRC recommends that QEC provide an updated depreciation study in its next GRA.

6.5 RETURN ON RATE BASE

124. The QEC provided details regarding its 2022/23 forecast of return on rate base of $14.105 million in Table 4.6 of the Application, an increase of $0.940 million from the 2018/19 GRA. The URRC notes that the increased return is related to increased mid-year rate base, partially offset by a reduced average rate of return on rate base. The URRC notes that QEC provided continuity schedules and details/assumptions to support the rate base, capital structure, cost of long-term debt and return on equity (ROE) used to determine return on rate base.

125. The URRC asked several IRs (URRC-QEC-1-19, URRC-QEC-1-20, and URRC-QEC-2-7) about the various components that are used to determine return on rate base. QEC responded to the IRs with some helpful information. Each rate of return component will be examined further in the sections below.

126. The URRC reviewed the narrative provided by QEC in the Application and in response to IRs, as well as schedules 4.3 through 4.6 of the Application. The URRC considers the 2022/23 forecast return on rate base to be reasonable, subject to recommendations in the sections below.

6.5.1 LONG-TERM DEBT

127. QEC submitted that the amount of long-term debt and the average cost of debt decreased since the 2018/19 GRA. This is reflected in schedules 4.5 and 4.6 of the Application. QEC provided details regarding the actual and forecast repayments and issues of debt.

128. The URRC notes that long-term debt capitalization has decreased despite increased investment on rate base. However, the URRC also notes that the amount deemed to be financing rate base has increased due to the increase in rate base since 2018/19. This is not surprising, and is in keeping with the previously approved methodology for determining return on rate base.

129. The URRC noted QEC's assumed cost of debt for the forecast 2021/22 and 2022/23 debt issues and asked QEC about the rates in IRs. QEC defended the assumed cost of debt for those debt issues; however, the URRC continues to have concerns that the cost of debt may be too low with respect to the 2022/23 issue in particular. The URRC had concerns when it originally asked IR URRC-QEC-1-19. The cost of debt appears to have increased again since QEC responded to that IR.

130. The URRC considers the forecast long-term debt portion of return on rate base of $3.965 million as determined in Schedule 4.4 to be reasonable, noting, however, QEC will be at risk associated with differences between the actual rate on the $37.7 million issue in 2022/23 and the forecast rate of 1.95 per cent.

131. The URRC is also concerned about QEC's access to long-term debt, noting that six major power plant projects have been approved for construction in the next few years. The URRC understands that a significant amount of the cost will be covered by AEF funding, nevertheless QEC will require long-term debt to finance the remainder of the cost. The URRC also notes that even without the six major projects, QEC has a steady amount of "routine" maintenance and upgrade projects, and many other communities with aging power plants that will require replacement.

132. QEC indicated it is exploring fixing portions of its debt with CIBC and the GN to mitigate the risks posed by further increases in interest rates.

133. Under the *Nunavut Act*, the GN may borrow up to a limit set by the Governor-in-Council on the recommendation of the Minister of Finance. The URRC understands that this borrowing limit is inclusive of debts incurred by both the GN and its territorial corporations such as QEC.

134. The URRC notes that QEC's debt (as indicated in the response to IR URRC-QEC-2-7) must be included in the GNs territorial debt cap of $750 million, and that it is required to seek GN approval for its portion of the debt cap. QEC indicated that it has received approval to increase its debt limit by $50 million, from $250 million to $300 million, 40 per cent of the GN territorial debt cap.

135. The URRC recommends that in the next GRA, QEC provide a long-term forecast of its debt requirements and its plan for financing them.

6.5.2 NO-COST CAPITAL

136. QEC submitted information about the no-cost capital used in the determination of return on rate base in Schedule 4.5 of the Application. The amounts and methodology appear to be consistent with previously approved methods.

137. The URRC notes that there is no return calculated in association with no-cost capital, however it is a component of the deemed return on rate base. The URRC considers that the no-cost capital reflected in schedules 4.4 and 4.5 of the Application is reasonable.

6.5.3 COMMON EQUITY

138. QEC submitted that the deemed common equity ratio of 40 per cent and its ROE of 8.3 per cent should remain unchanged from the 2018/19 GRA. QEC noted that the 40 per cent common equity ratio was originally approved in the 2010/11 GRA and that it continues to be appropriate. QEC also noted that the 8.3 per cent ROE should not change based on a comparison of the approved ROEs for Northwest Territories Power Corporation, Yukon Electrical Company Limited and Yukon Energy Corporation.

139. The URRC notes that the ROE used in the 2022/23 forecast is consistent with the 2018/19 GRA and is within the range of the ROEs for the other comparative utilities QEC referenced.

140. The URRC considers the 2022/23 ROE of 8.3 per cent to be reasonable. The URRC also considers the forecast common equity portion of return on rate base of $10.140 million as determined in Schedule 4.4 to be reasonable.

6.6 RATE BASE

141. The QEC provided details regarding its 2022/23 forecast of mid-year rate base of $305.425 million in Schedule 6.1 of the Application, an increase of $58.684 million from the 2018/19 GRA. The URRC notes that the increased mid-year rate base reflects capital additions since 2018/19, partially offset by amortization expense since 2018/19. The URRC notes that QEC provided continuity schedules (schedules 6.1 through 6.4 of the Application) and details/assumptions (Appendix B, schedules 6.5 through 6.9, and a lead-lag study from the 2010/11 GRA provided in the response to IR URRC-QEC-1-21) to support the gross plant in service, accumulated amortization and working capital.

142. The URRC asked several IRs (URRC-QEC-1-22, URRC-QEC-1-23, and URRC-QEC-2-11) about the various components that are used to determine mid-year rate base. QEC responded to the IRs with some helpful information. Each mid-year rate base component will be examined further in the sections below.

143. The URRC reviewed the narrative provided by QEC in the Application and in response to IRs, as well as schedules 6.1 through 6.9 of the Application. The URRC considers the 2022/23 forecast mid-year rate base to be reasonable, subject to recommendations in the sections below.

6.6.1 GROSS PLANT IN SERVICE

144. QEC provided continuity schedules 6.1 and 6.2 as well as Appendix B of the Application supporting forecast gross plant in service. The URRC notes there were significant additions in most years since the 2018/19 GRA, and that some of the projects received AEF funding. The additions were mostly driven by power plant-related projects ($55.287 million), however there were also significant expenditures toward general plant ($31.143 million) and distribution plant ($12.240 million). Additional details were provided in Appendix B of the Application, including the amounts offset by AEF funding and customer contributions.

145. The URRC asked about the certainty of additions in the 2022/23 forecast in IR URRC-QEC-2-11. QEC responded that although there is some uncertainty about the timing of projects, the forecast was based on the best information available.

146. The URRC asked about actual disposals in IR URRC-QEC-1-23. QEC provided details about the disposals in 2018/19 and in 2020/21. The information provided was helpful, however the URRC has concerns that no forecast disposals were identified in 2022/23. The URRC has requested information regarding plant retirements and removal/disposal work in the context of recent MPPAs and found the responses somewhat concerning regarding the apparent lack of details regarding the timing and scope of future removal and reclamation work.

147. The URRC recommends that QEC provide enhanced information in future GRAs, particularly in relation to major capital projects which will result in the retirement, removal, and remediation of old sites and assets.

6.6.2 ACCUMULATED AMORTIZATION

148. The URRC reviewed the narrative provided by QEC in the Application and in response to IRs, as well as Schedule 6.3 of the Application. The URRC considers the 2022/23 forecast accumulated amortization has been determined using previously approved methods and rates. The URRC considers the 2022/23 forecast to be reasonable.

6.6.3 WORKING CAPITAL

149. QEC provided schedules 6.4 through 6.9 in support of the forecast working capital amount to be included in mid-year rate base. QEC submitted that the determination/calculation of working capital was based on the results of a lead-lag study provide in the 2010/11 GRA. QEC provided the lead-lag study in response to IR URRC-QEC-1-21. The mid-year working capital requirement was forecast to be $33.147 million in 2022/23, an increase of $5.821 from the 2018/19 GRA. Most of the increase was due to increased supplies inventory.

150. The URRC also asked for additional information in IR URRC-QEC-1-21 about other forecasting methods, and the actual amounts of working capital based on QEC's

financials and short-term financing requirements. QEC noted that it did not consider using other forecasting methods because it relied on a previously approved method. QEC provided some financial information, including short-term financing, in the response to IR URRC-QEC-1-21.

151. The URRC understands that there may be some difficulties validating the results of the lead-lag study, compared to actual daily/weekly short-term financing requirements. Notwithstanding, it would be helpful to know if the working capital amount determined in accordance with a 2010/11 lead-lag study continues to be reasonable.

152. The URRC considers the 2022/23 working capital requirement to be reasonable; however, URRC recommends that QEC provide validation or review of the lead-lag study and determination of working capital in its next GRA.

6.7 COST OF SERVICE

153. QEC provided its COS study and results on pages 7-1 through 7-4 of the Application, and in appendices C and D of the Application. QEC noted that a COS study is commonly used as an analytical tool in the ratemaking process. It can provide useful information such as unit costs to serve different types of customers, and the RCC ratios. This information sheds light on how well the revenues, as per the rate design, recover the costs of serving different customer classes.

154. QEC notes that a COS study involves estimation and a degree of professional judgment, and therefore the results cannot be considered exact.

155. The URRC has reviewed the study methods and the results and considers them to be reasonable, subject to recommendations below.

6.7.1 STUDY METHODS

156. QEC provided the details, assumptions and methods it used to complete the 2022/23 COS study. QEC noted that the last COS study methodology review was completed as part of the 2010/11 GRA, and that the 2018/19 GRA was prepared applying the same

methodology. The 2022/23 COS study was also prepared consistent with those previous reviews, based on the Nunavut-wide COS approach.

157. The URRC notes that based on a review of Appendix C QEC has followed the previously approved COS study methodology.

6.7.2 RESULTS

158. QEC provided the results of the COS study in Appendix D of the Application, and as summarized in tables 7.1 and 7.2 of the Application.

159. QEC submitted that the results of the COS study indicate that, if rate increases are applied on an equal-percentage-across-the-board basis, the domestic and street lighting rate classes RCC ratio would be slightly below 100 per cent, while the commercial rate class RCC ratio would be somewhat above 100 per cent. QEC noted that all rate classes would have an RCC ratio within the 95-105 per cent zone of reasonableness.

160. QEC noted that the COS study results (as reflected in Table 7.1 of the Application) indicate that the existing demand and customer charges ($8/kW for commercial customers and $18/month for residential customers) are low compared to average unit costs. QEC also noted that maintaining existing demand and customer charges results in higher energy rates for all rate classes (as reflected in Table 7.2 of the Application). Domestic energy rates will be 5.18 cents/kWh higher, commercial energy rates will be 32.01 cents/kWh higher, and street light energy rates will be 1.55 cents/kWh higher.

161. The URRC notes all rate class RCC ratios will be within the 95-105 per cent zone of reasonableness and considers that to be acceptable. However, the URRC is concerned about the disconnect between the average unit costs and rates for the commercial demand charge and the domestic customer charge.

162. The URRC has detailed recommendations in the rate design section; however, the URRC recommends that QEC begin moving the commercial demand charge and the domestic customer charge significantly closer to the average unit costs.

6.8 RATE DESIGN

163. QEC submitted its assessment of various rate design alternatives and some of the deficiencies identified with the existing rates.

164. QEC noted that the COS study was conducted on a Nunavut-wide basis and that the existing rates are community specific. QEC also noted that, over time, the community-specific rates do not accurately reflect community-based costs.

165. QEC submitted that the recent practice of increasing rates by equal percentages for all rate classes results in proportionately higher rate increases for communities with higher starting points. QEC noted that the gap between the lowest cost communities and highest cost communities gets wider every time rate increases are applied on an equal percentage basis. QEC provided Table 8.1 in the Application to illustrate the differences between rates for the City of Iqaluit and Hamlet of Kugaaruk.

166. QEC submitted that large capital projects put enormous upward pressure on rates, particularly for smaller communities. QEC provided Table 8.2 in the Application to illustrate the differences between increases on community-based rates and a Nunavut-wide rate.

167. QEC also submitted that under the existing rate structure, smaller communities are at a disadvantage regarding development of renewable energy projects compared to large communities. QEC suggests this is primarily due to customers (under the CIPP program) having to purchase energy at higher rates in smaller communities but selling their energy at the same rates in all communities.

168. The URRC notes QEC's summary on page 8-8 of the Application of its reasons for proposing to implement Nunavut-wide rates.

169. The URRC has, after reviewing previous GRAs, recommended a move to Nunavut-wide rates and continues to recommend implementing them across the 25 communities in Nunavut.

170. The URRC will examine QEC's proposed rate design in the sections that follow.

6.8.1 TRANSITION TO NUNAVUT-WIDE RATES

171. The URRC notes that QEC stated its rate design objectives for the 2022/23 GRA were:

a. Rates must be set to recover the revenue requirement of $141.5 million (i.e., revenue requirement of $144.015 less non-electricity revenues of $2.511 million).

b. Implement Nunavut-wide rates.

c. Move toward a 95-105 per cent RCC ratio for each rate class.

d. Administrative efficiency.

e. Focus rate adjustments on the energy portion of the rate.

f. No bill increases to non-government customer classes resulting from transitioning to a Nunavut-wide rate structure.

172. The URRC also notes QEC's proposed methodology for developing domestic and commercial energy rates to be effective October 1, 2022. The URRC understands that QEC will set separate Nunavut-wide rates for government and non-government customers. QEC submitted that under the proposed approach, the Nunavut-wide rate for non-government customers will be set at the City of Iqaluit non-government rates adjusted to the overall required rate increase of 5.1 per cent. The Nunavut-wide rates for government customers will then be set at the level required to recover the remaining revenue shortfall.

173. QEC summarized the steps it followed on pages 8-10 and 8-11 of the Application. QEC noted that under the proposed approach no non-government customers will see bill impacts above the required equal percentage rate increase of 5.1 per cent in the 2022/23 GRA test year. The rates for street lighting will also be increased by 5.1 per cent.

174. QEC stated that the proposed approach will result in an increase to government customers of $8.5 million in order to subsidize non-government customers. QEC submitted that the proposed approach is somewhat similar to the approach undertaken

in the Northwest Territories in 2010, which established zone-based rate structures and also had government rates subsidizing non-government rates.

175. The URRC has reviewed QEC's proposed approach to implement Nunavut-wide rates as reflected in schedules 8.1 through 8.4 of the Application and is supportive. The URRC considered the various effects of implementing Nunavut-wide rates on the different communities, rate classes, government, QEC and renewable energy developers. Some of the benefits as provided by QEC of changing to Nunavut-wide rates include:

a. Administrative efficiency for QEC and its employees.

b. Simple to understand for customers.

c. Most of the transitional effects/increase will be borne by government customers.

d. Level playing field for prospective renewable energy developers (based on the currently approved CIPP program) and new businesses.

e. The effect on the City of Iqaluit non-government customers was limited to the 5.1 per cent.

f. The effect on almost all communities will be a decrease in rates.

176. The URRC also noted some challenges of changing to Nunavut-wide rates in the manner proposed by QEC, including:

a. The effect on the City of Iqaluit government customers potentially puts the City of Iqaluit and its commercial customers in a less favorable position compared to other municipalities, primarily due to the City of Iqaluit relying on property tax revenues and other fees/taxes, whereas all other hamlets obtain funds directly from the government via the GN Department of Community and Government Services Municipal Funding Formula.

b. The approach proposed by QEC focused only on energy rates.

c. It is unclear if non-tax-based communities subject to a rate increase due to the transition will be able to fully recover these additional costs via their appropriations from the GN.

177. Overall, the URRC considers that the benefits outweigh the challenges and that the challenges may be addressed without foregoing the benefits.

178. The URRC recommends that Nunavut-wide rates for domestic, commercial and street lighting customers be implemented subject to URRC recommendations to create new Municipal Tax-Based and Municipal Non-Tax-Based rate classes, and to increase demand and customer charges. The URRC will address each of the recommended changes in the sections that follow.

6.8.2 CUSTOMER AND DEMAND CHARGES

179. The URRC notes that two of QEC's rate design objectives are:

a. Rates must be set to recover revenue requirement.

b. Focus rate adjustments on the energy portion of the rate.

180. The URRC has some concerns with QEC's objective to only focus rate adjustments on the energy portion of the rate. The URRC notes from tables 7.1 and 7.2 of the Application that there is a large disconnect between existing demand and customer charges and the average unit cost as determined by the COS study. The URRC asked QEC in IR URRC-QEC-2-8 to estimate the effect on the energy rate if QEC began increasing the RCC ratio for fixed charges. The URRC asked QEC to estimate the effects of moving one third or one quarter of the way toward full RCC.

181. QEC provided the information requested, as well as the effects of moving to full RCC. The URRC notes from the information provided that as the fixed portion of the rate increases, the energy portion decreases whereby customers are kept "whole". The URRC understands that the actual effect of rate changes may have different effects on customers, because not all customers use the assumed monthly consumption of 1,000 kW for domestic customers and 2,000 kW for commercial customers.

182. The URRC notes from the responses to IRs URRC-QEC-1-24, URRC-QEC-1-25 and URRC-QEC-2-8 that QEC is reluctant to change the demand and customer charges. QEC submits that demand and customer charges are already levelized across the territory. QEC considered that an increase to demand and customer charges is a significant undertaking and it adds complexity for customers. QEC also submitted that a move to full RCC would create a substantial rate shock for low consumption customers. QEC provided an estimate of the bill increase that could be experienced by a non-government commercial customer in Cambridge Bay with a 300 kW monthly consumption. The estimate showed the effects of moving one quarter, one third and all of the way toward full RCC.

183. The URRC is not convinced that the potential bill impact on a very low consumption customer, as portrayed in QEC's example, is sufficient reason for not beginning to move toward a higher RCC with respect to demand and customer charges. The URRC also disagrees that it is a complex change for customers. Customers would see one portion of their bill increase, while another portion would decrease. If anything, it should result in a more stable monthly bill for customers throughout the year as there would be less volatility caused by changes in electricity consumption. The URRC also notes that increasing the demand and customer charges would also reduce monthly revenue volatility for QEC. The URRC considers that the risk of volatility posed to QEC and/or the risk of over/under recovery of its revenue requirement would be reduced by increasing demand and customer charges.

184. The URRC is also unclear why changing demand and customer charges, that are already levelized across the territory, is a significant undertaking for QEC. It would be helpful if QEC could explain this further to the responsible Minister and to the URRC in the next GRA.

185. The URRC notes that non-government customers in most communities will see bill reductions with the change to Nunavut-wide energy rates. The URRC considers this would be a good time to increase the fixed portion of their monthly electricity bill.

186. The URRC considers that if low consumption customers are unduly affected by increases to demand and customer charges perhaps there are other ways that QEC (or potentially the GN at its discretion) can mitigate those effects. The URRC notes that the fixed assets in place to serve any class of customers should be allocated to and recovered from each of those customers who benefit from having access to the system. One obvious option is for QEC to explore the addition of rate classes, if there is such a discrepancy in consumption within the existing domestic and commercial rate classes. Alternatively, the GN could review the NESP or other subsidies if necessary to assist low consumption customers.

187. The URRC recommends that QEC move at least one third of the way toward full RCC 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 manner that limits the overall bill impacts to 5.1 per cent for non-government customer rate classes.

6.8.3 CITY OF IQALUIT – GOVERNMENT RATE

188. The URRC notes that the effects of implementing Nunavut-wide rates as proposed by QEC has the potential to adversely affect the City of Iqaluit, compared to other communities. As summarized in response to IR URRC-QEC-2-1, QEC noted that with the exception of the City of Iqaluit, all hamlets fund their operating budgets through an appropriation from the GN. The City of Iqaluit is the only community that currently funds the majority of its operating costs through community tax revenue rather than funding from the GN.

189. The URRC notes from the response to IR URRC-QEC-2-1, the public submissions from the City of Iqaluit and the Iqaluit Chamber of Commerce, and QEC's responses to those submissions that an option to address the potential adverse affect is to reclassify the City of Iqaluit accounts as non-government customer. QEC estimated that reclassifying those accounts would result in approximately a $0.9 million forecast revenue reduction, resulting in a 0.9 cents per kWh increase to the proposed government rates. The City of Iqaluit estimated that the increase would be $1.3 million.

190. The URRC notes that in response to the third round of IRs, QEC again submitted that the net effect on the City of Iqaluit was about $0.948 million. QEC also provided the revised rates that would be needed to collect its revenue requirement. A review of the revised rates and the forecast revenue from each community supports the submission that the effects are mostly contained in government rates, and the effects correspond to the size of the community. This was based on a comparison of Schedule 3.3 from the third round of IRs to Schedule 8.3.3 of the Application.

191. Based on QEC's response to IR URRC-QEC-2-1, the URRC sought additional information regarding rates if QEC was allowed to implement Nunavut-wide rates and the City of Iqaluit was deemed to be a non-government entity. That treatment would be similar to communities that included their operating costs, including electricity costs, in their appropriation from the GN. Each year the hamlets submit their operating budgets to the GN for approval. This information was sought in IR URRC-QEC-3 after the issue was first identified at the May 30 community information session and in correspondence from both the Iqaluit Chamber of Commerce on June 17 and the City of Iqaluit on June 28.

192. Further, by letter dated July 4, 2022, addressed to the Iqaluit Chamber of Commerce, the Minister Responsible for QEC acknowledged that QEC favoured reclassifying the City of Iqaluit accounts to be non-government customer class.

193. QEC responded to IR URRC-QEC-3(a) advising that the effect of reclassifying the City of Iqaluit's accounts as non-government would result in a revenue shortfall of $948,000 when compared to the rates and revenue in the filed GRA forecast.

194. In IR URRC-QEC-3 (c) and (d), the URRC sought QEC's views as to how the shortfall would be recovered. QEC responded that if implemented, the shortfall would be recovered through government rates and would result in small adjustments to those rates as filed in the GRA.

195. The URRC has reviewed all of the evidence provided in the Application, responses to the IRs posed and filed in submissions. The URRC carefully considered the concerns previously brought forward in both oral and written submissions, and determined so

long as hamlets are able to recover their forecast electricity costs (as submitted/noted by QEC, including all effects of the proposed change to Nunavut-wide rates), the hamlets should be unaffected and indifferent to the proposed reclassification of City of Iqaluit government accounts. The URRC recommends that the City of Iqaluit account(s) be reclassified to qualify for treatment similar to non-government rates.

196. Although the URRC agrees that the City of Iqaluit should get some rate relief, the URRC does not fully agree with the method proposed by QEC. The URRC does not consider it to be a good precedent to classify the City of Iqaluit as a non-government customer while leaving the other hamlets classified as government. The URRC also notes that under a Nunavut-wide rate structure, QEC will go from managing 100-plus rate classes (i.e., four rate classes x 25 communities, plus street lights) to four rate classes. The URRC does not accept that the addition of Municipal Tax-Based and Municipal Non-Tax-Based rate classes would be a significantly increased burden for QEC to administer.

197. The URRC recommends that QEC create Municipal Tax-Based and Municipal Non-Tax-Based rates. For the purposes of the GRA, the Municipal Tax-Based rate(s) could be determined similarly to the non-government rate(s).

198. 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 City of Iqaluit government customers.

199. The URRC recommends 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.

200. The URRC also notes that neither QEC nor the responsible Minister for QEC have the sole discretion or ability to change how the hamlets recover their costs. However, the URRC recommends 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 GN's response and/or adjustments made to how hamlets are funded. Further, if adverse outcomes are observed, QEC make an application to address such impacts. While QEC may consult with the GN on such matters, URRC acknowledges that ultimately any action taken to adjust how hamlets are funded is at the GN's discretion.

6.9 OTHER MATTERS

201. The URRC notes that some matters not specifically related to the GRA were raised in the public submissions or during the URRC's examination of the Application. Each is addressed in the sections below.

6.9.1 NUNAVUT ENERGY SUBSIDY PROGRAM

202. The URRC notes that QEC's proposed transition to Nunavut-wide rates (as applied for) presumes no changes to the NESP, which is solely at the GN's discretion. The URRC also notes that neither QEC nor the responsible Minister for QEC have the ability to change the program.

203. The URRC considers that QEC's lack of ability to secure or influence changes to the NESP should not preclude QEC from exploring or promoting changes that could improve its rate design, administrative efficiency and/or be of assistance to its customers which are under its mandate.

204. The URRC has recommended that demand and customer charges be increased by at least one third of the way toward full revenue coverage. If integration with NESP adversely impacts QEC's policy intentions of these proposed changes, the organization will need to reassess and/or clearly state the implications to the GN, who has sole discretion over the administration and imposition of NESP and the intentions of that program for the benefit of Nunavummiut.

205. Similarly, the URRC recommends that in future GRAs QEC consider subdividing its existing rate classes if, for example, the discrepancy between low and high consumption customers is a barrier to making changes to existing rates. The URRC

notes that QEC is reluctant to change demand and customer charges, in part due to potential bill impacts on low consumption customers.

206. The URRC notes that if the transition to Nunavut-wide rates is not approved as proposed, then QEC may need to set out the need for further policy considerations of the NESP by the GN as described in the Application and responses to IRs.

6.9.2 BILLING, CREDIT AND PAYMENT ISSUES

207. The URRC notes that some of the public submissions raised concerns about billing, credit and/or payment issues. Without getting into the specifics of the submissions, the URRC recommends that QEC consider improvements to its billing and payment processing systems. The URRC also notes that QEC raised concerns about administrative efficiency and customer reaction to rate and billing impacts.

208. The URRC recommends that QEC engage customers to improve energy literacy and to improve its billing/invoicing so that it is more readable and user friendly. Compared to other jurisdictions, the QEC rate structure is already quite straightforward but perhaps the introduction of user-friendly language, non-technical easy-to-translate presentation of energy usage, impacts and explanation of monthly charges would be beneficial to both QEC and its customers.

209. The URRC also recommends that QEC increase its monitoring to help identify customer consumption usage/patterns that are noticeably different than the norm for a particular customer or compared to other customers or average energy consumers. The URRC notes that this type of monitoring is done to flag/identify metering issues or other types of usage matters.

210. The URRC is also aware of some potential payment processing and data privacy concerns. The URRC recommends that QEC explore methods to avoid having customers provide credit card information over the telephone, email or on an unsecure form for automatic billing. The URRC understands that this may pose a challenge for QEC and certain customers, however it would reduce exposing QEC and its customers to unnecessary financial, data and privacy risks.

211. The URRC also notes that a GRA seems to be the only mechanism to voice customer billing issues, which is not the intended purpose of a GRA. The URRC recommends that the responsible Minister and QEC develop a mechanism for these types of concerns/complaints to be voiced and administered, outside of GRA proceedings.

6.9.3 CIPP/IPP MATTERS

212. The URRC notes that some public submissions raised concerns about the CIPP and the yet-to-be released/proposed IPP programs. The URRC appreciates the submissions from the public and the responses from QEC, however these matters are not under consideration in the GRA.

213. The URRC also notes that, in the absence of CIPP/IPP applications, the GRA and MPPA reviews seem to be the only mechanisms available to the public to bring concerns of this type forward.

214. The URRC recommends that, until such time that CIPP/IPP applications are filed, the responsible Minister and QEC develop a mechanism for these types of concerns to be voiced and administered, outside of a GRA.

6.9.4 ANNUAL REPORTING OF FINANCES AND OPERATIONS

215. The URRC notes that QEC's pattern for submitting a GRA has been to wait for at least three to four years. In the interim period, the URRC has had little visibility to QEC's regulatory schedules or operating information.

216. The URRC considers that it would remain better informed if QEC provided its regulatory schedules (similar to what was submitted as GRA schedules 3.1 through 6.4), System Average Interruption Duration Index (SAIDI)/ System Average Interruption Frequency Index (SAIFI) information, and staffing levels (FTE complement and vacancies) on an annual basis and any other information of regulatory significance.

217. The URRC notes that this type of annual reporting has already been provided for in the URRC's *Rules of Procedure and Practice and Rate Setting Guidelines* (March 2007, page 16) that were established under Section 6(1) of the URRC Act.

218. The URRC directs that annual reporting, including regulatory schedules (similar to what was submitted as GRA schedules 3.1 through 6.4), SAIDI/SAIFI information, and staffing levels (FTE complement and vacancies) and other information of regulatory significance should commence after the end of the 2022/23 fiscal year. The URRC directs that reporting be submitted within 180 days of the end of the fiscal year for information purposes in accordance with URRC *Rules of Procedure and Practice and Rate Setting Guidelines (*March 2007, page 16).

7.0 URRC RECOMMENDATIONS

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

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 RCC 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.

Future GRAs and general recommendations

- That in future GRAs, QEC provide more information about the other factors it reviewed to determine if adjustments were considered and/or made to the baseload customer forecast for any communities.
- That in the next GRA, QEC provide a more detailed quantitative analysis or assessment of the factors affecting UPC.

- That in the next GRA, QEC provide details regarding its reporting requirements of asset retirement obligations as a result of work on PS3280.
- That QEC provide an updated depreciation study in its next GRA.
- That in the next GRA, QEC provide a long-term forecast of its debt requirements and its plan for financing them.
- That QEC provide enhanced information in future GRAs, particularly in relation to major capital projects which will result in the retirement, removal, and remediation of old sites and assets.
- That QEC provide validation or review of the lead-lag study and determination of working capital in its next GRA.
- That in future GRAs, QEC consider subdividing its existing rate classes if, for example, the discrepancy between low and high consumption customers is a barrier to making changes to existing rates.
- That QEC consider improvements to its billing and payment processing systems.
- The URRC recommends that QEC engage customers to improve energy literacy and to improve its billing/invoicing so that it is more readable and user friendly.
- That QEC increase monitoring to help identify customer consumption usage/patterns that are noticeably different than the norm for a particular customer or compared to other customers or average energy consumers.
- That QEC explore methods to avoid having customers provide credit card information over the telephone, email or on an unsecure form for automatic billing.
- That the responsible Minister and QEC develop a mechanism so that concerns/complaints related to billing, credit and payments may be voiced and administered, outside of the GRA proceedings.
- That until such time that CIPP/IPP applications are filed, the responsible Minister and QEC develop a mechanism for these types of concerns to be voiced and administered, outside of the GRA.

220. That annual reporting, including regulatory schedules (similar to what was submitted as GRA schedules 3.1 through 6.4), SAIDI/SAIFI information, and staffing levels (FTE complement and vacancies) and other information of regulatory significance should commence after the end of the 2022/23 fiscal year. The URRC directs that reporting be submitted within 180 days of the end of the fiscal year for information purposes in accordance with URRC *Rules of Procedure and Practice and Rate Setting Guidelines (March 2007,* page 16).

221. Nothing in this report shall prejudice the URRC in its consideration of any other matters respecting QEC.

ON BEHALF OF THE
UTILITY RATES REVIEW COUNCIL OF NUNAVUT

Graham Lock

DATED: August 18, 2022

Graham Lock, Vice-Chair
Utility Rates Review Council of Nunavut

APPENDIX A – CITY OF IQALUIT SUBMISSION

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City of Iqaluit
Box 460
Iqaluit, Nunavut
X0A 0H0

Ville d'Iqaluit
C.P. 460
Iqaluit, Nunavut
X0A 0H0

867-979-5600
867-979-5922
info@iqaluit.ca
www.iqaluit.ca

June 28, 2022

Nunavut Utility Rate Review Council
Box 1000, Stn 200
Iqaluit, NU
X0A 0H0

Dear Executive Council,

Qulliq Energy Corporation submitted an application to the Nunavut Utility Rates Review Council that if approved, will result in sizable increases to City of Iqaluit power bills, which will in turn; cause cost of living increases across the City. QEC has proposed a structure where the rates by category, will be the same for all communities across the territory.

QEC has proposed a number of changes including the following, which present serious concerns for the City of Iqaluit:

- increase all commercial government accounts by 71.5%. The majority of the City's accounts fall within this category and will result in increased power costs of approximately $1,335,000.
- Increase commercial and residential rates in Iqaluit by 5.1%

The source of funds to pay for electricity for municipal buildings and operations is property taxes. Not only will Iqaluit residents and businesses be impacted by the 71.5% increase imposed on the City, they will be directly impacted by increases to their power bills by 5.1%.

City of Iqaluit Power Costs with Proposed Increases

2021 City of Iqaluit Power Bills (current commercial government rates)	$1,867,191.77
QEC's proposed increase of 71.5%	$1,335,042.12
Total including QEC's proposed increase	$3,202,233.89

Iqaluit is the only tax-based community in Nunavut and like other municipalities in Canada generates the majority of its revenue to cover expenses from property taxes. The QEC proposal aims to shift the responsibility for the capital and operational expenses of power plants of other communities to the City of Iqaluit. This model is flawed, as the City does not have authority over the policies or activities that influence power consumption in these communities. The City will need to increase property taxes, adversely affecting the local and regional economies to cover the additional expenses incurred by QEC's operations in non-tax-based communities.

General Rate Application

QEC proposed a change to the current community-based rate structure to a territorial-based rate structure. Under the proposal, all customers in the Territory will pay the same electricity rates, claiming the proposed structure is more equitable for customers. Under the General Rate Application, QEC requested approval to generate $144.0 million in revenue. To meet the revenue target, QEC needs additional $6.6 Million, representing an average rate increase of 5.1%.

QEC Rate Changes and Bill Impacts -Tables

Iqaluit		
Customer Class	Current (cents/kWh)	Proposed (cents/kWh)
Residential	58.56	61.57
Residential Subsidized Rate	29.28	30.79
Commercial	48.31	50.79
GN/Municipal Residential	58.56	93.44
GN Municipal Commercial	49.76	85.35

Source: URRC

QEC argued that a number of problems exist because of the current structure. The application stated that the current community based costs do not accurately reflect the costs in each community; applying rate increases on equal percentage basis results in varied increases; capital projects, especially in smaller communities increases rates; and implementing renewable energy programs puts smaller communities at a disadvantage. QEC's arguments defend offsetting rates in the smaller communities by increasing rates in Iqaluit.

City of Iqaluit Proposed Rate Structure

QEC's proposed rate structure was presented at the May 25th City Council Meeting. At that meeting, Council approved the following resolution (motion #22-176).

> ***Council requests that Qulliq Energy Corporation assess the City at the non-government commercial rate, and further, that this request be submitted to the Nunavut Utility Rates Review.***

Furthermore, on May 30, 2022, Finance Chairperson Councillor Sheppard presented the City's position on the proposed rate structure to the Nunavut Utility Rate Review Council. He outlined the problems as identified with the QEC proposal, as identified in this letter. Councillor Sheppard provided the City's recommendation to the URRC at the meeting.

Conclusion

Under the QEC proposal, Iqaluit residents and businesses will cover QEC's costs related to the production and distribution of power in non tax-based communities. The City of Iqaluit does not have authority over policies or activities that influence power consumption in other communities; therefore, a territorial-base rate structure where Iqaluit subsidizes the power rates of the other 24 communities is unfair. Like other tax-based municipalities, the City of Iqaluit pays for electricity for its facilities and operations through property taxes. QEC's proposed rate structure will place a significant burden on the ratepayers of Iqaluit, which will resonate throughout the economy. The cost of rent, goods and services will dramatically increase, stifling economic gains that have been realized during this post-COVID recovery period.

The City urges the URRC to ensure that QEC's new rate structure is fair and does not place the burden of production and distribution costs of other communities on the ratepayers of Iqaluit.

Sincerely,

Amy Elgersma
Chief Administrative Officer

cc. Mayor Bell
Councillor Sheppard
Robyn Mackey, A/CAO

APPENDIX B – QEC RESPONSE TO THE CITY OF IQALUIT

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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

P.O. Box 580, Iqaluit, Nunavut, XOA OHO

July 3, 2022

Dear Amy Elgersma, Chief Administrative Officer
City of Iqaluit
P.O. Box 460
Iqaluit, Nunavut, X0A 0H0

<u>Re: Qulliq Energy Corporation Proposed Changes to Utility Rates</u>

Thank you for your letter dated June 28, 2022 in which you went on record to express your opposition to the Qulliq Energy Corporation's (QEC) proposed rate adjustments outlined in the General Rate Application (GRA). Feedback from our communities is welcome as it supports an open and transparent process.

In regards to your concerns, QEC wishes to address your concerns and clarify any misconception. Listed below is information regarding QEC's rate structure and proposal:

1. QEC acknowledges that the City of Iqaluit would be greatly affected by this application. This is a result of Iqaluit being the only community that obtains the majority of its operating costs through community tax revenue rather than receiving operating costs from the GN. This highlights the importance of submitting feedback to URRC during the review process, as it informs the recommendations presented to the Minister responsible for QEC, including advice for specific customers in unique situations where they would be adversely affected.

2. The GRA consist of two phases.
    - Phase 1 determines the revenue needed to meet QEC's operational cost. QEC is seeking a 5.1% overall rate increase. Within this process all communities across Nunavut will see a 5.1% rate increase. This is the lowest rate increase QEC has requested since the Corporation's establishment. As per past GRAs if only Phase 1 was approved then all communities would see a 5.1% increase, not only Iqaluit.

    - Phase 2 determines how QEC collect revenue from its customers throughout the communities. It is separate from Phase 1 and is solely a rebalancing exercise of adjusting rates after the 5.1% increase has been applied. Within Phase 2, QEC is seeking a Territory-wide rate structure, where everyone throughout Nunavut will be treated equally. All customers of the same class would pay the same for electricity regardless of where they live in Nunavut.

3. While QEC concurs the financial impact is substantial, QEC's estimates are somewhat lower and the combined impact of both phases is about $1 million. The reasons for the difference are as follows:
    - the 71.5% is only being proposed for the commercial accounts, the residential rates are proposed to increase by 59%;
    - LED streetlights rates are proposed to increase by 5.1%; and
    - the proposed increase in only being applied to the energy usage portion of the service, increases are not being proposed for the demand and services charges associated with the power provision services.

4. This new approach to move to a Territory-wide rate aligns with the recommendation of the URRC and is similar to the approach taken by the NWT in 2010. This proposal is not about larger community rates increasing to subsidize smaller community rates what-so-ever. The proposal is for Government rates to increase to allow for all other communities to be equal to Iqaluit rates, which are the lowest in the territory.

5. QEC feels electricity being an essential service, customers should be treated equally, similar to how essential services are delivered across Canada. Even in Nunavut other essential services are priced in this manner. For instance, all communities in Nunavut, with the exception of Iqaluit, pay the same price for heating fuel and gasoline.

6. QEC's current rate structure does not reflect the true cost of power in communities. Since division from NTPC rate increases have been implemented across the Territory on an equal percentage basis. Each time the rates increases on a percentage basis, the price gap between the communities increases. In 2018-2019, external consultants completed a cost of service study, which indicated the full community-based rate for Nunavut. At that time, Iqaluit's full cost of providing power would have been 67 cents per kilowatt hour for residential customers and 57 cents per kilowatt hour for commercial customers compared to the current rates of 59 cents per kilowatt hour for residential and 48 cents per kilowatt hour for commercial. Under the current rate structure, the cost of Iqaluit's significant capital investments was incorporated in rate increases for all Nunavut communities. Therefore, the current rates in Iqaluit are significantly below the full cost of energy production in the City. While in the same study, some of the smaller communities that had little or no major capital, had rates significantly above the full cost of energy production in their community.

In conclusion, it is obvious that the City of Iqaluit is unique compared to other communities, as they are the only community that obtains the majority of its operating costs through community tax revenue rather than receiving operating costs from the Government of Nunavut. A favorable option brought forward by the City is for their accounts to be reclassified as a non-government customer class. As noted by the City in their letter this request was approved by the Council resolution at the May 25th City Council meeting (motion #22-176). This would mean the City would only experience the overall 5.1% rate increase required to meet QEC's operational cost. QEC is in support of this option and recommends this request be actioned.

If you wish to discuss this matter further, please feel free to contact me.

Sincerely,

Rick Hunt

Rick Hunt
President and CEO
Qulliq Energy Corporation

cc: Anthony Rose, Chair, Utility Rates Review Council
Kenny Bell, Mayor, City of Iqaluit
Kyle Sheppard, Councillor, City of Iqaluit

APPENDIX C – HAMLET OF KINNGAIT SUBMISSION

Municipality of Kinngait

P.O. BOX 30
KINNGAIT, NUNAVUT
X0A 0C0

TELEPHONE: (867) 897-8943
FAX: (867) 897-8030

May 18, 2022

Hon. Craig Simailak
Minister Responsible for Qulliq Energy Corporation
PO Box 2410
Iqaluit, NU
X0A 0H0

Dear Hon Simailik:

RE: Application of General Rate Application for the Test Year 2022-23

The Municipality of Kinngait at its regular meeting on May 17,2022 had an opportunity to review your letter dated May 10,2022 requesting an increase of 5.1 % to electricity rates effective October 1,2022. The Hamlet Council feels that this is a very large increase to the rates without a full detailed explanation of reason for the large increase in the rates. Council feels that this was a very sudden rate increase that many community residents may have a hard time trying to pay for the electric bills that they will receive after October 1, 2022.Council would like QEC to review this type of change to the electric rates.

We hope that by this reconsideration the needs of community residents will be met in a fair and reasonable manner.

Sincerely,

Mayor Timoon Toonoo

Cc: Mr Rick Hunt, President/CEO, Qulliq Energy Corporation

APPENDIX D – MINISTER/QEC RESPONSE TO HAMLET OF KINNGAIT

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Building *Nunavut* Together
*Nunavu*liuqatigiingniq
Bâtir le *Nunavut* ensemble

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Nunavut

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Minister responsible for Qulliq Energy Corporation
Minista Kamayiuyuq Qulliq Umaqqutit Kuapurisankunik
Ministre responsable de la Société d'énergie Qulliq

The Honourable Craig Simailak

TRANSLATION TO FOLLOW

25-May-22

His Worship Timoon Toonoo
Mayor of Kinngait
P.O. Box 30
KINNGAIT, NU X0A 0C0

Dear Your Worship;

Thank you for your letter of May 18, 2022, regarding your opposition to the Qulliq Energy Corporation's (QEC) proposed rate increase, outlined in their General Rate Application (GRA). Feedback from our communities is welcome as it supports an open and transparent government.

In fostering *Aajiiqatigiinniq*: *decision making through discussion and consensus*, I will take your concerns into consideration when discussing the GRA with my cabinet colleagues before the final decision is reached regarding the possible rate increase.

I have currently engaged the Utility Rates Review Council to complete a review of QEC's GRA. I will provide a copy of your letter to them to ensure your concerns will be considered in their report. Their report will be useful in ensuring that an informed decision is made and ensure the electricity needs of all Nunavummiut are met in a fair and reasonable manner.

Attached is a summary of the proposed rate changes and bill impacts by customer class that was prepared by QEC. This information should help you better understand how the different classes of customers within your community would be affected by the proposed rate changes. Additional information on QEC's requested rate increases, including a rationale for the proposal, can be found on their website at www.qec.nu.ca.

Sincerely,

Craig Simailak

Craig Simailak

…/2

cc: Mr. Rick Hunt, President & CEO, Qulliq Energy Corporation

Attachments (1)

Kinngait – Proposed Rate Changes and Bill Impact summaries by Customer Class

Customer Class	Kinngait Rates Current (cents/kWh)	Proposed (cents/kWh)
Residential	67.42	61.57
Residential Subsidized Rate	29.28	30.79
Commercial	63.02	50.79
GN/Municipal Residential	70.92	93.44
GN/Municipal Commercial	70.92	85.35

Kinngait Bill Impact Non- Government

Residential – Current Rate

Power Usage of 700 kWh — Rate cent/kWh 67.42

	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays 50% Iqaluit		29.28	700	$ 204.96	$11.71	$ 216.67
GN Pays	18.00	38.14	700	$ 266.98		

Residential – New Territorial- Wide Rate

Rate cent/kWh $ 61.57

	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays 50% Iqaluit		30.79	700	$ 215.50	$12.31	$ 227.81
GN Pays	18.00	30.79	700	$ 215.50		
					Bill Increase	$ 11.14

Commercial – Current Rate

Power Usage of 2000 kWh — Rate cent/kWh 63.02

	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays	40.00	63.02	2,000	$ 1,260.40	$ 66.17	$1,366.57

Commercial – New Territorial- Wide Rate

Rate cent/kWh $ 50.79

	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays	40.00	50.79	2,000	$ 1,015.80	$ 53.33	$1,109.13
					Bill Decrease	-$ 257.44

Kinngait Bill Impact Government/Municipal

Residential – Current Rate

Power Usage of 700 kWh — Rate cent/kWh 70.92

	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays	18.00	70.92	700	$ 496.44	$28.37	$ 542.81

Residential – New Territorial- Wide Rate

Rate cent/kWh $ 93.44

	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays	18.00	93.44	700	$ 654.08	$37.38	$ 709.46
					Bill Increase	$ 166.65

Commercial – Current Rate

Power Usage of 2000 kWh — Rate cent/kWh 70.92

	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays	40.00	70.92	2,000	$ 1,418.40	$ 74.47	$1,532.87

Commercial – New Territorial- Wide Rate

Rate cent/kWh $ 85.35

	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E	F=A+D+E
Customer Pays	40.00	85.35	2,000	$ 1,707.00	$ 89.62	$1,836.62
					Bill Increase	$ 303.75

Note: Electricity rates for tenants in public housing under the User Pay Power subsidy program will not change.

APPENDIX E – HAMLET OF RANKIN INLET SUBMISSION

Telephone 867-645-2895
Fax 867-645-2146

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MUNICIPALITY OF RANKIN INLET
Box 310, Rankin Inlet, Nunavut
X0C 0G0

May 24, 2022
URRC Executive
Box 1000, Stn 200
Iqaluit, NU, X0A 0H0
VIA EMAIL urrc@GOV.NU.CA

QEC Proposed Changes to Utility Rates

The Rankin Inlet Hamlet Council has serious concerns over the proposal by QEC to move to territory-wide rates.

The council is of the opinion that territorial wide rates will artificially cross subsidize consumers and no longer reflect the true cost of power in communities. This will negatively impact both municipal governments and business by transferring the responsibility to subsidize rates from the territorial government to consumers.

While small and remote communities have costs that are carried by smaller consumer bases that result in higher electricity rates, those communities generally have significantly higher subsidies in other areas that offset those costs such as the Northern Allowance. If the cost of capitalization in those communities is the driver for such rates, then that cost should be financed by the GN through the capital plan or another targeted subsidy instead of being passed on to every other consumer in other communities.

The Municipality of Rankin Inlet is opposed to territory-wide rates.

Sincerely,

Harry Towtongie
Mayor

APPENDIX F – QEC RESPONSE TO HAMLET OF RANKIN INLET

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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

P.O. Box 580, Iqaluit, Nunavut, XOA OHO

June 27, 2022

His Worship Harry Towtongie
Mayor of Rankin Inlet
P.O. Box 310
Rankin Inlet, Nunavut
X0C 0G0

Dear Your Worship,

Re: Qulliq Energy Corporation (QEC) Proposed Changes to Utility Rates

This letter is in response to your letter to the URRC Executive dated May 24, 2022. We thank you for your input as you went on record to express your opposition to the QEC's proposed rate increase outlined in the General Rate Application (GRA). Feedback from our communities is welcome as it supports an open and transparent process.

In regards to you concerns, QEC wishes to address you concerns and clarify any misconceptions. Listed below is information regarding QEC's rate structure and proposal:

- QEC's current rate structure does not reflect the true cost of power in communities. Since division from NTPC rate increases have been implemented across the Territory on an equal percentage basis. Each time the rate increases on a percentage basis the price gap between the communities increases.

- QEC feels electricity being an essential service, customers should be treated equally, similar to how essential services are delivered across Canada. Even in Nunavut other essential services are priced in this manner. For instance, all smaller communities throughout Nunavut pay the same price as Rankin Inlet for heating fuel and gasoline.

- This new approach to move to a Territory-wide rate aligns with the recommendation of the URRC and is similar to the approach taken by the NWT in 2010. This proposal is not about larger community rate increasing to subsidize smaller community rates what-so-ever. The proposal is for Government rates to increase to allow for all other communities, including Rankin Inlet, to be equal to Iqaluit rates, which are the lowest in the territory. As a majority of the hamlet of Rankin Inlet's operating cost are funded by the GN, the impact to the hamlet would be neutral.

- Within QEC's proposal Rankin Inlet's local business rate is actually reducing from \$0.5296 to \$0.5079 – a rate decrease of 2.2 cents per kWh. If QEC continues with the current rate structure, the business rate in Rankin Inlet will increase from \$0.5296 to

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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

P.O. Box 580, Iqaluit, Nunavut, XOA OHO

$0.5568, a rate increase of 2.7 cents/kWh. A combined variance to the local businesses is 4.9 cents/kWh lower business rate in Rankin Inlet if QEC's proposal is accepted.

- As per your suggestion, this is the sole reason for the rate realignment approach QEC is proposing. By increasing the Government rates the electricity cost difference amongst communities will be placed on the Government which provides rate relief to consumers in all communities throughout Nunavut, including Rankin Inlet.

- Further, it is misleading to think that the Northern Allowance compensates the residents of smaller communities. As we know, the Northern Allowance is a benefit paid to mostly government workers, the majority of which are concentrated in the larger communities. Elders, low income support recipients, hunters and trappers making their living off the land, local artists and employees of local businesses, do not receive the Northern Allowance. These people are most vulnerable to the current disproportionate rate structure.

Attached is a summary of the proposed rate changes and bill impacts by customer class. This information should help you better understand how the different classes of customers within your community would be affected by QEC's rate proposal. Additional information on QEC's General Rate Application, including a rationale for the proposal, can be found on our website at www.qec.nu.ca.

If you wish to discuss this matter further, please feel free to contact me.

Sincerely,

Rick Hunt

Rick Hunt
President and CEO
Qulliq Energy Corporation

cc: Anthony Rose, Chair, Utility Rates Review Council

Attachment:

Rankin Inlet

Rankin Inlet Rates		
Customer Class	Current (cents/kWh)	Proposed (cents/kWh)
Residential	60.63	61.57
Residential Subsidized Rate	29.28	30.79
Commercial	52.96	50.79
GN/Municipal Residential	60.63	93.44
GN/Municipal Commercial	58.94	85.35

Rankin Inlet Bill Impact Non- Government

Residential						
Current Rate						
Power Usage of		700	kWh			
				Rate cent/kWh		60.63
	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays 50% Iqaluit		29.28	700	$ 204.96	$ 10.25	$ 216.67
GN Pays	18.00	31.35	700	$ 219.45		
New Territorial- Wide Rate						
				Rate cent/kWh		$ 61.57
	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays 50% Iqaluit		30.79	700	$ 215.50	$ 10.77	$ 227.81
GN Pays	18.00	30.79	700	$ 215.50		
					Bill Increase	$ 11.14

Commercial						
Current Rate						
Power Usage of		2000	kWh			
				Rate cent/kWh		52.96
	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays	40.00	52.96	2,000	$ 1,059.20	$ 54.96	$ 1,154.81
New Territorial- Wide Rate						
				Rate cent/kWh		$ 50.79
	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays	40.00	50.79	2,000	$ 1,015.80	$ 52.79	$ 1,109.13
					Bill Decrease	-$ 45.68

Rankin Inlet Bill Impact Government/Municipal

Residential						
Current Rate						
Power Usage of		700	kWh			
				Rate cent/kWh		60.63
	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays	18.00	60.63	700	$ 424.41	$ 22.12	$ 466.66
New Territorial- Wide Rate						
				Rate cent/kWh		$ 93.44
	Service Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays	18.00	93.44	700	$ 654.08	$ 33.60	$ 709.46
					Bill Increase	$ 242.79

Commercial						
Current Rate						
Power Usage of		2000	kWh			
				Rate cent/kWh		58.94
	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays	40.00	58.94	2,000	$ 1,178.80	$ 60.94	$ 1,280.69
New Territorial- Wide Rate						
				Rate cent/kWh		$ 85.35
	Demand Charge	Electricity Usage			GST	Total Paid
	A	B	C	D=BxC	E=A+D*5%	F=A+D+E
Customer Pays	40.00	85.35	2,000	$ 1,707.00	$ 87.35	$ 1,836.62
					Bill Increase	$ 555.93

APPENDIX G – IQALUIT CHAMBER OF COMMERCE SUBMISSION

From:	Iqaluit Chamber
To:	urrc@gov.nu.ca
Subject:	Comments from President of the Iqaluit Chamber of Commerce: Utility Rate Review
Date:	Friday, June 17, 2022 3:10:13 PM

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Minister Simailak,

As President of the Iqaluit Chamber of Commerce, I am writing to you to express my thoughts on the proposed QEC General Rate Application. With the current information available, I do not support this application.

Nearly half of all licensed businesses in Nunavut are based in Iqaluit. While the increases in electricity rates being charged directly to Iqaluit businesses are nominal, the new rate being charged to Municipal/Government entities is approximately 70% higher than the current charge. My concern is that the increase in those costs, particularly to the City of Iqaluit, will be recuperated by increasing fees to the business community. The business community already faces significant flat rate fees for garbage, water, and property taxes to subsidize residential costs, and the City has stated that it will have to increase property taxes if the general rate application is approved.

Our businesses have already been weathering numerous financial challenges over the past few years with pandemic closures and the water crisis. This is on top of the many challenges already associated with operating a business in Nunavut. With the further threat of inflation and increasing interest rates looming on the horizon, this is yet another significant burden being placed on our businesses. In the end, we as a community and territory will face the costs of an overburdened business community; either through paying higher costs for goods and services or losing them altogether should businesses have to close.

I would like to thank you for your time and attention to this email. Further, I would like to thank your employees for taking the time to ensure we had this information to provide informed feedback. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Gabrielle Fuentes-Morrill

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www.iqaluitchamber.ca

APPENDIX H – MINISTER RESPONSE TO IQALUIT CHAMBER OF COMMERCE

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Bâtir le *Nunavut* ensemble

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Minister responsible for Qulliq Energy Corporation
Minista Kamayiuyuq Qulliq Umaqqutit Kuapurisankunik
Ministre responsable de la Société d'énergie Qulliq

The Honourable Craig Simailak

04-July-22

Ms. Gabrielle Fuentes-Morrill
Iqaluit Chamber of Commerce
IQALUIT, NU X0A 0H0

Dear Fuentes-Morrill:

In response to your letter of June 17, 2022 to the Utility Rates Review Commission (URRC). Thank you for your input in opposition to the Qulliq Energy Corporation's (QEC) proposed rate increase outlined in the General Rate Application (GRA). As always, feedback from our communities is welcome as it supports an open and transparent process.

In fostering *Aajiiqatigiinniq: decision making through discussion and consensus*, the Iqaluit Chamber of Commerce concerns will be taken into consideration when discussing the GRA with Cabinet before the final decision is reached regarding the possible rate increase.

The president and CEO of QEC, Mr. Rick Hunt and I are fully aware of the concerns you have raised regarding proposed changes to the government rates that the City of Iqaluit estimates would greatly impact its operating cost and could be passed on to the community through property tax increases.

Most recently, QEC met with the City of Iqaluit officials reviewing options that would address this concern. The City of Iqaluit is unique compared to other communities, as it is the only community that obtains the majority of its operating costs through community tax revenue rather than receiving operating costs from the Government of Nunavut. A favorable option brought forward by the city is for their accounts to be reclassified as a non-government customer class. This would mean the city would only experience the normal 5.1% rate increase. QEC is in support of this option and recommends this request be actioned.

One of the key reasons for QEC to propose this new rate structure is to address concerns raised pertaining to how rates for over 50% of Nunavut's licensed businesses are disproportionate to Iqaluit rates, with business rates in some communities reaching twice the level of Iqaluit rates. These extreme costs are overburdening to these communities as they result in higher costs for goods and services in those communities.

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Titiqaniarvia 2410
Iqaluit, Nunavut X0A 0H0

P.O. Box 2410
Iqaluit, Nunavut X0A 0H0

C.P. 2410
Iqaluit, Nunavut X0A 0H0

(867) 975-5041
(867) 975-5042

Considering electricity is an essential service and QEC being a corporation owned 100% by the Government of Nunavut, it is reasonable to expect all communities should be treated fairly and equally. This proposal to increase government rates to compensate for bringing all community rates down to Iqaluit rates, the lowest rates in Nunavut, should bring a much-needed relief to electricity costs across all communities in Nunavut.

Again, thank you for conveying the concerns of the Iqaluit Chamber of Commerce. I hope this information illustrates that we are committed to addressing concerns that are raised regarding this matter.

Sincerely,

Craig Simailak

Craig Simailak

cc: Mr. Anthony Rose, Chair, Utility Rates Review Council
Mr. Rick Hunt, President and CEO, Qulliq Energy Corporation

APPENDIX I – NUNAVUT NUKKIKSAUTIIT CORPORATION SUBMISSION

Nunavut Nukkiksautiit Corporation

June 16, 2022

Utility Rates Review Council
Box 1000, Stn 200
Iqaluit, NU X0A 0H0
Via Email to: URRC@gov.nu.ca

RE: Qulliq Energy General Rate Application – Public Feedback

Dear Council,

As the renewable energy development subsidiary of Qikiqtaaluk Corporation, Nunavut Nukkiksautiit Corporation ("NNC") has two mandates to fulfill. The first of those is to promote economic enhancement opportunities through renewable energy development for Qikiqtani Inuit. The second is to bring the economic, social, and environmental benefits of clean energy to communities in the Qikiqtani Region. Together, they provide us with a well-informed and important perspective into the Qulliq Energy Corporation ("QEC") General Rate Application ("GRA").

The below summarizes our comments and concerns with the recent GRA submitted to the Utility Rates Review Council ("URRC") by QEC.

Phase II Argument Not Compelling

Starting on page 2-5 of the GRA, in lines 8 through 10, QEC describes the proposed Phase II rate leveling (the postage stamp approach) as one that helps to facilitate the development of renewable energy in the Territory. On page 8-7, starting at line 17, QEC repeats that argument. While not taking a position on the rate levelling itself, NNC would like to point out that this argument is not compelling. QEC had the ability when proposing their renewable energy rates to take this into account and propose a renewable energy rate that did not create this imbalance. However, having formulated the renewable energy rates as they did, QEC is now using them as a reason to pursue rate levelling. Further, as explained by QEC on page 9-7, the renewable energy pricing framework is itself also under review.

If QEC is now working on new renewable energy pricing, they have the opportunity as part of that work to ensure that the new pricing reflects the entirety of costs and benefits of renewable energy to their system, and that it is equitable to all communities. It should not be a driver itself of rate levelling.

District Heating Analysis

Also of interest is the lack of mention of district heating in the rate application. By QEC's own account, QEC is using Combined Heat and Power to reduce heating fuel use by three million liters per year by supplying recovered exhaust heat in the form of hot water for heating to commercial and government customers in six

P.O. BOX 1228 | IQALUIT, NU | 867-979-8400 | nnc@qcorp.ca

communities.[1] Neither the revenue that this activity generates nor the effective increase in power plant efficiency are provided. While the sales prices for thermal energy are not regulated, the rates and revenue should be provided and reviewed to ensure that there is no cross-subsidy with respect to the regulated electricity rates. With this concern addressed, expansion of district heating should be encouraged. It has the potential to greatly reduce heating fuel use, increase QEC revenues through thermal heating sales without additional fuel consumption, increase efficiency and benefit the environment.

Renewable Energy Progress Stagnant

In turning to section 9.3 of the GRA, NNC has some comments to the review contained there, with respect to QEC's strategic plan for renewable energy. QEC notes, on page 9-6, beginning at line 14, that there has been minimal uptake of the Net Metering program in the four years since its implementation. Additionally, there has been extremely limited uptake of the Commercial and Institutional Power Producer ("CIPP") program, which requires commercial customers who install renewable energy systems to sell all electricity generated to QEC.

We can only speculate that residential customers, even those that own their buildings and can qualify at all, find the process opaque and cumbersome, and expensive both in the cost and the time to get the required approvals from QEC and others. For CIPP customers, it is our own experience with the program that informs our opinion that it is needlessly slow as a result of the application process, delays on QEC's part in processing paperwork and performing Connection Impact Assessments, and uneconomic rates for the sale of electricity generated through renewable energy systems. When a CIPP customer of QEC installs renewable energy, perhaps as a rooftop solar installation, instead of being able to use that clean electricity in their own facility and offset their electricity bills with QEC as is the case under the Net Metering program, the CIPP customer must sell all electricity (along with the rights to any carbon credits)[2] to QEC at a rate of 50% of the real price of the electricity. The CIPP customer must then purchase all electricity required for use in their facility back from QEC at 100% of the real price of electricity. As such, despite the fact that QEC does not share in the purchase, ownership, or operation of the renewable energy systems, QEC unfairly forces CIPP customers to turn over the majority of the economic and environmental benefit to QEC under this program.

Further, QEC provides some commentary on the effect of the CIPP program on other customers in the below statement:

> "...QEC is working on a revised CIPP pricing framework aimed at facilitating the desired increase in renewable generation **while avoiding cost increases to customers**. QEC is also conducting a review of its Net Metering Program, as well as a study on intermittent renewable energy penetration level in the communities which will inform potential revisions to the Net Metering and CIPP programs..."[3]
> (Emphasis is mine.)

It's curious that only Commercial and Institutional customers and Independent Power Producers have this responsibility for other customers, while Residential ones do not. A Commercial customer's rooftop might hold eight times as many solar panels as a Residential customer, but only with the Commercial customer is there an overriding concern about other customers, and not with the next eight Residential ones.

[1] https://www.qec.nu.ca/power-nunavut/alternative-energy/district-heating-system

[2] Note that we do not believe that it was the intent of the Minister when the rates were approved, based on the approval letter provided to QEC by the Minister to implement to CIPP program, to include the sale of environmental attributes and ancillary services in that price, despite what QEC's current CIPP PPA includes.

[3] Qulliq Energy Corporation 2022/23 General Rate Application March 2022 Pages 9-7 and 9-8

With respect to the CIPP program, your Council did not recommend that the QEC proposed rates be approved. They were approved by the Minister, to provide some path forward while a better solution was devised. In the year since the CIPP rates have been in effect, the URRC's comments have not been implemented, no better rate has been presented, and no IPP policy, program or projects have moved forward. During that time, Global Mean Atmospheric CO_2 levels increased again, by another 2.6 ppm.[4] Further, temperatures across the Arctic continue to rise faster than anywhere else in the country.[5]

We would like to see more progress by QEC in this area. We also would urge QEC, through the URRC, to consider that the existing structure of the CIPP program may impact other QEC customers in a way that they have not yet considered, and cannot control: it may drive Commercial customers to disconnect from the system entirely. This will have a larger impact on QEC's rate base and remaining customers than a fair and reasonable CIPP rate will. In fact, it is already happening in Iqaluit, where the Aqsarniit Hotel is poised to entirely disconnect from QEC's system as a result of the outright refusal of QEC to permit any renewable energy generation on-site unless every single kWh of electricity generated on-site is sold to QEC at an unfair rate.

For Independent Power Production-sized projects, at this point the lack of QEC engagement is preventing shovel-ready renewable energy projects from moving forward, and may kill them completely. Our project in Sanikiluaq has had its progress halted as a result of the lack of IPP opportunities, to the point where its federal funding has been jeopardized – federal funding that we must compete with QEC to receive. These actions hardly support the statement that "[QEC] supports the development and expansion of electricity supply options from renewable energy sources".[6]

Thank you for your consideration of our comments.

Sincerely,

Heather Shilton
Director
Nunavut Nukkiksautiit Corporation
hshilton@qcorp.ca

CC: Susan Shaw – Senior Advisor, Nunavut Nukkiksautiit Corporation

[4] https://gml.noaa.gov/ccgg/trends/global.html
[5] https://nunatsiaq.com/stories/article/iqaluits-average-temperature-increased-by-a-degree-between-1991-and-2020-researcher-says/
[6] Qulliq Energy Corporation 2022/2-23 General Rate Application March 2022 Page 8-7

APPENDIX J – QEC RESPONSE TO NUNAVUT NUKKIKSAUTIIT CORPORATION

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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

P.O. Box 580, Iqaluit, Nunavut, X0A 0H0

June 30, 2022

Heather Shilton, Director
Nunavut Nukkiksautiit Corporation
P.O. Box 310
Rankin Inlet, Nunavut
X0C 0G0

Dear Heather,

Re: Qulliq Energy Corporation (QEC) Proposed Changes to Utility Rates

This letter is in response to your letter to the URRC Executive dated June 16, 2022. We thank you for your input as you went on record to express your opposition to the QEC's proposed rate increase outlined in the General Rate Application (GRA). Feedback from our communities is welcome as it supports an open and transparent process.

In regards to your comments and concerns, QEC wishes to address your concerns and clarify any misconceptions. Listed below is information regarding QEC's rate structure and proposal:

Phase II Argument Not Compelling
The sole purpose of the GRA is to seek changes to electric rates to cover QEC's current operational costs, to meet its objective of providing safe, reliable and affordable electricity to all Nunavut communities. Considering electricity is an essential service and QEC being a Corporation owned 100% by the Government of Nunavut, it is reasonable to expect all communities should be treated fairly and equally. Having said that the promotion of the renewable energy is not a ***driver*** of the proposed levelized rate structure as referred to in the NNC's letter. Rather, the proposed levelized rate structure offers equal advantage to smaller communities in developing renewable energy as in larger communities. It is important to note that this point is not dependent on the renewable energy pricing structure that QEC is currently developing.

As explained in section 8.2.3 of the Application, under the Commercial and Institutional Power Producers (CIPP) program policy, all renewable generation must take place on site and be sold to QEC in its entirety, and CIPPs are responsible for all capital and operating costs of their renewable generating facility. QEC compensates CIPPs for the electricity supplied to QEC at an avoided cost of diesel generation, while CIPPs are charged at existing community rates for any energy they purchase from QEC, which is also noted by NNC in your letter.

Avoided cost of diesel generation is similar in all communities in Nunavut. This CIPP compensation price will be equitable to all communities, as suggested by NNC in your letter, under any type of a pricing structure, including the ongoing review, implying that CIPPs will get similar compensation for the electricity sold to QEC in all communities. Their own electricity purchase costs however will be lower if they are located in larger communities due to lower electricity rates in those communities under the existing rate structure. As such, the existing electricity rate structure puts smaller communities at a disadvantage to establish CIPP facilities and maintaining the existing rate structure will further increase the rate differences between communities making programs like CIPP less desirable to establish in smaller communities.

District Heating Analysis

In regards to district heating not being included in the GRA, it is noted that district heating is excluded from the GRA intentionally for the exact purpose of avoiding cross-subsidization by the regulated electricity rates as previously recommended by the URRC.

In particular, in the URRC report on QEC's 2004/05 GRA, dated February 18, 2005, the URRC stated as follows:

> *The URRC notes the corporation presently treats the costs and revenues of serving district heating customers as part of the overall costs and revenues of QEC. The URRC considers district heating is a separate service distinct from electricity service. Accordingly, in the URRC's view all costs associated with individual district heating projects should be assigned or allocated to heat customers. This view was confirmed in the URRC's Baker Lake project permit report dated May 16, 2003 where the URRC stated:*
>
> > *"Project approvals for waste recovery systems should be on a cost recovery basis from the heat customers, not the electrical customers." [Page 7]*
>
> *The URRC considers electrical customers should not cross subsidize district heating customers and district heating customers should not cross subsidize electrical service customers.*

In response to the URRC's report dated February 18, 2005, QEC excluded district heating related costs from the GRA revenue requirement in the 2010/11 rate application, stating as follows:

> *QEC has developed an approach for this Phase I GRA to segregate out district heating expenses from the revenue requirement for the electricity operations as follows:*
>
> - *District Heating, or Residual Heat assets, have been separately coded in QEC"s code of accounts. Residual heat assets have been excluded from the calculation of QEC"s rate base; and*
> - *QEC has prepared estimates of operations and maintenance expenses related to residual heat operations for 2010/11. These amounts have been excluded from the calculation of QEC"s revenue requirement, as illustrated in Table 6.6.*

As per the URRC report 2011-01, dated March 2, 2011, the URRC reviewed QEC's proposed allocation of costs to the District Heating function and accepted QEC's proposal [Page 74].

Renewable Energy Progress Stagnant

QEC is the only major regional power utility in Canada relying on isolated community-by-community diesel generation to serve all of its customers, and is doing this in extreme northern climate conditions. Accordingly, it is essential for the utility to ensure community grid reliability and stability while focusing on the renewable energy development in the Territory. While renewable energy development pace may be slower than desired by the IPP proponents, significant work is actually being carried out by QEC to have successful implementation of the relevant renewable energy programs with due consideration of power reliability and stability in the Territory.

As mentioned in your letter QEC is currently working on a revised CIPP pricing framework for purposes of facilitating the desired increase in renewable generation and will submit its findings and recommendations to the Government of Nunavut upon completion.

As well, QEC is currently in consultations with the GN with respect to the IPP program, including the pricing structure, and targets to file an application by the end of the year.

If you wish to discuss this matter further, please feel free to contact me.

Sincerely,

Rick Hunt

Rick Hunt
President and CEO
Qulliq Energy Corporation

cc: Anthony Rose, Chair, Utility Rates Review Council
Susan Shaw, Senior Advisor, Nukkiksautiit Corporation
Harry Flaherty, CEO & President, Qikiqtaaluk Corporation

APPENDIX K – JULY 6 RESPONSE FROM NUNAVUT NUKKIKSAUTIIT CORPORATION

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Nunavut Nukkiksautiit Corporation

July 6, 2022

Anthony Rose
Chair
Utility Rates Review Council
Box 1000, Stn 200
Iqaluit, NU X0A 0H0
Via Email to: URRC@gov.nu.ca

RE: Qulliq Energy Corporation General Rate Application ("GRA")

Dear Mr. Rose,

We at Nunavut Nukkiksautiit Corporation ("NNC") received the attached letter dated June 30, 2022 from Qulliq Energy Corporation ("QEC") in response to our letter addressed to the Utility Rates Review Council ("URRC") dated June 16, 2022.

I want to be clear that NNC did not express our "opposition to the QEC's proposed rate increase" as indicated in QEC's letter dated June 30, 2022. In fact, we explicitly stated in our original letter that NNC is "not taking a position on the rate levelling itself." We had some concerns about language used in the General Rate Application ("GRA") that we wished to bring to the attention of the URRC through its call for public feedback, however we are not opposed to the proposed rate increase.

In response to QEC's commentary on the levelized rate offering "equal advantage to smaller communities in developing renewable energy as in larger communities" (Letter to Heather Shilton, June 2022), we did not and are not disputing that statement. Our argument was more to bring attention to the fact that QEC itself created the imbalance between communities through the implementation of the pricing structure found in the Commercial and Institutional Power Producer ("CIPP") Program. This imbalance could have been avoided had the original recommendations of the URRC been incorporated into the CIPP pricing structure, however they were not, and this imbalanced pricing structure was implemented by QEC anyway. We merely want to draw attention to these facts and highlight that using the imbalance as a reason to pursue a levelized rate is inappropriate given the imbalance was created purposefully by QEC.

We appreciate the clarification on the historic decisions made regarding District Heating Analysis. We have no further comments on this item.

With regards to the commentary on the stagnation of renewable energy progress, we wanted to provide an overview of our experience with the utility over the last five years, which very clearly indicate that little to no movement has been made to enable renewable energy development in the Territory. Implementing uneconomic and inaccessible programs which have little uptake does not equate to supporting renewable energy development. Under existing programs, almost one year after we initially applied to QEC, we still have not been able to receive an acceptable Power Purchase Agreement ("PPA") from the utility, and after five years of engagement, we still have not received any movement whatsoever on a PPA for our community-scale wind and battery energy storage project in Sanikiluaq, NU. While the utility may feel that a policy is required to enable community-scale renewable energy projects, NNC disputes this reason for stalling community-scale renewable energy projects in the Territory. The purpose of our commentary on this item was merely to clarify that some of the statements included in the GRA around QEC supporting the development of electricity supply options from renewable energy sources, directly contradict our experience as the first 100% Inuit-owned renewable energy developer in Nunavut and wholly-owned subsidiary of the Regional Inuit Economic Development Corporation for the Qikiqtani Region, Qikiqtaaluk Corporation.

Lastly, it would be helpful to better understand the process for submitting feedback to the URRC under a public solicitation for comments. Perhaps the URRC could clarify the process for receiving and reviewing public feedback. Given the URRC "regulates the QEC" (URRC Website), it is curious as to why our letter, which was not addressed to QEC, was provided to QEC. Further, it would be helpful to understand why NNC received a response directly from QEC, when NNC wrote to the URRC. If the URRC is meant to regulate the utility, it would appear odd that our concerns regarding the utility's proposal were directly provided to the utility to respond to, rather than receiving a response from the URRC on our concerns.

I would certainly welcome the opportunity to meet with both QEC and the URRC to better understand this process if that may prove useful for all parties.

Sincerely,

HShilton

Heather Shilton
Director
Nunavut Nukkiksautiit Corporation
hshilton@qcorp.ca

CC: Rick Hunt, President and CEO, Qulliq Energy Corp.
Harry Flaherty, President & CEO, Qikiqtaaluk Corporation & Group of Companies
Susan Shaw, Senior Advisor, Nunavut Nukkiksautiit Corporation

ATTACHED: Letter from Rick Hunt to Heather Shilton

ATTACHMENT:
Letter from Rick Hunt to Heather Shilton

P.O. BOX 1228 | IQALUIT, NU | 867-979-8400 | nnc@qcorp.ca

Quliq Energy Corporation
Société d'énergie Qulliq
Qulliq Alruyaktuqtunik Ikumatjutiit

P.O. Box 580, Iqaluit, Nunavut, X0A 0H0

June 30, 2022

Heather Shilton, Director
Nunavut Nukkiksautiit Corporation
P.O. Box 310
Rankin Inlet, Nunavut
X0C 0G0

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Sincerely,

Rick Hunt

Rick Hunt
President and CEO
Qulliq Energy Corporation

cc: Anthony Rose, Chair, Utility Rates Review Council
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