



QEC OBJECTIVES

To provide safe, reliable and affordable electricity
to all Nunavut communities.

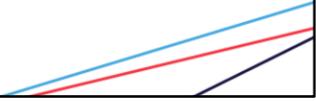
To promote local community development and
local employment opportunities.

GENERAL RATE APPLICATION

- A General Rate Application (GRA) is a request to change electricity rates.
- QEC must submit a GRA to the Minister responsible for QEC to change electricity rates.
- Electricity rates need to be set to cover the corporation's current operational cost.



GENERAL RATE APPLICATION PROCESS

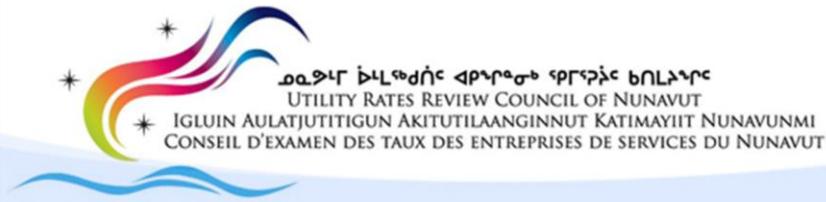
1. QEC submits an application to the Minister responsible for QEC.
 2. The Minister seeks the advice of the Utility Rates Review Council (URRC).
 3. The URRC will request input from the public.
 4. The URRC completes the application review and provides recommendations to the Minister responsible for QEC.
 5. The Minister will seek advice from Executive Council and provide instructions to QEC.
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Notes:

QEC's application for the 2022-23 fiscal year was submitted to Minister Joanna Quassa, the Minister Responsible for QEC, on March 24 of this year, seeking a rate change to go into effect October 1st, of 2022. The Minister has referred the application to the URRC, and they have started their review of the application.

Utility Rates Review Council

The Utility Rates Review Council (URRC) is an independent advisory body that reviews and provides recommendations to the Minister responsible for QEC on the corporation's applications for changes to electricity rates.





2022-2023 GENERAL RATE APPLICATION

QEC proposes the following:

1. An overall increase of 5.1% to the existing rates in order to meet current operating costs.
2. A shift away from the current rate structure towards harmonized territory-wide rates



GRA: TWO PHASED APPROACH

Phase 1

Determines the revenue needed to meet QEC's operating costs. (5.1%)

Phase 2

Determining how QEC collects revenue from customers

Notes:

Phase 1 - For this Application, QEC is seeking a 5.1% increase to energy rate revenues.

Phase 2 - For this Application, QEC is seeking a Territory-wide rate structure.

PHASE 1: QEC REVENUE NEEDS

Increases in revenue needs are driven by changes in:

- Cost of fuel
- Non-fuel costs (Staff, Travel, Housing, etc.)
- Capital investments (Power Plants, Distribution Lines, Office Buildings, etc.)

PHASE 1: GRA TEST YEAR

- The GRA Test Year represents a forecast of QEC's operating cost for the 2022-23 fiscal year.
- QEC's business year runs from April 1st to March 31st
- It is common for the Utility to select the most current year in advance of the application filing.

PHASE 2: RATE REBALANCING

- Phase 2 of the GRA is solely a rate rebalancing exercise.
- It determines how the revenue needs are collected from customer classes and communities.



CUSTOMER CLASSES

QEC currently provides services to the following customer classes:

- Residential
- Commercial
- Street lights



CURRENT RATE COMPONENTS

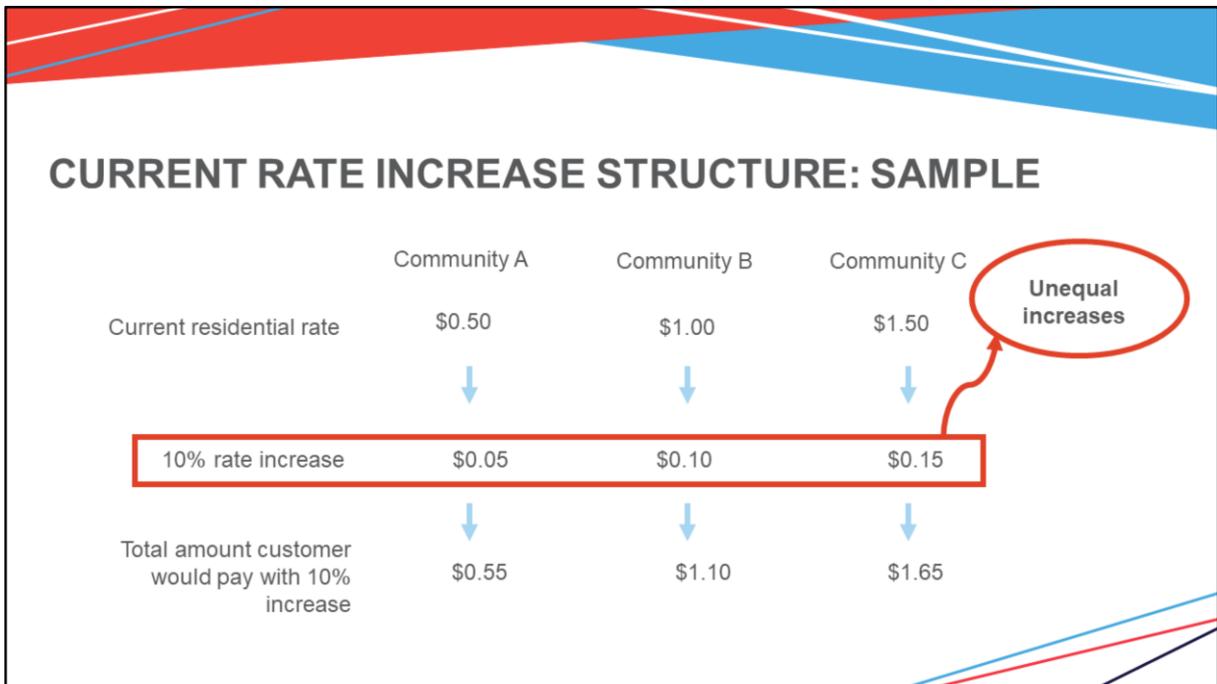
- **Residential Service Charge:** A monthly fixed charge of \$18 to cover services such as meter reading and administrative costs.
- **Commercial Demand Charge:** A minimum charge of \$40 which increases \$8 for every additional kilowatt (kW) of demand above 5 kW.
- **Fuel Stabilization Rate:** An additional charge or credit on a customer's bill that reflect changes in the price of fuel.
- **Energy Charge:** The energy a customer consumes expressed in kilowatt-hours (kWh).

The GRA is proposing to change energy rates.



EXISTING RATE STRUCTURE

- QEC currently has different rates for each community.
- Historically QEC's rate adjustments have been implemented on an equal percentage basis across all customer classes.
- Equal percentage rate increases are **not** the same as equal dollar increases.



Notes:

This slide demonstrates the impact to customers when rates increase on a percentage basis when community rates are different.

For example:

For customers in Community A who has a rate of 50 cents per kilowatt hour, with a 10 % rate increase the new rate becomes 55 cents per kilowatt hour. A 5 cent increase per kilowatt hour.

For customers in Community C who has a rate of 1 dollar and 50 cents per kilowatt hour, with a 10 % rate increase the new rate becomes 1 dollar and 65 cents per kilowatt hour. A 15 cent increase per kilowatt hour.

The initial difference in rates between Community A and Community C was \$1 and after a 10% increase this difference has grown to \$1.10. Each time the rate is increased on a percentage basis the price gap between the two communities becomes larger.

Rate Increase Summary								
Community	Residential Non-Government				Commercial Non-Government			
	Rates at Division from NWT	Current Rates Effective May 1, 2019	Cumulative Rate Increase Since Division		Rates at Division from NWT	Current Rates Effective May 1, 2019	Cumulative Rate Increase Since Division	
	cent/KWh	cent/KWh	(cent)	(%)	cent/KWh	cent/KWh	(cent)	(%)
A	B	C	D=C-B	E=D/C-1	F	G	H=G-F	I=H/G-1
Iqaluit	31.58	58.56	26.98	85.4%	25.47	48.31	22.84	89.7%
Rankin Inlet	32.82	60.63	27.81	84.7%	28.25	52.96	24.71	87.5%
Igloolik	33.46	61.70	28.24	84.4%	30.36	56.49	26.13	86.1%
Pangnirtung	35.06	64.38	29.32	83.6%	30.55	56.82	26.27	86.0%
Kinngait	36.87	67.42	30.55	82.9%	34.26	63.02	28.76	83.9%
Cambridge Bay	41.63	75.39	33.76	81.1%	35.27	64.73	29.46	83.5%
Baker Lake	37.96	69.25	31.29	82.4%	35.29	64.75	29.46	83.5%
Clyde River	42.99	77.66	34.67	80.6%	37.55	68.56	31.01	82.6%
Arviat	43.59	78.68	35.09	80.5%	40.34	73.22	32.88	81.5%
Qikiqtarjuaq	42.82	77.37	34.55	80.7%	40.36	73.26	32.90	81.5%
Nauyasat	47.36	84.99	37.63	79.5%	41.14	74.58	33.44	81.3%
Arctic Bay	49.15	87.99	38.84	79.0%	43.49	78.50	35.01	80.5%
Sanikiluaq	45.57	82.00	36.43	79.9%	43.51	78.54	35.03	80.5%
Pond Inlet	50.67	90.21	39.54	78.0%	46.17	82.67	36.50	79.1%
Sanirajak	49.89	89.23	39.34	78.9%	47.91	85.90	37.99	79.3%
Gjoa Haven	50.15	89.68	39.53	78.8%	47.94	85.95	38.01	79.3%
Coral Harbour	53.47	95.24	41.77	78.1%	48.67	87.18	38.51	79.1%
Kugluktuk	52.61	93.81	41.20	78.3%	48.72	87.27	38.55	79.1%
Kimminit	73.49	104.93	31.44	42.8%	64.12	87.81	23.69	36.9%
Chesterfield Inlet	55.30	98.31	43.01	77.8%	51.24	91.48	40.24	78.5%
Taloyoak	55.82	99.19	43.37	77.7%	54.83	97.50	42.67	77.8%
Resolute Bay	57.73	102.38	44.65	77.3%	54.84	97.53	42.69	77.8%
Kugaanuk	65.89	116.05	50.16	76.1%	58.00	102.82	44.82	77.3%
Grise Fiord	51.83	92.50	40.67	78.5%	60.65	107.25	46.60	76.8%
Whale Cove	62.03	90.71	28.68	46.2%	81.45	112.87	31.42	38.6%

Commercial customers in Whale Cove pay more than double the cost of Iqaluit customers.

Whale Cove 112.87 cents/kWh
Iqaluit 48.31 cents/kWh
 Difference 64.56 cents/kWh

Since division from NWT the gap between smaller and larger communities has grown. Each time the rates are increased it disproportionately impacts smaller communities.

Commercial Rate Increases since Div.
 Grise Fiord 46.60 cents/kWh
Iqaluit 22.84 cents/kWh
 Difference 23.76 cents/kWh

Notes:

This table shows how the rates have changed since the separation of QEC from the Northwest Territories.

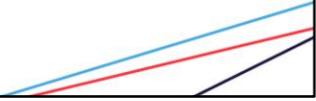
The difference between Iqaluit’s and Whale Cove’s commercial rate prior to division was 55.98 cents (81.45 - 25.47 = 55.98 cents). The difference between the two communities now is 64.56 (112.87 - 48.31 = 64.56 cents). Since division the gap between the smaller and larger communities has grown.

Also, there are major variances in individual community commercial rates since division. For instance, Iqaluit rate increased by 22.84 cents (48.31 – 25.47 = 22.84) compared to Grise Fiord rate which increased by 46.60 cents (107.25 – 60.65 = 46.60). The increase is more than double.

It seems unreasonable to expect commercial customers in Whale Cove to pay more than double the cost for power than commercial customers in Iqaluit.



ISSUES WITH CURRENT RATES STRUCTURE

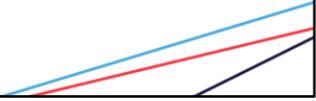
- Smaller communities are paying the highest rates which can have a disproportionate impact on their overall costs for goods and services.
 - Commercial businesses in smaller communities may continue to struggle to remain viable with these higher operating costs.
 - Under the current rate structure smaller communities operate at a disadvantage in contrast to larger communities such as Iqaluit.
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Notes:

The stores in the communities must add the cost of operating their businesses to the price of their food and goods. If they are paying double the cost for electricity, the prices of goods in that community will most likely be much higher than in larger communities with lower electricity rates.



CURRENT RATES STRUCTURE: RENEWABLE ENERGY

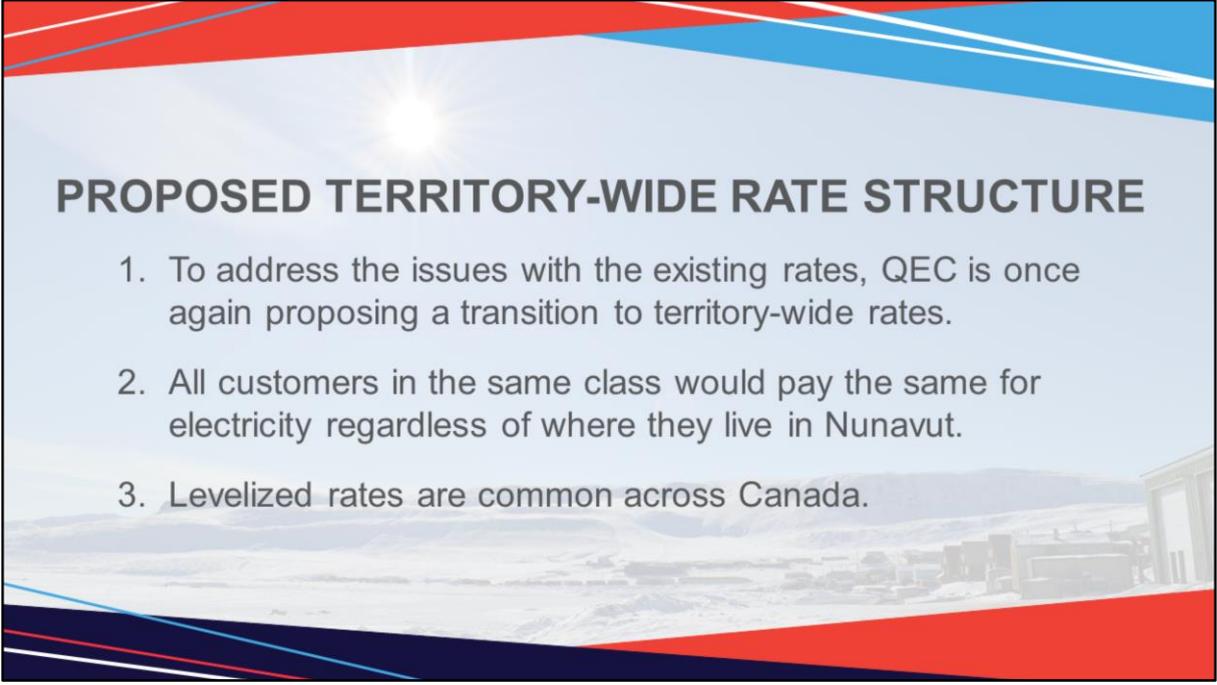
- QEC supports the development and expansion of electricity supply options from renewable energy sources.
 - QEC has introduced a Commercial and Institutional Power Producers (CIPP) Program.
 - This new program enables QEC to buy electricity from CIPPs at the avoided cost of diesel.
 - The current rate structure puts smaller communities at a disadvantage.
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COMMERCIAL AND INSTITUTIONAL POWER PRODUCERS PROGRAM (CIPP)

- CIPPs must sell all generated electricity directly to QEC and buy back their electricity at existing community rates.
- QEC will pay up to the avoided cost of diesel which is currently about 25 cents/kWh
- CIPP cost difference in Iqaluit is 23 cents/kWh ($48.31 - 25 = 23.31$)
- CIPP cost difference in Whale Cove is 88 cents/kWh ($112.87 - 25 = 87.87$)
- If we maintain the current rate structure, the gap will continue to widen making programs like CIPP less desirable.

Notes:

The communities with higher rates are at a disadvantage with less incentive for these renewable programs.



PROPOSED TERRITORY-WIDE RATE STRUCTURE

1. To address the issues with the existing rates, QEC is once again proposing a transition to territory-wide rates.
2. All customers in the same class would pay the same for electricity regardless of where they live in Nunavut.
3. Levelized rates are common across Canada.

TERRITORIAL RATE APPLICATION HISTORY

- **2010-2011 Test Year:** QEC submitted GRA Phase II requesting a gradual transition to a Territorial Rate:
 - The URRC supported the request and recommended it be approved.
 - The Minister Responsible for QEC approved the request to start a phase-in approach for the next GRA.
- **2014-2015 Test Year:** QEC submitted the GRA with the first transition to Territorial rates included.
- **January 29, 2014:** The Minister responsible for QEC, directed the corporation to retract the prior instruction to move towards a territorial rate.
- **2018-19 Test Year:** QEC submitted GRA Phase II, again requesting transition to a Territorial Rate. The URRC supported and recommended it. But, the request was rejected by Executive Council. However, the new LED street lights were approved at levelized rates.

BENEFITS TO TERRITORY-WIDE RATES

- All Customers are treated fairly and QEC's operating costs are spread evenly across communities.
- This approach is consistent with government objectives to support those in need and respects Inuit societal values:
 - Inuuqatigiitsiarniq: Respecting others, relationships and caring for people.
 - Piliriqatigiinniq/Ikajuqtiinniq: Working together for a common cause.

NUNAVUT SERVICES & INCOMES WITH UNIFORM COSTS

Services:

- Heating Fuel
- Vehicle Fuel
- Public Housing Rent
- Electricity Subsidy programs
- LED Street Lights

Note: Iqaluit fuel rates may differ as that community fuel price is controlled by Uqsuq. All other communities are controlled by PPD.

Incomes:

- Canada Old Age Pension
- Canada Pension Plan
- Nunavut Income Support

Notes:

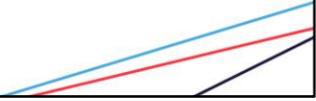
It is not uncommon to see prices for essential service the same across the Territory.

The incomes that are the same throughout the Territory are those that are the most vulnerable, the elders and low income. While their incomes are the same throughout the Territory, the costs of goods in their communities are much different. QEC's current rate structure contributes to this disadvantage.



TRANSITION TO TERRITORIAL RATES

Concerns raised with previous Territorial-Wide Rate Designs:

- The impact of the transition was placed solely on customers, without subsidy revisions or rate realignment.
 - A straight forward transition to a Territorial Rate may cause rate shock to customers where community rates are lower than the Territorial rate.
 - The current NESP subsidized rate would increase (50% of Iqaluit rate).
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Notes:

If Iqaluit's rate increased to the territory-wide rate, it would result in the subsidized rate increasing.

STRAIGHT TRANSITION TO TERRITORIAL RATE

Non-Government Rates													
Community	Residential Customers							Commercial Customer					
	Current Rate	Current Subsidized Rate	Current NESP Rate	Territory-wide Rate	New Subsidized Rate	NESP Subsidy Rate	Rate Change	Rate Change	Current Rate	Territory-wide Rate	Rate Change	Rate Change	
A	B	C	D=B - C	E	F	G=E-F	H=F - C	I=H/C	J	K	L=K - J	M=L/J	
	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	%	cents/kWh	cents/kWh	cents/kWh	%	
Cambridge Bay	75.39	29.28	46.11	83.01	41.51	41.51	12.23	41.8%	64.73	66.90	2.17	3.4%	
Gjoa Haven	89.68	29.28	60.40	83.01	41.51	41.51	12.23	41.8%	85.95	66.90	-19.05	-22.2%	
Taloyoak	99.19	29.28	69.91	83.01	41.51	41.51	12.23	41.8%	97.50	66.90	-30.60	-31.4%	
Kugaaruk	116.05	29.28	86.77	83.01	41.51	41.51	12.23	41.8%	102.82	66.90	-35.92	-34.9%	
Kugluktuk	93.81	29.28	64.53	83.01	41.51	41.51	12.23	41.8%	87.27	66.90	-20.37	-23.3%	
Rankin Inlet	60.63	29.28	31.35	83.01	41.51	41.51	12.23	41.8%	52.96	66.90	13.94	26.3%	
Baker Lake	69.25	29.28	39.97	83.01	41.51	41.51	12.23	41.8%	64.75	66.90	2.15	3.3%	
Arviat	78.68	29.28	49.40	83.01	41.51	41.51	12.23	41.8%	73.22	66.90	-6.32	-8.6%	
Coral Harbour	95.24	29.28	65.96	83.01	41.51	41.51	12.23	41.8%	87.18	66.90	-20.28	-23.3%	
Chesterfield Inlet	98.31	29.28	69.03	83.01	41.51	41.51	12.23	41.8%	91.48	66.90	-24.58	-26.9%	
Whale Cove	90.71	29.28	61.43	83.01	41.51	41.51	12.23	41.8%	112.87	66.90	-45.97	-40.7%	
Nauyasat	84.99	29.28	55.71	83.01	41.51	41.51	12.23	41.8%	74.58	66.90	-7.68	-10.3%	
Iqaluit	58.56	29.28	29.28	83.01	41.51	41.51	12.23	41.8%	48.31	66.90	18.59	38.5%	
Pangnirtung	64.38	29.28	35.10	83.01	41.51	41.51	12.23	41.8%	56.82	66.90	10.08	17.7%	
Kinngait	67.42	29.28	38.14	83.01	41.51	41.51	12.23	41.8%	63.02	66.90	3.88	6.2%	
Resolute Bay	102.38	29.28	73.10	83.01	41.51	41.51	12.23	41.8%	97.53	66.90	-30.63	-31.4%	
Pond Inlet	90.21	29.28	60.93	83.01	41.51	41.51	12.23	41.8%	82.67	66.90	-15.77	-19.1%	
Igloodik	61.70	29.28	32.42	83.01	41.51	41.51	12.23	41.8%	56.49	66.90	10.41	18.4%	
Saniirajak	89.23	29.28	59.95	83.01	41.51	41.51	12.23	41.8%	85.90	66.90	-19.00	-22.1%	
Qikiqtarjuaq	77.37	29.28	48.09	83.01	41.51	41.51	12.23	41.8%	73.26	66.90	-6.36	-8.7%	
Kimmirut	104.93	29.28	75.65	83.01	41.51	41.51	12.23	41.8%	87.81	66.90	-20.91	-23.8%	
Arctic Bay	87.99	29.28	58.71	83.01	41.51	41.51	12.23	41.8%	78.50	66.90	-11.60	-14.8%	
Clyde River	77.66	29.28	48.38	83.01	41.51	41.51	12.23	41.8%	68.56	66.90	-1.66	-2.4%	
Grise Fiord	92.50	29.28	63.22	83.01	41.51	41.51	12.23	41.8%	107.25	66.90	-40.35	-37.6%	
Sanikiluaq	82.00	29.28	52.72	83.01	41.51	41.51	12.23	41.8%	78.54	66.90	-11.64	-14.8%	

NESP at 50% of Iqaluit Rate has a great impact on residential customers

Notes:

This table shows how a straight forward transition to a Territory-wide rate would notably impact some customers.

For residential customers where the Nunavut Electricity Subsidy program is based on 50% of Iqaluit rate, Iqaluit's rate being the lowest will have the greatest rate increase. Going from 58.56 cents per kilowatt hour to 83.01. The new subsidy rate under the program will increase from 29.28 cents per kilowatt hour to 41.51, an increase of 12 cents per kilowatt hours, a 41.8% increase for all residential customer throughout the communities in Nunavut.

For commercial customers there are 7 communities that would see rate increases and the remaining 18 communities receiving lower rates. In both scenarios there are some substantial changes in rates. For instance Iqaluit commercial rate would increase by 18 cents per kilowatt hour (or 39.5%) and Whale Cove rate would decrease by 46 cents per kilowatt hour (or 40.7%)

NEW APPROACH: RATE REALIGNMENT

- Implementing separate levelized rates for Government and Non-Government customers.
- Non-Government Rates will be set at the Iqaluit rate and adjusted to the overall rate increase of 5.1% (62 cent/kWh for Residential and 51 cents/kWh for Commercial.)
- Government Rates will be set to recover the revenue shortfall (93 cent/kWh for Residential and 85 cents/kWh for Commercial).

Notes:

In the 2022-23 GRA proposal QEC is taking a different approach for a territory-wide Rate Design, a rate realignment.

RATE REALIGNMENT

- This approach is similar to the approach of NWT in 2010, which established rate structures with higher rates for government customers, which subsidized non-government rates.
- This approach is aligned with the URRC's recommendation in Report 2018-01 on QEC's 2018/19 GRA, stating:

“QEC be directed to examine an approach to rate realignment including the adoption of higher revenue to cost ratios for Government customers with a view to minimizing the harmful effects of high rate increases for investment and economic growth in Nunavut.”

QEC'S CURRENT RATES

QULLIQ ENERGY CORPORATION Rate Schedules Effective April 1, 2019					
Plant No.	Plant Name	Residential		Commercial	
		Non-Government	Government	Non-Government	Government
		(cent/KWh)	(cent/KWh)	(cent/KWh)	(cent/KWh)
501	Cambridge Bay	75.39	75.39	64.73	64.73
502	Gjoa Haven	89.68	92.70	85.95	85.95
503	Taloyoak	99.19	107.83	97.50	97.50
504	Kugaaruk	116.05	116.05	102.82	102.82
505	Kugluktuk	93.81	99.53	87.27	87.27
601	Rankin Inlet	60.63	60.63	52.96	58.94
602	Baker Lake	69.25	69.25	64.75	64.75
603	Arviat	78.68	78.68	73.22	73.22
604	Coral Harbour	95.24	95.24	87.18	87.18
605	Chesterfield Inlet	98.31	98.31	91.48	91.48
606	Whale Cove	90.71	148.74	112.87	125.17
607	Nauyasat	84.99	84.99	74.58	74.58
701	Iqaluit	58.56	58.56	48.31	49.76
702	Pangnirtung	64.38	69.06	56.82	62.80
703	Kinngait	67.42	70.92	63.02	70.92
704	Resolute Bay	102.38	104.30	97.53	97.53
705	Pond Inlet	90.21	98.04	82.67	82.67
706	Igloolik	61.70	61.70	56.49	56.49
707	Sanirajak	89.23	92.74	85.90	85.90
708	Qikiqtarjuaq	77.37	88.89	73.26	88.89
709	Kimmiut	104.93	104.68	87.81	88.27
710	Arctic Bay	87.99	87.99	78.50	78.50
711	Clyde River	77.66	78.17	68.56	68.56
712	Grise Fiord	92.50	112.45	107.25	107.25
713	Sanikiluaq	82.00	82.00	78.54	78.54

As illustrated, we already have examples where Government rates are used to subsidize Non-Government rates.

These rates highlighted in yellow were established prior to the division from Northwest Territories.

RATE IMPACT (NON-GOVERNMENT)

Community	Non-Government Rates											
	Residential Customers							Commercial Customer				
	Current Rate	Current Subsidized Rate	Current NESP Rate	Territory-wide Rate	New Subsidized Rate	NESP Subsidy Rate	Rate Change	Rate Change	Current Rate	Territory-wide Rate	Rate Change	Rate Change
	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	%	cents/kWh	cents/kWh	cents/kWh	%
A	B	C	D=B - C	E	F	G=E-F	H=F - C	I=H/C	J	K	L=K - J	M=L/J
Cambridge Bay	75.39	29.28	46.11	61.57	30.79	30.79	1.51	5.1%	64.73	50.79	-13.94	-21.5%
Gjoa Haven	89.68	29.28	60.40	61.57	30.79	30.79	1.51	5.1%	85.95	50.79	-35.16	-40.9%
Taloyoak	99.19	29.28	69.91	61.57	30.79	30.79	1.51	5.1%	97.50	50.79	-46.71	-47.9%
Kugaaruk	116.05	29.28	86.77	61.57	30.79	30.79	1.51	5.1%	102.82	50.79	-52.03	-50.6%
Kugluktuk	93.81	29.28	64.53	61.57	30.79	30.79	1.51	5.1%	87.27	50.79	-36.48	-41.8%
Rankin Inlet	60.63	29.28	31.35	61.57	30.79	30.79	1.51	5.1%	52.96	50.79	-2.17	-4.1%
Baker Lake	69.25	29.28	39.97	61.57	30.79	30.79	1.51	5.1%	64.75	50.79	-13.96	-21.6%
Arviat	78.68	29.28	49.40	61.57	30.79	30.79	1.51	5.1%	73.22	50.79	-22.43	-30.6%
Coral Harbour	95.24	29.28	65.96	61.57	30.79	30.79	1.51	5.1%	87.18	50.79	-36.39	-41.7%
Chesterfield Inlet	98.31	29.28	69.03	61.57	30.79	30.79	1.51	5.1%	91.48	50.79	-40.69	-44.5%
Whale Cove	90.71	29.28	61.43	61.57	30.79	30.79	1.51	5.1%	112.87	50.79	-62.08	-55.0%
Nauyasat	84.99	29.28	55.71	61.57	30.79	30.79	1.51	5.1%	74.58	50.79	-23.79	-31.9%
Iqaluit	58.56	29.28	29.28	61.57	30.79	30.79	1.51	5.1%	48.31	50.79	2.48	5.1%
Pangnirtung	64.38	29.28	35.10	61.57	30.79	30.79	1.51	5.1%	56.82	50.79	-6.03	-10.6%
Kringait	67.42	29.28	38.14	61.57	30.79	30.79	1.51	5.1%	63.02	50.79	-12.23	-19.4%
Resolute Bay	102.38	29.28	73.10	61.57	30.79	30.79	1.51	5.1%	97.53	50.79	-46.74	-47.9%
Pond Inlet	90.21	29.28	60.93	61.57	30.79	30.79	1.51	5.1%	82.67	50.79	-31.88	-38.6%
Igloodik	61.70	29.28	32.42	61.57	30.79	30.79	1.51	5.1%	56.49	50.79	-5.70	-10.1%
Sanirajak	89.23	29.28	59.95	61.57	30.79	30.79	1.51	5.1%	85.90	50.79	-35.11	-40.9%
Qikiqtarjuaq	77.37	29.28	48.09	61.57	30.79	30.79	1.51	5.1%	73.26	50.79	-22.47	-30.7%
Kimminit	104.93	29.28	75.65	61.57	30.79	30.79	1.51	5.1%	87.81	50.79	-37.02	-42.2%
Arctic Bay	87.99	29.28	58.71	61.57	30.79	30.79	1.51	5.1%	78.50	50.79	-27.71	-35.3%
Clyde River	77.66	29.28	48.38	61.57	30.79	30.79	1.51	5.1%	68.56	50.79	-17.77	-25.9%
Grise Fiord	92.50	29.28	63.22	61.57	30.79	30.79	1.51	5.1%	107.25	50.79	-56.46	-52.6%
Sanikiluaq	82.00	29.28	52.72	61.57	30.79	30.79	1.51	5.1%	78.54	50.79	-27.75	-35.3%

This tables show the impact to non-government customers moving to the proposed territorial rates.

As shown in this table all non-government residential customers under the Nunavut Electricity subsidy program will see a rate increase of 1.5 cents per kilowatt hour, which is a rate increase of 5.1% that QEC is seeking.

As for the non-government commercial customers, Iqaluit will see a rate increase of 2.48 cents per kilowatt hour which is again the 5.1% increase that QEC is seeking and in all other communities the non-government commercial customer rates will drop to Iqaluit's new rate. This will have all communities being treated equal to Iqaluit, reducing a major cost burden to most of the smaller communities.

RATE IMPACT (GOVERNMENT)

Community	Government Rates							
	Residential Customers				Commercial Customer			
	Current Rate	Territory-wide Rate	Rate Change	Rate Change	Current Rate	Territory-wide Rate	Rate Change	Rate Change
	cents/kWh	cents/kWh	cents/kWh	%	cents/kWh	cents/kWh	cents/kWh	%
A	B	C	D=C - B	E=D/B	F	G	H=G - F	I=H/F
Cambridge Bay	75.39	93.44	18.05	23.9%	64.73	85.35	20.62	31.9%
Gjoa Haven	92.70	93.44	0.74	0.8%	85.95	85.35	-0.60	-0.7%
Taloyoak	107.83	93.44	-14.39	-13.3%	97.50	85.35	-12.15	-12.5%
Kugaaruk	116.05	93.44	-22.61	-19.5%	102.82	85.35	-17.47	-17.0%
Kugluktuk	99.53	93.44	-6.09	-6.1%	87.27	85.35	-1.92	-2.2%
Rankin Inlet	60.63	93.44	32.81	54.1%	58.94	85.35	26.41	44.8%
Baker Lake	69.25	93.44	24.19	34.9%	64.75	85.35	20.60	31.8%
Arviat	78.68	93.44	14.76	18.8%	73.22	85.35	12.13	16.6%
Coral Harbour	95.24	93.44	-1.80	-1.9%	87.18	85.35	-1.83	-2.1%
Chesterfield Inlet	98.31	93.44	-4.87	-5.0%	91.48	85.35	-6.13	-6.7%
Whale Cove	148.74	93.44	-55.30	-37.2%	125.17	85.35	-39.82	-31.8%
Nauyasat	84.99	93.44	8.45	9.9%	74.58	85.35	10.77	14.4%
Iqaluit	58.56	93.44	34.88	59.6%	49.76	85.35	35.59	71.5%
Pangnirtung	69.06	93.44	24.38	35.3%	62.80	85.35	22.55	35.9%
Kinngait	70.92	93.44	22.52	31.8%	70.92	85.35	14.43	20.3%
Resolute Bay	104.30	93.44	-10.86	-10.4%	97.53	85.35	-12.18	-12.5%
Pond Inlet	98.04	93.44	-4.60	-4.7%	82.67	85.35	2.68	3.2%
Igloolik	61.70	93.44	31.74	51.4%	56.49	85.35	28.86	51.1%
Sanirajak	92.74	93.44	0.70	0.8%	85.90	85.35	-0.55	-0.6%
Qikiqtarjuaq	88.89	93.44	4.55	5.1%	88.89	85.35	-3.54	-4.0%
Kimminut	104.68	93.44	-11.24	-10.7%	88.27	85.35	-2.92	-3.3%
Arctic Bay	87.99	93.44	5.45	6.2%	78.50	85.35	6.85	8.7%
Clyde River	78.17	93.44	15.27	19.5%	68.56	85.35	16.79	24.5%
Grise Fiord	112.45	93.44	-19.01	-16.9%	107.25	85.35	-21.90	-20.4%
Sanikiluaq	82.00	93.44	11.44	14.0%	78.54	85.35	6.81	8.7%

Notes:

This tables show the impact to government customers moving to the proposed territorial rates.

As shown in this table the Government Rates will be adjusted to allow for the recovery of the revenue shortfall caused by lowing the non-government rates. The new government territory-wide rate will be 93 cent per kilowatt hour for Residential and 85 cents per kilowatt hour for Commercial.

GOVERNMENT ANNUAL IMPACT

Financial Impact to Government Accounts	
GN account cost change	
Energy purchase cost increase from rate levelization	8.991 Million
<u>NES subsidy cost reduction</u>	<u>-2.788 Million</u>
Net cost increase to GN	6.203 Million
Municipal accounts cost change	\$1.786 Million
Federal accounts cost change	\$0.486 Million

Notes:

The outcome of this rate realignment is that Government customers will see an increase in their electricity cost.

The Annual Impact will be as follows:

The Government of Nunavut combined electricity energy cost will increase by approximately \$9 Million.

There will be a cost saving to the government's Nunavut Electricity Subsidy program of \$2.8 Million, Resulting in a net cost increase of \$6.2 Million to the territorial government.

In addition, the combined Municipal account cost will increase by \$1.8 Million and Federal account cost will increase by \$0.5 Million.

ALTERNATIVE OPTIONS: NESP REVISIONS

- QEC is recommending that the Minister approve the territory-wide rate structure that is being proposed by the Corporation.
- The Corporation also reviewed alternative territory-wide rate structures with government funding support through the Nunavut Electricity Subsidy Program.

Note: In the 2018-19 GRA instruction letter, QEC was directed to work with GN's Department of Finance in reviewing the existing Nunavut Electricity Subsidy Program (NESP).

ALTERNATIVE OPTIONS: NESP REVISIONS

- Under these alternatives, the true territory-wide rates will be established separately for residential (83 cents/kWh) and commercial (67 cents/kWh) customers.
- Non-Government and Government rates will be the same.
- Instead of having Government rates increase to recover QEC's revenue shortfall, GN will introduce a revised NESP that will provide subsidies to both Residential and Commercial customers to recover the revenue shortfall.

ALTERNATIVE OPTIONS: NESP REVISIONS

The Corporation recommends approval of their proposed territory-wide rate structure over the alternatives for the following reasons:

- It can be fully implemented by QEC
- It is easier to manage within QEC's existing billing system
- It is consistent with the URRC's recommendation
- It falls under the authority of the Minister responsible for QEC
- Alternative rate structure approaches require the commitment of the GN Finance

However, if QEC's proposal is rejected, QEC would welcome these alternatives over maintaining the current Rate Structure.

The proposed territory-wide rate structure can be fully implemented by QEC independently of government having to modify its existing subsidy programs and policies.

The proposed rate design is in compliance with the URRC Act.

The proposed rate structure is easier to manage, offering administrative efficiency and it is simple to understand for QEC's customers and staff.

The URRC's recommended adopting higher revenue to cost ratios for Government customers with a view to minimizing the harmful effects of high rate increases for investment and economic growth in Nunavut.

Revisions to the Nunavut Electricity Subsidy Program, does not fall under the responsibility of the Minister responsible for QEC or the URRC Act that governs electricity rate setting in Nunavut.

There may be challenges in revising the Nunavut Electricity Subsidy Program in sequence with QEC's new rate implementation. Any delays or alternations in the Programs proposed revision could create rate shock to customers and may not result in uniform cost across the Territory.

CURRENT RATE STRUCTURE

- QEC implements rate adjustments on an equal percentage basis of 5.1% across all customer classes.
- Maintaining the status quo means the gap between smaller and larger communities will continue to increase.
- QEC does not support this option as it places a heavy burden on smaller communities.

Notes:

If the rate proposal submitted by QEC is accepted then QEC will have to proceed with the current rate structure were Nunavut will maintain different rates for each community.

CURRENT RATE STRUCTURE: RATE IMPACT

Community	Non-Government Rates											
	Residential Customers						Commercial Customer					
	Current Rate	Current Subsidized Rate	Current NESP Rate	5.1% Increase	New Subsidized Rate	NESP Subsidy Rate	Rate Change	Rate Change	Current Rate	5.1% Increase	Rate Change	Rate Change
	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	cents/kWh	%	cents/kWh	cents/kWh	cents/kWh	%
A	B	C	D=B - C	E	F	G=E-F	H=F - C	I=H/C	J	K	L=K - J	M=L/J
Cambridge Bay	75.39	29.28	46.11	79.26	30.79	48.47	1.51	5.2%	64.73	68.06	3.33	5.1%
Gjoa Haven	89.68	29.28	60.40	94.29	30.79	63.50	1.51	5.2%	85.95	90.37	4.42	5.1%
Taloyoak	99.19	29.28	69.91	104.29	30.79	73.50	1.51	5.2%	97.50	102.51	5.01	5.1%
Kugaaruk	116.05	29.28	86.77	122.01	30.79	91.22	1.51	5.2%	102.82	108.10	5.28	5.1%
Kugluktuk	93.81	29.28	64.53	98.63	30.79	67.84	1.51	5.2%	87.27	91.76	4.49	5.1%
Rankin Inlet	60.63	29.28	31.35	63.75	30.79	32.96	1.51	5.2%	52.96	55.68	2.72	5.1%
Baker Lake	69.25	29.28	39.97	72.81	30.79	42.02	1.51	5.2%	64.75	68.08	3.33	5.1%
Arviat	78.68	29.28	49.40	82.72	30.79	51.93	1.51	5.2%	73.22	76.98	3.76	5.1%
Coral Harbour	95.24	29.28	65.96	100.14	30.79	69.35	1.51	5.2%	87.18	91.66	4.48	5.1%
Chesterfield Inlet	98.31	29.28	69.03	103.36	30.79	72.57	1.51	5.2%	91.48	96.18	4.70	5.1%
Whale Cove	90.71	29.28	61.43	95.37	30.79	64.58	1.51	5.2%	112.87	118.67	5.80	5.1%
Nauyasat	84.99	29.28	55.71	89.36	30.79	58.57	1.51	5.2%	74.58	78.41	3.83	5.1%
Iqaluit	58.56	29.28	29.28	61.57	30.79	30.79	1.51	5.2%	48.31	50.79	2.48	5.1%
Pangnirtung	64.38	29.28	35.10	67.69	30.79	36.90	1.51	5.2%	56.82	59.74	2.92	5.1%
Kinngait	67.42	29.28	38.14	70.89	30.79	40.10	1.51	5.2%	63.02	66.26	3.24	5.1%
Resolute Bay	102.38	29.28	73.10	107.64	30.79	76.85	1.51	5.2%	97.53	102.54	5.01	5.1%
Pond Inlet	90.21	29.28	60.93	94.85	30.79	64.06	1.51	5.2%	82.67	86.92	4.25	5.1%
Igloolik	61.70	29.28	32.42	64.87	30.79	34.08	1.51	5.2%	56.49	59.39	2.90	5.1%
Sanirajak	89.23	29.28	59.95	93.82	30.79	63.03	1.51	5.2%	85.90	90.32	4.42	5.1%
Qitqaqjaq	77.37	29.28	48.09	81.35	30.79	50.56	1.51	5.2%	73.26	77.03	3.77	5.1%
Kimminit	104.93	29.28	75.65	110.32	30.79	79.53	1.51	5.2%	87.81	92.32	4.51	5.1%
Arctic Bay	87.99	29.28	58.71	92.51	30.79	61.72	1.51	5.2%	78.50	82.53	4.03	5.1%
Clyde River	77.66	29.28	48.38	81.65	30.79	50.86	1.51	5.2%	68.56	72.08	3.52	5.1%
Grise Fiord	92.50	29.28	63.22	97.25	30.79	66.46	1.51	5.2%	107.25	112.76	5.51	5.1%
Sanikiluaq	82.00	29.28	52.72	86.21	30.79	55.42	1.51	5.2%	78.54	82.58	4.04	5.1%

Notes:

Under the current rate structure the residential customers will see the same increase as QEC's proposed Territorial-wide rate option because of the Nunavut Electricity Subsidy Program, provided their usage remains within the threshold limits of the subsidy.

Customers will see a 1.51 cent per kilowatt hour increase which represents the 5.1% increase QEC is seeking.

However, again the commercial customers will see the gap growing between smaller and larger communities increase. Iqaluit rate will go from 48.31 to 50.77, a 2.46 cent per kilowatt hour increase and Whale Cove's rate will go from 112.87 to 118.63, a 5.76 cent per kilowatt hour increase.

BILL IMPACT RESIDENTIAL: 1000 KWH USAGE

Community	Residential Subsidized Bills (Winter Months)			% of Difference from Existing	
	Existing	Territory-Wide	Current	Territory-Wide	Current
Cambridge Bay	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Gjoa Haven	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Taloyoak	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Kugaaruk	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Kugluktuk	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Rankin Inlet	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Baker Lake	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Arviat	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Coral Harbour	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Chesterfield Inlet	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Whale Cove	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Repulse Bay	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Iqaluit	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Pangnirtung	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Kinngait	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Resolute Bay	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Pond Inlet	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Igloolik	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Sanirajak	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Qikiqtarjuak	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Kimminut	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Arctic Bay	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Clyde River	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Grise Ford	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%
Sanikiluaq	\$ 307.45	\$ 323.25	\$ 323.25	5.1%	5.1%

Bills included GST

Both options will have the same impact. Residential Customers who use 1000 kWh of usage, will see a monthly bill increase of \$15.80.

Notes:

This slide compares bill impacts to residential customers under the existing community-based rate structure and the territory-wide rate design proposed by QEC.

It must be realized that a large majority of residential customers usage is well below the 1000 kwh threshold and they will see lower monthly bill increases.

BILL IMPACT COMMERCIAL: 2000 KWH USAGE

Community	Commercial Bills			% of Difference from Existing	
	Existing	Territory-Wide	Current	Territory-Wide	Current
Cambridge Bay	\$ 1,401.32	\$ 1,108.59	\$ 1,471.20	-20.9%	5.0%
Gjoa Haven	\$ 1,847.03	\$ 1,108.59	\$ 1,939.72	-40.0%	5.0%
Taloyoak	\$ 2,089.50	\$ 1,108.59	\$ 2,194.74	-47.0%	5.0%
Kugaaruk	\$ 2,201.32	\$ 1,108.59	\$ 2,312.20	-49.7%	5.0%
Kugluktuk	\$ 1,874.60	\$ 1,108.59	\$ 1,968.86	-40.9%	5.0%
Rankin Inlet	\$ 1,154.15	\$ 1,108.59	\$ 1,211.32	-4.0%	5.0%
Baker Lake	\$ 1,401.77	\$ 1,108.59	\$ 1,471.64	-20.9%	5.0%
Arviat	\$ 1,579.70	\$ 1,108.59	\$ 1,658.65	-29.8%	5.0%
Coral Harbour	\$ 1,872.80	\$ 1,108.59	\$ 1,966.88	-40.8%	5.0%
Chesterfield Inlet	\$ 1,963.11	\$ 1,108.59	\$ 2,061.82	-43.5%	5.0%
Whale Cove	\$ 2,412.19	\$ 1,108.59	\$ 2,634.10	-54.1%	5.1%
Repulse Bay	\$ 1,608.16	\$ 1,108.59	\$ 1,688.68	-31.1%	5.0%
Iqaluit	\$ 1,056.45	\$ 1,108.59	\$ 1,108.59	4.9%	4.9%
Pangnirtung	\$ 1,235.27	\$ 1,108.59	\$ 1,296.55	-10.3%	5.0%
Cape Dorset	\$ 1,365.47	\$ 1,108.59	\$ 1,433.44	-18.8%	5.0%
Resolute Bay	\$ 2,090.17	\$ 1,108.59	\$ 2,195.40	-47.0%	5.0%
Pond Inlet	\$ 1,778.02	\$ 1,108.59	\$ 1,867.30	-37.7%	5.0%
Igloolik	\$ 1,228.33	\$ 1,108.59	\$ 1,289.26	-9.8%	5.0%
Hall Beach	\$ 1,845.91	\$ 1,108.59	\$ 1,938.62	-40.0%	5.0%
Qikiqtarjuak	\$ 1,580.37	\$ 1,108.59	\$ 1,659.53	-29.9%	5.0%
Kimmiut	\$ 1,886.03	\$ 1,108.59	\$ 1,980.79	-41.2%	5.0%
Arctic Bay	\$ 1,690.40	\$ 1,108.59	\$ 1,775.23	-34.4%	5.0%
Clyde River	\$ 1,481.77	\$ 1,108.59	\$ 1,555.76	-25.2%	5.0%
Grise Ford	\$ 2,294.32	\$ 1,108.59	\$ 2,410.01	-51.7%	5.0%
Sanikiluaq	\$ 1,691.29	\$ 1,108.59	\$ 1,776.11	-34.5%	5.0%

Bills includes \$40 demand charge and GST

Notes:

For commercial Customers, under the proposed Territory-wide rate customers in Iqaluit will see a bill increase reflecting the 5.1% rate increase. However, commercial customers in the remaining 24 communities will see bill reductions, some being very substantial.

However, if we keep the current rate structure all communities will see a bill increase of about 5%, where 2000 kwh usage of power will cost a customer in Iqaluit \$1,108 and a customer in Whale Cove \$2,533.

How can we justify having two customers within the Territory being treated so differently for the same service.

OVER NESP THRESHOLD IMPACT

Current Rate					
Power Usage exceeds 1000 kWh Subsidy limit					
Iqaluit - Residential	Rate cent/kWh			\$ 0.5856	
	within Subsidy limit		No subsidy	Total Paid	
Power Usage 1500 kWh	A	B	C=AxB	D=full rate x 500	E=C+D
Customer Pays 50% Iqaluit	0.2928	1,000	\$ 292.80	\$ 292.80	\$ 585.60
GN Pays	0.2928	1,000	\$ 292.80		

Current Rate					
Power Usage exceeds 1000 kWh Subsidy limit					
Kugaaruk - Residential	Rate cent/kWh			\$ 1.1605	
	within Subsidy limit		No subsidy	Total Paid	
Power Usage 1500 kWh	A	B	C=AxB	D=full rate x 500	E=C+D
Customer Pays 50% Iqaluit	0.2928	1,000	\$ 292.80	\$ 580.25	\$ 873.05
GN Pays	0.8677	1,000	\$ 867.70		

New Territorial- Wide Rate					
Power Usage exceeds 1000 kWh Subsidy limit					
Iqaluit - Residential	Rate cent/kWh			\$ 0.6157	
	within Subsidy limit		No subsidy	Total Paid	
Power Usage 1500 kWh	A	B	C=AxB	D=full rate x 500	E=C+D
Customer Pays 50% Iqaluit	0.3079	1,000	\$ 307.85	\$ 307.85	\$ 615.70
GN Pays	0.3079	1,000	\$ 307.85		

New Territorial- Wide Rate					
Power Usage exceeds 1000 kWh Subsidy limit					
Kugaaruk - Residential	Rate cent/kWh			\$ 0.6157	
	within Subsidy limit		No subsidy	Total Paid	
Power Usage 1500 kWh	A	B	C=AxB	D=full rate x 500	E=C+D
Customer Pays 50% Iqaluit	0.3079	1,000	\$ 307.85	\$ 307.85	\$ 615.70
GN Pays	0.3079	1,000	\$ 307.85		

Under the current rate structure a customer who exceeds the NESP threshold in Iqaluit will pay \$292.80 for the additional power. In Kugaaruk the customer pays \$580.25 for the same amount of additional power. Under the Territorial rate all communities are treated equally and pay the same \$307.85 for the additional power.

Notes:

This slide illustrates the bill impacts to customer who exceed the Nunavut Electricity Subsidy Program thresholds.

RATES ACROSS CANADA

Residential		Commercial	
Average total cost of electricity based on monthly consumption of 1,000 kWh		Average Total cost of electricity based on a monthly consumption of 2,000 kWh	
	cents/kWh		cents/kWh
Nunavut	37.5	Nunavut	81.2
Northwest Territories	33.4	Northwest Territories	42.2
Prince Edward Island	17.4	Prince Edward Island	19.5
Nova Scotia	17.1	Nova Scotia	15.4
Saskatchewan	16.5	Saskatchewan	14.9
Ontario	15.1	New Brunswick	14.9
Alberta	14.7	Alberta	13.6
Newfoundland & Labrador	14.1	Newfoundland & Labrador	13.4
New Brunswick	13.7	Ontario	13.3
Yukon Territory	13.6	British Columbia	12.4
British Columbia	12.8	Yukon Territory	11.8
Manitoba	9.8	Quebec	10.7
Quebec	7.4	Manitoba	10.3
Canada Average	17.2	Canada Average	21.0

Nunavut has the highest rates in Canada by a large margin.

The commercial Canada Average excluding Nunavut is 16.0 cents/kWh.

Price included service charges and subsidy programs such as NESP.

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Notes:

The slide shows the average cost of electricity across Canada based on monthly consumptions.

Nunavut has the highest rates in Canada for both Residential and Commercial customers.

Commercial customer rate especially stands out, considering it is almost 400% more than the Canadian Average and twice as much as the Northwest Territories.

HOW CAN CUSTOMERS PARTICIPATE

- The public can submit their feedback to URRC@gov.nu.ca by **5 p.m. on June 17, 2022**.
- For more information, QEC's GRA can be found online at www.qec.nu.ca. Copies can also be made available upon request by contacting QEC's Customer Care division at customer care@qec.nu.ca or **1-866-710-4200**.

Notes:

QEC encourages everyone to give their input concerning how this application affects you as a resident and/or customer. Negative and positive input is equally valuable and useful in assisting the Utility Rates Review Council in their review.



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Qulliq Energy Corporation
Société d'énergie Qulliq
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Thank you.