

Kuujuaq, Quebec, November 3rd, 2016

**RÉGIE DE L'ÉNERGIE**

Tour de la Bourse

800 rue du Square-Victoria, Bureau 2.55

Montréal Québec

H4Z 1A2

Attention : M<sup>re</sup> Véronique Dubois, Secretary

**SUBJECT :      Application Regarding 2017-2018 Electricity Tariffs- Written Submission**  
**Régie de l'énergie- File #3980-2016**

Dear Madam:

We hereby submit the joint observations and positions of the Makivik Corporation and the Kativik Regional Government regarding the 2017-2018 electricity tariff application presented by Hydro Quebec Distribution (the Distributor) to the *Régie de l'énergie*.

The Makivik Corporation (Makivik) was created in 1978 pursuant to the *Act respecting the Makivik Corporation* (CQLR, ch. S-18.1- the *Makivik Act*) following the signature of the *James Bay and Northern Quebec Agreement* (JBNQA) in 1975. It is the successor of the *Northern Quebec Inuit Association*, the Inuit party to the JBNQA, and it is the Aboriginal party recognized to represent its members, the 11,000 Nunavik Inuit beneficiaries pursuant to section 1.19 of the JBNQA. Its mandate is described at section 5 of the *Makivik Act*, and includes the administration of the financial compensation intended for the Nunavik Inuit, as well as to promote social and economic development for the Nunavik Inuit as well as Inuit culture and language, and health, well-being and education of Nunavik Inuit.

The Kativik Regional Government (KRG) is a non-ethnic public organization created in 1978, pursuant to chapter 13 of the JBNQA. Pursuant to the *Act respecting northern villages and the Kativik Regional Government* (RLRQ, ch. V-6.1). KRG acts as a municipality in regards to over nearly the entire territory of Québec north of the 55<sup>th</sup> parallel. It has powers in regards to municipal matters, transportation, environment, policing, employment, labour training, income security, childcare services, renewable resources, land-use planning, civil security and economic development. KRG is also a signatory of the Sanarrutik Agreement along with Makivik and the government of Québec.

To summarize, Makivik and KRG wish to submit their comments on the following aspects of the Distributor's application to the *Régie de l'énergie*:

1. The proposed increase of the maximum limit of the 1<sup>st</sup> tier tariff rate by 2 kWh/day annually over a 5 year period to eventually reach 40 kWh/day must also apply to off-grid networks north of the 53<sup>rd</sup> parallel;
2. Makivik and KRG remain opposed to the Distributor's increase of 2<sup>nd</sup> tier tariff rate for consumers located in off-grid networks north of the 53<sup>rd</sup> parallel;
3. Makivik and KRG are opposed to the establishment of a specific "DN" tariff for off-grid networks located north of the 53<sup>rd</sup> parallel

4. An update is required on energy efficiency and awareness programs set up by the Distributor in Nunavik following the Régie de l'énergie's decision number D-2016-033;
1. The proposed increase of the maximum limit of the 1<sup>st</sup> tier tariff rate by 2 kWh/day annually over a 5 year period to eventually reach 40 kWh/day must also apply to off-grid networks north of the 53<sup>rd</sup> parallel

In its proposal for 2017-2018, the Distributor seeks to progressively increase, over a 5 year period, the maximum limit of the 1st tier tariff rate from 30 kWh/day up to 40 kWh/day for energy grids located south of the 53rd parallel<sup>1</sup>. According to the Distributor's plan, this increase would be applied progressively by 2 kWh/day annually, so that the maximum limit of the 1<sup>st</sup> tier tariff rate would be 32 kWh/day, effective April 1, 2017 for 2017-2018. However, the Distributor's application does not take into consideration that this higher threshold of usage would be increased for off-grid networks located north of the 53<sup>rd</sup> parallel<sup>2</sup>.

This proposal is prejudicial and unfair for Nunavik consumers, and is discriminatory to the Inuit nation and its institutions, whose members represent over 90% of the total population of Nunavik according to Statistics Canada's 2011 National Housing Survey. The proposal of the Distributor essentially singles out the Inuit communities from the rest of Quebec.

Even the Distributor admits that excluding the application of its proposal to off grid networks north of the 53rd parallel could be unfair, as it stated in its *Stratégie tarifaire* : « À cet égard, le maintien du seuil de la 1<sup>re</sup> tranche à 30 kWh/jour dans les réseaux du nord alors que le prix de la 1<sup>re</sup> tranche est augmenté pour compenser la hausse du seuil de la 1<sup>re</sup> tranche au sud, constitue un changement d'orientation qui pourrait être perçu comme étant inéquitable par les communautés visée, notamment par rapport aux autres réseaux autonomes situés au sud du 53<sup>e</sup> parallèle<sup>3</sup> ». Furthermore, the Distributor demonstrated interest in applying this measure to off-grid networks located north of the 53rd parallel should the Régie de l'énergie decide accordingly<sup>4</sup>.

Given the foregoing, Makivik and KRG submit that the Distributor's proposal to progressively increase the maximum limit of the 1st tier tariff rate from 30 kWh/day to 40 kWh/day must also apply to off-grid networks located north of the 53rd parallel as of April 1, 2017, just like the rest of the province.

In its *Stratégie tarifaire*, the Distributor explains that it seeks to reduce the electricity bill for small consumers, namely low-income households, whilst encouraging energy efficiency<sup>5</sup>.

Makivik and KRG respectfully submit that Nunavik households face multiple socioeconomic challenges, namely above-average poverty levels, above-average overcrowding of housing and above-average cost of living. The current limitations on the consumption of electricity do not meet the needs of the Nunavik population and limit economic development opportunities in the region.

<sup>1</sup> See *Stratégie tarifaire* of the Distributor, HQD-14, document 2, July 28 2016, page 19.

<sup>2</sup> See namely : *Grille des tarifs au 1<sup>er</sup> avril 2017*, HQD-14, document 3, page 5 ( « DN » tariff)

<sup>3</sup> *Stratégie tarifaire*, page 38, section 3.5.1, Lines 33 to 37

<sup>4</sup> *Stratégie tarifaire*, page 39, section 3.5.1, Lines 19 to 25

<sup>5</sup> *Stratégie tarifaire*, page 15, section 3.3.1, Lines 6 and 7



For instance, 37.5% of Nunavik households are considered to be at a low-income level, which is three times higher than what is observed elsewhere in Quebec and Canada, and the average household income in Nunavik is less than \$32,480 (in 2012)<sup>6</sup>. These socioeconomic difficulties are amplified in Nunavik, compared to southern Quebec. Makivik and KRG submit that Nunavik households, in the same manner as other Quebec households located south of the 53rd parallel, must also benefit from such tariff relief.

Finally, such a measure will partially alleviate the impacts of the increase of the electricity rates in the 2<sup>nd</sup> tier of consumption applicable north of the 53rd parallel and approved by the *Régie de l'énergie* in its decision D-2016-033. Such a measure will partially reduce the financial burden on Nunavik households in situations of overconsumption and will help to reduce the number of Nunavik consumers in this situation.

As Makivik and KRG indicated to the *Régie de l'énergie* in 2015<sup>7</sup>, 60% of private dwellings in Nunavik are in a situation of overconsumption; furthermore, 38% of social housing units managed by the Kativik Municipal Housing Bureau (KMHB) and destined for Nunavik's poorest residents are in a situation of overconsumption as well.

The application of the Distributor's proposal to increase the maximum limit of the 1<sup>st</sup> tier tariff rate to Nunavik will help to alleviate (albeit imperfectly) the negative impacts of the increase of the 2<sup>nd</sup> tier tariff rates, by reducing the global electricity bill for Nunavik consumers in a situation of overconsumption and by limiting such occurrences for a significant number of Nunavik households.

Therefore, Makivik and KRG submit that the *Régie de l'énergie* should order that the Distributor's proposal to progressively increase the maximum limit of the 1st tier of the electricity tariff rate be applied as well to off-grid networks located north of the 53rd parallel, as of 2017-2018.

**2. Makivik and KRG remain opposed to the Distributor's increase of 2<sup>nd</sup> tier electricity tariffs for consumers located in off-grid networks north of the 53<sup>rd</sup> parallel**

With respect to the electricity tariff file presented before the *Régie de l'Énergie* for 2016-2017<sup>8</sup>, Makivik and KRG forwarded their joint written submissions concerning the Distributor's proposal to gradually increase, by 8% per year, the 2<sup>nd</sup> tier electricity tariff applicable to D and DM off-grid rates for areas located north of the 53<sup>rd</sup> parallel, until the avoided cost for off-grid networks is attained. This increase would apply to any overconsumption of electricity over 30 kWh/day. The *Régie de l'énergie*, in its decision D-2016-033, authorized the application of the Distributor's proposal effective April 1, 2016.

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<sup>6</sup> See *Commentaires écrits conjoints de la Société Makivik et l'Administration régionale Kativik adressés à la Régie de l'énergie*, November 4 2015, page 3 (enclosed herewith and submitted to the *Régie de l'énergie* in File number R3933-2015, under Exhibits numbers D-0002, D-0003 and D-0004)

<sup>7</sup> Idem, page 8

<sup>8</sup> File number R-3933-2015

Makivik and KRG remain opposed to this gradual increase in 2<sup>nd</sup> tier tariff rates since it is unreasonable, prejudicial to Nunavik consumers, and is discriminatory to the Nunavik Inuit who must bear increased energy costs compared to the average Quebec consumer<sup>9</sup>.

Additionally, with respect to decision D-2016-033, Makivik and KRG wish to inform the *Régie de l'énergie* that with respect to its comments at paragraph 917 of its decision, it is not the role of Makivik or KRG to correct or repair issues with existing social housing in Nunavik. In fact, pursuant to the JBNQA, the federal and provincial governments are responsible to provide adequate funding to build new social housing and repair existing social housing, which they have unfortunately underfunded over several years.

Makivik and KRG submit that the *Régie de l'énergie* should revisit its decision D-2016-033 and cancel the proposed increases to 2<sup>nd</sup> tier tariff rates for off-grid networks north of the 53<sup>rd</sup> parallel for 2017-2018 and subsequent years, until the Distributor undertakes a detailed and complete analysis of the veritable causes of electricity overconsumption in Nunavik, and until such time when the Distributor has fully implemented efficient measures to reduce electricity consumption in Nunavik, namely by energy efficiency and awareness programs that are truly adapted to the needs of Nunavik consumers.

**3. Makivik and KRG are opposed to the establishment of a "DN" tariff for off-grid networks located north of the 53<sup>rd</sup> parallel**

The Distributor's electricity tariff application for 2017-2018 proposes to create a new "DN" tariff applicable to off-grid networks located north of the 53<sup>rd</sup> parallel, and to eliminate the current "D" and "DM" tariffs applicable to off-grid networks (which would be rolled into the newly proposed tariff).

Prior to the Distributor's filing of the present tariff application, we were never informed through the *Comité de liaison* created between the Distributor, Makivik and KRG to discuss matters related to the provision of electricity in Nunavik, or through other methods, of the Distributor's intention to create a broader tariff applicable solely to off-grid networks north of the 53<sup>rd</sup> parallel.

Also, the Distributor's proposal is more than a merger of the current "D" and "DM" off-grid tariffs that apply for 2<sup>nd</sup> tier electricity tariff rates. The Distributor is also proposing to blend in other factors, namely a 1<sup>st</sup> tier tariff rate that would be specific to off-grid networks north of the 53<sup>rd</sup> parallel, and which could plausibly differ from the projected "D" and "DM" tariffs for 1<sup>st</sup> tier of consumption in the Distributor's future tariff applications before the *Régie de l'énergie*.

Currently, the 1<sup>st</sup> tier tariff rates that apply to Nunavik are the same "D" and "DM" tariffs applicable elsewhere in Quebec<sup>10</sup>. Therefore, for the first 30 kWh per day consumed, the same rate of 5.71¢ per kWh applies, whether the consumer resides in Montreal or Kuujuaq.

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<sup>9</sup> For detailed reasons, please refer to *Commentaires écrits conjoints de la Société Makivik et l'Administration régionale Kativik adressés à la Régie de l'énergie*, November 4 2015, page 3 (enclosed herewith and submitted to the Régie de l'énergie in File number R3933-2015, under Exhibits numbers D-0002, D-0003 and D-0004)

<sup>10</sup> See *Grille des tarifs au 1<sup>er</sup> avril 2017*, HQD-14, document 3, page 3 (sections 2.7 and 2.19.)



With the creation of the proposed "DN" tariff, the tariff schedule for "D" and "DM" rates would not apply to off-grid networks located north of the 53<sup>rd</sup> parallel for consumption in the 1<sup>st</sup> tier tariff rate: a proposed revision of section 7.2 of the tariff schedule provides a specific 1<sup>st</sup> tier tariff rate that would apply for such consumers, which is requested by the Distributor at 5.92¢ per kWh for 2017-2018.

Makivik and KRG question the necessity of adopting such a distinct comprehensive tariff applicable to off grid networks north of the 53<sup>rd</sup> parallel and are opposed to the establishment of such a "DN" tariff because it puts Nunavik in an exceptional situation and not on an equal footing with other regions of the province.

Despite the Distributor's statements to the contrary<sup>11</sup>, Makivik and KRG fear that the structure of this new "DN" tariff could provide a pretext for the Distributor to increase 1<sup>st</sup> tier tariff rates in the future on a different basis than for other consumers located south of the 53<sup>rd</sup> parallel, whether connected to the conventional grid or off-grid networks.

In other words, even if the proposed tariff rates for 1<sup>st</sup> tier electricity consumption are the same for 2017-2018, whether for "D", "DM" or the proposed "DN" tariffs, Makivik and KRG express concern that such further differentiation of electricity tariffs by region, as compared to type of clientele, is unfair and risks creating exceptionally higher electricity tariffs on Nunavik consumers in the long term, even for consumption within the 1<sup>st</sup> tier tariff rate.

Nunavik consumers, as stated hereinabove, are already subject to a punitive 2<sup>nd</sup> tier tariff rate and are burdened with significant socioeconomic challenges. The creation of a "DN" tariff specifically applicable off-grid networks north of the 53<sup>rd</sup> parallel risks worsening such burdens on Nunavik consumers.

Makivik and KRG submit that the status quo should remain in force, because we believe that the application of the "D" and "DM" tariffs for 1<sup>st</sup> tier electricity consumption should apply to all consumers located in Quebec, whether north or south of the 53<sup>rd</sup> parallel, since it puts all consumers on a level playing field, whether residing in Granby or Inukjuak.

Therefore, Makivik and KRG request that the *Régie de l'énergie* reject the Distributor's proposal to create a new "DN" tariff, by merging the current "D" and "DM" off-grid network tariffs and adding additional particulars that would create one that applies specifically to the off-grid networks north of the 53<sup>rd</sup> parallel.

**4. An update on energy efficiency and awareness programs set up by the Distributor in Nunavik following the Régie de l'énergie's decision number D-2016-033**

Since the *Régie de l'énergie's* decision D-2016-033, the Distributor continued working on a variety of awareness programs specifically catered to Nunavik and started pilot projects for energy efficiency measures in the region, namely to provide timers for engine block heaters and efficient lighting for commercial and institutional clientele. The *Comité de liaison* created between the Distributor, Makivik and KRG has convened to discuss how to implement such measures and discussions have been positive.

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<sup>11</sup> See *Stratégie tarifaire*, page 38, section 3.51, Lines 29 to 36

However, Makivik and KRG note that the Distributor must continue to improve the scope and access to energy efficiency measures for the Nunavik clientele. There is still a major difference between consumers in southern Quebec and Nunavik with regards to the number and scope of available energy efficiency programs. Many programs that are easily accessible for consumers in Boucherville are difficult, if not impossible to access for clients in Salluit.

While there are certainly logistical issues to explain the foregoing, Makivik and KRG nonetheless encourage the Distributor to increase access to a greater number of energy efficiency programs to Nunavik-based consumers. Makivik and KRG encourage the Distributor to also find more tailor-made energy efficiency solutions that can be deployed region-wide and are adapted to Nunavik. As we have done in the past, Makivik and KRG remain available to discuss and provide guidance to the Distributor in developing and deploying additional energy efficiency solutions for the Nunavik region.

### Conclusion

In an effort to minimize inequities between different regions and to alleviate the financial burden on the most impoverished households in Nunavik, Makivik and KRG ask that the *Régie de l'énergie* oblige the Distributor to include the off-grid networks north of the 53rd parallel in its proposal to progressively increase the maximum limit of the 1st tier tariff rates, so that Nunavik consumers may also benefit from this tariff relief, in the same manner as other Quebec households.

Furthermore, Makivik and KRG request that the *Régie de l'énergie* cancel the increase in 2<sup>nd</sup> tier tariff rates applicable during the year 2017-2018 and subsequent years, until the Distributor undertakes a detailed and complete analysis of the causes of overconsumption in Nunavik, and until such time that the Distributor has fully implemented efficient measures to reduce electricity consumption in Nunavik, namely by the implementation of energy efficiency and awareness programs that are truly adapted to the needs of Nunavik consumers. Makivik and KRG are available to discuss and provide guidance to the Distributor in developing tailored energy efficiency and awareness measures adapted to the Nunavik region.

Also, Makivik and KRG request that the *Régie de l'énergie* reject the Distributor's proposal to create a new "DN" tariff specific to off-grid networks north of the 53<sup>rd</sup> parallel, which includes not only 2<sup>nd</sup> tier electricity tariff rates unique to Nunavik, but also 1<sup>st</sup> tier tariff rates that could potentially be distinct from the "D" and "DM" 1<sup>st</sup> tier tariff rates applicable elsewhere in Quebec. The current tariff structure should be maintained to ensure that Nunavik consumers are treated equally compared to consumers from southern Quebec with respect to electricity consumption in the 1<sup>st</sup> tier of usage.

Finally, the Nunavik region faces many socioeconomic challenges. It is a region of Quebec that has limited access to electricity resources, given that it is not connected to the Distributor's conventional grid. Furthermore, it is a region where economic and employment opportunities are restricted, namely due to a high cost of living and limited access to electricity resources. The higher costs of providing electricity in Nunavik also limit access to private housing, and taking all of these elements into account, it takes a severe toll on economic and social development in Nunavik.

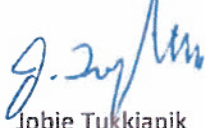


We ask that the *Régie de l'énergie* consider these socioeconomic challenges in the application of its decisions, so as to not have an adverse effect on Nunavik's social and economic development.

Thank you and best regards,

**MAKIVIK CORPORATION**

Per:



Jobie Tukkiapik  
President

**KATIVIK REGIONAL GOVERNMENT**

Per:



Jennifer Munick  
Chairperson

Encl. *Commentaires écrits conjoints de la Société Makivik et l'Administration régionale Kativik adressés à la Régie de l'énergie, November 4, 2015*