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June 4, 2015

**Newfoundland and Labrador Board
of Commissioners of Public Utilities**
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. G. Cheryl Blundon, Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

**RE: Newfoundland and Labrador Hydro's 2013 Amended General Rate
Application**

Please find enclosed the original and twelve (12) copies of the Export Report for the Nunatsiavut Government in respect of the above-noted matter.

We have provided a copy of this correspondence together with the enclosures to all the concerned parties.

Should you have any questions or concerns please contact the undersigned.

Yours truly,

Benson Buffett PLC Inc.

GENEVIEVE M. DAWSON
GMD
Encl.

c.c. Geoffrey P. Young, Newfoundland & Labrador Hydro
Gerard Hayes, Newfoundland Power
Thomas O'Reilly, Q.C., Cox & Palmer
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Expert Report

Filed with the Public Utilities Board, Newfoundland and Labrador

In the Matter Concerning

General Rate Applications Submitted by
Newfoundland and Labrador Hydro

Prepared for:



June 4, 2015

1 **I. Nunatsiavut Region**
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4 The Nunatsiavut Government (NG) was established in 2005 following the establishment of the
5 Labrador Inuit Land Claims Agreement (LILCA). LILCA includes self-government provisions rendering
6 the NG a regional Inuit government within the province of Newfoundland and Labrador. The NG has
7 authority over many central governance areas including health, education, housing, culture and
8 language, justice and community matters.
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12 **II. Energy and Nunatsiavut Communities**
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16 The energy situation in Nunatsiavut is precarious.
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19 1. Power demand is growing and putting pressure on diesel plant capacity in several
20 communities,

21 2. The cost of energy, for electricity and heating, puts an enormous economic burden on
22 families and individuals, especially seniors and those in economically-challenging
23 situations,

24 3. Capacity limitations, the high cost of diesel fuel, and the limitations of remote diesel
25 systems (such as power outages) are exacerbating social and economic conditions
26 throughout the region, including safety, health and community quality of life,

27 4. Energy costs and constraints are a major barrier to economic development, and

28 5. Lack of cleaner, reliable and cost-competitive power is having a pronounced impact on
29 communities, Inuit and other residents in Nunatsiavut.
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32 Energy cost concerns are particularly pressing. A large and growing percentage of families in the
region face cost barriers to maintaining liveable and heated indoor homes year-round. Certain
communities, have a high percentage of homes that are inadequately heated. More than half the
homes in Nain and Hopedale are inadequately heated (including 57% in Nain and 64% in Hopedale).

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33 It is critical to appreciate that community energy and economic picture for residents and business in
34 Nunatsiavut.

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37 **Box 1**

38 **Energy & Economy Factors in Nunatsiavut**

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- 40 1. Energy costs for Nunatsiavut residents include: space heating, transport and electricity.
 - 41 2. Reliance on heating fuel, propane and wood for space heating significantly adds to the total energy cost envelope which includes electricity.
 - 42 3. Average heating cost, including electricity, during the extensive winter in Nunatsiavut is \$619/month.
 - 43
 - 44 4. Monthly demand thresholds and private home ownership requirements for the *Take Charge* energy efficiency program preclude participation of many Nunatsiavut residents. 62% of residents in the region are renters (Take Charge requires private ownership of homes). A minority of homes rely on electricity for space heating (the Take Charge program only marginally addresses space heating in a very minor manner)
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 - 48 5. 44% of residents have stated that their homes are inadequately heated, and having sufficient resources for affordable heat is a major challenge.
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 - 50 6. Average income in Nunatsiavut is \$27,079, in comparison to the Canadian average of \$74,307.
 - 51 7. Many components (food, energy, services, supplies, equipment, etc.) comprising the cost of living in Nunatsiavut are higher than in non-remote areas by as much as 35% above costs on the Island.
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 - 53

54 *Sources: Statistics Canada (2010 and 2015 Census), Nunatsiavut Government*

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58 The net effect of the above energy and economy factors highlights the vulnerability Nunatsiavut
59 residents and businesses to energy prices. Specifically: a) total energy costs are high, much higher
60 than for residents elsewhere in the province; b) cost of living for many items are much higher than
61 other regions in the province; c) average income is much lower in comparison to other regions of
62 Canada and Newfoundland and Labrador, and d) many Nunatsiavut residents and businesses do not

63 qualify for various energy efficiency programs and supports and those that do qualify are eligible for
64 programs that inadequately address the major challenge (space heating).

65

66 To date, Nunatsiavut beneficiaries and the Nunatsiavut Government have not been extensively
67 involved with energy planning in the region. The Nunatsiavut Government has, therefore, worked
68 intensively over the past year to prepare a Draft Nunatsiavut Energy Security Plan, and the year
69 ahead will develop an Implementation Strategy. To adequately address energy security in
70 Nunatsiavut, there are substantive benefits to adopting a sustainable development approach that
71 also takes into account other community infrastructure dimensions, including housing and
72 community facilities.

73

74 *The Nunatsiavut Government shall be considering the Draft Nunatsiavut Energy Security Plan*
75 *over the next 1-2 months, and the approved plan shall be forwarded to the Public Utilities Board*
76 *of Newfoundland and Labrador upon finalization.*

77

78 **III. Forging A Sustainable Energy Future for Nunatsiavut**

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80 The Nunatsiavut Region is considering adopting *Top 10 Nunatsiavut Sustainable Energy*
81 *Principles* that would guide energy matters, including:

82

- 83 1. ***Energy Security Outcomes:*** Action on energy in Nunatsiavut’s communities shall be
84 guided by Energy Security Outcomes.
- 85 2. ***Community Involvement in Energy Planning and Management:*** The involvement of
86 local communities is proactively sought and supported.
- 87 3. ***Socially-Sensitive Energy Decision-Making:*** Energy decision-making is sensitive to
88 the social impacts of energy policy, pricing and delivery decisions.
- 89 4. ***Efficiency in Energy Services and Delivery:*** Enhancing efficiency in the delivery of
90 energy services is pursued on an incremental basis.
- 91 5. ***Sustainable Energy Technologies and Innovation:*** The potential of new energy
92 technologies and innovations shall be an essential component of the region’s
93 energy planning.

- 94 6. **Long Term Investment Orientation:** Energy decisions and capital planning shall
95 adopt a long-term, life-cycle orientation.
- 96 7. **Utilization of Local Skills and Knowledge:** To the fullest extent possible, local skills
97 and knowledge shall be utilized to guide planning and service delivery and for
98 employment.
- 99 8. **Energy-Oriented Infrastructure Planning and Development:** Infrastructure
100 strategies and investment in the region shall integrate and consider energy factors
101 and consequences.
- 102 9. **Promoting Energy for Economic Development:** A prime Energy Security outcome
103 will be to explore and pursue how sustainable energy systems can support regional
104 and local economic development.
- 105 10. **Sustainable Energy Partnerships:** Creative and innovative energy and energy
106 demand/supply partnerships shall form a major basis for the regions Sustainable
107 Energy future.

108
109 ***The Nunatsiavut Government takes the position that the above principles should be reflected***
110 ***and integrated into electricity rate decisions made by the Public Utilities Board for Labrador***
111 ***off-grid communities***

113 **IV. Impact of Proposed Rate Increases**

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116 As noted above in Section II, energy costs are a major burden to Nunatsiavut residents and
117 commercial operations, and comprise a large percentage of household and business
118 expenditures. Thus the proposed General Rate Application (GRA) by Newfoundland and
119 Labrador Hydro will have a major punitive impact on community quality of life and economic
120 development in the region in the following manner.

- 121
122 1. **Energy Costs:** Energy costs for the region include electricity and space heating. The
123 remote nature of Nunatsiavut communities, the logistics and costs of transporting

124 fuel, and the subarctic climate result in higher than average costs for space heating
125 relative to other areas of the province. As such, there are major concerns and
126 shortcomings regarding the lack of “affordable heating” for residents and businesses.

127 2. *“Energy Envelope”*: It is already well known that constrained household and business
128 budgets mean that the “energy envelope” is not fully funded and many families and
129 seniors live in inadequately heated dwellings.

130 3. *Cost Impacts*: Any rise in electricity costs will exacerbate this situation and lead to
131 more precarious space heating conditions resulting in health and quality of life
132 impacts, in a very harsh northern environment. Further, energy costs will be added
133 to the already high cost of food products. Approximately one out of every two
134 Nunatsiavut residents (Source: Nunatsiavut Government) is already food insecure,
135 and higher food prices due to electricity rate increases will exacerbate this situation.

136 4. *Economic Development*: Protecting existing businesses from cost impacts, and
137 reducing hurdles to economic development are major concerns of the Nunatsiavut
138 Government. The increased electricity rates proposed by Newfoundland and
139 Labrador Hydro will not only compromise the establishment of new commercial
140 operations, but carry the risk of making businesses no longer marginally viable with
141 potential job losses resulting.

142

143 ***The Nunatsiavut Government takes the position that the combined rate impact of the General***
144 ***Rate Application proposed by Newfoundland and Labrador Hydro, coupled with the addition***
145 ***of the 15% deferred rate increase from 2007 will lead to severe and punitive community social***
146 ***and economic hardship in the region. The impact on the health of Nunatsiavut residents will***
147 ***be substantive and debilitating, and the economic outlook for existing and prospective***
148 ***businesses dramatically curtailed.***

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152 **V. Untapped Sustainable Energy Opportunities**
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154 The Nunatsiavut Government notes that Newfoundland and Labrador Hydro has been
155 responsive to the need for augmented electricity capacity in the region, and has expanded a
156 number of diesel generating plants.

157
158 However, the Nunatsiavut Government has concluded that insufficient effort has been devoted
159 to energy efficiency and renewable energy for the region as a sustainable energy approach with
160 longer term economic potential. Specifically:

- 161
- 162 1. Energy efficiency efforts to date have been modest and have consisted of general
163 information on electricity consumption practices, and the promotion of minor
164 equipment (lighting, water use, etc.) installation. Larger and more substantive
165 opportunities exist such as more energy-efficient: building systems, large electricity-
166 consuming equipment and advanced lighting (e.g. LEDs). Catalysing these energy
167 efficiency opportunities requires more planning, management and investment than
168 has been the case in the past, and a more flexible and inclusive program than is
169 currently the case.
 - 170 2. While the potential of small hydro, wind, solar and tidal energy has been examined
171 generally for the region, no such projects have yet been taken forward to the
172 feasibility stage, nor implemented.
 - 173 3. The lack of sufficient effort and investment into energy efficiency (including space
174 heating) and renewable energy reflects a truncated versus a more comprehensive
175 community energy planning approach; a more innovative process that is essential to
176 remote northern communities.

177
178 *The Nunatsiavut Government takes the position that electricity planning, services and rate*
179 *decisions taken in isolation from broader community energy planning is reflective of short-*
180 *term thinking and results in sub-optimal potential for energy efficiency and renewable energy*
181 *options. It would be more effective to consider a PUB decision/directive that caps electricity*

182 *costs, coupled with a more intensive strategy for energy efficiency and renewable energy for*
183 *the Nunatsiavut Region.*

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185 **VI. Alternative Rate Framework & PUB Decisions/Directives Requested**

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187 The Nunatsiavut Government makes the following submission to the Public Utilities Board
188 regarding an alternative rate framework, and requests specific PUB decisions/directives be
189 made that have pertinence to Newfoundland and Labrador Hydro and the provincial
190 government.

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192 That:

- 193 1. Electricity charges for all types of consumers in Nunatsiavut, for various levels (i.e.
194 blocks) of service effective in 2016 should remain at 2015 rates.
- 195 2. Any increase in rates from 2017 onwards on the base rate in response to the General
196 Rate Application proposed by Newfoundland and Labrador Hydro must consider the
197 impact on residents and business in the region. Further, any consideration of rate
198 rises over the longer term should be very gradual and subject to phasing-in
199 provisions.
- 200 3. The deferred rate increase from 2006 should be considered as having been addressed
201 by provincial government, and not be a part of any consideration of rate increases in
202 2016 and into the future.
- 203 4. Newfoundland and Labrador Hydro in collaboration with the provincial government
204 be directed to work with the Nunatsiavut Government on the design and
205 development of a Pay-As-You-Save (PAYS) energy efficiency program for the region;
206 for implementation in 2017. Such a program, pioneered by utilities in other
207 jurisdictions (e.g. Manitoba) has proven to be effective in reducing energy
208 consumption focusing on building systems, large electricity-consuming equipment
209 and advanced lighting (e.g. LEDs). These actions will reduce pressures on existing
210 diesel systems for isolated communities, including diesel fuel demand/costs.

211 5. Newfoundland and Labrador Hydro in collaboration with the provincial government
212 be directed to pursue and identify 2-4 specific renewable energy opportunities
213 (including solar, wind and tidal sources) for Nunatsiavut, connected to the
214 Nunatsiavut Energy Security Plan, as a means to reduce pressures on existing diesel
215 systems for isolated communities, including diesel fuel demand/costs over the
216 medium to long term. In addition, that Newfoundland and Labrador Hydro and the
217 provincial government introduce specific policies and provisions to allow for
218 decentralized power generation (e.g. solar) by Nunatsiavut residents and businesses
219 that can be connected to local grids; and the consideration of net metering
220 arrangements be considered over the medium to long term.

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222 **Submitted June 4, 2015**

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241 **VII. Background & Qualifications of Energy Expert**

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243 Chris Henderson is Clean Energy Advisor to the Nunatsiavut Government. He is the President of
244 Lumos Energy and Founder of the Delphi Group. For the past 25 years, he has led and been at the
245 forefront of ground-breaking Canadian enterprises and local/national business, social and ecological
246 initiatives which have global impact and resonance. Mr. Henderson is a consultant and adviser on
247 economic, environment and energy that generate outcomes for corporations, communities and
248 Canada.

249
250 Mr. Henderson is Canada’s pre-eminent Clean Energy Advisor to Aboriginal communities. He
251 advises Chiefs and Councils, Tribal Groups, regional Aboriginal governments and Aboriginal
252 Economic Development Corporations on how to effectively secure and leverage partnership
253 positions in clean energy projects across Canada. He also guides utilities, financial firms,
254 corporations and governments on engaging and partnering with Aboriginal communities on clean
255 energy opportunities. Mr. Henderson has catalyzed clean energy projects in every Canadian
256 province and territory. His book, *Aboriginal Power*, was published in 2013.

257 He possesses an extensive background in sustainability, green economy, strategic planning, financial
258 structuring and public policy. Mr. Henderson has held, or holds currently, a number of influential
259 leadership positions, locally and nationally, including:

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- 261 ▪ National Coordinator, Aboriginal Clean Energy (ACE) Network
 - 262 ▪ Managing Director of the EXCEL Partnership
 - 263 ▪ Community Coordinator, 1,000 Solar Rooftops Ottawa
 - 264 ▪ Past-Chair of The Ottawa Partnership – TOP
 - 265 ▪ Adjudicator to the GLOBE Awards for Environmental Excellence
 - 266 ▪ Past-Chair of the Canadian Environment Industry Association
 - 267 ▪ Past-Member, Board of Directors, Community Foundation of Ottawa
 - 268 ▪ Founding Advisor, Canada’s Commission for the Environment

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