

May 21, 2021

Hon. Jeannie Ehaloak

Minister Responsible for the Qulliq Energy Corporation

Legislative Assembly of Nunavut

P.O. Box 2410

Iqaluit, NU X0A 0H0

Dear Minister Ehaloak,

Regarding QEC’s Fuel Stabilization Rate refund rider Application dated April 1, 2021 and pursuant to your request for a review of the Application dated March 22, 2021, please find attached Utility Rates Review Council report 2021-01 summarizing the Council’s consideration of the matter.

Yours truly,

Anthony Rose

Chair

Utility Rates Review Council

CC: Premier Joe Savikataaq, Minister Responsible for the Utility Rates Review Council

Bill Mackay, Deputy Minister, Executive & Intergovernmental Affairs

Rick Hunt, President, Qulliq Energy Corporation

Rod Stockley, Acting Executive Director, Utility Rates Review Council

P.O. Box 1000, Stn 200, Iqaluit, NU, X0A 0H0



# Report to the Minister Responsible for the Qulliq Energy Corporation Respecting:

**An Application by the Qulliq Energy Corporation for**

**Approval of a Fuel Stabilization Rate**

**From**

**April 1, 2021 to September 30, 2021**

**Report 2021-01**

**May 21, 2021**

**UTILITY RATES REVIEW COUNCIL OF NUNAVUT**

##

## PANEL MEMBERS

Anthony Rose Chair

Graham Lock Vice-Chair

Robbin Sinclaire Member

Nadia Ciccone Member

## SUPPORT

Rod Stockley Acting Executive Director

Wade Vienneau Consultant

## LIST OF ABBREVIATIONS

|  |  |
| --- | --- |
|  |  |
| GRA | General Rate Application |
| FSR | Fuel Stabilization Rate |
| FSR Fund | Fuel Stabilization Rate Fund |
| kWh | Kilowatt hour |
| PPD | Petroleum Products Division of the Department of Community and Government ServicesGovernment of Nunavut |
| QEC | Qulliq Energy Corporation |
| SAO | Senior Administrative Officer |
| URRC | Utility Rates Review Council |
| URRC Act | *Utility Rates Review Council Act* |
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1. The APPLICATION
2. Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 12 (1) of the *Utility Rates Review Council Act* (URRC Act), to seek approval from the Minister responsible for QEC (Minister for QEC), prior to imposing a rate or tariff. The Minister for QEC in turn is required pursuant to Section 12 (2) of the URRC Act, to seek the advice of the Utility Rates Review Council (URRC) on the utility’s request to impose a rate or tariff.
3. By letter dated March 17, 2021, QEC applied to the Minister for QEC, requesting approval for a Fuel Stabilization Rate (FSR) refund rider of 1.29 cents per kilowatt hour (kWh), from April 1, 2021 to September 30, 2021. By letter dated March 22, 2021, the Minister for QEC requested advice from the URRC with respect to the Application.
4. BACKGROUND
5. The existing base energy rates were approved effective May 1, 2018, in accordance with Ministerial Instruction dated May 30, 2018, as part of QEC’s 2018/19 Phase I General Rate Application (GRA). The weighted average fuel price assumption of $0.934 per litre (weighted average across all communities) built into the existing base rates reflects the January 30, 2017 (and forecast summer 2018) communication from the Petroleum Products Division (PPD) of the Department of Community and Government Services respecting fuel cost changes to QEC.
6. A Ministerial Instruction dated May 30, 2014 requires QEC to prepare forecasts of the balance in the Fuel Stabilization Rate Fund (FSR Fund), which accumulates the difference between the actual cost of fuel and the GRA weighted average fuel price assumption. As per the Minister’s Instruction, QEC is required to apply for a fuel rider if at any time the balance in the FSR Fund is expected to exceed the threshold of plus or minus $1 million within a six-month period.
7. The current application is for a FSR refund rider of 1.29 cents per kWh effective April 1, 2021 to September 30, 2021. The fuel cost reconciliation filed as part of the Application compares the GRA forecast average fuel cost of $0.934 per litre with the actual to date and forecast fuel costs, for the period April 1, 2021 to September 30, 2021. Based on the fuel cost reconciliation QEC has projected a balance owing to customers of $1.1 million as of September 30, 2021.
8. QEC has requested approval to refund any difference between fuel costs collected through rates on a forecast basis and actual fuel costs, to customers through an FSR refund rider. The FSR refund rider of 1.29 cents per kWh replaces the FSR refund rider of 1.25 cents per kWh which was in effect from October 1, 2020 to March 31, 2021. In the Application, QEC requested approval of the 1.29 cents per kWh FSR refund rider on an interim refundable basis, effective April 1, 2021.
9. The URRC reviewed the Application and, by letter dated March 30, 2021, recommended approval of an interim FSR refund rider of 1.29 cents per kWh for the period from April 1, 2021 to the final approval date of the Application. The URRC determined that implementation of the FSR refund rider was in the best interest of the public and was consistent with maintaining rate stability for all customers.
10. Upon the recommendation of the URRC as summarized above, on April 23, 2021, the Minister for the Review Council approved an FSR refund rider of 1.29 cents per kWh effective April 1, 2021 on an interim basis pursuant to Section 12.1 (1) of the URRC Act which states: “Where the advice of the Review Council is requested under subsection 12(2), the Review Council may recommend the imposition of an interim rate or tariff until an instruction is given under section 16, and the Minister for the Review Council may authorize the designated utility to impose the recommended interim rate or tariff.”
11. PROCESS
12. Section 13 (1.1) of the URRC Act provides that:

Where, in the opinion of the Review Council, the application for the proposed rate or tariff is a minor application, the Review Council shall report to the responsible Minister within 90 days of receiving the responsible Minister’s request for advice under subsection 12(2).

1. Upon review of QEC’s application, the URRC decided to treat it as a minor application.
2. The URRC provided notice of the Application through social media, through the government liaison officers in each community, and by letter to each Member of the Legislative Assembly of Nunavut, mayor and senior administration officer (SAO) and assistant SAO across Nunavut.
3. The URRC also provided an opportunity for the public to make written comments respecting the Application by the deadline of May 7, 2021. No written submissions were received from the public or any other party with respect to the Application by that date.
4. The URRC reviewed the Application and determined that information requests to QEC were not necessary.
5. The URRC’s consideration of the matter is set out in this Report.
6. CONSIDERATION OF THE APPLICATION
7. QEC provided, as part of the Application, schedules summarizing the forecast monthly balances in the FSR Fund through to September 30, 2021, detailing the calculation of the proposed refund rider. QEC stated the schedules are based on the following information and assumptions:
	* 1. Bulk Fuel Prices: Bulk fuel deliveries and prices are based on the 2020 resupply season actuals. Price forecasts are based on information provided by the PPD.
		2. Nominated Fuel Prices: Actual nominated fuel prices were used up to January 2021. QEC purchases fuel at nominated prices through third parties contracted by PPD to manage Nunavut's fuel supply between bulk sealift supply periods. Nominated fuel prices for the February 2021 through September 2021 forecast period are based on the prices provided by the PPD that became effective January 15, 2020. These updated fuel prices reflect a decrease to the average monthly fuel prices.
		3. Fuel Inventory: Forecast fuel prices reflect weighted average fuel prices based on fuel inventory and a mixture of bulk fuel and nominated fuel deliveries.
		4. Sales and Generation: QEC’s most recent generation and sales forecasts.
8. QEC stated the decrease in forecast fuel prices announced by the Government of Nunavut effective January 15, 2020, would increase the forecast FSR Fund balance owing to customers to $1.1 million as of September 30, 2021. This was primarily due to the reduction in nominated fuel prices.
9. QEC stated the refund rider of 1.29 cents per kWh was calculated to target a zero FSR Fund balance by September 30, 2021. QEC stated approval of the proposed fuel rider would mean a refund of approximately $6.80 (including GST) per month to non-government residential customers using 500 kWh per month in addition to base rates.
10. The URRC has examined QEC’s calculation of the FSR refund rider, including the detailed schedules provided in the Application and is satisfied that the methods and calculations used are appropriate and consistent with past practice. The URRC also notes that the current filing reflects an adjustment related to fuel prices for a portion of the fuel delivered in January 2020.
11. The URRC notes the level of the refund rider is relatively low and should not result in rate instability when the rider is removed. In view of this, the URRC did not consider the option of spreading the refund over a longer period of time. On balance, the URRC recommends approval of the request to refund the FSR Fund balance by September 30, 2021.
12. Accordingly, the URRC concludes that the FSR refund rider as proposed for the period April 1, 2021 to September 30, 2021 is appropriate and in the public interest.
13. URRC RECOMMENDATIONS
14. Section 13 (1) of the URRC Act states:

The Review Council, shall report to the responsible Minister its recommendation that:

* 1. the imposition of the proposed rate or tariff should be allowed,
	2. the imposition of the proposed rate or tariff should not be allowed, or
	3. another rate or tariff specified by the Review Council should be imposed
1. In accordance with the above, the URRC recommends that a fuel stabilization rate refund rider of 1.29 cents per kWh be approved for QEC, for the period April 1, 2021 to September 30, 2021.
2. 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

**DATED: May 21, 2021**

**Anthony Rose, Chair**

**Utility Rates Review Council**