



Report to the Minister Responsible for the Qulliq Energy Corporation

Respecting:

**An Application by the Qulliq Energy Corporation
For Approval of a Fuel Stabilization Rider**

From

**April 1, 2016 to September 30, 2016
Report 2016-02**

June 9, 2016

PANEL MEMBERS

Ray Mercer	Chairperson
Graham Lock	Member
Anthony Rose	Vice Chair
Jimmy Akavak	Member
Robbin RR Sinclair	Member

SUPPORT

Rod Stockley	Executive Director
Raj Retnanandan	Consultant

LIST OF ABBREVIATIONS

CGS	Department of Community and Government Services, GN
GN	Government of Nunavut
GRA	General Rate Application
FSR	Fuel Stabilization Rate
PPD	Petroleum Products Division, GN
QEC	Qulliq Energy Corporation
URRC	Utility Rates Review Council
UPC	Average Use Per Customer
KWh	Kilowatt Hour
MWh	Megawatt Hour

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1.0 THE APPLICATION

Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 12(1) of the *Utility Rates Review Council Act* (Act), to seek approval from the responsible Minister for the QEC (Minister), prior to imposing a rate or tariff. The responsible Minister in turn is required pursuant to Section 12(2) of the Act, to seek the advice of the Utility Rates Review Council (URRC) on the utility's request to impose a rate or tariff.

By Letter dated March 31, 2016, QEC applied to the Minister responsible for QEC, requesting approval for a Fuel Stabilization Rate (FSR) refund rider of 3.07 cents per kWh, from April 1, 2016 to September 30, 2016. By letter dated March 31, 2016, the Minister requested advice from the URRC with respect to the Application.

2.0 BACKGROUND

The existing base energy rates were approved effective May 1, 2014, in accordance with Ministerial Instruction dated May 30, 2014, as part of QEC's 2014/15 Phase I General Rate Application (GRA). The weighted average fuel price assumption of \$1.10 per litre (weighted average across all communities) built into the existing base rates reflects the December 30, 2014 communication from the Department of Community and Government Services (CGS) respecting fuel cost changes to QEC.

The current application is for an FSR refund rider of 3.07 cents per kWh effective April 1, 2016 to September 30, 2016. The fuel cost reconciliation filed as part of the application compares the GRA forecast average fuel cost of \$1.10 per litre with the actual to date and forecast fuel costs, for the period April 1, 2016 to September 30, 2016.

In its application, the Corporation requested approval of the 3.07 cents per kWh FSR refund rider on an interim refundable basis, effective April 1, 2016.

The URRC met to discuss the application and, by letter dated April 11, 2016 recommended approval of an interim FSR refund rider of 3.07 cents per kWh from April 1, 2016 to September 30, 2016, based on a preliminary review of the application and pending full URRC review 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 consumers.

Upon the recommendation of the URRC as above, the Minister responsible for the URRC approved an FSR refund rider of 3.07 cents per kWh effective April 1, 2016 on an interim refundable 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.”

3.0 PROCESS

Section 13(1.1) of the 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).

Upon review of QEC's application, the URRC has decided to treat the FSR application as a minor application.

The URRC caused notice of the Application to be published in the Nunavut News/North, Nunatsiaq News and Nunatsiaq online during the month of April 2016. There were also CBC public service announcements in April 2016.

Interested parties were provided an opportunity to provide written submissions respecting the Application by May 25, 2016. No submissions were received.

QEC responded to information requests submitted by the URRC with respect to the application on May 2, 2016.

The URRC's consideration of the matter is set out in this report

4.0 CONSIDERATION OF THE APPLICATION

QEC provided, as part of the application, schedules summarizing the forecast monthly balances in the Fuel Stabilization Fund through September 30, 2016, detailing the calculation of the proposed refund rider. QEC states the schedules are based on the following information and assumptions:

1. Bulk Fuel Prices: Preliminary actual bulk fuel deliveries and prices from the 2015 resupply season. Forecast bulk fuel deliveries for the 2016 resupply season assumed at the same prices as 2015 actuals.
2. Nominated Fuel Prices: Actual nominated fuel prices up to December 2015 and new reduced nominated fuel prices effective January 1, 2016 as provided by the Government of Nunavut.
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.

QEC purchases all its fuel from the Government of Nunavut (GN), Petroleum Products Division (PPD) of the Department of Community and Government Services (CGS). Such purchases are made directly from PPD or through its contracted agents.

In an information request from the URRC, QEC was requested to provide the basis on which the 6 months sales forecast of 80,108 MWh was determined and to indicate whether the current economic outlook for Nunavut was recognized in coming up with the sales forecast. In response QEC described its sales forecast approach as follows:

The load forecast for January 2016 through September 2016 was prepared using the average use per customer (UPC) approach. Forecast UPC is based on a rolling average for the most recent 5-year actual UPC. The number of customers are increased taking into account a 5-year actual population growth trend for each community. This is a new forecast method, which QEC is testing in accordance with the URRC's recommendation from Report 2014-04.

QEC did not make any further top-down adjustments to its load forecast.

QEC's forecast is consistent with the Government of Nunavut's 2016-17 budget forecast for modest real GDP growth and population growth. [URRC QEC 1e)]

The URRC has examined QEC's calculation of the FSR refund rider and is satisfied that the methods and calculations used are appropriate and consistent with past practice.

On review of the Application and the QEC Information Responses, URRC concludes that the refund rider as proposed for the period April 1, 2016 to September 30, 2016 is appropriate and in the public interest.

5.0 URRC RECOMMENDATIONS

1. Section 13(1) of the Act states:

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

- a) the imposition of the proposed rate or tariff should be allowed,
- b) the imposition of the proposed rate or tariff should not be allowed, or
- c) another rate or tariff specified by the Review Council should be imposed

In accordance with the above the URRC recommends that a fuel stabilization refund rider of 3.07 cents per KWh be approved for QEC, for the period April 1, 2016 to September 30, 2016.

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: June 9, 2016
Raymond Mercer
Chairperson