



## 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, 2017 to September 30, 2017**

# Report 2017-01

**April 24, 2017**

## **PANEL MEMBERS**

Graham Lock	Panel Chair
Robbin Sinclair	Member
Nadia Ciccone	Member

## **SUPPORT**

Laurie-Anne White	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

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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 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 February 17, 2017, QEC applied to the Minister responsible for QEC, requesting approval for a Fuel Stabilization Rate (FSR) refund rider of 8.23 cents per kWh, from April 1, 2017 to September 30, 2017. By letter dated February 20, 2017 the Minister requested advice from the URRRC 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 8.23 cents per kWh effective April 1, 2017 to September 30, 2017. 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, 2017 to September 30, 2017; QEC has requested 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 8.23 cents per kWh replaces the FSR refund rider of 5.26 cents per kWh which was in effect from October 1, 2016 to March 31, 2017.

In its application, the Corporation requested approval of the 8.23 cents per kWh FSR refund rider on an interim refundable basis, effective April 1, 2017.

The URRC met to discuss the Application and, by letter dated February 23, 2017, recommended approval of an interim FSR refund rider of 8.23 cents per kWh from April 1, 2017 to September 30, 2017, 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, on March 6, 2017 the Minister responsible for the URRC approved an FSR refund rider of 8.23 cents per kWh effective April 1, 2017 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 March 2017.

Interested parties were provided an opportunity to file written submissions respecting the Application by March 24, 2017. No submissions were received.

QEC responded to information requests submitted by the URRC with respect to the Application on April 7, 2017.

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, 2017 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 2016 resupply season. Forecast bulk fuel deliveries for the 2017 resupply season are forecast at the same prices and volumes as the 2016 preliminary actuals.
2. Nominated Fuel Prices: Actual nominated fuel prices up to December 2016. January 2017 fuel price is based on fuel price for December, except for Iqaluit. Nominated fuel prices for the February 2017 [from January 2017 for Iqaluit] through September 2017 forecast period are assumed at the new nominated fuel prices effective January 30, 2017 as announced by the Government of Nunavut.
3. Nominated Fuel Price Adjustment for Iqaluit: Confirmation by CGS that the new nominated fuel price for Iqaluit will be retroactive to April 2016. This fuel price adjustment reduces the cost for delivered nominated fuel from April through December 2016 by \$1.06 million. This cost reduction is reflected in the March 31, 2017 Fuel Stabilization Fund balance.
4. Fuel Inventory: Forecast fuel prices reflect weighted average fuel prices based on fuel inventory and a mixture of bulk fuel and nominated fuel deliveries.
5. Sales and Generation: QEC's most recent generation and sales forecasts.

QEC states the reduction in nominated fuel price announced by the Government of Nunavut effective January 30, 2017 including the impact of the Iqaluit fuel price adjustment of \$1.06 million, increased the forecast credit in the Fuel Stabilization Fund balance as of March 31, 2017 by approximately \$1.8 million relative to the October 2016 forecast.

QEC states the refund rider of 8.23 cents per kWh was calculated to target a zero Fuel Stabilization Fund balance by September 30, 2017. QEC states approval of the proposed fuel



rider would mean a credit of approximately \$60.50 (including GST) per month to non-Government residential customers compared with a credit of \$38.66 per month based on the previous refund rider of 5.26 cents per kWh.

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.

The URRC notes the level of the refund rider may result in rate instability when the rider is eventually removed and fuel cost recoveries revert to more normal levels. In view of this, the URRC did consider the option of spreading the refund over a longer period of time. However, a longer period of refund for past over collections may not be equitable since customers who are receiving the refund may tend to differ substantially, with passage of time, from customers who overpaid. On balance the URRC approves the request to refund the Fuel Stabilization Fund balance by September 30, 2017.

Accordingly, URRC concludes that the refund rider as proposed for the period April 1, 2017 to September 30, 2017 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 8.23 cents per KWh be approved for QEC, for the period April 1, 2017 to September 30, 2017.

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**



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**DATED: April 24, 2017**

**Graham Lock, Panel Chair**