



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
November 1, 2018 to March 31, 2019**

Report 2019-01

February 14, 2019

PANEL MEMBERS

Anthony Rose	Panel Chair
Graham Lock	Vice Chair
Nadia Ciccone	Member

SUPPORT

Laurie-Anne White	Executive Director
Wade Vienneau	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 November 20, 2018, QEC applied to the Minister responsible for QEC, requesting approval for a Fuel Stabilization Rate (FSR) collection rider of 1.25 cents per kWh, from November 1, 2018 to March 31, 2019. By letter dated November 26, 2018 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, 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 Department of Community and Government Services (CGS) respecting fuel cost changes to QEC.

The current application is for an FSR collection rider of 1.25 cents per kWh effective November 1, 2018 to March 31, 2019. 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 October 1, 2018 to March 31, 2019; QEC has requested to collect any difference between fuel costs collected through rates on a forecast basis and actual fuel costs, to customers through an FSR collection rider.

In its application, the Corporation requested approval of the 1.25 cents per kWh FSR collection rider on an interim refundable basis, effective November 1, 2018.

The URRC met to discuss the Application and, by letter dated November 30 2018, recommended approval of an interim FSR collection rider of 1.25 cents per kWh from November 1, 2018 to March 31, 2019, based on a preliminary review of the Application and pending full URRC review of the Application. The URRC determined that implementation of the FSR collection 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 summarized above, on December 3, 2018 the Minister responsible for the URRC approved an FSR refund rider of 1.25 cents per kWh effective November 1, 2018 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 gave notice of the Application online through social media, the URRC Website and nunatsiaq news online, the Government Liaison Officers in each community, in addition to letters to Nunavut Members of the Legislative Assembly, Mayors and SAOs. Finally, it was published both in Nutnatsiaq News and News North. This provided interested parties an opportunity to file written submissions respecting the Application by December 21, 2018. No submissions were received.

QEC responded to information requests submitted by the URRC with respect to the Application on January 11, 2019.

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 Rate Fund through March 31, 2019 detailing the calculation of the proposed collection rider. QEC states the schedules are based on the following information and assumptions:

1. Bulk Fuel Prices: Actual bulk fuel deliveries and prices from the 2018 resupply season.
2. Nominated Fuel Prices: Actual nominated fuel prices up to September 2018. Nominated fuel prices for October 2018 are assumed at September 2018 actual prices. Nominated fuel prices for the November 2018 through March 2019 forecast period are assumed at the new nominated fuel prices effective November 1, 2018 as announced by the Government of Nunavut. These updated fuel prices increased the average monthly fuel prices by approximately \$0.04 per litre [Iqaluit nominated fuel price increased by \$0.024 per litre and nominated fuel price for all other communities increased by \$0.05 per litre].
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 states the increase in nominated fuel price announced by the Government of Nunavut effective November 1, 2018, would increase the forecast Fuel Stabilization Rate Fund balance to \$1.034 million as of March 31, 2019.

QEC states the collection rider of 1.25 cents per kWh was calculated to target a zero Fuel Stabilization Rate Fund balance by March 31, 2019. QEC states approval of the proposed fuel rider would mean a charge of approximately \$6.56 (including GST) per month to non-Government residential customers using 500 kWh/month in addition to base rates.

The URRC has examined QEC's calculation of the FSR collection rider, including the additional information provided in response to the URRC information requests, and is satisfied that the

methods and calculations used are appropriate and consistent with past practice. The URRC recommends that an update be provided when the refunds to customers in Arviat, referred to in information response URRC-QEC-3, are completed.

The URRC notes the level of the collection rider is relatively low and should not result in rate instability when the rider is eventually removed. In view of this, the URRC did not consider the option of spreading the collection over a longer period of time. Hence, the URRC recommends approval of QEC's request to balance the Fuel Stabilization Rate Fund by March 31, 2019.

Accordingly, URRC concludes that the collection rider as proposed for the period November 1, 2018 to March 31, 2019 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 collection rider of 1.25 cents per KWh be approved for QEC, for the period November 1, 2018 to March 31, 2019.

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: February 14, 2019

Anthony Rose, Panel Chair