

November 6, 2017

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SUPPORT

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| Laurie-Anne White | Executive Director |
| Raj Retnanandan | Consultant |

LIST OF ABBREVIATIONS

| | |
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| 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 September 1, 2017, QEC applied to the Minister responsible for QEC, requesting approval for a Fuel Stabilization Rate (FSR) refund rider of 5.41 cents per kWh, from October 1, 2017 to March 31, 2018. By letter dated September 5, 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 5.41 cents per kWh effective October 1, 2017 to March 31, 2018. 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 October 1, 2017 to March 31, 2018; 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 5.41 cents per kWh replaces the FSR refund rider of 8.23 cents per kWh which was in effect from April 1, 2017 to September 30, 2017.

In its application, the Corporation requested approval of the 5.41 cents per kWh FSR refund rider on an interim refundable basis, effective October 1, 2017.

The URRC met to discuss the Application and, by letter dated September 15, 2017, recommended approval of an interim FSR refund rider of 5.41 cents per kWh from October 1, 2017 to March 31, 2018, 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 5.41 cents per kWh effective October 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 September 2017.

Interested parties were provided an opportunity to file written submissions respecting the Application by October 13, 2017. No submissions were received.

QEC responded to information requests submitted by the URRC with respect to the Application on October 27, 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 March 31, 2018 detailing the calculation of the proposed refund rider. QEC states the schedules are based on the following information and assumptions:

Bulk Fuel Volumes and Prices: Preliminary actual bulk fuel delivery volumes to the end of July 2017 and forecast bulk fuel deliveries for the balance of 2017 based on the 2016 actual resupply season. Bulk fuel delivery forecast prices are based on information provided by the Petroleum Products Division of the Department of Community and Government Services (C&GS) of Government of Nunavut.

Nominated Fuel Prices: Preliminary actual nominated fuel prices up to July 2017 based on prices effective January 30, 2017 as announced by the Government of Nunavut. No change is assumed for the nominated fuel prices for the forecast months from August 2017 through March 2018.

Fuel Inventory: Forecast fuel prices reflect weighted average fuel prices based on fuel inventory and a mixture of bulk fuel and nominated fuel deliveries.

Sales and Generation: Preliminary actuals to July 2017 and the most recent generation and sales forecasts.

QEC states, “the change in the refund rider is mostly due to the completion of the refund of the Iqaluit nominated fuel prices adjustment that was included in the current fuel rider [the current rider included the impact of refunding the adjustment amount of \$1.06 million by the end of September 30, 2017]; the current application also reflects the impact of an expected increase in 2017 bulk fuel prices compared to 2016 prices”.

QEC states, “the proposed refund rider of 5.41 cents/kWh was calculated to target a balance of zero in the fund by March 31, 2018, based on a rider being implemented effective October 1, 2017. QEC is seeking a refund period that ends March 31, 2018”.

QEC states that “the expected fuel rider credit would be approximately \$39.75 per month (includes GST) to non- government residential customers using 700 kWh/month, compared to the current credit of \$60.5 per month with the existing rider. The net impact of the change to the rider is a \$20.74 increase in monthly bills for a customer using 700 kWh per month”.

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 concludes that the refund rider as proposed for the period October 1, 2017 to March 31, 2018 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 5.41 cents per KWh be approved for QEC, for the period October 1, 2017 to March 31, 2018.

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: November 6, 2017

Tony Rose, URRC Chair