



November 19, 2024

Hon. John Main  
Minister Responsible for the Qulliq Energy Corporation  
Legislative Assembly of Nunavut  
P.O. Box 2410,  
Iqaluit, NU, X0A 0H0

Dear Minister Main,

Regarding Qulliq Energy Corporation's (QEC) Fuel Stabilization Rate rider Application dated October 1, 2024 and pursuant to your request for a review of the Application dated October 4, 2024, please find attached Utility Rates Review Council report 2024-03 summarizing the Council's consideration of the matter.

Yours truly,

A handwritten signature in black ink that reads "Graham Lock".

Graham Lock  
Vice Chair  
Utility Rates Review Council of Nunavut

CC: Honourable P.J. Akeagok, Minister Responsible for the URRC  
Anna Fowler, Deputy Minister, Executive & Intergovernmental Affairs  
Ernest Douglas, President and CEO, Qulliq Energy Corporation  
Laurie-Anne White, Executive Director, Utility Rates Review Council  
Darryl Taylor, General Rate Application Specialist, QEC

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  
October 1, 2024 to March 31, 2025**

**Report 2024-03**

**November 19, 2024**

## **UTILITY RATES REVIEW COUNCIL OF NUNAVUT**

### **PANEL MEMBERS**

Graham Lock	Vice-Chair
Stephanie Autut	Member
Adla Itorcheak	Member

### **SUPPORT**

Laurie-Anne White	Executive Director
Wade Vienneau	Consultant

## LIST OF ABBREVIATIONS

GN	Government of Nunavut
GRA	General Rate Application
FSR	Fuel Stabilization Rate
FSR Fund	Fuel Stabilization Rate Fund
kWh	Kilowatt hour
NESP	Nunavut Electricity Subsidy Program
PPD	Petroleum Products Division
QEC	Qulliq Energy Corporation
SAO	Senior Administrative Officer
URRC	Utility Rates Review Council
URRC Act	<i>Utility Rates Review Council Act</i>

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## **1.0 THE APPLICATION**

1. 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.
2. By letter dated October 1, 2024, QEC applied to the Minister for QEC, requesting approval for a Fuel Stabilization Rate (FSR) rider of 1.35 cents per kilowatt hour (kWh), from October 1, 2024 to March 31, 2025. QEC also requested approval of an interim refundable FSR rider for the period between October 1, 2024 and the final approval date of the FSR rider. By letter dated October 4, 2024, the Minister for QEC requested advice from the URRC with respect to the Application.

## **2.0 BACKGROUND**

3. The base energy rates were initially approved effective October 1, 2022, in accordance with Ministerial Instruction dated September 8, 2022, as part of QEC's 2022/23 Phase I General Rate Application (GRA). The weighted average fuel price assumption of \$0.96<sup>1</sup> per litre (weighted average across all communities) built into the base rates reflected the forecast of fuel inventory and mixture of bulk and nominated fuel prices consistent with previous QEC operating experience. Summer 2022 bulk fuel prices were based on information provided by the Petroleum Products Division (PPD) of the Department of Community and Government Services and 2022/23 forecast nominated prices were based on the actual retail fuel price adjustments announced by the GN effective February 6, 2022.
4. Subsequently, on October 1, 2023, the base energy rates were amended to reflect higher than forecast fuel prices. The weighted average fuel price assumption of \$0.96<sup>2</sup> per litre was increased to \$1.20 per litre (weighted average across all communities). The increased 2023 bulk and nominated fuel prices were built into the amended base rates

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<sup>1</sup> Rounded to the nearest cent

<sup>2</sup> Rounded to the nearest cent

instead of using an FSR collection rider.

5. 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.
6. The current application is for an FSR rider of 1.35 cents per kWh effective October 1, 2024 to March 31, 2025. The fuel cost reconciliation filed as part of the Application compares the amended GRA forecast average fuel cost of \$1.20 per litre with the actual to date and forecast fuel costs, for the period October 1, 2024 to March 31, 2025. Based on the fuel cost reconciliation QEC has projected a balance owing to QEC of approximately \$1.3 million as of March 31, 2025 without an FSR rider.
7. QEC has requested approval to collect any difference between fuel costs amassed through rates on a forecast basis and actual fuel costs, from customers through an FSR rider. The most recent FSR rider expired on September 30, 2024. As noted above, QEC has forecast that the FSR Fund would exceed the \$1.0 million limit without the applied for rider of 1.35 cents per kWh. In the Application, QEC also requested approval of the 1.35 cents per kWh FSR rider on an interim refundable basis, effective October 1, 2024.
8. The URRC reviewed the Application and, by letter dated October 8, 2024, recommended approval of an interim FSR rider of 1.35 cents per kWh for the period from October 1, 2024 to the final approval date of the Application. The URRC determined that implementation of the interim FSR rider was in the best interest of the public and to minimize further rate increases for customers.
9. Upon the recommendation of the URRC as summarized above, on October 8, 2024, the Minister for the Review Council approved an FSR rider of 1.35 cents per kWh effective October 1, 2024 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."

### **3.0 PROCESS**

10. 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).

11. Upon review of QEC's application, the URRC decided to treat it as a minor application.
12. The URRC provided notice of the Application through social media (online in Nunatsiaq), and by letter to each Member of the Legislative Assembly of Nunavut, mayors and senior administration officers (SAO) and assistant SAOs across Nunavut.
13. The URRC also provided an opportunity for the public to make written comments respecting the Application by the deadline of November 15, 2024. No written submissions were received from the public with respect to the Application.
14. The URRC reviewed the Application and determined that additional information was required. Information requests were made to QEC; QEC provided its responses on November 5, 2024.
15. The URRC's consideration of the matter is set out in this Report.



#### 4.0 CONSIDERATION OF THE APPLICATION

16. QEC provided, as part of the Application, schedules summarizing the forecast monthly balances in the FSR Fund through to March 31, 2025, detailing the calculation of the proposed rider. QEC stated the schedules are based on the following information and assumptions:
  1. Bulk Fuel Prices: Bulk fuel deliveries and prices were based on the 2024 resupply season actuals. No updated bulk fuel price forecasts were used in the application.
  2. Nominated Fuel Prices: Actual nominated fuel prices were used up to August 2024. 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 September 2024 through March 2025 forecast period reflect the most recent prices provided by the PPD. These nominated fuel prices are expected to remain in place for the remainder of the 2024/25 fiscal year.
  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.
17. QEC stated the increase in forecast fuel prices, based on the most recent 2024/25 nominated fuel price and the 2024 bulk fuel price, would increase the forecast FSR Fund balance owing to QEC to \$1.3 million as of March 31, 2025. The 2024/25 nominated fuel price is about 18 cents/litre higher than the amount included in base energy rates, however the 2024 bulk fuel price is between 6 and 7 cents/litre lower than the amount included in base energy rates. Information included in the FSR schedules included in the Application show that weighted average fuel prices since April 2024 have fluctuated a little, but are expected to remain higher than the \$1.20/litre forecast by about 5 cents/litre from October 2024 thru March 2025.
18. QEC stated the rider of 1.35 cents per kWh was calculated to target a zero FSR Fund balance by March 31, 2025. QEC stated approval of the proposed fuel rider would mean a bill reduction of approximately \$12.34 (including GST) per month to non-government residential customers using 500 kWh per month (after adjusting for NESP) compared to monthly bills using the FSR that expired September 30, 2024. Monthly

bills for non-government residential customers using 500 kWh per month will be \$7.09 higher (i.e. in addition to base rates) per month using the proposed rider of 1.35 cents per kWh, compared to \$19.41 higher using the expired rider of 3.7 cents per kWh.

19. The URRC has examined QEC's calculation of the FSR 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 2024 bulk fuel and August 2024 nominated fuel prices.
20. On balance, the URRC recommends approval of the request to collect the forecast deficiency in the FSR Fund balance by March 31, 2025. Accordingly, the URRC concludes that the FSR rider as proposed for the period October 1, 2024 to March 31, 2025 is reasonable and in the public interest.

## 5.0 URRC RECOMMENDATIONS

21. Section 13 (1) of the URRC 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
22. In accordance with the above, the URRC recommends that a fuel stabilization rate rider of 1.35 cents per kWh be approved for QEC, for the period October 1, 2024 to March 31, 2025.
23. 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: November 19, 2024**

**Graham Lock, Vice Chair  
Utility Rates Review Council of Nunavut**