

September 1, 2017

Honourable Johnny Mike
Minister Responsible for Qulliq Energy Corporation
Government of Nunavut

Re: Fuel Stabilization Rate Fund – Application for Refund Rider

In accordance with the Ministerial Instruction dated May 30th, 2014, Qulliq Energy Corporation (QEC) prepares forecasts of the balances in the Fuel Stabilization Rate Fund (FSRF). The Minister's instruction requires QEC to apply to the responsible Minister for a fuel rider if at any time the balance in the FSRF is expected to exceed the threshold of plus or minus \$1 million within a six month period. QEC's current fuel refund rider of 8.23 cents/kWh expires effective September 30, 2017. The Corporation is requesting approval of a 5.41 cent/kWh FSRF refund rider effective October 1, 2017 expiring March 31, 2018.

QEC has prepared an updated forecast for the period from August 2017 through March 2018 based on the most current fuel price information available. The forecast indicates that without a refund rider the projected balance in the fund at March 31, 2018 would be approximately \$5.3 million owing from QEC to customers.

Attached are schedules summarizing the forecast monthly balances in the FSRF through March 31, 2018 and detailing the calculation of the proposed refund rider. The schedules are based on the following information and assumptions:

1. **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.
2. **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 assumed for the nominated fuel prices for the forecast months from August 2017 through March 2018.
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:** Preliminary actuals to July 2017 and the most recent generation and sales forecasts.

The difference between the forecast fuel prices and the fuel prices approved in the 2014/15 General Rate Application is used to calculate the charges or credits to the FSRF each month.

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.

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.

The expected fuel rider credit is approximately \$39.75 per month (includes GST) to a 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.

In summary, QEC respectfully requests the Minister's approval of a 5.41 cent/kWh FSRF refund rider for the period of October 1, 2017 to March 31, 2018. Also, QEC is requesting a refundable interim refund rider of 5.41 cents per kWh be put in place effective October 1, 2017, during the review and approval process.

Respectfully submitted,

Bruno Pereira
President and CEO
Qulliq Energy Corporation