Executive Summary
Qulliq Energy Corporation
2025/26 General Rate Application

This document provides an overview of Qulliq Energy Corporation's (QEC) 2025/26 General Rate Application (GRA) to the Minister Responsible for QEC (the Minister) for rates effective April 1, 2025. The complete application is available from QEC at its office in Iqaluit and the QEC website at http://www.qec.nu.ca/.

1.0 OVERVIEW OF QEC

QEC is the only generator and distributor of electrical energy for retail supply in Nunavut. QEC serves a population of about 41,000 over an area of 2.1 million square kilometers and has approximately 16,000 electrical customers across the territory.

The Corporation generates and distributes electricity to Nunavummiut by operating diesel plants in 25 communities, meeting community peak demands ranging from approximately 200 kW in Grise Fiord to 11 MW in Iqaluit.

The Corporation provides mechanical, electrical, and line maintenance from three regional centers and administers its business activities from its headquarters in Baker Lake and executive offices in Iqaluit.

Nunavut, Canada

Low customer densities and a harsh climate profoundly impact QEC's operations. QEC is the only electrical utility in Northern Canada without hydro-electric generation, which creates a large dependence on fossil fuels.

QEC's electricity systems are isolated and must be planned and operated independently. To supply safe and reliable power, QEC develops long-term capital plans to determine which plants require upgrades, expansions or replacements. QEC also researches emerging alternative energy technologies to determine if they can be incorporated into the capital planning cycle. In 2018, QEC introduced a Net Metering Program (NMP) to increase renewable electricity generation. In August 2023, QEC received Cabinet approval to revise the NMP policy and the Terms and Conditions of Service, which increased individual customer renewable energy generation capacity limit from 10 kW to 15 kW; expanded municipal accounts eligibility from 1 to 2 municipal corporation-owned accounts per community; removed the March 31st deadline for annual energy credit resets; and extended the policy effective period until August 9, 2026. As a next step in the strategy to increase renewable energy generation in Nunavut, QEC implemented the Commercial and Institutional Power Producers (CIPP) and Independent Power Producer (IPP) programs. The CIPP program was implemented in March 2021, allowing commercial and institutional customers to generate renewable electricity to sell to QEC. The IPP program allows Inuit-owned organizations and companies, including Regional Inuit Associations and municipalities, to sell energy generated by their renewable energy systems to QEC. The Government of Nunavut Cabinet approved the final IPP policy in December 2023 with a program period until December 2026. As of April 2024, six Connections Impact Assessments (CIA) have been received from Sanikiluaq, Naujaat, Coral Harbor, Rankin Inlet, Baker Lake, and Cambridge Bay communities.

In 2017, QEC started replacing all conventional streetlights across Nunavut with energy-efficient LED (Light Emitting Diode) streetlights with a target completion of streetlight conversion by 2024. LED streetlights offer several advantages over conventional streetlights. Along with energy savings, LEDs last five times longer than conventional lights, significantly saving operational and maintenance costs. LEDs are also brighter, resulting in improved visibility on the roads during the winter season. The streetlight conversion program was completed with the remaining LED streetlight replacement in Sanikiluaq, Baker Lake, Chesterfield Inlet, Naujaat and Kinngait in the 2023/24 fiscal year.

2.0 GRA AND RATE APPROVAL PROCESS

QEC operates under the Qulliq Energy Act. Rates for electricity service are approved by the Minister, who receives advice from the Utility Rates Review Council (URRC) pursuant to the Utility Rates Review Council Act. The URRC is an advisory body that reviews QEC's applications for changes to electricity rates.

A GRA is a request to change the overall level of rates (revenue requirement) and how rates are recovered from customers. QEC's last GRA was for the 2022/23 fiscal year. The GRA process has two phases:

- Phase I of a GRA examines the total cost of providing electrical service (called "revenue requirement"). Phase I reviews QEC's salaries and wages, travel costs, fuel costs and costs of capital projects and infrastructure.

- Phase II of a GRA determines how the revenue requirement should be recovered through rates for different customer classes (domestic, commercial, and street lighting). As part of the Phase II process, QEC completes a cost of service study that examines how different customer classes contribute to the overall cost of running the utility.

The URRC sets the timeline for the GRA review process, but an approximate timeline based on previous reviews would result in a final instruction from QEC to the Minister in April-May of 2025.

3.0 2025/26 REVENUE REQUIREMENT AND RATE PROPOSAL

The GRA describes QEC's forecast costs for 2025/26 and requests approval of a revenue requirement of $183.9 million. This results in a shortfall of $21.5 million compared to revenues at existing rates.

	2022/23 Approved	2025/26 Existing Rates	Current GRA 2025/26 Proposed
	($ millions)	($ millions)	($ millions)
Non-fuel O&M	64.6	84.0	84.0
Fuel	64.1	70.0	70.0
Capital related costs	27.9	30.0	30.0
Total revenue requirement	156.6	183.9	183.9
Revenue from sales	156.6	162.4	183.9
Shortfall	0.0	21.5	0.0

In the 2022/23 GRA, the Corporation focused on energy rate adjustments, considering that customer and demand charges were already levelized across the territory. In the current application, QEC proposes adjusting the customer monthly service charge from $18 to $36 and the monthly demand service charges from $8 to $16 per kW to improve the cost recovery of these rate components. The Corporation notes that customer charges are included in the Nunavut Electricity Subsidy Program (NESP), and accordingly, adjustment of customer charges will not impact non-government residential customer bills. Under the Corporation's rate proposal, in addition to the proposed customer and demand charges adjustment, an average energy rate increase of 9.5% is needed to recover the shortfall compared to existing rates plus the Fuel Rate Stabilization (FRS) rider. The rate increase reflects the following key cost increases since the time of the 2025/26 GRA:

Non–fuel Costs: Increases in non-fuel expenses are approximately $19.3 million. This mainly reflects general inflationary pressures over the last three years, a higher number of units requiring overhauls, increases in insurance expenses, as well as increases in salaries and wages to align with the Government of Nunavut structural salaries adjustment.

Capital Investments: Increases in capital-related costs (financing and amortization expenses) are approximately $2.1 million. The requirement for capital investments in the territory's aged electricity system is also one of the main drivers of the required rate increase. The Corporation cannot delay capital investments needed to provide safe and reliable electricity to customers.

Diesel Fuel Cost: Diesel fuel prices have increased since 2022/23, increasing fuel expenses by approximately $5.9 million.

Sales Revenues: Revenue at base energy rates plus the FRS rider has increased by $5.8 million since the 2022/23 GRA. However, the increase in sales is not sufficient to fully offset an increase in QEC's revenue requirement.

QEC has tried to mitigate rate impacts on customers in some ways without sacrificing safety and reliability. These include:

- **Continued Emphasis on Fuel Efficiency:** The Corporation forecasts a corporate-wide fuel efficiency of 3.75 kWh/litre for the 2025/26 test year. This is aligned with fuel efficiencies in previous applications (2022/23 forecast fuel efficiency of 3.78 kWh/litre,2018/19 GRA fuel efficiency of 3.76 kWh/litre, and an average of 3.71 kWh/litre in the 2014/15 GRA).

- **Maintaining Station Service Improvements:** QEC has maintained similar station service levels to the 2022/23 GRA. The 2025/26 test year station service forecast was 3.1% of generation, the same as the 2022/23 forecast but lower than the 2018/19 forecast (3.3% of generation) and the 2014/15 forecast (3.5% of generation).

- **Territory-wide Rates Adjustment:** The proposed rates in this Application are consistent with the territory-wide rate structure approved by the Ministerial Instruction dated October 21, 2022.

- **Rate Proposal to Adjust Fixed Charges:** QEC proposes to adjust the customer monthly service charge from $18 to $36 and the monthly demand service charge from $8 to $16 per kW to improve the cost recovery of these rate components. This also mitigates bill impacts for non-government residential customers, as customer charges are included in the Nunavut Electricity Subsidy Program (NESP) subsidy.

4.0 EFFECT OF PROPOSED RATE CHANGES ON BILLS

The impact of the revenue requirement increases, and the proposed rate adjustment will result in the following bill impacts:

- Non-government domestic customers receiving the territorial electricity subsidy will see a bill increase of approximately $14 per month (7.4%) on April 1, 2025, for a typical customer using 500 kWh monthly.
- Non-government domestic customers who do not receive the territorial electricity subsidy will see a bill increase of approximately $53 per month (14.0%) on April 1, 2025, for a customer using 500 kWh monthly.
- Non-government commercial customers will see a bill increase of approximately $156 (12.6%) on monthly consumption of 2,000 kWh.
- Government domestic customers will see a monthly bill increase of approximately $71 per month (12.6%) for a customer using 500 kWh.
- Government commercial customers will see a bill increase of approximately $235 (11.4%) on monthly consumption of 2,000 kWh

Sample Bill
Domestic Non-Government

No Subsidy Bill

	Rates at November 1, 2024		Proposed April 1, 2025 (NES at 50% Iqaluit base rate)	
Usage	500 kW.h		500 kW.h	
Customer Charge		$18.0		$36.0
Energy Charge	$0.673	$336.7	$0.752	$376.1
Total BASE BILL		$354.7		$412.1
Fuel Stab Fund	$0.0135	$6.8	$0.000	$0.0
NET BILL		$361.4		$412.1
GST		$18.1		$20.6
NET BILL after Tax		**$379.5**		**$432.7**
Change from existing bill before tax			$50.7	14.0%
Change from existing bill after tax			$53.3	14.0%

Bill subsidized by NESP

NES Customer Rate	$0.337	$168.3	$0.376	$188.1
NES Subsidy				
Customer Charge Subsidy		*($18.0)*		*($36.0)*
Energy Subsidy	*-$0.337*	*($168.3)*	*-$0.376*	*($188.1)*
Subsidized BILL		$175.1		$188.1
GST		$8.8		$9.4
BILL after Tax		**$183.8**		**$197.5**
Change from existing bill before tax			$13.0	7.4%
Change from existing bill after tax			$13.6	7.4%