KEVIN O’REILLY—MLA FRAME LAKE
Petroleum Products Revolving Fund
Committee of the Whole—2017-2018 Operating Budget Review
Dept. of Infrastructure—February 21, 2017

MR. O'REILLY: Thanks, Mr. Chair. I'm looking at page 244, which is the Petroleum Products Revolving Fund. I see that there will be a deficit in this revolving fund at the end of 2017-18. Can someone from the department explain how we're going from a surplus of $115,000 in the current year to a deficit of $100,000 in this year or the year to come? Thank you, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you, Mr. O'Reilly. Mr. Guy.

MR. GUY: Thank you, Mr. Chair. So the Stabilization Fund is really the positive or negative revenue we get through the sales of fuel. So once we determine our pricing and sell the fuel to the residents and consumers that we buy it from, we have to offset that with our operating costs. Our costs are based on the salary, the transportation costs, the cost of purchasing the fuel, and all those things. In any given particular year we could have lower than anticipated costs, so we'll end up with an excess in the Stabilization Fund, so that would be that we collected more money from our customers than we needed to deliver the program.

Conversely, if we have a situation where our winter roads are in poor condition so we have to take lighter loads and we have higher transportation costs, we may be selling fuel at a loss until such time we get the price change in effect.

So the Stabilization Fund, we're permitted by legislation to be plus or minus $1 million. We like to keep that fund at around plus $500,000. As you can see it's been creeping up a little bit, so the proposed deficit is really just to bring it back down into a range that's more comfortable for us, around that $500,000 range. Again, that's a forecast; it's based on how much we think we're going to sell the fuel, how much we think it's going to cost to buy it. It's also forecast based on what our operating costs will be and a number of other factors. So it's a very conceptual number, if you like, when you get that far down. The only actual number in there, I think, is the closing balance of 2015-16. We have not yet finished this fiscal year so we don't even know what the 2016-17 closing balance in the fund will be. Thank you, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you, Deputy Minister. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair; it's a helpful explanation. So with the GNWT taking on the operations of former NTCL, will that have any impact on the revolving fund? Thank you, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you, Mr. O'Reilly. Deputy Minister Guy.

MR. GUY: Thank you, Mr. Chair. The thinking right now is no. If we were to set up that service through a revolving fund it would likely be a separate revolving fund. So the marine transportation that was purchased from the private sector is shown in here in this fund, that would then just be a purchase out of the other revolving fund. So we're not proposing at this time to combine them into this fund. So the short answer to that question is no, there's no impact on this revolving fund; we would be just be purchasing from another internal service. Thank you, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you, Mr. Guy. Mr. O'Reilly.

MR. O'REILLY: Thanks, Mr. Chair. Maybe I'm not quite understanding the response there. I understand that we're going to do the shipping or try to contract the shipping of petroleum products to at least four communities. The fact that we're doing it now rather than NTCL, can we expect to see any impact on this revolving fund as a result of us doing the work in terms of the shipping? Thanks, Mr. Chair.

CHAIRPERSON (Mr. Simpson): Thank you, Mr. O'Reilly. Deputy Minister Guy.

MR. GUY: Thank you, Mr. Chair. Because we'll be operating a marine transportation service on a cost-recover basis, we're hoping that we'll keep costs consistent with what they have been prior to the service going out of business. So if you turn back to what we were paying two or three years ago, that's the range we're looking to be in.

The purchase of marine transportation services would fall under "costs of goods sold" on this page. I think last year was in the $3 to $4 million range; it can be as high as $5 or $6 million depending on how much particular fuel we're transporting. We don't see any impact for this fiscal year going on that part of this page. We think it will be business as usual for the Petroleum Products Fund. Thank you, Mr. Chair.