

MANITOBA ) Order No. 11/09  
 )  
THE PUBLIC UTILITIES BOARD ACT ) February 11, 2009

BEFORE: Graham Lane, CA, Chairman  
Len Evans, LLD., Member  
Monica Girouard, CGA, Member

STITTCO UTILITIES MAN LTD.  
PROPANE RATES EFFECTIVE FEBRUARY 1, 2009

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**1.0 EXECUTIVE SUMMARY**

By this Order, the Public Utilities Board (Board) approves, on an interim ex parte basis, revised propane rates effective for propane consumed on or after February 1, 2009.

The existing and revised rate structure is as follows:

	Current (Order 141/08)	Revised
Basic Monthly Charge	\$10.00/month	\$10.00/month
	per m <sup>3</sup>	per m <sup>3</sup>
Commodity Costs Recovery	\$1.7902	\$1.6333
Delivery Charge:		
First 100 m3	0.9634	0.9634
Next 400 m3	0.8593	0.8593
Next 1000 m3	0.8131	0.8131
Next 2500 m3	0.6588	0.6588
Over 4000 m3	0.5054	0.5054

Commodity costs represent approximately two-thirds ( $\frac{2}{3}$ <sup>rd</sup>s) of the average billing, though that will vary with consumption. The revised rate therefore represents an overall decrease of approximately 6% from the rates approved by the Board in interim rate Order 141/08 of October 15, 2008.

This Order flows from a newly established quarterly rate setting (QRS) process, as ordered in Board Order 141/08. The rate change is primarily attributable to the decrease in the commodity costs reflecting current market conditions for propane purchases.

The Board intends to make final determination related to the General Rate Application (GRA) filed by Stittco on July 31, 2008, in conjunction with the QRS for May 1, 2009, at which time all interim ex parte rates will be confirmed or varied.

## **2.0 INTRODUCTION**

In Order 141/08, the Board approved rates on an interim ex parte basis to reflect the then-existent market price of propane. This approval dealt only in part with a GRA filed by Stittco on July 31, 2008, as the Board sought clarification of other matters.

The Consumers' Association of Canada and the Manitoba Society of Seniors (CAC/MSOS) intervened in that application and also posed a series of questions to Stittco concerning their rate application, revenue requirements and projected expenditures.

Recognizing the impacts that commodity pricing was having on the financial situation for Stittco, the Board determined that an interim rate approval of approximately 10% was required and issued such approval through Order 141/08 dated October 15, 2008 on an interim ex parte basis.

Included in previous direction to Stittco, was the requirement to establish a QRS process which will amend commodity cost recoveries on a regular basis. This Order reflects the result of the first of these quarterly rate settings exercises expected to occur on February 1<sup>st</sup>, May 1<sup>st</sup>, August 1<sup>st</sup> and November 1<sup>st</sup> of each year.

Commodity costs, including transportation to Thompson, are passed on to customers with no mark-up. Variances are tracked in a Purchased Propane Variance Account (PPVA) and either refunded to or collected from customers in subsequent rate settings. Regular adjustments to commodity prices help to minimize balances in this account. This also has the effect of minimizing large swings in commodity charges to customers.

Rates established by the QRS will be on an interim ex parte basis. This means that they will be established by the Board without further public consultation, subject to satisfactory information being filed by Stittco. Being interim in nature, these rates are subject to finalization or variation following public processes which are expected to occur every year in conjunction with non-commodity cost recoveries.

This Order is best read in conjunction with Order 141/08 which can be found on the Board's website at [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca) or by contacting the Board's office.

### **3.0 APPLICATION**

Stittco filed a letter dated January 30, 2009, applying for a revised commodity rate for consumption on or after February 1, 2009. Stittco requested that commodity costs be decreased from the current rate of \$1.7902 per cubic meter to \$1.6333 per cubic meter, this to reflect the revised commodity purchase costs extant in the market.

Stittco advised that it was forecasting a propane commodity price of \$417.00 per cubic meter, including delivery to Thompson.

As directed by the Board, Stittco is seeking a QRS methodology to reflect a regular adjustment for the cost of commodity.

#### **4.0 BOARD FINDINGS**

The Board is satisfied that, based on the information provided by Stittco, the commodity recovery rate herein established for the February to April 2009 quarter is reasonable. The Board is therefore accepting Stittco's proposal and ordering the decrease to be effective for consumption on or after February 1, 2009.

The methodology for setting the quarterly rates continues to be refined in co-operation with Stittco. The Board will continue to work with Stittco to establish a QRS, including a definition of the information expected to be filed and the filing dates.

The Board still expects Stittco to file for annual non-commodity cost updates and had previously directed Stittco to make such a filing in February 2009 for a May 1<sup>st</sup> rate adjustment. The Board will extend the filing date to March 1, 2009. Such information, along with the finalization of the July 31, 2008 application will be used in determining if rate revisions are required, with the intent of dovetailing any non-commodity related rate adjustment with the May 1, 2009 QRS.

**5.0 IT IS THEREFORE ORDERED THAT:**

1. Stittco Utilities Man Ltd.'s rates be amended on an interim ex parte basis as per the attached Schedule A effective for consumption on or after February 1, 2009.
2. Stittco Utilities Man Ltd. continue to track and report monthly to the Board its Purchased Propane Variance Account, reporting differences between actual and estimated propane commodity costs.
3. Stittco Utilities Man Ltd. file additional supporting data, if any, for non-commodity cost recoveries by March 31, 2009.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"

Chairman

"G. GAUDREAU, CMA"

Secretary

Certified a true copy of Order No.  
11/09 issued by The Public  
Utilities Board

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Secretary

SCHEDULE "A"  
GENERAL SERVICE RATE STRUCTURE  
EFFECTIVE FOR CONSUMPTION ON OR AFTER FEBRUARY 1, 2009

Basic Monthly Charge	\$10.00/month
	per m <sup>3</sup> /mo
Commodity Costs Recovery	\$1.6333
Delivery Charge:	
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