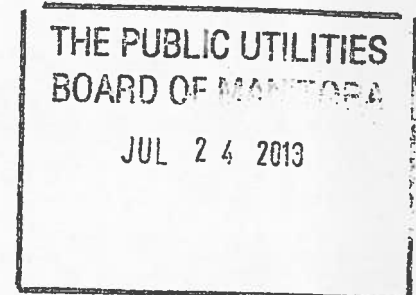


TELEPHONE  
(403) 228-6815  
FAX (403) 229-2132

STITCO UTILITIES MAN LTD.  
STE. 303, 255 - 17 AVENUE S.W.  
CALGARY, ALBERTA T2S 2T8

July 23, 2013

The Manitoba Public Utilities Board  
400 – 330 Portage avenue  
Winnipeg, Manitoba  
R3C 0C4



**ATTENTION: Mr. Kurt Simonsen, P. Eng.**  
**Associate Secretary**

Dear Sir,

**RE: Stittco Utilities Man Ltd.**  
**Supporting Data Non-Commodity Cost**

Please find attached Stittco Utilities application for non-commodity cost recovery for year ending 2013/2014.

Yours truly,

**STITCO UTILITIES MAN LTD.**

G. C. Mullback  
Vice President  
gm/ap

Encl:

**PUBLIC UTILITIES BOARD OF MANITOBA**

**IN THE MATTER OF** the *Public Utilities Board Act* (Act) of Manitoba,  
C.C.S.M. c. P280; and

**IN THE MATTER OF** an application by Stittco Utilities Man Ltd.  
pursuant to Parts II and IV of the Act for orders of the Public Utilities Board  
of Manitoba relating to the rates to be charged to propane customers in  
Thompson, Flin Flon, and Snow Lake, Manitoba

**STITTCO UTILITIES MAN LTD.**

**APPLICATION**

**July 2013**

To: Public Utilities Board  
400 – 330 Portage Avenue  
Winnipeg, Manitoba  
R3C 0C4

## **APPLICATION**

1. Stittco Utilities Man Ltd. (Stittco or the Company) hereby applies to the Public Utilities Board of Manitoba (Board) for an Order fixing just and reasonable non-commodity rates for all gas customers served by Stittco, effective August 1, 2013, including:
  - (a) a determination of the non-commodity cost revenue requirement of the Company; and
  - (b) a determination of the rate base of Stittco as of July 31, 2013.

## **BACKGROUND**

2. Stittco is a small public utility that distributes propane by pipeline to customers in Thompson, Flin Flon, and Snow Lake, Manitoba. The majority of Stittco's customers are residential and located in Thompson.
3. The Board has been approving the rates of Stittco and its predecessor company since 1963.
4. The rates of the Company include commodity costs and non-commodity costs. By Order 141/08 dated October 15, 2008, the Board accepted a proposal by Stittco to establish a rate review process involving quarterly commodity rate changes (August 1, November 1, February 1, and May 1 of each year) and annual reviews of non-commodity rates, as of May 1 of each year.<sup>1</sup>
5. The commodity costs include the cost of propane and expenses relating to transportation of that propane to the Stittco franchise area, both of which are reflected in rates without markup. Differences between estimated and actual commodity costs are recorded in a Purchased Propane Variance Account that is settled as part of the quarterly rate setting (QRS) process established in Board Order No. 11/09.<sup>2</sup>

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<sup>1</sup> Board Order No. 141/08, Page 13 of 14, section 6.0, paragraph 3.

<sup>2</sup> Board Order 11/09, dated February 11, 2009, Page 3 of 8.

6. The most recent Board Order relating to non-commodity costs was Board Order 142/12 dated October 29, 2012 which determined the non-commodity revenue requirement of the Company, set both non-commodity and commodity rates effective August 1, 2012, and approved the rate base for Stittco as of July 31, 2012.
7. By Order No 41/13 (dated April 26, 2013, effective May 1, 2013), Order No. 11/13 (dated January 29, 2013, effective February 1, 2013), and Order No. 141/12 (dated October 29, 2012, effective November 1, 2012) the Board set interim ex parte propane commodity rates.
8. As required by Board Order No. 45/09<sup>3</sup>, on July 15, 2013, Stittco filed the information required for the quarterly commodity cost price adjustment, to be reflected in rates effective August 1, 2013 when the adjusted non-commodity rates go into effect.

#### **PROPOSED NON-COMMODITY RATES**

9. Stittco proposes continuation of the rate methodology established in Board Order No. 141/08 and implemented in subsequent orders. Stittco therefore proposes the continuation of the Basic Monthly Charge of \$10.00 per month for all customers plus Monthly Delivery Charges per cubic metre, as follows.

#### **GENERAL SERVICE RATE STRUCTURE**

Basic Monthly Charge	10.00 Per Month
Non-Commodity Costs Recovery	
Delivery Charge	
FIRST 100 m <sup>3</sup>	1.27814
NEXT 400 m <sup>3</sup>	1.13992
NEXT 1000 m <sup>3</sup>	1.07863
NEXT 2500 m <sup>3</sup>	0.87389
OVER 4000 m <sup>3</sup>	0.67040

<sup>3</sup> Board Order No. 45/09, Pages 7 through 12, section 4.1 and 5.0.

10. The non-commodity rates proposed in this Application are calculated to recover the non-commodity costs incurred by Stittco in the provision of service. The non-commodity cost revenue requirement<sup>4</sup> includes operating expenses<sup>5</sup>, income taxes<sup>6</sup>, depreciation<sup>7</sup>, and the allowed rate of return on rate base of 10%.<sup>8</sup>
11. The Stittco mid-year rate base for 2013 per Board Order 142/12 was \$1,780,695. The projected mid-year rates base for 2014 is \$1,708,951.<sup>9</sup>
12. The actual return earned by Stittco for fiscal 2012 (year ending July 31, 2012) was 3.44%. Normalized (that is, adjusted to reflect normal weather), the return would have been 10.02%.<sup>10</sup> The projected actual return on rate base for fiscal 2013 (derived from 8 months of actual numbers and 4 months of projections) is 13.75%.<sup>11</sup> This projected return reflects two significant factors: (1) a one-time construction heating load for the new university in Thompson and (2) colder than normal weather in some of Stittco's markets. The construction heating load was for November 2012 to May 2013 with a volume of 428,560 litres. Adjusting the projected rate of return for 2013 by removing this one time construction volume would reduce the projected return on rate base for 2013 to 10.48%. (see Tab 3a of the Application). Adjustment of the rate of return to reflect normal weather would give a normalized rate of return of 9.84%.
13. Stittco notes that the 2013 projected actual return, if achieved, would be the first time since 2003 that the Company achieved its target return on rate base. In four of the intervening years the actual return was negative.<sup>12</sup>

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<sup>4</sup> See Tab No. 2. Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2014.

<sup>5</sup> See Tab No. 10. Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2013/2014.

<sup>6</sup> See Tab No. 4. Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2013/2014

<sup>7</sup> See Tab No. 9. Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2013/2014.

<sup>8</sup> See Tab No. 3. Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2013/2014.

<sup>9</sup> See Tab No. 6. Rate Base, Schedule, Rate Base Projected for Years Ending July 31, 2013/2014.

<sup>10</sup> See Tab No. 1. Historical Earnings, Schedule, Historical Earnings Ending July 31, 2013/2014

<sup>11</sup> See Tab No. 3. Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2013/2014

<sup>12</sup> See Tab No. 1 Historical Earnings Years Ending 31 July, specifically 2006, 2007, 2008, 2010.

14. In Order 142/12, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.<sup>13</sup>
15. Stittco does not seek an increase in its allowed rate of return. Stittco continues to be financed entirely by equity since it is precluded from the debt markets due to its dire financial condition. By law, the equity investors in Stittco are entitled to a return that is equivalent to the returns available from investing in enterprises of similar risk. Recently, the National Energy Board awarded the TransCanada PipeLines Limited Mainline pipeline – a utility of significantly less risk than Stittco – a return of 11.5%.<sup>14</sup>
16. Stittco requests that this Application be handled in writing.
17. Attached is a proposed notice to customers for review and consideration by the Board prior to it being sent by Stittco to customers.

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<sup>13</sup> Order No. 142/12, Section 3.0 Pages 9 and 10 of 16: section 5.0 Page 13 of 16: Section 6.0 Page 15 of 16.

<sup>14</sup> National Energy Board Reasons for Decision TransCanada PipeLines Limited, NOVA Gas Transmissions Ltd. and Foothills PipeLines Ltd. RH-003-2011. Tolls and Tariff, March 2013, Chapter 9: Mainline Fair Return and Business Risk, pages 147-191.

**WHEREFORE, Stittco requests an Order of the Board:**

- (a) fixing just and reasonable non-commodity rates for all gas customers served by Stittco, effective August 1, 2013, including:**
  - (i) a determination of the non-commodity cost revenue requirement of the Company; and**
  - (ii) a determination of the rate base of Stittco as of July 31, 2013; and**
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.**

All of which is respectfully submitted this 12<sup>th</sup> day of July, 2013.

Stittco Utilities Man Ltd.

Per: \_\_\_\_\_

Gale S. Stitt, President

Communications relating to this Application should be directed to:

Gale S. Stitt

Stittco Utilities Man Ltd.

303, 255 – 17<sup>th</sup> Ave S.W.

Calgary, Alberta

T2S 2T8

Telephone: (403) 228-5815

Telecopier: (403) 229-2132

Email: [gstitt@stittco.com](mailto:gstitt@stittco.com)

and to

C. Kemm Yates, Q.C.

Blake, Cassels & Graydon LLP

3500 Bankers Hall East

855 Second Street S.W.

Calgary, Alberta

T2P 4J8

Telephone: (403) 260-9667

Telecopier: (403) 663-2297

Email: [kemm.yates@blakes.com](mailto:kemm.yates@blakes.com)



# STITTCO UTILITIES MAN LTD.

## Customer Notification

Stittco Utilities Man Ltd. has filed an application with the Manitoba Public Utilities Board requesting a rate increase for the yearly non-commodity costs as established in Board Order 142/12. The overall requested increase in non-commodity costs is 6.41%. Projected direct operating costs for 2014 are forecasted to increase by 2.6% over the approved operating costs in Board Order 142/12. Stittco is not requesting any change to the rate of return on rate base.

Should additional information be required, please contact your local office at (204) 677-2304, or customers may contact The Public Utilities Board at:

400 – 330 Portage Avenue

Winnipeg, MB R3C )C4

Telephone: (204) 945-2638

Facsimile: (204) 945-2643

Toll Free: 1-866-854-3698

Email: [publicutilities@gov.mb.ca](mailto:publicutilities@gov.mb.ca)

**STITTCO UTILITIES MAN LTD.  
INDEX OF SCHEDULES ATTACHED  
APPLICATION**

	<b>TAB NO.</b>
<b>Historical Earnings</b>	<b>1</b>
<b>Revenue Requirement</b>	<b>2</b>
<b>Income Statement</b>	<b>3</b>
<b>Income Statement Adjusted for Construction Litres</b>	<b>3a</b>
<b>Income Tax Requirement</b>	<b>4</b>
<b>Capital Cost Allowances</b>	<b>5</b>
<b>Rate Base</b>	<b>6</b>
<b>Working Capital</b>	<b>7</b>
<b>Fixed Asset Schedules</b>	<b>8</b>
<b>Depreciation Schedules</b>	<b>9</b>
<b>Operating Expenses</b>	<b>10</b>

**TAB NO. 1**

**HISTORICAL EARNINGS**

Tab #1

**STITTCO UTILITIES MAN LTD  
HISTORICAL EARNINGS  
YEARS ENDING 31 JULY**

<b>YEAR</b>	<b>MID-YEAR RATE BASE</b>	<b>ACTUAL RETURN \$</b>	<b>ACTUAL RETURN %</b>	<b>NORMALIZED RETURN %</b>	<b>ALLOWED RETURN %</b>
1984	1,496,193	16,756	1.12%	6.00%	12.25%
1985	1,744,082	134,949	7.74%	7.85%	13.75%
1986	1,635,439	209,853	12.83%	13.17%	13.75%
1987	1,473,205	134,529	9.13%	12.90%	13.75%
1988	1,496,963	115,922	7.74%	10.13%	13.75%
1989	1,501,948	231,257	15.40%	16.36%	13.75%
1990	1,565,802	232,851	14.87%	14.57%	13.75%
1991	1,680,332	107,171	6.38%	7.02%	13.75%
1992	1,922,222	186,471	9.70%	9.73%	13.75%
1993	2,199,789	196,083	8.91%	9.99%	13.75%
1994	2,214,616	202,893	9.16%	7.64%	13.75%
1995	2,136,964	159,392	7.46%	9.19%	13.75%
1996	2,166,767	307,970	14.21%	12.49%	13.75%
1997	2,317,714	223,207	9.63%	8.75%	13.75%
1998	2,159,054	68,968	3.19%	5.18%	13.75%
1999	2,002,605	103,706	5.18%	8.96%	10.89%
2000	2,004,411	187,564	9.36%	11.32%	10.89%
2001	2,285,548	155,238	6.79%	7.78%	10.89%
2002	2,073,547	108,883	5.25%	6.04%	10.89%
2003	2,039,653	223,741	10.97%	11.92%	10.83%
2004	1,897,533	169,904	8.95%	10.29%	10.83%
2005	1,929,813	83,480	4.33%	4.76%	10.83%
2006	1,937,865	-93,102	-4.80%	0.03%	10.83%
2007	1,927,450	-88,036	-4.57%	-0.81%	10.00%
2008	2,138,168	-11,520	-0.54%	-1.99%	10.00%
2009	2,009,574	112,030	5.57%	4.10%	10.00%
2010	1,980,700	-160,751	-8.12%	-0.48%	10.00%
2011	2,051,484	111,698	5.44%	6.72%	10.00%
2012	1,953,864	67,310	3.44%	10.02%	10.00%

**TAB NO. 2**

**REVENUE REQUIREMENT**

Tab #2

**STITCO UTILITIES MAN LTD  
REVENUE REQUIREMENT  
PROJECTED FOR YEARS ENDING  
JULY 31,2014**

	<b>PUB ORDER NO. 142/12</b>	<b>2014 PROJECTED</b>
<b>TOTAL PROJECTED VOLUMES, LITRES</b>		
Sales	6,262,403	6,280,000
Purchases	6,418,963	6,437,000
Cost, \$/M3	\$305.00	\$315.00
<b>PROPANE REVENUE REQUIREMENT</b>		
Balance PPVA		
Cost Of Product	1,957,784	2,027,655
<b>TOTAL C3 REV REQ'D</b>	<u>1,957,784</u>	<u>2,027,655</u>
<b>RATE BASE</b>		
Mid-Year Rate Base	1,780,695	1,708,951
<b>DISTRIBUTION REVENUE REQUIREMENT</b>		
Other Cost Of Sales	120,000	120,000
Operating Expenses	1,486,787	1,525,384
Depreciation	125,165	115,185
Accretion	25,011	27,560
Return On Rate Base @ 10.00%	178,070	170,895
Income Tax Requirement	69,769	62,957
Other Income	-274,600	-274,600
	<u>1,730,202</u>	<u>1,747,381</u>
<b>REVENUE REQUIRED FROM COMMODITY</b>		2,027,655
<b>REVENUE REQUIRED FROM YEARLY BILLS</b>		10,753
<b>REVENUE REQUIRED FROM NON-COMMODITY</b>		<u>1,736,628</u>

**TAB NO. 3**

**INCOME STATEMENT**

Tab #3

**STITTCO UTILITIES MAN LTD  
INCOME STATEMENTS  
PROJECTED FOR YEARS ENDING  
JULY 31,2013/2014**

	<b>PUB ORDER NO. 142/12</b>	<b>2013 8 MONTHS ACTUAL 4 MONTHS BUDGET</b>	<b>2014 PROJECTED</b>
<b>PROPANE SALES VOL, LITRES</b>			
Residential	1,674,572	1,865,000	1,690,000
Commercial	<u>4,587,831</u>	<u>5,324,100</u>	<u>4,590,000</u>
<b>TOTAL SALES VOLUME</b>	<b><u>6,262,403</u></b>	<b><u>7,189,100</u></b>	<b><u>6,280,000</u></b>
<b>TOTAL PROPANE PURCHASED</b>	<b>6,418,963</b>	<b>7,368,828</b>	<b>6,437,000</b>
<b>UNIT PROPANE COST \$/LITRE</b>	<b>0.3050</b>	<b>0.2483</b>	<b>0.3150</b>
<b>REVENUE</b>			
Gas Sales Non Commodity	1,730,202	1,766,916	1,747,381
Gas Sales	1,957,784	1,829,848	2,027,655
Appl & Mat'l Sales	155,000	120,745	155,000
Service Revenue	48,000	40,178	48,000
Stittco Energy Rev	51,600	51,600	51,600
Other Revenue	20,000	19,985	20,000
<b>TOTAL REVENUE</b>	<b><u>3,962,586</u></b>	<b><u>3,829,271</u></b>	<b><u>4,049,636</u></b>
<b>EXPENSES</b>			
Actual Cost Of Propane	1,957,784	1,829,848	2,027,655
Other Cost Of Sales	120,000	97,164	120,000
Operating Expenses	1,486,787	1,424,850	1,525,384
Depreciation	125,165	125,165	115,185
Accretion	25,011	26,000	27,560
<b>TOTAL EXPENSES</b>	<b><u>3,714,747</u></b>	<b><u>3,503,027</u></b>	<b><u>3,815,784</u></b>
<b>OPER INCOME B/TAX</b>	<b>247,839</b>	<b>326,244</b>	<b>233,852</b>
Income Tax Payable	69,769	92,779	62,957
<b>NET INCOME (RETURN)</b>	<b><u>178,070</u></b>	<b><u>233,465</u></b>	<b><u>170,895</u></b>
<b>MID YEAR RATE BASE</b>	<b>1,780,695</b>	<b>1,697,834</b>	<b>1,708,951</b>
<b>RETURN ON RATE BASE</b>	<b>10.00%</b>	<b>13.75%</b>	<b>10.00%</b>



**TAB NO. 3a**

**INCOME STATEMENT ADJUSTED FOR  
CONSTRUCTION LITRES**

Tab #3A

**STITTCO UTILITIES MAN LTD  
INCOME STATEMENTS  
PROJECTED FOR YEARS ENDING  
JULY 31,2013/2014**

	PUB ORDER NO. 142/12	2013 LESS ONE TIME CONSTRUCTION LITRES
<b>PROPANE SALES VOL, LITRES</b>		
Residential	1,674,572	1,865,000
Commercial	4,587,831	4,895,540
<b>TOTAL SALES VOLUME</b>	<b>6,262,403</b>	<b>6,760,540</b>
<b>TOTAL PROPANE PURCHASED</b>	<b>6,418,963</b>	<b>6,940,268</b>
<b>UNIT PROPANE COST \$/LITRE</b>	<b>0.3050</b>	<b>0.2483</b>
<b>REVENUE</b>		
Gas Sales Non Commodity	1,730,202	1,688,212
Gas Sales	1,957,784	1,723,437
Appl & Mat'l Sales	155,000	120,745
Service Revenue	48,000	40,178
Stittco Energy Rev	51,600	51,600
Other Revenue	20,000	19,985
<b>TOTAL REVENUE</b>	<b>3,962,586</b>	<b>3,644,156</b>
<b>EXPENSES</b>		
Actual Cost Of Propane	1,957,784	1,723,437
Other Cost Of Sales	120,000	97,164
Operating Expenses	1,486,787	1,424,850
Depreciation	125,165	125,165
Accretion	25,011	26,000
<b>TOTAL EXPENSES</b>	<b>3,714,747</b>	<b>3,396,616</b>
<b>OPER INCOME B/TAX</b>	<b>247,839</b>	<b>247,540</b>
Income Tax Payable	69,769	69,852
<b>NET INCOME (RETURN)</b>	<b>178,070</b>	<b>177,688</b>
<b>MID YEAR RATE BASE</b>	<b>1,780,695</b>	<b>1,695,924</b>
<b>RETURN ON RATE BASE</b>	<b>10.00%</b>	<b>10.48%</b>

**TAB NO. 4**

**INCOME TAX REQUIREMENT**

Tab #4

**STITTCO UTILITIES MAN LTD.  
INCOME TAX REQUIREMENT  
PROJECTED FOR YEARS ENDING  
JULY 31,2013/2014**

	<b>2013</b>	<b>2014</b>
	<b>PROJECTED</b>	<b>PROJECTED</b>
OPERATING INCOME	326,244	233,852
ADD DEPRECIATION	125,165	115,185
ADD ACCRETION	26,000	27,560
LESS CCA	91,049	92,613
TAXABLE INCOME	<u>386,361</u>	<u>283,985</u>
TAX ON FIRST \$133,333 @ 14.304%	19,072	19,072
TAX ON BALANCE @ 29.13.42%	<u>73,707</u>	<u>43,885</u>
CALCULATED INCOME TAX	<u>92,779</u>	<u>62,957</u>

**TAB NO. 5**

**CAPITAL COST ALLOWANCES**

Tab #5

**STITCO UTILITIES MAN LTD  
CAPITAL COST ALLOWANCE  
PROJECTED FOR YEAR ENDING 31 JULY 2013**

CLASS NO.	RATE %	UCC 1 AUG 2012	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2013
1	4%	266,172		0	0	10,647	255,525
2	6%	399,737	1,086	0	0	24,017	376,806
6	10%	40,186		0	0	4,019	36,167
8	20%	45,919	9,722	0	0	10,156	45,485
9	25%	1		0	0	0	1
10	30%	101,920	73,818	0	0	41,649	134,088
10.1	30%	17		0	0	5	12
38	30%	1,854		0	0	556	1,298
50	50%	1,773					1,773
		<b>857,579</b>	<b>84,626</b>	<b>0</b>	<b>0</b>	<b>91,049</b>	<b>851,155</b>

**STITCO UTILITIES MAN LTD  
CAPITAL COST ALLOWANCE  
PROJECTED FOR YEAR ENDING 31 JULY 2014**

CLASS NO.	RATE %	UCC 1 AUG 2013	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2014
1	4%	255,525		0	0	10,221	245,304
2	6%	376,806	5,000	0	0	22,758	359,048
6	10%	36,167		0	0	3,617	32,551
8	20%	45,485	7,500	0	0	9,847	43,138
9	25%	1		0	0	0	1
10	30%	134,088	37,000	0	0	45,776	125,311
10.1	30%	12		0	0	4	8
38	30%	1,298		0	0	389	908
50	50%	1,773					1,773
		<b>851,155</b>	<b>49,500</b>	<b>0</b>	<b>0</b>	<b>92,613</b>	<b>808,042</b>

**TAB NO. 6**

**RATE BASE**

Tab #6

**STITTCO UTILITIES MAN LTD  
RATE BASE  
PROJECTED FOR YEARS ENDING  
JULY 31, 2013/2014**

	<b>PUB ORDER NO. 142/12</b>	<b>2013 PROJECTED</b>	<b>2014 PROJECTED</b>
<b>PLANT IN SERVICE</b>			
Beginning Year Balance	4,851,749	4,815,371	4,899,997
Additions, Net	80,000	84,625	49,500
End Of Year Balance	4,931,749	4,899,997	4,949,497
Average, Mid-year	<u>4,891,749</u>	<u>4,857,684</u>	<u>4,924,747</u>
<b>ACCUMULATED DEPRECIATION</b>			
Beginning Year Balance	3,793,192	3,760,196	3,885,626
Additions, Net	125,165	125,430	115,185
End Of Year Balance	3,918,357	3,885,626	4,000,811
Average, Mid-year	<u>3,855,775</u>	<u>3,822,911</u>	<u>3,943,219</u>
<b>AVERAGE MID-YEAR NET PLANT IN SERVICE</b>	1,035,975	1,034,773	981,528
<b>WORKING CAPITAL</b>	744,721	663,061	727,423
<b>MID-YEAR RATE BASE</b>	<u>1,780,696</u>	<u>1,697,834</u>	<u>1,708,951</u>



**TAB NO. 7**

**WORKING CAPITAL**

Tab #7

**STITTCO UTILITIES MAN LTD  
WORKING CAPITAL  
PROJECTED FOR YEARS ENDING  
JULY 31 ,2013/2014**

	<b>PUB ORDER NO. 142/12</b>	<b>2013 PROJECTED</b>	<b>2014 PROJECTED</b>
PRODUCT INVENTORY	193,797	157,784	200,151
MATERIAL INVENTORY			
Average Monthly Balance	115,000	118,177	118,177
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	240,750	220,846	220,846
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-90,583	-107,550	-107,550
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	0	0	0
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-40,000	-39,000	-39,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	185,848	179,741	190,673
(b) 25/365 of Product Purchases	134,095	125,332	138,880
INCOME TAX			
1/12 of Income Tax	5,814	7,732	5,246
<b>TOTAL</b>	<b>744,721</b>	<b>663,061</b>	<b>727,423</b>

**TAB NO. 8**

**FIXED ASSET SCHEDULES**

Tab #8

**STITTCO UTILITIES MAN LTD  
FIXED ASSET SCHEDULE  
PROJECTED FOR THE YEAR ENDING 31 JULY 2014**

<b>DESCRIPTION</b>	<b>BALANCE</b>			<b>BALANCE</b>
	<b>1 AUG13</b>	<b>ADDITIONS</b>	<b>DISPOSALS</b>	<b>31 JUL 2014</b>
Asset Retirement	222,530			222,530
LAND	145,729			145,729
BUILDINGS	435,472			435,472
STORAGE & PLANT	1,090,343			1,090,343
PLANT SITE IMPROVEMENTS	83,168			83,168
SPUR TRACK	10,795			10,795
MAINS	1,160,362			1,160,362
SERVICES	959,490	5,000		964,490
METERS	293,238	2,500		295,738
OFFICE EQUIP	63,625	0		63,625
COMPUTER EQUIPMENT	32,650	2,000		34,650
TRANS EQUIP	221,775	35,000		256,775
HEAVY WORK EQUIPMENT	57,570			57,570
TOOLS & EQUIP	111,254	5,000		116,254
COMMUNICATIONS	11,996			11,996
<b>TOTAL PLANT IN SERVICE</b>	<b>4,899,997</b>	<b>49,500</b>	<b>0</b>	<b>4,949,497</b>

Tab #8

**STITTCO UTILITIES MAN LTD  
FIXED ASSET SCHEDULE  
PROJECTED FOR THE YEAR ENDING 31 JULY 2013**

<b>DESCRIPTION</b>	<b>BALANCE</b>			<b>BALANCE</b>
	<b>1 AUG12</b>	<b>ADDITIONS</b>	<b>DISPOSALS</b>	<b>31 JUL 2013</b>
Asset Retirement	222,530			222,530
LAND	145,729			145,729
BUILDINGS	435,472			435,472
STORAGE & PLANT	1,090,343	0		1,090,343
PLANT SITE IMPROVEMENTS	83,168			83,168
SPUR TRACK	10,795			10,795
MAINS	1,160,362			1,160,362
SERVICES	958,404	1,086		959,490
METERS	293,238	0		293,238
OFFICE EQUIP	61,076	2,549		63,625
COMPUTER EQUIPMENT	32,650	0		32,650
TRANS EQUIP	147,958	73,817		221,775
HEAVY WORK EQUIPMENT	57,570			57,570
TOOLS & EQUIP	104,081	7,173		111,254
COMMUNICATIONS	11,996			11,996
<b>TOTAL PLANT IN SERVICE</b>	<b>4,815,371</b>	<b>84,625</b>	<b>0</b>	<b>4,899,997</b>

**TAB NO. 9**

**DEPRECIATION SCHEDULES**

Tab #9

**STITTCO UTILITIES MAN LTD  
DEPRECIATION SCHEDULE  
PROJECTED FOR THE YEAR ENDING 31 JULY 2014**

<b>DESCRIPTION</b>	<b>BALANCE 1 AUG 2013</b>	<b>ADJUST- MENTS</b>	<b>DEPR RATE</b>	<b>2014 DEPR</b>	<b>BALANCE 31 JUL 2014</b>
ASSET RETIREMENT	222,530				222,530
LAND			0.00%	0	0
BUILDINGS	314,963		2.80%	12,193	327,157
STORAGE & PLANT	705,537		2.80%	30,530	736,066
PLANT SITE IMPROVE	59,631		2.80%	2,329	61,960
SPUR TRACK	9,448		2.80%	302	9,750
MAINS	1,113,470		2.80%	3,413	1,116,883
SERVICES	957,782		2.80%	1,708	959,490
METERS	145,371		2.80%	8,211	153,581
OFFICE EQUIPMENT	48,476		10.00%	3,408	51,883
COMPUTER EQUIPMENT	31,332		20.00%	1,318	32,650
TRANS EQUIP	103,440		24.00%	44,601	148,042
HEAVY WORK EQUIPMENT	57,570		20.00%	0	57,570
TOOLS & EQUIP	104,081		20.00%	7,173	111,254
COMMUNICATIONS	11,996		10.00%	0	11,996
<b>TOTAL</b>	<b>3,885,626</b>	<b>0</b>		<b>115,185</b>	<b>4,000,811</b>

Tab #9

**STITTCO UTILITIES MAN LTD  
DEPRECIATION SCHEDULE  
PROJECTED FOR THE YEAR ENDING 31 JULY 2013**

<b>DESCRIPTION</b>	<b>BALANCE 1 AUG 2012</b>	<b>ADJUST- MENTS</b>	<b>DEPR RATE</b>	<b>2013 DEPR</b>	<b>BALANCE 31 JUL 2013</b>
ASSET RETIREMENT	222,530				222,530
LAND	0		0.00%		
BUILDINGS	302,770		2.80%	12,193	314,963
STORAGE & PLANT	675,007		2.80%	30,530	705,537
PLANT SITE IMPROVE	57,302		2.80%	2,329	59,631
SPUR TRACK	9,146		2.80%	302	9,448
MAINS	1,110,057		2.80%	3,413	1,113,470
SERVICES	939,266		2.80%	18,516	957,782
METERS	137,160		2.80%	8,211	145,371
OFFICE EQUIPMENT	45,323		10.00%	3,153	48,476
COMPUTER EQUIPMENT	27,772		20.00%	3,560	31,332
TRANS EQUIP	64,514		24.00%	38,926	103,440
HEAVY WORK EQUIPMENT	57,570		20.00%	0	57,570
TOOLS & EQUIP	99,783		20.00%	4,298	104,081
COMMUNICATIONS	11,996		10.00%	0	11,996
<b>TOTAL</b>	<b>3,760,196</b>	<b>0</b>		<b>125,430</b>	<b>3,885,626</b>



**TAB NO. 10**

**OPERATING EXPENSES**

Tab #10

**STITTCO UTILITIES MAN LTD  
SUMMARY OF OPERATING EXPENSES  
PROJECTED FOR YEARS ENDING  
JULY 31, 2013/2014**

	<b>PUB</b>	<b>2013</b>	<b>2014</b>
	<b>ORDER NO.</b>	<b>8 MONTHS ACTUAL</b>	<b>2014</b>
	<b>142/12</b>	<b>4 MONTHS BUDGET</b>	<b>PROJECTED</b>
WAGES & BENEFITS	657960	656743	666760
MATERIALS & SUPPLIES	42460	37476	47600
CONTRACT SERVICES	95000	101403	101600
OTHER OPERATING COSTS	93000	95161	103500
AUTOMOTIVE	50800	49657	44750
INSURANCE	60000	70723	75000
PROPERTY TAXES	120000	103686	118000
ADMINISTRATIVE & GENERAL	208268	169016	204740
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>1327488</b>	<b>1283865</b>	<b>1361950</b>
ADMINISTRATION FEE	159299	154064	163434
<b>TOTAL OPERATING EXPENSES</b>	<b>1486787</b>	<b>1437928</b>	<b>1525384</b>

**STITTCO UTILITIES MAN LTD  
DETAILED OPERATING EXPENSES  
PROJECTED FOR YEARS ENDING  
JULY 31, 2013/2014**

	PUB ORDER NO. 142/12	2013 8 MONTHS ACTUAL 4 MONTHS BUDGET PROJECTED	2014 4 MONTHS BUDGET PROJECTED
<b>WAGES</b>			
	Regular	557300	547,782
	Casual	4000	12,000
		<u>561300</u>	<u>569300</u>
<b>EMPLOYEE BENEFITS</b>			
	Canada Pension	14400	13,674
	Employment Insurance	7800	7,800
	Workers' Compensation	3000	3,000
	Life Insur, Medical & Dental	23460	22,260
	Other Employee Benefits	48000	50,000
		<u>96660</u>	<u>97460</u>
	<b>Total Employee Benefits</b>	<b>96660</b>	<b>97460</b>
	<b>TOTAL WAGES AND BENEFITS</b>	<b>657960</b>	<b>666760</b>
<b>MATERIALS &amp; SUPPLIES</b>			
	Employee Material	6000	6,000
	Tools & Equipment	4000	6,000
	Office Supplies	12000	14,400
	Plant Materials	19200	19,200
	Main & Service Line Materials	700	1,440
	Meters and Regs	560	560
	Other Distribution	0	0
		<u>42460</u>	<u>47600</u>
	<b>TOTAL MATERIAL &amp; SUPPLIES</b>	<b>42460</b>	<b>47600</b>
<b>CONTRACT SERVICES</b>			
	Office	15000	15,900
	Plant	17000	19,200
	Pipelines	7000	9,500
	Meters & Regulators	10000	10,800
	Stittco Contract Services	46000	46,200
		<u>95000</u>	<u>101600</u>
	<b>TOTAL CONTRACT SERVICES</b>	<b>95000</b>	<b>101600</b>
<b>OTHER OPERATING COSTS</b>			
	Leak Surveys	43000	47,000
	Rentals	12000	10,900
	Vaporizer Consumption	37000	44,600
	Obsolete Material Write Off	1000	1,000
	Switch & Detention	0	0
		<u>93000</u>	<u>103500</u>
	<b>TOTAL OTHER COSTS</b>	<b>93000</b>	<b>103500</b>

**STITCO UTILITIES MAN LTD  
DETAILED OPERATING EXPENSES  
PROJECTED FOR YEARS ENDING  
JULY 31, 2013/2014**

	PUB ORDER NO. 142/12	2013 8 MONTHS ACTUAL 4 MONTHS BUDGET	2014 PROJECTED
<b>AUTOMOTIVE</b>			
Maintenance	12600	11,867	11,400
Fuel	21200	22,194	18,350
Licenses & Insurance	17000	15,596	15000
<b>TOTAL AUTOMOTIVE</b>	<b>50800</b>	<b>49657</b>	<b>44750</b>
<b>INSURANCE</b>	<b>60000</b>	<b>70,723</b>	<b>75,000</b>
<b>PROPERTY TAXES</b>	<b>120000</b>	<b>103,686</b>	<b>118,000</b>
<b>ADMINISTRATIVE &amp; GENERAL</b>			
Bank Charges	23500	17,771	23,500
Safety & Branch Mtgs	1200	2,224	1,200
Freight & Express	7200	4,166	7,200
Memberships, Sub, Permits Etc	1500	1,406	2,500
Postage	14000	15,043	14,000
Consulting Fees	16000	9,500	12,000
Public Utility Board Costs	3900	5,440	6,000
Sales Promotion	4800	4,827	4,800
Advertising	5000	2,815	5,500
Telephone	16000	16,793	16,800
Training	1500	500	1,500
Travel & Entertainment	7400	3,597	8,400
Bad Debt Allowance	40000	30,000	36,000
Utilities	25000	23,096	25,000
Manitoba Capital Tax	0	0	0
Manitoba Payroll Tax	12068	12,195	12,240
Legal Fees	12200	2,893	11,100
Audit Fees	17000	16,750	17000
<b>TOTAL ADMIN</b>	<b>208268</b>	<b>169016</b>	<b>204740</b>
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>1327488</b>	<b>1283865</b>	<b>1361950</b>
<b>ADMINISTRATION FEE</b>	<b>159299</b>	<b>154064</b>	<b>163434</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>1486787</b>	<b>1437928</b>	<b>1525384</b>