

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 2015

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, 2015, 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, 2015.

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. In 2014, Gibson Energy Inc. (Gibson) acquired all of the issued and outstanding shares of Stittco Energy Limited, the parent company of Stittco. While Board approval of the sale of shares was not required under the Act, Stittco informed the Board of the transaction by a letter dated April 14, 2014 which also provided information about the new owner. The letter stated:

“Publicly listed on the Toronto Stock Exchange, Gibson is a large, independent midstream energy company in Canada and an integrated service provider to the oil and gas industry in the United States. Gibson's Canwest Propane-branded operation has established itself as the second largest retail propane supplier in Western Canada, distributing in excess of 600 million litres of propane annually to oil and gas, industrial and residential customers. Canwest Propane also provides a variety of equipment rentals that are complementary to sales of propane. In addition to being known as a company who supports the communities in which it operates, Canwest Propane has a long established reputation as a dependable, customer service-oriented propane supplier, consistently honouring its service and supply commitments to its customers and maintaining industry-leading health, safety and environment standards. Gibson also has a presence in the North American wholesale propane distribution market and currently owns

five propane storage facilities located in Ontario, British Columbia, Washington and Montana with combined storage capacity of over 3.5 million litres. Further information respecting Gibson and Gibson's propane business can be found online at <http://www.gibsons.com/About-Gibsons.aspx>.”¹

5. 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 August 1 of each year.²
6. 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. 11/09.³
7. The most recent Board Order relating to non-commodity costs was Board Order 119/14 dated October 29, 2014 which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective November 1, 2014, and approved the rate base for Stittco as of July 31, 2014.
8. By Order No 42/15 (dated April 23, 2015, effective May 1, 2015), Order No. 9/15 (dated January 26, 2015, effective February 1, 2015), and Order No. 118/14 (dated October 29, 2014, effective November 1, 2014) the Board set interim ex parte propane commodity rates.
9. As required by Board Order No. 45/09⁴, on July 15, 2015, Stittco filed the information required for the quarterly commodity cost price adjustment, to be reflected in rates effective August 1, 2015 when the adjusted non-commodity rates go into effect.

¹ Stittco letter to the Board, April 14, 2014, pages 1-2.

² Board Order No. 141/08, Page 13 of 14, section 6.0, paragraph 3.

³ Board Order 11/09, dated February 11, 2009, Page 3 of 8.

⁴ Board Order No. 45/09, Pages 7 through 12, section 4.1 and 5.0.

PROPOSED NON-COMMODITY RATES

10. Stittco proposes continuation of the rate methodology established in Board Order No. 141/08 and implemented in subsequent orders. Stittco 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 ³	1.42030
NEXT 400 m ³	1.26673
NEXT 1000 m ³	1.19863
NEXT 2500 m ³	0.97106
OVER 4000 m ³	0.74496

11. 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 requirement⁵ includes operating expenses⁶, income taxes⁷, depreciation⁸, and the allowed rate of return on rate base of 10%.⁹
12. Stittco seeks approval of a 5.5% overall increase in non-commodity costs. The Company makes every effort to control operating costs in order to minimize rate increases for customers. Since the share transaction, such efforts have involved the integration of Stittco into the Gibson network, creating management synergies, economies of scale, and more efficient business systems without which the operating and administration expenses increase could not have been limited to 5.5%. Examples, as detailed later in this Application, include lower insurance costs

⁵ See Tab No. 2. Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2016.

⁶ See Tab No. 10. Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2015/2016.

⁷ See Tab No. 4. Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2015/2016.

⁸ See Tab No. 9. Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2015/2016.

⁹ See Tab No. 3. Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2015/2016.

⁹ See Tab No. 8. Fixed Asset Schedule, Projected for the Year Ending 31 July 2015.

¹⁰ See Tab No. 6. Rate Base, Projected for Years Ending July 31, 2015/2016.

and the savings achieved from fleet vehicle leasing rather than vehicle purchases. Stittco will continue these efforts in future to maximize efficiency of operation and minimize impacts on customers.

13. One of the operating expenses is liability insurance, currently projected to be \$60,000. Stittco is in the process of analyzing whether a higher liability limit would be appropriate in current circumstances, with consequent impact on premiums and operating costs. The present expectation is that the analysis should be complete such that the Company could amend its Application, if necessary, by the end of August.
14. The Stittco projected mid-year rate base for 2015 per Board Order 119/14 was \$1,828,831, while the projected rate base for 2015 in the current Application is \$1,792,693. The rate base for 2015 is lower than initially projected due to a management hold on capital spending throughout the year while conducting a thorough assessment of maintenance programs and the need for replacement of infrastructure to meet operational and safety requirements. In that regard, in June of 2015, Stittco initiated an intensive project to inspect the main storage vessels for the Thompson utility grid system in accordance with CSA code B51. The cost to complete these inspections is \$120,000, which is reflected in the 2015 rate base, somewhat offsetting the capital expenditures that had been planned but are not being made in 2015.⁹
15. The projected mid-year rate base for 2016 is \$1,974,043.¹⁰ There are several reasons for this increase in rate base:
 - a. Upgrades to the rail propane unloading system to meet occupational health and safety requirements. The unloading towers have been in place for over 50 years and their condition represents a significant risk to operational safety. They were expected to be replaced in 2015, however, further inspection and study were required to understand the magnitude of replacement. Replacement of the four towers is now on-going and expected to be completed in fall of 2015.⁷
 - b. Additional infrastructure maintenance and repair which is integral for the safe and reliable operation of the grid system, includes the following equipment:

- i. Vaporizers
- ii. Pumps
- c. Computer hardware and network upgrades for data transfer, data security and customer reporting are required to facilitate proper management of grid system.⁷
- d. Change in approach to acquiring service vehicles which will now be leased and expensed rather than purchased and depreciated.⁷ Stittco will be part of the Gibson service truck lease program and will be eligible for preferred fleet rates.
- e. The increase in rate base is partially offset by a reduction in expected working capital requirements driven by the continued forecast for reduced propane prices in 2016.⁹
- f. Summary of Capital Expense:

Rail Unloading Towers	\$500,000
Vaporizers and Pumps	\$50,000
Computer Hardware & Network	\$25,400
Work Equipment & Tools	\$10,000
TOTAL	\$585,400

16. As stated in the April 14, 2014 letter to the Board, Gibson's Canwest Propane operation has a long-established reputation as a dependable, customer service-oriented propane supplier, consistently honouring its service and supply commitments to its customers and maintaining industry-leading health, safety and environment standards. The Canwest, and Stittco focus on safety is the driver behind the major capital investments that are being made in 2015 and 2016.
17. The actual return earned by Stittco for fiscal 2014 (year ending July 31, 2014) was 13.80%. Normalized (that is, adjusted to reflect normal weather), the return would have been 7.07%.¹⁰ The projected actual return on rate base for fiscal 2015 (derived from 10 months of actual numbers and 2 months of projections) is 12.50%.¹¹ The reason for the higher than expected projected return is based on a management

¹⁰ See Tab No. 1. Historical Earnings, Schedule, Historical Earnings Ending July 31, 2015/2016.

¹¹ See Tab No. 3. Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2015/2016.

decision to hold capital spending which had the effect of a lower rate base causing a higher rate of return. Stittco expects the normalized 2015 projected rate base to be in the 10% - 12% range when adjusted for seasonal effects.

18. In Order 119/14, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.¹²
19. Stittco does not seek an increase in its allowed rate of return of 10%. By law,¹³ and the stand alone principle, the equity investors in Stittco are entitled to a return that is equivalent to the returns available from investing in enterprises of similar risk. The range of rates of return awarded to utilities much larger and significantly less risky than Stittco is from 8.3% for the Alberta utilities¹⁴ to 11.5% for the TransCanada PipeLines Limited Mainline.¹⁵ Stittco continues to hold the view that its investment risk justifies a rate of return on rate base/equity that is significantly higher than the approved 10%. However, the Company is rate constrained because it operates in a very competitive market in a small service area where it faces primary competition from electricity. At current rates, electricity is a much more cost effective option for space heating than propane. A higher rate of return would increase the non-competitiveness of Stittco's rates.
20. Stittco requests that this Application be handled in writing with email correspondence as per contact information below.
21. Attached is a proposed notice to customers for review and consideration by the Board prior to it being sent to Stittco customers.

¹² Order No. 119/14, Section 3.0, Pages 10 and 11 of 17.

¹³ See, e.g. *Northwestern Utilities Limited v. City of Edmonton*, [1929] S.C.R. 186; *TransCanada PipeLines Limited v. National Energy Board et al.*, [2004] F.C.A. 149.

¹⁴ Alberta Utilities Commission Decision 2191-D91-2015 2013 Generic Cost of Capital, March 23, 2015, Chapter 5, pages 10-57.

¹⁵ National Energy Board Reasons for Decision, TransCanada PipeLines Limited, NOVA Gas Transmission Ltd. and Foothills Pipelines Ltd., RH-003-2011, Tolls and Tariff, March 2013, Chapter 9: Mainline Fair Return and Business Risk, ages 147ff.

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, 2015, 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, 2015; and
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.

All of which is respectfully submitted this 20th day of July, 2015.

Stittco Utilities Man Ltd.

Per: _____

Jeff Lafond

Communications relating to this Application should be directed to:

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and to

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Fax: (403) 663-2297
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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 119/14. The overall requested increase in non-commodity costs is 5.5%. 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 0C4

Telephone: (204) 945-2638

Facsimile: (204) 945-2643

Toll Free: 1-866-854-3698

Email: publicutilities@gov.mb.ca

**STITTCO UTILITIES MAN LTD.
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APPLICATION**

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TAB NO. 1

HISTORICAL EARNINGS

**HISTORICAL EARNINGS
YEARS ENDING 31 JULY**

YEAR	MID-YEAR RATE BASE	ACTUAL RETURN \$	ACTUAL RETURN %	NORMALIZED RETURN %	ALLOWED RETURN %
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%
2013	1,733,284	258,248	14.90%	13.78%	10.00%
2014	1,708,951	235,826	13.80%	7.07%	10.00%

TAB NO. 2

REVENUE REQUIREMENT

**STITTCO UTILITIES MAN LTD
REVENUE REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31,2016**

	PUB ORDER NO. 119/14	2016 PROJECTED
TOTAL PROJECTED VOLUMES, LITRES		
Sales	6,625,000	6,723,000
Purchases	6,791,000	6,891,000
Cost, \$/M3	\$400.00	\$225.00
PROPANE REVENUE REQUIREMENT		
Balance PPVA		
Cost Of Product	\$2,716,250	\$1,550,551
TOTAL C3 REV REQ'D	\$2,716,250	\$1,550,551
RATE BASE		
Mid-Year Rate Base	\$1,828,831	\$1,974,043
DISTRIBUTION REVENUE REQUIREMENT		
Other Cost Of Sales	\$120,000	\$120,000
Operating Expenses	1,683,331	1,769,426
Depreciation	97,177	103,364
Accretion	27,560	27,560
Return On Rate Base @ 10.00%	182,883	197,404
Income Tax Requirement	61,070	89,023
Other Income	-274,600	-274,600
	\$1,897,421	\$2,032,178
REVENUE REQUIRED FROM COMMODITY		\$1,550,551
REVENUE REQUIRED FROM YEARLY BILLS		10,201
REVENUE REQUIRED FROM NON-COMMODITY		2,021,977
REVENUE FROM REQUESTED GAS RATES		\$2,021,977
REVENUE FROM GAS RATES		\$2,021,977

TAB NO. 3

INCOME STATEMENT

Tab #3

**STITTCO UTILITIES MAN LTD
INCOME STATEMENTS
PROJECTED FOR YEARS ENDING
JULY 31, 2015-2016**

	PUB ORDER NO. 119/14	2015 10 MONTHS ACTUAL 2 MONTHS BUDGET	2016 PROJECTED
PROPANE SALES VOL, LITRES			
Residential	1,740,000	1,589,000	1,707,000
Commercial	4,885,000	4,943,000	5,016,000
TOTAL SALES VOLUME	6,625,000	6,532,000	6,723,000
TOTAL PROPANE PURCHASED	6,791,000	6,696,000	6,891,000
UNIT PROPANE COST \$/LITRE	\$0.40	\$0.29	\$0.23
REVENUE			
Gas Sales Non Commodity	\$1,897,421	\$1,956,585	\$2,032,178
Gas Sales	2,716,250	1,914,177	1,550,551
Appl & Mat'l Sales	155,000	111,357	155,000
Service Revenue	48,000	47,825	48,000
Stittco Energy Rev	51,600	43,400	51,600
Other Revenue	20,000	30,507	20,000
TOTAL REVENUE	\$4,888,271	\$4,103,852	\$3,857,329
EXPENSES			
Actual Cost Of Propane	\$2,716,250	\$1,914,177	\$1,550,551
Other Cost Of Sales	120,000	88,366	120,000
Operating Expenses	1,683,331	1,656,021	1,769,426
Depreciation	97,177	96,301	103,364
Accretion	27,560	27,560	27,560
TOTAL EXPENSES	\$4,644,318	\$3,782,424	\$3,570,901
OPER INCOME B/TAX	\$243,953	\$321,428	\$286,427
Income Tax Payable	61,070	97,421	89,023
NET INCOME (RETURN)	\$182,883	\$224,007	\$197,405
MID YEAR RATE BASE	\$1,828,831	\$1,792,673	\$1,974,043
RETURN ON RATE BASE	10.00%	12.50%	10.00%

TAB NO. 4

INCOME TAX REQUIREMENT

Tab #4

**STITTCO UTILITIES MAN LTD.
INCOME TAX REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31,2015/2016**

	2015	2016
	PROJECTED	PROJECTED
OPERATING INCOME	\$321,428	\$286,427
ADD DEPRECIATION	96,301	103,364
ADD ACCRETION	27,560	27,560
LESS CCA	84,470	87,638
TAXABLE INCOME	<u>\$360,818</u>	<u>\$329,713</u>
TAX @ 27.00%	<u>\$97,421</u>	<u>\$89,023</u>
CALCULATED INCOME TAX	<u>\$97,421</u>	<u>\$89,023</u>

TAB NO. 5

CAPITAL COST ALLOWANCES

Tab #5

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2015**

CLASS NO.	RATE %	UCC 1 AUG 2014	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2015
1	4%	\$256,046	\$120,000	-	-	\$12,642	\$363,405
2	6%	377,443		-	-	22,647	354,797
6	10%	36,167		-	-	3,617	32,551
8	20%	39,084		-	-	7,817	31,267
9	25%	-		-	-	-	-
10	30%	121,561		-	-	36,468	85,092
10.1	30%	12		-	-	4	8
38	30%	1,298		-	-	389	908
50	50%	1,773		-	-	887	887
		\$833,385	\$120,000	-	-	\$84,470	\$868,914

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2016**

CLASS NO.	RATE %	UCC 1 AUG 2015	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2016
1	4%	\$363,405	\$550,000	-	-	\$25,536	\$887,868
2	6%	354,797		-	-	21,288	333,509
6	10%	32,551		-	-	3,255	29,296
8	20%	31,267	5,000	-	-	6,753	29,514
9	25%	-		-	-	-	-
10	30%	85,092	25,400	-	-	29,338	81,153
10.1	30%	8		-	-	2	6
38	30%	908	5,000	-	-	1,023	4,886
50	50%	887		-	-	443	443
		\$868,914	\$585,400	-	-	\$87,638	\$1,366,675

TAB NO. 6

RATE BASE

Tab #6

**STITTCO UTILITIES MAN LTD
RATE BASE
PROJECTED FOR YEARS ENDING
JULY 31, 2015/2016**

	PUB ORDER NO. 119/14	2015 PROJECTED	2016 PROJECTED
PLANT IN SERVICE			
Beginning Year Balance	\$4,871,963	\$4,871,963	\$4,991,963
Additions, Net	155,000	120,000	580,400
End Of Year Balance	5,026,963	4,991,963	5,572,363
Average, Mid-year	\$4,949,463	\$4,931,963	\$5,282,163
ACCUMULATED DEPRECIATION			
Beginning Year Balance	\$3,942,620	\$3,900,306	\$3,996,607
Additions, Net	97,177	96,301	103,364
End Of Year Balance	4,039,797	3,996,607	4,099,971
Average, Mid-year	\$3,991,209	\$3,948,456	\$4,048,289
AVERAGE MID-YEAR NET PLANT IN SERVICE	\$958,254	\$983,507	\$1,233,874
WORKING CAPITAL	870,577	809,166	740,169
MID-YEAR RATE BASE	\$1,828,831	\$1,792,673	\$1,974,043

TAB NO. 7

WORKING CAPITAL

Tab #7

**STITTCO UTILITIES MAN LTD
WORKING CAPITAL
PROJECTED FOR YEARS ENDING
JULY 31 ,2015/2016**

	PUB ORDER NO. 119/14	2015 PROJECTED	2016 PROJECTED
PRODUCT INVENTORY	\$254,160	\$242,199	\$190,620
MATERIAL INVENTORY			
Average Monthly Balance	120,000	116,648	120,000
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	215,000	199,353	194,167
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-72,333	-55,264	-54,417
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	0	0	0
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-47,800	-40,000	-45,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	210,416	207,003	221,178
(b) 25/365 of Product Purchases	186,045	131,108	106,202
INCOME TAX			
1/12 of Income Tax	5,089	8,118	7,419
TOTAL	\$870,577	\$809,166	\$740,169

TAB NO. 8

FIXED ASSET SCHEDULES

Tab #8

**STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2015**

DESCRIPTION	BALANCE		DISPOSALS	BALANCE
	1 AUG14	ADDITIONS		31 JUL 2015
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	120,000		203,168
SPUR TRACK	10,795			10,795
MAINS	1,160,362			1,160,362
SERVICES	960,140			960,140
METERS	295,494			295,494
OFFICE EQUIP	65,103			65,103
COMPUTER EQUIPMENT	32,650			32,650
TRANS EQUIP	189,358			189,358
HEAVY WORK EQUIPMENT	64,743			64,743
TOOLS & EQUIP	104,081			104,081
COMMUNICATIONS	11,996			11,996
TOTAL PLANT IN SERVICE	\$4,871,963	\$120,000		\$4,991,963

Tab #8

**STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2016**

DESCRIPTION	BALANCE			BALANCE
	1 AUG15	ADDITIONS	DISPOSALS	31 JUL 2016
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	203,168	550,000		753,168
SPUR TRACK	10,795			10,795
MAINS	1,160,362			1,160,362
SERVICES	960,140			960,140
METERS	295,494			295,494
OFFICE EQUIP	65,103			65,103
COMPUTER EQUIPMENT	32,650	25,400		58,050
TRANS EQUIP	189,358		5,000	184,358
HEAVY WORK EQUIPMENT	64,743	5,000		69,743
TOOLS & EQUIP	104,081	5,000		109,081
COMMUNICATIONS	11,996			11,996
TOTAL PLANT IN SERVICE	\$4,991,963	\$585,400	\$5,000	\$5,572,363

TAB NO. 9

DEPRECIATION SCHEDULES

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2015**

DESCRIPTION	BALANCE 1 AUG 2014	ADJUST- MENTS	DEPR RATE	2015 DEPR	BALANCE 31 JUL 2015
ASSET RETIREMENT	\$222,530				\$222,530
LAND	-		0.00%	-	-
BUILDINGS	327,157		2.80%	13,209	340,366
STORAGE & PLANT	736,066		2.80%	33,074	769,140
PLANT SITE IMPROVE	61,960	140	2.80%	2,663	64,622
SPUR TRACK	9,750		2.80%	327	10,078
MAINS	1,116,883		2.80%	3,697	1,120,581
SERVICES	959,490		2.80%	704	960,194
METERS	153,644		2.80%	8,963	162,608
OFFICE EQUIPMENT	50,883		10.00%	3,838	54,721
COMPUTER EQUIPMENT	32,650		20.00%	0	32,650
TRANS EQUIP	53,374		24.00%	28,271	81,645
HEAVY WORK EQUIPMENT	59,842		20.00%	1,554	61,396
TOOLS & EQUIP	104,081		20.00%	0	104,081
COMMUNICATIONS	11,996		10.00%	0	11,996
TOTAL	<u>\$3,900,306</u>	<u>\$140</u>		<u>\$96,301</u>	<u>\$3,996,607</u>

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2016**

DESCRIPTION	BALANCE 1 AUG 2015	ADJUST- MENTS	DEPR RATE	2016 DEPR	BALANCE 31 JUL 2016
ASSET RETIREMENT	\$222,530				\$222,530
LAND			0.00%		
BUILDINGS	340,366		2.80%	12,193	352,559
STORAGE & PLANT	769,140		2.80%	30,530	799,670
PLANT SITE IMPROVE	64,622	7,700	2.80%	13,389	78,011
SPUR TRACK	10,078		2.80%	302	10,380
MAINS	1,120,581		2.80%	3,413	1,123,994
SERVICES	960,194		2.80%	650	960,844
METERS	162,608		2.80%	8,274	170,882
OFFICE EQUIPMENT	54,721		10.00%	3,543	58,263
COMPUTER EQUIPMENT	32,650	2,540	20.00%	2,540	35,190
TRANS EQUIP	81,645		24.00%	26,096	107,741
HEAVY WORK EQUIPMENT	61,396	500	20.00%	1,935	63,331
TOOLS & EQUIP	104,081	500	20.00%	500	104,581
COMMUNICATIONS	11,996		10.00%	-	11,996
TOTAL	\$3,996,607	\$11,240		\$103,364	\$4,099,971

TAB NO. 10

OPERATING EXPENSES

STITTCO UTILITIES MAN LTD
SUMMARY OF OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2015/2016

	PUB ORDER NO. 119/14	2015 10 MONTHS ACTUAL 2 MONTHS BUDGET	2016 PROJECTED
WAGES & BENEFITS	\$764,220	\$774,209	\$800,067
MATERIALS & SUPPLIES	49,500	44,627	57,800
CONTRACT SERVICES	100,950	114,432	107,600
OTHER OPERATING COSTS	131,500	111,392	113,818
AUTOMOTIVE	53,160	48,433	69,960
INSURANCE	60,000	41,568	60,000
PROPERTY TAXES	118,000	120,613	120,000
ADMINISTRATIVE & GENERAL	232,876	223,316	250,600
TOTAL DIRECT OPERATING EXPENSES	<u>\$1,510,206</u>	<u>\$1,478,590</u>	<u>\$1,579,845</u>
ADMINISTRATION FEE	<u>173,125</u>	<u>177,431</u>	<u>189,581</u>
TOTAL OPERATING EXPENSES	<u><u>\$1,683,331</u></u>	<u><u>\$1,656,021</u></u>	<u><u>\$1,769,426</u></u>

KEY ASSUMPTIONS FOR 2016 PROJECTED

1. Increase in Wages & Benefits: Salary increase of 2% and Benefit increase of 3%
2. Increase in Materials & Supplies due to additional cost for required maintenance on pumps
3. Other Operating Costs increase due to higher cost of leak inspection surveys
4. Automotive increase based on lease of two new service vehicles rather than purchase
5. Administrative & General due to increases in bad debt expense

STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2015/2016

	PUB ORDER NO. 119/14	2015 10 MONTHS ACTUAL 2 MONTHS BUDGET	2016 PROJECTED
WAGES			
Regular	\$599,500	\$608,005	\$620,165
Casual	18,000	13,000	15,000
	<u>\$617,500</u>	<u>\$621,005</u>	<u>\$635,165</u>
EMPLOYEE BENEFITS			
Canada Pension	\$14,400	\$24,035	\$22,320
Employment Insurance	7,800	13,062	10,251
Workers' Compensation	3,000	4,075	4,000
Life Insur, Medical & Dental	23,520	10,349	24,331
Employee Pension Plan	48,000	50,418	52,000
Other Employee Benefits	50,000	51,265	52,000
Total Employee Benefits	<u>\$146,720</u>	<u>\$153,205</u>	<u>\$164,902</u>
TOTAL WAGES AND BENEFITS	<u>\$764,220</u>	<u>\$774,209</u>	<u>\$800,067</u>
MATERIALS & SUPPLIES			
Employee Material	\$6,000	\$3,786	\$4,000
Tools & Equipment	6,000	4,846	6,000
Office Supplies	14,700	14,762	15,000
Plant Materials	19,200	17,934	29,200
Main & Service Line Materials	2,400	1,947	2,400
Meters and Regs	1,200	1,351	1,200
Other Distribution	-	-	-
TOTAL MATERIAL & SUPPLIES	<u>\$49,500</u>	<u>\$44,627</u>	<u>\$57,800</u>
CONTRACT SERVICES			
Office	\$15,600	\$26,657	\$16,500
Plant	19,200	18,007	19,200
Pipelines	9,500	5,743	9,500
Meters & Regulators	10,800	9,680	10,800
Stittco Contract Services	45,850	54,344	51,600
TOTAL CONTRACT SERVICES	<u>\$100,950</u>	<u>\$114,432</u>	<u>\$107,600</u>
OTHER OPERATING COSTS			
Leak Surveys	\$59,000	\$61,116	\$63,000
Rentals	10,900	11,885	12,000
Vaporizer Consumption	60,600	37,391	37,818
Obsolete Material Write Off	1,000	1,000	1,000
Switch & Detention	-	-	-
TOTAL OTHER COSTS	<u>\$131,500</u>	<u>\$111,392</u>	<u>\$113,818</u>

STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2015/2016

	PUB ORDER NO. 119/14	2015 10 MONTHS ACTUAL 2 MONTHS BUDGET	2016 PROJECTED
AUTOMOTIVE			
Maintenance	\$14,400	\$12,915	\$14,400
Fuel	23,760	20,354	23,760
Auto Lease			16,800
Licenses & Insurance	15,000	15,163	15,000
TOTAL AUTOMOTIVE	<u>\$53,160</u>	<u>\$48,433</u>	<u>\$69,960</u>
INSURANCE	<u>\$60,000</u>	<u>\$41,568</u>	<u>\$60,000</u>
PROPERTY TAXES	<u>\$118,000</u>	<u>\$120,613</u>	<u>\$120,000</u>
ADMINISTRATIVE & GENERAL			
Bank Charges	\$23,500	\$26,481	\$26,000
Safety & Branch Mtgs	1,200	3,694	2,400
Freight & Express	7,200	5,365	6,000
Memberships, Sub, Permits Etc	2,500	1,285	2,500
Postage	14,400	13,745	14,400
Consulting Fees	27,000	26,000	27,000
Public Utility Board Costs	6,000	8,353	8,500
Sales Promotion	4,800	3,292	4,800
Advertising	4,800	2,801	4,800
Telephone	16,800	15,171	16,800
Training	5,000	1,985	5,000
Travel & Entertainment	8,400	5,345	8,400
Bad Debt	36,000	40,748	45,000
Utilities	25,900	20,705	25,900
Manitoba Payroll Tax	13,276	16,651	17,000
Legal Fees	16,100	13,694	16,100
Audit Fees	20,000	18,000	20,000
TOTAL ADMIN	<u>\$232,876</u>	<u>\$223,316</u>	<u>\$250,600</u>
TOTAL DIRECT OPERATING EXPENSES	<u>\$1,510,206</u>	<u>\$1,478,590</u>	<u>\$1,579,845</u>
ADMINISTRATION FEE	<u>\$173,125</u>	<u>\$177,431</u>	<u>\$189,581</u>
TOTAL OPERATING EXPENSES	<u><u>\$1,683,331</u></u>	<u><u>\$1,656,021</u></u>	<u><u>\$1,769,426</u></u>