

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

September 2018

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 November 1, 2018, 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, 2018.
2. In the event that timing does not permit setting of rates prior to November 1, 2018, Stittco requests that the Board establish interim rates on that date to remain effective until the Board makes its decision on this Application.

BACKGROUND

3. 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.
4. The Board has been approving the rates of Stittco and its predecessor company since 1963.
5. In 2014, Gibson Energy Inc. (**Gibson**) acquired all of the issued and outstanding shares of Stittco Energy Limited, the parent company of Stittco. In late 2017, Gibson sold its industrial propane business (being CanWest Propane and Stittco Energy Limited, of which Stittco was then a wholly-owned subsidiary), to Superior Plus LP (**Superior**). Superior is Canada's largest distributor of propane and related products and services. It has many years of operating experience, a large sophisticated network of infrastructure, and the proven technical capability to operate propane distribution services in a proficient and effective manner. Stittco continues to be the owner of the public utility subject to regulation by the Board.

6. 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.
7. 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 (PPVA) that is settled as part of the quarterly rate setting process established in Board Order No. 11/09.¹
8. By Order No 116/17 dated October 26, 2017, the Board finalized the interim ex parte commodity rates established in Orders No. 77/17 (dated July 25, 2017, effective August 1, 2017), 43/17 (dated April 26, 2017, effective May 1, 2017), 8/17 (dated January 25, 2017, effective February 1, 2017) and 135/16 (dated October 27, 2016, effective November 1, 2016).²
9. As required by Order No. 45/09³, Stittco filed the information required for the quarterly commodity cost price adjustment on July 15, 2018, which was reflected in rates effective August 1, 2018.
10. The most recent Board Order relating to non-commodity costs was Order 116/17, which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective November 1, 2017, and approved the rate base for Stittco as of July 31, 2017.
11. In Order 136/16 dated October 27, 2016, the Board approved new non-commodity rates on an interim basis pending the Board's determination of how to deal with customer overpayments (in the amount of \$265,439.48) resulting

¹ Board Order 11/09, dated February 11, 2009, Page 3 of 8.

² Board Order 116/17, p. 18 of 22.

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

from an inadvertent arithmetical error in the calculation of Stittco's rates for 2014, 2015 and 2016.⁴ By Order No. 158/16 dated December 13, 2016, the Board approved the rates in Order 136/16 as final, subject to a rate rider that effected a refund of the overpayment to customers over calendar 2017.⁵ The Board also directed that Stittco file a monthly continuity schedule that provided a status report on customer refund amounts.⁶

12. The actual customer refund was dependent on actual propane sales volumes (traditionally dependent on weather related consumption). As a result of warmer-than-normal weather during the 2017 calendar year, a customer refund balance of \$30,712.82 remained as of December 31, 2017. By Order No. 144/17 dated December 28, 2017, the Board approved the elimination of the Order No. 158/16 distribution rate riders and directed Stittco to include the remaining portion of the customer refund in the PPVA to be refunded through the commodity component of the toll. As a result, the total amount of the overpayment has been refunded to customers.

5-YEAR CAPITAL EXPENSE PLAN REPORT

13. In Order No. 116/17⁷ the Board directed Stittco to file a report regarding Stittco's 5-year capital expense plan that reflects management's current estimates of capital expenditures over the next five years. That plan is attached hereto.

PROPOSED NON-COMMODITY RATES

14. 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:

⁴ Board Order 136/16, section 6.0, page 17 of 19.

⁵ Board Order 158/16, section 6.0, paragraphs 1 and 2, page 11 of 13.

⁶ Board Order 158/16, section 6.0, paragraph 3, page 11 of 13, as amended by Order 116.17, section 6.0, paragraph 5, p. 20 of 22.

⁷ Board Order No. 116/17, p. 3-4.

GENERAL SERVICE RATE STRUCTURE

Basic Monthly Charge	10.00 Per Month
Non-Commodity Costs Recovery	
Delivery Charge	
FIRST 100 m ³	1.4725
NEXT 400 m ³	1.3132
NEXT 1000 m ³	1.2427
NEXT 2500 m ³	1.0067
OVER 4000 m ³	0.7723

15. In the event that the Board is not able to assess the Application and set final rates prior to November 1, 2018, Stittco requests that the Board establish the above rates on an interim basis pending a determination on this Application.
16. 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 requirement⁸ includes operating expenses,⁹ income taxes,¹⁰ depreciation¹¹ and the allowed rate of return on rate base of 10%.¹²
17. Stittco seeks approval of a 5.2% overall increase in non-commodity costs. The amount reflects increases in operating costs, which include:
- (a) wages and benefits which have increased due to inflation and which have been partially offset by the synergies of integration of Stittco into Superior;
 - (b) costs associated with increased inspections mandated by the requirements of CSA Z662 to ensure infrastructure is operating in accordance with safety requirements; and
 - (c) increased property taxes payable.

⁸ See Tab No. 2. Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2019.

⁹ See Tab No. 10. Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2018/2019.

¹⁰ See Tab No. 4. Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2018/2019.

¹¹ See Tab No. 9. Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2018/2019.

¹² See Tab No. 3. Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2018/2019.

19. The increases to operating costs described above and in the attachments are largely outside of Stittco's control and are necessary to ensure the continued safe, efficient and effective delivery of propane service.
20. Moreover, Stittco has maintained its focus on cost control and has taken active steps to reduce operating costs or constrain operating cost increases. For example, operating cost reductions are expected relative to:
 - (a) leak survey costs given the extent of the work performed on the grid system in the previous fiscal year; and
 - (b) automobile leases now being classified as capital leases, decreasing the overall auto lease expenses.
21. The Stittco projected mid-year rate base for 2018 per Board Order 116/17 was \$2,458,771, while the actual and budgeted rate base for 2018 in the current Application is \$2,383,041. The projected mid-year rate base for 2019 is \$2,818,175.¹³ This projected overall increase in rate base in 2019 has a consequent increase in the amount of return, although the rate of return remains unchanged.
22. The increase in mid-year 2019 rate base versus the rate based approved in Order No. 116/17 is largely attributable to the capital additions expected for the 2019 period in the form of continued work on the town meter building, the installation of Vaporizers #1 and #2 and work on the associated housing (related to piping) and the replacement of two vehicles.
23. Stittco submits that the cost increases described in this Application and the attachments, including increased operating costs and capital additions, are prudent, in the public interest and result in rates that are just and reasonable
24. Superior and Stittco have long-established reputations as dependable, customer service-oriented propane suppliers, consistently honouring service and supply commitments to customers and maintaining industry-leading health, safety and

¹³ See Tab No. 3. Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2018-2019.
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environment standards. The Superior and Stittco focus on safety and security is the driver behind the continuing capital investments that are being made this year and into 2019.

25. The actual return earned by Stittco for fiscal 2017 (year ending July 31, 2017) was 8.31%. Normalized (that is, adjusted to reflect normal weather), the return would have been 8.46%.¹⁴ The projected actual return on rate base for fiscal 2018 (derived from 9 months of actual numbers and 3 months of projections) is 0.18%.¹⁵
26. In Order 116/17, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.¹⁶
27. Stittco does not seek an increase in its allowed rate of return of 10%. By law,¹⁷ 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 8.50% for the Alberta utilities¹⁸ to 10.1% for the TransCanada PipeLines Limited Mainline.¹⁹ Stittco continues to hold the view that its investment risk justifies a rate of return on rate base (which is entirely financed by 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. A higher rate of return would increase the non-competitiveness of Stittco's rates.
28. Stittco requests that this Application be handled in writing with email correspondence as per contact information below.

¹⁴ See Tab No. 1. Historical Earnings, Schedule.

¹⁵ See Tab No. 3. Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2018/2019.

¹⁶ Order No. 116/17, Section 6.0, Page 20 of 22.

¹⁷ 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 FCA 149.

¹⁸ Alberta Utilities Commission Decision 22570- D01-2018, 2018 Generic Cost of Capital, August 2, 2018, para 500.

¹⁹ National Energy Board Reasons for Decision, *TransCanada PipeLines Limited.*, RH-001-2014, 2015-2030 Tolls and Tariff Application, December 2014, Chapter 7: Risks and rewards, page 87.

29. Attached is a proposed notice to customers for review and consideration by the Board prior to it being sent to Stittco customers.

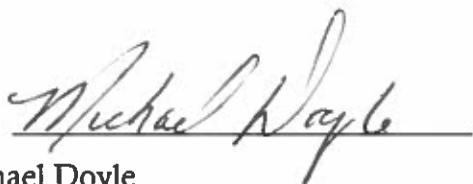
WHEREFORE, Stittco requests an Order of the Board:

- (a) fixing just and reasonable non-commodity rates for all gas customers served by Stittco, effective November 1, 2018, including:
 - (i) approval of the non-commodity cost revenue requirement of the Company as proposed in this Application; and
 - (ii) approval of the projected rate base of \$2,383,041 for Stittco as of July 31, 2018;
- (b) in the event that timing does not permit setting of rates prior to November 1, 2018, establishing interim rates on that date at the levels set forth in paragraph 14 to remain effective until the Board makes its decision on this Application; and
- (c) providing such other relief as Stittco may request or the Board may consider appropriate.

All of which is respectfully submitted this 12th day of September, 2018.

Stittco Utilities Man Ltd.

Per:



Michael Doyle

Communications relating to this Application should be directed to:

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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 116/17. The overall requested increase in non-commodity costs is 5.2%. 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.
INDEX OF SCHEDULES ATTACHED
APPLICATION**

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Operating Expenses	10

TAB NO. 1

HISTORICAL EARNINGS

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	\$1,745,302	\$150,468	8.62%	3.05%	10.00%
2015	\$1,556,473	\$107,523	6.91%	5.91%	10.00%
2016	\$1,808,243	\$157,230	8.70%	13.99%	10.00%
2017	\$2,320,584	\$192,899	8.31%	8.46%	10.00%

TAB NO. 2

REVENUE REQUIREMENT

Tab #2

**STITCO UTILITIES MAN LTD
REVENUE REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2019**

	PUB ORDER NO. 116/17	2019 PROJECTED
TOTAL PROJECTED VOLUMES, LITRES		
Sales	6,422,000	6,695,000
Purchases	6,583,000	6,863,000
Cost, \$/M3	\$280.00	\$280.00
PROPANE REVENUE REQUIREMENT		
Balance PPVA		
Cost Of Product	\$ 1,843,188	\$ 1,921,594
TOTAL C3 REV REQ'D	\$ 1,843,188	\$ 1,921,594
RATE BASE		
Mid-Year Rate Base	\$ 2,458,771	\$ 2,818,175
DISTRIBUTION REVENUE REQUIREMENT		
Other Cost Of Sales	\$ 69,750	\$ 75,175
Operating Expenses	\$ 1,755,163	\$ 1,846,280
Depreciation	\$ 115,110	\$ 116,875
Accretion	\$ 27,000	\$ 27,675
Return On Rate Base @ 10.00%	\$ 245,877	\$ 281,818
Income Tax Requirement	\$ 114,230	\$ 84,643
Other Income	-\$ 213,000	-\$ 215,000
	\$ 2,114,130	\$ 2,217,465
Annual % Change		4.9%
REVENUE REQUIRED FROM COMMODITY		\$ 1,921,594
REVENUE REQUIRED FROM YEARLY BILLS		\$ 93,410
REVENUE REQUIRED FROM NON-COMMODITY		\$ 2,124,055
REVENUE FROM REQUESTED GAS RATES		\$ 2,124,055
REVENUE FROM GAS RATES		\$ 2,124,055

TAB NO. 3

INCOME STATEMENT

Tab #3

**STITTCO UTILITIES MAN LTD
INCOME STATEMENTS
PROJECTED FOR YEARS ENDING
JULY 31, 2018-2019**

	PUB ORDER NO. 116/17	2018 9 MONTHS ACTUAL 3 MONTHS BUDGET	2019 PROJECTED
PROPANE SALES VOL, LITRES			
Residential	1,443,000	1,524,000	1,534,000
Commercial	4,979,000	5,170,000	5,162,000
TOTAL SALES VOLUME	6,422,000	6,694,000	6,695,000
TOTAL PROPANE PURCHASED	6,583,000	6,862,000	6,863,000
UNIT PROPANE COST \$/LITRE	\$0.28	\$0.35	\$0.28
REVENUE			
Gas Sales Non Commodity	\$2,114,130	\$1,969,743	\$2,217,465
Gas Sales	\$1,843,188	\$2,411,219	\$1,921,594
Appl & Mat'l Sales	\$90,000	\$97,447	\$97,000
Service Revenue	\$30,000	\$30,148	\$30,000
Stittco Energy Rev	\$48,000	\$47,300	\$48,000
Other Revenue	\$45,000	\$35,130	\$40,000
TOTAL REVENUE	\$4,170,318	\$4,590,986	\$4,354,059
EXPENSES			
Actual Cost Of Propane	\$1,843,188	\$2,411,219	\$1,921,594
Other Cost Of Sales	\$69,750	\$52,540	\$75,175
Operating Expenses	\$1,755,163	\$1,881,019	\$1,846,280
Depreciation	\$115,110	\$99,214	\$116,875
Accretion	\$27,000	\$28,498	\$27,675
TOTAL EXPENSES	\$3,810,211	\$4,472,490	\$3,987,599
OPER INCOME B/TAX	\$360,107	\$118,496	\$366,460
Income Tax Payable	\$114,230	\$114,230	\$107,007
NET INCOME (RETURN)	\$245,877	\$4,266	\$259,453
MID YEAR RATE BASE	\$2,458,771	\$2,383,041	\$2,818,175
RETURN ON RATE BASE	10.00%	0.18%	9.21%

TAB NO. 4

INCOME TAX REQUIREMENT

Tab #4

**STITTCO UTILITIES MAN LTD.
INCOME TAX REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2018/2019**

	2018 PROJECTED	2019 PROJECTED
OPERATING INCOME	\$360,107	\$366,460
ADD DEPRECIATION	\$115,110	\$116,875
ADD ACCRETION	\$27,000	\$27,675
LESS CCA	\$79,145	\$114,689
TAXABLE INCOME	<u>\$423,073</u>	<u>\$396,321</u>
TAX @ 27.00%	<u>\$114,230</u>	<u>\$107,007</u>
CALCULATED INCOME TAX	<u>\$114,230</u>	<u>\$107,007</u>

TAB NO. 5

CAPITAL COST ALLOWANCES

Tab #5

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2018**

CLASS NO.	RATE %	UCC 1 AUG 2017	ADDITIONS	ADJUST	CCA	UCC 31 JUL 2018
1	4%	\$478,617	\$342,426	-	\$25,993	\$795,050
2	6%	\$306,653		-	\$18,399	\$288,254
6	10%	\$25,284		-	\$2,528	\$22,756
8	20%	\$54,240		-	\$10,848	\$43,392
9	25%	-		-	-	-
10	30%	\$36,623		-	\$10,987	\$25,635
10.1	30%	\$4		-	\$1	\$3
38	30%	\$394	\$26,861	-	\$4,147	\$23,107
50	50%	\$67		-	\$33	\$33
17	8%	\$138,555		-	\$11,084	\$127,470
		\$1,040,437	\$369,287	-	\$84,022	\$1,325,701

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2019**

CLASS NO.	RATE %	UCC 1 AUG 2018	ADDITIONS	ADJUST	CCA	UCC 31 JUL 2019
1	4%	\$795,050	\$815,000	-	\$48,102	\$1,561,948
2	6%	\$288,254		-	\$17,295	\$270,959
6	10%	\$22,756		-	\$2,276	\$20,480
8	20%	\$43,392	-	-	\$8,678	\$34,714
9	25%	-		-	-	-
10	30%	\$25,635	90,000.00	-	\$21,191	\$94,444
10.1	30%	\$3		-	\$1	\$2
38	30%	\$23,107	-	-	\$6,932	\$16,175
50	50%	\$33		-	\$17	\$17
17	8%	\$127,470		-	\$10,198	\$117,273
		\$1,325,701	\$905,000	-	\$114,689	\$2,116,011

TAB NO. 6

RATE BASE

Tab #6

**STITCO UTILITIES MAN LTD
RATE BASE
PROJECTED FOR YEARS ENDING
JULY 31, 2018/2019**

	PUB ORDER NO. 116/17	2018 PROJECTED	2019 PROJECTED
PLANT IN SERVICE			
Beginning Year Balance	\$5,641,016	\$5,641,016	\$6,010,302
Additions, Net	\$300,000	\$369,287	\$905,000
End Of Year Balance	\$5,941,016	\$6,010,302	\$6,915,302
Average, Mid-year	<u>\$5,791,016</u>	<u>\$5,825,659</u>	<u>\$6,462,802</u>
ACCUMULATED DEPRECIATION			
Beginning Year Balance	\$4,197,483	\$4,197,479	\$4,296,694
Additions, Net	\$115,110	\$99,214	\$116,875
End Of Year Balance	\$4,312,593	\$4,296,694	\$4,413,569
Average, Mid-year	<u>\$4,255,038</u>	<u>\$4,247,087</u>	<u>\$4,355,131</u>
AVERAGE MID-YEAR NET PLANT IN SERVICE	\$1,535,978	\$1,578,573	\$2,107,671
WORKING CAPITAL	\$922,793	\$804,469	\$710,504
MID-YEAR RATE BASE	<u>\$2,458,771</u>	<u>\$2,383,041</u>	<u>\$2,818,175</u>

TAB NO. 7

WORKING CAPITAL

Tab #7

**STITTCO UTILITIES MAN LTD
WORKING CAPITAL
PROJECTED FOR YEARS ENDING
JULY 31, 2018/2019**

	PUB ORDER NO. 116/17	2018 PROJECTED	2019 PROJECTED
PRODUCT INVENTORY	\$237,216	\$297,712	\$237,216
MATERIAL INVENTORY			
Average Monthly Balance	\$120,000	\$103,441	\$109,583
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	\$358,333	\$142,860	\$145,000
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-\$107,917	-\$96,343	-\$98,750
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	-	-	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-\$40,000	-\$53,000	-\$52,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	\$219,395	\$235,127	\$230,785
(b) 25/365 of Product Purchases	\$126,246	\$165,152	\$131,616
INCOME TAX			
1/12 of Income Tax	\$9,519	\$9,519	\$7,054
TOTAL	\$922,793	\$804,469	\$710,504

TAB NO. 8

FIXED ASSET SCHEDULES

Tab #8

**STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2018**

DESCRIPTION	BALANCE			BALANCE 31 JUL 2018
	1 AUG 2017	ADDITIONS	DISPOSALS	
ASSET RETIREMENT	\$222,530			\$222,530
LAND	\$145,729			\$145,729
BUILDINGS	\$456,993	16,927		\$473,921
STORAGE & PLANT	\$1,781,572	\$325,499		\$2,107,071
PLANT SITE IMPROVEMENTS	\$206,360			\$206,360
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	\$64,975			\$64,975
COMPUTER EQUIPMENT	\$32,650			\$32,650
TRANS EQUIP	\$113,043			\$113,043
HEAVY WORK EQUIPMENT	\$64,743	26,861		\$91,604
TOOLS & EQUIP	\$113,633			\$113,633
COMMUNICATIONS	\$11,996			\$11,996
TOTAL PLANT IN SERVICE	\$5,641,016	\$369,287	\$0	\$6,010,302

Tab #8

STITCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2019

DESCRIPTION	BALANCE			BALANCE 31 JUL 2019
	1 AUG 2018	ADDITIONS	DISPOSALS	
ASSET RETIREMENT	\$222,530			\$222,530
LAND	\$145,729			\$145,729
BUILDINGS	\$473,921	65,000		\$538,921
STORAGE & PLANT	\$2,107,071			\$2,107,071
PLANT SITE IMPROVEMENTS	\$206,360	\$750,000		\$956,360
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	\$64,975			\$64,975
COMPUTER EQUIPMENT	\$32,650			\$32,650
TRANS EQUIP	\$113,043	90,000		\$203,043
HEAVY WORK EQUIPMENT	\$91,604			\$91,604
TOOLS & EQUIP	\$113,633			\$113,633
COMMUNICATIONS	\$11,996			\$11,996
TOTAL PLANT IN SERVICE	\$6,010,302	\$905,000	\$0	\$6,915,302

TAB NO. 9

DEPRECIATION SCHEDULES

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2018**

DESCRIPTION	BALANCE 1 AUG 2017	ADJUST- MENTS	DEPR RATE	2018 DEPR	BALANCE 31 JUL 2018
ASSET RETIREMENT	\$222,530				\$222,530
LAND	-		0.00%	-	-
BUILDINGS	\$364,339		2.80%	\$12,796	\$377,135
STORAGE & PLANT	\$874,590		2.80%	\$62,203	\$936,793
PLANT SITE IMPROVE	\$68,946		2.80%	\$2,329	\$71,274
SPUR TRACK	\$10,656		2.80%	\$138	\$10,794
MAINS	\$1,126,838		2.80%	\$3,413	\$1,130,251
SERVICES	\$960,139		2.80%		\$960,139
METERS	\$178,467		2.80%	\$8,274	\$186,741
OFFICE EQUIPMENT	\$64,466		10.00%	\$510	\$64,975
COMPUTER EQUIPMENT	\$32,650		20.00%		\$32,650
TRANS EQUIP	\$113,043		24.00%		\$113,043
HEAVY WORK EQUIPMENT	\$64,743		20.00%		\$64,743
TOOLS & EQUIP	\$104,081		20.00%	9,552	\$113,633
COMMUNICATIONS	\$11,996		10.00%		\$11,996
TOTAL	\$4,197,483	\$0		\$99,214	\$4,296,697

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2019**

DESCRIPTION	BALANCE 1 AUG 2018	ADJUST- MENTS	DEPR RATE	2019 DEPR	BALANCE 31 JUL 2019
ASSET RETIREMENT	\$222,530				\$222,530
LAND			0.00%		
BUILDINGS	\$377,134		2.80%	\$13,270	\$390,404
STORAGE & PLANT	\$936,788		2.80%	\$62,203	\$998,991
PLANT SITE IMPROVE	\$71,275		2.80%	\$11,443	\$82,717
SPUR TRACK	\$10,748		2.80%		\$10,748
MAINS	\$1,130,298		2.80%	\$3,413	\$1,133,711
SERVICES	\$960,140		2.80%		\$960,140
METERS	\$186,740		2.80%	\$8,226	\$194,966
OFFICE EQUIPMENT	\$64,976		10.00%		\$64,976
COMPUTER EQUIPMENT	\$32,650		20.00%		\$32,650
TRANS EQUIP	\$113,043		24.00%		\$113,043
HEAVY WORK EQUIPMENT	\$64,743		20.00%	\$18,321	\$83,064
TOOLS & EQUIP	\$113,633		20.00%		\$113,633
COMMUNICATIONS	\$11,996		10.00%	-	\$11,996
TOTAL	\$4,296,694	\$0		\$116,875	\$4,413,569

TAB NO. 10

OPERATING EXPENSES

Tab #10

STITTCO UTILITIES MAN LTD
SUMMARY OF OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2018/2019

	PUB ORDER NO. 116/17	2018 9 MONTHS ACTUAL 3 MONTHS BUDGET	2019 PROJECTED
WAGES & BENEFITS	\$806,610	\$872,587	\$880,364
MATERIALS & SUPPLIES	\$50,700	\$49,458	\$50,700
CONTRACT SERVICES	\$113,000	\$103,272	\$119,000
OTHER OPERATING COSTS	\$131,000	\$201,661	\$129,000
AUTOMOTIVE	\$78,400	\$60,990	\$60,500
INSURANCE	\$13,000	\$12,000	\$13,000
PROPERTY TAXES	\$130,000	\$128,465	\$132,600
ADMINISTRATIVE & GENERAL	\$244,400	\$251,050	\$263,300
TOTAL DIRECT OPERATING EXPENSES	<u>\$1,567,110</u>	<u>\$1,679,481</u>	<u>\$1,648,464</u>
ADMINISTRATION FEE	<u>\$188,053</u>	<u>\$201,538</u>	<u>\$197,816</u>
TOTAL OPERATING EXPENSES	<u>\$1,755,163</u>	<u>\$1,881,019</u>	<u>\$1,846,280</u>
			5.19%

KEY ASSUMPTIONS FOR 2019 PROJECTED

1. Increased wages, along with wages for the management and monitoring of CSA Z662 requirements. Expect a 2.5% salary increase in 2018 as well as the removal of a senior manager and an accounting position
2. Material and Supplies expected to remain consistent
3. Other Operating Costs to decrease due to lower Leak Survey Costs as more work was performed on grid system in the prior year. Offset by \$20K for work performed in prior year that will be recognized in the current period.
4. Automotive leases are now classified as capital leases.
5. Insurance costs expected to remain the same.
6. Property taxes expected to increase during the year.

Tab #10

STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2018/2019

	PUB ORDER NO. 116/17	2018 9 MONTHS ACTUAL 3 MONTHS BUDGET	2019 PROJECTED
WAGES			
Regular	\$618,200	\$672,063	\$688,864
Overtime	\$25,000	\$27,441	\$25,000
Casual	\$0	\$0	\$0
	<u>\$643,200</u>	<u>\$699,504</u>	<u>\$713,864</u>
EMPLOYEE BENEFITS			
Canada Pension	\$18,700	\$19,227	\$20,500
Employment Insurance	\$7,400	\$10,254	\$8,400
Workers' Compensation	\$2,400	\$2,726	\$2,300
Life Insur, Medical & Dental	\$37,700	\$44,028	\$42,000
Employee Pension Plan	\$55,600	\$56,535	\$41,300
Other Employee Benefits	\$41,610	\$40,312	\$52,000
Total Employee Benefits	<u>\$163,410</u>	<u>\$173,083</u>	<u>\$166,500</u>
TOTAL WAGES AND BENEFITS	<u>\$806,610</u>	<u>\$872,587</u>	<u>\$880,364</u>
MATERIALS & SUPPLIES			
Employee Material	\$2,500	\$1,000	\$2,500
Tools & Equipment	\$1,000	\$1,000	\$1,000
Office Supplies	\$15,000	\$15,541	\$15,000
Plant Materials	\$29,200	\$28,917	\$29,200
Main & Service Line Materials	\$2,000	\$2,000	\$2,000
Meters and Regs	\$1,000	\$1,000	\$1,000
Other Distribution	-	-	-
TOTAL MATERIAL & SUPPLIES	<u>\$50,700</u>	<u>\$49,458</u>	<u>\$50,700</u>
CONTRACT SERVICES			
Office	\$16,500	\$8,035	\$20,000
Plant	\$20,000	\$18,789	\$20,000
Pipelines	\$7,500	\$10,434	\$10,000
Meters & Regulators	\$15,000	\$15,000	\$15,000
Stittco Contract Services	\$54,000	\$51,013	\$54,000
TOTAL CONTRACT SERVICES	<u>\$113,000</u>	<u>\$103,272</u>	<u>\$119,000</u>
OTHER OPERATING COSTS			
Leak Surveys	\$85,000	\$98,644	\$75,000
Rentals	\$10,000	\$9,980	\$10,000
Vaporizer Consumption	\$35,000	\$45,684	\$41,000
Product Loss	-	\$46,353	-
Obsolete Material Write Off	\$1,000	\$1,000	\$3,000
Switch & Detention	-	-	-
TOTAL OTHER COSTS	<u>\$131,000</u>	<u>\$201,661</u>	<u>\$129,000</u>

STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2018/2019

	PUB ORDER NO. 116/17	2018 9 MONTHS ACTUAL 3 MONTHS BUDGET	2018 PROJECTED
AUTOMOTIVE			
Maintenance	\$15,000	\$16,760	\$19,500
Fuel	\$24,000	\$24,931	\$28,000
Auto Lease	\$29,400	\$9,541	\$0
Licenses & Insurance	\$10,000	\$9,757	\$13,000
TOTAL AUTOMOTIVE	\$78,400	\$60,990	\$60,500
INSURANCE	\$13,000	\$12,000	\$13,000
PROPERTY TAXES	\$130,000	\$128,465	\$132,600
ADMINISTRATIVE & GENERAL			
Bank Charges	\$26,000	\$27,841	\$28,000
Safety & Branch Mtgs	\$1,000	\$1,000	\$1,000
Freight & Express	\$6,000	\$2,477	\$3,500
Memberships, Sub, Permits Etc	\$5,000	\$6,267	\$6,500
Postage	\$14,400	\$16,557	\$17,000
Consulting Fees	\$32,000	\$23,479	\$25,000
Public Utility Board Costs	\$5,000	\$4,417	\$5,000
Sales Promotion	\$1,000	\$1,728	\$1,800
Advertising	\$4,800	\$3,133	\$4,000
Telephone	\$16,800	\$11,388	\$13,000
Training	\$2,000	\$3,612	\$4,000
Travel & Entertainment	\$8,400	\$8,061	\$10,500
Bad Debt	\$40,000	\$40,039	\$40,000
Utilities	\$20,000	\$21,527	\$22,000
Manitoba Payroll Tax	\$17,000	\$18,826	\$19,000
Legal Fees	\$25,000	\$42,698	\$43,000
Audit Fees	\$20,000	\$18,000	\$20,000
TOTAL ADMIN	\$244,400	\$251,050	\$263,300
TOTAL DIRECT OPERATING EXPENSES	\$1,567,110	\$1,679,481	\$1,648,464
ADMINISTRATION FEE	\$188,053	\$201,538	\$197,816
TOTAL OPERATING EXPENSES	\$1,755,163	\$1,881,019	\$1,846,280

STITTCO UTILITY MAN LTD.

FIVE YEAR CAPITAL PLAN

2019

- Building / Site Maintenance and Repair – Approximate cost of \$25,000.00.
- Vaporizer Replacement: Dependent on 2018 inspection results. Replace vaporizers 1 and 2 as well as building and related piping. Approximate cost of \$750,000.00.
- Replacement of Service Trucks: Unit 34 and 55. Approximate cost of \$90,000.00 (Current plan is to lease).
- Town Meter Building: Upgrade building and meter testing and replacement as necessary. Approximate cost \$40,000.00.

Total - \$905,000.00 not including service trucks.

2020

- Building / Site Maintenance and Repair: Approximate cost of \$25,000.00.
- Town Pump and Compressor: Rebuild or replace. Approximate cost of \$20,000.00.
- Storage Tank Relief Valve Replacement: Approximate cost of \$20,000.00.
- Replacement of Service Truck: Unit 12 Service Body. Approximate cost of \$65,000 (Current plan is to lease).

Total - \$65,000.00 not including service trucks.

2021

- Building / Site Maintenance and Repair: Approximate cost of \$25,000.00.
- Replacement of Service Trucks: Unit 82 and 83. Approximate cost of \$90,000.00 (Current plan is to lease).

Total - \$25,000 not including service trucks.

2022

- Building / Site Maintenance and Repair: Approximate cost of \$25,000.00.
- Replacement of Service Trucks: Unit 50 and 51. Approximate cost of \$90,000.00 (Current plan is to lease).
- Anode Bed Replacement: Approximate cost of \$20,000.00.

Total - \$45,000.00 not including service trucks.

2023

- Building / Site Maintenance and Repair: Approximate cost of \$68,000.00.

Total - \$68,000.00 not including service trucks.

*****Disclaimer: Stittco Utility Man Ltd's five year capital plan reflects capital requirements and/or expenditures to the best of Management's knowledge to date.***