

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 2019

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, 2019, 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, 2019.

In the event that timing does not permit setting of rates prior to November 1, 2019, Stittco requests that the Board accept the recovery of lost non-commodity revenue arising from any delay in implementing new rates past November 1, 2019.

2. It has been Stittco's historical practice to file its annual non-commodity cost application in or about July of each year to permit an adequate review period by the Board such that non-commodity rates may be established for November 1. The unexpected departure of key Stittco personnel in 2019 and the requirement to resubmit revised 2017 and 2018 normalization financial reconciliation reports has significantly impacted the timing of the filing of this Application. Going forward, Stittco intends to return to its historical non-commodity cost application filing timelines.
3. The revised 2017 and 2018 normalization financial reconciliation reports were filed on June 25, 2019 and September 9, 2019, respectively, both of which incorporated Board feedback on the appropriate methodology. The same methodology used in the revised 2017 and 2018 reports (i.e. normalized financials based on weather) will be used for the 2019 report once audited Financial Statements are available and the 2019 non-commodity application has been approved. The 2019 normalization financial reconciliation report is expected to be filed in or about January 2020.

BACKGROUND

4. 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.
5. The Board has been approving the rates of Stittco and its predecessor company since 1963.
6. Stittco is a wholly-owned subsidiary of 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 oversight by the Board.
7. 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.¹
8. 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. 11/09.²
9. By Order No 169/18 dated December 20, 2018, the Board finalized the interim ex parte commodity rates established in Order Nos. 94/18 (dated July 20, 2018, effective August 1, 2018), 57/18 (dated April 26, 2018, effective May 1, 2018), Order No. 19/18

¹ Board Order No. 141/08, page 13 of 14, section 6.0, paragraph 3.

² Board Order 11/09, dated February 11, 2009, page 3 of 8.

(dated January 30, 2018, effective February 1, 2018), and Order No. 115/17 (dated October 26, 2017, effective November 1, 2017).³

10. As required by Order 104/19⁴, Stittco filed the information required for the quarterly commodity cost price adjustment on July 23, 2019, which was reflected in rates effective August 1, 2019.
11. The most recent Board Order relating to non-commodity costs was Order 169/18, which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective January 1, 2019, and approved the rate base for Stittco as of July 31, 2018.

5-YEAR CAPITAL EXPENSE PLAN REPORT

12. In Order No. 169/18⁵ 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. In accordance with the direction of the Board, that plan is attached hereto.
13. As noted in Order No. 169/18:

Through subsequent responses to the Board's information requests, Stittco advised that it was not in a position to provide detailed explanations regarding the justification and pacing of each future item included in its five year plan but clarified that decisions regarding its capital expenditures are thoroughly vetted by Superior Plus management and account for the age and condition of the assets, overall regional budget levels, and best available information. Once determined to be a prudent investment by Stittco's management, each capital investment is subsequently presented to the Board in order to seek approval for cost recovery through rates.
14. The content of the five-year capital plan attached hereto reflects this approach.

³ Board Order 169/18, page 21 of 24.

⁴ Board Order No. 104/19, pages 7 of 8.

⁵ Board Order No. 169/18, page 4 of 24.

15. Actual 2019 capital expenditures differed from those projected in the 2018 non-commodity cost application dated September 12, 2018 (**2018 Application**) given the deferral of the following projects included in the capital plan filed with that application: two vaporizer replacements; the town meter building; and vehicle replacements. Stittco management determined that the two vaporizers and two service trucks would be best replaced in 2020 and the town meter building would be best addressed in 2021.

PROPOSED NON-COMMODITY RATES

16. Stittco proposes the 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	1.6417
NEXT 400 m ³	1.4642
NEXT 1000 m ³	1.3856
NEXT 2500 m ³	1.1225
OVER 4000 m ³	0.8611

17. In the event that the Board is not able to assess the Application and set final rates prior to November 1, 2019, Stittco requests that the Board accept the recovery of lost non-commodity revenue in later months arising from any delay in implementing new rates past November 1, 2019. Based on projected volumes, the following impacts to revenues are projected in November 2019 and December 2019:

Block	November 2019 Projected Loss	December 2019 Projected Loss
First 100 m3	\$6,774	\$7,995
Next 400 m3	\$4,635	\$5,471
Next 1000 m3	\$3,635	\$4,290
Next 2500 m3	\$2,553	\$3,013
Over 4000 m3	\$3,406	\$4,020
Total	\$21,003	\$24,789

18. 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 requirement⁶ includes operating expenses,⁷ income taxes,⁸ depreciation⁹ and the allowed rate of return on rate base of 10%.¹⁰
19. In addition, Stittco seeks approval for the recovery of unforeseen costs incurred in 2019 which were not projected in the 2018 Application, amounting to \$182,890.63. These costs relate to the following:

Water Main Break – Fire Hydrant

The water main feeding the fire hydrant in front of the Stittco Thomson office ruptured in January of 2019, resulting in flooding during a period of extreme cold temperatures. This breakage resulted in damages to both the interior and exterior of the office building as well as the parking lot and surrounding areas. Repairs amounted to \$102,364.05 up to July 31, 2019, with another approximately \$140,000 projected for 2020 to repair areas of exterior damage.

Further information about the damage associated with the flooding is set out in the attached documents, *Stittco Utilities Manitoba – Office Flood – Invoices and Stittco Utilities Manitoba – Office Flood – Quote for external work*. These include invoices for costs incurred to date and the quote for work to be completed in 2020.

⁶ See Tab No. 2, Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2020.

⁷ See Tab No. 10, Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2019/2020.

⁸ See Tab No. 4, Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2019/2020.

⁹ See Tab No. 9, Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2019/2020.

¹⁰ See Tab No. 3, Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2019/2020.

Gas Leak – J.A Wamboldt

On March 8, 2019, a gas leak from a Stittco pipe (resulting from extreme weather) caused a fire and an apparent explosion which offset a proximate building from its foundation. The Stittco gas pipe was repaired and the leak was stopped by March 9, 2019. This incident affected service to 44 residential customers and a mitigation plan was implemented immediately to ensure that the customers could regain heat. The costs, which involved incident investigations and repairs to the gas pipe, amounted to \$80,526.58 up to July 31, 2019, with no further repair costs expected at this time.

Further information about the damage associated with the gas leak is set out in the attached document, *Stittco Utilities Manitoba – Gas Leak – Invoices* which include invoices for costs incurred to date.

As Stittco is self-insured, any damages or repairs up to one million dollars per incident are to the account of the company. Stittco is, therefore, seeking approval of the recovery of \$182,890.63 (associated with the costs incurred in 2019) as part of this Application.

20. Stittco seeks approval of 11.05% overall increase in non-commodity costs from Order 169/18. The amount reflects increases in operating costs, which include:
 - (a) the cost of unexpected repairs associated with flooding and pipeline leak described above;
 - (b) delivery fees relating to Flin Flon and Snow Lake operations as a result of higher than expected volumes projected as a result of weather normalization; and
 - (c) truck expenses relating to maintenance of aging fleet and expected increase in fuel consumption as driven by higher projected volumes relative to PUB Order 169/18 based on weather normalization.

19. The increases and correlating offsets 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, in accordance with the direction of the Board in Order 169/18,¹¹ Stittco has maintained its focus on cost control and has taken active steps to reduce operating costs or constrain operating cost increases where possible. For example, operating cost reductions are expected relative to Other Employee Benefits as a result of the bonus structure change associated with Superior ownership.
21. The Stittco projected mid-year rate base for 2019 per Board Order 169/18 was \$2,820,926,¹² while the actual and budgeted rate base for 2019 in the current Application is \$2,476,970. The projected mid-year rate base for 2020 is \$2,637,833.¹³ This projected overall increase in the rate base for 2020 relative to actual and budgeted rate base for 2019 is due to the replacement of the two vaporizers in Thompson and the replacement of two vehicles planned for 2020 which increased the average mid-year net plant in service.
22. The decrease in mid-year 2020 rate base versus the 2019 rate base approved in Order No. 169/18 is largely attributable to the deferral of the capital projects (i.e. the two vaporizers and two service truck replacements). Since the 2018 non-commodity cost proceeding, Stittco has continued to evaluate the costs of the required vaporizer upgrades and, based on that work, does not anticipate the costs to be as high as originally estimated. The 2020 rate base projection has been updated to reflect more current pricing estimates for the completion of this work. The town meter building upgrade and repairs has now been deferred to 2021 and the rate base for that year will, therefore, reflect that cost.

¹¹ Board Order 169/18, pages 18 and 19 of 24.

¹² Board Order 169/18, pages 14 of 24.

¹³ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2019-2020.

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 a dependable, customer service-oriented propane suppliers, consistently honoring service and supply commitments to customers and maintaining industry-leading health, safety and 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 2020.
25. The actual return earned by Stittco for fiscal 2018 (year ending July 31, 2018) was 6.29%. Normalized (that is, adjusted to reflect normal weather), the return would have been 7.17%.¹⁴ The projected actual return on rate base for fiscal 2019 (derived from 9 months of actual numbers and 3 months of projections) is -1.80%.¹⁵ The lower than expected projected return is due to the following:
 - (a) the additional \$182,253.16 in costs incurred as a result of the Thompson office flood as well as the gas leak described above; and
 - (b) cost of product for 2019 averaged \$0.32/L which was higher than the projection of \$0.28/L (the increase in costs is associated with an increase in rail charges at the beginning of 2019, resulting in higher commodity rates).
26. In Order 169/18, 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

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. 169/18, Section 5.0, page 19 of 24.

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.

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.
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, 2019, 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 \$2,637,833 for Stittco as of July 31, 2019; and
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.

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.

All of which is respectfully submitted this 25th day of September, 2019.

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 169/18. The overall requested increase in non-commodity costs is 11.05%. 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

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*	\$2,324,873	-\$147,889	-6.36%	-4.35%	10.00%
2018*	\$2,377,585	\$149,533	6.29%	7.17%	10.00%

* Updated figures to reflect revised 2017 and 2018 normalization financial reconciliation reports filed on June 25, 2019 and September 9, 2019 respectively.

TAB NO. 2

REVENUE REQUIREMENT

**STITTCO UTILITIES MAN LTD
REVENUE REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2020**

	PUB ORDER NO. 169/18	2020 PROJECTED
TOTAL PROJECTED VOLUMES, LITRES		
Sales	6,695,000	6,791,000
Purchases	6,863,000	6,960,000
Cost, \$/M3	\$280.00	\$319.69
PROPANE REVENUE REQUIREMENT		
Balance PPVA		
Cost Of Product	\$ 1,921,594	\$ 2,225,163
TOTAL C3 REV REQ'D	\$ 1,921,594	\$ 2,225,163
RATE BASE		
Mid-Year Rate Base	\$ 2,820,926	\$ 2,637,834
DISTRIBUTION REVENUE REQUIREMENT		
Other Cost Of Sales	\$ 75,175	\$ 75,175
Operating Expenses	\$ 1,846,280	\$ 2,050,248
Depreciation	\$ 116,875	\$ 125,031
Accretion	\$ 33,942	\$ 35,660
Return On Rate Base @ 10.00%	\$ 282,093	\$ 263,783
Income Tax Requirement	\$ 117,698	\$ 122,258
Other Income	-\$ 215,000	-\$ 215,000
	\$ 2,257,063	\$ 2,457,155
Annual % Change		8.9%
REVENUE REQUIRED FROM COMMODITY		\$ 2,225,163
REVENUE REQUIRED FROM YEARLY BILLS		\$ 90,710
REVENUE REQUIRED FROM NON-COMMODITY		\$ 2,366,445
REVENUE FROM REQUESTED GAS RATES		\$ 2,366,445
REVENUE FROM GAS RATES		\$ 2,366,445

TAB NO. 3

INCOME STATEMENT

STITTCO UTILITIES MAN LTD
INCOME STATEMENTS
PROJECTED FOR YEARS ENDING
JULY 31, 2019-2020

	PUB ORDER NO. 169/18	2019 9 MONTHS ACTUAL 3 MONTHS BUDGET	2020 PROJECTED
PROPANE SALES VOL, LITRES			
Residential	1,534,000	1,522,000	1,530,000
Commercial	5,162,000	5,199,000	5,261,000
TOTAL SALES VOLUME	6,695,000	6,720,000	6,791,000
TOTAL PROPANE PURCHASED	6,863,000	6,888,000	6,960,000
UNIT PROPANE COST \$/LITRE	\$0.28	\$0.34	\$0.32
REVENUE			
Gas Sales Non Commodity	\$2,257,062	2,097,241	\$2,457,155
Gas Sales	\$1,921,594	2,326,683	\$2,225,163
Appl & Mat'l Sales	\$97,000	\$97,038	\$97,000
Service Revenue	\$30,000	\$29,340	\$30,000
Stittco Energy Rev	\$48,000	\$51,600	\$48,000
Other Revenue	\$40,000	\$27,530	\$40,000
TOTAL REVENUE	\$4,393,656	\$4,629,432	\$4,897,318
EXPENSES			
Actual Cost Of Propane	\$1,921,594	\$2,326,683	\$2,225,163
Other Cost Of Sales	\$75,175	\$77,524	\$75,175
Operating Expenses	\$1,846,280	\$2,011,409	\$2,050,248
Depreciation	\$116,875	\$105,848	\$125,031
Accretion	\$33,942	\$34,791	\$35,660
TOTAL EXPENSES	\$3,993,866	\$4,556,254	\$4,511,277
OPER INCOME B/TAX	\$399,791	\$73,178	\$386,041
Income Tax Payable	\$117,698	\$117,698	\$122,258
NET INCOME (RETURN)	\$282,093	-\$44,520	\$263,784
MID YEAR RATE BASE	\$2,820,926	\$2,467,971	\$2,637,834
RETURN ON RATE BASE	10.00%	-1.80%	10.00%

TAB NO. 4

INCOME TAX REQUIREMENT

Tab #4

**STITTCO UTILITIES MAN LTD.
INCOME TAX REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2019/2020**

	2019	2020
	PROJECTED	PROJECTED
OPERATING INCOME	\$399,791	\$386,041
ADD DEPRECIATION	\$116,875	\$125,031
ADD ACCRETION	\$33,942	\$35,660
LESS CCA	\$114,689	\$93,926
TAXABLE INCOME	\$435,919	\$452,806
	<hr/>	<hr/>
TAX @ 27.00%	\$117,698	\$122,258
	<hr/>	<hr/>
CALCULATED INCOME TAX	\$117,698	\$122,258
	<hr/>	<hr/>

TAB NO. 5

CAPITAL COST ALLOWANCES

Tab #5

**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	\$0	-	\$31,802	\$763,248
2	6%	\$288,254	\$0	-	\$17,295	\$270,959
6	10%	\$22,756	\$0	-	\$2,276	\$20,480
8	20%	\$43,392	\$0	-	\$8,678	\$34,714
9	25%	-	\$0	-	-	-
10	30%	\$25,635	\$0	-	\$7,691	\$17,944
10.1	30%	\$3	\$0	-	\$1	\$2
38	30%	\$23,107	\$0	-	\$6,932	\$16,175
50	50%	\$33	\$0	-	\$17	\$17
17	8%	\$127,470	\$0	-	\$10,198	\$117,273
		\$1,325,701	\$0	-	\$84,889	\$1,240,811

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2020**

CLASS NO.	RATE %	UCC 1 AUG 2019	ADDITIONS	ADJUST	CCA	UCC 31 JUL 2020
1	4%	\$763,248	\$600,000	-	\$42,530	\$1,320,718
2	6%	\$270,959	\$0	-	\$16,258	\$254,701
6	10%	\$20,480	\$0	-	\$2,048	\$18,432
8	20%	\$34,714	\$0	-	\$6,943	\$27,771
9	25%	-	\$0	-	-	-
10	30%	\$17,944	\$43,479	-	\$11,905	\$49,516
10.1	30%	\$2	\$0	-	\$1	\$1
38	30%	\$16,175	\$0	-	\$4,852	\$11,322
50	50%	\$17	\$0	-	\$8	\$8
17	8%	\$117,273	\$0	-	\$9,382	\$107,891
		\$1,240,811	\$643,479	-	\$93,926	\$1,790,362

TAB NO. 6

RATE BASE

**STITTCO UTILITIES MAN LTD
RATE BASE
PROJECTED FOR YEARS ENDING
JULY 31, 2019/2020**

	PUB ORDER NO. 169/18	2019 PROJECTED	2020 PROJECTED
PLANT IN SERVICE			
Beginning Year Balance	\$6,010,302	\$6,010,302	\$6,010,302
Additions, Net	\$905,000	\$0	\$643,479
End Of Year Balance	\$6,915,302	\$6,010,302	\$6,653,781
Average, Mid-year	\$6,462,802	\$6,010,302	\$6,332,042
ACCUMULATED DEPRECIATION			
Beginning Year Balance	\$4,296,697	\$4,296,697	\$4,410,245
Additions, Net	\$116,875	\$105,848	\$125,031
End Of Year Balance	\$4,413,572	\$4,410,245	\$4,535,276
Average, Mid-year	\$4,355,135	\$4,353,471	\$4,472,761
AVERAGE MID-YEAR NET PLANT IN SERVICE	\$2,107,668	\$1,656,831	\$1,859,281
WORKING CAPITAL	\$713,259	\$811,139	\$778,552
MID-YEAR RATE BASE	\$2,820,927	\$2,467,970	\$2,637,833

TAB NO. 7

WORKING CAPITAL

Tab #7

**STITTCO UTILITIES MAN LTD
WORKING CAPITAL
PROJECTED FOR YEARS ENDING
JULY 31, 2019/2020**

	PUB ORDER NO. 169/18	2019 PROJECTED	2020 PROJECTED
PRODUCT INVENTORY	\$237,216	\$286,158	\$270,841
MATERIAL INVENTORY			
Average Monthly Balance	\$109,583	\$103,630	\$105,000
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	\$145,000	\$161,057	\$162,500
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-\$98,750	-\$91,885	-\$96,667
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	-	-	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-\$52,000	-\$68,417	-\$82,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	\$230,785	\$251,426	\$256,281
(b) 25/365 of Product Purchases	\$131,616	\$159,362	\$152,408
INCOME TAX			
1/12 of Income Tax	\$9,808	\$9,808	\$10,188
TOTAL	\$713,258	\$811,139	\$778,552

TAB NO. 8

FIXED ASSET SCHEDULES

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

DESCRIPTION	BALANCE				BALANCE 31 JUL 2019
	1 AUG 2018	ADJUSTMENTS	ADDITIONS	DISPOSALS	
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$145,729				\$145,729
BUILDINGS	\$473,921				\$473,921
STORAGE & PLANT	\$2,107,071	-\$202,306			\$1,904,765
PLANT SITE IMPROVEMENTS	\$206,360	\$202,306			\$408,666
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	\$91,604				\$91,604
TOOLS & EQUIP	\$113,633				\$113,633
COMMUNICATIONS	\$11,996				\$11,996
TOTAL PLANT IN SERVICE	\$6,010,303	\$0	\$0	\$0	\$6,010,303

Note: A reclass of \$202,306 from Storage & Plant to Plant Site Improvements was completed in 2019 which resulted in a change in the ending balance for 2019.

STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2020

DESCRIPTION	BALANCE			DISPOSALS	BALANCE
	1 AUG 2019	ADJUSTMENTS	ADDITIONS		31 JUL 2020
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$145,729				\$145,729
BUILDINGS	\$473,921				\$473,921
STORAGE & PLANT	\$1,904,765				\$1,904,765
PLANT SITE IMPROVEMENTS	\$408,666		\$600,000		\$1,008,666
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		100,000	\$56,522	\$156,522
HEAVY WORK EQUIPMENT	\$91,604				\$91,604
TOOLS & EQUIP	\$113,633				\$113,633
COMMUNICATIONS	\$11,996				\$11,996
TOTAL PLANT IN SERVICE	\$6,010,303		\$700,000	\$56,522	\$6,653,782

TAB NO. 9

DEPRECIATION SCHEDULES

STITCO 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	\$377,135		2.80%	\$13,270	\$390,404
STORAGE & PLANT	\$936,793		2.80%	\$62,214	\$999,007
PLANT SITE IMPROVE	\$71,274	\$9,114	2.80%	\$11,443	\$91,831
SPUR TRACK	\$10,794		2.80%		\$10,794
MAINS	\$1,130,251		2.80%	\$3,413	\$1,133,664
SERVICES	\$960,139		2.80%		\$960,139
METERS	\$186,741		2.80%	\$8,226	\$194,966
OFFICE EQUIPMENT	\$64,975		10.00%		\$64,975
COMPUTER EQUIPMENT	\$32,650		20.00%		\$32,650
TRANS EQUIP	\$113,043		24.00%		\$113,043
HEAVY WORK EQUIPMENT	\$64,743	\$4,477	20.00%	\$5,372	\$74,592
TOOLS & EQUIP	\$113,633	-5,890	20.00%	1,910	\$109,653
COMMUNICATIONS	\$11,996		10.00%		\$11,996
TOTAL	\$4,296,697	\$7,700		\$105,848	\$4,410,245

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2020**

DESCRIPTION	BALANCE 1 AUG 2019	ADJUST- MENTS	DEPR RATE	2020 DEPR	BALANCE 31 JUL 2020
ASSET RETIREMENT	\$222,530				\$222,530
LAND			0.00%		
BUILDINGS	\$390,404		2.80%	\$13,270	\$403,674
STORAGE & PLANT	\$999,007		2.80%	\$62,203	\$1,061,210
PLANT SITE IMPROVE	\$91,831		2.80%	\$22,643	\$114,474
SPUR TRACK	\$10,794		2.80%		\$10,794
MAINS	\$1,133,664		2.80%	\$3,413	\$1,137,077
SERVICES	\$960,139		2.80%		\$960,139
METERS	\$194,966		2.80%	\$8,219	\$203,186
OFFICE EQUIPMENT	\$64,975		10.00%		\$64,975
COMPUTER EQUIPMENT	\$32,650		20.00%		\$32,650
TRANS EQUIP	\$113,043		24.00%	\$8,000	\$121,043
HEAVY WORK EQUIPMENT	\$74,592		20.00%	\$5,372	\$79,964
TOOLS & EQUIP	\$109,653		20.00%	\$1,910	\$111,563
COMMUNICATIONS	\$11,996		10.00%	-	\$11,996
TOTAL	\$4,410,245	\$0		\$125,031	\$4,535,276

TAB NO. 10

OPERATING EXPENSES

STITTCO UTILITIES MAN LTD
SUMMARY OF OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2019/2020

	PUB ORDER NO. 169/18	2019 9 MONTHS ACTUAL 3 MONTHS BUDGET	2020 PROJECTED
WAGES & BENEFITS	\$880,364	\$794,710	\$877,386
MATERIALS & SUPPLIES	\$50,700	\$53,200	\$54,700
CONTRACT SERVICES	\$119,000	\$138,153	\$145,098
OTHER OPERATING COSTS	\$129,000	\$126,603	\$131,210
AUTOMOTIVE	\$60,500	\$69,169	\$71,219
INSURANCE	\$13,000	\$215,035	\$153,000
PROPERTY TAXES	\$132,600	\$123,986	\$126,465
ADMINISTRATIVE & GENERAL	\$263,300	\$273,923	\$271,500
TOTAL DIRECT OPERATING EXPENSES	\$1,648,464	\$1,794,779	\$1,830,578
ADMINISTRATION FEE	\$197,816	\$216,630	\$219,669
TOTAL OPERATING EXPENSES	\$1,846,280	\$2,011,409	\$2,050,248
			11.05%

KEY ASSUMPTIONS FOR 2020 PROJECTED COSTS AGAINST PUB ORDER NO. 169/18:

1. Lower Wages & Benefits due to change in bonus structure resulting in lower other employee expenses
2. Material and Supplies expected to remain effectively consistent
3. Contract services up due to increased delivery charges as a result of higher expected volumes for Snow Lake and Flin Flon in 2020
4. Other Operating Costs expected to remain effectively consistent
5. Automotive higher due to aging fleet leading to continued maintenance and higher fuel costs relating to higher projected volumes in 2020
6. Stittco is self-insured and all claims/repairs costs are paid directly by the company and is expensed under insurance expense for accounting purposes. This expense line item is projected to be higher in 2020 due to \$140,000 for the external repairs to the Thompson office as a result of the flooding. Note that the majority of the costs was captured in 2019 relating to two separate insurance claims in early 2019.
7. Property Tax expected to remain effectively consistent
8. Admin & General to remain effectively consistent

**STITCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2019/2020**

	PUB ORDER NO. 169/18	2019 9 MONTHS ACTUAL 3 MONTHS BUDGET	2020 PROJECTED
WAGES			
Regular	\$688,864	\$661,203	\$706,086
Overtime	\$25,000	\$30,209	\$30,000
Casual	\$0	\$0	\$0
	<u>\$713,864</u>	<u>\$691,412</u>	<u>\$736,086</u>
EMPLOYEE BENEFITS			
Canada Pension	\$20,500	\$22,070	\$23,100
Employment Insurance	\$8,400	\$9,454	\$9,400
Workers' Compensation	\$2,300	\$2,403	\$2,300
Life Insur, Medical & Dental	\$42,000	\$34,945	\$43,100
Employee Pension Plan	\$41,300	\$32,559	\$42,400
Other Employee Benefits	\$52,000	\$1,868	\$21,000
Total Employee Benefits	<u>\$166,500</u>	<u>\$103,298</u>	<u>\$141,300</u>
TOTAL WAGES AND BENEFITS	<u>\$880,364</u>	<u>\$794,710</u>	<u>\$877,386</u>
MATERIALS & SUPPLIES			
Employee Material	\$2,500	\$2,711	\$2,500
Tools & Equipment	\$1,000	\$3,121	\$3,000
Office Supplies	\$15,000	\$14,989	\$15,000
Plant Materials	\$29,200	\$27,294	\$29,200
Main & Service Line Materials	\$2,000	\$4,084	\$4,000
Meters and Regs	\$1,000	\$1,000	\$1,000
Other Distribution	-	-	-
TOTAL MATERIAL & SUPPLIES	<u>\$50,700</u>	<u>\$53,200</u>	<u>\$54,700</u>
CONTRACT SERVICES			
Office	\$20,000	\$17,759	\$20,000
Plant	\$20,000	\$25,137	\$20,000
Pipelines	\$10,000	\$14,087	\$15,000
Meters & Regulators	\$15,000	\$14,904	\$15,000
Stittco Contract Services	\$54,000	\$66,266	75,098
TOTAL CONTRACT SERVICES	<u>\$119,000</u>	<u>\$138,153</u>	<u>\$145,098</u>
OTHER OPERATING COSTS			
Leak Surveys	\$75,000	\$74,330	\$75,000
Rentals	\$10,000	\$11,091	\$12,210
Vaporizer Consumption	\$41,000	\$36,432	\$41,000
Product Loss	-	\$0	-
Obsolete Material Write Off	\$3,000	\$4,750	\$3,000
Switch & Detention	-	-	-
TOTAL OTHER COSTS	<u>\$129,000</u>	<u>\$126,603</u>	<u>\$131,210</u>

**STITCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2019/2020**

	PUB ORDER NO. 169/18	2019 9 MONTHS ACTUAL 3 MONTHS BUDGET	2020 PROJECTED
AUTOMOTIVE			
Maintenance	\$19,500	\$27,074	\$28,000
Fuel	\$28,000	\$29,903	\$30,219
Auto Lease	\$0	\$0	\$0
Licenses & Insurance	\$13,000	\$12,192	\$13,000
TOTAL AUTOMOTIVE	\$60,500	\$69,169	\$71,219
INSURANCE	\$13,000	\$215,035	\$153,000
PROPERTY TAXES	\$132,600	\$123,986	\$126,465
ADMINISTRATIVE & GENERAL			
Bank Charges	\$28,000	\$29,093	\$29,000
Safety & Branch Mtgs	\$1,000	\$3,864	\$3,000
Freight & Express	\$3,500	\$6,193	\$4,500
Memberships, Sub, Permits Etc	\$6,500	\$5,051	\$5,000
Postage	\$17,000	\$18,233	\$18,500
Consulting Fees	\$25,000	\$26,819	\$25,000
Public Utility Board Costs	\$5,000	\$4,833	\$5,000
Sales Promotion	\$1,800	\$3,431	\$3,500
Advertising	\$4,000	\$6,630	\$6,500
Telephone	\$13,000	\$12,805	\$13,000
Training	\$4,000	\$3,811	\$4,000
Travel & Entertainment	\$10,500	\$10,419	\$10,500
Bad Debt	\$40,000	\$38,308	\$40,000
Utilities	\$22,000	\$19,054	\$22,000
Manitoba Payroll Tax	\$19,000	\$17,904	\$19,000
Legal Fees	\$43,000	\$49,475	\$45,000
Audit Fees	\$20,000	\$18,000	\$18,000
TOTAL ADMIN	\$263,300	\$273,923	\$271,500
TOTAL DIRECT OPERATING EXPENSES	\$1,648,464	\$1,794,779	\$1,830,578
ADMINISTRATION FEE	\$197,816	\$216,630	\$219,669
TOTAL OPERATING EXPENSES	\$1,846,280	\$2,011,409	\$2,050,248