

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
non-commodity rates to be charged to propane customers in Thompson, Flin Flon, and
Snow Lake, Manitoba

STITTCO UTILITIES MAN LTD.

APPLICATION

July 10, 2020

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

APPLICATION

1. Stittco Utilities Man Ltd. (**Stittco** or **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, 2020, including:
 - (a) a determination of the non-commodity cost revenue requirement of the Company for the year ending July 31, 2020; and
 - (b) a determination of the rate base of Stittco as of July 31, 2020.
2. The 2019 normalization financial reconciliation report was filed with the Board on April 28, 2020 based on the same methodology as prior submissions (i.e. normalized financials based on weather). The 2020 normalization financial reconciliation report is expected to be filed before May 2021, subject to availability of audited financial statements.

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. 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.

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.¹
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 that is settled as part of the quarterly rate setting process established in Board Order No. 11/09.²
8. By Order No. 179/19 dated December 11, 2019, the Board finalized the interim ex parte commodity rates established in Order Nos. 144/18 (dated October 23, 2018, effective November 1, 2018), 14/19 (dated January 28, 2019, effective February 1, 2019), Order No. 46/19 (dated April 23, 2019, effective May 1, 2019), and Order No. 104/19 (dated July 23, 2019, effective August 1, 2019).³
9. As required by Order 104/19⁴, Stittco will file the information required for the quarterly commodity cost price adjustment on July 15, 2020, which will be effective August 1, 2020.
10. The most recent Board Order relating to non-commodity costs was Order 179/19, which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective January 1, 2020, and approved the rate base for Stittco as of July 31, 2019.

5-YEAR CAPITAL EXPENSE PLAN REPORT

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

² Board Order No. 11/09, dated February 11, 2009, page 3 of 8.

³ Board Order No. 179/19, page 23 of 26.

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

11. In Order No. 169/18⁵ the Board directed Stittco to file a report regarding Stittco's five-year capital plan that reflects management's current estimates of capital expenditures over the next five years.
12. 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.
13. By Order No. 179/19, the Board required Stittco to continue to include revised five-year capital plans with future non-commodity cost applications.⁶
14. The content of the five-year capital plan attached hereto reflects the requirements of the Board and the approach taken by Stittco in the five-year capital plan filed as part of its 2019 non-commodity cost application dated September 25, 2019 (**2019 Application**).
15. Actual 2020 capital expenditures differed from those projected in the 2019 Application given the cut back in capital spending across all Superior companies which came into effect as a result of the slowdown in economy. As a result, Stittco will not be replacing two services trucks in 2020 as originally expected and instead intends to keep one in service and auction the other in July of 2020. The cut-backs and changes to the fleet were recent decisions made by Stittco.
16. Stittco has made other updates to the five-year capital plan. Stittco management has determined that the replacement of a rail tower is needed in 2021 due its age and to

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

⁶ Board Order No. 179/19, page 21 of 26.

ensure reliable and adequate supply to the town grid during the winter months. Stittco management has also determined that and the town meter building upgrade, testing and possible replacement work would be best addressed in 2022 rather than 2021 due to budgetary constraints noted above.

LIABILITY INSURANCE COVERAGE

17. In Order 179/19 the Board directed Stittco to file the following information to facilitate the review of Stittco's liability insurance coverage:

- The latest liability insurance policy applicable to Stittco (both the certificate of insurance and the associated policy details);
- The total premiums associated with the latest liability insurance policy applicable to Stittco and details regarding the methodology used to allocate a portion of this overall premium to Stittco's ratepayers;
- A detailed explanation of the process utilized by Stittco (or its parent) to establish the quantum of Stittco's liability insurance requirements;
- The written advice from the insurance professionals engaged by Stittco (or its parent) regarding the quantum of Stittco's liability insurance;
- A summary of the industry benchmarking studies on which Stittco (or its parent) relied to determine the quantum of its liability insurance requirements;
- A summary of the peer benchmarking studies on which Stittco's liability insurance limits are based; and
- Any additional information that Stittco (or its parent) relied on in finalizing its liability insurance coverage.⁷

18. Information regarding Stittco's liability insurance coverage is attached hereto and filed on a confidential basis as contemplated in Order 179/19.⁸

PROPOSED NON-COMMODITY RATES

19. Stittco proposes the continuation of the rate methodology established in Board Order No. 141/08 and implemented in subsequent orders. Stittco proposes the continuation

⁷ Board Order No. 179/19, p. 23 of 26.

⁸ Order No. 179/19, p. 22 of 26.

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	1.5410
NEXT 400 m ³	1.3744
NEXT 1000 m ³	1.3006
NEXT 2500 m ³	1.0536
OVER 4000 m ³	0.8082

20. The decrease in rates from Order 179/19 reflects a normalized year as 2020 rates does not include any repairs related to the Thompson flood.⁹
21. 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 requirement¹⁰ includes operating expenses,¹¹ income taxes,¹² depreciation¹³ and the allowed rate of return on rate base of 10%.¹⁴
22. In accordance with the direction of the Board in Order 179/19,¹⁵ Stittco has maintained its focus on cost control and has taken active steps to reduce operating costs or constrain operating cost increases where possible.

⁹ In fiscal year 2019, Stittco incurred significant operating expenses as a result of a broken water main in January 2019 that caused flooding and damage in and around Stittco's main office building in Thompson (**2019 Flood**).

¹⁰ See Tab No. 2, Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2021.

¹¹ See Tab No. 10, Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2020/2021.

¹² See Tab No. 4, Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2020/2021.

¹³ See Tab No. 9., Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2020/2021.

¹⁴ See Tab No. 3, Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2020/2021.

¹⁵ Board Order 179/19, page 20 of 26.

23. Stittco seeks approval of an 8.51% overall decrease in non-commodity costs from Order 179/19. The 8.51% reduction reflects decreases in operating costs relative to 2019, which include but are not limited to:
- (a) the completion of all repairs associated with the 2019 Flood, with insurance expenses to be reduced in 2020 to only reflect monthly premiums;
 - (b) lower usage of employee benefits due to COVID-19 related policies and protocols;
 - (c) lower employee pension plan costs based on 2020 run-rate versus assumption in Order 179/19 whereby all employees are maximized at 6% of their regular salaries (i.e. pension plan costs are dictated by the employees);
 - (d) lower plant materials costs due to realignment of projection against actuals based on prior year;
 - (e) lower vaporizer consumption costs driven by lower projected cost of product relative to the cost contemplated in Order 179/19 (i.e. \$0.29/L vs \$0.32/L); and
 - (f) overall lower operating expenses as a result of COVID-19 imposed restrictions which, among other things, led to the cancellation of the annual trade show and the safety and branch meetings, reduced usage of employee benefits and reduced advertising and travel and entertainment costs
19. The Stittco projected mid-year rate base for 2019 per Board Order 179/19 was \$2,458,685,¹⁶ while the actual and budgeted rate base for 2020 in the current Application is \$2,430,498.¹⁷ The projected mid-year rate base for 2021 is \$2,803,785.¹⁸
20. This projected overall increase in the rate base for 2021 relative to actual and budgeted rate base for 2020 is mainly due to a recent decisions that a rail tower in Thompson

¹⁶ Board Order 179/19, pages 14 of 26.

¹⁷ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2020/2021.

¹⁸ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2020/2021.

needs to be replaced to ensure adequate supply to the grid in winter months, increasing the average mid-year net plant in service. The rail tower is aged and increases in working capital are in line with Order 179/19, with the actual and budgeted rate being lower than Order 179/19 given the lower cost of product.

21. The increase in mid-year 2021 rate base versus the 2020 rate base approved in Order No. 179/19 is attributable primarily to the needed fifth rail tower replacement expected in 2021.
22. Stittco submits that the costs described in this Application and the attachments, including decreased operating costs and capital additions, are prudent, in the public interest and result in rates that are just and reasonable.
23. 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 2021.
24. The actual return earned by Stittco for fiscal 2019 (year ending July 31, 2019) was 8.47%. Normalized (that is, adjusted to reflect normal weather), the return would have been 6.93%.¹⁹ The projected actual return on rate base for fiscal 2020 (derived from 9 months of actual numbers and 3 months of projections) is 14.76%.²⁰ The higher than the allowed return of 10.00% is due to the following:
 - (a) cost of product for 2020 averaged \$0.29/L which was lower than the projected of \$0.32/L;
 - (b) warmer temperatures during peak heating months (i.e. January and February) of 2020 resulted in lower than expected volumes, utility expenses and vaporizer

¹⁹ See Tab No. 1, Historical Earnings, Schedule.

²⁰ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2020/2021.

consumption. January and February were unseasonably warm (17% and 10% warmer than the prior year, respectively); and

(c) lower operating expenses as a result of COVID-19 imposed restrictions as indicated above.

25. In Order 179/19, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.²¹
26. Stittco does not seek an increase in its allowed rate of return of 10%. By law,²² 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 natural gas utilities much larger and significantly less risky than Stittco; from 8.50% for Alberta utilities²³ to 10.1% for Group 1 natural gas pipelines regulated by the Canada Energy Regulator.²⁴ 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.
27. Stittco requests that this Application be handled in writing with email correspondence as per contact information below.
28. Attached is a proposed notice to customers for review and consideration by the Board prior to it being sent to Stittco customers.

²¹ Order No. 179/19, Section 5.0, page 16 of 24.

²² 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.

²³ Alberta Utilities Commission Decision 22570- D01-2018, 2018 Generic Cost of Capital, August 2, 2018, para 500.

²⁴ See 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. See Westcoast Energy Inc. dba Spectra Energy Transmission Application for Approval of 2018 and 2019 Transmission Toll Settlement, page 7 [WC 2018-2019 Toll Application]. See also National Energy Board Order TG-006-2018 approving WC 2018-2019 Toll Application.

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, 2020, 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 \$2,803,785 for Stittco as of July 31, 2020; and
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.

All of which is respectfully submitted this 10th day of July, 2020.

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 decrease for the yearly non-commodity costs as established in Board Order 179/19. The overall requested decrease in non-commodity costs is 8.508%. 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%
2019	\$2,329,073	\$197,232	8.47%	6.93%	10.00%

TAB NO. 2

REVENUE REQUIREMENT

Tab #2

**STITTCO UTILITIES MAN LTD
REVENUE REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2021**

	PUB ORDER NO. 179/19	2021 PROJECTED
TOTAL PROJECTED VOLUMES, LITRES		
Sales	6,790,612	6,708,000
Purchases	6,960,000	6,876,000
Cost, \$/M3	\$319.69	\$292.06
PROPANE REVENUE REQUIREMENT		
Balance PPVA		
Cost Of Product	\$ 2,225,163	\$ 2,008,204
TOTAL C3 REV REQ'D	\$ 2,225,163	\$ 2,008,204
RATE BASE		
Mid-Year Rate Base	\$ 2,820,926	\$ 2,803,785
DISTRIBUTION REVENUE REQUIREMENT		
Other Cost Of Sales	\$ 75,175	\$ 75,175
Operating Expenses	\$ 2,050,248	\$ 1,875,814
Depreciation	\$ 126,431	\$ 124,841
Accretion	\$ 35,979	\$ 10,277
Return On Rate Base @ 10.00%	\$ 266,553	\$ 280,378
Income Tax Requirement	\$ 123,918	\$ 118,602
Other Income	-\$ 215,000	-\$ 218,600
	\$ 2,463,304	\$ 2,266,488
Annual % Change		-8.0%
REVENUE REQUIRED FROM COMMODITY		\$ 2,008,204
REVENUE REQUIRED FROM YEARLY BILLS		\$ 90,620
REVENUE REQUIRED FROM NON-COMMODITY		\$ 2,175,868
REVENUE FROM REQUESTED GAS RATES		\$ 2,175,868
REVENUE FROM GAS RATES		\$ 2,175,868

TAB NO. 3

INCOME STATEMENT

STITTCO UTILITIES MAN LTD
INCOME STATEMENTS
PROJECTED FOR YEARS ENDING
JULY 31, 2020-2021

	PUB ORDER NO. 179/19	2020 9 MONTHS ACTUAL 3 MONTHS BUDGET	2021 PROJECTED
PROPANE SALES VOL, LITRES			
Residential	1,529,745	1,432,000	1,526,000
Commercial	5,260,867	4,969,000	5,183,000
TOTAL SALES VOLUME	6,790,612	6,401,000	6,708,000
TOTAL PROPANE PURCHASED	6,960,000	6,561,000	6,876,000
UNIT PROPANE COST \$/LITRE	\$0.32	\$0.21	\$0.29
REVENUE			
Gas Sales Non Commodity	\$2,463,304	2,339,429	\$2,266,488
Gas Sales	\$2,225,163	1,368,441	\$2,008,204
Appl & Mat'l Sales	\$97,000	\$88,126	\$97,000
Service Revenue	\$30,000	\$29,666	\$30,000
Stittco Energy Rev	\$48,000	\$51,600	\$51,600
Other Revenue	\$40,000	\$34,904	\$40,000
TOTAL REVENUE	\$4,903,466	\$3,912,165	\$4,493,292
EXPENSES			
Actual Cost Of Propane	\$2,225,163	\$1,368,441	\$2,008,204
Other Cost Of Sales	\$75,175	\$61,259	\$75,175
Operating Expenses	\$2,050,248	\$1,900,038	\$1,875,814
Depreciation	\$126,431	\$115,409	\$124,841
Accretion	\$35,979	-\$15,707	\$10,277
TOTAL EXPENSES	\$4,512,995	\$3,429,440	\$4,094,312
OPER INCOME B/TAX	\$390,471	\$482,726	\$398,980
Income Tax Payable	\$123,918	\$123,918	\$118,602
NET INCOME (RETURN)	\$266,554	\$358,808	\$280,378
MID YEAR RATE BASE	\$2,665,533	\$2,430,498	\$2,803,785
RETURN ON RATE BASE	10.00%	14.76%	10.00%

TAB NO. 4

INCOME TAX REQUIREMENT

Tab #4

**STITCO UTILITIES MAN LTD.
INCOME TAX REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2020/2021**

	2019/2020 PROJECTED	2020/2021 PROJECTED
OPERATING INCOME	\$390,471	\$398,980
ADD DEPRECIATION	\$126,431	\$124,841
ADD ACCRETION	\$35,979	\$10,277
LESS CCA	\$93,926	\$94,831
TAXABLE INCOME	<u>\$458,954</u>	<u>\$439,267</u>
TAX @ 27.00%	<u>\$123,918</u>	<u>\$118,602</u>
CALCULATED INCOME TAX	<u>\$123,918</u>	<u>\$118,602</u>

TAB NO. 5

CAPITAL COST ALLOWANCES

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

CLASS NO.	RATE %	UCC 1 AUG 2019	ADDITIONS	ADJUST	DISPOSALS	CCA	UCC 31 JUL 2020
1	4%	\$763,248	\$586,439	\$0	\$200,000	\$38,259	\$1,311,428
2	6%	\$270,959	\$0	\$0	\$0	\$16,258	\$254,701
6	10%	\$20,480	\$0	\$0	\$0	\$2,048	\$18,432
8	20%	\$34,714	\$0	\$0	\$0	\$6,943	\$27,771
9	25%	-	\$0	\$0	\$0	\$0	\$0
10	30%	\$17,944	\$0	\$0	\$4,307	\$4,737	\$13,206
10.1	30%	\$2	\$0	\$0	\$0	\$1	\$1
38	30%	\$16,175	\$0	\$0	\$0	\$4,852	\$11,322
50	50%	\$17	\$0	\$0	\$0	\$8	\$8
17	8%	\$117,273	\$0	\$0	\$0	\$9,382	\$107,891
		\$1,240,811	\$586,439	\$0	\$204,307	\$82,487	\$1,744,762

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2021**

CLASS NO.	RATE %	UCC 1 AUG 2020	ADDITIONS	ADJUST	DISPOSALS	CCA	UCC 31 JUL 2021
1	4%	\$1,311,428	\$185,000	\$0	\$0	\$56,157	\$1,440,271
2	6%	\$254,701	\$0	\$0	\$0	\$15,282	\$239,419
6	10%	\$18,432	\$0	\$0	\$0	\$1,843	\$16,589
8	20%	\$27,771	\$0	\$0	\$0	\$5,554	\$22,217
9	25%	-	\$0	\$0	\$0	\$0	\$0
10	30%	\$13,206	\$0	\$0	\$0	\$3,962	\$9,243
10.1	30%	\$1	\$0	\$0	\$0	\$0	\$1
38	30%	\$11,322	\$0	\$0	\$0	\$3,397	\$7,926
50	50%	\$8	\$0	\$0	\$0	\$4	\$4
17	8%	\$107,891	\$0	\$0	\$0	\$8,631	\$99,260
		\$1,744,762	\$185,000	\$0	\$0	\$94,831	\$1,834,930

TAB NO. 6

RATE BASE

**STITTCO UTILITIES MAN LTD
RATE BASE
PROJECTED FOR YEARS ENDING
JULY 31, 2020/2021**

	PUB ORDER NO. 179/19	2020 PROJECTED	2021 PROJECTED
PLANT IN SERVICE			
Beginning Year Balance	\$6,010,303	\$6,010,303	\$6,392,435
Additions, Net	\$643,479	\$382,132	\$185,000
End Of Year Balance	\$6,653,782	\$6,392,435	\$6,577,435
Average, Mid-year	\$6,332,042	\$6,201,369	\$6,484,935
ACCUMULATED DEPRECIATION			
Beginning Year Balance	\$4,410,245	\$4,410,245	\$4,325,654
Additions, Net	\$69,909	\$115,409	\$124,841
End Of Year Balance	\$4,480,154	\$4,325,654	\$4,450,495
Average, Mid-year	\$4,445,200	\$4,367,950	\$4,388,075
AVERAGE MID-YEAR NET PLANT IN SERVICE	\$1,886,843	\$1,833,419	\$2,096,860
WORKING CAPITAL	\$778,691	\$597,079	\$706,925
MID-YEAR RATE BASE	\$2,665,533	\$2,430,498	\$2,803,785

TAB NO. 7

WORKING CAPITAL

Tab #7

**STITTCO UTILITIES MAN LTD
WORKING CAPITAL
PROJECTED FOR YEARS ENDING
JULY 31, 2020/2021**

	PUB ORDER NO. 179/19	2019/2020 PROJECTED	2020/2021 PROJECTED
PRODUCT INVENTORY	\$270,841	\$176,703	\$247,433
MATERIAL INVENTORY			
Average Monthly Balance	\$105,000	\$99,629	\$102,500
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	\$162,500	\$144,780	\$156,250
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-\$96,667	-\$103,510	-\$104,167
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	-	-	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-\$82,000	-\$62,083	-\$77,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	\$256,281	\$237,505	\$234,477
(b) 25/365 of Product Purchases	\$152,408	\$93,729	\$137,548
INCOME TAX			
1/12 of Income Tax	\$10,327	\$10,326	\$9,843
TOTAL	\$778,691	\$597,079	\$706,885

TAB NO. 8

FIXED ASSET SCHEDULES

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

DESCRIPTION	BALANCE				BALANCE
	1 AUG 2019	ADJUSTMENTS	ADDITIONS	DISPOSALS	
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$145,729				\$145,729
BUILDINGS	\$473,921		19,802		\$493,723
STORAGE & PLANT	\$1,904,765		\$417,377	200,000	\$2,122,142
PLANT SITE IMPROVEMENTS	\$408,666		\$149,260		\$557,926
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			4,307	\$108,736
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	\$586,439	\$204,307	\$6,392,435

STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2021

DESCRIPTION	BALANCE	ADJUSTMENTS	ADDITIONS	DISPOSALS	BALANCE
	1 AUG 2020				31 JUL 2021
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$145,729				\$145,729
BUILDINGS	\$493,723				\$493,723
STORAGE & PLANT	\$2,122,142		\$60,000		\$2,182,142
PLANT SITE IMPROVEMENTS	\$557,926		\$125,000		\$682,926
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	\$108,736				\$108,736
HEAVY WORK EQUIPMENT	\$91,604				\$91,604
TOOLS & EQUIP	\$113,633				\$113,633
COMMUNICATIONS	\$11,996				\$11,996
TOTAL PLANT IN SERVICE	\$6,392,435		\$185,000	\$0	\$6,577,435

TAB NO. 9

DEPRECIATION SCHEDULES

Tab #9

**STITCO 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%	\$13,593	\$403,998
STORAGE & PLANT	\$999,007	-\$200,000	2.80%	\$69,020	\$868,028
PLANT SITE IMPROVE	\$91,831		2.80%	\$13,881	\$105,712
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%		\$113,043
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	-\$200,000		\$115,409	\$4,325,654

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2021**

DESCRIPTION	BALANCE 1 AUG 2020	ADJUST- MENTS	DEPR RATE	2021 DEPR	BALANCE 31 JUL 2021
ASSET RETIREMENT	\$222,530				\$222,530
LAND			0.00%		
BUILDINGS	\$403,998		2.80%	\$13,824	\$417,822
STORAGE & PLANT	\$868,028		2.80%	\$74,730	\$942,757
PLANT SITE IMPROVE	\$105,712		2.80%	\$17,372	\$123,084
SPUR TRACK	\$10,794		2.80%		\$10,794
MAINS	\$1,137,077		2.80%	\$3,413	\$1,140,490
SERVICES	\$960,139		2.80%		\$960,139
METERS	\$203,186		2.80%	\$8,219	\$211,405
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	\$79,964		20.00%	\$5,372	\$85,337
TOOLS & EQUIP	\$111,563		20.00%	\$1,910	\$113,473
COMMUNICATIONS	\$11,996		10.00%	-	\$11,996
TOTAL	\$4,325,654	\$0		\$124,841	\$4,450,495

TAB NO. 10

OPERATING EXPENSES

STITTCO UTILITIES MAN LTD
SUMMARY OF OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2020/2021

	PUB ORDER NO. 179/19	2020 9 MONTHS ACTUAL 3 MONTHS BUDGET	2021 PROJECTED
WAGES & BENEFITS	\$877,386	\$829,413	\$877,735
MATERIALS & SUPPLIES	\$54,700	\$42,514	\$47,000
CONTRACT SERVICES	\$145,098	\$136,223	\$143,576
OTHER OPERATING COSTS	\$131,210	\$104,637	\$119,547
AUTOMOTIVE	\$71,219	\$78,429	\$83,775
INSURANCE	\$153,000	\$165,844	\$14,400
PROPERTY TAXES	\$126,465	\$127,159	\$129,702
ADMINISTRATIVE & GENERAL	\$271,500	\$212,244	\$259,100
TOTAL DIRECT OPERATING EXPENSES	\$1,830,578	\$1,696,462	\$1,674,834
ADMINISTRATION FEE	\$219,669	\$203,575	\$200,980
TOTAL OPERATING EXPENSES	\$2,050,247	\$1,900,038	\$1,875,814
			-8.51%

KEY ASSUMPTIONS FOR 2020 PROJECTED COSTS AGAINST PUB ORDER NO. 179/19:

1. Lower Wages & Benefits expected to remain effectively consistent
2. Material and Supplies to decrease with realignment of projection to actuals for plant materials based on prior years
3. Contract services expected to remain effectively consistent
4. Other Operating Costs to decrease from lower leak survey amounts (based on current year quote) and vaporizer consumption driven by lower projected cost of product
5. Automotive higher due to aging fleet leading to continued maintenance and projection for two auto leases
6. Insurance (claim/repair amounts) reduction with the completion of external repairs to the Thompson office required as a result of flooding
7. Property Tax expected to remain effectively consistent
8. Admin & General reduced to reflect expected normalized utilities (i.e. weather), legal charges, consulting fees (i.e. completion of E2 plans) and PUB costs (i.e \$166.67 monthly)

STITTCO UTILITIES MAN LTD
DETAILED OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2020/2021

	PUB ORDER NO. 179/19	2020 9 MONTHS ACTUAL 3 MONTHS BUDGET	2021 PROJECTED
WAGES			
Regular	\$706,086	\$678,421	\$712,060
Overtime	\$30,000	\$21,273	\$25,000
Casual	\$0	\$0	\$0
	<u>\$736,086</u>	<u>\$699,694</u>	<u>\$737,060</u>
EMPLOYEE BENEFITS			
Canada Pension	\$23,100	\$24,515	\$26,100
Employment Insurance	\$9,400	\$7,820	\$7,700
Workers' Compensation	\$2,300	\$2,353	\$2,300
Life Insur, Medical & Dental	\$43,100	\$27,033	\$32,550
Employee Pension Plan	\$42,400	\$27,382	\$32,025
Other Employee Benefits	\$21,000	\$40,616	\$40,000
Total Employee Benefits	<u>\$141,300</u>	<u>\$129,720</u>	<u>\$140,675</u>
TOTAL WAGES AND BENEFITS	<u>\$877,386</u>	<u>\$829,413</u>	<u>\$877,735</u>
MATERIALS & SUPPLIES			
Employee Material	\$2,500	\$3,042	\$3,500
Tools & Equipment	\$3,000	\$1,675	\$2,500
Office Supplies	\$15,000	\$15,291	\$16,000
Plant Materials	\$29,200	\$17,391	\$20,000
Main & Service Line Materials	\$4,000	\$4,116	\$4,000
Meters and Regs	\$1,000	\$1,000	\$1,000
Other Distribution	-	-	-
TOTAL MATERIAL & SUPPLIES	<u>\$54,700</u>	<u>\$42,514</u>	<u>\$47,000</u>
CONTRACT SERVICES			
Office	\$20,000	\$18,221	\$22,000
Plant	\$20,000	\$20,449	\$21,000
Pipelines	\$15,000	\$6,855	\$15,000
Meters & Regulators	\$15,000	\$21,614	\$15,000
Stittco Contract Services	\$75,098	\$69,084	70,576
TOTAL CONTRACT SERVICES	<u>\$145,098</u>	<u>\$136,223</u>	<u>\$143,576</u>
OTHER OPERATING COSTS			
Leak Surveys	\$75,000	\$67,107	\$70,000
Rentals	\$12,210	\$11,778	\$12,000
Vaporizer Consumption	\$41,000	\$23,342	\$35,047
Product Loss	-	\$0	-
Obsolete Material Write Off	\$3,000	\$2,410	\$2,500
Switch & Detention	-	-	-
TOTAL OTHER COSTS	<u>\$131,210</u>	<u>\$104,637</u>	<u>\$119,547</u>

**STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2020/2021**

	PUB ORDER NO. 179/19	2020 9 MONTHS ACTUAL 3 MONTHS BUDGET	2021 PROJECTED
AUTOMOTIVE			
Maintenance	\$28,000	\$39,466	\$39,000
Fuel	\$30,219	\$22,325	\$28,075
Auto Lease	\$0	\$4,205	\$4,200
Licenses & Insurance	\$13,000	\$12,433	\$12,500
TOTAL AUTOMOTIVE	\$71,219	\$78,429	\$83,775
INSURANCE	\$153,000	\$165,844	\$14,400
PROPERTY TAXES	\$126,465	\$127,159	\$129,702
ADMINISTRATIVE & GENERAL			
Bank Charges	\$29,000	\$28,528	\$29,000
Safety & Branch Mtgs	\$3,000	\$0	\$3,000
Freight & Express	\$4,500	\$4,587	\$4,500
Memberships, Sub, Permits Etc	\$5,000	\$2,956	\$5,000
Postage	\$18,500	\$13,270	\$18,500
Consulting Fees	\$25,000	\$16,697	\$20,000
Public Utility Board Costs	\$5,000	\$2,000	\$2,000
Sales Promotion	\$3,500	\$50	\$3,500
Advertising	\$6,500	\$1,577	\$6,500
Telephone	\$13,000	\$12,398	\$13,000
Training	\$4,000	\$8,193	\$6,000
Travel & Entertainment	\$10,500	\$7,558	\$10,500
Bad Debt	\$40,000	\$37,399	\$40,000
Utilities	\$22,000	\$13,151	\$20,000
Manitoba Payroll Tax	\$19,000	\$16,221	\$17,000
Legal Fees	\$45,000	\$27,659	\$40,000
Audit Fees	\$18,000	\$20,000	\$20,600
TOTAL ADMIN	\$271,500	\$212,244	\$259,100
TOTAL DIRECT OPERATING EXPENSES	\$1,830,578	\$1,696,462	\$1,674,834
ADMINISTRATION FEE	\$219,669	\$203,575	\$200,980
TOTAL OPERATING EXPENSES	\$2,050,248	\$1,900,038	\$1,875,814