

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 15, 2022

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, 2022, including:
 - (a) a determination of the non-commodity cost revenue requirement of the Company for the year ending July 31, 2022; and
 - (b) a determination of the rate base of Stittco as of July 31, 2022 (the **Application**).
2. The 2021 normalization financial reconciliation report (**2021 Normalized Report**) was filed with the Board on April 27, 2022 based on the same methodology as prior applications (i.e. normalized financials based on weather). The 2022 normalization financial reconciliation report is expected to be filed before May 2023, subject to availability of audited financial statements.
3. Stittco certifies that, to the best of its knowledge and belief, the information provided in this Application is accurate and correct.

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 (by number) 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 that is settled as part of the quarterly rate setting process established in Board Order No. 11/09.²
9. By Order No. 122/21 dated October 28, 2021, the Board finalized the interim ex parte commodity rates established in Order Nos. 127-20 (dated October 27, 2020, effective November 1, 2020), 13-21 (dated January 21, 2021, effective February 1, 2021), Order No. 48-21 (dated April 23, 2021, effective May 1, 2021), and Order No. 84-21 (dated July 28, 2021, effective August 1, 2021).³
10. As required by Order 104/19⁴, Stittco will file the information required for the quarterly commodity cost price adjustment by July 15, 2022, which will be effective August 1, 2022.
11. The most recent Board Order relating to non-commodity costs was Order 122/21, which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective November 1, 2021, and approved the rate base for Stittco as of July 31, 2021.

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. 127/20, page 22 of 25.

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

FIVE-YEAR CAPITAL PLAN REPORT

12. 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.

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. By Order No. 122/21, the Board required Stittco to continue to include revised five-year capital plans with future non-commodity cost applications.⁶

15. The content of the five-year capital plan attached hereto reflects the requirements of the Board and the approach taken by Stittco in its prior five-year capital plans, including the capital plan filed as part of its 2021 non-commodity cost application dated July 15, 2021 **(2021 Application)**.

16. Since submitting the 2021 Application, Stittco revised its 2022 capital planning to reflect updated information and to adjust to changed circumstances. These revisions include the following:

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

⁶ Board Order No. 122/21, page 19 of 24.

- (a) The 5-year visual inspections on two tanks were originally slated for third party inspection and, therefore, allocated to capital funding. These inspections are now planned to be completed by Stittco technicians and, therefore, capital funding is not required.
- (b) Stittco planned to replace two service trucks at an estimated cost of approximately \$100,000. Two replacement service trucks were instead leased for approximately \$88,000. (Note that Stittco replaced Units 55 and 51 in 2022 (Unit 51 being an unanticipated at the time of the preparation of the 2021 5-year capital plan). The replacement of Unit 34, originally planned for 2022, has been delayed to at least 2024 as a result of supply chain constraints.)
- (c) Pipeline upgrades expected to cost approximately \$5,000 were completed for approximately \$500.
- (d) The system upgrade has been deferred until at least 2025. As noted in the response to the Board's 2021 Information Request I-13, the existing system that is utilized by Stittco is dated and reaching its end of life with limited available support. A thorough review of system requirements and available options is required before a cost estimate and detailed timeline for upgrade can be provided. This review is planned for the 2023-2024 timeframe, when it is expected that the Stittco Information Technology team will have sufficient capacity to undertake the work required.

PROPOSED NON-COMMODITY RATES

- 17. Stittco proposes the continuation of the rate methodology established in Board Order No. 141/08 and implemented in subsequent orders, including the most recent Order 122/21. 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	1.7812
NEXT 400 m ³	1.5887
NEXT 1000 m ³	1.5033
NEXT 2500 m ³	1.2180
OVER 4000 m ³	0.9342

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 requirement⁷ includes operating expenses,⁸ income taxes,⁹ depreciation¹⁰ and the allowed rate of return on rate base of 10%.¹¹
19. In accordance with the direction of the Board in Order 122/21,¹² Stittco has maintained its focus on cost control and has taken active steps to reduce operating costs or constrain operating cost increases where possible.
20. Stittco seeks approval of a 13.02% overall increase in non-commodity rates from Order 122/21. The requested increase is primarily driven by the following factors:
- (a) lower projected volumes demanded by customers (volume forecast for 2023 is based on the trailing 12-month actual volume, normalized for 5-year average temperature);
 - (b) increase in working capital related primarily to recent rapid increases in commodity prices and cost inflation on supplies and services used in operations, in line with current inflation rates seen across Canada; and
 - (c) potential settlement costs for a 2019 legal claim related to a fire at a customer site in 2019.

⁷ See Tab No. 2, Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2022.

⁸ See Tab No. 10, Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2021/2022.

⁹ See Tab No. 4, Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2021/2022.

¹⁰ See Tab No. 9., Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2021/2022.

¹¹ See Tab No. 3, Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

¹² Board Order No. 122/21, page 1 of 24.

21. The Stittco projected mid-year rate base for 2022 per Board Order 122/21 was \$2,824,998,¹³ while the actual and budgeted rate base for 2022 in the current Application is \$3,157,115.¹⁴ The projected mid-year rate base for 2023 is \$3,104,624,¹⁵ relatively consistent with the actual/budgeted rate base for 2022.¹⁶
22. The working capital in the actual/budgeted rate base for 2022 is higher than the 2022 rate base approved in Order No. 122/21 as a result of:
 - (a) higher product cost driven by commodity price increases experienced in 2022 actual results (see Stittco's last four commodity applications: Board Order Nos. 45-22, 7/22, 122/21 and 84/21);
 - (b) the expectation that these higher commodity prices will continue throughout the remainder of 2022; and
 - (c) higher operating expenses related to recent inflation on materials and energy prices.
23. These circumstances are expected to continue into 2023, with commodity prices expected to stay relatively consistent with 2022 prices.
24. Stittco submits that the costs described in this Application and the attachments, including operating costs, are prudent, in the public interest and result in rates that are just and reasonable.
25. Superior and Stittco have long-established reputations as dependable, customer service-oriented propane suppliers, consistently honoring service and supply commitments to customers and maintaining industry-leading health, safety and environmental standards. The focus of Superior and Stittco on safety and security is

¹³ Board Order 122/21, pages 18 of 24.

¹⁴ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

¹⁵ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

¹⁶ See Tab No. 6.

the driver behind the continuing capital investments that are being made in 2022 and into 2023 (and beyond).

26. The actual return earned by Stittco for fiscal year 2021 (year ending July 31, 2021) was 7.82%.¹⁷ Normalized (that is, adjusted to reflect normal weather), the return would have been 9.40%¹⁸ which is in line with the allowed return of 10%.
27. The projected actual return on rate base for fiscal year 2022 (derived from 9 months of actual numbers and 3 months of projections) is 1.57%.¹⁹ This return, which is less than the requested allowed return of 10.00%, is primarily due to the increased cost of propane experienced in the 2022 actual results. Stittco notes that propane costs are forecasted to remain at current rates over the remainder of 2022 and into 2023.
28. In Order 122/21, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.²⁰ The Board noted that “Stittco’s 10% return on rate base is reasonable given that Stittco operates in a small market area and faces competition from other service providers.”²¹
29. Stittco does not seek an increase in its allowed rate of return of 10%. By law²² 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 is from 8.5% for Alberta utilities²³ to 10.1% for Group 1 natural gas pipelines regulated by the Canada Energy Regulator.²⁴ Stittco continues to hold the

¹⁷ See Tab No. 1, Historical Earnings, Schedule.

¹⁸ See Tab No. 1, Historical Earnings, Schedule.

¹⁹ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

²⁰ Order No. 122/21, Section 6.0, page 18 of 24.

²¹ Order No. 122/21, page 18 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 27084-D01-2022, 2023 Generic Cost of Capital, March 31, 2022, para 1.

²⁴ See, for example, NOVA Gas Transmission Ltd. Application for Approval of the 2020-2024 Revenue Requirement Settlement and for Approval of Revised Interim 2020 and Final 2020 Rates and Abandonment Surcharges, PDF 10 of 17 ([C06105-2](#)) [NGTL 2020-2024 Revenue Requirement Application] (see also Canada Energy Regulator Order TG-009-2020 approving NGTL 2020-2024 Revenue Requirement Application ([C07938-1](#))); Westcoast Energy Inc., doing business as Spectra Energy Transmission Application for Approval of 2020 and 2021 Transmission Toll Settlement, Westcoast Energy Inc. 2020 and 2021 Transmission Toll Settlement, PDF 8 of 36 [Westcoast 2020-2021 Toll Settlement] ([C06415-3](#)) (see also Canada Energy Regulator Order TG-007-2020 approving Westcoast 2020-2021 Toll Settlement ([C07373-3](#))); and TransCanada PipeLines Limited Application for Approval of the Mainline 2021-2026 Settlement, PDF 16 of 22 [TCPL 2021-2026 Toll Application] ([C03833-1](#)) (see also Canada Energy Regulator Order TG-003-2020 approving the TCPL 2021-2026 Toll Application ([C05780-3](#))).

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.

30. Stittco requests that this Application be handled in writing with email correspondence as per the contact information below.
31. 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, 2022, 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 \$3,104,624 for Stittco as of July 31, 2022; and
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.

All of which is respectfully submitted this 15th day of July, 2022.

Stittco Utilities Man Ltd.

Per: _____

Albert Furtado

Communications relating to this Application should be directed to:

Albert Furtado
Stittco Utilities Man Ltd.
420, 48 Quarry Park Blvd SE
Calgary, Alberta
T2C 5P2
Telephone: (403) 730-5845
albert_furtado@superiorpropane.com

and to

Robert Trerise
Stittco Utilities Man Ltd.
420, 48 Quarry Park Blvd SE
Calgary, Alberta
T2C 5P2
Telephone: (403) 837-7183
robert_trerise@superiorpropane.com

Katie Slipp
Blakes, Cassels & Graydon LLP
3500, 855 Second Street SW
Calgary, Alberta
T2P 4J8
Telephone: (403) 260-9799
Email: katie.slipp@blakes.com

STITTCO UTILITIES MAN LTD.

Customer Notification

The non-commodity rates of Stittco Utilities Man Ltd. were last approved in Board Order 122/21.

Stittco Utilities Man Ltd. has filed an application with the Manitoba Public Utilities Board requesting a rate increase of 13.02% for the non-commodity rates as established in Board Order 122/21. The overall requested increase in non-commodity costs is 10.28%.

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**

	<u>TAB NO.</u>
Historical Earnings	1
Revenue Requirement	2
Income Statement	3
Income Tax Requirement	4
Capital Cost Allowance	5
Rate Base	6
Working Capital	7
Fixed Asset Schedules	8
Depreciation Schedules	9
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	\$2,324,873	-\$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%
2020	\$2,347,109	\$529,390	22.55%	24.42%	10.00%
2021	\$2,706,809	\$211,710	7.82%	9.40%	10.00%

TAB NO. 2

REVENUE REQUIREMENT

Tab #2

**STITTCO UTILITIES MAN LTD
REVENUE REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2022**

	PUB ORDER NO. 122/21	2023 PROJECTED
TOTAL PROJECTED VOLUMES, LITRES		
Sales	6,459,000	6,328,000
Purchases	6,621,000	6,486,000
Cost, \$/M3	\$347.81	\$541.97
 PROPANE REVENUE REQUIREMENT		
Balance PPVA		
Cost Of Product	\$ 2,302,690	\$ 3,515,108
TOTAL C3 REV REQ'D	\$ 2,302,690	\$ 3,515,108
 RATE BASE		
Mid-Year Rate Base	\$ 2,824,998	\$ 3,104,624
 DISTRIBUTION REVENUE REQUIREMENT		
Other Cost Of Sales	\$ 75,175	\$ 75,175
Operating Expenses	\$ 1,834,336	\$ 2,022,931
Depreciation	\$ 130,070	\$ 127,704
Accretion	\$ 10,534	\$ 15,110
Return On Rate Base @ 10.00%	\$ 282,500	\$ 310,462
Income Tax Requirement	\$ 123,466	\$ 134,918
Other Income	-\$ 218,600	-\$ 218,600
	\$ 2,237,480	\$ 2,467,700
Annual % Change		10.3%
 REVENUE REQUIRED FROM COMMODITY		\$ 3,515,108
REVENUE REQUIRED FROM YEARLY BILLS		\$ 89,940
REVENUE REQUIRED FROM NON-COMMODITY		\$ 2,377,760
 REVENUE FROM REQUESTED GAS RATES		\$ 2,377,760
REVENUE FROM GAS RATES		\$ 2,377,760

TAB NO. 3

INCOME STATEMENT

STITTCO UTILITIES MAN LTD
INCOME STATEMENTS
PROJECTED FOR YEARS ENDING
JULY 31, 2022/2023

	PUB ORDER NO. 122/21	2022 9 MONTHS ACTUAL 3 MONTHS BUDGET	2023 PROJECTED
PROPANE SALES VOL, LITRES			
Residential	1,463,000	1,388,000	1,401,000
Commercial	4,996,000	5,067,000	4,927,000
TOTAL SALES VOLUME	6,459,000	6,455,000	6,328,000
TOTAL PROPANE PURCHASED	6,621,000	6,616,000	6,486,000
UNIT PROPANE COST \$/LITRE	\$0.35	\$0.57	\$0.54
REVENUE			
Gas Sales Non Commodity	\$2,237,480	2,000,998	\$2,467,700
Gas Sales	2,302,690	3,772,954	\$3,515,108
Appl & Mat'l Sales	97,000	\$87,466	\$97,000
Service Revenue	30,000	\$42,096	\$30,000
Stittco Energy Rev	51,600	\$51,600	\$51,600
Other Revenue	40,000	\$43,798	\$40,000
TOTAL REVENUE	\$4,758,770	\$5,998,913	\$6,201,408
EXPENSES			
Actual Cost Of Propane	\$2,302,690	\$3,762,269	\$3,515,108
Other Cost Of Sales	75,175	\$46,388	\$75,175
Operating Expenses	1,834,336	\$1,873,368	\$2,022,931
Depreciation	130,070	\$129,082	\$127,704
Accretion	10,534	\$14,741	\$15,110
TOTAL EXPENSES	\$4,352,805	\$5,825,848	\$5,756,028
OPER INCOME B/TAX	405,966	\$173,065	\$445,380
Income Tax Payable	123,537	\$123,537	\$134,918
NET INCOME (RETURN)	282,429	\$49,528	\$310,462
MID YEAR RATE BASE	\$2,824,998	\$3,157,115	\$3,104,624
RETURN ON RATE BASE	10.00%	1.57%	10.00%

TAB NO. 4

INCOME TAX REQUIREMENT

Tab #4

**STITTCO UTILITIES MAN LTD.
INCOME TAX REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2022/2023**

	2022/2022 PROJECTED	2022/2023 PROJECTED
OPERATING INCOME	\$405,966	\$445,380
ADD DEPRECIATION	\$130,070	\$127,704
ADD ACCRETION	\$10,797	\$15,110
LESS CCA	\$89,288	\$88,497
TAXABLE INCOME	<u>\$457,545</u>	<u>\$499,697</u>
TAX @ 27.00%	<u>\$123,537</u>	<u>\$134,918</u>
CALCULATED INCOME TAX	<u>\$123,537</u>	<u>\$134,918</u>

TAB NO. 5

CAPITAL COST ALLOWANCES

**STITCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2022**

CLASS NO.	RATE %	UCC 1 AUG 2021	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2022
1	4%	\$1,276,094	\$14,313	\$0	\$0	\$51,330	\$1,239,076
2	6%	\$239,419	\$0	\$0	\$0	\$14,365	\$225,054
6	10%	\$16,589	\$0	\$0	\$0	\$1,659	\$14,930
8	20%	\$64,728	\$884	\$0	\$0	\$13,034	\$52,578
9	25%	-	\$0	\$0	\$0	\$0	\$0
10	30%	\$9,243	\$384	\$4,308	\$0	\$4,123	\$5,503
10.1	30%	\$1	\$0	\$0	\$0	\$0	\$1
38	30%	\$7,926	\$0	\$0	\$0	\$2,378	\$5,548
50	50%	\$4	\$0	\$0	\$0	\$2	\$2
17	8%	\$99,260	\$0	\$0	\$0	\$7,941	\$91,319
		\$1,713,263	\$15,581	\$4,308	\$0	\$94,832	\$1,634,011

**STITCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2023**

CLASS NO.	RATE %	UCC 1 AUG 2022	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2023
1	4%	\$1,239,076	\$140,000	\$0	\$0	\$52,363	\$1,326,713
2	6%	\$225,054	\$0	\$0	\$0	\$13,503	\$211,551
6	10%	\$14,930	\$0	\$0	\$0	\$1,493	\$13,437
8	20%	\$52,578	\$0	\$0	\$0	\$10,516	\$42,062
9	25%	-	\$0	\$0	\$0	\$0	\$0
10	30%	\$5,503	\$0	\$0	\$0	\$1,651	\$3,851
10.1	30%	\$1	\$0	\$0	\$0	\$0	\$0
38	30%	\$5,548	\$0	\$0	\$0	\$1,664	\$3,884
50	50%	\$2	\$0	\$0	\$0	\$1	\$1
17	8%	\$91,319	\$0	\$0	\$0	\$7,306	\$84,013
		\$1,634,011	\$140,000	\$0	\$0	\$88,497	\$1,685,513

TAB NO. 6

RATE BASE

**STITTCO UTILITIES MAN LTD
RATE BASE
PROJECTED FOR YEARS ENDING
JULY 31, 2022/2023**

	PUB ORDER NO. 122/21	2022 PROJECTED	2023 PROJECTED
PLANT IN SERVICE			
Beginning Year Balance	\$6,461,058	\$6,465,365	\$6,564,941
Additions, Net	\$101,270	\$103,884	\$140,000
End Of Year Balance	\$6,562,328	\$6,564,941	\$6,704,941
Average, Mid-year	\$6,511,693	\$6,515,153	\$6,634,941
ACCUMULATED DEPRECIATION			
Beginning Year Balance	\$4,443,122	\$4,443,122	\$4,567,913
Additions, Net	\$130,070	\$129,082	\$127,704
End Of Year Balance	\$4,573,192	\$4,567,913	\$4,695,616
Average, Mid-year	\$4,508,157	\$4,505,517	\$4,631,764
AVERAGE MID-YEAR NET PLANT IN SERVICE	\$2,003,536	\$2,009,636	\$2,003,177
WORKING CAPITAL	\$821,462	\$1,147,479	\$1,101,447
MID-YEAR RATE BASE	\$2,824,998	\$3,157,115	\$3,104,624

TAB NO. 7

WORKING CAPITAL

Tab #7

**STITCO UTILITIES MAN LTD
WORKING CAPITAL
PROJECTED FOR YEARS ENDING
JULY 31, 2022/2023**

	PUB ORDER NO. 122/21	2022 PROJECTED	2023 PROJECTED
PRODUCT INVENTORY	\$294,663	\$483,144	\$459,160
MATERIAL INVENTORY			
Average Monthly Balance	\$85,167	\$95,708	\$93,083
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	\$205,500	\$232,184	\$205,500
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-\$116,167	-\$106,222	-\$116,167
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	-	-	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-\$45,000	-\$60,222	-\$45,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	\$229,292	\$234,171	\$252,866
(b) 25/365 of Product Purchases	\$157,719	\$258,422	\$240,761
INCOME TAX			
1/12 of Income Tax	\$10,289	\$10,295	\$11,243
TOTAL	\$821,462	\$1,147,479	\$1,101,447

TAB NO. 8

FIXED ASSET SCHEDULES

STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2022

DESCRIPTION	BALANCE	ADJUST- MENTS	ADDITIONS	DISPOSALS	BALANCE
	1 AUG 2021				31 JUL 2022
ASSET RETIREMENT	\$222,530	\$0	\$0	\$0	\$222,530
LAND	\$145,729	\$0	0	0	\$145,729
BUILDINGS	\$493,722	\$0	0	0	\$493,722
STORAGE & PLANT	\$2,143,532	\$0	\$14,313	0	\$2,157,845
PLANT SITE IMPROVEMENTS	\$557,926	\$0	\$0	0	\$557,926
SPUR TRACK	\$10,795	\$0	0	0	\$10,795
MAINS	\$1,184,902	\$0	884	0	\$1,185,787
SERVICES	\$960,140	\$0	0	0	\$960,140
METERS	\$318,188	\$0	0	0	\$318,188
OFFICE EQUIP	\$64,976	\$0	0	0	\$64,976
COMPUTER EQUIPMENT	\$32,650	\$0	0	0	\$32,650
TRANS EQUIP	\$113,043	-\$4,308	384	0	\$109,119
ROU ASSETS	\$0	\$0	88,303	0	\$88,303
HEAVY WORK EQUIPMENT	\$91,604	\$0	0	0	\$91,604
TOOLS & EQUIP	\$113,633	\$0	0	0	\$113,633
COMMUNICATIONS	\$11,996	\$0	0	0	\$11,996
TOTAL PLANT IN SERVICE	\$6,465,365	-\$4,308	\$103,884	\$0	\$6,564,941

Tab #8

**STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2023**

DESCRIPTION	BALANCE		ADJUST- MENTS	ADDITIONS	DISPOSALS	BALANCE	
	1 AUG 2022					31 JUL 2023	
ASSET RETIREMENT	\$222,530					\$222,530	
LAND	\$145,729					\$145,729	
BUILDINGS	\$493,722					\$493,722	
STORAGE & PLANT	\$2,157,845			\$140,000		\$2,297,845	
PLANT SITE IMPROVEMENTS	\$557,926					\$557,926	
SPUR TRACK	\$10,795					\$10,795	
MAINS	\$1,185,787					\$1,185,787	
SERVICES	\$960,140					\$960,140	
METERS	\$318,188					\$318,188	
OFFICE EQUIP	\$64,976					\$64,976	
COMPUTER EQUIPMENT	\$32,650					\$32,650	
TRANS EQUIP	\$109,119					\$109,119	
ROU ASSETS	\$88,303					\$88,303	
HEAVY WORK EQUIPMENT	\$91,604					\$91,604	
TOOLS & EQUIP	\$113,633					\$113,633	
COMMUNICATIONS	\$11,996					\$11,996	
TOTAL PLANT IN SERVICE	\$6,564,941		\$0	\$140,000	\$0	\$6,704,941	

TAB NO. 9

DEPRECIATION SCHEDULES

Tab #9

**STITCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2022**

DESCRIPTION	BALANCE 1 AUG 2021	ADJUST- MENTS	DEPR RATE	2022 DEPR	BALANCE 31 JUL 2022
ASSET RETIREMENT	\$222,530	\$0		\$0	\$222,530
LAND	\$0	0	0.00%	\$0	\$0
BUILDINGS	\$417,822	\$0	2.80%	\$13,824	\$431,646
STORAGE & PLANT	\$936,816	\$0	2.80%	\$69,289	\$1,006,106
PLANT SITE IMPROVE	\$121,334	\$0	2.80%	\$15,622	\$136,956
SPUR TRACK	\$10,794	\$0	2.80%	\$0	\$10,794
MAINS	\$1,140,490	\$0	2.80%	\$4,119	\$1,144,608
SERVICES	\$960,139	\$0	2.80%	\$0	\$960,139
METERS	\$211,723	\$0	2.80%	\$8,855	\$220,578
OFFICE EQUIPMENT	\$64,975	\$0	10.00%	\$0	\$64,975
COMPUTER EQUIPMENT	\$32,650	0	20.00%	\$0	\$32,650
TRANS EQUIP	\$113,043	-\$4,292	24.00%	\$0	\$108,752
ROU ASSETS	\$0	\$0	1.67%	\$11,842	\$11,842
HEAVY WORK EQUIPMENT	\$85,337	\$0	20.00%	\$5,372	\$90,709
TOOLS & EQUIP	\$113,473	0	20.00%	\$159	\$113,633
COMMUNICATIONS	\$11,996	0	10.00%	\$0	\$11,996
TOTAL	\$4,443,122	-\$4,292		\$129,082	\$4,567,913

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2023**

DESCRIPTION	BALANCE 1 AUG 2022	ADJUST- MENTS	DEPR RATE	2023 DEPR	BALANCE 31 JUL 2023
ASSET RETIREMENT	\$222,530			\$0	\$222,530
LAND	\$0		0.00%	\$0	\$0
BUILDINGS	\$431,646		2.80%	\$12,401	\$444,047
STORAGE & PLANT	\$1,006,106		2.80%	\$69,290	\$1,075,395
PLANT SITE IMPROVE	\$136,956		2.80%	\$15,622	\$152,577
SPUR TRACK	\$10,794		2.80%	\$0	\$10,794
MAINS	\$1,144,608		2.80%	\$4,125	\$1,148,733
SERVICES	\$960,139		2.80%	\$0	\$960,139
METERS	\$220,578		2.80%	\$8,855	\$229,433
OFFICE EQUIPMENT	\$64,975		10.00%	\$0	\$64,975
COMPUTER EQUIPMENT	\$32,650		20.00%	\$0	\$32,650
TRANS EQUIP	\$108,752		24.00%	\$0	\$108,752
ROU ASSETS	\$11,842		1.67%	\$16,517	\$28,358
HEAVY WORK EQUIPMENT	\$90,709		20.00%	\$895	\$91,604
TOOLS & EQUIP	\$113,633		20.00%	\$0	\$113,633
COMMUNICATIONS	\$11,996		10.00%	\$0	\$11,996
TOTAL	\$4,567,913	\$0		\$127,704	\$4,695,616

TAB NO. 10

OPERATING EXPENSES

**STITCO UTILITIES MAN LTD
SUMMARY OF OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2022/2023**

	PUB ORDER NO. 122/21	2022 9 MONTHS ACTUAL 3 MONTHS BUDGET	2023 PROJECTED
WAGES & BENEFITS	\$854,556	\$834,200	\$875,826
MATERIALS & SUPPLIES	\$45,500	\$37,971	\$38,200
CONTRACT SERVICES	\$126,753	\$130,972	\$120,280
OTHER OPERATING COSTS	\$126,237	\$152,380	\$159,284
AUTOMOTIVE	\$86,957	\$76,357	\$85,352
INSURANCE	\$17,460	\$36,105	\$120,344
PROPERTY TAXES	\$142,837	\$134,634	\$137,327
ADMINISTRATIVE & GENERAL	\$237,500	\$270,030	\$269,575
TOTAL DIRECT OPERATING EXPENSES	\$1,637,800	\$1,672,650	\$1,806,188
ADMINISTRATION FEE	\$196,536	\$200,718	\$216,743
TOTAL OPERATING EXPENSES	\$1,834,336	\$1,873,368	\$2,022,931
			10.28%

KEY ASSUMPTIONS FOR 2023 PROJECTED COSTS AGAINST PUB ORDER NO. 122/21:

1. Wages & Benefits increase in line with CPI inflation
2. Material and Supplies reduced due to capital spend
3. Contract services reduced with pipeline work not expected to repeat in 2023
4. Other Operating Costs increase due to increased cost of propane used in operations
5. Automotive reduced maintenance due to 2 new trucks partially offset by increased cost of fuel
6. Insurance reflect allocation from Superior Plus Corp. as well as anticipated \$103k legal settlement
7. Property Tax forecast based on prior year actual with estimated inflation
8. Admin & General in line with prior year actuals, increase over 122/21 due to a combination of price inflation from suppliers as well as activities resuming which were postponed in 122/21 due to Covid 19

STITTCO UTILITIES MAN LTD
DETAILED OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2022/2023

	PUB ORDER NO. 122/21	2022 9 MONTHS ACTUAL 3 MONTHS BUDGET	2023 PROJECTED
WAGES			
Regular	\$689,856	\$676,214	\$705,291
Overtime	\$25,000	\$26,254	\$27,000
Casual	\$0	\$0	\$0
	<u>\$714,856</u>	<u>\$702,468</u>	<u>\$732,291</u>
EMPLOYEE BENEFITS			
Canada Pension	\$30,200	\$31,601	\$31,500
Employment Insurance	\$8,500	\$8,006	\$8,575
Workers' Compensation	\$2,300	\$2,493	\$2,300
Life Insur, Medical & Dental	\$33,680	\$30,900	\$34,400
Employee Pension Plan	\$33,120	\$27,333	\$33,840
Other Employee Benefits	\$31,900	\$31,400	\$32,920
Total Employee Benefits	<u>\$139,700</u>	<u>\$131,732</u>	<u>\$143,535</u>
TOTAL WAGES AND BENEFITS	<u>\$854,556</u>	<u>\$834,200</u>	<u>\$875,826</u>
MATERIALS & SUPPLIES			
Employee Material	\$3,500	\$2,622	\$3,000
Tools & Equipment	\$2,500	\$3,186	\$2,500
Office Supplies	\$16,000	\$17,728	\$18,000
Plant Materials	\$18,000	\$6,788	\$7,000
Main & Service Line Materials	\$5,000	\$6,947	\$7,000
Meters and Regs	\$500	\$701	\$700
Other Distribution	-	-	-
TOTAL MATERIAL & SUPPLIES	<u>\$45,500</u>	<u>\$37,971</u>	<u>\$38,200</u>
CONTRACT SERVICES			
Office	\$23,500	\$24,577	\$25,000
Plant	\$22,000	\$7,125	\$22,000
Pipelines	\$5,000	\$33,652	\$5,000
Meters & Regulators	\$8,000	\$1,924	\$2,000
Stittco Contract Services	\$68,253	\$63,694	66,280
TOTAL CONTRACT SERVICES	<u>\$126,753</u>	<u>\$130,972</u>	<u>\$120,280</u>
OTHER OPERATING COSTS			
Leak Surveys	\$70,000	\$78,183	\$79,747
Rentals	\$12,000	\$11,804	\$12,000
Vaporizer Consumption	\$41,737	\$59,820	\$65,037
Product Loss	-	\$0	-
Obsolete Material Write Off	\$2,500	\$2,572	\$2,500
Switch & Detention	-	-	-
TOTAL OTHER COSTS	<u>\$126,237</u>	<u>\$152,380</u>	<u>\$159,284</u>

**STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2022/2023**

	PUB ORDER NO. 122/21	2022 9 MONTHS ACTUAL 3 MONTHS BUDGET	2023 PROJECTED
AUTOMOTIVE			
Maintenance	\$45,000	\$29,948	\$30,000
Fuel	\$29,957	\$31,227	\$39,796
Auto Lease	\$0	\$3,213	\$3,556
Licenses & Insurance	\$12,000	\$11,969	\$12,000
TOTAL AUTOMOTIVE	\$86,957	\$76,357	\$85,352
INSURANCE	\$17,460	\$36,105	\$120,344
PROPERTY TAXES	\$142,837	\$134,634	\$137,327
ADMINISTRATIVE & GENERAL			
Bank Charges	\$27,000	\$33,835	\$34,000
Safety & Branch Mtgs	\$3,000	\$402	\$10,000
Freight & Express	\$8,000	\$6,683	\$8,000
Memberships, Sub, Permits Etc	\$2,500	\$3,089	\$3,000
Postage	\$18,500	\$15,900	\$17,000
Consulting Fees	\$30,000	\$30,887	\$31,000
Public Utility Board Costs	\$2,000	\$2,000	\$2,000
Sales Promotion	\$3,500	\$923	\$3,500
Advertising	\$2,500	\$565	\$2,500
Telephone	\$13,000	\$12,609	\$13,000
Training	\$10,000	\$15,854	\$10,000
Travel & Entertainment	\$10,500	\$11,456	\$12,000
Bad Debt	\$20,000	\$32,929	\$20,000
Utilities	\$20,000	\$33,835	\$34,000
Manitoba Payroll Tax	\$17,000	\$16,134	\$17,000
Legal Fees	\$30,000	\$31,429	\$30,000
Audit Fees	\$20,000	\$21,500	\$22,575
TOTAL ADMIN	\$237,500	\$270,030	\$269,575
TOTAL DIRECT OPERATING EXPENSES	\$1,637,800	\$1,672,650	\$1,806,188
ADMINISTRATION FEE	\$196,536	\$200,718	\$216,743
TOTAL OPERATING EXPENSES	\$1,834,336	\$1,873,368	\$2,022,931