

Order No. 115/17

**STITTCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE NOVEMBER 1, 2017**

October 26, 2017

BEFORE: Larry Ring, Q. C., Panel Chair
Robert T. Gabor, Q.C., Board Chair
Carol Hainsworth, C.B.A., Member
Marilyn Kapitany, B.Sc. (Hons), M.Sc., Member
Susan Nemec, FCPA, FCA, Member

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1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, an increase in the propane commodity rate from \$0.9679/m³ reflected in current rates to \$1.4454/m³ for propane consumed on or after November 1, 2017 for Stittco Utilities Man Ltd. (“Stittco”). The increase represents the recovery of Stittco’s higher costs for propane that it passes through to customers without markup.

The commodity rate increase, along with approved delivery charges and the existing Order 158/16 distribution rate riders, is expected to increase the average overall residential propane monthly bills by approximately 24% when compared to the previously approved propane rate effective August 1, 2017. Actual customer impacts will depend on propane consumption.

The table below compares propane commodity rates and delivery charges over the last year:

	Nov 1/16	Jan 1/17	Feb 1/17	May 1/17	Aug 1/17	Nov 1/17
Basic Monthly Charge	\$10.00/mo	\$10.00/mo	\$10.00/mo	\$10.00/mo	\$10.00/mo	\$10.00/mo
	per m ³	per m ³	per m ³	per m ³	per m ³	per m ³
Commodity Cost Recovery	\$0.9731	\$0.9731	\$1.2206	\$1.0240	\$0.9679	\$1.4454
Delivery charge (Non-Commodity Charge)						
First 100 m ³	\$1.3960*	\$1.20516**	\$1.20516**	\$1.20516**	\$1.20516**	\$1.26446***
Next 400 m ³	\$1.2450*	\$1.07485**	\$1.07485**	\$1.07485**	\$1.07485**	\$1.12775***
Next 1000 m ³	\$1.1781*	\$1.01706**	\$1.01706**	\$1.01706**	\$1.01706**	\$1.06716***
Next 2500 m ³	\$0.9544*	\$0.82396**	\$0.82396**	\$0.82396**	\$0.82396**	\$0.86456***
Over 4000 m ³	\$0.7322*	\$0.63212**	\$0.63212**	\$0.63212**	\$0.63212**	\$0.66322***

*As approved in Board Order 136/16

**As approved in Board Order 158/16

***As approved in Board Order 116/17 (including the Order 158/16 rate riders)

Commodity rates are adjusted every quarter in accordance with the Quarterly Rate Setting (QRS) process approved by the Board in Orders 141/08 and 45/09 (available for

review on the Board's website). Interim commodity Orders are reviewed and finalized annually, typically when Stittco files its annual non-commodity rate application.

In addition to propane commodity rates, Stittco customers are also assessed delivery charges (non-commodity charges) and a Basic Monthly Charge (administration costs). Delivery charges, and the Basic Monthly Charge, are reviewed annually when Stittco files its non-commodity rate application (typically in July of each year). Board Order 116/17 approved revisions to the delivery charges for rates effective November 1, 2017, which included the impacts of the Order 158/16 distribution rate riders.

Board Order 158/16 revised Stittco's delivery rates effective January 1, 2017 by means of rate riders applied to the delivery charges approved in Order 136/16. In the Board's review of Stittco's July 2016 Non-Commodity Application, the Board noted an inadvertent error in distribution charges for distribution rates commencing November 1, 2013, 2014 and 2015, resulting in Stittco customers being overcharged \$265,439.48 during this three-year period. The Order 158/16 distribution rate riders were designed to refund Stittco customers \$265,439.48 over a 12 month period, starting January 1, 2017.

2.0 INTRODUCTION

The commodity portion of Stittco's overall propane rates is amended quarterly, in accordance with the QRS process. Non-commodity costs, or delivery charges, are set annually and are designed to recover the costs incurred by Stittco for the distribution of propane to customers. Delivery charges were amended in Board Order No. 116/17 for propane consumed after November 1, 2017.

Commodity costs, including transportation to Thompson, are passed on to customers with no mark-up. Prices of the purchased commodity may vary because of market conditions; they may be higher or lower than price levels established by Board Order. The differences are tracked in a Purchased Propane Variance Account (PPVA), and either refunded to, or collected from, customers in subsequent rate settings. Regular adjustments to commodity prices help to minimize balances in this account and can help buffer large swings in propane commodity charges.

Rates established by the QRS are set on an interim *ex parte* basis, which means that they are established by the Board without further public consultation, subject to satisfactory information being filed by Stittco with the Board. This approach is considered to be the most reasonable and economical, as the changes are driven by commodity price fluctuations and the process minimizes regulatory costs while providing regular updated price signals to consumers. The quarterly interim commodity rates are reviewed and finalized annually when Stittco files its annual non-commodity rate application.

3.0 APPLICATION

Stittco filed its November 1, 2017 commodity rate application on October 11, 2017. On October 12, 2017, Stittco filed a revised application seeking an increase in the propane commodity rate from the current rate of \$0.9679/m³ to \$1.4454/m³ effective November 1, 2017. This new rate reflects the higher costs that Stittco pays for propane, which are passed on to customers without markup. The commodity rate reflects Stittco's cost recovery of the forecasted propane commodity price of \$306/m³ of liquid propane (an increase from the \$179/m³ price reflected in current rates), plus an additional \$74/m³ for delivery to Thompson. Stittco's application also included an adjustment to the PPVA of \$19,188 to be collected from customers (a change from \$22,927 collected from customers reflected in current rates).

4.0 BOARD FINDINGS

The Board considers the information filed by Stittco on October 11th and 12th, 2017 to be Stittco's evidence in support of its Application.

The commodity recovery rate sought by Stittco fairly reflects projected commodity and transportation costs. The Board will direct that the propane commodity rate be increased to \$1.4454/m³ for propane consumed on or after November 1, 2017. The Board continues to recommend that customers seek ways to upgrade the heating efficiency of their premises, so as to reduce consumption, bills, and carbon emissions.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

5.0 IT IS THEREFORE ORDERED THAT:

Stittco Utilities Man Ltd.'s propane commodity rate be amended on an interim ex parte basis per the attached Schedule "A" effective for propane consumption on or after November 1, 2017.

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C."

Panel Chair

"Kurt Simonsen"

Acting Secretary

Certified a true copy of Order No. 115/17
issued by The Public Utilities Board

Acting Secretary

SCHEDULE "A"

GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER NOVEMBER 1, 2017

Basic Monthly Charge	\$10.00/month
	per m ³ /mo
Commodity Costs Recovery	\$1.4454
Delivery Charge:	
First 100 m ³	\$1.26446*
Next 400 m ³	\$1.12775*
Next 1000 m ³	\$1.06716*
Next 2500 m ³	\$0.86456*
Over 4000 m ³	\$0.66322*

*As approved in Board Order 116/17 (including the Order 158/16 rate riders)