Order No. 116/17

AN APPLICATION BY STITTCO UTILITIES MAN LTD.
NON-COMMODITY COSTS EFFECTIVE NOVEMBER 1, 2017
FINAL APPROVAL

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., (Hon), 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 the non-commodity rates for Stittco Utilities Manitoba Ltd. (Stittco) effective November 1, 2017. The Board also approves the rate base for Stittco as of July 31, 2017 and confirms as final the commodity rates previously approved on an interim ex parte basis. Absent the impact of the Order 158/16 distribution rate riders, the base delivery charges will be increased by 4.25% effective November 1, 2017.

Non-commodity costs include costs incurred by Stittco for the distribution of propane to customers. In accordance with Board Order 141/08, non-commodity costs are reviewed annually and are recovered in rates through a basic monthly charge and a delivery charge. Delivery charges are assigned based on a customer's monthly consumption of propane.

The Board accepts Stittco's projected annual non-commodity cost of $2,114,130 for the year ending July 31, 2018. This is an increase of $76,473 over the last non-commodity costs approved by the Board in Order 136/16, which was $2,037,657.

The Board also approves Stittco's rate base of $2,320,584 as of July 31, 2017, which is an increase of $91,082 from the $2,229,502 rate base approved in Order 136/16. Rate base is the value of property upon which the utility is allowed to earn a specified rate of return. The Board will continue to approve a rate of return of 10% on Stittco's rate base.

However, given the long-term decreasing trend in both customer numbers and propane volumes, coupled with an increase in projected average monthly arrears balances, the Board expects Stittco to make every effort to further control its operating costs and carefully plan future capital expenditures. To that end, the Board directs Stittco to file, prior to its next non-commodity rate application, a report that provides additional information regarding the items included in the utility's 5-year capital expense plan as well as justifications for each projected capital expense and its associated timing (or pacing) relative to other projected expenses.

Propane commodity costs are set quarterly, pursuant to the Board approved Quarterly Rate Setting (QRS) process. Commodity costs, including transportation to Thompson, are passed on to customers with no mark-up. Variances are tracked in a Purchased Propane Variance Account (PPVA), and are either refunded to customers (when rates charged are higher than the actual cost of propane) or collected from customers (when rates charged are lower than the actual cost of propane). The PPVA is reviewed at each quarterly rate setting application.

The table below compares the propane commodity and non-commodity rates over the last year and provides the revised non-commodity rates effective November 1, 2017:

Table 1 Non-commodity rates - 12 month history

		Nov 1/16	Feb 1/17	May 1/17	Aug 1/17	Nov 1/17
Basic Monthly Charge		$10.00	$10.00	$10.00	$10.00	$10.00
Volumetric Charges per m^3:						
Commodity Cost Recovery		$0.9731	$1.2206	$1.0240	$0.9679	$1.4454
Non-Commodity Cost Recovery - Delivery Charge (monthly volumes)						
	first 100 m^3	$1.3960	$1.3960	$1.3960	$1.3960	$1.4553
	next 400 m^3	$1.2450	$1.2450	$1.2450	$1.2450	$1.2979
	next 1000 m^3	$1.1781	$1.1781	$1.1781	$1.1781	$1.2282
	next 2500 m^3	$0.9544	$0.9544	$0.9544	$0.9544	$0.9950
	over 4000 m^3	$0.7322	$0.7322	$0.7322	$0.7322	$0.7633

Notes to Table: 1/ Non-Commodity costs for November 2016 were approved in Board Order 136/16.
2/ The Non-Commodity costs shown for February, May, August, and November 2017 do not include the impact of the distribution rate riders approved in Board Order 158/16.
3/ The Commodity cost for November 1, 2017 was approved in Board Order 115/17.

This Order also varies Directive 3 of Order 158/16 and finalizes interim ex parte commodity rates established in Board Orders 135/16, 8/17, 43/17, and 77/17.

2.0 INTRODUCTION

On July 21, 2017, Stittco applied to the Board seeking approval of its projected revenue requirement for the year ending July 31, 2018 and its projected rate base for July 31, 2017. Together, Stittco's proposed 2018 revenue requirement and 2017 rate base contribute to a 4.25% increase in delivery (or distribution) rates for the recovery of non-commodity costs effective November 1, 2017.

Non-commodity costs are costs incurred by Stittco for the distribution of propane to its customers. These costs include operating expenses (e.g., salaries, materials and supplies, administrative costs, etc.), depreciation, a provision for corporate income tax, and a return on Stittco's rate base for its owners.

In Order 136/16, dated October 27, 2016, the Board approved new non-commodity rates on an interim basis pending the Board's determination of how to deal with customer overpayments resulting from an inadvertent over collection in rates for the years ending July 31, 2014 through 2016. The Board subsequently approved as final the Order 136/16 non-commodity rates in Order 158/16, dated December 13, 2016, subject to distribution rate riders that effected a refund of the overpayment to customers throughout the 2017 calendar year.

Commodity rates for propane are adjusted quarterly using the Quarterly Rate Setting (QRS) process approved by the Board in Orders 141/08 and 45/09. The QRS adjusts Stittco's commodity price for propane on August 1, November 1, February 1, and May 1 of each year.

Variances between actual propane costs and estimated propane costs embedded in commodity rates are tracked in a Purchased Propane Variance Account (PPVA) and are either refunded to customers (when rates charged are higher than the actual cost of propane) or collected from customers (when rates charged are lower than the actual cost of propane). Regular adjustments to commodity prices help to minimize balances in this account.

Rates established by the QRS are approved on an 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 changes and the process minimizes regulatory costs while providing regular updated price signals to consumers. These interim commodity rates for propane are reviewed and finalized annually when Stittco files its non-commodity application.

On October 12, 2017, Stittco applied to the Board to increase the propane commodity rate from $0.9679/m^3 to $1.4454/m^3. Board Order 115/17 approved the propane commodity rate increase, effective November 1, 2017.

3.0 STITTCO OPERATIONS

Stittco Utilities Manitoba Inc. distributes propane gas through a pipeline distribution network to approximately 780 customers in Thompson, Flin Flon, and Snow Lake, Manitoba. Bulk propane is supplied from Edmonton and is shipped to Stittco's storage facilities by rail or by truck.

Stittco's historical and projected propane sales are summarized in the table below:

Stittco Propane Sales- Historical and Projected					
		Residential	**Commercial**	**Total**	**Change**
2009	Customers	784	166	950	
	Propane Volumes	2,161,828	6,468,853	8,630,681	
2010	Customers	770	164	934	-1.7%
	Propane Volumes	1,735,190	5,365,294	7,100,484	-17.7%
2011	Customers	749	163	912	-2.4%
	Propane Volumes	1,864,586	5,230,726	7,095,312	-0.1%
2012	Customers	740	162	902	-1.1%
	Propane Volumes	1,663,000	5,207,000	6,870,000	-3.2%
2013	Customers	732	163	895	-0.8%
	Propane Volumes	1,750,339	5,409,688*	7,160,027*	4.2%
2014	Customers	690	153	843	-5.8%
	Propane Volumes	1,809,663	5,280,573*	7,090,236*	-1.0%
2015	Customers	690	153	843	0.0%
	Propane Volumes	1,596,044	4,977,692	6,573,736	-7.3%
2016	Customers	641	138	779	-7.6%
	Propane Volumes	1,398,347	4,506,262	5,904,609	-10.2%
2017	Customers	646	138	784	0.6%
	Propane Volumes	1,450,476	4,811,334	6,261,810	6.0%
2018	Customers	646	138	784	0%
Projected	Propane Volumes	1,435,000	4,979,000	6,422,000	2.6%

* increase in volume due to colder weather and a one-time construction load.

As can be seen from the table, the number of customers, and corresponding propane sales volumes, has generally been declining since 2009. However, slight increases in both customer numbers and propane sales volumes were experienced in 2017.

The commercial customer numbers declined significantly in 2014 as a result of the conversion of several apartment buildings to electrical heat and the closing of a large commercial business. The residential decline has generally been attributed to the difference in cost between heating with propane versus heating with electricity.

Historically, residential customers have accounted for approximately 25% of the overall propane volumes sold by Stittco, with commercial customers accounting for the remaining 75%.

4.0 APPLICATION

Non-Commodity Rates

On July 21, 2017, Stittco applied to the Board for an Order fixing non-commodity distribution rates for all gas customers served by Stittco for propane consumed on or after November 1, 2017.

Pursuant to Parts II and IV of *The Public Utilities Board Act*, the Application requested the following from the Board:

a) Approval of the non-commodity cost revenue requirement of the company;

b) Approval of the projected rate base of $2,320,584 for Stittco as of July 31, 2017.

In Board Order 141/08, the Board stated:

> *Going forward, subsequent to the Board finalizing the rate schedule now set on an interim basis, the Board anticipates that future rate reviews will also be handled by the Board's paper-based process. For the annual non-commodity review, the Board will expect Stittco to issue a notice to its customers concurrent with providing the Board with its application, that notice to be pre-vetted by the Board and to provide for customers with concerns writing the Board. Quarterly commodity rates changes will be reviewed by the Board and communicated to customers by Stittco in accordance with future directions of the Board.*

In accordance with Board Order 141/08, and to minimize regulatory costs to the utility and its customers, the Board reviewed Stittco's non-commodity cost Application using a paper-based process.

Stittco's customers were notified of the proposed non-commodity cost rate increase by including the Board's public notice in Stittco's September 2017 billings to customers for August propane consumption. Customers were advised that they could contact the Board to review Stittco's Application and to express their concerns. The Board did not receive any oral or written communication from the public regarding Stittco's Application.

On September 1, 2017, the Board submitted Information Requests to Stittco. Following the Board's approval of a Stittco extension request on September 12, 2017, Stittco responded to the Board's Information Requests on September 22, 2017.

On October 4, 2017 the Board submitted a second round of Information Requests that sought further clarifications on selected Round 1 Information Requests. Stittco responded on October 11, 2017.

The table below summarizes Stittco's projected non-commodity revenue requirement for the year ending July 31, 2018 and compares it to non-commodity costs approved in Board Order 136/16 for the year ending July 31, 2017.

Comparison of Stittco's Non-Commodity Revenue Requirement

	Stittco's Application Jul-17	Approved From Board Order 136/16	Increase / Decrease
Wages & Benefits	$806,610	$827,200	-$20,590
Materials and Supplies	$50,700	$57,800	-$7,100
Contract Services	$113,000	$105,500	$7,500
Other Operating Costs	$131,000	$106,000	$25,000
Automotive	$78,400	$61,200	$17,200
Insurance	$13,000	$13,000	$0
Property Taxes	$130,000	$115,000	$15,000
Administrative & General	$244,400	$240,100	$4,300
Total Direct Administration Fee	$188,053	$183,096	$4,957
Sub-Total Direct Operating Costs	**$1,755,163**	**$1,708,896**	**$46,267**
Other Cost of Sales	$69,750	$100,750	-$31,000
Depreciation	$115,110	$112,436	$2,674
Accretion	$27,000	$27,000	$0
Return on Rate Base	$245,877	$222,950	$22,927
Income Tax Requirement	$114,230	$102,225	$12,005
Other Income	-$213,000	-$236,600	$23,600
Sub-Total Other Costs	**$358,967**	**$328,761**	**$30,206**
Non-Commodity Revenue Requirement	**$2,114,130**	**$2,037,657**	**$76,473**

The total non-commodity revenue requirement for 2018 is expected to increase by $76,473 over the currently approved 2017 costs.

Operating Costs

While Stittco projects lower wages and benefits costs for 2018, partly caused by the elimination of a senior management position, an increase of $46,267 in direct operating costs is projected for 2018. The largest increase in projected non-commodity costs is in the “other operating costs” category, which have risen from $106,000, as approved in Board Order 136/16, to $131,000 projected to July 31, 2018. The largest contributor to Stittco’s projected increase in “other operating costs” in 2018 are increased leak survey costs, which arise from Stittco’s use of GPS technology during its pipeline leak surveys to allow for better tracking of problem areas. Pipeline leak surveys contribute to the safe operation of a pipeline system and are part of Stittco’s Pipeline Integrity Management program, which is mandated by CSA Z662 (the Board’s standard for the design, construction, testing, operation, and maintenance of gas pipeline systems in Manitoba). The table below summarizes Stittco’s other operating costs.

Stittco Other Operating Costs			
	2018 Projected (to July 31, 2018)	**PUB Order 136/16**	**Difference**
Leak Surveys	$ 85,000	$ 65,000	$20,000
Rentals	$ 10,000	$ 10,000	$ -
Vaporizer Consumption	$ 35,000	$ 30,000	$ 5,000
Product Loss	$ -	$ -	$ -
Obsolete Material Write Off	$ 1,000	$ 1,000	$ -
Switch & Detention	$ -	$ -	$ -
Total Other Costs	**$131,000**	**$106,000**	**$25,000**

Automotive costs and property taxes are also projected to increase in 2018 by approximately $17,000 and $15,000, respectively, over that approved in Board Order 136/16. These increases are attributable to the replacement of old automotive units with new leases in the fall of 2017, and to general increases in property taxes incurred by the utility.

Rate Base and Rate of Return

Rate base is the value of property upon which the utility is allowed to earn a specified rate of return. Stittco's projected mid-year rate base for 2017 is $2,320,584 as summarized in table below.

Stittco's Rate Base

PLANT IN SERVICE	**PUB ORDER NO. 136/16**	**2017 PROJECTED**	**2018 PROJECTED**
Beginning Year Balance	$5,421,200	$5,472,852	$5,641,016
Additions, Net	$295,000	$168,164	$300,000
End of Year Balance	$5,716,200	$5,641,016	$5,941,016
Average, Mid-year	**$5,568,700**	**$5,556,934**	**$5,791,016**
ACCUMULATED DEPRECIATION			
Beginning Year Balance	$4,099,060	$4,091,058	$4,197,483
Additions, Net	$112,436	$106,425	$115,110
End of Year Balance	$4,211,496	$4,197,483	$4,312,593
Average, Mid-year	**$4,155,278**	**$4,144,270**	**$4,255,038**
AVERAGE MID-YEAR NET PLANT IN SERVICE	$1,413,422	$1,412,663	$1,535,978
WORKING CAPITAL	$816,079	$907,920	$922,793
MID-YEAR RATE BASE	**$2,229,502**	**$2,320,584**	**$2,458,771**

The Stittco projected mid-year rate base for 2017 approved in Board Order 136/16 was $2,229,502. Stittco's projected mid-year rate base for 2017 is now $2,320,584. The rate base for 2017 appears to be higher than the initial projections due to increased levels of working capital, largely caused by an increase in projected monthly customer arrears balances. For 2017, Stittco now projects the average monthly arrears balance to be $380,053, which is significantly above the initial 2017 projection of $251,667 included in Order 136/16. Stittco's 2018 projected average monthly arrears balance is $358,333, which indicates that high arrears balances are expected to continue for the upcoming year. Despite the increase in projected average monthly arrears balance, which contributes to increases in Stittco's working capital, Stittco does not expect a significant increase in bad debt for either 2017 or 2018.

Total plant additions to the rate base for 2018 are projected at $300,000. The majority of these projected rate base additions ($250,000) arise from the replacement of deteriorated piping and supports within the Thompson storage tank farm piping system, which connects Stittco's liquid propane storage tanks to the town's propane vaporizers, which ultimately feed gaseous propane into the Thompson pipeline distribution system. Stittco has clarified that the affected piping is currently under excessive stress due to the significant deterioration of the piping support piles over time. Furthermore, the installation of new support piles requires rerouting of existing piping in order to provide adequate access to the necessary construction equipment. New piping materials is therefore required to ensure that system pressure and supply is maintained throughout the project construction period.

Additional rate base additions of $50,000 are projected to arise in 2018 as a result of Stittco's anticipated replacement of the Thompson backup generator unit, which allows the town's propane pumps and vaporizers to remain operational in the event of a power outage and ensures that propane distribution to customers is not interrupted. Stittco has clarified that the existing 30 kW stand-by generator is approaching 35 years old and that replacement parts are no longer available. Furthermore, the bulk of the projected $50,000 capital expenses are associated with the removal of the old generator and the building modifications required to do so. The projected mid-year rate base for 2018, after considering accumulated depreciation and working capital, is $2,458,771.

In Order 136/16, the Board approved a 10% rate of return for Stittco's fiscal year ending July 31, 2017. In its Application, Stittco continues to seek a 10% return on the projected rate base. This would result in a revenue requirement of $245,877 for 2018. Stittco holds the view that given the investment risk, an appropriate rate of return would be significantly higher than the approved 10%. However, Stittco acknowledges that it operates in a very competitive market in a small service area. Stittco’s primary competition is from existing electricity providers, which allow customers to choose electricity as their option for space and water heating rather than propane.

In recent years, Stittco’s actual returns have generally been less than the 10% return provided for in rates. Stittco's return on rate base for the past ten years is provided in the table below:

Stittco Rate of Return- 10 year History				
Year	Mid – Year Rate Base	Actual Return (Loss)	Actual % Return	Normalized % Return*
2016**	$1,808,243	$157,230	8.70%	13.99%
2015**	$1,556,473	$107,523	6.91%	5.91%
2014**	$1,745,302	$150,468	8.62%	3.05%
2013	$1,733,284	$258,248	14.90%	13.78%
2012	$1,953,864	$67,310	3.44%	10.02%
2011	$2,051,484	$111,698	5.44%	6.72%
2010	$1,980,700	($160,751)	(8.12%)	(0.48%)
2009	$2,009,574	$112,030	5.57%	4.10%
2008	$2,138,168	($11,520)	(0.54%)	(1.99%)
2007	$1,927,450	($88,036)	(4.57%)	(0.81%)
2006	$1,937,865	($93,102)	(4.80%)	0.03%

* Adjusted to eliminate variances due to weather fluctuations.

** Revised figures to remove overcharge (per Order 158/16).

Stittco’s projected return (i.e., net income) for the year ending July 31, 2017 is a loss of $222,509 for a return on a mid-year rate base of -9.59%. The reason for the lower than anticipated 2017 projected return is largely due to the costs of paying back to customers the $265,439.49 overcharge from the 2013, 2014, and 2015 non-commodity applications over the 2017 calendar year (per Order 158/16).

An additional contributor was lower than anticipated sales volumes in 2017, mainly as a result of warmer-than-average weather. For the year ending July 31, 2018, Stittco projects a return of $245,877, for a return on a mid-year rate base of 10%.

5.0 BOARD FINDINGS

The Board considers the information filed by Stittco on July 21, 2017, along with its September 22, 2017 and October 11, 2017 responses to Board Information Requests, to be Stittco's evidence in support of its Application.

Non-commodity Costs

The Board has reviewed Stittco's Application for non-commodity costs for the fiscal year ending July 31, 2018, as well as Stittco's responses to interrogatories posed by the Board.

The Board will approve Stittco's non-commodity revenue requirement of $2,114,130 for the year ending July 31, 2018. Absent the impact of the Order 158/16 distribution rate riders, the new revenue requirement will cause non-commodity rates to be increased by 4.25% effective November 1, 2017. The Board finds Stittco's non-commodity revenue requirement to be reasonable and the Board is encouraged by the reduction in projected wages and employee benefits costs. However, given the long-term decreasing trend in both customer numbers and propane volumes, coupled with an increase in projected average monthly arrears balances and anticipated increases in future automotive lease costs, the Board expects Stittco to make every effort to further control its operating costs so as to minimize future rate increases to customers.

Return on Rate Base

The Board agrees that Stittco should receive a reasonable return on its investment. The Board will therefore approve Stittco's rate base of $2,320,584 as of July 31, 2017, and a 10% return on rate base amounting to $245,877 in non-commodity cost revenue requirement for the year ending July 31, 2018. The Board finds the capital expenditures for the replacement of the backup generator unit and for improvements to the Thompson storage tank farm piping and supports to be necessary in order to maintain long-term system safety and reliability.

However, in its responses to the Board's Information Requests, Stittco advised that significant capital expenditures will likely continue to be included in future non-commodity rate applications in order to address Stittco's aging infrastructure. Specifically, Stittco's 5-year planning horizon on capital expenditures includes an annual average of $227,000 in projected rate base additions in each of the next five non-commodity rate applications (approximately $1.1 million total between the 2018 and 2022 applications). The single largest projected capital expenditure is the potential replacement of two Thompson propane vaporizers, along with the associated piping and building modifications, at an approximate cost of $750,000. The replacement of these vaporizers is dependent on an inspection to be performed in 2018 and could come on the heels of the recent replacement of Stittco's rail unloading towers, which were recently replaced at a capital cost of $540,000 (plus another $181,000 for associated replacement of piping and supports). Also included in Stittco's 5-year plan is approximately $425,000 in new automotive leases to replace old service trucks. While Stittco does not plan to capitalize these future automotive costs, the new leases are expected to significantly increase operating expenses going forward.

The Board acknowledges that additional investments in Stittco's propane distribution system may be required given the age of some of its existing assets. However, it is the Board's view that these investments must be carefully planned in order to maximize the operational life of existing assets, minimize future rate increases for ratepayers, and increase Stittco's market competitiveness, all the while maintaining system safety and reliability. Furthermore, the Board finds that Stittco's ratepayers would benefit from a more transparent capital expense planning process and from further insight into the rationale used by the utility to identify and prioritize its capital investments.

The Board therefore directs Stittco to file, prior to its next non-commodity rate application, a report that provides additional information regarding the items included in the utility's 5-year capital expense plan as well as justifications for each projected capital expense (i.e., rate base additions) and its associated timing (or pacing) relative to other projected expenses. For example, the report should provide a brief description of the assets in question, a description of the assets' use within Stittco's propane distribution system, details regarding the assets' general condition and relevant performance issues recently experienced or anticipated (supplemented by technical reports if already available), a description of the repair or replacement options available (including initial cost estimates), the utility's rationale for choosing a specific repair or replacement option, and a justification for why the capital investment is anticipated to be needed in a particular year as opposed to a future year. In addition to future capital expenses, the report should also review the anticipated automotive replacements and assess the costs and benefits associated with each replacement and financing option. In light of recent trends in customer numbers, sales volumes, and projected average monthly customer arrears balances, the objective of the report should be to demonstrate that the planned capital expenditures are prudent, are the lowest cost alternatives, and are in the best interest of both the ratepayer and the public. While the Board is mindful of the additional administrative support costs that may be associated with the production of this report, the Board is of the view that this information is typically made available to corporate management prior to considering or funding capital projects, and as such, a report to the Board should not cause Stittco to incur significant additional expenses.

Distribution Rates

Since January 1, 2017, and per Order 158/16, Stittco has implemented distribution rate riders to refund customer overpayments resulting from an inadvertent $265,439.48 over collection in rates for the years ending July 31, 2014 through 2016. The impact of these rate riders is an approximate 14% reduction in the Order 136/16 customer delivery charges for a period of one year, starting January 1, 2017.

As of September 30, 2017, Stittco has refunded $167,803.35, or 63%, of the total overcharge balance. The Board notes that actual customer refund is dependent on actual propane sales volumes, which have traditionally been dependent on weather related consumption. As a result of warmer-than-normal weather experienced during the 2017 calendar year, a significant customer refund balance may remain as of December 31, 2017. While the Board will adjudicate the treatment of any customer refund balance per Order 158/16 Directive 3, the Board is concerned that the rate increases approved in this Order are partially masked by the ongoing, yet temporary, customer refund rate riders. Specifically, while the Order 158/16 rate riders remain in effect, the new distribution charges approved in this Order will temporarily be reduced by approximately 13%, which increases the possibility of consumer rate shock once the Order 158/16 rate riders are eliminated (potentially in early 2018). As a result, the Board directs Stittco to advise all of its customers, by means of an information notice in either the November 2017 or December 2017 bills to customers, of the current changes in non-commodity rates, the status of the Order 158/16 overcharge refund, and the potential for customer bills to increase once the Order 158/16 rate riders are eliminated (potentially in early 2018).

To ensure that the Board has sufficient time to consider Stittco's December 31, 2017 customer refund account variance management proposal, the Board will also vary Order 158/16 Directive 3 such that, starting in November 2017, Stittco's monthly continuity submissions also include the forecast refund balance at December 31, 2017, along with a proposal to manage any account variances going forward.

Commodity rates

In the absence of further evidence received in regards to the interim commodity rates approved in the last year, the Board also finalizes the interim ex parte commodity rates established in Board Orders 135/16, 8/17, 43/17, and 77/17.

The quarterly rate setting process for commodity costs appears to continue to serve customers well, with the periodic commodity rate adjustment helping to mitigate rate shock due to fluctuating market prices. 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. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

6.0 IT IS THEREFORE ORDERED THAT:

1. Stittco Utilities Manitoba Ltd's rates for distribution costs, as per Schedule "A", for consumption on or after November 1, 2017, **BE AND ARE HEREBY APPROVED**.

2. Stittco Utilities Manitoba Ltd's rate base of $2,320,584 as of July 31, 2017 **BE AND IS HEREBY APPROVED**.

3. Stittco Utilities Manitoba Ltd is to file, prior to its next non-commodity rate application, a report that provides additional information regarding the items included in the utility’s 5-year capital expense plan as well as justifications for each projected capital expense and its associated timing (or pacing) relative to other projected expenses. The report should also review the anticipated automotive replacements and assess the costs and benefits associated with each replacement and financing option.

4. Stittco Utilities Manitoba Ltd is to advise all of its customers, by means of an information notice in either the November 2017 or December 2017 bills to customers, of the current changes in non-commodity rates, the status of the Order 158/16 overcharge refund, and the potential for customer bills to increase once the Order 158/16 rate riders are eliminated (potentially in early 2018).

5. Order 158/16 Directive 3 BE AND IS HEREBY VARIED such that, absent further Order of the Board, Stittco Utilities Manitoba Ltd. is to file a continuity schedule each month that shows the amount of money credited to customers and the amount remaining. Starting in November 2017, Stittco’s filing is also to include the forecast refund balance at December 31, 2017, along with a proposal to manage any account variances going forward.

6. All interim ex parte orders referenced in Board Orders 135/16, 8/17, 43/17, and 77/17 **BE AND ARE HEREBY APPROVED AS FINAL**.

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C.",
Panel Chair

"Kurt Simonsen"
Acting Secretary

Certified a true copy of Order No. 116/17
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
Volumetric Charges per m³:				
Commodity Cost Recovery				$1.4454*
Non–Commodity Cost Recovery-Delivery Charge				
	Monthly Volumes	**Base Distribution Rates (per m^3)**	**Order 158/16 Rate Riders (per m^3)**	**Final Distribution Rate (per m^3)**
	first 100 m³	$1.4553	$-0.19084	$1.26446
	next 400 m³	$1.2979	$-0.17015	$1.12775
	next 1000 m³	$1.2282	$-0.16104	$1.06716
	next 2500 m³	$0.9950	$-0.13044	$0.86456
	over 4000 m³	$0.7633	$-0.10008	$0.66322

* Commodity Cost approved per Board Order 115/17