

Order No. 144/17

**STITTCO UTILITIES MAN LTD.
NON-COMMODITY COSTS – REFUND RATE RIDER TREATMENT
FINAL APPROVAL**

December 28, 2017

**BEFORE: Larry Ring, Q.C., Panel Chair
Marilyn Kapitany, B.Sc., (Hon), M.Sc., Member**

Table of Contents

1.0	EXECUTIVE SUMMARY	3
2.0	INTRODUCTION	4
3.0	STITTCO'S COMPLIANCE FILING	6
4.0	BOARD FINDINGS	7
5.0	IT IS THEREFORE ORDERED THAT:	8
	SCHEDULE " A "	9

1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board) approves revised non-commodity distribution rates for Stittco Utilities Manitoba Ltd for propane consumed on or after January 1, 2018.

As the result of an arithmetic error, Stittco customers were overcharged \$265,439.48 in distribution rates approved by the Board for rates commencing in November of 2013, 2014, and 2015. The error was in the accounting of revenues collected in the Basic Monthly Charge and corresponding distribution rates.

In Order 158/16, the Board ordered the refund of this amount to Stittco's customers by means of a 12-month distribution rate rider starting January 1, 2017. The impact of this rate rider resulted in an approximate 14% reduction in customer distribution rates as approved in Order 136/16.

On December 20, 2017, pursuant to Directive 5 of Order 116/17, Stittco informed the Board that the forecast customer refund balance is \$30,712.82 at December 31, 2017. While the total overcharge amount was to be refunded over the 2017 calendar year, actual refund is dependent on customer volumetric consumption, which is dependent on weather.

To ensure that the total overcharge amount is exactly refunded to customers, the Board approves the elimination of the Order 158/16 distribution rate riders and directs Stittco to include the remaining portion of the customer refund in the Purchased Propane Variance Account (PPVA) for disposition at the next commodity rate setting, expected for February 1, 2018 rates.

Customers should note that the removal of the Order 158/16 distribution rate riders on January 1, 2018 is expected to increase the average overall residential propane monthly bills by approximately 7%, as compared to the previously approved rates effective November 1, 2017. Actual customer impacts will depend on propane consumption.

The Board directs Stittco to inform its customers of the change in distribution rates by means of an information notice in January 2018.

2.0 INTRODUCTION

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 accordance with Board Order 141/08, non-commodity costs are reviewed annually and recovered in rates through a Basic Monthly Charge and non-commodity delivery charges. Delivery charges (or distribution rates) are assigned based on a customer's monthly consumption of propane. Order 116/17, dated October 26, 2017, is the most recent Order setting Stittco's non-commodity rates.

Commodity costs are costs incurred by Stittco for the purchase of propane (i.e., the commodity) and for its transportation to Thompson. Commodity costs are passed on to customers with no mark-up. 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. Stittco tracks the differences between the previously approved commodity rate and the actual cost of propane purchases that it incurs, which can vary due to market conditions. These differences are tracked in a Purchased Propane Variance Account (PPVA), and are either refunded to, or collected from, customers in subsequent commodity rate settings. Regular adjustments to commodity prices help to minimize

balances in this account and can help buffer large swings in propane commodity charges. Order 115/17, dated October 26, 2017, is the most recent Order setting Stittco's commodity rate.

In the Board's review of Stittco's 2016 Non-Commodity Cost Application, the Board noted that customer distribution rates commencing November 1 of 2013, 2014 and 2015 may have been higher than necessary due to an error in the calculation of annual revenues from customer Basic Monthly Charges. Previous non-commodity applications had estimated Basic Monthly Charge annual revenues in the order of \$10,000, while actual annual revenue was in the order of \$95,780. When calculating revenue requirements to be recovered in distribution rates, the annual revenue requirement from the Basic Monthly Charge needs to be subtracted from the overall non-commodity revenue requirement to arrive at the distribution rate revenue requirement used in the setting of distribution rates.

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 the inadvertent over collection in rates. The Board subsequently approved as final the Order 136/16 non-commodity rates in Order 158/16, dated December 13, 2016, subject to the implementation of distribution rate riders that effected a refund of the overpayment to customers throughout the 2017 calendar year.

Since January 1, 2017, and per Order 158/16, Stittco has implemented distribution rate riders to refund customer overpayments resulting from the inadvertent \$265,439.48 over collection in rates for the years ending July 31, 2014 through 2016. The impact of these rate riders was an approximate 14% reduction in the Order 136/16 customer delivery charges for a period of one year. With the increase in base delivery charges approved in Order 116/17, the customer refund rate riders have contributed to an approximate 13% reduction in customer delivery charges. Per Order 158/16, Stittco's customer refund rate rider is set to expire on December 31, 2017.

With Directive 5 of Order 116/17, the Board varied Order 158/16 Directive 3 such that Stittco's monthly customer refund continuity submissions also include the forecast refund balance at December 31, 2017, along with a proposal to manage any account variances going forward.

3.0 STITTCO'S COMPLIANCE FILING

On December 20, 2017, Stittco filed its compliance filing in response to Directive 5 of Order 116/17. As of November 30, 2017, Stittco has refunded to customers \$197,798.27, or 75%, of the total overcharge balance. Stittco's forecast customer refund balance at December 31, 2017 is estimated to be \$30,712.82.

As part of its December 20, 2017 submission, Stittco also requested Board approval to end the Order 158/16 non-commodity delivery charge rate riders on December 31, 2017 and, commencing February 1, 2018, that the commodity PPVA be used to refund to customers the remaining portion of Stittco's total overcharge balance. Stittco submits that use of the PPVA would enable the refund of the exact refund amount to customers and that attempts to exactly match the total refund, using the Order 158/16 distribution rate riders, through part of January 2018 would be time consuming given that the refund is dependent on customer volumetric consumption, which is subject to continuous weather variations. Furthermore, Stittco submitted that refund of the remaining balance through the PPVA would result in a more expeditious total refund than would occur if the remaining refund balance would be dispositioned in the next Stittco non-commodity cost application for November 1, 2018 rates.

4.0 BOARD FINDINGS

The Board considers the information filed by Stittco on December 20, 2017 to be Stittco's evidence in support of its Application.

Non-commodity Costs

The Board has reviewed Stittco's request to end the Order 158/16 distribution rate riders on December 31, 2017 and to include the remaining customer refund balance in Stittco's PPVA for disposition in the next commodity rate setting, which is expected to occur for February 1, 2018 per the Board approved QRS.

The Board will approve Stittco's proposal for the treatment of the remaining portion of the Order 158/16 customer refund. As a result, the Order 158/16 distribution rate riders will end on December 31, 2017 and the remaining refund balance will be added to Stittco's commodity PPVA for disposition in the next commodity rate application, which is expected to be filed with the Board in January 2018. Furthermore, the customer refund must be reflected in Stittco's annual financial statements.

The removal of the Order 158/16 distribution rate riders on January 1, 2018 is expected to increase the average overall residential propane monthly bills by approximately 7% as compared to the previously approved rates effective November 1, 2017. Actual customer impacts will depend on propane consumption. 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.

Notice to Customers

Stittco must advise its customers of the change in distribution rates by means of an information notice in January 2018.

5.0 IT IS THEREFORE ORDERED THAT:

1. Stittco Utilities Manitoba Ltd's rates for distribution costs, as per Schedule "A", for consumption on or after January 1, 2018, **BE AND ARE HEREBY APPROVED.**
2. Stittco Utilities Manitoba Ltd's is to include the remaining Order 158/16 customer refund balance to the Purchased Propane Variance Account (PPVA) for disposition as part of the February 1, 2018 commodity rate setting application.
3. Stittco Utilities Manitoba Ltd is to advise all of its customers, by means of an information notice in January 2018, of the current changes in non-commodity rates and of the potential for customer bills to increase as a result of the elimination of the Order 158/16 rate riders.

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.

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C."
Panel Chair

"Darren Christle"
Secretary

Certified a true copy of Order No. 144/17
issued by The Public Utilities Board



Secretary

SCHEDULE " A "

STITTCO UTILITIES MANITOBA LTD

GENERAL SERVICE RATE STRUCTURE

EFFECTIVE FOR CONSUMPTION ON OR AFTER JANUARY 1, 2018

Basic Monthly Charge		\$10.00
Volumetric Charges per m³:		
Commodity Cost Recovery		\$1.4454*
Non-Commodity Cost Recovery-Delivery Charge		
	Monthly Volumes	Distribution Rate (per m³)
	first 100 m ³	\$1.4553**
	next 400 m ³	\$1.2979**
	next 1000 m ³	\$1.2282**
	next 2500 m ³	\$0.9950**
	over 4000 m ³	\$0.7633**

* Commodity Cost approved per Board Order 115/17

** Base Distribution rates approved per Board Order 116/17