

Order No. 8/17

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

January 25, 2017

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

Table of Contents

1.0 EXECUTIVE SUMMARY 3

2.0 INTRODUCTION 5

3.0 APPLICATION 6

4.0 BOARD FINDINGS 6

5.0 IT IS THEREFORE ORDERED THAT: 7

SCHEDULE "A" 8

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 \$0.9731/m³ to \$1.2206/m³ effective for propane consumed on or after February 1, 2017 for Stittco Utilities Man Ltd. (“Stittco”). The increase represents the recovery of Stittco’s higher costs for propane that it passes on to customers without markup.

The commodity rate increase, along with approved delivery charges, is expected to increase the average overall residential propane bill by approximately 10% depending on propane consumption.

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

	Feb 1/16	May 1/16	Aug 1/16	Nov 1/16	Jan 1/17	Feb 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	\$0.4646	\$0.5322	\$0.7037	\$0.9731	\$0.9731	\$1.2206
Delivery charge (Non-Commodity Charge)						
First 100 m3	\$1.40555*	\$1.40555*	\$1.40555*	\$1.3960**	\$1.20516***	\$1.20516***
Next 400 m3	\$1.25358*	\$1.25358*	\$1.25358*	\$1.2450**	\$1.07485***	\$1.07485***
Next 1000 m3	\$1.18618*	\$1.18618*	\$1.18618*	\$1.1781**	\$1.01706***	\$1.01706***
Next 2500 m3	\$0.96097*	\$0.96097*	\$0.96097*	\$0.9544**	\$0.82396***	\$0.82396***
Over 4000 m3	\$0.73723*	\$0.73723*	\$0.73723*	\$0.7322**	\$0.63212***	\$0.63212***

*As approved in Board Order 106/15

**As approved in Board Order 136/16

***As approved in Board Order 158/16

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 136/16 approved revisions to the delivery charges for rates effective November 1, 2016.

Board Order 158/16 revised Stittco's delivery rates effective January 1, 2017 by means of a rate rider to delivery charges approved in Board in Order 136/16. The rate rider was designed to refund Stittco customers \$265,439.48 over the coming 12 month period. In the Board's review of Stittco's July 2016 Non-Commodity Application, the Board noted an 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.

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. 136/16 for propane consumed after November 1, 2016 and in Board Order 158/16 for propane consumed after January 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 Price 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 buffer often large swings in propane commodity charges.

Rates established by the QRS are set on an interim *ex parte* basis, subject to satisfactory information being filed by Stittco with the Board. The quarterly interim rates are reviewed and finalized annually through a public process (either by way of a paper review or oral hearing) when Stittco files their annual non-commodity rate application.

The interim *ex parte* (no notice of the proposed rate change is given because the rate is based on previously approved formula for calculating rates) rate approval process reduces regulatory costs.

3.0 APPLICATION

Stittco filed its application on January 17, 2017, seeking an increase in the propane commodity rate from the current rate of \$0.9731/m³ to \$1.2206/m³ effective February 1, 2017. This new rate reflects the higher costs that Stittco pays for the propane which is passed on to customers without markup. The commodity rate also reflects Stittco's cost recovery of the forecasted propane commodity price of \$250.00/m³ of liquid propane (an increase from \$185.00/m³ reflected in current rates), plus an additional \$74/m³ for delivery to Thompson. Stittco's Application also included an adjustment to the PPVA of \$4,403 to be refunded to customers (a change from \$8,133 owing to customers reflected in current rates).

4.0 BOARD FINDINGS

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 \$1.2206/m³ for propane consumed on or after February 1, 2017.

The information filed by Stittco is considered by the Board to be Stittco's evidence in support of its ex-parte application. The Board requires Stittco to certify the information is true and correct and Stittco has done so in its application.

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.pub.gov.mb.ca.

5.0 IT IS THEREFORE ORDERED THAT:

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

THE PUBLIC UTILITIES BOARD

"Robert Gabor, Q.C."

Chair

"Kurt Simonsen"

Acting Secretary

Certified a true copy of Order No. 8/17
issued by The Public Utilities Board

Acting Secretary

SCHEDULE "A"
GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER FEBRUARY 1, 2017

Basic Monthly Charge	\$10.00/month
	per m ³ /mo
Commodity Costs Recovery	\$1.2206
Delivery Charge:	
First 100 m ³	\$1.20516*
Next 400 m ³	\$1.07485*
Next 1000 m ³	\$1.01706*
Next 2500 m ³	\$0.82396*
Over 4000 m ³	\$0.63212*

*As approved in Board Order 158/16