

Order No. 19/18

**STITCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE FEBRUARY 1, 2018**

January 30, 2018

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

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1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, a decrease in the propane commodity rate from \$1.4454/m³ reflected in current rates to \$1.3945/m³ for propane consumed on or after February 1, 2018 for Stittco Utilities Man Ltd. (“Stittco”). The decrease represents the recovery of Stittco’s lower costs for propane that it passes through to customers without markup.

In Board Order 158/16 the Board amended distribution rates to include distribution charge rate riders. Stittco customers were overcharged \$265,439.48 in distribution rates for rates commencing in November of 2013, 2014 and 2015. The \$265,439.48 overcharge resulted from an arithmetic error in accounting of revenues collected in the Basic Monthly Charge. In Board Order 158/16 the Board ordered a refund of this amount by means of distribution charge rate riders to be applied over a 12-month period commencing January 1, 2017.

In Board Order 144/17, dated December 28, 2017, the Board eliminated the distribution rate riders effective January 1, 2018, and directed Stittco to include the remaining portion of the customer refund (\$37,354.86) in the Purchased Propane Variance Account (PPVA) for disposition at the next commodity rate setting.

The commodity rate decrease is expected to decrease the average overall residential propane monthly bills by approximately 1.7% when compared to the previously approved propane rate effective January 1, 2018. Actual customer impacts will depend on propane consumption.

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

	Feb 1/17	May 1/17	Aug 1/17	Nov 1/17	Jan 1/18	Feb 1/18
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	\$1.2206	\$1.0240	\$0.9679	\$1.4454	\$1.4454	\$1.3945
Delivery charge (Non-Commodity Charge)						
	\$1.20516**	\$1.20516*	\$1.20516*	\$1.20516*	\$1.26446**	\$1.4553***
	\$1.07485**	\$1.07485*	\$1.07485*	\$1.07485*	\$1.12775**	\$1.2979***
	\$1.01706**	\$1.01706*	\$1.01706*	\$1.01706*	\$1.06716**	\$1.2282***
	\$0.82396**	\$0.82396*	\$0.82396*	\$0.82396*	\$0.86456**	\$0.9950***
	\$0.63212**	\$0.63212*	\$0.63212*	\$0.63212*	\$0.66322**	\$0.7633***

*As approved in Board Order 158/16

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

***As approved in Board Order 144/17

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. Board Order 115/17, dated October 26, 2017, is the most recent Order setting Stittco's commodity rate.

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, dated October 26, 2017, approved revisions to the delivery charges for rates effective November 1, 2017.

2.0 INTRODUCTION

The commodity portion of Stittco's overall propane rates is amended quarterly, in accordance with the Quarterly Rate Setting (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 last amended in Board Order No. 144/17 for propane consumed after January 1, 2018.

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. 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 inadvertent error in the calculation of annual revenues from customer Basic Monthly Charges. On December 13, 2016 the Board issued Order 158/16 which directed Stittco to implement 12-month distribution rate riders to refund to customers \$265,439.48 in customer overpayments.

In December 2017, Stittco informed the Board that a customer refund balance would exist at December 31, 2017 as a result of weather dependent customer volumetric consumption. By Order 144/17, dated December 28, 2017, the Board eliminated the distribution rate riders effective January 1, 2018, and directed Stittco to include the remaining portion of the customer refund in the PPVA for disposition at the next commodity rate setting.

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 February 1, 2018 commodity rate application on January 16, 2018. Stittco's application sought a decrease in the propane commodity rate from the current rate of \$1.4454/m³ to \$1.3945/m³ effective February 1, 2018. This new rate reflects the lower 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 \$301/m³ of liquid propane (a decrease from the \$306/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 \$36,667 to be refunded to customers (a change from \$19,188 collected from customers reflected in current rates).

Included with Stittco's commodity application was a schedule describing the status of the customer refund balance as of December 31, 2017 and is summarized in the table below:

Beginning Refund Balance Owing to Customers	\$265,439.48
Refunded to Customers To Date (December 31, 2017)	-228,084.62
Refund Balance As At December 31, 2017	\$37,354.86

On January 15, 2018 Stittco filed its PPVA balance as of December 31, 2017. The December 31, 2017 PPVA balance reflected \$687.50 owing to Stittco from the propane commodity cost variance plus \$37,354.86 owing to customers from the transfer of the customer refund balance. The net result is PPVA balance of \$36,667 owing to customers as of December 31, 2017.

4.0 BOARD FINDINGS

The Board considers the information filed by Stittco on January 16th, 2018, and certified by Stittco to be accurate and correct, to be Stittco's evidence in support of its Application.

The commodity recovery rate sought by Stittco fairly reflects projected commodity and transportation costs and the transfer of the customer refund balance into the PPVA. The Board will direct that the propane commodity rate be decreased to \$1.3945/m³ for propane consumed on or after February 1, 2018. 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 February 1, 2018.

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C."

Panel Chair

"Kurt Simonsen"

Acting Secretary

Certified a true copy of Order No. 19/18
issued by The Public Utilities Board



Acting Secretary

SCHEDULE "A"

GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER FEBRUARY 1, 2018

Basic Monthly Charge	\$10.00/month
	per m ³ /mo
Commodity Costs Recovery	\$1.3945
Delivery Charge:	
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*

*As approved in Board Order 144/17