

Order No. 14/19

**STITTCO UTILITIES MAN LTD.  
PROPANE RATES EFFECTIVE FEBRUARY 1, 2019**

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**January 28, 2019**

**BEFORE:** Larry Ring, Q. C., Panel Chair  
Marilyn Kapitany, B.Sc. (Hons), M.Sc., Vice Chair  
Carol Hainsworth, C.B.A., 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 \$1.3444/m<sup>3</sup> reflected in current rates to \$1.3173/m<sup>3</sup> for propane consumed on or after February 1, 2019 for Stittco Utilities Man Ltd. (“Stittco”). While Stittco has advised that propane transportation costs to Thompson and Flin Flon may increase over the next few months, the decrease in the propane commodity rate represents the recovery of currently lower Stittco forecast costs that it passes through to customers without markup.

The commodity rate decrease, along with approved delivery charges, is expected to decrease the average overall residential propane monthly bills by approximately 1% when compared to the previously approved propane rates effective January 1, 2019. Actual customer impacts will depend on propane consumption.

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

	Feb 1/18	May 1/18	Aug 1/18	Nov 1/18	Jan 1/19	Feb 1/19
<b>Basic Monthly Charge</b>	\$10.00/mo	\$10.00/mo	\$10.00/mo	\$10.00/mo	\$10.00/mo	\$10.00/mo
	per m <sup>3</sup>	per m <sup>3</sup>	per m <sup>3</sup>	per m <sup>3</sup>	per m <sup>3</sup>	per m <sup>3</sup>
<b>Commodity Cost Recovery</b>	<b>\$1.3945</b>	<b>\$0.9725</b>	<b>\$1.1191</b>	<b>\$1.3444</b>	<b>\$1.3444</b>	<b>\$1.3173</b>
<b>Delivery charge (Non-Commodity Charge)</b>						
First 100 m <sup>3</sup>	\$1.4553*	\$1.4553*	\$1.4553*	\$1.4553*	\$1.5102**	\$1.5102**
Next 400 m <sup>3</sup>	\$1.2979*	\$1.2979*	\$1.2979*	\$1.2979*	\$1.3469**	\$1.3469**
Next 1000 m <sup>3</sup>	\$1.2282*	\$1.2282*	\$1.2282*	\$1.2282*	\$1.2746**	\$1.2746**
Next 2500 m <sup>3</sup>	\$0.9950*	\$0.9950*	\$0.9950*	\$0.9950*	\$1.0326**	\$1.0326**
Over 4000 m <sup>3</sup>	\$0.7633*	\$0.7633*	\$0.7633*	\$0.7633*	\$0.7921**	\$0.7921**

\* As approved in Board Order 144/17

\*\*As approved in Board Order 169/18

Commodity rates are adjusted every quarter in accordance with the Quarterly Rate Setting 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 144/18, dated October 23, 2018, 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 169/18 approved revisions to the delivery charges for rates effective January 1, 2019.

## 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. 169/18 for propane consumed after January 1, 2019.

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 144/18, dated October 23, 2018, is the most recent Order setting Stittco's commodity rate.

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

On January 22, 2019, the Board received an Application from Stittco seeking to maintain the existing propane commodity rate at \$1.3444/m<sup>3</sup> effective February 1, 2019.

For illustrative purposes, Stittco's Application presents a February 1, 2019 propane commodity rate of \$1.3173/m<sup>3</sup> calculated in accordance with the Board-approved QRS process. The illustrative commodity rate reflects Stittco's forecasted propane commodity price of \$273/m<sup>3</sup> of liquid propane (no change from the price forecast included in current rates), plus an additional \$74/m<sup>3</sup> for delivery to Thompson. Stittco's illustrative rate also includes an adjustment to the PPVA of \$13,226 to be collected from customers (a change from \$61,215 to be collected from customers reflected in current rates).

While the illustrative commodity rate would represent a decrease compared to the existing commodity rate of \$1.3444/m<sup>3</sup>, Stittco advised that this rate decrease would likely contribute to an increased PPVA balance as it expects commodity transportation costs to increase above the current \$74/m<sup>3</sup> unit cost over the next few months. This is as a result of anticipated increases in freight rates for both Thompson and Flin Flon. In an effort to minimize the PPVA balance over the next quarterly rate setting period, Stittco proposed to maintain the current propane commodity rate at \$1.3444/m<sup>3</sup> effective February 1, 2019.

## 4.0 BOARD FINDINGS

The Board considers the information received from Stittco on January 22, 2019, which is certified to be accurate and correct by Stittco, to be the evidence in support of its Application.

The Board finds that Stittco's illustrative propane commodity rate of \$1.3173/m<sup>3</sup> reflects the Board-approved QRS process. While the Board accepts Stittco's forecast that transportation costs to Thompson and Flin Flon may increase beyond the current \$74/m<sup>3</sup> transportation unit cost included in the illustrative propane commodity rate, the Board finds there is insufficient evidence received regarding the specific impact of such increases on Stittco's forward propane transportation unit cost.

Going forward, the Board expects Stittco to include forecast transportation cost changes in its forward commodity transportation estimates (shown as Estimated Delivery Costs in the Application), similar to the methodology used for Stittco's Western Canada propane forward purchase cost estimates and per the existing QRS methodology.

As a result, the Board approves Stittco's illustrative propane commodity rate of \$1.3173/m<sup>3</sup> for propane consumed on or after February 1, 2019. Any differences between Stittco's forecast commodity costs and the costs actually incurred by Stittco will accumulate in the PPVA and will be collected from, or returned to, customers in a future period. Propane rates will be reviewed again May 1, 2019.

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.

## 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, 2019.

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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C."

Panel Chair

"Rachel McMillin, B.Sc."

Assistant Associate Secretary

Certified a true copy of Order No. 14/19  
issued by The Public Utilities Board



Assistant Associate Secretary



## SCHEDULE "A"

GENERAL SERVICE RATE STRUCTURE  
EFFECTIVE FOR CONSUMPTION ON OR AFTER FEBRUARY 1, 2019

Basic Monthly Charge		\$10.00/month
		per m <sup>3</sup> /mo
Commodity Costs Recovery		<b>\$1.3173</b>
Delivery Charge:		
	First 100 m <sup>3</sup>	\$1.5102*
	Next 400 m <sup>3</sup>	\$1.3469*
	Next 1000 m <sup>3</sup>	\$1.2746*
	Next 2500 m <sup>3</sup>	\$1.0326*
	Over 4000 m <sup>3</sup>	\$0.7921*

\*As approved in Board Order 169/18