

Order No. 84/21

**STITTCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE AUGUST 1, 2021**

July 28, 2021

BEFORE: Larry Ring, Q. C., Panel Chair
Marilyn Kapitany, B.Sc. (Hons), M.Sc., Vice Chair
Carol Hainsworth, C.B. A., 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, an increase in the propane commodity rate from \$1.3976/m³ reflected in current rates to \$1.7836/m³ for propane consumed on or after August 1, 2021 for Stittco Utilities Man Ltd. (“Stittco”). The increase represents the recovery of Stittco’s costs for propane that it passes through to customers without markup.

The commodity rate increase is expected to increase the average residential propane annual bills by approximately \$211 or 12.2% when compared to the previously approved propane rates effective May 1, 2021 (assuming a consumption of 45.6 m³ per month). Historically and in prior Orders, the bill impact was based on a high-consuming (100 m³ per month) residential customer. A high-consuming residential customer will experience a bill increase of approximately \$463 per year or 12.7%. Actual customer impacts will depend on propane consumption.

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

| | Aug 1/20 | Nov 1/20 | Feb 1/21 | May 1/21 | Aug 1/21 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Basic Monthly Charge | \$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 |
| Commodity Cost Recovery | \$1.1883 | \$1.2407 | \$1.4253 | \$1.3976 | \$1.7836 |
| Delivery charge (Non-Commodity Charge) | | | | | |
| First 100 m ³ | \$1.6788* | \$1.5377** | \$1.5377** | \$1.5377** | \$1.5377** |
| Next 400 m ³ | \$1.4973* | \$1.3715** | \$1.3715** | \$1.3715** | \$1.3715** |
| Next 1000 m ³ | \$1.4169* | \$1.2978** | \$1.2978** | \$1.2978** | \$1.2978** |
| Next 2500 m ³ | \$1.1479* | \$1.0515** | \$1.0515** | \$1.0515** | \$1.0515** |
| Over 4000 m ³ | \$0.8805* | \$0.8065** | \$0.8065** | \$0.8065** | \$0.8065** |

* As approved in Board Order 179/19

**As approved in Board Order 127/20

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 48/21 is the most recent Order setting Stittco's commodity rate.

In addition to the propane commodity rate, Stittco customers are also assessed delivery charges (non-commodity rates) and a Basic Monthly Charge (administration costs). Delivery charges, and the Basic Monthly Charge, are reviewed annually when Stittco files its non-commodity costs application (typically in July of each year). Board Order 127/20 approved revisions to the delivery charges for rates effective November 1, 2020.

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 rates, 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 127/20 for propane consumed on and after November 1, 2020.

Commodity costs, including transportation to Thompson, are passed on to customers with no markup. 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. Board Order 48/21, dated April 23, 2021, 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 costs application.

3.0 APPLICATION

On July 15, 2021, Stittco filed an application seeking an increase in the propane commodity rate from the current rate of \$1.3976/m³ to \$1.7836/m³ effective August 1, 2021. This new rate reflects the higher costs that Stittco pays for propane, which are passed on to customers without markup, as well as the costs to deliver propane to Manitoba. The commodity rate includes Stittco's cost recovery of the forecasted propane commodity price of \$359/m³ for liquid propane, plus an additional \$89/m³ for delivery to Thompson. Stittco's application also included an updated Purchased Propane Variance Account ("PPVA") balance of \$165,275 to be collected from customers (a change from \$139,981 to be collected from customers reflected in current rates).

As described in Section 2.0, propane prices may vary because of market conditions. The forward, or future, market prices of propane have increased compared to the forward prices at the time of the previous commodity rate change on May 1, 2021. Accordingly, the August 1, 2021 commodity rate has increased. In addition to the recovery of the forecast cost of propane, the August 1, 2021 commodity rate continues to recover the balance in the PPVA from customers. The difference between the cost paid by Stittco for propane and the price Stittco ultimately sells it is captured in the PPVA. Stittco does not earn a profit or markup on the sale of propane commodity, but neither does it suffer a loss. The PPVA is the mechanism that allows this to happen. The PPVA balance has been and will continue to be charged to customers and will serve to recover Stittco's prior costs for propane commodity. The PPVA balance is forecasted to be recovered over 12 months through rates, although subsequent additions to the PPVA may extend the recovery period.

4.0 BOARD FINDINGS

The Board accepts the information filed by Stittco on July 15, 2021, and certified by Stittco to be accurate and correct, to be Stittco's evidence in support of its Application.

The Board finds that the commodity rate sought by Stittco fairly reflects projected commodity and transportation costs as well as recovery of the PPVA balance. The Board will direct that the propane commodity rate be increased to \$1.7836/m³ for propane consumed on or after August 1, 2021. Propane rates will be reviewed again November 1, 2021.

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 August 1, 2021.

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.

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C."

Panel Chair

"Rachel McMillin, B.Sc."

A/Associate Secretary

Certified a true copy of Order No. 84/21
issued by The Public Utilities Board



A/Associate Secretary

SCHEDULE "A"

GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER AUGUST 1, 2021

| | | |
|--------------------------|------------------------------------|--------------------|
| Basic Monthly Charge | | \$10.00/month |
| | | per m ³ |
| Commodity Costs Recovery | | \$1.7836 |
| Delivery Charge: | | |
| | First 100 m ³ per month | \$1.5377* |
| | Next 400 m ³ per month | \$1.3715* |
| | Next 1000 m ³ per month | \$1.2978* |
| | Next 2500 m ³ per month | \$1.0515* |
| | Over 4000 m ³ per month | \$0.8065* |

*As approved in Board Order 127/20