

Order No. 48/24

**STITCO UTILITIES MAN LTD.  
PROPANE RATES EFFECTIVE MAY 1, 2024**

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**April 25, 2024**

**BEFORE:** Marilyn Kapitany, B.Sc. (Hon), M.Sc., Panel Chair  
Shawn McCutcheon, Member  
Susan Nemec, FCPA, FCA, Member  
Hamath Sy, B.Sc., M.Sc., 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 \$1.4796/m<sup>3</sup> reflected in current rates to \$1.4862/m<sup>3</sup> for propane consumed on or after May 1, 2024 for Stittco Utilities Man Ltd. (“Stittco”). The increase reflects an increase in the amount to be collected from customers arising from an increase in the Purchased Propane Variance Account cumulative balance owing to Stittco, partially offset by Stittco’s lower forecast costs for both propane commodity and its transportation to Manitoba, which are both passed through to customers without markup.

The commodity rate increase is expected to increase the average residential propane annual bills by approximately 0.2% (or \$3 per year) when compared to the previously approved propane rates effective February 1, 2024 (assuming a consumption of 39.6 m<sup>3</sup> per month). The annual bills of higher consuming residential customers (e.g., those consuming on average 100 m<sup>3</sup> per month) are expected to increase by 0.2%, or \$8 per year. Actual customer impacts will depend on propane consumption.

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

	May 1/23	Aug 1/23	Nov 1/23	Feb 1/24	May 1/24
<b>Basic Monthly Charge</b>	\$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>
<b>Commodity Cost Recovery</b>	<b>\$1.5100</b>	<b>\$1.2496</b>	<b>\$1.3764</b>	<b>\$1.4796</b>	<b>\$1.4862</b>
<b>Delivery charge (Non-Commodity Charge)</b>					
First 100 m <sup>3</sup>	\$1.7798*	\$1.7798*	\$1.6735**	\$1.6735**	\$1.6735**
Next 400 m <sup>3</sup>	\$1.5874*	\$1.5874*	\$1.4926**	\$1.4926**	\$1.4926**
Next 1000 m <sup>3</sup>	\$1.5021*	\$1.5021*	\$1.4124**	\$1.4124**	\$1.4124**
Next 2500 m <sup>3</sup>	\$1.2171*	\$1.2171*	\$1.1444**	\$1.1444**	\$1.1444**
Over 4000 m <sup>3</sup>	\$0.9335*	\$0.9335*	\$0.8777**	\$0.8777**	\$0.8777**

\* As approved in Board Order 115/22

\*\*As approved in Board Order 123/23

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 13/24 is the most recent Order setting Stittco's commodity rate.

In addition to the propane commodity rate, Stittco customers are also assessed delivery charges (also known as non-commodity rates) and a Basic Monthly Charge (related to a portion of Stittco's 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 123/23 approved revisions to the delivery charges for rates effective November 1, 2023.

Stittco's propane rates will be reviewed again for August 1, 2024.

## 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 123/23 for propane consumed on and after November 1, 2023.

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. As such, 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. Regular adjustments to commodity prices help to minimize balances in this account and can help buffer large swings in propane commodity charges. Board Order 13/24, dated January 22, 2024, is the most recent Order setting Stittco's commodity rate.

Rates established by the QRS process 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 regularly 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 April 15, 2024, Stittco filed an application seeking approval to increase the propane commodity rate from the current rate of \$1.4796/m<sup>3</sup> to \$1.4862/m<sup>3</sup> effective May 1, 2024. The new rate proposed by Stittco reflects an increase in the amount to be collected from customers arising from an increase in the PPVA cumulative balance owing to Stittco, partially offset by the lower costs that Stittco forecasts to pay for both propane commodity and for its transportation to Manitoba, which are both passed on to customers without markup.

As described in Section 2.0, propane prices may vary because of market conditions. The proposed commodity rate for May 1, 2024 includes a decrease to the forward, or future, propane market price from \$280/m<sup>3</sup> to \$278/m<sup>3</sup> for liquid propane. Additionally, the proposed May 1, 2024 commodity rate includes a decrease to the estimated cost of propane transportation to Thompson from \$93/m<sup>3</sup> to \$91/m<sup>3</sup>, which arises due to prevailing market prices for commodity transportation services<sup>1</sup>.

Stittco's application also includes an updated PPVA cumulative balance of \$157,574 owing to Stittco, which represents an increase from the cumulative balance of \$124,584 owing to Stittco included in the February 1, 2024 commodity rate application. In accordance with the Board-approved methodology, the PPVA balance is forecasted to be collected over 12 months through commodity rates, although subsequent additions to the PPVA may change this recovery period. The increase in the PPVA cumulative balance owing to Stittco therefore contributes to an increase in the amount to be collected from customers via Stittco's proposed commodity rate for May 1, 2024.

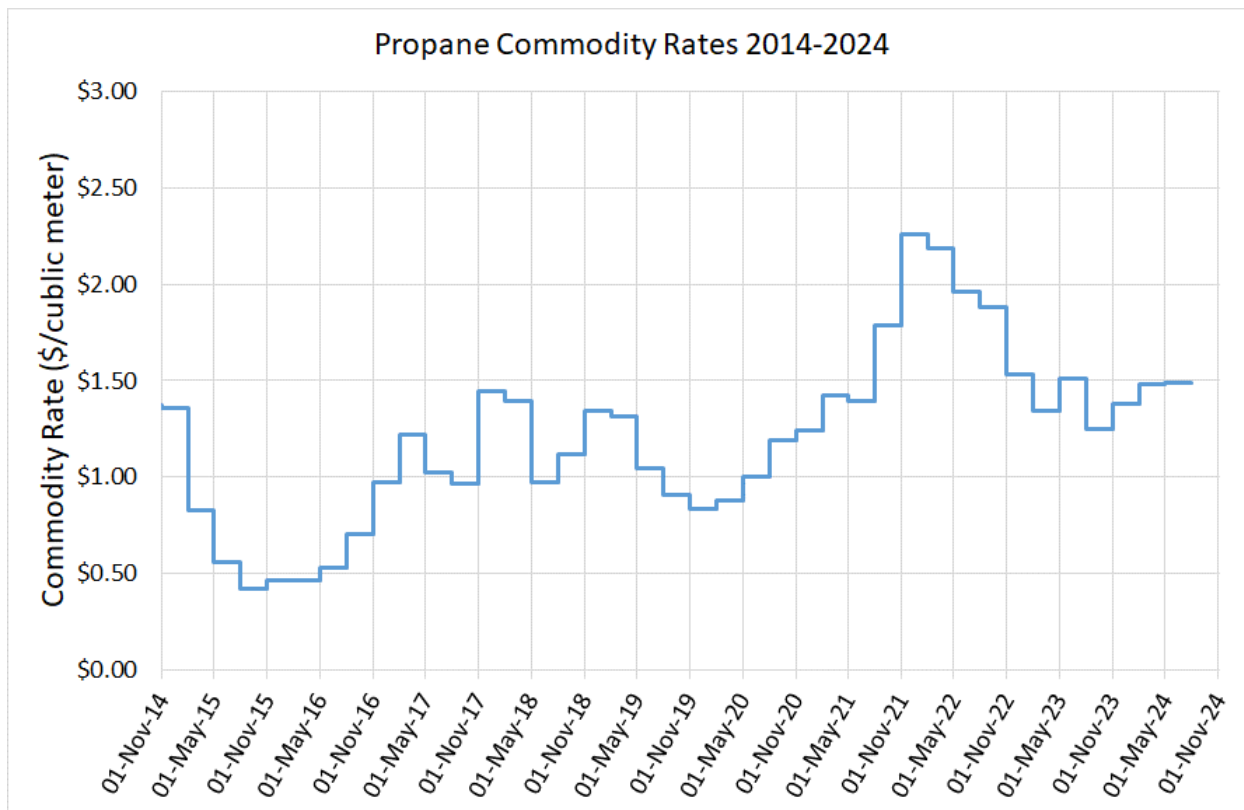
Together, the lower forward market price of propane, the decrease in the forecasted propane transportation costs to Thompson, as well as the increase in the rate relating to

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<sup>1</sup> Per the methodology approved by the Board in Order 115/22, Stittco determines its forecast price for propane transportation to Thompson using a weighted average methodology based on a trailing three-year average of volumes transported from Western Canada to Thompson by rail and trucks.

the collection of the higher PPVA cumulative balance owing to Stittco, result in an overall increased commodity rate effective May 1, 2024.

The following graph shows the historical propane commodity rates approved by the Board, as well as the proposed commodity rate for May 1, 2024.



## 4.0 BOARD FINDINGS

The Board accepts the information filed by Stittco on April 15, 2024, and certified by Stittco as being 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 collection of the cumulative PPVA balance in accordance with the Board-approved methodology. The Board directs that the propane commodity rate be increased to \$1.4862/m<sup>3</sup> for propane consumed on or after May 1, 2024. Stittco's propane rates will be reviewed again for August 1, 2024.



## 5.0 IT IS THEREFORE ORDERED THAT:

1. 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 May 1, 2024.

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

"Marilyn Kapitany, B.Sc. (Hon), M.Sc."  
Panel Chair

"Rachel McMillin, B.Sc., MPA"  
Associate Secretary

Certified a true copy of Order No. 48/24  
issued by The Public Utilities Board

  
Associate Secretary

**SCHEDULE "A"**

GENERAL SERVICE RATE STRUCTURE  
EFFECTIVE FOR CONSUMPTION ON OR AFTER MAY 1, 2024

Basic Monthly Charge	\$10.00/month
	per m <sup>3</sup>
Commodity Costs Recovery	<b>\$1.4862</b>
Delivery Charge:	
First 100 m <sup>3</sup> per month	\$1.6735*
Next 400 m <sup>3</sup> per month	\$1.4926*
Next 1000 m <sup>3</sup> per month	\$1.4124*
Next 2500 m <sup>3</sup> per month	\$1.1444*
Over 4000 m <sup>3</sup> per month	\$0.8777*

\*As approved in Board Order 123/23