

M A N I T O B A) Order No. 149/11
)
THE PUBLIC UTILITIES BOARD ACT) October 25, 2011

BEFORE: Graham Lane CA, Chairman
 Len Evans LL.D., Member
 Monica Girouard CGA, Member

 STITTCO UTILITIES MAN LTD.
 PROPANE RATES EFFECTIVE NOVEMBER 1, 2011

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1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, a 15.6% increase in the propane commodity rate for Stittco Utilities Man Ltd. (effective for propane consumed on or after November 1, 2011).

The table set out below compares propane commodity rates and delivery charges over the last year, and provides the revised commodity rates effective November 1, 2011:

	Nov 1/10	Feb 1/11	May 1/11	Aug 1/11	NOV 1/11
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	\$1.46	\$1.65	\$1.55	\$1.54	\$1.78
Delivery charge					
First 100 m3	\$1.06	\$1.06	\$1.06	\$1.14	\$1.14
Next 400 m3	\$0.95	\$0.95	\$0.95	\$1.02	\$1.02
Next 1000 m3	\$0.90	\$0.90	\$0.90	\$0.96	\$0.96
Next 2500 m3	\$0.73	\$0.73	\$0.73	\$0.78	\$0.78
Over 4000 m3	\$0.56	\$0.56	\$0.56	\$0.60	\$0.60

Revised non-commodity cost recovery rates and overall rates as of that date were recently approved on a final basis for August 1, 2011. 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).

Commodity rates represent approximately two-thirds of the average residential bill; actual customer bills vary with

consumption (consumption varies with weather conditions, heating efficiency, and individual household practices).

The 15.6% commodity rate increase is a result of a market price increase in the cost of the propane commodity (from \$342/m³ for liquid propane to \$400/m³), and a purchase price variance account, using a balance of \$77,566 owing to customers as at August 31, 2011.

The commodity rate increase is expected to increase the average overall residential propane rate by approximately 10%.

2.0 INTRODUCTION

The commodity portion of Stittco's overall propane rates is amended quarterly, in accordance with the QRS process. 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 recently amended in Board Order No. 140/11 for propane consumed after August 1, 2011.

Commodity costs, including transportation to Thompson, are passed on to customers with no mark-up. Variances 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 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-driven review or oral hearing).

The approach reflects reality; the commodity rate is driven by commodity price changes that are outside the control of Stittco. The *ex parte* rate approval process reduces regulatory costs.

Propane remains an expensive fuel for heating purposes. Consumers are encouraged to improve the heating efficiency of their properties, and consider electricity which in the longer-term, even after taking into account conversion costs, is likely less expensive.

3.0 APPLICATION

Stittco filed its application on October 14, 2011, seeking an increase in commodity rates from \$1.5353 to \$1.8186 per cubic meter of propane vapour. The commodity rate reflects Stittco's forecast propane commodity price of \$400.00 per cubic meter of liquid propane, plus an additional \$70 per cubic meter for delivery to Thompson.

4.0 BOARD FINDINGS

The Board has amended the proposed rate to \$1.77598 to take into account the PPVA balance of \$77,566 owing to customers as at August 31, 2011, as per the approved QRS methodology. The PPVA had erroneously been omitted in Stittco's submission.

The commodity recovery rate sought by Stittco, adjusted by the Board, fairly reflects projected commodity and transportation

costs to Thompson. The Board will direct that the propane commodity rate be increased effective for consumption on or after November 1, 2011.

The Board continues to recommend that customers seek ways to upgrade the heating efficiency of their premises, so as to reduce consumption and bills. The Board notes that the cost of heating an average residential dwelling by propane approximates three times the average cost of heating by electricity (not taking into account one-time conversion costs).

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 rates be amended on an interim *ex parte* basis as per the attached Schedule "A" effective for consumption on or after November 1, 2011.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE CA"

Chairman

"HOLLIS SINGH"

Secretary

Certified a true copy of Order No.
149/11 issued by The Public
Utilities Board

Secretary

SCHEDULE "A"
GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER NOVEMBER 1, 2011

Basic Monthly Charge		\$10.00/month
		per m ³ /mo
Commodity Costs Recovery		1.77598
Delivery Charge:		
	First 100 m3	1.14024
	Next 400 m3	1.01691
	Next 1000 m3	0.96223
	Next 2500 m3	0.77963
	Over 4000 m3	0.59809