

Order No. 158/16

**STITTCO UTILITIES MAN LTD.
NON-COMMODITY COSTS
EFFECTIVE JANUARY 1, 2017**

December 13, 2016

**BEFORE: Robert Gabor, Q.C., Chair
Marilyn Kapitany, B.Sc., (Hon), M.Sc., Member**

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1.0 Executive Summary

By this Order, The Public Utilities Board (Board) approves revised non-commodity distribution rates for Stittco Utilities Manitoba Ltd for propane consumed on or after January 1, 2017.

Stittco customers were overcharged \$265,439.48 in distribution rates approved by the Board for rates commencing in November of 2013, 2014, and 2015. The overcharged amount was due to an arithmetic error in the accounting of revenues collected in the Basic Monthly Charge and corresponding distribution rates.

The Board will order the refund of this amount to Stittco customers by means of a rate rider on distribution rates. This rate rider will be applied over a 12-month period commencing on January 1, 2017. The impact of this rate rider will result in an approximate 14 percent reduction in customer distribution rates as approved by the Board in Board Order 136/16 issued on October 27, 2016 for propane consumed on or after November 1, 2016.

2.0 Background

On October 27, 2016 the Board issued Interim Board Order 136/16 in response to Stittco's Application for Non-Commodity Costs filed with the Board on July 14, 2016. Non-commodity costs include costs incurred by Stittco for the distribution of propane to customers. In accordance with Board Order 141/08, non-commodity costs are reviewed annually and recovered in rates through a Basic Monthly charge and a Delivery Charge. Delivery charges are assigned based on a customer's monthly consumption of propane.

In the Board's review of Stittco's Non-Commodity Cost Application, the Board noted customer distribution rates commencing November 1 of 2013, 2014 and 2015 may have been higher than necessary due to an error in the calculation of annual revenues from customer Basic Monthly Charges. Previous non-commodity applications had estimated Basic Monthly Charge annual revenues in the order of \$10,000. Actual annual revenue from the Basic Monthly Charge is in the order of \$95,780. When calculating revenue requirements to be recovered in distribution rates, the annual revenue requirement from the Basic Monthly Charge needs to be subtracted from the overall non-commodity revenue requirement to arrive at the distribution rate revenue requirement used in the setting of distribution rates.

In Board Order 136/16, the Board directed Stittco to file a schedule describing what distribution rates should have been for the years in question and include corresponding amounts of customer overpayment charges to the residential and commercial customer. Stittco was also directed to file what their return on rate base would have been for each of these years with corrected distribution rates and to describe their management system process used in the filing of Stittco's Non-Commodity Rate Application. Stittco was to file this information by November 28, 2016.

3.0 Stittco's Compliance Filing

On November 28, 2016, Stittco filed its Compliance Filing in response to the Board's Directives issued in Board Order 136/16.

Directive 3 of Board Order 136/16 required Stittco to calculate what customer distribution rates should have been for Stittco's customers for rates commencing November 1, 2013, 2014, 2015 when corrected for the error in Basic Monthly Charges. Stittco's recalculated distribution rates are provided in the table below:

Table 1: Stittco Revised Non-Commodity Distribution Rates 2013 – 2015

2013 Non-Commodity Customer Distribution Rates				
Consumption	Base Rate	Revised Base Rate	Variance	% Change
First 100/m3	\$1.27814	\$1.20692	-\$0.07122	-5.6%
Next 400/m3	\$1.13992	\$1.07640	-\$0.06352	-5.6%
Next 1000/m3	\$1.07863	\$1.01852	-\$0.06011	-5.6%
Next 2500/m3	\$0.87389	\$0.82519	-\$0.04870	-5.6%
Over 4000/m3	\$0.67040	\$0.63304	-\$0.03736	-5.6%
2014 Non-Commodity Customer Distribution Rates				
Consumption	Base Rate	Revised Base Rate	Variance	% Change
First 100/m3	\$1.34697	\$1.28057	-\$0.06640	-4.9%
Next 400/m3	\$1.20132	\$1.14209	-\$0.05923	-4.9%
Next 1000/m3	\$1.13671	\$1.08068	-\$0.05603	-4.9%
Next 2500/m3	\$0.92093	\$0.87555	-\$0.04538	-4.9%
Over 4000/m3	\$0.70650	\$0.67168	\$0.03482	-4.9%
2015 Non-Commodity Customer Distribution Rates				
Consumption	Base Rate	Revised Base Rate	Variance	% Change
First 100/m3	\$1.40555	\$1.34114	-\$0.06441	-4.6%
Next 400/m3	\$1.25358	\$1.19611	-\$0.05747	-4.6%
Next 1000/m3	\$1.18618	\$1.13178	-\$0.05440	-4.6%
Next 2500/m3	\$0.96097	\$0.91695	-\$0.04402	-4.6%
Over 4000/m3	\$0.73723	\$0.70343	-\$0.03380	-4.6%

Directive 3 of Board Order 136/16 also required Stittco to calculate customer overpayments for 2013-2015. The table below shows customer overpayment charges.

Table 2: Stittco Customer Overpayment Charges Commencing November 1 2013, 2014, and 2015

2013 Overpayment			
Consumption	2013 Volume Sold	Variance to Approved Base Rate	Overpayment Amount
First 100/m3	183,804.50	\$0.07122	\$ 13,091.11
Next 400/m3	411,316.60	\$0.06352	\$ 26,127.75
Next 1000/m3	225,443.60	\$0.06011	\$ 13,551.16
Next 2500/m3	239,241.40	\$0.04870	\$ 11,650.00
Over 4000/m3	815,409.30	\$0.03736	\$ 30,460.82
Total	1,875,215.40		\$ 94,880.84
2014 Overpayment			
Consumption	2014 Volume Sold	Variance to Approved Base Rate	Overpayment Amount
First 100/m3	175,367.10	\$0.06640	\$ 11,644.35
Next 400/m3	358,244.70	\$0.05923	\$ 21,220.31
Next 1000/m3	215,061.70	\$0.05603	\$ 12,050.49
Next 2500/m3	242,275.70	\$0.04538	\$ 10,993.83
Over 4000/m3	756,004.70	\$0.03482	\$ 26,327.45
Total	1,746,953.90		\$ 82,236.43
2015 Overpayment			
Consumption	2015 Volume Sold	Variance to Approved Base Rate	Overpayment Amount
First 100/m3	199,861.30	\$0.06441	\$ 12,872.22
Next 400/m3	292,951.40	\$0.05747	\$ 16,836.28
Next 1000/m3	189,459.60	\$0.05440	\$ 10,306.08
Next 2500/m3	249,423.60	\$0.04402	\$ 10,980.25
Over 4000/m3	631,745.70	\$0.03380	\$ 21,350.79
Total	1,563,441.60		\$ 72,345.63
Year	Overpayment	Cumulative Total Including 3% Interest	
2013	\$ 94,880.84	\$ 97,727.27	
2014	\$ 82,236.43	\$ 185,362.61	
2015	\$ 72,345.63	\$ 265,439.48	
TOTAL OVERPAYMENT		\$265,439.48	

As can be seen from the above table, customers have overpaid \$265,439.48 due to the error in the Basic Monthly Charge calculation.

Directive 3 of Board Order 136/16 required Stittco file what their return on rate base would have been for Stittco's fiscal years ending July 31, 2013, 2014 and 2015 with corrected distribution rates. Rate base is the value of property upon which the utility is allowed to earn a specified rate of return. Stittco's return on rate base is regulated by the Board. The Board has approved a 10 percent return on Stitco's rate base.

Table 3 below shows Stittco's return on rate base for "weather normal" conditions. Stittco's distribution rates, and return or rate base, are calculated for average weather conditions; actual returns will vary depending on weather being colder or milder than normal.

Table 3: Stittco Revised Return on Rate Base for 2013 – 2015.

REVISED NORMALIZED RETURN			
Year	Application Normalized Return	Revised Normalized Return	Variance
2013	13.78%	10.48%	-3.30%
2014	7.93%	4.06%	-3.87%
2015	11.37%	7.10%	-4.27%
REVISED ACTUAL RETURN			
Year	Application Actual Return	Revised Actual Return	Variance
2013	14.90%	11.77%	-3.13%
2014	13.50%	8.98%	-4.52%
2015	12.21%	7.46%	-4.75%

Stittco also filed rate rider schedules that depicted reductions in distribution rates for that would result in if customer refunds were implemented over a seven month, 12-month or 24-month time frame. Table 4 shows the projected rate rider credits and the corresponding distribution charge for repayment of the overcharged amount.

Table 4: Stittco 2016 Refund Rates

Revised 2016 Non-Commodity Customer Distribution Rates 24 Month Repayment				
Consumption	2016 Base Rate	Rate Rider	2016 Billed Rate (Base Rate Plus Rider)	% Change In Base Rate
First 100/m3	\$1.39600	-\$0.09707	\$1.29893	-6.95%
Next 400/m3	\$1.24500	-\$0.08651	\$1.15849	-6.95%
Next 1000/m3	\$1.17810	-\$0.08190	\$1.09620	-6.95%
Next 2500/m3	\$0.95440	-\$0.06633	\$0.88807	-6.95%
Over 4000/m3	\$0.73220	-\$0.05090	\$0.68130	-6.95%
Revised 2016 Non-Commodity Customer Distribution Rates 12 Month Repayment				
Consumption	2016 Base Rate	Rate Rider	2016 Billed Rate (Base Rate Plus Rider)	% Change In Base Rate
First 100/m3	\$1.39600	-\$0.19084	\$1.20516	-13.7%
Next 400/m3	\$1.24500	-\$0.17015	\$1.07485	-13.7%
Next 1000/m3	\$1.17810	-\$0.16104	\$1.01706	-13.7%
Next 2500/m3	\$0.95440	-\$0.13044	\$0.82396	-13.7%
Over 4000/m3	\$0.73220	-\$0.10008	\$0.63212	-13.7%
Revised 2016 Non-Commodity Customer Distribution Rates 7 Month Repayment				
Consumption	2016 Base Rate	Rate Rider	2016 Billed Rate (Base Rate Plus Rider)	% Change In Base Rate
First 100/m3	\$1.39600	-\$0.3630	\$1.03304	-26.0%
Next 400/m3	\$1.24500	-\$0.3237	\$0.92130	-26.0%
Next 1000/m3	\$1.17810	-\$0.3063	\$0.87179	-26.0%
Next 2500/m3	\$0.95440	-\$0.2481	\$0.70626	-26.0%
Over 4000/m3	\$0.73220	-\$0.1904	\$0.54183	-26.0%

Stittco's November 28, 2016 Compliance Filing requested the Board approve a rate rider that would grant the customer refund over a one-year period. This would result in a 13.7 percent reduction in the interim distribution rates approved in Board Order 136/16.

4.0 Other Matters from Stittco's Non-Commodity Cost Filing and Board Order 136/16

In Board Order 136/16 the Board approved Stittco's distribution rates, as well as Stittco's projected rate base of \$2,229,502 on an interim basis pending Stittco's Compliance Filing to address the overcharging of customers.

In Stittco's Non-Commodity Cost Application of July 2016 Stittco also sought the approval of Stittco's Non-Commodity cost revenue requirement of \$2,037,119. The Non-Commodity cost revenue requirement is what is recovered from Stittco customers in distribution rates and the Basic Monthly Charge. The Board did not approve Stittco's Non-Commodity cost revenue requirement pending submissions of Stittco's Compliance Filing.

5.0 Board Findings

The Board has reviewed Stittco's Non-Commodity Application of July 2016 and Stittco's subsequent Compliance Filing of November 28, 2016.

The Board finds that Stittco customers were overcharged \$265,439.48 for rates approved by the Board effective November 1 of 2013, 2014, and 2015. The overcharged amount was due to an arithmetic error in the accounting of revenues collected in the Basic Monthly Charge and corresponding distribution rates.

The Board will approve a rate rider to be applied to distribution rates approved in Board Order 136/16 that will refund Stittco customers \$265,439.48 over a 12-month period commencing January 1, 2017. The rate rider is expected to reduce approved distribution rates by approximately 13.7 percent. The Board will also require Stittco to file a continuity schedule each month that shows the amount of money credited to customers and the amount remaining. At the end of the 12 month period, the Board will expect Stittco to file a status report on customer refund amounts, along with a proposal to manage any account variances.

The Board will approve as final the base rates for distribution rates that were approved as interim in Board Order 136/16. The Board will also approve Stittco's Non-Commodity Cost revenue requirement of \$2,037,657. This was given interim approval in Board Order 136/16. The Board will also approve Stittco's rate base of \$2,229,502 which was also given interim approval in Order 136/16.

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. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

6.0 IT IS THEREFORE ORDERED THAT:

1. Stittco Utilities Manitoba Ltd's distribution base rates **ARE HEREBY APPROVED AS FINAL** as shown on Schedule "A" attached, for propane consumed on or after November 1, 2016.
2. Stittco Utilities Manitoba Ltd is to apply a rate rider to its base distribution rates to refund an amount of \$265,439.48 to Stittco customers over a 12-month period commencing January 1, 2017. The rate riders to the base distribution rates, as shown on Schedule "A" attached, **ARE HEREBY APPROVED ON AN INTERIM BASIS.**
3. Stittco Utilities Manitoba Ltd. is to file a continuity schedule each month that shows the amount of money credited to customers and the amount remaining. At the end of the 12 month period, Stittco is to file a status report on customer refund amounts, along with a proposal to manage any account variances.
4. Stittco Utilities Manitoba Ltd is to advise all of its customers of the distribution charge rate changes, and the reason for the change, by means of an information notice in the January 2017 bills to customers.
5. Stittco Utilities Manitoba Ltd's rate base of \$2,229,502 for the year ending July 31, 2017 **IS APPROVED AS FINAL.**
6. All interim ex parte Board Orders for propane commodity rates referenced in Board Orders 107/15, 11/16, 56/16, and 100/16 **ARE APPROVED AS FINAL.**

THE PUBLIC UTILITIES BOARD

"Robert Gabor Q.C."
Chair

"Kurt Simonsen"
Acting Secretary

Certified a true copy of Order No. 158/16
issued by The Public Utilities Board

Acting Secretary

SCHEDULE " A"STITTCO UTILITIES MANITOBA LTC
GENERAL SERVICE RATE STRUCTURE

EFFECTIVE FOR PROPANE CONSUMPTION ON OR AFTER JANUARY 1, 2017

Basic Monthly Charge		\$10.00	
Volumetric Charges per m³:			
Propane Commodity Cost		\$0.9731*	
Non-Commodity Cost (Distribution Charge) :			
Monthly Volumes	Base Distribution Rates	Rate Rider	Final Distribution Rate (per m³)
first 100 m ³	\$1.3960	\$-0.19084	\$1.20516
next 400 m ³	\$1.2450	\$-0.17015	\$1.07485
next 1000 m ³	\$1.1781	\$-0.16104	\$1.01706
next 2500 m ³	\$0.9544	\$-0.13044	\$0.82396
over 4000 m ³	\$0.7322	\$-0.10008	\$0.63212

* Commodity Cost approved per Board Order 135/16