

M A N I T O B A) Order No. 19/11
)
THE PUBLIC UTILITIES BOARD ACT) January 25, 2011

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

STITTCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE FEBRUARY 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 12.8% increase in the propane commodity rate for Stittco Utilities Man Ltd., effective for propane consumed on or after February 1, 2011.

The table below compares propane commodity rates and delivery charges over the last year along with revised commodity rates effective February 1, 2011:

	Feb 1/10	May 1/10	Aug 1/10	Nov 1/10	Feb 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	\$1.6990	\$1.2592	\$1.0850	\$1.4590	\$1.6460
Delivery charge					
First 100 m3	0.9696	0.9696	0.9696	\$1.0634	\$1.0634
Next 400 m3	0.8648	0.8648	0.8648	\$0.9484	\$0.9484
Next 1000 m3	0.8183	0.8183	0.8183	\$0.8974	\$0.8974
Next 2500 m3	0.6630	0.6630	0.6630	\$0.7271	\$0.7271
Over 4000 m3	0.5087	0.5087	0.5087	\$0.5578	\$0.5578

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 12.8% commodity rate increase represents an increase in the commodity cost of propane (from \$315/m³ for liquid propane to \$360/m³) and the purchase price variance account balance of \$27,423 owing to customers.

The commodity rate increase is expected to increase overall average residential bills by approximately 7%.

The quarterly rate setting (QRS) process for the commodity segment of Stittco's bills was established by Board Orders 141/08 and 45/09 (available for review on the Board's website).

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 last amended in Board Order 107/10, for propane consumed after November 1, 2010.

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, and with the quarterly interim rates reviewed and confirmed annually through a public process (either by way of a paper-driven or oral hearing).

The approach reflects the reality that the commodity rate is driven by commodity price changes outside the control of Stittco, and the *ex parte* process reduces regulatory costs (saving money).

The recent increase provides a further incentive for consumers to upgrade the heating efficiency of their properties, and consider alternative means of heating that may be lower cost in the long-term.

3.0 APPLICATION

Stittco filed its application on January 13, 2011, seeking an increase in commodity rates from \$1.459 to \$1.6460 per cubic meter of propane vapour. The proposed commodity rate reflects Stittco's forecast propane commodity price of \$360.00 per cubic meter of liquid propane, plus an additional \$70 per cubic meter for delivery to Thompson.

Stittco's application also included an adjustment to the propane commodity cost reflecting a PPVA balance of \$27,423 owing to the customer.

4.0 BOARD FINDINGS

The commodity recovery rate sought by Stittco fairly reflects projected commodity and transportation costs to Thompson. The Board will accept Stittco's proposal and direct that an increase

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

Basic Monthly Charge	\$10.00/month
	per m ³ /mo
Commodity Costs Recovery	\$1.6460
Delivery Charge:	
First 100 m3	1.0634
Next 400 m3	0.9484
Next 1000 m3	0.8974
Next 2500 m3	0.7271
Over 4000 m3	0.5578