

M A N I T O B A ) Order No. 53/12  
 )  
THE PUBLIC UTILITIES BOARD ACT ) April 27, 2012

BEFORE: Régis Gosselin, MBA, CGA, Chair  
Len Evans, LL.D., Member  
Monica Girouard, CGA, Member  
Raymond Lafond, CA, Member

STITTCO UTILITIES MAN LTD.  
PROPANE RATES EFFECTIVE MAY 1, 2012

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**1.0 EXECUTIVE SUMMARY**

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, a 27.4% decrease in the propane commodity rate for Stittco Utilities Man Ltd. (effective for propane consumed on or after May 1, 2012).

The table set out below compares propane commodity rates and delivery charges over the last year, and provides the revised commodity rates effective May 1, 2012:

	May 1/11	Aug 1/11	Nov 1/11	Feb 1/12	May 1/12
<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>\$1.55</b>	<b>\$1.54</b>	<b>\$1.78</b>	<b>\$1.47</b>	<b>\$1.0642</b>
<b>Delivery charge</b>					
First 100 m3	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14024
Next 400 m3	\$1.02	\$1.02	\$1.02	\$1.02	\$1.01691
Next 1000 m3	\$0.96	\$0.96	\$0.96	\$0.96	\$0.96223
Next 2500 m3	\$0.78	\$0.78	\$0.78	\$0.78	\$0.77963
Over 4000 m3	\$0.60	\$0.60	\$0.60	\$0.60	\$0.59809

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 half of the average residential bill; the remainder of the costs are non-commodity costs such as distribution and administrative costs. Actual customer bills vary with consumption and are dependent on weather conditions, heating efficiency, and individual household practices.

The 27.4% commodity rate decrease is a result of a market price decrease in the cost of the propane commodity (from \$321/m<sup>3</sup> for liquid propane to \$235/m<sup>3</sup>), and a purchase price variance account balance of \$210,951 owing to customers as of February 29, 2012.

The commodity rate decrease is expected to decrease the average overall residential propane bill by approximately 15% for a customer consuming 1000 m<sup>3</sup> annually.

## 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 to commodity costs 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 review or oral hearing).

The *ex parte* rate approval process reduces regulatory costs. This approach reflects the reality of the North American propane

market; the commodity rate is driven by commodity price changes that are outside the control of Stittco.

### **3.0 APPLICATION**

Stittco filed its application on April 11, 2012, seeking a decrease in commodity rates from \$1.4656 to \$1.0642 per cubic meter of propane vapour. The commodity rate reflects Stittco's forecast propane commodity price of \$235.00 per cubic meter of liquid propane, plus an additional \$70 per cubic meter for delivery to Thompson.

### **4.0 BOARD FINDINGS**

The commodity recovery rate sought by Stittco fairly reflects projected commodity and transportation costs to Thompson. The Board will direct that the propane commodity rate be decreased effective for propane consumed on or after May 1, 2012.

Propane remains an expensive fuel for heating purposes in comparison to other options. The Board continues to recommend that customers seek ways to upgrade the heating efficiency of their premises, so as to reduce propane consumption and resulting costs, and to consider other heating options such as converting to electric heat or geothermal, which may be less expensive even after taking into account conversion costs. The Board notes that the cost of heating an average residential dwelling by propane is approximately twice 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](http://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 May 1, 2012.

THE PUBLIC UTILITIES BOARD

"RÉGIS GOSSELIN, MBA, CGA"  
Chair

"HOLLIS SINGH"  
Secretary

Certified a true copy of Order No.  
53/12 issued by The Public  
Utilities Board

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Secretary

SCHEDULE "A"  
GENERAL SERVICE RATE STRUCTURE  
EFFECTIVE FOR CONSUMPTION ON OR AFTER MAY 1, 2012

Basic Monthly Charge		\$10.00/month
		per m <sup>3</sup> /mo
Commodity Costs Recovery		1.0642
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