

**MANITOBA** ) **Order No. 7/14**  
)  
**THE PUBLIC UTILITIES BOARD ACT** ) **January 23, 2014**

**BEFORE:** Régis Gosselin, B ès Arts, MBA, CGA, Chair  
Larry Soldier, Member  
Marilyn Kapitany, B.Sc. (Hon), M.Sc., Member

**STITCO UTILITIES MAN LTD.**  
**PROPANE RATES EFFECTIVE FEBRUARY 1, 2014**

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## 1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, a 70% increase in the propane commodity rate for Stittco Utilities Man Ltd. effective for propane consumed on or after February 1, 2014.

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

	Feb 1/13	May 1/13	Aug 1/13	Nov 1/13	Feb 1/14
<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>\$0.9249</b>	<b>\$1.1340</b>	<b>\$1.1633</b>	<b>\$1.4721</b>	<b>\$2.4958</b>
<b>Delivery charge (Non-Commodity Charge)</b>					
First 100 m3	\$1.20122	\$1.20122	\$1.20122	\$1.27814	\$1.27814
Next 400 m3	\$1.07129	\$1.07129	\$1.07129	\$1.13992	\$1.13992
Next 1000 m3	\$1.01371	\$1.01371	\$1.01371	\$1.07863	\$1.07863
Next 2500 m3	\$0.82131	\$0.82131	\$0.82131	\$0.87389	\$0.87389
Over 4000 m3	\$0.63006	\$0.63006	\$0.63006	\$0.67040	\$0.67040

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). Interim commodity Orders are reviewed and finalized annually, typically when Stittco files its annual non-commodity rate application.

Commodity rates can represent approximately half of the average annual residential bill depending on propane costs; the remainder of the costs are non-commodity costs such as distribution and administrative costs.

The 70% commodity rate increase is a result of a significant market price increase in the cost of the propane commodity (from \$322/m<sup>3</sup> for liquid propane in current rates to \$593/m<sup>3</sup>), and a small decrease in the purchase price variance account balance (from \$13,199 in current rates to \$11,970) which will be returned to customers in rates.

On July 23, 2013 Stittco applied to the Board for an increase in non-commodity costs. Non-commodity costs include costs incurred by Stittco for the distribution of propane to customers. The result of the Board's review of non-commodity costs can be found in Board Order 125/13, dated October 28, 2013.

The commodity rate increase, along with the previously approved non-commodity rates, is expected to increase the average overall residential propane bill by approximately 37%.

## **2.0 INTRODUCTION**

The commodity portion of Stittco's overall propane rates is amended quarterly, in accordance with the QRS process. Non-commodity costs, 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 recently amended in Board Order No. 125/13 for propane consumed after November 1, 2013.

Commodity costs, including transportation to Thompson, are passed on to customers with no mark-up. 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 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 propane 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) when Stittco files their annual non-commodity rate application.

The interim *ex parte* (without notice as Stittco is not giving notice to anyone other than the Board) rate approval process reduces regulatory costs.

### **3.0 APPLICATION**

Stittco filed its application on January 20, 2014, seeking an increase in commodity rates from \$1.4721/m<sup>3</sup> to \$2.4958/m<sup>3</sup> of propane vapour. The commodity rate reflects Stittco's forecast propane commodity price of \$593/m<sup>3</sup> of liquid propane (an increase from \$322/m<sup>3</sup> reflected in current rates), plus an additional \$70/m<sup>3</sup> for delivery to Thompson. Stittco's application also included an adjustment to the propane commodity cost reflecting a PPVA balance of \$11,900 owing to the customer (a change from \$13,199 owing to customers reflected in current rates).

### **4.0 BOARD FINDINGS**

The commodity recovery rate sought by Stittco fairly reflects projected commodity and transportation costs. The Board will direct that the propane commodity rate be increased effective for propane consumed on or after February 1, 2014.

Propane remains an expensive fuel for heating purposes in comparison to other options. The significant rise in propane commodity costs (from \$1.4721/m<sup>3</sup> in November to \$2.4958 /m<sup>3</sup>) demonstrates the significant volatility of the propane marketplace. 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. The Board would also suggest customers consider other heating options such as electric heat or geothermal. The current cost of heating an average residential dwelling by propane, using a conventional propane furnace, is approximately three times the average cost of heating by electricity.

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 February 1, 2014.

THE PUBLIC UTILITIES BOARD

"Régis Gosselin, B ès Arts, MBA, CGA"  
Chair

"H.M. Singh"  
Secretary

Certified a true copy of Order No. 6/14  
issued by The Public Utilities Board

\_\_\_\_\_  
Secretary

SCHEDULE "A"  
 GENERAL SERVICE RATE STRUCTURE  
 EFFECTIVE FOR CONSUMPTION ON OR AFTER FEBRUARY 1, 2014

Basic Monthly Charge	\$10.00/month
	per m <sup>3</sup> /mo
Commodity Costs Recovery	<b>\$2.4958</b>
Delivery Charge:	
First 100 m <sup>3</sup>	\$1.27814
Next 400 m <sup>3</sup>	\$1.13992
Next 1000 m <sup>3</sup>	\$1.07863
Next 2500 m <sup>3</sup>	\$0.87389
Over 4000 m <sup>3</sup>	\$0.67040