

M A N I T O B A) **Order No. 86/14**
)
THE PUBLIC UTILITIES BOARD ACT) **July 25, 2014**

BEFORE: Régis Gosselin, B ès Arts, MBA, CGA, Chair
Marilyn Kapitany, B.Sc. (Hons), M.Sc., Member
Neil Duboff, B.A. (Hons), LLB, TEP, Member

STITTCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE AUGUST 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, an 11% decrease in the propane commodity rate for Stittco Utilities Man Ltd. effective for propane consumed on or after August 1, 2014.

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

	Aug 1/13	Nov 1/13	Feb 1/14	May 1/14	Aug 1/14
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	\$1.1633	\$1.4721	\$2.4958	\$1.5439	\$1.3692
Delivery charge (Non-Commodity Charge)					
First 100 m3	\$1.20122	\$1.27814	\$1.27814	\$1.27814	\$1.27814
Next 400 m3	\$1.07129	\$1.13992	\$1.13992	\$1.13992	\$1.13992
Next 1000 m3	\$1.01371	\$1.07863	\$1.07863	\$1.07863	\$1.07863
Next 2500 m3	\$0.82131	\$0.87389	\$0.87389	\$0.87389	\$0.87389
Over 4000 m3	\$0.63006	\$0.67040	\$0.67040	\$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 11% commodity rate decrease is a result of a market price decrease in the cost of the propane commodity (from \$330/m³ for liquid propane in current rates to \$300/m³), and a purchase price variance account balance of \$49,488 to be refunded to customers in revised 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 decrease, along with the previously approved non-commodity rates, is expected to decrease the average overall residential propane bill by approximately 6%.

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 July 22, 2014, seeking a decrease in commodity rates from \$1.5439/m³ to \$1.3692/m³ of propane vapour. The commodity rate reflects Stittco's forecast propane commodity price of \$300/m³ of liquid propane (a decrease from \$330/m³ reflected in current rates), plus an additional \$70/m³ for delivery to Thompson. Stittco's application also included an adjustment to the propane commodity cost reflecting a PPVA balance of \$49,488 to be refunded to customers (a change from \$57,734 owing to Stittco 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 decreased effective for propane consumed on or after August 1, 2014.

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. 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 two 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.

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 August 1, 2014.

THE PUBLIC UTILITIES BOARD

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

"Kurt B. Simonsen, P. Eng."
Associate Secretary

Certified a true copy of Order No. 86/14
issued by The Public Utilities Board

Associate Secretary

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

Basic Monthly Charge	\$10.00/month
	per m ³ /mo
Commodity Costs Recovery	\$1.3692
Delivery Charge:	
First 100 m ³	\$1.27814
Next 400 m ³	\$1.13992
Next 1000 m ³	\$1.07863
Next 2500 m ³	\$0.87389
Over 4000 m ³	\$0.67040