

MANITOBA) Order No. 9/12
)
THE PUBLIC UTILITIES BOARD ACT) January 24, 2012

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

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

Table of Contents

	Page
1.0 EXECUTIVE SUMMARY.....	3
2.0 INTRODUCTION.....	4
3.0 APPLICATION.....	5
4.0 BOARD FINDINGS.....	5
5.0 IT IS THEREFORE ORDERED THAT:.....	6
 Schedule "A".....	 7

1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, a 17.5% decrease in the propane commodity rate for Stittco Utilities Man Ltd. (effective for propane consumed on or after February 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 February 1, 2012:

	Feb 1/11	May 1/11	Aug 1/11	Nov 1/11	Feb 1/12
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	\$1.65	\$1.55	\$1.54	\$1.78	\$1.4656
Delivery charge					
First 100 m3	\$1.06	\$1.06	\$1.14	\$1.14	\$1.14
Next 400 m3	\$0.95	\$0.95	\$1.02	\$1.02	\$1.02
Next 1000 m3	\$0.90	\$0.90	\$0.96	\$0.96	\$0.96
Next 2500 m3	\$0.73	\$0.73	\$0.78	\$0.78	\$0.78
Over 4000 m3	\$0.56	\$0.56	\$0.60	\$0.60	\$0.60

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 two-thirds of the average residential bill; actual customer bills vary with consumption and are dependent on weather conditions, heating efficiency, and individual household practices.

The 17.5% commodity rate decrease is a result of a market price decrease in the cost of the propane commodity (from \$400/m³ for liquid propane to \$321/m³), and a purchase price variance account balance of \$86,151 owing to customers as of November 30, 2011.

The commodity rate decrease is expected to decrease the average overall residential propane cost by approximately 10%.

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 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-driven review or oral hearing).

The approach reflects reality; the commodity rate is driven by commodity price changes that are outside the control of Stittco. The *ex parte* rate approval process reduces regulatory costs.

Propane remains an expensive fuel for heating purposes. Consumers are encouraged to improve the heating efficiency of their properties, and consider converting to electric heat, or other heating options such as geothermal, which may be less expensive even after taking into account conversion costs.

3.0 APPLICATION

Stittco filed its application on January 9, 2012, seeking a decrease in commodity rates from \$1.77598 to \$1.4656 per cubic meter of propane vapour. The commodity rate reflects Stittco's forecast propane commodity price of \$321.00 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 February 1, 2012.

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 notes that the cost of heating an average residential dwelling by propane is approximately three times 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.

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, 2012.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE CA"

Chairman

"KURT SIMONSEN P.ENG."

Acting Secretary

Certified a true copy of Order No.
9/12 issued by The Public
Utilities Board

Acting Secretary

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

Basic Monthly Charge		\$10.00/month
		per m ³ /mo
Commodity Costs Recovery		1.4656
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