

**PUBLIC UTILITIES BOARD OF MANITOBA**

**IN THE MATTER OF** the *Public Utilities Board Act* (Act) of Manitoba, C.C.S.M. c.  
P280; and

**IN THE MATTER OF** an application by Stittco Utilities Man Ltd. pursuant to Parts II  
and IV of the Act for orders of the Public Utilities Board of Manitoba relating to the  
non-commodity rates to be charged to propane customers in Thompson, Flin Flon, and  
Snow Lake, Manitoba

**STITTCO UTILITIES MAN LTD.**

**APPLICATION**

**July 14, 2023**

To: Public Utilities Board  
400 – 330 Portage Avenue  
Winnipeg, Manitoba  
R3C 0C4

## APPLICATION

1. Stittco Utilities Man Ltd. (**Stittco** or **Company**) hereby applies to the Public Utilities Board of Manitoba (**Board**) for an Order fixing just and reasonable non-commodity rates for all gas customers served by Stittco, effective November 1, 2023, including:
  - (a) a determination of the non-commodity cost revenue requirement of the Company for the year ending July 31, 2023; and
  - (b) a determination of the rate base of Stittco as of July 31, 2023 (the **Application**).
2. The 2022 normalization financial reconciliation report (**2022 Normalized Report**) was filed with the Board on June 6, 2023 based on the same methodology as prior applications (i.e. normalized financials based on weather). The 2023 normalization financial reconciliation report is expected to be filed before May 2024, subject to availability of audited financial statements.
3. Stittco certifies that, to the best of its knowledge and belief, the information provided in this Application is accurate and correct.

## BACKGROUND

4. Stittco is a small public utility that distributes propane by pipeline to customers in Thompson, Flin Flon, and Snow Lake, Manitoba. The majority of Stittco's customers (by number) are residential and located in Thompson.
5. The Board has been approving the rates of Stittco and its predecessor company since 1963.
6. Stittco is a wholly-owned subsidiary of Superior Plus LP (**Superior**). Superior is Canada's largest distributor of propane and related products and services. It has many years of operating experience, a large, sophisticated network of infrastructure, and the proven technical capability to operate propane distribution services in a proficient and

effective manner. Stittco continues to be the owner of the public utility subject to oversight by the Board.

7. The rates of the Company include commodity costs and non-commodity costs. By Order No. 141/08 dated October 15, 2008, the Board accepted a proposal by Stittco to establish a rate review process involving quarterly commodity rate changes (August 1, November 1, February 1, and May 1 of each year) and annual reviews of non-commodity rates.<sup>1</sup>
8. The commodity costs include the cost of propane and expenses relating to transportation of that propane to the Stittco franchise area, both of which are reflected in rates without markup. Differences between estimated and actual commodity costs are recorded in a Purchased Propane Variance Account that is settled as part of the quarterly rate setting process established in Board Order No. 11/09.<sup>2</sup>
9. By Order No. 115/22 dated October 25, 2022, the Board finalized the interim ex parte commodity rates established in Order No. 122/21 (dated October 28, 2021, effective November 1, 2021), Order No. 7-22 (dated January 26, 2022, effective February 1, 2022), Order No. 45-22 (dated April 27, 2022, effective May 1, 2022), and Order No. 80-22 (dated July 26, 2022, effective August 1, 2022).<sup>3</sup>
10. As required by Order No. 104/19<sup>4</sup>, Stittco will file the information required for the quarterly commodity cost price adjustment by July 15, 2023, which will be effective August 1, 2023.
11. The most recent Board Order relating to non-commodity costs was Order No. 115/22, which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective November 1, 2022, and approved the rate base for Stittco as of July 31, 2022.

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<sup>1</sup> Board Order No. 141/08, page 13 of 14, section 6.0, paragraph 3.

<sup>2</sup> Board Order No. 11/09, dated February 11, 2009, page 3 of 8.

<sup>3</sup> Board Order No. 115/22, page 25 of 28.

<sup>4</sup> Board Order No. 104/19, pages 7 of 8.

**FIVE-YEAR CAPITAL PLAN REPORT**

12. In Order No. 169/18<sup>5</sup> the Board directed Stittco to file a report regarding Stittco's five-year capital plan that reflects management's current estimates of capital expenditures over the next five years.
  
13. As noted in Order No. 169/18:

Through subsequent responses to the Board's information requests, Stittco advised that it was not in a position to provide detailed explanations regarding the justification and pacing of each future item included in its five year plan but clarified that decisions regarding its capital expenditures are thoroughly vetted by Superior Plus management and account for the age and condition of the assets, overall regional budget levels, and best available information. Once determined to be a prudent investment by Stittco's management, each capital investment is subsequently presented to the Board in order to seek approval for cost recovery through rates.
  
14. By Order No. 115/22, the Board required Stittco to continue to include revised five-year capital plans with future non-commodity cost applications.<sup>6</sup>
  
15. The content of the five-year capital plan attached hereto reflects the requirements of the Board and the approach taken by Stittco in its prior five-year capital plans, including the capital plan filed in the proceeding for Stittco's 2022 non-commodity cost application dated July 15, 2022 (**2022 Application**) (a revised five-year capital plan having been filed as part of Stittco's 2022 response to information request PUB/Stittco I-11).
  
16. Since this time, Stittco has revised its capital planning to reflect updated information and to adjust to changed circumstances. These revisions are related to the following:

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<sup>5</sup> Board Order No. 169/18, page 4 of 24.

<sup>6</sup> Board Order No. 115-22, page 24-25 of 28.

- (a) The software system upgrade has been deferred until at least 2026. As noted in the response to the Board's 2021 Information Request I-13, the existing system that is utilized by Stittco is dated and reaching its end of life with limited available support. A thorough review of system requirements and available options is required before a cost estimate and detailed timeline for upgrade can be provided. This review is planned for the 2025-2026 timeframe, when it is expected that the Stittco Information Technology team will have sufficient capacity to undertake the review work required.
- (b) As previously reported to Public Utilities Board of Manitoba on the June 2023 and July 2023 monthly operations reports, leaks occurred in the pipeline system which required repairs. \$90,000 has been spent on leak repairs in fiscal year 2023 and further repairs are required in fiscal year 2024. At this time, Stittco is awaiting a quote on the cost to complete repairs and the preliminary estimate is \$120,000. Stittco will update the PUB with final quotes in future information request submissions prior to finalizing the non-commodity application.

#### **PROPOSED TREATMENT OF SETTLEMENT COSTS**

17. Board letter "Stittco Utilities Man Ltd.'s ("Stittco") Compliance Submission Pursuant to Order 115/22 – Liability Claim Settlement Agreement", dated February 3, 2023, requires that Stittco include in this Application a proposal to transfer the difference between the estimated and actual claim settlement costs associated with a 2019 gas leak from the associated regulatory deferral account to the Purchased Propane Variance Account, starting November 1, 2023, consistent with Directives 5 and 6 of Order No. 115/22.
18. The associated settlement information is confidential and is, therefore, the subject of a separate communication which will be filed on a confidential basis (pursuant to Rule 13 of the Board's Rules of Practice and Procedures) concurrently with the filing of the Application. Stittco submits that confidential treatment is appropriate and consistent

with the finding of the Board in Order No. 115/22 that it is in the public interest to maintain certain claim settlement-related information in confidence.<sup>7</sup>

### PROPOSED NON-COMMODITY RATES

19. Stittco proposes the continuation of the rate methodology established in Board Order No. 141/08 and implemented in subsequent orders, including the most recent Order No. 115/22. Stittco proposes the continuation of the Basic Monthly Charge of \$10.00 per month for all customers plus Monthly Delivery Charges per cubic metre, as follows.

#### GENERAL SERVICE RATE STRUCTURE

Basic Monthly Charge	10.00 Per Month
Non-Commodity Costs Recovery	
Delivery Charge	
FIRST 100 m <sup>3</sup>	1.7671
NEXT 400 m <sup>3</sup>	1.5761
NEXT 1000 m <sup>3</sup>	1.4914
NEXT 2500 m <sup>3</sup>	1.2084
OVER 4000 m <sup>3</sup>	0.9268

20. The non-commodity rates proposed in this Application are calculated to recover the non-commodity costs incurred by Stittco in the provision of service. The non-commodity cost revenue requirement<sup>8</sup> includes operating expenses,<sup>9</sup> income taxes,<sup>10</sup> depreciation<sup>11</sup> and the allowed rate of return on rate base of 10%.<sup>12</sup>
21. Stittco seeks approval of a 0.71% overall decrease in non-commodity rates from Order No. 115/22. The requested decrease is primarily driven by the following factors:

<sup>7</sup> Order No. 115/22, page 5 of 28.

<sup>8</sup> See Tab No. 2, Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2023.

<sup>9</sup> See Tab No. 10, Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2022/2023.

<sup>10</sup> See Tab No. 4, Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2022/2023.

<sup>11</sup> See Tab No. 9., Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2022/2023.

<sup>12</sup> See Tab No. 3, Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2022/2023.

- (a) insurance claim costs incurred in prior years are not expected to be incurred in subsequent years;
  - (b) lower income tax due to lower taxable income reflecting changes outlined in Tab 4 of attached supporting schedules; and
  - (c) reduced rate base due to lower working capital requirement related to the lower cost of propane.
22. The Stittco projected mid-year rate base for 2023 per Order No. 115/22 was \$3,119,921,<sup>13</sup> while the actual and budgeted rate base for 2023 in the current Application is \$2,971,726.<sup>14</sup> The projected mid-year rate base for 2024 is \$3,040,223,<sup>15</sup> relatively consistent with the actual/budgeted rate base for 2023.<sup>16</sup>
23. Stittco submits that the costs described in this Application and the attachments, including operating costs, are prudent, in the public interest and result in rates that are just and reasonable.
24. Superior and Stittco have long-established reputations as dependable, customer service-oriented propane suppliers, consistently honoring service and supply commitments to customers and maintaining industry-leading health, safety and environmental standards. The focus of Superior and Stittco on safety and security is the driver behind the continuing capital investments that are being made in 2023 and into 2024 (and beyond).
25. The actual return earned by Stittco for fiscal year 2022 (year ending July 31, 2022) was 7.41%.<sup>17</sup> Normalized (that is, adjusted to reflect normal weather), the return would have been 7.33%<sup>18</sup> which is below the allowed return of 10%.

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<sup>13</sup> Board Order 115/22, pages 15 of 28

<sup>14</sup> See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2022/2023.

<sup>15</sup> See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2022/2023.

<sup>16</sup> See Tab No. 6.

<sup>17</sup> See Tab No. 1, Historical Earnings, Schedule.

<sup>18</sup> See Tab No. 1, Historical Earnings, Schedule.

26. The projected actual return on rate base for fiscal year 2023 (derived from 9 months of actual numbers and 3 months of projections) is 9.7%.<sup>19</sup> This return is in line with the allowed return of 10%.
27. In Order No. 115/22, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.<sup>20</sup> The Board noted that “Stittco’s 10% return on rate base is reasonable given that Stittco operates in a small market area and faces competition from other service providers.”<sup>21</sup>
28. Stittco does not seek an increase in its allowed rate of return of 10%. By law<sup>22</sup> and the stand alone principle, the equity investors in Stittco are entitled to a return that is equivalent to the returns available from investing in enterprises of similar risk. The range of rates of return awarded to natural gas utilities much larger and significantly less risky than Stittco is from 8.5% for Alberta utilities<sup>23</sup> to 10.1% for Group 1 natural gas pipelines regulated by the Canada Energy Regulator.<sup>24</sup> Stittco continues to hold the view that its investment risk justifies a rate of return on rate base (which is entirely financed by equity) that is significantly higher than the approved 10%. However, the Company is rate constrained because it operates in a very competitive market in a small service area where it faces primary competition from electricity. A higher rate of return would therefore impact the competitiveness of Stittco’s rates.

<sup>19</sup> See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2022/2023.

<sup>20</sup> Order No. 115/22, page 17 of 28.

<sup>21</sup> Order No. 115/22, page 17 of 28.

<sup>22</sup> See, e.g. *Northwestern Utilities Limited v. City of Edmonton*, [1929] S.C.R. 186; *TransCanada PipeLines Limited v. National Energy Board et al.*, 2004 FCA 149.

<sup>23</sup> Alberta Utilities Commission Decision 27084-D01-2022, 2023 Generic Cost of Capital, March 31, 2022, para 1.

<sup>24</sup> See, for example, NOVA Gas Transmission Ltd. (“NGTL”) Application for Approval of the 2020-2024 Revenue Requirement Settlement and for Approval of Revised Interim 2020 and Final 2020 Rates and Abandonment Surcharges, PDF 10 of 17 ([C06105-2](#)) [NGTL 2020-2024 Revenue Requirement Application], NGTL Application for Approval of Interim 2023 Rates, Tolls, Charges and 2023 Abandonment Surcharges for the NGTL System ([C21708-1](#)) [NGTL Interim 2023 Tolls Application], and NGTL Application for Approval of Final 2023 Rates, Tolls, Charges and Final 2023 Abandonment Surcharges for the NGTL System ([C24116-1](#)) [NGTL Final 2023 Tolls Application] (see also Canada Energy Regulator Order TG-009-2020 approving NGTL 2020-2024 Revenue Requirement Application ([C07938-1](#)), Order TGI-002-2022 approving the NGTL Interim 2023 Tolls Application ([C22503-3](#)), and Order TG-003-2023 approving the NGTL Final 2023 Tolls Application ([C24646-3](#)); Westcoast Energy Inc. (“Westcoast”) ,Application for Approval of 2022-2026 Transmission Toll Settlement and Amendments to Westcoast’s Pipeline Tariff ([C21967-2](#)), PDF 8-9 of 35 [Westcoast 2022-2026 Toll Settlement] (see also Canada Energy Regulator Order TG-010-2022 approving the Westcoast 2022-2026 Toll Settlement ([C22660-3](#))); and TransCanada PipeLines Limited (“TCPL”) Application for Approval of the Mainline 2021-2026 Settlement, PDF 16 of 22 [TCPL 2021-2026 Toll Settlement] ([C03833-1](#)) and TCPL Application for One-Time Adjustment to the Long-Term Adjustment Account and Final Tolls for the 2021-2026 Settlement Period ([C09248-1](#)) [TCPL Final 2021-2026 Tolls Application] (see also Canada Energy Regulator Order TG-003-2020 approving the TCPL 2021-2026 Toll Settlement ([C05780-3](#)) and Order TG-014-2020 approving the TCPL Final 2021-2026 Tolls Application ([C10387-3](#))).



29. Stittco requests that this Application be handled in writing with email correspondence as per the contact information below.
30. Attached is a proposed notice to customers for review and consideration by the Board prior to it being sent to Stittco customers.

**WHEREFORE**, Stittco requests an Order of the Board:

- (a) fixing just and reasonable non-commodity rates for all gas customers served by Stittco, effective November 1, 2023, including:
  - (i) approval of the non-commodity cost revenue requirement of the Company as proposed in this Application; and
  - (ii) approval of the projected rate base of \$3,040,223 for Stittco as of July 31, 2023; and
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.

All of which is respectfully submitted this 14<sup>th</sup> day of July, 2023.

Stittco Utilities Man Ltd.

Per: \_\_\_\_\_

Brian Brandsgard

Communications relating to this Application should be directed to:

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and to

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## STITTCO UTILITIES MAN LTD.

### Customer Notification

The non-commodity rates of Stittco Utilities Man Ltd. were last approved in Board Order 115/22.

Stittco Utilities Man Ltd. has filed an application with the Manitoba Public Utilities Board requesting a rate decrease of 0.71% for the non-commodity rates as established in Board Order 115/22.

Stittco is not requesting any change to the rate of return on rate base.

Should additional information be required, please contact your local office at (204) 677-2304, or customers may contact The Public Utilities Board at:

400 – 330 Portage Avenue

Winnipeg, MB R3C 0C4

Telephone: (204) 945-2638

Facsimile: (204) 945-2643

Toll Free: 1-866-854-3698

Email: [publicutilities@gov.mb.ca](mailto:publicutilities@gov.mb.ca)

**STITTCO UTILITIES MAN LTD.  
INDEX OF SCHEDULES ATTACHED  
APPLICATION**

	<u>TAB NO.</u>
Historical Earnings	1
Revenue Requirement	2
Income Statement	3
Income Tax Requirement	4
Capital Cost Allowance	5
Rate Base	6
Working Capital	7
Fixed Asset Schedules	8
Depreciation Schedules	9
Operating Expenses	10

**TAB NO. 1**

**HISTORICAL EARNINGS**

<b>YEAR</b>	<b>MID-YEAR RATE BASE</b>	<b>ACTUAL RETURN</b>	<b>ACTUAL RETURN</b>	<b>NORMALIZED RETURN</b>	<b>ALLOWED RETURN</b>
1984	\$1,496,193	\$16,756	1.12%	6.00%	12.25%
1985	\$1,744,082	\$134,949	7.74%	7.85%	13.75%
1986	\$1,635,439	\$209,853	12.83%	13.17%	13.75%
1987	\$1,473,205	\$134,529	9.13%	12.90%	13.75%
1988	\$1,496,963	\$115,922	7.74%	10.13%	13.75%
1989	\$1,501,948	\$231,257	15.40%	16.36%	13.75%
1990	\$1,565,802	\$232,851	14.87%	14.57%	13.75%
1991	\$1,680,332	\$107,171	6.38%	7.02%	13.75%
1992	\$1,922,222	\$186,471	9.70%	9.73%	13.75%
1993	\$2,199,789	\$196,083	8.91%	9.99%	13.75%
1994	\$2,214,616	\$202,893	9.16%	7.64%	13.75%
1995	\$2,136,964	\$159,392	7.46%	9.19%	13.75%
1996	\$2,166,767	\$307,970	14.21%	12.49%	13.75%
1997	\$2,317,714	\$223,207	9.63%	8.75%	13.75%
1998	\$2,159,054	\$68,968	3.19%	5.18%	13.75%
1999	\$2,002,605	\$103,706	5.18%	8.96%	10.89%
2000	\$2,004,411	\$187,564	9.36%	11.32%	10.89%
2001	\$2,285,548	\$155,238	6.79%	7.78%	10.89%
2002	\$2,073,547	\$108,883	5.25%	6.04%	10.89%
2003	\$2,039,653	\$223,741	10.97%	11.92%	10.83%
2004	\$1,897,533	\$169,904	8.95%	10.29%	10.83%
2005	\$1,929,813	\$83,480	4.33%	4.76%	10.83%
2006	\$1,937,865	-\$93,102	-4.80%	0.03%	10.83%
2007	\$1,927,450	-\$88,036	-4.57%	-0.81%	10.00%
2008	\$2,138,168	-\$11,520	-0.54%	-1.99%	10.00%
2009	\$2,009,574	\$112,030	5.57%	4.10%	10.00%
2010	\$1,980,700	-\$160,751	-8.12%	-0.48%	10.00%
2011	\$2,051,484	\$111,698	5.44%	6.72%	10.00%
2012	\$1,953,864	\$67,310	3.44%	10.02%	10.00%
2013	\$1,733,284	\$258,248	14.90%	13.78%	10.00%
2014	\$1,745,302	\$150,468	8.62%	3.05%	10.00%
2015	\$1,556,473	\$107,523	6.91%	5.91%	10.00%
2016	\$1,808,243	\$157,230	8.70%	13.99%	10.00%
2017	\$2,324,873	-\$147,889	-6.36%	-4.35%	10.00%
2018	\$2,377,585	\$149,533	6.29%	7.17%	10.00%
2019	\$2,329,073	\$197,232	8.47%	6.93%	10.00%
2020	\$2,347,109	\$529,390	22.55%	24.42%	10.00%
2021	\$2,706,809	\$211,710	7.82%	9.40%	10.00%
2022	\$3,049,085	\$226,076	7.41%	7.33%	10.00%

**TAB NO. 2**

**REVENUE REQUIREMENT**



Tab #2

**STITTCO UTILITIES MAN LTD  
REVENUE REQUIREMENT  
PROJECTED FOR YEARS ENDING  
JULY 31, 2023**

	<b>PUB ORDER NO. 115/22</b>	<b>2024 PROJECTED</b>
<b>TOTAL PROJECTED VOLUMES, LITRES</b>		
Sales	6,328,000	6,280,000
Purchases	6,486,000	6,437,000
Cost, \$/M3	\$541.97	\$415.26
<b>PROPANE REVENUE REQUIREMENT</b>		
Balance PPVA		
Cost Of Product	\$ 3,515,108	\$ 2,673,091
<b>TOTAL C3 REV REQ'D</b>	<b>\$ 3,515,108</b>	<b>\$ 2,673,091.38</b>
<b>RATE BASE</b>		
<b>Mid-Year Rate Base</b>	<b>\$ 3,119,921</b>	<b>\$ 3,040,223</b>
<b>DISTRIBUTION REVENUE REQUIREMENT</b>		
Other Cost Of Sales	\$ 75,175	\$ 75,175
Operating Expenses	\$ 2,013,105	\$ 1,990,134
Depreciation	\$ 134,255	\$ 140,251
Accretion	\$ 15,110	\$ 15,110
Return On Rate Base @ 10.00%	\$ 311,992	\$ 304,022
Income Tax Requirement	\$ 134,961	\$ 111,396
Other Income	-\$ 218,600	-\$ 218,600
	<b>\$ 2,465,998</b>	<b>\$ 2,417,487</b>
<b>Annual % Change</b>		<b>-2.0%</b>
<b>REVENUE REQUIRED FROM COMMODITY</b>		<b>\$ 2,673,091</b>
<b>REVENUE REQUIRED FROM YEARLY BILLS</b>		<b>\$ 88,250</b>
<b>REVENUE REQUIRED FROM NON-COMMODITY</b>		<b>\$ 2,329,237</b>
<b>REVENUE FROM REQUESTED GAS RATES</b>		<b>\$ 2,329,237</b>
<b>REVENUE FROM GAS RATES</b>		<b>\$ 2,329,237</b>

**TAB NO. 3**

**INCOME STATEMENT**

**STITTCO UTILITIES MAN LTD**  
**INCOME STATEMENTS**  
**PROJECTED FOR YEARS ENDING**  
**JULY 31, 2023/2024**

	PUB ORDER NO. 115/22	2023 9 MONTHS ACTUAL 3 MONTHS BUDGET	2024 PROJECTED
<b>PROPANE SALES VOL, LITRES</b>			
Residential	1,401,000	1,314,000	1,340,000
Commercial	4,927,000	4,900,000	4,940,000
<b>TOTAL SALES VOLUME</b>	<b>6,328,000</b>	<b>6,214,000</b>	<b>6,280,000</b>
<b>TOTAL PROPANE PURCHASED</b>	<b>6,486,000</b>	<b>6,369,000</b>	<b>6,437,000</b>
<b>UNIT PROPANE COST \$/LITRE</b>	\$0.54	\$0.39	\$0.42
<b>REVENUE</b>			
Gas Sales Non Commodity	\$2,465,998	\$2,303,960	\$2,417,487
Gas Sales	\$3,515,108	\$2,514,501	\$2,673,091
Appl & Mat'l Sales	\$97,000	\$74,717	\$97,000
Service Revenue	\$30,000	\$47,621	\$30,000
Stittco Energy Rev	\$51,600	\$51,600	\$51,600
Other Revenue	\$40,000	\$54,425	\$40,000
<b>TOTAL REVENUE</b>	<b>\$6,199,706</b>	<b>\$5,046,825</b>	<b>\$5,309,179</b>
<b>EXPENSES</b>			
Actual Cost Of Propane	\$3,515,108	\$2,514,501	\$2,673,091
Other Cost Of Sales	\$75,175	\$24,515	\$75,175
Operating Expenses	\$2,013,105	\$1,943,663	\$1,990,134
Depreciation	\$134,255	\$142,177	\$140,251
Accretion	\$15,110	\$14,741	\$15,110
<b>TOTAL EXPENSES</b>	<b>\$5,752,753</b>	<b>\$4,639,596</b>	<b>\$4,893,761</b>
<b>OPER INCOME B/TAX</b>	\$446,953	\$407,228	\$415,418
Income Tax Payable	\$134,961	\$119,011	\$111,396
<b>NET INCOME (RETURN)</b>	<b>\$311,992</b>	<b>\$288,217</b>	<b>\$304,022</b>
<b>MID YEAR RATE BASE</b>	\$3,119,921	\$2,971,726	\$3,040,223
<b>RETURN ON RATE BASE</b>	<b>10.00%</b>	<b>9.70%</b>	<b>10.00%</b>

**TAB NO. 4**

**INCOME TAX REQUIREMENT**

Tab #4

**STITTCO UTILITIES MAN LTD.  
INCOME TAX REQUIREMENT  
PROJECTED FOR YEARS ENDING  
JULY 31, 2023/2024**

	<b>2022/2023 PROJECTED</b>	<b>2023/2024 PROJECTED</b>
OPERATING INCOME	\$407,228	\$415,418
ADD DEPRECIATION	\$142,177	\$140,251
ADD ACCRETION	\$14,741	\$15,110
LESS CCA	\$123,363	\$158,200
TAXABLE INCOME	<u>\$440,783</u>	<u>\$412,579</u>
TAX @ 27.00%	<u>\$119,011</u>	<u>\$111,396</u>
CALCULATED INCOME TAX	<u>\$119,011</u>	<u>\$111,396</u>

**TAB NO. 5**

**CAPITAL COST ALLOWANCES**

**STITCO UTILITIES MAN LTD  
CAPITAL COST ALLOWANCE  
PROJECTED FOR YEAR ENDING 31 JULY 2023**

CLASS NO.	RATE %	UCC 1 AUG 2022	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2023
1	4%	\$1,238,504	\$86,310	\$0	\$0	\$54,719	\$1,270,095
2	6%	\$225,054	\$0	\$0	\$0	\$13,503	\$211,551
6	10%	\$14,930	\$0	\$0	\$0	\$1,493	\$13,437
8	20%	\$62,754	\$100,408	\$0	\$0	\$42,673	\$120,489
9	25%	-	\$0	\$0	\$0	\$0	\$0
10	30%	\$6,680	\$0	\$0	\$0	\$2,004	\$4,676
10.1	30%	\$1	\$0	\$0	\$0	\$0	\$0
38	30%	\$5,548	\$0	\$0	\$0	\$1,664	\$3,884
50	50%	\$2	\$0	\$0	\$0	\$1	\$1
17	8%	\$91,319	\$0	\$0	\$0	\$7,306	\$84,013
		<b>\$1,644,792</b>	<b>\$186,718</b>	<b>\$0</b>	<b>\$0</b>	<b>\$123,363</b>	<b>\$1,708,146</b>

**STITCO UTILITIES MAN LTD  
CAPITAL COST ALLOWANCE  
PROJECTED FOR YEAR ENDING 31 JULY 2024**

CLASS NO.	RATE %	UCC 1 AUG 2023	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2024
1	4%	\$1,282,964	\$0	\$0	\$0	\$51,319	\$1,231,645
2	6%	\$211,551	\$0	\$0	\$0	\$12,693	\$198,858
6	10%	\$13,437	\$0	\$0	\$0	\$1,344	\$12,093
8	20%	\$60,003	\$134,000	\$0	\$0	\$52,201	\$141,803
9	25%	\$0	\$0	\$0	\$0	\$0	\$0
10	30%	\$6,475	\$70,000	\$0	\$1,523	\$32,757	\$43,717
10.1	30%	\$0	\$0	\$0	\$0	\$0	\$0
38	30%	\$3,884	\$0	\$0	\$0	\$1,165	\$2,719
50	50%	\$1	\$0	\$0	\$0	\$1	\$1
17	8%	\$84,013	\$0	\$0	\$0	\$6,721	\$77,292
		<b>\$1,662,328</b>	<b>\$204,000</b>	<b>\$0</b>	<b>\$1,523</b>	<b>\$158,200</b>	<b>\$1,708,127</b>

**TAB NO. 6**

**RATE BASE**



**STITTCO UTILITIES MAN LTD**  
**RATE BASE**  
**PROJECTED FOR YEARS ENDING**  
**JULY 31, 2023/2024**

	<b>PUB ORDER NO. 115/22</b>	<b>2023 PROJECTED</b>	<b>2024 PROJECTED</b>
<b>PLANT IN SERVICE</b>			
Beginning Year Balance	\$6,585,912	\$6,585,912	\$6,731,532
Additions, Net	\$45,489	\$145,620	\$204,000
End Of Year Balance	\$6,631,402	\$6,731,532	\$6,935,532
<b>Average, Mid-year</b>	<b>\$6,608,657</b>	<b>\$6,658,722</b>	<b>\$6,833,532</b>
<b>ACCUMULATED DEPRECIATION</b>			
Beginning Year Balance	\$4,556,086	\$4,556,086	\$4,698,263
Additions, Net	\$65,745	\$142,177	\$140,251
End Of Year Balance	\$4,621,830	\$4,698,263	\$4,838,514
<b>Average, Mid-year</b>	<b>\$4,588,958</b>	<b>\$4,627,174</b>	<b>\$4,768,388</b>
<b>AVERAGE MID-YEAR NET PLANT IN SERVICE</b>	<b>\$2,019,699</b>	<b>\$2,031,548</b>	<b>\$2,065,144</b>
<b>WORKING CAPITAL</b>	<b>\$1,100,222</b>	<b>\$940,178</b>	<b>\$975,079</b>
<b>MID-YEAR RATE BASE</b>	<b>\$3,119,921</b>	<b>\$2,971,726</b>	<b>\$3,040,223</b>

**TAB NO. 7**

**WORKING CAPITAL**

Tab #7

**STITTCO UTILITIES MAN LTD  
WORKING CAPITAL  
PROJECTED FOR YEARS ENDING  
JULY 31, 2023/2024**

	<b>PUB ORDER NO. 115/22</b>	<b>2023 PROJECTED</b>	<b>2024 PROJECTED</b>
PRODUCT INVENTORY	\$459,160	\$334,483	\$351,812
MATERIAL INVENTORY			
Average Monthly Balance	\$93,083	\$99,167	\$101,333
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	\$205,500	\$284,762	\$286,250
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-\$116,167	-\$85,381	-\$87,500
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	-	-	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-\$45,000	-\$117,955	-\$117,955
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	\$251,638	\$242,958	\$248,767
(b) 25/365 of Product Purchases	\$240,761	\$172,226	\$183,088
INCOME TAX			
1/12 of Income Tax	\$11,247	\$9,918	\$9,283
<b>TOTAL</b>	<b>\$1,100,222</b>	<b>\$940,178</b>	<b>\$975,079</b>

**TAB NO. 8**

**FIXED ASSET SCHEDULES**

**STITTCO UTILITIES MAN LTD**  
**FIXED ASSET SCHEDULE**  
**PROJECTED FOR THE YEAR ENDING 31 JULY 2023**

DESCRIPTION	BALANCE	ADJUST- MENTS	ADDITIONS	DISPOSALS	BALANCE
	1 AUG 2022				31 JUL 2023
ASSET RETIREMENT	\$222,530	\$0	\$0	\$0	\$222,530
LAND	\$145,729	\$0	\$0	\$0	\$145,729
BUILDINGS	\$493,722	\$0	\$0	\$0	\$493,722
STORAGE & PLANT	\$2,157,845	\$0	\$86,310	\$0	\$2,244,154
PLANT SITE IMPROVEMENTS	\$557,926	\$0	\$0	\$0	\$557,926
SPUR TRACK	\$10,795	\$0	\$0	\$0	\$10,795
MAINS	\$1,185,787	\$0	\$90,000	\$0	\$1,275,787
SERVICES	\$960,140	\$0	\$0	\$0	\$960,140
METERS	\$332,978	\$0	\$10,408	\$0	\$343,386
OFFICE EQUIP	\$64,976	\$0	\$0	\$0	\$64,976
COMPUTER EQUIPMENT	\$32,650	\$0	\$0	\$0	\$32,650
TRANS EQUIP	\$109,119	\$0	\$0	\$34,916	\$74,203
ROU ASSETS	\$94,484	-\$6,181	\$0	\$0	\$88,303
HEAVY WORK EQUIPMENT	\$91,604	\$0	\$0	\$0	\$91,604
TOOLS & EQUIP	\$113,633	\$0	\$0	\$0	\$113,633
COMMUNICATIONS	\$11,996	\$0	\$0	\$0	\$11,996
<b>TOTAL PLANT IN SERVICE</b>	<b>\$6,585,912</b>	<b>-\$6,181</b>	<b>\$186,718</b>	<b>\$34,916</b>	<b>\$6,731,532</b>

Tab #8

**STITTCO UTILITIES MAN LTD  
FIXED ASSET SCHEDULE  
PROJECTED FOR THE YEAR ENDING 31 JULY 2024**

DESCRIPTION	BALANCE	ADJUST- MENTS	ADDITIONS	DISPOSALS	BALANCE
	1 AUG 2023				31 JUL 2024
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$145,729				\$145,729
BUILDINGS	\$493,722				\$493,722
STORAGE & PLANT	\$2,244,154				\$2,244,154
PLANT SITE IMPROVEMENTS	\$557,926				\$557,926
SPUR TRACK	\$10,795				\$10,795
MAINS	\$1,275,787		\$120,000		\$1,395,787
SERVICES	\$960,140				\$960,140
METERS	\$343,386		\$14,000		\$357,386
OFFICE EQUIP	\$64,976				\$64,976
COMPUTER EQUIPMENT	\$32,650				\$32,650
TRANS EQUIP	\$74,203		\$70,000		\$144,203
ROU ASSETS	\$88,303				\$88,303
HEAVY WORK EQUIPMENT	\$91,604				\$91,604
TOOLS & EQUIP	\$113,633				\$113,633
COMMUNICATIONS	\$11,996				\$11,996
<b>TOTAL PLANT IN SERVICE</b>	<b>\$6,731,532</b>	<b>\$0</b>	<b>\$204,000</b>	<b>\$0</b>	<b>\$6,935,532</b>

**TAB NO. 9**

**DEPRECIATION SCHEDULES**

Tab #9

**STITTCO UTILITIES MAN LTD  
ACCUMULATED DEPRECIATION SCHEDULE  
PROJECTED FOR THE YEAR ENDING 31 JULY 2023**

DESCRIPTION	BALANCE 1 AUG 2022	2023 DISPOSAL	DEPR RATE	2023 DEPR	BALANCE 31 JUL 2023
ASSET RETIREMENT	\$222,530	\$0		\$0	\$222,530
LAND	\$0	\$0	0.00%	\$0	\$0
BUILDINGS	\$431,646	\$0	2.80%	\$12,401	\$444,047
STORAGE & PLANT	\$1,006,106	\$0	2.80%	\$78,371	\$1,084,477
PLANT SITE IMPROVE	\$136,956	\$0	2.80%	\$15,622	\$152,577
SPUR TRACK	\$10,794	\$0	2.80%	\$0	\$10,794
MAINS	\$1,144,608	\$0	2.80%	\$4,335	\$1,148,943
SERVICES	\$960,139	\$0	2.80%	\$0	\$960,139
METERS	\$220,578	\$0	2.80%	\$9,269	\$229,847
OFFICE EQUIPMENT	\$64,975	\$0	10.00%	\$0	\$64,975
COMPUTER EQUIPMENT	\$32,650	\$0	20.00%	\$0	\$32,650
TRANS EQUIP	\$108,766	\$0	24.00%	\$0	\$108,766
ROU ASSETS	\$0	\$0	24.00%	\$21,284	\$21,284
HEAVY WORK EQUIPMENT	\$90,709	\$0	20.00%	\$895	\$91,604
TOOLS & EQUIP	\$113,633	\$0	20.00%	\$0	\$113,632
COMMUNICATIONS	\$11,996	\$0	10.00%	\$0	\$11,996
<b>TOTAL</b>	<b>\$4,556,086</b>	<b>\$0</b>		<b>\$142,177</b>	<b>\$4,698,263</b>



Tab #9

**STITCO UTILITIES MAN LTD  
ACCUMULATED DEPRECIATION SCHEDULE  
PROJECTED FOR THE YEAR ENDING 31 JULY 2024**

<b>DESCRIPTION</b>	<b>BALANCE 1 AUG 2023</b>	<b>2024 DISPOSAL</b>	<b>DEPR RATE</b>	<b>2024 DEPR</b>	<b>BALANCE 31 JUL 2024</b>
ASSET RETIREMENT	\$222,530			\$0	\$222,530
LAND	\$0		0.00%	\$0	\$0
BUILDINGS	\$444,047		2.80%	\$1,631	\$445,678
STORAGE & PLANT	\$1,084,477		2.80%	\$80,587	\$1,165,064
PLANT SITE IMPROVE	\$152,577		2.80%	\$13,543	\$166,121
SPUR TRACK	\$10,794		2.80%	\$0	\$10,794
MAINS	\$1,148,943		2.80%	\$9,445	\$1,158,388
SERVICES	\$960,139		2.80%	\$0	\$960,139
METERS	\$229,847		2.80%	\$9,560	\$239,407
OFFICE EQUIPMENT	\$64,975		10.00%	\$0	\$64,975
COMPUTER EQUIPMENT	\$32,650		20.00%	\$0	\$32,650
TRANS EQUIP	\$108,766		24.00%	\$4,292	\$113,059
ROU ASSETS	\$21,284		24.00%	\$21,193	\$42,477
HEAVY WORK EQUIPMENT	\$91,604		20.00%	\$0	\$91,604
TOOLS & EQUIP	\$113,632		20.00%	\$0	\$113,632
COMMUNICATIONS	\$11,996		10.00%	\$0	\$11,996
<b>TOTAL</b>	<b>\$4,698,263</b>	<b>\$0</b>		<b>\$140,251</b>	<b>\$4,838,514</b>

**TAB NO. 10**

**OPERATING EXPENSES**

**STITTCO UTILITIES MAN LTD  
SUMMARY OF OPERATING EXPENSES  
PROJECTED FOR YEARS ENDING  
JULY 31, 2023/2024**

	<b>PUB ORDER NO. 115/22</b>	<b>2023 9 MONTHS ACTUAL 3 MONTHS BUDGET</b>	<b>2024 PROJECTED</b>
WAGES & BENEFITS	\$875,826	\$795,694	\$887,733
MATERIALS & SUPPLIES	\$38,200	\$34,881	\$38,200
CONTRACT SERVICES	\$120,280	\$121,870	\$122,628
OTHER OPERATING COSTS	\$154,067	\$160,004	\$161,487
AUTOMOTIVE	\$81,796	\$71,304	\$79,328
INSURANCE	\$120,344	\$130,111	\$50,266
PROPERTY TAXES	\$137,327	\$141,564	\$144,395
ADMINISTRATIVE & GENERAL	\$269,575	\$279,985	\$292,867
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>\$1,797,415</b>	<b>\$1,735,413</b>	<b>\$1,776,905</b>
 ADMINISTRATION FEE	 \$215,690	 \$208,250	 \$213,229
 <b>TOTAL OPERATING EXPENSES</b>	 <b>\$2,013,105</b>	 <b>\$1,943,663</b>	 <b>\$1,990,134</b>

**KEY ASSUMPTIONS FOR 2024 PROJECTED COSTS AGAINST PUB ORDER NO. 115/22:**

1. Wages & Benefits increase in line with CPI inflation
2. Other operating costs increase due to inflation on pipeline leak and cathodic testing
3. Insurance costs reflects allocation from Superior Plus Corp, total cost reduced due to insurance claim forecasted in 115/22 not expected to repeat
4. Property Tax forecast based on prior year actual with estimated inflation
5. Admin & General increases over 115/22 due to inflation on utilities and bank charges, higher bad debt costs experienced in 2023 actual results and employee training costs

**STITTCO UTILITIES MAN LTD**  
**DETAILED OPERATING EXPENSES**  
**PROJECTED FOR YEARS ENDING**  
**JULY 31, 2023/2024**

	<b>PUB ORDER NO. 115/22</b>	<b>2023 9 MONTHS ACTUAL 3 MONTHS BUDGET</b>	<b>2024 PROJECTED</b>
<b>WAGES</b>			
Regular	\$705,291	\$658,207	\$728,462
Overtime	\$27,000	\$16,893	\$21,946
Casual	\$0	\$0	\$0
	<u>\$732,291</u>	<u>\$675,100</u>	<u>\$750,408</u>
<b>EMPLOYEE BENEFITS</b>			
Canada Pension	\$31,500	\$28,090	\$33,800
Employment Insurance	\$8,575	\$7,116	\$9,022
Workers' Compensation	\$2,300	\$2,883	\$3,190
Life Insur, Medical & Dental	\$34,400	\$30,150	\$33,368
Employee Pension Plan	\$33,840	\$20,956	\$23,193
Other Employee Benefits	\$32,920	\$31,400	\$34,752
Total Employee Benefits	<u>\$143,535</u>	<u>\$120,595</u>	<u>\$137,325</u>
<b>TOTAL WAGES AND BENEFITS</b>	<u>\$875,826</u>	<u>\$795,694</u>	<u>\$887,733</u>
<b>MATERIALS &amp; SUPPLIES</b>			
Employee Material	\$3,000	\$1,221	\$3,000
Tools & Equipment	\$2,500	\$1,981	\$2,500
Office Supplies	\$18,000	\$11,802	\$18,000
Plant Materials	\$7,000	\$10,584	\$7,000
Main & Service Line Materials	\$7,000	\$8,593	\$7,000
Meters and Regs	\$700	\$700	\$700
Other Distribution	-	-	-
<b>TOTAL MATERIAL &amp; SUPPLIES</b>	<u>\$38,200</u>	<u>\$34,881</u>	<u>\$38,200</u>
<b>CONTRACT SERVICES</b>			
Office	\$25,000	\$28,944	\$25,000
Plant	\$22,000	\$21,950	\$22,000
Pipelines	\$5,000	\$2,259	\$5,000
Meters & Regulators	\$2,000	\$0	\$2,000
Stittco Contract Services	\$66,280	\$68,717	68,628
<b>TOTAL CONTRACT SERVICES</b>	<u>\$120,280</u>	<u>\$121,870</u>	<u>\$122,628</u>
<b>OTHER OPERATING COSTS</b>			
Leak Surveys	\$79,747	\$86,836	\$88,572
Rentals	\$12,000	\$12,182	\$12,000
Vaporizer Consumption	\$59,820	\$58,415	\$58,415
Product Loss	-	\$0	-
Obsolete Material Write Off	\$2,500	\$2,572	\$2,500
Switch & Detention	-	-	-
<b>TOTAL OTHER COSTS</b>	<u>\$154,067</u>	<u>\$160,004</u>	<u>\$161,487</u>

**STITCO UTILITIES MAN LTD  
 DETAILED OPERATING EXPENSES  
 PROJECTED FOR YEARS ENDING  
 JULY 31, 2023/2024**

	<b>PUB ORDER NO. 115/22</b>	<b>2023 9 MONTHS ACTUAL 3 MONTHS BUDGET</b>	<b>2024 PROJECTED</b>
<b>AUTOMOTIVE</b>			
Maintenance	\$30,000	\$22,368	\$30,000
Fuel	\$39,796	\$36,936	\$37,328
Auto Lease	\$0	\$0	\$0
Licenses & Insurance	\$12,000	\$12,000	\$12,000
<b>TOTAL AUTOMOTIVE</b>	<b>\$81,796</b>	<b>\$71,304</b>	<b>\$79,328</b>
<b>INSURANCE</b>	<b>\$120,344</b>	<b>\$130,111</b>	<b>\$50,266</b>
<b>PROPERTY TAXES</b>	<b>\$137,327</b>	<b>\$141,564</b>	<b>\$144,395</b>
<b>ADMINISTRATIVE &amp; GENERAL</b>			
Bank Charges	\$34,000	\$37,587	\$37,587
Safety & Branch Mtgs	\$10,000	\$9,617	\$10,000
Freight & Express	\$8,000	\$6,101	\$7,050
Memberships, Sub, Permits Etc	\$3,000	\$2,470	\$2,735
Postage	\$17,000	\$14,247	\$15,624
Consulting Fees	\$31,000	\$31,919	\$31,000
Public Utility Board Costs	\$2,000	\$2,000	\$2,000
Sales Promotion	\$3,500	\$600	\$600
Advertising	\$2,500	\$971	\$971
Telephone	\$13,000	\$13,903	\$13,903
Training	\$10,000	\$2,041	\$17,000
Travel & Entertainment	\$12,000	\$10,646	\$12,000
Bad Debt	\$20,000	\$37,114	\$28,557
Utilities	\$34,000	\$43,136	\$43,136
Manitoba Payroll Tax	\$17,000	\$16,008	\$17,000
Legal Fees	\$30,000	\$29,049	\$30,000
Audit Fees	\$22,575	\$22,575	\$23,704
<b>TOTAL ADMIN</b>	<b>\$269,575</b>	<b>\$279,985</b>	<b>\$292,867</b>
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>\$1,797,415</b>	<b>\$1,735,413</b>	<b>\$1,776,905</b>
<b>ADMINISTRATION FEE</b>	<b>\$215,690</b>	<b>\$208,250</b>	<b>\$213,229</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$2,013,105</b>	<b>\$1,943,663</b>	<b>\$1,990,134</b>