

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 rates to be charged to propane customers in Thompson) Flin Flon,
and Snow Lake, Manitoba

STITTCO UTILITIES MAN LTD.

APPLICATION

July 2016

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

APPLICATION

1. Stittco Utilities Man Ltd. (Stittco or the 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, 2016, including:
 - (a) a determination of the non-commodity cost revenue requirement of the Company; and
 - (b) a determination of the rate base of Stittco as of July 31, 2016.

BACKGROUND

2. 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 are residential and located in Thompson.
3. The Board has been approving the rates of Stittco and its predecessor company since 1963.
4. In 2014, Gibson Energy Inc. (Gibson) acquired all of the issued and outstanding shares of Stittco Energy Limited, the parent company of Stittco. Gibson's Canwest Propane Partnership (Canwest), which has been providing propane and related services for 30 years in western Canada and northwestern Ontario, now provides management and support services to Stittco.
6. The rates of the Company include commodity costs and non-commodity costs. By Order 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, as of August 1 of each year.¹

7. 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 (QRS) process established in Board Order No. *11/09*.²
8. The most recent Board Order relating to non-commodity costs was Board Order 106115 dated October 29, 2015 which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective November 1, 2015, and approved the rate base for Stittco for 2015.
9. By Order No 56/16 (dated April 27, 2016, effective May 1, 2016), Order No. 11116 (dated January 25, 2016, effective February 1, 2016), and Order No. 107/15 (dated October 29, 2015, effective November 1, 2015) the Board set interim ex parte propane commodity rates.
10. As required by Board Order No. *45/09*³ Stittco will file the information required for the quarterly commodity cost price adjustment on July 15, 2016, to be reflected in rates effective August 1, 2016.

¹ Board Order No. *141/08*, Page, 13 of 14, section 6.0, paragraph S,

² Board Order *11/09*, dated February 11, 2009, Page 3 of 8.

³ Board Order No. *45/09*, Pages 7 through 12, section 4.1 and S.D.

PROPOSED NON-COMMODITY RATES

11. Stittco proposes continuation of the rate methodology established in Board Order No. 141/08 and implemented in subsequent orders. 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 rrr'	1.3960
NEXT 400 m'	1.2450
NEXT 1000m ³	1.1781
NEXT 2500m ³	0.9544
OVER 4000 rrr'	0.7322

12. 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 "includes operating expenses, income taxes, and depreciation", and the allowed rate of return on rate base of 10%.⁸
13. Stittco seeks approval of a 1.0% overall reduction in non-commodity costs. Since the acquisition of the Company by Gibson, management has undertaken efforts to integrate the operations of Stittco into the Gibson and Canwest network, creating management synergies, economies of scale, and more efficient business methods. The benefits of these efforts are now being realized in the areas of reduced operating and administration expenses which have produced a decrease of 1.0%. Examples, as detailed later in this Application, include lower insurance, automotive and

⁴ See Tab No.2. Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31; 2017.

⁵ See Tab No. 10. Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2016/2017.

⁶ See Tab NO.4. Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2016/2017.

⁷ See Tab No.9. Depreciation Schedules, Depreciation Schedules Projected for the-Years Ending July 31, 2016/2017.

⁸ See Tab No.3. Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2016/2017.

⁹ See Tab No.8. Fixed Asset Schedule, Projected for the Years Ending 31 July 2016/2017.

¹⁰ See Tab No.6. Rate Base, Projected for Years Ending July 31, 2016/2017.

management processes which identified areas of personnel and operating efficiency. Stittco will continue these efforts in future to maximize efficiency of operation and minimize impacts on customers. Additionally, Stittco management estimates that future costs to its customers will be further reduced by utilizing its relationship with Gibson and Canwest. For example, the availability of an existing Safety Management System will reduce the costs of expensive consultant fees typically required to develop such a program. As a result, only minimal program development costs are estimated for 2017.

14. Of particular cost reduction note is the expense associated with liability insurance, currently projected to be \$13,000 for the 2017 fiscal year. Prior to being part of the Gibson family, insurance was estimated to be \$60,000 for \$25 million liability coverage and for 2017 the estimate is \$13,000 for \$50 million of liability coverage which is the current coverage amount under the Gibson Corporate policy.
15. The Stittco projected mid-year rate base for 2015 per Board Order 106/15 was \$1,971,445, while the projected rate base for 2016 in the current Application is \$1,790,460. The rate base for 2016 is lower than the initial projection as upgrades to the rail propane unloading system to meet occupational health and safety requirements are being completed and completion will not be achieved until after July 31, which was the original estimated completion date. Replacement of the four towers is now on-going and will be operational in the fall of 2016.⁷ Additionally, lower product inventory cost reduced working capital from its estimate, propane prices in fiscal 2016 remained lower through the year and did not increase as expected.
16. The projected mid-year rate base for 2017 is \$2,194,797.¹⁰ As noted above, costs of the rail unloading towers will move into the 2017 fiscal year and management has estimated that propane pricing will resume its usual trend of increasing over the winter months based on current indicative forward pricing.

There are several reasons for this increase in rate base:

- a. Management expects an increase of \$100,000 for completion of the rail towers. This increase is expected to be incurred by September 2016, at which time the rail tower project will be completed.

- b. Under further inspection, it was revealed that portions of the piping connecting the storage tank farm are lacking proper support and in places will require corrosion protection from ground elements.
- c. Additional infrastructure maintenance and repair which is integral for the safe and reliable operation of the grid system, includes the following equipment:
 - i. Vaporizers
 - u. Pumps

d. Summary of Capital Expense:

Increase to Rail Unloading Towers	\$100,000
Piping upgrades and supports	\$150,000
Vaporizers and Pumps	\$50,000
TOTAL	\$300,000

- e. The estimate for cost of propane in this application is increasing when compared to the estimate provided in Board Order 106/15 thus increasing the working capital estimate. Stittco management estimates the propane market fundamentals are consistent with an increasing price environment for fiscal 2017.
17. Canwest has a long-established reputation as a dependable, customer service-oriented propane supplier, consistently honouring its service and supply commitments to its customers and maintaining industry-leading health, safety and environment standards. Safety has always been a primary focus for both Gibson and Canwest, and extensive safety programs are currently in practice for all Gibson entities. Canwest, and Stittco focus on safety and security is the driver behind the major capital investments that are being made in 2016 and 2017.
18. The actual return earned by Stittco for fiscal 2015 (year ending July 31, 2015) was 12.2%. Normalized (that is, adjusted to reflect normal weather), the return would have been 11.4%.⁹ The projected actual return on rate base for fiscal 2016 (derived from 10 months of actual numbers and 2 months of projections) is 7.6%.¹⁰ The reason for the lower than expected projected return is based on actual volume sold

⁹ See Tab No. 1. Historical Earnings, Schedule, Historical Earnings Ending July 31, 2016/2017.

¹⁰ See Tab No.3. Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2016/2017.

to customers being less than projected as the effects of a warmer winter reduced customer demand. This warmer than normal winter had the negative effect of a lower return on the rate base. Stittco expects the normalized 2016 projected rate of return to be in the range of the approved 10% when adjusted for seasonal effects.

19. In Order 106/15, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.¹¹

20. Stittco does not seek an increase in its allowed rate of return of 10%. By law,¹² 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 utilities much larger and significantly less risky than Stittco is from 8.3% for the Alberta utilities¹³ to 11.5% for the TransCanada Pipelines Limited mainline natural gas transmission system.¹⁴ Stittco continues to hold the view that its investment risk justifies a rate of return on rate base 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 increase the non-competitiveness of Stittco's rates.

21. Stittco requests that this Application be handled in writing with email correspondence as per contact information below.

22. Attached is a proposed notice to customers for review and consideration by the Board prior to it being sent to Stittco customers.

¹¹ Order No. 106/15, Section 5.0, Pages 13, 15 and 16 of 16. ¹² See, e.g. *Northwestern Utilities Limited v. City of Edmonton*, [1929] S.C.R. 186; *TransCanada*

Pipeline Limited v. National Energy Board et al., [2004] F.C.A. 149.

¹³ Alberta Utilities Commission Decision 2191-D91-2015 2013 Generic Cost of Capital, March 23, 2015 Chapter 5, pages 10-57.

¹⁴ National Energy Board Reasons for Decision, *TransCanada Pipeline Limited, NOVA Gas Transmission Ltd. and Foothills Pipelines Ltd.*, RH-003-2011, Tolls and Tariff, March 2013, Chapter 9: Mainline Fair Return and Business Risk, pages 147ff.

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, 2016, 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 Stittco as of July 31, of \$2,229,502; and
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.

All of which is respectfully submitted this day this day of July 14, 2016

Stittco Utilities Man Ltd.

Per:

Jeff Lafond

Communications relating to this Application should be directed to:

Jeff Lafond
Manager Business Services
Stitco Utilities Man Ltd.
1700,440 - 2nd Ave S.W:
Calgary, Alberta
T2P 5E9
Telephone: (403) 206-4253

and to

C. Kemm Yates, Q.C.
Blake, Cassels & Graydon LLP
3500 Bankers Hall East
855 Second Street S.W.
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T2P 4J8
Telephone: (403) 260-9667

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Fax: (403) 663-2297
Email: kemm.yates@blakes.com

STITTCO UTILITIES MAN LTD.

Customer Notification

Stittco Utilities Man Ltd. has filed an application with the Manitoba Public Utilities Board requesting a rate decrease for the yearly non-commodity costs as established in Board Order 106/15. The overall requested decrease in non-commodity costs is 1.0%. 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

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

	<u>TAB NO.</u>
Historical Earnings	1
Reveue 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

**HISTORICAL EARNINGS
YEARS ENDING 31 JULY**

YEAR	MID-YEAR RATE BASE	ACTUAL RETURN	ACTUAL RETURN	NORMALIZED RETURN	ALLOWED RETURN
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	\$1,747,229	\$235,826	13.50%	7.93%	10.00%
2015	\$1,558,335	\$190,269	12.21%	11.37%	10.00%

TAB NO. 2

REVENUE REQUIREMENT

Tab #2

**STITTCO UTILITIES MAN LTD
REVENUE REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2017**

	PUB ORDER NO. 106/15	2017 PROJECTED
TOTAL PROJECTED VOLUMES, LITRES		
Sales	6,723,000	6,547,000
Purchases	6,891,000	6,711,000
Cost, \$/M3	\$225.00	\$260.00
PROPANE REVENUE REQUIREMENT		
Balance PPVA		
Cost Of Product	\$1,550,551	\$1,744,844
TOTAL C3 REV REQ'D	<u>\$1,550,551</u>	<u>\$1,744,844</u>
RATE BASE		
Mid-Year Rate Base	\$1,971,455	\$2,229,502
DISTRIBUTION REVENUE REQUIREMENT		
Other Cost Of Sales	\$120,000	\$100,750
Operating Expenses	1,748,782	1,708,896
Depreciation	103,364	112,436
Accretion	27,560	27,000
Return On Rate Base @ 10.00%	197,145	222,950
Income Tax Requirement	88,927	102,225
Other Income	-274,600	-236,600
	<u>\$2,011,178</u>	<u>\$2,037,657</u>
Annual % Change		1%
REVENUE REQUIRED FROM COMMODITY		\$1,744,844
REVENUE REQUIRED FROM YEARLY BILLS		95,780
REVENUE REQUIRED FROM NON-COMMODITY		<u>1,941,877</u>
REVENUE FROM REQUESTED GAS RATES		<u>\$1,941,877</u>
REVENUE FROM GAS RATES		<u>\$1,941,877</u>

TAB NO. 3

INCOME STATEMENT

Tab #3

**STITTCO UTILITIES MAN LTD
INCOME STATEMENTS
PROJECTED FOR YEARS ENDING
JULY 31, 2016-2017**

	PUB ORDER NO. 106/15	2016 10 MONTHS ACTUAL 2 MONTHS BUDGET	2017 PROJECTED
PROPANE SALES VOL, LITRES			
Residential	1,707,000	1,399,000	1,543,000
Commercial	5,016,000	4,468,000	5,004,000
TOTAL SALES VOLUME	6,723,000	5,866,000	6,547,000
TOTAL PROPANE PURCHASED	6,891,000	6,013,000	6,711,000
UNIT PROPANE COST \$/LITRE	\$0.23	\$0.12	\$0.26
REVENUE			
Gas Sales Non Commodity	\$2,011,179	\$1,800,564	\$2,037,657
Gas Sales	\$1,550,551	\$744,482	\$1,744,844
Appl & Mat'l Sales	\$155,000	\$125,132	\$130,000
Service Revenue	\$48,000	\$30,665	\$35,000
Stittco Energy Rev	\$51,600	\$51,600	\$51,600
Other Revenue	\$20,000	\$25,706	\$20,000
TOTAL REVENUE	\$3,836,330	\$2,778,148	\$4,019,101
EXPENSES			
Actual Cost Of Propane	\$1,550,551	\$744,482	\$1,744,844
Other Cost Of Sales	\$120,000	\$88,278	\$100,750
Operating Expenses	\$1,748,782	\$1,613,190	\$1,708,896
Depreciation	\$103,364	\$102,454	\$112,436
Accretion	\$27,560	\$26,885	\$27,000
TOTAL EXPENSES	\$3,550,257	\$2,575,289	\$3,693,926
OPER INCOME B/TAX	\$286,072	\$202,859	\$325,175
Income Tax Payable	\$88,927	\$67,637	\$102,225
NET INCOME (RETURN)	\$197,145	\$135,222	\$222,950
MID YEAR RATE BASE	\$1,971,455	\$1,790,460	\$2,229,502
RETURN ON RATE BASE	10.00%	7.55%	10.00%

TAB NO. 4

INCOME TAX REQUIREMENT

Tab #4

**STITTCO UTILITIES MAN LTD.
INCOME TAX REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2016/2017**

	2016	2017
	PROJECTED	PROJECTED
OPERATING INCOME	\$202,859	\$325,175
ADD DEPRECIATION	\$102,454	\$112,436
ADD ACCRETION	\$26,885	\$27,000
LESS CCA	\$81,689	\$85,998
TAXABLE INCOME	<u>\$250,509</u>	<u>\$378,613</u>
TAX @ 27.00%	<u>\$67,637</u>	<u>\$102,225</u>
CALCULATED INCOME TAX	<u>\$67,637</u>	<u>\$102,225</u>

TAB NO. 5

CAPITAL COST ALLOWANCES

Tab #5

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2016**

CLASS NO.	RATE %	UCC 1 AUG 2015	ADDITIONS	ADJUST	CCA	UCC 31 JUL 2016
1	4%	\$363,405	\$505,552	-	\$24,647	\$844,310
2	6%	\$354,797		-	\$21,288	\$333,509
6	10%	\$32,551		-	\$3,255	\$29,296
8	20%	\$31,267		-	\$6,253	\$25,014
9	25%	-		-	-	-
10	30%	\$85,092		-	\$25,528	\$59,563
10.1	30%	\$8		-	\$2	\$6
38	30%	\$908		-	\$272	\$636
50	50%	\$887		-	\$444	\$444
		\$868,915	\$505,552	-	\$81,689	\$1,292,777

**STITTCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2017**

CLASS NO.	RATE %	UCC 1 AUG 2016	ADDITIONS	ADJUST	CCA	UCC 31 JUL 2017
1	4%	\$844,310	\$300,000	-	\$39,772	\$1,104,538
2	6%	\$333,509		-	\$20,011	\$313,499
6	10%	\$29,296		-	\$2,930	\$26,366
8	20%	\$25,014	-	-	\$5,003	\$20,011
9	25%	-		-	-	-
10	30%	\$59,563	-	-	\$17,869	\$41,693
10.1	30%	\$6		-	\$2	\$4
38	30%	\$636	-	-	\$191	\$445
50	50%	\$444		-	\$222	\$222
		\$1,292,777	\$300,000	-	\$85,998	\$1,506,778

TAB NO. 6

RATE BASE

**STITTCO UTILITIES MAN LTD
RATE BASE
PROJECTED FOR YEARS ENDING
JULY 31, 2016/2017**

	PUB ORDER NO. 106/15	2016 PROJECTED	2017 PROJECTED
PLANT IN SERVICE			
Beginning Year Balance	\$4,991,963	\$4,991,963	\$5,421,200
Additions, Net	\$580,400	\$429,238	\$295,000
End Of Year Balance	\$5,572,363	\$5,421,200	\$5,716,200
Average, Mid-year	\$5,282,163	\$5,206,582	\$5,568,700
ACCUMULATED DEPRECIATION			
Beginning Year Balance	\$3,996,607	\$3,996,607	\$4,099,060
Additions, Net	\$103,364	\$102,454	\$112,436
End Of Year Balance	\$4,099,971	\$4,099,060	\$4,211,496
Average, Mid-year	\$4,048,289	\$4,047,833	\$4,155,278
AVERAGE MID-YEAR NET PLANT IN SERVICE	\$1,233,874	\$1,158,748	\$1,413,422
WORKING CAPITAL	\$737,581	\$631,712	\$816,079
MID-YEAR RATE BASE	\$1,971,455	\$1,790,460	\$2,229,502

TAB NO. 7

WORKING CAPITAL

Tab #7

**STITTCO UTILITIES MAN LTD
WORKING CAPITAL
PROJECTED FOR YEARS ENDING
JULY 31, 2016/2017**

	PUB ORDER NO. 106/15	2016 PROJECTED	2017 PROJECTED
PRODUCT INVENTORY	\$190,620	\$104,892	\$220,272
MATERIAL INVENTORY			
Average Monthly Balance	\$120,000	\$116,368	\$120,000
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	\$194,167	\$309,724	\$251,667
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-\$54,417	-\$113,258	-\$77,500
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	-	-	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-\$45,000	-\$44,292	-\$40,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	\$218,598	\$201,649	\$213,612
(b) 25/365 of Product Purchases	\$106,202	\$50,992	\$119,510
INCOME TAX			
1/12 of Income Tax	\$7,411	\$5,636	\$8,519
TOTAL	\$737,581	\$631,712	\$816,079

TAB NO. 8

FIXED ASSET SCHEDULES

**STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2016**

DESCRIPTION	BALANCE 1 AUG 2015	ADDITIONS	DISPOSALS	BALANCE 31 JUL 2016
ASSET RETIREMENT	\$222,530			\$222,530
LAND	\$145,729			\$145,729
BUILDINGS	\$435,472			\$435,472
STORAGE & PLANT	\$1,090,343	\$502,360		\$1,592,703
PLANT SITE IMPROVEMENTS	\$203,168	\$3,193		\$206,360
SPUR TRACK	\$10,795			\$10,795
MAINS	\$1,160,362			\$1,160,362
SERVICES	\$960,140			\$960,140
METERS	\$295,494			\$295,494
OFFICE EQUIP	\$65,103			\$65,103
COMPUTER EQUIPMENT	\$32,650			\$32,650
TRANS EQUIP	\$189,358		\$76,315	\$113,043
HEAVY WORK EQUIPMENT	\$64,743			\$64,743
TOOLS & EQUIP	\$104,081			\$104,081
COMMUNICATIONS	\$11,996			\$11,996
TOTAL PLANT IN SERVICE	\$4,991,963	\$505,552	\$76,315	\$5,421,200

Tab #8

**STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2017**

DESCRIPTION	BALANCE			BALANCE
	1 AUG 2016	ADDITIONS	DISPOSALS	31 JUL 2017
ASSET RETIREMENT	\$222,530			\$222,530
LAND	\$145,729			\$145,729
BUILDINGS	\$435,472			\$435,472
STORAGE & PLANT	\$1,592,703	\$100,000		\$1,692,703
PLANT SITE IMPROVEMENTS	\$206,360	\$200,000		\$406,360
SPUR TRACK	\$10,795			\$10,795
MAINS	\$1,160,362			\$1,160,362
SERVICES	\$960,140			\$960,140
METERS	\$295,494			\$295,494
OFFICE EQUIP	\$65,103			\$65,103
COMPUTER EQUIPMENT	\$32,650			\$32,650
TRANS EQUIP	\$113,043		\$5,000	\$108,043
HEAVY WORK EQUIPMENT	\$64,743			\$64,743
TOOLS & EQUIP	\$104,081			\$104,081
COMMUNICATIONS	\$11,996			\$11,996
TOTAL PLANT IN SERVICE	\$5,421,200	\$300,000	\$5,000	\$5,716,200

TAB NO. 9

DEPRECIATION SCHEDULES

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2016**

DESCRIPTION	BALANCE 1 AUG 2015	ADJUST- MENTS	DEPR RATE	2016 DEPR	BALANCE 31 JUL 2016
ASSET RETIREMENT	\$222,530				\$222,530
LAND	-		0.00%	-	-
BUILDINGS	\$340,366	-\$1,016	2.80%	\$12,193	\$352,559
STORAGE & PLANT	\$769,140	-\$2,544	2.80%	\$45,801	\$814,941
PLANT SITE IMPROVE	\$64,622	-\$194	2.80%	\$2,468	\$67,091
SPUR TRACK	\$10,078	-\$25	2.80%	\$302	\$10,380
MAINS	\$1,120,581	-\$284	2.80%	\$3,413	\$1,123,994
SERVICES	\$960,194	-\$54	2.80%	\$325	\$960,519
METERS	\$162,608	-\$689	2.80%	\$8,274	\$170,882
OFFICE EQUIPMENT	\$54,721	-\$295	10.00%	\$3,543	\$58,263
COMPUTER EQUIPMENT	\$32,650		20.00%		\$32,650
TRANS EQUIP	\$81,645	-\$2,175	24.00%	\$24,700	\$106,345
HEAVY WORK EQUIPMENT	\$61,396	-\$120	20.00%	\$1,435	\$62,831
TOOLS & EQUIP	\$104,081		20.00%		\$104,081
COMMUNICATIONS	\$11,996		10.00%		\$11,996
TOTAL	\$3,996,607	-\$7,397		\$102,454	\$4,099,060

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2017**

DESCRIPTION	BALANCE 1 AUG 2016	ADJUST- MENTS	DEPR RATE	2017 DEPR	BALANCE 31 JUL 2017
ASSET RETIREMENT	\$222,530				\$222,530
LAND			0.00%		
BUILDINGS	\$352,559		2.80%	\$12,193	\$364,752
STORAGE & PLANT	\$814,941		2.80%	\$48,601	\$863,542
PLANT SITE IMPROVE	\$67,091		2.80%	\$7,929	\$75,019
SPUR TRACK	\$10,380		2.80%	\$302	\$10,682
MAINS	\$1,123,994		2.80%	\$3,413	\$1,127,407
SERVICES	\$960,519		2.80%	\$650	\$961,169
METERS	\$170,882		2.80%	\$8,274	\$179,156
OFFICE EQUIPMENT	\$58,263		10.00%	\$3,543	\$61,806
COMPUTER EQUIPMENT	\$32,650		20.00%		\$32,650
TRANS EQUIP	\$106,345		24.00%	\$26,096	\$132,441
HEAVY WORK EQUIPMENT	\$62,831		20.00%	\$1,435	\$64,265
TOOLS & EQUIP	\$104,081		20.00%		\$104,081
COMMUNICATIONS	\$11,996		10.00%		\$11,996
TOTAL	<u>\$4,099,060</u>	<u>\$0</u>		<u>\$112,436</u>	<u>\$4,211,496</u>

TAB NO. 10

OPERATING EXPENSES

STITTCO UTILITIES MAN LTD
SUMMARY OF OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2016/2017

	PUB ORDER NO. 106/15	2016 10 MONTHS ACTUAL 2 MONTHS BUDGET	2017 PROJECTED
WAGES & BENEFITS	\$800,067	\$802,973	\$827,200
MATERIALS & SUPPLIES	\$57,800	\$56,621	\$57,800
CONTRACT SERVICES	\$107,600	\$97,523	\$105,500
OTHER OPERATING COSTS	\$113,818	\$95,845	\$106,000
AUTOMOTIVE	\$69,960	\$40,670	\$61,200
INSURANCE	\$41,568	\$11,486	\$13,000
PROPERTY TAXES	\$120,000	\$112,788	\$115,000
ADMINISTRATIVE & GENERAL	\$250,600	\$218,453	\$240,100
TOTAL DIRECT OPERATING EXPENSES	<u>\$1,561,413</u>	<u>\$1,436,358</u>	<u>\$1,525,800</u>
ADMINISTRATION FEE	<u>\$187,370</u>	<u>\$176,832</u>	<u>\$183,096</u>
TOTAL OPERATING EXPENSES	<u><u>\$1,748,782</u></u>	<u><u>\$1,613,190</u></u>	<u><u>\$1,708,896</u></u>

KEY ASSUMPTIONS FOR 2017 PROJECTED

1. Increase in Wages & Benefits: Salary increase of 2%
2. Materials and Supplies to remain the same
3. Other Operating Costs to decrease, as vaporizer consumption will be less based on lower propane
4. Automotive expenses were lower in 2016 as Vehicle leases were delayed, leases are going to start in July 2016. Also, fuel expenses were lower due to lower prices of gas in 2016.
5. Insurance costs lower as Stittco is benefiting from Gibson's overall insurance plan.
6. Property taxes expected to increase slightly
7. Administrative and general expenses to remain the same

STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2016/2017

	PUB ORDER NO. 106/15	2016 10 MONTHS ACTUAL 2 MONTHS BUDGET	2017 PROJECTED
WAGES			
Regular	\$620,165	\$626,343	\$639,000
Casual	\$15,000	\$5,000	\$10,000
	<u>\$635,165</u>	<u>\$631,343</u>	<u>\$649,000</u>
EMPLOYEE BENEFITS			
Canada Pension	\$22,320	\$19,589	\$19,300
Employment Insurance	\$10,251	\$8,025	\$8,900
Workers' Compensation	\$4,000	\$2,012	\$2,500
Life Insur, Medical & Dental	\$24,331	\$38,511	\$39,000
Employee Pension Plan	\$52,000	\$56,776	\$57,500
Other Employee Benefits	\$52,000	\$46,717	\$51,000
Total Employee Benefits	<u>\$164,902</u>	<u>\$171,630</u>	<u>\$178,200</u>
TOTAL WAGES AND BENEFITS	<u>\$800,067</u>	<u>\$802,973</u>	<u>\$827,200</u>
MATERIALS & SUPPLIES			
Employee Material	\$4,000	\$4,633	\$4,000
Tools & Equipment	\$6,000	\$6,110	\$6,000
Office Supplies	\$15,000	\$10,275	\$15,000
Plant Materials	\$29,200	\$33,603	\$29,200
Main & Service Line Materials	\$2,400	\$1,000	\$2,400
Meters and Regs	\$1,200	\$1,000	\$1,200
Other Distribution	-	-	-
TOTAL MATERIAL & SUPPLIES	<u>\$57,800</u>	<u>\$56,621</u>	<u>\$57,800</u>
CONTRACT SERVICES			
Office	\$16,500	\$16,355	\$16,500
Plant	\$19,200	\$12,299	\$15,000
Pipelines	\$9,500	\$2,462	\$5,000
Meters & Regulators	\$10,800	\$12,809	\$15,000
Stittco Contract Services	\$51,600	\$53,598	\$54,000
TOTAL CONTRACT SERVICES	<u>\$107,600</u>	<u>\$97,523</u>	<u>\$105,500</u>
OTHER OPERATING COSTS			
Leak Surveys	\$63,000	\$64,933	\$65,000
Rentals	\$12,000	\$9,415	\$10,000
Vaporizer Consumption	\$37,818	\$20,199	\$30,000
Product Loss		\$297	-
Obsolete Material Write Off	\$1,000	\$1,000	\$1,000
Switch & Detention	-	-	-
TOTAL OTHER COSTS	<u>\$113,818</u>	<u>\$95,845</u>	<u>\$106,000</u>

STITTCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2016/2017

	PUB ORDER NO. 106/15	2016 10 MONTHS ACTUAL 2 MONTHS BUDGET	2017 PROJECTED
AUTOMOTIVE			
Maintenance	\$14,400	\$13,615	\$14,400
Fuel	\$23,760	\$15,378	\$20,000
Auto Lease	\$16,800	\$2,800	\$16,800
Licenses & Insurance	\$15,000	\$8,878	\$10,000
TOTAL AUTOMOTIVE	<u>\$69,960</u>	<u>\$40,670</u>	<u>\$61,200</u>
INSURANCE	<u>\$41,568</u>	<u>\$11,486</u>	<u>\$13,000</u>
PROPERTY TAXES	<u>\$120,000</u>	<u>\$112,788</u>	<u>\$115,000</u>
ADMINISTRATIVE & GENERAL			
Bank Charges	\$26,000	\$23,904	\$26,000
Safety & Branch Mtgs	\$2,400	\$1,600	\$2,400
Freight & Express	\$6,000	\$5,432	\$6,000
Memberships, Sub, Permits Etc	\$2,500	\$2,508	\$2,500
Postage	\$14,400	\$13,036	\$14,400
Consulting Fees	\$27,000	\$26,300	\$27,000
Public Utility Board Costs	\$8,500	\$2,917	\$5,000
Sales Promotion	\$4,800	\$3,884	\$4,800
Advertising	\$4,800	\$3,143	\$4,800
Telephone	\$16,800	\$14,497	\$16,800
Training	\$5,000	\$5,596	\$5,000
Travel & Entertainment	\$8,400	\$6,079	\$8,400
Bad Debt	\$45,000	\$30,000	\$40,000
Utilities	\$25,900	\$17,848	\$20,000
Manitoba Payroll Tax	\$17,000	\$15,597	\$17,000
Legal Fees	\$16,100	\$30,113	\$20,000
Audit Fees	\$20,000	\$16,000	\$20,000
TOTAL ADMIN	<u>\$250,600</u>	<u>\$218,453</u>	<u>\$240,100</u>
TOTAL DIRECT OPERATING EXPENSES	<u>\$1,561,413</u>	<u>\$1,436,358</u>	<u>\$1,525,800</u>
ADMINISTRATION FEE	\$187,370	\$176,832	\$183,096
TOTAL OPERATING EXPENSES	<u><u>\$1,748,782</u></u>	<u><u>\$1,613,190</u></u>	<u><u>\$1,708,896</u></u>