

Order No. 64/20

**STITTCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE MAY 1, 2020**

April 29, 2020

BEFORE: Larry Ring, Q. C., Panel Chair
Marilyn Kapitany, B.Sc. (Hons), M.Sc., Vice Chair
Carol Hainsworth, C.B. A., Member
Susan Nemec, FCPA, FCA, Member
Michael Watson, Member

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1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (“Board”) approves, on an interim *ex parte* basis, an increase in the propane commodity rate from \$0.8765/m³ reflected in current rates to \$1.0031/m³ for propane consumed on or after May 1, 2020 for Stittco Utilities Man Ltd. (“Stittco”). The increase represents the recovery of Stittco’s higher costs for propane that it passes through to customers without markup.

The commodity rate increase, along with approved delivery charges, is expected to increase the average overall residential propane monthly bills by approximately 4.8% when compared to the previously approved propane rates effective February 1, 2020. Actual customer impacts will depend on propane consumption.

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

	May 1/19	Aug 1/19	Nov 1/19	Jan 1/20	Feb 1/20	May 1/20
Basic Monthly Charge	\$10.00/mo	\$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	per m ³
Commodity Cost Recovery	\$1.0465	\$0.9046	\$0.8385	\$0.8385	\$0.8765	\$1.0031
Delivery charge (Non-Commodity Charge)						
First 100 m ³	\$1.5102*	\$1.5102*	\$1.5102*	\$1.6788**	\$1.6788**	\$1.6788**
Next 400 m ³	\$1.3469*	\$1.3469*	\$1.3469*	\$1.4973**	\$1.4973**	\$1.4973**
Next 1000 m ³	\$1.2746*	\$1.2746*	\$1.2746*	\$1.4169**	\$1.4169**	\$1.4169**
Next 2500 m ³	\$1.0326*	\$1.0326*	\$1.0326*	\$1.1479**	\$1.1479**	\$1.1479**
Over 4000 m ³	\$0.7921*	\$0.7921*	\$0.7921*	\$0.8805**	\$0.8805**	\$0.8805**

* As approved in Board Order 169/18

**As approved in Board Order 179/19

Commodity rates are adjusted every quarter in accordance with the Quarterly Rate Setting 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. Board Order 7/20 dated January 22, 2020, is the most recent Order setting Stittco’s commodity rate.

In addition to the propane commodity rate, Stittco customers are also assessed delivery charges (non-commodity rates) and a Basic Monthly Charge (administration costs). Delivery charges, and the Basic Monthly Charge, are reviewed annually when Stittco files its non-commodity costs application (typically in July of each year). Board Order 179/19 approved revisions to the delivery charges for rates effective January 1, 2020.

2.0 INTRODUCTION

The commodity portion of Stittco's overall propane rates is amended quarterly, in accordance with the Quarterly Rate Setting ("QRS") process.

Non-commodity rates, 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 last amended in Board Order 179/19 for propane consumed after January 1, 2020.

Commodity costs, including transportation to Thompson, are passed on to customers without markup. Prices of the purchased commodity vary with market pricing; prices may be higher or lower than initial price levels indicated in the Board's Orders. The differences in Board-established rates and actual market prices are tracked in a Purchased Propane Variance Account ("PPVA"), and are either refunded to, or collected from, customers in a subsequent quarterly rate setting process. Quarterly adjustments to the approved commodity rate help to minimize balances in this account and attempt to minimize large swings in propane commodity charges. Order 7/20, dated January 22, 2020, is the most recent Order setting Stittco's commodity rate.

Rates established by the QRS are set on an interim *ex parte* basis, which means they are established by the Board without further public consultation, subject to satisfactory information being filed by Stittco with the Board. This approach is considered to be the most reasonable and economical, as the changes are driven by commodity price fluctuations and the process minimizes regulatory costs while providing regular updated price signals to consumers. The quarterly interim commodity rates are reviewed and finalized annually when Stittco files its annual non-commodity costs application.

3.0 APPLICATION

On April 14, 2020, Stittco filed an application seeking an increase in the propane commodity rate from the current rate of \$0.8765/m³ to \$1.0031/m³ effective May 1, 2020. This new rate reflects the higher costs that Stittco pays for propane, which are passed on to customers without markup. The commodity rate reflects Stittco's cost recovery of the forecasted propane commodity price of \$141/m³ for liquid propane, plus an additional \$74/m³ for delivery to Thompson.

Stittco's application also included an updated Purchased Propane Variance Account ("PPVA") balance of \$347,644 to be collected from customers (a change from \$3,579 to be refunded to customers reflected in current rates). As described in Section 2.0, propane prices may vary because of market conditions. Current prices may be higher or lower than price levels used to establish the commodity rate in the Board's Orders and the differences tracked in a PPVA.

In its Application, Stittco noted that even though the forecasted propane commodity price declined to \$141/m³ from the price used to set the February 1, 2020 commodity rate of \$159/m³, Stittco requires an increase to the commodity rate because of the PPVA balance owing to Stittco.

Stittco stated that it purchased propane in the first part of the winter that was higher in price than more recent propane purchases. The PPVA balance increased because the cost to Stittco of these earlier propane purchases was higher than the rate at which it ultimately sold the propane to customers. Customers therefore paid less than Stittco's costs for propane this past winter. Stittco does not earn a profit or markup on the sale of propane commodity, but neither does it suffer a loss.

The PPVA is the mechanism that allows this to happen. The PPVA balance will be charged to customers and will serve to recover Stittco's costs for propane commodity from this past winter. The PPVA balance is forecasted to be recovered over 12 months through rates.

4.0 BOARD FINDINGS

The Board accepts the information filed by Stittco on April 14, 2020, and certified by Stittco to be accurate and correct, to be Stittco's evidence in support of its Application.

The Board finds that 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 to \$1.0031/m³ for propane consumed on or after May 1, 2020. Propane rates will be reviewed again August 1, 2020.

The Board continues to recommend that customers seek ways to upgrade the heating efficiency of their premises, so as to reduce consumption, bills, and carbon emissions.

5.0 IT IS THEREFORE ORDERED THAT:

Stittco Utilities Man Ltd.'s propane commodity rate be amended on an interim ex parte basis per the attached Schedule "A" effective for propane consumption on or after May 1, 2020.

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.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD


"Larry Ring, Q.C."

Panel Chair

"Rachel McMillin, B.Sc."

Assistant Associate Secretary

Certified a true copy of Order No. 64/20
issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE "A"

GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER MAY 1, 2020

Basic Monthly Charge	\$10.00/month
	per m ³
Commodity Costs Recovery	\$1.0031
Delivery Charge:	
First 100 m ³ per month	\$1.6788*
Next 400 m ³ per month	\$1.4973*
Next 1000 m ³ per month	\$1.4169*
Next 2500 m ³ per month	\$1.1479*
Over 4000 m ³ per month	\$0.8805*

*As approved in Board Order 179/19