

Order No. 7/20

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

January 22, 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 \$0.8385/m³ reflected in current rates to \$0.8765/m³ for propane consumed on or after February 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 1.5% when compared to the previously approved propane rates effective January 1, 2020. Actual customer impacts will depend on propane consumption.

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

| | Feb 1/19 | May 1/19 | Aug 1/19 | Nov 1/19 | Jan 1/20 | Feb 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 | \$1.3173 | \$1.0465 | \$0.9046 | \$0.8385 | \$0.8385 | \$0.8765 |
| Delivery charge (Non-Commodity Charge) | | | | | | |
| First 100 m ³ | \$1.5102* | \$1.5102* | \$1.5102* | \$1.5102* | \$1.6788** | \$1.6788** |
| Next 400 m ³ | \$1.3469* | \$1.3469* | \$1.3469* | \$1.3469* | \$1.4973** | \$1.4973** |
| Next 1000 m ³ | \$1.2746* | \$1.2746* | \$1.2746* | \$1.2746* | \$1.4169** | \$1.4169** |
| Next 2500 m ³ | \$1.0326* | \$1.0326* | \$1.0326* | \$1.0326* | \$1.1479** | \$1.1479** |
| Over 4000 m ³ | \$0.7921* | \$0.7921* | \$0.7921* | \$0.7921* | \$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 159/19, dated October 28, 2019, 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 No. 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 No. 179/19 for propane consumed after January 1, 2020.

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 Propane 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 can help buffer large swings in propane commodity charges. Board Order No. 159/19, dated October 28, 2019, 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 that 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 January 13, 2020, Stittco filed an application seeking an increase in the propane commodity rate from the current rate of \$0.8385/m³ to \$0.8765/m³ effective February 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 \$159/m³ for liquid propane (similar to that reflected in current rates), plus an additional \$74/m³ for delivery to Thompson. Stittco's application also included an updated PPVA balance of \$3,579 to be refunded to customers (a change from \$70,939 to be refunded to customers reflected in current rates).

Pursuant to Directive 4 of Board Order No. 179/19, Stittco's projected PPVA balance of \$3,579 owing to customers includes a \$5,755 residual PPVA balance adjustment, which is owed to Stittco, stemming from rate implementation delays approved in Board Order No. 133/05. On January 16, 2020, Stittco filed information demonstrating how the residual \$5,755 balance was included in the current PPVA totals and confirmed that without this Board-approved adjustment, the proposed commodity rate would have been \$0.8733/m³, or 0.4% lower than the proposed commodity rate of \$0.8765/m³ for February 1, 2020.

4.0 BOARD FINDINGS

The Board accepts the information filed by Stittco on January 13 and 16, 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 information filed in compliance with Directive 4 of Board Order No. 179/19 properly reflects the inclusion of the residual \$5,755 commodity costs balance owing to Stittco in the current PPVA totals (including the historical domestic and commercial PPVA totals). As such, the Board considers Directive 4 of Board Order No. 179/19 to be satisfied. The Board expects that Stittco's monthly PPVA report for January 2020 (considered to be the residual PPVA adjustment implementation month) will include a similar break out of how the residual \$5,755 PPVA balance was accounted for in the domestic and commercial PPVA totals (this break out is not required in subsequent monthly PPVA reports however).

Furthermore, 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 \$0.8765/m³ for propane consumed on or after February 1, 2020. Propane rates will be reviewed again May 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 February 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. 7/20
issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE "A"

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

| | |
|--------------------------|------------------------|
| Basic Monthly Charge | \$10.00/month |
| | per m ³ /mo |
| Commodity Costs Recovery | \$0.8765 |
| Delivery Charge: | |
| First 100 m ³ | \$1.6788* |
| Next 400 m ³ | \$1.4973* |
| Next 1000 m ³ | \$1.4169* |
| Next 2500 m ³ | \$1.1479* |
| Over 4000 m ³ | \$0.8805* |

*As approved in Board Order No. 179/19