

Order No. 7/22

**STITTCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE FEBRUARY 1, 2022**

January 26, 2022

BEFORE: Larry Ring, Q. C., Panel Chair
Marilyn Kapitany, B.Sc. (Hons), M.Sc., Vice Chair
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, a decrease in the propane commodity rate from \$2.2550/m³ reflected in current rates to \$2.1834/m³ for propane consumed on or after February 1, 2022 for Stittco Utilities Man Ltd. (“Stittco”). The decrease represents the recovery of Stittco’s costs for propane that it passes through to customers without markup. As part of the revised rate, the Board also approves \$770.07 to be refunded to customers, through Stittco’s existing Purchased Propane Variance Account, as a result of Stittco inadvertently charging its customers a commodity rate of \$2.2600/m³ in November 2021 instead of \$2.2550/m³ per Order 122/21.

The commodity rate decrease is expected to decrease the average residential propane annual bills by approximately \$39 or 1.8% when compared to the previously approved propane rates effective November 1, 2021 (assuming a consumption of 45.6 m³ per month). Historically and in prior Orders, the bill impact was based on a high-consuming (100 m³ per month) residential customer. A high-consuming residential customer will experience a bill decrease of approximately \$86 per year or 1.8%. Actual customer impacts will depend on propane consumption.

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

	Feb 1/21	May 1/21	Aug 1/21	Nov 1/21	Feb 1/22
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	\$1.4253	\$1.3976	\$1.7836	\$2.2550**	\$2.1834
Delivery charge (Non-Commodity Charge)					
First 100 m ³	\$1.5377*	\$1.5377*	\$1.5377*	\$1.5760**	\$1.5760**
Next 400 m ³	\$1.3715*	\$1.3715*	\$1.3715*	\$1.4056**	\$1.4056**
Next 1000 m ³	\$1.2978*	\$1.2978*	\$1.2978*	\$1.3301**	\$1.3301**
Next 2500 m ³	\$1.0515*	\$1.0515*	\$1.0515*	\$1.0777**	\$1.0777**
Over 4000 m ³	\$0.8065*	\$0.8065*	\$0.8065*	\$0.8266**	\$0.8266**

* As approved in Board Order 127/20

**As approved in Board Order 122/21

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 122/21 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 122/21 approved revisions to the delivery charges for rates effective November 1, 2021.

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 122/21 for propane consumed on and after November 1, 2021.

Commodity costs, including transportation to Thompson, are passed on to customers with no markup. 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 122/21, dated October 28, 2021, 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 14, 2022, Stittco filed an application seeking a decrease in the propane commodity rate from the current rate of \$2.2550/m³ to \$2.1839/m³ effective February 1, 2022. On January 20, 2022, Stittco filed a revised application which included a proposed propane commodity rate of \$2.1834/m³ effective February 1, 2022. Stittco's revised application included a \$770.07 customer refund adjustment to its Purchased Propane Variance Account ("PPVA") as a proposed correction for Stittco having inadvertently charged its customers a commodity rate of \$2.2600/m³ in November 2021 instead of \$2.2550/m³ per Order 122/21 (Stittco's December 2021 and January 2022 commodity sales volumes were correctly billed per Order 122/21). The following table summarizes Stittco's proposed PPVA adjustment.

Summary of Over-Earning from November 2021 Billing Error

Nov/21 Sales Volume (L) ¹	579,967
Nov/21 Sales Revenue @ \$2.2600/m ³	\$347,212
Nov/21 Sales Revenue @ \$2.2550/m ³	\$346,444
<i>Difference</i>	<i>\$768.17</i>
<i>Difference with Interest to Dec 31/21</i>	<i>\$770.07</i>

Proposed PPVA Adjustment to Dispose the Billing Error Customer Refund (with Interest)

Proposed PPVA Balance at Dec 31/21 that includes the additional revenues from the Nov/21 billing error	\$37,989.13
PPVA Balance at Dec 31/21 had the Order 122/21 commodity rate been billed in Nov/21	\$38,759.20
<i>Difference</i>	<i>-\$770.07</i>

The new rate proposed by Stittco reflects the lower costs that Stittco pays for propane, which are passed on to customers without markup, as well as the costs to deliver propane to Manitoba. The commodity rate includes Stittco's cost recovery of the forecasted

¹ Due to liquid to gas phase expansion, and the fact that propane is purchased in liquid Litres and sold to customers as cubic meters vapour, Stittco currently makes use of a 3.775 L/m³ conversion factor to convert propane liquid litres to cubic meter propane vapour.

propane commodity price of \$484/m³ for liquid propane, plus an additional \$89/m³ for delivery to Thompson. Stittco's application also included an updated PPVA balance of \$37,989 to be collected from customers (inclusive of the \$770.07 customer refund for the November 2021 billing error), which represents a change from \$155,876 to be collected from customers reflected in current rates.

As described in Section 2.0, propane prices may vary because of market conditions. The forward, or future, market prices of propane have decreased compared to the forward prices at the time of the previous commodity rate change on November 1, 2021. Accordingly, the February 1, 2022 commodity rate has decreased. In addition to the recovery of the forecast cost of propane, the February 1, 2022 commodity rate continues to recover the balance in the PPVA from customers. The difference between the cost paid by Stittco for propane and the price Stittco ultimately sells it for is captured in the PPVA. 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 has been and will continue to be charged to customers and will serve to recover Stittco's prior costs for propane commodity. The PPVA balance is forecasted to be recovered over 12 months through rates, although subsequent additions to the PPVA may extend the recovery period.

4.0 BOARD FINDINGS

The Board accepts the information filed by Stittco on January 14 and 20, 2022, 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 rate sought by Stittco fairly reflects projected commodity and transportation costs as well as recovery of the PPVA balance. Furthermore, the Board accepts Stittco's proposal to treat the \$770.07 billing error customer refund via a PPVA adjustment. The Board finds Stittco's PPVA adjustment reasonable in this case. However, the Board expects that Stittco will implement internal changes to avoid future customer billing errors. The Board directs that the propane commodity rate be decreased to \$2.1834/m³ for propane consumed on or after February 1, 2022. Propane rates will be reviewed again May 1, 2022.

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:

1. 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, 2022.

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."

A/ Associate Secretary

Certified a true copy of Order No. 7/22
issued by The Public Utilities Board



A/ Associate Secretary

SCHEDULE "A"

GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER FEBRUARY 1, 2022

Basic Monthly Charge		\$10.00/month
		per m ³
Commodity Costs Recovery		\$2.1834
Delivery Charge:		
	First 100 m ³ per month	\$1.5760*
	Next 400 m ³ per month	\$1.4056*
	Next 1000 m ³ per month	\$1.3301*
	Next 2500 m ³ per month	\$1.0777*
	Over 4000 m ³ per month	\$0.8266*

*As approved in Board Order 122/21