

Order No. 86/23

**STITCO UTILITIES MAN LTD.
PROPANE RATES EFFECTIVE AUGUST 1, 2023**

July 25, 2023

BEFORE: Marilyn Kapitany, B.Sc. (Hon), M.Sc., Panel Chair
Shawn McCutcheon, Member
Susan Nemec, FCPA, FCA, Member
Hamath Sy, B.Sc., M.Sc., Member
Jack Winram, B.A. (Econ), 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 \$1.5100/m³ reflected in current rates to \$1.2496/m³ for propane consumed on or after August 1, 2023 for Stittco Utilities Man Ltd. (“Stittco”). The decrease is a result of Stittco’s lower forecast costs for propane that it passes through to customers without markup.

The commodity rate decrease is expected to decrease the average residential propane annual bills by approximately 7.4% (or \$128 per year) when compared to the previously approved propane rates effective May 1, 2023 (assuming a consumption of 40.9 m³ per month). The annual bills of higher consuming residential customers (e.g., those consuming on average 100 m³ per month) are expected to decrease by 7.7%, or \$312 per year. Actual customer impacts will depend on propane consumption.

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

	Aug 1/22	Nov 1/22	Feb 1/23	May 1/23	Aug 1/23
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	\$1.8835	\$1.5336	\$1.3434	\$1.5100	\$1.2496
Delivery charge (Non-Commodity Charge)					
First 100 m ³	\$1.5760*	\$1.7798**	\$1.7798**	\$1.7798**	\$1.7798**
Next 400 m ³	\$1.4056*	\$1.5874**	\$1.5874**	\$1.5874**	\$1.5874**
Next 1000 m ³	\$1.3301*	\$1.5021**	\$1.5021**	\$1.5021**	\$1.5021**
Next 2500 m ³	\$1.0777*	\$1.2171**	\$1.2171**	\$1.2171**	\$1.2171**
Over 4000 m ³	\$0.8266*	\$0.9335**	\$0.9335**	\$0.9335**	\$0.9335**

* As approved in Board Order 122/21

**As approved in Board Order 115/22

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 51/23 is the most recent Order setting Stittco's commodity rate.

In addition to the propane commodity rate, Stittco customers are also assessed delivery charges (also known as non-commodity rates) and a Basic Monthly Charge (related to a portion of Stittco's 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 115/22 approved revisions to the delivery charges for rates effective November 1, 2022.

Stittco's propane rates will be reviewed again for November 1, 2023.

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 115/22 for propane consumed on and after November 1, 2022.

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 51/23, dated April 26, 2023, is the most recent Order setting Stittco's commodity rate.

Rates established by the QRS process 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 July 14, 2023, Stittco filed an application seeking approval to decrease the propane commodity rate from the current rate of \$1.5100/m³ to \$1.2496/m³ effective August 1, 2023. The new rate proposed by Stittco reflects the lower costs that Stittco pays for propane commodity, which are passed on to customers without markup. The proposed commodity rate includes Stittco's cost recovery of the forecasted propane commodity price of \$221/m³ for liquid propane, plus an additional \$91/m³ for transportation to Thompson¹. Stittco's application also includes an updated PPVA cumulative balance of \$122,004 owing to Stittco, which represents a change from the cumulative balance of \$103,434 owing to Stittco included in the May 1, 2023 commodity rate application.

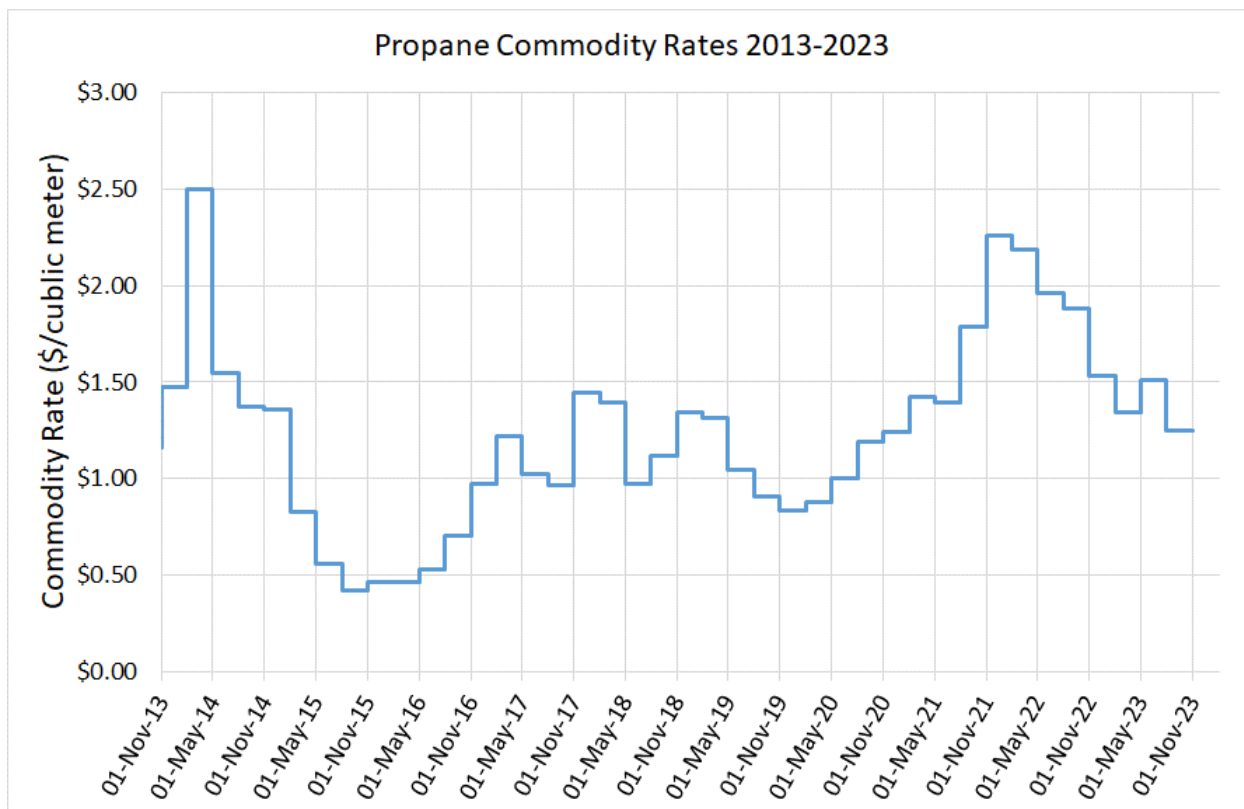
As described in Section 2.0, propane prices may vary because of market conditions. The forward, or future, market prices of propane have decreased compared to the forward prices at the time of the previous commodity rate change on May 1, 2023. Further, Stittco's Application of July 14, 2023 also included a decrease to its forecast propane delivery costs from \$93/m³ to \$91/m³, which arises due to prevalent market prices for commodity transportation services. Together, the lower forward market prices of propane and the lower forecast propane delivery costs to Thompson result in a decreased commodity rate for August 1, 2023.

In addition to the recovery of the forecast cost of propane, the August 1, 2023 commodity rate includes a PPVA balance of \$122,004 to be collected from customers. The PPVA is used to capture the difference between the cost paid by Stittco for propane and the price Stittco ultimately sells it for. 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. In accordance with the Board-approved methodology, the PPVA balance is

¹ Per the methodology approved by the Board in Order 115/22, Stittco determines its forecast price for propane transportation to Thompson using a weighted average methodology based on a trailing three-year average of volumes transported from Western Canada to Thompson by rail and trucks.

forecasted to be collected over 12 months through rates, although subsequent additions to the PPVA may change this recovery period.

The following graph shows the historical propane commodity rates approved by the Board, as well as the proposed commodity rate for August 1, 2023.



4.0 BOARD FINDINGS

The Board accepts the information filed by Stittco on July 14, 2023, 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 reflects projected commodity and transportation costs, as well as collection of the cumulative PPVA balance. The Board directs that the propane commodity rate be decreased to \$1.2496/m³ for propane consumed on or after August 1, 2023. Stittco's propane rates will be reviewed again for November 1, 2023.

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 August 1, 2023.

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

"Marilyn Kapitany, B.Sc. (Hon), M.Sc."

Panel Chair

"Rachel McMillin, B.Sc."

Associate Secretary

Certified a true copy of Order No. 86/23
issued by The Public Utilities Board



Associate Secretary

SCHEDULE "A"

GENERAL SERVICE RATE STRUCTURE
EFFECTIVE FOR CONSUMPTION ON OR AFTER AUGUST 1, 2023

Basic Monthly Charge	\$10.00/month
	per m ³
Commodity Costs Recovery	\$1.2496
Delivery Charge:	
First 100 m ³ per month	\$1.7798*
Next 400 m ³ per month	\$1.5874*
Next 1000 m ³ per month	\$1.5021*
Next 2500 m ³ per month	\$1.2171*
Over 4000 m ³ per month	\$0.9335*

*As approved in Board Order 115/22