

M A N I T O B A

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Order No. 20/03

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THE PUBLIC UTILITIES BOARD ACT

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February 18, 2003

Before: G. D. Forrest, Chairman
M. Girouard, Member
S. Proven, Member

**AN APPLICATION BY STITTCO UTILITIES MAN LTD. FOR AN
INTERIM EX PARTE ORDER OF THE BOARD APPROVING THE
ADDITION OF A RATE RIDER TO THE SCHEDULE OF RATES
TO RECOVER THE INCREASED COST OF PROPANE**

Background

The Manitoba Public Utilities Board (“the Board”) approved sales rates for Stittco Utilities Man Ltd. effective for all propane consumed on and after September 1, 2002 in Order 172/02. The sales rates were determined using 2002/03 forecast test-year (August 1, 2002 to July 31, 2003) data, and an average price of propane of \$185.00 per cubic metre, for a 12 month period ending July 31, 2003. The rates approved in Order 172/02 are currently in effect.

In its monthly report to the Board on the status of the Purchase Propane Variance Account (“PPVA”), Stittco stated that the propane prices had increased significantly since September 2002 resulting in a December 31, 2002 PPVA balance of approximately \$87,295 owing to Stittco. The Board requested that Stittco inform the Board as to the long term outlook for the PPVA and inquired if this presented Stittco with any concerns.

The Application

On February 7, 2003 Stittco applied to the Board for interim ex parte approval for the implementation of Rate Rider “A”, in the amount of \$97.03 per cubic metre, liquid (\$0.3662 per cubic metre, vapour). Stittco stated that the average cost of propane for the 12-month period ending July 31, 2003 was now projected to be \$282.03 per cubic metre liquid. This was Stittco’s actual January 2003 purchase price and is determined pursuant to Stittco’s variable supply contract that will expire on March 31, 2003. Stittco’s view is that propane prices are related to the higher prices for crude oil and natural gas and thus, expects the price of propane to remain at or near this level over the next several months.

The requested Rate Rider of \$97.03 per cubic metre liquid represents a 52.4% increase in the price of propane, and an increase of 26.2% over the average of the current sales rates.

Board Findings

The Board is aware of the significant increase in the natural gas futures commodity prices that have occurred since the fall of 2002. For example, the average annual price of natural gas, based on the September 3, 2002 forward price strip was approximately \$5.09 per Gigajoule ("Gj"). The average annual price based on a January 3, 2003 forward price strip was \$6.68/Gj, which is a 31.2% increase, and prices have increased further since January 3, 2003.

Current sales rates that reflect an average annual propane commodity price of \$185.00 per cubic metre liquid were based on the pricing provisions pursuant to Stittco's current 12-month variable price supply contract that became effective on April 1, 2002. The propane price used to establish the current rates was higher than the spot price for propane at that time. The Board is satisfied that Stittco's request properly reflects current propane prices and circumstances. The Board accepts Stittco's assessment that prices are unlikely to decrease by any significant amount over the remainder of the winter season. However, any changes will be monitored through Stittco's PPVA reporting.

The Board is well aware of Stittco's circumstances, namely a small customer base and competition from electricity as a viable alternate energy source. The Board also notes that the December 31, 2002 PPVA balance was approximately \$87,295 owing to Stittco. Given the higher propane price in January 2003 this balance will increase further. Absent any increase in rates, the PPVA balances will rapidly increase to unacceptable levels creating a situation where consumers will have to pay for current high prices in future rates. The Board's view is that price transparency reflecting prevailing market prices, rate stability and intergenerational equity must all be considered in approving rates. The Board is of the view that

Stittco's application resulting in a 26.2% increase in overall rates properly reflects these considerations within the context of Stittco's position in the local marketplace. The Board will therefore approve Stittco's application for the implementation of a rate rider to become effective for all propane consumed on and after February 1, 2003.

The Board will require Stittco to continue reporting the monthly status of the PPVA balances, and to file any further changes to the PPVA recovery plan, as appropriate.

IT IS THEREFORE ORDERED THAT:

1. The application by Stittco Utilities Man. Ltd. to add Rate Rider "A", for all billings based on meter readings for propane consumed on and after February 1, 2003, of \$0.3662 cubic meter, vapour (\$97.03 per cubic metre, liquid) on existing domestic and commercial sales rates BE AND IS HEREBY APPROVED, on an interim ex parte basis.
2. The Schedule of Rates including Rate Rider "A", attached as Appendix "A" to this Order, to be effective for all billings based on meter readings for propane consumed on and after February 1, 2003 BE AND IS HEREBY APPROVED.
3. This interim ex parte Order shall remain in full force and effect until a further Order of the Board.
4. Stittco Utilities Man Ltd. shall continue to file reports to the Board on a monthly basis respecting the status of the Purchase Propane Variance Account balances, including any further changes to the recovery plan.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"H. M. SINGH"

Acting Secretary

Certified a true copy of Order No.
20/03 issued by The Public Utilities
Board

Acting Secretary

APPENDIX "A"

STITTCO UTILITIES MAN LTD.

SCHEDULE OF RATES

For Metered Domestic and Commercial Sales Under The
Public Utilities Board Jurisdiction for all Billings based on
Meter Readings for Propane consumed on and after
February 1, 2003

1. Domestic Services

First 50 cubic meters per month	\$1.65 per cubic meter
All over 50 cubic meters per month	\$1.25 per cubic meter

2. Commercial Service

First 1,000 cubic meters per month	\$1.48 per cubic meter
Next 3,000 cubic meters per month	\$1.35 per cubic meter
All over 4,000 cubic meters per month	\$1.12 per cubic meter

3. Industrial and large volume rates may be set by negotiation subject to approval of The Public Utilities Board and subject to such rates being available to all persons purchasing on the same conditions.

4. On all accounts outstanding for more than 30 days from the date of billing, an interest charge of 1½ percent per month will be charged from the date of billing until the account is paid.

5. All taxes extra, if applicable.

6. Rate Rider "A" to levy a rate of \$0.3662 per cubic meter to the rates stated for each consumption block in paragraphs 1 and 2 above and also to rates negotiated under paragraph 3 above. This Rate Rider is to be in effect commencing with meter readings on and after February 1, 2003.