

MANITOBA) **Order No. 120/00**
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THE PUBLIC UTILITIES BOARD ACT) **August 21, 2000**

BEFORE: G. D. Forrest, Chairman
M. Girouard, Member

**AN APPLICATION BY STITTCO UTILITIES MAN LTD.
FOR AN INTERIM ORDER OF THE BOARD APPROVING
AN INCREASE IN THE EXISTING RATE RIDER TO THE
SALES RATES TO RECOVER THE INCREASED COST OF
PROPANE AND THE CONTINUANCE OF A PROPANE
PURCHASE VARIANCE ACCOUNT**

Background

The Manitoba Public Utilities Board (“the Board”) last approved propane sales rates for Stittco Utilities Man Ltd. (“Stittco”) in Order 158/98, dated December 21, 1998. Those approved rates, effective August 1, 1998, reflected, amongst other matters, a 12-month fixed cost of propane of \$134.00 per cubic metre. The contract for the supply of propane was for a 12-month period and expired on March 31, 1999.

Because of the variable pricing in the supply contract, Stittco requested the reinstatement of a propane purchase variance account (“PPVA”) to track the differences between the forecast average cost of propane and the actual cost of propane for the 12 month period commencing August 1, 1999. In Order 187/99, dated November 10, 1999, the Board approved a rate rider in the amount of \$0.123 per cubic meter (\$0.0326 per litre, liquid) for all billings based on meter readings on and after October 1, 1999, and directed that the PPVA balance would be reconciled and disposed of by July 31, 2000.

The Application

Stittco requested quotations for the supply of propane for a 12-month period commencing April 1, 2000. The supply contract was awarded to Quadra Energy Trading ("Quadra"), located in Calgary Alberta, the lowest bidder. The contract is for a 12-month supply, and is based on variable market prices, with a firm price option, exercisable by Stittco, during the contract period.

The current propane price is \$248.00 per cubic metre, liquid. Prices have exhibited significant volatility, which makes it difficult to accurately predict an annual average propane price. However, Quadra quoted a firm price of \$215.80 per cubic metre F.O.B. Thompson. This price is within the forecast range of the price of crude oil for 2000/2001, which is normally reflective of propane market pricing. Therefore, Stittco is of the view that this would represent a reasonable estimate for determining the rate rider necessary to cover the increase in the commodity cost of propane commencing August 1, 2000.

The current rates are based on a propane cost of \$134.00 per cubic metre while the existing rate rider was designed in a manner which would recover a total propane cost of \$166.62 per cubic metre. The PPVA balance at July 31, 2000 is estimated at \$28,000 owing to Stittco, which Stittco proposed to carry over and recover during the fiscal year ending July 31, 2001. Based on the a cost of \$215.80 per cubic metre and the cost of \$134.00 embedded in the base sales rate, the required rate rider to recover the estimated annual cost of propone is \$81.80 per cubic metre, liquid (\$.309 per cubic metre, vapour).

Stittco has estimated the cost, including the new rate rider for propane, using a 92% efficiency-rating furnace to be \$17.57 per mm BTU. The electric equivalent is estimated at \$15.12 per mm BTU.

Board Findings

The Board accepts that the market price of propane will generally follow the prices of other fossil fuels. Prices for crude oil and natural gas have reached extraordinary high levels in recent months and are expected to remain at these levels in the near future. Recent increases in the market commodity price for natural gas have exceeded 70%.

The Board is of the view that Stittco conducted an appropriate tendering process and awarded the propane supply contract to the lowest bidder. The Board is satisfied that, on a prima facie basis, the application should be approved. Considering the significant increase in commodity price, the Board recognizes the urgency to establish new rates to be effective August 1, 2000, and that the requested increase in rates is due to the increases in commodity price. The Board will therefore approve Stittco's request to dispose of the existing PPVA balance by carrying over the estimated July 31, 2000 balance to the next fiscal year, and to institute a rate rider in the amount of \$0.309 per cubic metre, vapour (\$81.80 per cubic metre, liquid) on an interim refundable basis.

The Board will require Stittco to inform its customers in writing that the Board has approved the rate increase on an interim ex parte basis due to increases in the commodity cost of propane. This notice shall indicate that a customer may request further information regarding the rate increase or provide comments by contacting the Board directly at the Board offices in Winnipeg.

IT IS THEREFORE ORDERED THAT:

1. A rate rider on existing domestic and commercial sales rates in the amount of \$0.309 cubic meter, as shown on Appendix A to this order, BE AND IS HEREBY APPROVED, on an interim refundable basis.
2. The rate rider shall remain in full force and effect until a further Order of the Board.
3. The Purchase Propane Variance Account be established, effective August 1, 2000 and continue until no later than July 31, 2001, at which time an application for the disposition of the accumulated balance shall be made to the Board.
4. Stittco Utilities Man Ltd. shall file the status of the Purchase Propane Variance Account balances to the Board on a monthly basis, commencing August, 2000.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"G. O. BARRON"

Secretary

Certified a true copy of Order No. 120/00 issued
by The Public Utilities Board

Secretary

