

M A N I T O B A) **Order No. 124/01**
)
THE PUBLIC UTILITIES BOARD ACT) **August 16, 2001**

BEFORE: M. Girouard, Acting Chair
S. Proven, Member

**AN APPLICATION BY STITTCO UTILITIES MAN LTD.
FOR AN INTERIM EX PARTE ORDER OF THE BOARD
APPROVING A REDUCTION IN AN EXISTING RATE
RIDER TO THE SALES RATES TO RECOVER THE
DECREASED COST OF PROPANE**

Background

Base sales rates for Stittco Utilities Man Ltd. ("Stittco"), which have been in effect since August 1, 1998, contain a propane price of \$134.00 per cubic metre, liquid. In Order 182/99, dated November 4, 1999, the Public Utilities Board ("the Board") approved a unit rate rider of \$32.60, liquid to be effective October 1, 1999 to reflect increased propane costs. Because the price of propane continued to rise, the Board approved an increase in the unit rate rider to \$81.80 (Rate Rider "A") in Order 120/00 dated August 21, 2000. At that time, the unit cost of propane was estimated to be \$215.80. In Order 120/00, the Board also approved the establishment of a Purchase Propane Variance Account ("PPVA") commencing August 1, 2000 which was to continue until no later than July 31, 2001 to track the difference between the forecast and actual price of propane.

In Order 4/01, dated January 9, 2001, the Board approved an additional rate rider (Rate Rider "B") in the amount of \$115.00 per cubic metre, liquid, to reflect the estimated propane price at that time of \$330.80 per cubic metre, liquid. The Board also ordered Stittco to file an application with the Board, by no later than August 31, 2001, outlining a plan to dispose of the July 31, 2001 balance in the PPVA.

On May 1, 2001 Stittco advised the Board that Stittco planned to continue with the current Riders until the full amount of the PPVA has been recovered. On the basis of the propane price contracted for the year 2001/02 and the continuance of the current Riders the full amount of the variance should be recovered by December, 2002. The Board in a letter dated July 9, 2001 acknowledged receipt of Stittco's plan and indicated that the plan was acceptable at that time.

The Application

On July 30, 2001, Stittco applied to the Board for an interim ex parte order approving a reduction in Rate Rider "A" of \$32.60, from \$81.80 to \$49.20, to reflect a lower cost of propane. Stittco's propane supply contract for the 12-month period from April 1, 2001 to March 31, 2002 with Keyspan Energy Canada ("Keyspan") contained a fixed price of \$301.78 per cubic metre, liquid, FOB Thompson. Because the market price of propane has decreased considerably since April 1, 2001, Stittco was able to arrange for a propane price reduction of \$31.78, to \$270.00, FOB Thompson. Stittco indicated this request was in keeping with its objective of maintaining a competitive position compared to other energy sources available in the area while providing quality service to customers.

Stittco's proposal would result in a total cost of propane embedded in sales rates of \$298.20, which would recover the \$270.00 propane cost, with the balance of \$28.20 being applied to reduce the PPVA balance. Stittco estimated that the PPVA balance at July 31, 2001 would be \$311,000 owing to Stittco. Stittco estimated that the requested reduction in the rate rider would amount to an average reduction of 6.3% from current rates.

The following table illustrates the change requested by Stittco, per cubic metres, liquid

Component:	Current Rates	Proposed Rates	Change
Propane price	\$ 330.80	\$ 270.00	(\$60.80)
Base Price embedded in rates	\$ 134.00	\$ 134.00	\$ 0.00
Rate Ride "A"	\$ 81.80	\$ 49.20	(\$ 32.60)
Rate Rider "B"	\$ 115.00	\$ 115.00	\$ 0.00
Total embedded in rates	\$ 330.80	\$ 298.20	(\$32.60)
Amount applied to PPVA	\$ 0.00	\$ 28.20	\$28.20

Board Findings

The Board is aware of the recent trend in the global market place of falling energy prices. The Board also recognizes that Stittco must remain competitive with alternate energy sources available in Stittco's Northern Manitoba service area, if propane is to remain a viable energy option. The Board commends Stittco for its negotiations with Keyspan, which were successful in reducing a 12-month unit fixed price contract amount from \$301.78 to \$270.00.

The Board previously expressed some concern about the continued growth in the PPVA balance resulting from unprecedented high market prices of all energy sources over the past year, generally beyond the control of utilities. The Board notes that Stittco's PPVA balance, which stood at approximately \$35,000 owing to Stittco's customers at March 31, 2000, is now estimated to be \$311,000 owing to Stittco at July 31, 2001. However, being aware of and sensitive to Stittco's competitive position relative to other energy sources, the Board will approve Stittco's application which provides for the continuation of the reduction of the PPVA over time. Based on this new information the Board will require Stittco to file a new projection related to the disposal of the PPVA.

IT IS THEREFORE ORDERED THAT:

1. Rate Rider "A", to be effective for all billings based on meter readings for propane consumed on and after August 1, 2001, of \$0.1860 per cubic meter, vapour (\$49.20 per cubic metre, liquid) on existing domestic and commercial sales rates as shown on Appendix A to this Order, BE AND IS HEREBY APPROVED, on an interim ex parte basis.
2. 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.

3. Stittco Utilities Man Ltd. file a new projection regarding the disposition of the PPVA by no later than September 21, 2001.
4. This interim ex parte Order shall remain in full force and effect until a further Order of the Board.

THE PUBLIC UTILITIES BOARD

"M. GIROUARD"

Acting Chair

"G. O. BARRON"

Secretary

Certified a true copy of Order No. 124/01
issued by The Public Utilities Board

Secretary

APPENDIX "A"