

# RATE APPLICATION

## Natural Gas

## Delivery Service

SaskEnergy Incorporated

November 1, 2017

August 15, 2017 – PUBLIC MEETING

# AGENDA

1 Delivery Service Rate Application

2 SaskEnergy Services

3 Application Drivers

4 Efficiencies

5 Application Details and Bill Impacts

# DELIVERY SERVICE RATE APPLICATION



Average  
**3.6% INCREASE**  
to Delivery Service Rates



Effective date of  
**NOVEMBER 1, 2017**



**RESIDENTIAL**  
Customer bill increase  
\$1.65/month

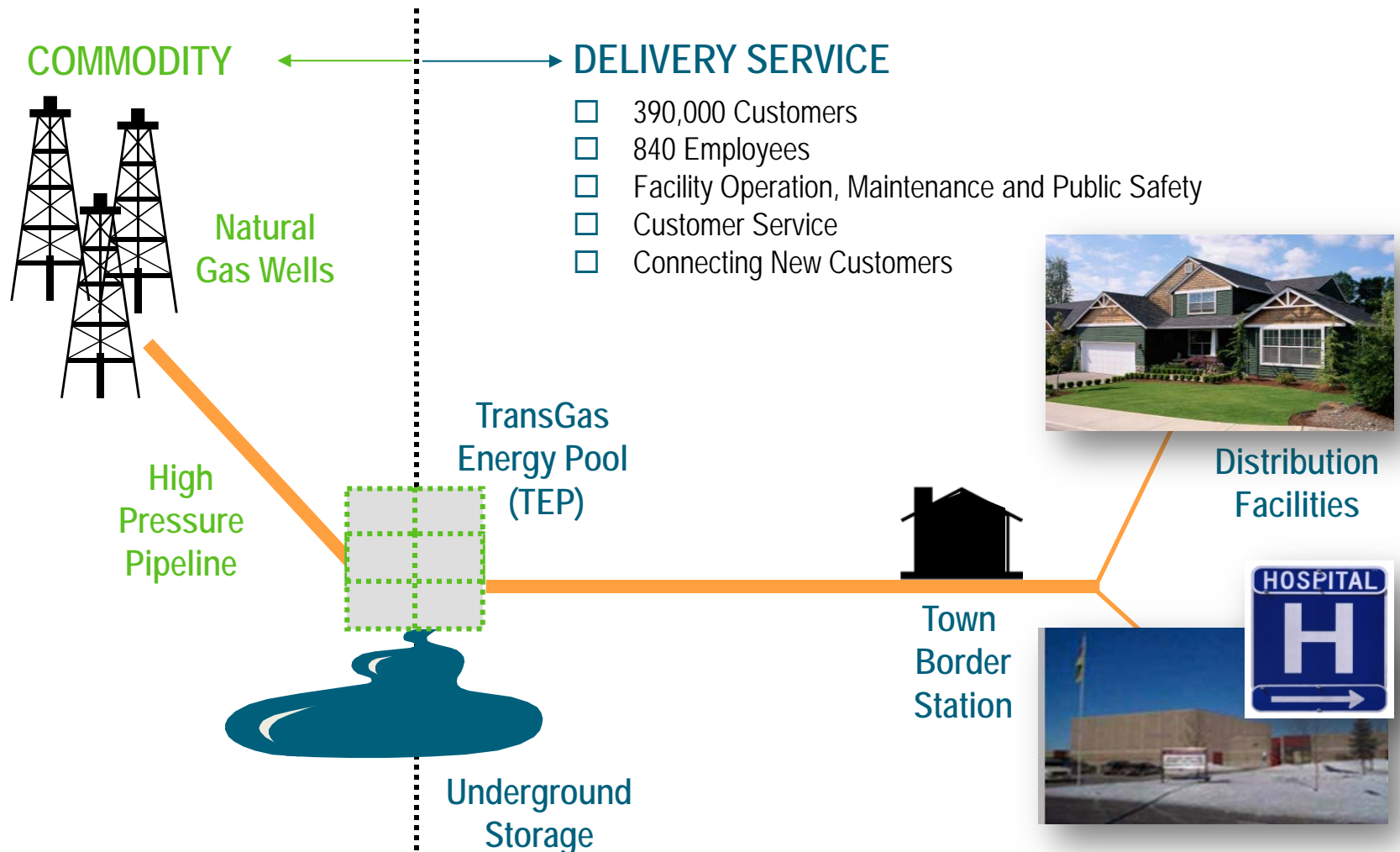


**SMALL COMMERCIAL**  
customers (i.e. restaurants,  
agriculture operators)  
average \$3.00/month

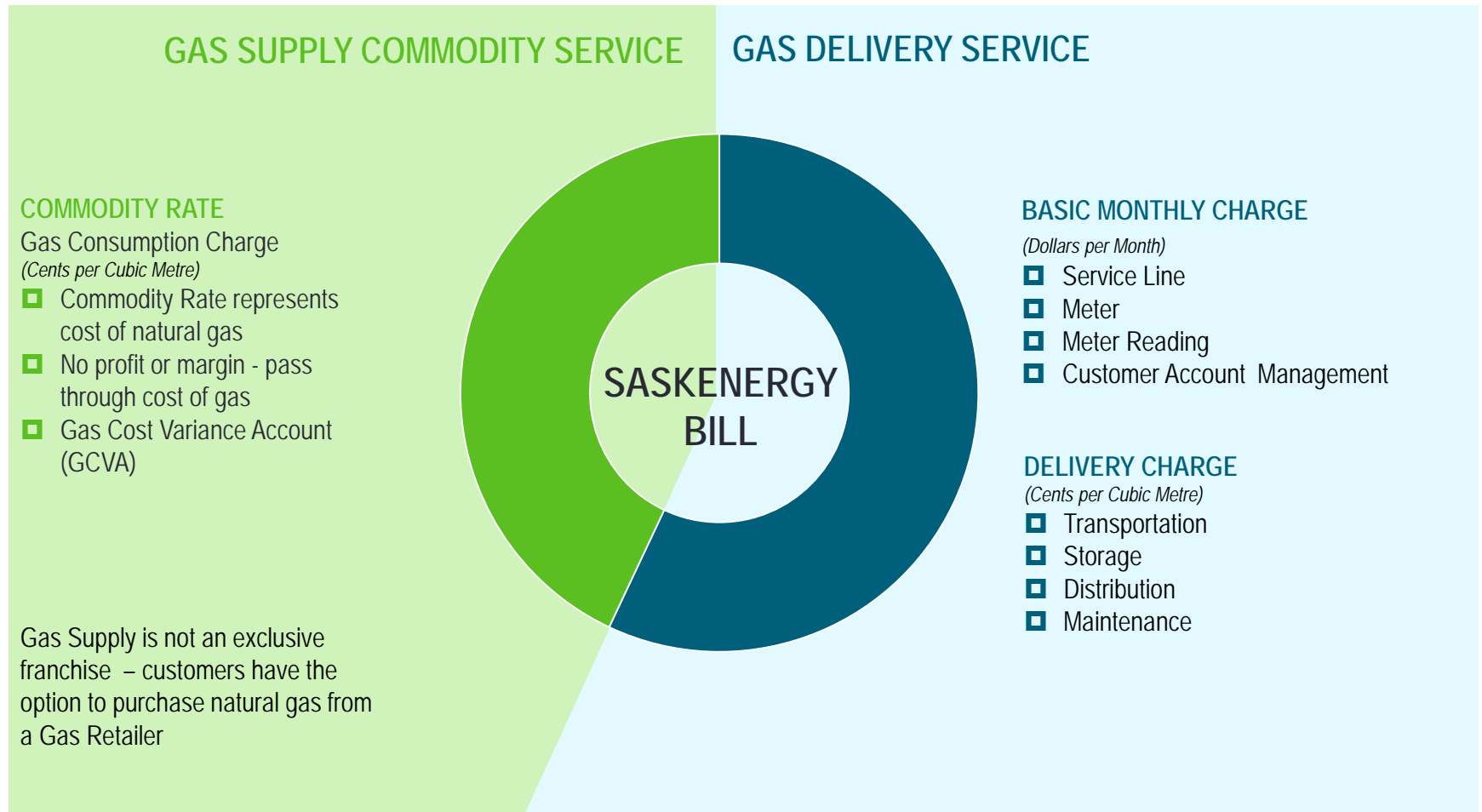


**LARGE COMMERCIAL**  
customers (i.e. hospitals,  
schools, large hotels)  
average \$40 a month

# SASKENERGY SERVICES

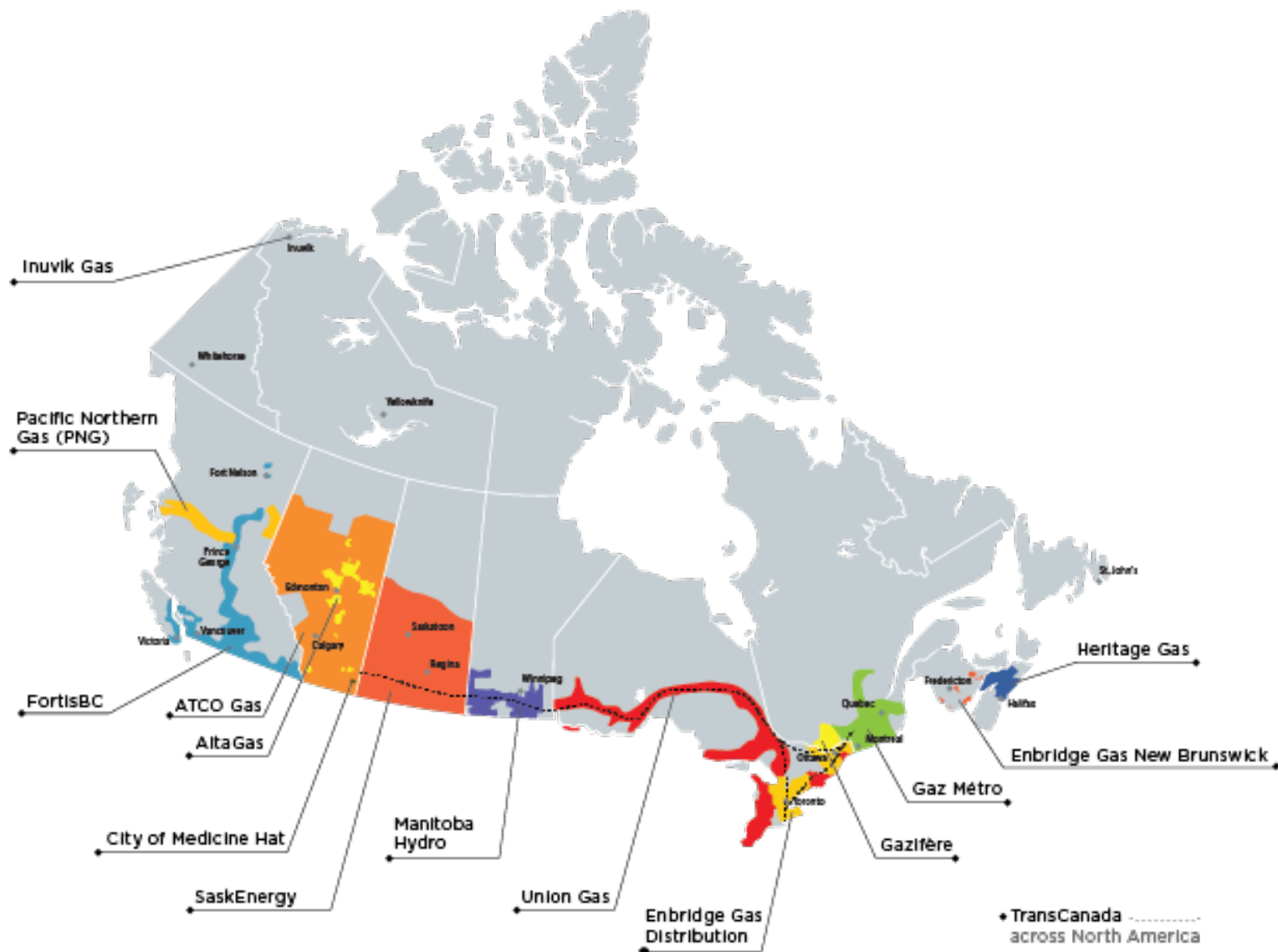


# CUSTOMER BILL



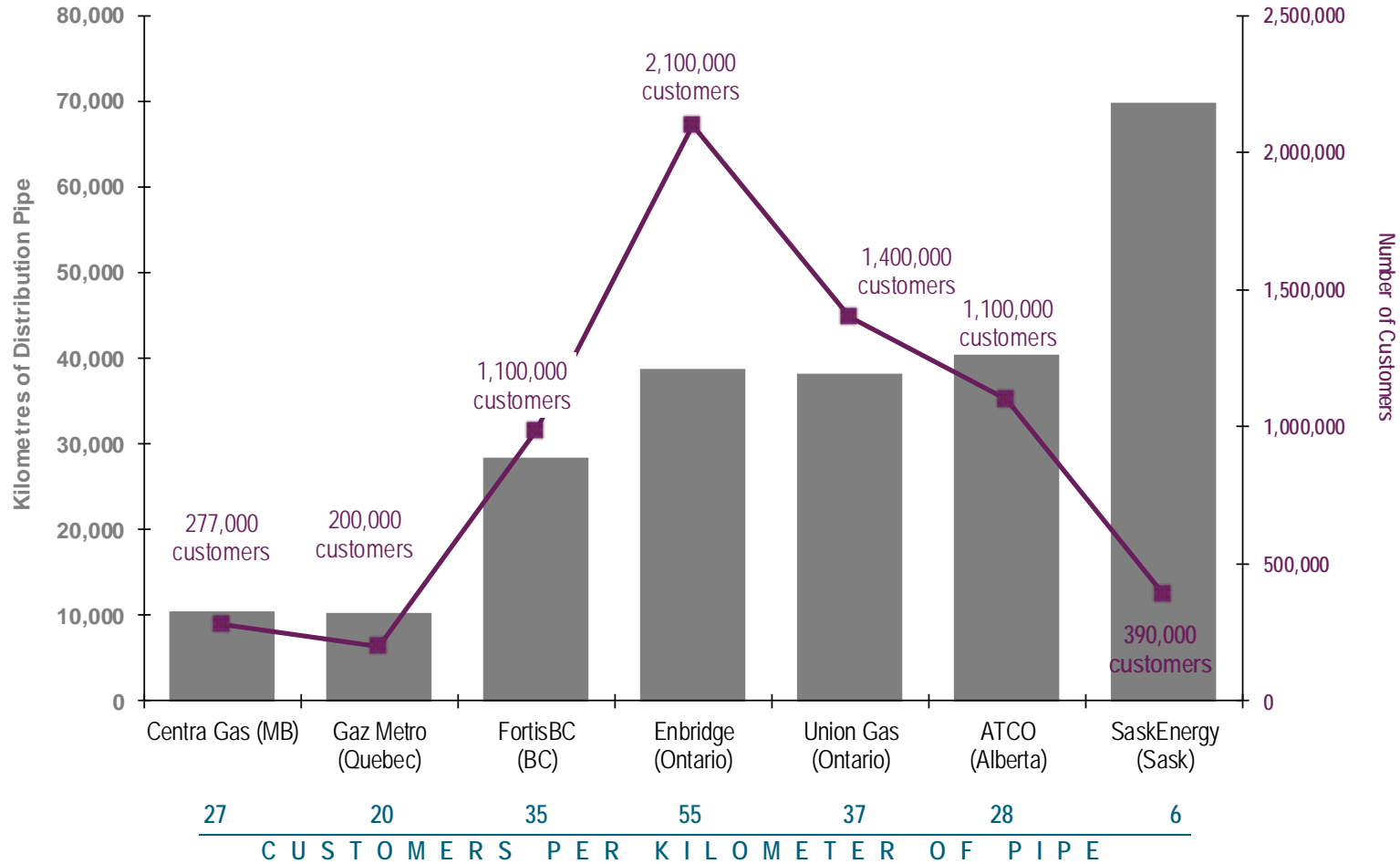
Approximately 45% of a Residential customer bill is commodity service and 55% is delivery service

# NATURAL GAS DISTRIBUTION IN CANADA



# CUSTOMER DENSITY

## DISTRIBUTION PIPE VS. NUMBER OF CUSTOMERS \*



# RATE APPLICATION DRIVERS

## PUBLIC SAFETY AND INFRASTRUCTURE RENEWAL

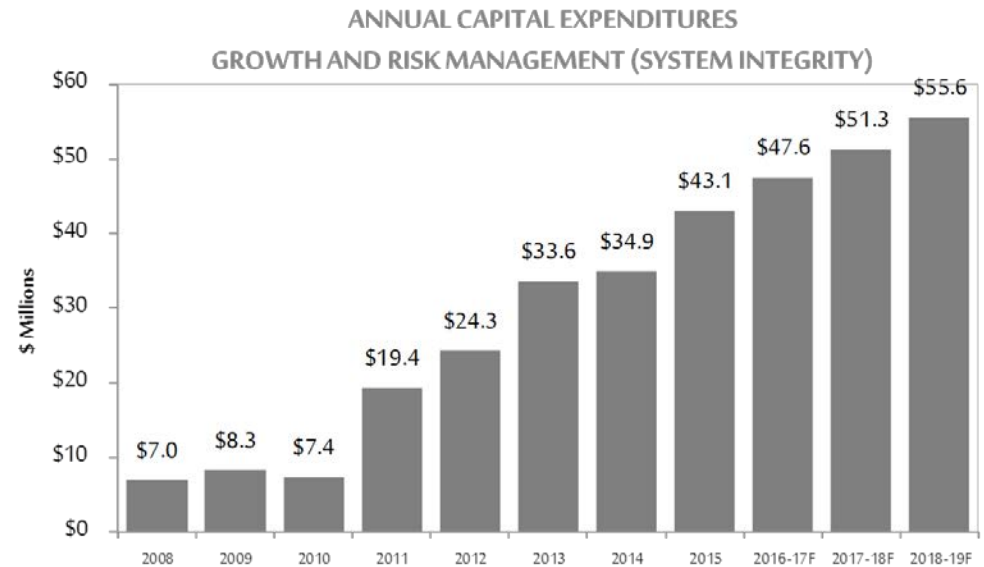
- Distribution main replacement
- Service upgrades
- Station upgrades and replacements

## OPERATIONS

- Geotechnical increased focus
- Enhanced leak survey process
- Critical line supervision

## FUTURE GROWTH

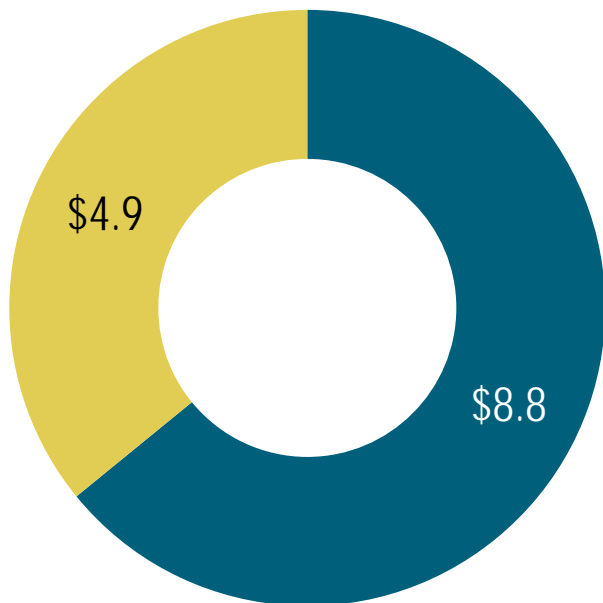
- System built over the last 60 years has reached capacity in many areas
- Major centers continue to expand in both load growth and routing challenges
- Strategic decisions to properly deploy long-term capital to meet multiple objectives:
  - Safe and reliable
  - Increased capacity
  - Improved asset life and less conflict with existing urban development





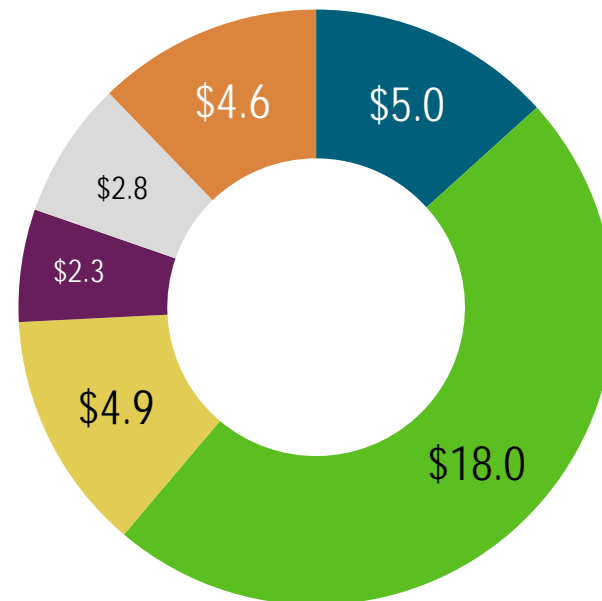
# INFRASTRUCTURE RENEWAL CAPITAL

GROWTH 2017/18  
(\$ MILLIONS)

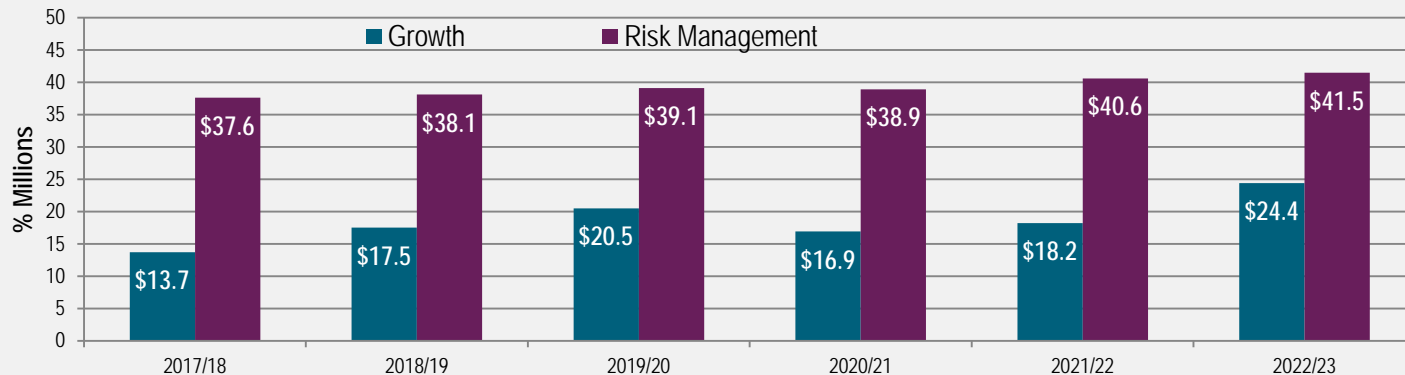


RISK MANAGEMENT 2017/18  
(\$ MILLIONS)

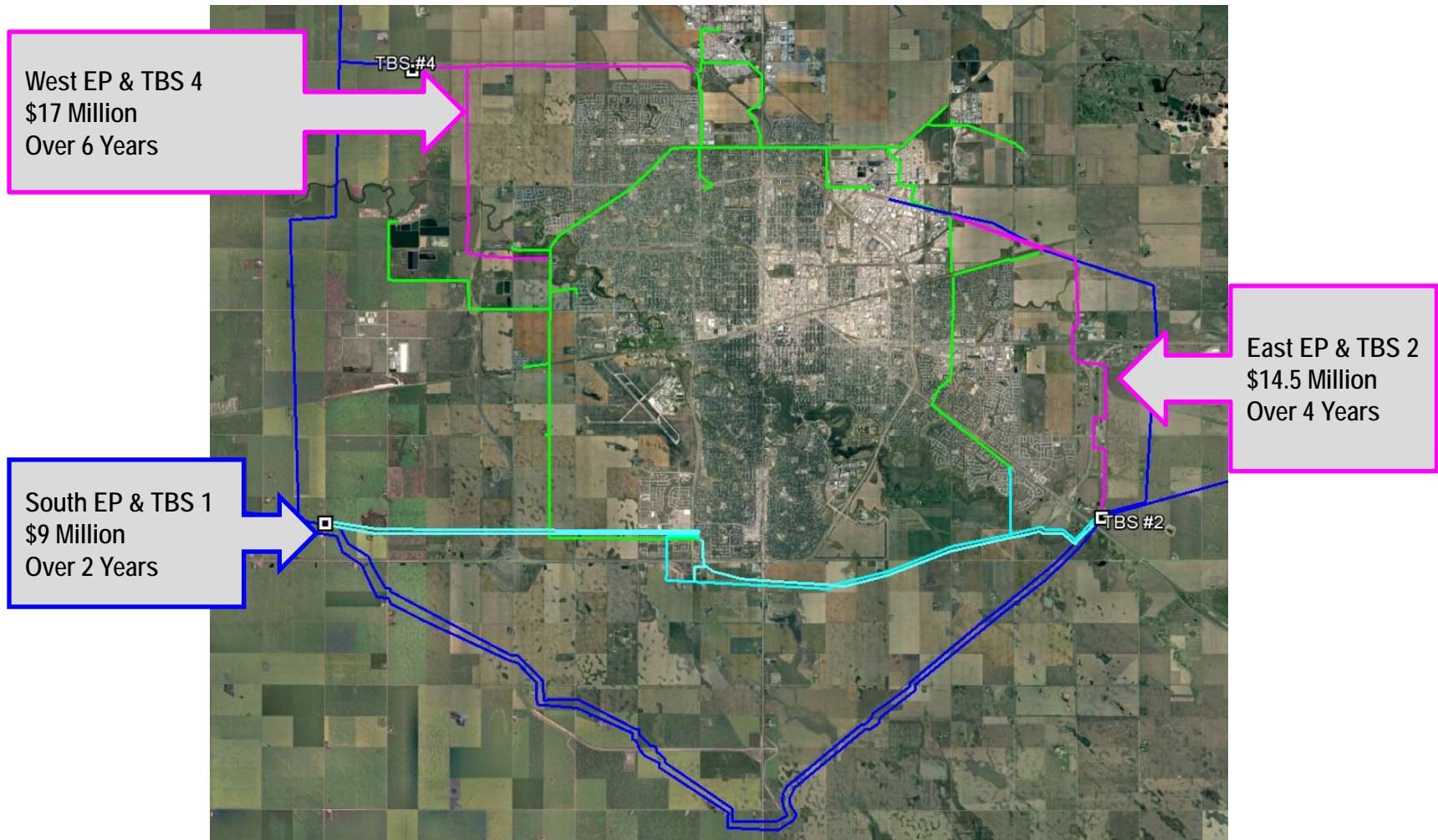
- Mains
- Services
- Stations
- Line Heaters
- Odorizer
- Measurement



## LOOKING FORWARD

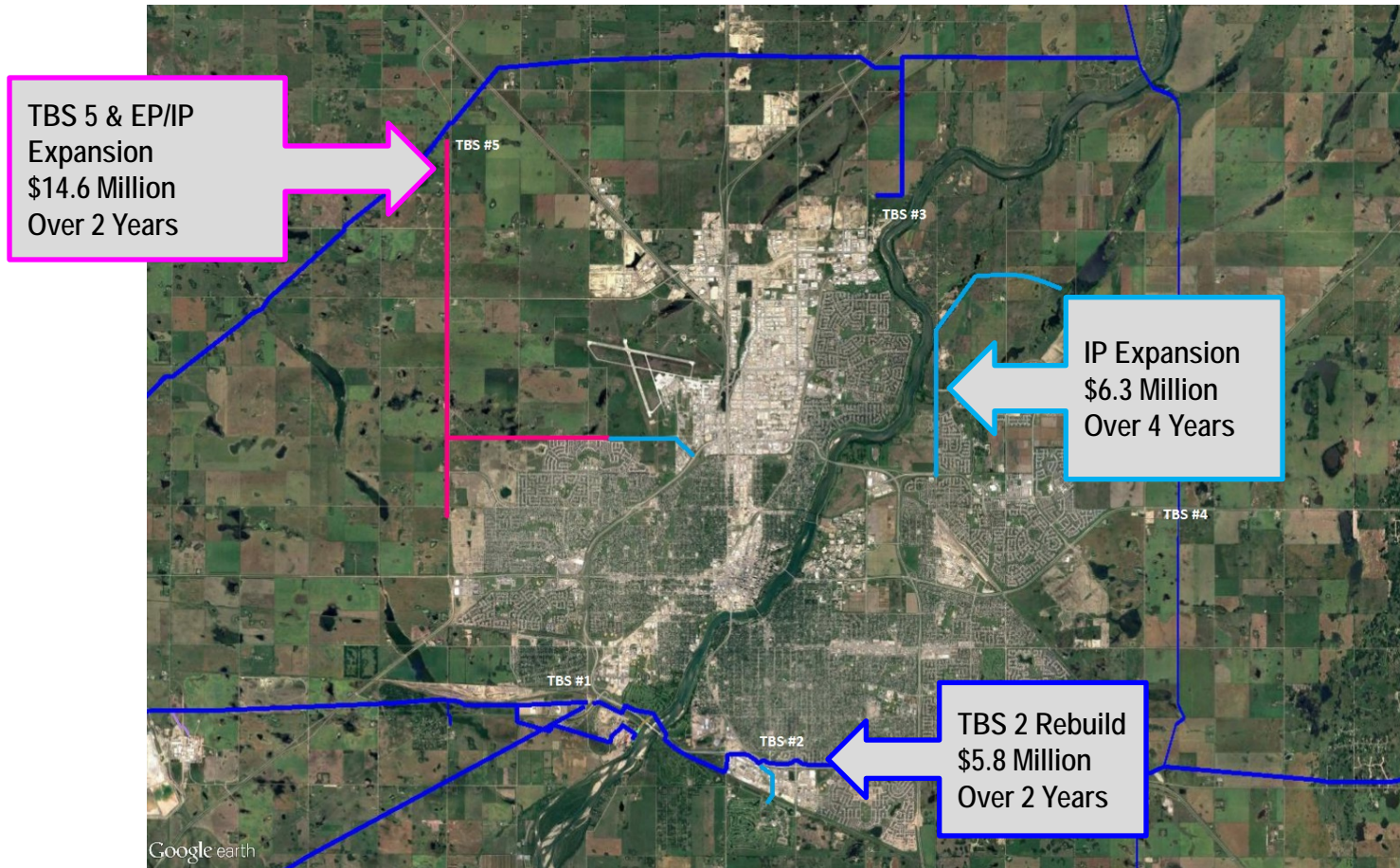





# MAJOR GROWTH INFRASTRUCTURE – REGINA



- Existing EP Pipelines
- Existing HP Pipelines to be Converted to EP
- Future NPS 12 EP Pipelines
- High Pressure TGL Pipelines

# MAJOR GROWTH INFRASTRUCTURE – SASKATOON



-  Future NPS 12 IP Pipelines
-  Future NPS 16 and 12 EP Pipelines
-  High Pressure TransGas Pipelines



# RISK MANAGEMENT

## METER EXCHANGE PROGRAM



## TOWN BORDER STATIONS



## SERVICE UPGRADES



# PUBLIC SAFETY & DAMAGE PREVENTION

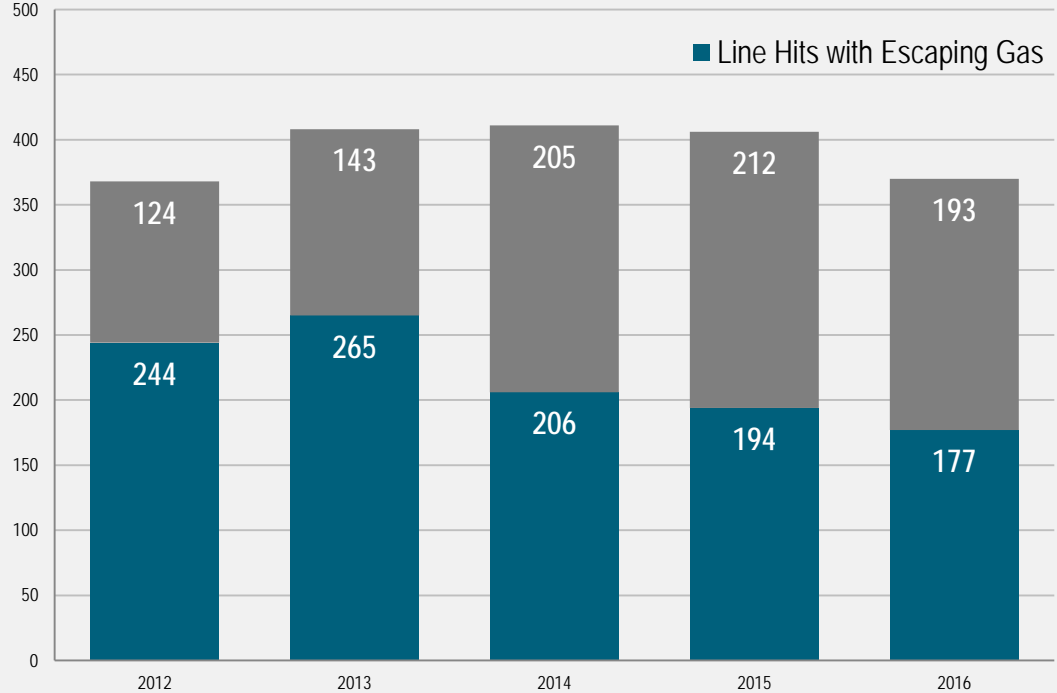
## DISTRIBUTION UNDERGROUND LEAKS

### INDUSTRY LEAKS

- Per 1000 Services = 1.1
- Per 1000 km Mains = 8.0

### SASKENERGY LEAKS

- Per 1000 Services = 0.74
- Per 1000 km Mains = 1.24



## PUBLIC SAFETY

SaskEnergy continues its efforts to enhance public safety (e.g. Safety Patrols, Supervised Crossroads; Contractor Safety Breakfasts; advertising for **1st Call** and Safe Digging; **SCGA**.)

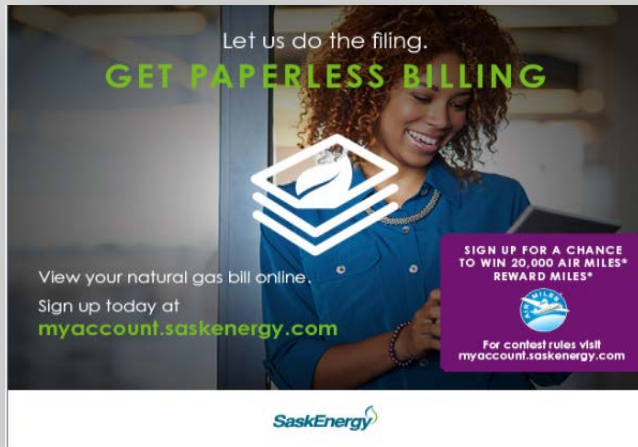
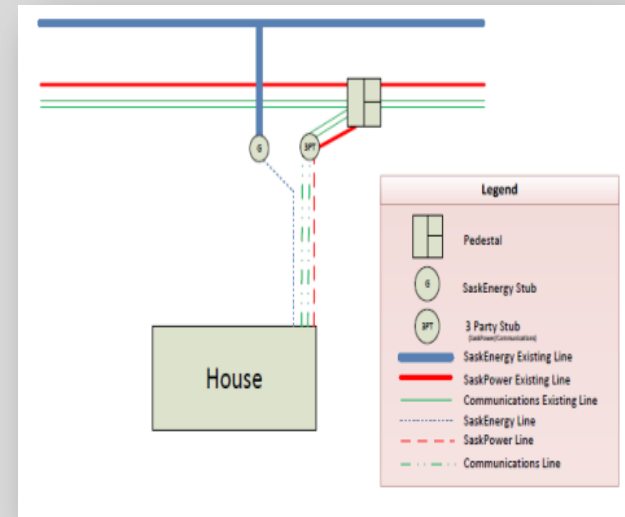
- Messaging to public about the risks and financial penalties of unsafe digging
- Sask 1<sup>st</sup> Call On-Line Requests now account for over 40% of line locate requests

Line hits with escaping gas decreased 23% in 2014; 6% in 2015 and 9% in 2016

# EFFICIENCY FOCUS – CROWN COLLABORATION

## JOINT SERVICING / TRENCHING

- Common customer application process for SaskEnergy, SaskPower, SaskTel
- Resulting in improved in-service time for customers
- In 2016, 1,530 services were installed, 76% of these were installed within ten days or less of site ready date
- Capital costs savings in 2016 was approximately \$1.9 million of savings



## E-BILL CAMPAIGN WITH SASKPOWER

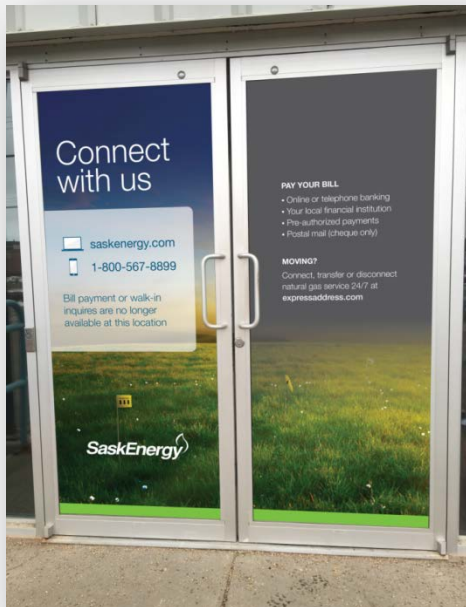
- Feb/March 2017 Joint campaign with SaskPower
- In 2016, customers receiving paperless bill increased from 13% to 17%
- November 2016 paperless billing month where CSRs were challenged with promoting e-bills
- SaskEnergy's cost to produce and mail a paper bill is approximately \$1.10/month per customer



# EFFICIENCY FOCUS – BUSINESS PROCESS CHANGES

## CASHIERING

- February 1, 2017 cashiering services in Saskatoon and Regina were discontinued
- Only 3% of payments were made through cashiering
- Staff have been reassigned to other administration duties and queue support



## RESPONSE TO NO HEAT CALLS

- SaskEnergy previously responded to approximately 4,500 no heat calls per year
- Calls resulted
  - 2% SaskEnergy issue (regulator, meter or outage)
  - 98% require contractor repair
- Total \$323,000 savings
  - reduction in regular and overtime calls and travel



# EFFICIENCY FOCUS – INVESTMENT OF TECHNOLOGY

## DISTRIBUTION WORK MANAGEMENT (DWM)

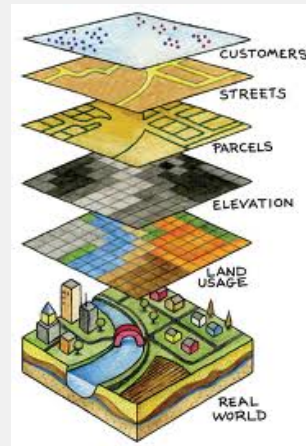
An optimized work management system that provides improved efficiency;

- increases work completion rates; and
- allows for more efficient dispatching, especially of emergency orders



## GEOSPATIAL INFORMATION SYSTEM (GIS)

- Establishes the baseline allowing for projects that deliver Return on Investment
- Continual improvement of integrity, risk management and emergency response programs
- More are being identified as Corporate GIS maturity expands
- Capital spend has flexibility to align with budgets



## ADVANCED METERING INFRASTRUCTURE (AMI)

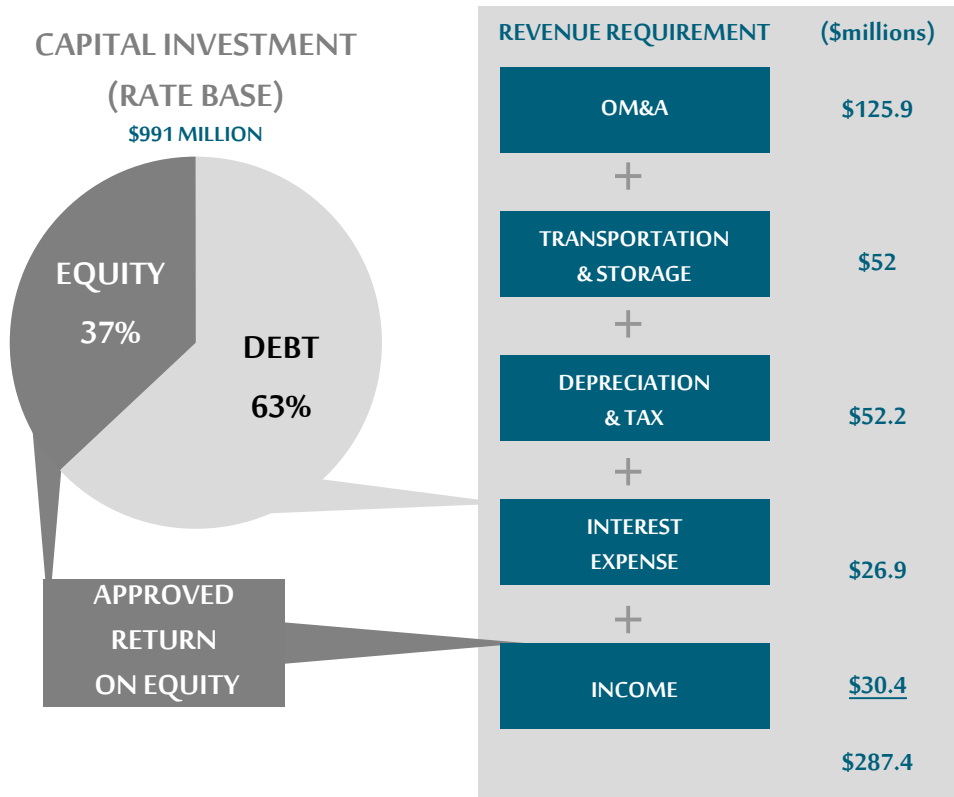
- 87% of customers now have AMI meters
- January 2016 – March 2017 - \$675,000 in meter reading cost savings
- Using monthly actual reads in 2016 and 2017, a 28% reduction in field orders related to meter read activities (tenancy changes, check meter reads, etc), allowing Technicians to work on higher priority tasks





# COST OF SERVICE

- Follow standard regulatory practice for utilities
- Net of efficiencies – Cost of Service up by \$9.1 million



## 3-STEP APPROACH

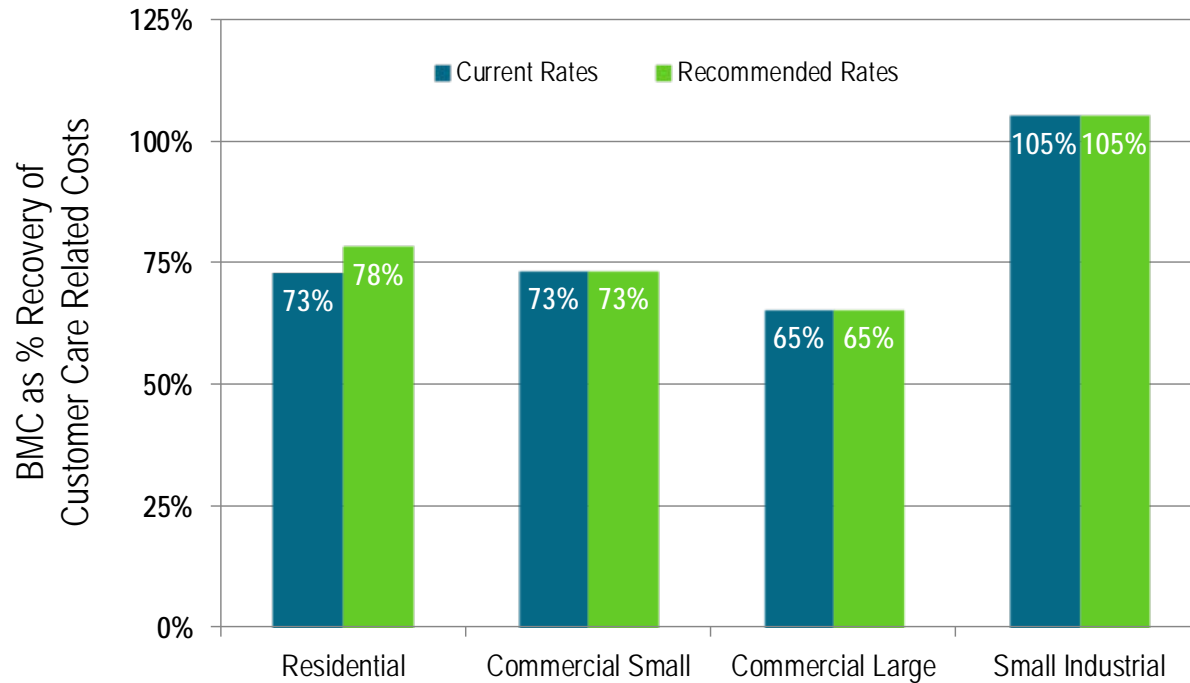
Functionalize

Classify

Allocate

Capital expenditures drive increases in Depreciation and Tax, Interest Expense and Income

# BASIC MONTHLY CHARGES



SaskEnergy has long-term objective to recover at least 75% of customer care related costs through the BMC

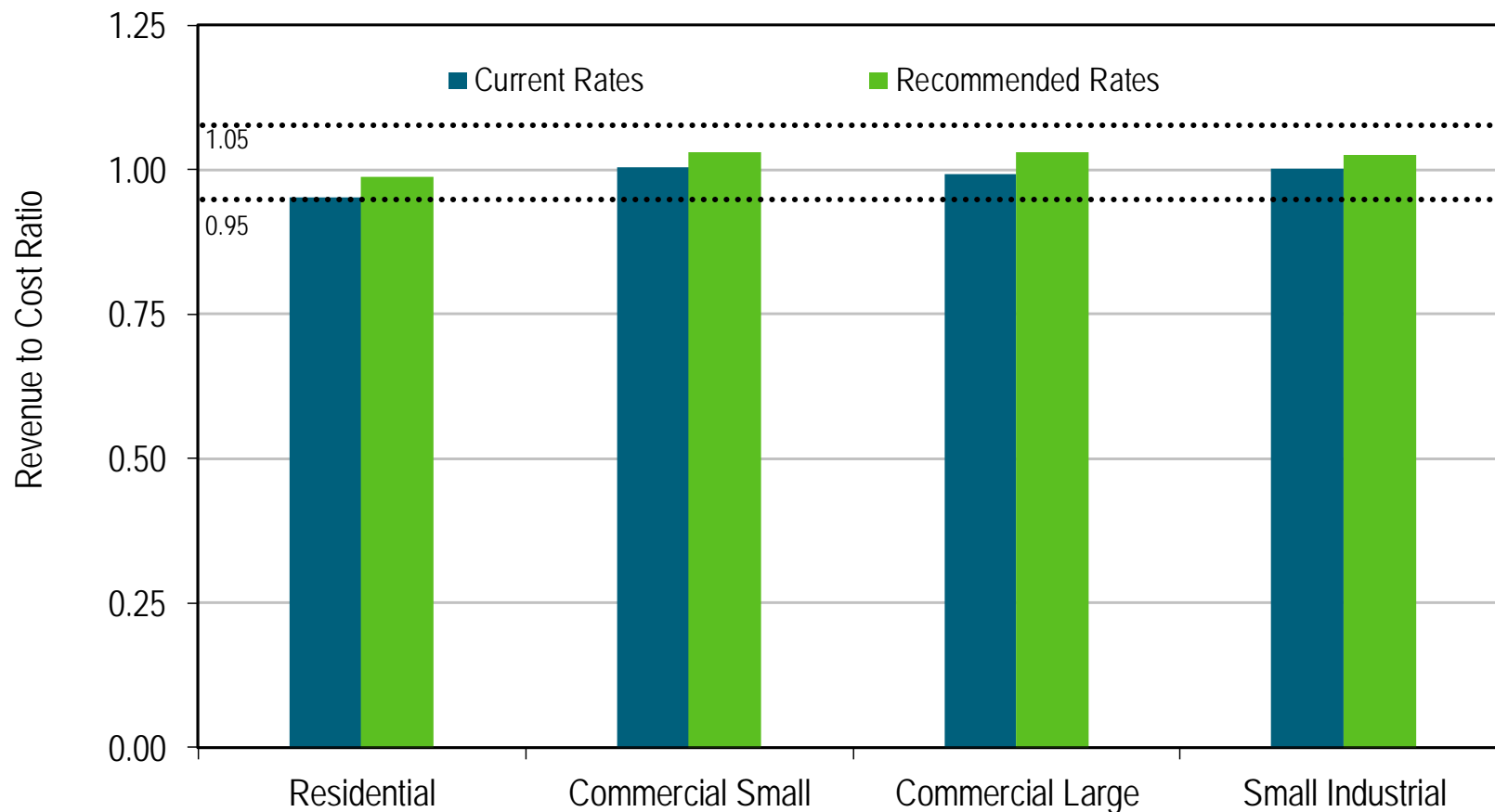
Now recovering only 73% of customer related costs through BMC for Residential Customers

Recommending increase to the BMC for Residential Customers and the volumetric Delivery Charge for Commercial and Industrial customers

# REVENUE TO COST RATIOS

## SASKENERGY DELIVERY RATES REVENUE-TO-COST RATIOS

SaskEnergy targets industry standard of 0.95 to 1.05



Residential customers facing the largest increase  
(Recommended Revenue-to-Cost Ratio is 0.99)

# DELIVERY SERVICE RATE APPLICATION

Application is to increase:

- BMC only for Residential
- Delivery Charge only for Commercial Small, Commercial Large and Small Industrials

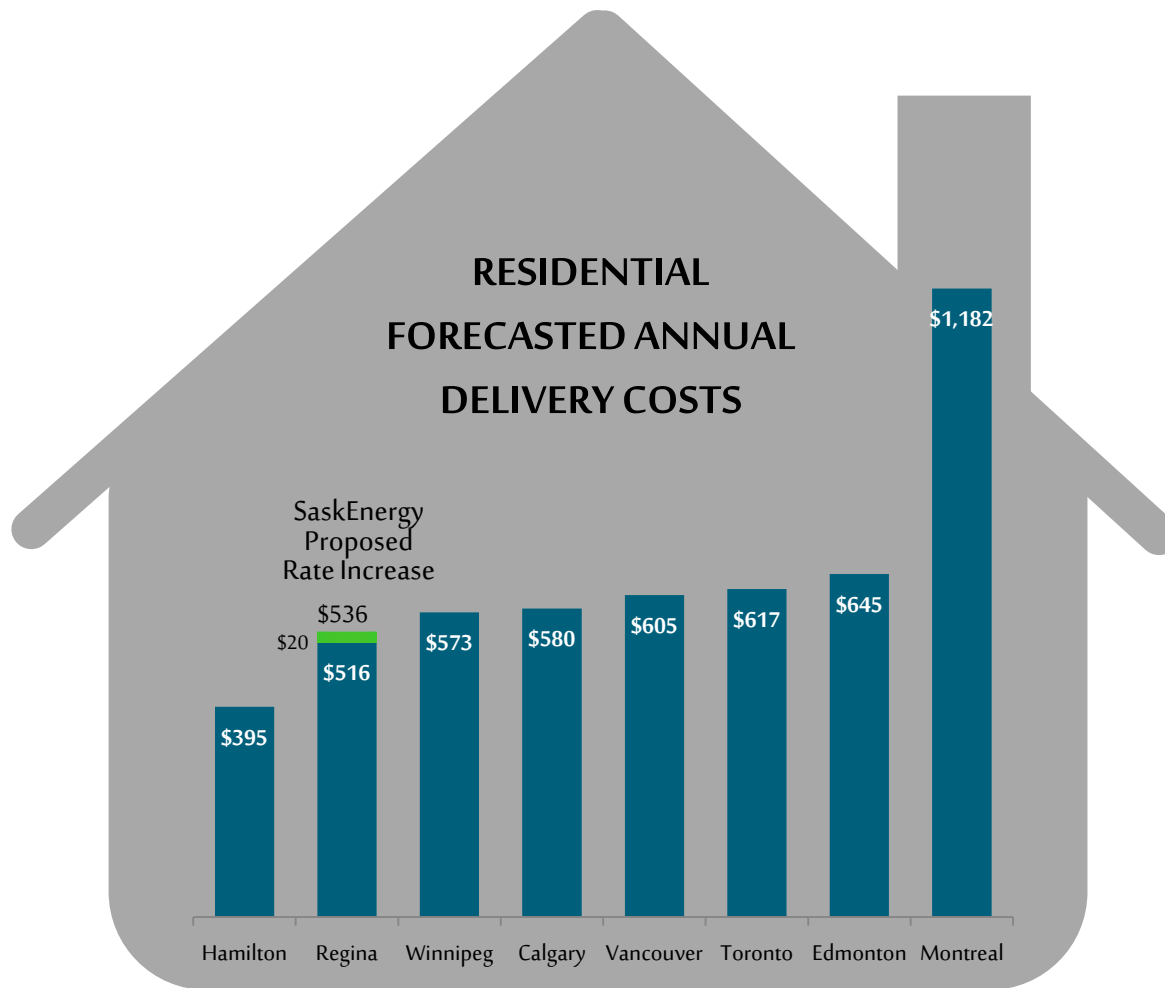
Rate Class	Increase to BMC \$/month	Increase to Delivery Charge \$/m <sup>3</sup>	Delivery Rate Impact %	Total Bill Impact Annual % Change	Average Monthly Increase	% of Customer Related Costs Recovered Through BMC	Revenue-to-Cost Ratio
RESIDENTIAL	\$1.65	-	3.9%	2.3%	\$1.65	78%	0.99
COMMERCIAL SMALL	-	\$0.0027	2.4%	1.1%	\$2.84	73%	1.03
COMMERCIAL LARGE	-	\$0.0026	3.5%	1.2%	\$40	65%	1.03
SMALL INDUSTRIAL	-	\$0.0010	2.4%	0.6%	\$103	105%	1.03
SYSTEM AVERAGE			3.6%	1.8%		77%	1.00

*ROE for Application period is 8.3% and generates an incremental \$9.1 million in delivery service revenue annually*

# TOTAL BILL IMPACT

RATE CLASS	DELIVERY SERVICE RATE INCREASE		TOTAL BILL IMPACT	
	Average Monthly Increase	Delivery Rate Impact %	\$/Year	Annual Bill % Increase
RESIDENTIAL	\$1.65	3.9%	\$19.80	2.3%
COMMERCIAL SMALL	\$2.84	2.4%	\$34.10	1.1%
COMMERCIAL LARGE	\$40	3.5%	\$476	1.2%
SMALL INDUSTRIAL	\$103	2.4%	\$1,235	0.2%
AVERAGE		3.6%		1.8%

# COMPETITIVE DELIVERY SERVICE RATES



April 2017 – Comparison is based on annual consumption of 2,800 cubic metres

RESIDENTIAL BASIC MONTHLY CHARGE AS OF April 1, 2017 (\$/MONTH)	
Vancouver	\$11.83
Edmonton	\$37.17
Calgary	\$32.61
Regina	\$22.45
Winnipeg	\$14.00
Toronto	\$20.00
Hamilton	\$21.00
Montreal	\$15.75
<b>AVERAGE</b>	<b>\$21.85</b>
<b>MEDIAN</b>	<b>\$20.50</b>
<b>SASKENERGY RECOMMENDATION</b>	<b>\$24.10</b>

*SaskEnergy Residential Delivery Service costs will remain among the lowest in Canada*

# SASKENERGY HISTORICAL RESIDENTIAL BILLS

## Typical Annual Residential Customer Bill

