

February 14, 2014

Saskatchewan Rate Review Panel
P.O. Box 1301
Saskatoon, Saskatchewan
S4K 3N1

RE: Consumer Association of Saskatchewan Submission of February 3, 2014

SaskPower appreciates the comments and concerns from the Consumer Association of Saskatchewan regarding our 2014, 2015, and 2016 Rate Application. We are grateful for the opportunity to address the issues presented in the submission.

A multi-year approach with a built-in review process

SaskPower recognizes the concern that actual results can vary significantly from those forecasted. If a multi-year application is approved, our company has proposed that a short annual review mechanism be considered to ensure that the assumptions made in the initial application are still applicable.

Recognizing the value of revisiting the underlying assumptions presented in our company's original rate application, our company has outlined a proposed mechanism in response to the consultant round two interrogatory Q40. With input from the Saskatchewan Rate Review Panel (SRRP), the specific mechanism would have to be approved by provincial cabinet.

In SaskPower's proposal, the trigger for a full review is dependent on our company's forecasted ROE. Crown Investments Corporation (CIC) of Saskatchewan has set SaskPower's long-term ROE target at 8.5%. Our company proposes that if the forecasted ROE either falls below 0% or increases to more than 8.5% in the following year's forecast, a full rate review process would be triggered. If ROE in the following year is forecasted to remain between 0% and 8.5%, a much shorter, limited-scope filing would be undertaken.

When it comes to the potential for the payment of dividends, our company is not forecasting the payment of a dividend in 2014. Our company cannot comment on whether a dividend will be requested, as that decision rests with CIC and the Government of Saskatchewan.

Rate rebalancing

The industry standard is for each class to fall within a Revenue to Revenue Requirement (R/RR) ratio between .95 and 1.05. However, by 2016 all classes should fall within an even tighter band of .98 to 1.01. Residential and Farm rates are forecast to be at .98 for all three years.

Customer classes

Generally, 'urban' describes customers within the registered limits of a city, town or village. Meanwhile, 'rural' describes customers outside the legal limits establishing an urban area. SaskPower relies on the Government of Saskatchewan classifications of a customer's location when classifying each customer as 'urban' or 'rural'. In some cases a customer area will grow to achieve the status of a village and become urban. In other cases, villages have been dissolved and customers at that location have been re-classified as rural.

Service

We appreciate the Saskatchewan Consumer Association's comments about service. SaskPower is fortunate to have a dedicated workforce who often do dangerous work.

Our company tracks outages and although there was a performance improvement from 2012 compared to 2011, SaskPower customers on average do experience longer and more frequent outages than they did five years ago. This highlights our company's need to invest in infrastructure that is at times near the end of its life or overloaded.

Outages are not always preventable, but SaskPower is focusing on a number of initiatives designed to reduce the frequency of controllable outages. These include the Rural Rebuild Program, the Wood Pole Replacement Program and the Vegetation Management Program. Also, one of the benefits of SaskPower's Advanced Metering Infrastructure initiative (smart meters) will be a reduction in outage duration.

Currently, SaskPower relies on phone calls from customers to notify us when there is an outage. When the smart meter system is deployed, outages will be detected in near real-time and the specific location will also be diagnosed more quickly.

Buying and selling power

SaskPower had a positive year exporting power in 2013, and will continue to import and export power and also trade in other jurisdictions when advantageous to do so. Our company is also investigating additional opportunities to expand its capacity to import and export power across Saskatchewan's borders.

Demand Side Management (DSM)

Through DSM programs associated with energy efficiency, conservation and load management, SaskPower is on pace to meet its target of a 100-megawatt (MW) reduction in demand through by 2017. Customers can expect more ideas and opportunities to reduce their power requirements in the future.

Wind and solar power

SaskPower introduced wind power as a generation option in 2002, when the 11-MW Cypress Wind Power Facility was commissioned. Since then, our company's wind generation capacity has increased to 198 MW, or 4.6% of total generation capacity.

SaskPower plans to add another 177 MW of wind generation in 2017 through a purchased power agreement (PPA) with Algonquin Power Co. for electricity from the new Chaplin wind power facility. Due to prohibitive costs, we have not engaged in any large-scale solar energy projects at this time. However, solar is being studied as an option for the long-term as it is anticipated that the technology will continue to improve and costs will decrease.

Conclusion

SaskPower appreciates the submission of the Consumer Association of Saskatchewan. Our company values the participation of all stakeholders in the rate review process, and welcomes continuing dialogue as we strive to provide our customers with safe, reliable and sustainable power while supporting growth in Saskatchewan.