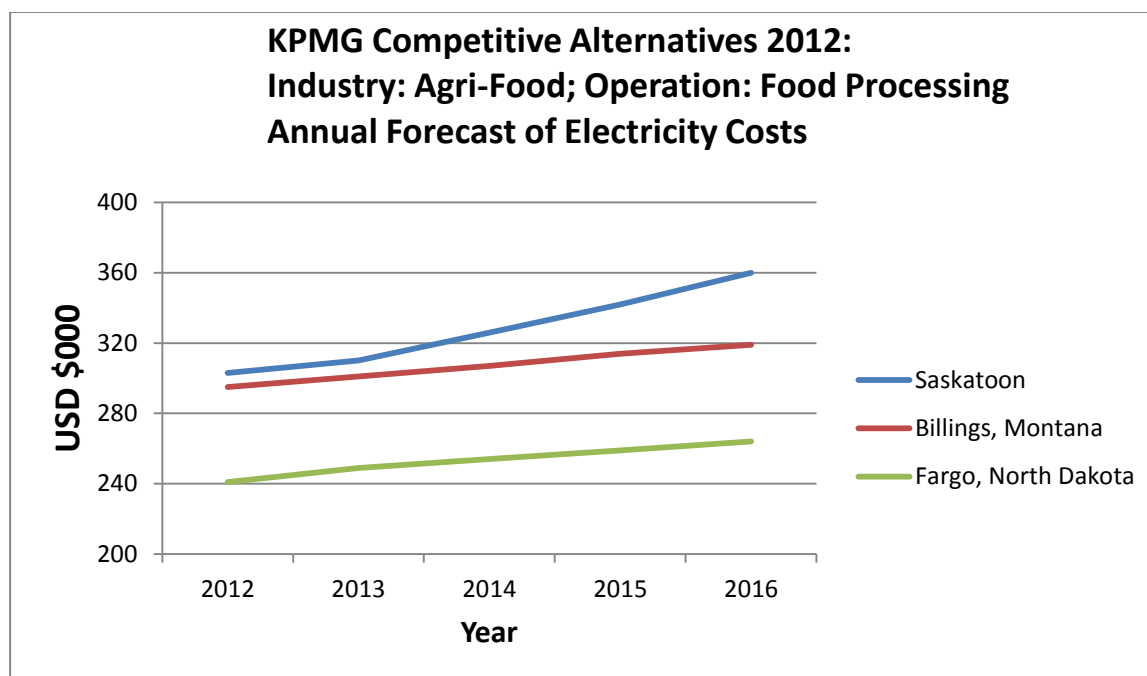


SUBMISSION TO THE SASKATCHEWAN RATE REVIEW PANEL FOR THE SASKPOWER 2014, 2015, 2016 RATE APPLICATION

The Greater Saskatoon Chamber of Commerce has presented to this panel previously concerning the disproportionate increase in SaskPower resources allocated to operations, maintenance, and administration. Our Chamber is concerned that the application calls for a rate increase three times greater than the current consumer price index rate in 2013 and that the three year application is for an increase 2.5 times higher than the Bank of Canada's inflation target in each of the next three years. We must emphasize the importance of keeping Saskatchewan power rates competitive in the context of all of our competitors including those in the United States. Therefore we ask that your panel recognize that the applied for three year rate increase may place certain businesses in Saskatoon at a disadvantage to their U.S. competitors concerning power costs.



Source: KPMG Competitive Alternatives Report

The increase in demand projected by SaskPower will not occur if businesses are forced to exit the market due to uncompetitive electricity rates.

A consistent point raised by SaskPower in previous rate applications is focused on Saskatchewan's dispersed grid to serve a sparse population base across the province. This statement is true; but Saskatchewan's borders were established in 1905. Using this geographic fact as a justification for rate increases today is questionable. SaskPower also references accommodating the significant growth experienced in Saskatchewan, and this increase in consumption as justification for the increased rates. The growth Saskatchewan is experiencing should be advantageous for SaskPower through economies of scale. Incremental efficiency resulting from the customer base growth is not evident in the SaskPower submission.

Operations, Maintenance and Administration Costs (OM&A)

The largest area of increase forecasted in the multi-year rate application is in the operations, maintenance and administration costs. Between the implementation date of the first increase of January 1st, 2014 through to the end of December 2016, these costs are forecast to increase by \$80.1 million. This is a 20% increase representing a compounding increase of over 6% per year. This is a rate much higher than inflation. Since 2002 operations, maintenance and administration costs have more than doubled from \$286 million to the projected \$698 million in 2016. This is a compound rate of over 6% per year. This too is far in excess of inflation.

Operations, Maintenance and Administration in \$Millions sourced from previous submissions:

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actual	306	336	360	416	430	522	513	575	619	?	?	?	?
Forecast	299	308	315	386	416	492	611		582	617	648	672	698

Previous applications consistently overestimated fuel costs and considerably underestimated the overhead, maintenance and administration costs. Fuel costs were mentioned in previous submissions as a reason to increase rates. The total fuel and purchased power expenses have remained relatively stable over the past decade. Total fuel and purchased power in 2003 was \$507 million. In 2009 these costs were \$510 million (but were forecasted to be \$655 million in the 2008 submission). In 2012 these costs were \$513 million. The current application forecasts an increase to \$762 million in 2016 or over 48% higher than 2012 (\$513.3 million). SaskPower has forecasted lower expected hydroelectric generation in several past submissions to your panel.

The forecast of \$762 million off fuel consumption estimates in 2016 should be regularly re-examined in the intervening period. Should actual fuel costs be lower than the forecast contained in this application a rebate or future rate reductions should be considered. In this absence of such a commitment to future rebates or rate reduction, should lower fuel costs be realized we ask the panel to limit rate increases to rates much closer to the consumer price index or the Bank of Canada target inflation rate.