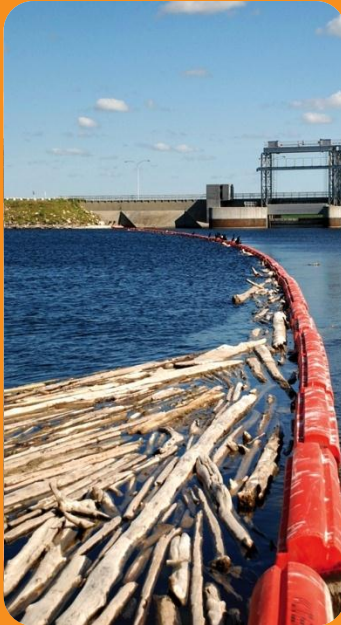


# SaskPower 2014-2016 Rate Application



# 2014-2016 Rate Application

- Three year application
  - Requesting a system average rate increase of 5.5% in 2014, 5% in 2015 and 5% in 2016.
  - Residential customers will know what their rates are going to be which will help with budgeting; and
  - Large customers will have financial information for business planning.
- Average urban residential increase
  - \$5/month (interim increase January 1, 2014)
  - \$4/month (January 1, 2015)
  - \$4/month (January 1, 2016)
- Average farm customer will pay \$7, \$10 and \$9 more per month

# Why interim increase in 2014?

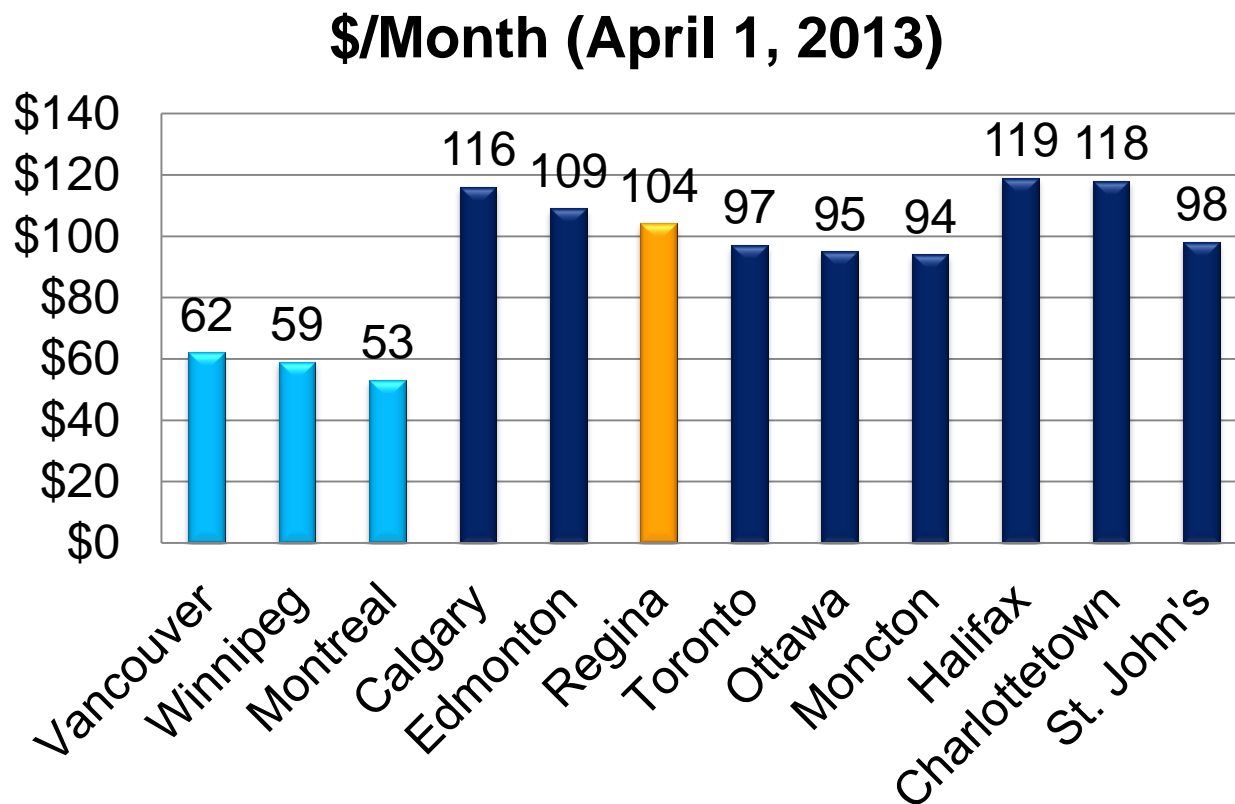
- Rate Review Panel recommendation to have applications coincide with fiscal year
- Launch of application delayed to give careful consideration to how large increase should be
- SaskPower balancing maintaining a positive net income with customer's ability to absorb increases
- Regular review process will still take place, SaskPower will abide by final decision

# The Bottom Line for Customers

Service Class	2014		2015		2016	
	Average Rate Increase (%)	Average Rate Increase (\$)	Average Rate Increase (%)	Average Rate Increase (\$)	Average Rate Increase (%)	Average Rate Increase (\$)
Urban Residential	5.3%	\$5	4.5%	\$4	4.5%	\$4
Rural Residential	5.3%	\$8	4.5%	\$7	4.8%	\$8
Farms	3.5%	\$7	4.5%	\$10	4.0%	\$9
Urban Commercial	7.0%	\$36	5.6%	\$30	5.6%	\$32
Rural Commercial	4.8%	\$30	4.8%	\$31	4.8%	\$32
Oilfield	3.6%	\$53	3.7%	\$58	3.7%	\$59
Streetlights	-4.8%	(\$24)	-4.8%	(\$23)	-4.8%	(\$22)
Power – Published Rates	7.0%	\$27,721	5.8%	\$25,490	5.8%	\$29,185
Power – Contract Rates	6.4%	\$38,379	6.7%	\$42,404	5.5%	\$39,813
Reseller	7.0%	\$157,478	7.3%	\$177,163	7.3%	\$190,721

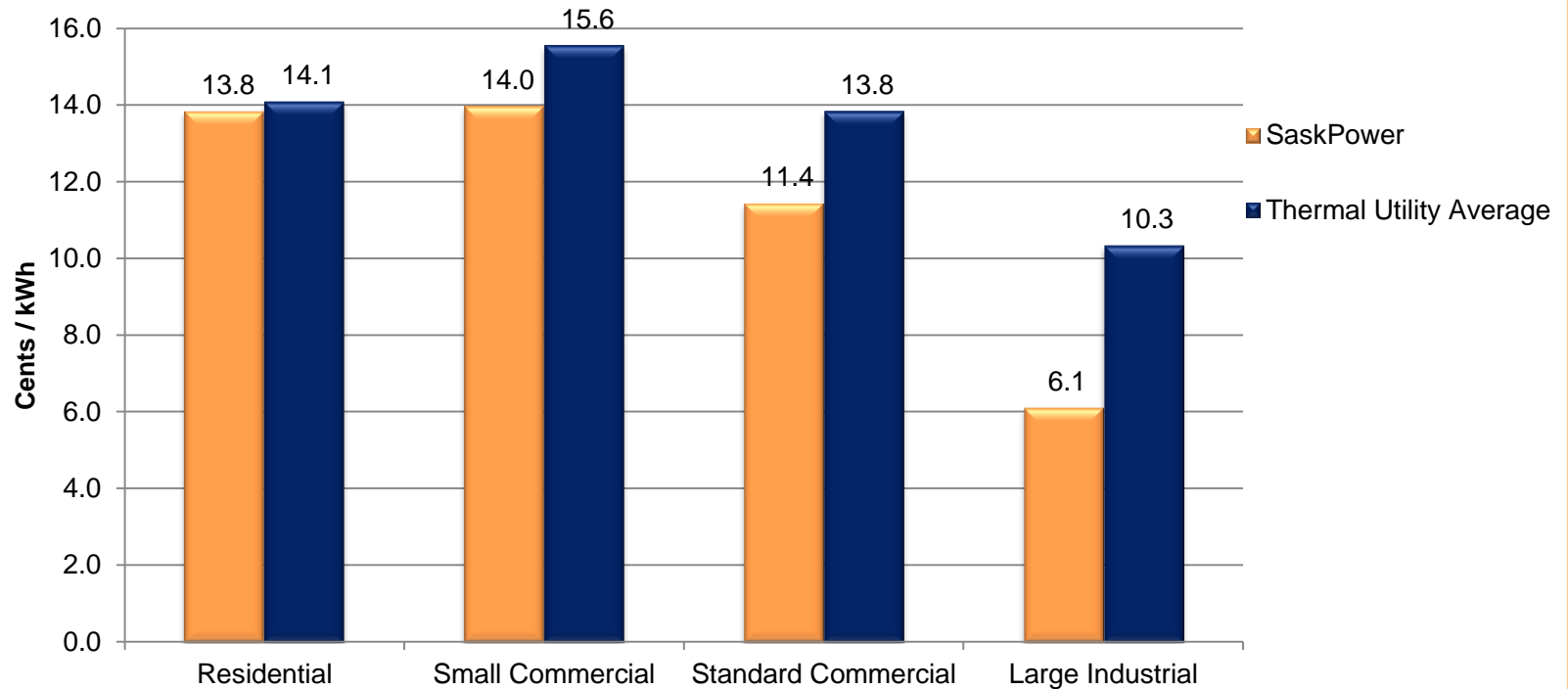
# SaskPower Rate Comparison (Residential)

- SaskPower rates compare to averages charged nationally
- Similar thermal (i.e. coal and natural gas) utilities provide the most accurate comparison
- Favourable rates noteworthy, considering extremely large service area with disperse population



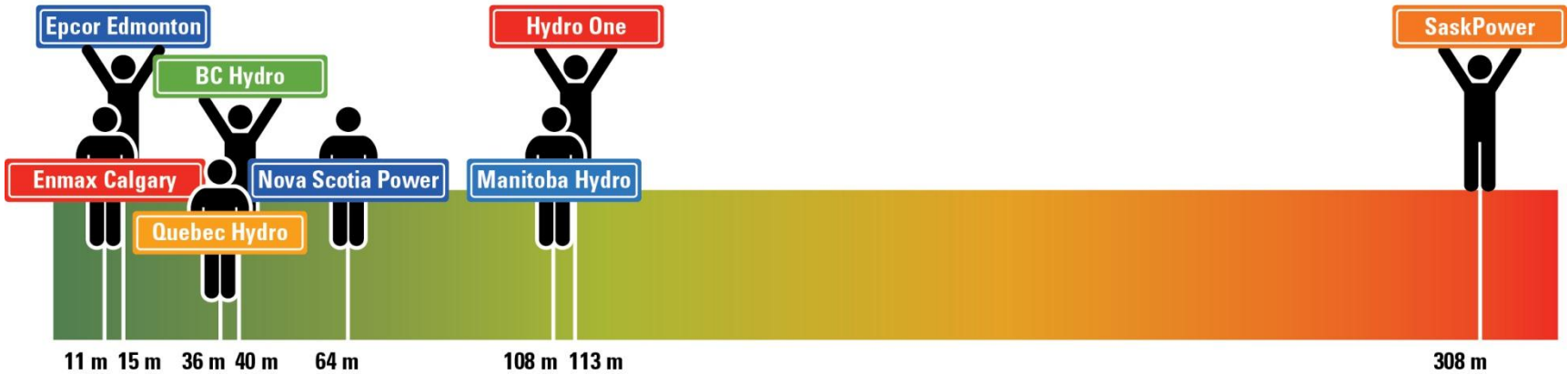
# Thermal Rate Comparison

Cents/kWh (April 1, 2013)



Thermal utilities compared to include those located in Alberta, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland

Compared to other Canadian utilities, SaskPower serves a large area with a dispersed population. Because Saskatchewan's population is so widespread, it costs more to safely maintain our electrical system.



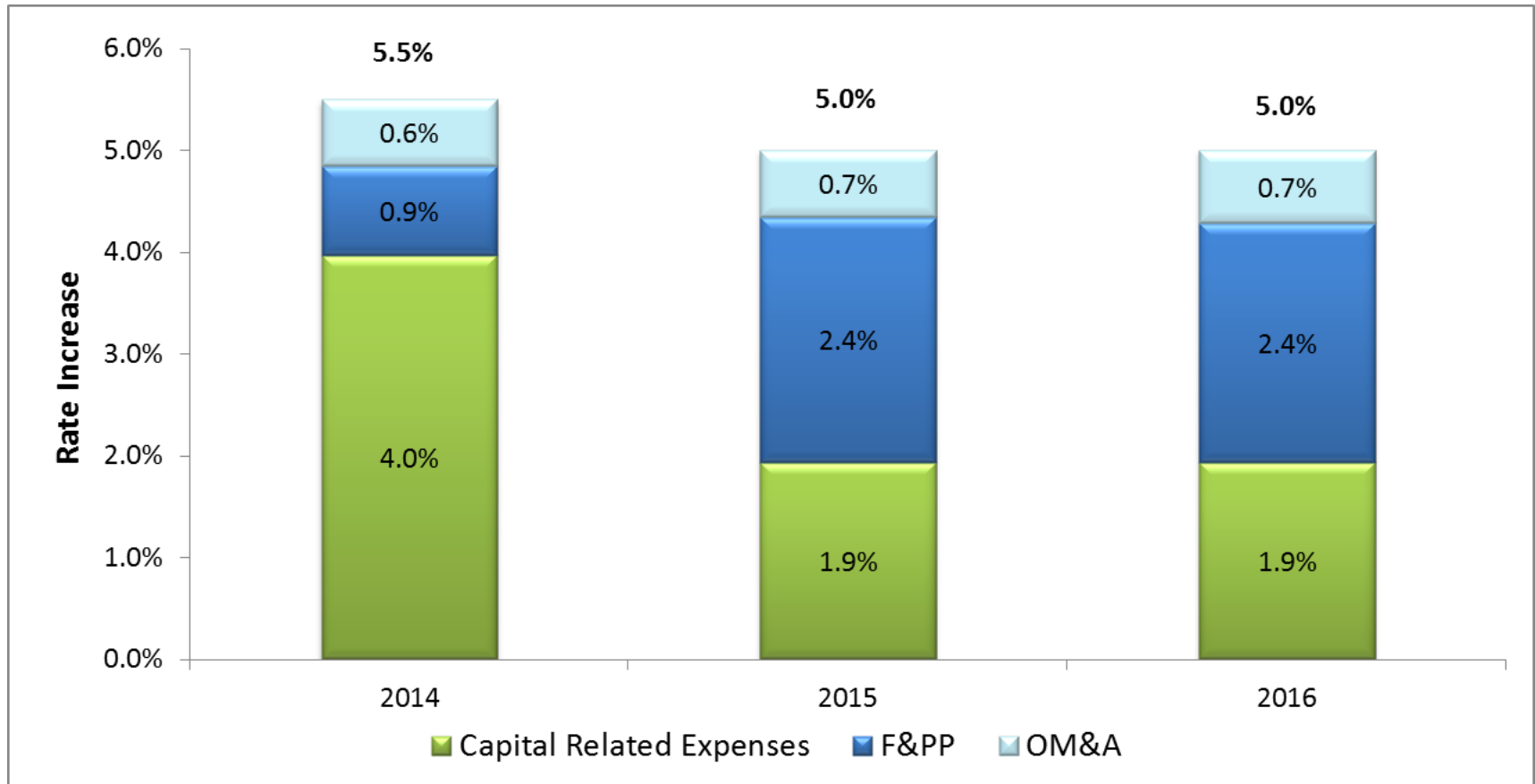
← SaskPower has 308 m of line per customer — that's equal to 2.25 football fields →

# Rate Increase Drivers

- Capital investment drives the cost categories of depreciation, finance charges, taxes and other expenses. Capital spending is essential to:
  - keep up with the growing economy,
  - renew aging infrastructure, and
  - maintain reliable service
- Fuel costs rising as a result of load growth and increased use of natural gas.



# Rate Increase Drivers



# Meeting Record Demand

- SaskPower plays a key role in supporting the province's economic momentum
- Electricity use expected to grow by 2.6% per year (compared to 1.4% from 2000-2010) – **growth of 8% in 2013-2014 alone**
- 2012: 10,345 new customer connections/services (up 14% from 2011, up **144%** from 2008)
- Record \$226 million spent in 2012 to connect new customers to the SaskPower system
- January 30, 2013: record high demand (3,379 MW)



# Investing in the Electrical System

**2013 SaskPower Capacity Position**  
(as at September 2013: includes 2013 Q2 load forecast)

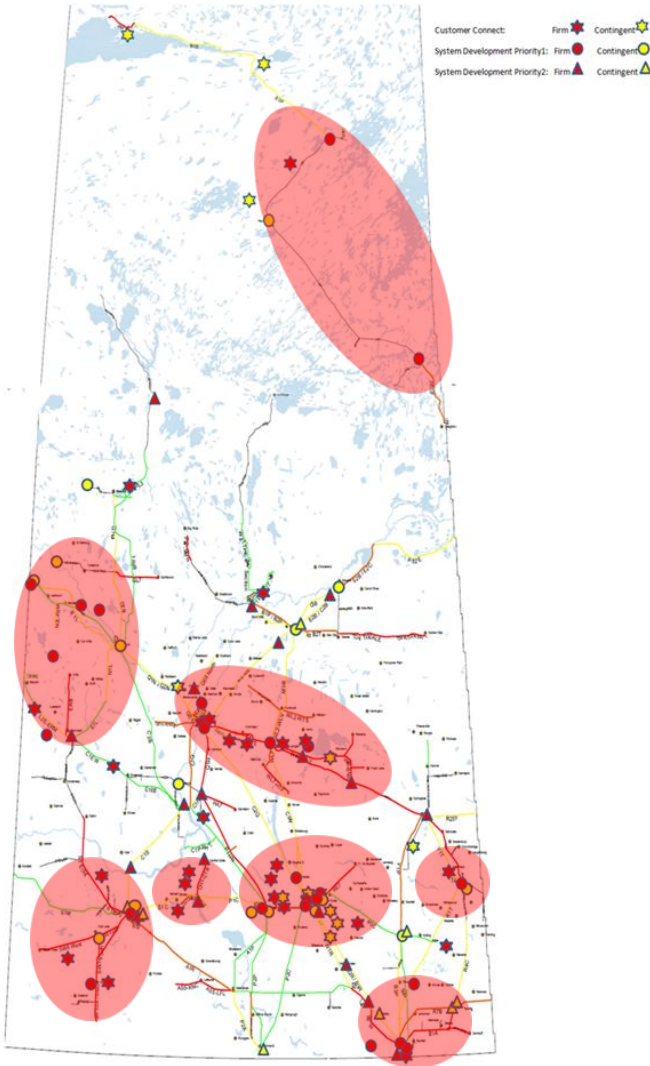


# Investing in the Electrical System

- Major generation projects in 2014 to 2016 include:
  - Adding 205 megawatts (MW) of natural gas-fired generation at the Queen Elizabeth Power Station in 2015.
  - SaskPower has entered into an agreement with Algonquin Power to add 177 MW of wind power by 2016.
  - Tazi Twe (Elizabeth Falls) project to provide 50 MW of hydro power to Northern Saskatchewan by 2018.
- Retirement of Boundary Dam Units #1 (2013) and #2 (2015)



# Investing in the Electrical System



- The shaded red “hot spots” represent areas of significant growth that require investment in order to ensure the capacity of the system remains reliable.
- **Customer Connects** represent new load coming on to the SaskPower system.

Firm  Contingent 

- **System development projects** are required to ensure the overall SaskPower electrical system can accommodate new load growth and generation additions.

Priority 1: Firm  Contingent   
 Priority 2: Firm  Contingent 

- **System sustainment projects** are required to ensure the overall SaskPower transmission system can withstand day to day weather / environment stresses without failure.

Good  Fair  Weak 

# Investing in the Electrical System



- Reinforcing transmission & distribution system to improve reliability:
  - I1K Transmission Line to improve capacity and reliability of the Northern System
  - Saskatoon Area Reinforcement (three lines, two switching stations, one substation)
  - Infrastructure sustainment projects (wood pole and transformer replacements, rural rebuilds, line upgrades and improvements)
  - Ongoing wood pole maintenance program to test and treat about 110,000 power poles each year

**More poles than people:** SaskPower maintains 1.25 million power poles across the province. The life of poles is extended from 35 years to more than 50 years through regular maintenance to ensure safety and reliability in the most economic way possible.

# Investing in Customer Service

- Advanced Metering Infrastructure: installation of 500,000 smart meters
- Streamlined process to connect new customers to the system
- Automated work scheduling and dispatch system to improve productivity and reduce overtime
- Turn-key subdivisions/joint trenching: developers install utility systems, utilities collaborate on installation



# Reducing the Effect of Rate Increases

- Business Renewal Program in place to operate more efficiently and effectively
- SaskPower evaluated all expenses to find savings opportunities
- Continuous improvement program
- SaskPower has realized savings of \$137 million to the end of 2012
- Will reduce but not eliminate need for rate increases, given the substantial investments needed for infrastructure renewal and growth



# Reducing the Effect of Rate Increases

- Examples of Business Renewal savings (to end of 2012):
  - Customer connect process improvements = \$36 million in savings, more timely service
  - Finance charges/capital structure = \$63 million in savings, short term borrowing, low cost
  - Information technology initiatives = \$12 million in savings
  - Overhaul maintenance management = \$14 million in savings
- New projects:
  - Work scheduling and dispatch automation
  - Materials management process improvement
  - Redesign procurement processes

# How Customers Can Reduce Their Bills

- Energy efficiency and conservation programs help offset the impact of rate increases
  - Refrigerator recycling: save \$100 a year by recycling old fridges and freezers
  - Lighting programs: rebates and incentives offered for energy efficient lighting; save \$40 per bulb over the life of each bulb
  - Block heater timer: save \$25 over the winter by plugging in for four hours instead of 12
  - Industrial Energy Optimization: help identify efficiency improvements for Key Account customers
  - Commercial Lighting Incentive: commercial customers buy premium efficient lighting at standard lighting prices



# The Bottom Line for SaskPower

- A rate increase is needed to maintain a positive net income.
- SaskPower's return on equity (ROE) target is 8.5%.
- With the rate increase, net income is forecast to be \$27 million in 2014, \$40 million in 2015 and \$40 million in 2016.
- SaskPower will achieve an ROE of 1.3% in 2014, 2.0% in 2015 and 1.9% in 2016.
- The debt ratio is forecast to be 74.6% in 2014, 76.4% in 2015 and 77% in 2016.

# Questions?

Visit [saskpower.com](https://saskpower.com) for more information