THE SASKATCHEWAN RATE REVIEW PANEL

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Transcript of Proceedings

of

A PUBLIC MEETING

held by the

Saskatchewan Rate Review Panel

at the Gallagher Center

in

Yorkton, Saskatchewan

on Wednesday, December 4, 2013

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Panel Members:

Kathy Weber	- Chairperson
Lyle Walsh	- Member
Burl Adams	- Member
Shelley Fairbairn, CSR	- Official Queen's Bench Court Reporter

(COMMENCED AT 7:30 P.M.)

CHAIRPERSON: Welcome. Thanks for joining us. You're going to have your own private show tonight.

MR. RUDY: Thank you.

CHAIRPERSON: As you are aware, the purpose of the meeting is to review the application by SaskPower for a rate increase, and we're glad that you braved this cold weather tonight to join us.

There's -- you know Lyle Walsh from Yorkton, and Burl Adams is also on the rate review panel. Burl is from Kelvington. And, again, my name is Kathy Weber, and I'm from Saskatoon and I'm the chair.

The panel's mandate is to review this application, and part of our review process is to hold a series of public meetings similar to this. And this is actually the last one of five that we've held.

The main focus is to encourage the public to become a participant in the review process, provide us with their feedback, and this is just one way that we encourage that. We also have the opportunity for the public to communicate with us through e-mail, through -- by phone, through regular mail, and recently we also added Facebook and Twitter.

Part of -- another part of the process is we hire external technical consultants to assist us with the technical aspects of the application, and at the end of the review process they will provide us with an independent report. And in order to preserve impartiality we attempt, as much as possible, to hire consultants from outside Saskatchewan, and these consultants on this review are Forkast Consulting and Kostelnyk Consulting, and they're both from Winnipeg.

Tonight we're going to have a presentation from SaskPower that will provide you with an overview of the rate application. And I will call on you, Sandeep, to begin that. And feel free during the presentation if you have any questions --

MR. KALRA: Jump in at any time. It's very informal, you don't have to wait until the end of the presentation. Any time you have a question just ask. My name is Sandeep Karla, I'm the chief financial officer at SaskPower. This is Peter Lawn, he does our energy forecasting and pricing. And Troy King, he is the director of corporate planning.

So we have a presentation which generally runs for about 20 to 25 minutes. I'll cover the first half dozen slides and then Troy will take you through the rest. And you don't have to wait until the end to ask any questions.

CHAIRPERSON: Sandeep, will you move the microphone closer to you so that she can pick up your --

MR. KALRA: Sorry. Yes.

MR. RUDY: And you are who?

CHAIRPERSON: Shelley Fairbairn is with Royal Reporting, and she is providing a transcript of tonight's meeting. And it will be posted on our website following -- in the next week or so.

MR. RUDY: Okay.

MR. KALRA: Okay, so I'll get started. So we have a -- you probably know by now that we have a three-year rate application, and what we are asking for is a 5 and a half percent rate increase -- this is an average rate increase for all the customers, and we will get into different customer classes a little bit later -- in 2014, 5 percent in 2013, and 5 percent in 2016.

And this is -- this is as a result of balancing, you know, the needs of the customers, the impact on the customer, and taking into account the financial strength and stability of SaskPower.

This is essentially a cost recovery application. It gives us a very low return on equity of between 1 to 2 percent over the next two years -- the next three years.

Our normal return expectation is 8.5. We've had significant capital expenditures over the last couple of years and they will continue in the next few years, so to balance the impact on the customers and to give ourselves, you know, some breathing space, we are asking for this five, five, five.

It will have an impact on our debt ratio. Our debt is mandated not to go over 75 percent. It's between 60 and 75. During this rate application we expect that it may go up to 77, which can be tolerated for a short period of time, but, you know, the longer it goes it has an impact on our credit rating and the credit rating of the province.

One of the advantages we've heard from some customers, especially large customers, you know, they want to know for budgeting purposes what -- you know, what can they expect in the next few years. This application hopefully provides that, you know, clarity and certainty to those customers.

The impact on the customers, on the urban residential customer is $5 a month starting next year, 1st of January, $4 for the year after and an additional $4 from January 1, 2016. An average farm customer would have an additional $7, $10 and $9 for these three years.

One more thing which is different this year, that it would be an interim rate increase. So the rates would go up from the 1st of January. The rate panel would probably finish their work sometime in spring, and if as a result of that review the -- you know, they recommend a different rate increase, then we would be making the adjustments mid year.

Okay, next one.

So this is -- I think it's easier to see this slide on the paper because it's not very clear on the screen. This one here, the number 4 at the bottom. This shows the impact of rate increase on different customer classes. As I said, not all the rates would go up by the same amount for all the customers. So if you look in percentage terms, urban residential is 5.3, 4.5, 4.5. Farms it's 3.5, 4.5, 4 percent. And, you know, big customers at the bottom, power published rates at 7 percent, 5.8 and 5.8.

The reason why different customers' rates are going up slightly differently is because of rebalancing of rates. What it means is we are -- we charge customers what it costs us to serve them, okay. So the industry standard is between 95 and 105, 105 percent, of what it costs you, you recover from that customer class. We have a tighter band, it's between 98 and 102. And due to this rebalancing, at the end of 2016 all the customers would be in that tight band, between 98 and 101 or 102, so as a result no customer -- one customer class is cross subsidizing the other customer class, so this takes care of that.

The next slide shows rate comparison. Now, this is residential rate comparison, our rates compared to the rest of Canada. The first three light blue bars are hydro based provinces, so this is BC, Manitoba, Quebec. The legacy hydro rates are quite low over there. Over time when they build new dams chances are, you know, their rates would rise much faster than what ours are going right now, but right now their rates are lower.

We compare ourselves with the rest of the country, where the fuel mix is, you know, comparable. It's not exactly the same, but comparable to ours. So you would see Saskatchewan is somewhere in the middle. It's not the lowest, but it's not the highest for residential. On average it's slightly below the average, and we will show you on the next slide.

The bottom slide shows the comparison, this is cents per kilowatt hour by different customer classes. So residential customers on average pay 13.8 cents per kilowatt hour. In the rest of Canada, except for those three hydro provinces, it's 14 cents. Small commercial it's 14 and 15.6, and if you look at the right most part of the graph, the largest commercials pay 6 cents over here versus 10 in the rest of the provinces. So we are competitive all across all of the customer classes.

This is despite the fact that Saskatchewan is a big province to serve. We have more poles than people. We have 150,000 kilometres of distribution line. I think roughly 14,000 in transmission lines, which is supported by a very small customer base of half a million customers.

So the chart -- the next chart shows line per kilometre in

Saskatchewan, it's roughly 300 line -- 300 metres of line per customer that we have to invest in and have to maintain. Some of the other utilities it's, like, 15 metres, 30 metres, so they're quite dense, a lot of population in urban centres or in smaller geographic areas, it's easier to support those systems.

So the message is we are competitive. The rates are going up, the rates are going up for most of the utilities. It's not just for us, it's all across the board, and we expect that we would remain competitive, you know, even after these rate increases take place.

That's what I wanted to cover. I can answer any questions right now or we can go into the rest of the presentation and then you can ask.

MR. RUDY: Just carry on.

MR. KALRA: Okay. Go ahead, Troy.

MR. KING: The next thing I want to talk about is what's driving our rate increase over the next three years, and there's two -- two main things that are driving it. One is our capital spending program and the second thing is our fuel and purchased power costs.

So on the capital side, this year alone --

MR. RUDY: What was the second thing?

MR. KING: Fuel and purchased power costs, so that's for our coal, our gas, our hydro costs.

MR. RUDY: But that is a natural resource of Saskatchewan? Do you purchase that? You don't buy it?

MR. KING: Yes.

MR. KALRA: Except for -- except for natural gas we have to import from Alberta because Saskatchewan is becoming a net importer of natural gas, so we don't know where it's coming from. We have to buy coal even though it's mined in Saskatchewan, we have to buy coal. And for water, we pay water rentals to Saskatchewan Water Shed Authority. So even though they're local resources we end up paying for it.

MR. RUDY: That's fair.

MR. KALRA: We have to buy it.

MR. KING: So on the capital side in

2013 SaskPower is forecasting to invest 2.1 billion dollars in its system. So that's about 1.35 that we're invested internally, and we've also invested 700 through an IPP or partnership with a third party who built the Northland Power Station near North Battleford for us.

Now, the way that 2 billion dollars that we're spending this year, the way we recover it from our rate payers is we don't collect it all in one shot, but it's recovered through a depreciation charge, so most of our assets are amortized over about 30 years, so there's 2 billion we're going to try and collect over 30 years, and then there's the finance charges that we pay on it. As we -- as we add to our capital base we have to pay more taxes to the Provincial Government in capital tax.

And the other item that we have is as we're replacing assets we have to pay to tear down the old ones and -- before we put up the new ones, and that's also a cost that we relate to our capital expenditures.

So in 2014 those costs are

expected to jump 181 million dollars just from our capital program.

So the second item that I talk about is the fuel and purchased power costs, and they're going up for three reasons. One, we're looking at our load to grow, load growth, so more energy is being consumed in the province, that means we need more fuel to generate more electricity.

Secondly, as we continue to grow, we need to use -- coal and hydro is our -- is basically our base fuels and base generation. As we grow, we are required to use more other types of generation, like natural gas. And natural gas on a -- for a fuel source is -- it's far more expensive than coal or hydro.

And the second -- the final thing that is impacting us is pricing. And not so much in our natural gas side, we're actually looking for natural gas to come down a little bit next year, but it's on our coal side. Sandeep mentioned we do have to pay for our coal, and a lot of the cost or the bulk of the cost is to pay for it to be mined and extracted for us, and so the share -- the group that does the mining, their costs are going up, and as a result they're passing on those costs to us.

So this slide here is showing the impact of the various components that I talked about, the capital related expenses, fuel and purchased power, and our OM&A expenses on the rate increase.

So for 2014 we're asking for a 5.5 percent rate increase, about 4 percent of that is related to capital related expenses, so that's the depreciation finance charges, the capital taxes and other costs.

As we go into '15 and '16 our capital program is still very high, it's at a billion dollars a year, but about half of what we are spending in 2013. So as you can see, the amount that we need to recover then drops to about 1.9 percent in each year of the -- of the 5 percent.

The fuel represented by the dark blue is worth about .9 percent in 2014, but then it climbs to 2.4 percent in both '15 and '16, and that's as we continue to grow and have this growth, more and more natural gas is being used to fuel our electricity generation.

And the last piece, OM&A, which is our operating maintenance and administration costs, so that's our wages and salaries, that's our contractors, consultants, materials that we pay, it's worth about .6 percent of the rate increase in 2014, and then .7 percent in both 2015 and '16.

So I spoke about the 2 billion dollars that we're spending this year, and we're going to be spending a billion dollars in the next two to three years. What's driving that is our -- is the record demand and growth in the province.

Electricity is expected to grow by 2.6 percent a year for the next ten years, and that compares to about 1.4 percent that we experienced in the previous decade, so it's about doubling. This year alone we've been experiencing phenomenal growth. We're looking at 18 percent over 2013/2014, over that two-year period. So far this year we've seen over 6 percent, which is the highest growth we've had in 20 years in the province.

In terms of customer connects we've added over 10,000 new customers in 2012, and we're looking to do about the same thing in 2013, so that's up 144 percent from what we did back in 2008. We spent 226 million dollars to connect those customers in 2012, and on January 30th, 2013, we hit a peak load of 3,379 megawatts. We came very close to the peak, was it Monday, Peter?

MR. LAWN: Monday.

MR. KING: And they're forecasting that we're going to hit that or break that record this week or next.

This slide is very hard for you to see on the screen here, but what it's trying to show, the red line is showing the capacity of our generating system, so that's how much energy we can produce at any one point in time. The blue line is showing our expected demand.

So right now you can see we have a slight gap, which is good, that means we have more generation ability than -- capability than we have demand so we can serve that load. However, you can see that they're planning to intersect at around -- it was about 2018 or 2019, and that's when we end up with a shortfall. So we have capital plans, and that's in the rate application up to 2019, beyond 2019 we have some decisions that still have to be made.

So you can see where the red line starts to drop down, which represents our generation going down. We don't expect our generation is going to fall down, but what each one of those indicates is that there's a decision point that we have to make that represents one of our generation plants is coming to the end of its life. So when that -- when that happens and it falls off, we either have to refurbish that generating unit or build something brand new and replace it.

As far as coal is concerned, because of the environmental regulations, we can't refurbish our coal plants anymore, we have to either go to clean coal, which is what we're doing right now with Boundary Dam 3, or we have to go to something new, like a gas plant, a hydro, wind, something to replace it.

So what we're really trying

to say is that there's two things driving on the generation side: There's growth, so we're investing to keep up with the growth, but we're also investing to replace our generating facilities which are coming to the end of their useful life.

So the major projects that we already have planned and that would be accounted for in that graph, we're adding 205 megawatts of natural gas power generation at our Queen Elizabeth Power Plant in Saskatoon. We've also entered into an agreement with Algonquin Power to add 177 megawatts of wind power by 2016. And we're also in the process of negotiating Tazi Twe -- the Tazi Twe hydro facility, and that's up at Elizabeth Falls in northern Saskatchewan. We're looking to build a run of the river hydro facility to provide more electricity to our northern customers.

In the meantime, as we're adding new generation we're also having to retire some plants as they come to the end of their life. So at Boundary Dam, which is our largest generating station, two of our coal units are being retired. So Boundary Dam number 1 was retired in 2013, and Boundary Dam number 2 is planned to be retired by 2015. They're about 61, 62 megawatt units and they were commissioned in the 1950s.

MR. RUDY: So they will be completely off line?

MR. KING: Be completely off line, yeah, and they will be done, those two units.

This slide, again it's hard to see on this screen here, it's quite busy. But what it's -- we're trying to do is give a picture of the health of SaskPower's transmission system, and what we're saying here is that the health of the system is -- is not very good at this point.

With -- the red stars and the circles and the triangles are showing new load that's coming in across the province, you know, which is good news for the province, however our transmission system is not in shape to handle all that new load. So this is representing that load and system development projects that we have to put in place to keep up with the growth in the province.

As well, there's also lines,

and again they're hard to see, but we've colour coded our transmission lines from good with green, meaning they're in good shape, yellow meaning they're in fair shape, that we can -- we can continue to operate them, but they require some maintenance, and the red ones that are -- represent that they're weak. Those are ones that we need to replace.

So what our planning folks have done here is they've identified eight different hot spots around the province, as they call them, so that's areas of significant concern for SaskPower, and it's areas where we're investing our transmission and distribution capital dollars. Over the next five years we want to invest in these areas of the province to improve the overall health of our transmission system.

So some of the things that we're doing on the T&D side, one of the biggest transmission projects that we have is our I1K transmission line, so that's in the northern part of the province, and that's going from our Island Falls facility in -- I guess it would be the central east part of the province, all the way up to points north in the north, and that's to stabilize that entire system, which is really at its peak in terms of the amount of load that it can handle right now.

Within the Saskatoon area there's a lot of growth happening in Saskatoon, and we have a number of projects that we're calling the Saskatoon area reinforcement. So there's three transmission lines that we're building, two switching stations and one substation up there to deal with the growth.

We have a number of infrastructure sustainment projects. We're spending about 235 million dollars a year just on what I will call almost maintenance, trying to keep the lines in good shape. So that's wood pole and transformer replacements, we're doing rural rebuilds and doing line upgrades and improvements.

And finally, we have an ongoing wood pole maintenance program. I think Sandeep talked about we have 1.25 million power poles, we're trying to test about 100,000 of those each year. And if we can test them and catch them early enough we can treat them and extend the useful life of those poles before they completely rot and need to be replaced.

On the customer service side some of the investments that we're making, and probably the most visible one that we're just starting on is our advanced metering infrastructure program. What that is, our AMI program, we're looking to replace all of our analog and digital meters across the province, about 500,000 meters, and replace them with smart meters. And those smart meters allow us to read people's consumption on a regular basis without sending out meter readers to your homes.

We're looking to streamline the process to connect new customers to the system. We've added an automated work scheduling and dispatch system. What that does is our transmission folks, our guys that work on the lines, were able to plan their work ahead of time and send them out in a planned fashion, and the idea is to make them more efficient to get to problem spots quicker and to reduce overtime.

And finally, we're working with developers and collaborating with them to install our utilities with other utilities and result in more efficiencies for the company and for the subdivisions.

So some of the things that customers can do to -- or some of the things that SaskPower is doing to reduce the impact of our rate increase are -- the key program that we have in place at SaskPower is our business renewal program. About two years ago we had three consultant firms come in and look at all areas of the company, at our OM&A spending, at our fuel and at our capital, and they provided us with a series of recommendations on ways that we can do things more efficiently, ways we can save money. So we've taken those recommendations and we've developed this business renewal program, is what we're calling it.

So we've taken those recommendations, plus some of the things that we were doing already and grouped them together. To date, or at the end of 2012 we realized $137 million of savings, and we're continuing to push forward with new programs each year. So it's important to know we're doing what we can to reduce our spending and make ourselves more efficient, but that is only able to reduce the amount of the rate increases, but you can't completely eliminate them.

So just an example of some of the things that we're doing. That customer connect process improvements that I referred to earlier is resulting in about $36 million in savings year to date.

We have -- we've changed the way we're borrowing. We are borrowing more short term and using lower interest rates on our short term borrowings to save money for the company. We realized $63 millions in savings to the end of 2012.

On our IT side we have a number of initiatives, including repatriating some of our consultants that we're paying. They are very costly, to pay for IT consultants, we're bringing some of that cost in-house, and that's resulted in $12 million in savings.

And our overall maintenance management program, the overall maintenance is the -- it's like the tune-ups that we have to do on our generating stations. What we're doing is pushing the time, extending the time in between those overhauls or the maintenance that we do on them, so we're doing them less frequently and we've saved up to $14 million at the end of 2012.

And just some of the new projects that we have planned is the work scheduling and dispatch automation program, a materials management process improvement program, and we're redesigning our procurement processes to try and get a better bang for our buck when we buy materials and goods.

So some of the things that consumers can do to reduce their bills -- our key program is our demand-side management program, and I think you've got some of our literature there.

Some of the things -- some of the programs that we have in place to help customers save money, our refrigerator recycling program, you can save up to $100 a year by recycling your old fridge and freezer.

We have lighting programs that provide rebates and incentives for energy efficient lighting and you can save up to $40 per bulb over the life of each bulb.

A block heater timer program, we've been giving away block heater timers and you can save $25 over the winter by plugging in for four hours instead of 12.

For our larger industrial customers we have an energy optimization program where we will work with them to identify efficiencies and ways they can run their -- run their operations better and result in energy savings for them.

And we also have a commercial lighting program that allows customers to buy premium efficient lighting at standard lighting program -- or prices.

So the bottom line for SaskPower, the rate increase is needed to -- basically to maintain a positive net income. In normal circumstances, and the target that's set by our parent CIC, we would like to earn an ROE of 8 and a half percent. For this rate application, however, we're not going to be achieving that ROE. As Sandeep said, we are trying to balance what we need financially with what is an acceptable rate increase for our customers.

So given what we're asking for, we're forecasting to earn $27 million in '14, $40 million in '15 and $40 million in 2016. So that will give us an REO of 1.3 percent in '14, 2 percent in '15 and 1.9 percent in 2016.

And during that time our debt ratio, as Sandeep has already mentioned, we're looking for it to climb to as high as 77 percent by 2016. So that's higher than we like to have our borrowing levels, but we felt that was a fair tradeoff to try to keep rates at a reasonable level and still keep the company in a reasonable amount of financial health.

So that's all we have for our formal presentation.

CHAIRPERSON: You're welcome to ask any

questions.

MR. RUDY: Well, I guess just, you know, a very good presentation, thank you very much, you know, quite informative and everything here. But, you know, what -- what I, you know, have a little trouble with is an increase in anything, and I'm feeling that the well representation, the expertise representation that you have from, you know, the Crown corporation, is somewhere along the line you guys missed the boat.

You are -- you've not put away enough money for capital upgrades. As when power was first initiated into, you know, the rural and the urban centers in many years gone by, there should have been, you know, money put away to generate -- you know, do your upgrades and to provide the service that you wanted to, to the customers.

So I think that somewhere along the line you should have seen this coming. You are presently, you know, 13 cents per kilowatt hour, which is quite comparative to, you know, other provinces. I know Manitoba, which is a hydro province, is going to be increasing their rate. They're at about 7 cents or -- you know, or a little better maybe per kilowatt hour, but, you know, a 5 percent increase on our part and maybe a 3 percent increase on their part still doesn't -- I know it's different generating systems and you are -- it's nice to hear that you're looking at alternative, you know, energy sources.

I have, you know, trouble with some of the people that I -- I have talked to that, you know, the natural gas, there's an overabundance of natural gas at the present, you know, this could all go for a wispy thing somewhere down the road too and the prices could go way up, and I know it's hard for you to figure out a, you know, co-generating natural gas plant, you know, for electricity or the power, but I just -- I just feel that somewhere -- and, you know, I like what you're doing, you know, with the upgrades and, you know, we haven't seen that in -- you know, like, I drive around the countryside here today and, you know, there's all kinds of work. You're probably spending more on the commercial than you are on the work that's actually being done, but -- no, you're not, I know that. Some of those things bug me, you know. Well, that's okay, we won't go there, but --

CHAIRPERSON: Actually, no, that's okay, you can go there.

MR. RUDY: It's like --

CHAIRPERSON: We're here to listen, so --

MR. RUDY: When I did farm CN used to run a painted ad in the Western Producer there and say we are moving your grain across the province. Well, who else does it? You know, like you're the only provider for power, I mean -- I mean, it's nice to see your advertisement and to see your upgrades, and don't worry, everybody is pretty quick to catch on that you're putting in new lines and new posts and, you know, you're moving from the north side of the road to the south side of the road or whatever you're doing, you know, but sometimes the ad campaign is -- it has trouble setting with my mindset.

I didn't realize that, you know, Estevan Boundary Dam, they're both --

those generating plants -- is there two there?

MR. KALRA: There are six.

MR. RUDY: There's six?

MR. KALRA: The old two are the smallest ones and the --

MR. RUDY: So the one right at Boundary Dam?

MR. KALRA: All six are at Boundary Dam. There are six units. The oldest two are being retired. One has been retired, one will be retired, but the other one, Boundary Dam 3 is being refurbished right now, 4, 5 and 6, you know, in the future we will have to decide what to do with them.

Just if I could address one point that you have raised. It's hard for us to collect from today's customers what the upgrades will be ten years down the road. So if I came to you today, right, we know that in 20 years from now we need to spend half a billion dollars, a billion dollars for upgrades, and if I come to you and say today give me cash today so I can upgrade 20 years down the road, it just doesn't work.

We have to raise the rates

today, put the money aside and then use that 20 years down, so --

MR. RUDY: You should have thought of that ten years ago.

MR. KALRA: No, it just doesn't work. The customers don't pay, right. Now, today's customer, if I asked you instead of agreeing to 5 percent rate increase, please agree to 10 percent rate increase so I can set that cash aside, right. So no customer in current year would agree to that. So what we do is what is the need today, collect it from today's customers. And when we have to upgrade in the future, the customer of the future, some of them will be the same customer, some of them will be new commercial customers that come in, you know, will pay for that.

So we don't try and collect money more than what we need in one given period so that we can take care of that into the future. What we try and do is maintain our balance sheet strength so that our debt ratio doesn't go out of hand so, you know, we can borrow on an ongoing basis to be able to take these infrastructure programs.

MR. RUDY: Well, it seems like you're -- you know, you're trying that with some of your incentives, like, you're trying to get a handle on your purchasing and, you know, your operation and yadda yadda, but, you know, me as a customer, I still don't like to see, you know, 5 percent and be told that I'm going to have 5 percent for the next three years.

MR. KALRA: That's more transparency.

MR. RUDY: That's good for you.

MR. KALRA: Do we come back and say, okay, it's 5 percent this year, what is it going to be next year? So we're trying to be more proactive, more transparency.

MR. RUDY: But you're telling me too that you're getting extra customers, and these extra customers are paying. Mind you, it's costing you a lot of money to put the --

MR. KALRA: That's right.

MR. RUDY: -- the feed in for the extra customers. But, you know, I feel that there should be some -- should have been some vision, you know, prior to today, you know, with, you know, investing -- you all looked like you were doing pretty good.

And another question I guess I could have too is I've heard rumour, I don't know it's true, but does the Provincial Government take money from the crown corporation?

MR. KALRA: Once in a while they take dividends. So the last -- in the last four years they have taken a dividend only once. It is an exception that dividends are not taken out because in most --

MR. RUDY: Well, can they give it back?

MR. KALRA: No.

MR. RUDY: That's an indirect tax. So we're paying, you know, with your increase plus with the -- you know, with the Provincial Government, whoever it is, it doesn't matter, but they will, you now, like to buff up some of their programs too, and I realize that.

MR. KALRA: That's --

MR. RUDY: Maybe that --

MR. KALRA: That's one way of kind of looking at it.

MR. RUDY: Yeah.

MR. KALRA: The other way is if we have

invested in our own utility, dividends are quite common. Shareholders expect they have invested billions of dollars --

MR. RUDY: Well, you're not a shareholder. You don't have shareholders in your company.

MR. KALRA: Our shareholder -- you are a shareholder.

MR. RUDY: I'm a -- I know, I'm your shareholder, yeah, but I'm not getting a dividend, I'm getting a 5 percent increase.

MR. KALRA: You're getting a dividend, but it's not a cash --

MR. RUDY: I deal with the Royal Bank, I know what their dividends pay too, you know.

MR. KALRA: It's not a cash dividend, it's -- you know, it's --

MR. RUDY: You've got me hooked in here now.

MR. KALRA: -- in services and everything. That's how you get it back.

MR. RUDY: Well, I agree you have to have a cost of operation, but --

MR. KALRA: And I think over the last, you know, three or four years there has been no dividend. I can't speak for the government or anyone, but what they have indicated is they understand we're in a rebuild mode and they will look at it closely and consider it.

MR. RUDY: But what happens if they want another dividend next year? You have no control over that either, do you?

MR. KALRA: No.

MR. RUDY: So indirectly it could be a double taxation type thing because the Provincial Government can't say to me that they're going to raise my taxes so I won't vote them in, but they can take a dividend from you and indirectly saying you want a 5 percent increase, so they're going to get a 15 percent increase over the next three years without raising their taxes to me, a rate payer.

I know -- at least I'm thinking that. I don't know if I may be, you know, way off of the board here in that line of thinking, but I'm --

MR. KALRA: Once again, it doesn't cost us too much to finance $120 million instead of $5 million a year. It's not $120 million a year, so it's a relatively -- in the overall cost base. It's a very small amount if we need to -- or even if we --

MR. RUDY: So how much revenue would you generate on a 5 percent increase to the rate payers of Saskatchewan?

MR. KALRA: 100 million.

MR. RUDY: It's still too much, 5 percent. No, true, either way it's still too much, whether it be 5 percent to the dividend or 5 percent to the rate payer.

Well, I'm -- I guess you kind of answered all of my questions. I know that you borrow money and amortize it over 30 years, and you're spending millions of dollars, but I'm feeling that something -- someplace along the line, and I understand that you are professionals and you crunch your numbers whichever way you can, you know, and you have to, you know, come out to the general public and try and seek a little bit of an increase, but me, as one of the retired citizens of, you know, the Government of Saskatchewan, you know, I don't like any kind of increases and I'll just be blunt with it, you know. And I'm sure once you're set in your ways too you won't like them either. Because it's not only your rates that are going to go up, it's also my municipal rates.

MR. KALRA: Sure.

MR. RUDY: And then, you know, then my entertainment rates and -- well, we can -- we will amortize that over the next 20 years, but, you know, it's the things that -- you know, when you're -- when you're trying to build a business and foresee capital upgrades like City of Saskatoon, the oil patch coming on line, you know, these immense projects, that sometimes you have to react, you know, fairly quick on them and make a decision. But somebody will be paying for those services as they're installed, and they're not amortized I don't think for their installation over 30 years. You must get a return on them over ten years.

You know, if initial investment costs you so much to hook up -- you can figure it out how much it costs you to hook up per customer, but then you have everybody in the province, you have more payers that pay for SaskPower than you do that pay provincial tax, so that's where I'm getting to, it's coming around the back door where we're just getting taxed a few more dollars.

But I do respect what you are trying to do, it's just that I don't agree with it. If everybody agreed with you, you guys would be walking around pretty high.

I guess that's all I really have to say.

CHAIRPERSON: Well, thank you very much. One thing I would suggest, you are very effective at communicating your thoughts and we appreciate hearing your perspective. We will continue to post information on the website of -- at Saskratereview.ca, and I would encourage you to follow that. And if you come up with any other thoughts or suggestions or ideas over the next couple of months, to please feel free to contact the panel.

All of our methods of communicating with the panel are listed on our website, and you can use, you know, telephone or e-mail or whatever method you prefer. Again, it's Saskratereview.ca. And we're continuing to receive feedback from the public until February 7th, so there's still quite a period of time for you to provide additional information to us if you would like to.

So anything further that you would like to add at this point?

MR. RUDY: Do you have any questions of me? No, I feel that, you know, we've been, you know, developed SaskPower throughout the years with our coal, natural resource that we, you know, still have a good supply on hand for the next 20 years probably.

You know, I was very impressed, I happened to go down there years ago and visit the -- you know, not the mine, the surrounding area. So, you know, it was -- it was a shock to me to see the massive size of the equipment and, you know, what you can do with, like, our potash, our natural resource. So I just don't want to see our natural resource depleted and me paying a lot more for it because I -- you know, I feel that as a -- you know, being born and raised in

Saskatchewan that I should have a right to something that's a little bit cheaper than somebody else. I don't want to pay the top dollar for everything.

You know, and that way here it encourages more people to, you know, come to Saskatchewan, not to say, well, I don't want to go there because it costs me so much for power.

MR. KALRA: We definitely have the comparativeness and we definitely take that seriously.

MR. RUDY: Oh, I think you're right on. You know, at your 13 cents an hour you're pretty competitive. I'd hate to see you get, you know, out of range. You know, there's always something that a corporation can do, you know, to pull in its horns and maybe -- maybe it won't be as lucrative for a few years, but, you know, put a little more money into your -- into your capital upgrades that you do have to do, and, you know, people are on your backs all the time. You supply me with power, it's -- it's my right. Well, you can supply me with power too, but I'm only going to pay so much.

You know, the thing is now I can't burn wood anymore in town, you know, or maybe I probably would be, you know. So -- I guess you can in a fireplaces.

But anyway, thank you for being here.

MR. KALRA: Thanks for coming.

MR. KING: Thanks for coming out.

CHAIRPERSON: Thank you. All right, our meeting is adjourned.

(Adjourned at 8:20 p.m.)

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