
**SaskPower Response to
Consumer Association of Saskatchewan**

October 11, 2012



SaskPower would like to thank the Consumer Association of Saskatchewan for their participation in the rate review process, their presentation at the Saskatoon public meeting and their submission to the Saskatchewan Rate Review Panel dated September 19, 2012.

SaskPower agrees that the reliability of electrical supply is of utmost concern to Saskatchewan consumers. Saskatchewan consumers will benefit from a safe, reliable and sustainable power system, along with competitive rates. Through the Business Renewal Program SaskPower is increasing efficiency and effectiveness so that costs can be eliminated, controlled or avoided to reduce the upward pressure on rates. The Service Delivery Renewal project is aimed at improving internal processes and information services to increase efficiency and effectiveness and improve customer service.

With respect to the specific issues of the Consumers Association of Saskatchewan in their submission dated September 19, 2012, SaskPower has the following comments:

Educating Consumers to Modify Use:

- Through the Demand Side Management portfolio of energy efficiency, load management, renewables and conservation programs, consumers are able to make informed decisions about what they can do to reduce electrical consumption and thereby reduce their electricity bills.
- SaskPower has been evaluating the economic benefits of using time of use rates to encourage customers to shift energy consumption from high peak to low peak times. Part of this evaluation is to determine how much SaskPower supply costs can be reduced by having customers shift usage. In the studies done to date the cost savings have not been sufficient to provide an adequate incentive (the difference in rates between the on-peak and off-peak period) for customers to shift load. The reason the incentive is low is because SaskPower has a relatively flat load profile due to the large industrial and oilfield load in the province. SaskPower will, however, continue to study the economic benefits of TOU rates and will certainly consider offering time of use rates in the future if it makes sense to SaskPower and its customers.
- SaskPower is installing smart meters to reduce meter reading costs, eliminate estimates, improve the identification and tracking of power outages and to allow remote connects and disconnects. While smart meters will provide SaskPower the opportunity to offer time of use rates to all of our customers this is not the reason why the smart meters are being installed.

Rate Rebalancing:

- SaskPower has requested a flat rate increase in 2013 instead of a full rate rebalancing exercise, as the cost of service methodology review will not be completed in time for the results to be incorporated into this rate application. With the flat rate increase proposed

for 2013, SaskPower rates will still fall between the 0.95 and 1.05 revenue to revenue requirement ratio (measures revenues against the cost of service) for each customer class, in accordance with industry standards. The revenue to revenue requirement ratio for residential customers will remain at 0.97 when the new rates are implemented.

Dividend to CIC and the Government:

- Crown Investments Corporation has not required SaskPower to pay a regular dividend for the past three years in order to allow SaskPower to focus on renewing infrastructure and meeting demand growth. In the first quarter of 2012 there was a special dividend payment of \$120 million as a result of higher than expected earnings in 2011. Although SaskPower doesn't expect to pay a dividend in 2013, CIC will determine whether a dividend payment is required.

Service:

- Reliability is important to SaskPower and our customers. Additional revenue is required for maintenance activities that provide for safe and reliable electrical service and to continue the on-going plan of replacing and refurbishing existing infrastructure as it reaches the end of its useful life. With respect to service disruptions, results for the year to date indicate that for the system as a whole the frequency of outages has been consistent with the long-term average.
- The office closures that have occurred only involve the customer service payment facilities. Many different payment channels are available to customers now than when those offices were opened and the volume of transactions at the affected sites no longer support the cost of full time staff for this purpose. However, the distribution service employees (who deal with outages, maintenance and new connects) remain in place at rural SaskPower offices.

We appreciate the involvement of the Consumer Association in the rate review process and role that they play in advocating for the rights of consumers and presenting the view of residential customers.