

October 3, 2012

Ms. Kathy Weber, Chair
Saskatchewan Rate Review Panel
Box 1301
Saskatoon SK S7K 3N1

Dear Ms. Weber:

Re: **SaskPower 2013 Rate Application**
(File No. CC 2000-1)

The City of Saskatoon sincerely thanks the Saskatchewan Rate Review Panel (SRRP) for the opportunity to provide input into the review of SaskPower's 2013 Rate Application. We also sincerely thank SaskPower for its continued openness and for the collaborative working relationship between our two utilities at all levels, mutually working in the best interest of our customers.

Saskatoon Light & Power (SL&P) and SaskPower have co-existed in the City of Saskatoon for many years. The City's franchise area includes approximately two-thirds of the city, primarily within Circle Drive. SaskPower currently provides distribution of electricity to the remaining one-third of the city, typically on the perimeter and including virtually all growth areas.

Due to the importance of one issue in particular, the City will address only this issue in our submission.

The SRRP has in the past acknowledged that the resellers' rate should consider the customer average rates. In 2009, the SRRP recommended that the resellers' R/RR ratio should be 1.00. In its April 2009 report, the SRRP stated the following:

"The Panel recommends that the Resellers Revenue to Revenue Requirement (R/RR) be reduced from the amount identified in the Application to 1.0 in accordance with previous Panel recommendations."

The report went on to explain that:

"Given that the rates which apply to the Reseller category affect a significant number of residential consumer households, the Panel believes it is reasonable to require SaskPower to adjust the Resellers R/RR to 1.0. This amount is lower than the pre-2009 R/RR for this class but remains higher than the 0.98 R/RR proposed for the urban residential, rural residential and farm classes of 0.98."

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For the 2009 rate increase, the R/RR for Resellers was to be 1.00.

The City, therefore, was surprised to see that in SaskPower's rate proposal for 2013, the Reseller class is proposed to have an R/RR of 1.03. If the rate application is approved as is, SL&P will pay \$3.7 million more than if the resellers' cost increase was based on SL&P's customer base, which has an R/RR of 0.98.

An R/RR for the resellers' class that is higher than 0.98, would clearly erode the viability of our utility.

Further, the City was surprised to see that if no rate increase is approved, the R/RR for the resellers' category will be 1.02 in 2013. This infers that the actual revenue paid by the City has been higher than that required, and the City has been over paying for electricity since 2009. This is in stark contrast to the SRRP's stated direction in 2009. Although the City understands that forecasts can differ from actual costs, it is unfortunate that after years of purposefully charging R/RRs of higher than 1.00 to the City, and then being told by the SRRP to revert to 1.00, the City's actual R/RR continued to be higher than 1.00.

The City of Saskatoon respectfully requests that the Saskatchewan Rate Review Panel recommend that the R/RR for the resellers' class should be set based on the weighted average of the municipality's customer base. For 2013, this is 0.98.

Sincerely,



for/ **Murray Totland, P.Eng., MBA**
City Manager

MT:blm

copy: Jeff Jorgenson, General Manager, Utility Services Department
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