Submission to the Saskatchewan Rate Review Panel
Regarding the SaskPower 2012 Rate Review Application

October 2, 2012

The City of Swift Current sincerely thanks the Saskatchewan Rate Review Panel for the opportunity to provide input into the review of SaskPower's 2013 Rate Application.

The City of Swift Current is concerned with the Revenue to Revenue Requirement ratios by customer class proposed by SaskPower in this rate review application. We believe that rate re-balancing should be applied since the Revenue to Revenue Requirement ratios have become skewed since the 2010 rate increase. The subsidization of Residential, Farm and Commercial classes by the Power, Oilfield and Reseller classes is unfair. In SaskPower's original application, this cross subsidization is calculated at approximately $32.5 million of the total $90.8 million rate increase or 35.8% of the total rate increase for 2013. In SaskPower's updated application, the cross subsidization is calculated at approximately $25.5 million of the total $89.2 million rate increase or 28.6% of the total rate increase for 2013.

There also appears to be a problem with SaskPower's previous Revenue to Revenue Requirement ratio calculations since the 2010 rate increase did not result in the Revenue to Revenue Requirements ratios projected. The Residential, Farm and Commercial classes are all below the projected Revenue to Revenue Requirements ratios while the Power, Oilfield and Reseller are all above the projected Revenue to Revenue Requirements ratios.

The City of Swift Current's customer base is entirely made up of Urban Residential and Urban Commercial customers. We believe our Revenue to Revenue Requirement ratio should follow the Urban Residential and Urban Commercial customer classes to provide equality within the rate class structure. In SaskPower's original application, based on our customer mix, this would result in a Revenue to Revenue Requirement of 0.98 instead of 1.03 or 0.05 (5%) less than proposed by SaskPower. In SaskPower's updated application, based on our customer mix, this would result in a Revenue to Revenue Requirement of 0.98 instead of 1.01 or 0.03 (3%) less than proposed by SaskPower.

In the previous two rate applications (2009 and 2010), SaskPower attempted to combine the Reseller class with the Power – Published Rates and Power – Contract classes in what we consider an effort to mask the fact that we should be equivalent to the Urban Residential and Urban Commercial customer classes. This attempted amalgamation with the Power classes also masked the true Revenue to Revenue Requirement ratios for the Reseller class.

In its April, 2009 report, the Saskatchewan Rate Review Panel 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."

This recommendation was approved by Cabinet of the Provincial Government and was to be implemented by SaskPower. However, based on the information published in the 2010 rate review application by SaskPower the actual Reseller Revenue to Revenue Requirement for the 2009 rate increase was 1.01.

The Reseller Revenue to Revenue Requirement for the 2010 rate increase application was also projected to be 1.01, based on the information published in the 2013 rate increase application the actual Reseller Revenue to Revenue Requirement was 1.02. It appears even when SaskPower received an order from the Saskatchewan Rate Review Panel, approved by Cabinet; it did not follow that order in regards to the Reseller customer class.

All of this infers that the actual revenue paid by the City of Swift Current has in fact been higher than required, and the City of Swift Current has been over paying for electricity since 2007.

We consider the proposed Revenue to Revenue Requirement to be a direct attack on the City of Swift Current's profitability with no justification in rate setting protocol. This attack on the City of Swift Current's profitability began with the 2007 rate review application when the Reseller class was set higher than the Residential and Urban Commercial customer classes we serve. In SaskPower's original application, the calculated value of this inequity to the City of Swift Current is approximately $600,000 per year or the equivalent of an 8 % municipal tax increase if the City of Swift Current were to have to make this revenue loss up through other means. In SaskPower's updated application, the calculated value of this inequity to the City of Swift Current is approximately $450,000 per year or the equivalent of a 6 % municipal tax increase.

The City of Swift Current respectfully requests that the Saskatchewan Rate Review Panel recommend that the Reseller class have a Revenue to Revenue Requirement reflective of the customer base we serve. For the 2013 SaskPower rate review application this would be a blended Revenue to Revenue Requirement of the Urban Residential and Urban Commercial classes or 0.98.

The City of Swift Current also respectfully requests that the Saskatchewan Rate Review Panel consider recommending a requirement of SaskPower to maintain the actual Revenue to Revenue Requirement by Customer Class at the levels projected in their rate applications or provide a remedy if this is not achieved. At a minimum SaskPower should be required to publish the actual Revenue to Revenue ratios by Customer Class results on an annual basis.