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Submission of the Consumer Association of Saskatchewan

to the

Saskatchewan Rate Review Panel

Regarding the SaskPower 2012 Rate Application

September 19, 2012

The Consumer Association of Saskatchewan (CASK) is a voluntary, non-profit, non-partisan, volunteer-driven organization whose mission is to promote and advocate for the basic rights of consumers. Its goals are to empower consumers through education, research, communication and networking; to investigate consumer concerns and make appropriate recommendations; to adapt to the changing needs of a contemporary society; and to provide input on consumer issues to business, government and non-governmental associations. Traditionally CASK has taken a special interest in vulnerable consumers and those with limited incomes.

CASK has a long history with the regulation of non-competitive monopoly utilities in Saskatchewan. It advocated for a rate review mechanism for many years before the establishment of the Public Utilities Review Commission, and during the time of the Commission, CASK participated in, I believe, every rate application filed by SaskPower, SaskTel and SGI. At that time we were fortunate to have expertise on our Board and also were able to access funding which enabled our organization to present comprehensive and technical submissions. During the time of the Saskatchewan Rate Review Panel, CASK has had varied involvement depending on available volunteer expertise and on financial resources. Currently we do not have volunteer expertise nor the financial resources for research support. However, CASK did want to come today to show our interest and to provide a few comments about this application from the point of view of residential customers

The reliability of electrical supply is of utmost concern to Saskatchewan consumers and to our organization. We expect an uninterrupted supply of power delivered safely to our homes. We realize that this requires the utility to be financially healthy and stable. However, we do expect the Corporation to do its utmost to keep expenditures at a minimum by being well-managed, frugal, and innovative so that rates for all customers are reasonable and fair, but as low as possible.

Educating Consumers to Modify Use:

How can Saskatchewan residents reduce their power bills?

1. They can reduce their power consumption by turning off power-consuming items, by purchasing appliances, light bulbs, etc. that use less energy, and by accessing programs like the Refrigerator Recycling Program. We appreciate SaskPower programs and information that encourage conservation by the public. These programs reduce both total energy consumption in the province and reduce costs for individuals. We want even more practical information on how households can reduce power usage.
2. We ask that SaskPower consider giving residential customers another option to reduce their power bills -- that is by providing financial incentives for shifting some of their home use to off-peak periods. This would reduce peak-load requirements for SaskPower and enable families exercising careful time management of their power usage to reduce their total charges. Consumers already do this when requested by the Corporation on extremely cold days. We wonder if the new Smart Meters, currently in the testing phase, might make reduced rates for off-peak periods a possibility. Speaking about the new meters, we were encouraged that there was an information day scheduled and disappointed that it was cancelled. There were issues which we would like to have raised, but now we understand that we will have that opportunity in a more private session.

Rate Rebalancing: CASK supports user-pay and relies on the Review Panel and its consultants to ensure that each customer pays a fair rate compared to other customers. This year this is not part of the discussion and we hope that the 4.9% increase across rate classes will maintain some balance with each class paying its fair share. Although we support user-pay, we believe that a small subsidy for residential customers is appropriate because residential customers, unlike business customers, are unable to use utility expenses as deductions on their income tax. We hope that the revenue to revenue requirement for residential customers has remained less than 1.

Dividend to CIC and the Government: Even though we know that the dividend is not within your mandate (perhaps it should be), CASK would like to publicly express its displeasure about the dividend. We were pleased that there were no dividends paid for a few years because of aging infrastructure and major investments. But now there has been a dividend of \$120 million which is more than the amount that this proposed increase will raise. Without the dividend, it seems to us that there would be no need for any rate increase in 2013.

The money for the dividend comes from the customer payments on their power bills. We believe that those payments should be going to pay for our power and the service we get

and to pay for maintenance and construction. We think that most customers would agree. We would much prefer that money needed for roads, health, balancing the books, etc. be raised from tax dollars which although, not a perfect system, is a more progressive way to collect money from the residents of Saskatchewan. We believe that using utility payments to fund other government responsibilities and projects is wrong. It is a regressive tax, impacting lower income people more than others. Our association has spoken to government about this and will be raising it again.

Service: An important responsibility of SaskPower is good service. It seemed to us that there have been more power outages the past year than acceptable. This causes a real inconvenience to customers as well as extra expenses. We were also disappointed to hear that many rural SaskPower offices will be closed, thus reducing service to many rural customers.

A few other points:

Overhead power lines: We are pleased that SaskPower is burying overhead lines and encourage the Corporation to continue to do so. In the rural areas this should reduce the number of accidents involving farm machinery and power lines.

Future sources of generation: The public has shown that they want to be involved in discussions about power sources and to have their say. Wind and solar, two generation sources with fewer environmental impacts, should continue to be considered and developed by the Corporation.

Rate Review Process: In the past we have complained about the short lead time for the hearings, but it was much improved this time. Thank you.

Conclusion: The Consumer Association of Saskatchewan does not believe that an increase of 4.9% is warranted at this time for the following reasons:

1. Service to customers is decreasing
2. We still believe that there are more savings that can be identified without affecting service.
3. The net income in 2011 was a hefty \$248 million and return on equity was 13.2%. In 2013 the forecast net income is substantial even without the rate increase.
4. The dividend issue

Power is an essential service in our province and for residential customers there are really no options but to purchase from this monopoly utility. If people are not happy with the price and/or level of service, there is no other choice. This makes the work of this Review Panel very important. The people of the province are relying on its work to ensure that rates they pay for power are fair and that all increases have been justified by the Corporation.