

THE CONSUMERS' ASSOCIATION OF CANADA, SASKATCHEWAN BRANCH

A Submission of Questions on the Delivery Rates of Natural Gas in Saskatchewan

**TO A HEARING BEFORE THE SASKATCHEWAN RATE REVIEW PANEL ON AUGUST
13, 2008, IN THE MATTER OF AN APPLICATION BY SASKENERGY TO INCREASE
THE DELIVERY RATES OF NATURAL GAS IN SASKATCHEWAN EFFECTIVE
NOVEMBER 1, 2008**

**The Consumers' Association of Canada, Saskatchewan Branch
306 – 220 Third Avenue South
Saskatoon, SK, S7K 1M1
Phone: (306) 242-4909 FAX: (306) 955-5810
E-Mail: office.cacsk@sasktel.net Website: www.consumersask.com**

SASKENERGY'S DELIVERY RATE APPLICATION

QUESTIONS WITH SPECIFIC REFERENCES TO THE DELIVERY RATE APPLICATION DOCUMENT FILED WITH THE SASKATCHEWAN RATE REVIEW PANEL ON JULY 16, 2008

Section 1: Revenue Requirement

1. Reference: Page 2 and Schedule 1.1

- 1.1 How was the current annual Delivery Revenue Requirement of \$158.8 million established and which Government of Saskatchewan Agency approved it?
- 1.2 Please provide information about SaskEnergy's annual Delivery Revenue Requirement since 1998 in the same format as Schedule 1.1 including the stipulated Net Earnings for each year.
- 1.3 What is SaskEnergy's Fiscal Year for financial reporting compared with the 2007 and 2008 Delivery Rate Test Years?

2. Reference: Page 3, third paragraph and Page 5, third paragraph.

- 2.1 Please provide a history of SaskEnergy annual expenditures on Energy Efficiency/Conservation by rate class.

3. Reference: Page 6, second paragraph.

- 3.1 Please provide complete details of SaskEnergy's methodology for determining the annual Delivery Revenue Requirement.
- 3.2 Is the Rate Base Rate of Return methodology used (as for most other regulated utilities in Canada)? If not why not? Please explain.
- 3.3 Please provide information on the deemed/actual Capital Structure of SaskEnergy.
- 3.4 Please provide information on the allowed return/net income, including government direction and methodology for calculating the return.
- 3.5 Why has SaskEnergy chosen a 12 month test period, but requested a 6 month prorated revenue requirement?
- 3.6 What is the implementation date for the Delivery Rate change?
- 3.7 Will the Commodity Rate and Delivery rate increases be implemented coincidentally and will there be a retroactive portion related to the Commodity Rate?

4. Reference: Page 8 Chart and Page 9 FTE increase.

- 4.1 Please provide the most recent data on annual O&M expense per customer for the utilities shown in the Chart on Page 8.
- 4.2 Please compare and discuss SaskEnergy's rank in the peer group.
- 4.3 Please provide a profile of FTEs per customer and per unit of gross delivery volume (net of losses and own use) for the past period 2003-2007 and a projection for the forward period 2008-2010.
- 4.4 Please provide a breakdown of the cost of customer care for the past period 2003-2007 and the forward period 2008-2010, including meter reading, billing, call centre and customer communications.
- 4.5 Please provide details about the annual cost of the Customer Information System (CIS) in total dollars and dollars per customer and/or per bill.

5. Reference: Page 9 and Schedules 1.4 a and 1.4 b

- 5.1 Please provide studies/explanations supporting the following proposed 2008 changes in depreciation rates/lifetimes:
 - Land Rights
 - Building and site Improvements
 - Services
 - Measuring and Regulating Equipment
 - Meters
 - Other Distribution Equipment
 - Office Furniture and Equipment
 - Natural Gas Vehicle Refueling Equipment
 - Transportation Vehicles
 - Heavy Work Equipment
 - Tools and Equipment
- 5.2 Please provide information about the increase in IS Assets for 2008/2009.

6. Reference: Page 10, Section 1.7 Interest Expense

- 6.1 Please provide a schedule showing the Total Debt and a breakdown of amounts and maturities and rates that add to the forecast 2008/09 interest expense.
- 6.2 Please provide information to compare the Sask Energy debt rates with the debt rates of SaskPower in terms of basis point differentials.

7. Reference: Page 10, Section 1.8 Net Earnings

- 7.1 Please provide the Deemed Capital Structure of Sask Energy.

- 7.2 Please summarize and provide a copy of the Government of Saskatchewan direction to Sask Energy on Net Income for each year since 1998.
- 7.3 What is the basis of the quoted 9% return? Is it the return on total capital or return on a deemed equity amount. Please explain in the context of Question 7.1.
- 7.4 Please compare and comment on the target return of 9.0% with the BCUC approved ROE for Terasen Gas.

8. References: Page 11, Section 1.9 Other Revenue and Schedule 1.6

- 8.1 Please provide an explanation for the 50% reduction in Gas Marketing Revenues in light of the proposed major increase in commodity rates.
- 8.2 Please provide an explanation for the reduced forecast in Distribution Tolls. Are they related to changes in the toll/tariff schedule? Who determines and approves of proposed changes in that schedule?

Section 2.3: Recommended Delivery Rates

9. References: Pages 22 -25, Section 2.3

- 9.1 Please explain why an Increase in Monthly charges is required.
- 9.2 Please explain what changes in customer-related costs would make this increase necessary.
- 9.3 Why isn't the volumetric charge reduced to make the revenue collected per customer revenue neutral for each class?
- 9.4 The projected extra revenue to be collected from the residential and farm class customers exceeds the increase in the Delivery Revenue Requirement. Please explain why SaskEnergy considers this to be appropriate.

Section 3: Customer Bill Impacts

10. Reference: Page 28

- 10.1 Given the very large coincident increase in the Commodity Rate for residential/farm customers, why is it necessary to increase fixed charges for these customers at this time?
- 10.2 Is SaskEnergy concerned that some customers may switch to electricity for some end uses?
- 10.3 Will the requested Delivery Rate increase trigger an increase in the transfer payments from SaskEnergy's customers to the urban municipalities? If there is an increase in the transfer payments, has this increase been included with SaskEnergy's estimates of the

impact of the rate application for each rate class? What is the projected total increase in transfer payments to all urban municipalities in Saskatchewan and to the cities of Regina, Saskatoon, Prince Albert, and Moose Jaw?

Section 4: Load Forecast

11. Reference: Page 29

- 11.1 Please provide details of the 2008/2009 degree day forecast 55.9 HDD and the change in average use per customer by rate class.
- 11.2 Please provide historical 2003-2007 Forecast and actual Degree days and average consumption for each rate class.

12. References: Page 30 and Schedules 4.2 and 4.

- 12.1 Please explain why 2 standard deviations from 30 year average weather is an appropriate error band.
- 12.2 What happens to the forecast revenue deficiency/sufficiency if the forecast is in error?
- 12.3 On the basis of the information provided in this Rate Application Document is it now possible to determine who bears the weather risk of supplying natural gas to consumers at an approved pre-determined fixed rate in Saskatchewan? Is it SaskEnergy or its customers?

QUESTIONS WITH NO SPECIFIC REFERENCES TO THE DELIVERY RATE APPLICATION DOCUMENT

13. More information.

- 13.1 Please provide a copy of the latest audited Financial Statement for the Distribution Division.