



January 01, 2010



Natural Gas
Delivery Service Application

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Recommendation

Delivery Rates

SaskEnergy Incorporated (SaskEnergy) is applying for a rate increase to recover the increased cost of providing delivery service. The recommended delivery rates will result in increases as follows:

	<u>\$ per Month</u>
■ Residential	2.10
■ General Service II	1.25
■ General Service III	13.30
■ Small Industrial	0.00

On an annualized basis, over all rate classes, customers will experience an average increase of 1.5% on the total bill. The proposed rate increase will generate \$3.3 million over the test year, June 01, 2009 to May 31, 2010 and approximately \$7.9 million delivery revenue annually. The reduced revenue over the test year is a result of delaying the application date to January 01, 2010 from June 01, 2009.

Executive Summary

SaskEnergy is applying for an increase to its distribution delivery rates, effective January 01, 2010, that will generate incremental revenue of \$3.3 million over the test period, June 01, 2009 to May 31, 2010 and \$7.9 million annually, thereafter. This increase relates to the delivery rate component of service only, and if approved, will equate to a 1.5% annual average increase on the total customer bill, including the commodity portion (based on a commodity rate of \$5.96/GJ).

SaskEnergy is committed to delivering safe and reliable natural gas to its customers at the lowest possible price. Despite a global recession that is still in progress, Saskatchewan has continued to experience economic growth, and with that growth, demand for SaskEnergy services including new customer connections and customer safety service requirements, such as the 70,000 line locates forecasted for 2010, continues to be strong. In addition to increased customer activity, SaskEnergy has experienced rising prices for goods and services such as vehicle operating costs and material supplies. In 2008, the consumer price index was 2.3% for Canada and 3.3% for Saskatchewan. Attracting and retaining a skilled labour force is crucial to maintaining SaskEnergy's extensive pipeline system. SaskEnergy must pay competitive wages to ensure it can operate and expand its extensive system in a safe and reliable manner.

To offset some of the cost pressures, SaskEnergy continues to diligently manage its costs and actively seek out changes that improve productivity. In 2009 SaskEnergy began to realize the benefits of implementing mobile work management processes built on computer technology that moves work orders to technicians in the truck and allows for work to be assigned, scheduled and cleared electronically. Partnerships with other agencies including the private sector have also contributed to cost reductions. One example of this is the joint automated meter reading project in Swift Current with SaskPower and the City of Swift Current.

SaskEnergy is a mature utility, delivering natural gas to 92% of Saskatchewan's communities. Energy efficient furnaces and appliances, better insulation and general energy conservation have resulted in the average SaskEnergy customer using less natural gas each year. Over the past several years, SaskEnergy's net new customer growth has not been sufficient to offset the lower annual revenues resulting from lower customer usage. However, in 2008, the strong provincial economy resulted in over 6,100 net new customers and for the first time since the 1980's, SaskEnergy's revenue from new customers offset the lower revenues from lower customer usage. SaskEnergy is forecasting 3,500 net new customers in 2009, which will provide revenue to offset the declining use of existing customers and mitigate some of the cost pressures.

Within the recommended delivery rate adjustment is a change in rate design that results in the existing Residential and Farm customer classes being consolidated. This adjustment aligns with direction received from an external cost of service review and adopted for rate design streamlining. Approval of the proposed increase of \$2.10 per month to the Basic Monthly Charge in the Residential customer class will result in the same delivery rates for both the former Farm customer class and the Residential customer class. One customer class that uses natural gas for domestic purposes is thus established. Farm customers that use natural gas primarily for business purposes will continue to be classified as one of SaskEnergy's General Service II or General Service III customers.

The proposed rate increase will allow SaskEnergy to recover the costs of delivering natural gas to its customers, with service rates that will continue to be very competitive with other jurisdictions.

Corporate Structure Overview

The Corporate Profile section of the SaskEnergy 2008 Annual Report (page 3 - 4), illustrates the SaskEnergy corporate structure. Depicted is SaskEnergy along with its seven wholly owned subsidiaries. This visual presents the legal corporate entities and provides a brief description of the subsidiary operations.

Initially, when SaskEnergy was created in 1988, there were two separate legal entities, which now comprise SaskEnergy Incorporated. There was both a holding company – Saskatchewan Energy Holdings Ltd. (SEHL) – and Provincial Gas Limited (PGL). PGL was responsible for fulfilling the legislative franchise of owning and operating the distribution utility in the Province. SEHL operated in a holding company capacity providing oversight and administering financial relationships and transactions between the Ministry of Finance and Crown Investments Corporation of Saskatchewan (CIC).

In the early 1990's, SEHL and PGL were amalgamated so that both the holding function and the distribution function would be contained in one entity. Then, within this new entity, two formal divisions were created – the Distribution Division and the Holdings Division – as a means of maintaining the segregation of the two different functions.

The Holdings Division is a reporting entity that holds equity investments in the seven subsidiary operations as well as provides a conduit for financial transactions with both the Ministry of Finance and CIC. As an example, short and long term borrowings as well as equity advances from the Ministry of Finance and CIC respectively, would flow into the Holdings Division and then be allocated to subsidiary operations and the Distribution Division. In a similar fashion, SaskEnergy's dividends to CIC are paid by the Holdings Division and are funded through dividends that it receives from subsidiary operations as well as from the Distribution Division.

The Distribution Division, a term used throughout the rate application, encompasses all facets of operations for the distribution utility. Although the Distribution Division is not a formal legal entity, it is a separate division for accounting purposes and separate financial statements are prepared for this division and tabled in the Legislative Assembly each year. Moreover, the Distribution Division has a separate set of accounting records for financial reporting purposes, including rate setting. The distribution division provides the regulated delivery service to the gas distribution customers and it is the entity responsible for this Delivery Rate Application.

1. Revenue Requirement

SaskEnergy's business is built on delivering cost effective customer service in a high quality manner while providing safe and reliable management of the corporation's extensive natural gas infrastructure. The company's strategic mandates of "Our Future, Our Growth, Our Service and Our People" provide the guiding framework for all of SaskEnergy's activities.

Saskatchewan's dynamic energy sector, combined with the economic momentum in the Province, has created opportunities as well as challenges for SaskEnergy. SaskEnergy's goal is to establish rates for safe and reliable residential natural gas service that are among the lowest in Canada. This significant goal can be achieved only through diligence and a strong focus on managing costs in all aspects of the corporation's business. As well, SaskEnergy maintains a commitment to continuously improving effectiveness and productivity. SaskEnergy has built strategic alliances with external third parties such as the SaskEnergy Network (a group of independent private mechanical contractors and equipment dealers) to ensure it focuses on its strengths and effectively leverages the expertise of partners.

The continued economic growth occurring in Saskatchewan over the past several months has required that SaskEnergy continue to seek solutions to various cost pressures. Rising costs associated with the growing Saskatchewan economy coupled with the need to right-size SaskEnergy's workforce to meet the record high levels of customer connection activity and the general increase in excavation and building activity in the province is negatively impacting operating costs. The pressure on SaskEnergy's operating, maintenance and administrative expenses is significant. There is continued demand for skilled trades and technical and professional services and SaskEnergy must continue to pay competitive wages to attract and retain a highly skilled and competent workforce. SaskEnergy operations also face the reality of rising prices for goods and services, including vehicle operating costs and material supplies. In 2008, the consumer price index was 2.3% for Canada and 3.3% for Saskatchewan.

The continuing trend of declining natural gas usage per customer results in reduced delivery revenue for the corporation from its existing customers. Improvements in building materials and techniques and better insulation methods, the development of more energy efficient natural gas equipment and ongoing energy conservation measures of SaskEnergy customers lowers the quantity an average customer uses. This produces significantly positive results for customers and the environment but requires SaskEnergy to be proactive and manage its operations with this declining revenue stream from existing customers. This change in use is consistent within jurisdictions across the country. In 2008, for the first time since the 1980's, revenue from new customers was sufficient to offset these lower revenues. SaskEnergy is forecasting 3,500 net new customers in 2009, which will again

generate revenue to offset the declining use per customer as well as mitigate some cost pressure.

SaskEnergy is a supporter of the Provincial Government's "Go Green" Strategy. Where it is clearly aligned with the corporation's business strategies, SaskEnergy has provided assistance to the Government in its long-term vision for reducing energy consumption through more efficient energy usage. For example, SaskEnergy has partnered with the Provincial Government to help consumers decrease their energy use and increase their savings through energy conservation programs. Energy conservation initiatives for customers are important to the future sustainability of SaskEnergy's delivery business as well as the sustainability of our environment. Although such initiatives do lower delivery revenue, they help consumers use natural gas as efficiently as possible and reduce their energy costs, thereby encouraging them to choose natural gas to meet their long-term energy needs in the most sustainable manner possible.

1.1 Overview

SaskEnergy's delivery rate setting process has two steps:

- Determination of the Revenue Requirement
- Rate Design

Determination of the Revenue Requirement

The Revenue Requirement is the total revenue the delivery business requires to recover all costs of providing delivery service, including an appropriate target for net earnings. SaskEnergy's revenue requirement includes the following components:

- Delivery Transportation and Storage Expense
- Operating and Maintenance Expense
- Depreciation Expense
- Tax Expense
- Interest Expense
- Net Earnings

The Revenue Requirement is derived from two sources; revenue from customers and revenue from other business activities (see Section 1.10). The Revenue Requirement is based on the cost to deliver natural gas to the customer's meter. If the Revenue Requirement is greater than the amount that existing rates would generate over a forecasted period there is a revenue deficiency. If the Revenue Requirement were lower than the amounts existing rates would generate, there would be a revenue over-recovery. The forecasted period used to determine the revenue requirement is typically a twelve-month period. For this rate application, SaskEnergy has designated June 01, 2009 to May 31, 2010 as its test year.

Since the forecast Revenue Requirement for the test year (June 01, 2009 – May 31, 2010) is greater than the revenue existing rates would generate, SaskEnergy is requesting a delivery rate increase.

Included in this rate application are financial schedules that quantify the components of the forecasted Revenue Requirement for the test year.

Rate Design

Rate Design involves developing appropriate rates that will recover the Revenue Requirement from the appropriate customer class. This process is referred to as Cost of Service.

1.2 Delivery Revenue Requirement Summary

Schedule 1.1 summarizes the cost of service that is required to provide safe, reliable and efficient delivery service to SaskEnergy's customers, which for the test year is \$180.1 million. This compares to \$172.2 million of revenue that could be generated through existing rates. SaskEnergy is therefore projecting a \$7.9 million revenue deficit over the test year, June 01, 2009 to May 31, 2010. However, the application date has been recommended for January 01, 2010 rather than June 01, 2009, resulting in incremental revenues of \$3.3 million over the test year.

The following sections discuss the individual components of the delivery cost of service, and additional detail is provided in Schedules 1.2 through 1.8.

1.3 Delivery Transportation and Storage Expense

Delivery transportation service is provided by TransGas Limited (TransGas), a wholly owned subsidiary of SaskEnergy. SaskEnergy contracts with TransGas on behalf of their delivery customers, who choose SaskEnergy as opposed to those who individually contract directly with TransGas. Delivery transportation expense includes the cost of transporting natural gas from the TransGas Energy Pool (TEP) to SaskEnergy's distribution system pressure regulating stations. TEP is a common reference point in Saskatchewan where the natural gas commodity is priced.

Storage service is also provided by TransGas. SaskEnergy contracts for storage services with TransGas on behalf of its delivery customers. Storage expense includes the cost of storage contracts required to meet consumption peaks during the winter months. Contracted capacity refers to the total volume of natural gas that SaskEnergy requires at the start of the heating load season to meet the expected withdrawals of natural gas from storage during the winter. Deliverability refers to the expected daily rate at which natural gas is required to be withdrawn from storage to meet customer volume requirements. On

the coldest days, storage provides up to two thirds of the natural gas used by customers to heat their homes and businesses.

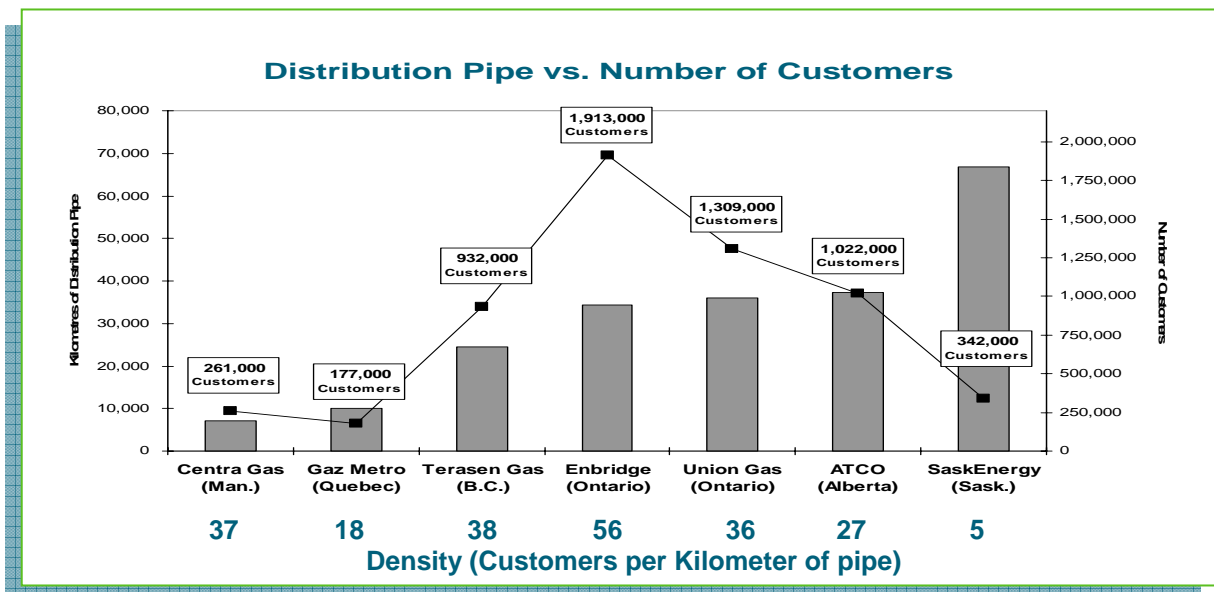
Transport and storage cost estimates are provided in [Schedule 1.2](#). These costs are forecasted at \$40 million for the test year.

1.4 Operating and Maintenance Expense

Total operating and maintenance expenses are shown on [Schedule 1.3](#) and are forecast to be \$93.7 million for the test year.

SaskEnergy’s extensive distribution system throughout the Province, consisting of approximately 66,700 kilometers of distribution pipeline infrastructure, serves over 342,300 customers in over 500 communities that are located in a 380,000 square kilometer service area across Saskatchewan. This distribution system is very large in terms of the geographic dispersion of facilities, an attribute that reflects the Saskatchewan Government’s commitment to provide equitable and universal access for services. In honoring this commitment, SaskEnergy serves approximately 92% of all communities within the Province.

The graph below illustrates the size of SaskEnergy’s distribution system relative to other major natural gas utilities that operate in Canada. The next largest utility in terms of the kilometers of distribution pipe is ATCO Gas. In terms of the effectiveness challenge, SaskEnergy faces with its extensive network, the customer density of SaskEnergy at five customers per kilometer of pipe versus an industry peer average of 31 customers per kilometer. With a strong focus on efficiency through the building of Saskatchewan’s natural gas network we have met this service challenge with among the lowest delivery rates relative to peers. This efficiency foundation is viewed critical for continued focus on new efficiency measures.



SaskEnergy's distribution system, which operates in extreme weather conditions and in many types of terrain, requires substantial monitoring and maintenance each year in order for the Corporation to fulfill its primary objective of providing safe and reliable service to its customers. To provide this safe and reliable service, SaskEnergy Customer Services require a workforce of approximately 623 full time equivalents (FTE's). In addition, there are 225 FTE's in the Distribution Division that perform services in Gas Supply, Meter Shop and corporate support functions.

The operating and maintenance expenses are comprised primarily of labour related costs. Approximately 83%, or \$77 million, of the operating and maintenance expenses forecasted for the test year are labour related costs. This includes employee benefit and pensions costs.

The high levels of customer activity experienced in 2008 required incremental staff in order to ensure safe and reliable natural gas with an acceptable level of customer service. Despite a global recession still in progress, Saskatchewan continues to experience economic growth, and demand for SaskEnergy services continues to be strong. Customer activity to date in 2009 is very similar to levels experienced in 2008.

The majority of labour-related expenses are driven by the terms reached in the three-year Collective Bargaining Agreement between SaskEnergy and the Communications, Energy and Paperworkers Union (CEP) Local 649. The agreement took effect February 1, 2007 and included some staged implementations for benefits which continue to impact the corporation in the test year. The agreement outlined annual wage increases of 4% effective February 01 in each of the years 2007 to 2009. The agreement follows the government mandate set for all collective bargaining negotiations in the Crown sector. As well, merit and economic increases for out-of-scope employees are in accordance with CIC guidelines that are applicable to all crown sector management employees.

SaskEnergy has also experienced rising prices for goods and services such as vehicle operating costs and material supplies. In 2008, the consumer price index was 2.3% for Canada and 3.3% for Saskatchewan.

Operating and maintenance expenses shown on [Schedule 1.3](#) reflect SaskEnergy's total operating and maintenance expenses. As the SaskEnergy workforce performs construction services, some of the associated operating and maintenance expenses are capitalized and depreciated over the service life of the related asset. Delivery service operating and maintenance expenses are forecast at \$93.7 million for the test year (See [Schedule 1.3](#)). This is net of productivity measures that have been and are currently being undertaken.

1.5 Productivity/Efficiency Measures

SaskEnergy's ongoing challenge is to deliver safe, reliable and competitive natural gas service in a service territory that spans 380,000 square kilometres and to a customer base of approximately 345,000. This extremely low customer density produces a significant amount of infrastructure (pipeline) per customer and a large number of kilometres that must be covered to maintain these facilities and respond to customer needs.

SaskEnergy maintains the lowest delivery cost per residential customer possible (the lowest in 2008) by the effective use of materials, technology and resources. In order to accomplish this SaskEnergy must innovate, adapt and collaborate to gain the maximum efficiency possible in its processes.

Technology has enabled SaskEnergy to innovate in its operation. New line heater technology was developed by Cold Weather Technologies in Lloydminster through collaboration with SaskEnergy. The collaboration has resulted in 73 installations at SaskEnergy and an estimated average fuel savings of 30%.

SaskEnergy has recently installed its Mobile Work Management System which manages and schedules the work of its field service staff. Work orders are moved electronically from dispatch to the technician in the truck, replacing the paper order process. While SaskEnergy is in the early stages of utilizing the new technology and processes, some of the early benefits are:

- more efficient scheduling of appointments and routing of work (reduced vehicle travel);
- more jobs completed by a technician in a day (reduced office and paperwork time);
- more effective loading of work to the most appropriate resource (example-line locating activities); and
- less paper – including increased use of more reliable electronic mapping viewer.

In order to manage rising vehicle operating costs, SaskEnergy has been working to right size its vehicle fleet to introduce more fuel efficient vehicles. In addition to utilizing natural gas vehicles where possible, SaskEnergy has been systematically replacing $\frac{3}{4}$ ton trucks with $\frac{1}{2}$ tons in our field operation. This produces a lower capital investment and a more fuel efficient vehicle – with savings between 10-20% versus the $\frac{3}{4}$ ton.

Collaboration with the private sector is also a fundamental element of our strategy to improve efficiency and productivity. SaskEnergy has always used a mix of internal and external resources in our engineering and construction functions. In this period of increased economic activity, SaskEnergy has introduced new construction contractor resources in the west central and northwest part of its service territory to reduce travel of its own construction resources located in Saskatoon and Regina. This supplements the existing construction contractors used in other parts of Saskatchewan.

Additional synergies are being developed with downstream mechanical contractors to better align customer work with the role of SaskEnergy and private mechanical contractors. SaskEnergy and the downstream industry have worked with the Gas Inspections Branch to propose changes to the Gas Inspections Act and Regulations that will introduce efficiency to new customer connection and facility alteration processes. The proposed changes will improve scheduling of work and will minimize the number of visits to the customer's premise by SaskEnergy and the downstream mechanical contractor.

Meter reading has been a function that has been outsourced by SaskEnergy since its inception. Rates for meter reading have been increased by our service provider and the ongoing management of these costs will require new solutions. In 2009 SaskEnergy has participated in a pilot project with the City of Swift Current to introduce Automated Meter Reading (AMR) technology to electric, water and gas meters in Swift Current. With nearly 500 AMR devices installed, initial results are promising with annual operating savings forecast at \$15,000 versus the manual meter reading process. SaskEnergy is developing a long-term meter reading strategy that will continue to outsource this activity to a third party provider. We are working with parties to structure a collaboration that could manage our meter reading costs within the existing cost envelope.

While economic activity in Saskatchewan has produced pressures on labour and contractor costs – SaskEnergy continues to manage and mitigate these pressures through innovation, technology and collaboration. This focus on improving efficiency and productivity will allow us to maintain the lowest delivery rates possible while effectively delivering safe and reliable natural gas service.

1.6 Depreciation Expense

Depreciation expense for the test year is estimated at \$27.9 million as detailed in [Schedule 1.4](#). This expense reflects the depreciation associated with plant and equipment required to: connect new customers; undertake economically justified and safety-related system improvements; as well as corporate infrastructure to support safe, reliable and efficient operations. Depreciation expense for the test year has increased relative to the previous rate application primarily due to a step change in the fleet of transportation vehicles. The large, less fuel-efficient vehicles in the fleet are being replaced over time by smaller, more efficient vehicles. As well, an increase in Information System assets related to initiatives such as the mobile dispatch system is causing depreciation expense to increase for the test year.

Another component included in the category of depreciation expense, is the amortization of customer capital contributions. Customer capital contributions are those funds which are paid by customers to SaskEnergy to aid in the construction of certain customer-specific facilities in accordance with SaskEnergy's established business policies. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset and have the effect of reducing depreciation expense. This results in the customer contribution portion of the facilities required to be excluded from a

required return in the cost of service while allowing existing customer rates to not be adversely affected by new customer connect activity.

1.7 Tax Expense

Taxes consist primarily of Corporate Capital Tax and property taxes (see [Schedule 1.5](#)). Corporate Capital Tax is paid to the Province of Saskatchewan and is calculated at 0.6 % of capital invested over \$10 million. The expense is calculated in accordance with the formula, deductions and allowances prescribed by *The Saskatchewan Corporation Capital Tax Act*.

The estimated tax expense for the period from June 1, 2009 to May 31, 2010 is \$3.7 million.

1.8 Interest Expense

SaskEnergy's costs for financing its natural gas distribution infrastructure, equipment and operations are estimated at \$14.3 million for the test year (see [Schedule 1.6](#)). These expenses consist primarily of financing costs related to long term debt. As SaskEnergy's long term borrowings are all received from the Provincial Government, SaskEnergy benefits from the very favourable borrowing rates of the Province which are lower than what SaskEnergy would achieve if it was required to go to the market and borrow in its own right. Also, SaskEnergy's cash inflows are cyclical and follow a similar pattern every year. Revenues peak in the winter months and are lower in the warmer months. This trend creates periods where SaskEnergy needs to access short-term financing as well as short term investing, both of which are transacted through the Ministry of Finance. The current interest rate environment is very favourable as borrowing rates are at record lows and, correspondingly, SaskEnergy's customers will benefit from lower interest costs.

1.9 Net Income

The net income estimate of \$16.6 million as provided in [Schedule 1.7](#) reflects the level of income that will provide SaskEnergy with an appropriate return on investment as measured by the rate of return on equity. The rate of return on equity is targeted at 8.75% for the test year. This level of return is slightly lower than it has been in previous years but is still considered comparable to recent rate of return levels allowed by the various regulatory authorities that provide regulatory oversight for natural gas utilities operating in other jurisdictions in Canada.

Note that because the proposed implementation date is January 01, 2010 rather than June 01, 2009, SaskEnergy will forego \$4.6 million in revenue resulting in net income of \$12.0 million. SaskEnergy undertook significant cost cutting efforts early in 2009 in an effort to mitigate the impact on operations of this reduction in revenues. The delay in the

implementation of the rate change combined with the cost reductions will result in a return on equity of 7.00% for 2009.

1.10 Other Revenue

Other Revenue is summarized on [Schedule 1.8](#) and is forecast at \$16.2 million for the test year. Other Revenue consists of Connect Fees, Gas Marketing Margins, Late Payment Charges, Customer Financing, Miscellaneous Revenue, and Distribution Tolls.

The largest component of Other Revenue is Distribution Tolls. Large in-province natural gas users purchase their natural gas directly from a natural gas producer or marketer, and contract transportation for this natural gas directly with TransGas. Although these are not SaskEnergy customers, most of these users require the use of SaskEnergy's distribution facilities to deliver their natural gas from the TransGas transmission pipeline system to the user's metering location within the distribution pipeline system. SaskEnergy assesses a toll for this service which is charged to TransGas. Distribution Tolls for the test year are forecast at \$10.1 million.

In order to ensure safe and reliable service, SaskEnergy must contract enough storage and transportation to ensure customers have natural gas throughout the winter months and particularly on the coldest days of the year. Given the extreme variation in temperatures in Saskatchewan, there are times during normal business operations that these contracts would not be fully utilized. SaskEnergy optimizes the utilization of its assets through its Gas Marketing activities by purchasing and selling natural gas through various producers and marketers to earn a margin. Net margins from Gas Marketing activities are based on forecast sales opportunities and are estimated at \$2.9 million for the test year.

Connect fees are assessed to recover the cost of meter reading and administration associated with setting up a new customer's account. These customer connect fees will increase October 16, 2009 similar to delivery service rate. Revenue from assessing late payment charges on overdue customer accounts, financing revenue earned from customer's electing to use SaskEnergy financing options to help manage the cost of natural gas connections are included as well as miscellaneous revenues. These total \$3.2 million.

All of these forecasted revenues are recognized when determining the revenue requirement and have the effect of lowering rates for SaskEnergy's delivery customers.

2. Recommended Delivery Rates

2.1 Overview

SaskEnergy provides two services to its customers, 1) delivery service, and 2) natural gas supply service.

Delivery service includes management of storage and transportation as well as providing all distribution facilities and operations necessary to ensure delivery of natural gas to customers on a firm and continuous basis throughout the year. SaskEnergy earns its approved return to the shareholder through its distribution service. Delivery service represents approximately 30% of a customer's total bill.

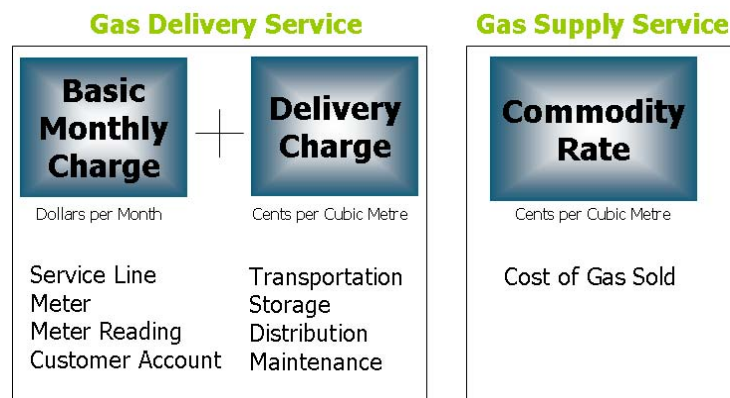
Natural gas supply service is the supply of the commodity. All customers have the option to purchase their natural gas supply from a seller other than SaskEnergy. Gas Supply Service is provided to customers who purchase their natural gas supply from SaskEnergy. Natural gas is sold to customers at cost, plus expenses incurred in the procurement of gas. SaskEnergy does not incur a gain or loss on the sale of the commodity.

The relationship of services and the rates are illustrated in the chart on the next page.

The cost of delivery service is recovered through a two-part rate:

- 1) A Basic Monthly Charge, which is a fixed dollar amount per month, and attempts to recover the fixed costs attributed to the customer service line, meter reading and customer account administration;
- 2) A Delivery Charge, which is a volumetric charge that applies to each cubic metre of natural gas used by the customer. As the customer's usage varies from month to month, so will the Delivery Charges on the bill. By contrast, the Basic Monthly Charge remains the same each month.

SaskEnergy Services & Rates



For example, over the course of the year, a residential customer currently pays about \$401 on average, for delivery service.

Typical Annual Residential Delivery Bill			
Fixed Component			
Basic Monthly Charges	12 Mo @ \$14.50 per month =	\$174.00	43%
Volumetric Component			
Delivery Charges	3,200 m ³ @ \$0.071 per m ³ =	<u>\$227.20</u>	<u>57%</u>
Annual Delivery Bill		<u>\$401.20</u>	<u>100%</u>
m ³ = cubic metre			

“Postage Stamp” Pricing Philosophy

A postage stamp rate charges the same amount regardless of the location or distance involved. The best example is Canada Post’s rate of 54 cents to mail a letter. Whether the letter is mailed to an address across the street or across the country, the sender’s cost to mail a letter is the same. Thus postage stamp rates do not differentiate price based on distance or location within a given franchise area.

Postage stamp rate making recognizes the existence of cost differences due to location or distance do exist. However, these cost differences are averaged for the pricing of the service. Consequently, within each rate class customers have the same rate irrespective of their geographical location.

Regulators across North America have long approved the use of postage stamp rate making in setting rates for natural gas services. In Canada, regulators in each jurisdiction have approved postage stamp rates for the various classes of service for each of the major natural gas distribution utilities and their respective franchise areas.

SaskEnergy rates have been postage stamp rates since 1982. After 27 years, SaskEnergy (and the industry in general) continues to believe postage stamp rate making represents one of the most fundamental and fairest ways to charge for its natural gas distribution services.

Fixed Versus Variable Costs

One challenge for the utility and its rate design is that over 98% of the cost of delivery service consists of fixed costs. Consequently, even the volumetric component of the rate – namely the Delivery Charge – recovers fixed costs related to the contract requirements for peak day or the capacity or the distribution system. However, this is typical of the rate design faced by all major Canadian natural distribution utilities.

2.2 Rate Design Principles and Objectives

Rate design should recover all costs fairly, both between the various rate classes as well as within each rate class. This can represent a challenge since various rate design principles can conflict with one another. The following rate design principles underpin SaskEnergy's delivery rate recommendation.

Revenue Requirement

Delivery rates should fully recover the cost of providing service so as to allow the utility the opportunity to achieve its approved financial targets. In order for SaskEnergy to meet its financial targets, it requires an additional \$7.9 million annually in delivery revenue.

Fairness Between Rate Classes

Rate adjustments must be fair and equitable to all customers. Revenue-to-cost ratios provide a measure of the fairness of rates between various classes. The premise is that a fair rate should recover a dollar of revenue for each dollar of cost incurred in providing service. Thus, the ratio of revenue compared to the cost of providing service would be 1.00.

SaskEnergy's long-term objective is to have rates that achieve a revenue-to-cost ratio between 0.95 and 1.05. Ratios outside this range may be interpreted as an indication that some cross-subsidization exists between rate classes.

Fairness Within Rate Classes

Ideally, for each rate class, the Basic Monthly Charge and the Delivery Charge should be set as close as possible to their corresponding average unit costs. This ensures there is little, if any, cross-subsidization between smaller users versus larger users within the rate class. This issue also affects the utility's ability to make its targeted earnings. Proper customer care related cost recovery helps to mitigate the impact of weather variations upon earnings. The more revenue derived from Basic Monthly Charges, the more stable the revenue stream and therefore earnings.

However, most utilities have a Basic Monthly Charge that is too low and Delivery Charges that are too high. Customers resist accepting fixed charges, especially in months of low or no usage. SaskEnergy has a long-term objective to recover 75% of its customer care related costs through its Basic Monthly Charge.

Gradualism

This principle allows rate realignments to occur more gradually, over several rate applications as opposed to all at once. If all rate realignments were introduced at once, particularly when seeking a general rate increase, some customers could experience a double digit percentage increase while others customers may experience a rate decrease.

2.3 Rate Classes

Current Customer Classes

SaskEnergy currently defines its rate classes on an end-use basis. Rate classes consist of Residential, Farm, General Service II, General Service III and Small Industrial.

General Service II includes most main street businesses including restaurants, as well as curling rinks, smaller elementary schools and hospitals, commercial agricultural operators, and non-profit organizations. These customers consume up to 100,000 cubic metres (m³) of natural gas annually, which represents the same usage as about 34 homes. General Service III customers consume between 100,000 and 660,000 m³ of natural gas annually. These are larger hotels, high schools, and hospitals; larger municipal offices or warehouse buildings; larger office buildings, livestock operations and manufacturers.

Small Industrial customers are those customers that consume between 660,000 m³ and 1,320,000 m³ of natural gas annually. These are customers that use enough natural gas to contract transportation directly with TransGas, however prefer the convenience of being a SaskEnergy customer. Typically, there are only ten to twenty customers in this customer class and it represents less than 1% of SaskEnergy's total volume of natural gas delivered.

Merging Farm Customer Class with Residential Customer Class

SaskEnergy is combining the Farm and Residential customer classes that uses natural gas for domestic purposes into one customer class called Residential. At the time SaskEnergy's rate structure was designed, a separate rate class for Farm customers was established to recognize the different cost to invest in the infrastructure to provide service to this sector. SaskEnergy's current investment policy is the same for connecting residential customers in both rural and urban Saskatchewan.

This action is also supported by an external consultant SaskEnergy engaged to perform a cost of service study and rate design review of SaskEnergy's delivery service. One recommendation pertaining to rate design was to classify customers based on volume of natural gas consumed rather than what a customer uses natural gas for (end-use). A second recommendation was to reduce the number of rate classes by combining all customers that use less than 10,000 m³ of natural gas annually into one rate class. All customers that use similar volumes of natural gas would then be charged the same rate. This supports the

regulatory principle of cost causation (i.e. customers that use similar volumes of natural gas cost the same to serve and maintain).

Combining the Residential and Farm customers into one rate class is a first step towards this type of rate structure. The average Residential customer currently consumes around 3,000 m³ while an average Farm customer consumes around 4,000 m³. Very large farm customers that use more natural gas for operations than for their residence are in the General Service II class. A new customer class that uses natural gas primarily for residential use provides fairness for customers as well as simplifies SaskEnergy's processes. This customer class will be known as Residential. There will be only a slight impact on the existing Residential customer class through this consolidation as there are over 285,000 Residential customers and only 22,000 Farm customers.

2.4 Recommended Delivery Rates & Customer Bill Impact

An increase to the Basic Monthly Charge in all rate classes with the exception of the small industrial class is recommended. No change to the Delivery Charge in any customer class is recommended. Because the residential customer class continues to under-recover their share of costs to provide service, a larger percentage increase is recommended to this customer class. The following chart summarizes the recommended changes.

Customer Bill Impact			
Rate Class	Increase to Basic Monthly Charge \$/month	Delivery Rate Impact Annual % change	Total Bill Impact* Annual % change
Residential	2.10	6.1	2.3
General Service II	1.25	1.4	0.4
General Service III	13.30	1.4	0.3
Small Industrial	0.00	0.0	0.0
Average		4.6	1.5

*Based on a commodity rate of \$5.96/GJ.

Details of the recommended rates can be found in [Schedule 2.1](#).

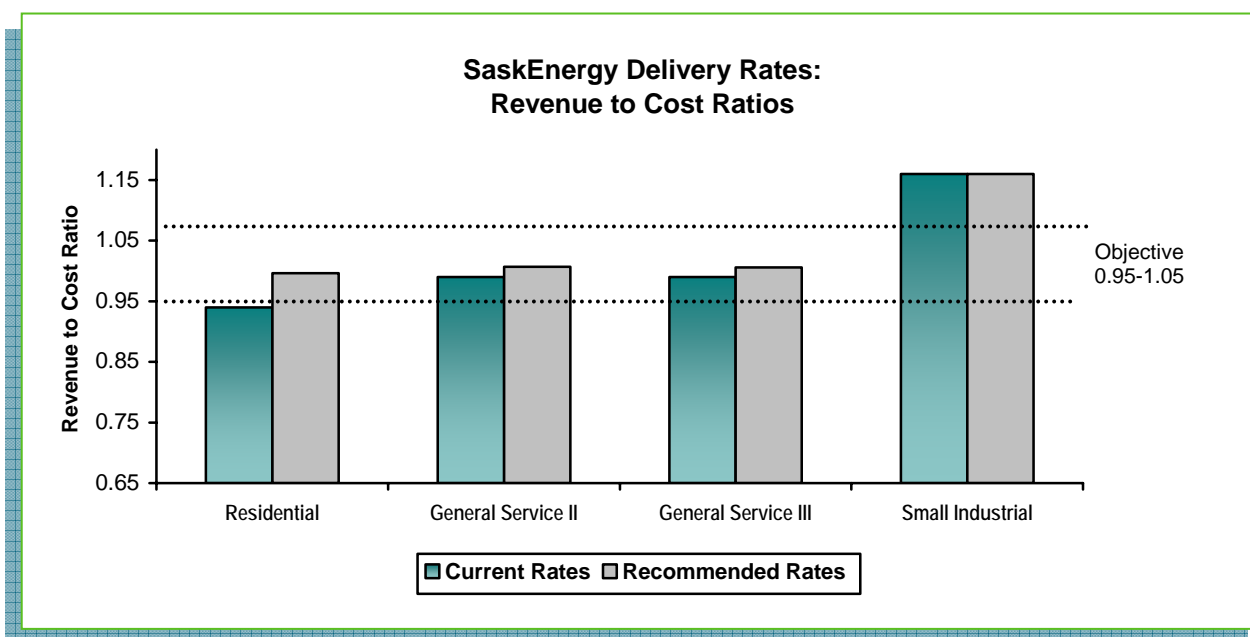
The recommended rates were expected to increase delivery revenue by \$7.9 million over the test year, June 01, 2009 to May 31, 2010. However, because the implementation date is January 01, 2010, rather than June 01, 2009, \$3.3 million will be generated over the remaining months of the test year. [Schedule 2.2](#) summarizes on a monthly basis the revenues by rate class for the current and the proposed rates.

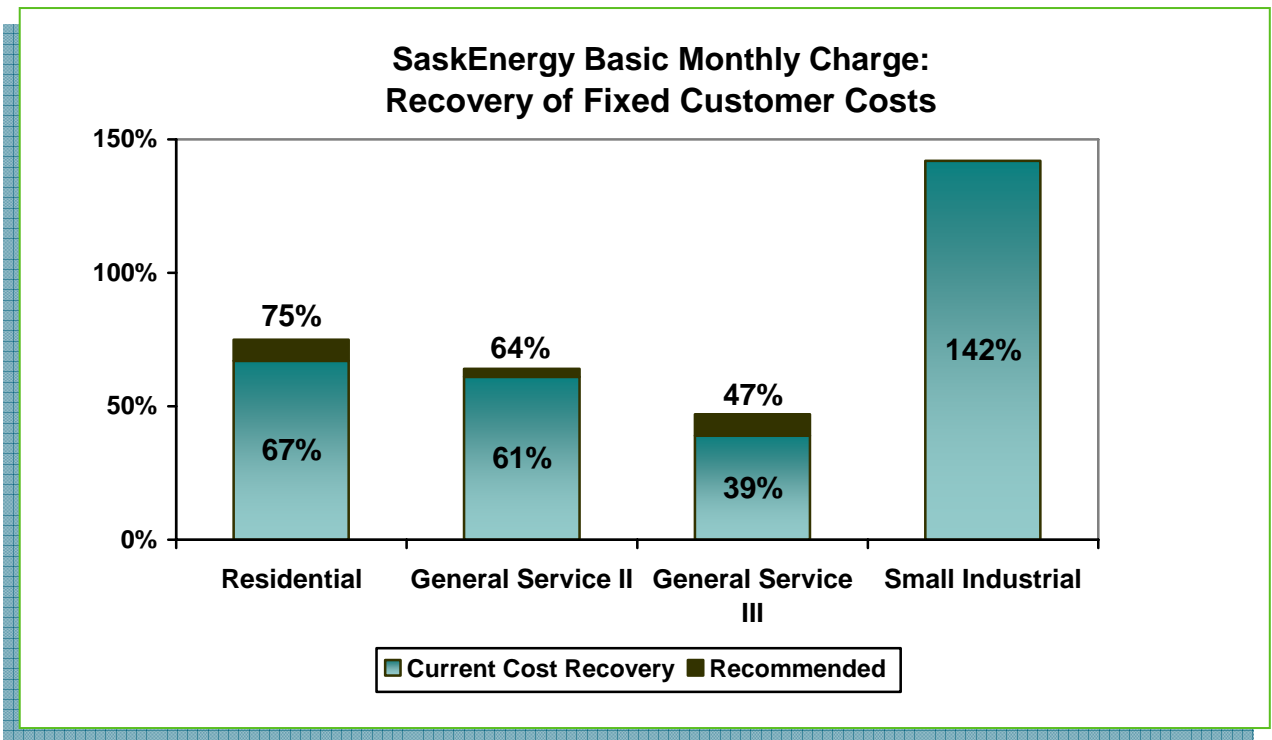
The following chart summarizes how well each of the rate classes recover the allocated cost of delivery service as measured by the revenue to cost ratio, both at current rates and at the recommended rates.

Note that a small increase is being recommended to General Service II and General Service III customers, despite the fact that each of these customer classes are currently recovering their full cost of service as measured by the revenue to cost ratio. This approach lessens the impact on residential customers, thus supporting the principle of gradualism. The proposed increases to General Service II and General Service III are small enough to keep the revenue to cost ratio within the stated objective of 0.95 to 1.05.

No rate change is being proposed to the Small Industrial customers at this time. Because of the size of this rate class, revenues are very sensitive to changes in the number of customers. Typically, there are 10 to 20 customers in this class; however, the number of customers is currently at 29. The reason for the large increase is due to a number of customers that came to SaskEnergy in the summer of 2008, when one alternative natural gas supplier went into receivership. These customers were previously contracting transportation service directly with TransGas and there is a high probability that a number of these customers will return to TransGas in the next few months. Because the number of customers has increased from about 17 in 2008 to 29 in 2009, revenues from this rate class are showing a corresponding increase. The cost to serve this customer class has not increased lock step, and therefore the revenue-to-cost ratio is outside SaskEnergy’s stated objective. SaskEnergy is currently over-recovering its costs from this class and should these customers leave in the near future, the revenue to cost ratio will fall accordingly. In the event the number of customers remains at this level when SaskEnergy files another delivery rate application, a rate decrease for this customer class will be considered.

Proposed increases in each rate class are being recommended to the Basic Monthly Charge rather than the Delivery Charge. This approach brings SaskEnergy closer to its long-term objective of recovering 75% of the customer care related through its basic monthly charge.





2.5 Implementation of Rates

SaskEnergy's rates are designed based on the revenue required for a test year. In this case, the revenue required for the period June 1, 2009 to May 31, 2010 was determined to be \$7.9 million. Rather than request a retroactive adjustment, SaskEnergy will forego seven months of the increase in 2009, (\$4.6 million) and request \$3.3 million for the remaining five-month period of January 01, 2010 to May 31, 2010.

3. Load Forecast

3.1 Annual Requirements

Background

SaskEnergy prepares a customer load forecast based on normal weather to determine the amount of natural gas that is needed to serve Saskatchewan customers in terms of natural gas purchases, transportation and storage contracts. The load forecast is also used to calculate the revenue expected from existing rates.

The majority of SaskEnergy's customer use is to heat homes or businesses. Consequently, SaskEnergy's loads are very dependant on weather, thus can vary significantly. Historical loads are weather adjusted (normalized) to take into consideration this variation due to weather. The load forecast determines the expected natural gas consumption based on normal or average weather. For forecasting purposes, normal weather is calculated using weather data from the past thirty years for Regina and Saskatoon.

Forecast Methodology

The load forecast is calculated as the expected weather normalized use per customer multiplied by the average number of customers. This calculation is performed for each customer classification.

Use Per Customer

The determination of the use per customer is based on historical weather-adjusted consumption. Regression equations are used to quantify the historical decline rate and forecast the use per customer for the upcoming period for the Residential and General Service II customer classes, which account for over 80% of SaskEnergy's customer load. For the remaining customer classes, the historical use per customer is used to forecast, as there is no statistically valid regression equation from this data. As a general trend across North America, there has been a declining use per customer as end users acquire more energy efficient furnaces and appliances, install set back thermostats, and improve insulation in homes and businesses. This trend has been apparent in Saskatchewan as well, with use per customer declining since 1982. This declining trend is forecast to continue in the upcoming year. A summary of historical weather normalized use per customer, as well as the forecast for 2009 and 2010 are shown in Table 3-1.

Table 3-1 Use per Customer (Gigajoules)

	Normal Weather 2007	Normal Weather 2008	Forecast 2009	Forecast 2010	Forecast Test Year June '09 – May '10
Residential	111	109	110	108	109
Farm*	146	141			
General Service II	497	488	484	479	480
General Service III	7257	7147	7147	7147	7147

* The Residential and Farm customers have been combined into one class.

Number of Customers

The total number of customers is the sum of the actual customers served for the previous period plus the estimated customer additions. The number of customer additions (net of service retirements) is based on anticipated new construction and planned projects to unserved areas.

Forecast Annual Requirements

The forecast annual requirements for delivery customers are summarized on [Schedule 3.1](#). [Schedule 3.2](#) and [3.3](#) illustrate the sensitivity of SaskEnergy's customer load to extreme changes in weather, calculated at two standard deviations away from normal weather. [Schedule 3.4](#) quantifies the impact the variation in weather has on the corporation's revenues.

3.2 Peak Day Requirements – Maximum Daily Usage

Background

A critical function of a natural gas utility is to provide reliable natural gas delivery to all customers during all weather conditions. In order to provide reliable delivery, the utility must have adequate transportation capacity, adequate storage capacity, and adequate natural gas supplies. The day with the highest consumption (typically the coldest day of winter) is referred to as the peak day, since consumption has reached a peak.

Forecast Methodology

The forecast peak day load is calculated by multiplying the estimated peak day use per customer times the number of customers (i.e. Peak Day Load = Peak day Use per Customer multiplied by the Number of Customers).

SaskEnergy's historical peak day load is estimated by TransGas. This estimate is based on a calculation which includes actual measurement, where available, and a load computation at locations where direct measurement is not available. The number of customers on peak day is known from billing system records.

Using the data from the past ten years, a mathematical relationship using regression analysis has been developed between peak day use per customer and degree-days. The peak day forecast use per customer for the upcoming period is determined using this equation. The number of customers expected on peak day is taken from the customer number forecast.

Key Assumptions

SaskEnergy uses a 1-in-20 design criteria for peak day (i.e. there is a 1-in-20 probability that the design peak day load will be reached during the upcoming winter). The 1-in-20 design criteria is within the typical range of criteria used by other natural gas utilities in Canada and the United States, who use a range of “1 in 5 design” to a “coldest ever design”.

The degree-day forecast for a 1-in-20 peak day is determined from 30-year Environment Canada weather statistics for Regina and Saskatoon. This results in 55.9 degree-days, which corresponds to an average daily temperature of -37.9 degrees Celsius.

Peak Day Forecast

SaskEnergy’s peak day is summarized on [Schedule 3.5](#).

Prior Years Peak Day Loads

SaskEnergy’s historical peak day loads are summarized in [Schedule 3.6](#).

4. Glossary of Terms

Distribution System

Facilities used to receive natural gas from a high-pressure transmission system and provide pressure reduction, regulation and piping to deliver natural gas to end use customers. A natural gas distribution system includes the following major components:

- **Pressure Regulating Station (Town Border Station)** - A facility which receives natural gas from a transmission pipeline and reduces pressure for entry into the distribution mains.
- **Main** - The piping which delivers natural gas from the pressure regulating station (Town Border Station) to the point of connection to the service pipe which serves as individual customer.
- **Service** - The piping which delivers natural gas from point of connection at the main to the meter on the customer's premise.
- **Meter** - An instrument for measuring or recording the volume of gas that has passed through it.

Gigajoule (GJ)

A metric measure of energy used to express the heating value of natural gas or of energy consumed. A typical home uses about 109.4 gigajoules per year. 1 Terajoule (TJ) = 1,000 Gigajoules, 1 Petajoule (PJ) = 1,000,000 Gigajoules.

Heating Degree Day

The average daily temperature (Celsius) subtracted from 18 degrees. For example, if the daily high is +5 and the low is -15 the average daily temperature is -5. The degree-days for that day are $18 - (-5) = 23$.

Annual Load Factor

The ratio of the average daily volume of natural gas shipped (or consumed) over a year to the daily contract demand volume. Load factors are usually expressed in percent. Gas producers want to sell gas at 100% load factor, or at a constant rate. Residential consumers use gas at an annual load factor of about 30%.

TransGas Energy Pool (TEP)

Acts like a market hub in Saskatchewan on the TransGas system. SaskEnergy and all gas suppliers use the TransGas Energy Pool (TEP) as the common reference point where natural gas commodity is priced. In addition, SaskEnergy's storage and delivery transportation commence at TEP.

5. Minimum Filing Requirements

SaskEnergy's delivery service application to the Saskatchewan Rate Review Panel is based on established minimum filing requirements. This ensures that rate change applications are adequately organized, structured, detailed and consistent. The minimum filing requirements established for this delivery rate application are contained in [Schedule 6.0](#).

6. Schedules

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Delivery Revenue Requirement Summary

(\$000's)

<u>Component</u>	<u>Test Year *</u>
Operating & Maintenance Expense	93,707
Transportation and Storage Expense	40,019
Depreciation Expense	27,937
Tax Expense	3,721
Interest Expense	14,269
Net Earnings	16,638
Total Delivery Revenue Requirement	<u>196,291</u>
Other Revenue	<u>(16,238)</u>
Net Delivery Revenue Requirement	<u><u>180,053</u></u>

* June 01, 2009 - May 31, 2010

Delivery Transportation and Storage Expense

(\$000's)

	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast	2009/2010 Test Year *
<u>TRANSPORTATION & STORAGE</u>					
Transportation Costs	22,405	22,659	25,526	26,417	25,900
Storage Costs	14,815	14,801	13,916	14,403	14,119
Total Transportation & Storage Cost	<u>37,220</u>	<u>37,460</u>	<u>39,443</u>	<u>40,819</u>	<u>40,019</u>
<u>Volumes</u>					
Transportation					
Contracted Demand (in GJ's/day)	557,063	543,351	564,185	560,567	564,185
Storage					
Contracted Firm Deliverability (in GJ's/day)	386,279	394,492	396,192	396,192	396,192
Contracted Storage Volume (in PJ's)	20.9	20.9	20.9	20.9	20.9

* June 01, 2009 - May 31, 2010

Operating and Maintenance Expense

(\$000's)

	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast	2009/2010 Test Year *
Operations					
Costs Incurred	87,459	93,805	96,422	101,861	99,816
Capitalized & Recovered	(6,782)	(9,898)	(7,652)	(8,178)	(8,010)
Subtotal Operations	80,677	83,907	88,770	93,683	91,806
Engineering and Construction					
Costs Incurred	21,133	27,995	24,557	25,848	25,291
Capitalized & Recovered	(20,345)	(27,307)	(23,303)	(23,914)	(23,390)
Subtotal Engineering & Construction	788	688	1,254	1,934	1,901
Total Operating & Maintenance	81,465	84,595	90,024	95,617	93,707

* June 01, 2009 - May 31, 2010

Depreciation Expense

(\$000's)

	2008 Actual	2009 Forecast	2010 Forecast	Test Year Forecast	Depreciation Rates	
					In Percent Annually	In Life Months
Distribution Plant						
Land Rights	174	176	180	180	2.1%	576
Building and Site Improvements	248	250	256	254	3.6%	336
Services	4,066	4,107	4,201	4,155	> 2.5%	480, 576
Meter and Regulator Installations	1,238	1,250	1,279	1,264	2.5%	480
Mains	9,178	9,271	9,489	9,378	2.1%	576
Measuring and Regulating Equipment	2,435	2,460	2,516	2,488	3.6%	336
Meters	2,005	2,026	2,072	2,050	4.0%	298
Other Distribution Equipment	677	684	700	693	3.6%	336
Customer Contributions Amortization	(2,242)	(2,244)	(2,352)	(2,288)		
Sub-total	<u>17,779</u>	<u>17,980</u>	<u>18,341</u>	<u>18,174</u>		
General Plant					12.5%	96
Buildings and Improvements	1,698	1,794	1,912	1,833	> 4%**	60 > 300
Office Furniture and Equipment	523	527	493	514	5.0%	240
Natural Gas Vehicle Refuelling Equipment	76	83	118	97	7.7%	156
Transportation Vehicles	1,133	1,247	1,767	1,471	12.5%	96
Heavy Work Equipment	77	85	121	100	5.0%	240
Tools and Equipment	722	699	707	709	8.3%	144
Information System Assets	4,343	5,468	6,074	5,582	10 > 33% **	36 > 120
Sub-total	<u>8,572</u>	<u>9,903</u>	<u>11,192</u>	<u>10,306</u>		
Total Depreciation	<u>26,351</u>	<u>27,883</u>	<u>29,533</u>	<u>28,480</u>		
Cost of Gas Allocation	(97)					
Reclass to Vehicles and Equipment	(332)	(550)	(550)	(543)		
Total Depreciation Expense	<u>25,922</u>	<u>27,333</u>	<u>28,983</u>	<u>27,937</u>		

* June 1, 2009 - May 31, 2010

Tax Expense
(\$000's)

	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast	2009/2010 Test Year *
Corporate Capital Tax	2,819	3,471	3,447	3,634	3,526
Property Taxes	196	188	195	195	195
Franchise Fee Recoveries	(19)	-	-	-	-
Total Taxes	2,996	3,659	3,642	3,829	3,721

* June 01, 2009 - May 31, 2010

Interest Expense

(\$000's)

	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast	2009/2010 Test Year *
Interest on notes payable to Holdings Division	16,483	14,096	16,065	17,512	16,373
Interest on bank indebtedness	2,085	3,075	1,519	2,779	1,494
Amortization of Deferred Charges	68	17	6	8	7
Sinking Fund Earnings	(632)	(713)	(656)	(951)	(759)
Capitalized Interest	(167)	(265)	(79)	(79)	(79)
Interest Allocated to Cost of Gas	(2,187)	(1,818)	(2,603)	(3,307)	(2,767)
Total Interest	15,651	14,393	14,252	15,962	14,269

* June 01, 2009 - May 31, 2010

Net Income

(\$000's)

	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast	2009/2010 Test Year *
Net Income before Fair Market Adjustments on Gas Marketing	13,175	16,659	17,052	17,339	16,639
Fair Market Adjustment	(553)	5,371	-	-	-
Total Net Income	12,622	22,030	17,052	17,339	16,639

* June 01, 2009 - May 31, 2010

Other Revenue

(\$000's)

	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast	2009/2010 Test Year *
Connect Fees	(1,965)	(2,000)	(2,475)	(2,475)	(2,475)
Margin on Gas Marketing	(6,644)	(5,344)	(2,917)	(2,917)	(2,917)
Late Payment Charges	(266)	(608)	(435)	(456)	(446)
Customer Financing	(64)	(73)	(49)	(49)	(49)
Miscellaneous Revenue	(292)	(262)	(204)	(204)	(204)
Distribution Tolls	(9,096)	(9,345)	(9,941)	(11,321)	(10,147)
Total Other Revenue	<u>(18,327)</u>	<u>(17,633)</u>	<u>(16,020)</u>	<u>(17,422)</u>	<u>(16,238)</u>

Note: This schedule includes fair market value adjustments in gas marketing in 2007 and 2008.

* June 01, 2009 - May 31, 2010

Recommended Delivery Rates

<u>Rate Class & Components</u>	<u>Units</u>	<u>Current Rates</u>	<u>Rate Increase</u>	<u>Recommended Rates</u>
Residential				
Basic Monthly Charge	\$/Mo.	14.50	2.10	16.60
Basic Monthly Charge (Old Farm)		16.60		16.60
Delivery Charge	\$/m ³	0.0710		0.0710
General Service II				
Basic Monthly Charge	\$/Mo.	24.50	1.25	25.75
Delivery Charge	\$/m ³	0.0631		0.0631
General Service III				
Basic Monthly Charge	\$/Mo.	64.10	13.30	77.40
Delivery Charge	\$/m ³	0.0551		0.0551
Small Industrial				
Basic Monthly Charge	\$/Mo.	216.00		216.00
Delivery Charges:				
- first 40,000 m ³ /Mo.	\$/m ³	0.0390		0.0390
- balance	\$/m ³	0.0333		0.0333

Note: **Bold Figures** identify the charges that change from the current rates.

Forecast Delivery Revenues – June 01, 2009 – May 31, 2010

Delivery Revenue at Current Rates
(\$000's)

Rate Classes	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Total
Residential	6,086	5,762	5,679	6,666	8,626	11,772	13,980	15,578	13,861	12,838	9,374	7,257	117,479
Gen Serv II	1,547	1,402	1,412	1,820	2,698	3,892	5,175	5,878	5,169	4,616	3,229	2,157	38,995
Gen Serv III	466	453	420	664	1,059	1,672	2,209	2,366	1,983	1,723	1,127	708	14,850
Small Industrial	46	38	34	40	50	71	74	115	98	103	81	72	822
Total Delivery	8,145	7,655	7,545	9,190	12,433	17,407	21,438	23,937	21,111	19,280	13,811	10,194	172,146

Delivery Revenue at Recommended Rates
(\$000's)

Rate Classes	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Total
Residential	6,086	5,762	5,679	6,666	8,626	11,772	13,980	16,183	14,465	13,445	9,978	7,857	120,499
Gen Serv II	1,547	1,402	1,412	1,820	2,698	3,892	5,175	5,923	5,214	4,661	3,274	2,202	39,220
Gen Serv III	466	453	420	664	1,059	1,672	2,209	2,383	2,001	1,741	1,145	726	14,939
Small Industrial	46	38	34	40	50	71	74	115	98	103	81	72	822
Total Delivery	8,145	7,655	7,545	9,190	12,433	17,407	21,438	24,604	21,778	19,950	14,478	10,857	175,480
Rate Change	-	-	-	-	-	-	-	667	667	670	667	663	3,334

Tables may not add precisely due to rounding

2009/10 Load Forecast – Base Case

Schedule 3.1

Rate Classes	Jun. 2009-May 2010 Monthly Forecast Number of Customers												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	AVERAGE
Residential	303,797	302,734	302,503	302,745	304,439	306,563	307,871	311,014	310,250	311,800	310,297	308,611	306,885
Gen Serv II	35,199	35,115	35,041	35,006	35,048	34,762	35,312	35,699	35,696	35,859	35,703	35,565	35,334
Gen Serv III	1,329	1,320	1,313	1,320	1,322	1,280	1,309	1,316	1,323	1,324	1,333	1,338	1,319
Industrial	29	29	29	29	29	28	29	29	29	29	29	29	29
Total Delivery	340,354	339,198	338,886	339,100	340,838	342,633	344,521	348,058	347,298	349,012	347,362	345,543	343,567

Rate Classes	Jun. 2009-May 2010 Monthly Forecast Delivery Volumes in Thousands of Cubic Metres (m ³)												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	TOTAL
Residential	23,015	18,673	17,528	31,380	58,657	102,531	133,404	155,198	131,193	116,462	67,981	38,519	894,543
Gen Serv II	10,843	8,579	8,765	15,265	29,143	48,190	68,301	79,301	68,062	59,218	37,321	20,379	453,367
Gen Serv III	6,899	6,686	6,100	10,495	17,688	28,876	38,572	41,405	34,443	29,728	18,913	11,295	251,101
Industrial	1,066	852	746	906	1,172	1,785	1,891	3,090	2,584	2,717	2,078	1,865	20,751
Sub Total	41,823	34,791	33,139	58,046	106,661	181,381	242,169	278,994	236,282	208,126	126,293	72,057	1,619,762
Unaccounted for Gas	27	53	53	80	160	266	373	426	346	320	186	107	2,397
Internal Usage	506	346	240	320	533	799	1,012	959	986	986	852	453	7,991
Total Delivery	42,355	35,189	33,431	58,444	107,352	182,445	243,554	280,394	237,613	209,430	127,331	72,616	1,630,151

Rate Classes	Jun. 2009-May 2010 Monthly Forecast Delivery Volumes in Thousands of Gigajoules (GJ)												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	TOTAL
Residential	864	701	658	1,178	2,202	3,849	5,008	5,827	4,925	4,372	2,552	1,446	33,582
Gen Serv II	407	322	329	573	1,094	1,809	2,564	2,977	2,555	2,223	1,401	765	17,019
Gen Serv III	259	251	229	394	664	1,084	1,448	1,554	1,293	1,116	710	424	9,426
Industrial	40	32	28	34	44	67	71	116	97	102	78	70	779
Sub Total	1,570	1,306	1,244	2,179	4,004	6,809	9,091	10,474	8,870	7,813	4,741	2,705	60,806
Unaccounted for Gas	1	2	2	3	6	10	14	16	13	12	7	4	90
Internal Usage	19	13	9	12	20	30	38	36	37	37	32	17	300
Total Delivery	1,590	1,321	1,255	2,194	4,030	6,849	9,143	10,526	8,920	7,862	4,780	2,726	61,196

Heating Value Assumed is 37.54 MJ/m³

2009/10 Load Forecast – Cold Weather Scenario

Schedule 3.2

Rate Classes	Jun. 2009-May 2010 Monthly Forecast Number of Customers												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	AVERAGE
Residential	303,797	302,734	302,503	302,745	304,439	306,563	307,871	311,014	310,250	311,800	310,297	308,611	306,885
Gen Serv II	35,199	35,115	35,041	35,006	35,048	34,762	35,312	35,699	35,696	35,859	35,703	35,565	35,334
Gen Serv III	1,329	1,320	1,313	1,320	1,322	1,280	1,309	1,316	1,323	1,324	1,333	1,338	1,319
Industrial	29	29	29	29	29	28	29	29	29	29	29	29	29
Total Delivery	340,354	339,198	338,886	339,100	340,838	342,633	344,521	348,058	347,298	349,012	347,362	345,543	343,567

Rate Classes	Jun. 2009-May 2010 Monthly Forecast Delivery Volumes in Thousands of Cubic Metres (m ³) (High Load Scenario)												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	TOTAL
Residential	27,515	22,324	20,955	37,515	70,126	122,577	159,487	185,570	156,844	139,233	81,272	46,050	1,069,469
Gen Serv II	12,962	10,255	10,478	18,248	34,840	57,610	81,654	94,807	81,368	70,795	44,617	24,363	541,996
Gen Serv III	8,248	7,993	7,293	12,548	21,146	34,522	46,114	49,489	41,178	35,541	22,611	13,503	300,185
Industrial	1,066	852	746	906	1,172	1,785	1,891	3,090	2,584	2,717	2,078	1,865	20,751
Sub Total	49,791	41,425	39,471	69,216	127,284	216,494	289,147	332,956	281,973	248,286	150,578	85,780	1,932,402
Unaccounted for Gas	27	53	53	80	160	266	373	426	346	320	186	107	2,397
Internal Usage	506	346	240	320	533	799	1,012	959	986	986	852	453	7,991
Total Delivery	50,323	41,824	39,764	69,616	127,977	217,559	290,532	334,341	283,305	249,591	151,617	86,340	1,942,790

Rate Classes	Jun. 2009- May 2010 Monthly Forecast Delivery Volumes in Thousands of Gigajoules (GJ) (High Load Scenario)												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	TOTAL
Residential	1,033	838	787	1,408	2,633	4,602	5,987	6,966	5,888	5,227	3,051	1,729	40,148
Gen Serv II	487	385	393	685	1,308	2,163	3,065	3,559	3,055	2,658	1,675	915	20,347
Gen Serv III	310	300	274	471	794	1,296	1,731	1,858	1,546	1,334	849	507	11,269
Industrial	40	32	28	34	44	67	71	116	97	102	78	70	779
Sub Total	1,869	1,555	1,482	2,598	4,778	8,127	10,855	12,499	10,585	9,321	5,653	3,220	72,542
Unaccounted for Gas	1	2	2	3	6	10	14	16	13	12	7	4	90
Internal Usage	19	13	9	12	20	30	38	36	37	37	32	17	300
Total Delivery	1,889	1,570	1,493	2,613	4,804	8,167	10,907	12,551	10,635	9,370	5,692	3,241	72,932

Heating Value Assumed is 37.54 MJ/m³

2009/10 Load Forecast – Warm Weather Scenario

Schedule 3.3

Rate Classes	Jun. 2009-May 2010 Monthly Forecast Number of Customers												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	AVERAGE
Residential	303,797	302,734	302,503	302,745	304,439	306,563	307,871	311,014	310,250	311,800	310,297	308,611	306,885
Gen Serv II	35,199	35,115	35,041	35,006	35,048	34,762	35,312	35,699	35,696	35,859	35,703	35,565	35,334
Gen Serv III	1,329	1,320	1,313	1,320	1,322	1,280	1,309	1,316	1,323	1,324	1,333	1,338	1,319
Industrial	29	29	29	29	29	28	29	29	29	29	29	29	29
Total Delivery	340,354	339,198	338,886	339,100	340,838	342,633	344,521	348,058	347,298	349,012	347,362	345,543	343,567

Rate Classes	Jun. 2009- May 2010 Monthly Forecast Delivery Volumes in Thousands of Cubic Metres (m ³) (Low Load Scenario)												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	TOTAL
Residential	18,516	15,022	14,101	25,245	47,189	82,484	107,321	124,873	105,543	93,692	54,689	30,988	719,662
Gen Serv II	8,722	6,900	7,050	12,279	23,444	38,767	54,947	63,797	54,754	47,639	30,023	16,394	364,717
Gen Serv III	5,550	5,379	4,907	8,443	14,230	23,230	31,031	33,302	27,709	23,916	15,215	9,086	201,999
Industrial	1,066	852	746	906	1,172	1,785	1,891	3,090	2,584	2,717	2,078	1,865	20,751
Sub Total	33,853	28,154	26,805	46,873	86,035	146,266	195,190	225,062	190,589	167,964	102,006	58,333	1,307,130
Un-Accounted for Gas	27	53	53	80	160	266	373	426	346	320	186	107	2,397
Internal Usage	506	346	240	320	533	799	1,012	959	986	986	852	453	7,991
Total Delivery	34,386	28,554	27,098	47,273	86,727	147,331	196,575	226,447	191,921	169,269	103,045	58,892	1,317,519

Rate Classes	Jun. 2009- May 2010 Monthly Forecast Delivery Volumes in Thousands of Gigajoules (GJ) (Low Load Scenario)												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	TOTAL
Residential	695	564	529	948	1,771	3,096	4,029	4,688	3,962	3,517	2,053	1,163	27,016
Gen Serv II	327	259	265	461	880	1,455	2,063	2,395	2,055	1,788	1,127	615	13,691
Gen Serv III	208	202	184	317	534	872	1,165	1,250	1,040	898	571	341	7,583
Industrial	40	32	28	34	44	67	71	116	97	102	78	70	779
Sub Total	1,271	1,057	1,006	1,760	3,230	5,491	7,327	8,449	7,155	6,305	3,829	2,190	49,070
Unaccounted for Gas	1	2	2	3	6	10	14	16	13	12	7	4	90
Internal Usage	19	13	9	12	20	30	38	36	37	37	32	17	300
Total Delivery	1,291	1,072	1,017	1,775	3,256	5,531	7,379	8,501	7,205	6,354	3,868	2,211	49,460

Heating Value Assumed is 37.54 MJ/m³

Revenue Sensitivity to Changes in Weather

Schedule 3.4

Delivery Revenue: Base Case (\$000's)

Rate Class	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Total
Residential	6,086	5,762	5,679	6,666	8,626	11,772	13,980	15,578	13,861	12,838	9,374	7,257	117,479
General Service II	1,547	1,402	1,412	1,820	2,698	3,892	5,175	5,878	5,169	4,616	3,229	2,157	38,996
General Service III	466	453	420	664	1,059	1,672	2,209	2,366	1,983	1,723	1,127	708	14,850
Small Industrial	46	38	34	40	50	71	74	115	98	103	81	72	821
Total Delivery	8,145	7,655	7,545	9,190	12,432	17,406	21,438	23,937	21,112	19,280	13,811	10,195	172,146

Delivery Revenue: Cold Weather Scenario (\$000's)

Rate Class	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Total
Residential	6,406	6,022	5,921	7,100	9,440	13,195	15,835	17,733	15,682	14,454	10,317	7,792	129,898
General Service II	1,680	1,507	1,520	2,009	3,057	4,487	6,018	6,857	6,009	5,346	3,690	2,409	44,588
General Service III	540	525	486	776	1,250	1,984	2,625	2,811	2,354	2,043	1,331	830	17,555
Small Industrial	46	38	34	40	50	71	74	115	98	103	81	72	821
Total Delivery	8,672	8,092	7,961	9,925	13,797	19,737	24,551	27,516	24,143	21,946	15,419	11,103	192,863

Delivery Revenue: Warm Weather Scenario (\$000's)

Rate Class	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Total
Residential	5,767	5,504	5,435	6,229	7,812	10,348	12,131	13,424	12,040	11,221	8,430	6,723	105,062
General Service II	1,413	1,296	1,303	1,632	2,338	3,298	4,332	4,900	4,330	3,885	2,769	1,906	33,402
General Service III	391	381	355	550	869	1,362	1,794	1,919	1,612	1,403	924	586	12,145
Small Industrial	46	38	34	40	50	71	74	115	98	103	81	72	821
Total Delivery	7,617	7,218	7,127	8,451	11,068	15,079	18,331	20,358	18,079	16,611	12,204	9,287	151,430

Tables may not add precisely due to rounding

Excludes Commodity Revenues from the Gas Consumption Charge

Peak Day Load Forecast

Gigajoules/day Forecast Peak	<u>564,971</u>
1-in-20 Cold Design Criteria	
Degree-days (degrees Celsius)	55.9
Average Daily Temperature (degree Celsius)	-37.9

Historical Peak Days

<u>Peak Day</u>	<u>Degree Days</u>	<u>Maximum Space</u>
Date	<u>Provincial Average</u>	<u>Heating Load</u>
	°C	GJ
January 29, 2008	52.9	527,220
January, 11, 2007	48.8	462,877
February 16, 2006	48.1	495,684
January 13, 2005	52.2	509,578
January 27, 2004	56.3	542,724
January 22, 2003	45.6	488,764

Minimum Filing Requirements for Delivery Rate Application

SaskEnergy will provide the following Minimum Filing Requirements to the Saskatchewan Rate Review Panel when requesting a review for a Delivery Rate Adjustment. SaskEnergy may supply additional information, and the Saskatchewan Rate Review Panel and their consultants may also request additional information.

1. Delivery Rate Application, containing at least the following information:
 - Rate changes requested in detail
 - Revenue Requirement
 - Storage & Transportation costs
 - Operating, Maintenance & Administration costs
 - Depreciation Charges & Rates
 - Taxes
 - Current Rate Structure, Classification System and Revenue-to-Cost Ratios
 - Detailed Customer Bill Impact
 - Load forecasts, including high/low scenarios and forecasted customer counts
2. Latest Annual Report
3. Current Organization Structure
4. Corporate Long-term Strategic Plan
5. Business Plan coincidental with requested rate review
6. Planned Maintenance & Capital Programs (including Capital Expenditure financial data)
7. Safety & Reliability Issues
8. Past, Current & Future Staff Levels by Division
9. Customer Consumption (historical & forecast by rate class)
10. Operating, Maintenance & Administrative Expense Detail
11. Intercompany Cost Allocations
12. Revenues Collected and Paid to Municipalities
13. Most Current Cost of Service & Allocation Study Reports and Methodologies in use
14. Most Current Depreciation Study Report
15. Capital Structure & Cost of Capital including Detailed Debt and Finance Charges
16. Current & Projected Return on Equity
17. Working Capital Requirements
18. Rate Base and its Derivation
19. Hi-Average-Low Customer Bill Impacts
20. Regulatory Issues/Impacts Report
21. Report on Implementation of Previous Panel Recommendations

The Panel will not release or require SaskEnergy to publicly release commercially sensitive material or other material designated as confidential. Financial data contained within the Application will include the three years prior to the test period.