

Media Release

For Immediate Release

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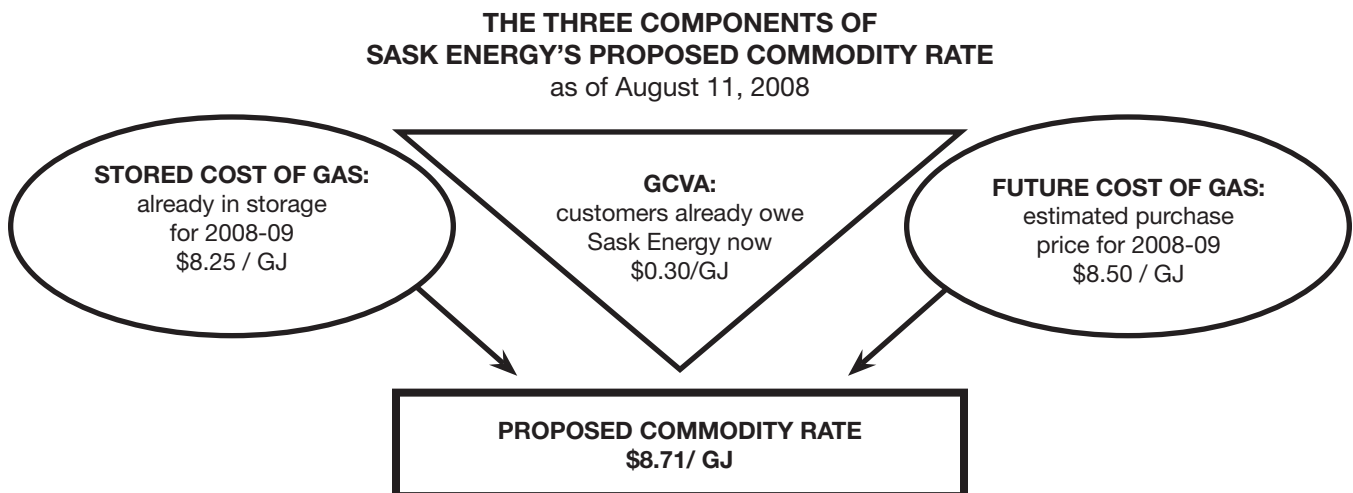
Rate Review Panel announces recommendations for SaskEnergy's proposed commodity rate

The Saskatchewan Rate Review Panel presented its report to the Minister of the Crown Investments Corporation about the fairness and reasonableness of SaskEnergy's proposed commodity rate, considering the interests of the customer, the Crown corporation, and the public – and taking into account the reality of gas market pricing.

The Panel is respectfully offering a package of **four recommendations**:

1. That the commodity rate be increased to \$8.71/GJ (32.71 cents per cubic metre), effective October 1, 2008.
2. That the provincial government consider providing, through a public policy initiative or combination of initiatives, some relief to mitigate the full effect of the rate increase, particularly for low income earners.
3. That SaskEnergy explore measures that would make energy conservation programs more affordable for low-income earners.
4. That the provincial government consider implementing a Quarterly Commodity Review, with a more detailed review conducted annually during one of those quarters.

In making its first recommendation, the Panel concurs with its independent technical consultants (Energy Consultants International, p.35) that "current estimates based on the revised future market prices and hedging activities result in a reasonable October 31, 2008 projected balance and the balance is properly reflected in the proposed Commodity Rate". Therefore, the foundation of the Panel's first recommendation is:



.... please see next page

The Panel notes that the recommended increase:

- has no relationship to SaskEnergy's profits or dividends, since the cost of gas passes through to its customers at cost; and
- will see a typical residential customer pay an average \$21 per month more for their natural gas service this winter at 32.71 cents per cubic metre or (\$8.71/GJ), instead of the \$35 per month more indicated in SaskEnergy's original application for an increase to 38.33 cents per cubic metre (or \$10.21/GJ) filed on July 16, 2008.

Annualized impacts of the gas price increase for all customer classes are shown in the table on the next page.

While the Panel finds SaskEnergy's updated (August 11, 2008) rate request reasonable in the context of the current volatile gas market, it also took into account the following observations by respectfully offering the last three recommendations in its package of four.

- The magnitude of the increase will have a disproportionate effect on low income earners and those on fixed incomes. These issues were mentioned in many of the comments the Panel received in 65 written submissions from individuals and organizations.
- Comments from individuals and organizations also indicated that low-income earners are least able to take advantage of the energy conservation programs offered by SaskEnergy, even though the programs have had a positive impact on average gas consumption for residential customers.
- Finally, the Panel agrees with its consultants' observations that:
 - volatility and uncertainty in natural gas prices will continue. New forces in the market such as the growing use of liquid natural gas to top up North American gas supplies, the entry of speculators into the market and the emergence of growing demand for gas in India and China compound the uncertainty. The floor price for gas appears to be trending higher, but it is impossible to predict what the 'new normal' will be.
 - more frequent rate adjustments would track market prices more closely, reduce balances in the GCVA, provide greater rate stability, and minimize the size of any single increase.

For information about the effect of the recommended increase for various customer classes, please see the next page.

The effect of the recommended increase for various customer classes – in dollars and percentage terms – is as follows (Energy Consultants International, p37, Table viii):

ANNUALIZED CUSTOMER IMPACTS BY CUSTOMER CLASS

Customer Class	Annual Usage m3/year	Current Rate \$/year	July 16 Original Annualized Bill Impact			August 11 Updated Annualized Bill Impact		
			Proposed Rates \$/year	Change \$/year rounded	Percentage %/year	Proposed Rates \$/year	Change \$/year rounded	Percentage %/year
Residential								
Low	2,500	\$942	\$1,286	\$344	36.5%	\$1,145	\$203	21.5%
Average	2,895	\$1,067	\$1,465	\$398	37.3%	\$1,303	\$235	22.0%
High	9,000	\$3,002	\$4,239	\$1,236	41.2%	\$3,733	\$731	24.3%
Farm								
Low	2,500	\$966	\$1,310	\$343	35.5%	\$1,169	\$203	21.0%
Average	3,948	\$1,425	\$1,968	\$542	38.1%	\$1,746	\$321	22.5%
High	9,000	\$3,026	\$4,263	\$1,237	40.9%	\$3,757	\$731	24.1%
General Service II								
Low	5,000	\$1,793	\$2,480	\$687	38.3%	\$2,199	\$406	22.6%
Average	12,847	\$4,218	\$5,983	\$1,765	41.9%	\$5,261	\$1,043	24.7%
High	80,000	\$24,968	\$35,960	\$10,992	44.0%	\$31,464	\$6,496	26.0%
General Service III								
Low	100,000	\$30,622	\$44,362	\$13,740	44.9%	\$38,742	\$8,120	26.5%
Average	191,814	\$58,258	\$84,613	\$26,355	45.2%	\$73,833	\$15,575	26.7%
High	660,000	\$199,182	\$289,866	\$90,684	45.5%	\$252,774	\$53,592	26.9%
Small Industrial								
Low	660,001	\$188,624	\$279,309	\$90,684	48.1%	\$242,216	\$53,592	28.4%
Average	810,717	\$231,106	\$342,499	\$111,393	48.2%	\$296,936	\$65,830	28.5%
High	1,320,000	\$374,656	\$556,024	\$181,368	48.4%	\$481,840	\$107,184	28.6%

Note: The figures do not include municipal payments, if any, or the Federal Goods and Services Tax.

The Panel's and consultants' reports will be posted on the Panel's website: www.saskratereview.ca.

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