DELIVERY SERVICE INCREASE  
Frequently Asked Questions

1. Why has SaskEnergy applied for a Delivery Service increase?

Over the past 10 years, SaskEnergy has not changed its Delivery Service Rates (the Basic Monthly Charge and the Delivery Charge). These rates recover all costs in the provision of service to customers, including operating and maintenance. During this time, SaskEnergy has worked to increase efficiency and manage its business, but now costs have risen to the point where a modest increase is required.

2. Why is this increase being applied to the Basic Monthly Charge, where paying a higher cost is completely unavoidable, unlike the Delivery Charge?

The Basic Monthly Charge is the fixed monthly charge payable for natural gas service regardless of the volume of gas used. We are not recovering our costs in these areas. In general, the Basic Monthly Charges are recovering at most half of their related costs.

However, by reducing your consumption by 6 cubic metres on average per month, this proposed increased can be offset by energy savings.

3. Can you explain the difference between Basic Monthly Charge, Delivery Charge and the Gas Consumption Charge?

The **Basic Monthly Charge** is the fixed monthly charge payable for natural gas service regardless of the volume of gas used. The **Delivery Charge** is the charge, in dollars per cubic metre, for SaskEnergy to deliver your natural gas. The **Gas Consumption Charge** is the charge, in dollars per cubic metre, for gas consumed.

4. How much is the proposed Delivery Service increase?

If approved by the Rate Review Panel, this application would result in a $2.00 increase to the Basic Monthly Charge for residential customers. The following chart outlines the customer impact by all rate classes:

<table>
<thead>
<tr>
<th>Rate Class</th>
<th>Current Basic Monthly Charge ($)</th>
<th>Applied for Monthly Increase ($)</th>
<th>Proposed Basic Monthly Charge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>10.50</td>
<td>2.00</td>
<td>12.50</td>
</tr>
<tr>
<td>Farm</td>
<td>11.55</td>
<td>2.50</td>
<td>14.05</td>
</tr>
<tr>
<td>General Service II</td>
<td>17.00</td>
<td>3.65</td>
<td>20.65</td>
</tr>
<tr>
<td>General Service III</td>
<td>37.25</td>
<td>6.25</td>
<td>43.50</td>
</tr>
<tr>
<td>Small Industrial</td>
<td>200.00</td>
<td>16.00</td>
<td>216.00</td>
</tr>
</tbody>
</table>
5. **Why is the increase for farm customers more than for residential customers?**

Farm and residential are two different classes of customers. Farm customers pay a higher monthly charge than do residential customers because as a class, infrastructure costs of installing and maintaining a farm service are greater than a residential service.

Note: SaskPower also has separate rate classes and these have different Basic Monthly Charges.

6. **How can you say there have been no rate increases in a decade, when in fact many have occurred?**

There have been several increases and decreases to the commodity charge, reflecting SaskEnergy’s costs to purchase natural gas on the open market. SaskEnergy makes no effort to profit from these changes – as with all natural gas utilities, SaskEnergy is mandated to provide natural gas with no mark-up.

The rates for Delivery Service have not changed since a 2.3 per cent increase on July 1, 1997 – which was a combined Delivery Services and Basic Monthly Charge increase to a number of rate classes.

These rates are designed to recover SaskEnergy overall cost of providing service which includes storage, transportation, labour, the distribution system and equipment, billing system taxes, interest, and profit.

7. **How do SaskEnergy’s delivery costs compare to other natural gas utilities in Canada?**

In 2006, SaskEnergy had the lowest delivery costs in Canada. If this increase is approved, delivery costs are expected to remain similar to Alberta’s and among the lowest in Canada.

8. **If there have been so many cost pressures to your business over the past ten years, how did SaskEnergy operate without a Delivery Service increase before now?**

Many factors have contributed. More customers are opting for online billing and service arrangements, lowering costs. With the growth in natural gas industry, transportation rates have been reduced over time. We’ve also been able to lower costs by refinancing our debt at lower rates of interest. Without these and other measures, we would have already required much larger increases.
9. **What does the economy of other provinces have to do with SaskEnergy’s costs?**

   The reality of doing business in the booming Western Canadian economy is that we’re competing for expertise and resources. Our labour, fuel, vehicles and maintenance expenses have risen to the point where a modest Delivery Service increase is needed to recover our costs, while still allowing us to remain competitive.

10. **Didn’t Executives at SaskEnergy receive an increase to their wages? Why not hold back their salaries?**

    Some changes to Executive compensation at all Crowns were made by the Government of Saskatchewan to ensure attraction and retention issues were addressed. While all factors including wages paid to employees are part of Delivery Service, new compensation levels for the Executive were not a significant factor in this rate change request.

11. **How much money will SaskEnergy receive if this rate increase is approved?**

    The change will provide over $8 million annually to SaskEnergy. However, in 2007, SaskEnergy would receive just over $5 million as the rate increase would be in effect for only seven months.

12. **What percentage dividend does SaskEnergy pay to the Government of Saskatchewan?**

    65% of SaskEnergy’s profits are paid as a dividend to the Crown Investments Corporation.

13. **Is natural gas still my best energy choice?**

    Absolutely. Natural gas is still more economical than other energy sources - it costs less than electricity, propane and fuel oil.

14. **How much money does SaskEnergy spend annually on sponsorships?**

    In 2005, SaskEnergy supported close to 1,300 community events across Saskatchewan with about $1.6 million of financial support. This investment is about 40 cents per month per customer and is the lowest total sponsorship investment amongst the four major Crowns. In customer research more than 80% of our customers tell us we should be supporting community organizations and we feel that is a strong level of support for what we are doing.