

THE CONSUMERS' ASSOCIATION OF CANADA, SASKATCHEWAN BRANCH

A Submission of Questions on the Commodity Rate 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 COMMODITY RATE OF NATURAL GAS IN SASKATCHEWAN EFFECTIVE
OCTOBER 1, 2008**

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SASKENERGY'S COMMODITY RATE APPLICATION

QUESTIONS WITH SPECIFIC REFERENCES TO THE COMMODITY RATE APPLICATION DOCUMENT FILED ON JULY 16, 2008 AND THE UPDATE DOCUMENT FILED ON AUGUST 11, 2008.

1. Reference: Table Page 1 and last paragraph Page 3.

It is our understanding that SaskEnergy unbundled its services in 1998.

- 1.1. What triggered the decision to unbundle the services in 1998 and who approved of that decision?
- 1.2. Please provide a history of SaskEnergy's Commodity Rate adjustments since the 1998 unbundling in terms of the timing and the change in the rate levels, and if possible, provide the corresponding AECO Forward price at the time of each rate change.

2. Reference: Page 3, paragraph 2

- 2.1 Please provide details of SaskEnergy's methodology for forecasting the price of gas; which forecasts are used and what determines the length of forecast period.
- 2.2 Please explain which "triggers /thresholds" are used by SaskEnergy to inform it when the commodity price should be changed.
- 2.3 Please provide information on the history of forecast error for the methodology.

3. Reference: Page 4, paragraph 1.2

Please relate the forecast price to the total cost of gas for the period October 1,2008 to September 30, 2009.

4. References: Page 4, Section 1.4 and Page 8, Section4.1

Please provide details of the 2008/2009 load forecast and gas volume forecast, including the degree day forecast and the average use per customer by rate class.

5. References: Page 9 Chart and Schedule 1.2 (Updated)

- 5.1 The Chart shows that AECO prices will fall to below \$10/GJ during the period Jan/08-Jan/10. Please provide complete references to the sources for this Chart **AND** the Forward Price Projections.

6. Reference: Page 11 Chart

- 6.1 For each rate class please provide the range of Customer Bill Impacts taking into account the range of consumption (for normal weather).
- 6.2 Please provide the impacts if the 2008/2009 winter is 10% colder (based on Heating Degree Days).

7. Reference: Schedule 1.2 (Updated) Lines 2,3, and 13

- 7.1 Please provide details of the hedging strategy that causes the price reduction shown on line 3 of the Schedule. (Volumes hedged, cost of financial instruments, etc.)
- 7.2 What has been the average price reduction and cost of hedging for each gas year since unbundling in 1998?
- 7.3 Why should not the Commodity Reference price be set at the average forecast cost of gas shown on line 13 (leaving aside the collection of the recovery of the GCVA balance).

8. Reference: Schedule 3.0 (Updated)

- 8.1 How often is the GCVA balance cleared?
- 8.2 Is there a threshold amount that informs SaskEnergy when this account should be cleared?
- 8.3 Is there an approved methodology for clearance? Please describe.
- 8.4 How does the methodology currently used by SaskEnergy address equity issues arising from current practices? Please explain.

General Questions without Specific References to the Filed Documents.

9. Please provide details on the Gas supply management practices/methodology for Terasen; Manitoba Hydro/Centra Gas; Enbridge Gas Distribution; Union Gas Limited and Gaz Metropolitan in terms of the following:
- Frequency of changes to reference price
 - Frequency of changes to Gas supply Rate

- Threshold/trigger mechanisms
- Hedging practices
- Treatment of PGVA/GCVA
- Price Forecast methodology

- 10.** What does SaskEnergy consider Best Practices in Gas Supply Management to be in order to reduce volatility for regulated Supply Customers? Please list attributes.
- 11.** Consumers of natural gas in Saskatchewan are now able to buy gas from suppliers other than SaskEnergy. What has happened to SaskEnergy's market share of the total provincial gas market since the gas market became deregulated? Please provide details of the volume of annual sales to each rate class.
- 12.** Will the requested Commodity 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?