



Media Release

For Immediate Release

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Natural Gas Market Changes Provide Savings to Customers; Elevated Investment in Safety and Pipeline Integrity

SaskEnergy is proposing rate adjustments that would result in residential customers saving \$53 annually or 5.4 per cent on their heating bill. The natural gas utility announced today it has filed an Application with the Saskatchewan Rate Review Panel (SRRP) to adjust both its Commodity and Delivery Service rates.

SaskEnergy has applied to reduce its Commodity Rate from \$4.84/Gigajoule (GJ) to \$4.30/GJ. If approved, the proposed Commodity Rate would be implemented on November 1st, 2015. The Commodity Rate was increased last July following an extremely cold winter, which led to a rise in natural gas market prices. Natural gas prices have since declined and the new rate – the second lowest since 2000 – better reflects forward market pricing into 2016.

SaskEnergy is simultaneously applying for a Delivery Service Rate increase. The increase is needed to address additional cost pressures related to enhanced safety and integrity programs and to continue providing reliable service to customers. The Delivery Service Rate recommendation is for an increase of \$1.75 per month to the Basic Monthly Charge for residential customers to also be implemented November 1st, 2015. Even with the proposed increase, SaskEnergy's residential customers will continue to pay the lowest delivery costs in Canada. The proposed Commodity Rate reduction will more than offset SaskEnergy's application for a Delivery Service Rate increase.

"SaskEnergy has the opportunity to pass through savings to our customers by taking advantage of lower forward market prices on the commodity portion of natural gas bills," said Doug Kelln, President and Chief Executive Officer, SaskEnergy. "With low natural gas prices accelerating recovery of our Gas Cost Variance Account – which built up following the harsh winter of 2013/2014 – we have flexibility to provide a lower Commodity Rate that continues to offer price stability and protection against higher market prices in the future."

SaskEnergy purchases its customers' natural gas on the open market, with no mark-up or profit factored into Commodity Rates. The Gas Cost Variance Account (GCVA) tracks any differences between SaskEnergy's rate and its actual costs of buying gas, so the difference can be factored into the next rate change.

Kelln said maintaining a safe distribution system has put pressure on SaskEnergy's safety related expenses, which is a key factor in the application for a Delivery Service rate increase.

“We continue to expand and build on our safety programs to meet industry standards and public expectations, but these service and program enhancements come at an added cost,” Kelln said. “For SaskEnergy, safety is a core value and we have dedicated over \$40 million in 2015 and \$47 million in 2016 in capital spending toward safety initiatives including distribution pipeline replacements, meter stations and service lines to customer homes. Additional dollars have also been dedicated to increased natural gas leak surveys and line locating services.”

Productivity improvements and cost containment initiatives have offset a portion of increased costs. SaskEnergy will continue to look for efficiencies to offset cost pressures to ensure Delivery Service Rates remain competitive. Corporately, from 2009 to 2014, SaskEnergy achieved \$32 million in savings due to productivity and efficiency efforts, and is targeting a further \$5.9 million in annual savings for 2015.

Further information on the rate review process, including a full copy of both SaskEnergy applications, will be available at <http://www.saskratereview.ca>.

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