



Minister's Order

WHEREAS by a Minister's Order dated December 22, 2018 (the "2018 Order"), issued pursuant to Section 15 of *The Executive Government Administration Act*, the Minister of Crown Investments Corporation appointed a Ministerial Advisory Committee known as the Saskatchewan Rate Review Panel;

AND WHEREAS the 2018 Order provides for specific terms of reference for each rate change review to be attached by further Minister's Order;

AND WHEREAS it is desirable to amend the terms of reference of the combined SaskEnergy commodity rate change review and a delivery rate change review;

NOW THEREFORE, I hereby amend the 2018 Order by attaching "**Schedule G: SaskEnergy Commodity Rate Change Proposal and Delivery Rate Change Proposal**".

Dated at Regina, Saskatchewan this 28th day of June 2023



Minister of Crown Investments Corporation

**Schedule G:
SaskEnergy Commodity Rate Change Proposal
and
Delivery Rate Change Proposal**

Terms of Reference

The Saskatchewan Rate Review Panel (the Panel) is requested to conduct a review of the SaskEnergy proposal for:

- A decrease to its natural gas commodity rate, effective October 1, 2023; and,
- An increase to its delivery service rates, effective October 1, 2023.

Cabinet may implement any rate change adjustments on an interim basis pending receipt of the Panel recommendation(s).

The Panel shall function within its mandate and operational terms of reference as specified in the Minister's Order dated December 22, 2018. The Panel shall provide an opinion of the fairness and reasonableness of the commodity and delivery rate changes proposed by SaskEnergy, having consideration for the following:

- The interests of SaskEnergy, its customers, and the public;
- Consistency with SaskEnergy's mandate, objectives, and methodologies;
- Relevant industry practices and principles; and,
- The effect of the proposed rate change on the competitiveness of SaskEnergy relative to other jurisdictions.

COMMODITY RATE REVIEW

In conducting the Commodity Rate Review, the Panel will:

- A) Consider the reasonableness of the proposed commodity rate change in the context of:
 - (i) The cost of gas anticipated by SaskEnergy for the effective term;
 - (ii) The gas purchase contracts entered into by SaskEnergy for the supply of gas;
 - (iii) The natural gas commodity market conditions at the time of the SaskEnergy contractual commitments; and,
 - (iv) The residual balances in the Gas Cost Variance Account.
- B) Consider the impact changing market prices will have on the commodity rate proposed by SaskEnergy.
- C) Check to ensure that the SaskEnergy natural gas price management strategy is executed as approved by the SaskEnergy Board of Directors, and its practices are aligned with the SaskEnergy Board of Directors-approved policy and procedures for engaging in gas price management activities.
- D) Consider the principle that SaskEnergy passes on the cost of gas to consumers without discount or mark-up as a given.

DELIVERY RATE REVIEW

In 2022, the Panel conducted a multi-year review of delivery rate increases proposed by SaskEnergy. An abbreviated review is requested for the October 1, 2023 delivery rate proposal. SaskEnergy will provide updated financial information and an update on any material changes to business factors vital to its delivery rate proposal. Based on the information provided by SaskEnergy, the Panel will determine the abbreviated review process it requires.

In conducting the Delivery Rate Review, the Panel will consider:

- A) The reasonableness of the proposed rate change(s) in the context of SaskEnergy's forecasted cost of service in 2023-24, comprised of:
 - (i) Load forecast;
 - (ii) Contracted transportation and storage service;
 - (iii) Planned maintenance programs;
 - (iv) Operating, maintenance, administrative, depreciation, and finance expenses; and,
 - (v) Corporate Capital Tax.

- B) The revenue requirement resulting from the delivery cost of service.

- C) The following parameters as given:
 - (i) Rate structure (i.e., components and classifications);
 - (ii) Budgeted capital allocation, rate base, and established corporate policies in 2023-24
 - (iii) SaskEnergy long-term return on equity target of 8.3% for local distribution operations;
 - (iv) Existing service levels;
 - (v) Transportation and storage rates set by TransGas; and,
 - (vi) Target revenue-to-cost ratio range of 0.95 to 1.05.

COMMODITY AND DELIVERY RATE REVIEWS

SaskEnergy will provide the Panel with its application package no later than June 30, 2023. SaskEnergy will also provide the Panel with any supplementary information the Panel may require in fulfilling its mandate and these Terms of Reference.

The Panel shall determine a public consultation process that is appropriate and cost effective under the circumstances and within the timeline for the review as established by the Minister of Crown Investments Corporation.

The Panel shall provide members of the public with the opportunity to review and comment on the SaskEnergy rate change submission outside any public meeting, to the extent reasonable, and within the timeline for the review as established by the Minister of Crown Investments Corporation.

SaskEnergy shall be provided with an opportunity to make a presentation to the Panel and the public to discuss noteworthy rate application issues.

Questions from the public, Panel members, and its technical consultant(s) that require a response from SaskEnergy shall be received and organized by the Panel in a timely and efficient manner and forwarded to SaskEnergy for response.

The Panel shall provide SaskEnergy with the opportunity and reasonable time to review the technical consultant's preliminary report prior to its finalization to ensure there are no errors in data or in the interpretation of data. The preliminary report shall include the consultant's observations (e.g., outstanding issues and questions), but will not include its recommendations to the Panel.

Where Panel recommendations are different from the rate changes proposed by SaskEnergy, its final report must include an explanation of how, in its opinion, implementation of the Panel's rate recommendation(s) will allow SaskEnergy to achieve the performance inherent in:

- The principle in section (D) of the Commodity Rate Review; and,
- The parameters in Section (C) of the Delivery Rate Review.

CONFIDENTIALITY

Consistent with the "Confidentiality Guidelines" for the Panel, the Panel will not publicly release or require SaskEnergy to publicly release confidential information supplied by SaskEnergy to the Panel during the course of the rate change application review.

The Panel will release, as part of its final report, the results of the review of the SaskEnergy rate change proposal as conducted by any independent third party. By doing so the Panel shall ensure there has been no indirect release of any confidential SaskEnergy information.

CONDUCT OF THE REVIEW

The Panel will present its report to the Minister of Crown Investments Corporation no later than August 31, 2023.