

## 2023 SaskEnergy Delivery Rate Financial Update Interrogatories

1. Please confirm that for Delivery Transportation and Storage Expense that no increase in rates for TransGas is expected from the 2023/24 and 2024/25 fiscal years.

*Based on the latest information available, SaskEnergy does not anticipate a rate increase in either 2023-24 or 2024-25 fiscal years.*

2. Please confirm that Under Operating and Maintenance Expense labour costs are forecasted to increase from 2022/23 total \$ 110.4 M to \$ 119.7M in 2023/24 (8.4% increase) and to \$ 123.4 M in 2024/25 (3.0% increase) for a total of 11.4% increase for the final two years.

*This is confirmed.*

*More than half of the increase in the 2023-24 fiscal year is due to a combination of merit and inflationary increases on existing FTE salaries as well as vacancies from 2022-23 expected to be filled in 2023-24.*

*SaskEnergy has also added FTEs in the current fiscal year which accounts for the remaining increase. Most FTEs added are employed in the following three areas:*

- a) Operational Effectiveness to nurture a structured approach to continuous improvement and sustain data-driven business performance. The intent is to create efficiencies that will benefit customers.
- b) Customer Experience to enhance the way that customers interact with SaskEnergy. The intent is ensure that customer matters are dealt with quickly and in a satisfactory manner.
- c) Digital Technology and Security to support improved decision making through data analytics and create efficiencies through modernized systems and processes.

3. SaskEnergy filing indicates it has been going through a transition from contractors to FTE's, SaskEnergy believes the continued use of contractors will be required to deliver on its corporate plan. Additionally, SaskEnergy states this is contributing to the increase in external service costs in Year 2 and Year 3 from the Original Application. Please provide an overview as when the Panel can expect this transition will be complete and ratepayers start to see the financial benefits of this program of converting contractors to staff.

*The strategy to convert contract resources was completed in 2022-23. SaskEnergy will, however, continue to balance contract resources with FTEs based on business requirements.*

*SaskEnergy started to realize the financial benefits of this program in 2018-19.*

- *In 2018-19 through to 2020-21, SaskEnergy converted (primarily) Information Systems contractors which generated cumulative savings of approximately \$1.1 million in the contract analyst line item within External Services.*

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- *In 2020-21, internal resources were added to the Construction staff compliment which resulted in cost savings of approximately \$700 thousand which are shown in the customer connection and the distribution system improvement capital investment.*
  - *In 2021-22 and 2022-23, SaskEnergy realized cumulative capital cost savings of \$3.6 million which are shown in the customer connection and the distribution system improvements capital investment reflecting conversions of construction resources.*
- 4. Public Relations expense forecasted increasing from \$ 6.8 M in 2022/23 to \$ 13.3 M in 2024/25. In its last report the Panel's first recommendation was in selecting energy efficiency programs to consider rate impacts for customers, ensuring benefits to all parties. Please detail the key drivers for the new customer efficiency programs planned to be initiated and measurements used to determine the effectiveness's of each program taking into consideration ratepayer impacts.**

*SaskEnergy acknowledges the Panel's recommendation to consider rate impacts for customers, ensuring benefits to all parties.*

*SaskEnergy works with ICF Consulting Canada, Inc. (ICF) to assess the potential for natural gas conservation across customer segments, and model scenarios which compare a business-as-usual case to an increasing program portfolio. This includes a cost effectiveness analysis. This study and planning initiative is being conducted for the first time, solidifying the reference case and conservation potential related to SaskEnergy's Corporate Scorecard Target to reduce customer GHG emissions.*

*Once the study is complete, ICF will support SaskEnergy to establish a forward-looking plan with GHG reduction goals, a balanced portfolio of programs serving many customer segments, and cost effectiveness tests which measure benefits and costs from multiple perspectives. This plan will provide multi-year details that the Panel is seeking to review.*

*Prior to engaging ICF, SaskEnergy designed programs based on those offered by regulated utilities in other provinces. This approach used kept costs low for SaskEnergy and was suitable based of the relatively small scale of SaskEnergy's portfolio of programs. With some growth in the program portfolio, SaskEnergy is investing in industry expertise that the Panel is recommending.*

*Regarding key drivers for new programs, additional programs are being added to fulfill the Customer GHG Reductions goal in SaskEnergy's Corporate Scorecard. The program areas being added are consistent with programs in other provinces.*

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- 5. Total OM&A expense from the data in Schedule 1.0 is trending up from \$112 m in 2018 to \$ 169 M in 2025 which is a 50.8% increase over the 7-year period. On the customer affordability front, what initiatives has SaskEnergy undertaken or plan to be undertaken to limit this trend and initiate OM&A efficiencies and program effectiveness to curb this trend.**

*In 2023-24, SaskEnergy began the Modernization of the Contact Center initiative. This initiative includes three deliverables to improve the customer and employee experience by empowering our agents with the tools and resources they need in a way that improves operational efficiency. Moving to a more modern contact center aligns with the strategic imperative of Ease of Service, as customers value convenient and responsive service from SaskEnergy. This initiative will improve SaskEnergy's people, processes, technology, and knowledge management.*

*An operational effectiveness team is tasked with continuous improvement which includes identifying opportunities, supporting implementation of those opportunities, and measuring and reporting the benefits. SaskEnergy continues to review and eliminate inefficient processes and ensure resources maximize value for customers in daily operations. Implementation of the new Field Services Management system replacement is planned for the fourth quarter of 2023-24. This application will equip SaskEnergy with industry-leading technology capabilities for optimizing field service management activities, automating routine back-office activities, and reducing low value transactions.*

*Procure to Pay is a technological initiative that began in 2022-23 which involves electronically processing documents, eliminating manual processes, and making the entire accounts payable and procurement process paperless. This initiative, like the Modernization of the Contact Center initiative and the Field Services Management system replacement, is planned to eliminate manual transactional processing.*

*In alignment with its strategic focus of data-driven operations, SaskEnergy has introduced a new Data Strategy. The Data Strategy will help SaskEnergy build policies and processes for how data is managed throughout the organization. With various types of data being collected across the company, the goal is to centralize that data and make it more accessible to everyone at SaskEnergy while ensuring adherence to privacy controls and enhanced security measures. This will enable data to inform the decisions we're making as teams, and as an organization, while safeguarding sensitive information. Data allows employees to perform their jobs more efficiently, and provides additional opportunities to offer excellent service to our customers.*

*SaskEnergy's new Online Account was made available through saskenergy.com at the beginning of the 2023-24 fiscal year. The Online Account provides customers with a modernized and mobile-friendly self-serve experience for managing their accounts. This new platform and corresponding mobile application (coming soon to the Apple and Google Play stores) replaces My Account, which has served customers over the past 20 years.*

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*As a key initiative in SaskEnergy's Customer Experience journey, the new Online Account enhances ease of service for our customers and allows the organization to improve process efficiencies. This initiative also supports SaskEnergy's transition as a greener energy provider. Customers now have the ability to track their natural gas usage – which can lead to reduced emissions. Customers can also receive paperless billing even if they have multiple premises — which wasn't formerly possible. The features initially available through the Online Account allow customers to:*

- View their current and past billing information.*
- Understand and monitor their natural gas consumption.*
- Add guest users who may need access to their account.*
- Link multiple accounts to manage bills for their cottage, business, farm or home.*
- Pay their bill by credit card.*
- Enroll in paperless billing.*
- Apply for the Equalized Payment Plan to help manage their budget.*
- Sign up for automatic payment withdrawals through the Pre-Authorized Payment Plan.*
- Submit a question or inquiry.*
- Update contact information and notification preferences.*

*Most of these features were not available on the old platform and therefore required calls to a Customer Service Representative to complete.*

*Additional features coming in 2023-24 include online appointment booking for service appointments, and functionality for landlords to self-manage their Landlord Service Transfer Agreements.*

*As outlined in the response to IR #21, SaskEnergy also continues to collaborate with other Crowns, agencies, and ministries in an effort to realize savings.*

- 6. Under schedule 11.8 OM&A – Cost per Average Customer is increasing from 2021/22 actual of \$ 326.7 to forecasted \$ \$407.5 in 2024/25, representing a 24.7% increase over those 3 years. As this trend of increases is discomfoting, does SaskEnergy have a strategy and detail business plan as to how greater efficiencies and financial cost containment can be ascertained and future increases be mitigated?**

*SaskEnergy is focused on operational excellence. Identifying opportunities for standardization, simplification and elimination of waste is embedded in our processes.*

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*SaskEnergy has initiatives targeted to support emissions reductions from both internal operations and customer usage that will create cost pressure. Business process improvements, leveraging technology, and collaboration with other Crown Corporations and executive government will continue to drive operational excellence to achieve cost savings and offset cost pressures created by these efforts.*

**7. Each of the performance indicators on schedule 11.8, Customers/FTE's and KM of pipeline/FTE do not appear to be moving in a positive direction. Does SaskEnergy business plan anticipate an improvement in the indicators in the immediate future?**

*SaskEnergy is undertaking many initiatives in the next few years that will result in transitioning away from transactional type activities to more data driven activities. As these initiatives are implemented, the resourcing benefits will be realized and positively impact these indicators.*

*The Customer Experience department was created in 2022-23 and is accountable to lead the most immediate priorities which are modernizing SaskEnergy's contact center and building additional self-service options associated with the new Online Account portal that was launched in the fourth quarter of 2022-23. This will improve the customer and employee experience by empowering our agents with the tools and resources they need in a way that improves operational efficiency. SaskEnergy will use these resources to leverage the data and analytics available to continuously improve and optimize its operations and foster a culture of continuous improvement.*

*Operational efficiency moves beyond the Customer Experience team and is expanding within SaskEnergy's operations. The Operational Effectiveness team is tasked with continuous improvement which includes identifying opportunities, supporting implementation of those opportunities, and measuring and reporting the benefits. SaskEnergy continues to review and eliminate inefficient processes and ensure resources maximize value for the customer in day-to-day operations.*

*SaskEnergy has recently staffed a Principal Enterprise Architect and a Technology Planner who will collaborate with a growing data analytics team to address immediate technological initiatives such as:*

- *Enterprise asset management to ensure safety and reliability planning and execution is timely and aligned to industry standards.*
- *Financial and portfolio enterprise planning and enterprise resource planning modernization to ensure financial health and resiliency are maintained, and appropriate resources are invested to prioritize capital plans and enable future competitiveness.*
- *Procure to pay which involves electronically processing documents, eliminating manual processes, and making the entire accounts payable and procurement process paperless.*

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*Consideration of organizational design and workforce development activities will continue with a focus on operational excellence, meeting customer expectations and environmental consciousness. Ensuring employees have the skills and ability to adapt to changes within their roles will be crucial for SaskEnergy to remain agile.*

- 8. Schedule 1.3 depreciation expense doubled in 2022/23 for Information System Assets from \$ 10.6 M to \$20.1M. Please detail the reason for this change. Please confirm and detail the reasons for changes in 2023/24 and 2024/25 depreciation expense.**

*In 2022-23, SaskEnergy conducted a comprehensive study of depreciation rates with a third-party consultant. After examination and analysis, revised depreciation rates were implemented in February 2023. In conjunction with the third-party review, SaskEnergy also reviewed its depreciation policy for computer software. Historically, SaskEnergy depreciated software over 10 years. Effective April 1, 2022, SaskEnergy began to depreciate software over five-year terms.*

*The most material assets with increased depreciation schedules include:*

- *Customer Information System Upgrade*
- *Field As-Built Scan Techs application*
- *Project Server 2013 Upgrade*
- *Bill and Letter Printing application*

*The large increase in Information System Asset depreciation in 2022-23 resulted from the immediate impact of accelerating depreciation once the useful lives for these assets were reduced. With this policy change 26 software assets became fully depreciated in 2022-23 resulting in the largest impact being in 2022-23. The depreciation expense will decline in 2023-24 and 2024-25.*

- 9. Interest expense – particularly Interest on Bank Indebtedness has doubled (presumable short-term debt) in the forecast from \$ 3.0 m in 2022/23 to a forecast of \$ 7.1 m in 2023/24 and \$ 11.6 M in 2024/25. Please describe the reasons for these increases in each of the two years.**

*SaskEnergy has seen its short-term interest rates increase materially in the last two years and it is expected that short term rates will continue to remain high until mid-2024.*

- *SaskEnergy's short-term borrowing rate as at June 30 2021 was 0.136%.*
- *By June 30, 2022, SaskEnergy's short-term borrowing rate had increased to 1.428%.*
- *At June 30, 2023, SaskEnergy's short term debt had increased to 4.575%.*

*SaskEnergy has endeavored to term-out a portion of the short-term debt to longer terms and has achieved lower interest rates as a result. SaskEnergy has also reduced outstanding short term*

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*debt balances. SaskEnergy's short-term debt balance was approximately \$196 million at June 30, 2023, down from \$224 million during the same period in 2021.*

**10. From schedule 10.1 in the current year SaskEnergy is increasing its staffing complement from 894 FTE's to 922. SaskEnergy also notes in the application that it is increasing its focus on cybersecurity and physical security in 2023-24 due to a growing threat environment. This will result in increased capital expenditures and operational costs for, among other things, a larger number of security personnel and enhanced monitoring and security for both virtual and physical corporate assets. Please detail the plan and justification for the planned OM&A and capital expenses forecasted.**

*Cybersecurity has been identified as the number 2 risk included in SaskEnergy's Enterprise Risk Register. As a result, Enterprise Security is working toward fulfilling all vacancies, managing audit responses, meeting regulatory and insurance requirements, and maturing the cyber security program. Additional costs associated with training, consulting, managed services, and project work will be incurred to manage the risk to SaskEnergy's Information Technology and Operational Technology assets.*

*Efforts have been prioritized based on the risks they mitigate:*

- *Firewalling and network segmentation projects to isolate Supervisory Control and Data Acquisition (SCADA)*
- *Password management and Multi Factor Authorization implementation*
- *Increased cyber visibility, Threat Hunting and Threat Detection*
- *Data loss prevention*
- *Secure cloud migration*
- *End User Awareness*
- *Privileged Access Management*
- *Building the identity and Access Management Program*

*SaskEnergy continues to maintain and enhance its physical security posture in response to the changing global threat landscape. Threats continue to increase against SaskEnergy assets, including threats of theft, vandalism, and sabotage. Critical to our response is ongoing operations, maintenance, and improvements to video surveillance, access controls, alerting and monitoring. This includes:*

- *Resourcing for our 24/7 Physical Security Operations Centre.*
- *Lifecycle management of existing security infrastructure such as network video recorders, alarm panels, and access control equipment.*

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- *Buildouts of locations with no physical security infrastructure which increases operations including maintenance and monitoring.*
- *Retrofit of existing buildouts with additional CCTV analytics, specialty cameras/devices such as cameras with motion sensing radars and pan/tilt/zoom cameras.*
- *Upgrades to signage at field locations.*
- *Ongoing maintenance and improvements to physical barriers such as fences and gates.*

**11. Schedule 1.6 states the net income estimates of \$12.4 million, and \$5.9 million, for Year 2 and Year 3 respectively, reflect the level of earnings that will provide SaskEnergy with a return on investment as measured by the rate of return on equity forecast at 2.9% and 1.3% respectively. Schedule 14.1 illustrates the return on Rate on the deemed capital structure of 63/37. Please confirm the forecasted actual capital structure in both those years.**

*Confirmed. The forecasted actual capital structure in both those years is 63% debt 37% equity.*

**12. On page 17 of the application states while 2022-23 was positively impacted by colder than normal weather and a lower than budgeted heat value, the forecast for Year 2 and Year 3 is based on normalized weather which is a standard practice in rate setting. Please detail the impact of the lower than budgeted heat value impact on the 2022-23 actual financial results and GCVA.**

*The lower than budgeted heat value had a \$1.3 million impact on delivery revenue and a \$3.4 million impact on the GCVA owing to SaskEnergy.*

**13. Other Revenue – please detail the changed market forces expected on the Asset Optimization Revenue detail that will drive a significant reduction in revenue from \$6.6 million to \$ 2.9 Million in the final 2 years of the application.**

*The market opportunities that were present in the summer of 2022 were caused by worldwide storage being lower than normal, a forecast for very cold winter weather, NGTL pipeline infrastructure delays in Alberta, and concerns regarding access to supply due to the Ukraine/Russia conflict. These concerns have been rectified or are not present for the upcoming gas year.*

*While the market opportunities do not exist to the same extent as they did last year, SaskEnergy continues to seek out ways to utilize its assets to return additional revenue when they do arise.*



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14. Late payment charges in the 2022/23 fiscal year are expected to generate to \$3.1 million. Has significant improvement on outstanding accounts been reduced which would drive a reduction in late payment charges as noted in the financial update. Please provide detail the financial position of outstanding accounts and late payment charges over the last 3 years and financial update years 2023-2025.

Category	2022-23	2021-22	2020-21	2019-20
Total Trade Accounts Receivable	\$142,200	\$106,200	\$85,300	\$71,300
Late Payment Charges – Delivery	\$3,100	\$2,900	\$1,800	\$2,300

*\*Reported in thousands \$*

*In 2022-23, Accounts Receivable increased by \$36.0 million over the previous year primarily due to:*

- An increase to the carbon charge at April 1, 2022.*
- Increases to the commodity rate at November 1, 2021 and August 1, 2022.*
- An increase to delivery rates at August 1, 2022.*
- Colder than normal weather in November (17%), December (20%) and March (29%) leading to higher consumption.*

*In 2023-24 and 2024-25, SaskEnergy is assuming weather will be normal and/or consistent to the 30-year average. As such, a lower accounts receivable balance and late payment charge revenues are forecasted in both years.*

Category	2023-24 (forecast)	2024-25 (forecast)
Total Trade Accounts Receivable	\$114,700	\$116,200
Late Payment Charges – Delivery	\$2,500	\$2,500

*\*Reported in thousands \$*

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**15. Schedule 8.3 detail the Capital Expenditure Actual/Forecast for the years 2017/2025. Please confirm the actual capital spent in 2022/23 was \$ 91.7 million. Please detail the reasons and justification behind the significant increase of \$ 148 million in 2023/24 and \$ 171. Million in 2024/25. Could you please provide a 10-year forecasted financial capital plan going forward including this current year.**

*Confirmed. The actual capital spent in 2022/23 is \$91.7 million. The primary reasons for the increase to \$148 million in 2023/24 and \$171 million in 2024/25 is to:*

- *Consolidate all business and operations in Saskatoon to one building.*
- *Validate SaskEnergy's commitment toward innovation and technology.*
- *Ensure adequate supply of natural gas in the province of Saskatchewan.*

*SaskEnergy has been challenged over the years in acquiring new accommodations in Saskatoon and has historically leveraged older properties to meet the needs of the business. This process has limited SaskEnergy in dictating the requirements of a facility designed to deliver the required service to customers. The current building has had several renovations and modifications to suit the needs of the business in the 30 plus years of occupancy, with recent renovations undertaken to address structural issues. Given the age of this facility, significant ongoing maintenance would have been required to continue to safely operate out of this location.*

*In 2019, the Regina Operation consolidated into one location with several synergies and improved business processes resulting from the move. Saskatoon is expected to experience similar efficiencies when consolidating its business under one roof, in an appropriate location. This is a multi-year project anticipated to be completed in 2027-28 that includes investment of \$20.8 million in 2023-24 and \$35 million in 2024-25.*

*Additional capital expenditures include:*

- *Customer convenience and self-service are at the heart of the technology roadmap with the ultimate goals being to deliver improved customer interactions. With that, SaskEnergy plans to modernize the Customer Contact Center with an estimated cost of \$3 million over two years beginning in 2023-24. The goal is to find operational efficiencies, customer and employee experience improvements, align to our emerging we-serve and self-serve channel strategy, and improve management capabilities.*
- *SaskEnergy plans to enable the organization with Advanced Metering Infrastructure data through implementation of a Meter Data Management system at an estimated cost of \$2.7 million over two years beginning in 2023-24.*
- *The Customer Information System requires an upgrade. Our current version 2.6 will be no longer supported through Oracle in May 2025. This carries an estimated cost of \$5 million over two years beginning in 2023-24.*

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- Enterprise Asset Management technology is necessary to ensure safety and reliability planning, as well as timely execution appropriate to industry standards. This is estimated to be \$625,000 in 2023-24.
- Financial and Portfolio Enterprise Planning and Enterprise Resource Planning Modernization technology is necessary to ensure financial health and resiliency are maintained, appropriate resources are invested to enable future competitiveness, and to aid in the prioritization of capital plans. This is estimated to be \$3 million in 2023-24.
- The Procure to Pay technological initiative will electronically process documents, eliminate manual processes and make the accounts payable and procurement process paperless. This has an estimated cost of \$500,000 in 2023-24.

SaskEnergy is forecasting a significant increase in energy demand in the Regina area because of anticipated industrial customer growth. Residential and commercial growth within the City of Regina is also expected to increase, with the long-awaited development of the Coopertown subdivision expected to begin in the near future. Corporately, work is near completion to meet new growth west of Regina. Additional growth to the north and northwest of the city will also require a system expansion to meet customer requirements and third-party expectations. This has an estimated cost of \$7.2 million in 2023-24 and \$8.5 million in 2024-25.

A ten-year forecasted financial capital plan is not available in detail. However, please see below SaskEnergy's five-year capital plan including this current year. We assume spend generally remains flat beyond year five.

SASKENERGY INCORPORATED					
2023-24 to 2027-28 CAPITAL SPEND					
(\$ THOUSANDS)					
	2023-24	2024-25	2025-26	2026-27	2027-28
	Forecast	Forecast	Forecast	Forecast	Forecast
<b>LOCAL DISTRIBUTION COMPANY</b>					
<b>STRATEGIC</b>					
Total Customer	\$ 20,901	\$ 20,130	\$ 16,430	\$ 16,430	\$ 16,430
Total System Expansion	\$ 13,975	\$ 22,700	\$ 11,725	\$ 19,945	\$ 8,525
35% Reduction to Emissions by 2030	\$ 110	\$ -	\$ -	\$ -	\$ -
Total - Building Purchases and/or Major Enhancements	\$ 22,750	\$ 41,475	\$ 41,325	\$ 17,600	\$ 8,200
<b>TOTAL STRATEGIC</b>	<b>\$ 57,736</b>	<b>\$ 84,305</b>	<b>\$ 69,480</b>	<b>\$ 53,975</b>	<b>\$ 33,155</b>
<b>MAINTENANCE</b>					
Total Risk	\$ 43,154	\$ 47,756	\$ 45,274	\$ 45,245	\$ 45,668
35% Emission Reduction by 2030	\$ 970	\$ 1,930	\$ 900	\$ 1,650	\$ 575
Total Reliability	\$ 24,382	\$ 24,940	\$ 26,325	\$ 22,060	\$ 21,540
<b>TOTAL OPERATIONAL</b>	<b>\$ 68,506</b>	<b>\$ 74,626</b>	<b>\$ 72,499</b>	<b>\$ 68,955</b>	<b>\$ 67,783</b>
Business and Technology Optimization	\$ 21,718	\$ 12,099	\$ 10,607	\$ 10,056	\$ 9,983
<b>TOTAL DISTRIBUTION DIVISION CAPITAL (NET)</b>	<b>\$ 147,959</b>	<b>\$ 171,030</b>	<b>\$ 152,585</b>	<b>\$ 132,985</b>	<b>\$ 110,920</b>

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**16. With proposed capital expenditure plan forecast of \$ 319 million for the next two years of this application please quantify the revenue requirement necessary and the rate increases required to fund the associated cost for depreciation and finance expense increases alone for the years immediately following these assets being acquired.**

*The revenue requirement and rate increase to fund the associated depreciation and finance expense alone in 2023-24 is \$7.3 million. This equates to a 2.4% increase.*

*The revenue requirement and rate increase to fund the associated depreciation and finance expense alone in 2024-25 is \$8.7 million. This equates to a 2.8% increase.*

**17. Schedule 11.4 External Services – please detail and provide justification for the growth in financial forecasts expenditures for the lined items - Contract analyst, AMS hosting, other Contract services and lastly Consulting services.**

SASKENERGY INCORPORATED External Service Details (\$ 000's)								
	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
<b>External Services</b>								
CONTRACT ANALYST	9,867	11,391	10,734	11,193	10,883	11,399	11,697	11,697
AMS/HOSTING	6,316	7,912	8,670	8,601	7,728	9,488	9,840	9,840
OTHER CONTRACT SERVICES	2,659	2,776	2,598	2,537	2,579	4,766	5,661	5,661
CONSULTING SERVICES	2,138	7,702	4,145	2,988	2,378	4,627	4,255	4,255

*Contract Analyst – Digital Technology & Security (DT&S) filled previous vacant positions and required additional resources to handle workloads and projects in 2022-23.*

*AMS/Hosting – As DT&S upgrades/replaces current solutions with new and enhanced solutions, there is an increase for the newer solutions as agreements were re-signed and old agreements were discontinued.*

*A reclassification from Contracts-General to Other Contract Services accounts for nearly all the increase from 2021-22 to 2022-23. The increased cost in Other Contract Services for 2023-24 is as follows:*

- an increase of \$95 thousand for the execution of additional cathodic protection activities as recommended by the 2022 SaskEnergy Cathodic Protection audit*
- \$500 thousand for the execution of the Distribution Damage Prevention program*
- \$100 thousand for the Cathodic Protection Annual ON Survey*
- \$200 thousand for maintenance of station equipment*

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*SaskEnergy engaged with multiple consultants in 2022-23 which increased the consulting costs. The focus of these engagements included:*

- *Development of a future state model and vision for SaskEnergy's future contact center.*
- *Assessment of Contact Delivery, Infrastructure, Operational and Agent Applications, and Self-Service to identify gaps between current and future states, resulting in recommended projects for improvement in people, processes, technology, and knowledge management.*
- *Development of a solution landscape with business requirements to best meet SaskEnergy's business and customer experience objectives.*
- *Review of SaskEnergy's current JD Edwards application and was involved in proposing a recommendation through a roadmap for SaskEnergy's enterprise resource planning application.*

*This work is expected to result in future efficiencies as SaskEnergy will leverage relationships with existing vendors to implement upgrades and/or enhancements in a more cost-effective manner in the future.*

**18. Schedule 15.1 please confirm that notwithstanding the forecasted rate of return for 2023/24 forecast of 2.9% and 1.3% for 2024/25 fiscal years the 10-year (2016/2025) average return is forecasted to be 9.0% which is slightly greater than the business plan requirement of 8.3%.**

*SaskEnergy can confirm that for the fiscal periods 2015-16 to 2024-25, SaskEnergy's average rate of return is forecast at 9.0%, higher than the target 8.3%.*

*Stronger than expected financial results from 2017/18 to 2020/21 positively impacted the ten-year average. Weather is the largest external factor impacting delivery revenue, as residential and commercial customers consume natural gas primarily as heating fuel. Weather was 5% colder than normal in 2017/18, 10% colder than normal in 2018/19 and 2% colder than normal in each of 2019/20 and 2020/21.*

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19. Recommend Delivery Rates Page 6 of the application table and the table on Page 22 detailing the specific rate changes, could you please provide the summary page of the “Typical Customer Bill Impact Calculator” together with examples of customer bills to confirm the overall percentage change for each class of customer for low, medium, and high-volume users.

### Customer Class Impacts

#### Intra Class Rate Change

Customer Class	Total Annual Bill			Delivery Rate		Commodity Rate		Annualized Bill Impact	
	Annual Usage m <sup>3</sup> /year	Current Rate \$/year	Proposed Rate \$/year	Change \$/year	Percentage %/year	Change \$/year	Percentage %/year	Change \$/year	Percentage %/year
<b>Residential</b>									
<b>Low</b>	2,500	988	922	27.25	2.8%	(92.50)	-9.4%	(65.25)	-6.6%
<b>Typical</b>	<b>2,575</b>	<b>1,008</b>	<b>940</b>	<b>27.35</b>	<b>2.7%</b>	<b>(95.26)</b>	<b>-9.4%</b>	<b>(67.91)</b>	<b>-6.7%</b>
<b>Hi</b>	10,000	3,068	2,735	37.00	1.2%	(370.00)	-12.1%	(333.00)	-10.9%
<b>Commercial Small</b>									
<b>Low</b>	5,000	1,772	1,666	78.50	4.4%	(185.00)	-10.4%	(106.50)	-6.0%
<b>Typical</b>	<b>12,192</b>	<b>3,605</b>	<b>3,241</b>	<b>87.85</b>	<b>2.4%</b>	<b>(451.11)</b>	<b>-12.5%</b>	<b>(363.26)</b>	<b>-10.1%</b>
<b>Hi</b>	100,000	25,978	22,480	202.00	0.8%	(3,700.00)	-14.2%	(3,498.00)	-13.4%
<b>Commercial Large</b>									
<b>Low</b>	100,001	25,974	22,818	544.00	2.1%	(3,700.04)	-14.2%	(3,156.03)	-12.1%
<b>Typical</b>	<b>156,882</b>	<b>39,660</b>	<b>34,627</b>	<b>771.53</b>	<b>1.9%</b>	<b>(5,804.63)</b>	<b>-14.6%</b>	<b>(5,033.10)</b>	<b>-12.7%</b>
<b>Hi</b>	660,000	160,710	139,074	2,784.00	1.7%	(24,420.00)	-15.2%	(21,636.00)	-13.5%
<b>Small Industrial</b>									
<b>Low</b>	600,001	129,711	109,137	707.54	0.5%	(22,200.04)	-17.1%	(21,492.49)	-16.6%
<b>Typical</b>	<b>645,601</b>	<b>139,372</b>	<b>117,225</b>	<b>751.74</b>	<b>0.5%</b>	<b>(23,887.24)</b>	<b>-17.1%</b>	<b>(23,135.50)</b>	<b>-16.6%</b>
<b>Hi</b>	1,320,000	282,254	236,840	1,405.40	0.5%	(48,840.00)	-17.3%	(47,434.60)	-16.8%

## 2023 SaskEnergy Delivery Rate Financial Update Interrogatories

20. Please confirm that the Basic Monthly Charge (BMC) currently recovers 70.3% of the Residential customer care costs and this application is proposing the percentage be 76.0%, similarly Commercial Small is proposed to increase from 67.2% to 76.9%, Commercial Large from 70.7% to 76.0% and lastly Small Industrial from 85.9% to \$90.1%. Secondly please confirm that SaskEnergy is proposing to examine this matter in greater detail and will provide the panel in the next general rate application the results of their analysis and review together with their proposed long-term strategy going forward.

*This is confirmed. SaskEnergy's target has historically been to recover 75% of customer care costs through the BMC. In 2022, SaskEnergy engaged a consultant who recommended increasing the target from 75%, with a recommendation that the principle of gradualism be applied in doing so. We are committed to continuing to re-visit and review this matter and determine an appropriate target in the future.*

*While some increases for the higher use rate classes may seem large, they generally result in a small monthly increase from a total bill perspective. The table below illustrates how the BMC is a very small portion of the average bill for SaskEnergy's large-volume customers:*

**BMC % of Total Bill at Proposed Oct 2023 Rates**

	BMC/Month	BMC/Year	Total Annual Bill	BMC % of Total Bill
Residential	\$ 26.50	\$318.00	\$940.26	34%
Commercial Small	\$ 47.50	\$570.00	\$3,241.32	18%
Commercial Large	\$ 171.50	\$2,058.00	\$34,626.65	6%
Small Industrial	\$ 226.50	\$2,718.00	\$117,225.00	2%

21. Please provide an update on the collaboration initiative with other crown corporations, efficiencies found and identify what collaborative efforts have been undertaken on the climate change initiatives related to carbon emissions investments.

*SaskEnergy participates in a number of collaboration initiatives, including joint infrastructure installation and line locating efforts with SaskPower and SaskTel, as well as natural gas optimization opportunities with SaskPower.*

*In 2022-23, SaskEnergy contributed \$11.5 million to the 2022-23 provincial target of \$55.0 million. SaskEnergy contributed to three of the eight customer service enhancement initiatives, including the launch of the new Online Account for customers, and enhancements to both ExpressAddress and customer appointment windows.*

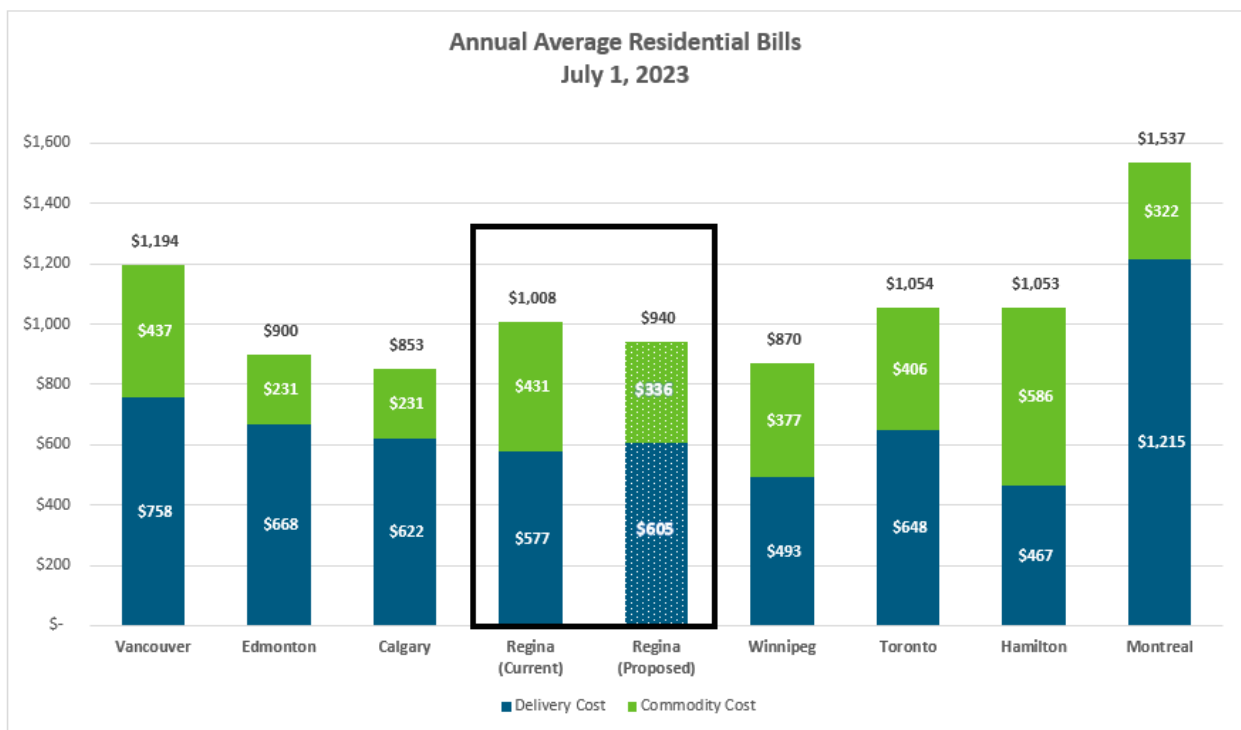
## 2023 SaskEnergy Delivery Rate Financial Update Interrogatories

Investment attraction of \$1.9 billion exceeded the target. SaskEnergy participates on several committees focused on attracting private sector capital investment projects into the province.

Regarding climate change initiatives, SaskEnergy continues to support SaskPower's planning activities to provide the best outcomes for future natural gas generation projects. SaskEnergy also continues to work with SaskPower to reduce Scope 2 emissions (electricity) as there are plans to incorporate more solar power at some SaskEnergy's facilities.

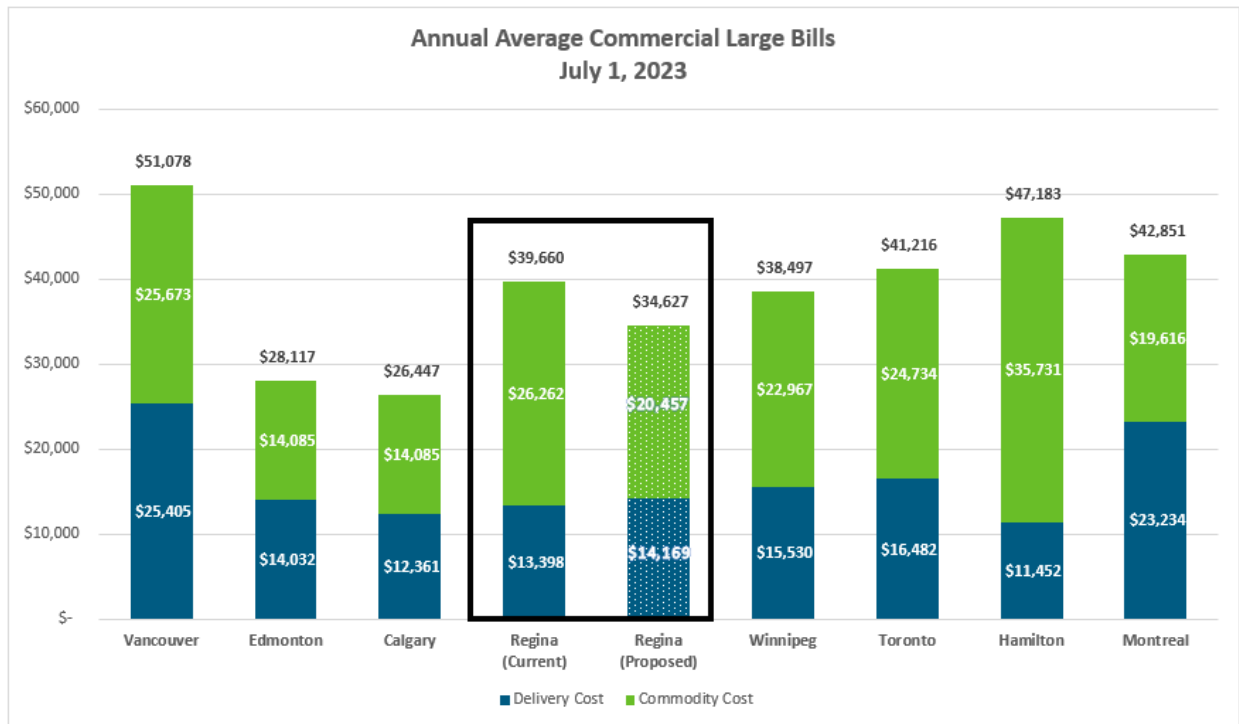
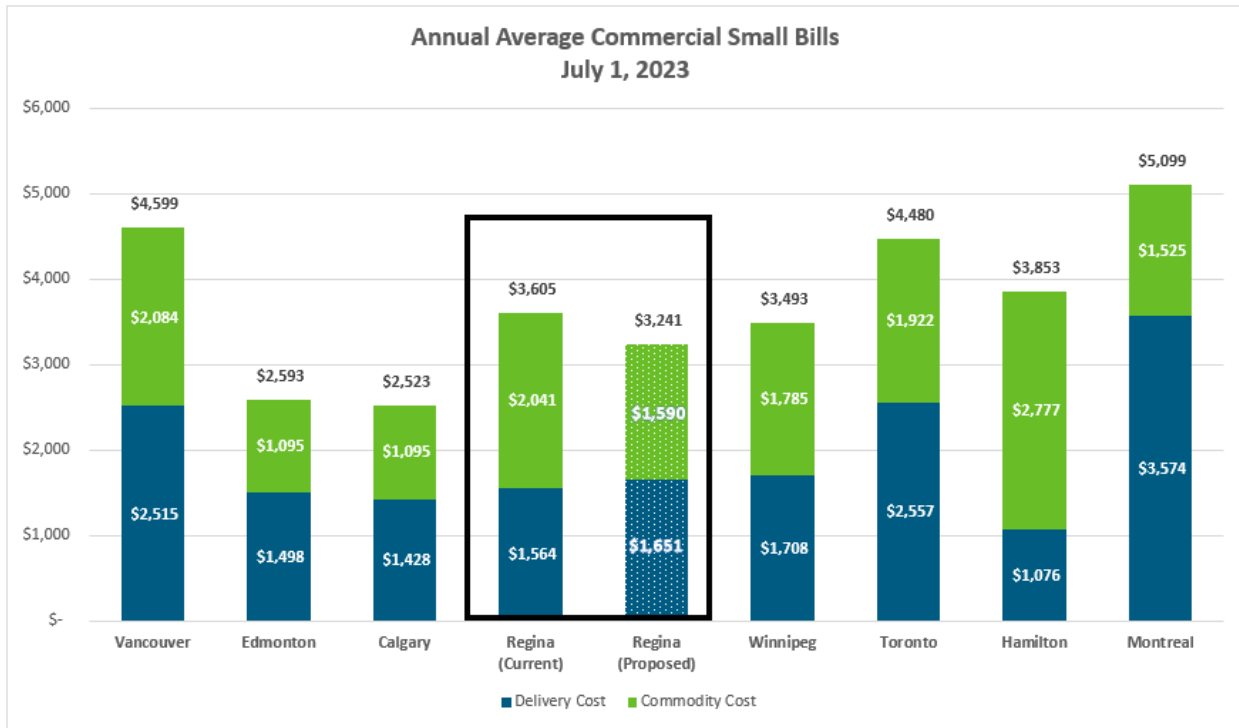
**22. Please provide a table like the Table on Page 26, 27 and 28 of The Panel's December 16<sup>th</sup> report on the competitiveness of proposed rates for the residential, Small Commercial and Large customers.**

All comparisons are based on rates in effect as of July 1, 2023.



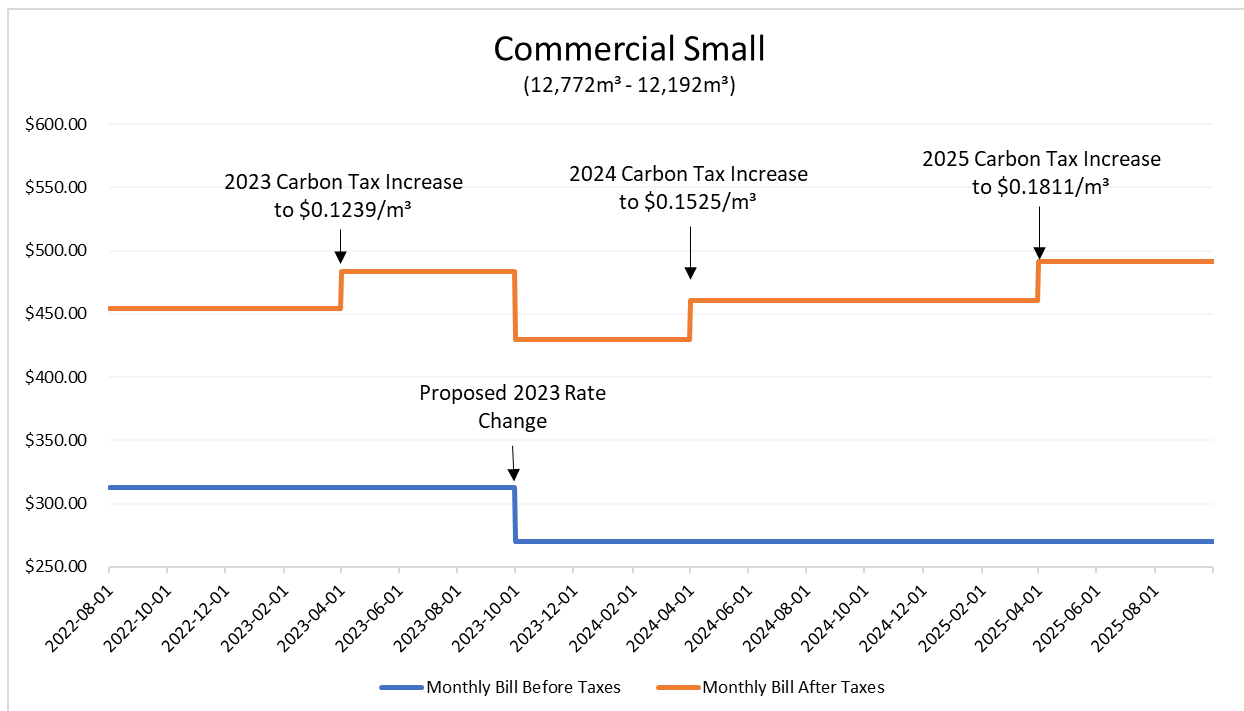
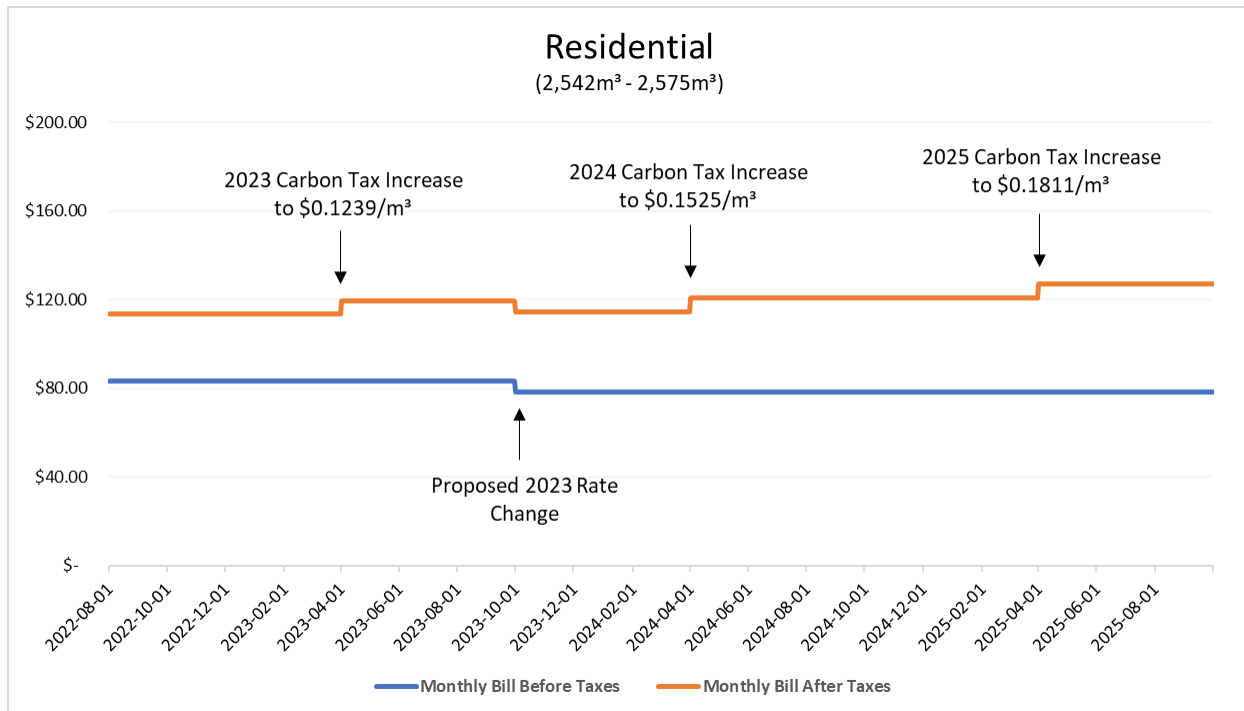


# 2023 SaskEnergy Delivery Rate Financial Update Interrogatories



## 2023 SaskEnergy Delivery Rate Financial Update Interrogatories

23. Please provide tables like the tables on page 30, 31 and 32 of the forementioned report for customer monthly bill changes from August 1, 2022, to September 2025 before and after taxes and surcharge.



# 2023 SaskEnergy Delivery Rate Financial Update Interrogatories

