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September 6, 2022

Kathleen Cook, Director of Provincial Affairs
Brianna Solberg, Senior Policy Analyst
Canadian Federation of Independent Business
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Dear Kathleen and Brianna:

This is in reference to your letter to the Saskatchewan Rate Review Panel on behalf of the Canadian Federation of Independent Business, dated July 13, 2022.

SaskEnergy read your letter with careful consideration. We are sympathetic to the challenges small business owners are currently facing and we understand the proposed rate increases will add to those challenges.

We are conscious of the impact rate increases have on the people and businesses of Saskatchewan and we take steps to ensure that costs are controlled. SaskEnergy has been managing costs and limiting the extent of possible rate increases through internal efficiencies, business process changes, collaboration with other Crowns, employing new technology and mitigating operating and capital costs. Since 2009, SaskEnergy has achieved \$56.5 million in cost reductions through productivity and efficiency efforts.

SaskEnergy has not increased its delivery service rate since 2019. However, we have been impacted by the same inflationary pressures affecting Canadian businesses and have been managing the rising costs of fuel and other operating expenses. We are also facing growing environmental and regulatory responsibilities. The proposed delivery service rate increases are necessary to address these expenses while we continue to invest in the safety and integrity of our system. We invest \$50 million annually in system safety and improvement and will be investing a further \$16 million in energy efficiency programs to support customers in reducing their emissions and monthly natural gas bills.

On the commodity side, natural gas prices have risen sharply. This led to a rapid increase in our Gas Cost Variance Account (GCVA). SaskEnergy uses a GCVA to balance the changes in costs and revenues over time. This approach helps provide customers with stable rates over the short term. However, with the GCVA increasing rapidly in 2022, an interim adjustment (effective August 1, 2022) was needed to avoid more significant increases in the future.

Our commodity rate is set on a cost-recovery basis, reflecting the market costs of natural gas, with no profit or loss earned or incurred by SaskEnergy.

SaskEnergy also employs an effective hedging strategy which allows us to provide a commodity rate that is substantially lower than the market price of natural gas. Without this hedging strategy, SaskEnergy would require a commodity rate of at least \$6.00/GJ. Even with the rate increase, SaskEnergy offers the lowest combined natural gas bill in Canada for our residential and commercial customers.

The issue of affordability, including energy affordability, is something the Provincial Government is taking seriously. On August 23, the Government of Saskatchewan announced a four-point affordability plan to help people address the rising cost of living. This plan includes extending the small business tax rate reduction as well as an affordability tax credit payment of \$500 for all Saskatchewan residents who are 18 years of age or older as of December 31, 2022, and who have filed a 2021 tax return as a resident of Saskatchewan.

Sincerely,

SASKENERGY INCORPORATED



Mark H. J. Guillet, Q.C.
Acting President and Chief Executive Officer

cc: Saskatchewan Rate Review Panel