1. Reference: 1st Round Information Request #1

a) With reference to Commodity 1st Round Information Request 1(b) please provide a further discussion regarding the history and the basis for the $20 million GCVA risk metric. Does SaskEnergy still consider the +/- $20 million threshold to be sufficient? Please discuss.

Approximately 18 years ago the Saskatchewan Rate Review Panel recommended SaskEnergy bring forward commodity applications if the GCVA reached a balance of $20 million. Although the Panel did not offer a specific justification for the amount, it does have an impact of approximately $0.30/GJ to $0.40/GJ on the commodity rate over a 12 month period, depending on customer load (currently $0.36/GJ). SaskEnergy believes this impact is reasonable. One change SaskEnergy did implement was that rather than wait for the GCVA to reach $20 million, SaskEnergy monitors the impact changes in future natural gas prices could have on the GCVA, and turned it into a forecasted metric. Using the forecast approach rather than the actual GCVA balance allows for sufficient time to get through the governance process and provide the Panel with time to review an application before the GCVA exceeds $20 million.

b) Please describe the process for determining whether or not a commodity rate change is triggered? How does the +/- $20 million risk metric operate to guide decisions in this regard? How often has the GCVA balance exceeded the threshold?

SaskEnergy has a model that encompasses all commodity costs and revenues. Inputs are monitored and adjusted accordingly. The one input that is updated at least once per week is the natural gas forward curve. This allows SaskEnergy staff to see where the GCVA balance will be at the end of each month over the forecast period, which typically looks out at least twelve months. The forecasted GCVA balance is included in the actual GCVA balance reported to the Panel every three months. If the forecasted GCVA balance is projected to exceed the $20 million threshold before April 1 or November 1, when SaskEnergy formally reviews whether a commodity rate change is necessary regardless of GCVA balance, the application process is triggered. On occasion the GCVA balance has exceeded $20 million (every few years), however that is typically due to

unforeseen delays in the Governance process, which delayed SaskEnergy's authorization to file an application with the Panel.

c) Please provide a table that outlines the date and quantum of commodity rate changes over the past 5 years as well as the balance of the GCVA at the time each rate change occurred.

Date	Commodity Rate		GCVA Balance
	$/m3	$/GJ	
November 1, 2018	0.1136	2.95	$16.1 million
November 1, 2016	0.1387	3.65	$2.4 million
January 1, 2016	0.1596	4.30	$5.3 million
July 1, 2014	0.1863	4.84	$34.0 million
April 1, 2012	0.1453	3.82	($6.4 million)

d) Commodity 1st Round Information Request 1(d) indicates that SaskEnergy "typically would adjust its commodity rate once or twice per year." Does SaskEnergy anticipate a return to more regular commodity rate adjustments or does SaskEnergy expect to continue with longer periods between commodity rate adjustments as has occurred over the past two years.

Although it is difficult to forecast where natural gas prices will be in the future, SaskEnergy has fixed the price on a large portion of its forecasted natural gas purchases for the next five years that will support the proposed commodity rate of $2.65/GJ. However, a portion of the forecasted purchases remains exposed to changes in natural gas prices. If natural gas prices remain near current levels, SaskEnergy anticipates fewer commodity rate changes over this period. If natural gas prices change materially, a commodity rate application will be initiated.

e) Commodity 1st Round Information Request 1(e) (iv) indicates that SaskEnergy "is a mature utility with a reasonably stable customer base." Please explain and provide a more detailed rationale for this statement relative to intergenerational equity/ fairness concerns.

Because SaskEnergy has a fairly stable customer base, the same customers that caused the GCVA balance are essentially the same customers from whom the

GCVA is recovered or refunded. The change in customer base is estimated at 1 to 2% annually.

f) Please explain how GCVA balances are reflected in SaskEnergy's financial statements and/or for annual financial reporting purposes. Is it treated as a liability or receivable for accounting purposes?

GCVA balances are not reflected in SaskEnergy's financial statements. SaskEnergy's accounting practice is in compliance with International Financial Reporting Standards which differs from rate regulated accounting. Essentially, differences between commodity revenues and the cost of gas in financial statements have either a gain or a loss impact on net income.

2. Reference: 1st Round Information Request #2

a) Please provide further details regarding how the Receipt Transport cost per GJ for 2019-20 is calculated as provided in response to 1st Round Information Request 2 (f). Please show the calculations.

The Receipt Transport cost per GJ is calculated as follows:

Example: April 2019

Total Transport Costs	=	$1,938,000	=	$0.423/GJ
Total Purchase Volume		4,582,200 GJ		

Total Transport Costs includes Total TransGas Receipt Transport Costs ($1,938,000), Other Transport ($0) and Physical Transportation Swaps ($0).

Total Purchase Volume includes Total Purchase Volume before Other Gas Sales ($4,582,200), Physical Gas Swap ($0), and Other Gas Sales ($0).

Total Purchase Volume before Other Gas Sales includes Alberta Purchases ($2,850,000), Sask Field Purchases ($0) and TEP Purchases ($1,732,200).

b) Further to (a) above, please also explain why there is an increase in Receipt Transport cost per GJ starting April 2019 and November 2019.

The Receipt Transport cost per GJ increased on April 1, 2019 due to a decrease in the volume of natural gas purchased on a daily basis during the summer (April through October) compared to the winter period. The change in November 2019 is due to an increase in the amount of firm transportation capacity contracted from Alberta. The Alberta transportation contract quantity increases from 170,000 GJ/day on April 1 to 180,000 GJ/day on November 1, 2019. Regardless of how much natural gas is purchased, the transportation costs are fixed.

3. Reference: 1st Round Information Request #3

a) Will SaskEnergy update interest rates used for commodity service and GCVA balances [Commodity 1st Round Information Request 3 (b) and Commodity 1st Round Information Request 4 (g)] consistent with the interest rates provided in Delivery Service 1st Round Information Request 11 (c)? If yes, please provide updated versions of the tables and schedules impacted by this change. If not, please explain why not.

Due to an internal communication error, SaskEnergy did not use the same interest rate forecast for the commodity service and GCVA balances as for Delivery Service and apologizes for this error. SaskEnergy will not be providing updated versions of tables and schedules because upon quantifying the difference using the correct interest rate forecast as outlined in Delivery Service 1st Round Information Request 11 (c), the impact on the GCVA balance is minimal ($9,322).

b) With reference to Commodity 1st Round Information Request 3(c) please provide the historical bad debt expenses for the last five years and percentage compared to the total commodity revenues.

2013 Actual = $525 thousand – 0.2% of total commodity revenues

2014 Actual = $423 thousand – 0.1% of total commodity revenues

2015 Actual = $510 thousand – 0.2% of total commodity revenues

2016-17 Actual = $539 thousand – 0.2% of total commodity revenues

2017-18 Actual = $628 thousand – 0.3% of total commodity revenues

c) With reference to Commodity 1st Round Information Request 3(c), please provide the basis for the 0.5% used to calculate bad debt expense. Please also provide the calculation used to determine the bad debt expense of $0.944 million in 2019-20.

From 2014 onward, the bad debt expense has begun to trend upward as customer accounts in arrears have increased taking bad debt expense from 0.1% in 2014 to 0.3% in 2017-18. The bad debt expense forecast is expected to trend upward similar to historic results based on estimated aged accounts receivable. The calculation of the 2019-20 bad debt expense is approximately $378 million of total delivery & commodity revenue X 0.5% X 50% = 944 thousand. (Please reference the response to 3d).

d) With reference to Commodity 1st Round Information Request 3(c) and Delivery 1st Round information request 2 (k), please explain why SaskEnergy is forecasting the same bad debt expense amount for delivery and commodity revenue requirements.

Based on historic results of most customer bills, the percentage of the total bill ranges from 50% to 60% commodity and 50% to 40% Delivery. Bad Debt Expense is calculated based on total commodity and delivery revenue to which 50% is allocated to commodity and 50% is allocated to delivery. SaskEnergy will revisit this allocation in the next budget cycle as it recognizes that if this rate application is approved, delivery revenue will be closer to 60% and commodity revenue to 40%.

4. Reference: 1st Round Information Request #4

a) With reference to Commodity 1st Round Information Request 4(e)(iv), please provide a version of the table provided showing interim rate of $2.95/GJ effective November 1, 2018 and a final commodity rate of $2.56/GJ effective April 1, 2019 that extends out to March 31, 2021 [similar to the table provided in response to Commodity 1st Round Information Request 4(b)].

Forecasted Gas Cost Variance Account ($000's)
April 1, 2020 - March 31, 2021

Line	Description	1 Apr-20	2 May-20	3 Jun-20	4 Jul-20	5 Aug-20	6 Sep-20	7 Oct-20	8 Nov-20	9 Dec-20	10 Jan-21	11 Feb-21	12 Mar-21	13 TOTAL
1	GCVA Balance Forward at Mar 31, 2020	($61)												($61)
2	Opening Cumulative GCVA Balance - Under/(Over) Recovery	($61)	($145)	($146)	($102)	($39)	$31	$86	$64	$1,152	$2,193	$3,200	$4,118	
3	Purchases - Alberta	$6,603	$6,823	$6,603	$6,823	$6,823	$6,603	$6,823	$7,962	$8,228	$8,228	$7,431	$8,228	$87,174
4	Purchases - Saskatchewan	$2,752	$2,844	$2,752	$2,844	$2,844	$2,752	$2,842	$3,077	$3,180	$3,180	$2,872	$3,180	$35,118
5	Less Purchase of Other Gas Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	Price Risk Management (Inflows)/Outflows	$0	$0	$0	$0	$0	$0	$0	$191	$197	$197	$178	$197	$959
7	Transportation	$2,052	$2,120	$2,052	$2,120	$2,120	$2,052	$2,120	$2,023	$2,090	$2,090	$1,888	$2,090	$24,820
8	Cost of Purchase Gas	$11,406	$11,787	$11,406	$11,787	$11,787	$11,406	$11,785	$13,253	$13,695	$13,695	$12,369	$13,695	$148,071
9	Storage Withdrawal (Injection)	($1,574)	($6,593)	($8,217)	($8,896)	($8,847)	($7,046)	($2,134)	$5,056	$10,965	$12,637	$9,963	$5,081	$396
10	Gas in Storage Interest Expense	$43	$43	$43	$43	$43	$43	$43	$43	$43	$43	$43	$43	$518
11	Gas Supply Operating Maintenance & Admin Expenses	$119	$119	$119	$119	$119	$119	$119	$130	$130	$130	$130	$130	$1,480
12	Gas Supply Related Bad Debt Expense	$65	$34	$21	$19	$19	$29	$65	$52	$70	$75	$63	$52	$565
13	Less Gas Supply Related Late Payment Charges	($101)	($86)	($69)	($55)	($47)	($42)	($41)	($28)	($36)	($53)	($70)	($70)	($697)
14	Less Cost of Internal Usage	($224)	($151)	($93)	($62)	($56)	($76)	($65)	($141)	($247)	($227)	($338)	($305)	($1,985)
15	**Cost of Gas Sold**	**$9,734**	**$5,154**	**$3,210**	**$2,955**	**$3,019**	**$4,434**	**$9,772**	**$18,364**	**$24,619**	**$26,299**	**$22,161**	**$18,626**	**$148,347**
16	Commodity Sales Revenue (Current Rate 2.56/GJ)	$9,818	$5,155	$3,166	$2,893	$2,949	$4,380	$9,794	$17,277	$23,580	$25,296	$21,248	$17,556	$143,114
17	Gain (loss) on other gas sales	0	0	0	0	0	0	0	0	0	0	0	0	$0
18	Period GCVA Balance	($84)	($2)	$44	$62	$70	$54	($22)	$1,087	$1,039	$1,003	$913	$1,069	$5,234
19	Period GCVA Interest	$0	$0	$0	$0	$0	$0	$1	$1	$2	$4	$5	$7	$21
20	Closing Cumulative GCVA Balance (Line 2+18+19)	($145)	($146)	($102)	($39)	$31	$86	$64	$1,152	$2,193	$3,200	$4,118	$5,194	$5,194

Volume (Gigajoules - 000s)

Line	Description	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	TOTAL
21	Customer Sales	3,835	2,014	1,237	1,130	1,152	1,711	3,826	6,749	9,211	9,881	8,300	6,858	55,904
22	Purchases (less Fuel Gas & Line Loss)	4,552	4,703	4,552	4,703	4,703	4,552	4,703	4,796	4,955	4,955	4,476	4,955	56,606
23	Cost of Purchase Gas ($/GJ)	$2.506	$2.506	$2.506	$2.506	$2.506	$2.506	$2.506	$2.764	$2.764	$2.764	$2.764	$2.764	
24	Storage Withdrawal (Injection)	(628)	(2,631)	(3,279)	(3,550)	(3,530)	(2,812)	(851)	2,023	4,387	5,056	3,986	2,033	203
25	Storage Withdrawal (Injection) Rate ($/GJ)	$2.506	$2.506	$2.506	$2.506	$2.506	$2.506	$2.506	$2.500	$2.500	$2.500	$2.500	$2.500	
26	Internal Usage	(88)	(59)	(36)	(24)	(21)	(29)	(25)	(70)	(131)	(130)	(162)	(130)	(905)

Note: Numbers may not add up exact due to rounding.

b) Assuming an interim rate of $2.95/GJ effective November 1, 2018 and a final commodity rate of $2.56/GJ effective April 1 2019, what factors [changes in gas prices, etc.] would need to occur to drive the requirement for a commodity rate change prior to April 1, 2020. What factors would need to change to drive the requirement for a commodity rate change prior to April 1, 2021.

There are two factors that could result in the need for a commodity rate change prior to April 2020 or April 2021, a change in the market price of natural gas and/or a change in the amount of gas required to be purchased. Since only 50% of SaskEnergy's forecasted gas purchases for the summers of 2019 and 2020 have been hedged (fixed price), a change in the market price (AECO) during those periods would affect SaskEnergy's cost of gas and therefore affect commodity rates. Also, despite having 95% of forecasted gas purchases hedged for the winters of 2019-2020 and 2020/2021, the forecasted gas purchases are based on normal or average weather. In the event of colder-than-normal weather SaskEnergy must purchase additional gas to satisfy the increased consumption

demand. If the price paid (market price) for this incremental gas varies significantly from SaskEnergy's forecasted weighted average purchase price of gas for these periods, a commodity rate adjustment may be required in order to mirror the change in gas costs.

c) With reference to Commodity 1st Round Information Request 4(i) please confirm whether or not the cost amounts for internal usage and unaccounted for gas provided relate only to the distribution utility, or whether these amounts relate to other subsidiaries/ the consolidated company.

Confirmed. The cost amounts for internal usage and unaccounted for gas provided relate only to the distribution utility.

5. Reference: 1st Round Information Request #7

a) With reference to Commodity 1st Round Information Request 7(b) please provide any additional context relevant to the figure provided in the response.

i. Is AECO still a relevant comparator for Canadian market conditions? Why or why not?

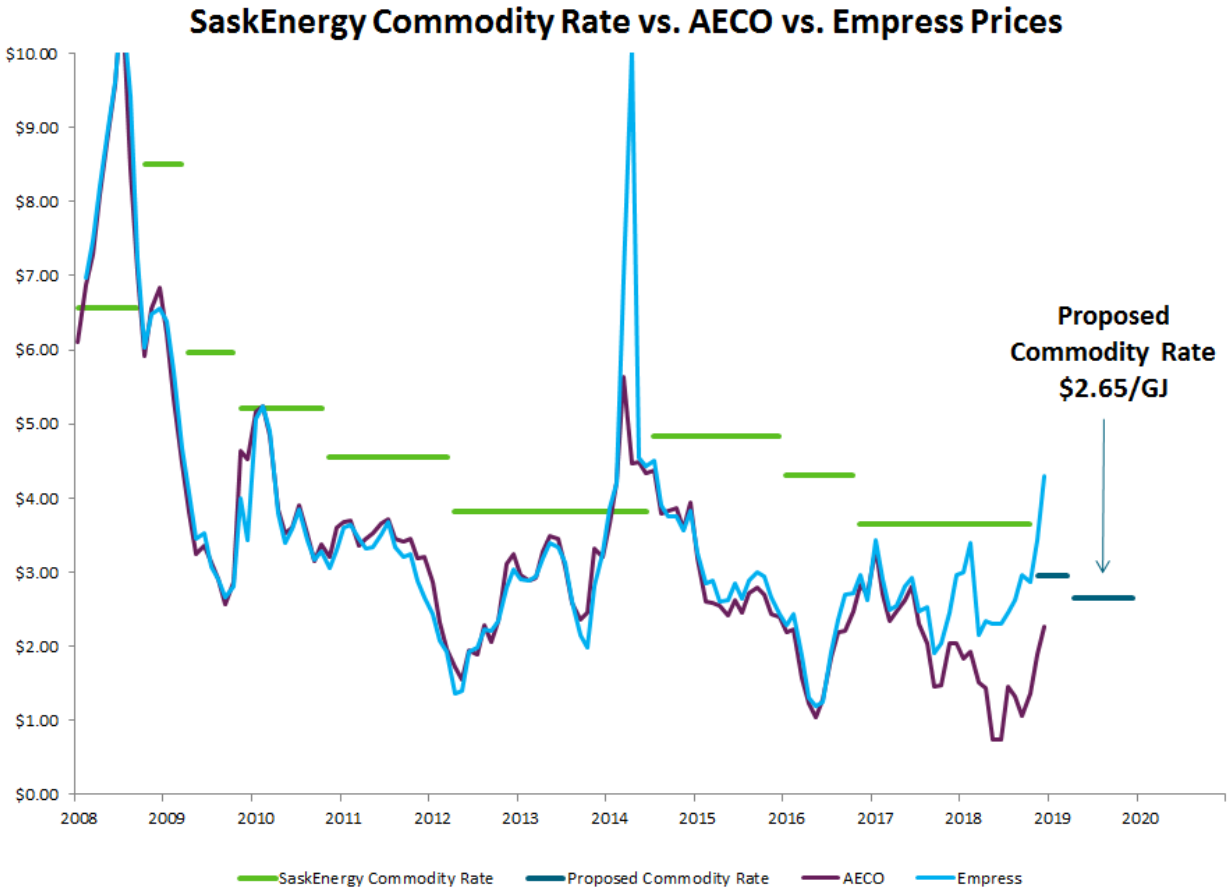
Currently natural gas is trapped in Alberta. Therefore, as demand and supply balances change within North America, the price of gas at AECO will not move with other natural gas hubs until physical expansions of new pipeline capacity go in service. That is expected to happen in two to three years, and once it does, AECO will resume its role as a relevant comparator for Canadian market conditions.

It should be noted that SaskEnergy has a specified quantity of firm transportation from Alberta that allows it to purchase approximately 60% of its forecasted normal weather requirements at the AECO price. All other volumes must be purchased in Saskatchewan or at Empress at the Alberta/Saskatchewan border. This has caused the price of natural gas in Saskatchewan to more closely match the price of gas at Empress. Once pipeline capacity from AECO to the Alberta border is in service, the price of natural gas in Saskatchewan will more closely align with AECO (plus transport costs).

ii. Are there other comparators that are more relevant for SaskEnergy performance? Please explain.

As noted in the response to 5.a.i) above, SaskEnergy does purchase about 60% from Alberta so AECO remains relevant for a portion of SaskEnergy's performance. However, the remaining supply is purchased in Saskatchewan. Currently the price of natural gas in Saskatchewan more closely moves with the price of natural gas at Empress (Alberta/Saskatchewan border). It would be reasonable to look at both Empress and AECO for relevant performance.

iii. Please provide an updated version of the figure that can be used publicly with any additional relevant context provided.



The price of natural gas in Saskatchewan has historically tracked the price of natural gas in Alberta (AECO). However, in the fall of 2017 Alberta transportation takeaway capacity reached capacity, limiting the volume of natural gas that can be transported out of Alberta. Since that time the price of natural gas in Saskatchewan has tracked more closely with the price of natural gas at Empress on the Alberta/Saskatchewan border. When comparing SaskEnergy's commodity rate to market prices, one should view a combination of both AECO and Empress natural gas prices, until such time as new transport capacity goes in service in Alberta. SaskEnergy does have some firm transportation from Alberta so is able to purchase just over 60% of its gas supply in Alberta, at the lower price, plus transport costs. The remaining supply is purchased in Saskatchewan at a price similar to Empress.