

1. Reference: Delivery Service Rate Overview

- a) With reference to the fiscal five year financial summary provided for the 2018/19 Business Plan included in Tab 5 – please indicate if a similar summary can be made available for the Distribution Division. If so, please provide.
- b) Please indicate if there have been any changes to the chart of accounts or accounting practices since the 2017 Delivery Service Rate Application, and provide a list of any changes, as well as a summary of the impact of those changes to revenue requirement categories.
- c) The 2017 Consultant’s Report references “ongoing fiscal restraint measures” and notes that “for 2015/16 and 2016/17 fiscal years, SaskEnergy was directed by its shareholder to reduce budgeted expenditures in order to meet specified financial targets.” [see page 3-5] Please confirm whether or not any similar measures were undertaken in 2017/18, and outline the specific measures undertaken and the quantum of the savings achieved by each of the measures.
- d) Please confirm whether or not any of the measures identified in part (c) above were included in the 2017/18 test year forecast.
 - i. If applicable, identify and quantify any measures implemented that were not included or considered in the 2017/18 test year forecast.
 - ii. Please quantify the impact that these measures had on the net delivery revenue requirement variance for 2017/18 noted in Pre-Ask #1.
- e) With reference to Pre-Ask - #1, please itemize and quantify each of the key factors contributing to the actual variance from the 2017/18 test year forecast for each of the cost categories in the table. Please specify whether the variances are due to measures identified in (c) above vs. other factors (e.g., productivity and efficiency measures or other) and quantify each.

- f) Please provide a version of the table provided as Pre-Ask #5 that provides the forecast test year spending for 2016/17 and 2017/18 for each of the cost categories noted, as well as the actual test year spending for these categories.
- g) Is the overall delivery revenue requirement variance between the 2017/18 test year forecast and actual results for 2017/18 (including the period from August to October) expected to be in the range \$10.611 million? Is the overall net delivery revenue requirement variance (including the period from August to October) expected to remain in the range of \$26.930 million? Please provide any updates and a detailed explanation of any expected changes.
- h) With reference to the response to Round 1, 1(g) (i) and Round 2 1(c) from the 2017 Delivery Service Rate Application, please provide a version of the table provided in that response that includes the following:
- i. The 2016/17 forecast and actuals to the end of June 2017 as provided in the referenced response, and the variances; and
 - ii. The test year forecast and actuals for 2016/17 as provided in Pre-Ask #1 and the variance.
 - iii. Please also provide a detailed explanation for any difference from the actuals as provided in the Delivery Rate Application IR response (Round 1, 1(g)), and the response to Pre-Ask #1 for the 2018 Delivery Rate Application. Specifically, please explain the material difference in the overall variance in net delivery revenue requirement in Pre-Ask #1 compared to what was stated in the response to Round 2, 1(c) from the 2017 Delivery Service Rate Application.
- i) Please update Table 3-4 as included in the 2017 Consultant's Report. Please include any applicable updates for 2016/17 and, as applicable, columns for 2017/18, 2018/19 and 2019/20 that outline and quantify any "restraint measures" or "other cost reductions" being implemented or expected to be implemented in these years.

2. Reference: OM&A Costs

- a) Have there been any changes to SaskEnergy's OM&A budget process, including the review and approval process, since the last Delivery Service Rate Application? If so, please summarize the changes.
- b) With reference to Tab 9, page 4, please provide an explanation for changes in 2018/19 forecast and 2019/20 forecast compared to 2017/18 actuals for each executive.
- c) With reference to Tab 9, page 5, please explain further the referenced terms: "employee obligation expense targets" and "operating cost management".
- d) With reference to Tab 9, page 5, please explain further the "net income targets" referenced in note 3. What were these targets, who set them and when were they established? Are similar targets being established or expected to be established for 2018/19 and 2019/20?
- e) With reference to Tab 9, page 5, note 3, please describe any changes from forecast to actual for integrity expenditures for 2017/18 due to deferral of spending. Please discuss any impacts on specific programs (e.g., cathodic protection and leak surveys). Is deferral of spending similar to that described in note 3 expected to continue in 2018/19 or 2019/20? Please discuss.
- f) Please explain FTE changes between executives/division [Tab 8, page 1] in 2018/19 and 2019/20 forecast compared to 2017/18 actuals. Please explain how these changes impact labour costs, if any, for the 2018/19 and 2019/20 forecast periods.
- g) With reference to Tab 9, page 1, please provide a detailed breakdown and explain the increase in Computer costs in the 2019/20 forecast compared to 2017/18 actuals [increase to \$6.288 million from \$4.960 million in 2017/18]. Please elaborate if a portion of this increase relates to a specific project that is not expected to be continued beyond the 2019/20 forecast year.

- h) With reference to Tab 9, page 1, please provide a detailed breakdown and explain the increase in Sustenance and Transportation costs in the 2019/20 forecast compared to 2017/18 actuals [increase to \$3.992 million from \$2.970 million in 2017/18].
- i) With reference to Tab 9, page 1, please provide a detailed breakdown and explain the increase in Public Relations costs in 2017/18 through 2019/20 compared to the 2016/17 and previous years [gradual increase from \$1.9 million level in 2016/17 to \$3.3 million in 2019/20].
- j) With reference to Tab 9, page 2, please explain the large increase in Materials and Supplies, especially the cost for Chemicals [increase from \$0.644 million in 2017/18 to \$1.235 million in 2019/20].
- k) With reference to Tab 9, page 2, please provide a cost breakdown and explain the material decrease in Misc. Corporate Charges in 2017/18 [to \$0.881 from \$4.794 million] and material increases in Misc. Corporate Charges in 2018/19 and 2019/20 [to \$2.429 million and \$3.494 million]. Please explain any differences in 2017/18 from the 2017/18 fiscal year forecast included in the 2017 Delivery Service Rate Application.
- l) Please quantify any expected operating and maintenance savings from the safety and infrastructure renewal investments and any benefits included in 2018/19 forecast and 2019/20 forecast revenue requirement or anticipated going forward.

3. Reference: Labour Costs

- a) With reference to Tab 9, page 3, please explain the 6.7% increase in Full Time Equivalent (FTE) (increase of 50 FTEs from 744 in 2017-18 actuals to 794 in 2018-19). Please also explain further the basis for the increase of 11 FTEs in 2019/20 forecast over 2018/19 forecast [increase from 794 to 805].
- b) Please provide a list of FTE additions by position and department for 2018-19 and 2019-20.

- c) Please elaborate on the major types of projects or activities that necessitate the large increase in FTEs.
- d) Please outline how management determines when a new employee count should be added to the organization:
 - i. Please outline the steps that are taken, the review process and the form of justification provided.
 - ii. Please provide an example of the business case analysis that would be provided for adding a new FTE vs. engaging a contractor to perform the same work.
- e) On page 20 of the Application SaskEnergy states that “[d]espite the high levels of growth and activity over the past number of years, SaskEnergy has effectively managed the required change in staffing levels. Productivity efforts realized have been critical to this resourcing management.”
 - i. Please indicate and quantify the specific factors that are driving the changes in staffing levels noted in the above quote.
 - ii. Are further material changes in staffing levels expected to be required after the 2019/20 test year? Please discuss in detail.
 - iii. Would continuing at the current staff level negatively impact safety and reliability of the service? Please discuss in detail.
 - iv. Can SaskEnergy avoid large increases in FTEs by using labour productivity measures applied in the previous years as indicated in the Application? Please discuss.
 - v. Please indicate any productivity and efficiency or other measures expected to contribute to management of staffing levels going forward, and to the extent possible, quantify this contribution.
- f) How much of the 8.2% increase in base labour cost in the 2019/20 test year over 2017/18 test year [increase from \$74.896 million to \$81.070 million] is

- attributable to FTE increases? How much is attributable to increases in salaries and wages. Please discuss in detail.
- g) Please discuss the rationale for the increase in FTEs and labour costs at the same time that SaskEnergy also is forecasting an increase in External Services.
 - h) In Tab 8, page 1 SaskEnergy states that in 2018/19 “SaskEnergy transitioned 10 contractor positions to FTE’s for savings of approximately \$950 thousand”. Please detail and explain where those savings are reflected.
 - i) With reference to the response to Pre-ask #3, please confirm that average base labour costs per FTE in 2019/20 is \$100,708 compared to \$102,039 indicated in Pre-ask response #3, and average net base labour cost per FTE is \$114,544 compared to \$116,059 indicated in Pre-ask response #3. If confirmed, please provide a revised response to Pre-ask #3. If not confirmed, please explain the calculations.
 - j) Please explain the basis for the increase of 4.7% in average base labour costs per FTE in the 2019/20 forecast over the 2017/18 test year [\$100,708 over \$96,144].
 - i. Please list and describe the factors that make up the increase.
 - ii. Is part of this increase attributable to the Collective Bargaining Agreement under negotiation? Please discuss.
 - k) Which employee categories have assumed a higher than average increase in 2018/19 and 2019/20 compared to the last rate increase?
 - l) How does the increase in average per FTE base labour cost for SaskEnergy compare to the average increase for SaskPower?
 - m) Please explain why an average labour cost of \$90,000 was used for the vacancy rate adjustment, while the average base labour cost per FTE is \$100,708 for the 2019/20 test year. Please provide the impact to the

revenue requirement if the average base labour cost per FTE of \$100,708 was used for vacancy rate adjustment.

- n) When is a new Collective Bargaining Agreement expected to be finalized?

4. Reference: Communication, Public Relations, Fees, Dues and Community Contribution Costs

- a) Please explain the large increase in Energy Efficiency Programs and Awareness expense in the 2019/20 forecast compared to 2017/18 actuals [\$0.342 million or 18.7%] and double over 2016/17 actuals. Please elaborate if this cost category will continue to increase, or if SaskEnergy is expecting to maintain a level of cost based on past experience.
- b) Please explain the large increases in Professional Memberships and Dues [17% increase in 2019/20 forecast over 2017/18 actuals] and Training and Conferences [double over 2017/18 actuals].
- c) Is SaskEnergy continuing to use CIC Imagine Canada guidelines to guide sponsorship and donations? Please explain.

5. Energy Efficiency

- a) Are any energy efficiency program costs or savings included in the 2019/20 test year revenue requirement?
- i. If so, please provide a breakdown of programs, costs and savings.
 - ii. If not, please explain why not.

6. Reference: External Services

- a) Please explain the large increase in External Services [Tab 9, page 1 and 2] in the 2018/19 forecast and the 2019/20 forecast compared to the most recent actuals [\$40.4 million in 2018/19 and \$44.1 million in 2019/20 compared to approximate \$34 million level experienced for 2015/16 and 2017/18 actuals].

- b) Please explain and quantify the key drivers for growth in Contract Services in Tab 9, page 2 [from \$25.8 million in 2017/18 to \$30.3 million in 2018/19, and further to \$32.6 million in 2019/20].
- c) Does the increase in Contract Services relate to one-time spending focused on completing specific projects? If yes, please quantify the amount that will not be experienced beyond the 2019/20 fiscal year. If not, please explain why not.
- d) Tab 9, page 5 shows that in 2017/18, the actual External Service cost was \$5.951 million (or about 15%) lower than the forecast cost. Please explain why the actual cost was lower than expected in 2017/18 and whether this was related to delay of a specific project.
- e) Please explain and quantify the key drivers for growth in Consulting Services [from \$2.1 million in 2017/18 to \$3.5 million in 2018/19, and further to \$4.4 million in 2019/20].
- f) With reference to Tab 9, page 2, does the increase in Consulting Services relate to one-time spending that is focused on completing specific projects (e.g., cost of service study, depreciation study)? If yes, please quantify the amount that will not be experienced beyond 2019/20 fiscal year. If not, please explain why not.
- g) What is the impact of the forecast increase in the number of FTEs to the volume of External Services? Would any of the new added FTEs replace some portion of the External Services? If yes, please provide a list of added positions showing expected replacement of the External Services for each position in dollars.
- h) On pages 23 and 24 of the application SaskEnergy states that as of “August 2018 AMI natural gas modules had been installed on approximately 96% of customer meters. These gas modules are communicating through SaskPower’s AMI system, and are sending automated meter reads to SaskEnergy’s billing system. Manual meter reads are no longer required for these customers. SaskEnergy meter reading costs have decreased from \$3.376 million prior to the implementation of the AMI Solution to \$2.487

million in 2017-18; resulting in over \$880,000 in annual meter reading cost savings.”

- i. Please explain in detail where these savings are reflected in the revenue requirement.
 - ii. With AMI meter installation nearly complete are there any expected ongoing O&M and/or capital costs associated with the AMI project for 2019/20 and years following? Please explain.
- i) On page 24 of the current application SaskEnergy states that approximately 19% of customers use paperless billing and “CSR-assisted enrollments resulting in an increase of 48% in monthly enrollments from January 2017 to July 2018.” Please quantify the savings from this initiative and confirm that the savings are reflected in the 2019/20 test year revenue requirement.
- j) Please explain how the meter reading savings as well as increased paperless billing subscriptions noted by SaskEnergy on pages 23 and 24 of the Application correspond to the increase in Billing Services in 2019/20 compared to 2016/17 and 2017/18 actuals.
- k) SaskEnergy notes, page 27 of the Application, that safety and infrastructure renewal investments increased from approximately \$7.0 million in 2008 to approximately \$67.6 million during the application period.
- i. Please discuss if increased capital expenditures on system integrity reduce or otherwise impact Routine Maintenance and other O&M costs.
 - ii. Please provide the expected timeframe when those savings will be materialized.
- l) With reference to Tab 9, page 2, please explain the increase in Office Services forecast in the 2019/20 test year [\$0.722 million] compared to the actual results in 2016/17 and 2017/18 [\$0.411 million to \$0.484 million].

7. Reference: Intercompany Allocations

- a) In Tab 10, page 1 SaskEnergy notes that each year “business units are asked to revisit their rationale or methodology for apportioning their costs to ensure it is based on the key cost drivers identified.”
- i. Were any methodology changes for apportioning costs identified as part of this process? Please identify and discuss.
 - ii. Please provide the rationale provided by the Health and Safety unit for the change in allocation to Distribution Division from 30% in 2017/18 to 50% in 2019/20.
- b) Please provide further details for the following business units: “Regina Area General”, “Southeast Area General”, “Southwest Area General” and “North Area General”.
- i. Are these business units newly created? If so, please provide rationale for this change
 - ii. How was the allocation for these units determined?
- c) In Tab 10, page 1 SaskEnergy notes that “[d]uring fiscal 2018-19, certain assets held by Bayhurst Gas Limited (BGL) and Bayhurst Energy Services Corporation (BESCO) were marketed for sale. As a result, the assumption for the 2019-20 forecast was there would be minimal activity in the Bayhurst group of companies therefore allocations have been adjusted accordingly.”
- i. Please provide any updates regarding the above statement and the noted forecast assumptions for 2019/20 regarding the Bayhurst group of companies.
 - ii. Please quantify the amount allocated to the Distribution Division as the result of the adjustments noted by SaskEnergy.

8. Reference: External and Internal Recoveries

- a) With reference to the table on page 1 of Tab 9, please provide a breakdown of the items included in each of external recoveries and internal recoveries for each year in the table. Please explain notable year-to-year changes.

9. Reference: Transportation and Storage Expense

- a) SaskEnergy notes that TransGas last adjusted its transportation and storage rates on May 1, 2018.
- i. Please confirm that 2019/20 test year transportation and storage expenses are forecast using TransGas May 1, 2018 rates.
 - ii. If not confirmed, please provide details of the rate increase assumed for TransGas and the impact to transportation and storage costs.
- b) In response to Round 1 Information Request 8 (d) from the 2016 Application, SaskEnergy noted that the 396,994 GJ/day of contracted storage withdrawal capacity for 2015 was incorrect and the actual amount contracted for 2015 was 391,478 GJ/day. If this is still accurate, please provide a corrected version of Schedule 4.1.
- c) Please describe any measures that SaskEnergy is taking in the test years and going forward to achieve greater efficiencies and to reduce transportation costs?
- d) Please quantify, if any, the amount of transportation and storage costs attributable to gas retailers as the total Transportation Contracted Demand of 605,000 GJ/day includes 31,000 GJ/day for gas retailers as per the figure on page 12 of the Application.
- e) Would Transportation Contracted Demand be expected to change after the Alberta/Saskatchewan border pipeline capacity constraints issues are addressed and new pipeline capacity has been installed? Please discuss.

10. Reference: Depreciation Expense

- a) Please confirm that changes in year-over-year depreciation expense relate primarily to additions to property, plant and equipment and not to changes to depreciation rates or methods. If not, please provide an explanation.
- b) On page 28 of the Application SaskEnergy notes that it has engaged “an external consultant to perform a new depreciation study and is currently working with the consultant to validate and finalize the results.”
 - i. Are any material changes to rates or methods anticipated in the study?
 - ii. Please discuss any potential impact the change in depreciation rates or methods may have on 2019/20 actual results.
 - iii. Please confirm if SaskEnergy is planning to update the depreciation expense and revenue requirement for the 2019/20 test year to reflect new depreciation study results. If confirmed, please provide a timeframe for the update. If not confirmed, please explain why not.
 - iv. Does SaskEnergy plan to provide any updates as part of the updates planned to be provided in November?
- c) Was a mid-year approach used for large new assets coming into service at the beginning or end of the year? Please provide a detailed explanation regarding the methods used in this regard.
- d) Please reconcile the depreciation expense calculation provided in Schedule 4.3 to the information provided in Pre-ask #8 [\$41.794 million net depreciation expense in Pre-ask #8 compared to \$48.186 million in Schedule 4.3].
- e) Please provide details regarding how the amortization of customer contributions is calculated. Does SaskEnergy report customer contributions by asset account similar to plant-in-service?

- f) Please provide details regarding how decommissioning assets depreciation was calculated as provided in Pre-ask #9.
 - i. Please provide this in a format similar to that provided for plant in service.
 - ii. Does the calculation use the same depreciation rates as the plant in service? If yes, please show calculations. If not, please explain how the rates are determined for decommissioning assets depreciation.

11. Reference: Interest Expense

- a) Please provide the forecast and actual short term and long term interest rates for short term and long term debt for 2015, 2016, 2017 and 2018 to date.
- b) With reference to Tab 14, page 2, please explain the increase in the outstanding short-term debt balance in 2019/20 [\$220.3 million] compared to 2017/18 actual [121.4 million].
- c) With reference to Tab 14, page 2, please explain the increase in the short-term debt average interest rate.
 - i. Please compare the average interest rate [2.22%] to the information provided on page 3 of Tab 14 that shows on a forecast basis the highest short-term interest rate expected to be at 1.79% and 2018/19 average short-term interest forecast at 1.41%.
 - ii. Please explain in detail how the average interest rate of 2.22% was determined.
- d) Please provide the calculated average cost of debt and interest expense assuming an average short-term rate at 1.41% [at 2018/19 forecast level] and separately assuming 1.79% interest rate [forecast included in Tab 14].
- e) Please confirm that in 2018 SaskEnergy borrowed new long-term debt of \$50 million with an interest rate of 3.30% compared to forecast included in the 2017 application at \$75 million with interest rate of 4.39%. Please

- quantify the impact on actual results for 2017/18 compared to the test year forecast.
- f) Please explain the need for new long-term borrowing at \$75.0 million in 2019 as provided in Pre-ask #11. Is this borrowing expected to replace higher interest rate borrowings that are due in 2020?
 - g) To the extent SaskEnergy is aware, please provide long-term interest rates used by other peer utilities in most recent rate applications. If applicable, please indicate if the peer utility's borrowing is similar to SaskEnergy's (i.e., borrowing through provincial government at lower rate).
 - h) Please explain the material reduction in capitalized interest in 2018/19 and 2019/20 compared to 2017/18 actuals considering the capital additions for 2018/19 and 2019/20 are forecast to be much higher compared to 2017/18 actuals as illustrated in Pre-ask #8.
 - i) Please explain the large increase in accretion expense in the 2019/20 test year [\$3.1 million] compared to 2017/18 actuals [\$2.4 million].
 - j) Please provide a schedule showing the calculation of accretion expense for 2016/17 through 2019/20. Please also discuss how the discount rate was determined.
 - k) Please provide a schedule showing the calculation of sinking fund earnings for 2016/17 through 2019/20, including showing the fund balances in each year.
 - l) Has SaskEnergy confirmed the forecast sinking fund earnings with Ministry of Finance of province of Saskatchewan [considering the Ministry of Finance manages the sinking fund investments]?
 - m) Have there been any changes to SaskEnergy's long term debt and short term debt rates since the filing of the Application?
 - i. Please provide any updates since June 2018.

- ii. Will any updates on long term and short term interest rates be included in the November update?

12. Reference: Tax Expense

- a) Please explain the increase in Grants in Lieu of Taxes in 2018/19 and 2019/20 over 2017/18 actuals.
- b) Please explain the increase in Corporate Capital Tax in 2019/20 forecast over 2018/19 Forecast and 2017/18 actuals.
- c) Please confirm that differences between the Net Book Value provided in Tab 17 [\$1,038.0 million] and the Net Book Value provided in Pre-ask #10 [\$1,323.8 million] mostly reflect customer contributions. If confirmed, please provide the impact of removing customer contributions from tax calculations.
- d) Please reconcile information regarding Loans and Advances provided in Pre-ask #10 [\$1,576 million] to information provided in Tab 14 of the Application [\$765 million, total debt that includes long and short-term debts].
- e) Please confirm that the corporate tax expenses included in the revenue requirement for the 2019/20 test year reflect the expenses attributable only for the Distribution Division.

13. Reference: Other Revenue

- a) Please confirm that Asset Optimization revenues provided in Schedule 4.7 reflect revenues previously stated as Margin on Gas Marketing. Why was this change made and does it reflect any changes to this revenue category?
- b) Please detail the factors underlying the increase in Asset Optimization revenues in 2017/18 [\$16.197 million] compared to the forecast for the same period provided in the 2017 Application [\$2.102 million].
 - i. Please quantify the material factors driving this change.
 - ii. Please identify and quantify whether any portion of the increased revenue relates to increased peak day requirements.

- c) Please discuss whether there is a relationship between Asset Optimization revenues and peak day requirements for gas retailers.
- d) Please explain why Asset Optimization revenues for the 2019/20 test year [\$5.913 million] are much lower compared to 2017/18 actuals [\$16.197 million].
- e) Please discuss any impact that continued issues in the Alberta/Saskatchewan border related to pipeline capacity constraints would have on Asset Optimization revenues in future years.
- f) Please confirm that Distribution Tolls are determined using the cost of service results in Tab 12.

14. Reference: Tab 6: Capital Expenditure Program

- a) With reference to the capital expenditure forecast included in the 2017/18 test year forecast – how much of the forecast capital planned to be completed in the 2017/18 test year was actually completed as forecast and was in service and included in rate base in that time period. How much was deferred and/or is planned to be completed in 2018/19 or later?
- b) With reference to Tab 6, page 8 and the response to Pre-Ask #14 please outline and explain any major changes in forecast assumptions compared to the information provided in the response to Round 2 Information Request 16(c) from the 2017 Delivery Service Rate Application.
- c) With reference to the response to Round 1 Information Request 16(d) from the 2017 Delivery Service Rate Application, please provide an update regarding the work and projected capital requirements defined by the Major Growth Infrastructure (MGI) program over the period from 2017/18 through 2025/26. Please identify and explain any material changes since the 2017 Delivery Service Rate Application review.
- d) With reference to page 12 of the Application, please provide any updates and describe in further detail the risk identification protocol and asset management strategy referenced. Please indicate any major updates or

changes in processes or approach to decision making that have occurred over the past year and detail any planned changes or assessments in this regard going forward.

- e) Please detail and specify by year, by location and program type the key areas where safety and infrastructure renewal activities have been, or are planned to be, undertaken from 2017/18 through 2019/20.
- f) Please provide a more detailed update on the distribution main replacement program, including a description of key activities being undertaken or planned to be undertaken from 2017/18 through 2019/20; please explain further how these activities were identified, justified and prioritized and provide forecast spending on these activities over this period.
- g) Please expand the information on page 21 of the Application regarding the total number of customer connections to include 2018/19 and 2019/20 (forecast).
- h) With reference to page 8 of Tab 6 and the response to Pre-Ask #14, please explain the forecast increase in Customer Connection costs in 2018/19 and 2019/20 and the forecast reduction in these costs the years 2020/21 to 2022/23.
- i) Please explain the decrease in Custom Work expenditures after 2016/17 [Tab 6, page 3].
- j) Please provide an explanation for the decrease in Rural Mains and Services expenditures in 2016/17 and 2017/18 compared to 2015/16, and the increase in these expenditures forecast in 2018/19 and 2019/20.
- k) For the New First Nation Reserves line item please explain any changes in 2017/18 actuals compared to the 2017/18 test year forecast. Please also discuss the material increase in expenditures in 2018/19 and 2019/20. Is this level of expenditure limited to these two years or is it expected to continue?

- l) Please explain the increase in First Nation Infill services starting in 2017/18. Please explain the differences in forecast from the 2017 Delivery Service Rate Application.
- m) Please explain the change in Urban Mains compared to the forecast reviewed in the 2017 Delivery Service Rate Application [\$5,943 actual for 2017/18 and forecast of \$7,500 for 2018/19 in Tab 6, page 3, compared to forecast of \$8,250 for 2017/18 and 2018/19 included in Tab 6 of the 2017 Delivery Service Rate Application].
- n) With reference to page 4 of Tab 6, please explain the forecast reduction in spending for Regulator/ Meter Station Upgrades in 2018/19 and 2019/20 compared to prior years. Is spending expected to continue at this level for future years?
- o) With reference to page 4 of Tab 6, please provide a detailed explanation of the increase in spending on Service Upgrades in 2018/19 and 2019/20 forecast compared to prior years and compared to forecasts included in Tab 6 of the 2017 Delivery Service Rate Application. Is spending expected to be maintained at these levels going forward?
- p) With reference to page 4 of Tab 6, please provide an update regarding the U/G Entrance Program activities, explain costs expected for 2018/19 and 2019/20 and expected levels of spending going forward for this program.
- q) With reference to page 4, Tab 6, please provide an explanation for the increase in costs for the U/G Valve Isolation and CP System Upgrades for 2017/18 to 2019/20. Are these levels of costs expected to continue?
- r) With reference to page 4 of Tab 6, please explain the decrease in forecast expenditures for Major Growth Infrastructure in 2018/19 compared to the forecast included in the 2017 Delivery Rate Application [\$6,642 forecast in 2018 compared to \$9,450 forecast in 2017]. Please also explain the material increase forecast for 2019/20.
- s) With reference to Tab 6, page 4, please explain in detail the material increase in spending on Distribution Main and Station Replacements in

2018/19 and 2019/20 compared to prior years. Is this level of spending expected to continue?

- t) Please explain the ongoing forecast spending for the Meter Exchange Program over the 2017/18 to 2019/20 period.
 - i. Please provide further information regarding forecast meter exchanges for 2018/19 and 2019/20. Are meter exchanges expected to increase, decrease or remain at the same level going forward?
 - ii. Is this level of spending expected to continue going forward after the 2019/20 period?
- u) With reference to page 8 of Tab 6 and the response to Pre-Ask #14, please explain the increase for Buildings/ Furniture in 2018/19 [\$23.4 million] and the ongoing expense levels from in 2019/20 to 2022/23.
- v) Please provide an update regarding the status of legal issues related to the head office building and when outstanding issues are expected to be resolved. Please confirm whether there has been any change in foregone savings due to delay in resolving issues related to the head office building [see response to Round 1 Information Request 16(v) in relation to the 2017 Delivery Service Rate Application].
- w) With reference to page 8 of Tab 6 and the response to Pre-Ask #14, please provide an explanation for the forecast and ongoing increases in Information Systems expenditures over the period from 2018/19 through 2021/2022.
 - i. Please provide details regarding the specific projects to be completed each year, including rationale for undertaking the project, forecast costs, and schedule.
 - ii. Do any of the forecast cost increases for Information Systems relate to safety? Please describe or quantify.

- iii. Please describe and quantify any related productivity and efficiency costs or savings for these projects.
- x) Please provide an update to Round 1 Information Request 16(y) in relation to the 2017 Delivery Service Rate Application, and detail the impact of the annual safety and infrastructure renewal expenditures to rate increases and to capital structure [actual debt/ equity ratio] of the Corporation since 2012.
- y) Please explain how Customer Contributions are forecast for 2018/19 and 2019/20.

15. Reference: Tab 6: Planned Maintenance Program

- a) Please provide an estimate of the proportion of SaskEnergy's total operations and maintenance expenses in 2015/16 to 2017/18, and forecast for 2018/19 and 2019/20 that relate to the planned maintenance program.
 - i. Please provide both the percentage of total O&M spending that relates to the planned maintenance program, as well as the total dollar amount each year.
 - ii. Please provide the portion of O&M expense each year that relates to distribution mains and service lines vs. pressure regulation stations. Please also provide the portion of O&M expense each year that relates to maintenance of customer end point gas measuring equipment in compliance with Measurement Canada requirements.
- b) Please provide a table that provides the dollar amounts for SaskEnergy system integrity expense for 2011 to 2015 (actual); 2015/16 to 2017/18 actual and 2018/19 forecast and 2019/20 forecast. Please also breakout the major categories of system integrity capital spending and the major categories of system integrity operating spending for each year provided [see for example response to 15(b) from the 2017 Delivery Service Rate Application].

16. Reference: Safety & Reliability

- a) Please provide the annual costs for the damage prevention program (described in Tab 6, page 7) from 2017/18 through 2019/20. What are key elements of these costs and where are these costs included in the capital or operating budgets?
- b) With reference to the figure showing Third Party Line Hits (April to July) at page 22 of the Application – please provide a table for the same years outlining third party line hits for all months (January through December).
- c) With reference to Pre-Ask #15, please provide further discussion regarding 2018 leaks. Please also provide any updates regarding the 2018 leak rate, number of leaks and explanation for increase/ decrease in leaks.
- d) With reference to Pre-Ask-#15 and the discussion provided in Tab 7, page 1, please provide further details regarding the material underground gas leaks identified in Saskatoon in late 2017 and early 2018:
 - i. Please discuss further the “curb valve issue” referenced in Pre-Ask #15. Please describe the issue, how it arose, how it is being addressed and whether similar issues may arise in other locations? What was the cost to address this issue in 2017 and 2018 and are ongoing costs expected to be incurred to address this issue in the future?
 - ii. Please discuss further the impacts related to weather and soil conditions noted?
 - iii. Please provide information regarding total leaks in Saskatoon over the past 5 years and impacts the above described issues had on total leaks in 2017 and 2018.
 - iv. Please discuss and quantify any impact the above described issues had on capital expenditures for growth and risk management from 2017/18 to 2019/20 and whether ongoing cost impacts are expected after 2019/20.

- e) Please discuss any advancements in leak detection technology/ processes over the past 5-10 years and how this has impacted the number, frequency, severity and/or types of leaks detected.
- f) Is SaskEnergy able to track leaks by severity of the leak or size? Please discuss and provide any available information for the last 5 years.
- g) Does SaskEnergy track leaks detected through surveys vs. via customer calls or other third party reporting? Please discuss and provide any available information for the last 5 years.
- h) Page 23 of the Application notes that “line locating is a substantial component of SaskEnergy’s operating budget”. Please provide the portion of total O&M spending that relates to line locates as well as the total dollars each year. Please indicate how the joint line locating process has helped to reduce these costs over the last 5 years.
- i) With reference to page 23 of the Application, it indicates that “SaskEnergy has also taken over the Safety Patrol program” – please provide further details regarding what this entails and any changes to SaskEnergy costs.
- j) Please update the response to Round 1 Information Request 17(b) in relation to the 2017 Delivery Service Rate Application and provide the actual spending on safety and integrity measures for each year from 2012 through 2015, 2015/16 to 2017/18 fiscal and fiscal forecasts for 2017/18 to 2019/20. Please also include test year spending for 2015/16 to 2017/18.
- k) Please provide an update regarding the 10 year service upgrade plan.
 - i. Please provide a description of key activities forecast to be undertaken as part of the plan (including location), and discuss how these are prioritized, as well as annual spending for these activities each year over the period from 2017/18 through 2019/20 forecast.
 - ii. Please outline communities being prioritized as part of the plan for 2017/28 through 2019/20 and include the historical leak rate for

these communities. How does this compare with the rest of the province?

- iii. Please quantify operating and maintenance costs and savings as a result of implementing the 10 year upgrade plan over the period from 2017/18 to 2019/20 period. What level of spending is expected for the years following 2019/20?
 - iv. Please discuss any impacts the program is expected to have on leak rate and targeted and actual reduction in leaks per year.
- l) Please provide a table that shows the number and type of leaks by community for 2017 and 2018 year to date. Please provide in a format similar to response to Delivery Service Information Request – Round 1, 17(f) from the 2017 Application. Please also provide a table that includes the annual leak rate for these communities as well as the three year and five year average for the province.
- m) Tab 7, page 3 notes that “there was a 3.5% reduction in 2017-18 (compared to 2016-17), an 11% reduction in 2016-17 (compared to 2015-16) and a total reduction of 355 since 2013.”
- i. Please confirm this relates to third party line hits.
 - ii. Please provide total line hits per year from 2013 to date.
 - iii. Are line hits tracked separately from total leaks and leak cause [see Pre-Ask #16].
- n) Have there been any leaks in 2017 or 2018 to date that resulted in injuries or damage to public or private property?
- o) With reference to the table included in the response to Round 1 Information Request 17(l) in relation to the 2017 Delivery Service Rate Application, please provide any updates to comparisons of SaskEnergy’s safety and reliability measures with other available industry metrics (for target leak rate and level of spending directed at safety and integrity initiatives). If relevant,

please explain any differences or changes in results between SaskEnergy and industry metrics provided.

- p) Please provide more information regarding the annual customer satisfaction research referenced at page 2 of Tab 7. Please provide the most recent survey and results.
- q) With reference to Pre-Ask #16, please explain any factors underlying the increase in Total Recordable Injury Frequency Rate and PVC Frequency Rate.
- r) With reference to Pre-Ask#16, please comment on the increase in Rural Response Time and Urban Response time noted for 2017 and 2018 (January to June). Are there any updates for 2018?

17. Reference: Net Income

- a) Please identify, explain and quantify the specific factors underlying the higher actual net income for 2017/18 (of \$70.220 million) compared to the previous actual years (2015/16 and 2016/17).
 - i. Please provide specific categories that make up the actual \$70.220 million in net income for 2017/18 and indicate the forecast and actual amounts for these categories and reason for change from forecast.
 - ii. Please indicate and quantify how much of the \$70.220 million of net income in 2017/18 relates to the distribution division.
- b) Please explain the basis for the materially lower forecast for 2018/19 and 2019/20 compared to 2017/18. Please provide the forecast amounts for specific categories noted in (a) above and indicate if any updates are applicable for 2018/19.
- c) Please provide the weather adjusted net income for 2016/17 and 2017/18.

18. Reference: Tab 17 - Calculation of Rate base

- a) Please confirm that Plant in Service at Cost figures are net of customer contributions.

- b) Please provide a table that shows the calculation of cash working capital requirements for the 2019/20 test year for each expense/revenue category.
- c) Please explain differences in lead/lag days.
 - i. Please explain why revenues from Distribution Tolls use 82.90 days while Transportation and Storage expenses use 45.6 days, and revenues use 40 days.
 - ii. Please explain how 82.90 days was determined.
 - iii. Please also provide the impact to the working capital requirements if 45.6 days were used for Distribution Tolls.
- d) Please confirm inventories included in Plant in Service cost [if any] are not included in working capital requirement calculations.

19. Reference: Capital Structure and Cost of Capital

- a) Please discuss the basis for including accumulated balance of accretion expenses in the regulated capital structure as no cost capital. To the extent SaskEnergy is aware, please discuss how this is addressed by other utilities.
- b) Please provide the impact to the revenue requirement if the accumulated balance of accretion expenses are included in the regulated capital structure as no cost capital [effectively reducing rate base to be allocated to equity and debt].
- c) Please provide further details regarding the cost of debt calculation.
 - i. Please confirm that for the cost of debt calculation SaskEnergy calculated total short-term debt interest expense based on the total outstanding balance of short-term debt [\$4.880 million], then adjusted it for Capitalized Interest [\$0.234 million] and Interest Allocated to Commodity Cost of Gas [\$0.446 million] to arrive 2.98% short debt cost.

- ii. Please confirm the total capitalization amount determined using this approach and how this compares to total rate base.
 - iii. Please discuss the reasonableness of the approach outlined in part (i) in light of the response to (ii).
 - iv. Do any other utilities use an approach similar to SaskEnergy's approach (as described in part (i))?
- d) Please provide the impact to the revenue requirement if short-term debt interest expense was calculated using the following approach:

total rate base less equity and long-term debt = short-term debt times average short-term interest rate.

20. Reference: Cost of Service Study

- a) Please confirm if SaskEnergy's 2019/20 cost of service study was prepared using the same methods reviewed by Chymko Consulting in 2013 and the 2017/18 test year cost of service study. If not confirmed, please itemize any differences between the methods used in the 2019/20 cost of service study and the methods reviewed by Chymko Consulting in 2013 and the 2017/18 cost of service study.
- b) Were there any updates to the Functional Classification factors from the 2017/18 cost of service study and factors used in review by Chymko Consulting in 2013? Please provide any details or explanation.
- c) Please confirm that the change in cost of service allocation factors from the 2017/18 test year cost of service study are solely due to the change in customer class peak and usage characteristics.
- d) Please explain why a higher than the average rate increase is required for the Residential customer class to bring the RCC ratio at 98.9%, while the previous application had already targeted a 98.8% RCC ratio.

- e) Further to 20(d) above, please explain if serving the residential customer class has increased in cost compared to the cost of service results from 2017/18 application.
- f) Please explain why a lower than the average rate increase is required for the Small Industrial customer class to bring RCC ratio to 103.2%, while the previous application targeted an even lower RCC ratio at 102.6%.
- g) Further to 20(f) above, please explain if serving the Small Industrial customer class has become less costly compared to the cost of service results from the 2017/18 application.
- h) With regard to 20(f) and 20(g) above, please provide a similar explanation for the Commercial Large customer class.
- i) Please explain how the Peak Day Load Factors in Schedule 3.2.1 are calculated. Please explain any changes compared to the 2017/18 Cost of Service study.
- j) Please explain the increased allocation to the functional classifications for Frontage Mains Capacity [6.38% in 2017/18 cost of service study compared to 7.51% in the 2019/20 cost of service study Schedule 2.0].
- k) Please explain the increased allocation to the functional classifications for Service Line Customer [15.45% in 2017/18 cost of service study compared to 18.62% in the 2019/20 cost of service study Schedule 2.0].
- l) Please explain how proposed rate increases in Schedule 9.4 of the 2019/20 Cost of Service study were determined.

21. Reference: Customer Bill Impacts

- a) With reference to Tab 21, page 1, please provide a version of the table separately showing annual bill impacts of the commodity rate change and delivery service rate change effective April 1, 2019.

- b) With reference to Tab 21, page 4, please provide version of the figures separately showing annual bill impacts of the commodity rate change and delivery service rate change effective April 1, 2019.
- c) Please update Table 2-1 and Figure 2-1 from the 2017/18 Consultant's Report. If possible, please show the impact of proposed interim rate change effective November 1, 2018 and proposed final rate changes effective April 1, 2019.
- d) Please quantify and describe the impact that the proposed carbon tax will have on customer bills in 2019 and 2020.

22. Reference: Competitiveness

- a) With reference to the figures provided in Tab 22, please provide a version of each of the figures that shows the commodity bill comparison using new proposed rates for SaskEnergy effective April 1, 2019 and the latest available information for the other jurisdictions.
- b) Please provide total bills [commodity and delivery] for each rate class using new proposed rates for SaskEnergy effective April 1, 2019 and the latest available information for the other jurisdictions.

23. Reference: Load Forecast and Peak Load Requirements

- a) Please provide a version of the load forecast model and regression analysis in Microsoft excel format with all formulae intact.
- b) Please provide an updated version of the response to Round 1 Information Request 24 (a) from the previous application. Please discuss whether 96% AMI implementation has had an impact on load forecast accuracy.
- c) Please provide details of the forecast method for new customer additions. Please provide the method used for each customer class.
- d) Please provide the calculation showing the derivation of the forecast peak shown in Schedule 5.6.

- e) Please provide the 30-year Environment Canada weather statistics for Regina and Saskatoon used in the peak day forecast [page 37 of the application].
- f) Please reconcile the weather normalized consumption forecast for Commercial Small customer class provided in Schedule 5.2 of the Application [525,793,000 m³] to the weather normalized consumption forecast provided in Tab 20, page 6 [518,686,000 m³]. Please explain any differences.
- g) Please explain the reduction in weather normalized usage per customer for the Commercial Small customer class [511 GJ/customer in 2017/18 and 2018/19 to 503 GJ/customer in 2019/20].
- h) Please explain the basis for the 4.4% reduction in sales for the Commercial Large customer class in 2019/20 test year compared to the 2017/18 test year.
- i) Please confirm that SaskEnergy used a forecast heat value of 38.5 MJ/m³ for all customer classes.

24. Reference: Rate Design Principles and Objectives

- a) Please explain why SaskEnergy is proposing a higher than average rate increase for Residential customers [3.95% compared to 3.69% average], and lower rate increases for Commercial Large [1.43%] and Small Industrial [0.46%].
- b) Please provide what the RCC ratios would be if the rate increase applied equally to all classes. Please also provide average bill impacts.
- c) Please elaborate how the heat value differences by region that causes variances in cost of energy reconciles with the “Postage Stamp” Pricing Philosophy that SaskEnergy describes on page 30 of the Application.
- d) The Application at page 32 indicates that SaskEnergy has a long term objective to recover at least 75% of the fixed customer care related costs through its Basic Monthly Charge.

- i. Please discuss the basis for the 75% threshold, i.e., when was this established and what was the rationale for the specific threshold?
- ii. Since the threshold was established, has SaskEnergy consistently maintained the BMC near the 75% threshold for all classes? How often have customer classes been below the threshold?
- iii. What concerns would arise should the BMC for these classes continue to decline below current levels.
- iv. Please indicate what change would be required in rate structure to maintain a 75% BMC.

25. Reference: Implementation of Previous Panel Recommendations

- a) With reference to Tab 24, page 2, please describe in further detail the project to evaluate and transition to billing in energy.
 - i. How will the “major technical upgrades” to its customer information system impact SaskEnergy’s ability to bill in energy? Please explain why the project to evaluate and transition to billing in energy must be deferred until after this technical upgrade.
 - ii. How long is the project to evaluate and transition to billing in energy expected to take?
 - iii. Is there a scope of work, budget or other established parameters for this study? Please provide any further details that are available.
 - iv. Tab 24, page 2 notes that SaskEnergy continues to monitor its heat value around the province. Please discuss how this is monitored and reported.
 - v. Is SaskEnergy planning to engage with customers and/or other stakeholders adversely impacted by the delay in transitioning to billing in energy? Has SaskEnergy communicated with interested stakeholders in this regard? If so, what have been the results of these discussions?

- vi. As SaskEnergy proceeds with infrastructure renewal and other capital investments, what measures is it taking as part of planning for infrastructure projects to facilitate future implementation or to ensure it can proceed with billing in energy when the circumstances favour such a transition.

26. Reference: Heat Value

- a) Please update the response to Round 1 Information Request 28(a) in relation to the 2017 Delivery Service Rate Application, and provide the range (maximum and minimum) of heating values that SaskEnergy has observed in its system in the past 5 years by major centres and the total for the system, including for each major centre the number of customers, total annual sales, heat value, and the average bill for residential and commercial customers based on average usage per customer. Please also include sales in cubic metres for each of the ten major centres provided; and break out the basic monthly charge, delivery and commodity portion of average customer bills.
- b) Please provide the actual heat rates compared to applicable test year forecast heat rates for 2012 to 2017; please also discuss heat value ranges in the last year, compared to the last 3 years.
- c) Please estimate the impacts of heat value to Delivery Revenue/ Net Income and to the Commodity Revenue/ GCVA balance for the last three years (2015/16 to 2017/18). Please also provide the potential impact that may result from actual variations in heat value from forecast in 2018/19 and 2019/20.
- d) Please provide any updates regarding what the actual heat value in 2018/19 is expected to be. Please discuss any expectation regarding future variations in heat value in 2019/20 and future years.
- e) Please update the response to Round 1 Information Request 28(e) in relation to the 2017 Delivery Service Rate Application, and provide a table or chart for the past 5 years that shows the quantity of natural gas sourced

from outside Saskatchewan and from locally extracted sources and provide estimates of the associated heat values from each source.

- f) Please discuss any factors impacting heat value since 2017 or that are expected to impact heat value going forward?

27. Reference: Productivity and Efficiency Update

- a) Please confirm that the targeted productivity and efficiency savings of \$4.0 million for 2018/19 as discussed at page 23 of the Application are reflected in the forecast 2019/20 revenue requirement.
- b) With reference to the annual productivity and efficiency savings of \$4.0 million targeted for 2018/19 [as described at page 23 of the Application], please provide a breakdown of forecast savings by initiative or project for each efficiency measure, describe each measure, and note whether the measures relate to Crown Collaboration, Business Process Changes, Leveraging Technology, or other categories.
- c) Were all of the targeted \$4.4 million in savings forecast in 2017/18 revenue requirement achieved? Please itemize and explain any differences in forecast and actual results for 2017/18.
- d) Please outline any initiatives being planned for 2019/20 including any expected efficiency savings being targeted.