

1. Reference: Proposed Commodity Rate

- a) Please discuss in further detail the rationale for including two separate commodity rate adjustments in the current application, including the rationale for the quantum of each rate adjustment [November 1, 2018 interim rate and April 1, 2019 final rate].
- b) Please discuss if more frequent commodity price changes may be required in future in light of the natural gas price changes that have led to material accumulation of funds in the GCVA.
- c) Please discuss whether similar issues have arisen in other jurisdictions and how these issues have been, or are being, addressed.
- d) With regard to the jurisdictions included in the competitiveness comparison in Tab 22:
 - i. Please provide details regarding the frequency of rate adjustments in these jurisdictions and how this compares to SaskEnergy.
 - ii. To the extent SaskEnergy is aware, please discuss any key differences in commodity rate design and/ or approach compared to SaskEnergy.
- e) On page 5 of the Application, SaskEnergy states that the proposed final commodity rate results “in a modest Gas Cost Variance Account (GCVA) balance of approximately \$5.1 million owing to customers at the end of the Application period, March 31, 2020. Considering the current low prices and the potential for prices to rise, a modest GCVA balance owing to customers will contribute to continued price stability into the future.”
 - i. Has this approach to setting the commodity rate been used by SaskEnergy before, i.e., has a “modest balance” been left in the GCVA to mitigate potential future rate stability concerns? Please discuss.
 - ii. Do concerns about future price stability relate to commodity rate impacts, to delivery bill impacts or both?
 - iii. Is this an approach to commodity rate setting that SaskEnergy would seek to implement on an ongoing basis? Please discuss.

- iv. Please discuss this proposal in light of rate design principles and objectives. What effect does this proposal have on intergenerational fairness/equity?
- v. Considering SaskEnergy's Commodity Price Risk Management Strategy referenced on page 15, please discuss how material a risk there is to SaskEnergy customers related to "the potential for prices to rise".

2. Reference: Cost of Purchase Gas

- a) Please provide a chart that quantifies the difference between the AECO forward price of natural gas and SaskEnergy's cost of purchase gas in Saskatchewan before and after financial and fixed price hedges (and before any unplanned incremental purchases and sales) for the last 10 years.
- b) Please provide further details regarding how the April 2019 to March 2020 forecast sales (in GJ) as provided in Schedule 1 and Schedule 3 were calculated.
- c) Please reconcile April 2019 to March 2020 forecast sales for each month (in GJ), as provided in Schedule 1 and Schedule 3, to the load forecast provided in Schedule 5.2.
- d) Please provide Schedule 1 for the period from November 2016 to March 2020 that shows monthly Alberta and Saskatchewan purchases, storage injections/withdrawals in GJ.
- e) Please provide a version of Schedule 1.1 for November 2016 to March 2017, April 2017 to March 2018, and April 2018 to March 2019.
- f) Please provide a version of Schedule 1.1 that itemizes the add-ons, premiums or adjustments between the AECO forward price and the Cost of Purchase Gas before financial hedges [format similar to response to 2(d) from Round 1 Commodity IRs for the 2016 Delivery Service and Commodity Rate Application].
- g) SaskEnergy notes at page 7 of the Application that for the period of November 1, 2018 to October 31, 2019, SaskEnergy is forecasting to purchase approximately 65% of its natural gas supply from outside of the province and the majority of the supply from outside of the province comes from Alberta.

- i. Does SaskEnergy purchase natural gas outside of the province other than from Alberta?
 - ii. Please provide a table showing the volume of gas purchases for the last five years and forecast volumes for the test year from each source of supply.
 - iii. Please comment on whether SaskEnergy believes the trends experienced in recent years that saw year-to-year increases in natural gas imports will continue or stabilize.
- h) On page 10 of the Application SaskEnergy states that “AECO prices are currently depressed in both the near-term and the longer-term, as it will take several years for pipelines to be constructed to increase export capacity. Since Saskatchewan is downstream of the pipeline capacity restriction at the Alberta/Saskatchewan border, natural gas prices in Saskatchewan have not participated in the price decreases experienced in Alberta.” Please discuss options available and considered by SaskEnergy to address supply for the near-term and the longer-term.
- i) On page 10 of the Application SaskEnergy notes that “[n]atural gas in Saskatchewan has been trading in excess of AECO plus \$1.00/GJ in recent months, which is significantly higher than the typical differential of about \$0.15 to \$0.20/GJ in recent years. This strong pricing differential is expected to continue into the 2018-19 gas-year, with one-year gas contracts in Saskatchewan expected to trade in the AECO plus \$0.50 to \$0.75/GJ range.”
 - i. Please provide the month-to-month price differential for the last five years and the expected price differential for the near term.
 - ii. Please explain any significant month-to-month changes.
- j) Please discuss any impact the pipeline capacity restriction at the Alberta/Saskatchewan border may have on purchases from Saskatchewan suppliers [e.g., impacts on price or volume purchased].

3. Reference: Interest and Operating Expenses

- a) Please explain in detail how the Operation, Maintenance and Administrative Charges allocation in Tab 19, page 2 reconciles to the Intercompany Allocation provided in Tab 11.
- b) Please provide the actual and forecast interest rates used to calculate inventory carrying costs for the period from November 2016 to March 2020.
- c) Please explain how the bad debt expense forecast was calculated.
 - i. Please explain the reason for the ongoing forecast increases in bad debt expense.
 - ii. Please explain the relatively large increase in bad debt expense in 2019/20 [\$0.944 million in 2019/20 compared to \$0.628 million in 2017/18 actual] as summarized in Tab 19 page 1.
- d) Please explain how the forecast late payment revenue was calculated in Tab 19, page 1.
- e) Please explain the increase in late payment revenue forecast in 2018/19 compared to 2017/18.
- f) With reference to the operating, maintenance and administrative allocation [page 2, Tab 19]:
 - i. Has there been any change in the costs allocated or the basis of allocation since 2016?
 - ii. Please outline the extent of any changes in allocation and the rationale for the change.

4. Gas Cost Variance Account

- a) Please confirm that Schedule 2 assumes the interim commodity rate at \$2.95/GJ effective November 1, 2018.

- b) Please provide a version of Schedule 2 that extends the forecast for the GCVA to March 2020, assuming the interim commodity rate is effective November 1, 2018 and final rate effective April 1, 2019 as proposed.
- c) Please provide a separate schedule showing the calculation of commodity sales revenues for each month for the period from April 1, 2019 to March 31, 2020 that reconciles to the monthly load forecast provided in Schedule 5.0 as well as extended version of Schedule 2 requested in question 4(b).
- d) Please provide a version of Schedule 2 for the period after March 31, 2020 (i.e., GCVA forecast from April 1, 2020 to March 31, 2021). Based on SaskEnergy's understanding of its forecasts is the GCVA expected to decline or grow over this period? By how much? Please discuss.
- e) Please provide separate versions of Schedule 2 from November 1 2018 through March 31, 2020 that assume each of the following scenarios:
 - i. No interim rate effective November 1, 2018 and final rate as proposed.
 - ii. Interim rate at \$2.65/GJ effective November 1, 2018 (finalized April 1, 2019 at same level).
 - iii. A commodity rate change effective November 1, 2018 that would clear the entire balance in the GCVA.
 - iv. An interim rate of \$2.95/GJ effective November 1, 2018 and a final commodity rate effective April 1, 2019 that would clear the entire balance in the GCVA.
- f) Please confirm how the cumulative GCVA balance (line 20, Schedule 2) is calculated. Specifically, please confirm that the reference for the calculation, shown as "Line 1+14 +15", is not accurate and that the correct line references are Line 1 + 18+19.
- g) Please provide monthly interest rates for the period from November 2016 to March 2020 used for calculation of the GCVA balance interest expenses and accruals. Please compare interest rates used for GCVA to the monthly interest rates used for inventory carrying cost and explain any differences.

- h) Please provide the actual heat value for each month for the period from November 2016 to September 2018 and provide the estimated impact of the actual heat value [compared to 38 MJ/m³ in rates] to the GCVA balance.
- i) Please provide details of the Cost of Internal Usage, including listing the volume and dollar value of internal use. Please provide details if the internal use includes any use for SaskEnergy subsidiaries and/or departments other than the distribution division. Please provide details how the internal use in shared properties are estimated.
- j) Please explain where the Cost of Internal Usage is included in the delivery service revenue requirement. Please reconcile deductions from the commodity service to the cost included in the delivery service revenue requirement.

5. Commodity Risk Management Policy & Strategy – Confidential

Question 5 relates to SaskEnergy's Commodity Price Risk Management Policy and Strategy, which are confidential documents.

6. Commodity Risk Management Policy - Confidential

Question 6 relates to SaskEnergy's Commodity Price Risk Management Policy, which is a confidential document.

7. Commodity Price Risk Management Strategy – Confidential

Question 7 relates to SaskEnergy's Price Risk Management Strategy, which is a confidential document.