COMPLETE RESPONSES TO ROUND 2 INTERROGATORIES FROM CAPP

[2022 and 2023 Rate Application]

SaskPower

Powering our future®

ROUND 2 CAPP Q1 **Reference: CAPP Q6 Round 1**

In response to Interrogatory Round 1, CAPP Question 6, SaskPower indicates that BC Hydro, Manitoba Hydro and New Brunswick Power are Crown corporations that meet the requirements to apply regulatory accounting under International Financial Reporting Standards (IFRS). SaskPower further states that regulatory accounting allows the deferral of certain expenses incurred to be recovered through regulated rates charged to customers in future periods.

1. Please explain what additional requirements SaskPower would need to meet in order to similarly apply regulatory accounting under IFRS.
2. Are SaskPower's accounting practices in accordance with International Financial Reporting Standards?
3. Please explain how the ability for BC Hydro, Manitoba Hydro and New Brunswick Power to utilize regulatory accounting and defer certain expenses enables these crown corporations to utilize a more leveraged capital structure than SaskPower.

Response:

1. Under current International Financial Reporting Standards (IFRS), SaskPower is not permitted to apply the requirements of the IFRS 14, Regulatory Deferral Accounts standard as SaskPower does not fall within the scope of the standard. SaskPower does not meet the definition of a rate regulated entity as per the current IFRS guidance as SaskPower's electricity rates are set and approved by Provincial Cabinet and not an independent rate review board.

2. Yes SaskPower's accounting practices are in accordance with IFRS.

3. BC Hydro, Manitoba Hydro and New Brunswick Power are able to utilize regulatory accounting and defer certain expenses under the IFRS 14, Regulatory Deferral Accounts standard.

ROUND 2 CAPP Q2 **Reference: Rate application document page 32**

On page 32 of its application, SaskPower shows several Financial/productivity indicators, including the dividend that it has declared historically as well as a forecast of future dividend payments.

1. How does SaskPower determine the amount of its annual dividend payment?
2. While target rates of return on equity and resulting net income affect the size of applied-for rates, does the level of dividend payments made similarly affect rates?

Response:

1. SaskPower is required to pay dividends as per the Crown Investment Corporation (CIC) Subsidiary Crown Dividend Policy. As per the CIC Dividend Policy the annual dividend amount is to be determined by the CIC Board of Directors during its annual review of the Crown Performance Management and Capital Allocation Plans.

   CIC determined that the dividend rate for 2018-19 and 2019-20 would be 10% of net income and for 2020-21and 2021-22 would be 30% of net income. For 2022-23 and 2023-24 the dividend was calculated at the same rate as 2020-21and 2021-22.

2. Dividends are calculated as a percentage of net income and are paid from retained earnings which reduces equity. As equity decreases, SaskPower will require a smaller return to meet our target ROE. However, lower equity will cause our debt ratio to increase and may affect borrowing requirements.

ROUND 2 CAPP Q3 **Reference: Most recent depreciation study**

Based on its most recent depreciation study, for each of its transmission plant asset classes is SaskPower able to provide the following: Estimated Survivor Curve; Surviving Original Costs as at the end of the study period; Calculated Accrued Depreciation as at the end of the study period; and Booked Accumulated Depreciation as at the end of the study period.

Response:

SaskPower does not use the Iowa curve (survivor curve) method. Assets are currently depreciated using a straight-line method of depreciation with depreciation rates being calculated based on Average Group Life – Whole Life Procedure.

The original costs, accumulated depreciation and net book value for transmission assets at the end of the study period were as follows:

Transmission assets

(in millions)	Acquisition Value **March 31, 2018**	Accumulated Depreciation **March 31, 2018**	Net Book Value **March 31, 2018**
Transmission Total	$ 2,250	$ (623)	$ 1,626

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