

May 12, 2022

Saskatchewan Rate Review Panel
P.O. Box 1301
Saskatoon, Saskatchewan
S7K 3N1

RE: Paper Excellence submission on May 6, 2022

SaskPower appreciates the submission from Paper Excellence regarding our 2022 and 2023 Rate Application. We are grateful for the opportunity to address the recommendations presented.

A. Avoid rate shock: Waive the Demand Ratchet if the Application is accepted (Paper Excellence).

SaskPower's rate redesign proposal shifts demand-related costs that are collected through the energy rates and moves them to demand rates. The transition will be phased in over multiple applications to help minimize the impact of the change on affected customers.

B. Reduce Bill Volatility: Adopt a 30 minute Billing Peak definition (Paper Excellence).

SaskPower acknowledges that increasing the duration interval for defining customer peaks would reduce their monthly billed demand. However, such action would not provide any long-term benefit, as any decrease to customers' cumulative annual billing demand would result in a corresponding increase to their demand charge (\$/kVa) to collect the same amount of required revenue.

Additionally, increasing this approach would place us even more outside of the established industry norm of 15 minute intervals.

C. Reduce Bill Volatility: Eliminate Billing Period Duration Impacts (Paper Excellence).

SaskPower recognizes that those months containing fewer days than the average can give the impression that the utility is over charging for demand in that period. However, for those months that have an above average number of billing days, the demand charge would appear to be understated. It should be noted that, as per Table 1 in the Paper Excellence submission, the net impact of applying such an initiative is zero, providing no benefit to either the customer or the utility on an annualized basis. Given the increased administrative costs associated with

implementing a variable demand charge that provides no net benefit to either the customer or the utility, SaskPower is not in favour of implementing such a proposal at this time.

D. Reduce interclass inequity: Demand based on Peak hour operation only (Paper Excellence).

Customers with variable loads are generally considered to be low load factor customers, meaning they consume very little energy relative to their demands and can therefore exert significant capacity pressures on the system based on their load characteristics. As such, it is common practice that a utility's rates incent customers to increase their load and power factor efficiencies accordingly to reduce their monthly bills and the stress they place on the system.

SaskPower currently has Time of Use (TOU) rates available for our Power and Large Oilfield customers, that provides a benefit based on the on & off-peak energy consumption of the customer. We are currently studying the potential for various forms of TOU demand rates, which must also consider the capabilities of our billing system and metering infrastructure to provide us with more robust information from which we can design appropriate rates.

The suggestion to calculate a demand charge based solely on the number of peak hours would drastically increase the price of capacity accordingly and thereby provide an adequate incentive to shift loads to the off-peak period. However, due to circumstances beyond their control, many low load factor customers do not have the ability to do this and would therefore be heavily impacted by a on-peak demand rate. Therefore, any potential TOU rate implemented by SaskPower, whether energy or demand related, must be optional for the customer.

E. Encourage Customer Generation: Offer and Open Call/Standing Offer for Customer Generation (Paper Excellence).

SaskPower is open to discussions with customers interested in reducing our province's carbon exposure through customer-owned generation options. While an open call or standing offer may be complicated by issues such as capacity limits on our system, there is potential for customer-owned generation to play a role.

F. Encourage Demand Response: Provide Transparent Capacity Pricing (Paper Excellence).

Pricing for demand response is based on the value SaskPower receives from the service and the price is set by SaskPower. Customers can determine if they are interested in participating at the set price. Currently, SaskPower offers two demand response programs. SaskPower is reaching out to key account customers regarding our Planned Operating Capacity Reserve Program to develop a framework that provides value to both the customer and the utility. We encourage large industrial customers who are interested in this opportunity to contact their Account Manager to discuss further.

Conclusion

SaskPower appreciates the submission of Paper Excellence. Our company values the participation of all stakeholders in the rate review process and welcomes continuing dialogue as we strive to provide our customers with reliable, sustainable and cost-effective power.