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Saskatchewan Rate Review Panel
P.O. Box 1301
Saskatoon, Saskatchewan
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RE: Canadian Association of Petroleum Producers (CAPP) submission on May 3, 2022.

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

1) ***Immediately establish a R/RR range of 0.98 to 1.02 for SaskPower to set rates to achieve greater equity among the various customer classes (CAPP).***

   Many jurisdictions in Canada use a revenue-to-revenue-requirement ratio (R/RR) of 0.95 to 1.05 to ensure there is no material cross-subsidization between rate classes. By 2022-23, SaskPower is forecasting that all classes except the streetlight class will be within that range, and by 2023-24, all classes will be within the industry standard range. SaskPower is targeting a narrower R/RR range of 0.98 to 1.02 but plans to achieve that target range over multiple applications to smooth out the impact of the shift on our customers. While the CAPP submission references the Bonbright principles for ratemaking and emphasizes the equity principle, SaskPower must also take into consideration other Bonbright principles such as bill stability when designing rates and we continue to recommend a phased-in approach to reach the tighter R/RR range.

2) ***Award less than the applied-for 4% overall rate increase for September 2022 and again in April 2023 in recognition of the overly conservative load forecast that SaskPower utilized in its application. A 2% overall rate increase would be more consistent with third-party forecasts of economic growth (CAPP).***

   SaskPower's rate increases are not driven by economic growth forecasts. SaskPower's 2022 and 2023 rate application is driven by higher fuel and purchased power expense, both in terms of higher natural gas prices and the addition of renewable generation capacity in our fleet. These costs are increasing at a much higher rate than economic growth. As well, SaskPower hasn't pursued a rate application since March 2018.

> CAPP states that if one assumes a 2% load growth rather than the relatively flat load growth projected by SaskPower, a 2% rate increase plus a 2% load growth would generate the same revenue as a 4% rate increase. While the revenue might be equal, it is important to consider the increase to fuel and purchased power that would be needed to generate the higher load growth and the additional generation capacity that SaskPower would have to add to meet the increase in forecasted demand. SaskPower's mid-application update submission illustrates this point. Despite a forecasted increase in load growth in the mid-application update relative to the original rate application, the net income forecast decreased as rising natural gas prices more than offset the benefit of additional load growth.

SaskPower appreciates the submission of CAPP. 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.