



PAPER EXCELLENCE

March 14, 2022

Scott Chomos
SaskPower

Delivered by email to: schomos@saskpower.com

Dear Mr. Chomos:

Re: First Round of Questions on the 2022-2023 SaskPower Application

Paper Excellence owns and operates the Meadow Lake Mechanical Pulp Mill (MLMP), which represents about 2.5% of SaskPower sales. Electricity is the largest component of our manufacturing costs. The application as proposed is alarming and we have several questions as we prepare our submission which are listed below.

1. Can you explain how an increase in variable cost due to “the increased cost of fuel and purchased power” [page 1] justifies redesigning the rate so there is a higher recovery of fixed costs through an increased demand charge?
2. Please add the sales volumes for each class to the tables on page 2 of the Application.
3. Please provide the GHG intensity for delivered energy in kg CO_{2e}/MWh for:
 - a. 2005, the baseline year for the 2030 target referenced on page 4
 - b. 2019-2021, by fiscal and calendar year
 - c. The test period, by fiscal and calendar year
4. Has SaskPower considered interruptible rate options as a mechanism for managing the challenge of dealing with increased penetration of non-firm renewable resources?
5. Has SaskPower performed a cost benefit analysis of its natural gas hedging program? Does it participate in other hedging programs?
6. Please provide some comparative analysis for the natural gas price projections in the table at the bottom of page 7.
 - a. Please provide monthly actual averages for the price of gas for all available in the 2021/22 period.

7. Please provide a table showing the rates for the power class, customer owned transmission, by year, from 2010 to present to reconcile with the data provided on page 13 of the Application.
8. Please explain the statement regarding future rate inflation due to “the pressures of the federal carbon tax” [page 16] when in other parts of the Application there are statements that the carbon tax is not included in this rate analysis.
9. Please explain why the aggregate Federal carbon charge (\$732 million) that is listed as an expense is less than the amount collected (\$708 million) in revenue in the table on page 17.
 - a. Please provide a table that splits the annual Federal Carbon Charge operating costs by fuel source for each year.
 - b. Please explain the notable dip in carbon charge for F2021/22.
10. Please provide a narrative to explain some of the ratepayer cost implications associated with the data in Exports table at the bottom of page 20 of the Application, namely:
 - a. Why does the 2023-24 export volume increase 225% from the prior year?
 - b. What is the basis for the 64% reduction in the \$/MWh price from the prior year?
 - c. How is the carbon tax associated with electricity exports recovered?
11. Why are there no CO₂ sales in 2021-22 as shown in the table in Section 7.1.3?
12. Please restate the expense table on page 22 to show the natural gas pipeline and transportation costs paid to other utilities in the province as a separate line item.
13. From the tables provided on page 22 of the Application, Imports have been consistently more expensive than other generation sources, around \$100/MWh. Please explain SaskPower’s forecast 2021/22 import costs peaking at \$104.8/MWh followed by a decrease for 2022/23 & 2023/24 (to approx. \$84/MWh) and the large increase planned in imports given the increased average cost relative to other supply sources.
14. Please provide some details to support the Levelized cost of electricity (LCOE) chart on page 23, specifically:
 - a. What is the carbon tax rate used in the analysis?
 - b. What are the heat rates (GJ_{gas}/MWh) assumed for the natural gas generation options?
 - c. Does the LCOE for wind and solar include the cost for other resources to provide back up?
 - d. What is the assumed capacity factor for solar?
 - e. What is the estimated LCOE for SMR supply?
15. Please provide a timeline and an overview of the evaluation SaskPower is currently undertaking for future supply options to replace conventional coal (as noted on Application pages 23-24).
16. Please confirm what proportion of the taxes listed in Section 7.2.3.3 [page 28] are collected by the province.
17. For Section 7.2.3.4 Other Expenses, please provide a table that details Other Expenses by sub-category including:

- a. gains and losses on asset disposals,
 - b. retirements, and,
 - c. environmental and decommissioning expenses.
18. For any environmental and decommissioning expenses included in the test years, please provide detail on the approved Asset Retirement Obligation (ARO) that aligns with these costs. If not corresponding to an approved ARO, please explain why not.
19. For planned coal decommissioning by 2030, please explain SaskPower's decommissioning plan for SaskPower's three coal-fired generation facilities, including timeline and forecast cost impacts.
20. Please reconcile the proposed 39.9% increase in the Demand charge for E24/E84 customers with this statement on page 36 "*SaskPower proposes to implement changes gradually over several rate applications to minimize the impact of the change on affected customers*" (emphasis added).
 - a. Will SaskPower be conducting separate rate redesign process?
 - b. Is SaskPower contemplating any mitigation measures for impacted customers?
 - c. What is the anticipated reduction in load because of the proposed rate design?
21. Please provide the methodology behind SaskPower's Energy Transition rate rebalancing between energy and demand charges as mentioned on page 36.
 - a. Please include the planned gradual stepped rate changes SaskPower is planning to implement and the impacts to rate classes as a result, over a range of load factors (50%, 60%, 70%, 80%, 90%).
 - b. Please explain all customer consultation SaskPower has undertaken in its development of this plan to date.
22. Please describe the "typical" system demand over a peak winter and a peak summer day.
23. The table on page 131 of 852 of the Minimum Filing Requirements leads to several questions:
 - a. Please provide an updated Table of Electricity Supply Additions including actuals back to 2018/19 including annual average energy (MWh) and efficiency percentages.
 - b. Please provide an annual expense breakdown like the operating costs by major category provided in Section 7.2 of the Application for years 2018-19 to 2023-24 that breaks out the following:
 - i. details fuel and purchased power expenses separately in all years (i.e., SaskPower owned vs. IPP),
 - ii. details purchased power costs (including as they may impact other cost categories including operating, maintenance, and administration, and other) by Electricity Supply Addition for all existing IPPs/PPAs and those listed on pdf page 131 of 852.
24. Please provide SaskPower's definition of rate shock from a ratepayer perspective and explain how SaskPower evaluates rate stability and fairness in its rate setting process – especially considering SaskPower's Section on Competitiveness does not include the proposed rate increases or rate rebalancing.

25. Regarding Rate rebalancing, Power-based on Cost of Service results from the R/RR Ratio tables provided on pages 34 and 35 of the Application, please confirm that”

- a. SaskPower is proposing Power – Published Rate increases higher than 4% to subsidize the Power – Contract Rate customers such that full cost recovery occurs in the Power rate class.
- b. If confirmed please explain how this is fair to the Power – Published rate class.
- c. If not confirmed, please explain why Power – Published rate customers are receiving above average rate increases September 1, 2022, and April 1, 2023, even though the R/RR ratio is at 100% with existing rates.

Thank you in advance for your responses.

Sincerely,



Carlo Dal Monte

VP Energy and Business Development
Paper Excellence Canada