



MID-APPLICATION UPDATE

[2022 and 2023 RATE APPLICATION]



1.0 Overview

In February 2022, SaskPower filed a two-year rate application requesting system average rate increases of 4% effective September 1, 2022, and 4% effective April 1, 2023. A regular element of the rate application process is a review of the underlying assumptions presented in the initial rate application. The original rate application was based on information as of January 2022. This Mid-Application Update compares the initial rate application submission to the most recent financial forecast as of March 31, 2022, including preliminary year-end results for 2021-22.

Net income

The original rate application forecasted a net income of \$33 million in 2022-23 and a return on equity (ROE) of 1.1%. Despite an increase in Saskatchewan sales volumes, higher fuel and purchased power costs are expected to more than offset this increase, resulting in a forecasted net income of \$6 million for 2022-23, down \$27 million from the original rate application.

In 2023-24, forecasted net income increased to \$122 million, equivalent to an ROE of 4.2%. This is up from the original rate application, which assumed a net income of \$109 million. Forecasted revenue increased \$97 million in 2023-24, which was partially offset by an increase in expenses of \$84 million.

Revenue and load

SaskPower's latest revenue forecast for 2022-23 is \$99 million higher than the initial rate application submission, including an additional \$29 million in federal carbon charge collected. Not including the impact of the federal carbon tax, forecasted revenue increased \$70 million. The increase in revenue in 2022-23 is largely due to a 439 GWh increase in forecasted demand in the Oilfield, Residential and Commercial customer classes. Forecasted export volumes also increased resulting in an increase in forecasted exports of \$12 million.

In 2023-24, forecasted revenue is \$97 million higher than the initial rate application submission, including \$26 million related to the federal carbon charge. Not including the impact of the federal carbon tax, forecasted revenue in 2023-24 increased \$71 million. The increase in forecasted revenue in 2023-24 is due to a 708 GWh increase in forecasted demand driven by increases in the Power, Residential, Oilfield and Commercial customer classes. Forecasted export volume decreased by 511 GWh from the initial rate application, resulting in an \$11 million decrease in export revenue in 2023-24. Forecasted electricity trading and other revenue remained flat through 2022-23 and 2023-24.

Expense

SaskPower's forecasted expenses were \$126 million higher than initially forecasted in 2022-23, including \$29 million related to increases due to the federal carbon tax. Without the federal carbon tax, forecasted expenses increased by \$97 million. Forecasted expenses were driven higher in all expense categories other than the other expense category.

In 2023-24, expenses increased \$84 million, \$71 million not including the federal carbon tax. In 2023-24, forecasted expenses increased in most categories including finance charges, fuel and purchased power, OM&A, and taxes. The other categories remained unchanged.

Conclusion

The net impact of these changes is SaskPower's 2022-23 forecasted net income decreased from \$33 million in the initial rate application to \$6 million in the Mid-Application Update, resulting in a forecasted ROE that decreased from 1.1% to 0.2%. In 2023-24, forecasted net income increased from \$109 million in the initial rate application to \$122 million in the Mid-Application Update. Forecasted ROE in 2023-24 also increased from 3.8% to 4.2%.

Based on the updated projections, SaskPower continues to recommend that the rate increases be approved as requested in the initial rate application submission.

2.0 Financial requirements update

The following section provides a comparison between the initial rate application and the Mid-Application Update forecast for fiscal 2021-22, 2022-23 and 2023-24. Variance explanations are provided for years impacted by the rate application: 2022-23 and 2023-24.

2.1 FINANCIAL SUMMARY

Consolidated statement of income									
(in millions)	Mid-application update (April 2022) 2021-22	Initial submission (February 2022) 2021-22	Variance	Mid-application update (April 2022) 2022-23	Initial submission (February 2022) 2022-23	Variance	Mid-application update (April 2022) 2023-24	Initial submission (February 2022) 2023-24	Variance
Revenue									
Saskatchewan electricity sales	\$ 2,567	\$ 2,588	\$(21)	\$ 2,697	\$ 2,639	\$ 58	\$ 2,875	\$ 2,793	\$ 82
Federal carbon charge collected	144	150	(6)	177	148	29	224	198	26
Exports and electricity trading	77	87	(10)	53	41	12	48	59	(11)
Other	95	94	1	91	91	-	100	100	-
	2,883	2,919	(36)	3,018	2,919	99	3,247	3,150	97
Expense									
Fuel and purchased power	857	886	(29)	982	902	80	975	952	23
Federal carbon charge	176	176	-	183	154	29	236	223	13
Operating, maintenance & administration	711	710	1	753	740	13	788	765	23
Depreciation	612	614	(2)	605	604	1	607	607	-
Finance charges	401	398	3	372	370	2	390	366	24
Taxes	81	82	(1)	83	82	1	86	85	1
Other	36	43	(7)	34	34	-	43	43	-
	2,874	2,909	(35)	3,012	2,886	126	3,125	3,041	84
Net income	\$ 9	\$ 10	\$(1)	\$ 6	\$ 33	\$(27)	\$ 122	\$ 109	\$ 13
Return on equity	0.4%	0.4%	-	0.2%	1.1%	(0.9%)	4.2%	3.8%	0.4%

Net income in 2022-23 is forecasted to be \$6 million, a decrease of \$27 million from the initial rate application submission. This results in a decrease in SaskPower's forecasted return on equity (ROE) from 1.1% to 0.2%. In 2023-24, SaskPower's net income is forecasted to increase to \$122 million from the initial rate application submission of \$109 million. SaskPower's forecasted ROE in 2023-24 also increases from 3.8% in the initial submission to 4.2%.

The anticipated changes in SaskPower's revenues and expenses are explained in detail in the following sections.

2.2 REVENUE

Revenue												
<i>(in millions)</i>	Mid-application update (April 2022)			Initial submission (February 2022)			Mid-application update (April 2022)			Initial submission (February 2022)		
	2021-22	2021-22	Variance	2022-23	2022-23	Variance	2023-24	2023-24	Variance			
Saskatchewan electricity sales	\$ 2,569	\$ 2,588	\$ (19)	\$ 2,697	\$ 2,639	\$ 58	\$ 2,875	\$ 2,793	\$ 82			
Federal carbon charge collected	144	150	(6)	177	148	29	224	198	26			
Exports and electricity trading	77	87	(10)	53	41	12	48	59	(11)			
Other revenue	95	94	1	91	91	-	100	100	-			
Total Revenue	\$ 2,885	\$ 2,919	\$ (34)	\$ 3,018	\$ 2,919	\$ 99	\$ 3,247	\$ 3,150	\$ 97			

2.2.1 Saskatchewan customer revenues

Saskatchewan sales												
<i>(in millions)</i>	Mid-application update (April 2022)			Initial submission (February 2022)			Mid-application update (April 2022)			Initial submission (February 2022)		
	2021-22	2021-22	Variance	2022-23	2022-23	Variance	2023-24	2023-24	Variance			
Saskatchewan sales												
Residential	\$ 596	\$ 589	\$ 7	\$ 607	\$ 579	\$ 28	\$ 618	\$ 583	\$ 35			
Farm	178	176	2	175	182	(7)	175	182	(7)			
Commercial	504	511	(7)	513	504	9	516	508	8			
Oilfield	416	423	(7)	445	416	29	448	425	23			
Power	777	791	(14)	797	802	(5)	804	788	16			
Reseller	98	98	-	98	96	2	97	96	1			
Revenue lift due to rate increase				62	60	2	217	211	6			
Total Saskatchewan sales	\$ 2,569	\$ 2,588	\$ (19)	\$ 2,697	\$ 2,639	\$ 58	\$ 2,875	\$ 2,793	\$ 82			

Energy sales volume in Saskatchewan

(in GWh)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
Saskatchewan sales									
Residential	3,331	3,289	42	3,425	3,228	197	3,490	3,246	244
Farm	1,285	1,271	14	1,282	1,342	(60)	1,281	1,341	(60)
Commercial	3,690	3,741	(51)	3,768	3,701	67	3,791	3,733	58
Oilfield	4,013	4,069	(56)	4,168	3,902	266	4,203	3,985	218
Power	9,821	10,062	(241)	10,256	10,284	(28)	10,359	10,108	251
Reseller	1,160	1,171	(11)	1,168	1,171	(3)	1,171	1,174	(3)
Total Saskatchewan sales	23,300	23,603	(303)	24,067	23,628	439	24,295	23,587	708

In 2022-23, revenue increased by \$58 million, primarily due to sales volumes increasing by 439 GWh. The Oilfield, Residential and Commercial customer classes are forecasted to increase, largely owing to projected growth in oilfield production and a higher usage of electricity per customer for the residential class as more people continue to work from home due to COVID-19 and a slight increase in electrification-related energy use such as EVs. These increases are partially offset by decreases in the Farm, Power and Reseller classes, largely due to the earlier implementation and higher probability of certain self-generation projects in the Potash sector, as well as a reduction in the Pulp & Paper sector.

The updated 2023-24 forecast experienced a similar change. Forecasted volumes have increased by 708 GWh, resulting in an increase in Saskatchewan sales of \$82 million. Growth in most categories is driving the increase, led by the Power, Residential and Oilfield classes, including continued higher forecasts in the pipeline sector and a rebound in the Pulp & Paper sector from the previous year. Continued optimism in the potash sector as well as increased expansion probabilities in the Power Class help offset reductions in the Farm and Reseller classes.

2.2.2 Export and electricity trading revenue

Export and electricity trading

	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
Exports and electricity trading	\$ 77	\$ 87	(10)	\$ 53	\$ 41	12	\$ 48	\$ 59	(11)

Export revenue

	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
SaskPower exports (in millions)	\$ 77	\$ 87	\$ (10)	\$ 53	\$ 41	\$ 12	\$ 48	\$ 59	\$ (11)
SaskPower exports (in GWh)	695	781	(86)	511	503	8	622	1,133	(511)
\$/MWh	\$ 110.8	\$ 111.4	\$ (0.6)	\$ 103.7	\$ 81.5	\$ 22.2	\$ 77.2	\$ 52.1	\$ 25.1

The export volume forecast for 2022-23 has increased slightly by 8 GWh, and along with a higher average export price the increase in revenue is forecasted to grow by \$12 million. In 2023-24, the export forecast is expected to decrease by 511 GWh, partially due to a reduction in the availability of exports due to increased Saskatchewan sales volumes. The export revenue forecast decreased by \$11 million in 2023-24. The impact of the reduced export sales is partially offset by a higher export price. The electricity trading forecast was unchanged during the rate application period.

2.2.3 Other revenue

Other revenue

(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
CO ₂ sales	\$ (4)	\$ -	\$ (4)	\$ 15	\$ 15	\$ -	\$ 15	\$ 15	\$ -
Customer contributions	62	58	4	45	45	-	54	54	-
Miscellaneous revenue	37	36	1	31	31	-	31	31	-
	\$ 95	\$ 94	\$ 1	\$ 91	\$ 91	\$ -	\$ 100	\$ 100	\$ -

The other revenue forecast remained flat through 2022-23 and 2023-24.

2.3 EXPENSES

Expenses

(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
Expenses									
Fuel and purchased power	\$ 857	\$ 886	\$ (29)	\$ 982	\$ 902	\$ 80	\$ 975	\$ 952	\$ 23
Federal carbon charge	176	176	-	183	154	29	236	223	13
Operating, maintenance & administration	711	710	1	753	740	13	788	765	23
Depreciation	612	614	(2)	605	604	1	607	607	-
Finance charges	401	398	3	372	370	2	390	366	24
Taxes	81	82	(1)	83	82	1	86	85	1
Other	36	43	(7)	34	34	-	43	43	-
	\$ 2,874	\$ 2,909	\$ (35)	\$ 3,012	\$ 2,886	\$ 126	\$ 3,125	\$ 3,041	\$ 84

2.3.1 Fuel and purchased power (F&PP)

Fuel and purchased power expense

(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
Fuel and purchased power									
Gas	\$ 397	\$ 396	\$ 1	\$ 383	\$ 311	\$ 72	\$ 347	\$ 294	\$ 53
Coal	280	301	(21)	281	258	23	272	266	6
Wind	63	70	(7)	103	104	(1)	114	114	-
Hydro	18	16	2	22	23	(1)	23	23	-
Imports	81	76	5	152	147	5	169	165	4
Other	18	27	(9)	41	59	(18)	50	90	(40)
	\$ 857	\$ 886	\$ (29)	\$ 982	\$ 902	\$ 80	\$ 975	\$ 952	\$ 23

Fuel and purchased power volume

(in GWh)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
Fuel and purchased power									
Gas	10,766	11,044	(278)	9,820	10,550	(730)	10,565	10,280	285
Coal	9,479	9,453	26	8,479	7,031	1,448	7,379	7,016	363
Wind	1,661	1,714	(53)	2,386	2,386	-	2,693	2,685	8
Hydro	2,850	2,732	118	3,634	3,646	(12)	3,647	3,644	3
Imports	752	725	27	1,823	1,751	72	2,059	1,964	95
Other	136	161	(25)	277	576	(299)	450	1,024	(574)
	25,644	25,829	(185)	26,419	25,940	479	26,793	26,613	180

In 2022-23, the fuel volume forecast increased from 25,940 GWh to 26,419 GWh to serve the higher Saskatchewan sales forecast.

Fuel and purchased power expense is expected to increase by \$80 million. Despite the decreased volume of natural gas, the forecasted price of natural gas is higher than when the rate application was initially submitted and results in a \$72 million increase for natural gas generation. The forecasted increase in coal generation results in an additional \$23 million in fuel and purchased power expense. Decreases in most other fuel sources partially offsets the increased fuel and purchased power forecast.

In 2023-24, fuel volumes are higher than initially forecast. SaskPower is forecasting increased generation from all fuel sources, primarily in coal and natural gas generation. A decrease in the other fuel category offsets the increase in volume. The 2023-24 fuel and purchased power forecast increased by \$23 million, and, as in 2022-23, is driven by higher natural gas prices.

2.3.2 Operating, maintenance and administration (OM&A)

Operating, maintenance and administration

(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24	
Total OM&A	\$ 711	\$ 710	\$ 1	\$ 753	\$ 740	\$ 13	\$ 788	\$ 765	\$ 23

The 2022-23 OM&A forecast increased by \$13 million since the initial submission, and \$23 million in 2023-24. Increases in OM&A are attributed to increased inflation expectations and an increase in spending on the small modular reactor (SMR) initiative.

2.3.3 Capital-related expenses

Depreciation

Depreciation										
(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24		
Depreciation										
Depreciation	\$ 560	\$ 563	\$ (3)	\$ 553	\$ 553	\$ -	\$ 556	\$ 556	\$ -	
Finance lease depreciation	52	51	1	52	51	1	51	51	-	
	\$ 612	\$ 614	\$ (2)	\$ 605	\$ 604	\$ 1	\$ 607	\$ 607	\$ -	

Forecasted depreciation expense was relatively flat, increasing \$1 million in 2022-23 followed by no increase in the forecast for 2023-24.

Finance charges

Finance charges										
(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24		
Finance charges										
Interest on borrowings	\$ 421	\$ 422	\$ (1)	\$ 419	\$ 401	\$ 18	\$ 438	\$ 406	\$ 32	
Interest capitalized	(16)	(16)	-	(30)	(21)	(9)	(30)	(28)	(2)	
Debt retirement fund earnings	(14)	(17)	3	(25)	(17)	(8)	(25)	(19)	(6)	
Other interest and charges	10	9	1	8	7	1	7	7	0	
	\$ 401	\$ 398	\$ 3	\$ 372	\$ 370	\$ 2	\$ 390	\$ 366	\$ 24	

The finance charges forecast for 2022-23 increased by \$2 million. The 2023-24 finance charges forecast has increased by \$24 million from the original rate application. Increases in both years are due to higher interest rates and the extension of a financial lease obligation. As in 2022-23, the increased forecast in finance changes is partially offset by increased interest capitalized and increased debt retirement fund earnings.

Taxes

Taxes										
(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24		
Taxes										
Corporate capital tax	\$ 51	\$ 52	(1)	\$ 51	\$ 51	-	\$ 52	\$ 52	-	
Grants in lieu	30	30	-	32	31	1	34	33	1	
	\$ 81	\$ 82	(1)	\$ 83	\$ 82	1	\$ 86	\$ 85	1	

The tax expense forecast remained relatively flat through 2022-23 and 2023-24.

Other expense

Other										
(in millions)	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	Mid-application update (April 2022)	Initial submission (February 2022)	Variance	
	2021-22	2021-22		2022-23	2022-23		2023-24	2023-24		
Other expense	\$ 36	\$ 43	(7)	\$ 34	\$ 34	-	\$ 43	\$ 43	-	

Other expenses are largely made up of gains or losses on asset disposals and retirements, as well as inventory adjustments and environmental expenses. The other expense forecast did not change from the rate application submission.

2.4 Capital

SaskPower's capital spending forecast for 2022-23 and 2023-24 did not change.

3.0 Mid-Application Update Summary

The net impact of the updated forecast for 2022-23 is decrease in forecasted net income from \$33 million to \$6 million. SaskPower's revised ROE forecast for 2022-23 decreased from 1.1% to 0.2%. In 2023-24, SaskPower's net income increased to \$122 million from the original rate application forecast of \$109 million. The forecasted ROE in 2023-24 increased from 3.8% to 4.2%.

Based on the updated projections, SaskPower continues to recommend that the rate increases be approved as requested in the initial submission.



Saskatchewan Power Corporation
2025 Victoria Avenue | Regina, Saskatchewan
Canada S4P 0S1
saskpower.com