

November 2017

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

**RE: ERCO Worldwide Submission to the Saskatchewan Rate Review Panel,  
October 30, 2017**

SaskPower appreciates the comments and concerns from ERCO Worldwide regarding our 2018 Rate Application. We are grateful for the opportunity to address the recommendations presented in the submission.

***“ERCO urges the Rate Review Panel to cut the rate increase to no more than the rate of inflation, and to recommend aggressive reduction in SaskPower’s OM&A costs and capital spending.” ERCO Worldwide***

In this case, ERCO’s suggestion to cut the rate increase to no more than the rate of inflation would not provide SaskPower with enough revenue to prevent its debt ratio from climbing even further outside of the upper threshold of our 60-75% target range. As SaskPower does not pay a dividend, any earnings are reinvested in our company. This will help bring the debt ratio back to within the target range in 2018-19. A rate increase limited to inflation would cause the debt ratio to climb further outside of that range.

Demand for electricity in Saskatchewan continues to grow, with SaskPower’s record peak demand being broken annually. The costs to serve new load and to replace or refurbish major sections of existing aging infrastructure in order to maintain a reasonable level of reliability far exceed the cost of inflation.

As a Crown, SaskPower has a duty to serve the entire province. Our company must accommodate growth in demand and new connections to the province’s electricity system regardless of the impact on profitability. New generation options and grid infrastructure are substantially more expensive than the assets they are replacing. As a result, the impact of capital investment has a significant impact on SaskPower’s expenses.

SaskPower has cut its OM&A and capital budgets significantly from previous business plans. Over the five-year period from 2015 to 2019-20, SaskPower cut \$215 million from its OM&A budget and \$2.4 billion from its capital budget.

Meanwhile, a Business Optimization Initiative is reviewing the company from top to bottom, focused on streamlining, refining and prioritizing high value work. The initiative has a goal to save a further \$35 million by 2019-20. These cuts and deferrals to expense and capital spending will help — but not eliminate — the need for rate increases in the future.

**Conclusion**

SaskPower appreciates the submission of ERCO Worldwide. 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.