

SASKATCHEWAN INDUSTRIAL ENERGY CONSUMERS ASSOCIATION Inc.

July 15, 2016

To: Mr. Albert Johnson
Chair, Saskatchewan Rate Review Panel
(feedback@saskratereview.ca)

Cc: Troy King, Director of Corporate Planning and Rates
(tking@saskpower.com)

Re: Interrogatory Requests regarding SaskPower 2016-2017 Rate Application

The Saskatchewan Industrial Energy Consumers Association (SIECA) represents 22 member companies or entities that are large power users in Saskatchewan. Collectively, SIECA members represent approximately 20% of SaskPower's energy sales and 21% of SaskPower's peak demand levels. SIECA has been an active participant in prior rate reviews and has actively worked with SaskPower, the Saskatchewan Rate Review Panel (Panel) and Government to improve access to information and ensure the ability for customers to perform independent due diligence on SaskPower's rate applications. It is our organization's hope that the Panel will encourage SaskPower to demonstrate their commitment to transparency by providing the information requested and answering the questions contained in this interrogatory request.

SIECA members are deeply concerned about the magnitude of the rate increases proposed by SaskPower in its 2016 and 2017 Rate Application that is now under review by the Saskatchewan Rate Review Panel. Power Class customers will sustain a 5.1% increase effective July 1, 2016 and a further 5.1% increase effective January 1, 2017. SaskPower has provided a wide range of explanation of the many issues driving its costs, however the utility also stated in its rate application that "*our company (SaskPower) must raise rates and pursue the appropriate ROE target so that we have sufficient revenue to levelize our debt at the upper end of the target range*". Many of SIECA's members are energy intensive, trade exposed (EITE) entities that are currently facing extraordinarily challenging commodity market conditions. To compete in global markets today these members must manage significant price and margin compression and aggressively drive operating costs and capital spending lower. This is not a time for SaskPower to raise rates for the purpose of balance sheet or capital structure optimization. This is a time for SaskPower to aggressively reduce OM&A spending, restrain capital investment and move rates transitionally over time to achieve target ROE levels. In its report on the 2014-2016 rate application the SRRP stated "*the Panel is cognizant that SaskPower's ROE, which is targeted at 8.5%, will remain significantly below that target over the next few years*". Yet SaskPower is requesting rates and revenue increases that not only sustain planned levels of OM&A and capital spending, but will immediately push ROE to 8.5% in the 2017-18 fiscal year. Our organization contends that the Province and SaskPower have the financial capacity to defer the proposed 5.1% increase for January 1, 2017 by as much as one calendar year.

Additionally, SIECA members are concerned about the trajectory of future rate increases and the rate burdens borne by large high load factor Power Class customers relative to other classes of customers. The development of utility rates that are fair and reasonable is a complex process that

entails the use of Cost of Service (COS) computer models that are structured to work under a six step process known as a Cost of Service methodology. The six step process is as follows:

1. The first step is to identify in detail the accounting costs that are to be allocated to customer classes.
2. The second step is to **functionalize** the costs between generation, transmission, distribution and customer services functions.
3. The third step is to **classify** each set of functionalized costs into demand, energy and customer components.
4. The fourth step is to **allocate** the functionally classified costs among the several customer classes.
5. The fifth step is to compare between the allocated costs and the revenues collected from the customer classes to arrive at the revenue to cost ratios.
6. The sixth step is to create ideal rates for each class of customers so that the appropriate amount of revenue is collected based on each class's costs.

Any utility regulatory professional will assert that the ability to review and assess the functionalization, classification and allocation of costs is fundamental to the determination of fairness and reasonableness of utility rates.

SaskPower has worked actively with customers to improve the level of information sharing related to SaskPower's operations, forward plans, financial performance and the conceptual workings of the Cost of Service models. However, SIECA members remain unable to adequately perform independent due diligence on SaskPower's rates because SaskPower does not allow customers to access the assumptions, information and data contained in their Cost of Service (COS) models. In order to assess the SaskPower 2016 and 2017 rate application and develop well informed and pertinent comments, SIECA must attempt to replicate the Cost of Service models using the information requested and received through the discovery process that is overseen by the Panel. This task is complex, expensive, highly dependent on the extent and timeliness of SaskPower's answers to the interrogatory requests and therefore time consuming. SIECA respectfully requests that the Panel waive its stated deadline of August 24, 2016 for the receipt of written submissions by customers and be prepared to accept and consider SIECA's written submission that shall be submitted as early as possible but prior to September 30, 2016.

SIECA hereby requests the Panel to direct SaskPower to provide information and answers requested as follows:

1. Please provide a fully functioning Excel spreadsheet version of each of the schedules in the 2017 Fiscal Test Embedded Cost of Service Study complete with all cell formulas and links.
2. Please provide a single Excel spreadsheet showing the hourly power consumption and hourly peak demand of each customer class for each hour during 2015.
3. Please provide a fully functioning Excel spreadsheet showing the calculations and results of Equivalent Peaker ratio calculation.
4. Please provide an Excel spreadsheet showing the following for each of SaskPower's power generation facilities:
 - a. Plant Name
 - b. Plant type

- c. Fuel type
 - d. Heat Rate
 - e. Plant maximum generating capacity
 - f. Plant average annual (2015) power production
 - g. Date plant went on-line.
 - h. Capacity or power produced during the system winter peak hour
 - i. Capacity or power produced during the system summer peak hour.
 - j. 2015 fuel consumption.
 - k. 2015 fuel cost.
5. Reference 2017 Fiscal Test Embedded Cost of Service Study, page 5, first paragraph. What are the beginning and ending dates of the period referred to as “the “test year” of 2017 Fiscal”?
 6. Are the costs shown in the schedules attached to the 2017 Fiscal Test Embedded Cost of Service Study actual incurred costs? If not, please provide a fully functioning Excel spreadsheet version of each of the schedules in the 2017 Fiscal Test Embedded Cost of Service Study showing the actual costs incurred for the most recent available 12 month period.
 7. Please provide a fully functioning Excel spreadsheet showing the calculation of the allocation percentages shown on schedules 5.0 through 5.3.
 8. Please provide an Excel spreadsheet showing the amount of Shand Greenhouse cost and revenue assigned or allocated to each customer class.
 9. Please provide an Excel spreadsheet showing the amount of NorthPoint Energy Solutions cost and revenue assigned or allocated to each customer class.
 10. Please explain the difference between Power-Published Rates customers and Power-Contract Rates customers including the difference, if any, in each customer class’s cost causing behavior that justifies a significantly lower cost allocation percentage.
 11. Please provide an Excel spreadsheet showing the actual number of customers and number of meters included in the 2017 Fiscal Test Embedded Cost of Service Study for each customer class.
 12. Please provide a fully functioning Excel spreadsheet showing the calculation of the weighted number of customers included in the 2017 Fiscal Test Embedded Cost of Service Study for each customer class.
 13. Please provide any and all data and information that explains and/or supports the difference between the 5.92% return on rate base in the 5% case and the 7.13% return on rate base in the 5% + 5% case.
 14. Please provide an Excel spreadsheet showing the amount of power produced by each of SaskPower’s power generation facilities for each hour during 2015.
 15. Please provide an Excel spreadsheet showing a Summary of the Functionalization of Financial Account Details (as per Schedule 1.0 in the 2017 Fiscal Test Embedded Cost

of Service Study) based on actual costs for each of the calendar years 2013, 2014 and 2015.

16. Please provide an Excel spreadsheet showing Allocations by Customer Class for Generation, Transmission, Distribution and Customer Service related Costs (as per Schedules 5.0 through 5.3 in the 2017 Fiscal Test Embedded Cost of Service Study) based on actual costs for each of the calendar years 2013, 2014 and 2015.
17. Please provide an Excel spreadsheet showing Functionalized and Classified Revenue Requirement by Customer Class for Generation, Transmission, Distribution and Customer Service related Costs (as per Schedules 6.0 through 6.3 in the 2017 Fiscal Test Embedded Cost of Service Study) based on actual costs for each of the calendar years 2013, 2014 and 2015.
18. Please provide an Excel spreadsheet showing actual Customer Data for Cost Allocation (as per Schedule 4.0 in the 2017 Fiscal Test Embedded Cost of Service Study) for each of the calendar years 2013, 2014 and 2015.
19. On Page 12 of the SaskPower 2016 and 2017 Rate application there is a table that outlines an exact \$1 Billion reduction in capital spending over four fiscal periods from 2015 through fiscal 2018-19. Please provide the specific projects and amounts for each project that were deferred in each of the fiscal periods. Also, please provide an explanation of the rationale for deferral of each project identified above.
20. On Page 35 of the SaskPower 2016 and 2017 Rate application there is a table that provides a summary of actual and planned capital spending from 2014 through fiscal 2018-19 period. Please confirm whether the annual capital spending amounts shown for customer connects are net of customer contributions or gross and exclude customer contributions. Also, please provide an Excel spreadsheet detailing the following:
 - a. total number of customers connected or forecast to be connected in each year
 - b. the number of customers connected or forecast to be connected in each year in by customer class
 - c. If the capital spending cited is gross and excludes customer contribution, please provide the annual estimated amounts for customer contribution during each year or fiscal period.

The SIECA membership appreciates the opportunity to participate in the discovery process. We would appreciate your sending the responses to our interrogatory requests as you complete them instead of waiting to complete the entire set of responses. Responses or questions may be directed to Doug LaRocque, SIECA Vice Chair at 306-523-2828 or doug.larocque@mosaicco.com.

Submitted on behalf of SIECA members;

Respectfully,

Gene Setka

SIECA Chair

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