

August 16, 2016

Saskatchewan Rate Review Panel
P.O. Box 1301
Saskatoon, Saskatchewan
S4K 3N1

RE: Saskatchewan Chamber of Commerce Submission

SaskPower appreciates the comments provided by the Saskatchewan Chamber of Commerce regarding our 2016 and 2017 Rate Application. Our company recognizes increasing electricity prices create cost pressures for business, and agrees that any potential rate increases should be subject to an intensive review.

We are grateful for the opportunity to address the issues presented by the Saskatchewan Chamber of Commerce in its submission:

1) Recommend SaskPower undertake more efforts to maximize demand-side management (Saskatchewan Chamber of Commerce).

Demand Side Management (DSM) – SaskPower’s energy efficiency and conservation programs – are playing an important and growing role in securing Saskatchewan’s electricity supply. Through our programs, we’re helping reduce the need for new generation and infrastructure, while realizing environmental and economic benefits. SaskPower recognizes the unique needs of small and medium businesses and industrial customers across the province. Our company is committed to offering a range of programs that help provide more control over power use and opportunities to minimize the impact of rate increases.

SaskPower’s strategy is to continually monitor the market to identify emerging trends and opportunities that may become viable and cost effective program offerings. For DSM programs that provide financial incentives designed to accelerate the adoption of energy efficient products in the market, SaskPower is guided by the opportunities identified in the 2010 Conservation Potential Review (CPR). The CPR study helps develop a comprehensive vision of the potential electricity saving and demand reductions achievable in Saskatchewan in a given time frame. The potential identified in the CPR becomes the key input into the types of programming SaskPower focuses on and provides a target for savings that can be achieved in the market.

In 2016, SaskPower will also be commencing a new CPR to provide an updated view of electricity savings potential. The updated CPR will support the establishment of new long-term volume (gigawatt hours) and peak demand (megawatts) reduction targets for energy efficiency in Saskatchewan.

Additionally in 2016, SaskPower commenced the development of an Integrated Resource Plan to meet future system demand, customer expectations and environmental objectives in a reliable, sustainable, and cost-effective manner. The 20-year Integrated Resource Plan will establish an optimal mix of resources, including DSM, to meet the electrical demands of customers across Saskatchewan. The CPR will provide updated energy and capacity savings potentials to be used in the integrated resource planning process.

To date, positive overall DSM results have allowed our company to surpass our 10-year target to achieve an accumulated reduction in excess of 100 MW two years early. This is enough electricity to power 34,000 homes for a year. Meanwhile, the reduction in carbon emissions is equivalent to taking 54,000 cars off the road or planting 29 million new trees.

As the longest standing energy-efficient program for businesses, SaskPower offers the Commercial Lighting Rebate Program for energy-efficient lighting. Since 2012, 3,600 participating customers have switched out over 250,000 bulbs and created 7.5 MW of savings. Our company also offers the Industrial Energy Optimization Program, which provides customized technical assistance and financial incentives for the identification, development and implementation of energy efficiency projects for key and major customer accounts.

SaskPower also introduced a new initiative focusing on education and outreach into the business community in 2015. Throughout the year, our company met with more than 30 groups and professional associations to discuss the energy efficiency and self-generation programs offered to business customers. These engagements were also used as an opportunity for SaskPower to gain valuable feedback, as well as identify opportunities for future collaboration.

2) Recommend that the Government of Saskatchewan continue to refrain from taking dividends from SaskPower (Saskatchewan Chamber of Commerce).

The decision to collect a dividend rests solely with SaskPower's shareholder, the Crown Investments Corporation of Saskatchewan.

3) Direct SaskPower to continually look for additional efficiencies in operations, management and administration (Saskatchewan Chamber of Commerce).

In 2015, our company reduced its budgeted operating, maintenance and administration (OM&A) spending by \$38.2 million, including a reduction of 195 budgeted full-time equivalent (FTE) positions. Going forward, SaskPower will be working to reduce budgeted OM&A spending by an additional \$52.9 million over the next three years.

In 2015, SaskPower also reduced its budgeted capital spending by \$210 million. Our company has targeted another \$790 million reduction to capital spending over the next three years. This will provide a total savings of \$1 billion over four years.

Since its initiation in response to the Saskatchewan Rate Review Panel's recommendations as part of our 2009 Rate Application, SaskPower's Business Renewal Program continues to increase effectiveness and improve performance. As part of the initiative, our company is identifying a continuous flow of savings opportunities through performance assessment and benchmarking; planning and implementing improvement initiatives; and measuring and reporting on our progress.

The Business Renewal Program is a long-term program and covers a large number of areas within SaskPower. Results have been attained in all spending categories, including: operating, maintenance and administration (OM&A); finance charges; capital; and fuel and purchased power. To the end of 2015-16, SaskPower has realized gross benefits of more than \$528 million.

During 2015-16, SaskPower's Business Renewal Program identified and began planning for a number of new initiatives which will be pursued in 2016-2017. While most initiatives are in our company's operations areas, SaskPower has also placed major emphasis on enhancing the efficiency of the procurement function. Activities with the provincial government's Priority Saskatchewan initiative, which aims to address disparity in competitive practices across government, will be included in the procurement improvement strategy.

4) Recommend SaskPower continue to limit the time horizon for multiple rate increase applications and refrain from instituting rate increases prior to the conclusion of the Rate Review Panel process (Saskatchewan Chamber of Commerce).

SaskPower would prefer to avoid interim rate increases. However, in this case a Government of Saskatchewan-directed shift in fiscal year-end from December 31 to March 31 and limitations placed upon Crown corporations during a provincial election period made SaskPower unable to apply for a rate increase earlier than May.

Ideally, rate applications would be filed without an interim increase. However, interim increases have been used in a number of other Canadian jurisdictions to provide the flexibility necessary to manage a variety of circumstances.