July 29, 2016

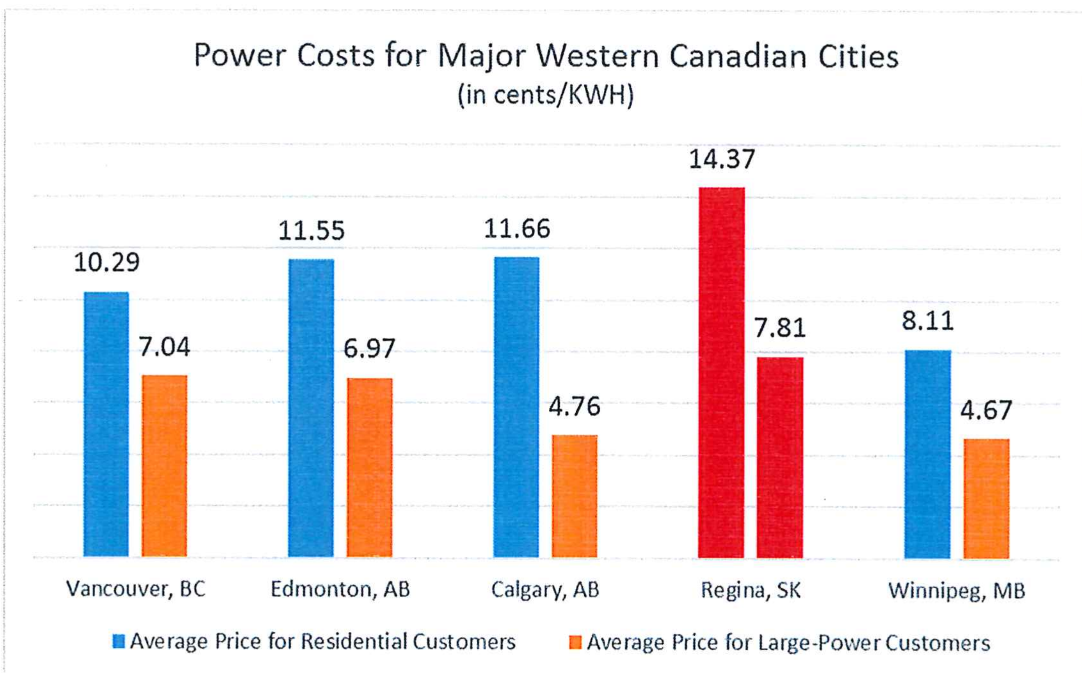
Mr. Albert Johnston, Chair
Saskatchewan Rate Review Panel
PO Box 1301
Saskatoon, SK
S7K 3N1 (via email: feedback@saskratereview.ca)

Dear Mr. Johnston:

Re: SaskPower 2016-2017 Rate Application

The Saskatchewan Chamber of Commerce is pleased to have the opportunity to provide the Saskatchewan Rate Review Panel with our membership's feedback on SaskPower's 2016-2017 Rate Application. Electricity is a significant cost for many of the province's businesses and any increase in rates will impact the viability and profitability of private sector companies. As such, rate increases need to be carefully evaluated and we appreciate the efforts of the Panel in undertaking this process.

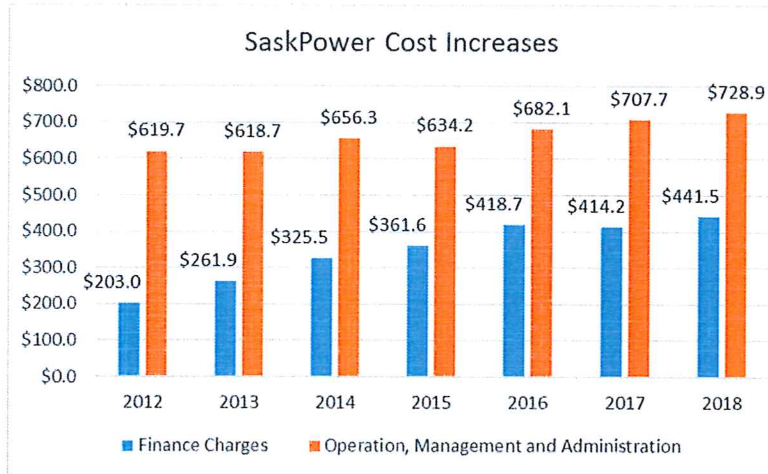
Beyond impacting existing businesses, power costs are also a significant consideration for businesses evaluating which jurisdiction to invest in. Unfortunately, Saskatchewan customers already pay higher power costs than the other provinces in the New West Partnership and this is a hindrance on our ability to compete. The "Power Costs for Major Canadian Cities" chart below illustrates how Regina's power prices compare to our neighbouring jurisdictions. Clearly our province is in a precarious position.

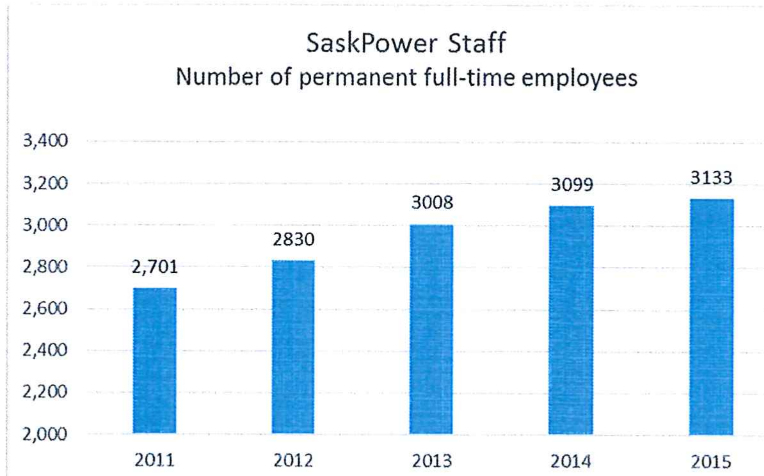


Source: HydroQuebec. (2015). *Comparison of Electricity Prices in Major North American Cities: Rates in effect April 1, 2015.* Retrieved from http://www.hydroquebec.com/publications/en/docs/comparaison-3electricity-prices/comp_2015_en.pdf

1630-1920 Broad Street • Regina, SK S4P 3V2
P: 306.352.2671 • F: 306.781.7084 • www.saskchamber.com

The Saskatchewan Chamber fully understands that SaskPower needs to meet the growing demand in a safe and reliable manner and we recognize that without increasing the supply of affordable electricity, it will become impossible to maintain the province's economic and population growth. However, our organization also believes SaskPower needs to be continually mindful of its competitiveness and we urge the rate review panel to also look closely at competitiveness in the long term.





We understand that SaskPower is investing an estimated $1 billion per year over a long term basis to renew and modernize the province's electricity system. We also know that depreciation, finance charges, taxes and other expenses driven primarily by this capital spending are responsible for many of the utility's additional costs. As shown by the "SaskPower Cost Increases" chart, finance charges have increased by 68.6% from 2013-2018, while operation, management and administration costs increased 17.8% over the same period. Staffing changes over the past 5 years (2011-2015) have also been mild by comparison (+16%). We specifically applaud SaskPower for keeping its 2015 staffing increase very small, at only 1.2%. SaskPower does deserve credit for its efforts, however that in no way alleviates its obligation to continually improve its performance and productivity. We recommend that the Rate Review Panel direct SaskPower to continue to look for additional efficiencies in operations, management and administration.

The business community appreciates that SaskPower has attempted to cap its rate increases at 5% per year in recent years. While 5% is still a financial burden, especially when the annual increases are so close together as in this application, it is preferable to the larger rate shocks we have seen in the past. Nonetheless, we want to reiterate that the 5% cap should not become the new minimum, just because the company is limited to asking for 5% does not mean they need to ask for 5% every year. 2013-2017 has seen a 5% annual increase every year whereas 2008-2012 saw three years with a 0% increase.

The Saskatchewan Chamber has been supportive of SaskPower's carbon capture and storage initiative and, although subject to a variety of criticisms, the Chamber still believes undertaking this project was a worthwhile attempt by the utility to better serve the province. However, after making such a significant capital investment in new technology, we think now is the time for SaskPower to look for smaller scale improvements and that large investments in new untested technology should be put on hold. Moving forward, we believe the best way to serve current customers is through increased demand-side management activities. Specifically, SaskPower should focus on ensuring that appropriate programs, and perhaps necessary economic incentives are in place to improve energy efficiency. From a cost perspective, it is much easier to redistribute existing capacity than it is to generate new supply.

To support SaskPower's capital investments, the Government of Saskatchewan has refrained from taking dividends from SaskPower over the last few years; nonetheless, the "special dividend" taken in 2011 set a concerning precedent. In 2011 when SaskPower's revenue was significantly higher than anticipated, primarily because flooding helped generate more hydroelectricity, the province took a $120 million special dividend from the company to help pay for other provincial costs generated by flooding, such as disaster claims and washed-out roads. The Saskatchewan Chamber firmly believes that, despite any unforeseen financial difficulties the provincial government may experience, any revenues generated by SaskPower should remain within the company to address its debt and infrastructure requirements. We urge the Rate Review Panel to recommend that the Government of Saskatchewan continue to refrain from taking dividends from SaskPower.

Finally, the Saskatchewan Chamber of Commerce appreciates that rate applications require SaskPower to commit a significant amount of resources to the process and therefore understand the benefit of asking for two increases in a single application. We support the last Rate Review Panel's decision not to allow SaskPower to have a three-year rate increase period in a single application because of the reasonable concerns regarding the accuracy of fuel costs, power demand, and other operational forecasts. However, the Saskatchewan Chamber of Commerce also recommends that requested rate increases not be implemented before the Rate Review Panel completes its valuable work. Having increases already implemented while consultations are occurring undermines the process, and attributes little value to the gathering of stakeholder feedback.

To recap, with regard to SaskPower's 2016-2017 Rate Application, we urge the Saskatchewan Rate Review Panel to:

1) Recommend SaskPower undertake more efforts to maximize demand-side management;
2) Recommend that the Government of Saskatchewan continue to refrain from taking dividends from SaskPower;
3) Direct SaskPower to continually look for additional efficiencies in operations, management and administration; and,
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.

Thank you again for the opportunity to provide input and we look forward to continuing to work with the Panel in the future.

Sincerely,

Steve McLellan, CEO
Saskatchewan Chamber of Commerce