

## **Second Round Information Requests – September 14, 2012**

### **Round 2 – Consultant Q1 – Reference – First Round Consultant Q2**

- a) Please confirm that the 2013 rate change application is the only one to request an equal 5.0% across the board increase for all customer classes rate components, except for Power – Contract Rate Class (which has a 6.1% increase) since 1999.
- b) Please update Table 2.5 on Page 13 of the 2010 Consultants Final Report to reflect all recent rate changes in the various jurisdictions.

### **Round 2 – Consultant Q2 – Reference – First Round Consultant Q4**

- a). Based on the current application without the updated information, please discuss whether a \$10 million increase in net income would have resulted in a 9.0% ROE for 2013.
- b). The September update projects a 2013 operating income of \$126.1 million and a ROE of 6.4% of operating income. Please provide the require operating income and overall rate increase that would be necessary to achieve a ROE of 8.5% for 2013.

### **Round 2 – Consultant Q3 – Reference – First Round Consultant Q6**

- a) Please provide the details of external and internal annual and total costs for the following studies from inception to completion: Fuel Procurement and Optimization; T&D and Power Production, Asset Management Vision; SaskPower Business Renewal; SaskPower Support Functions Benchmarking.
- b) Please provide a breakdown of the External Services Cost highlighted in first round Q 22 (b) for 2010, 2011, 2012 updated and 2013 projected.

### **Round 2 – Consultant Q4 – Reference – First Round Consultant Q6 – Deloitte Report**

- a) Please discuss SaskPower's view of the validity of the various issues identified by Deloitte in their report.
- b) Please discuss the steps taken to date and further actions planned by SaskPower to address the issues identified and the recommendations made by Deloitte on pages 4 and 5 of their report.

**Round 2 – Consultant Q5 – Reference – First Round Consultant Q6 – UMS T&D and Power Production Report and SaskPower Business Renewal Report**

- a) Please discuss the genesis of the UMS workshops, and SaskPower’s view of the direct benefits flowing from these workshops and reports.
- b) Please discuss the steps taken to date and further actions planned by SaskPower to address the issues identified and the recommendations made by the T&D and Business Renewal Reports.

**Round 2 – Consultant Q6 – Reference – First Round Consultant Q6 – KPMG SaskPower Support Functions Benchmarking Report**

Please provide a summary update as to SaskPower’s implementation or planned disposition of the recommendations respecting each of the support function groups provided by KPMG.

**Round 2 – Consultant Q7 – Reference – First Round Consultant Q7**

- a) How frequently are SaskPower’s meters currently read, and how will the advanced metering program impact meter reading frequency?
- b) Please provide a schedule showing the installation schedule for these meters.
- c). Please re-file the table showing benefits realized or to be realized to the extent that updated material results in changes to benefits.
- c). Please file (in confidence, if deemed necessary) the most recent report to SaskPower’s Board respecting the Business Renewal Status.
- c) Please provide further details of the 2010 and 2011 realized benefits for the New Connect Process, and the Continuous Improvement Initiatives - DFS. Also explain the difference from Continuous Improvement Initiatives - CCR.

**Round 2 – Consultant Q8 – Reference – First Round Consultant Q8**

If SaskPower requires a “large rate increase” in a future year what would SaskPower do to avoid the large rate increase in that year and how would that impact rates in subsequent years?

**Round 2 – Consultant Q9 – Reference – First Round Consultant Q10**

- a) Please discuss whether the 2011 net income of \$248 million and 13.2% ROE are calculated on an actual or a weather normalized basis. Please provide the numbers for the weather normalized (or the actual) calculations.
- b) Please discuss the probable Net Income that would have been realized if median hydro flows had been experienced in 2011.

**Round 2 – Consultant Q10 – Reference – First Round Consultant Q12**

Please provide the breakdown of export revenues received and volumes provided to AESO, MISO and other sources.

**Round 2 – Consultant Q11 – Reference – First Round Consultant Q13**

- a) Please provide the results for 2010 using GAAP, assuming both systems were run in 2010.
- b) Please explain the increases/decreases in Customer Contributions and Other Revenue between 2010, 2011, and 2012.

**Round 2 – Consultant Q12 – Reference – First Round Consultant Q14**

Please provide the results for 2010 using GAAP.

**Round 2 – Consultant Q13 – Reference – First Round Consultant Q15**

- a) It appears as if the increase in gas and electrical inspections increased by approximately 17.7% and 8.3% in 2010 and 2011, while forecasted increases have been reduced to 2.4% in 2012 and 1.2% in 2013. Please discuss the basis of these estimates.
- b) Please explain why there are any costs beyond 2011, if the inspections are no longer to be conducted by SaskPower. If this program is to be outsourced then please elaborate providing details and cost implications.

**Round 2 – Consultant Q14 – Reference – First Round Consultant Q17, Q18, Q19**

- a) Please discuss why overtime FTEs have not been included in any of the analyses in response to first round IR 17 and 18.
- b) Please detail the reasons for the increase (BY Business Unit) of 225 FTEs from 2011 to 2012, and please provide and rationalize projected 2013 FTEs, also by Business Unit.
- c) For each of SaskPower's organizational changes detailed in Q19, please indicate how each change impacts FTEs and indicate how these are reflected in the table shown in this response.

**Round 2 – Consultant Q15 – Reference – First Round Consultant Q20**

Please further discuss the transfer of gas and electrical inspections to another entity in terms of where the responsibility for this activity will rest, the net impact of this change on SaskPower's FTE compliment and on SaskPower's annual costs for 2013 and 2014.

**Round 2 – Consultant Q16 – Reference – First Round Consultant Q21, Q22 (b), Q22(c)**

- a). Please explain the relatively larger increase in OM&A costs per customer (10.0%) from 2010 to 2011 than that experienced in 2010, and expected in 2012 and 2013.
- b). Please list and explain the major causes for the increase in 2012 OM&A from the \$582 million shown in this response to the projected 2012 result of \$603 million.
- c). Please update the tables included in the responses to Q22 (b) and Q22(c) to show the 2013 forecast numbers, as per the September update.
- d). Please provide a further breakdown of "Wages and Salaries" to show amounts for salaried employees, hourly employees and overtime expenditures, External Services, Materials & Supplies, Administration, Travel and Vehicles (Q22(b)).

**Round 2 – Consultant Q17 – Reference – First Round Consultant Q27**

- a). Please provide the annual benefits expected to result from each of the 4 initiatives discussed in response to Q27 (a).

- b). Please provide the information requested in Q27 (b) and Q27(c) as per the ten year business plan expected to be finalized in September, 2012.

**Round 2 – Consultant Q18 – Reference – First Round Consultant Q28**

Please discuss the reasons for the large year over year increase in Calendar Days Lost from 2009 to 2011, and provide the updated numbers for 2012.

**Round 2 – Consultant Q19 – Reference – First Round Consultant Q32**

- a) Please discuss whether costs related to the credit card program are recovered from the customers.
- b) Please explain the large forecast increase from 2012 to 2013 for the credit card program.
- c) For 2011, 2012 and 2013 please detail the number of transactions (or customers) using the service or forecasted to use the service option?

**Round 2 – Consultant Q20 – Reference – First Round Consultant Q33**

Please confirm that the telephony project will be substantially completed by 2012 year end at a cost of \$8.4 million, and provide annual estimated operating savings and other benefits for each year from 2011 to 2014 for each initiative within the project.

**Round 2 – Consultant Q21 – Reference – First Round Consultant Q40**

Please provide details related to the large increase in Interest During Construction from 2011 to 2012 and from 2012 to 2013.

**Round 2 – Consultant Q22 – Reference – First Round Consultant Q50**

Please confirm that all audited statements reflect actual rather than weather normalized results.

**Round 2 – Consultant Q23 – Reference – First Round Consultant Q61**

- a) Please confirm that there is no change in load forecasts from those contained in the Far North Supply Strategy dated March 2011, or provide relevant updated forecasts.
- b) Please indicate and discuss which component(s) of the 2012 and 2013 Capital Program are for far north projects, and those included for the mid-term and long-term projects in the current 40 year Supply Plan.
- c) Please discuss whether any of the economic analyses consider and include customer contributions towards capital programs.

- d) Please provide a summary of the “Transmission Strategy to Facilitate Service to Projected Far North Loads – 2010 to 2029”, and relevant sections of the Network Development transmission report.
- e) Please provide status updates for the following:
  - 1. Elizabeth Falls
  - 2. Whitesand Dam
  - 3. Report on updated inventory of other small northern hydro facilities
  - 4. SaskPower/Manitoba Hydro interconnection studies
  - 5. Revisions to Contingency Plans

**Round 2 – Consultant Q24 – Reference – First Round Consultant Q62**

- a) Please describe the basis and quantify the determination of the \$800,000 savings in OM&A per outage.
- b) Provide details of the fuel saving calculations for each year from 2011 to 2017.

**Round 2 – Consultant Q25 – Reference – First Round Consultant Q71**

Please provide a tentative schedule for the SMR investigations and timing of the decision as to whether or not to further proceed with this initiative.

**Round 2 – Consultant Q26 – Reference – First Round Consultant Q73**

Please indicate the hydraulic flow conditions that were experienced from 2009 to 2011 and the most recent forecast for 2012.

**Round 2 – Consultant Q27 – Reference – First Round Consultant Q75**

Please discuss the accounting treatment of OM&A and capital costs for gas based PPAs as well as other supply sources under IFRS.

**Round 2 – Consultant Q28 – Reference – First Round Consultant Q76**

Please provide a schedule showing the annual expenditures made under the various PPAs for Take or Pay obligations where no physical volumes were received since implementation date of each of the agreements.

**Round 2 – Consultant Q29 – Reference – First Round Consultant Q77**

Please discuss the amount of volumes and impact on fuel costs volumes hedged for the 5 to 10 year horizon in terms of actual or estimated percentages.

**Round 2 – Consultant Q30 – Reference – First Round Consultant Q78**

- a) Please explain why there are no anticipated Saskatchewan sourced gas volumes from 2016 to 2022.
- b). Please briefly describe NorthPoint’s (or SaskPower’s) view of the security of natural gas supply, accessibility to markets, transportation and storage adequacy for the short and medium term, including any problems currently foreseen.

**Round 2 – Consultant Q31 – Reference – First Round Consultant Q80**

Please explain in detail the calculations used to determine the consumption volumes reported in the response to IR#80 and distinguish between volumes supplied to SPC owned facilities and those provided under PPA`s.

**Round 2 – Consultant Q32 – Reference – First Round Consultant Q81**

Please confirm that the unit costs for Financial and Physical Hedged volumes indicated in this response will remain unchanged until 2022, regardless of the market prices from time to time in those years, absent any further actions initiated by NorthPoint on behalf of SaskPower.

**Round 2 – Consultant Q33 – Reference – First Round Consultant Q83, Q84**

- a) Please provide the dollar impact on consumers and on consumer rates as a result of hedging forecasted settlements on an annual basis and on an overall basis from 2005 to 2011.
- b) Please provide the percentage of total F&PP costs that natural gas comprised from 2005 to 2011.
- c) Please demonstrate and discuss the degree to which rate stability and rate volatility was enhanced by the hedging program and the cost per GJ of natural gas purchased necessary to fund the hedging program.
- d) Please undertake to update the response to Q83 and Q84 in conjunction with the September update.

**Round 2 – Consultant Q34 – Reference – First Round Consultant Q85**

Please provide the transaction details (volumes and costs, including transportation costs, and cost responsibility to TEP) for the various counter parties referenced in this response.

**Round 2 – Consultant Q35 – Reference – First Round Consultant Q86**

- a) Please provide the organizational relationships and contracts that currently exist between SaskPower and NorthPoint.
- b) Does NorthPoint prepare a business plan, and if so, please provide same for 2013..
- c) Please outline the staffing changes that have occurred for 2010, 2011, 2012, and are proposed for 2013.
- d) Please detail the actual revenue and costs for both gas and electricity trading from 2008 to 2011 and forecasted for 2012 and 2013.

**Round 2 – Consultant Q36 – Reference – First Round Consultant Q90**

Please explain, in general terms, the reasons for the differential between the unit costs for coal at the Poplar River and the Boundary Dam sites, and indicate if there are any potential new coal sites within Saskatchewan which could be utilized in the mid-term.

**Round 2 – Consultant Q37 – Reference – First Round Consultant Q93**

Please provide the total annual costs for water rentals, and describe the basis of determining annual unit rates and the driving force for the relatively consistent increases year over year.

**Round 2 – Consultant Q38 – Reference – First Round Consultant Q94**

Please explain how hydraulic median flows are determined and defined.

**Round 2 – Consultant Q39 – Reference – First Round Consultant Q98**

Please provide a schedule showing revenues (and offsetting costs, if any) received relative to OATT transactions.

**Round 2 – Consultant Q40 – Reference – First Round Consultant Q99**

- a) Please define Wind capacity factors and indicate if they differ from Wind utilization factors.
- b) Please describe how these factors are used to estimate the amount of wind generation included in annual Fuel and Purchase Power forecasts, and whether these factors differ for each of SaskPower's wind facilities.



**Round 2 – Consultant Q41 – Reference – First Round Consultant Q102, Q103, Q104**

- a) Please discuss to what extent the definition of normal year weather has changed, pursuant to the review of load forecasting methodology by Itron Inc.
- b) Please provide a further description and provide an illustrative example of ‘...the quantification of weather relationships using 12 years of hourly data (1997 to 2008) and leveraging a 30 year average normal weather pattern to determine daily, monthly and annual weather normalized values for energy requirements and peaks.’
- c) Please discuss whether SaskPower considers only its industrial load and line losses to be non-weather sensitive, or describe the types of loads served by SaskPower that are subject to variations due to weather normalization.
- d) Please provide a historical record of the weather normalized and actual use per customer for each customer class from 2001 to 2011.
- e) The Itron Report makes many recommendations, while the response to Q104 only addresses 4 of them (see also Q107). Please discuss SPC planned actions for the rest of the recommendations.
- f) Please provide a tabular summary showing how the various elements of SaskPower’s load forecasting compare to the industry, using the comparative utilities surveyed by Itron.

**Round 2 – Consultant Q42 – Reference – First Round Consultant Q106**

Please indicate, for each of the 10 Customer classes, the difference in normal weather load, minimum year load and maximum year load.

**Round 2 – Consultant Q43 – Reference – First Round Consultant Q108**

- a) Please provide a five year historic record of SaskPower’s original customer and energy estimates and actual results for the 2 Resellers, from 2006 to 2011, and estimates for 2012 and 2013.
- b) Please discuss how SaskPower determines the Resellers’ peak loads.

**Round 2 – Consultant Q44 – Reference – First Round Consultant Q109**

The second quarter, 2012 load forecast shows 200 non-grid customers. Please indicate where these customers are located, by major site, if applicable and discuss whether any recent economic analyses have been conducted related to attaching these customers to the grid. If so provide details. If not explain why not.

**Round 2 – Consultant Q45 – Reference – First Round Consultant Q111**

Please re-file the table included in this response to reflect the fuel mix for generation to reflect the update to the Application.

**Round 2 – Consultant Q46 – Reference – First Round Consultant Q114**

Please indicate the estimated annual energy savings as a result of this program.

**Round 2 – Consultant Q47 – Reference – First Round Consultant Q124**

Please re-file the schedule showing 2010 numbers using GAAP.

**Round 2 – Consultant Q48 – Reference – First Round Consultant Q125**

- a) Please discuss whether or not the impact of the 2010 capital expenditure of \$565 million on rates is \$40 million in each year from 2010 to 2013, and whether the same is true for 2011 (\$44 million), 2012 (\$70 million) and 2013 (\$80 million).
- b) What 2013 rate increase would be required to generate sufficient revenue in 2013 to cover the impacts of the 2010, 2011, 2012 and 2013 Capital Programs, all else remaining the same?

**Round 2 – Consultant Q49 – Reference – First Round Consultant Q126**

For the 2012 and 2013 Capital Program, please provide schedules showing for each major category (Generation, T&D, Customer, IT, etc.) estimated construction cost, capitalized labour cost, capitalized interest, other capitalized costs and customer contributions.

**Round 2 – Consultant Q50 – Reference – First Round Consultant Q129**

Please discuss SaskPower's view as to the relative probability of its planned 2012 and 2013 being fully completed within the time frame currently anticipated, given the experience of the prior two years, and explain the rationale for and the treatment of the corporate contingency allowance.

**Round 2 – Consultant Q51 – Reference – First Round Consultant Q131**

Please discuss if and when SaskPower plans to investigate the advantages for proceeding with the various intertie upgrades.

**Round 2 – Consultant Q52 – Reference – First Round Consultant Q135**

Please reconcile the 2012 forecast revenues shown in this response for the various customer classes to those provided in the Table on Page 20 of the Application.

**Round 2 – Consultant Q53 – Reference – First Round Consultant Q136**

- a) Please confirm that SaskPower has used the data from a neighboring electrical utility to estimate load shapes for the Residential, Farm, Commercial, Oilfield and Streetlighting customers for the 2013 COSS.
- b) Please discuss the status of SaskPower's load data respecting load shapes for the above customer classes.
- c) Please provide and update of SaskPower's current cost of service review, and indicate the process proposed by SaskPower to implement the results of this study.
- d) Please provide a summary, in the same format used to compare the 2013 After Rate Increase data to the 2014 Before Rate Increase data, for the 2013 data before 2013 rate increases.
- e) Please discuss whether the implementation of IFRS impacted any of SaskPower's customer classes in the 2013 COSS differently than was the case under the GAAP system.
- f) Please discuss the extent to which, if any, the implementation of the 5.0% across the board increase for each rate component for each customer class (other than Power-Contract Rate Class) changed the R/RR ratio, given that it is unlikely all allocated rate components for every class increased by the same 5.0%.

**Round 2 – Consultant Q54 – Reference – First Round Consultant Q137**

Please summarize the BD3 ICCS project, including a brief description from project concept to date, total annual costs and annual funding from other sources, final total net costs to SaskPower, anticipated schedule for project income from electricity, CO<sub>2</sub>, fly ash and sulphuric acid sales.

**Round 2 – Consultant Q 55 - New**

The Federal Environment Minister has recently announced the long awaited regulations to curtail emissions from the coal-fired electricity sector. Please comment on the new regulations and the impact they have imposed on the coal generation fleet of SaskPower.