Saskatchewan Rate Review Panel

Report to the Minister Responsible for Crown Investments Corporation of Saskatchewan

Regarding the SaskPower 2026 and 2027 Rate Application
Effective dates February 1, 2026 and February 1, 2027

Report submitted August 28, 2026

SASKATCHEWAN RATE REVIEW PANEL

SaskPower
Powering the future

Executive Summary

SaskPower's last rate application resulted in increases of four per cent effective September 1, 2022, and a further four per cent effective April 1, 2023. Those were the corporation's first increases since 2018. SaskPower did not increase base rates in 2024 or 2025, and is now seeking an across-the-board increase of 3.9 per cent effective February 1, 2026, and a further 3.9 per cent effective February 1, 2027. The first increase was implemented on an interim basis.

The period since the last application has been marked by significant changes in SaskPower's operating, financial, and policy environment. In 2022, the Panel identified infrastructure renewal, rising fuel and purchased power costs, inflation, environmental regulation, and the transition away from conventional coal generation as major pressures facing the corporation. Those pressures have not disappeared and they have since been joined by growing electricity demand, declining export revenue, higher operating costs, an expanding capital program, and substantial uncertainty surrounding carbon-pricing obligations.

SaskPower is proposing the increases at a time when major investments are required to maintain and expand Saskatchewan's electricity system. Many generation, transmission, and distribution assets are at, or beyond their expected service lives, and require refurbishment or replacement. At the same time, the corporation must add generation and transmission capacity to accommodate economic and population growth, and to maintain reliable service. Annual capital spending is forecast to increase from $1.164 billion in 2023-24 to $1.692 billion in 2026-27.[1]

Since the previous application, SaskPower has completed the 370-megawatt Great Plains Power Station and expanded the Yellowhead and Ermine power stations. It is also constructing the 370-megawatt Aspen Power Station, replacing the Meadow Lake Generating Station, adding wind, solar, and flare-gas generation, and expanding transmission infrastructure. SaskPower is also undertaking work to extend the operating lives of existing coal-fired generating units. These investments are intended to maintain reliability, support growth, and reflect the direction established by the Saskatchewan First Energy Security Strategy and Supply Plan which was announced in October 2025. This plan represents a significant change from the policy context that existed during the previous application. It emphasizes energy security, the continued operation and repowering of existing coal facilities, strategic development of nuclear capabilities, and expanded transmission connections.

SaskPower's operating costs have also increased materially. Operating, Maintenance and Administration (OM&A) expenses are forecast to rise from $811 million in 2023-24 to $987 million in 2026-27, an increase of approximately 22 per cent.[2] SaskPower identified generation overhauls, increased transmission and distribution maintenance, nuclear development, coal-fleet repowering, new generating facilities, information technology costs, and inflation as contributors to this increase. OM&A will account for approximately 28 per cent of SaskPower's revenue requirement during the test years and will remain a notable contributor to future rate pressures.[3]

Fuel and purchased power expenses are also expected to increase as SaskPower generates and purchases more electricity to meet growing demand. Domestic electricity sales are forecast to reach approximately 25,489 gigawatt hours (GWh) by 2026-27, five per cent higher than the 24,279 GWH in 2023-24. Much of this growth is expected to come from large Power customers, particularly in the mining, pipeline, and refinery sectors; as well as the Reseller and Oilfield classes. Fuel and purchased power expenses, excluding the Clean Electricity Transition Grant and the

[1] SaskPower, *2026 and 2027 Rate Application*, p. 7
[2] Ibid, pp. 7-8
[3] InterGroup Consultants Ltd., *Review of SaskPower 2026 and 2027 Rate Application: Consultant's Report*, p. 63

output-based pricing system (OBPS) carbon charge, are forecast to increase from $971 million in 2023-24 to $1.124 billion in 2026-27.[4]

At the same time, SaskPower has experienced a substantial reduction in export revenue. Export revenue declined from $129 million in 2023-24 to $28 million in 2024-25 and is forecast to recover only partially during the test years.[5] SaskPower states that increased generation capacity in Alberta, lower market opportunities, and an outage affecting the Alberta intertie contributed to the decline.

Carbon-pricing policy remains an important source of financial uncertainty. SaskPower stopped collecting the federal carbon tax rate rider from customers on April 1, 2025, which was equivalent to an 11.7 per cent system-average reduction in customer bills. However, SaskPower continued to accrue obligations under the OBPS and originally forecast a $368 million expense in 2025-26.[6] The 2026 and 2027 rate application assumed that the OBPS would no longer apply to SaskPower in 2026-27, and that no carbon tax rate rider would be collected. However, there is significant uncertainty about whether an OBPS carbon charge, or an equivalent obligation, will apply in 2026-27, which represents a material financial risk to SaskPower and its ratepayers. For the purposes of the 2026-27 test year application, SaskPower has assumed no OBPS compliance obligation.

The financial impact of these policy changes has been moderated in part by provincial funding support. SaskPower received $187 million in provincial funding in 2025-26 is forecast to receive $175 million in 2026-27. These amounts remained unchanged in the mid-application update.[7] The financial forecast for 2026-27 relies on the receipt of the new $175 million Rate Affordability Grant from the Crown Investment Corporation to prevent a financial shortfall and to help moderate electricity rates. SaskPower has also benefited from the Clean Electricity Transition Grant, reduced dividend payments, internal efficiency initiatives, and its willingness to allow its debt ratio to exceed its long-term target range. SaskPower also stated that its internal efficiency programs have produced accumulated savings of $888 million since 2016-17 and that further savings are being pursued.[8]

Despite these measures, SaskPower's forecast financial position has weakened. Expenses are forecast to increase by more than revenues between 2023-24 and 2026-27. The application forecast a net loss in 2025-26 of $ 147 million, which was revised in the mid application update to $ 187 million. The forecast net income In 2026-27 in the application was only $79 million and was revised in the mid application update to $ 138 million. SaskPower's return-on-equity (ROE) is forecast to remain well below its long-term target of 8.5 per cent, while its debt ratio is expected to rise above the corporation's long-term target range.[9]

[4] SaskPower, *2026 and 2027 Rate Application*, pp. 10, 21–22, and 25.
[5] Ibid, pp. 9, 20, and 22
[6] Ibid, p. 6
[7] Ibid, pp. 6 and 19
[8] Ibid, p. 11
[9] Ibid, pp. 12, 19–20, and 32–33

Actual and Forecast SaskPower Revenue Requirement, 2024-25 to 2026-27 [10]

	2024-25 Actuals ($ millions)	2025-26 Forecast ($ millions)	change from 2024-25 actuals to 2025-26 forecast ($ millions)	(%)	2026-27 Business Plan ($ millions)	change from 2025-26 test year to 2026-27 test year ($ millions)	(%)
Revenues							
Saskatchewan Electricity Sales	2,842	2,922	80	3%	3,107	185	6%
Federal Carbon Charge Collected	268	-	(268)	-100%	-	-	
Government of Saskatchewan Funding	-	187	187		175	(12)	-6%
Exports and Electricity Trading	28	52	24	86%	65	13	25%
Other Revenue	116	132	16	14%	179	47	36%
Sub-total Revenues	**$ 3,254**	**$ 3,293**	**$ 39**	**1%**	**$ 3,526**	**$ 233**	**7%**
Expenses							
Fuel and Purchased Power	961	1,009	48	5%	1,124	115	11%
Clean Electricity Transition Grant	(140)	(175)	(35)	25%	-	175	
Federal Carbon Charge	280	368	88	31%	-	(368)	
OM&A	869	947	78	9%	987	40	4%
Depreciation	638	675	37	6%	712	37	5%
Finance Charges	418	463	45	11%	458	(5)	-1%
Taxes	100	105	5	5%	113	8	8%
Other Expenses	52	48	(4)	-8%	53	5	10%
Sub-total Expenses	***$ 3,178***	***$ 3,440***	***$ 262***	***8%***	***$ 3,447***	***$ 7***	***0%***
Operating Income	***$ 76***	***($ 147)***	***($ 223)***	***-293%***	***$ 79***	***$ 226***	***-154%***
Total Revenue Requirement	**$ 3,254**	**$ 3,293**	**$ 39**	**1%**	**$ 3,526**	**$ 233**	**7%**

The above table summarizes the principal revenue and expense changes underlying SaskPower's original application. It shows that SaskPower's total revenue requirement is forecast to increase from $3.254 billion in 2024-25 to $3.293 billion in 2025-26 and $3.526 billion in 2026-27. Although revenue from Saskatchewan electricity sales is expected to grow in both test years, the elimination of carbon charge revenue and increases in fuel and purchased power, OM&A, depreciation, finance charges, and other expenses contribute to a forecast operating loss in 2025-26. The financial position improves in 2026-27, largely because the application assumes that no federal carbon charge expense will apply, but forecast operating income remains low relative to SaskPower's long-term financial targets.

The mid-application update materially changed this outlook. For 2025-26, forecast revenue decreased by $21 million while expenses increased by $19 million, resulting in a revised operating loss of $187 million compared with the $147 million loss forecast in the original application. For 2026-27, the outlook improved with the mid application update forecasting total revenue of $3.560 billion and total expenses of $3.422 billion. As a result, forecast operating income increased from $55 million in the updated baseline to $138 million, and ROE improved from 2.8 per cent to 4.9 per cent. The improvement was driven primarily by higher forecast electricity sales, including anticipated sales to the Bell data-centre project, together with lower corporate capital tax expense, partially offset by higher fuel and purchased power costs.[11]

[10] InterGroup Consultants Ltd., *Review of SaskPower 2026 and 2027 Rate Application: Consultant's Report*, p. 6
[11] Ibid, pp. 75–76.

Monthly Bill Changes at Proposed SaskPower 2026 and 2027 Rate Increases Before and After Taxes

It should be noted that the proposed rates effective February 1, 2026, have already been implemented.

The proposed increases would add approximately $5 per month to the bill of the average residential customer in each year and approximately $11 per month to the average farm customer's bill in each year. SaskPower estimates that the two increases would generate $113.2 million and $120.4 million in additional annualized revenue, respectively. SaskPower states that the application is intended to balance the need to maintain a safe, reliable, and financially sustainable electricity system with the affordability pressures facing households, farms, and businesses.

The Panel received substantial public input on the application, including 162 online comments as well as submissions from stakeholder organizations and northern communities. The Panel is mindful that many submitters opposed the proposed increases or expressed concern about their affordability, particularly when households and businesses are already facing cost pressures. Other recurring concerns included the costs and risks associated with repowering coal-fired generation, the appropriate pace of renewable energy development, the fairness of rates between residential and industrial customers, the long-term economic and environmental consequences of SaskPower's investment decisions, and the availability of information concerning the planning and review process. The Panel has carefully considered this feedback in assessing both the immediate impact of the proposed increases and the broader public interest. The Panel recognizes that Saskatchewan ratepayers continue to face cost-of-living and business-cost pressures. At the same time, SaskPower must maintain sufficient financial capacity to renew aging infrastructure, serve growing demand, and respond to changes in energy and environmental policy. The Panel's task is to balance immediate affordability concerns with the longer-term financial and operational sustainability of the Crown corporation.

During the review, the Panel considered SaskPower's application, the mid-application update, responses to information requests, the consultant's analysis, and submissions from customers and stakeholders. Several issues emerged that are central to the Panel's consideration of the proposed rates, including SaskPower's capital program, growth in OM&A, fuel and purchased power costs, uncertainty surrounding carbon obligations and provincial funding, the corporation's debt ratio and ROE, customer affordability, and the competitiveness of Saskatchewan electricity rates.

After carefully considering these matters, the Panel makes the following recommendations to the Minister:

1. **That the interim 3.9 per cent system-average rate increase implemented effective February 1, 2026, be confirmed.**

The Panel recommends this increase as fair and moderate response after reviewing SaskPower's application, updated financial information, the consultant's analysis, and stakeholder and public submissions. The Panel notes that SaskPower's revised mid application forecast for 2025-26 indicated a deteriorating financial outlook, with a larger operating loss of $187 million compared to the original forecast of $147 million and a ROE of negative 6.6% instead of the negative 5.2% forecasted in the application. As the increased rate was implemented in February of 2026, it had a marginal impact on SaskPower's 2025-26 financial results. Although the increase does not resolve SaskPower's longer-term financial challenges, it provides additional revenue at a time when the corporation is facing increasing capital, operating, fuel, depreciation, and financing costs. SaskPower's debt ratio is forecast to remain above its long-term target range, and its ROE remains well below the 8.5 per cent long-term target even with the proposed increases. The Panel considers the February 1, 2026 increase to be a moderate step toward maintaining SaskPower's financial sustainability, while recognizing the affordability pressures facing customers.

2. **Since the updated financial forecast for 2026-27 shows that the improvement in operating income and ROE is primarily driven by forecast sales from the data centre project, and the timing of those revenues remains uncertain, the Panel recommends that the proposed 3.9 per cent system-average rate increase effective February 1, 2027, be considered and finalized after SaskPower provides the updated financial information required under the Terms of Reference, including:**

    a. **A comparison of revised 2026-27 forecasts with both the original application and the mid-application update;**

    b. **An update on the anticipated timing and amount of revenues from the Bell data-centre project; and**

    c. **Rate options that include increases greater than 3.9 per cent for the Oilfields and Reseller classes and an increase somewhat lower than 3.9 per cent for Small Commercial customers, with the objective of moving these classes closer to their revenue-to-revenue requirement targets.**

    d. **As SaskPower did not include any forecast for the Federal Output Based Pricing System expense in the 2025-27 application, SaskPower is requested to provide an update and results of the intergovernmental negotiations on this matter with the federal government.**

    Following its review of this information, the Panel will recommend whether the proposed 3.9 per cent system-average increase should be confirmed or revised. Given SaskPower's forecast financial position and the longer-term rate increases identified as necessary to improve its deteriorating financial metrics, the Panel considers that ratepayers should be prepared for the possibility of a system-average increase of approximately 1.5 to 2.5 percentage points higher than the proposed 3.9 per cent effective February 1, 2027.

Under the Panel's Terms of Reference, SaskPower is to provide updated financial statements and an update on any material change in business factor vital to the rate application by November2, 2026. The Panel will defer confirming rates for the 2027-28 until the Panel's has had an opportunity to review that filing. That filing should include revised financial forecasts, updated information on Bell data-centre revenues, and rate options that better align the Oilfields, Reseller, and Small Commercial classes with their revenue-to-revenue requirement targets.

The Panel also makes the following recommendations to SaskPower:

3. **That SaskPower strengthen future rate applications by providing a clearer long-term framework for resource planning, rate requirements, and operating-cost control. As part of future applications, SaskPower should:**

   a. **Provide publicly available information consistent with a typical utility integrated resource plan (IRP), demonstrating how provincial policy objectives and directives are being implemented and assessing the mix of supply-side and demand-side resources available to meet future electricity requirements while providing safe, secure and cost-effective service to customers;**

   b. **Prepare, in consultation with the provincial government, a publicly available 7-to-10-year rate plan that identifies the expected path for SaskPower's financial metrics, including its interest coverage ratio, debt ratio and ROE, and support that plan through regular rate applications every two to three years so that assumptions and proposed rate requirements can be reviewed and adjusted as circumstances change; and**

   c. **Provide a detailed plan for limiting growth in operations, maintenance and administration (OM&A) per customer to the rate of inflation or lower, including the efficiency initiatives SaskPower intends to undertake and information demonstrating the effectiveness and savings achieved through those initiatives.**

4. **That SaskPower strengthen its policies and practices affecting future rate applications, public disclosure and emerging ratepayer risks. In doing so, SaskPower should:**

   a. **Review national and international approaches to artificial intelligence (AI) and other large data-centre loads, including policies, costs, benefits, and rate structures, and work with the Government of Saskatchewan to develop a policy that provides SaskPower with appropriate tools to manage or limit its obligation to serve these customers and ensures that data-centre customers bear the full costs and risks associated with serving their load; and**

   b. **Structure future rate applications and proposed effective dates to allow sufficient time for the Panel's public review process to be completed before new rates take effect, with interim rate treatment requested only in exceptional circumstances and supported by clear public evidence demonstrating the urgency of the request, the expected customer impact, the financial consequences of delaying implementation, and why the rate change cannot reasonably await completion of the review.**

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The Panel

Authority

The Panel was established through an Order-in-Council (437/2000 dated July 27, 2000) to serve as a Ministerial Advisory Committee to the Minister of the Crown Investments Corporation of Saskatchewan. The Panel's mandate is to

> *… conduct a review and provide an opinion of the fairness and reasonableness of proposed Crown corporation rate changes, referred to the Panel by the Minister of Crown Investments Corporation; and incorporate as part of its mandate specific terms of reference for particular Crown corporation rate change reviews that may be attached by further Minister's Order.*

Whether in the original Order-in-Council or in the Terms of Reference for particular reviews, the Panel has always been instructed to consider: "*…the interests of the customer, the Crown corporation, and the public*."
The mandate of the Panel extends to three Crown corporations in Saskatchewan: SaskEnergy, SaskPower and SGI's Saskatchewan Auto Fund. Serving as an advisory body to the Minister, the Panel provides independent advice on rate proposals from the above-noted corporations. The final decision about these proposals rests with the Saskatchewan government.

Members of the Panel

The following members have been appointed to serve on the Saskatchewan Rate Review Panel:

Chair	Albert Johnston, Saskatoon
Vice-Chair	Duane Hayunga, Prince Albert
Members	Glenn Dutchak, Canora; Bonnie Guillou, Saskatoon; Kim Hartl, Lake Lenore; Sid Katzman, Saskatoon; Keith Moen, Saskatoon

Panel's Terms of Reference

The Minister issued an Order on January 2, 2026 establishing the Terms of Reference guiding the Panel's review of the SaskPower Rate Change Application. The Minister's Order and the Terms of Reference for this application identified several factors that the Panel is to consider in conducting its review including:

- The interests of SaskPower, its customers, and the public;
- Consistency with SaskPower's mandate, objectives, and methodologies;
- Relevant industry practices and principles; and,
- The effect of the proposed rate change(s) on the competitiveness of SaskPower relative to other jurisdictions.

In reviewing the application, the Panel will consider:

A. The reasonableness of the proposed rate change(s) in the context of SaskPower's forecasted cost of service over the period(s) 2025-26 and 2026-27, comprised of:
   - Anticipated fuel costs;
   - Anticipated hydro facilities availability;
   - Load forecast;
   - Planned maintenance programs;
   - Operating, administrative, maintenance, depreciation, and finance expenses; and,
   - Corporate Capital Tax

B. The revenue requirement resulting from the cost of service.

C. The reasonableness of the proposed rate structure and all components (basic charge, energy charge, and demand charge), comprising the rate.

D. The future impact of the proposed rate change(s) on different customer groups.

Under the Terms of Reference, there are certain parameters that the Panel must view as given:

- The budgeted capital allocation, rate base, and established corporate policies over the period 2025-26 and 2026-27 inclusive;
- SaskPower's long term return on equity target of 8.5%;
- Existing service levels; and
- Any existing supply contracts.

The Minister's Order for this review called for the Panel to complete its work no later than August 13, 2026, which was later revised to August 28, 2026.

The Application

SaskPower has applied for a 3.9 per cent rate increase effective February 1, 2026, and a further 3.9 per cent increase effective February 1, 2027. The February 1, 2026 increase was implemented on an interim basis. SaskPower proposes that both increases be applied equally to all customer classes and all components of its rate structure. Unlike its previous application, SaskPower is not proposing rate rebalancing or other changes to the rate design.

The average residential customer is expected to see a bill increase of approximately $5 per month in each year, while the average farm customer is expected to see an increase of approximately $11 per month in each year. SaskPower estimates that the 2026 increase will generate $113.2 million in additional annualized revenue and the 2027 increase a further $120.4 million annually. Since the first increase took effect with only two months remaining in the 2025-26 fiscal year, its initial in-year revenue impact is considerably smaller than its annualized impact.

CONSOLIDATED STATEMENT OF INCOME				
(in millions)	ACTUAL 2023-24	ACTUAL 2024-25	FORECAST 2025-26	BUSINESS PLAN 2026-27
REVENUE				
Saskatchewan electricity sales	$ 2,856	$ 2,842	$ 2,922	$ 3,107
Federal carbon charge rate rider	240	268	-	-
Government of Saskatchewan funding	-	-	187	175
Exports	129	28	52	65
Other revenue	154	116	132	179
	3,379	3,254	3,293	3,526
EXPENSE				
Fuel and purchased power	971	961	1,009	1,124
Clean Electricity Transition Grant	-	(140)	(175)	-
OBPS carbon charge	269	280	368	-
Operating, maintenance & administration	811	869	947	987
Depreciation	605	638	675	712
Finance charges	409	418	463	458
Taxes	92	100	105	113
Other expenses	38	52	48	53
	3,195	3,178	3,440	3,447
NET INCOME (LOSS)	**$ 184**	**$ 76**	**$ (147)**	**$ 79**
RETURN ON EQUITY	**6.7%**	**2.6%**	**(5.2%)**	**2.8%**

The Clean Electricity Transition Grant was used to offset Fuel and Purchased Power (F&PP) and certain OM&A expenses. Of the $140 million received in 2024-25, $136 million was applied to F&PP and $4 million to OM&A. Of the $175 million received in 2025-26, $161 million was applied to F&PP and $14 million to OM&A. It should be noted that the mid application update indicated that the forecast results for 2025-26 fiscal year is a net loss of $187 million and a negative ROE of 6.3% .[12]

The application is based on SaskPower's fiscal 2026 first-quarter load forecast, finalized in April 2025, and its 2026-27 Business Plan, finalized in December 2025. SaskPower subsequently provided updated revenue and expense forecasts during the review process. SaskPower identifies increased capital-related costs, operating, maintenance and administration expenses, fuel and purchased power costs, reduced export revenue, and growing electricity demand as the principal drivers of the application. The Clean Electricity Transition Grant has also affected SaskPower's reported expenses. Of the $140 million received in 2024-25, $136 million was applied against fuel and purchased power expenses and $4 million against OM&A. Of the $175 million received in 2025-26, $161 million was applied against fuel and purchased power and $14 million against OM&A. Without the proposed increases, SaskPower states that it would forecast a net loss in 2026-27. Even with the increases, the original application forecast net income of $79 million and a return on equity of 2.8 per cent in 2026-27, considerably below the corporation's long-term ROE target of 8.5 per cent.[13]

[12] Ibid, p. 19.

[13] Ibid, pp. 7, 12, and 33.

The following summarizes the main drivers of the requested rate adjustments. Revised information was subsequently provided in the mid application update.

Capital Investment

SaskPower stated that substantial investment is required to maintain reliability, replace or refurbish aging assets, and expand the electricity system to accommodate growth. Annual capital spending is forecast to increase from $1.164 billion in 2023-24 to $1.692 billion in 2026-27, an increase of approximately 45 per cent. Major areas of spending include generation, transmission expansion, distribution maintenance, and infrastructure required to support economic growth.[14]

Actual and Forecast Capital Spending ($ millions)[15]

	Actual				Forecast	Business Plan
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Sustainment Investment						
Generation	113	100	155	182	224	155
Transmission	89	75	92	90	140	139
Distribution	137	145	163	177	219	304
Other	86	101	110	106	105	112
Subtotal Sustainment Investment	**425**	**421**	**520**	**555**	**688**	**710**
Growth and Compliance Investment						
Generation	294	233	389	590	728	487
Transmission	39	121	39	51	150	359
Distribution	15	15	16	22	17	20
Customer Connects	142	183	177	192	242	191
Subtotal Growth & Compliance Investment	**490**	**552**	**621**	**855**	**1,137**	**1,057**
Strategic and Other Investments	**47**	**92**	**72**	**87**	**114**	**73**
Contingency						
Power Grid Renewal Grant	**(40)**					
Future Electricity Fund		**(7)**	**(44)**	**(72)**	**(149)**	**(128)**
Other Funding		**(11)**	**(5)**	**(2)**	**(3)**	**(20)**
Total Capital Spending	**922**	**1,047**	**1,164**	**1,423**	**1,787**	**1,692**

SaskPower indicated that its capital plan reflects the Saskatchewan First Energy Security Strategy and Supply Plan, including the continued operation and repowering of existing coal facilities, nuclear development work, and expanded transmission infrastructure. The capital program is intended both to maintain existing assets and meet growing electricity demand, but it will also contribute to higher depreciation and financing expenses, and increased debt.

Operating Costs

Operating, Maintenance and Administration (OM&A) expenses are forecast to rise from $811 million in 2023-24 to $987 million in 2026-27, an increase of $176 million, or approximately 22 per cent. SaskPower attributes the increase to generation overhauls, additional transmission and distribution maintenance, nuclear development, coal fleet repowering, operating requirements associated with the Great Plains and Aspen power stations, distribution-grid modernization, information technology costs, and inflation.[16] OM&A will represent approximately 28 per cent of SaskPower's revenue requirement during the test years. Although some recent increases resulted from severe

[14] Ibid, pp. 7 and 30-31

[15] 1st round information request SRRP Q65.

[16] SaskPower, *2026 and 2027 Rate Application*, pp. 7-8 and 26

weather and other circumstances that are difficult to forecast, the upward trend in OM&A remains a contributor to the need for higher rates.

Fuel and purchased power expenses, excluding the Clean Electricity Transition Grant and the Output-Based Pricing System (OBPS) carbon charge, are forecast to increase from $971 million in 2023-24 to $1.124 billion in 2026-27. SaskPower attributes the increase to higher generation requirements and an increase in the average cost of generation from $36.55 per megawatt hour (3.65 cents per kilowatt hour) in 2023-24 to $39.84 per megawatt hour (3.98 cents per kilowatt hour) in 2026-27.[17]

Revenue and Load Growth

Export revenue has declined significantly from its recent peak of $139 million in 2022-23 to $28 million in 2024-25. SaskPower attributed the decline to additional generation capacity in Alberta, lower market prices, and an outage on the Saskatchewan-Alberta intertie. Export revenue is forecast to recover to $52 million in 2025-26 and $65 million in 2026-27, but remains subject to market conditions outside SaskPower's control.[18]

Domestic electricity sales are forecast to increase by approximately five per cent between 2023-24 and 2026-27, reaching 25,489 gigawatt hours. Most of the increase is expected to come from the Power customer class, particularly mining, pipeline, and refinery customers, with growth also forecast in other classes.[19]

Carbon Pricing and Provincial Support

The treatment of carbon costs remains a significant area of uncertainty. SaskPower stopped collecting the federal carbon tax rate rider on April 1, 2025, which was equivalent to an 11.7 per cent system-average reduction in customer bills. However, SaskPower continued to accrue obligations under the OBPS and originally forecast an expense of $368 million in 2025-26. The application assumes that no OBPS expense or carbon tax rate rider will apply in 2026-27.[20]

SaskPower's forecasts also incorporate significant provincial support. The original application included $187 million in provincial funding in 2025-26 and $175 million in 2026-27. SaskPower stated that provincial funding, reduced dividend payments, cost-saving initiatives, and allowing the debt ratio to exceed its long-term target have helped moderate the increases requested from customers.[21]

Internal Efficiencies

SaskPower reported that its internal efficiency initiatives have generated cumulative savings of $888 million since 2016-17. The corporation included a one per cent efficiency target in its 2025-26 OM&A budget, is targeting a further $20 million in savings in 2026-27, and reduced its initial 2025-26 capital budget by $213 million.[22]

Financial Outlook

Despite these measures and the proposed rate increases, SaskPower's financial performance is forecast to remain below its long-term targets during the test years. Its debt ratio is forecast to increase from 76.2 per cent in 2024-25 to

[17] Ibid, pp. 8 and 24–25.
[18] Ibid, pp. 9, 20, and 22.
[19] Ibid, pp. 10 and 21–22
[20] Ibid, pp. 6 and 19
[21] Ibid, pp. 6, 11–13, and 19
[22] Ibid, p. 11

79.2 per cent in 2025-26 and 80.1 per cent in 2026-27. Return on equity (ROE) is forecast to decline from 2.6 per cent in 2024-25 to negative 5.2 per cent in 2025-26 before recovering to 2.8 per cent in 2026-27.[23]

Mid-Application Update

SaskPower filed a mid-application update in May 2026 to reflect revised forecasts and the effects of the 2026 provincial budget. The update forecast a larger operating loss of $187 million in 2025-26, compared with the original forecast loss of $147 million. Forecast ROE for the year declined from negative 5.2 per cent to negative 6.6 per cent. Revenue was forecast to be $21 million lower than originally projected, primarily because of reduced Power and Commercial sales, while expenses were forecast to be $19 million higher, largely because of a higher carbon charge expense.[24]

However, the outlook for 2026-27 improved in the mid-application update. Revenue was forecast to be higher than originally projected, primarily because of anticipated additional sales to the proposed Bell data centre, while expenses were forecast to be lower, largely because of changes to Saskatchewan's corporate capital tax, which was reduced from .06% to .03% effective April 1, 2026, and then is slated to be eliminated on April 1, 2027. These improvements were partially offset by higher fuel and purchased power costs. Despite the revised forecasts, SaskPower continued to support the rate increases requested in its original application.

The Review Process

Consultant

InterGroup Consultants Ltd. (the consultant) was engaged by the Panel as an independent technical adviser to review the fairness and reasonableness of SaskPower's proposed rate change, and to provide an independent report including recommendations that would be consistent with the Terms of Reference for the Panel's review of the application. The consulting team was led by Andrew McLaren, a principal at InterGroup Consultants Ltd. in Winnipeg. He has more than 25 years experience in utility regulation and socio-economic effects assessment.

At the direction of the Panel, the consultant conducted a detailed analysis of the application. The Panel, with the assistance of the consultant, asked two rounds of information requests and supplementary questions (all posted on the Panel's website), and had individual discussions with SaskPower staff to clarify specific points. The consultant reviewed public comments and industry submissions to the Panel and participated in several meetings and conference calls with the Panel during the review process, before presenting its final report to the Panel in August 2026.

Public Consultations

In reviewing SaskPower's Application, the Panel invited public comment. The public consultation process included:

- Submissions received by mail;
- Online messages received through the Panel's website;
- Messages received directly through the Panel's email address;
- Messages received through the Panel's toll-free voice mailbox; and
- Messages posted to the Panel's Facebook account.

[23] Ibid, pp. 11–12 and 32–33

[24] SaskPower Mid Application Update, p. 12.

A public meeting was held on April 9, 2026, in Saskatoon, in which SaskPower officials presented the rationale for the application to the public, and the Panel's Chair moderated the discussion that followed. Members of the public were invited to either attend the meeting in person or view the live broadcast online. The public had the opportunity to provide their questions in person or type their questions from their computer, tablet or smartphone during the broadcast.

All methods for public input were advertised in the two major daily newspapers, and information was disseminated through Facebook, the Panel's website, and via media releases. The application received news coverage immediately after it was announced, and copies of the application were available on SaskPower's and the Panel's website.

There were a significant number of public comments on this application and they focused on several key themes.

Coal repowering and preference for renewable energy: Respondents opposed coal as an energy source, viewing it as outdated, costly, and harmful. Respondents provided support for transitioning to renewables like wind and solar, which are viewed by respondents as more economical and future oriented. For example:

- *"I do not support rate increases being used to refurbish or extend coal-fired power stations. You can say that continued investment in coal is costly, polluting, and risks locking Saskatchewan into outdated infrastructure, while cleaner, lower-risk options such as wind, solar, storage, energy efficiency, and grid modernization are available. Public dollars should support affordable, reliable, forward-looking energy solutions rather than more spending on coal."*

- *"We need to shift to more renewables to keep the rates down. Solar and wind is more cost effective than refitting old coal plants. Get the coal ideologues out of the decision making process and get people who are focused on the fiduciary responsibility of SaskPower to keep rates low for Sask citizens"*

Rate increases and affordability: Respondents expressed financial strain and argue that rate increases are inappropriate given the current cost of living. Respondents also expressed concern about impacts on seniors, low-income households, and families already struggling with increases from other expenses.

- *"All around us prices are rising, at a seemingly uncontrollable rate. These SaskPower increases further exacerbate the difficulty all residents and businesses face in trying to stay viable. Some common sense would be a timely intervention to cancel, or at least minimize the increases. This certainly would benefit every Saskatchewan resident."*

- *"I just wanted to let you know we are getting sick and tired of being price gouge and rate hikes. Bad enough groceries prices now I'm only shopping once a month if any at all if this keep up. Said benefit from government of Saskatchewan better give increase power and heat rates or else, we will be struggling ill end up with dementia early by stress . Stop this hikes now!!!enough is enough. You guys not losing money you just saying that to raise rates. Bunch of BS. ENOUGH WITH THE HIKES"*

Economic impacts and future burden: Respondents expressed concerns about the long-term financial implications of current decisions, including increased debt, stranded assets, and economic risk for future generations.

- *$26 billion on coal while my rates go up again. This isn't energy security, it's ratepayer-funded recklessness. We're being asked to foot the bill for a bet that your own people call extreme risk.*

- *“This seems a very fast and loose use of provincial revenues, ill advised with no thought for future generations. It makes one wonder who is making these budgetary decisions. Why is this government running our crown corporations down, and then selling them? The crown land sales were a travesty.”*

Environmental and climate concerns: Respondents highlighted the environmental and health risks of coal use. Respondents emphasized climate change, emissions reductions, and the need to align with greater environmental goals.

- *“I totally oppose the rate increase to move towards refurbishing coal mines! Coal is dirty, polluting, and more expensive than wind and solar, and the whole idea is shortsighted and doesn’t consider the harms to us as humans or to the climate crisis. Let’s think ahead and move towards clean energy!”*

- *I do NOT support extending the operation of coal-fired plants. There are so many better options that give us secure power and jobs while also being better for our health and not worsening the climate crisis.”*

Perceived unfairness between industry and residential customers: Some respondents perceived the cost burden as unevenly distributed. Respondents called for industrial customers to bear a greater share of costs.

- *“I am opposed to the proposed rate increases for residential, small business, and farm customers. It is time for industry to pay more for the electricity it consumes, as it is primarily industry that is driving the need for expanded electricity generation in Saskatchewan. On a per kilowatt hour basis, large industrial customers are paying roughly half the rate of residential customers. I find this appalling. Moreover, industry gets to write off their expenses for electricity consumption, whereas I and senior citizens like me across the province do not. I want your proposed rate increases to apply to industry, but not to residential customers. I also want to address the revelation that re-furbishing Sask Power coal-fired power plants will entail 11.4 billion in capital costs. I am appalled that the Sask government intends to run these dirty energy plants in violation of federal law which requires their closure by January of 2030. I am simply not prepared to pay for refurbishment costs at the expense of our climate and health. I ask the Rate Review Panel to reject any rate increases related to this illegal refurbishment.”*

- *“Residential power rates in Saskatchewan are more than 10% above the Canadian average while industrial rates are more than 10% lower than the Canadian average. With SaskPower requesting a rate increase for residential power, that further inflates the cost of living and burdens Saskatchewan families more. I would ask that you oppose the proposed rate increase for residential power and if a rate increase is required, increase the industrial rates instead. Corporations should be paying their fair share, not getting a break on behalf of the tax payers. Renewables should be required to be developed before any further rate increases occur.”*

Lack of public disclosure and trust in decision-making: Respondents identified distrust in government and decision-making processes. Respondents identified feelings of key information not being shared and that decisions are being made without adequate public input.

- *“I don't support this rate increase. It is being done without transparency and analysis. I don't support investment on antiquated energy technology during a time when SK should be investing in clean energy. I want science and evidence to direct future energy investment. This investment is to come from Canadians and Canadian companies and not back room deals with American companies without independent pubic, expert scrutiny and debate in the legislature.”*

- *"SaskPower has decided to refurbish and extend coal-fired power generation. The lack of transparency surrounding the economic analysis, alternatives considered, long-term risks, and projected impacts on Saskatchewan ratepayers and industry is concerning. At the same time, SaskPower is proposing electricity rate increases while the province moves toward spending billions on coal refurbishment projects. As Saskatchewan residents, businesses, industries, municipalities, and communities, we deserve: - clear information – transparent analysis – meaningful public engagement – and confidence that major long-term energy decisions are being made through a rigorous and accountable process Electricity policy affects far more than just power bills. It impacts industrial competitiveness, investment attraction, GHG emissions reduction commitments, and ultimately Saskatchewan's long-term economic future."*

Bell Data Centre: Respondents identified the Bell Data Centre as a concern in the 2026 and 2027 rate application.

- *"As this Saskatchewan taxpayer, I am disappointed in the Sask party and the decisions they are "making ". I do not feel like the data centre has been transparent, and the costs of who is covering for that facility has been made no one. I do not want to be paying for that data centre to run and use the electricity grid or the water source. I feel like that needs to be on hold until we can figure out who's paying for it. How it's going to be supplied energy that is not going to affect the residence of Saskatchewan. I also am not in support of syncing a bunch of money to keep Coal going for a short period of time. I think that's very backwards thinking and they're better ways of having more stable, renewable energy that does not cost taxpayers more money. During this time in the economy, hiking up rates to cover stupid costs, I cannot justify and understand why we are going backwards and having to pay more for these poor decisions. I would like a pause on all of these, and for the government to be more clear transparent and provide information to residence and potentially have residence be able to vote on what they would like. If it made sense to have a data centre that was not costing residence anything and that was not gonna be detrimental to the environment or use a resources than I would have no problem. Same with the energy and wanting to maintain a dirty energy, such as coal. If that wasn't going to cost a ridiculous amount and that it could be done, cost-effectively efficiently and environmentally as friendly as possible then potentially I could justify continuing that, but that is unfortunately not the case for this resource and source of power. I do not support any of these and really would like to see the government reconsider and use their brains and step outside of the box and stop trying to make friends of their party more rich while taking advantage of Saskatchewan and taxpayers and residence and stealing their money and spending on dumb things."*

The Panel also received a number of written submissions from stakeholder groups including:

The **Canadian Federation of Independent Business (CFIB)** expressed concern about SaskPower's proposed consecutive 3.9 per cent electricity rate increases in 2026 and 2027, arguing that small businesses and farms are already facing significant financial pressure from rising input costs, labour shortages, insurance premiums and economic uncertainty. CFIB noted that electricity is a core operating cost, especially for farms, food processors and rural businesses and indicated the increases could add hundreds of dollars per year once fully implemented. Although CFIB acknowledged SaskPower's need to maintain reliable service and modernize infrastructure, it urged the Panel to weigh the cumulative impact on affordability, competitiveness and business sustainability, and to require greater transparency around how increased revenues will be used.

The **Saskatoon Chamber of Commerce** stated that its members recognized the importance of reliable electricity service and long-term system planning, but they are concerned about affordability, competitiveness and cumulative cost pressures. The Chamber notes that more than 70 per cent of members surveyed on this issue described their operations as moderately-to-heavily electricity-intensive, with limited ability to reduce usage in the short term.

Members also raised concerns about interim rate increases being implemented before the full review is complete, stating this creates uncertainty for budgeting, planning and investment.

The **Saskatchewan Association of Rural Municipalities (SARM)** stated the proposed increases would place a disproportionate burden on rural customers, farms, agricultural operations and rural municipal governments. SARM noted that SaskPower's figures show the average farm customer would see more than double the monthly increase of a typical residential customer. At the same time rural users already face higher connection costs, fewer alternatives and limited ability to absorb or pass on rising electricity costs. SARM suggested that SaskPower should examine non-rate-based options first and consider targeted relief such as rural or farm bill credits, lower increases for farm rate codes, or provincial rebates.

Mosaic's submission emphasized the importance of affordable, reliable baseload power for Saskatchewan's potash industry. As a major industrial electricity customer operating three mine sites around the clock, Mosaic noted that its power needs are significant and are expected to grow as production increases. The corporation acknowledged that SaskPower has not increased rates since April 2023 and recognizes the need for the utility to maintain financial sustainability and invest in system reliability. Mosaic also highlighted the importance of a competitive carbon tax policy, noting that electricity-related emissions make up the majority of its carbon tax payments, and expressed interest in continued engagement with SaskPower and government on Saskatchewan's future power plan.

The **Saskatchewan Environmental Society (SES)** was critical of the province's Saskatchewan First Energy Security Strategy and Supply Plan*,* arguing that it relies too heavily on extending coal-fired power and committing to nuclear energy while underusing lower-cost alternatives. SES raises concerns about the cost, timing and uncertainty of small modular reactors, as well as the environmental and regulatory risks of operating coal plants as late as 2050. SES stated that SaskPower should place greater emphasis on demand-side management, wind and solar development, distributed generation, microgrids, and stronger interconnections with Manitoba and other clean power sources. SES also indicated the plan does not adequately address worker transition in coal communities or explain how Saskatchewan will achieve carbon-neutral electricity by 2050.

The **Saskatchewan Industrial Energy Consumer Association (SIECA)** raised concerns about both SaskPower's proposed rate increases and the process used to introduce them. SIECA stated the short notice, limited industry engagement and interim implementation created budgeting challenges, weakened trust and increased uncertainty for major industrial customers considering investment in the province. SIECA does not oppose operating coal assets to their end-of-life, but indicated that SaskPower must provide clearer information on the costs, timelines and affordability implications of coal refurbishments, carbon capture, natural gas and renewable alternatives.

Several northern communities, including **Cumberland House, St. George's Hill, Green Lake, Île-à-la-Crosse,** and **Denare Beach,** raised shared concerns about the impact of SaskPower's proposed rate increases on northern residents and municipalities. The submissions argued that recent and planned grid upgrades appear to be driven largely by industrial growth, particularly mining and uranium development, rather than by the needs of northern communities. They note that many northern municipalities continue to face significant infrastructure gaps, including limited access to natural gas, lack of three-phase power, high connection or "new pole" costs, and fewer essential services than southern or urban communities. The communities argue that northern residents should not be grouped into a provincial rate structure that does not reflect their higher costs and limited alternatives, and they recommended that SaskPower research and implement a distinct northern electricity rate of approximately $0.10 per kWh to improve affordability and fairness.

University of Regina professor **Brett Dolter** stated that SaskPower's plan to refurbish and operate coal-fired power plants to 2050 has not been adequately compared against lower-cost alternatives. His submission estimated that coal refurbishment would cost approximately $25.8 billion over 25 years, while comparable portfolios using natural gas, wind and solar could cost substantially less, particularly if carbon pricing is applied. He also raised concerns about the regulatory and legal risks of continuing to operate coal plants under federal emissions rules, as well as the potential for coal to limit opportunities to add renewable generation.

The **Official Opposition of Saskatchewan** raised concerns about SaskPower's proposed rate application and the information provided to the Panel. It argues that internal SaskPower materials and independent analysis point to much higher long-term costs, financial risks and reliability concerns than have been reflected publicly, especially regarding coal-fired generation and pursuing nuclear power. The submission criticized the completeness and transparency of information shared with the Panel, including capital costs, supply planning, industrial carbon pricing and the potential impacts on future electricity rates.

These submissions and public comments can be found on the Panel's website at www.saskratereview.ca.

Analysis and Discussion

February 1, 2027 Rate Increase

SaskPower has requested a second 3.9 per cent system-average rate increase effective February 1, 2027. Under the Terms of Reference, SaskPower is required to provide current financial statements and an update on any material changes to business factors relevant to the application by November 2, 2026. The Panel will then review that information and provide a recommendation by December 1, 2026 on whether the proposed February 1, 2027 rate increase should be confirmed or revised.

The consultant recommended that the updated material include a comparison of revised 2026-27 forecasts with both the original application and the mid-application update, as well as updated information on the anticipated timing of revenues from the Bell data-centre project. The Panel agrees that this information is necessary before a final determination can be made. In particular, uncertainty surrounding the timing of data-centre revenues could materially affect SaskPower's financial results. Although most of SaskPower's principal expense and load forecasts are reasonable for rate-setting purposes, the timing of revenues associated with the data-centre project remains uncertain.

The updated financial information will also allow the Panel to assess whether the proposed 3.9 per cent increase remains sufficient in consideration of SaskPower's financial position. Even with the requested rate increases, SaskPower is not forecast to achieve its long-term financial targets. Its debt ratio is forecast to exceed the long-term target range of 60 to 75 per cent, while its ROE remains substantially below the 8.5 per cent long-term target established in the Terms of Reference. The Panel recognizes that the debt-ratio and ROE targets are longer-term objectives, and that the pace at which they are achieved must be balanced against the impact of significant rate increases.

Effect of Alternative Rate Scenarios on SaskPower's Financial Results[25]

	2025-26			2026-27		
		2025-26 Forecast	change compared to rate application		2026-27 Forecast	change compared to rate application
Rate Application						
Avg customer rate increase		3.9%			3.9%	
Domestic sales revenue (millions $)	$	2,889.0		$	3,141.1	
Operating net income (millions $)	$	(186.6)		$	138.4	
Return on equity		(6.6%)			4.9%	
Debt ratio		79.5%			79.7%	
2% rate increases February 1, 2026 and February 1, 2027						
Avg customer rate increase		2.0%	*(1.9%)*		2.0%	*(1.9%)*
Domestic sales revenue (millions $)	$	2,879.7	*$ (9.3)*	$	3,072.1	*$ (69.0)*
Operating net income (millions $)	$	(195.9)	*$ (9.3)*	$	67.9	*$ (70.5)*
Return on equity		(7.0%)	*(0.4%)*		2.4%	*(2.5%)*
Debt ratio		79.5%	*0.0%*		80.2%	*0.5%*
No rate increase						
Avg customer rate increase		0.0%	*(3.9%)*		0.0%	*(3.9%)*
Domestic sales revenue (millions $)	$	2,870.1	*$ (18.9)*	$	3,001.9	*$ (139.2)*
Operating net income (millions $)	$	(205.5)	*$ (18.9)*	$	(2.2)	*$ (140.6)*
Return on equity		(7.3%)	*(0.7%)*		(0.1%)	*(5.0%)*
Debt ratio		79.6%	*0.1%*		80.8%	*1.1%*
8.5% ROE in 2026/27 Fiscal Year						
Avg customer rate increase		6.90%	*3.0%*		6.90%	*3.0%*
Domestic sales revenue (millions $)	$	2,903.1	*$ 14.1*	$	3,245.9	*$ 104.8*
Operating net income (millions $)	$	(172.5)	*$ 14.1*	$	244.4	*$ 106.0*
Return on equity		(6.1%)	*0.5%*		8.5%	*3.6%*
Debt ratio		79.4%	*(0.1%)*		78.9%	*(0.8%)*
6.0% ROE in 2026/27 Fiscal Year						
Avg customer rate increase		4.90%	*1.0%*		4.90%	*1.0%*
Domestic sales revenue (millions $)	$	2,893.5	*$ 4.5*	$	3,174.7	*$ 33.6*
Operating net income (millions $)	$	(182.1)	*$ 4.5*	$	171.7	*$ 33.3*
Return on equity		(6.5%)	*0.1%*		6.0%	*1.1%*
Debt ratio		79.5%	*0.0%*		79.4%	*(0.3%)*
8.5% ROE in 2029/30 Fiscal Year						
Avg customer rate increase		4.00%	*0.1%*		4.00%	*0.1%*
Domestic sales revenue (millions $)	$	2,889.3	*$ 0.3*	$	3,143.1	*$ 2.0*
Operating net income (millions $)	$	(186.3)	*$ 0.3*	$	140.4	*$ 2.0*
Return on equity		(6.6%)	*0.0%*		5.0%	*0.1%*
Debt ratio		79.5%	*0.0%*		79.7%	*0.0%*
75% debt ratio by end of 2026/27						
Avg customer rate increase		22.0%	*18.1%*		22.0%	*18.1%*
Domestic sales revenue (millions $)	$	2,975.3	*$ 86.3*	$	3,796.6	*$ 655.5*
Operating net income (millions $)	$	(100.3)	*$ 86.3*	$	799.6	*$ 661.2*
Return on equity		(3.5%)	*3.1%*		24.9%	*20.0%*
Debt ratio		79.0%	*(0.5%)*		75.0%	*(4.7%)*
75% debt ratio by end of 2029/30						
Avg customer rate increase		6.20%	*2.3%*		6.20%	*2.3%*
Domestic sales revenue (millions $)	$	2,899.5	*$ 10.5*	$	3,219.2	*$ 78.1*
Operating net income (millions $)	$	(176.1)	*$ 10.5*	$	216.3	*$ 77.9*
Return on equity		(6.3%)	*0.3%*		7.5%	*2.6%*
Debt ratio		79.4%	*(0.1%)*		79.1%	*(0.6%)*

25 2nd round information request SRRP Q1(b), 2026 and 2027 Rate Application.

The consultant's analysis considered a range of longer-term rate scenarios and the extent to which they would improve SaskPower's financial metrics by 2029-30. The analysis demonstrates that different rate paths produce different outcomes for ROE, debt ratio and other financial measures, and that no single rate increase should be interpreted as achieving all of SaskPower's long-term financial targets. The Panel therefore considers the scenarios useful for illustrating the scale of SaskPower's longer-term financial challenge.

The consultant also noted that the revenues generated by SaskPower's proposed rates may embed structural deficits that could become increasingly difficult to address through future rate increases. There are a number of continuing uncertainties and cost pressures, including potential future carbon obligations, growth in operating costs, volatile natural gas prices and interest rates, and the revenue required to improve SaskPower's ROE. This analysis reinforces the need for updated financial information before the Panel makes its final recommendation on the February 1, 2027 rate increase. The November update will also provide an opportunity to assess whether the assumptions underlying the longer-term scenarios remain reasonable and to obtain further information on SaskPower's projected financial position through 2029-30. The Panel also advises that ratepayers should be prepared for the possibility that, following the November financial review, a system-average increase of approximately 1.5 to 2.5 percentage points higher than the proposed 3.9 per cent may be required effective February 1, 2027. Ratepayers should note that the proposed 3.9 per cent increase would add approximately $5 per month to the bill of the average residential customer and approximately $11 per month to the bill of the average farm customer. If the final system-average increase is higher than proposed, the monthly impact on customers would be correspondingly greater.

At the same time, the Panel recognizes that affordability is an important consideration for households and businesses. Rate increases can place pressure on customers, particularly lower-income households, but the Panel also recognizes that deferring required rate adjustments while operating costs and infrastructure requirements continue to increase can result in greater financial pressures and sharper rate increases in future years.

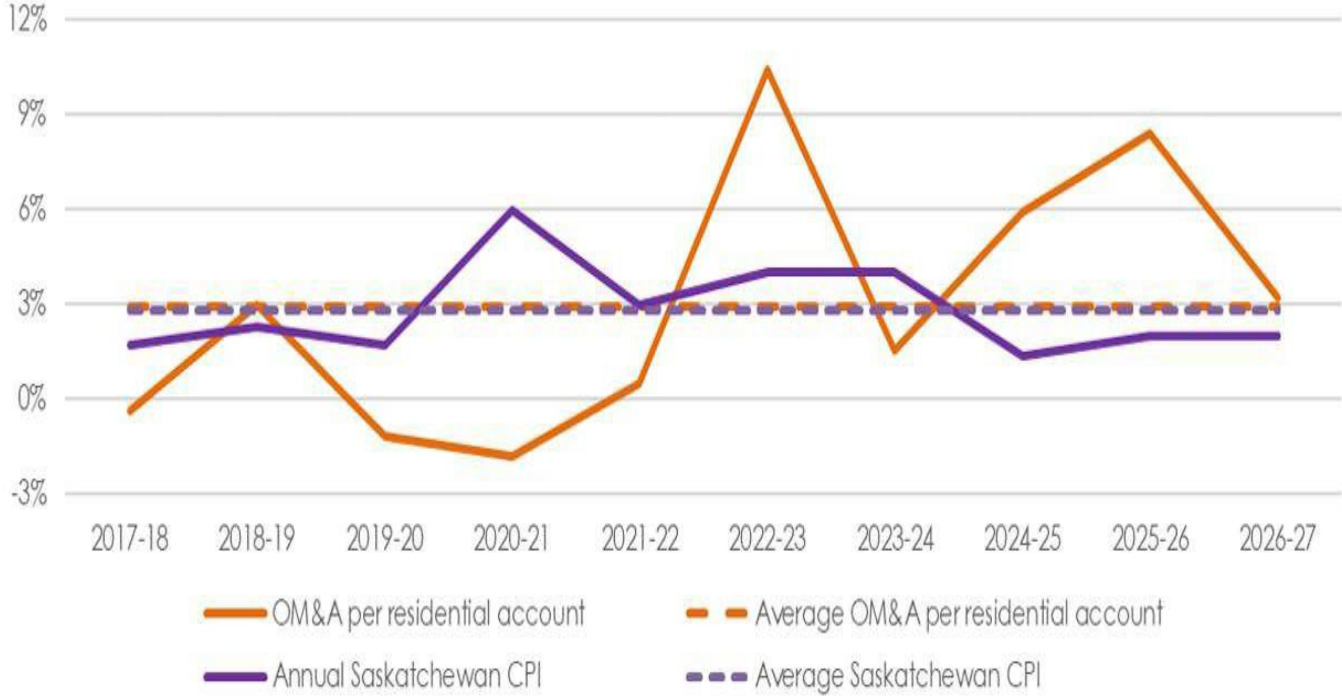
The November review should also address how the February 2027 increase is allocated among customer classes. SaskPower has proposed the same 3.9 per cent increase for all classes. However, its Cost of Service Study indicates differences in the extent to which revenues from individual classes recover the costs allocated to serving them. SaskPower generally considers revenue-to-revenue requirement ratios between 0.95 and 1.05 to be reasonable. The consultant has identified the Oilfields and Reseller classes as warranting particular attention. SaskPower provided information indicating that increases of approximately 5.7 per cent for Oilfields and 6.1 per cent for Reseller in each of the test year**s** would be required to achieve revenue-to-revenue requirement ratios of 1.01 and 1.00 respectively. The Panel is concerned about deferring increases of this magnitude and considers a higher-than-average increase for these classes effective February 1, 2027 to be fair and reasonable. By comparison, the Small Commercial class has a higher revenue-to-revenue requirement ratio. Under the proposed 2026-27 rates, the ratio is forecast at 1.05 for Small Commercial, compared with 0.98 for Oilfields and 0.96 for Resellers. The Panel recommends that SaskPower provide options for a somewhat lower increase for Small Commercial customers, with the objective of moving these classes closer to their revenue-to-revenue requirement targets.

Operating, Maintenance and Administration (OM&A) Costs

OM&A costs represent one of the largest components of SaskPower's revenue requirement and have a direct impact on rates. These costs include salaries and wages, materials and supplies, external contractor services, and other operating expenses such as training, travel, and administration. OM&A is estimated to account for approximately 28 per cent of SaskPower's revenue requirement during the test years.[26]

[26] Ibid, p. 63

Actual and Forecast OM&A Growth Compared to Inflation (2017-18 to 2026-27)[27]



The Panel is concerned about the recent upward trend in these costs. The corporation's OM&A spending remained relatively stable from 2015-16 through 2021-22, with actual expenditures generally close to forecast. That pattern has now changed. Since 2022-23, OM&A costs have increased considerably, and actual expenditures have exceeded forecast in each year through 2024-25. SaskPower attributed some of these variances to factors that are difficult to predict or control, including severe weather, emergency maintenance, additional generating station overhauls, flooding at the Poplar River Power Station, and increased transmission and distribution maintenance. Spending on SMR feasibility work and other transformation initiatives has also contributed to the increases.[28] Each variance on their own are understandable, but taken together, they are financially concerning to the Panel.

SaskPower's OM&A costs rose from $811 million in 2023-24 to $869 million in 2024-25 and are forecast to reach $987 million by 2026-27. This represents an increase of approximately 22 per cent in only three years, or approximately seven per cent annually, at a time when Saskatchewan inflation is forecast to average about two per cent. Customer growth does not explain the difference: SaskPower forecasts customer accounts will increase by only approximately two per cent between 2023-24 and 2026-27.[29]

[27] SaskPower 2026 and 2027 rate application, p. 30
[28] InterGroup Consultant's Report, p. 57
[29] Ibid, pp. 57-58

Actual and Forecast Operations, Maintenance and Administration Expense Per Customer, 2021-22 to 2026-27 ($/Customer)[30]

	Actual				Average Annual	Forecast	Business Plan	Average Annual
	2021-22	2022-23	2023-24	2024-25	2021-22 - 2024-25	2025-26	2026-27	2021-22 - 2026-27
Total OM&A ($ millions)	711	792	811	869		933	987	
Percent Change	*1.6%*	*11.4%*	*2.4%*	*7.2%*	*6.9%*	*7.4%*	*5.8%*	*6.8%*
Total Customer Accounts	549,940	553,849	557,443	562,232		565,648	570,193	
Percent Change	*0.9%*	*0.7%*	*0.6%*	*0.9%*	*0.7%*	*0.6%*	*0.8%*	*0.7%*
OM&A/Customer ($/Custome	1,293	1,430	1,455	1,539		1,649	1,731	
Percent Change	*0.7%*	*10.6%*	*1.7%*	*5.8%*	*6.0%*	*7.2%*	*4.9%*	*6.0%*

The trend is even more apparent when OM&A is examined on a per-customer basis. OM&A per customer increased from $1,293 in 2021-22 to $1,539 in 2024-25 and is forecast to reach $1,649 in 2025-26 and $1,731 in 2026-27. The corresponding annual increases are forecast at 7.2 per cent in 2025-26 and 4.9 per cent in 2026-27. Although OM&A growth over the longer period from 2017-18 through 2026-27 is broadly comparable to cumulative inflation, the consultant specifically noted that since 2021-22 OM&A per residential customer has exceeded inflation in most years.[31]

The Panel considers this recent trend more relevant than the longer-term average. Sustained increases above inflation can become embedded in SaskPower's cost base and ultimately contribute to future revenue requirements. As the consultant observed, "the upward trend in OM&A is a notable contributor to the need for higher rates."[32] SaskPower is forecasting OM&A in 2026-27 to be $122 million, or 14 per cent, higher than the 2024-25 actual amount.[33] The Panel also recognizes that not all of this growth can reasonably be avoided. SaskPower is operating and maintaining an aging and geographically extensive electricity system, while simultaneously undertaking major changes to its generation portfolio. These pressures make cost control more difficult, but in the Panel's view they also make it more important. SaskPower's financial position leaves limited room for operating costs to grow substantially faster than inflation year after year. Costs associated with major new initiatives should not simply become additions to the existing cost base without a corresponding examination of where efficiencies can be achieved elsewhere in the organization.

Labour costs warrant particular attention because they represent the largest component of OM&A. Labour accounts for approximately 55 per cent of forecast OM&A, and total labour costs are expected to increase by $96 million between 2023-24 and 2026-27. SaskPower is also forecasting 3,767 full-time equivalent positions in 2026-27, an increase of 124 positions from 2024-25. The Panel recognizes that some workforce growth may be required to operate new facilities, maintain infrastructure, and undertake major projects. However, given the importance of labour costs to the overall OM&A budget, the Panel expects SaskPower to demonstrate that staffing increases are

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[30] 2021-22 to 2024-25 total customer accounts and 2021-22 to 2022-23 total OM&A from 1st round information request SRRP Q46(a); 2023-24 to 2024-25 actual total OM&A and 2025-26 to 2026-27 forecast total OM&A from page 19, SaskPower, 2026 and 2027 Rate Application.

[31] InterGrpup Consultant's Report, pp. 59-61

[32] Ibid, p. 63

[33] Ibid

tied to identifiable operational requirements and that opportunities to redeploy existing resources have been considered.[34]

External services are another area where continued scrutiny is warranted. External services, primarily contract services, are forecast to increase by approximately $46 million, or 16 per cent, in 2025-26 and by a further $16 million in 2026-27. Contract services alone are forecast to rise from $278 million in 2024-25 to $341 million in 2026-27. Specialized contractors may be necessary, particularly during periods of major capital development and system transformation, but the Panel expects SaskPower to continue assessing whether contracted work is necessary, whether it is being procured efficiently, and whether work can be performed more economically using internal resources where appropriate.[35]

The Panel acknowledges that SaskPower has undertaken measures intended to control operating expenditures. Its 2024-25 and 2025-26 business plans included a one per cent efficiency target involving vacancy management, reductions in contract and external services, and reductions in discretionary spending. SaskPower advised that these measures were also incorporated into the 2026-27 budget.[36] These efforts are positive, but the Panel believes the recent rate of OM&A growth demonstrates the additional need for continued and more sustained attention to cost containment. The Panel has also addressed this issue in past rate reviews. It previously recommended that SaskPower limit growth in OM&A per customer account to half the rate of inflation. The Panel acknowledges that, given the cost pressures associated with coal repowering, SMR development, and maintaining aging transmission and distribution infrastructure, that target may no longer be achievable. Nevertheless, the Panel concludes that it will be important for SaskPower to continue to seek ways to limit the growth in its OM&A budgets. The Panel also recognizes that there will be years when emergency maintenance, new regulatory requirements, commissioning of new assets, or other legitimate factors will result in higher increases. However, inflation should serve as an important benchmark against which SaskPower evaluates and explains the growth in controllable operating costs over time.

Integrated Resource Plan

SaskPower is operating within a significantly changed policy environment since its previous application. The Saskatchewan First Energy Security Strategy and Supply Plan places greater emphasis on energy security, reliability, the continued operation and repowering of existing coal-fired generation, nuclear development, and transmission expansion. These policy objectives will have important implications for SaskPower’s future capital and operating costs. Decisions about Saskatchewan’s electricity supply involve considerations beyond immediate costs, including reliability, energy security, economic development, environmental requirements, and provincial policy direction. However, because major supply decisions can commit SaskPower to substantial expenditures over many years, the Panel considers it important that the costs, need, and alternatives underlying those decisions be clearly disclosed.

The consultant noted that, although SaskPower’s longer-term supply planning direction has changed, its short-term supply plan through 2028-29 remains largely similar to earlier plans, with only limited adjustments. As a result, most near-term generation additions and retirements are continuing as previously planned despite the adoption of the Saskatchewan First Energy Security Strategy and Supply Plan. Over the period from 2021-22 to 2027-28, SaskPower is adding approximately 850 megawatts (MW) of dispatchable thermal capacity through natural-gas additions and the return and retention of coal-fired capacity. Over the same period, it is also adding more than 1,000 MW of wind and solar capacity. The result is a significant increase in total installed capacity across both dispatchable and intermittent generation resources.[37]

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[34] Ibid, p.62-63
[35] Ibid, p. 62
[36] Ibid, p. 60
[37] Ibid, p. 32

The Panel considers it important that the need for these additions be clearly demonstrated. SaskPower's system peak is forecast to increase from approximately 3,910 MW in 2021-22 to 4,189 MW in 2027-28, an increase of 279 MW. The consultant noted that installed capacity is therefore increasing at a faster rate than forecast peak demand over this period. The retention of coal-fired generation, combined with new natural-gas and renewable additions, may result in surplus installed capacity in the near to medium term, depending on actual load growth, generating-unit availability, and export conditions.[38]

At the same time, the Panel recognizes that installed capacity cannot be assessed solely by comparing total megawatts with forecast peak demand. The consultant noted that the additional firm capacity provided by retained coal units contributes to system adequacy and reserve margins, which can be important in managing operational risks and extreme weather. The NERC Long-Term Reliability Assessment indicated that SaskPower had an estimated reserve margin of 35.0 per cent in 2023, reflecting capacity above forecast peak demand. The Panel considers these reliability considerations important, but believes they should form part of a clear and publicly available assessment of how much capacity is required, what types of resources are best suited to provide it, and at what long-term cost to ratepayers.[39]

The consultant also noted that SaskPower did not provide the type of detailed, public life-cycle cost analysis of alternative generation options that is commonly included in integrated resource planning processes elsewhere in Canada. In particular, the available public information was not sufficient to determine whether the current supply plan represents a reasonable and cost-effective approach for ratepayers when the long-term capital and operating costs of alternative resource portfolios are considered.[40] This concern is particularly important given the scale and uncertainty of future investment. Costs associated with both the coal repowering program and future small modular reactor development remain uncertain, and will affect future capital plans and the need for future rate increases. SaskPower has indicated that estimates for both the coal repowering program and SMR generation remain at an early stage.[41]

An integrated resource plan provides an opportunity to examine these considerations together rather than assessing individual projects in isolation. A comprehensive public plan would compare forecast demand and required system capacity with the long-term costs, risks, timing, reliability, and performance of available supply-side resources, including coal, natural gas, nuclear, renewable generation, imports, and transmission. It would also consider demand-side resources such as energy efficiency and demand response. The consultant stated that utilities commonly make this type of comparison publicly available as part of their long-term power supply planning and considers this disclosure important to building public confidence.

The Panel is particularly interested in ensuring that demand-side resources are considered alongside new generation and transmission investments. The consultant observed that other Canadian utilities use demand-side management as a resource option to reduce or defer the need for additional supply, while SaskPower's recent programs have increasingly emphasized affordability and customer experience. Without current information on the achievable potential and cost of energy efficiency, opportunities to reduce or defer future system costs may not be fully considered.

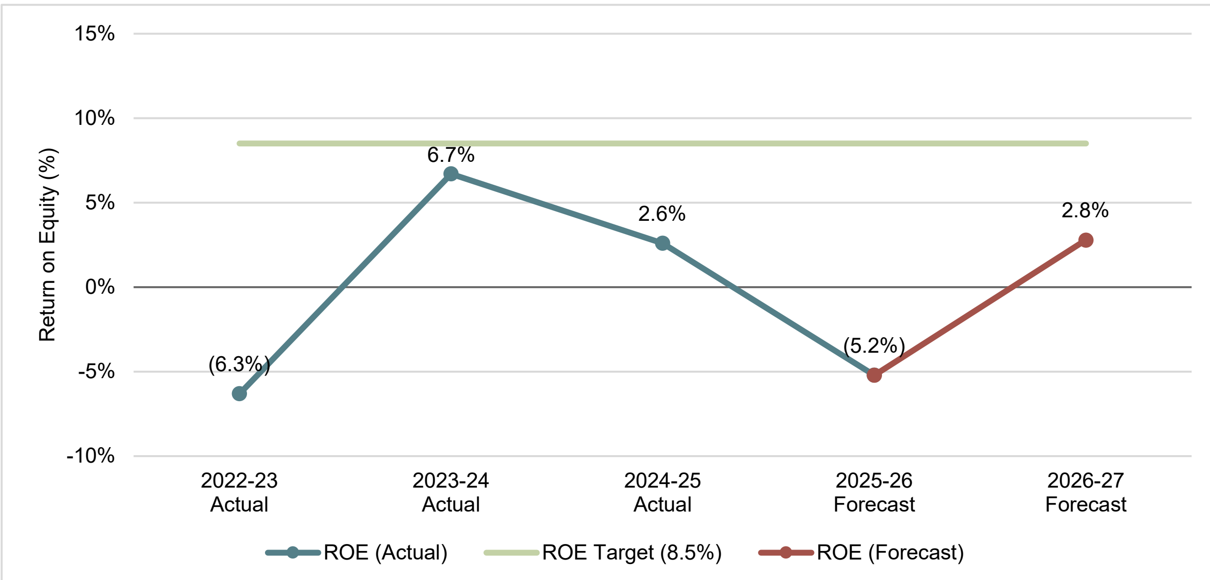
The Panel agrees with the consultant that future rate reviews would be strengthened by publicly available information comparable to that contained in a typical utility integrated resource plan. This information should allow the Panel and ratepayers to understand forecast electricity demand and capacity requirements, how provincial policy

[38] Ibid, pp. 32-33
[39] Ibid, p. 33
[40] Ibid, pp. 33
[41] Ibid., p. 89.

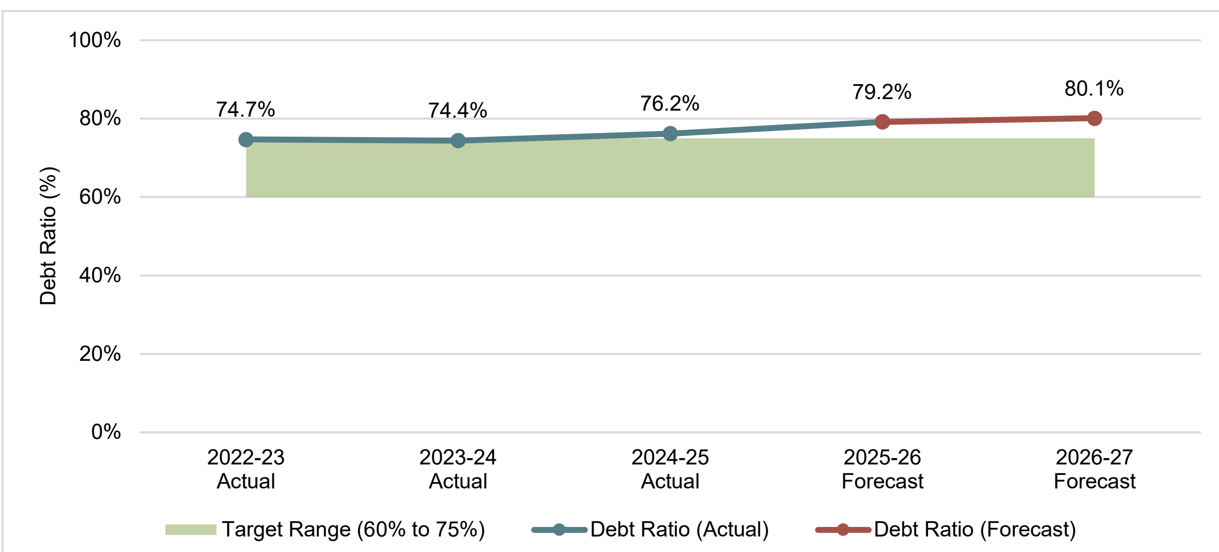
objectives are being implemented, what supply-side and demand-side alternatives were considered, their relative costs and risks, and the implications of those choices for future capital requirements and electricity rates.

Long Term Rate Planning

Actual and Forecast Return on Equity (ROE)[42]

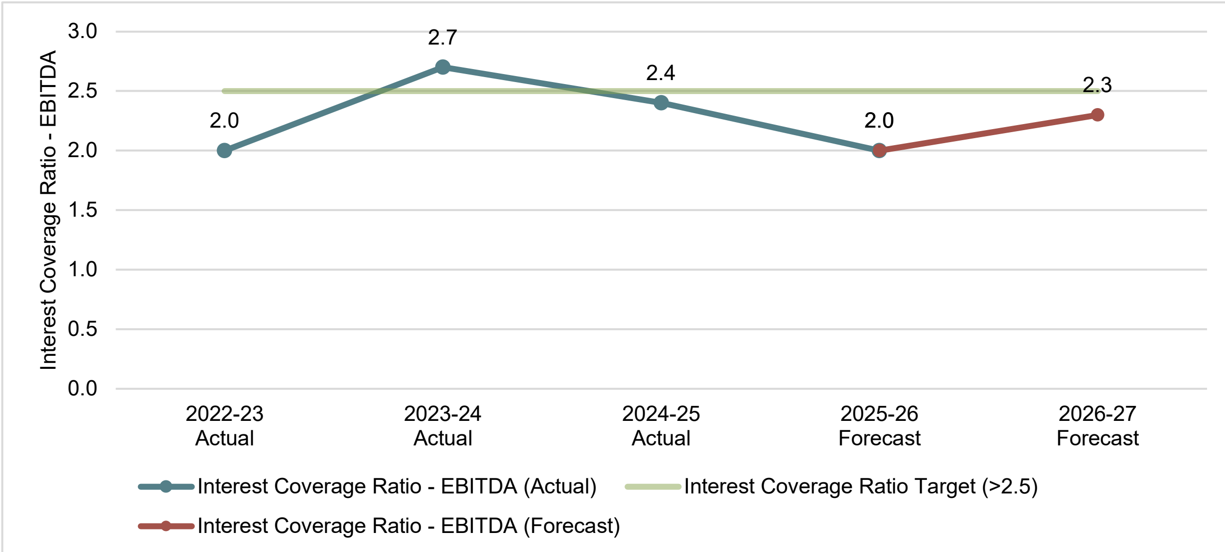


Actual and Forecast Debt Ratio[43]



[42]Ibid, p. ii
[43] Ibid

Actual and Forecast Interest Coverage Ratio[44]



The Panel recognizes that SaskPower must balance two competing considerations: maintaining affordable and predictable electricity rates for customers while ensuring that the corporation remains financially sustainable over the longer term. The current application illustrates the difficulty of achieving both objectives. Even with the proposed increases, SaskPower is not forecast to meet its long-term financial targets during the test period. Its interest coverage ratio is expected to remain below its long-term target of 2.5, while its forecast debt ratio remains above the long-term target range of 60 to 75 per cent, and its return on equity (ROE) remains well below the 8.5 per cent target.

These financial targets do not necessarily need to be achieved every year, particularly during periods of substantial capital investment or economic uncertainty. The pace at which SaskPower returns to its longer-term financial targets must be balanced against the impact that large rate increases would have on customers. The Panel agrees that attempting to restore SaskPower's financial position through large increases over a short period could create unacceptable affordability pressures. At the same time, repeatedly deferring necessary increases may simply postpone the problem and lead to larger adjustments at a later date.

The scale of the challenge is significant. The proposed increases would still leave SaskPower short of its longer-term financial objectives and that achieving an 8.5 per cent ROE and a debt ratio of 75 per cent by 2029-30 could require annual increases in excess of 3.9 per cent.[45] This underscores why the Panel believes the issue should be considered over a longer planning horizon rather than addressed through individual rate applications in isolation.

A longer-term rate plan could provide greater clarity and predictability for both SaskPower and its customers. Rather than allowing financial pressures to accumulate and then addressing them through comparatively large increases, a 7 to 10-year plan could identify an expected path for rates and SaskPower's key financial metrics. It could show how projected rate increases, capital requirements, operating costs, load growth, debt, ROE, and other assumptions are expected to interact over time. The plan would not eliminate the need for future rate reviews or predetermine the rates ultimately approved, but it would establish a longer-term financial framework against which future applications could be assessed.

[44] Ibid, p. iii
[45] Ibid, p. ii

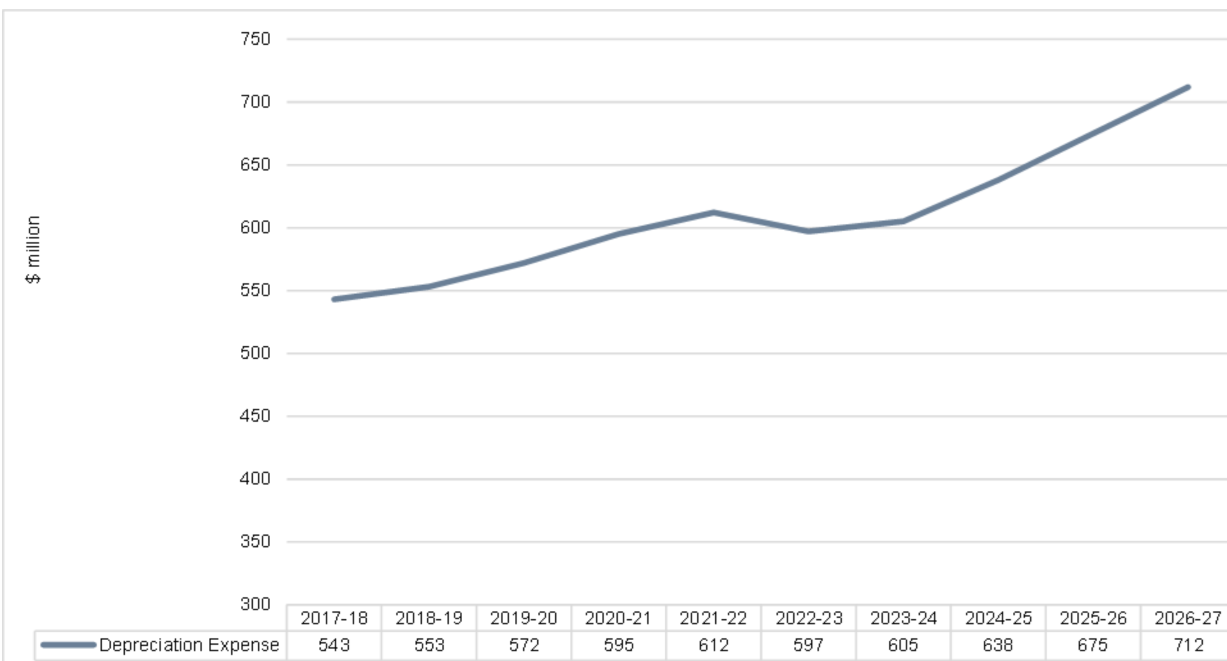
The Panel also sees merit in the consultant's recommendation for regular rate applications every two to three years. The consultant expressed concern about the recent pattern of deferring rate increases despite continuing financial pressures and stated that, absent a material change in circumstances, "forgoing rate increases at least commensurate with inflation for a year would not be in the interests of SaskPower nor its customers."[46] More regular reviews would allow SaskPower's financial forecasts, cost pressures, and other assumptions to be updated as circumstances change, while reducing the risk that extended periods without rate adjustments result in the need for larger increases later.

Importantly, a 7 to 10-year rate plan should be understood as a planning tool rather than a commitment to predetermined increases. Electricity demand, fuel prices, interest rates, capital costs, government policy, carbon pricing, and other factors can change materially over a decade. Regular two- or three-year rate applications would provide an opportunity to test the assumptions underlying the longer-term plan and adjust the rate path where warranted.

Depreciation Study

Depreciation is an important component of SaskPower's revenue requirement because it determines how the cost of capital assets is recovered from ratepayers over their expected service lives. SaskPower's depreciation expense has been increasing, from $605 million in 2023-24 to $638 million in 2024-25, and is forecast to reach $675 million in 2025-26 and $712 million in 2026-27.

Actual and Forecast Depreciation Expense, 2017-18 to 2026-27[47]



The Panel considers greater clarity around depreciation particularly important given the significant changes now taking place in SaskPower's generation portfolio. SaskPower conducts an external depreciation study approximately

[46] Ibid, p. 83

[47] 2017-18 to 2020-21 from page 17, SaskPower 2022 and 2023 Rate Application; 2021-22 to 2026-27 from 2nd round information request Q23.

every five years, with the most recent study commissioned in 2022-23 and the next study planned for 2027-28. SaskPower also reviews its depreciation rates annually and makes adjustments where necessary. The consultant noted that some of the largest changes to depreciation rates since the previous rate application have involved coal-generation assets, including an estimated $7.2 million increase in coal depreciation expense in 2023-24.[48]

The significance of the next depreciation study has increased considerably because of the decision to extend the operating lives of Saskatchewan's conventional coal-fired generating units. SaskPower advised that the implications of the coal life-extension plan are not reflected in its current depreciation rates.[49] The new supply plan was approved by SaskPower's Board in November 2025, and SaskPower was still assessing its depreciation implications during this review. As a result, the depreciation rates currently applied to conventional coal assets have not yet been adjusted to reflect the new expected operating lives of those facilities.

Changes to the assumed service life or retirement date of a generating asset can materially affect the amount of depreciation expense recovered from ratepayers in a given year. The changes made in connection with coal-facility retirement dates at the time of SaskPower's 2018 rate application had an impact of approximately $12 million annually on depreciation expense.[50] The Panel considers that the coal repowering plan represents a substantial change in SaskPower's supply plan that may have material implications for future depreciation expense.

Capital expenditures affect SaskPower's revenue requirement through depreciation, finance costs, and return on equity. The costs of the coal repowering program remain uncertain and the future capital expenditures associated with the program will affect SaskPower's future capital plans and the need for future rate increases. How those investments are depreciated, and over what assumed useful lives, will influence the timing and amount of costs recovered from current and future ratepayers.

The Panel believes that it is fair and reasonable to assume that ratepayers should be able to understand these costs. In particular, the next depreciation study should provide sufficient information to explain the assumed remaining service lives and retirement dates of major generation assets, the depreciation methodologies and parameters applied to those assets, and the resulting implications for depreciation expense and future revenue requirements. This is particularly important for the coal plants where the decision to extend operating lives to 2050 represents a significant departure from the assumptions underlying earlier supply plans.

The Panel recommends that the next external depreciation study include a detailed review of depreciation parameters for coal generation assets in light of the new supply plan. The Panel also notes that SaskPower's depreciation study was provided on a confidential basis, but in the consultant's experience, utility depreciation studies are typically included in publicly available rate filings. SaskPower has indicated that it may prepare a public version of its next depreciation study, which is expected in 2027-28. However, given the potential implications for future rates, the Panel considers public disclosure an expectation rather than an option.

AI Data Centres

The proposed Bell Canada AI data centre near Regina represents a potentially significant new source of electricity demand for SaskPower. The 300-megawatt facility is planned for the Rural Municipality of Sherwood, with construction beginning in 2026 and operations expected to come online in phases beginning in 2027. SaskPower's forecast assumes that the first phase will generate approximately $34.6 million in electricity sales in 2026-27, while increasing fuel and purchased power costs by approximately $14.8 million.[51] SaskPower has indicated that it will

[48] InterGroup Consultant's Report, p. 65
[49] Ibid
[50] Ibid, p. 66
[51] Ibid p. 99

provide only excess capacity to the data centre and that extending the operating life of its coal-fired generating fleet has provided sufficient supply to accommodate the additional load. The facility is expected to receive a combination of firm and interruptible service. SaskPower has also stated that Bell will pay 100 per cent of the infrastructure costs required to connect the facility, including two new 230-kilovolt services.[52]

The Panel recognizes that large data centres can provide important economic opportunities and potentially increase SaskPower's revenues. At the same time, their size, rapid development timelines, and significant electricity requirements create risks that differ from those associated with more traditional industrial customers. Forecasting data-centre demand can be particularly difficult since the sector is relatively new, project viability can be uncertain, and developers may pursue connection opportunities in multiple jurisdictions at the same time. These characteristics increase the risk that utilities may build or reserve capacity for loads that ultimately develop more slowly than anticipated or do not materialize.[53]

This issue is particularly relevant to the current application because SaskPower's mid-application update relies in part on additional revenue expected from the Bell project, yet the timing of those revenues remains uncertain. Bell has provided differing indications of when the first phase will begin operating, and the Panel's consultant has concluded that SaskPower's projected data-centre revenues for 2026-27 may be optimistic.[54]

Other Canadian jurisdictions are beginning to take a more cautious approach to large data-centre loads. British Columbia has established a competitive process and limits the amount of electricity allocated to AI and other data centres. Manitoba has introduced legislation allowing large load requests to be rejected or prioritized; Quebec requires government authorization for projects of five megawatts or more; and Hydro-Québec has proposed a dedicated data-centre tariff designed to better reflect the marginal costs of serving these customers.[55] There appear to be two common principles emerging from these approaches. The first is that governments and utilities are establishing mechanisms to control or limit access to electricity for very large data-centre loads. The second is that some utilities are developing rates above standard industrial tariffs so that the additional costs and risks created by these customers are borne by the data centres rather than transferred to existing ratepayers.

SaskPower proposes to serve the Bell data centre using its existing rate structure, with a combination of firm and interruptible service.[56] This is a practical interim approach given the timing of the project, but it may not reflect the direction being taken elsewhere in Canada. The Panel considers the existing arrangement to be a temporary solution that should be revisited as SaskPower and the provincial government develop a more comprehensive policy for data-centre loads.

The Panel believes that the growth of AI data centres warrants a specific policy response. The central consideration from a ratepayer perspective is that existing customers should not bear the financial risks or incremental costs created by very large new loads. Any future framework should ensure that data-centre customers pay the full costs of the generation, transmission, connection, and other infrastructure required to serve them, while also providing SaskPower with appropriate tools to manage the timing and scale of new connections.

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[52] Ibid
[53] Ibid, pp. 99-100
[54] Ibid, p. 76
[55] Ibid, p. 99-101
[56] Ibid, p. 102

Northern Rates and Affordability

The Panel received a significant number of submissions from northern municipalities and communities expressing concern about the impact of the proposed rate increases. Common themes included the higher reliance on electricity for heating where natural gas is unavailable, concerns about the affordability of electricity for households and municipalities, limited access to three-phase power, high costs for new service connections, and questions about whether northern residents should bear costs associated with system expansion that is being undertaken in part to support industrial and mining development. A number of communities called for a separate northern electricity rate of approximately $0.10 per kilowatt hour.

The Panel recognizes that these concerns reflect circumstances that can be substantially different from those faced by customers elsewhere in Saskatchewan. In situations where electricity is the only practical source of residential heating, an across-the-board rate increase can have a greater impact on household energy costs. The Panel also acknowledges the concern expressed by northern communities that they continue to experience limitations in electricity infrastructure and service at the same time that substantial investments are being made to accommodate economic and industrial growth in the North.

SaskPower advised that it has not historically established rates based on geographic regions. In 2022, it instead equalized urban and rural rates, in part to benefit rural and remote customers where natural gas service may not be available. SaskPower has also identified targeted measures intended to reduce electricity consumption and bills in northern communities, including the Northern First Nations Home Retrofit Program and the Northern Indigenous New Homes Program.[57]

The Panel considered the request for a separate northern rate, but is of the opinion that establishing a geographically lower electricity rate raises broader public-policy questions. Unless the resulting revenue shortfall were funded by government, a lower northern rate would require other SaskPower customers to pay more. The Panel also noted that its consultant examined a similar issue in Manitoba and concluded that using electricity rates to achieve broader social-policy objectives, which would redistribute costs among customers, is more appropriately addressed through government policy and programs.

The Panel does not consider this conclusion to diminish the concerns raised by northern communities. Rather, the submissions demonstrate that energy affordability in northern Saskatchewan warrants continued attention beyond the rate-setting process. The Panel encourages the Government of Saskatchewan to continue examining targeted approaches that recognize the greater dependence on electricity for heating, infrastructure and service limitations, and the affordability challenges faced by northern and remote communities. Any measures developed should be transparent about how they are funded and should avoid unintentionally transferring costs to other ratepayers.

Confidentiality and Public Disclosure

The Panel's ability to conduct a meaningful public review depends on sufficient information being available not only to the Panel, but also to the consultant, stakeholders and ratepayers. In the current review, the consultant had access to confidential information that was not available on the public record. The consultant recommended that the Panel work with the Crown Investments Corporation to reconsider what information must remain confidential, with the objective of expanding the information publicly available in future rate applications. The consultant identifies SaskPower's business plan, resource plan, and depreciation study for public disclosure.

[57] Ibid , p. 98

This issue is not new. In the previous application, the Panel recommended that SaskPower prepare public versions of its business plan, integrated resource plan, and depreciation study as part of future applications. SaskPower provided detailed financial information in the current application, but that a draft Long-term supply plan was not publicly released, and that SaskPower has not confirmed if it will prepare a public version of its next depreciation study.

The Panel recognizes that the need for greater disclosure has become more important given the scale and complexity of the decisions now affecting SaskPower's future costs and rates. Major capital investments, changes to the generation mix, coal repowering, possible small modular reactor development, future carbon obligations, load growth, and SaskPower's longer-term financial requirements will have implications for ratepayers. An effective public review requires enough information for stakeholders to understand the assumptions underlying these decisions and their potential effect on future rates.

The Panel recognizes that some commercially sensitive, security-related, contractual, or other information may legitimately require confidential treatment. However, confidentiality should be applied as narrowly as reasonably possible. Where an entire document cannot be disclosed, the Panel considers that SaskPower should provide a public version with only the information requiring protection removed or summarized. This is particularly important for documents such as the business plan, resource plan, and depreciation study because they contain information central to assessing SaskPower's revenue requirements and longer-term rate outlook. Greater public disclosure would also respond to concerns raised during the current review about greater clarity and trust in SaskPower's decision-making. Providing more of the evidence underlying future rate applications would allow stakeholders to participate more effectively, improve accountability, and strengthen confidence in the rate review process.

Interim Rate Increases

SaskPower implemented the first requested 3.9 per cent rate increase on an interim basis effective February 1, 2026, before the Panel had completed its review of the application. The consultant reviewed the evidence supporting the increase and recommended that the Panel confirm it as necessary. The Panel agrees that the evidence supports the February 1, 2026 increase. However, the Panel considers the use of interim rates to be a separate procedural issue. The purpose of the rate review process is to allow the Panel, its consultants, stakeholders, and the public to examine a proposed rate change before the Panel provides its advice to the Minister on whether the change is fair and reasonable. When an increase is implemented on an interim basis, customers begin paying the higher rate before that process has been completed.

This concern was raised by several participants during this review. The Saskatchewan Industrial Energy Consumer Association (SIECA) noted that SaskPower announced the rate application on January 2 for implementation on February 1, after providing no previous indication to industry that an increase was imminent. SIECA stated that the short notice made planning and budgeting difficult, weakened trust, and created additional uncertainty for capital investment. It recommended that rate increases be implemented only after approval through the rate review process. Similar concerns were raised by other business organizations. The Saskatoon Chamber of Commerce stated that implementing interim increases before a final decision creates budgeting and planning uncertainty and called for greater transparency, clearer timelines, and meaningful consultation before interim measures are implemented. The Canadian Federation of Independent Business also opposed interim implementation of the 2026 increase, arguing that it created uncertainty and shifted risk to ratepayers.

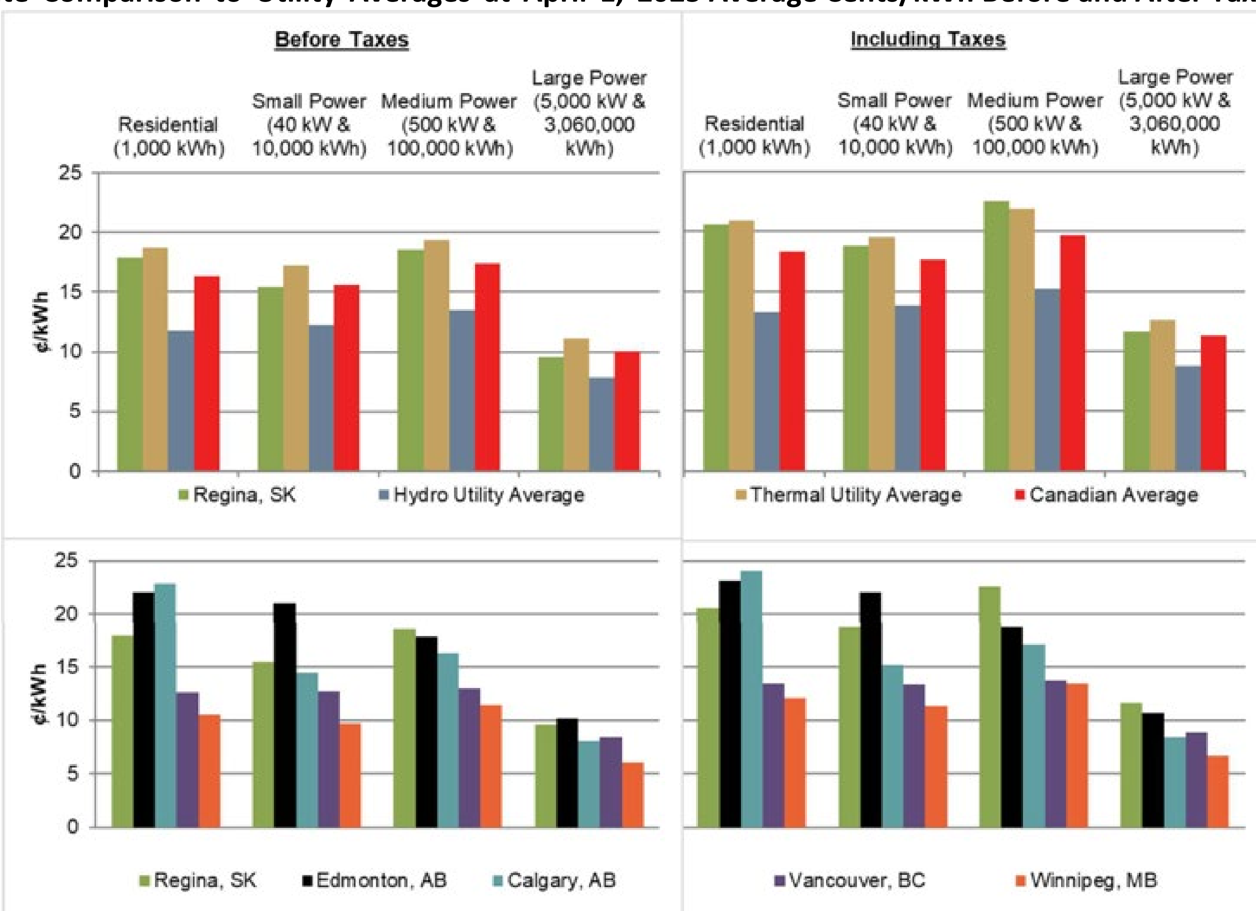
The Panel recently considered the same issue in its review of the Saskatchewan Auto Fund. In that review, the Panel concluded that interim rate adjustments should be used only in exceptional circumstances and should be supported by clear public evidence demonstrating the urgency of the request, the expected customer impact, and why the rate change cannot wait until the review is complete. The Panel considers the same principle applicable to SaskPower. There may be circumstances in which delaying a rate change until completion of the review could materially affect

SaskPower's financial position or otherwise create significant harm. Interim rates should remain available where genuinely necessary, but they should not become the normal means of implementing rate changes. Where interim approval is sought, SaskPower should provide a clear public explanation of why immediate implementation is required, the financial consequences of waiting until the Panel's review is complete, the expected impact on customers, and how any difference between the interim rate and the rate ultimately approved would be addressed. This approach would preserve flexibility where urgent action is required while maintaining the public disclosure and accountability of the review process. The Panel also considers that better advance planning should reduce the need for interim applications. SaskPower's rate requirements arise from multi-year forecasts of capital expenditures, operating costs, fuel costs, load growth, and financial requirements. The Panel's recommendation for a longer-term rate plan and regular two- to three-year rate applications should provide SaskPower with greater opportunity to identify emerging revenue requirements early enough to allow a full review before proposed rates take effect.

The Competitiveness of the Proposed Rates

Electricity rate comparisons must be treated with caution because utilities operate under different market structures, financial frameworks, generation mixes, and geographic conditions. Nevertheless, comparisons provide useful context for assessing SaskPower's rates relative to other Canadian utilities.

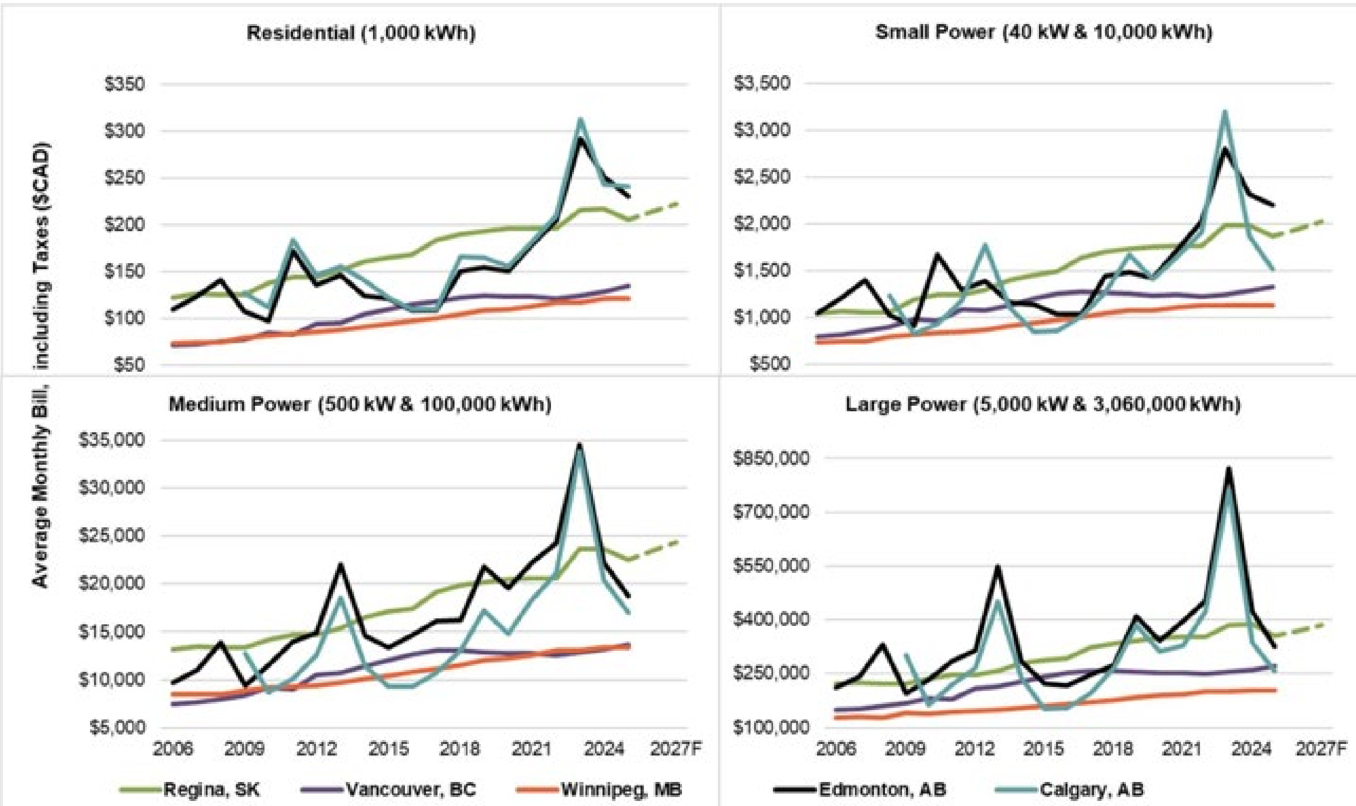
Rate Comparison to Utility Averages at April 1, 2025 Average Cents/kWh Before and After Taxes[58]



[58] Hydro Quebec report for 2025, pages 17 and 21; 444 Taxes include federal carbon charge, PST, GST and municipal surcharges. SaskPower Residential customers are exempted from paying PST. The federal carbon charge was removed effective April 1, 2025.

The consultant compared SaskPower's rates effective April 1, 2025, with thermal, hydroelectric, and Canadian utility averages. Before taxes, SaskPower's rates were generally below the thermal utility average, above the hydro utility average, and relatively close to the Canadian average. When taxes and surcharges were included, SaskPower's bills remained generally competitive with thermal utilities, but were higher than the hydro utility average and, in several customer classes, slightly above the Canadian average.

Bill Comparison to Western Canadian Cities Including Taxes[59]



Comparisons with Western Canadian cities showed that SaskPower's residential rates were lower than those in Calgary and Edmonton but higher than those in Winnipeg and Vancouver. SaskPower's commercial and industrial rates were generally higher than those in the other Western Canadian cities, although Edmonton had higher rates in some categories.

Taxes and municipal surcharges have a significant impact on SaskPower's competitiveness. Regina customers pay more in taxes and surcharges than comparable customers in Winnipeg, Calgary, Edmonton, and Vancouver. The difference is particularly significant for commercial customers because their bills include the municipal surcharge,

[59] 2006 to 2025 from Hydro Québec reports; 2026 and 2027 calculated by InterGroup Consultants Ltd. based on the SaskPower proposed rates in Appendix C of the 2026 and 2027 Rate Application, and 1st round information requests SRRP Q79. Hydro Québec report for 2021 did not include Saskatchewan 10 per cent Economic Recovery Rebate which was in effect from December 1, 2020, to November 30, 2021, as per 2022 and 2023 Rate Application 1st round information request SRRP Q94. Taxes include federal carbon charge, PST, GST and municipal surcharges. SaskPower Residential customers are exempted from paying PST. The federal carbon charge was removed effective April 1, 2025

Provincial Sales Tax, and the Goods and Services Tax. The removal of the federal carbon tax rate rider from customer bills on April 1, 2025, improved SaskPower's competitive position.

The proposed increases of 3.9 per cent in 2026 and 3.9 per cent in 2027 will place some additional pressure on SaskPower's relative position. However, rates are also increasing in several other Canadian jurisdictions, and it is not possible to determine SaskPower's future ranking until those increases are fully implemented.

The consultant determined that SaskPower has a relatively high debt ratio and a low ROE compared with other Canadian utilities. The proposed rates will not allow SaskPower to achieve its long-term financial targets, but the corporation is accepting a higher debt ratio and a ROE below its target to moderate the impact of rate increases on customers.

The Panel concludes that SaskPower's proposed rates remain reasonably competitive with those of other utilities that rely primarily on thermal generation. However, taxes and municipal surcharges continue to weaken the competitiveness of the total bills paid by Saskatchewan customers. The possible future reintroduction of a carbon charge would place additional pressure on customer bills, and should be considered in future assessments of SaskPower's competitiveness.

The Impacts of SaskPower's Proposed Rates

Under its Terms of Reference, the Panel is required to consider the interests of SaskPower, its customers, and the public. These interests are closely connected. Customers depend on SaskPower to provide safe and reliable electricity at reasonable rates, while SaskPower requires sufficient revenue and financial capacity to maintain existing infrastructure, invest in new facilities, and respond to growing electricity demand. The public has a broader interest in ensuring that a major Crown corporation remains financially sustainable, operates transparently, and makes long-term investment decisions that support Saskatchewan's economic and social well-being.

The current application requires the Panel to balance these interests at a time of considerable financial and operational pressure. SaskPower is undertaking a substantial capital program, its operating costs have increased, export revenues have declined, and uncertainty remains regarding future carbon-pricing obligations. At the same time, Saskatchewan households, farms, businesses, municipalities, and other organizations continue to face affordability pressures. Public and stakeholder submissions emphasized the importance of affordable electricity, while also raising questions about SaskPower's future financial position, investment choices, reliability, and long-term planning.

Impact on SaskPower

The proposed rate increases would provide SaskPower with additional revenue at a time when its costs and capital requirements are increasing significantly. The 3.9 per cent increase effective February 1, 2026 is estimated to generate approximately $113.2 million in additional annualized revenue, while a further 3.9 per cent increase in 2027, if confirmed by the Panel, would generate approximately $120.4 million in additional annualized revenue.
The additional revenue is important to SaskPower's financial position, but the proposed increases do not eliminate the corporation's longer-term financial pressures. Capital spending is forecast to rise from $1.164 billion in 2023-24 to $1.692 billion in 2026-27, while OM&A, fuel and purchased power, depreciation, and financing costs are also placing upward pressure on SaskPower's revenue requirement.

Even with the proposed increases, SaskPower is not forecast to meet its long-term financial targets during the test period. Its debt ratio is forecast to remain above the long-term target range, while its ROE remains considerably below the 8.5 per cent target. SaskPower's proposed rates will not be sufficient to achieve its longer-term financial objectives and the Panel's consultant has identified the potential need for annual rate increases above the proposed rates in the application if those objectives are to be achieved over the next several years.

The Panel's recommendation to confirm the February 1, 2026 increase provides SaskPower with additional revenue while recognizing that the increase does not resolve the corporation's longer-term financial challenges. The Panel's decision not to confirm the February 1, 2027 increase at this time also has implications for SaskPower. The corporation will be required to provide updated financial information before the Panel determines whether the proposed 3.9 per cent increase remains appropriate or should be revised.

This additional review is important because SaskPower's financial outlook remains subject to material uncertainties. These include the timing and amount of revenues associated with the Bell data-centre project, uncertainty about carbon pricing, fuel and purchased power costs, interest rates, and the continuing effects of SaskPower's capital program. The Panel considers it preferable to make the final 2027 rate recommendation on the basis of updated evidence rather than automatically confirming an increase based on forecasts prepared substantially earlier.

The Panel also considered the longer-term impact of the proposed rates on SaskPower. Continued deferral of necessary rate adjustments will weaken the corporation's financial metrics and increase the likelihood that larger increases will be required later. For that reason, the Panel's recommendations concerning a 7 to 10-year rate plan, regular rate applications, and continued control of OM&A growth are intended to provide a more predictable path toward improved financial sustainability.

Impact on the Customer

The Panel recognizes that electricity is an essential household and business expense and that any increase affects customers' disposable income or operating costs. The proposed increases would add approximately $5 per month to the bill of the average residential customer in each year, and approximately $11 per month to the average farm customer's bill in each year. Although the percentage increase is the same across customer classes under SaskPower's proposal, the dollar impact varies considerably according to electricity consumption. Commercial and industrial customers can face substantially larger dollar increases because of the scale of their electricity use. The Panel heard from small businesses, farms, industrial customers, rural municipalities, and northern communities about the cumulative effect of higher electricity costs alongside other increases in operating and household expenses. CFIB, for example, emphasized that electricity is a significant operating cost for many farms, food processors, and rural businesses, while the Saskatoon Chamber identified affordability and predictability as concerns for electricity-intensive businesses. The Panel also heard particular concerns from rural and northern customers. SARM emphasized that the average farm customer would experience more than twice the dollar increase of the average residential customer, while northern communities pointed to their greater reliance on electricity, limited access to alternatives such as natural gas, and other infrastructure challenges.

These affordability concerns must be weighed against the consequences of maintaining rates below the level required to support SaskPower's costs over an extended period. Moderating increases may reduce immediate rate shock, but deferring necessary adjustments can contribute to larger future corrections. Holding rates artificially low in the short term does not eliminate the underlying costs of maintaining and expanding the electricity system.

The Panel considers predictability to be an important customer interest. Customers are better able to plan household, farm, municipal, and business budgets when future rate pressures are identified early rather than addressed through unexpected or unusually large increases. This is one reason the Panel supports development of a longer-term rate plan and more regular rate applications.

The Panel's decision not to confirm the February 1, 2027 increase at this time also provides customers with an additional safeguard. Before the second increase takes effect, SaskPower must provide updated financial information and the Panel will assess whether the proposed 3.9 per cent increase remains appropriate. Depending on the results of that review, the Panel will also consider whether a system-average increase of approximately 1.5 to 2.5 percentage points higher than the proposed 3.9 per cent may be required. That review will also consider whether different increases should apply to the Oilfields, Reseller, and Small Commercial classes to move their revenues closer to their respective revenue requirements. SaskPower's longer-term financial position indicates that additional rate pressure is likely, and postponing required revenue increases could result in larger adjustments in subsequent years.

Impact on the Public

All Saskatchewan residents have an interest in SaskPower, whether considered as electricity customers, taxpayers, businesses, communities, or ultimately as the owners of a provincial Crown corporation. The public has a right to expect SaskPower to deliver safe and reliable electricity in a cost-effective and sustainable manner. In assessing the public interest, the Panel must consider more than the immediate impact of the proposed rates. Saskatchewan requires an electricity system capable of maintaining reliable service, replacing aging infrastructure, supporting population and economic growth, and responding to significant changes in technology and energy policy. SaskPower's financial capacity to undertake those responsibilities is consequently a matter of public interest.

There is also a broader economic interest. Reliable and competitively priced electricity is important to households and communities, but it is also an important factor for agriculture, mining, manufacturing, energy development, and other industries considering investing in Saskatchewan. The Panel has concluded that SaskPower's rates remain reasonably competitive with utilities that rely primarily on thermal generation, although taxes and municipal surcharges weaken the competitiveness of the total bills paid by Saskatchewan customers.

The current application also demonstrates the importance of considering the longer-term consequences of major investment decisions. SaskPower is entering a period of substantial capital spending involving generation, transmission, coal repowering, nuclear development work, and other infrastructure. Decisions made during this period may affect electricity costs and rates for many years. The public has an interest not only in maintaining reliability, but also in ensuring that long-term investments are supported by transparent analysis of costs, risks, alternatives, and implications for ratepayers. Public submissions during this review repeatedly raised concerns about public disclosure, and the availability of information relating to SaskPower's future supply decisions. Participants sought greater information concerning coal repowering, alternative generation options, data-centre development, and the potential effect of these decisions on future rates.

The Panel's recommendations regarding a publicly available integrated resource plan, public disclosure of SaskPower's business plan and depreciation study, improved release of confidential information, and a longer-term rate plan are intended in part to respond to these concerns. Greater disclosure will allow the public and stakeholders to understand more clearly the choices facing SaskPower and to participate more meaningfully in future rate reviews.

The Panel also considers the treatment of large new loads to be a public-interest issue. The proposed Bell data centre may provide additional electricity sales and economic activity, but large data-centre loads can also create significant demands on generation and transmission infrastructure. The Panel's recommendation that SaskPower and the Government of Saskatchewan develop a policy for AI and other large data centres is intended to ensure that the costs and risks associated with serving these customers are not transferred to existing ratepayers.

Ultimately, the public interest requires a balance between affordability today, and financial and operational sustainability over the longer term. Rates that are unnecessarily high impose costs on households and the economy, but rates that are persistently insufficient to support SaskPower's costs and investment requirements can weaken the

Crown corporation and shift larger costs to future ratepayers. The Panel's recommendations are intended to maintain that balance while improving clarity, predictability, and accountability in future electricity planning and rate decisions.

In Appreciation

The Panel thanks SaskPower for the timely and helpful assistance it provided throughout this application.

The Panel thanks Andrew McLaren and InterGroup Consultants Ltd. for their thorough analysis of the application.

The Panel thanks Gerry Forrest, our general consultant, for his ongoing assistance in the work of the Panel.

The Panel thanks technical writer Pat Rediger for his assistance in preparing this report.

Finally, the Panel wishes to acknowledge the members of the public who participated in the review process. All contributions were received and evaluated by the Panel during its decision-making process.

For More Information

For more information on this review, please visit the Saskatchewan Rate Review Panel's website at www.saskratereview.ca. The site contains SaskPower's 2026 and 2027 rate application, the mid-application update, SaskPower's public presentation on the application, the Panel's terms of reference, information requests to SaskPower and the responses, video of the public meeting, public submissions and comments, the technical consultant's report, and the Panel's media releases.

Appendix A: Technical Consultant's Report