

## STRATEGIC PROGRESS

### OUR YEAR AT A GLANCE

At our company, five new Strategic Priorities are guiding SaskPower's ongoing quest for innovation and service excellence.

#### **1. Proud and productive employees.**

- Corporate Diversity Strategy developed and rolled out.
- Respectful Workplace Policy launched.
- Leadership succession planning and skill-specific training initiatives continue.
- Deployment of new P25-compliant mobile radio dispatch system concluded in southern half of the province.

#### **2. Loyal and satisfied customers.**

- Record \$103 million spent on new customer connects.
- Record 16,162 new service applications.
- First full year of Service Delivery Renewal Program completed.
- Over 200,000 compact fluorescent light (CFL) bulbs distributed in communities across Saskatchewan.
- Geothermal and Self-generated Renewable Power Loan Program introduced.
- Funding for Energy Efficiency for New Homes Rebate Program and Net Metering Program enhanced.

#### **3. Dependable and secure infrastructure.**

- Record peak load of 3,194 megawatts (MW).
- Integrated supply and transmission plan development begins.
- Wind Power Integration and Development Unit formed.
- Comprehensive North American Electric Reliability Corporation audit conducted.
- Three 5-MW waste heat recovery units commissioned.
- Contracts for the installation of 94 MW of natural gas-fired generation at the Ermine Switching Station awarded.
- Natural gas-fired units of 105 MW at Queen Elizabeth Power Station and 141 MW at a location near North Battleford planned.
- Red Lily Wind Power LP 25-MW power purchase agreement finalized, with commissioning expected in 2011.
- \$125-million major upgrade of Poplar River Power Station Unit #1 concluded.
- La Ronge corridor 72-kilovolt (kV) line rebuild completed.
- Pelican Narrows 110-25 kV substation constructed.

#### **4. Strong environmental stewardship and performance.**

- One of the first and largest fully integrated carbon capture and sequestration demonstration projects in the world announced.
- Environmental Screening System evaluates environmental impacts and legal requirements for unprecedented number of projects.
- National environmental stewardship award for Emissions Control Research Facility received from industry peers.
- Groundbreaking fish and fish habitat protocol agreement established.
- United Nations sustainability award for SaskPower Shand Greenhouse programming received.

#### **5. Prudent financial management and growth.**

- Operating income of \$92 million and dividends of \$46 million.
- Per cent debt ratio of 60.7%.
- New Independent Power Producer solicitation process launched.
- Over \$1-billion spent on Saskatchewan goods and services.

## STRATEGIC RESULTS

### FINANCIAL AND OPERATING HIGHLIGHTS

#### FINANCIAL INDICATORS

(in millions)	2008	2007	Change
Revenue	\$ 1,489	\$ 1,469	\$ 20
Operating costs <sup>1</sup>	1,397	1,318	79
Operating income <sup>1</sup>	92	151	(59)
Net income	64	138	(74)
Dividends	46	97	(51)
Capital expenditures	422	280	142
Gross long-term debt	2,578	2,565	13
Operating return on equity <sup>2</sup>	5.9%	10.1%	(4.2)%
Return on equity <sup>3</sup>	4.2%	9.3%	(5.1)%
Per cent debt ratio <sup>4</sup>	60.7%	59.7%	1.0%

1. Operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are total expense and net income respectively. Operating costs and operating income provide management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the non-GAAP measures section on page 55 of the Management's Discussion & Analysis for further discussion of these items.
2. Operating return on equity = (operating income)/(average equity), where average equity = [(equity advances + retained earnings – unrealized natural gas risk management activities at year-end) + (equity advances + retained earnings – unrealized natural gas risk management activities at previous year-end)]/2.
3. Return on equity = (net income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)]/2.
4. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt – debt retirement funds – cash and cash equivalents).

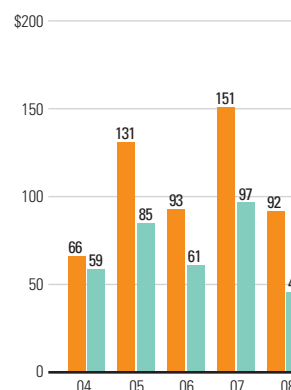
#### SASKPOWER SUBSIDIARIES' NET INCOME

(in millions)	2008	2007	Change
SaskPower International	\$ 21	\$ 19	\$ 2
NorthPoint Energy Solutions	18	13	5

#### OPERATING STATISTICS

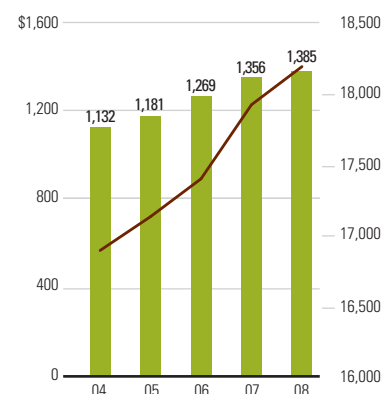
(GWh)	2008	2007	Change
Saskatchewan electricity sales	18,192	17,923	269
Exports	409	851	(442)
<b>Total electricity sales</b>	<b>18,601</b>	<b>18,774</b>	<b>(173)</b>
Gross electricity supplied	20,480	20,571	(91)
Line losses	(1,879)	(1,797)	(82)
<b>Net electricity supplied</b>	<b>18,601</b>	<b>18,774</b>	<b>(173)</b>
Electricity trading purchases	1,861	1,909	(48)
Line losses	(48)	(12)	(36)
<b>Electricity trading sales</b>	<b>1,813</b>	<b>1,897</b>	<b>(84)</b>

One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.



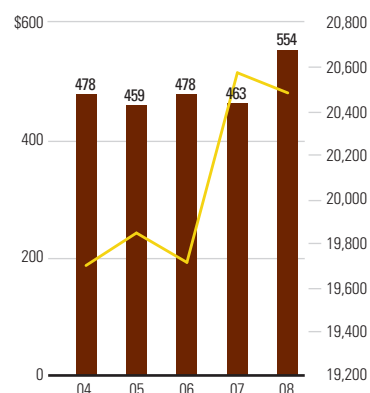
OPERATING INCOME AND DIVIDENDS (in millions)

■ OPERATING INCOME ■ DIVIDENDS



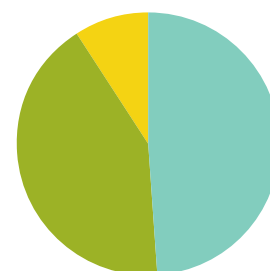
SASKATCHEWAN ELECTRICITY SALES

■ SASKATCHEWAN ELECTRICITY SALES (IN MILLIONS)  
■ SASKATCHEWAN ELECTRICITY SALES (GWh)



FUEL AND PURCHASED POWER

■ FUEL AND PURCHASED POWER (IN MILLIONS)  
■ GROSS ELECTRICITY SUPPLIED (GWh)



2008 CAPITAL EXPENDITURES – \$422 million

■ GENERATION 49% ■ OTHER 9%  
■ TRANSMISSION AND DISTRIBUTION 42%