



Financial statements 2006

 **SaskPower**
International

A SUBSIDIARY OF SASKPOWER

○ Report of management

The consolidated financial statements of **SaskPower International Inc.** are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to January 26, 2007.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

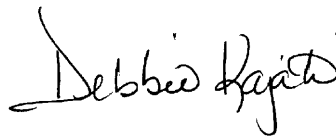
The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside Directors. At regular meetings the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The consolidated financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,



David Hughes
President and Chief Executive Officer
January 26, 2007



Debbie Kajati
Manager, Finance & Administration

○ Auditors' report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **SaskPower International Inc.** as at December 31, 2006, and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
January 26, 2007

Consolidated statement of income and retained earnings

(in thousands)

For the year ended December 31	2006	2005
Revenue		
Electric sales	\$ 18,573	\$ 18,340
Finance income (<i>Note 6</i>)	10,915	–
Flyash sales	4,935	4,353
Wind power production incentive	4,260	–
Contract services	410	414
Other	61	3
Total revenue	39,154	23,110
Expense		
Cost of sales – flyash	3,189	2,845
Cost of sales – contract services	409	392
Operating, maintenance and administration	6,160	6,050
Depreciation	4,611	4,565
Finance charges	15,794	6,970
Saskatchewan capital tax	1,161	1,361
Total expense	31,324	22,183
Income before equity investment income	7,830	927
Equity investment income	8,449	2,705
Net income	16,279	3,632
Retained earnings (deficit), beginning of year	1,840	(1,792)
Dividends	(16,300)	–
Retained earnings, end of year	\$ 1,819	\$ 1,840

See accompanying notes

Consolidated statement of financial position

(in thousands)

As at December 31	2006	2005
Assets		
Current assets		
Cash and cash equivalents (Note 3)	\$ 25,665	\$ 31,186
Accounts receivable	8,308	3,374
Current portion of net investment in lease (Note 6)	5,034	–
Other	805	688
	39,812	35,248
Property, plant and equipment (Note 4)		
Property, plant and equipment	138,596	137,634
Less: accumulated depreciation	17,943	13,371
	120,653	124,263
Construction in progress	–	219,778
	120,653	344,041
Other assets		
Equity investment (Note 5)	31,814	28,165
Net investment in lease (Note 6)	224,091	–
Other assets (Note 7)	1,802	18,061
	257,707	46,226
Total assets	\$ 418,172	\$ 425,515
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 8,508	\$ 38,977
Short-term debt from SaskPower (Note 9)	230,911	221,323
Current portion of non-recourse long-term debt (Note 10)	3,080	2,780
Dividend payable	16,300	–
	258,799	263,080
Non-recourse long-term debt (Note 10)	86,760	89,840
Asset retirement obligation (Note 11)	677	638
Total liabilities	346,236	353,558
Equity		
Share capital (Note 12)	70,117	70,117
Retained earnings	1,819	1,840
Total equity	71,936	71,957
Total liabilities and equity	\$ 418,172	\$ 425,515

Commitments and contingencies (Note 18)

See accompanying notes

On behalf of the Board:



Patricia A.G. Quaroni, LLB
Chair



Lyn Kristoff, FCA
Director

Consolidated statement of cash flows

(in thousands)

For the year ended December 31	2006	2005
Operating activities		
Net income	\$ 16,279	\$ 3,632
Non-cash items included in income		
Depreciation and amortization	4,716	4,678
Equity investment income (Note 5)	(8,449)	(2,705)
Net change in non-cash working capital (Note 14)	(2,953)	(1,378)
Cash provided by operating activities	9,593	4,227
Investing activities		
Property, plant and equipment	(20,051)	(191,739)
Proceeds from sale of property, plant and equipment	6,008	–
Proceeds from lease payments	3,734	–
Prepaid expense	16,154	1,416
Equity investment distributions (Note 5)	4,800	–
Net change in non-cash working capital (Note 14)	(32,567)	32,766
Cash used in investing activities	(21,922)	(157,557)
Financing activities		
Proceeds from short-term debt from SaskPower	13,676	175,753
Repayment of short-term debt from SaskPower	(4,088)	–
Repayment of non-recourse long-term debt	(2,780)	(2,480)
Cash provided by financing activities	6,808	173,273
(Decrease) increase in cash	(5,521)	19,943
Cash and cash equivalents, beginning of year	31,186	11,243
Cash and cash equivalents, end of year	\$ 25,665	\$ 31,186
Supplemental information:		
Cash paid for interest	\$ 12,475	\$ 5,251
Cash paid for taxes	2,073	711

See accompanying notes

○ Notes to the consolidated financial statements

As at December 31, 2006

1. Status of the Corporation

SaskPower International Inc. (the Corporation), a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower), was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective September 15, 1994, and was registered in the Province of Alberta on September 10, 1999. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of SaskPower.

The Corporation, as a participant in the Cory Cogeneration Station Joint Venture, receives all electric sales revenue from SaskPower. The Corporation, as owner of the Centennial Wind Power Facility, receives all finance income revenue through a direct financing lease with SaskPower. Electric sales and finance income revenues provide approximately 75% (79% in 2005) of total revenues of the Corporation. SaskPower is also the Corporation's sole supplier of flyash.

As a subsidiary of a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include the carrying amounts of property, plant and equipment and underlying estimates of useful lives of depreciable assets, the carrying amount of the net investment in lease and expected lease payments and the carrying amounts of asset retirement obligations and underlying estimates of future cash flows. Actual results could differ from those estimates, which may impact the actual results reported in future periods.

(b) Joint ventures

The Corporation accounts for its joint venture interests using the proportionate consolidation method.

(c) Equity investment

The Corporation accounts for investments over which it exerts significant influence using the equity method. The investment is initially recorded at cost and the carrying value adjusted thereafter to include the Corporation's proportionate share of post acquisition earnings of the investment and cash distributions.

(d) Revenue recognition

Electric and flyash sales revenue is recognized upon delivery to the customer. Contract services revenue is recognized when services are rendered.

The Corporation derives finance income from a direct financing lease with SaskPower through the Power Purchase Agreement associated with the Centennial Wind Power Facility. The investment in lease recognized at the inception of the lease is the total minimum lease payments to be received over the term of the lease. Deferred finance income, effectively the difference between the aggregate total of the expected future lease payments (minimum

lease payments receivable) and the carrying value of the asset being leased, is deferred and taken into income over the lease term to produce a constant rate of return on the investment in the lease. Wind power production incentive revenue from the Government of Canada is recognized as eligible electricity is generated at the Centennial Wind Power Facility.

(e) Foreign currency translation

Revenues and expenditures resulting from transactions in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income and retained earnings in the current period.

(f) Cash and cash equivalents

Cash and cash equivalents includes short-term investments made by SaskPower on the Corporation's behalf that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at a cost which approximates market value.

(g) Property, plant and equipment

Property, plant and equipment is recorded at cost and includes material, direct labour, overhead costs and interest during construction. Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. The estimated service life of cogeneration assets is 30 years. Depreciation expense also includes the gain or loss on both the complete and partial disposal of assets as well as accretion interest expense on asset retirement obligation as discussed in Note 2(i).

(h) Asset impairment

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors, which could indicate an impairment exists, include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2006, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write down was required.

(i) Asset retirement obligation

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes asset retirement obligations to decommission its cogeneration facilities in the period in which the facilities are commissioned.

The fair value of the estimated asset retirement costs is recorded as a liability with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation. Asset retirement obligations are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

(j) Debt issue costs

Issue costs relating to non-recourse long-term debt are included in other assets and are amortized on a straight-line basis over the term of the respective debt.

(k) Hedging

In conducting its business, the Cory Cogeneration Station Joint Venture has entered into an interest rate swap to manage the risk arising from fluctuations in interest rates. This instrument is only used to manage risk and is not used for trading or speculative purposes. The interest rate swap is designated as a hedge and the effectiveness of the swap in offsetting the change in cash flows of the hedged item is assessed on an ongoing basis. Payments or receipts on the swap are recognized concurrently with, and in the same financial category as, the hedged item.

(l) Employees' future benefits

The Corporation provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. Under the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income. Defined benefit pension plan benefits are provided by SaskPower to eligible employees.

The Corporation provides defined contribution and defined benefit severance plans for substantially all employees. The Corporation's obligations are limited to making regular contributions to SaskPower in respect of severance plan benefits.

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. The Corporation's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

(m) Future accounting policy changes

In 2005, the Canadian Institute of Chartered Accountants (CICA) issued Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments — Recognition and Measurement*; and Section 3865, *Hedges*. The Corporation will adopt these standards effective January 1, 2007. The impact of implementing these new standards is as follows:

A new category, accumulated other comprehensive income, will be included in the equity section on the consolidated statement of financial position. The balance of this account will include the changes in the fair value of the effective portion of cash flow hedging instruments discussed in Note 2(k). These amounts will be recorded in the statement of other comprehensive income until the criteria for recognition in the consolidated statement of income are met.

In addition, upon adoption of the new standards the non-recourse long-term debt will be recorded at amortized cost. As such, the related debt issue costs will be treated as part of the carrying value of the long-term debt and will be amortized using the effective interest rate method.

3. Cash and cash equivalents (in thousands)

	2006	2005
Cash	\$ 25,665	\$ 11,395
Short-term investments	–	19,791
Cash and cash equivalents	\$ 25,665	\$ 31,186

4. Property, plant and equipment (in thousands)

	2006	2005
Cogeneration plant (Cory Cogeneration Station)	\$ 138,596	\$ 137,634
Accumulated depreciation	(17,943)	(13,371)
Construction in progress	–	219,778
Net book value	\$ 120,653	\$ 344,041

Construction in progress in the prior year pertains to construction of the 150-megawatt (MW) Centennial Wind Power Facility. Having commenced commercial operation on March 15, 2006, the asset was transferred to property, plant and equipment. Interest costs of \$2,681 (\$13,720 in 2005) were charged to construction in progress during the year.

During the year, the Centennial Wind Power Facility's property, plant and equipment, in the amount of \$232,859, was transferred to a direct financing lease with SaskPower.

5. Equity investment (in thousands)

In 2001, the Corporation acquired an ownership interest in MRM Cogeneration Station. The 170-MW natural gas-fired cogeneration plant is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The cogeneration plant commenced commercial operations in January 2003.

Ownership interests in the MRM Cogeneration Station are as follows:

ATCO Power Canada Ltd.	56%
SaskPower International Inc.	30%
ATCO Resources Ltd.	14%

Certain accounting policies used in the preparation of the financial statements of MRM Cogeneration Station differ from those used in the Corporation. Therefore, adjustments have been made to the reported income of the investee to maintain reporting consistency.

	2006	2005
Equity investment, beginning of the year	\$ 28,165	\$ 25,460
Equity investment income	8,449	2,705
Equity investment distributions	(4,800)	–
Equity investment, end of year	\$ 31,814	\$ 28,165

6. Net investment in lease (in thousands)

The net investment in lease reflects the recording of the Centennial Wind Power Facility Interim Power Purchase Agreement (PPA) between the Corporation and SaskPower as a direct financing lease. The annual minimum lease payments receivable is subject to the variability of the wind generation as the PPA determines the lease payments based on a fixed rate per megawatt hour generated.

The Corporation's net investment in lease at year-end includes the following:

	2006	2005
Minimum lease payments receivable	\$ 396,339	\$ –
Deferred finance income	(167,214)	–
	229,125	–
Less current portion of net investment in lease	5,034	–
Net investment in lease	\$ 224,091	\$ –

During 2006 the Corporation recorded \$10,915 of finance income from SaskPower.

Minimum lease payments receivable (in thousands)

As at December 31, 2006, the expected lease payments to be received for the next five years are as follows:

	2007	2008	2009	2010	2011
Lease payments receivable	\$ 18,429	\$ 18,429	\$ 18,429	\$ 18,429	\$ 18,429

7. Other assets (in thousands)

	2006	2005
Prepaid expense	\$ –	\$ 16,154
Deferred finance charges	1,802	1,907
Other assets	\$ 1,802	\$ 18,061

8. Accounts payable and accrued liabilities (in thousands)

	2006	2005
Accrued interest on short-term debt from SaskPower	\$ 2,910	\$ 16,186
Accounts payable and accrued liabilities	1,784	2,655
Capital payables	3,711	489
Contractors' holdbacks	103	19,647
Accounts payable and accrued liabilities	\$ 8,508	\$ 38,977

9. Short-term debt from SaskPower (in thousands)

In October 2004, the Corporation entered into an interim loan advance agreement, payable on demand, for the issue of up to \$250,300 at the rate of 8.7% per annum. As of March 15, 2006, the Corporation entered into an amended and restated loan advance agreement, payable on demand, for the issue of up to \$243,840 at the rate of 5.0% per annum. The debt is secured by a mortgage and charge upon all of the Corporation's real and personal property. A permanent financing arrangement will be determined in 2007.

10. Non-recourse long-term debt (in thousands)

Debentures payable are based on the following terms and rates:

	2006	2005
Notes at 7.586%, repayable in quarterly payments ending December 31, 2025	\$ 45,622	\$ 46,740
Notes at 7.601%, repayable in quarterly payments ending June 30, 2026	40,468	41,380
Term loan based on Banker's Acceptance rates plus a margin, ranging from 1.0% to 1.375%, repayable in quarterly payments ending December 31, 2011	3,750	4,500
	89,840	92,620
Less current portion of non-recourse long-term debt	3,080	2,780
Non-recourse long-term debt	\$ 86,760	\$ 89,840

These debentures are issued in the name of Cory Cogeneration Funding Corporation. The Corporation also has \$2.5 million available under an Operating Facility. The notes and term loan are secured by a debenture on each Owners' ownership interest in the Project's assets, an assignment of the Project's bank accounts and an assignment of all the Project Agreements.

Maturities (in thousands)

As at December 31, 2006, scheduled debt retirement requirements for the next five years are as follows:

	2007	2008	2009	2010	2011
Non-recourse long-term debt	\$ 3,080	\$ 3,380	\$ 3,680	\$ 3,980	\$ 4,280

11. Asset retirement obligation (in thousands)

	2006	2005
Asset retirement obligation, beginning of year	\$ 638	\$ 602
Liabilities incurred in the period	–	–
Liabilities settled in the period	–	–
Accretion expense	39	36
Asset retirement obligation, end of year	\$ 677	\$ 638

SaskPower International estimates the undiscounted amount of cash flows required to settle the asset retirement obligation is approximately \$3,108, which will be incurred in 2032. A credit-adjusted risk-free rate of 6.04% was used to calculate the carrying value of the asset retirement obligation. No funds have been set aside by the Corporation to settle the asset retirement obligation.

12. Share capital (in thousands)

	#	2006	#	2005
Authorized				
Unlimited Class A non-cumulative, voting common shares				
Issued				
Class A				
Issued and outstanding, beginning of year	70,117	\$ 70,117	70,117	\$ 70,117
Issued during the year for cash	–	–	–	–
Issued and outstanding, end of year	70,117	\$ 70,117	70,117	\$ 70,117

All shares are held by the parent corporation, SaskPower.

13. Financial risk management

By virtue of its operations, the Corporation is exposed to changes in interest rates. Effective March 31, 2003, a floating to fixed rate swap was used to reduce interest rate exposure on the Cost Overrun Facility for Cory Cogeneration Station Joint Venture and is carried at nil book value.

Financial Instruments (in thousands)

The fair value of the Corporation's financial instruments reflect market estimates of the amount that the Corporation would pay to terminate contracts at the end of the year. They are not a result of market transactions. Changes in assumptions, economic conditions and other factors could cause significant changes in the fair value estimates.

The following summarizes the fair value of the Corporation's financial instruments at year-end:

As at December 31	2006		2005		
	Carrying value	Fair value	Carrying value	Fair value	Repricing or maturity date
Non-recourse long-term debt	\$ 89,840	\$ 101,902	\$ 96,620	\$ 105,530	2011-2026
Interest rate swap	Nil	86	Nil	133	2011

Fair values are determined as follows:

- (a) non-recourse long-term debt instruments are valued at year-end market prices for similar instruments; and
- (b) interest rate swap is valued at closing year-end market rates.

The carrying values of all other financial instruments including cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short period to maturity.

14. Net change in non-cash working capital (in thousands)

	2006	2005
Operating activities		
Accounts receivable	\$ (4,978)	\$ (1,107)
Other current assets	(117)	104
Accounts payable and accrued liabilities	2,142	(375)
	\$ (2,953)	\$ (1,378)
Investing activities		
Accounts receivable	\$ 44	\$ (49)
Other current assets	–	(500)
Accounts payable and accrued liabilities	(32,611)	33,315
	\$ (32,567)	\$ 32,766

15. Joint ventures (in thousands)

- (a) The Corporation holds a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228-MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan.
- (b) The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective November 19, 1999, and was registered with the Province of Alberta on December 18, 2000.
- CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC acts as agent for the Owners, by receiving revenues, disbursing costs, including debt service and distributing proceeds to the Owners.
- (c) The Corporation holds a 14% interest in Canadian Power Consultants (CPC) with AMEC E&C Services Limited and Acres International Limited, for the purpose of providing services under a consulting contract with Canadian International Development Agency (CIDA).

(d) The Corporation's interest in joint ventures is summarized below:

	2006	2005
Statement of income		
Revenue	\$ 18,166	\$ 18,066
Operating, maintenance and administration	(5,377)	(4,602)
Depreciation	(4,589)	(4,543)
Finance charges	(6,947)	(7,117)
Income from joint ventures	\$ 1,253	\$ 1,804
Statement of financial position		
Current assets	\$ 3,294	\$ 2,809
Property, plant and equipment	120,737	124,326
Deferred finance charges	1,802	1,907
Current liabilities	(3,953)	(3,375)
Non-recourse long-term debt	(86,760)	(89,840)
Asset retirement obligation	(677)	(638)
Investment in joint ventures	\$ 34,443	\$ 35,189
Statement of cash flows		
Operating activities	\$ 6,058	\$ 5,943
Investing activities	(962)	(1,878)
Financing activities	(4,780)	(4,980)
Increase (decrease) in cash	\$ 316	\$ (915)

Current assets include cash of \$1,446 (\$1,130 in 2005), which is only available for use within the joint ventures.

16. Related party transactions (in thousands)

Included in these financial statements are numerous related party transactions, substantially all of which are with SaskPower. The Corporation also has a variety of other transactions with joint ventures and various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2006	2005
Revenue - electric sales	\$ 18,573	\$ 18,340
- finance income	10,915	-
- contract services	410	342
- other	1	1
Cost of sales	2,317	2,005
Operating, maintenance and administration	(956)	1,245
Finance charges	9,348	-
Saskatchewan capital tax	1,161	1,361
Accounts receivable	4,659	1,513
Construction in progress	2,084	16,503
Net investment in lease	229,125	-
Accounts payable and accrued liabilities	3,063	16,887
Short-term debt from SaskPower	230,911	221,323
Dividend payable	16,300	-

In addition, the Corporation pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Department of Finance. Taxes paid are recorded as part of the cost of those purchases.

As per Cory Cogeneration Station Joint Venture Project Agreements, gas is supplied at no cost by SaskPower in return for power generated. Prior to this year, electricity generated from the Centennial Wind Power Facility was provided at no cost to SaskPower.

SaskPower provides certain management services to the Corporation for no consideration.

17. Employees' future benefits (in thousands)

The Corporation contributed \$179 (\$183 in 2005) to the plans described in Note 2(l).

18. Commitments and contingencies (in thousands)

- (a) As at December 31, 2006, the Corporation has committed to the construction of the Centennial Wind Power Facility at an estimated cost to complete of \$244,300. Project costs incurred to date are \$232,859 (\$219,778 in 2005).

In accordance with the terms of the Turbine Supply and Installation Agreement, the Contractor has taken a security interest in all of the property as supplied by the Contractor during the construction of the Facility.

- (b) The Corporation has issued a promissory note in the amount of \$4,884 as acceptable credit support for project lenders in respect of the Debt Service Coverage Ratio requirements for Cory Cogeneration Station.
- (c) In addition, the Corporation has other various legal matters pending. In the opinion of management these matters will not have a material effect on SaskPower International's consolidated financial position or results of operations.

19. Comparative figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

SaskPower International Inc.

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saskpowerinternational.com