

ANNUAL REPORT 2015-2016

Key Highlights

- Because of the change in SaskPower's fiscal year, the SaskPower 2015-16 Annual Report covers January 1, 2015 - March 31, 2016.
- SaskPower's operating income was \$124 million in 2015-16 with an operating return on equity of 5.7 per cent
- Our company also recorded \$98 million in non-cash losses, largely as a result of outstanding natural gas contracts.
- This brought SaskPower's net income to \$26 million, resulting in a net return on equity of 1.2 per cent.
- Several factors influence financial performance, but the most influential continues to be capital-related expenses. We now maintain \$10 billion in assets, compared to between \$5-6 billion five years ago.
- Going forward, the company is forecasting the need to keep making capital investments of about \$1 billion a year.
- Last year, SaskPower reduced its budgeted operating, maintenance and administration spending by \$38 million.
- This was done through freezing management salaries, reducing spending on training, travel and contract services and not filling vacancies as people retire or leave the company.
- We expect to save another \$53 million from these areas from 2016-17 through 2018-19.

Background

- In the past five years, SaskPower has spent over \$6 billion on capital investments and power purchase agreements.
- In 2015-16, we invested \$672 million in our capital assets to keep up with growth and address compliance issues, and \$491 million to maintain those capital assets we already have.
- Future growth and compliance projects include:
 - Pasqua to Swift Current transmission line (\$260M – complete in 2019)
 - Kennedy to Tantallon transmission line (\$113M – complete in 2017)
 - Regina to Pasqua transmission line (\$100M – completion date TBD)
 - Distribution customer connects (\$509M – next five years)
 - Proposed Tazi Twe Hydroelectric Station (\$630M – complete in 2020)
- Future sustainment projects include:
 - Transmission wood pole remediation (\$372M over next five years)
 - Circuit breaker and relay replacements (\$60M over next five years)
 - Rural rebuild and improvement program (\$96M over next five years)
 - Distribution wood pole remediation (\$126M over next five years)
 - E.B. Campbell Hydroelectric Station life extension (\$245M – complete in 2025)
- SaskPower reduced our operation, maintenance and administration spending by \$38 million from budget in 2015 through freezing management salaries, reducing spending on training, travel and contract services and reducing the budgeted number of employees by not filling vacancies as people retire or leave the company.
- From 2016-17 through 2018-19 SaskPower is forecasting a reduction of \$53 million from the business plan in OM&A alone.

- Capital spending in 2015 was \$210 million under budget and SaskPower is forecasting further reductions of \$790 million from the business plan over the next three years. This provides a total savings of \$1 billion over four years.
- SaskPower is also continuing with its Business Renewal Program, which has realized gross benefits of over \$528 million since 2009. Some of the highlights of the program include customer connect process improvements, extending the time between overhauls and reducing the length of overhauls for its major power plants.