

CHAIR & PRESIDENT'S MESSAGE



SaskEnergy





On behalf of the SaskEnergy Board of Directors, it is my pleasure to join the Minister Responsible for SaskEnergy, Honourable Ken Cheveldayoff, in presenting the 2009 SaskEnergy Annual Report.

We are pleased to acknowledge considerable progress made by SaskEnergy in achieving the goals outlined in its Strategic Plan, as well as in meeting the Crown Sector priorities of the Government of Saskatchewan. The successful focus of SaskEnergy/TransGas in bringing to fruition strong Saskatchewan-based growth, through both extension of its infrastructure and new business partnerships, deserves special recognition. In 2009, management was also able to bring about a successful and profitable divestiture of its holdings in Heritage Gas, allowing increased focus on growth within Saskatchewan.

We believe that the company's work to expand its gas marketing efforts, as well as its storage capacity, will continue to provide significant consolidated financial support to both the SaskEnergy and TransGas core activities. The Board of Directors was pleased to support management's focus on productivity and efficiency gains, including the identification of almost 40 initiatives that made it possible for SaskEnergy to realize \$5 million in operational savings this year. Overall, the organization is well positioned to continue delivering long-term competitive rates to its customers and strong financial returns to the Owner over the next five years.

I would like to recognize the service of Daryl Labach and Brad Nelson, who left the Board of Directors in 2009, and recognize the contributions of Neal Krawchuk and Mitch McLeod, who joined as new members. I also want to thank President Doug Kelln, the executive and management team, and all employees of SaskEnergy for their efforts in leading the company this past year. The Board team is committed to the ongoing effective stewardship of SaskEnergy and we look forward to another successful year in 2010.

Sincerely,

(Original signed by R. Pletch)

Robert Pletch
Chair, SaskEnergy Board of Directors





As we move into a new decade, a focus on “partners, efficiencies and customers”, supported by our employee expertise, aligns well with the Strategic Plan and vision we adopted in 2006 and the Crown Sector priorities the Government of Saskatchewan has established.

Overall, 2009 was a solid operational and financial year for SaskEnergy, in a time when the oil and gas industry continued to experience significant change. The impact of shale gas on North American supply/demand dynamics and the ongoing plans for meeting GHG reduction targets are just two salient examples. Change needs to be effectively managed without compromising our longstanding core priorities of providing safe and reliable service and maintaining the integrity of our extensive pipeline infrastructure. To help us get the job done, we’re fortunate to employ some of the most highly competent and dedicated natural gas professionals in North America. We have also built a corporate culture strong enough to realize that we work better together, with business partners, customers and the community. It’s not just a platitude at SaskEnergy; it is how we approach our work.

Consider the focus reflected in our Strategic Plan to grow within our Province. Continued strong provincial growth will see us plan to connect another 4,000 distribution customers in 2010, while we plan for a multi-year project to increase our overall storage capacity by 15 per cent to approximately 50 Petajoules (PJ). This includes a long-term plan for our first-ever joint venture storage development with a private sector partner. All along our project chain, we look for opportunities where we can engage other businesses and communities to realize success. In fact, over the next five years, a projected \$52 million of our \$140 million in business development capital is expected to be provided by external partners as we investigate opportunities in CO₂ pipelining and storage, a potential straddle plant opportunity and an additional greenfield flare gas opportunity.

On the downstream end of our business, we were proud to launch the Provincial Technical Training Centre with the Mechanical Contractors Association of Saskatchewan, a leading example of this type of training partnership between a utility and plumbing and heating industry anywhere in Canada. For our customers, another Canadian first is the nation-leading participation levels we have achieved in encouraging energy efficiency and conservation in Saskatchewan. SaskEnergy values this energy efficiency leadership role and appreciates the part we play in administering federal and provincial “Go Green” programs.

Within our vision “to create superior value through innovative energy solutions” remains an understanding of the need for continuous improvement in the effectiveness of our service delivery. We attack challenges, like safely managing one of the longest distribution networks in Canada, while delivering the lowest distribution rates in the country to our customers, with a constant effort to improve productivity and business processes. This past year saw the first full-year implementation of our mobile truck office project, replacing paper-based dispatching. Initiatives such as this one are meaningful ways of managing the one million customer contacts we experience



each year without compromising service. Corporately, we identified almost 40 individual productivity initiatives that translated into over \$5 million of operating efficiencies in 2009.

Collectively, our business model and practices have allowed us to deliver consistent financial returns through varying economic conditions. We have two core utilities (SaskEnergy distribution and TransGas transmission) delivering competitive rates and industry-standard rates of return. We also have a growing and thriving business in gas marketing where we are increasingly leveraging our expertise and infrastructure to produce economic value. This work, as reflected in our Strategic Plan, is focused in Saskatchewan. Our 2009 consolidated net income also reflects the divestiture of our controlling interest in Heritage Gas Limited in Nova Scotia, realizing a net gain of over \$8 million with total proceeds of \$73.3 million for SaskEnergy's portion of the Nova Scotia investment.

We see a continued bright and profitable future for our organization, with stable core businesses and growing diversified operations in our Province. We will continue to deliver competitive rates and high levels of service to our customers. And we will continue to effectively renew our workforce, which is becoming increasingly representative and diversified – 16 per cent of our employees are under 30 years of age and almost 14 per cent are from First Nations and Métis backgrounds. These are statistics that helped contribute to SaskEnergy's recognition as a Top 100 employer in Canada. The stations and offices of the more than 50 communities in which we operate are filled with the experience of those who have given their entire careers to SaskEnergy and the energy and enthusiasm of the next generation of Saskatchewan's leaders.

I want to thank our employees, our customers and our partners, without whom SaskEnergy's achievements would not be possible. I continue to be humbled by the great privilege of being the President of an organization that not only provides a vital service to the people of Saskatchewan, but that is genuinely connected to the communities of our Province. I and all of our 1,100 employees look forward to serving you in 2010 and beyond.

Sincerely,

(Original signed by D. Kelln)

Doug Kelln
President and Chief Executive Officer, SaskEnergy



CONSOLIDATED FINANCIAL INFORMATION*	2009	2008	2007	2006	2005
<i>(\$ millions)</i>					
Commodity sales	451	432	400	389	376
Gas marketing sales	446	576	485	594	644
Delivery revenue	184	175	167	153	156
Transportation and storage revenue	80	77	82	86	86
Other	49	46	37	32	37
Total revenue	1,210	1,306	1,171	1,254	1,299
Commodity cost of gas sold	418	470	373	395	365
Gas marketing cost of gas sold	417	539	450	558	599
Operating expenses	282	267	260	248	258
Total expenses	1,117	1,276	1,083	1,201	1,222
Net income**	93	30	88	53	77
Dividend	51	43	53	35	29
Total assets	1,572	1,561	1,411	1,327	1,371
Property, plant and equipment – net	1,004	945	978	955	947
Capital expenditures	130	114	100	71	59
OPERATING STATISTICS					
Distribution volumes (<i>petajoules</i>)					
Residential/Farm	37	36	33	32	34
Commercial	31	30	29	27	28
Industrial	62	72	70	66	66
TOTAL	130	138	132	125	128
Transmission volumes (<i>petajoules</i>)					
Domestic	205	216	208	204	201
Export	62	81	121	155	162
TOTAL	267	297	329	359	363
Number of customers					
Distribution	347,327	342,606	336,512	332,148	329,240
Transmission	132	129	129	124	121

* Certain of the prior year amounts have been reclassified to conform to the current year's presentation.

** Includes fair value adjustments since 2007. 2009 operational net income before fair value adjustments was \$64 million. This compares with 2008 operational net income of \$55 million. Dividends are based on operational net income.



	2009	2008	2007	2006	2005
Sales in million cubic metres*	3,415	3,675	3,498	3,339	3,411
Residential annual average usage (<i>cubic metres</i>)	3,130	3,088	3,025	2,873	3,060
Degree days**	6,227	5,990	5,700	5,345	5,577
PIPELINE					
<i>(kilometres)</i>					
Distribution Utility					
SaskEnergy Incorporated	67,046	66,709	66,340	66,043	65,872
Swan Valley Gas Corporation	120	120	120	120	120
TOTAL	67,166	66,829	66,460	66,163	65,992

* Retail, industrial and natural gas marketing.

** A unit measuring the extent to which the temperature falls below 18° Celsius. (In a normal year, the degree days are 5,554.)



	2009	2008	2007	2006	2005
Peak day natural gas flows (<i>petajoules</i>)	1.19	1.50	1.49	1.53	1.38
Date of peak day flow	Mar. 11	Jan. 28	Feb. 14	Feb. 16	Jan. 15
Storage cavern sites	8	8	8	8	8
Storage caverns	26	26	26	25	24
Storage field sites*	3	3	3	3	3
Producing field sites*	1	1	1	1	1
PIPELINE					
<i>(kilometres)</i>					
TransGas Limited					
Transmission	13,803	13,592	13,573	13,528	13,482
Gathering	199	199	197	197	188
Many Islands Pipe Lines (Canada) Limited	435	435	435	435	435
Bayhurst Gas Limited	113	113	113	92	92
TOTAL	14,550	14,339	14,318	14,252	14,197
COMPRESSOR STATIONS					
TransGas Limited					
	22	22	22	22	23
Bayhurst Gas Limited					
	3	4	4	3	3
TOTAL	25	26	26	25	26
COMPRESSION HORSEPOWER					
TransGas Limited					
	81,100	82,200	82,200	82,200	88,325
Bayhurst Gas Limited					
	6,300	6,835	6,835	6,300	6,300
TOTAL	87,400	89,035	89,035	88,500	94,625

* Includes Bayhurst Gas Limited.

