



SaskEnergy

SASKENERGY ANNUAL REPORT
BREAKING GROUND

2008

GLOSSARY AND SUPPLEMENTARY INFORMATION

GLOSSARY OF KEY SUCCESS MEASURES

SASKENERGY 2008 ANNUAL REPORT

1. OUR FUTURE

Competitive Rates:

<p>SaskEnergy Commodity</p>	<p>This measure reports the ranking of SaskEnergy’s cost of natural gas reflected through its commodity rate relative to the rates charged by other major Canadian utilities. The cost comparison is based on a benchmark level of consumption upon which the published rates of other service providers are applied to determine SaskEnergy’s relative ranking. The calculations also factor in all temporary and one-time refunds, rebates, rate riders or surcharges approved by the utility’s regulator. Federal, provincial and municipal taxes are excluded from the comparison as are any Government rebates that are not directly approved by the utility’s regulator.</p>
<p>SaskEnergy Delivery</p>	<p>This measure reports the ranking of SaskEnergy’s natural gas distribution delivery service rates relative to the rates charged by other major Canadian utilities. The cost comparison is based on a benchmark level of consumption upon which the published rates of other service providers are applied to determine SaskEnergy’s relative ranking. The calculations also factor in all temporary and one-time refunds, rebates, rate riders or surcharges approved by the utility’s regulator. Federal, provincial and municipal taxes are excluded from the comparison as are any Government rebates that are not directly approved by the utility’s regulator.</p>
<p>TransGas Export Rates</p>	<p>As a benchmark measurement on competitive natural gas transportation rates, the TransGas Export Rate is compared to the export rates that are offered by TransCanada Pipeline’s Nova Gas Transmission Ltd. (NOVA) subsidiary – a company that provides services in Alberta similar to those provided by TransGas in Saskatchewan. The measure compares the cost of moving natural gas from any receipt point in Saskatchewan to the export market with the cost of moving natural gas from the average receipt point in Alberta to the export market.</p>

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Community Investment:

<p>Investment</p>	<p>Three specific measures allow SaskEnergy to create a broad social footprint on the Province: its financial investments or donations; the number and diversity of projects it supports; and the number of communities it impacts by supporting these initiatives. SaskEnergy aims to have a broad-ranging impact on the Province, as evidenced by the targets set for the future.</p> <p>SaskEnergy's financial investment is separated into three budgetary categories: the Share the Warmth Fund which allows the Corporation to help community-based projects with support up to \$2,500, a general sponsorship fund and an Aboriginal sponsorship fund. Criteria are based upon five specific focuses: Education and Leadership, Community Initiatives, Saskatchewan Pride, Environmental Stewardship and Saskatchewan Growth. This measure tracks the financial investment SaskEnergy has made through the categories described above. The investment number reflects cash donations and sponsorships only and does not include in-kind contributions.</p>
<p>Projects Supported</p>	<p>This measure tracks the number of projects, events and programs that have been undertaken by the Corporation.</p>
<p>Communities Impacted</p>	<p>SaskEnergy's community investment activities are also measured by the number of urban and rural locations supported each year. Being Saskatchewan's natural gas provider, serving more than 92 per cent of the population, the Corporation strongly believes that its sponsorships and community investments should be directly targeted to the places where its stakeholders live. Year over year, SaskEnergy has targeted between 250 and 300 communities to support.</p>
<p>Percentage of Goods and Services Sourced in Saskatchewan</p>	<p>SaskEnergy tracks the percentage of goods and services it sources from Saskatchewan suppliers out of the total goods and services acquired. SaskEnergy's goal has been to source goods and services from within Saskatchewan wherever possible, with the expectation that certain necessary goods and services are not available within the Province. This measure is not based on total corporate expenditures, but rather focuses on purchases that are completed by the Purchasing department.</p>
<p>Total Contracts – Percentage of Aboriginal Labour Content</p>	<p>This measure tracks the percentage of Aboriginal labour content in the Corporation's labour service contracts and supplier alliance agreements managed by the Purchasing department.</p>

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Environmental:

<p>Investment in Environmental Programs</p>	<p>This measure tracks the level of investment that SaskEnergy makes in environmental programs. The level of spending is affected by the nature and intensity of activities pursued under various environmental programs and initiatives. A brief description of the major environmental programs that SaskEnergy is involved with is provided below.</p> <ol style="list-style-type: none"> 1. Pipeline and Facility Reclamation – Perform remedial action on pipeline projects to return the condition of the right-of-way to as good as or better than pre-construction. 2. Hazardous Material Storage – Bring and maintain TransGas’ facilities to a high standard of integrity by replacing all existing storage tanks and facilities that need upgrading with the latest technology. 3. Site Remediation – Maintain and restore corporate facilities to a productive and safe state by establishing plans and resources to eliminate environmental impacts. 4. Pollution Prevention – Prevent the release of hazardous substances into the environment from facilities and equipment as a result of process spills, vessels, and point source emissions. 5. Air Quality and GHG Initiative – Sustain the initiative by SaskEnergy/TransGas to reduce air emissions such as Oxides of Nitrogen (NOx), Benzene, Toluene, Ethylbenzene, and Xylene compounds (BTEX compounds), and GHGs through combustion efficiency improvements and emission control technologies. 6. Leading Edge Research – Invest in innovative research to reduce the duration and cost of remedial efforts and improve the state of environmental management by the Corporation.
<p>Number of Programs Undertaken</p>	<p>This measure records the number of initiatives that are undertaken by the Corporation. This measure provides a further activity measure to express the intensity of the environmental initiatives to accompany the dollar investment measure. Examples of programs that would be included in this measure are contained in the previous description.</p>
<p>Reduction in Energy Consumption</p>	<p>This initiative consists of corporate energy efficiency and GHG emissions reduction efforts. SaskEnergy has planned activities to realize electrical energy savings at corporate facilities of 800,000 kWh which translates into three Terajoules (TJ). In addition, the Corporation will reduce GHG emissions by 6,200 tonnes of CO₂e, which translates into 17 TJ in energy savings. These two initiatives are anticipated to result in a combined reduction of 20 TJ of energy that would otherwise be consumed or lost into the environment.</p>
<p>Fund and Administer Customer Energy Efficiency Programs</p>	<p>This measure reports the annual expenditures the Corporation has incurred in supporting customer energy efficiency programs. SaskEnergy is administering and delivering several energy efficiency initiatives for the Province of Saskatchewan.</p>
<p>Number of Customers Impacted</p>	<p>This measure tracks the number of customers benefitting from customer energy efficiency programs provided directly by SaskEnergy, as well as programs utilizing Federal/Provincial funding that are administered by SaskEnergy.</p>

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Governance:

Governance	The governance measure reports the degree of compliance that SaskEnergy maintains with respect to the Canadian Securities Administrator Corporate Governance Guidelines.
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Financial Health:

Debt/Equity Ratio	This measure is calculated by dividing total net debt (short- and long-term) by the sum of total net debt plus total Province of Saskatchewan's equity.
Rate of Return on Equity	The rate of return on equity is measured by dividing the consolidated net income, before the effects of fair value adjustments, by the Province of Saskatchewan's equity as at December 31.
Net Income	Net income refers to the total consolidated net income, before the effects of fair value adjustments.
Capital Investment	This measure reports the consolidated capital expenditures that result from regular core operations (net of customer capital contributions) plus capital spending associated with business development and external investments.

2. OUR GROWTH

Incremental Net Income from Business Development	This measure tracks the annual net income generated from new business development initiatives as well as net income generated from the existing investments SaskEnergy has established through SaskEnergy International Incorporated and SaskEnergy Nova Scotia Holdings Ltd.
Number of Business Opportunities Considered	This measure indicates the number of business development opportunities that are actively under consideration each year. These represent opportunities that business development staff will dedicate resources, time and attention to investigate and assess.
Number of Business Opportunities Under Development	This measure records the number of opportunities that have been approved by the executive and Board to proceed each year. These projects will likely be in either negotiation or development stages.
Direct Jobs Created	This measure tracks the approximate number of jobs created from business development activities. It is estimated based on the historical relationship between capital spending and manpower requirements for capital projects as well as on the anticipated growth required in corporate resourcing to help manage and conduct business development activities. It includes only direct jobs created from the development and ongoing operational aspects of the project.

3. OUR SERVICE

Reliability Index:

<p>Reliability – SaskEnergy</p>	<p>The reliability measure for SaskEnergy is based upon a number of leading and lagging indicators that are averaged to produce a composite result. The calculation methodology provides a 60 per cent weighting for lag indicators and a 40 per cent weighting for lead indicators. The lag indicators focus on system outages and provide reliability ratings based on the causes for the outage (for example – system failure, SaskEnergy operator error, or caused by third party) as well as the impacts of the outage in terms of number of customers impacted, duration of the outage and the costs to restore service. The lead indicators provide ratings based upon the percentage of planned maintenance completed and the percentage of training and job observations completed.</p>
<p>Reliability – TransGas</p>	<p>The reliability measure for TransGas is based upon a number of leading and lagging indicators that are averaged to produce a composite result. The calculation methodology provides a marginally higher weighting for lead indicators than lag indicators. The lead indicators provide ratings based upon the percentage of planned maintenance completed, the percentage reliability of critical compressor units and the percentage of public awareness contacts completed. The lag indicators focus on unplanned outages that affect customers, transmission line hits and the percentage of service availability for receipt, intra delivery and storage services.</p>
<p>Customer Satisfaction – SaskEnergy</p>	<p>The SaskEnergy customer satisfaction measure expresses, in percentage terms, the proportion of customers surveyed that scored their overall satisfaction with SaskEnergy’s service a 5, 6 or 7 out of a total of 7, (a score of 7 represents an excellent score). Positive responses such as these indicate that customers view SaskEnergy’s service positively and provide strong indication that the customer service tools, policies and staff are effectively meeting the needs of customers. The data for this measure is obtained from customer surveys conducted by independent market research firms.</p>
<p>Customer Satisfaction – TransGas</p>	<p>This number is derived from an annual Internet-based survey conducted with all TransGas customers. The Internet method is used because all customers utilize electronic business tools to conduct business with TransGas. This year, customer satisfaction is measured on a scale of 0 to 5, with 5 being the highest level of satisfaction. The survey contains 16 questions which in turn are subdivided to gain detailed feedback on various aspects of the service being evaluated.</p> <p>Questions regarding staff utilize four factors to gauge customer satisfaction. These are: Empowerment, Responsiveness, Knowledge and Friendliness. An average is taken on the responses to all 16 questions and reported as a percentage.</p>
<p>Respond Within One Hour to Safety Incidents</p>	<p>This measure reports the percentage for which the average response time to safety-related calls and incidents occurs within one hour.</p>

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4. OUR PEOPLE

Physical Safety:

Lost Time Frequency Rate	<p>The lost time frequency rate measures the frequency in which lost time injuries have occurred. A standard duration is used to normalize the results so that company comparisons can be made despite differing workforce sizes. A lost time injury is an injury requiring medical attention and working time is lost following the day of the injury. The formula to calculate the measure is as follows:</p> <p>Lost Time Frequency Rate = number of lost time injuries x 200,000¹ ÷ total hours worked</p> <p>¹ The 200,000 is the standard duration calculated as 100 workers working 40 hours per week for 50 weeks of the year.</p>
Preventable Collision Frequency Rate	<p>The preventable collision frequency rate expresses the frequency of preventable collisions and normalizes the result to enable equitable comparisons with other companies of different size and scale of operations. The formula to calculate the measure is as follows:</p> <p>Preventable Collision Frequency Rate = number of preventable collisions x 1,000,000² ÷ total kilometres driven</p> <p>² The 1,000,000 is the given standard used by the Canadian Gas Association and Canadian Energy Pipeline Association to facilitate company comparisons.</p>
Medical Aid Frequency Rate	<p>This measure records the frequency of injuries that require medical attention and normalizes the results so that company comparisons can be made despite differing workforce sizes. A medical aid injury is an injury that requires medical attention, but no working time is lost other than that lost on the day of the injury. The formula to calculate the measure is as follows:</p> <p>Medical Aid Frequency Rate = number of medical aids x 200,000 ÷ total hours worked</p>

Employee Satisfaction:

Employee Satisfaction	<p>The employee satisfaction measure is a composite measure, which is designed to assess SaskEnergy/TransGas employees' overall satisfaction with working at SaskEnergy/TransGas through the Hay Group Survey. The measure incorporates employees' opinions on a number of areas including satisfaction with compensation and benefits, job opportunities, work/life balance, and developmental opportunities within SaskEnergy/TransGas. The intent behind the measure is to assess the extent to which employees will be prepared to exercise discretionary effort while employed at SaskEnergy. The data for this measure will be obtained through both internal and external employee surveys.</p>
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Representative Workforce:

<p>Composition of the Workforce</p>	<p>The representative workforce measures provide quantitative data for the employment of the four equity groups recognized by the Saskatchewan Human Rights Commission as being either underemployed or minimally employed within the Province. These four groups include Aboriginals, women, people with disabilities and visible minorities. SaskEnergy/TransGas also tracks the percentage of “youth” in the workforce, which is defined as employees that are 30 years of age or under. The measure is calculated by comparing the number of employees from these groups relative to the number of total employees that comprise the workforce.</p>
<p>Diversity Hires</p>	<p>This measure records the percentage of new hires that are from the four equity groups discussed above.</p>

SUPPLEMENTARY INFORMATION

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GLOSSARY OF NATURAL GAS MEASUREMENTS

Joule (J) – a base metric measure of energy. One J is the equivalent of the energy required to raise the temperature of one gram of water by approximately one quarter of one degree Celsius.

Gigajoule (GJ) – a measure of energy used to express the heating value of natural gas or of energy consumed. One GJ is equivalent to one billion J. A typical home uses about 120 GJ of natural gas per year.

Terajoule (TJ) – a unit of energy equivalent to 1,000 GJ.

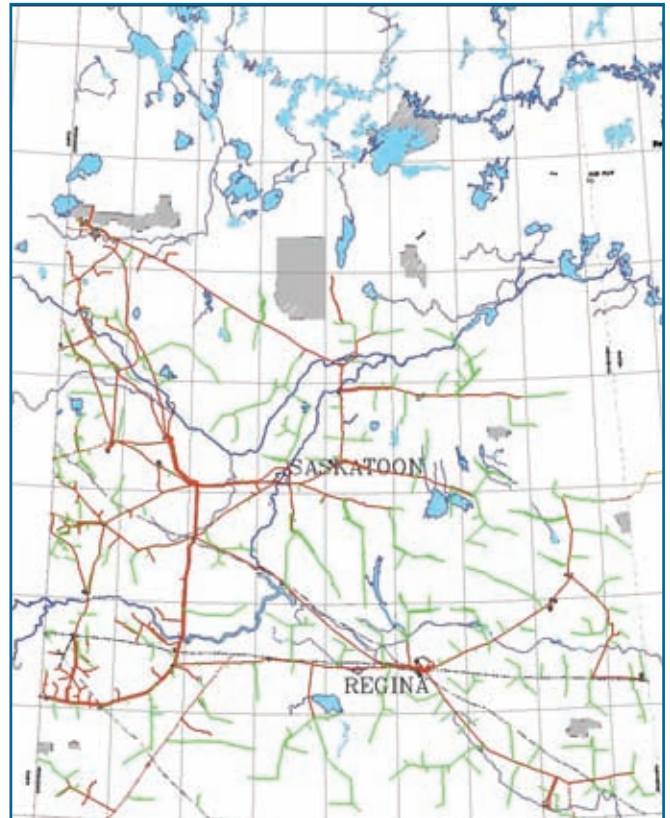
Petajoule (PJ) – a unit of energy equivalent to 1,000,000 GJ.

Cubic metre (m³) – a unit of volume measurement commonly used to express the amount of natural gas sold to consumers. The typical home uses about 3,550 m³ of natural gas per year.

NATURAL GAS VOLUME EQUIVALENTS AT NORMAL ATMOSPHERIC PRESSURE

- One Gigajoule (GJ) is the volume of natural gas required to fill an 11 foot by 11 foot by 8 foot room (approximately 1,000 cubic feet).
- One Terajoule (TJ) of natural gas would fill a typical professional hockey arena (approximately 1,000,000 cubic feet).
- One Petajoule (PJ) is enough natural gas to fill 17 sports stadiums the size of the Rogers Centre, formerly known as the SkyDome (approximately 1,000,000,000 cubic feet).

SASKENERGY INCORPORATED NATURAL GAS TRANSMISSION PIPELINES





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