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Saskatchewan Power Corporation ANNUAL REPORT 1971

RETIRED DURING 1971

Honourable C. L. B. Estey
J. M. Longpré
E. T. Murphy
J. E. Nant

Honourable D. G. Steuart
D. P. Logan
W. T. Patton

Honourable G. B. Grant
A. K. MacDonald
W. W. Spicer
J. E. N. Wiebe

BOARD OF



D. S. Dombowsky,
Deputy Provincial Treasurer

Honourable N. E. Byers,
Minister of Highways and
Transportation

Mrs. M. L. Heavin,
Homemaker, Tisdale



Regina, March, 1972

To His Honour,
The Honourable Doctor Stephen Worobetz, M.C., M.D., C.R.C.S.(C),
Lieutenant Governor of the Province of Saskatchewan.

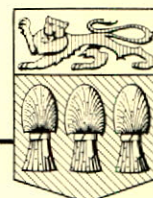
Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 1971, including the financial statements for the year duly certified by the Provincial Auditor of Utilities and in the form approved by the Treasury Board, all in accordance with The Power Corporation Act.

I have the honour to be, Sir,

Your obedient servant,

John D. Messer
Minister in Charge of the
Saskatchewan Power Corporation.



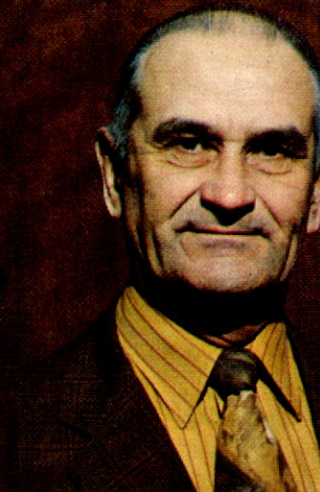
DIRECTORS



F. M. Hodgkinson,
Realtor, Saskatoon



OF MANAGEMENT L. H. Stevenson,
Farmer, Muscow



C. S. Mitchell,
Reeve, R.M. of Preeceville

JAN 15 1980

MCGILL UNIVERSITY

To The HONOURABLE J. R. MESSER, *Chairman*,
and Members of the Board,
Saskatchewan Power Corporation,
Regina, Saskatchewan.



The results of the 1971 operations of the Corporation confirm another successful year accompanied by a moderate growth in energy sales.

As indicated in the summary table of "Highlights" shown below, increases were experienced in both revenue from sales and in the number of gas and electric customers served. Net income of \$20.8 million, equal to that of the previous year, was accomplished in spite of rather uncertain economic conditions and steadily increasing costs.

While the greatest volume increases in energy sales came from the larger gas and electric customers, farm electric customers with an increase of 14% accounted for the largest percentage increase of any group.

In addition to the expected pressures forcing Corporation costs to rise during 1971, some unique and unexpected expenses were incurred. Extensive storm damage to a high voltage transmission line, plus failures of some large equipment in generating stations, magnified the problem of rising costs. Continuation of the Corporation's program to ensure adequate long-term supplies of natural gas also resulted in cost increases. These increases reflected some price escalation and also the cost of increased quantities of purchased gas. This resulted in lower utilization of Corporation-owned reserves compared to that of recent years.

Notwithstanding the upward pressures on costs, the Corporation was able to maintain service to Saskatchewan customers without any general rate increase. As these pressures continue, the level of net income is expected to decrease in the years to come. Increases in productivity from decentralization have largely been achieved, and moderate increases in the work force can be expected. There are few visible sources of new customers. The populated area of Saskatchewan is already supplied with electricity, and most communities within reach of existing gas transmission lines are receiving service. Programs to provide gas service to some additional communities were under development at the year's end.

Two major contracts were signed as part of the program to ensure adequate future supplies of coal and natural gas. A 15-year contract for additional lignite coal will involve establishing a new mine in the Estevan area. A purchase contract for gas in the Greenan-Elrose area dedicated additional gas reserves to the Corporation.

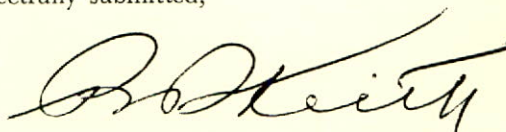
Efforts were made to help maintain winter employment in the Saskatchewan industries which supply equipment, materials, and services to the Corporation. Where feasible, construction schedules for electric transmission lines were advanced to permit brush clearing and other preliminary work before spring. Orders for 1972 requirements of Saskatchewan-made powerline conductors, transformers, poles, and pipe were placed before year-end to permit manufacturers to maintain winter production at a high level.

The Corporation continued its intervention and participated in the hearings of the National Energy Board with respect to an application by TransCanada PipeLines Limited to increase gas transportation charges. The intervention attempted to prevent increased costs associated with transporting additional gas to eastern Canada and other markets from being passed on to Saskatchewan customers.

Demands for improvement in customer service and information continued in 1971. A sincere effort was made to respond to these demands by the implementation of procedures designed to reflect the need for flexibility of approach and individual concern when dealing with customer problems and service requests.

In addition to my sincere thanks to the management and staff, I would like to express my appreciation for the direction and support provided me by all Members of the Board of Directors during 1971.

Respectfully submitted,



R. R. KEITH,
General Manager.

HIGHLIGHTS

	1971	1970	% Increase
Revenue from sales (\$ millions)	117.9	111.7	5.6
Net Income	20.8	20.8	0
Energy Sold			
—electricity (billions of kwh)	4.9	4.6	6.5
—gas (billions of cubic feet)	107.2	99.3	8.0
Customers			
—electric	274,400	271,000	1.3
—gas	150,660	145,500	3.5

ELECTRIC SYSTEM

OPERATIONS

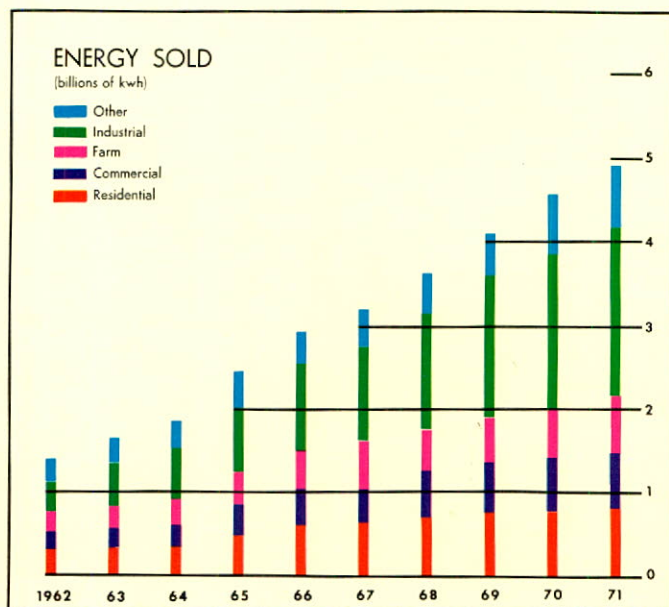
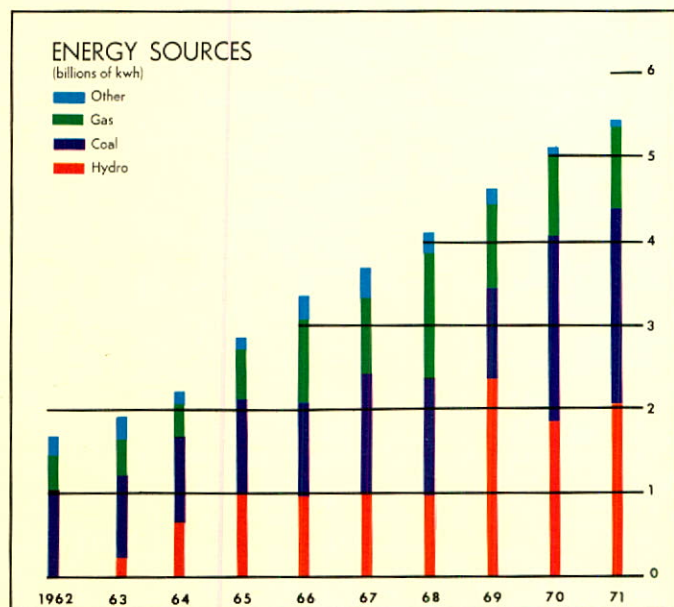
Energy sales to Saskatchewan customers in 1971 advanced by 7.2% to 4.8 billion kilowatt hours, a somewhat reduced rate of growth from those of recent years. Customers continued to find additional uses for electricity, and as a result, quality and reliability of service are becoming increasingly important.

Sales to farms increased by 14%, providing the sharpest increase among customer categories. The effects of farm diversification and mechanization continued to be felt, and average farm consumption in 1971 advanced to 9,950 kilowatt hours from 8,845 kilowatt hours in 1970. The more moderate rate of growth in sales to industrial customers, at 8.8%, nevertheless provided the most significant contribution to overall growth. Commercial sales increased 5.7%, reflecting in part the much improved retail trade picture. Residential sales rose 4.1%, a modest but better performance than last year owing principally to increased housing construction. Exports to Manitoba, at 105 million kilowatt hours, were down 18.8% from 1970.

On December 21st, the net provincial load reached a peak of 1.05 million kilowatts, up 5% from 1970. Peak shaving continued to be used to reduce total system requirements.

The number of customers receiving electric service in Saskatchewan continued to grow despite population losses over the last two years. At the end of 1971, the Corporation served 274,400 electric customers, an increase of 1.3% over 1970. Of the 1971 total, 1,330 customers were being supplied by North-Sask Electric Ltd., the Corporation's wholly-owned subsidiary. Numbered among the new customers were 90 in the village of North Portal. Prior to November, 1971, North Portal was served by Montana-Dakota Utilities Company.

The generating plant employed to meet system capacity and energy requirements was essentially unchanged from 1970. Due to above-normal river flows, hydro generation increased by 10.5% and provided 38% of total requirements. The increase in energy output at Boundary Dam was below expectation owing to mechanical problems encountered there.



On April 29th, a severe wind and ice storm in the area northwest of Saskatoon caused extensive damage to the 138,000-volt transmission line between Saskatoon and North Battleford. In all, 96 towers and 24 miles of line were damaged, but service to the North Battleford area was restored in less than 12 hours by utilizing alternative facilities. The damaged line was repaired during the summer and returned to service on October 1st.

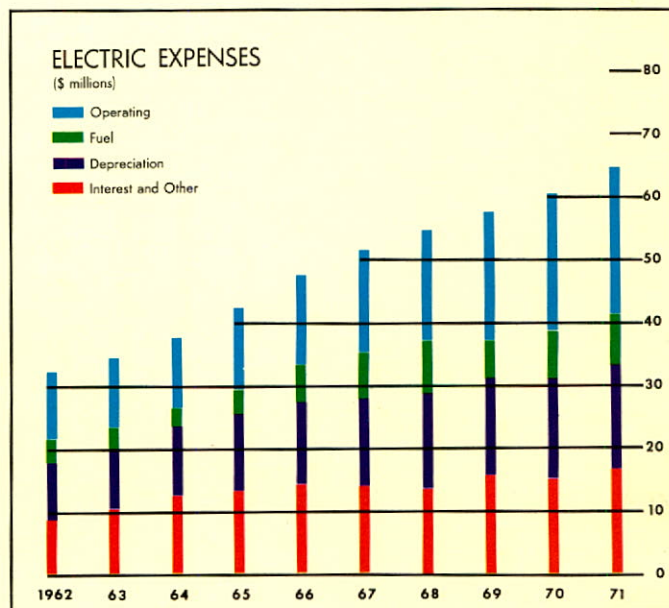
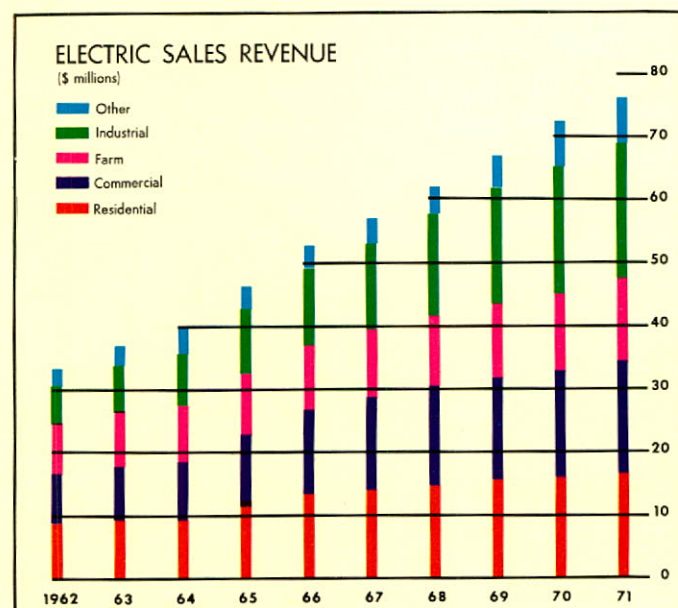
Revenue advanced by \$4.0 million, or 5.5%. Expenses, on the other hand, increased by \$4.2 million, or 7.0%. As a result, net income was slightly below the level of 1970.

INCOME STATEMENT

	1971	1970	% Increase (Decrease)
	\$ Millions		
REVENUE			
Electricity sales	76.2	72.4	5.2
Other income	0.7	0.5	40.0
	<hr/>	<hr/>	<hr/>
	76.9	72.9	5.5
	<hr/>	<hr/>	<hr/>
EXPENSES			
Fuel and power purchased	8.0	7.5	6.7
Operating expense	23.4	21.7	7.8
Depreciation	16.5	16.0	3.1
Interest and other debt costs	16.5	15.0	10.0
	<hr/>	<hr/>	<hr/>
	64.4	60.2	7.0
	<hr/>	<hr/>	<hr/>
NET INCOME	<u>12.5</u>	<u>12.7</u>	(1.6)

GENERATION STATISTICS

Power Station	Rated Generating Capacity (Kw)	Gross Kwh (000's)	% Increase (Decrease) From 1970
HYDRO			
Squaw Rapids	280,000	1,166,360	11.4
Coteau Creek	187,000	900,878	9.4
Total	467,000	2,067,238	10.5
STEAM			
Boundary Dam	432,000	2,286,050	13.6
Estevan	70,000	206,974	(32.3)
A. L. Cole	108,000	160,071	81.1
Queen Elizabeth	132,000	600,772	0.5
Regina "A"	65,000	83,715	(56.7)
Total	807,000	3,337,582	4.4
INTERNAL COMBUSTION			
Kindersley	29,000	164,017	(9.7)
Swift Current	14,500	47,171	(35.7)
Success	45,000	6,339	(27.1)
Regina "B"	23,000	1,888	(39.1)
Total	111,500	219,415	(17.7)
TOTAL GENERATION	1,385,500	5,624,235	5.4
Less Station Service ..		226,889	2.0
NET GENERATED		5,397,846	5.6
NET PURCHASED		35,123	
NET SYSTEM KWH ..		5,432,969	6.1
Northern Diesel Plants	2,575	1,485	(65.5)
Northern Purchases		752	7.4
Total		5,435,206	6.1
Gross Peak Load (Dec. 21)	1,089,000		
Gross Minimum Load (July 5)	333,000		



CONSTRUCTION PROGRAM

Capital expenditures on new plant and equipment in 1971, with comparative figures for 1970, were as follows:

	1971	1970
	\$ Millions	
Generation facilities	14.8	11.8
Transmission facilities	7.2	7.3
Distribution facilities	6.1	5.0
Total	<u>28.1</u>	<u>24.1</u>

Commissioning of a 100,000-kilowatt extension to the Queen Elizabeth Power Station at Saskatoon was originally scheduled for October, 1971. During commissioning tests of the new unit, severe damage was incurred to the generator rotor which will have to be replaced. This necessitated delaying the commissioning by approximately one year.

Work on the third 150,000-kilowatt unit at Boundary Dam, scheduled for completion in 1973, progressed well during the year. At year-end the main building had been enclosed and work was in progress on erection of the turbine and boiler.

In 1971, Interprovincial Pipe Line Company completed the first stage of a two-year program to increase pipeline pumping capacity by some 122,500 horsepower at 11 stations across Saskatchewan. To serve the stations in the western part of the province, the Corporation constructed a 138,000-volt transmission line from Coteau Creek to Cactus Lake, northwest of Kerrobert, and built a switching station at Ermine. Service to the other pumping stations has been, or will be, provided by extensions from existing transmission facilities. The transmission line between Coteau Creek and Ermine will also serve a major role in reinforcing service to the Kindersley, Kerrobert, Unity, and North Battleford areas.

Service to the northeastern part of the province was reinforced in 1971 with the conversion of the Beatty to Tisdale transmission line from 72,000 volts to 138,000 volts and the construction of a major switching station at Tisdale. This will improve reliability and help to meet increasing loads in the Tisdale, Melfort, Nipawin and Hudson Bay areas.

FUTURE RESOURCES

During the year an agreement was signed with Manitoba and Saskatchewan Coal Company Limited to establish a new mining operation in the Estevan area to supply approximately half of the future coal requirements of the Boundary Dam Power Station over a 15-year period beginning in 1974. The existing agreement with Utility Coals Limited to supply coal to Boundary Dam was extended to 1978.

An extensive survey of lignite coal deposits in southern Saskatchewan was begun in 1971. The purpose of this survey is to determine the location and extent of lignite deposits as a first step in assessing the feasibility of building additional lignite-burning power stations in the province.

Assessment of the undeveloped hydro power potential in Saskatchewan was extended with a preliminary study of the Churchill River and the updating of earlier studies on the Saskatchewan River.

Uranium mining developments in the far North hold prospects for the growth of substantial electric requirements in that area. In anticipation of this, the Corporation proceeded with exploratory work to identify potential hydroelectric developments to serve these needs.

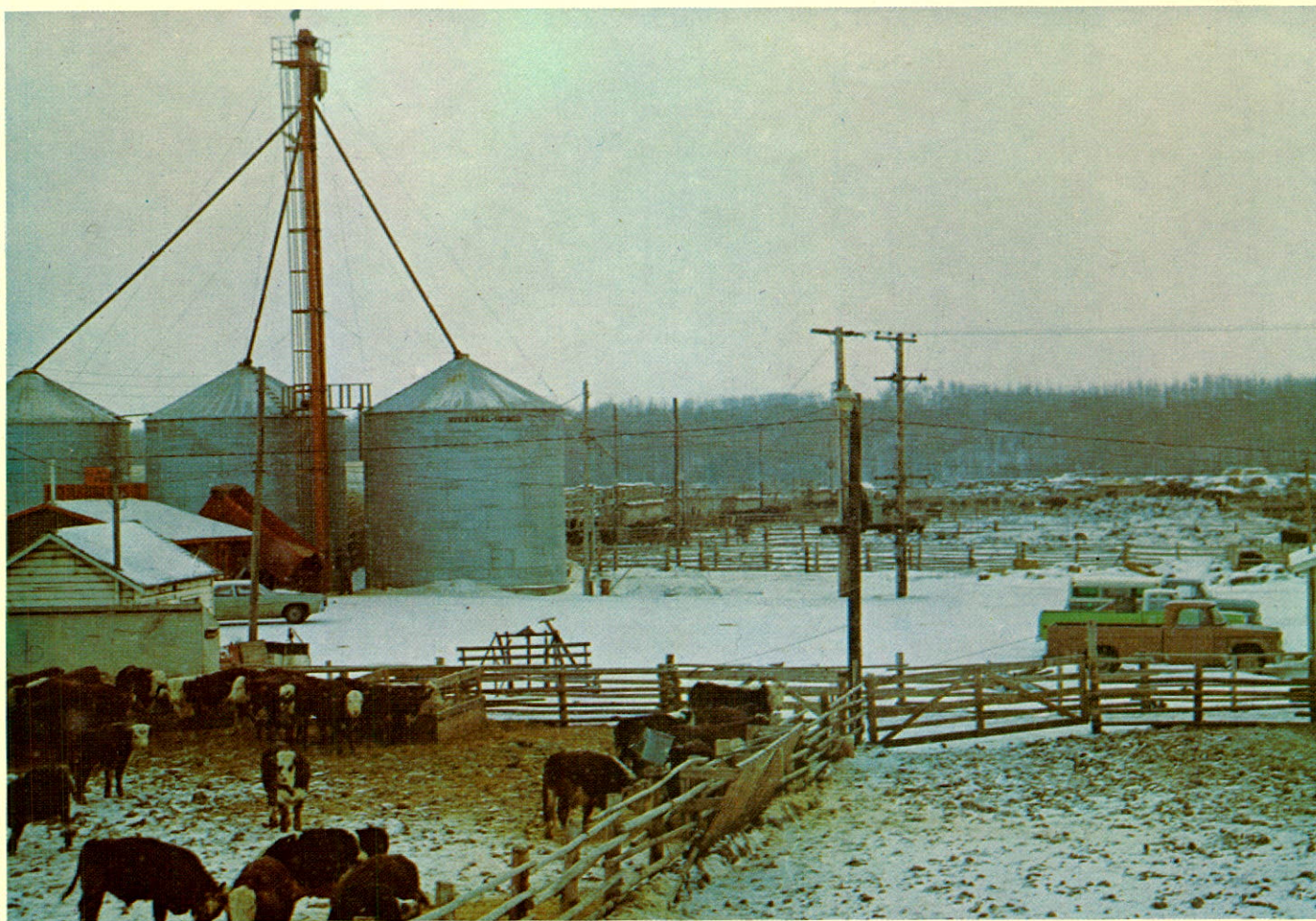


LEFT: A well-lighted shopping mall provides 70-degree comfort for its patrons.

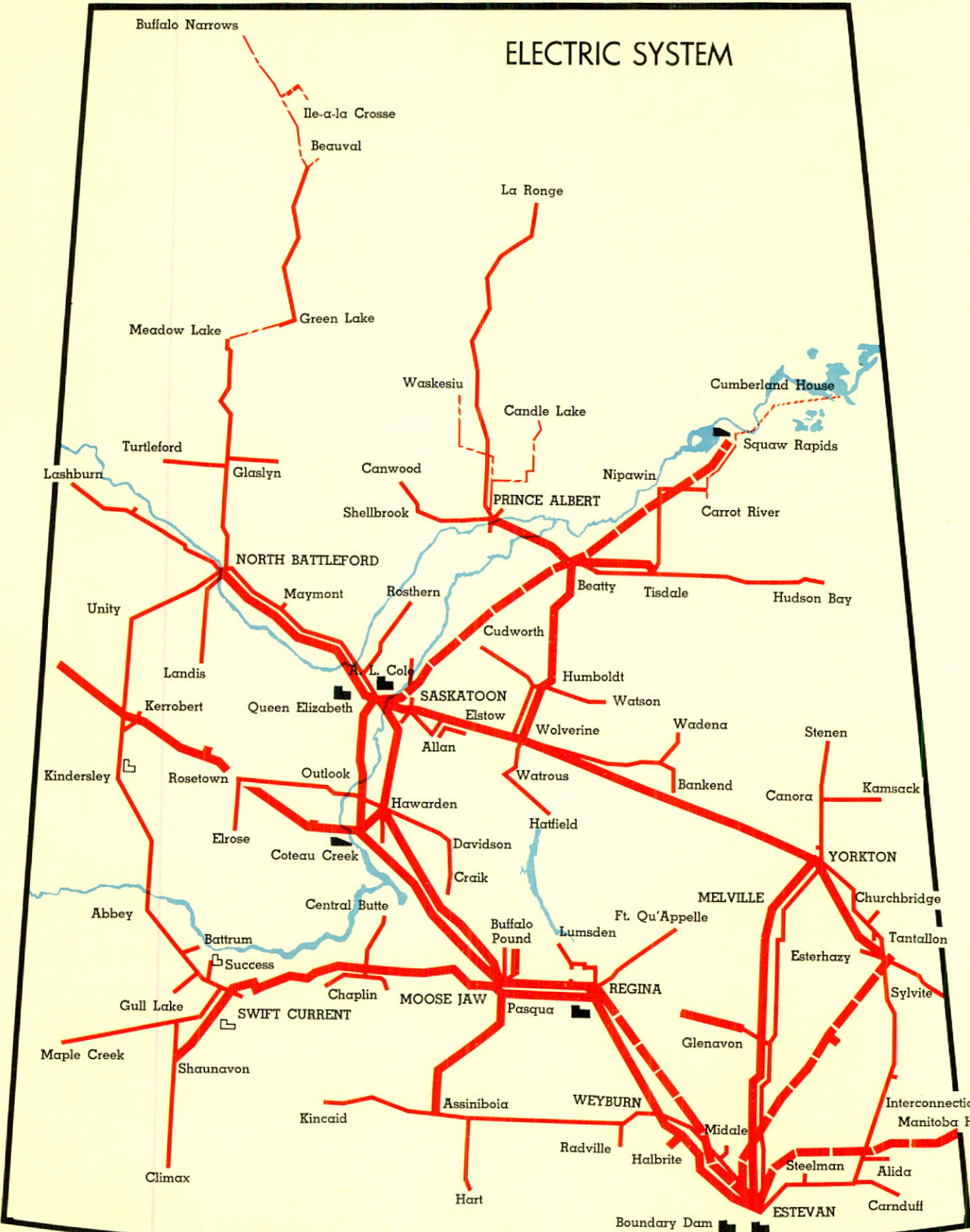
LOWER RIGHT: Mechanized feed processing and handling is a feature of this livestock operation.

UPPER RIGHT: Controlled lighting and ventilation are important to the poultry producer.

UPPER LEFT: Winter sports now enjoy a longer season, thanks to artificial ice.



Buffalo Narrows



- HYDROELECTRIC STATIONS
- STEAM STATIONS
- INTERNAL COMBUSTION STATIONS

SASKATCHEWAN POWER CORPORATION *and wholly-owned subsidiaries*

FINANCIAL RESULTS

1971

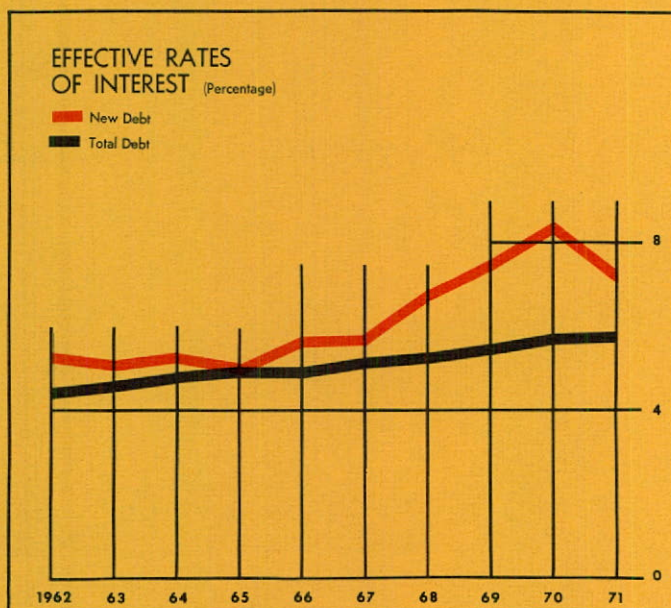
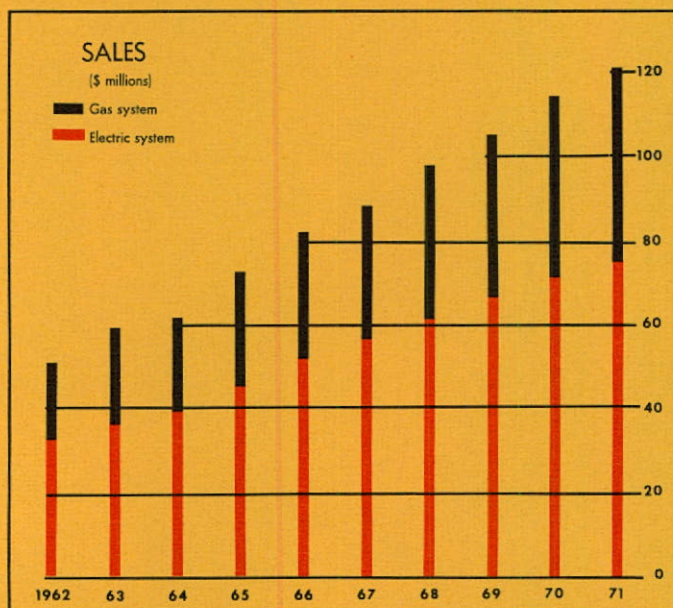
Auditor's Report

I have examined the consolidated balance sheet of Saskatchewan Power Corporation and its wholly-owned subsidiaries as at December 31, 1971, and the consolidated statements of income and retained income and source and application of funds for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these consolidated financial statements, read in conjunction with the stated major accounting policies and notes numbered 1 to 6, all appended thereto, present fairly the financial position of Saskatchewan Power Corporation and its wholly-owned subsidiaries, as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan,
February 1, 1972

W. G. Lutz
W. G. Lutz, C.A.,
A/Provincial Auditor.



FINANCIAL COMMENTS

Net Income—Operations of the Corporation in 1971 produced a net income of \$20.8 million, unchanged from 1970. Income from sales of electricity and gas increased by \$6.2 million, and income from other sources added another \$0.3 million, which, combined, equalled the \$6.5 million advance in expenses. Electric income was buoyed by increased sales to industrial and farm customers, while gas income benefitted considerably from a larger volume of sales to TransCanada PipeLines Limited.

The rather sharp increase in expenses was due to a number of factors. Net interest and depreciation expense rose by \$2.3 million reflecting, in part, continuing growth of plant-in-service and the consequent advance in gross debt, and partly the high cost of long-term advances received in 1970 and 1971. The full impact of 1970's high interest rates was not felt until 1971, and while rates declined in 1971, they remained well above the average cost of outstanding debt. Escalating prices of purchased gas, and the obligation to accept deliveries of contracted gas, combined with a larger volume of gas sales to produce an increase of \$2.4 million in the cost of gas sold. Salaries, wages and benefits paid to employees rose by \$1.2 million, notwithstanding the fact that the monthly average number of employees was 44 less than in 1970. An unforeseen item of expense was associated with unusually heavy storm damage to the electrical transmission line between Saskatoon and North Battleford. The cost of repairs was approximately \$0.6 million.

Financing—Long-term advances from the Province of Saskatchewan in 1971 amounted to \$28.6 million. These advances mature in 1991 and carry an average interest rate of 7.27%. This relatively favourable average rate of interest was due, in part, to the fact that all 1971 monies were borrowed by the Province from the Canada Pension Plan Fund and, in part, to the generally lower level of interest rates in 1971. By comparison, the average interest rate on 1970 advances was 8.43%, reflecting the fact that some of these advances were the proceeds of a loan made on the open market.

Taxes—During the year the Corporation paid taxes, rentals and royalties to the various levels of government as shown below:

	\$ Millions
Canada (estimated)	1.7
Province of Saskatchewan	2.1
Province of Alberta4
Urban Municipalities	2.1
	<hr/>
	6.3
	<hr/>

Surcharges and taxes on electricity bills resulted in the collection of a further \$5.3 million on behalf of municipal and provincial governments. This included \$2.9 million in Education and Health Tax collected for the Province and \$2.4 million in surcharges collected for urban municipalities.

CONSOLIDATED INCOME AND RETAINED INCOME

YEAR ENDED DECEMBER 31

INCOME	1971 (000's)	1970 (000's)
Electricity and gas sales	\$117,905	\$111,692
Other	1,377	1,083
	<u>119,282</u>	<u>112,775</u>
 EXPENSES		
Production and purchase of electricity and gas (Note 1)	25,972	23,324
Transmission and distribution (Note 1)	17,576	16,463
Other operating and administration (Note 1)	9,838	9,409
Depreciation and depletion (Note 2)	23,381	22,904
Interest and other debt costs (Note 3)	21,713	19,900
	<u>98,480</u>	<u>92,000</u>
 NET INCOME	<u>20,802</u>	<u>20,775</u>
 Income transferred to the Province of Saskatchewan	 —	 10,400
Increase in retained income	20,802	10,375
Retained income—January 1	97,218	86,843
 RETAINED INCOME — December 31	 <u>\$118,020</u>	 <u>\$ 97,218</u>

See notes and major accounting policies on pages 9 and 12

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31

SOURCE OF FUNDS	1971 (000's)	1970 (000's)
Net Income	\$ 20,802	\$ 20,775
Add Transactions not requiring funds:		
Depreciation and depletion	23,381	22,904
Other	171	661
	<hr/>	<hr/>
Funds from operations	44,354	44,340
Gas sales prepaid in prior year	—	(2,546)
Contributions in aid of construction	1,988	1,612
Advances from the Province of Saskatchewan	28,624	47,870
	<hr/>	<hr/>
	74,966	91,276
	<hr/>	<hr/>
 APPLICATION OF FUNDS		
Repayment of long-term debt	25,336	32,730
Expenditures on plant and equipment	34,392	36,812
Income transferred to the Province of Saskatchewan	—	10,400
Net change in other items	194	249
	<hr/>	<hr/>
	59,922	80,191
	<hr/>	<hr/>
INCREASE IN WORKING CAPITAL	<u>\$ 15,044</u>	<u>\$ 11,085</u>

See notes and major accounting policies on pages 9 and 12

CONSOLIDATED

AT DEC

ASSETS

UTILITY PLANT	1971 (000's)	1970 (000's)
Plant in service at cost (Note 4)	\$765,367	\$733,869
Less: Accumulated depreciation and depletion	197,467	175,891
	<hr/>	<hr/>
	567,900	557,978
Construction work in progress	14,979	14,040
	<hr/>	<hr/>
	582,879	572,018
	<hr/>	<hr/>
 CURRENT ASSETS		
Accounts receivable - Customers	8,429	9,325
- Unbilled sales	11,138	10,479
- Other	1,337	920
Operating and construction inventories at cost	4,635	4,388
Gas in storage at cost	752	760
Prepaid expenses	522	615
	<hr/>	<hr/>
	26,813	26,487
	<hr/>	<hr/>
 OTHER ASSETS	1,741	1,456
	<hr/>	<hr/>
	<u>\$611,433</u>	<u>\$599,961</u>

BALANCE SHEET

MBER 31

LIABILITIES

	1971 (000's)	1970 (000's)
LONG-TERM DEBT (see schedule)	\$495,951	\$473,091
Less: Sinking funds (see schedule)	111,944	92,372
	384,007	380,719
RETAINED INCOME	118,020	97,218
CONTRIBUTIONS IN AID OF CONSTRUCTION (Note 5)	63,589	61,624
 CURRENT LIABILITIES		
Bank loan	1,501	3,807
Income payable to the Province of Saskatchewan	—	10,400
Long-term debt due within one year	21,139	22,025
Interest accrued	9,049	8,547
Accounts payable	9,703	11,331
	41,392	56,110
 CUSTOMER DEPOSITS	3,635	3,544
UNAMORTIZED DEBT COSTS AND GAINS (Note 6)	790	746
	\$611,433	\$599,961

See notes and major accounting policies on pages 9 and 12

SCHEDULE OF LONG-TERM DEBT

AT DECEMBER 31, 1971

(000's)

ADVANCES FROM PROVINCE OF SASKATCHEWAN

Year Repayable	Interest Rate	Face Amount In Foreign Currency (1)	Debt Recorded	Equity in Sinking Fund
1972-77	2 $\frac{1}{8}$		\$ 228	\$ —
1972	3 $\frac{1}{4}$ - 5		5,011	3,832
1973	3 $\frac{1}{2}$ - 5 $\frac{1}{2}$	4,533	7,571	4,919
1974	3 $\frac{1}{4}$ - 5 $\frac{1}{2}$	5,084	6,515	4,487
1975	2 - 5 $\frac{1}{2}$	40,000*	26,620	15,246
1976	3 $\frac{3}{4}$ - 5 $\frac{1}{2}$	12,683	18,974	8,874
1977	4 $\frac{3}{4}$ - 6	34,938	45,657	19,293
1978	5 $\frac{1}{2}$ - 6 $\frac{1}{2}$		4,236	139
1979	5 - 5 $\frac{3}{4}$		18,830	6,759
1980	5 - 6		18,513	4,136
1981	5 - 5 $\frac{1}{2}$		10,314	2,645
1982	5 $\frac{1}{8}$ - 5 $\frac{1}{2}$		40,886	5,149
1983	4 $\frac{1}{8}$ - 5 $\frac{1}{4}$	40,805	44,947	13,083
1984	4 $\frac{3}{4}$ - 5 $\frac{1}{2}$	26,626	30,728	10,108
1985	5 $\frac{1}{2}$		11,484	1,288
1986	5 $\frac{1}{2}$ - 6 $\frac{1}{4}$		29,085	3,672
1987	5 $\frac{5}{8}$ - 6		18,964	2,058
1988	6 $\frac{1}{2}$ - 7 $\frac{1}{4}$		42,344	3,662
1989	7 $\frac{3}{10}$ - 8 $\frac{1}{2}$	14,550	48,590	2,598
1990	4 $\frac{7}{8}$ - 8 $\frac{3}{4}$	4,340	52,783	1,850
1991	5 $\frac{3}{4}$ - 7 $\frac{1}{2}$		24,017	1,612
1994	5 $\frac{1}{2}$		4,504	368
			<u>510,801</u>	<u>115,778</u>

OTHER LONG-TERM DEBT

City of Regina—This is the present value on the basis of 5 $\frac{1}{2}$ % interest rate of estimated payments yet to be made to the City for its electrical system. Final payment expected to be made in 1983.

8,986

City of Weyburn—This is the outstanding portion of the \$2 million purchase price for the City's electrical system. Semi-annual payments, with interest at 5 $\frac{1}{2}$ %, will retire the liability in 1979.

1,064

Royal Bank of Canada Mortgages—6% first mortgages on houses in Estevan.

73

Amounts due within one year

520,924

24,973

\$ 495,951

115,778

3,834

\$ 111,944

- (1) United States dollars except the item (*) which is Swiss francs.
- (2) Advances from the Province of Saskatchewan (Savings Bond loans) totalling \$13,760,000 are subject to redemption on demand.
- (3) Advances from the Province of Saskatchewan (Canada Pension Plan loans) totalling \$136,679,000 are subject to redemption on six months' notice with an original term of 20 years.
- (4) Sinking fund instalments and debt repayment for the next five years are as follows: (000's)
 1972—\$21,139; 1973—\$21,200; 1974—\$19,700; 1975—\$22,400; 1976—\$21,700.

Saskatchewan Savings Bond redemptions before maturity are estimated.

NOTES TO THE FINANCIAL STATEMENTS

1. Capitalized Expenses

Engineering, administrative and supervisory costs applicable to capital projects have been capitalized to the extent of \$2,061,066 (\$2,175,994 in 1970).

2. Depreciation and Depletion

The total depreciation provision for 1971 was \$22,360,921 of which \$153,561 was capitalized. Corresponding figures for 1970 were \$21,613,863 and \$140,766 respectively. The total depletion for 1971 was \$1,173,991 compared to \$1,430,443 in 1970.

3. Interest Expense (000's)

	1971	1970
Interest on long-term debt	\$29,034	\$29,860
Other interest	222	860
Amortization of debt costs and gains		
Debt discount and expense	743	775
Gain on early repayment of debt	(699)	(152)
	<u>29,300</u>	<u>31,343</u>
Less: Interest capitalized	1,063	1,733
Sinking fund earnings	6,524	9,710
	<u>7,587</u>	<u>11,443</u>
	<u>\$21,713</u>	<u>\$19,900</u>

4. Utility Plant in Service (000's)

	Cost	Deprec. & Depletion
Electric		
Generation	\$251,745	\$ 47,700
Transmission	96,958	22,639
Distribution	182,582	53,214
	<u>531,285</u>	<u>123,553</u>
Gas		
Production, gathering and treatment	45,708	20,481
Compression and transmission	88,611	20,292
Distribution and storage	68,070	18,826
	<u>202,389</u>	<u>59,599</u>
General Plant	31,693	14,315
	<u>\$765,367</u>	<u>\$197,467</u>

5. Contributions in Aid of Construction

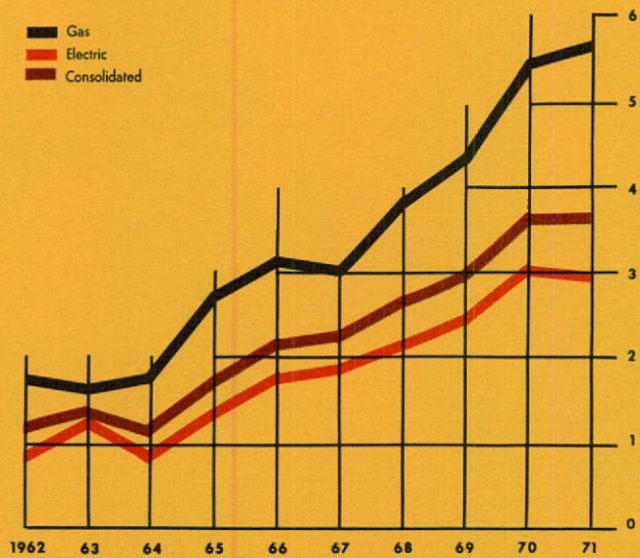
These represent contributions customers have made to have electric and gas service made available. Approximately \$107,000 is subject to refund.

6. Unamortized Debt Costs and Gains (000's)

	1971	1970
Unamortized gains arising from the early repayment of long- term debt	\$6,676	\$7,375
Less unamortized debt discounts and expenses applicable to ad- vances received from the Prov- ince of Saskatchewan	5,886	6,629
	<u>\$ 790</u>	<u>\$ 746</u>

PERCENTAGE RETURN ON NET PLANT IN SERVICE

Gas
Electric
Consolidated



CONSOLIDATED INCOME

ELECTRIC SYSTEM

Sales (1).....
Other.....

Operating, maintenance and administrative expenses.....
Depreciation.....
Interest and other debt costs—net.....

Net income.....

GAS SYSTEM

Sales (1).....
Other.....

Operating, maintenance and administrative expenses.....
Depreciation and depletion.....
Interest and other debt costs—net.....

Net income.....

Consolidated Net Income.....

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS

Funds from operations.....
Contributions in aid of construction.....
Long-term debt.....
Other.....

APPLICATION OF FUNDS

Repayment of long-term debt.....
Expenditures on plant and equipment.....
Income transferred to the Province of Sask.....

Increase (decrease) in working capital.....

CONSOLIDATED BALANCE SHEET

ASSETS

Plant in service—cost.....
Accumulated depreciation and depletion.....
Work in progress.....
Current and other assets.....

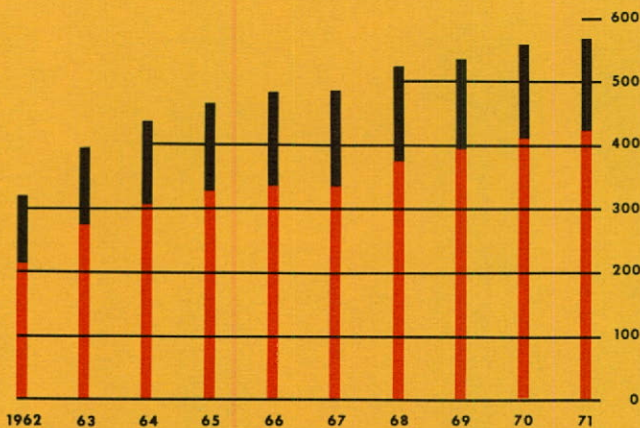
LIABILITIES

Long-term debt—net.....
Retained income (2).....
Contributions in aid of construction.....
Current and other.....

NET PLANT IN SERVICE

(\$ millions)

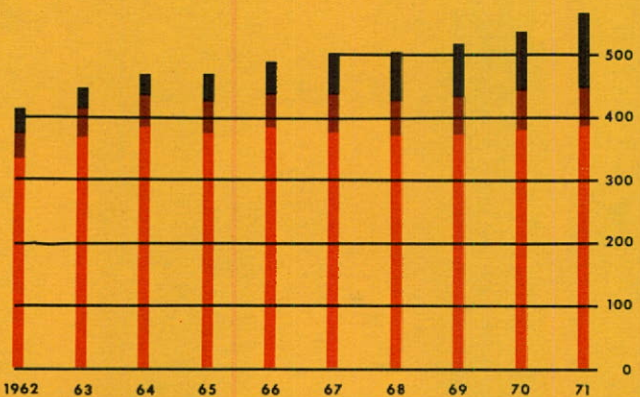
Gas
Electric



CAPITAL STRUCTURE

(\$ millions)

Retained Income
Contributions in aid of Construction
Long Term Debt



FINANCIAL STATISTICS (000's)

1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
\$ 76,169 726	\$ 72,387 541	\$ 67,020 608	\$ 62,425 583	\$ 57,223 736	\$ 52,866 754	\$ 46,145 825	\$ 39,778 793	\$ 36,893 1,156	\$ 33,106 1,020
76,895	72,928	67,628	63,008	57,959	53,620	46,970	40,571	38,049	34,126
31,427	29,273	26,550	25,843	23,626	20,310	16,710	14,290	14,726	14,278
16,537	15,970	15,590	15,252	13,897	13,159	12,223	10,963	9,322	9,010
16,473	14,984	15,493	13,549	14,050	14,225	13,384	12,512	10,572	8,948
64,437	60,227	57,633	54,644	51,573	47,694	42,317	37,765	34,620	32,236
12,458	12,701	9,995	8,364	6,386	5,926	4,653	2,806	3,429	1,890
45,223 651	42,306 542	38,760 516	36,140 327	32,077 614	30,081 462	27,285 297	23,019 279	20,278 349	18,668 216
45,874	42,848	39,276	36,467	32,691	30,543	27,582	23,298	20,627	18,884
25,446	22,925	20,965	18,641	16,371	14,315	12,491	10,779	9,422	8,546
6,844	6,933	6,347	6,246	5,866	5,671	4,902	4,261	3,747	3,046
5,240	4,916	5,767	5,883	5,941	6,101	6,441	5,981	5,433	5,293
37,530	34,774	33,079	30,770	28,178	26,087	23,834	21,021	18,602	16,885
8,344	8,074	6,197	5,697	4,513	4,456	3,748	2,277	2,025	1,999
20,802	20,775	16,192	14,061	10,899	10,382	8,401	5,083	5,454	3,889
44,354	44,340	39,975	37,111	32,170	30,801	26,613	21,226	19,095	16,658
1,988	1,612	1,760	2,016	2,995	2,217	2,210	2,545	3,747	2,486
28,624 (194)	47,870 (2,795)	45,016 8,216	50,603 911	32,938 9,923	41,105 1,060	49,954 6,548	38,305 52	53,663 5,947	50,587 (158)
74,772	91,027	94,967	90,641	78,026	75,183	85,325	62,128	82,452	69,573
25,336	32,730	48,494	59,573	42,904	35,477	49,954	20,362	26,656	21,269
34,392	36,812	28,487	38,639	43,480	42,338	49,172	37,890	43,028	53,263
—	10,400	8,100	3,500	3,000	—	—	—	—	—
59,728	79,942	85,081	101,712	89,384	77,815	99,126	58,252	69,684	74,532
15,044	11,085	9,886	(11,071)	(11,358)	(2,632)	(13,801)	3,876	12,768	(4,959)
765,367 (197,467)	733,869 (175,891)	695,260 (159,942)	662,392 (140,570)	600,571 (118,650)	582,829 (102,170)	551,663 (87,276)	510,945 (75,178)	459,051 (63,398)	375,428 (54,437)
14,979	14,040	22,844	30,225	53,839	31,384	24,148	20,720	36,995	81,697
28,554	27,943	25,002	34,202	34,126	33,193	31,854	33,755	43,894	28,438
611,433	599,961	583,164	586,249	569,886	545,236	520,389	490,242	476,542	431,126
384,007	380,719	372,670	370,056	377,761	384,290	377,284	371,195	369,153	334,715
118,020	97,218	86,843	78,751	68,190	52,871	42,489	34,088	29,005	23,551
63,589	61,624	60,012	58,252	56,838	53,523	50,911	48,701	46,156	43,409
45,817	60,400	63,639	79,190	67,097	54,552	49,705	36,258	32,228	29,451
\$ 611,433	\$ 599,961	\$ 583,164	\$ 586,249	\$ 569,886	\$ 545,236	\$ 520,389	\$ 490,242	\$ 476,542	\$ 431,126

(1) Intersystem usage of gas and electricity is included in system sales. This usage is eliminated on the statement of Consolidated Income and Retained Income.

(2) In 1967, retained income was increased by \$7,420,000 recording unbilled sales and an adjustment to sinking funds.

MAJOR ACCOUNTING POLICIES

Consolidation — The consolidated financial statements include the financial position and operating results of the two wholly-owned subsidiaries of the Saskatchewan Power Corporation.

Many Islands Pipe Lines Limited produces, gathers and transmits gas from the Many Islands fields in Alberta for the exclusive use of the Corporation.

North-Sask Electric Ltd. operates electric generating plants and distribution systems at various locations in the northern part of the province.

Depreciation — Depreciation is provided on a straight-line method, using estimated service lives for the various classes of property with the exception of certain gas assets. For gas production and gathering systems, the unit-of-production method is used for determining the depreciation. Estimated useful lives of the major assets are as follows:

Electric System	
Generation	
Hydroelectric	50 years
Thermal	30 years
Transmission	
Lines	40 years
Switching stations	30 years
Distribution	
Oil fields	20 years
Rural and urban overhead	30 years
Gas System	
Transmission lines	50 years
Distribution system	25-40 years

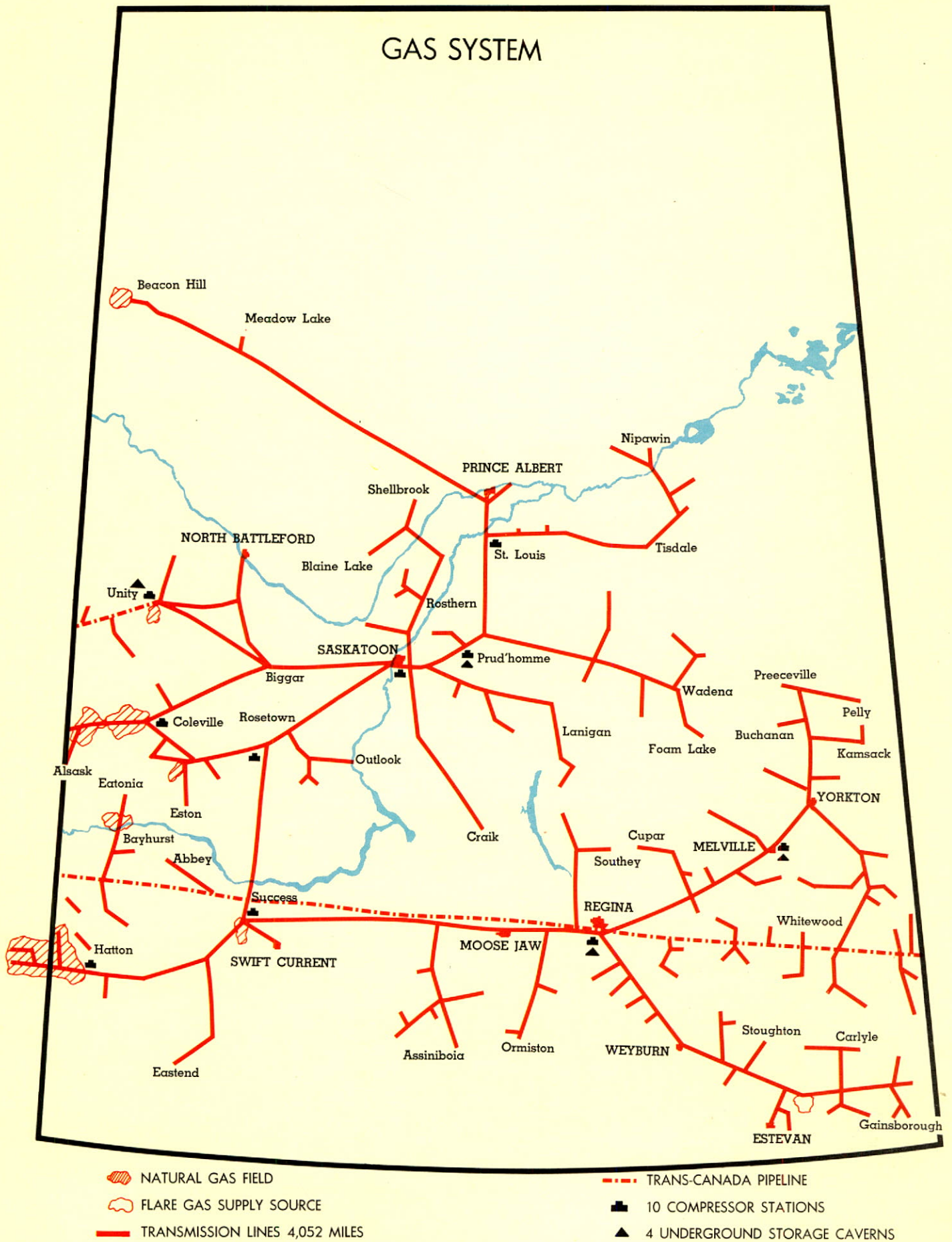
Depletion of Gas and Coal Properties — Depletion of gas and coal properties is calculated using the unit-of-production method based on total estimated remaining recoverable gas and coal reserves and applied to the remaining costs of these assets. Gas and coal properties include expenditures related to the development and purchase of productive gas and coal reserves.

Amortization of Debt Costs and Gains — Gains arising from the cancellation of Province of Saskatchewan debentures held as sinking fund investments, and applied to the repayment of debt before maturity, are amortized into income over the remaining term of the debt cancelled. Unamortized debt discounts and expenses applicable to advances received from the Province of Saskatchewan are charged to income in equal annual amounts over the period to the maturity of the debt.

Foreign Exchange on Long-Term Debt — Provision for exchange on foreign-pay debt is made on the basis of fully providing for foreign exchange during the remaining term of the debt. The recorded liability exceeds the determined value of foreign-pay debt in Canadian dollars by \$3.5 million on the basis of December 31 exchange rates and accordingly no provision is currently being made.

Superannuation — Regular payments are made to the Power Corporation Superannuation Fund which will fully meet its obligations as presently determined.

GAS SYSTEM



GAS SYSTEM

OPERATIONS

Growth occurred in the sale of natural gas to all customer categories in 1971, and advances were generally better than they had been in 1970. Residential and commercial sales increased by 2.5% to 35.4 billion cubic feet. At 6.2%, the advance in sales to industrial customers was an improvement over 1970, but modest relative to the large increases of recent years. The Corporation's use of gas for power generation reached 13.7 billion cubic feet, 2.6% more than in 1970. All told, sales to Saskatchewan consumers amounted to 82.8 billion cubic feet, 4% above the level of 1970. An important factor in the overall sales picture was a 24% increase in gas sold to TransCanada PipeLines Limited, which raised total sales to 107.2 billion cubic feet, up 8.0% from 1970.

The volume of gas delivered to the system reached 522 million cubic feet on December 16, 1971, an increase of 7% from the 1970 peak.

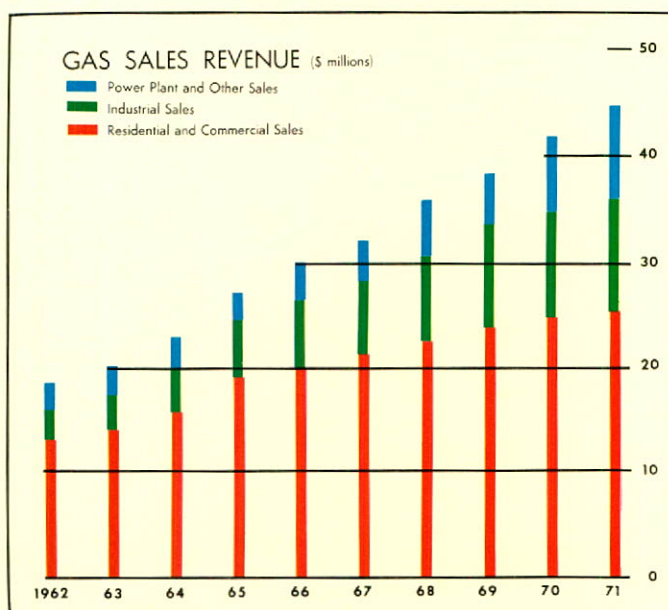
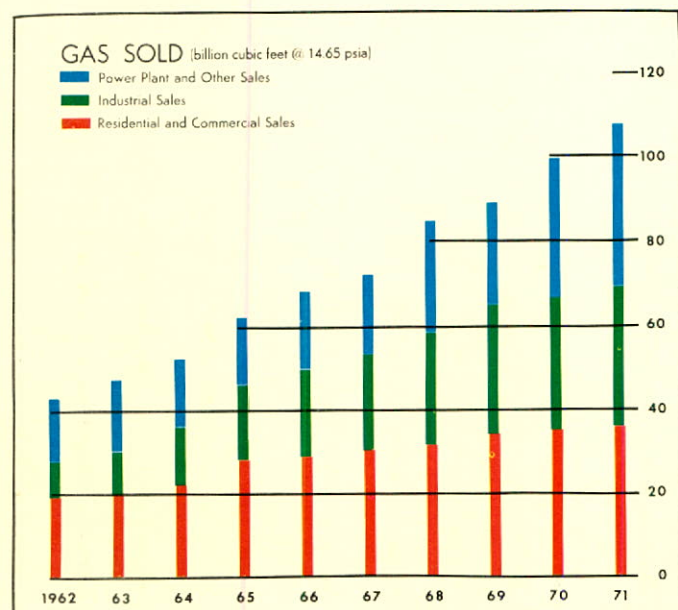
At the end of 1971, gas customers numbered 150,658, about 3.5% more than in 1970. Nearly 132,000 of these were residential. It is estimated that, including apart-

ments, approximately 155,000 dwelling units, or 61% of the provincial total, were heated by natural gas at year-end.

As can be seen from the income statement, gas revenue reached \$46.0 million, an increase of 7.2% over 1970. Expenses rose 8.3% to \$37.7 million, owing chiefly to an increase in the amount of gas purchased and to rising gas prices. Net income showed a modest increase over the level achieved in 1970.

No major operating problems were experienced during the year. Repairs to the Hatton Compressor Station, damaged by fire in late 1970, were completed successfully.

On four occasions in 1971, gas pipe lines were damaged by construction equipment operated by contractors working for others. Interruptions of service to some gas customers resulted, but fortunately no serious personal injuries occurred. Such accidents do, however, point up the danger in proceeding with any excavation project without checking for buried gas lines.



INCOME STATEMENT

	1971	1970	% Increase
REVENUE	\$ Millions		
Gas sales	45.2	42.3	6.9
Other income	0.8	0.6	33.3
Total	46.0	42.9	7.2
EXPENSES			
Gas purchases	13.7	11.3	21.2
Operating expenses	11.9	11.7	1.7
Depreciation and depletion	6.9	6.9	—
Interest and other debt costs	5.2	4.9	6.2
Total	37.7	34.8	8.3
NET INCOME	8.3	8.1	2.5

CONSTRUCTION PROGRAM

During 1971, 21 communities were connected to the system, bringing the total number of communities served to 313. Of the 5,160 new customers added, 1,430 were in the new communities and 114 in rural areas adjacent to transmission lines. The other new customers were located in communities served prior to 1971.

Transmission capacity of pipelines serving Saskatoon and northeastern Saskatchewan was increased with the building of 12 miles of 16-inch pipe line to loop a section of the line from Biggar to Saskatoon. Increased load requirements, stemming from an expanding alfalfa drying and pelletizing industry in the Nipawin area, were met

by looping 14 miles of the 4-inch pipe line between Tisdale and Zenon Park. A number of short extensions, requiring a further 157 miles of small-diameter steel pipe and 20 miles of plastic pipe of various sizes, were installed during 1971.

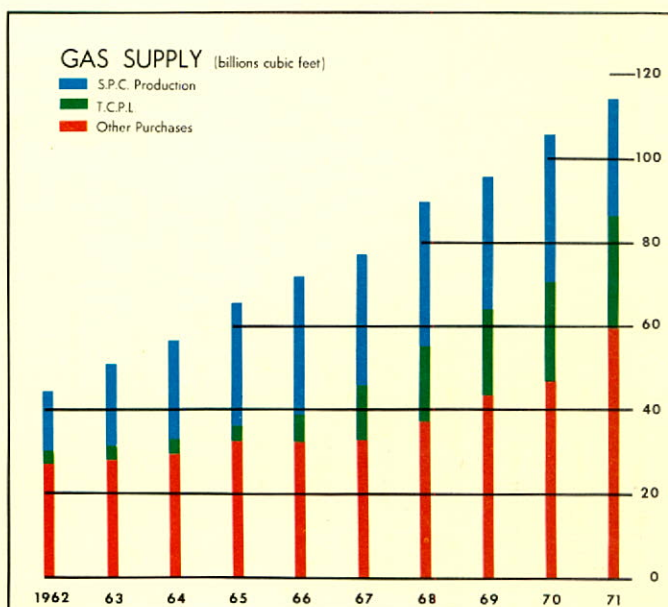
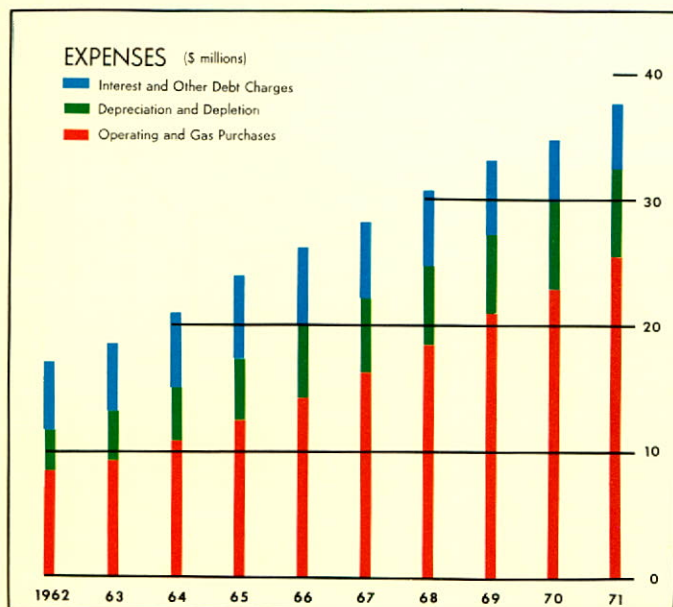
Capital investment totalled \$5.9 million, bringing cumulative investment in the Gas System to \$202 million. Details of the 1971 program with comparative figures for 1970 were as follows:

	1971	1970
	\$ Millions	
Service to new communities	3.0	2.4
Distribution extensions in communities already served	1.4	1.2
Additional transmission capacity	1.0	7.9
New production and gathering facilities	0.2	0.6
System improvement	0.3	0.3
Total	5.9	12.4

GAS SUPPLY

During the year, 56 billion cubic feet of reserves were acquired and tied in to the system. These reserves are located primarily in the Greenan area, with smaller volumes in the Coleville area in Saskatchewan and near Medicine Hat in Alberta. The Corporation continued its activities in encouraging the development of potentially economic gas reserves in the Milk River formation in the Hatton-Many Islands area and was engaged as a partner in a gas exploration program near Kamsack.

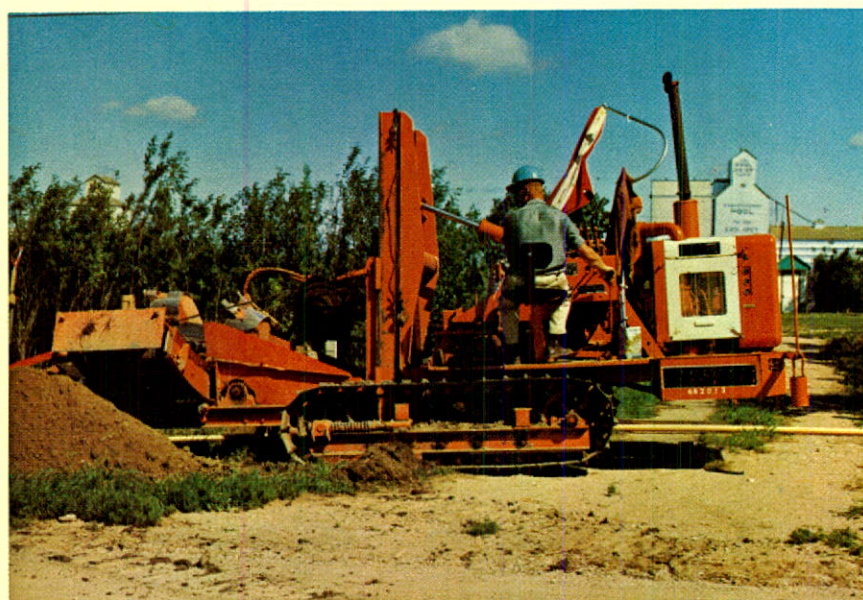
Total gas reserves now owned by the Corporation, or dedicated to it, amount to 2.1 trillion cubic feet, representing about 19 years' supply at 1971 levels of consumption.



To augment long-term gas reserves and minimize the impact of future increases in the field price of gas, the Corporation has entered into new contracts with a number of producers, both in Saskatchewan and Alberta, located reasonably close to its facilities. These contracts required deliveries to begin in 1971, before the extra gas was actually needed. Part of the temporary surplus gas was sold to TransCanada PipeLines Limited under the terms of an existing gas exchange agreement. The balance was absorbed by reducing production from Corporation-owned reserves.

GAS SUPPLY SOURCES (Billions of Cubic Feet @ 14.65 psia)

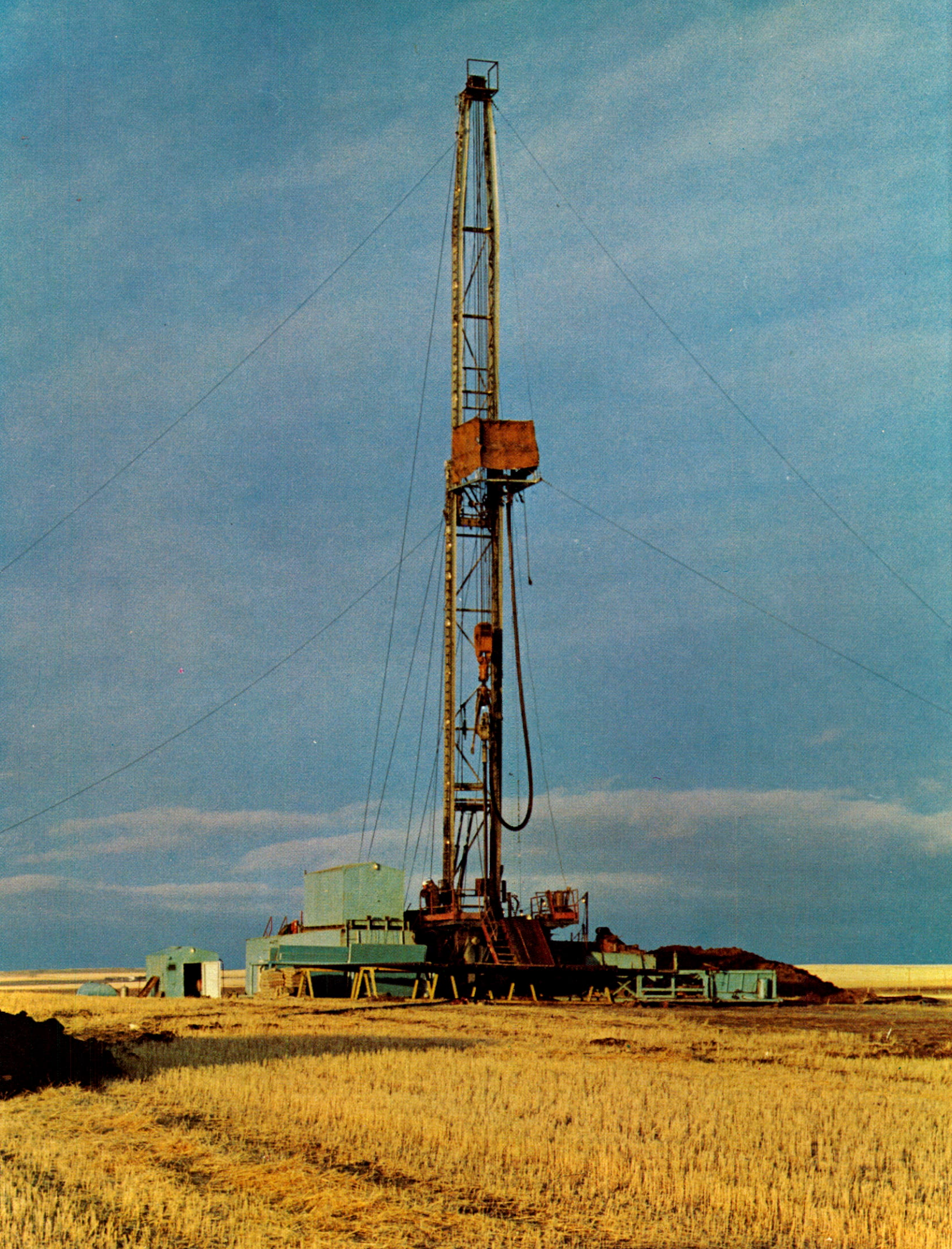
	1971	1970	% Increase (Decrease)
Purchased from field suppliers	59.1	46.9	26.0
SPC production	27.5	35.3	(22.0)
Purchased from Trans-Canada PipeLines ..	26.6	23.4	13.7
<hr/>	<hr/>	<hr/>	<hr/>
Total volume delivered	113.2	105.6	7.2
Storage, fuel and other uses	6.0	6.3	(4.8)
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Total sold	107.2	99.3	8.0
	<hr/>	<hr/>	<hr/>



ABOVE: Gas pipeline is primed, covered with plastic tape and wrapped with a protective coating in a single operation.

LEFT: Excavation for a town distribution system is performed by a trenching machine.

RIGHT: A drilling program near Greenan located a gas pool in the Viking formation.



ADMINISTRATION

Labour Relations — Negotiations with the Oil, Chemical and Atomic Workers International Union, representing about 1,000 gas and clerical employees, concluded on November 3rd with the signing of an agreement running to September 30, 1973. The agreement provided for a general wage increase of 8% effective October 1, 1971, and a further 7% on October 1, 1972.

The agreement signed on January 4, 1971, with the International Brotherhood of Electrical Workers, representing about 1,000 electrical workers, terminated on December 31st. Negotiations for a renewal agreement were proceeding at year-end.

Customer Billing — Refinements in billing methods were introduced in an attempt to improve efficiency and increase customer convenience. A revised bill format was introduced in April designed to present significant entries more clearly. More flexible methods were developed to accommodate customers who move from one community to another.

An alternative method of billing was made available to farm customers, whereby the customer can have his billing based on an annual meter reading by Corporation staff instead of reading his own meter every three months. Equalized quarterly bills, based on each customer's past consumption, are rendered between annual meter readings. By year-end, 42% of the farm customers had changed to the new method.

Training — A program of seminars was developed to supplement existing programs of trades and technical training and management development. The seminars, on the principles of supervision, were conducted for first-line supervisors within the scope of the collective bargaining agreements. This was done with the co-operation of the two unions.

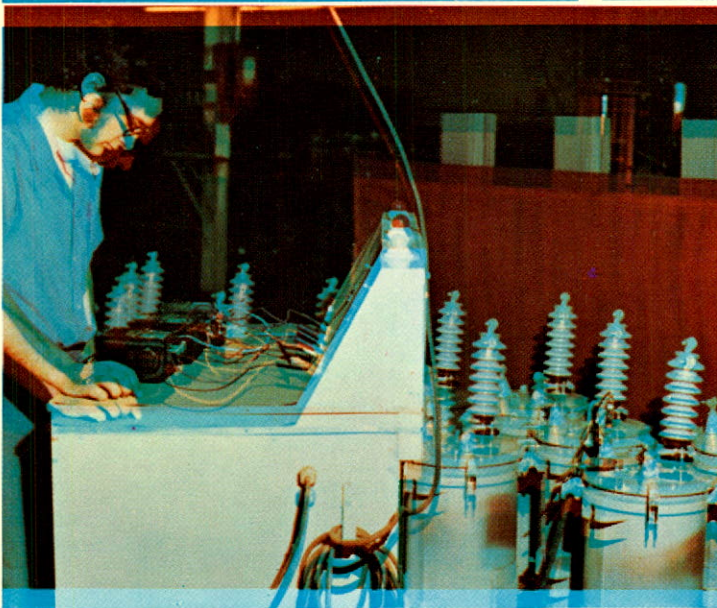
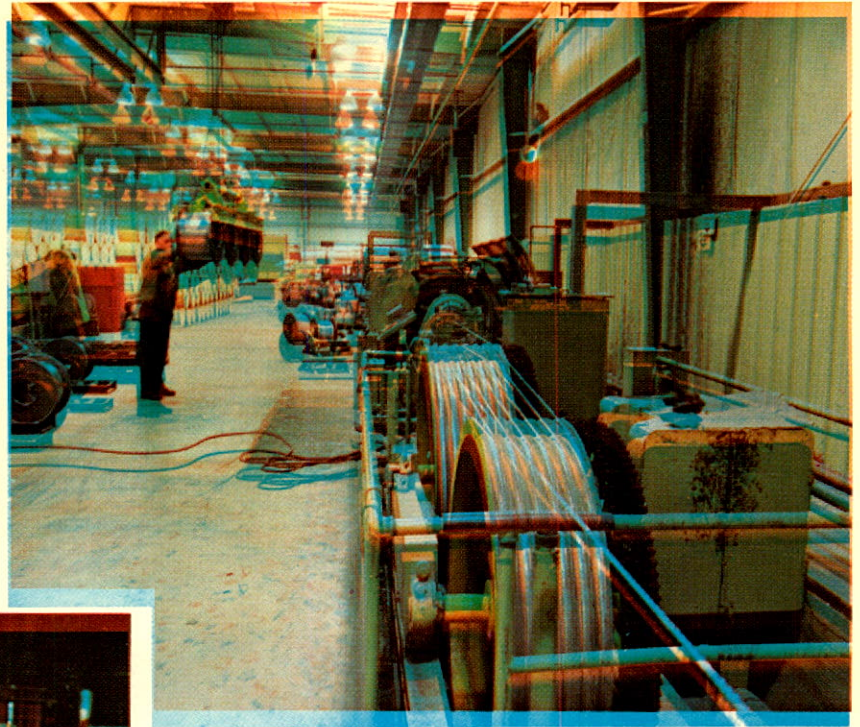
Employee Safety — The 1971 employee safety record, as reflected by the frequency of lost-time accidents, was comparable to that of the past few years, excepting 1969 when accident frequency was exceptionally low. A Corporation employee was killed in a vehicle accident.

Public Safety — A highway construction worker was electrocuted when he stepped out of a machine which had run into a power line. Efforts were increased to inform the general public of the dangers associated with using machinery and equipment near power lines and to warn children about fallen wires and other hazards. Local programs, to supplement radio and television safety promotion, were expanded. Safety clinics organized by field staff included talks and demonstrations on working safely near power lines. The number of talks and demonstrations in schools was increased.

Safety clinics were also planned for local contractors, municipal officials and others who use excavating or earth-moving equipment. This followed damage to a number of buried gas lines during the year.



A plastic flame spraying gun, developed by the Research and Development Centre, for use in applying protective coating to steel pipe.



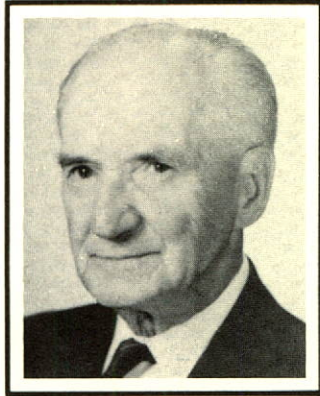
Four major Saskatchewan industries serve a vital role in producing materials for the Corporation's construction and maintenance program. Powerline conductor is provided by Canada Wire & Cable Co. Ltd., Weyburn; the FPE — Pioneer Electric Limited plant in Regina manufactures distribution transformers; steel and pipe are produced by Interprovincial Steel and Pipe Corporation Ltd., Regina; Saskatchewan Timber Board, Prince Albert, supplies poles and spars for powerline construction.

OPERATING STATISTICS

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
OPERATIONS—ELECTRIC SYSTEM										
Customers at December 31.....	274,400	271,000	269,200	267,500	363,900	258,577	251,361	206,053	201,613	197,816
Electricity sold (millions of kwh).....	4,913	4,614	4,120	3,637	3,202	2,918	2,462	1,860	1,641	1,393
Average yearly residential consumption (kwh).....	5,010	4,861	4,750	4,420	4,258	4,108	3,830	3,306	3,092	2,921
Average yearly farm consumption (kwh).....	9,950	8,845	8,250	7,124	6,813	6,268	5,997	5,117	4,637	4,247
Rated generating capacity (kw)										
Hydro.....	467,000	467,000	467,000	467,000	280,000	281,000	201,000	201,000	134,000	
Steam.....	807,000	807,000	682,000	532,000	537,000	537,000	537,000	452,000	444,000	499,000
Internal combustion.....	111,500	111,500	111,500	113,000	96,100	62,150	62,150	41,150	41,150	41,150
Total.....	1,385,500	1,385,500	1,260,500	1,112,000	913,100	880,150	800,150	694,150	619,150	540,150
Seasonal gross system peak load (kw).....	1,089,000	1,066,000	956,000	918,000	862,000	756,500	696,100	539,500	471,000	424,700
Pole miles of line excluding urban distribution system										
72 kv and higher.....	4,864	4,634	4,488	4,488	4,395	4,182	3,870	3,610	3,360	3,120
Under 72 kv.....	71,965	71,632	71,353	70,948	70,327	69,852	69,420	68,580	67,700	66,330
OPERATIONS—GAS SYSTEM (Gas volumes at 14.65 psia)										
Customers at December 31.....	150,658	145,498	142,364	137,534	129,932	122,019	113,584	105,252	97,000	88,446
Gas sold (Thousands of Mcf).....	107,187	99,309	88,697	84,485	71,562	67,835	61,519	51,646	46,768	42,450
Average yearly residential consumption (Mcf).....	185	188	188	180	183	182	189	167	162	171
Degree days deficiency (Regina).....	10,936	11,483	11,170	10,254	10,888	11,380	11,573	10,635	9,851	10,235
*Maximum daily consumption (Mcf).....	522,440	487,240	447,030	421,980	370,670	360,880	318,540	266,880	233,100	227,800
Miles of pipeline in service										
Gathering.....	458	455	444	443	412	410	400	350	290	240
Transmission and laterals.....	4,052	3,811	3,417	3,354	3,101	2,787	2,550	2,400	2,250	2,100
Distribution.....	2,336	2,217	2,107	2,012	1,896	1,769	1,649	1,549	1,439	1,339
AVERAGE MONTHLY EMPLOYEES.....	2,420	2,464	2,461	2,597	2,701	2,779	2,789	2,787	2,858	2,758

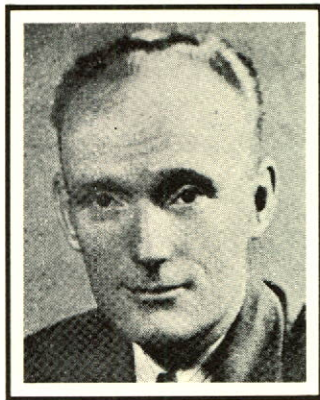
*Previous to 1967, these figures are maximum daily production.

IN MEMORY



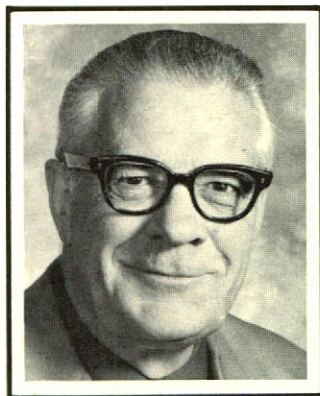
L. A. THORNTON

First Chairman of the Saskatchewan Power Commission from 1929-1945. He was the pioneer of the provincial electric utility.



J. W. TOMLINSON

First General Manager of the Saskatchewan Power Corporation, 1949-1954, during the development of the farm electrification program and of the natural gas utility.



R. BROWN

Minister in Charge of the Saskatchewan Power Corporation, 1956-1964, during its period of rapid expansion and entry into hydro electric power generation.

