

Minister Responsible for
Crown Investments Corporation



SASKATCHEWAN

Legislative Building
Regina, Saskatchewan S4S 0B3

November 26, 2019



Mr. Fred Bradshaw, Chair
Standing Committee on Crown and Central Agencies
c/o Procedural Services,
Room 7,
Legislative Building

Dear Mr. Bradshaw:

Pursuant to rule 145 (4) of the Legislative Assembly of Saskatchewan, the Minister responsible for the Crown Investments Corporation of Saskatchewan shall provide the Standing Committee on Crown and Central Agencies a letter of notification regarding significant transactions made by the corporation or any of its subsidiaries within 90 days of the transaction having occurred.

The notification shall outline the objectives of the transaction, the financial implications, a statement of any changed liabilities and the authority under which such a transaction was made.

In accordance with rule 145 (4) of the Legislative Assembly of Saskatchewan, please find attached a letter of notification for a transaction between SaskPower International Inc. and ATCO Power Canada Ltd.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Hargrave".

Joe Hargrave
Minister Responsible for Crown Investments Corporation of Saskatchewan



NOV 26 2019

Mr. Fred Bradshaw, Chair
Standing Committee on Crown and Central Agencies
c/o Procedural Services,
Room 7
Legislative Building

Dear Mr. Bradshaw:

RE: SaskPower's Acquisition of ATCO's 50% interest in the Cory Cogeneration Station

SaskPower, as required under the Significant Transaction Reporting Policy, is providing notice of the acquisition of ATCO Power Canada's ("ATCO") 50% interest in the Cory Cogeneration Station ("Cory"). SaskPower is now the 100% owner of Cory. Cory provides 260 MW of generation capacity and provides steam to Nutrien's Cory Potash mine. The total cost of the transaction is approximately \$121 million. The cost reflects the payment of approximately \$84 million in cash (\$82 million as per the purchase agreement and \$2 million in transaction costs) and the assumption of approximately \$37 million of debt. The transaction closed July 12, 2019.

Situation Prior To Transaction:

SaskPower, through its wholly owned subsidiary SaskPower International Inc., owned 50% of Cory through a joint venture partnership with ATCO. SaskPower is the sole purchaser of power from Cory under a 25 year Power Purchase Agreement ("PPA") that ends in January 2028. Cory was operated on a joint basis with both ATCO and SaskPower providing employees to the facility. Cory is located on Nutrien's site and Cory contracts with Nutrien to provide operators and maintenance support staff.

Canadian Utilities, the parent company of ATCO, decided to sell its 2,100 MW of Canadian based thermal generation facilities. This decision triggered SaskPower's right of first refusal to buy ATCO's 50% interest in Cory. SaskPower engaged CIBC to assist with the sales process and to provide an independent valuation.

Objectives of the Transaction:

SaskPower expects to have an ongoing need for gas fired generation capacity from Cory for a period up to 10 to 15 years after the PPA ends in 2028 due to continued growth in electricity demand and the retirement of conventional coal fired generation. Natural gas fired generation is needed to provide a reliable and dispatchable source of capacity and to compensate for fluctuations in output from increasing amounts of renewable power in Saskatchewan's electrical system. Cory normally operates in a load following mode to assist in the balancing of electricity supply and demand.

With ongoing moderate capital maintenance expense, Cory can continue to operate in the 10 to 15 year period after 2028 and provide low cost power. The cost of acquiring similar capacity from a new natural gas fired combined cycle unit is substantially higher than the cost of acquiring ATCO's share of Cory.

The acquisition of ATCO's 50% ownership in Cory provides SaskPower with complete operational control over Cory. With 100% ownership of Cory, SaskPower does not need to negotiate a new PPA for the period after 2028.

The Transaction:

Independent valuations by CIBC and by KPMG determined that the value of Cory was substantially higher than the price paid by SaskPower in this transaction.

The transaction is expected to have little impact on SaskPower's debt because the current Cory PPA is treated as a capital lease and appears similar to debt on SaskPower's balance sheet. SaskPower's acquisition of ATCO's 50% interest will replace the PPA's capital lease obligation on the balance sheet with conventional debt.

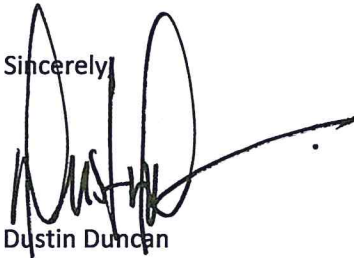
The transaction will slightly lower electricity costs until 2028 as ATCO's higher cost of capital will be replaced with SaskPower's lower return requirements and by operational savings. The cost of electricity after 2028 will decline significantly as the debt will be retired and SaskPower is able to retain all benefits produced by Cory.

Authorities

SaskPower Board of Directors authorized the purchase of Cory in December 2018. The transaction was then approved by CIC and the Provincial Cabinet in January 2019. An Order-in-Council was passed in February 2019 to authorize the purchase.

I would be pleased to provide any further information on this transaction that the Committee might require.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dustin Duncan', with a long horizontal flourish extending to the right.

Dustin Duncan
Minister Responsible for Saskatchewan Power Corporation