

Project Ribbon Phase 2 Report Supplementary Information

August 10, 2021

This document provides supplementary information to the Project Ribbon Phase 2 – Cost Analysis Report. It provides follow-up information concerning the levels of support provided by SaskWater, SaskEnergy/TransGas and SaskPower towards capital expansion costs to encourage new agribusiness development in Saskatchewan.

SaskWater

SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services. SaskWater works with customers to provide flexible solutions and investment options to meet the unique needs of its customers from concept through to construction.

There are many factors that can affect the cost of water. In general, the further you are from your water source, the more expensive it is to provide services for both water and wastewater. Also, running any water lines through densely populated areas such as cities can be very expensive and difficult to do. Further, generally speaking it costs four-times (4x) as much to buy potable water on a per cubic meter basis versus non-potable water.

SaskWater invests in industrial capital projects in accordance with its investment model and may, under specific circumstances, provide upfront capital as part of its investment towards the water supply project, thereby offsetting some of the industry's initial capital costs. This investment is determined by the total water demand required and the total capital cost of the required infrastructure.

In the Project Ribbon Phase 2 report, three development scenarios were identified with peak demand flows of 50,000m³/yr. to 75,000m³/yr. for potable water (11.42m³/hr. average flow) and peak demand flows of 120m³/hr. (440igal/min) or 900,000m³/yr. (102.7m³/hr. average flow) for non-potable water. Once an opportunity has been identified, SaskWater will enter into discussions with industry regarding investment in the water supply infrastructure. To provide a frame of reference, SaskWater's upfront financing for infrastructure that would require approximately 900,000m³ of water delivered through a pipeline may be within the range of **\$4 - \$6M**, conditional upon signing a long-term service agreement.

SaskEnergy/TransGas

Natural gas is a low-cost source of energy that offers a compelling business case for large energy consumers, such as agribusiness industries. It is abundant, affordable and reliably available for customers throughout Saskatchewan. SaskEnergy and TransGas offer a portfolio of transmission and distribution options for customers across Saskatchewan, providing valuable energy 24 hours a day, 365 days a year with 99.99% reliability. SaskEnergy manages price volatility for its customers by securing long-term purchasing contracts.

SaskEnergy has an exclusive franchise to transport and deliver natural gas within the Province of Saskatchewan. TransGas, a wholly owned subsidiary of SaskEnergy, owns and operates the transmission utility. TransGas customers acquire the natural gas commodity separately, either by the customer or by a third-party natural gas marketer and TransGas imports, transports and delivers natural gas on behalf of its customers. A potential customer whose usage is greater than 25,000 GJ per year has the option of becoming a TransGas customer and sourcing their gas independently or through a natural gas marketer. Alternatively, SaskEnergy offers a full-service natural gas commodity and transportation option. Commercial or small-industrial customers who contract with SaskEnergy typically use less than 48,000 gigajoules (Gj) per year and would be subject to the SaskEnergy commodity and delivery rates. Both SaskEnergy and TransGas collect the federal carbon tax on behalf of customers and remit payments to the federal government.

SaskEnergy and TransGas will consider investing in capital construction costs based on revenue from firm transportation contracts taken by customers. The level of investment is determined on a case-by-case basis and is deployed based on an assessment of customer credit.

SaskPower

Large international agribusiness companies are seeking renewable and green energy options as part of their location decision. Besides maintaining an extensive and reliable electrical network in the Saskatoon Region, SaskPower remains committed to moving towards more renewable forms of energy production over the next decade. SaskPower's goal is to reduce its greenhouse gas emissions from 2005 levels by at least 50% by 2030. Furthermore, southern and central Saskatchewan has some of the best conditions for solar energy generation in Canada. SaskPower will add the province's first 10-megawatt utility-scale solar facility to the power grid in 2021, with three additional utility-scale projects underway in Saskatchewan.

Depending on the service requirements, SaskPower may invest in new facilities in support of providing reliable electric service if it benefits the overall system or other surrounding customers. SaskPower strives to ensure customers are able to receive service at a reasonable price while also ensuring that customer interconnections do not negatively impact its customer base.

In addition, SaskPower's various rates for basic monthly charges, energy, capacity and Federal carbon tax are posted on www.saskpower.com for the different customer scenarios that exist.

Crown Investments Corporation (CIC)

CIC is the holding company formed by the Government of Saskatchewan to manage Saskatchewan's commercial Crown corporations. Saskatchewan's commercial Crown corporations provide public utilities and services such as electricity; natural gas; driver and vehicle licensing, registration and home and vehicle insurance; information and communications technology; water and wastewater services; science and technology research parks; and gaming and entertainment venues. For more information on CIC and potential assistance to support the growth and development of new agribusiness ventures in the Saskatoon region, contact:

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