



Kathy Weber
Chair
Saskatchewan Rate Review Panel
P.O. Box 1301
Saskatoon, Saskatchewan
S7K 3N1

October 11, 2012

Dear Kathy,

Re: Proposed Sask Power 4.9% rate increase effective January 1, 2013.

Paper Excellence Canada operates two forestry companies in Saskatchewan; Meadow Lake Mechanical Pulp and Prince Albert Pulp. This proposed rate increase will significantly impact the economics of both the operations.

As I pointed out in my presentation to the Saskatchewan Rate Review Panel and Sask Power executives, on October 2nd in Regina, the proposed rate increase will increase the electricity cost in Meadow Lake Mechanical Pulp (MLMP) by approximately \$1.8 M per year. This increase, along with poor market conditions for mechanical pulp, will take our business from a "neutral" income to a "negative" income. Meadow Lake Mechanical Pulp :

- Employs 160 permanent and 10 part time employees
- Indirectly employs 250 contractors, truckers and forestry workers
- Has an annual electricity cost of \$36,000,000
- Is the fourth largest customer of SaskPower

As one of the largest single customers to Sask Power and a globally competitive company, MLMP depends not only on cost competitive electricity, but reliable electricity. We understand the challenges facing Sask Power with a low density customer base and an aging transmission network but we also need to remain competitive in our business of mechanical pulping. This year, two of our direct competitors, one in British Columbia and the other in Quebec, have ceased operation due to the poor market conditions. Our customers do not accept pulp increases when we want to increase our infrastructure, but rather we must reduce our costs to stay in business. One must take note that there has been a 50% increase in power rates over the past ten years while the increase in the previous ten years was 17%

Thank you for taking the time to hear the situation from the customer perspective

Sincerely

A handwritten signature in black ink, appearing to read "Dale Paterson".

Dale Paterson
VP Operations; Paper Excellence Canada