



2019-20
ANNUAL REPORT

Mission

Deliver natural gas in a safe, reliable, affordable way.

Vision

Create customer value through safe, innovative energy solutions.

Values



SAFETY

We are always committed to our safety, the safety of our team and the public.



ACCOUNTABILITY

We are accountable for our decisions, our actions and the results.



SPIRIT

We create a positive and dynamic work environment that recognizes achievement and balance while supporting business success.



COLLABORATION

We succeed through strong internal and external relationships, trust and open communication.

Our Business

SaskEnergy is Saskatchewan's natural gas distribution and transportation company serving residential, farm, commercial, and industrial customers. Our strong and vibrant workforce of more than 1,100 employees work in more than 50 locations across the province and serve more than 399,000 customers in 93 per cent of Saskatchewan communities.

SaskEnergy owns and operates nearly 71,000 kilometres of distribution lines and more than 15,000 kilometres of transmission gas lines. Through our subsidiary, TransGas Limited (TransGas), we own and operate natural gas compression, storage and transmission facilities within Saskatchewan. TransGas transports natural gas for producers, industrial and commercial customers, as well as for SaskEnergy. Another subsidiary, Many Islands Pipe Lines (Canada) Limited (MIPL), owns a large diameter, low-kilometre transmission gas line system that transports natural gas over the Alberta, Manitoba and United States borders.

We recognize the critical role we play in delivering essential energy to our customers and the importance of providing our service in a way that meets their evolving expectations. Through the safe, reliable and affordable delivery of natural gas, along with energy efficiency and public safety programming, SaskEnergy strives to produce high levels of service while providing customers with innovative energy solutions.

SaskEnergy's number one priority is to maintain a safe and reliable natural gas line system and we are proud to say that we have a 99.9 per cent reliability rating. Thanks to our comprehensive and well-coordinated gas line safety and integrity program, and the efforts of our provincial workforce, customers rarely experience an unplanned outage.

We are committed to the communities we serve. SaskEnergy works to strengthen relationships and partnerships with stakeholders, including local communities, businesses, regulatory agencies and Indigenous groups and organizations. We are also committed to environmental stewardship in our operations as we anticipate Saskatchewan's future energy requirements and ensure we have the technology and processes in place to reduce our environmental impact.

SaskEnergy's dedicated team of employees demonstrates our corporate values of Safety, Accountability, Spirit and Collaboration each day through their work and continue to rise to the challenge of a changing industry and the increased demand for natural gas in Saskatchewan.



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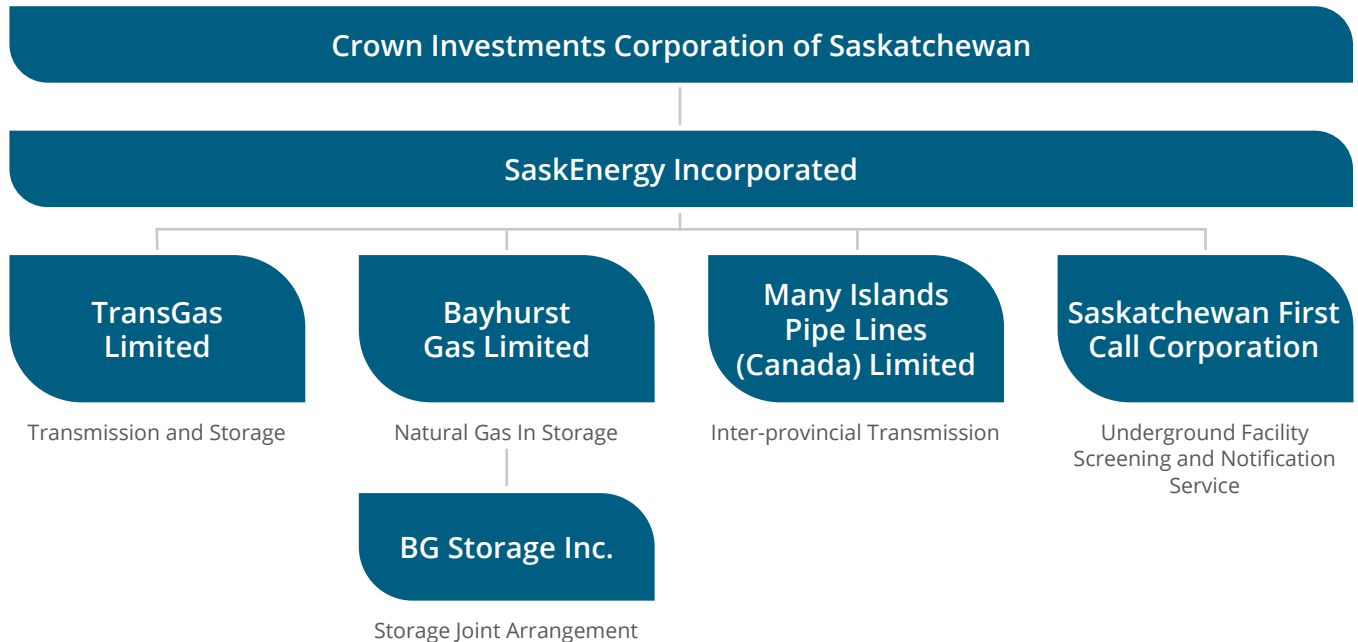
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Corporate Profile



SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan Crown corporation governed by *The SaskEnergy Act*. It is a designated subsidiary of Crown Investments Corporation of Saskatchewan (CIC). CIC is also a Crown corporation and effectively operates as the Province's holding company for commercial Crown corporations (such as SaskPower, SaskTel and SGI) and various commercial investments.

SaskEnergy's main business is the natural gas distribution utility. SaskEnergy owns and operates the distribution utility, which has the exclusive legislated franchise to distribute natural gas within the province of Saskatchewan. The Provincial Cabinet regulates SaskEnergy's delivery service and commodity rates. All rate changes are subject to review by the Saskatchewan Rate Review Panel, an independent body, prior to receiving Provincial Cabinet approval.

SaskEnergy's corporate structure includes four wholly owned and one indirect wholly owned operating subsidiary, as follows:

TransGas Limited (TransGas) owns and operates the transmission utility and has the exclusive legislated franchise to transport natural gas within the province of Saskatchewan. It also owns and operates a natural gas storage business, which is integrated with the transmission gas line system.

Bayhurst Gas Limited (Bayhurst) owns, produces and sells natural gas from its two storage facilities in the western area of Saskatchewan.

BG Storage Inc. (BGS) is a wholly owned subsidiary of Bayhurst Gas Limited and owns a 50 per cent interest in a natural gas storage business, which is operated through a joint arrangement with Faro Energy Ventures Ltd.

Many Islands Pipe Lines (Canada) Limited (MIPL) is a transmission company that owns eight transmission gas line interconnections to Alberta, two into the United States, and one into Manitoba, all of which connect to the TransGas system. MIPL is regulated by the Canada Energy Regulator.

Saskatchewan First Call Corporation (Sask 1st Call) provides a centralized "Click Before You Dig" underground facility screening and notification service. Sask 1st Call was established primarily for safety reasons to maintain a database of oil, natural gas and other underground infrastructures. Sask 1st Call provides a service whereby landowners and other stakeholders planning any ground disturbance can contact Sask 1st Call to request the location of natural gas lines and non-gas line-related facilities of its subscribers. Sask 1st Call's rate structure is intended to recover all operational costs and operate on a break-even basis.

Letter of Transmittal

May 21, 2020

The Honourable Russ Mirasty, S.O.M., M.S.M.
Lieutenant Governor of Saskatchewan

Sir:

I respectfully submit the annual report of SaskEnergy Incorporated for the fiscal period ending March 31, 2020, in accordance with *The SaskEnergy Act*. The Consolidated Financial Statements are in the form approved by the Treasury Board, and have been reported on by the Corporation's auditors.



Honourable Bronwyn Eyre
Minister Responsible for SaskEnergy

Minister's Message



On behalf of Premier Scott Moe and the Government of Saskatchewan, I am pleased to present SaskEnergy's 2019-20 Annual Report.

Despite the challenges and economic uncertainty that we have faced, as a province, during the COVID-19 pandemic, SaskEnergy continues to provide safe, reliable service to Saskatchewan customers.

The 2019-20 fiscal year was another successful one for the Corporation, which invested almost \$330 million in capital expenditures to expand storage and delivery capacity for new and existing customers across the province. SaskEnergy continues to follow its mandate, which is to deliver natural gas in a safe, reliable and affordable way and to enhance customer value through innovative energy solutions.

In 2019-20, SaskEnergy completed its 62-kilometre South Saskatoon gas line expansion project, which will bring increased capacity to central regions, including Saskatoon and Humboldt. The Corporation offered its most competitive commodity rate in 20 years and introduced a new Residential Furnace Replacement Program, which provided a \$650 rebate to residential customers who installed high-efficiency furnaces and dispersed more than 840 rebates across 110 different communities.

I would like to extend a heartfelt thank you to SaskEnergy's frontline workers: for your dedication, adherence to safety, and for continuing to provide the people of Saskatchewan with safe, essential energy every day. Thank you, as well, to SaskEnergy employees, management and the Board of Directors for your excellent work over the last year.

Sincerely,

A stylized, handwritten signature in dark ink, consisting of a large 'B' followed by a series of loops and a long horizontal stroke.

Honourable Bronwyn Eyre
Minister Responsible for SaskEnergy

Chair's Message



On behalf of the SaskEnergy Board of Directors, it is my pleasure to join the Minister Responsible for SaskEnergy, the Honourable Bronwyn Eyre, in presenting the SaskEnergy 2019-20 Annual Report.

While 2019-20 came with unique challenges, including the COVID-19 pandemic, SaskEnergy showed resilience in its commitment to customers and to the province of Saskatchewan. Throughout these unprecedented times, SaskEnergy continued to provide safe and reliable natural gas delivery each day, while executing on strategic initiatives designed to ensure competitive and predictable rates to customers.

The Corporation's leadership team, management and employees clearly recognize the important role that SaskEnergy plays in meeting the needs of Saskatchewan's residents and businesses. As evidenced throughout this report, SaskEnergy delivered on its strategic initiatives during the year, achieving strong results related to safety, rates and fiscal management, and providing value to its customers. Also clear is the recognition that the natural gas sector, like so many others, is subject to disruption from factors near and far, and that to be effective, SaskEnergy's plans need to be flexible enough to withstand these forces.

SaskEnergy will continue to engage and work with key stakeholder groups, including industrial and commercial customers, to establish and meet its targets. As a Board, we will support these efforts and ensure the Corporation is aligned with the Government of Saskatchewan's Crown Sector Priorities and Saskatchewan's Growth Plan with a focus on customers, financial sustainability, priority investments, technology and innovation, private sector engagement and the development of a skilled workforce.

The Board is committed to the transparent governance of SaskEnergy, and thanks the Executive team, management and employees for their contributions this past year.

A handwritten signature in black ink that reads "Susan B. Barber".

Susan Barber, Q.C.

Chair, SaskEnergy Board of Directors

President's Message



I am pleased to report that 2019-20 was another strong year. SaskEnergy delivered solid operating and financial results, advanced our strategic priorities and focused on further improving the safety and reliability of our assets. It is the delivery of safe, reliable and affordable natural gas that is the foundation of SaskEnergy's business and the reason our customers continue to entrust us with their energy needs. Any measure of our short- or long-term performance must align with these core tenets, and I am pleased with our 2019-20 achievements in this regard, as SaskEnergy was effective in meeting customer and stakeholder expectations.

SaskEnergy decreased its commodity rate on April 1, 2019 to reflect the low natural gas price environment, resulting in the lowest commodity rate in 20 years. This contributed to SaskEnergy's total residential natural gas utility rate being the third-lowest in Canada. SaskEnergy also experienced net growth of nearly 2,500 distribution customers and will reach the 400,000 customer mark during the next fiscal year.

In 2019-20, transmission load growth in the province contributed to the Corporation's highest-ever level of transportation and storage revenue. As Saskatchewan is a net importer of natural gas, securing reliable sources of supply to meet provincial gas requirements — both now and into the future — remains a high priority. Understanding the needs and plans of our large customers is critical to ensure that our system has the necessary infrastructure in place to fulfill their requirements.

Indeed, taking a long-term view of our business is key as we continue to meet the demand for natural gas in Saskatchewan and maintain the high level of service we provide to our customer base. In 2019-20, SaskEnergy's overall residential customer satisfaction rating reached a five-year high of 91 per cent, with high levels of satisfaction being achieved in the categories of safety, reliability, affordability, ease of service and environment.

We also recognize that expectations are changing and, while we continue to meet customer needs today, we must look to the expectations of our customers in the future. As a Crown corporation, it is our responsibility to implement solutions that make it easy for customers to do business with SaskEnergy, and in Saskatchewan. Technology will be a critical enabler in meeting the current and future needs of our customers and SaskEnergy can build on the success of work like our award-winning Customer Connect initiative, which was recognized with the Canadian Gas Association's first-ever Michael Mulcahy Award for Excellence in Customer Care, Innovation and Service in 2019-20, and the Premier's Award for Excellence in the Public Service.

At the same time, it is imperative that we identify solutions that can assist in increasing energy efficiency, lowering emissions and reducing costs — both within our organization and for our customers. In 2019-20, SaskEnergy launched its Furnace Rebate Replacement Program to assist homeowners in replacing aging furnaces with new, high-efficiency furnaces. The program, which provided more than \$550,000 in rebates, assisted participating customers in reducing their natural gas and electricity costs, as well as their greenhouse gas emissions. An additional \$500,000 in rebates was also provided to commercial businesses to install energy efficient natural gas heating systems.

Our future success will depend on many factors: innovative energy solutions that meet customer expectations, working with stakeholders and businesses to communicate the benefits of natural gas and the most reliable energy delivery system in North America, strengthening the communities in which we serve, and minimizing our impact on the environment.

As a critical infrastructure service provider, we've taken the necessary steps to maintain the health, safety and well-being of our customers, employees and their communities during the COVID-19 public health emergency. Our commitment is to deliver reliable operations and excellent customer service. I can say with confidence that the people who make up this organization have carried SaskEnergy through change and challenges before and I want to assure you that we are prepared to get through this crisis.

I want to thank the Chair and all board members for their valuable guidance and support to the Corporation by providing strategic governance and oversight for SaskEnergy.

I'd like to close by acknowledging and sincerely thanking all SaskEnergy employees, who have proven their resilience and dedication to the Corporation and our customers through a year of significant challenges and changes. In the end, it's our people who build our systems and serve our customers. They will continue to deliver safe, reliable and cost effective energy to people of Saskatchewan. It's a privilege to work with them.

A handwritten signature in black ink, appearing to read 'Ken From'.

Ken From
President and Chief Executive Officer

“The Constellation Initiative paved the way for some very exciting improvements in our company and, most importantly, delivered real value to our customers. That’s what matters and, as we set our priorities and strategies to meet the growing demand for natural gas in our province, we will continue to seek ways to make customers’ lives easier.”

— Ken From
SaskEnergy President and CEO

AWARD-WINNING CUSTOMER CONNECT INITIATIVE

SaskEnergy is positioning itself for the future by making investments in its infrastructure, processes and people.


One of these investments is the Customer Connect Constellation Initiative, which improved SaskEnergy's ability to fulfill customer requests for natural gas service, from the initial project quote to the date the service is activated. As part of this initiative, SaskEnergy introduced an online tool for rural residential customers to apply and receive an estimate to install a new natural gas line on their property.

SaskEnergy's innovative approach to renewing its customer connect process was recognized with the Canadian Gas Association's first-ever Michael Mulcahy Award for Excellence in Customer Care, Innovation and Service, as well as the Premier's Award for Excellence in the Public Service.

Financial and Operating Highlights

(\$ millions)	2019-20	2018-19	2017-18	2016-17	2015-16 ¹
Delivery	284	289	271	240	209
Transportation and storage	187	163	137	134	121
Commodity margin	23	45	41	25	28
Asset optimization margin	2	11	26	14	20
Customer contributions	36	29	21	55	58
Other revenue	-	4	7	10	12
Total revenue and margins	532	541	503	478	448
Employee benefits	96	89	86	87	90
Operating and maintenance	169	163	132	134	124
Depreciation and amortization	109	99	100	96	89
Saskatchewan taxes	16	15	14	12	12
Net finance expense	55	52	48	46	47
Other losses (gains)	21	(11)	13	33	-
Total expenses	466	407	393	408	362
Income before unrealized market value adjustments	66	134	110	70	86
Market value adjustments	(23)	32	34	76	(30)
CONSOLIDATED NET INCOME	43	166	144	146	56
Dividends declared	24	60	39	29	55
Total assets	3,222	2,938	2,688	2,505	2,450
Cash provided by operating activities	270	280	312	225	258
Cash used in investing activities	(341)	(271)	(258)	(198)	(210)
Cash (used in) provided by financing activities	66	-	(58)	(37)	(47)
Capital additions	329	299	255	198	212
Total net debt	1,501	1,313	1,232	1,210	1,156
Debt/Equity ratio	58/42	55/45	56/44	59/41	61/39
Rate of return on equity	6.1%	12.9%	12.2%	8.8%	11.6%
OPERATING STATISTICS					
Distribution energy (petajoules)					
Residential/Farm	37	42	39	34	32
Commercial	33	35	33	30	27
Industrial	153	170	147	129	127
TOTAL	223	247	219	193	186
Transmission energy (petajoules)					
Domestic	364	362	325	308	280
Export	37	33	25	18	24
TOTAL	401	395	350	326	304
Number of customers					
Distribution	399,826	397,367	394,592	390,886	386,886
Transmission	118	119	119	117	123

¹ On November 30, 2015, the Government of Saskatchewan announced a change in the year end for CIC and its subsidiaries from December 31 to March 31, commencing with the 2015-16 fiscal year. For comparative purposes, the unaudited 12-month period ending March 31, 2016 is shown.

An aerial photograph of the Chinook Power Station at sunset. The station features a large white industrial building with a tall smokestack emitting a plume of white steam. To the right is a smaller white building. The surrounding area is flat and covered in snow, with some construction equipment visible in the distance. The sky is a mix of orange, yellow, and pink, with a large, dark cloud formation on the left side.

"SaskEnergy's integrated system of transmission, storage and distribution infrastructure is designed to meet the daily demand for natural gas in Saskatchewan, ensuring a safe and reliable supply even on the coldest days."

— Derek Leach
Director, System Control

INCREASED CUSTOMER CONSUMPTION RESULTS IN NEW RECORD

The record for SaskEnergy customers' daily gas usage was broken on three consecutive days during 2019-20, with a peak of 1.55 petajoules (PJ) occurring on January 15. Record-setting usage reflects higher demand for natural gas from residential, business and industrial customers. Increasing natural gas use for power production in Saskatchewan, mainly from SaskPower's new Chinook Power Station near Swift Current, was a key contributor in attaining the record level.

*Chinook Power Station
Photo courtesy of SaskPower*

OPERATING SUMMARY – DISTRIBUTION

	2019-20	2018-19	2017-18	2016-17	2015-16 ¹
Sales in million cubic metres ²	5,697	6,344	5,607	5,004	4,785
Residential annual average usage (cubic metres)	2,631	2,681	2,736	2,543	2,387
Degree days ³	5,706	6,076	5,787	5,155	4,901
Percentage (colder) warmer than normal	(2.3%)	(9.8%)	(4.8%)	6.7%	12.2%
NATURAL GAS LINE (kilometres)					
SaskEnergy Incorporated	70,996	70,707	70,180	69,870	69,547

¹ On November 30, 2015, the Government of Saskatchewan announced a change in the year end for CIC and its subsidiaries from December 31 to March 31, commencing with the 2015-16 fiscal year. For comparative purposes, the unaudited 12-month period ending March 31, 2016 is shown.

² Retail, industrial and asset optimization.

³ A unit measuring the extent to which the temperature falls below 18° Celsius. Normal weather in 2019-20 (12 months ending March 31, 2020) would have been 5,578 degree days.

OPERATING SUMMARY – TRANSMISSION

	2019-20	2018-19	2017-18	2016-17	2015-16 ¹
Peak day natural gas flows (petajoules)	1.55	1.50	1.50	1.36	1.35
Date of peak day flow	Jan. 15	Feb. 7	Dec. 29	Jan. 12	Jan. 16
Storage cavern sites	6	6	6	6	6
Storage caverns	18	18	18	18	22
Storage field sites ²	4	4	4	4	4
Producing field sites ²	1	1	1	1	1
NATURAL GAS LINE (kilometres)					
TransGas Limited					
Transmission	14,537	14,458	14,373	14,465	14,397
Gathering	167	167	289	297	297
Many Islands Pipe Lines (Canada) Limited	443	443	443	445	441
Bayhurst Gas Limited	22	22	22	21	21
TOTAL	15,169	15,090	15,127	15,228	15,156
SYSTEM COMPRESSION					
TransGas Limited stations	24	24	25	25	24
Many Islands Pipe Lines (Canada) Limited stations	1	1	-	-	-
Bayhurst Gas Limited stations	3	3	3	3	3
Mobile compressor units	17	17	17	17	13
COMPRESSION HORSEPOWER					
TransGas Limited	83,968	77,248	82,841	79,765	76,315
Many Islands Pipe Lines (Canada) Limited	5,040	5,040	-	-	-
Bayhurst Gas Limited	6,300	6,300	6,300	6,300	6,300
TOTAL	95,308	88,588	89,141	86,065	82,615

¹ On November 30, 2015, the Government of Saskatchewan announced a change in the year end for CIC and its subsidiaries from December 31 to March 31, commencing with the 2015-16 fiscal year. For comparative purposes, the unaudited 12-month period ending March 31, 2016 is shown.

² Includes Bayhurst Gas Limited.

QUARTERLY FINANCIAL AND OPERATING HIGHLIGHTS

2019-2020 FINANCIAL HIGHLIGHTS (\$ millions)	Q1	Q2	Q3	Q4	March 31, 2020
Total revenue	169	139	246	261	815
Total expenses	169	156	207	240	772
Consolidated net income (loss)	-	(17)	39	21	43
Market value adjustments	(12)	(15)	(5)	9	(23)
Income (loss) before unrealized market value adjustments	12	(2)	44	12	66
Dividends	-	-	22	2	24
Cash provided by operating activities	61	48	58	103	270
Capital additions	56	101	101	71	329
OPERATING HIGHLIGHTS					
Distribution					
Energy distributed (petajoules)	48	36	66	73	223
Weather (compared to last 30 years)	3% colder	12% colder	5% colder	1% warmer	2% colder
Transmission					
Energy transported (petajoules)	88	95	107	111	401

2018-2019 FINANCIAL HIGHLIGHTS (\$ millions)	Q1	Q2	Q3	Q4	March 31, 2019
Total revenue	179	169	272	313	933
Total expenses	167	157	196	247	767
Consolidated net income (loss)	12	12	76	66	166
Market value adjustments	6	11	10	5	32
Income (loss) before unrealized market value adjustments	6	1	66	61	134
Dividends	-	-	17	43	60
Cash provided by operating activities	59	32	63	126	280
Capital additions	38	81	85	95	299
OPERATING HIGHLIGHTS					
Distribution					
Energy distributed (petajoules)	48	44	70	85	247
Weather (compared to last 30 years)	3% colder	50% colder	1% colder	15% colder	10% colder
Transmission					
Energy transported (petajoules)	77	79	110	129	395

“The South Saskatoon gas line is the first step of a two-part plan to increase capacity for new residential, small business and large industry customers in the Saskatoon area, as well as surrounding areas such as Humboldt and even as far away as Prince Albert. In addition to ensuring customers have reliable natural gas service, this new line makes it easier for SaskEnergy to perform maintenance, inspections, and other activities without affecting customer delivery service.”

— Greg Acton
Engineer, Facility Planning

MEETING CUSTOMER DEMAND NOW AND INTO THE FUTURE

Since 2013, Saskatoon has added nearly 32,000 new residents. This growth, coupled with commercial and industrial expansion, has increased demand for natural gas in Saskatoon and surrounding areas. When gas started flowing through SaskEnergy's new South Saskatoon transmission line in October 2019, it marked the completion of a 62-kilometre system expansion that more than doubled capacity to the east side of the city.



Looking back at 2019-20

Safe, Reliable and Affordable Natural Gas Delivery

\$111 million

dedicated to system integrity initiatives

Lowest ever

preventable vehicle collision rate

\$2.57 per gigajoule

lowest commodity rate in 20 years

Renewed

safety and incident reporting system for employees

First company in Canada

accredited to verify and re-verify gas chromatographs on behalf of Measurement Canada

Third lowest in Canada

total residential natural gas utility rate

98.6%

of distribution meters equipped with Advanced Metering Infrastructure modules

Benefitting Our Customers and Saskatchewan

91%

overall residential customer satisfaction rating

25,000

additional residential customers signed-up for paperless billing

1,000

carbon monoxide (CO) alarms distributed in communities with higher numbers of CO incidents

25 years

of *Share the Warmth* initiatives to benefit less fortunate individuals and families in Saskatchewan

Invested

in gas line expansions in Humboldt, and in northeastern Saskatchewan, to meet provincial demand for natural gas

Completed projects

to support expanding customer operations in potash production and enhanced oil recovery

\$556,075 in rebates

to homeowners that purchased qualifying high-efficiency natural gas furnaces through the Residential Furnace Replacement Program

\$500,000 in rebates

to commercial businesses to install energy efficient natural gas heating systems

Indigenous Engagement Charter signed

to strengthen relationships with Indigenous peoples, businesses and communities

“Sound environmental management is an integral part of our commitment to continually improve our processes so that natural gas delivery to our customers is provided in an environmentally responsible manner. We recognize the role SaskEnergy plays in the stewardship of a non-renewable resource, and our programs and policies are designed to reduce the impact of our daily operations on the environment.”

— Kristen Darr
Director, Health, Safety and Environment



COMMITTED TO ENVIRONMENTAL SUSTAINABILITY

SaskEnergy's commitment to environmental stewardship is integral in its operations including when new customers are connected to our system. In 2019-20, process improvements were implemented that resulted in a significant increase in secondary environmental and heritage screenings for distribution projects. When certain environmental and heritage concerns are flagged during initial project screening, the projects are referred to SaskEnergy's Environmental & Sustainability department for secondary screening. A detailed review is then completed to look at satellite imagery, wildlife and wildlife habitat, heritage and archaeological sites, project impacts to water resources, as well as any potential for high risk invasive species. Permit and regulatory requirements, land use and construction restrictions are also identified and, in some cases, further screening is done by an archaeologist.

Environmental screenings help protect customer property from unnecessary damages or the introduction of invasive species, and assist in ensuring customer projects are completed on time and on budget.

Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) highlights the primary factors that affected SaskEnergy's consolidated financial performance for the 12 months ending March 31, 2020. Using financial and operating results as its basis, the MD&A describes the Corporation's past performance and future prospects, enabling readers to view SaskEnergy from the perspective of management. The MD&A is presented as at May 21, 2020, and should be read in conjunction with the Corporation's audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The MD&A contains certain forward-looking statements that are subject to inherent uncertainties and risks. Many of these risks are described in the Risk Management and Disclosure section of the MD&A. All forward-looking statements reflect the Corporation's best estimates and assumptions based on information available at the time the statements were made. However, actual results and events may vary significantly from those included in, contemplated by, or implied by such statements.

The Corporation's financial results are subject to variation, especially given the volatility of natural gas prices. In order to compare financial performance from period to period, the Corporation uses the following measures: income before unrealized market value adjustments; realized margin on commodity sales; and realized margin on asset optimization sales. Each measure removes the impact of fair value adjustments on financial and derivative instruments and the revaluation of natural gas in storage to the lower of cost and net realizable value. Unrealized market value adjustments vary considerably with the market prices of natural gas, drive significant changes in the Corporation's consolidated net income and may obscure other business factors that are also important to understanding the Corporation's financial results. The measures referred to above are non-IFRS measures, in that there is no standardized definition, and may not be comparable to similar measures presented by other entities.

STRATEGIC SCORECARD MEASURES

SaskEnergy ensures its mission, vision and values continue to align with the Crown Sector Strategic Priorities identified by CIC. SaskEnergy's four strategic mandates — One Company, One Team; Industry Leader; Fuel of Choice; Business and Technology Optimization — as set out in the Business Plan, support

the vision, mission and values of the Corporation. These mandates and strategic priorities provide guidance to SaskEnergy in its business planning process as well as its performance management and reporting. They also assist employees in making a link between their everyday efforts and their contribution to the Strategic Plan and the overall direction of the Corporation.

SaskEnergy's five-year strategy balances resources and activities to deliver gas in a safe, reliable and affordable way, while ensuring service is easily accessible and is being mindful of the environment. Over the next five years, SaskEnergy will focus on:

- system expansion required to meet changing customer demand to ensure gas line capacity and alleviate pressures of a constrained gas line system;
- addressing increased regulatory requirements by investing in infrastructure and administering the proper resource complement;
- managing utility and commodity rates through balancing delivery, transmission and storage rates between the needs of SaskEnergy and the needs of customers to ensure safe, reliable service; and,
- meeting changing customer expectations by demonstrating convenient and responsive service and environmental responsibility related to a non-renewable resource.

SaskEnergy's number one priority is to maintain a safe and reliable natural gas system. The Corporation's strategic focus over the planning period emphasizes customer value and how it is defined. SaskEnergy identified five areas that define value for its customers — safe, reliable, affordable, ease of service and environmental stewardship.

Each year, as part of the business planning process, SaskEnergy incorporates the Province's strategic directives and evaluates the continued relevance of the performance metrics contained in the previous year's scorecard. Any changes deemed appropriate are made and associated targets are developed for each metric. The final scorecard, including metrics and targets for the five-year planning horizon, is presented to SaskEnergy's Board of Directors as part of the annual Business Plan approval. The CIC Board reviews the Business Plan and confirms compliance with the Crown Sector Strategic Priorities prior to its approval. Progress toward these targets is monitored and reported throughout the year. Regular reporting on the specific scorecard targets allows management to closely monitor progress and take any corrective action to achieve the targets.

In 2019-20, CIC led a Key Performance Indicator Optimization project, in which a consultant reviewed SaskEnergy's performance metrics for relevancy and industry comparability. The review concluded that SaskEnergy's scorecard is well balanced and has strong alignment with its vision and objectives. The financial and operational measures are relevant for SaskEnergy's lines of business and generally align with its peer group.

Due to the uncertainty of the impact of the COVID-19 pandemic, SaskEnergy will not be providing forward looking targets in this report. SaskEnergy's Pandemic Preparedness Plan focuses on promoting and maintaining the health and safety of the Corporation's personnel and the public while maintaining its ability to deliver core

services. Although SaskEnergy is maintaining a healthy workforce with minimal absenteeism, the presence of COVID-19 in the province has SaskEnergy restricting some customer-facing non-critical services in an effort to protect employees and the public. The execution of the pandemic plan has an undetermined impact on SaskEnergy's scorecard targets and until the current Business Plan has been revised to reflect this impact, no forward looking scorecard targets are available.

The following discussion outlines the Corporation's 2019-20 performance relative to its strategic scorecard targets for the 12 months ending March 31, 2020, which are further defined in the Glossary of Key Success Measures.

Mission

Deliver natural gas in a safe, reliable, affordable way.

Vision

Create customer value through safe, innovative energy solutions.

STRATEGIC MANDATES		BUSINESS PRIORITY AREAS	
	ONE COMPANY, ONE TEAM	1.1	Leadership
		1.2	Employee Experience
		1.3	Strategic Workforce
		1.4	Enterprise Alignment
	INDUSTRY LEADER	2.1	Safety
		2.2	Leading Practice Alignment
		2.3	Enterprise Risk Management
		2.4	Financial Strength
	FUEL OF CHOICE	3.1	Rates Management
		3.2	Core Growth
		3.3	Environmental Sustainability
		3.4	Stakeholder Relations
	BUSINESS & TECHNOLOGY OPTIMIZATION	4.1	Business Process Improvement
		4.2	Leveraging Information
		4.3	Business-Driven Technology Management
		4.4	Digital Business

ONE COMPANY, ONE TEAM

SaskEnergy has an integrated workforce that is focused on a common mission. High levels of trust and accountability enable the free flow of

information throughout the organization. Employees demonstrate SaskEnergy's values, creating a work environment that is supportive and empowering.

Strategic Measure	March 31, 2019 Actual	March 31, 2020 Actual	March 31, 2020 Target
Employee Experience			
Employee Survey	Below Public Sector Norm	Non-survey year*	Non-survey year*
Strategic Workforce			
Youth (30 years of age or less)	12.8%	13.1%	15.0%
Indigenous	15.7%	14.5%	15.5%

*Based on leading practices, third-party employee surveys are conducted every second year.

Employee Experience

Amid a period of frequent and significant change, SaskEnergy is committed to the attraction, retention and engagement of its employees. Fair and competitive total rewards offerings provide a foundation for these activities. However, the employee experience is primarily dependent on a positive corporate culture, supportive managers, trust in leadership and opportunities to perform meaningful work.

With no formal employee survey taking place in 2019-20, the focus has been on sustaining positive results and improving on areas of concern identified in the previous year's survey, which recorded an overall employee engagement score of 60 per cent, 12 points below the norm. SaskEnergy gathered further employee feedback on key engagement drivers, and included teams from across the Corporation to develop a comprehensive action plan to improve this result. The plan is focused on key engagement drivers including professional growth, organization vision, teamwork and innovation.

Strategic Workforce

Aligned with Crown Sector Strategic Priorities, SaskEnergy generates a workforce reflective of Saskatchewan's population by providing equal opportunity to qualified people, recognizing that youth and Indigenous people represent a large portion of Saskatchewan's current and future labour force.

SaskEnergy's resourcing strategies focus on delivering customer service within a framework of financial accountability. Strategic workforce planning includes determining resourcing priorities, achieving the correct internal/external resource balance, succession and leadership development, and working closely with union representatives. The results for these metrics are lower than target as ongoing resource management has limited opportunities to hire.

INDUSTRY LEADER

SaskEnergy is a leader in the categories that matter most. Strong personal, public, and process safety programs generate leading results. Integrated asset management practices support infrastructure systems,

programs and plans. SaskEnergy achieves consistent profitability from operations while maintaining a debt-to-equity ratio benchmarked against industry standards.

Strategic Measure	March 31, 2019 Actual	March 31, 2020 Actual	March 31, 2020 Target
Safety			
Total Recordable Injury Frequency Rate	Second Quartile	2.31	1.73*
Enterprise Risk Management			
SaskEnergy Leaks per 1,000 Kilometres of Mains	10.1	8.5	5.3
TransGas Natural Gas Line Failures per 1,000 Kilometres of Gas Line	0.28	0.00	0.07
Safety and Integrity	6.72%	7.63%	6.80%
Financial Strength			
Debt/Equity Ratio	55/45	58/42	59/41
Consolidated Return on Equity	12.9%	6.1%	6.1%
Income Before Unrealized Market Value Adjustments (millions)	\$ 134	\$ 66	\$ 64

*Beginning in 2019-20, the Corporation is reporting its actual Total Reportable Injury Frequency Rate.

Safety

SaskEnergy focuses on a 'safety first' work environment. Employee and public safety are at the core of every activity. Hazard identification, risk assessment and mitigation, and sharing learnings to promote awareness and continued improvement, are safety priorities throughout the organization.

SaskEnergy believes that a strong safety culture informs individual and collective decisions made each day by employees and contractors, and will ultimately result in success in this prioritized area.

In 2019-20, SaskEnergy achieved a Total Recordable Injury Frequency (TRIF) of 2.31, meaning there were 2.31 recordable injuries for every 100 full-time employees.

This is an increase from the 2018-19 TRIF of 2.08 and is higher than the corporate TRIF target of 1.73.

Key safety initiatives undertaken during 2019-20 included:

- public safety efforts to continue decreasing the number of third-party line contacts with buried infrastructure;
- collaboration with industry peers and third-party consultants to measure, evaluate and effectively manage safety culture; and,
- a continued focus on process safety, as well as streamlined business processes to assess and mitigate risk.

Enterprise Risk Management

SaskEnergy seeks to identify potential events and risks that may significantly affect its ability to achieve strategic goals and objectives.

Throughout the organization, supporting processes are in place to expand risk management at an operational level. In 2019-20, SaskEnergy formalized a hazard identification and risk assessment program that identified nearly 300 operational hazards and tracked mitigations through the Corporation's risk management system.

SaskEnergy's system integrity, safety and environmental protection programs combine predictive analysis and proactive response. Program effectiveness is demonstrated through reduced levels of gas leaks, failures, third-party contacts and other measures.

The 2019-20 service upgrade program targeted the removal of compression-style fittings on curb valves that are more susceptible to leaks based on factors such as soil, service orientation and construction practices. Upgrades were completed in Regina, Saskatoon and Humboldt. Despite these efforts, unique ground conditions associated with a winter of many freeze and thaw cycles increased the failures of these valves. SaskEnergy's leaks per 1,000 kilometres of mains was 8.53, which is lower than last year's total of 10.07, but higher than the five-year average of 7.83 and above the target for the year of 5.30. In 2019-20, SaskEnergy continued damage prevention initiatives aimed at reducing leaks due to external interference, such as line hits. Initiatives included visual surveillance of key high pressure distribution mains; increased marking of both mains and services; increased supervision at excavation sites; 'white lining' work areas; and a number of other measures to increase awareness of SaskEnergy's underground facilities.

The Corporation continued to manage risk for its transmission lines using a combination of aerial and ground patrols, state-of-the-art remote monitoring, inspection digs and in-line inspection tools that look for the early signs of corrosion and check for unreported damage. As a result of these efforts, the Corporation recorded no failures in its gas line system during 2019-20, which exceeded the target of 0.07 failures per 1,000 kilometres per year.

With respect to integrity capital spending in 2019-20, SaskEnergy met the target of \$65.4 million, or 6.8 per cent of 2005 net book value, with total expenditures of \$73.4 million or 7.63 per cent of 2005 net book value assets. This demonstrates the Corporation's continued commitment to safety and integrity.

Financial Strength

SaskEnergy preserves an adequate capital structure while providing reasonable financial returns to its holding company, CIC, and competitive rates to customers. The Corporation balances the interests of both CIC and its customers, while focusing on annual profitability and efficient operations with a long-term view on financial sustainability.

SaskEnergy's financial performance in 2019-20 reflected its proven commitment to safely deliver natural gas to its customers in Saskatchewan. Customer demand for natural gas was slightly higher than planned as weather was two per cent colder than normal. However, lower transportation and delivery rates were somewhat offset resulting in transportation revenue and delivery revenue being slightly below plan. SaskEnergy completed several large industrial customer projects during 2019-20, resulting in higher than expected customer contribution revenue. The Corporation continued to focus on operating efficiencies resulting in lower expenses than planned, primarily related to employee benefits and contract and consulting costs.

SaskEnergy's financial results were negatively impacted due to several losses that were recorded in 2019-20. As part of the continued effort to provide safe and reliable service to its customers, SaskEnergy began a project to expand storage capacity in the Regina area. During 2019-20, exploratory drilling and core analysis revealed geological issues at the chosen site; therefore, costs relating to seismic and test hole activity were written off. In addition, a permanent impairment loss was realized on natural gas inventory when it was determined that deliverability at one of the Corporation's storage facilities was not able to produce all of the gas from the facility before the site's planned decommissioning date.

Capital investment levels during the year were managed as planned. Expansion of the natural gas system to meet customer demand and investment in the safety and integrity of the system were the key drivers for capital investment in 2019-20.

SaskEnergy's net income from operations was \$66 million in 2019-20, slightly higher than planned. This resulted in consolidated return of average equity of 6.1 per cent, which is aligned to the target set for the year. The consolidated debt-to-equity ratio is 58 per cent debt and 42 per cent equity at March 31, 2020, which is within the target range of 58 to 63 per cent debt.

FUEL OF CHOICE

SaskEnergy is regarded as a trusted supplier of energy and, as a product, natural gas is regarded as a socially and financially sound choice for customers. Natural gas prices are very competitive, thanks to SaskEnergy's

innovative transport and delivery strategies as well as the strong supply fundamentals in North America. Importantly, SaskEnergy has been successful in minimizing the environmental impact of its operations.

Strategic Measure	March 31, 2019 Actual	March 31, 2020 Actual	March 31, 2020 Target
Business Growth Investment			
Core Growth – SaskEnergy and TransGas Revenue Growth	5.7%	2.3%	4.7%
Rate Management			
Competitive Residential Delivery Rates	Competitive with Industry	Competitive with Industry	Competitive with Industry
Customer Satisfaction			
SaskEnergy	90%	91%	90%
TransGas	84%	85%	90%
Environmental			
Greenhouse Gas Emissions (Tonnes of CO ₂ e/ million Running Horsepower Hours)	326	324	325
Community Relationship			
Total Contracts – Percentage of Indigenous Labour Content	18%	15%	16%

Business Growth Investment

SaskEnergy's growth strategy continues to enhance the foundation of its core business of distribution, transmission and storage services to support a growing residential, commercial and industrial customer base. In addition, the Corporation seeks new opportunities to facilitate provincial economic growth through various partnerships.

SaskEnergy's distribution utility customer accounts increased by 2,459 in 2019-20, which was lower than the planned increase of 3,600 customers. In addition, TransGas did not proceed with a rate adjustment in 2019-20. These factors resulted in revenue growth of 2.3 per per cent, which is below the planned growth of 4.7 per cent.

Rate Management

SaskEnergy achieved its goal of having competitive residential delivery rates with the major utilities across Canada. A typical residential customer in Regina paid \$556 for delivery service in 2019-20, which is the third-lowest rate in Canada. Hamilton, Ontario remains the lowest with a rate of \$431 for a typical customer. SaskEnergy also had the third-lowest total residential natural gas utility rate (delivery and commodity combined) in Canada.

Customer Satisfaction

SaskEnergy believes that a true indicator of its success in delivering safe and reliable service is formal feedback from customers. Continuing to provide a high level of customer service that is efficient and effective is a key objective for the Corporation. SaskEnergy and TransGas conduct annual surveys in an effort to gather feedback on customer experiences, expectations and overall satisfaction.

SaskEnergy achieved an overall customer satisfaction score of 91 per cent in 2019-20. This was achieved through maintaining low rates, introducing the Residential Furnace Replacement Program, and investing in gas line infrastructure. Additional drivers of overall customer satisfaction include taking initiatives to meet customer needs, delivering high standards of service and continually improving service offerings. For example, SaskEnergy updated its customer connection process, improving its ability to fulfill customer requests for natural gas service, from the initial project quote to the date the service is activated.

The TransGas customer survey results indicated that 85 per cent of customers are satisfied with TransGas' customer services and interactions with the customer service team. The result captures a range of feedback, from service delivered by key personnel in TransGas Customer Services, to reliability of service, outages and value statements. Drivers of this year's results continue to be related to customer concerns with the TransGas business system. TransGas continues its efforts to improve service quality, provide good value for the rates, and offer flexible service through innovative energy solutions to improve satisfaction levels to those seen in past years.

Environmental

SaskEnergy continues to concentrate on environmental sustainability throughout its operations by measuring the intensity of greenhouse gas (GHG) emissions relative to the amount of compression used to transport natural gas. This measure is calculated using a cumulative average at the end of each quarter.

The Corporation achieved an emissions level of 324 tonnes CO₂e per million brake horsepower hours, which is below the target of 325 tonnes CO₂e per million brake horsepower hours set for 2019-20.

SaskEnergy continues to work to identify opportunities for emission reductions within its operations, with a focus on compliance with the new federal *Oil and Gas Methane Regulations* and *Greenhouse Gas Pollution Pricing Act* (GGPPA). The federal government is also consulting with industry on the *Clean Fuel Standard Regulations*, which aim to reduce the carbon intensity of common fuels. Final regulations for the natural gas portion of the Clean Fuel Standard are expected in 2023.

SaskEnergy is implementing an Emissions Data Management System (EDMS) to house all emissions-related data in a centralized repository that improves the Corporation's ability to reduce emissions and meet record-keeping and verification requirements for greenhouse gas and air pollutant regulations. In recent years, the oil and gas industry has experienced increased regulatory intensification related to air pollutants and greenhouse gas emissions. SaskEnergy recognized the need for improved data management in order to ensure that it is positioned to meet regulatory compliance requirements, properly measure and reduce its environmental impact, and achieve customer expectations for environmental stewardship. The data management system will help to ensure that the Corporation manages emissions data in accordance with regulatory requirements. It will provide improved quality control and documentation of changes, and will store all emissions data in a centralized location. Environment and Sustainability team members will utilize data housed in this system to monitor and report on SaskEnergy's environmental performance related to greenhouse gas and air pollutant emissions.

Community Relationship

SaskEnergy's investment in Indigenous businesses was strong in 2019-20 and the Corporation is realizing positive results from these partnerships. The deferral of a large gas line project, due to the COVID-19 pandemic, reduced a large percentage of SaskEnergy's investment in Indigenous contracts at the end of 2019-20.

BUSINESS & TECHNOLOGY OPTIMIZATION

Optimization supports better workflow, decision-making and enhanced customer and employee experience. Trusted information is securely available to staff, customers and stakeholders through integrated

business processes and systems. Investments increase effectiveness and/or create internal efficiencies that enable SaskEnergy to create value.

Strategic Measure	March 31, 2019 Actual	March 31, 2020 Actual	March 31, 2020 Target
Efficient Operations			
Distribution - Operation, Maintenance and Administration Costs per Customer	\$ 324	\$ 330	\$ 342
Transmission - Operation, Maintenance and Administration Costs per Book Value of Assets Managed	6.3%	6.6%	6.7%

Efficient Operations

SaskEnergy continues to focus on efficiency while maintaining a sustainable level of spending to achieve strategic goals and high customer service levels. In alignment with the Crown Sector Priority of financial stability, and a continued emphasis on operational efficiency, SaskEnergy is committed to the cost-effective delivery of natural gas services to its customers.

In 2019-20, the Corporation realized approximately \$3.3 million in efficiency and process improvement savings. Process improvement initiatives related to construction and procurement activities were the key drivers for the savings.

The metric for distribution operations was better than target. Customer growth was lower than planned but was offset by savings in efficiency initiatives, vacancy and overtime management.

The transmission operations efficiency metric was slightly better than target, resulting from ongoing resource management efforts.

Technical architecture development is needed to support business solutions so that high quality service delivery is both adaptable and sustainable. Strategies are being developed to streamline processes and use technology to create efficiencies for customers and employees.

INDUSTRY OVERVIEW

SaskEnergy monitors a number of important factors that could influence financial performance.

Energy Complex Volatility

The year ended with the entire global energy complex in a state of uncertainty. Pandemic-related demand destruction combined with a geo-political supply glut has resulted in crude oil prices falling by more than 60 per cent. With producers significantly reducing capital spending and consumers facing an unknown period

of reduced demand, pipeline companies and processors face uncertainty upstream and downstream.

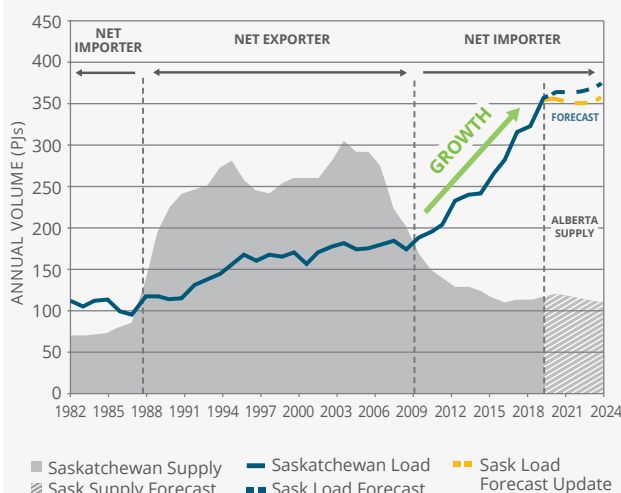
With global storage levels and US production at all-time highs, the fall in natural gas prices preceded the broader global slow down. The fall in oil prices may result in higher natural gas prices as the gas associated with oil production may come off the market if oil producers shut-in production.

Saskatchewan as a Net Importer

Saskatchewan remains a net importer of natural gas, and securing reliable sources of supply remains a high priority. The Corporation continues to work with other gas line companies and the new Canada Energy Regulator to ensure that projects in Saskatchewan and beyond meet provincial requirements.

Some risk of constrained imports into the province has been reduced by the Regulator's recent recommendation that a major project in Alberta proceed¹. As a shipper, the Corporation argued on behalf of the project. It is expected to be in-service by 2021.

CHANGE IN SASK SUPPLY & DEMAND



Natural Gas Prices

The price of natural gas is set in the open market and influenced by a number of factors including production, demand, natural gas storage levels, take-away capacity, and economic conditions. Given the high demand for natural gas to heat homes and businesses during the cold winter months, and the demand for natural gas to produce electricity for air conditioning during the summer months, weather typically has a large impact on prices in the near term. Due to the high degree of uncertainty associated with weather and Alberta gas line maintenance and infrastructure issues, natural gas prices in both Alberta (AECO) and Saskatchewan (TEP) have been very volatile in recent years.

Natural gas market fundamentals started the year in a strong supply position relative to demand, but at the end of the year, supply had decreased at a greater rate than demand. The Alberta Energy Company (AECO) daily index averaged \$1.53 per gigajoule (GJ) throughout the 12 months ending March 31, 2020 compared to \$1.55 per GJ the year prior. The year ended in an upward price trend, which is expected to continue.

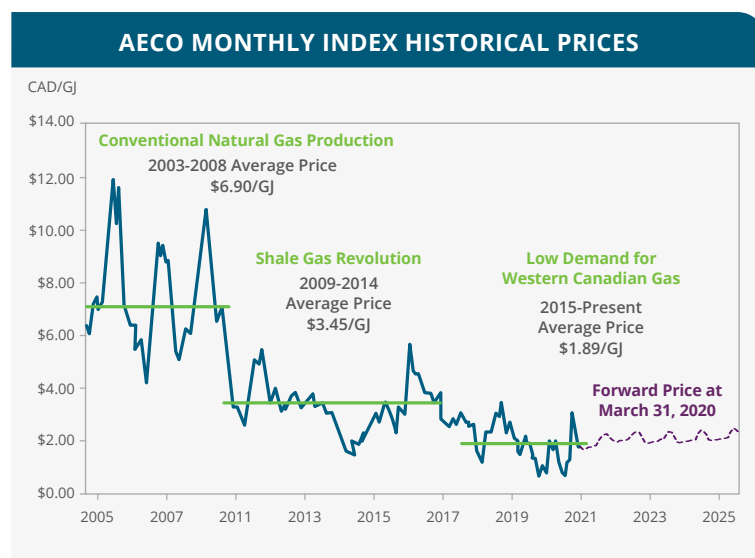
Alberta natural gas prices ended the year at elevated levels due to an oil price shock, reducing associated natural gas supply in North America. The 2019 summer season was characterized by constrained exports causing negative spot prices several times over the season. However, at the beginning of October 2019, TC Energy (formerly TransCanada) enacted a temporary policy that reduced volatility and contributed to stronger pricing. Recent price volatility has elevated and is primarily driven by reduced supply being greater than reduced demand. AECO storage levels are currently under five-year lows but the winter season is currently trading higher than summer so the Corporation is expecting AECO storage to fill in 2020.

Traditionally, most natural gas in Saskatchewan (TEP) is priced at a differential to the AECO price. This AECO to TEP differential for the 12 months ending March 31, 2020 averaged \$0.40 compared to \$1.21 for the prior year. The decreased differential can be attributed to the TC Energy curtailment policy that has allowed for higher levels of natural gas to flow through its interruptible Eastgate service along with elevated price levels at AECO.

¹Canada Energy Regulator. (2020). Nova Gas Transmission Ltd. GH-003-2018. Calgary, AB. Retrieved from https://docs2.cer-rec.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90550/554112/3422050/3575553/3575989/3905746/C04761-1_

Canada_Energy_Regulator_Report_-_NOVA_Gas_Transmission_Ltd._GH-003-2018_-_A7D5G0.pdf?nodeid=3905626&vernum=-2

The following chart shows AECO natural gas prices:



CONSOLIDATED FINANCIAL RESULTS

Consolidated Net Income

(millions)	March 31, 2020	March 31, 2019	Change
Income before unrealized market value adjustments	\$ 66	\$ 134	\$ (68)
Impact of fair value adjustments	(30)	13	(43)
Revaluation of natural gas in storage	7	19	(12)
Consolidated net income	\$ 43	\$ 166	\$ (123)

Excluding market value adjustments, income for 2019-20 was \$66 million, which slightly exceeds expectation but is \$68 million lower than the prior year. This was a result of a lower commodity margin, lower delivery revenue and losses incurred due to the write-off of assets determined to provide no future value to the Corporation. Offsetting these unfavourable results were increased transportation revenues.

On April 1, 2019, in its continual efforts to support its customers, the Corporation decreased its commodity rate as the low natural gas price environment continued. The low natural gas price environment also decreased the commodity cost of gas sold and allowed the Corporation

to realize favourable physical swap contract values, both of which helped to offset the decreasing commodity margin.

Weather was two per cent colder than normal through 2019-20, compared to 10 per cent colder through 2018-19. The warmer weather decreased distribution volumes by 24 petajoules (PJs), resulting in lower delivery revenue, which was partially offset by the effects of a rate increase effective April 1, 2019.

Other losses were recorded in 2019-20 compared to gains in 2018-19 as the Corporation wrote off storage cavern exploration costs and natural gas inventory at one of its storage facilities. This compares to the realized gains of the prior fiscal year on the sale of natural gas liquid

extraction plant assets, gains of the prior fiscal year on the sale of natural gas liquid extraction plant assets.

Transmission load growth resulting from continued economic growth in the province contributed to the Corporation's highest level of transportation and storage revenue in its history. As Saskatchewan natural gas demand continued to increase, the province increasingly relied on gas production in Alberta to meet its delivery requirements. This resulted in increased transportation utilization on TC Energy's Canadian Mainline system to import natural gas from Alberta, which contributed to higher overall operating costs. While the increase in infrastructure resulting from increasing loads required higher spending in some areas, the continued focus on efficiency and cost management helped to mitigate increases.

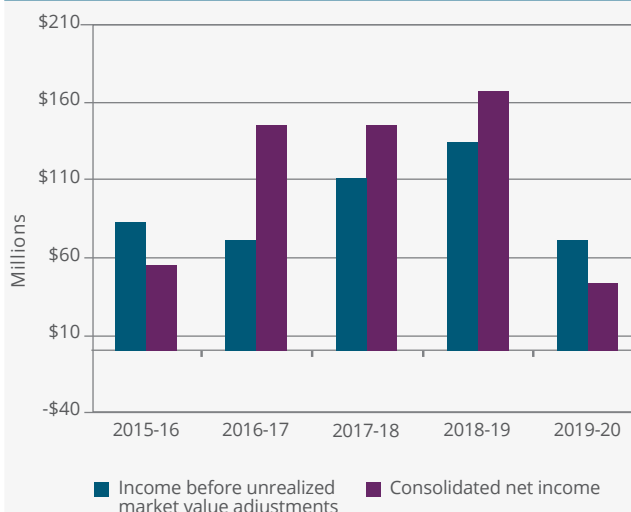
At March 31, 2020, the fair value adjustment on asset optimization derivative instruments decreased the asset optimization margin by \$36 million. The price differential on purchase contracts outstanding at March 31, 2020 were an unfavourable \$0.66 per GJ compared to the price differential between average contract and market price in the prior year. This was partially offset by the fair value adjustments on commodity sales at March 31, 2020, which increased the margin by \$6 million as the fair value position improved by entering into lower priced natural gas purchase contracts during the year.

Natural Gas Sales and Purchases

Included within natural gas sales and purchases are rate-regulated commodity sales to distribution customers and non-regulated asset optimization activities. IFRS requires these activities to be presented together within the consolidated financial statements; however, the Corporation manages these activities as distinct and separate businesses and, as such, the MD&A addresses these natural gas sales and purchases separately.

With the exception of those contracts entered into for an entity's own usage, IFRS requires derivative instruments such as natural gas purchase and sales contracts to be recorded at fair value until their settlement date. Changes in the fair value of the derivative instruments, driven by changes in future natural gas prices, are recorded in net income through natural gas sales or natural gas purchases depending on the specific contract. Upon settlement of the natural gas contract, the amount paid or received by SaskEnergy becomes realized and is recorded in natural gas sales or purchases.

CONSOLIDATED FINANCIAL RESULTS



Through much of 2019-20, the Corporation was able to purchase lower priced natural gas and inject it into storage, which reduced the average cost of natural gas in storage. In addition, higher forward market prices also positively affected the revaluation of natural gas in storage.

Commodity Margin

SaskEnergy sells natural gas to its distribution customers at a commodity rate approved by Provincial Cabinet based on the recommendations of the Saskatchewan Rate Review Panel (SRRP). The commodity rate, which is reviewed April 1 and November 1 of each year, is determined based on rate-setting principles and is designed to recover the realized costs associated with the sale of natural gas to distribution customers. Regulatory principles require that utilities do not earn a profit or realize losses on the sale of gas to customers over the long term. Consequently, SaskEnergy accumulates differences between the commodity revenue earned and the cost of natural gas sold in a Gas Cost Variance Account (GCVA). The balance in the GCVA, which is not included in SaskEnergy's financial statements, is either recovered from, or refunded to, customers as part of future commodity rates.

For financial reporting purposes, the Corporation prepares its financial statements on a consolidated basis while applying IFRS. Consequently, the amounts determined for rate-setting purposes are different than those reported within its IFRS consolidated financial statements. A gain or loss reported in the Corporation's consolidated financial statements may not be reflected in the GCVA.

SaskEnergy's natural gas price risk management program has two objectives: to reduce the impact of natural gas price volatility on the cost of gas and to support rates that are competitive with other utilities. Reducing the impact of price volatility requires establishing certainty in the cost of gas, while supporting competitive rates often means allowing purchase prices to follow market prices. As a

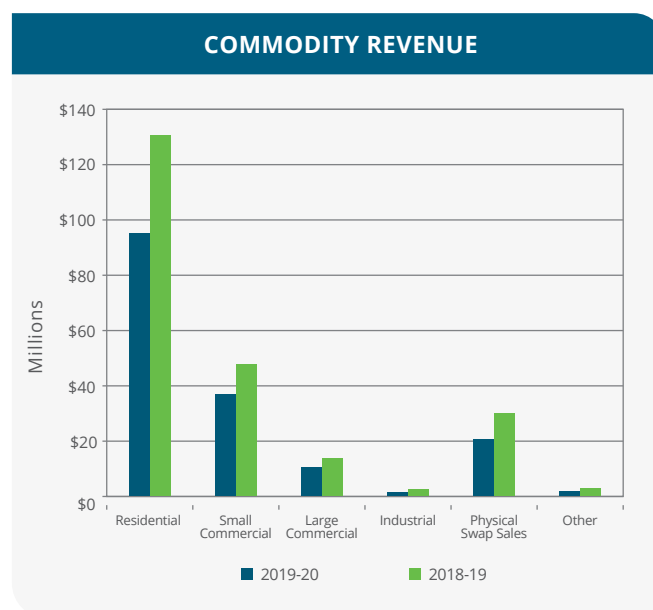
result, the balance between the two opposing objectives may change depending on current market conditions.

In order to ensure a secure supply of natural gas, SaskEnergy contracts for the physical delivery of natural gas using non-financial derivatives, referred to as forward or physical natural gas contracts. The purchase price contained in these forward contracts may be fixed, or it may be based on a variable index price. While fixed price contracts reduce the impact of natural gas price volatility, variable or market prices can assist in offering competitive rates depending on the pricing environment. SaskEnergy may use financial derivatives and physical swaps to manage the future purchase price of natural gas.

The commodity margin on sales to customers, as reported in the consolidated financial statements, was as follows:

(millions)	March 31, 2020	March 31, 2019	Change
Commodity sales	\$ 165	\$ 228	\$ (63)
Commodity purchases	142	183	41
Realized margins on commodity sales	23	45	(22)
Impact of fair value adjustments	6	35	(29)
Margin on commodity sales	\$ 29	\$ 80	\$ (51)

The realized margin on commodity sales excludes the impact of unrealized fair value adjustments on derivative instruments, as these adjustments can fluctuate significantly from one period to the next and do not necessarily represent the amount that will be paid upon settlement of the related natural gas contract. The Corporation realized a \$23 million margin on commodity sales for the 12 months ending March 31, 2020 compared to a \$45 million margin for the same period ending March 31, 2019. An average margin of \$0.35 per GJ in 2019-20 was slightly lower than the average commodity margin of \$0.53 per GJ through 2018-19, due to a commodity rate decrease to \$2.575 per GJ effective April 1, 2019 and the effect of 16 PJs less gas sold in 2019-20. When viewed from a commodity rate setting perspective, a lower commodity rate margin is indicative of SaskEnergy reducing the amount owing to customers in the GCVA. The GCVA balance has decreased to \$13 million owing to customers, down \$4 million from the balance owing to customers at March 31, 2019.



Commodity Fair Value Adjustments

The fair value adjustments at March 31, 2020 increased the margin on commodity sales by \$6 million as the \$2 million unfavourable fair value position at March 31, 2019 improved to \$4 million favourable at March 31, 2020. Entering into lower priced natural gas purchase contracts during the year averaged

down the contract price and increased the differential between the contract price and market prices.

SaskEnergy segregates a portion of its natural gas purchase contracts for gas that will ultimately be sold to commodity customers. Under IFRS, such contracts are not required to be reported at market value.

Asset Optimization Margin

SaskEnergy uses its access to natural gas markets to execute purchases and sales of natural gas to generate margins. By utilizing off-peak transportation and storage capacity, SaskEnergy is able to find opportunities in the market to take advantage of pricing differentials between transportation hubs, delivery points and time periods

while minimizing its exposure to price risk. In most cases, the purchases and sales are executed at the same time, thereby mitigating much of the price risk that would normally be associated with such transactions. SaskEnergy also uses purchases and sales of natural gas to mitigate transportation constraints, which are executed at a cost.

The commodity margin on sales to customers, as reported in the consolidated financial statements, was as follows:

(millions)	March 31, 2020	March 31, 2019	Change
Asset optimization sales	\$ 144	\$ 224	\$ (80)
Asset optimization purchases	142	213	71
Realized margins on asset optimization sales	2	11	(9)
Impact of fair value adjustments	(36)	(22)	(14)
Revaluation of natural gas in storage	7	19	(12)
Margin on asset optimization sales	\$ (27)	\$ 8	\$ (35)

The realized margin on asset optimization sales at March 31, 2020, which removes fair value adjustments on derivative instruments and the revaluation of natural gas in storage, was \$2 million. This is \$9 million lower than the \$11 million margin for the period ending March 31, 2019. At the beginning of October 2019, TC Energy enacted a temporary policy which reduced volatility and

contributed to stronger pricing. The Corporation was left with limited asset optimization opportunities due to the reduced volatility, which resulted in the Corporation selling 47 PJs less natural gas at lower margins compared to the same period in 2018-19. Some transportation capacity within Alberta was also secured through asset optimization contracts to meet customer obligations.

Asset Optimization Fair Value Adjustments

The Corporation enters into various natural gas contracts in its asset optimization strategies, which are subject to volatility of natural gas market prices. At March 31, 2020, the fair value adjustment on asset optimization derivative instruments decreased the asset optimization margin by \$36 million, compared to a decrease of \$22 million for the same period in 2018-19. The purchase contracts

outstanding at March 31, 2020 were an unfavourable \$0.20 per GJ higher than market price, a decline of \$0.66 per GJ compared to the favourable \$0.46 per GJ less than market price in the prior year. This unfavourable shift in the price differential during 2019-20 was partially offset by the favourable variance related to lower volumes of purchase contracts outstanding.

Revaluation of Natural Gas in Storage

At each reporting period, the Corporation measures the net realizable value of natural gas in storage held for asset optimization transactions based on forward market prices and anticipated delivery dates. The carrying amount of natural gas in storage is adjusted to reflect the lower of weighted average cost and net realizable value. Through much of 2019-20, the Corporation was able to purchase lower priced natural gas and

inject it into storage, which reduced the average cost of natural gas in storage. Additionally, higher forward market prices also positively affected net realizable value. Consequently, the net realizable value of asset optimization natural gas in storage was \$7 million below cost at March 31, 2020, which is a \$7 million increase from the revaluation adjustment at March 31, 2019.

Revenue

Delivery revenue, transportation and storage revenue, customer capital contributions and other revenue, as reported in the consolidated financial statements, were as follows:

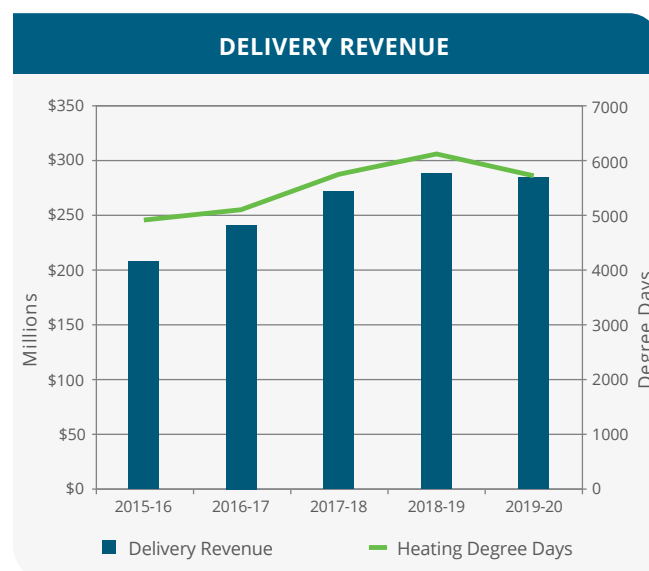
(millions)	March 31, 2020	March 31, 2019	Change
Delivery revenue	\$ 284	\$ 289	\$ (5)
Transportation and storage revenue	187	163	24
Customer capital contributions	36	29	7
Other revenue	-	4	(4)
Revenue	\$ 507	\$ 485	\$ 22

Delivery Revenue

Delivery revenue is driven by the number of customers and the amount of natural gas they consume. Weather is the external factor that most affects delivery revenue, as residential and commercial customers consume natural gas primarily as heating fuel. Delivery revenue was \$284 million for the 12 months ending March 31, 2020, which is \$5 million lower than the 12-month period ending March 31, 2019.

The weather in 2019-20 was two per cent colder than normal, and eight per cent warmer than 2018-19. The effects of the warmer weather reduced delivery revenue by \$15 million compared to the prior year.

The Corporation added 2,459 customers through the 12 months of 2019-20, which was lower than the 2,775 customers added during the previous fiscal period. The addition of new customers contributed an additional \$1 million of revenue in 2019-20.



A 3.4 per cent rate increase effective April 1, 2019 contributed approximately \$9 million of additional delivery revenue compared to the prior year, which partially offset the impact of warmer weather. Delivery rate increases are implemented to address growing capital and operating costs incurred to continue

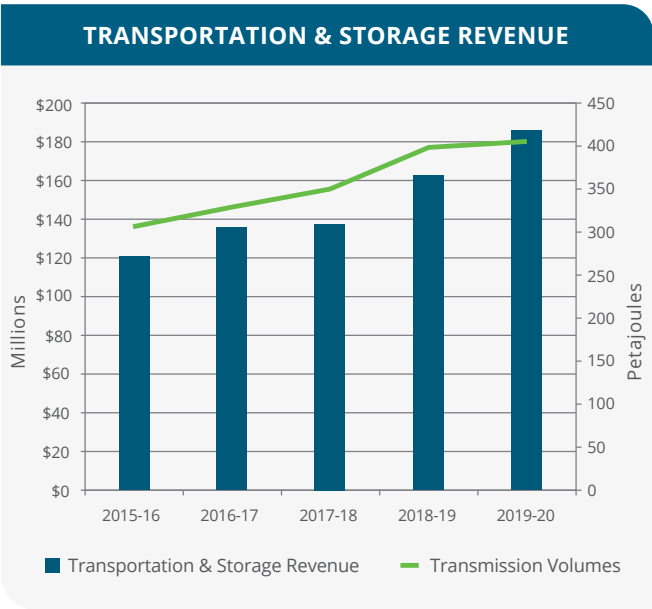
providing safe and reliable service to customers. In alignment with the Crown Sector Strategic Priorities, the Corporation continues to focus on providing the province's growing population with efficient and timely access to natural gas service while keeping rates competitive.

Transportation and Storage Revenue

The Corporation generates transportation revenue by receiving gas from customers at various receipt points in Saskatchewan and Alberta, and delivering natural gas to customers at various delivery points in the province. The transportation toll structure consists of a receipt service charge that customers pay when they put gas on to the natural gas transportation system, and a delivery service charge, which customers pay when they take delivery off of the natural gas transportation system. For receipt and delivery services, the Corporation offers both firm and interruptible transportation. Under a firm service contract, the customer has a right to deliver or receive a specified quantity of gas on each day of the contract. With a firm contract, customers pay for the amount of capacity they have contracted for whether they use it or not. Under an interruptible contract, customers may deliver or receive gas only when there is available capacity on the system and pay receipt and delivery tolls when they deliver or receive gas.

Integral to the Corporation's transmission system are several strategically located natural gas storage sites, which have the capacity to provide operational flexibility along with a reliable and competitive natural gas storage service.

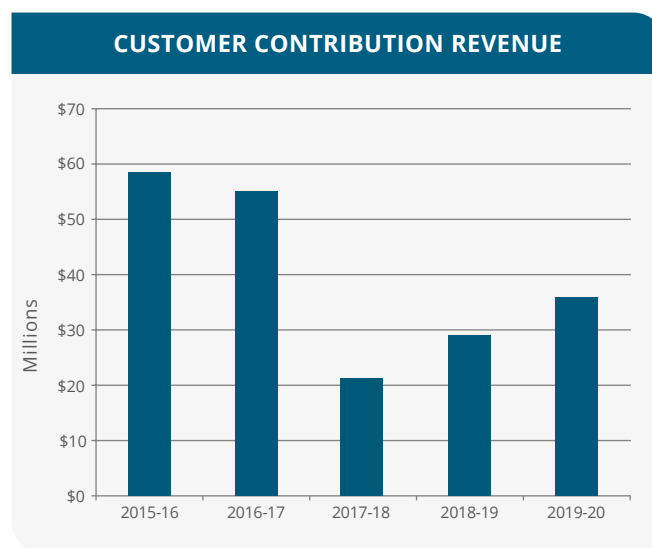
Transportation and storage revenue was \$187 million for the 12 months ending March 31, 2020, \$24 million higher than in 2018-19. Industrial customer and power generation related load growth continued to increase contracted demand for natural gas within the province and drove the \$24 million increase in transportation revenue compared to the prior year.



Storage revenue is comparable with the previous year as the decline in contracted demand for storage services has stabilized. The apparent abundance of natural gas, coupled with small or even negative differentials between current and forward gas prices, limits the demand for natural gas storage to those customers with relatively low load factors who use the service to mitigate receipt transportation charges.

Customer Capital Contributions

The Corporation receives capital contributions from customers to partially offset the cost of constructing facilities to connect them to the transmission and distribution systems. Generally, contributions related to transmission system projects tend to be larger but less frequent than contributions related to the distribution system. The volume and magnitude of customer contribution revenue can vary significantly period-over-period as various factors influence their receipt and recognition as revenue. Customer capital contribution revenue for the 12 months ending March 31, 2020 was \$7 million above 2018-19 due to higher transmission customer connections year-over-year.



Other Expenses

SaskEnergy's expenses are driven to a large degree by its investment in its transmission, distribution and storage systems. Depreciation expense, net finance expense and Saskatchewan taxes are directly tied to the investment in facilities. As the level of investment in facilities increases, these expenses also increase.

Employee benefit costs and operating and maintenance costs are also driven by the investment in assets, although less directly. As the number of customers increases, and infrastructure to serve those customers grows, the

costs to operate and maintain the system increases. These expenses increase primarily because the amount of work to service and maintain the natural gas system grows as the kilometres of gas lines, number of service connections, and amount of compression equipment increases. Additional regulatory requirements and changing public perceptions have resulted in accelerated prevention, detection and mitigation initiatives, adding pressure to transmission, distribution and storage rates.

Other expenses, net finance expenses and other losses (gains), as reported in the consolidated financial statements, were as follows:

(millions)	March 31, 2020	March 31, 2019	Change
Employee benefits	\$ 96	\$ 89	\$ (7)
Operating and maintenance	164	161	(3)
Depreciation and amortization	109	99	(10)
Saskatchewan taxes	16	15	(1)
Impairment loss on trade and other receivables	5	2	(3)
	\$ 390	\$ 366	\$ (24)
Net finance expenses	\$ 55	\$ 52	\$ (3)
Other losses (gains)	\$ 21	\$ (11)	\$ (32)

Employee Benefits

SaskEnergy increased its full-time equivalent positions in key strategic areas to meet current and future business needs. In addition, the Corporation continued to transition functions currently being performed by contracted resources to full-time equivalent positions in order to bring key skill-sets into the organization and reduce overall resourcing costs. While ongoing efficiency efforts and management of planned overtime and vacancies have mitigated costs in some key areas, employee benefit costs of \$96 million were \$7 million higher than 2018-19, due in part to the cost of transitioning contract resources to employees.

Operating and Maintenance

Operating and maintenance expenses were \$164 million in 2019-20, \$3 million higher than in 2018-19. Growing demand for imported natural gas from Alberta is resulting in more natural gas being transported and over greater distances. Rate increases on third-party transportation systems are also increasing transportation expenses. This was partially offset by savings related to transitioning contracted resources to full-time equivalent positions. The implementation of IFRS 16, *Leases*, reduced property costs as some buildings and parking lots are now capitalized as right-of-use (ROU) assets. SaskEnergy was able to partially mitigate the impact of higher transportation through continued efficiency efforts and cost saving measures.

Depreciation and Amortization

Balancing safety and system integrity with the growing demand for service continued through 2019-20. Strategic capital investments required to ensure the necessary infrastructure is in place to meet increasing load growth has increased the capital asset base, resulting in increased depreciation and amortization. In 2019-20, depreciation and amortization was \$109 million, \$10 million higher than for the same period in 2018-19.

Net Finance Expense

Net finance expenses were \$55 million in 2019-20 compared to \$52 million in 2018-19. The increase in finance expenses resulting from increased debt required to support capital investment levels was largely offset by historically low interest rates and higher debt retirement fund earnings. The low interest rate environment has allowed the Corporation to replace maturing higher-rate long-term debt with lower cost debt.

Other losses (gains)

As part of the continued effort to provide safe and reliable service to its customers, SaskEnergy began a project to expand storage capacity in the Regina area. During 2019-20, exploratory drilling and core analysis revealed geological issues at the chosen site; therefore, costs relating to seismic and test hole activity were written off. In addition, a permanent impairment loss was realized on natural gas inventory when it was determined that deliverability at one of the Corporation's storage facilities was not able to produce all the gas from the facility before the site's planned decommissioning date.

In 2018-19, other gains were \$11 million. Effective October 1, 2018, the Corporation sold its two natural gas liquid extraction plants, which were accounted for in its Bayhurst Energy Services Corporation (BESCO) subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

As a Crown corporation, SaskEnergy's primary sources of capital are cash from operations, debt — which is borrowed through the Province's General Revenue Fund — and equity advances from CIC, the Province's Crown corporation holding company. Equity advances are rarely used to finance Crown corporations as CIC prefers to use its Subsidiary Crown Dividend Policy to manage its equity interests in its commercial enterprises. Cash from operations is SaskEnergy's most important source of capital. As a utility, cash from operations is relatively stable and the Corporation relies on it to fund a significant proportion of its investment in its natural gas facilities, and the debt servicing costs on those investments. Long- and short-term debt can be borrowed through the Province of Saskatchewan to

meet any long- or short-term incremental capital requirements, and to repay debt as it matures. Sources of liquidity include Order in Council authority to borrow up to \$500 million in short-term loans, and a \$35 million uncommitted line of credit with the Toronto-Dominion Bank. By borrowing through the Province, SaskEnergy has access to the Province's borrowing capacity and North American capital markets. Early in 2019-20, Cabinet approved a change to *The SaskEnergy Act* and revised the Corporation's borrowing capacity to \$2,500 million. This is an \$800 million increase from the \$1,700 million borrowing limit in place at March 31, 2019. The increased borrowing capacity will allow SaskEnergy to continue to invest in infrastructure to ensure a safe and reliable system for its customers.

(millions)	March 31, 2020	March 31, 2019	Change
Cash provided by operating activities	\$ 270	\$ 280	\$ (10)
Cash used in investing activities	(341)	(271)	(70)
Cash provided by financing activities	66	-	66
(Decrease)/increase in cash and cash equivalents	\$ (5)	\$ 9	\$ (14)

Operating Activities

Cash provided by operating activities was \$270 million for the 12 months ending March 31, 2020, a decrease of \$10 million from 2018-19. Cash flows from operations are down due to the impact of a lower commodity margin and the impact of a warmer winter on lower delivery revenues.

Investing Activities

Cash used in investing activities totalled \$341 million for the 12 months ending March 31, 2020, which is \$70 million higher than the 12-month period ending March 31, 2019. Capital investment levels increased in 2019-20 due to increasing demand for natural gas in the province.

Financing Activities

Cash provided by financing activities totalled \$66 million through the 12 months ending March 31, 2020, compared to breakeven financing activities in 2018-19.

The Corporation used \$55 million for interest payments, \$65 million for dividends, and \$44 million to pay debt and debt retirement fund obligations. An additional \$212 million in long-term debt was borrowed to support capital investment requirements.

SaskEnergy's debt-to-equity ratio at the end of March 31, 2020 of 58 per cent debt and 42 per cent equity increased from 55 per cent debt and 45 per cent equity at the end of 2018-19. This is within the Corporation's long-term target range of 58 to 63 per cent debt. Subsequent to March 31, 2020, the Corporation confirmed the issuance of \$100 million of debt, which SaskEnergy will receive in the first quarter of 2020-21.

CAPITAL ADDITIONS

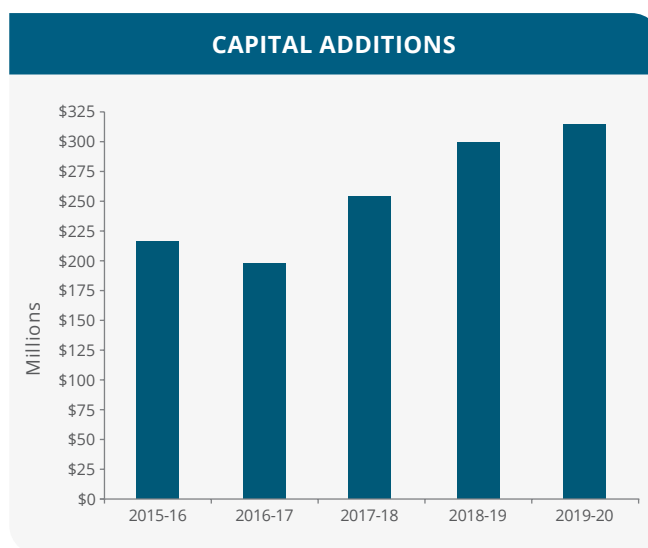
Capital additions, as reported in the consolidated financial statements, were as follows:

(millions)	March 31, 2020	March 31, 2019	Change
Customer growth and system expansion	\$ 198	\$ 156	\$ 42
Safety and system integrity	107	98	9
Information systems	13	17	(4)
Vehicle and equipment, buildings, furniture	11	28	(17)
	\$ 329	\$ 299	\$ 30

Capital additions in 2019-20 of \$329 million were higher than the prior year in order to meet Saskatchewan residential and industrial customer load growth in the province. Capital additions of \$198 million for customer growth and system expansion were \$42 million higher than the prior year. Safety and system integrity programming of \$107 million was \$9 million higher than the prior year — a sign of the Corporation's ongoing commitment to a safe, reliable system.

The increasing demand and lower Saskatchewan production requires additional Alberta supply to be brought onto SaskEnergy's transmission system. The Corporation is currently increasing the supply from NOVA Gas Transmission Limited (NGTL) with its Pierceland supply expansion project. This is a cost-effective capacity investment that increases the Corporation's ability to meet customer's firm contracted Alberta supply requirements. The expansion also provides supply directly into a delivery growth area and helps leverage existing mainline transmission and compression infrastructure to other key areas of the system with potential future capacity improvements.

The multi-year initiative to address growth in and around the city of Saskatoon was completed in 2019-20. This major project increased natural gas capacity in the area and moved high pressure transmission lines further away



from populated areas. During 2019-20, \$32 million was spent on this project compared to \$28 million in 2018-19.

The primary driver of the \$17 million decrease in the vehicles and equipment, buildings and furniture category is due to the purchase of a new service centre building near White City during 2018-19.

OUTLOOK

In the final quarter of the 2019-20 fiscal year, two extremely impactful situations unfolded. The emergence of COVID-19 and its declaration as a global pandemic occurred simultaneously with a collapse in global oil prices. These two factors have caused uncertainty for producers and consumers of natural gas. Almost 60 per cent of the production of natural gas in Saskatchewan is associated with oil production; hence, as oil producers are forced to shut-in wells due to record low oil prices, associated natural gas production is also inadvertently shut-in. The reduction in Saskatchewan gas supply will require more natural gas to be imported from

Alberta. Restrictions imposed to contain the pandemic and market uncertainty have resulted in an economic slowdown with the potential for reduced industrial and commercial gas demand. Residential heating load is unlikely to change significantly. Local and global business closures, global supply chain disruptions, and social-distancing requirements will cause challenges and delays to system improvements, but are unlikely to impact the Corporation's ability to transport or market natural gas.

SaskEnergy will continue to monitor and manage the impact of both COVID-19 and the collapse in oil prices on its business strategies as both situations evolve.

RISK MANAGEMENT AND DISCLOSURE

SaskEnergy is subject to a number of risks in the transmission, storage, distribution and sale of natural gas. The Corporation's effectiveness at managing risk directly affects its performance. The nature of natural gas, and the operation of high pressure gas lines, means that risk management is a critical operational focus for all employees at SaskEnergy. The Corporation's approach to risk management is to thoroughly examine its operating activities to identify existing and emerging risks, effectively communicate those risks throughout the organization and actively manage them through its Enterprise Risk Management (ERM) process. SaskEnergy undertakes annual risk assessments that are used as inputs to the strategic and business planning process. The ERM process establishes roles and responsibilities as well as a general strategy for the Corporation to manage its risks.

While risk management is the responsibility of all levels of management, the Board of Directors and Executive Committee set the tone and provide leadership direction for the ERM process. The Executive Committee is responsible for formally identifying strategic risks that impact SaskEnergy's goals, participating in the risk assessment process and developing strategic risk management plans. As many of the risks facing the organization evolve, the Corporation's risk management plans remain adaptive and flexible in addressing risks. The Board of Directors is responsible for the risk management policy and framework. The Board oversees risk management efforts by reviewing annual reports on risk management processes and controls, and ensuring that key corporate initiatives appropriately address the identified risks.

At the beginning of the fiscal year, a number of risks were identified as requiring strategic attention and they were a focus throughout the Corporation's operations during the year. Each of these risks continue to be relevant to

the organization's performance and are discussed in detail below; however, the emergence of the COVID-19 global health pandemic and the collapse in global oil prices will impact business risks. These events continue to evolve and have a significant impact on both the business risks previously identified, as well as increasing the magnitude of previously lower risk concerns, including:

- Employee health and safety - The risk of transmission and infection of the organization's employees and customers resulted in operating changes and restrictions to ensure business continuity and to maintain the essential services the Corporation provides.
- Credit risk - The public health order to close businesses and the resulting impact on employment and the economy combined with the implementation of the Crown Utility Interest Waiver Program announced by the Province of Saskatchewan as part of its Financial Support Plan, will increase the Corporation's credit risk exposure. The amount of resulting credit losses are presently unknown, but will be increasingly monitored.
- Customer demand - The oil price collapse and its impact on the provincial economy is expected to have an impact on the short- and long-term demand for natural gas consumption, primarily among industrial and commercial customers. SaskEnergy continually reviews and rationalizes its capital program to ensure expansion plans match updated forecasts.

There is no recent precedent to rely on to provide an accurate forecast for the impact of the current situation. However, as it evolves, the organization continues to react and address risks as they arise. The above noted risks are among the most significant items impacted at present, but it is likely that the previously identified enterprise risks will also be impacted as the situation unfolds.

Regulatory Intensification

Increasing regulatory requirements may make an industry or company stronger in the long run, but may be counterproductive to efficiency and service quality in the short-term. A number of new regulations impacting the Corporation's operations have been introduced in recent years, and the potential for additional items is always a possibility. Greater transparency requirements, enhanced protection for stakeholders and the environment, as well as additional oversight for the industry are potential reasons behind the focus on regulation. Increasing regulation creates additional sensitivity to a company's reputational risk if non-compliant.

The Corporation is confident in its adaptability to the evolving regulatory environment, with continued efforts put toward improving efficiency and enhancing service. Focusing on data management through the Corporation's Unified Management System enhances the use of data to make more informed investment decisions plus improves the ability to anticipate customer needs.

Natural Gas Line, Facility or Operational Failure

Natural gas line, facility or operational failure could disrupt the effective operation of SaskEnergy's infrastructure, and have potentially negative effects on employee and public safety, the environment and customers. Operational hazards include severe weather conditions, fire, human error, mechanical failures, third-party gas line encroachment, hazardous materials, and acts of civil disobedience and sabotage. The occurrence of any of these events, many of which are not within control of the Corporation, could increase operating costs or reduce revenues. Some of the primary processes used to mitigate the Corporation's facility and operational risks include system integrity programs, public awareness and safety programs, employee and operator training, as well as environmental policies and procedures. The financial impacts of these risks are also mitigated, where possible and appropriate, through insurance.

Cyber and Physical Security

SaskEnergy relies on information technology infrastructure in its business and physical system operations. A successful cyber-attack could have a cascading effect on the Corporation, including a loss or misuse of critical data and information leading to asset or revenue losses, damage to reputation and personal data breaches, which leads to further complications such as regulatory fines, litigation and significant costs of remediation. Cyber-attacks can disrupt and cause considerable financial and reputational damage to even the most resilient organization. The Corporation's cyber security program comprises technologies, processes and controls that are designed to protect systems, networks and data from cyber-attacks. Effective cyber security reduces the risk of cyber-attacks, and protects corporate data and personal information from the unauthorized exploitation of systems, networks and technologies managed by internal and external parties.

As a provincial operator of critical energy infrastructure, SaskEnergy operates a number of both manned and unmanned locations. Physical security measures are designed to deny unauthorized access to facilities, equipment and resources, and to protect personnel and property from damage or harm. This includes protection from fire, flood, natural disasters, burglary, theft, vandalism and terrorism.

Strategic initiatives undertaken to mitigate cyber, physical and operational risks include business continuity and disaster recovery plans, information technology security processes and a security threat response plan.

Interest Groups

Public objection to industry infrastructure development from a cultural, safety, environmental, or societal perspective exposes SaskEnergy to the risk of higher costs, delays or even project cancellations. In recent years, the ability of landowners and interest groups to make claims and oppose projects in regulatory and legal forums has increased. This "not in my backyard" philosophy could impact the Corporation's ability not only to develop new facilities, through delays and additional costs, but also to operate existing facilities, and could potentially affect the integrity and reliability of the natural gas system. Through various programs and strategies, including stakeholder engagement, Indigenous consultation, environmental assessments and public awareness, SaskEnergy works with landowners and other interest groups to identify and develop appropriate responses to concerns regarding expansion and development of infrastructure.

Supply Reliability

As natural gas production within Saskatchewan continues to decline, SaskEnergy becomes increasingly reliant on importing natural gas from outside the province. This creates a reliance on interconnecting gas lines, which becomes more critical as the amount of imported gas increases. It also increases the complexity of supply planning, increases operating costs, and has potentially negative impacts on Saskatchewan end-users. SaskEnergy manages this risk through long-term supply and demand forecasting, and consultation with both large existing and potential customers as well as the interconnecting gas line companies. For the distribution utility, declining provincial natural gas production adds complexity to the supply planning process that is managed through the natural gas procurement strategy. Specific strategic initiatives undertaken to mitigate this risk include an operations risk management oversight process, utilization of storage facilities to support transmission capabilities, and utilization of trailers of compressed natural gas to meet peak demand.

System Capacity

Changes in the volume and location of customer demand, particularly from large industrial and commercial customers, and the high seasonal variability from other customer classes places increased demands on the existing infrastructure. Effective capacity planning is based on a clear understanding of how business plans and customer load growth affect processes, and the infrastructure components that support them. The unknown nature of when and where this growth will occur, and the timeline associated with adding new infrastructure to address it, poses a risk to the organization.

The Corporation's facility planning department and the business work together to plan for growth and other variables to ensure predictable results may be achieved. They rely on historical data and customer information and forecasts to predict expected load growth and use it to plan and build infrastructure to meet future demands.

Public Acceptance

The use of fossil fuels, including natural gas, as a source of energy and its impact on the environment has been a topic of increasing public discussion in recent years. It has resulted in a varying amount of proposed public policy initiatives both globally and within Canada. The most significant example impacting the Corporation has been the implementation of the carbon tax. The long term impact of both policy changes and changes in the public's concerns is unknown, but poses a potential risk to the long-term growth and system

utilization of SaskEnergy's natural gas infrastructure. To address public acceptance risk, the Corporation is very invested in stakeholder engagement when planning new facilities and is regularly involved with updates to Acts and Regulations. The Corporation also conducts environmental assessments in project planning phases and environmental field audits during construction. SaskEnergy has a strong brand within the province and is committed to collaborating with its customers and the public to meet their environmental goals.

Recruitment, Development and Retention of Skilled Employees

With Saskatchewan's changing economy, competition to attract and retain skilled employees has changed. It is extremely important to have the right people, in the right place at the right time; however, how this risk is managed and the effort required by management has also changed. The Corporation has effective processes in place to manage turnover and is able to attract and retain a sufficient number of appropriately skilled, diverse and engaged people through its recruitment, hiring and training processes. The Corporation also conducts a semi-annual succession planning assessment, utilizes a cross-training strategy, conducts employee engagement surveys and utilizes a leadership network. In addition, SaskEnergy monitors, and adjusts when appropriate, compensation and benefits as part of the job evaluation process, based on industry comparisons.

Climate Change

Climate change is considered a global, community and corporate concern. Climate change also poses a significant risk to many governments, resulting in the passing of new climate change legislation. The legislation may result in additional costs and reduced profits for corporations as guidelines relating to emission levels and energy efficiency become more stringent.

In the electricity industry, new climate change guidelines are creating a trend towards a transition from coal-fired electricity units to natural gas-fired units and renewable generation. With respect to SaskEnergy, increasing construction of natural gas facilities will affect the Corporation and will generate an opportunity to provide incremental natural gas transmission service.

Recent developments surrounding the implementation of a carbon tax in the province of Saskatchewan took effect April 1, 2019. The Corporation itself has limited exposure to the tax as internal charges related to the tax are recovered through rates charged to customers. The Corporation does, however, calculate consumption from customer meter points and apply the tax to

customer bills. The Corporation is responsible for monthly remittances to Canada Revenue Agency, similar to collecting and remitting the Goods and Services Tax.

Physical risks associated with climate change may include an increase in extreme weather events such as heavy rainfall, floods, wildfires, extreme winds and ice storms, or changing weather patterns that cause ongoing impacts to seasonal temperatures. Natural gas transmission and distribution assets above ground or on water crossings are exposed to extreme weather events. Managing physical risks involves preparing for these extreme weather events. Regular maintenance and insurance focus on mitigating extreme conditions. A structured capital expenditure program aimed at system integrity and safety ensure the long-term strength of the Corporation's natural gas system. The majority of the Corporation's natural gas infrastructure is underground, which also helps mitigate the effects of extreme weather conditions.

Weather

SaskEnergy has designed its transmission and distribution system, and operating plans, based on a severely cold winter that is expected to occur once every 20 years. Financial projections, as well as commodity and delivery rates, are based on a 'normal' or typical winter. To the extent that weather differs from normal, SaskEnergy will generate more revenue (colder than normal) or less revenue (warmer than normal). A severely cold winter can also result in significantly higher operating costs, as such a winter puts more stress on equipment and requires more labour and material to manage. SaskEnergy has mitigated some of the risk of weather by increasing the amount of delivery revenue recovered

through the basic monthly charge to customers but still retains a significant amount of this risk.

Natural Gas Prices

Natural gas prices can change significantly, and often do over a short period of time. As selling prices are set in advance of gas purchases, it is possible that commodity rates do not generate enough revenue to cover the cost of gas purchased or, alternatively, that the commodity rate recovers more than the cost of gas. Under the current regulatory model, SaskEnergy is not allowed to earn a margin on the sale of gas to customers, nor is it subject to realized losses. Differences between the cost of gas purchased and the revenue earned on the sale of gas to customers are collected in the GCVA and incorporated into the calculation of the commodity rate when rates are reset, usually in April or November each year.

Gas prices also have a significant impact on market value adjustments. Market value adjustments include the impact of fair value adjustments as well as the revaluation of natural gas in storage. Fair value adjustments represent the change in value of gas purchased or gas sales contracts from one reporting period to the next. In addition, gas prices can affect the net realizable value of natural gas in storage, as it is valued at the lesser of cost or what could be realized in the market when it is sold.

As discussed in the financial risk management section of the consolidated financial statements, SaskEnergy has risk management policies in place to limit the impact that market prices can have on the financial results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation prepares its consolidated financial statements in accordance with IFRS, using the accounting policies described in Note 3 of the consolidated financial statements. The application of these accounting policies requires management to make a number of judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These judgments, estimates and assumptions, which are based on historical experience and other factors that are considered relevant, are

reviewed on an ongoing basis. The Corporation's critical accounting policies and estimates, which could materially impact the Corporation's consolidated financial statements, have been summarized below.

Estimated Unbilled Revenue

Commodity sales and delivery revenues are recognized when natural gas is delivered to customers. SaskEnergy estimates the volume of natural gas delivered but not billed, as it is currently impracticable to read all

customer meters on March 31 of each year. The volume of unbilled revenue is determined by comparing the estimated total volume of natural gas delivered to the distribution system with the volume of natural gas billed to customers. Regular meter readings throughout the year are used to reconcile volumes purchased with volumes billed. At March 31, 2020, the unbilled revenue related to commodity sales and delivery revenue was \$31 million. The unbilled revenue related to transportation and storage revenue was \$16 million at March 31, 2020.

Net Realizable Value of Natural Gas in Storage Held for Resale

The Corporation's natural gas in storage is valued at the lower of weighted average cost and net realizable value. When determining the net realizable value, the Corporation uses quoted future market prices based on anticipated delivery dates, taking into account the Corporation's existing natural gas contracts, ability to withdraw natural gas from storage and management's intention. At March 31, 2020, the revaluation increased the carrying amount of natural gas in storage by \$7 million. A \$1.51 per GJ improvement in the differential between the weighted average cost and net realizable value would completely eliminate the \$7 million revaluation.

Fair Value of Financial and Derivative Instruments

The Corporation uses natural gas derivative instruments to secure its supply of natural gas and manage the impact of natural gas price variability. Prior to settlement, SaskEnergy records all natural gas derivative instruments at fair value. The fair value is determined based on quoted market prices and takes into account the credit quality of both counterparties and the Corporation. Given fluctuations in natural gas prices, fair value adjustments vary throughout the length of the contract. At March 31, 2020, a \$1.00 per GJ increase in natural gas prices throughout the forward curve would have increased the fair value of outstanding natural gas contracts by \$43 million. Conversely, a decrease of \$1.00 per GJ would have decreased the fair value of natural gas derivative instruments by \$43 million.

Useful Lives and Depreciation and Amortization Rates for Property, Plant and Equipment, Intangible Assets and Right-of-Use Assets

With a combined carrying amount of \$2,874 million, property, plant and equipment and intangible assets constitute a significant component of the Corporation's

assets. As a result, changes in assumptions related to the calculation of depreciation and amortization expense may have a significant impact on SaskEnergy's net income. At March 31, 2020, a one-year decrease in the estimated service life of the Corporation's capital asset base would have increased the Corporation's depreciation and amortization expense by approximately \$3 million. A one-year decrease in the estimated service life of ROU assets would have increased depreciation expense by approximately \$2 million.

Estimated Unearned Customer Capital Contributions, Contract Liabilities and Refund Liabilities

Customer capital contributions, related to the construction of new, customer-specific service connections, are initially recognized as contract liabilities until the related property, plant and equipment are available for use. The Corporation's customer capital contributions, particularly those related to the transmission system, are often subject to refunds over a certain period. Consequently, when the related property, plant and equipment are available for use, an estimate of the potential refund is recorded as a liability until the refund period has passed. At March 31, 2020, the Corporation estimated \$19 million of contract liabilities, where the customer has paid a customer capital contribution in advance of construction and the related facilities are not yet available for use. The Corporation estimated \$7 million in refund liabilities, where the customer's facilities are in service and a refund may be available to the customer depending on the amount of natural gas the customer actually flows compared to what was estimated at contract inception.

Estimated Future Costs of Decommissioning Liabilities

The Corporation determines its obligations, legal and constructive, for the future costs of decommissioning certain natural gas facilities by estimating both the associated costs and timing of the necessary cash flows. The timing of future decommissioning is conditional upon the Corporation's anticipated ongoing use for these facilities, while future decommissioning costs are estimated based on the Corporation's experience and presented on a discounted basis. At March 31, 2020, the Corporation's provisions were estimated at \$292 million. A one per cent increase in the discount rate used to determine the provisions would have resulted in an \$85 million decrease in provisions at the end of March 31, 2020. A one per cent decrease would have resulted in a \$133 million increase.

A provision for remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. The fair value of the estimated costs for investigations and remediation at identified sites is recorded as a provision in profit or loss. These provisions are based on management's best estimate considering current environmental laws and regulations and recorded at fair value. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

ACCOUNTING POLICY CHANGES

In 2019-20, the Corporation adopted IFRS 16 *Leases* (refer to the March 31, 2020 year-end audited consolidated financial statements for more information).

The IASB has issued new and amended standards that will become effective in future periods. Details on future changes in accounting policies are provided within Note 3 of the consolidated financial statements.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Financial Reporting

The accompanying consolidated financial statements are the responsibility of the management of SaskEnergy. They have been prepared in accordance with IFRS, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the financial statements and all other financial information contained in this annual report.

The Corporation's Board of Directors (the Board) is responsible for ensuring that management fulfills its responsibilities for financial reporting and control. The Board is assisted in exercising its responsibility through its Audit and Finance Committee (the Committee). The Committee is composed of directors who are not employees of the Corporation. The Committee reviews the annual report and meets regularly with management, internal audit and external auditors to discuss internal controls, accounting, auditing and financial matters. The Committee recommends the appointment of the external auditors. The Committee reports its findings to the Board for its consideration in approving the consolidated financial statements.

Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial statements. The internal control system includes an internal audit function and an established code of conduct.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as at March 31, 2020, based on the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring organizations of the Treadway Commission. Based on this assessment, management concluded that the company maintained effective control over financial reporting and that there were no material weaknesses in internal controls over financial reporting as at March 31, 2020.

The consolidated financial statements have been audited by Deloitte LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by CIC. The Auditor's Report expresses their opinions on the fairness of the financial statements prepared by management.



Ken From
President and
Chief Executive Officer



Christine Short
Vice President, Finance
and Chief Financial Officer

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Ken From, the Chief Executive Officer of SaskEnergy Incorporated (SaskEnergy), and I, Christine Short, the Chief Financial Officer, certify the following:

- a. That we have reviewed the consolidated financial statements included within the annual report of SaskEnergy. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations, and cash flows as at March 31, 2020.
- b. That based on our knowledge, having exercised reasonable diligence, the financial statements do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
- c. That SaskEnergy is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskEnergy has designed internal controls over financial reporting that are appropriate to its circumstances.
- d. That SaskEnergy conducted its assessment of the effectiveness of its internal controls over financial reporting and, based on the results of this assessment, it can provide reasonable assurance that internal controls over financial reporting as at March 31, 2020 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Ken From
**President and
Chief Executive Officer**



Christine Short
**Vice President, Finance
and Chief Financial Officer**

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the consolidated financial statements of SaskEnergy Incorporated (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
May 21, 2020
Regina, Saskatchewan

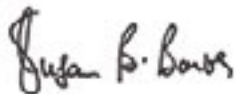
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

(millions)	Notes	2020	Restated 2019 (Note 27)
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1	\$ 6
Trade and other receivables	5	155	156
Natural gas in storage held for resale	6	13	26
Inventory of supplies		13	13
Debt retirement funds	7	11	3
Fair value of derivative instruments	8	15	41
		208	245
Right-of-use assets	10	15	-
Intangible assets	11	73	70
Property, plant and equipment	12	2,801	2,505
Debt retirement funds	7	125	118
		\$ 3,222	\$ 2,938
LIABILITIES AND PROVINCE'S EQUITY			
Current liabilities			
Short-term debt		\$ 279	\$ 260
Trade and other payables	13	120	117
Dividends payable		2	43
Current portion of long-term debt	14	34	33
Contract liability	15	19	16
Refund liability	15	7	8
Fair value of derivative instruments	8	21	17
Current portion of lease liability	16	6	3
		488	497
Lease liability	16	7	5
Employee future benefits		5	5
Provisions	17	292	200
Deferred revenue	15	5	5
Long-term debt	14	1,325	1,147
		2,122	1,859
Province's equity			
Equity advances		72	72
Other components of equity		4	2
Retained earnings		1,024	1,005
		1,100	1,079
		\$ 3,222	\$ 2,938

(See accompanying notes)

On behalf of the Board:



Director



Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended March 31

		2020			2019		
(millions)	Notes	Income Before Unrealized Market Value Adjust-ments	Unrealized Market Value Adjust-ments (Note 19)	Total	Income Before Unrealized Market Value Adjust-ments	Unrealized Market Value Adjust-ments (Note 19)	Total
REVENUE							
Natural gas sales	20	\$ 309	\$ (1)	\$ 308	\$ 452	\$ (4)	\$ 488
Delivery	21	284	-	284	289	-	289
Transportation and storage	22	187	-	187	163	-	163
Customer capital contributions		36	-	36	29	-	29
Other		-	-	-	4	-	4
		816	(1)	815	937	(4)	933
EXPENSES							
Natural gas purchases	20	284	22	306	396	(36)	360
Employee benefits		96	-	96	89	-	89
Operating and maintenance		164	-	164	161	-	161
Depreciation and amortization		109	-	109	99	-	99
Saskatchewan taxes	23	16	-	16	15	-	15
Impairment loss on trade and other receivables		5	-	5	2	-	2
		674	22	696	762	(36)	726
NET INCOME BEFORE THE FOLLOWING		142	(23)	119	175	32	207
Finance income	24	4	-	4	3	-	3
Finance expenses	24	(59)	-	(59)	(55)	-	(55)
NET FINANCE EXPENSES	24	(55)	-	(55)	(52)	-	(52)
Other gains (losses)	25	(21)	-	(21)	11	-	11
TOTAL NET INCOME		\$ 66	\$ (23)	\$ 43	\$ 134	\$ 32	\$ 166
ITEMS THAT MAY BE RECLASSIFIED BACK TO PROFIT OR LOSS							
Change in fair value of debt retirement funds designated as FVOCI		-	2	2	-	3	3
COMPREHENSIVE INCOME		\$ 66	\$ (21)	\$ 45	\$ 134	\$ 35	\$ 169

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended

(millions)	Notes	Retained Earnings	Equity Advances	Other Components of Equity	Total
BALANCE AS AT APRIL 1, 2018 AS PREVIOUSLY STATED		\$ 918	\$ 72	\$ (1)	\$ 989
Prior period opening adjustment	27	(19)	-	-	(19)
RESTATE BALANCE AS AT APRIL 1, 2018		899	72	(1)	970
Comprehensive income		166	-	3	169
Dividends		(60)	-	-	(60)
BALANCE AS AT MARCH 31, 2019		1,005	72	2	1,079
Comprehensive income		43	-	2	45
Dividends		(24)	-	-	(24)
BALANCE AS AT MARCH 31, 2020		\$ 1,024	\$ 72	\$ 4	\$ 1,100

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31

(millions)	Notes	2020	2019
OPERATING ACTIVITIES			
Net income		\$ 43	\$ 166
Add (deduct) items not requiring an outlay of cash			
Net change in fair value of derivative instrument assets and liabilities	19	30	(13)
Change in revaluation of natural gas in storage to net realizable value	19	(7)	(19)
Depreciation and amortization		109	99
Net finance expenses	24	55	52
Net loss (gain) on impairment of assets	25	5	(12)
Net loss (gain) on disposal of assets	25	16	(6)
Other non-cash items		(3)	(2)
Employee future benefits paid in excess of expense		-	(1)
		248	264
Net change in non-cash working capital related to operations		22	16
Cash provided by operating activities		270	280
INVESTING ACTIVITIES			
Additions to intangible assets		(13)	(15)
Additions to property, plant and equipment		(316)	(284)
Net proceeds on disposal of assets		1	32
Decommissioning costs		(13)	(4)
Cash used in investing activities		(341)	(271)
FINANCING ACTIVITIES			
Debt retirement funds redemptions	7	4	-
Debt retirement funds installments	7	(11)	(10)
Proceeds from short-term debt		19	6
Proceeds from long-term debt	14	212	149
Repayment of long-term debt	14	(33)	(50)
Repayment of principal on lease liability	16	(5)	-
Interest paid		(55)	(55)
Dividends paid		(65)	(40)
Cash provided by financing activities		66	-
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		\$ (5)	\$ 9
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		\$ 6	\$ (3)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5)	9
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 1	\$ 6

(See accompanying notes)

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan provincially owned Crown corporation operating under authority of *The SaskEnergy Act*. The address of SaskEnergy's registered office and principal place of business is 1777 Victoria Avenue, Regina, Saskatchewan, Canada S4P 4K5. The Corporation owns and operates natural gas-related businesses located both within and outside Saskatchewan.

By virtue of *The Crown Corporations Act, 1993*, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincially owned Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskEnergy and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorized for issue by the Board of Directors on May 21, 2020.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are described in Note 3:

- Financial instruments classified as at fair value through profit or loss
- Financial instruments classified as at fair value through other comprehensive income
- Employee future benefits
- Provisions
- Natural gas in storage held for resale
- Property, plant and equipment

c. Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency, unless otherwise stated. All financial information presented in Canadian dollars has been rounded to the nearest million.

d. Use of estimates and judgments

In the application of the Corporation's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as any future periods affected.

Information about critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in Note 3 as well as the following notes:

- Revenue recognition related to unbilled revenue (Note 5)
- Existence of decommissioning liabilities (Note 17)
- Designation of own-use derivative contracts (Note 18)

Information about significant management estimates and assumptions that have a risk of resulting in a significant adjustment is included in Note 3 as well as the following notes:

- Estimated unbilled revenue (Note 5)
- Estimated credit losses (Note 5)
- Net realizable value of natural gas in storage held for resale (Note 6)
- Fair value of financial and derivative instruments (Note 8)
- Useful lives and depreciation rates for ROU assets (Note 10)
- Useful lives and amortization rates for intangible assets (Note 11)
- Useful lives and depreciation rates for property, plant and equipment (Note 12)
- Recoverable amount of non-financial assets (Note 12)
- Estimated unearned customer capital contributions (Note 15)
- Estimated future cost of decommissioning liabilities (Note 17)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Corporation and its subsidiaries to all periods presented in the consolidated financial statements.

a. Changes in accounting policies

i. Leases

Effective April 1, 2019, the Corporation adopted IFRS 16, *Leases* (IFRS 16), which supersedes IAS 17, *Leases* (IAS 17) and International Financial Reporting Interpretations Committee Interpretation 4, determining whether an arrangement contains a lease (IFRIC 4). The Corporation has applied the new standard using the modified retrospective approach, which does not require restatement on transition. Comparative information has not been restated and continues to be reported under IAS 17. There was no impact to opening retained earnings upon adoption.

IFRS 16 specifies how the Corporation will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the asset group has a low value. It also eliminates the previous separate treatment of operating leases. The focus of this standard is on controlling the use of an asset.

On adoption, management elected to use the following practical expedients permitted under the standard:

- Grandfather the assessment of which transactions are leases by applying IFRS 16 only to contracts that were previously identified as leases under IAS 17.
- Recognize right-of-use (ROU) assets at an amount equal to the lease liability for leases previously treated as operating leases.
- Treat leases ending within 12 months of conversion as short-term leases.
- Exclude initial direct costs for the measurement of ROU assets at date of initial application.
- Use of hindsight in determining lease terms.
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Corporation leases the following types of assets:

- Buildings and parking lots
- Vehicles
- Computers and computer equipment

The accounting policies applicable to the Corporation as a lessor under IFRS 16 remain largely unchanged from those under IAS 17. The Corporation does not have any leases from the lessor perspective.

The impact of adoption of IFRS 16 is as follows:

		April 1, 2019			
(millions)	Notes	Excluding the Impact of IFRS 16	IFRS 16 Impact at Date of Adoption	As Reported Upon Adoption of IFRS 16	
ASSETS					
Property, plant and equipment		\$ 2,505	\$ (9)	\$	2,496
Right-of-use assets	3	-	16		16
LIABILITIES					
Current liabilities					
Current portion of lease liability	2	\$ 3	\$ 3	\$	6
Lease liability	2	5	4		9

Notes

1) Reclassification of finance leases

Leases previously accounted for as finance leases under IAS 17 were reclassified to ROU assets and lease liabilities from property, plant and equipment and finance lease obligations, respectively.

2) Lease liability

On adoption of IFRS 16, the Corporation recognized additional lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. Under the principles of the new lease standard, these leases have been measured at the present value of the unpaid lease payments, discounted using the rate implicit in the lease. In some cases, that rate is not readily determined, therefore the Corporation's incremental borrowing rates were applied. The incremental borrowing rate used was four per cent at April 1, 2019. Short-term and low-value leases were excluded. Total lease liability of \$15 million was recorded at April 1, 2019, of which \$6 million was the current portion.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term.

The lease liability is re-measured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the Consolidated Statement of Comprehensive Income if the carrying amount of the ROU asset has been reduced to zero.

3) Right-of-use assets

The Corporation recognized ROU assets for buildings and parking lots at the date of initial application for leases previously classified as operating leases applying IAS 17. They were measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

Vehicles, equipment, computers and computer equipment previously recognized as finance leases under IAS 17 were transferred to ROU assets on transition to IFRS 16, measured at an amount equal to the outstanding lease liability. The ROU assets for vehicles will be depreciating at a slower rate than the associated lease liability and are therefore recognized at a higher amount upon adoption.

The Corporation applied the definition of a lease and related guidance under IFRS 16 to all existing lease contracts as at April 1, 2019. Under IFRS 16, the Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability, any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease payments made at or before the commencement date. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses.

Leases that have terms of less than 12 months or leases on which the underlying asset is of low value are recognized as an expense in the Consolidated Statement of Comprehensive income on a straight-line basis over the lease term.

ii. Other changes

In the current year, the Corporation has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

iii. Future changes in accounting policies

The following accounting standard changes are effective for periods beginning on or after January 1, 2020:

- Revised Conceptual Framework
- Amendments to IFRS, 3 *Business Combinations - Definition of a Business*
- Amendments to IAS, 1 *Presentation of Financial Statements* and IAS 8, *Accounting Policies*

It is expected that these changes will have little to no impact to the consolidated financial statements of the Corporation.

b. Basis of consolidation

The Corporation's direct and indirect subsidiaries, which are wholly owned by SaskEnergy, are as follows:

Subsidiary	Principal Activity
Bayhurst Gas Limited	Natural gas storage company
BG Storage Inc.	Natural gas storage company
Many Islands Pipe Lines (Canada) Limited	Natural gas transmission company
Saskatchewan First Call Corporation	Underground infrastructure database company
TransGas Limited	Natural gas transmission and storage company

c. Joint arrangements

When assessing whether a joint arrangement is in the form of a joint operation or a joint venture, the Corporation considers the arrangement's structure, legal form and contractual terms as well as any other relevant factors. The Corporation has one joint arrangement: a 50.0 per cent ownership in the Totnes Natural Gas Storage Facility located in Saskatchewan, Canada. The joint arrangement is in the form of a joint operation, as the Corporation has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated financial statements include the Corporation's share of jointly controlled assets, incurred liabilities, revenue and expenses as well as any liabilities and expenses incurred directly in respect of its joint arrangement.

d. Cash and cash equivalents

Bank indebtedness forms part of the Corporation's cash management and is included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

e. Natural gas in storage held for resale

Natural gas in storage is stated at the lower of weighted average cost and net realizable value. Net realizable value is determined using natural gas market prices based on anticipated delivery dates.

f. Inventory of supplies

Inventory of supplies consist primarily of pipe and general stock for construction and maintenance and are stated at the lower of weighted average cost and net realizable value. Replacement value is used as management's best estimate of net realizable value. When estimating the net realizable value, the Corporation also considers any obsolescence that may exist due to changes in technology.

g. Financial and derivative instruments

Financial instruments are classified into one of the following categories: financial assets and financial liabilities at fair value through profit or loss, amortized cost, and financial assets and financial liabilities at fair value through other comprehensive income. During the reporting periods, financial instruments were classified in each of these three categories.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments, except for financial assets and financial liabilities at fair value through profit or loss, in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

i. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities are classified as fair value through profit or loss if they are held for trading or designated as such upon initial recognition. A financial asset or financial liability is classified as held for trading if it has been acquired with the intention of generating profits in the near term, is part of a portfolio of financial instruments that are managed together where there is evidence of a recent pattern of short-term profit taking or is a derivative. A financial asset or financial liability is designated as fair value through profit or loss if the Corporation manages such instruments and makes decisions based on their fair value in accordance with its documented risk management or investment strategy. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value with any revaluation gains and losses recognized in net income.

ii. Financial assets and financial liabilities at fair value through other comprehensive income

Debt retirement funds are classified as financial assets at fair value through other comprehensive income as the following conditions are met:

- The debt retirement funds are administered by the Government of Saskatchewan Ministry of Finance whose business model objective is to both hold underlying investments to collect contractual cash flows and to sell; and
- The contractual terms of the debt retirement funds give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii. Amortized cost

Trade and other receivables, trade and other payables, short-term debt, dividends payable, and long-term debt are classified at amortized cost. The amortized cost category consists of financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. These financial assets and liabilities are accounted for at amortized cost using the effective interest method.

iv. Derivative instruments

A variety of derivative instruments are utilized to manage exposure to natural gas price risk. Derivative instruments are classified as fair value through profit or loss and are recorded at fair value within current assets or current liabilities, as applicable, commencing on the trade date. The change in the fair value is recorded in net income and classified within the revenue or expense category to which it relates.

Derivatives may be embedded in other host instruments. Embedded derivatives are treated as separate derivatives when the economic characteristics and risks are not closely related to those of the host instrument, the embedded derivative has the same terms as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with subsequent changes recognized in net income and classified within the revenue or expense category to which it relates. The Corporation enters into natural gas sales contracts with embedded derivatives for non-regulated contract sales to large end-use customers.

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. The Corporation entered into these contracts for the purpose of physical receipt of natural gas in accordance with its own expected sales requirements for commodity customers. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

h. Debt retirement funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, the Corporation is required, on an annual basis, to invest an amount equal to one per cent of the related outstanding debt. These investments are referred to as debt retirement funds and are administered by Saskatchewan's Ministry of Finance. Debt retirement funds are classified as financial instruments and are designated as at fair value through other comprehensive income, which are recorded at fair value in the consolidated statement of financial position. The investment and income earned on the investment is returned to the Corporation upon maturity of the related debt.

i. Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are capitalized if it is probable that the asset acquired or developed will generate future economic benefits. The costs incurred to establish technological feasibility or to maintain existing levels of performance are recognized in operating and maintenance expense as incurred.

Cost includes expenditures that are directly attributable to the acquisition or development of the asset. The cost of self-developed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major projects are capitalized during the development period. Major projects (or qualifying assets) are those projects that are under development for a period greater than six months. Assets under development are recorded as in progress until they are available for use.

Amortization of computer software is based on the cost of the asset and is calculated using the straight-line method over the estimated useful life of the asset from the date the asset is available for use. The amortization rate is 10.0 per cent annually. The estimated useful lives, residual values and method of amortization are reviewed annually for reasonableness.

j. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The cost of major inspections or overhauls is capitalized. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the specific item if it is probable that the part will generate future economic benefits, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of regular servicing of property, plant and equipment is recognized in operating and maintenance expense as incurred.

Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major projects are capitalized during the construction period. Major projects (or qualifying assets) are those projects that are under construction for a period greater than six months. Assets under construction are recorded as in progress until they are available for use.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated.

Depreciation is based on the cost of the asset less its residual value and is calculated using the straight-line method over the estimated useful life of the asset from the date the asset is available for use at the following annual rates (per cent):

Distribution	1.5	to	4.5
Transmission and storage	2.1	to	50.0
Gathering, treatment and compression	1.6	to	80.0
Vehicles, equipment and other	1.9	to	20.0
Computer hardware	12.9	to	24.5

The estimated useful lives, decommissioning costs and method of depreciation are based on periodic depreciation studies conducted by a third-party, with annual reviews for reasonableness.

k. Impairment

i. Financial assets

Financial assets, other than those classified as at Fair Value through Profit or Loss (FVTPL), are reviewed at each reporting date to determine whether there is any indication of impairment. Loss allowances are recognized for Estimated Credit Losses (ECL) on financial assets measured at amortized cost and debt instruments designated as Fair Value through Other Comprehensive Income (FVOCI). Loss allowances for trade receivables are measured at an amount equal to lifetime ECL. Debt instruments and other receivables that are determined to have low credit risk at the reporting date are measured at 12-month ECL. Impairment is the financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables from customers.

The Corporation considers impairment for trade and other receivables on both an individual and a collective basis. In assessing collective impairment, the Corporation uses historical trends of the likelihood of default, timing of recoveries and the amount of losses incurred, adjusted for management's judgment as to the impact of current and future economic and credit conditions.

The carrying amount of trade and other receivables is reduced through the use of an allowance account. Once reasonable collection efforts have been exhausted, and a trade and other receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized immediately as an impairment loss on trade and other receivables in the consolidated statement of comprehensive income.

ii. Non-financial assets

At each reporting date, the Corporation reviews the carrying amount of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognized immediately in other losses. Assets that cannot be tested individually, including corporate assets, are grouped together into cash-generating units (CGUs), the smallest group of assets that generates cash inflow from continuing use.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of amortization or depreciation, if no impairment loss had been recognized.

I. Employee benefits

i. Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. When the service of employees is used directly in the construction of an asset, the associated short-term employee benefits cost is recognized within the cost of the property, plant and equipment or intangible assets.

ii. Pension plans

The Corporation provides pension plans for all eligible employees through its participation in both a defined contribution plan and a defined benefit plan.

Under the defined contribution plan, regular payments are made to a separate entity for current service with no obligation to pay further amounts. Contributions are recognized within employee benefits expense during the period in which services are rendered by employees. During the period, the Corporation contributed \$6 million (2019 - \$6 million) to pension plans on behalf of employees for current service.

The defined benefit plan is administered by Saskatchewan Power Corporation (SaskPower), a Crown corporation under the common control of CIC. Employees that transferred employment from SaskPower upon establishment of SaskEnergy were eligible to remain members of the plan for the maximum contribution period of 35 years. A contractual agreement is in place stating that the Corporation's future contributions to the plan will not be affected by any plan surplus or deficiency. As a result, obligations related to the defined benefit plan are limited to making regular payments to the plan for current service, similar to a defined contribution plan. As all eligible employees reached the maximum contribution period of 35 years, the Corporation is no longer required to make contributions to the plan.

iii. Retiring allowance plan

Certain employees of the Corporation are members of a retiring allowance plan. The Corporation's obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The future benefit is actuarially determined using the projected unit credit method. Any actuarial gains or losses are recognized in other comprehensive income while all current service costs and interest expense are recognized in net income. Actuarial gains and losses are transferred from other equity to retained earnings in the year it is recognized in other comprehensive income.

The Corporation measures its future benefit obligations for accounting purposes at March 31. The accrued employee benefits liability at March 31, 2020 is \$5 million (2019 - \$5 million).

The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants of the plan. Benefits are funded by the current operations of the Corporation.

m. Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event; it is probable that the Corporation will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

i. Decommissioning liabilities

A decommissioning liability is a legal or constructive obligation associated with the decommissioning of certain natural gas facilities. The Corporation recognizes a decommissioning liability, with a corresponding increase to property, plant and equipment, in the period the facility is commissioned, provided a reasonable estimate of the expenditure required to settle the present obligation can be determined. The estimated expenditure of a decommissioning liability is based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning. The future cash flows are discounted at a credit-adjusted risk-free rate based on the yield of Government of Canada bonds. The unwinding of the discount on provisions is recognized in net income as finance expense over the estimated time period until settlement of the obligation. The corresponding increase to property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the related asset.

At each reporting date, the estimated carrying value of a decommissioning liability is reviewed with any changes recognized in the consolidated financial statements.

n. Revenue

SaskEnergy has the exclusive right to distribute natural gas within the province of Saskatchewan. The Corporation may purchase, distribute, sell, manufacture, produce, transport, gather, compress and store natural gas as per *The SaskEnergy Act*. The Corporation's natural gas commodity revenue and transportation services are based on the consideration specified in contracts with customers. Revenue is recognized when control of the product is transferred to the customer or transportation service has been completed. This is generally at the point in time when the customer obtains legal title to the natural gas at its custody transfer point or the transportation service has been completed at the customer's natural gas line location and collection is reasonably assured. The amount of revenue recognized is based on the consideration specified in the contract.

The Corporation's principal sources of revenues and methods applied to the recognition of these revenues in these financial statements are as follows:

i. Commodity sales and delivery service

Commodity sales

Commodity sales contracts with customers generate revenue from the sale of natural gas to customers. Revenue is recognized at a point in time when the Corporation sells natural gas to customers, who consume the natural gas to heat their homes or operate their businesses. Title to natural gas purchased from SaskEnergy, and all related risks remain with SaskEnergy until the gas is transferred at a meter point.

At the meter point, the customer takes ownership of the natural gas and the performance obligation is satisfied. The commodity charge is then billable to the customer as there are no further performance obligations outstanding.

Delivery services

SaskEnergy has the exclusive right to distribute natural gas within the province of Saskatchewan. A delivery service contract generates revenue from the transportation of natural gas to customers. Delivery revenue is recognized at the point in time when natural gas is transferred to customers at their meter point.

Delivery services as stated in the SaskEnergy Terms and Conditions of Service, include both a basic monthly charge (BMC) and a delivery service charge:

A BMC is a fixed monthly charge payable by the customer for Natural Gas Services provided by SaskEnergy or made available to the customer irrespective of the volume of gas consumed. As such, this charge can benefit the customer on its own and it is regularly sold separately to customers to enable on-demand access to the other services provided.

A delivery charge is the distribution of natural gas to customers. The delivery charge is incurred when gas is distributed through the natural gas line system to the customer. As customers can contract for supply from Gas Retailers, SaskEnergy regularly provides the delivery service separately from other services and the customer can benefit from the delivery service on its own or in conjunction with other services provided to the customer.

The BMC is distinct within the context of the contract as it is not affected by any of the other services provided to customers. It is recognized at a point in time and it is charged to customers monthly, regardless of whether there are any other charges associated with delivery and supply of natural gas. The delivery and commodity sales charges have no bearing on the BMC. The basic monthly charge relating to delivery service is a single performance obligation and is distinct from commodity sales. Delivery without supply (Gas Retailer customer) is a single performance obligation.

Commodity sales and delivery charge

Commodity sales are the provision or sale of natural gas, as opposed to the delivery service being the transportation of the natural gas. The delivery service charge and commodity sales are highly interrelated. While delivery service can occur without commodity sales, as evidenced in Gas Retailer transactions, commodity sales can only arise with the associated delivery service.

Customers may choose to purchase commodity gas from a Gas Retailer, where the Corporation provides delivery service to the customer without supply of natural gas to the customer. In this case, SaskEnergy earns only delivery revenue from the Gas Retailer customer. SaskEnergy acts as an agent in regards to the Gas Retailer commodity charges, therefore no commodity revenue is recorded by SaskEnergy.

A receivable is recognized when natural gas is delivered to a customer at their meter point, as this is the point in time that commodity sales and delivery service payments are due. The transaction price will be allocated to the commodity sales and delivery service based on the applicable rates derived through the review process with the Saskatchewan Rate Review Panel and approved by Provincial Cabinet.

ii. Natural gas sales

Natural gas sales are non-regulated asset optimization activities. The Corporation uses its access to natural gas markets to execute sales with offsetting purchases of natural gas to generate margins. Forward natural gas sales are recognized at fair value until the contract is realized into revenue at the point in time the contract becomes due. In most cases, the sales and the associated purchases are executed at the same time, thereby mitigating much of the price risk that would normally be associated with such transactions. By utilizing off-peak transportation and storage capacity, the Corporation is able to find opportunities in the market to take advantage of pricing differentials between transportation hubs, delivery points and time periods while minimizing its exposure to price risk. The Corporation also uses sales and accompanying purchases of natural gas to mitigate transportation constraints, which are generally executed at a cost.

iii. Transportation and storage services

In all transportation services, the performance obligation to the customer is the transport of natural gas, with only the points of origin and the destinations differing. As such, all transportation contracts (Intra-Provincial Delivery, Utility, Export and Receipt) are assessed on a portfolio basis, and are combined and referred to as “transportation services”. Commencing with the first month and continuing for the term of the service contract, customers shall pay all applicable service charges set forth in the Tariff Rates and Charges Schedules as approved by the Corporation or set by any regulatory body having jurisdiction as provided for in the Tariff.

Firm and Interruptible transportation services have been deemed two separate contracts under the Tariff and as such are assessed separately.

Firm transportation service contracts

Transportation service is offered on a guaranteed basis, where the Corporation warrants service will be available every day of the contract unless prevented by Force Majeure.

Customers will generally pay a demand fee and a commodity charge for firm service, which has a higher priority than other transportation services. Firm service contracts may have a term as short as one month, but generally are contracted on a longer term basis, they do not have a significant financing component and there is no non-cash consideration.

Over the term of the contract, customers receive access to transportation services on a daily basis and the customer benefits as the service is provided. Transaction prices published in the Corporation’s tariffs are allocated to the performance obligation based on the volumes contracted with the customer. The performance obligation is satisfied at the point in time that the transportation services are complete and billed monthly based on the right to invoice practical expedient with collection generally occurring in the following month.

Interruptible transportation service contracts

Transportation service that is not provided on a guaranteed basis. The Corporation can generally interrupt service performance with short or no notice. The Corporation may curtail an interruptible customer’s service if the service is required to serve a higher priority customer. Curtailment of interruptible service may occur to protect the operational integrity of the natural gas system and ensure delivery to their firm transportation contract holders. Curtailment generally will restrict service to customers that have interruptible transportation contracts. Interruptible customers will be curtailed in order of priority to ensure firm deliveries are met first.

Interruptible service usually costs less than firm service as interruptible service is less reliable. The entire interruptible service contract is variable based on customer flow of an unknown quantity of natural gas contracted at a predetermined rate. Transaction prices published in the Corporation’s tariffs are allocated to the performance obligation based on the measured volumes transported with the customer. Interruptible services may have a term as short as one month.

Interruptible transportation services are recognized as revenue at the point in time that the Corporation completes the transportation services to the customer. These services are generally invoiced in the month following when the services are performed as this is when the service performance obligation is complete. There are no significant financing components, nor any non-cash consideration.

Storage service

The contracts for storage services provide customers with operational flexibility to store natural gas during periods of low demand to ensure that sufficient supply is available during periods of high demand. Storage services are contracted independently of transportation services and are considered one performance obligation recognized over time. The Corporation’s tariff, as well as associated Service Agreements and Schedules of Service, are applicable to each customer and their services requested. The customer receives the benefit of storage services and the Corporation has the right to invoice the customer for the services provided. Customers are invoiced in the month following the receipt of service, payable within 30 days of invoicing. The transaction prices published in the Corporation’s tariffs are allocated to the single performance obligation based on the volumes contracted with the customer. Revenues are recognized at the point in time that the Corporation completes the storage service to the customer. There are no significant financing components, nor any non-cash consideration.

iv. Other revenue

Gas processing fees

Gas processing revenues are earned through contracts with customers when raw natural gas is processed at a natural gas processing facility to separate the liquids and other impurities, creating natural gas line quality gas. Processing is considered a single performance obligation and is recognized at the point of transaction for single performance obligation. The method of revenue recognition is an output method, which is based on the volume of gas processed in a particular facility. These services are generally invoiced in the month following when the services are performed. With the Corporation selling its natural gas processing facilities during this fiscal year, gas processing fees will no longer be collected from customers.

Natural gas liquid sales

Natural gas liquids sales contracts provide revenue for the Corporation through the sales of gas processing byproducts separated at specific natural gas processing facilities. The method of revenue recognition is an output method based on the type and volume of natural gas liquid transferred to the customer. The sale of processed gas liquids is a single performance obligation recognized at the point of transaction for single performance obligation, which is separate from the actual processing of the gas. These services are generally invoiced in the month following when the sales occur. With the Corporation selling its natural gas processing facilities during this fiscal year, revenue from natural gas liquid sales will no longer be collected from the customer.

Government grants

Government grants are recognized at fair value as deferred revenue when the Corporation meets the criteria specified in the grant and the grant is deemed receivable from the government entity. Grants relating to expenses are recognized in net income on a systematic basis in the same periods the expenses are incurred.

Grants relating to the Corporation's assets are recognized into net income on a straight-line basis over the useful life of the related asset.

v. Unbilled revenue

Unbilled revenue is estimated monthly for services provided but not yet billed using management's judgments and assumptions.

vi. Customer contributions

The Corporation builds customer requested distribution and transmission facilities and the title, risks, and rewards of these facilities remain with the Corporation at all times during and after construction, as permitted by *The SaskEnergy Act*. Any use or benefit that the customer obtains does not occur during the construction period, but thereafter when the connection is made to the customer's property. It is at that point that the customer may use and benefit from the readily available natural gas. Therefore, the performance obligation is satisfied at the point in time when the customer specific facility connection is available for use by the Corporation and the service lines are available for the customer's operations. Customer contributions received in advance of construction are initially recorded as a contract liability as they are generally paid at contract inception prior to construction commencing. When the construction of a customer connection reaches its in-service date, the customer contribution paid by the customer is removed from contract liabilities and is generally recognized into customer contribution revenue. There are cases when a refund is paid to the customer based on the customer contribution billed in advance exceeding actual construction costs. The transaction prices included in the contract with the customer are allocated to performance obligations based on the specific customer facility requests being made available for use. Customer contribution consideration is considered variable due to refunds issued to customers.

Distribution service customer contributions

With respect to distribution customer specific facilities, customers agree to pay, to the Corporation, the sum detailed in the contract with regard to the capital cost of assets which provide distribution services to the contributing customer. The contracts generally require the customer to pay all or a portion of the contract cost in advance of construction, in which case the Corporation records the deposit as contract liabilities until the point in time that the related assets are available for use. At this point, the Corporation reduces the contract liability and records customer contribution revenue. For some contract types, the Corporation may refund to a customer, a portion of the contributions depending on the volume of gas the customer consumes over a five year period of time. The potential refund amount is removed from the contract liability and reported as a refund liability. At the in-service date, the difference between the customer capital contribution revenue recognized and the associated amount cumulatively billed to the customer is recognized as an account receivable. The account receivable is then recognized as a reduction of revenue over the term of the delivery service contract.

Transmission service customer contributions

With respect to transmission customer specific facilities, customers agree to pay in advance to the Corporation, the sum detailed in the contract with regard to the capital cost of assets which provide transmission services to the contributing customer. The transmission customer contributions that are paid in advance of construction are initially recorded as a contract liability. The contributions received, less potential refunds, are recognized into revenue at the point in time the related assets are available for use. The Corporation may provide a refund to a customer for some or all of the contributions made depending on the volume of gas transported through the system. There is a refund period on contributions received and the amount of contributions expected to be refunded are estimated and recorded as a refund liability until it is earned by the customer. Refund liabilities that are not returned to the customer are recognized as customer contribution revenue at the expiration of the eligible refund period. At the in-service date, the difference between the customer capital contribution revenue recognized and the associated amount cumulatively billed to the customer is recognized as an account receivable. The account receivable is then recognized as a reduction of revenue over the term of the transportation service contract.

Five year refund period

At the in-service date, a customer may begin to flow natural gas and earn a refund over a five year refund period. The amount potentially refundable to the customer is removed from contract liability and is recognized as a refund liability and reviewed annually. If the customer's actual flow of natural gas exceeds what they committed to at contract inception, the customer will earn an annual refund. The refund liability is reduced and a rebate is paid to the customer. If they flow less natural gas than they committed to at contract inception, the customer does not earn their rebate and the Corporation recognizes the annual refund liability amount as customer capital contribution revenue.

Contract liabilities

Advance receipt of customer capital contributions are recorded as a contract liability, as billing occurs prior to the construction of the associated customer facility. At the in-service date, a construction cost true-up is determined, with either a rebate issued to the customer or additional customer capital contribution collected from the customer. The contract liabilities are recognized as revenue at the in-service date of the customer facility with the exception of the potentially refundable amount over the applicable refund period. The refund period is generally over five years.

Refund liabilities

At the construction in-service date of a customer facility, a portion of the customer capital contribution may be refundable to the customer over a five year refund period, if the customer meets or exceeds a predetermined flow of natural gas. At the in-service date, the potential refund remaining over the five year refund period is no longer presented as a contract liability but is presented as a refund liability. Annually, the actual volume of natural gas flowed is compared to the predetermined flow and the annual rebate is paid to the customer if actual flow exceeds the predetermined flow amount. In contrast, if the actual flow is less than the predetermined flow, the rebate is recorded as customer contribution revenue.

o. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are added to the cost of that asset, until it is available for use. Qualifying assets are those assets that take a substantial period of time to get ready for their intended use. As the Corporation borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the borrowing costs are capitalized by applying its weighted average cost of debt. All other borrowing costs are recognized in finance expense in the period in which they are incurred.

p. Lease liability and right-of-use (ROU) assets

A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation has assessed its arrangements to determine whether they contain a lease.

ROU assets are initially measured at an amount equal to the lease liability and are adjusted for any payments made at or before the commencement date, less any lease incentives received. ROU assets are depreciated over the related lease term. The Corporation has applied judgment to determine the lease term for contracts that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and ROU assets recognized.

The corresponding lease liability is measured at the present value of the lease payments that are not paid at commencement and are discounted using the Corporation's incremental borrowing rate or the rate implicit in the lease. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Corporation's estimate or assessment of whether it will exercise an extension, termination, or purchase option. A corresponding adjustment is made to the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. See Note 3a for a discussion of transition from IAS 17 to IFRS 16 effective April 1, 2019.

4. CAPITAL MANAGEMENT

The Corporation's objective when managing its capital is to maintain financial stability through the effective management of liquidity and capital structure.

The Corporation finances its capital requirements through internally generated funds and injections of capital from the Province, typically in the form of debt. Under *The SaskEnergy Act*, the Corporation may borrow up to \$2,500 million of debt upon approval of the Lieutenant Governor in Council (2019 - \$2,500 million). Within this limit, the Corporation may borrow up to \$500 million in temporary loans (2019 - \$500 million), including a \$35 million uncommitted line of credit with Toronto-Dominion Bank (2019 - \$35 million). As at March 31, 2020, the Corporation had \$1,638 million of debt outstanding (2019 - \$1,440 million), including \$279 million in temporary loans (2019 - \$260 million), leaving \$221 million of remaining short-term borrowing capacity (2019 - \$240 million). The Corporation's short-term debt is unsecured, with an average interest rate of 1.3 per cent (2019 - 1.8 per cent).

The Corporation borrows all its capital, with the exception of occasional overnight loans from the Toronto-Dominion Bank, from the Province. The Corporation's borrowing requirements constitute a minor portion of the Province's total borrowings, and given the Province's strong credit rating, the Corporation was able to acquire all its funding requirements during the period.

The Corporation does not have share capital. However, it has received advances from CIC, which reflect an equity investment in the Corporation, to form its equity capitalization.

The Corporation monitors capital on the basis of the proportion of debt in the capital structure, with a long-term target range of 58.0 per cent to 63.0 per cent. The purpose of this strategy is to ensure the Corporation's debt is self-supporting and does not adversely affect the Province's access to capital markets. The debt ratio is calculated as net debt divided by total capital at the end of the fiscal year as follows:

(millions)	2020	2019
Long-term debt	\$ 1,359	\$ 1,180
Short-term debt	279	260
Debt retirement funds	(136)	(121)
Cash and cash equivalents	(1)	(6)
Total net debt	1,501	1,313
Equity advances	72	72
Retained earnings	1,024	1,005
Total capital	\$ 2,597	\$ 2,390
Debt ratio	57.8%	54.9%

The Corporation's objectives, policies and processes for managing its capital were consistent with the prior period. The Corporation complied with all externally imposed requirements for its capital throughout the period, which include compliance with the approved borrowing limits for short-term and long-term debt, and the annual investment requirement to the debt retirement funds.

5. TRADE AND OTHER RECEIVABLES

(millions)	2020	2019
Unbilled revenue	\$ 48	\$ 46
Trade receivables	85	90
Other receivables	29	25
	162	161
Credit loss allowance	(7)	(5)
	\$ 155	\$ 156

The following reflects an aging summary of trade and other receivables. All trade and other receivables not classified as current at the end of the reporting period are considered past due.

(millions)	2020	2019
Current	\$ 144	\$ 143
30 - 59 days	8	8
60 - 89 days	3	3
Greater than 90 days	7	7
	162	161
Credit loss allowance	(7)	(5)
	\$ 155	\$ 156

The following table provides information about the ECLs for trade and other receivables from individual customers as at March 31, 2020.

(millions)	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance
Current	\$ 144	4%	\$ 6
30 - 59 days	8	0%	-
60 - 89 days	3	0%	-
Greater than 90 days	7	14%	1
Credit loss allowance			\$ 7

The Corporation records lifetime ECLs on customer receivables based on a developed provision matrix.

The change in the credit loss allowance with respect to trade and other receivables is as follows:

(millions)	2020	2019
Opening balance	\$ 5	\$ 5
Provision	5	2
Write-offs	(3)	(2)
Closing balance	\$ 7	\$ 5

6. NATURAL GAS IN STORAGE HELD FOR RESALE

(millions)	2020	2019
Cost	\$ 20	\$ 40
Revaluation to net realizable value	(7)	(14)
	\$ 13	\$ 26

With the decline in natural gas market prices over recent years, the net realizable value of natural gas in storage as at March 31, 2020 is \$7 million below cost (2019 - \$14 million). As at March 31, 2020, the Corporation expects that \$11 million of the current inventory value could be sold or consumed within the next fiscal year and \$2 million of the current inventory value could be sold or consumed after more than one fiscal year.

7. DEBT RETIREMENT FUNDS

(millions)	2020	2019
Balance, beginning of year	\$ 121	\$ 105
Installments	11	10
Redemptions	(4)	-
Earnings	6	3
Change in fair value through OCI	2	3
Balance, end of year	136	121
Less: Current portion of debt retirement funds	(11)	(3)
	\$ 125	\$ 118

The investments held in debt retirement funds are primarily Federal and Provincial Government debt instruments. The average return on these investments is 3.0 per cent for the period (2019 - 2.4 per cent). As at March 31, 2020, approximately \$13 million is required to be invested in debt retirement funds on an annual basis.

8. FINANCIAL AND DERIVATIVE INSTRUMENTS

For recurring and non-recurring fair value measurements, the Corporation estimates the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the reporting date under current market conditions. This requires the Corporation to make certain assumptions, including the principal (or most advantageous) market, the most appropriate valuation technique and the most appropriate valuation premise. The Corporation's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments.

In measuring fair value, the Corporation classifies items according to the fair value hierarchy based on the amount of observable inputs.

Level 1 valuations use quoted prices (unadjusted) that are available in active markets for identical assets or liabilities as at the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide ongoing pricing information.

Level 2 valuations are based on inputs that are either directly or indirectly observable for the asset or liability as at the reporting date. Inputs include quoted market prices, time value, volatility factors and broker quotations which can be substantially observed or corroborated in the marketplace.

Level 3 inputs are unobservable for the particular assets and liabilities as at the reporting date. The Corporation did not classify any of its fair value measurements within Level 3.

			2020		2019	
(millions)	Classification	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL AND DERIVATIVE ASSETS						
Cash	FVTPL	Level 1	\$ 1	\$ 1	\$ 6	\$ 6
Trade and other receivables	AC	Level 2	155	155	156	156
Debt retirement funds	FVOCI	Level 2	136	136	121	121
Fair value of derivative instrument assets	FVTPL	Level 2	15	15	41	41
FINANCIAL AND DERIVATIVE LIABILITIES						
Bank indebtedness	FVTPL	Level 1	-	-	-	-
Short-term debt	AC	Level 2	279	279	260	260
Trade and other payables	AC	Level 2	120	120	117	117
Dividends payable	AC	Level 2	2	2	43	43
Long-term debt	AC	Level 2	1,359	1,532	1,180	1,332
Fair value of derivative instrument liabilities	FVTPL	Level 2	21	21	17	17

Classification details:
FVTPL - fair value through profit or loss

AC - amortized cost
FVOCI - fair value through other comprehensive income

The fair value of debt retirement funds is determined by Saskatchewan's Ministry of Finance using a market approach with information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

The fair value of natural gas derivative instruments is determined using a market approach. The Corporation obtains quoted market prices from sources such as the Canadian Gas Price Reporter and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes.

The fair value of long-term debt is determined for disclosure purposes only using an income approach. Fair values are estimated using the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Notional values are an approximation of future undiscounted net cash flows. For physical natural gas contracts, the notional value is based on the contract price. Where contract prices are referenced to an index price that has not yet been fixed, the market price is used to estimate the contract price.

As at March 31, 2020, natural gas derivative instruments had the following fair values, notional values and maturities in the next five fiscal years:

(millions)	2021	2022	2023	2024	2025	Total
Fair value	\$ (12)	\$ 3	\$ 2	\$ 2	\$ -	\$ (5)
Notional value	\$ (29)	\$ 6	\$ 3	\$ 4	\$ 1	\$ (15)

Fair value - increase (decrease) in net income

Notional value - estimated undiscounted net cash (outflow) inflow

Financial assets and liabilities are offset within the consolidated statement of financial position if the Corporation has the legal right to offset and intends to settle on a net basis. When natural gas contracts settle or become realized, the amount due to or from counterparties is recorded within trade payables or trade receivables, respectively. The Corporation offsets these amounts when the counterparty and timing of settlement are the same, which reflects the expected future cash flows from settling its natural gas contracts.

The following amounts were netted within the consolidated statement of financial position:

(millions)	2020	2019
TRADE AND OTHER RECEIVABLES		
Gross amount recognized	\$ 19	\$ 17
Amount offset	(12)	(13)
Net amount presented in the consolidated statement of financial position	\$ 7	\$ 4
TRADE AND OTHER PAYABLES		
Gross amount recognized	\$ 23	\$ 39
Amount offset	12	(13)
Net amount presented in the consolidated statement of financial position	\$ 11	\$ 26

9. FINANCIAL RISK MANAGEMENT

Through the normal course of business, the Corporation has exposure to market risk (natural gas price risk and interest rate risk), liquidity risk and credit risk related to its financial and derivative instruments. The Board of Directors, through the Audit and Finance Committee, has the overall responsibility for the establishment and oversight of the Corporation's risk management efforts. The risk management policies and strategies, approved by the Board of Directors and reviewed regularly by the Audit and Finance Committee, provide the framework within which financial and derivative instruments may be used to manage its risks. The Corporation's significant risk management policies include the Corporate Derivatives Policy, the Commodity Risk Management Policy, the Corporate Debt and Interest Rate Risk Management Policy and the Corporate Credit Risk Management Policy. The objectives, policies and processes for managing risk were consistent with the prior period.

a. Natural gas price risk

The Corporation purchases natural gas for resale to its customers. While natural gas is purchased at fluctuating market prices, the Corporation sells natural gas to customers at a fixed commodity rate that is reviewed semi-annually. As part of its natural gas price risk management strategy, derivative instruments are used to manage the price of the natural gas it buys. The objective is to reduce cost of gas variability and to have rates that are competitive to other utilities. The Corporation also purchases and sells natural gas in the open market to generate incremental income through its asset optimization activities.

The purchase or sale price of natural gas may be fixed within the contract or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments that may be used for price risk management include natural gas price swaps, options, swaptions and forward contracts.

The Corporation's commodity price risk management strategy establishes specific hedging targets, which may differ depending on current market conditions, to guide risk management activities. Additionally, the Corporation uses mark-to-market value, value-at-risk and net exposure to monitor natural gas price risk. These metrics are measured and reported daily to the Commodity Risk Management Committee, a subcommittee of the Corporation's Executive Committee.

Based on period-end closing positions, an increase of \$1.00 per gigajoule (GJ) in natural gas prices would have increased net income, through an increase in the fair value of natural gas derivative instruments, by \$43 million (2019 - \$44 million). Conversely, a decrease of \$1.00 per GJ would have decreased net income, through a decrease in the fair value of natural gas derivative instruments, by \$43 million (2019 - \$44 million).

Based on the period closing positions, an increase of \$1.00 per GJ in natural gas prices would have a positive impact on uncontracted natural gas in storage, by \$5 million (2019 - \$12 million). Conversely, a decrease of \$1.00 per GJ would have a negative impact on unsold natural gas in storage, by \$5 million (2019 - \$9 million).

b. Interest rate risk

The Corporation's significant interest-bearing financial instruments are short-term variable rate debt and long-term fixed rate debt. Consequently, the Corporation is subject to interest rate risk on outstanding short-term debt balances as well as on future short-term and long-term borrowings. Interest rate risk is managed by adjusting the relative levels of short- and long-term debt depending on current market conditions. The Corporation monitors long-term debt levels by maintaining an industry-comparable long-term debt to long-term capital requirements ratio. The Corporation forecasts its borrowing requirements annually and develops financing strategies and target rates for interest rate risk management activities.

As at March 31, 2020, the Corporation had \$279 million of short-term debt outstanding and \$34 million of long-term debt that will mature within the next fiscal year and may be refinanced. Based on these amounts, a 1.0 per cent change in interest rates would increase or decrease the annual finance expense by approximately \$3 million (2019 - \$3 million).

The Corporation is also subject to interest rate risk related to debt retirement funds and provisions, as the recorded values are driven by market prices which are largely determined by interest rates. Fluctuations in the interest rates of debt retirement funds and provisions can have an impact on the Corporation. The estimated impact of a 1.0 per cent change in interest rates, assuming no change in the amount of debt retirement funds, would increase or decrease the market value of the debt retirement funds recorded through Other Comprehensive Income (OCI) by approximately \$10 million (2019 - \$10 million). The estimated impact of a 1.0 per cent increase in interest rates, assuming no change in the amount of provisions, would have decreased the value of the provision by approximately \$85 million (2019 - \$65 million). Conversely, a 1.0 per cent decrease in interest rates, assuming no change in the amount of provisions, would have increased the value of the provision by approximately \$133 million (2019 - \$73 million).

c. Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. The Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows.

The contractual maturities of the Corporation's financial obligations, including interest payments and the impact of netting agreements, as at March 31, 2020 were as follows:

(millions)	Carrying Amount	Contractual Maturities			
		Less Than 1 Year	1 - 2 Years	3 - 5 Years	More Than 5 Years
Short-term debt	\$ 279	\$ 279	\$ -	\$ -	\$ -
Trade and other payables	120	120	-	-	-
Dividends payable	2	2	-	-	-
Long-term debt	1,359	87	52	254	1,979
Derivative instruments	21	29	(6)	(8)	-
Commitments	144	144	-	-	-
	\$ 1,925	\$ 661	\$ 46	\$ 246	\$ 1,979

As at March 31, 2020, the Corporation's borrowing capacity, together with relatively stable operating cash flows, provide sufficient liquidity to fund these contractual obligations. Interest rates used in calculating financial obligations are effective March 31, 2020.

In addition to the above, the Corporation has posted a \$15 million (2019 - \$15 million) letter of credit with ICE NGX as security for natural gas purchases and sales conducted by the Corporation on the ICE NGX natural gas exchange in Alberta. ICE NGX may draw upon the letter of credit if the Corporation fails to make timely payment for, or delivery of, natural gas as per the related contract.

COVID-19 (Coronavirus) impact assessment

The COVID-19 pandemic has caused material disruption to businesses and has resulted in an economic slowdown. The Corporation has assessed and continues to monitor the impact of COVID-19 on its operations. The magnitude and duration of COVID-19 is uncertain and, if it causes significant disruption for an extended period of time, the impacts to the Corporation will increase. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce and potential asset impairment. On March 18, 2020, SaskEnergy announced that it would provide financial relief to customers by waiving late payment charges, offering payment deferrals and suspending collection activities for six months.

d. Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial or derivative instrument fails to meet its contractual obligations. The Corporation is exposed to credit risk through cash, trade and other receivables, debt retirement funds and derivative instrument assets. Credit risk related to cash and debt retirement funds is minimized by dealing with institutions that have strong credit ratings and holding highly-rated financial securities.

The Corporation extends credit to its customers in the normal course of business and is at risk of loss in the event of non-performance by counterparties on certain of the financial and derivative instruments. To reduce its credit risk, the Corporation has established policies and procedures to monitor and limit the amount of credit extended to its customers and counterparties and may require letters of credit and other forms of security. As at March 31, 2020, the maximum credit exposure to a single counterparty is \$6 million (2019 - \$9 million).

The carrying amount of financial and derivative assets represents the maximum credit exposure as follows:

(millions)	2020	2019
Cash	\$ 1	\$ 6
Trade and other receivables	155	156
Debt retirement funds	136	121
Fair value of derivative instrument assets	15	41
	\$ 307	\$ 324

At March 31, 2020, the exposure to credit risk for trade receivables by type of customer was as follows:

(millions)	2020	2019
Distribution customers	\$ 89	\$ 98
Transmission and storage customers	31	30
Asset optimization customers	7	4
Other customers	28	24
Trade and other receivables	\$ 155	\$ 156

10. RIGHT-OF-USE ASSETS

(millions)	Buildings	Computer Hardware	Vehicles	Total
COST				
Balance, March 31, 2019	\$ -	\$ -	\$ -	\$ -
Transfers - IFRS 16 transition	7	3	9	19
Additions	1	2	1	4
Balance, March 31, 2020	8	5	10	23
ACCUMULATED DEPRECIATION				
Balance, March 31, 2019	-	-	-	-
Transfers - IFRS 16 transition	-	1	2	3
Depreciation	3	1	1	5
Balance, March 31, 2020	3	2	3	8
CARRYING AMOUNTS				
Balance, March 31, 2019	\$ -	\$ -	\$ -	\$ -
Balance, March 31, 2020	\$ 5	\$ 3	\$ 7	\$ 15

11. INTANGIBLE ASSETS

(millions)	Computer Software	Under Development	Total
COST			
Balance, April 1, 2018	\$ 126	\$ 8	\$ 134
Additions	9	15	24
Disposals	(13)	-	(13)
Transfers	-	(9)	(9)
Balance, March 31, 2019	122	14	136
Additions	9	13	22
Transfers	-	(9)	(9)
Balance, March 31, 2020	131	18	149
ACCUMULATED AMORTIZATION			
Balance, April 1, 2018	70	-	70
Amortization	9	-	9
Disposals	(13)	-	(13)
Balance, March 31, 2019	66	-	66
Amortization	10	-	10
Balance, March 31, 2020	76	-	76
CARRYING AMOUNTS			
Balance, March 31, 2019	\$ 56	\$ 14	\$ 70
Balance, March 31, 2020	\$ 55	\$ 18	\$ 73

The annualized composite rate of amortization was 7.6 per cent during the period (2019 - 7.5 per cent).

12. PROPERTY, PLANT AND EQUIPMENT

(millions)	Distribution	Transmission and Storage	Gathering, Treatment and Compression	Vehicles, Equipment and Other	Computer Hardware	Construction in Progress	Total
COST							
Balance, April 1, 2018	\$ 1,523	\$ 1,276	\$ 364	\$ 166	\$ 21	\$ 99	\$ 3,449
Additions	159	64	96	29	3	289	640
Disposals	(5)	(2)	(51)	(6)	(4)	(1)	(69)
Impairment	-	-	13	(1)	-	-	12
Transfers	-	-	-	-	-	(277)	(277)
Balance, March 31, 2019	1,677	1,338	422	188	20	110	3,755
Transfers - IFRS 16 transition	-	-	-	(9)	(3)	-	(12)
Additions	190	164	35	11	1	319	720
Disposals	(3)	(7)	-	(2)	-	(17)	(29)
Impairment	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(301)	(301)
Balance, March 31, 2020	1,864	1,495	457	188	18	111	4,133
ACCUMULATED DEPRECIATION							
Balance, April 1, 2018 (restated)	460	467	165	90	18	-	1,200
Depreciation	35	31	13	10	1	-	90
Adjustments	-	-	(3)	-	-	-	(3)
Disposals	(4)	(2)	(20)	(7)	(4)	-	(37)
Balance, March 31, 2019	491	496	155	93	15	-	1,250
Transfers - IFRS 16 transition	-	-	-	(2)	(1)	-	(3)
Depreciation	35	36	16	8	1	-	96
Adjustments	-	-	-	-	-	-	-
Disposals	(2)	(6)	-	(3)	-	-	(11)
Balance, March 31, 2020	524	526	171	96	15	-	1,332
CARRYING AMOUNTS							
Balance, March 31, 2019	\$ 1,186	\$ 842	\$ 267	\$ 95	\$ 5	\$ 110	\$ 2,505
Balance, March 31, 2020	\$ 1,340	\$ 969	\$ 286	\$ 92	\$ 3	\$ 111	\$ 2,801

Included within the carrying amount for property, plant and equipment is \$230 million (2019 - \$140 million) related to decommissioning costs.

The annualized composite rate of depreciation was 2.4 per cent during the period (2019 - 2.5 per cent).

13. TRADE AND OTHER PAYABLES

(millions)	2020	2019
Trade payables	\$ 63	\$ 70
Interest payables	15	13
Other payables	42	34
	\$ 120	\$ 117

14. LONG-TERM DEBT

(millions)	2020	2019
Balance, beginning of year	\$ 1,180	\$ 1,081
Proceeds	212	149
Repayments	(33)	(50)
Balance, end of year	\$ 1,359	\$ 1,180

Long-term debt consists of the following:

	2020		2019	
	Principal Outstanding (millions)	Effective Interest Rate	Principal Outstanding (millions)	Effective Interest Rate
GENERAL REVENUE FUND				
1 - 5 years	\$ 134	4.1%	\$ 67	5.4%
6 - 10 years	142	7.0%	242	5.4%
11 - 15 years	60	6.4%	60	6.4%
16 - 20 years	114	3.3%	81	3.6%
21 - 25 years	225	4.0%	225	4.0%
26 - 30 years	450	3.4%	450	3.4%
31 plus years	215	3.0%	50	3.0%
	1,340		1,175	
Unamortized debt premium/discount and issue costs	14		-	
	1,354		1,175	
OTHER LONG-TERM DEBT				
26 - 30 years	5	13.5%	5	13.5%
	1,359		1,180	
Less: Current portion of long-term debt	(34)		(33)	
	\$ 1,325		\$ 1,147	

Long-term debt is unsecured. As at March 31, 2020, principal repayments due in each of the next five fiscal years were as follows:

(millions)	2021	2022	2023	2024	2025
Principal repayments	\$ 34	\$ -	\$ -	\$ 100	\$ -

On April 28, 2020, the Corporation entered into an agreement with the Province to borrow an additional \$100 million of long term debt with an interest rate of 3.1 per cent maturing in 2050.

15. UNEARNED CUSTOMER CAPITAL CONTRIBUTIONS AND GOVERNMENT GRANTS

Contract liabilities

Contract liabilities are performance obligations the Corporation has not yet performed but has already received consideration from customers.

(millions)	2020	2019
Balance, beginning of year	\$ 16	\$ -
Transitional provision	-	35
Additions	46	31
Refunds	(4)	(1)
Revenue	(32)	(41)
Transfer to refund liability	(7)	(8)
Balance, end of year	\$ 19	\$ 16

Refund liabilities

Refund liabilities relate to performance obligations the Corporation has not yet performed, has already received consideration from customers and expects to refund the consideration to the customer based on actual flows of natural gas exceeding the estimated flows determined at contract inception. The balance at March 31, 2020 was \$7 million (2019 - \$8 million).

Deferred revenue

Unearned government grants represent amounts received to compensate the Corporation for the cost of certain items of property, plant and equipment. There are no unfulfilled conditions or other contingencies attached to these government grants. The balance at March 31, 2020 was \$5 million (2019 - \$5 million).

16. LEASE LIABILITY

Leases are recognized as ROU assets and corresponding liabilities at the date at which a leased asset is available for use. Payments for short-term leases and leases of low-value assets are expensed on a straight-line basis and excluded from the lease liability.

(millions)	2020	2019
Total future minimum lease payments	\$ 14	\$ 9
Less: Future finance charges on leases	(1)	(1)
Present value of lease liability	13	8
Less: Current portion of lease liability	(6)	(3)
	\$ 7	\$ 5

(millions)	2020
Lease liabilities, beginning of year	\$ 8
IFRS 16 transition (Note 3a)	7
Net additions	3
Principal repayment of lease liability	(5)
Lease liabilities, end of year	\$ 13

As at March 31, 2020, scheduled future minimum lease payments and the present value of the finance lease obligation are as follows for the next five fiscal years:

(millions)	2021	2022	2023	2024	2025
Future minimum lease payments	\$ 7	\$ 4	\$ 2	\$ 1	\$ 1
Present value of lease liability	\$ 6	\$ 4	\$ 2	\$ 1	\$ 1

17. PROVISIONS

(millions)	2020	2019
Balance, beginning of year	\$ 200	\$ 128
Provisions made	-	65
Provisions settled	(9)	(10)
Change in discount rate	96	13
Unwinding of discount	5	4
Balance, end of year	\$ 292	\$ 200

The Corporation has estimated the future cost of decommissioning certain natural gas facilities. For the purposes of estimating the fair value of these decommissioning obligations, it is assumed that the costs will be incurred between April 1, 2020 and March 31, 2109. The undiscounted cash flows required to settle the obligations total \$498 million (2019 - \$469 million). Discount rates between 0.7 per cent and 1.4 per cent were used to calculate the carrying amount of the obligation (2019 - 1.9 per cent and 2.3 per cent). No funds have been set aside by the Corporation to settle these obligations.

18. COMMITMENTS AND CONTINGENCIES

a. Commitments

As at March 31, 2020, the Corporation had \$144 million (2019 - \$79 million) of outstanding contractual commitments for the procurement of goods and services in the future.

During the period, the Corporation entered into commodity contracts for the physical purchase of natural gas that qualify as own-use contracts. As at March 31, 2020, own-use natural gas derivative instruments had the following notional values and maturities for the next five fiscal years:

(millions)	2021	2022	2023	2024	2025	Total
OWN-USE PHYSICAL NATURAL GAS CONTRACTS						
Notional value	\$ 74	\$ 73	\$ 71	\$ 70	\$ 85	\$ 373

Notional value - estimated undiscounted cash outflow

b. Contingencies

The Corporation is involved in litigation claims, which the Corporation does not expect the outcomes to result in any material financial impact.

19. UNREALIZED MARKET VALUE ADJUSTMENTS

(millions)	2020	2019
Change in fair value of natural gas derivative instruments	\$ (30)	\$ 13
Change in revaluation of natural gas in storage to net realizable value	7	19
	\$ (23)	\$ 32

Unrealized market value adjustments represent the net income impact of measuring certain financial and derivative instruments at fair value subsequent to initial recognition (Note 8) and measuring natural gas in storage at the lower of weighted average cost and net realizable value (Note 6). These adjustments represent the change in the carrying amount of the related item during the period and are dependent on the market prices and expected delivery dates at the end of the reporting period.

20. NATURAL GAS SALES AND PURCHASES

	2020			2019		
(millions)	Commodity	Asset Optimization	Total	Commodity	Asset Optimization	Total
NATURAL GAS SALES						
Natural gas sales to commodity customers	\$ 165	\$ -	\$ 165	\$ 228	\$ -	\$ 228
Realized on natural gas derivative instruments	-	144	144	-	224	224
Change in fair value of natural gas derivative instruments	-	(1)	(1)	-	(4)	(4)
	165	143	308	228	220	448
NATURAL GAS PURCHASES						
Realized on natural gas derivative instruments	(142)	(142)	(284)	(183)	(213)	(396)
Change in fair value of natural gas derivative instruments	6	(35)	(29)	35	(18)	17
Change in revaluation of natural gas in storage to net realizable value	-	7	7	-	19	19
	(136)	(170)	(306)	(148)	(212)	(360)
	\$ 29	\$ (27)	\$ 2	\$ 80	\$ 8	\$ 88

21. DELIVERY REVENUE

(millions)	2020	2019
Basic monthly charge	\$ 120	\$ 119
Delivery revenue	158	164
Other	6	6
	\$ 284	\$ 289

22. TRANSPORTATION AND STORAGE REVENUE

(millions)	2020	2019
Transportation		
Firm	\$ 171	\$ 143
Interruptible	7	9
Other	-	1
	178	153
Storage	9	10
	\$ 187	\$ 163

23. SASKATCHEWAN TAXES

(millions)	2020	2019
Corporate capital tax	\$ 12	\$ 11
Property taxes and other	4	4
	\$ 16	\$ 15

24. NET FINANCE EXPENSES

(millions)	2020	2019
Debt retirement funds earnings	\$ 4	\$ 3
Finance income	\$ 4	\$ 3
Interest expense on short-term debt	(4)	(3)
Interest expense on long-term debt	(53)	(50)
Unwinding of discount on provisions	(5)	(4)
Borrowing costs capitalized to qualifying assets	3	2
Finance expenses	(59)	(55)
Net finance expenses	\$ (55)	\$ (52)

Borrowing costs were capitalized to qualifying assets using the weighted average cost of debt of 3.8 per cent during the period (2019 - 4.2 per cent).

25. OTHER GAINS AND LOSSES

(millions)	2020	2019
Net (loss) gain on disposal of assets	\$ (16)	\$ 6
Net (loss) gain on impairment of assets	(5)	12
Other net losses	-	(7)
	\$ (21)	\$ 11

Geological information on the Corporation's storage expansion plans near Regina did not meet expectation and a loss relating to seismic and test hole activity was realized in 2020. In addition, a permanent impairment loss was realized on natural gas inventory when it was determined that deliverability at one of the Corporation's storage facilities was not able to produce all the gas from the facility before the sites planned decommissioning date.

26. RELATED PARTY TRANSACTIONS

Balances and transactions between SaskEnergy and its wholly owned subsidiaries, which are related parties of SaskEnergy, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

a. Transactions with key management personnel

Key management personnel include directors and executive officers. The compensation paid to key management for employee services is as follows:

(millions)	2020	2019
Short-term benefits	\$ 3	\$ 3

b. Other related party transactions

As a Crown corporation, the Corporation is ultimately controlled by the Government of Saskatchewan. Included in the consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Government-related entities are exempt from providing disclosure about individual related party transactions, other than the transactions with key management personnel disclosed above. Instead, government-related entities are required to disclose the types and extent of individually or collectively significant transactions with related parties. In determining individually significant transactions, the Corporation considers the size, type and terms of the transaction.

There were no other individually or collectively significant transactions with related parties for the period. All other transactions with related parties were routine operating transactions that were settled at prevailing market prices under normal trade terms.

27. RESTATEMENT OF FINANCIAL RESULTS

At the end of 2020, losses on disposal of property, plant and equipment were reclassified from an accumulated depreciation deferral account to a loss account in the statement of comprehensive income to more accurately reflect the nature of the balances.

Prior period adjustment (millions)	As Previously Reported April 1, 2018	Adjustment	Restated April 1, 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Property, plant and equipment	\$ 3,449	\$ -	\$ 3,449
Accumulated depreciation	(1,181)	(19)	(1,200)
Carrying Amounts	\$ 2,268	\$ (19)	\$ 2,249
Retained earnings	\$ (918)	\$ 19	\$ (899)

The adjustment relates to the following years in the following amounts:

Property, plant & equipment accumulated depreciation (millions)	Transmission & Storage	Vehicle, Equipment & Other	Total Adjustment
December 31, 2014	\$ (6)	\$ (1)	\$ (7)
March 31, 2016	(2)	-	(2)
March 31, 2017	(3)	-	(3)
March 31, 2018	(4)	(3)	(7)
Total	\$ (15)	\$ (4)	\$ (19)

Note that the Corporation changed its fiscal year-end from December 31 to March 31 and reported a 15-month period ending March 31, 2016.

28. SUBSEQUENT EVENT

On April 28, 2020, the Corporation entered into an agreement with the Province to borrow an additional \$100 million of long term debt with an interest rate of 3.1 per cent maturing in 2050.

Board of Directors



SUSAN BARBER, Q.C., C.DIR.

BOARD CHAIR, SASKENERGY
REGINA, SASKATCHEWAN

Ms. Barber is a partner at McDougall Gauley LLP and is one of Canada's leading practitioners in labour and employment law. She holds both a Bachelor of Arts and Law Degree and brings a wealth of experience to the SaskEnergy Board of Directors, having previously served in leadership roles with many of Saskatchewan's most prominent companies and organizations. Ms. Barber is designated in the Canadian Lexpert directory as a leading practitioner in labour and in "The Best Lawyers in Canada" in the area of labour and employment law, chosen by her peers across the country. She was also named the Best Lawyers' 2014 Regina Labour and Employment Law "Lawyer of the Year". Ms. Barber has served as Chair of the SaskEnergy Board of Directors since 2013 and is a member of the Audit and Finance Committee.



NOLA JOORISITY, FCPA, FCA, CMA, C.DIR.

VICE CHAIR, SASKENERGY
REGINA, SASKATCHEWAN

Ms. Joorisity is on faculty at the Hill School of Business at the University of Regina. She has also worked as the Chief Financial Officer and Managing Director of Greystone Managed Investments Inc., and as the Chief Executive Officer and Director of Education at the Institute of Chartered Accountants of Saskatchewan. She holds Chartered Accountant, Fellow Chartered Professional Accountant, Certified Management Accountant and Fellow Chartered Accountant designations, has a Bachelor of Commerce from the University of Saskatchewan, and has obtained her Chartered Director's designation. Ms. Joorisity has been a member of SaskEnergy's Board of Directors since 2013 and is the Chair of the Audit and Finance Committee.



RON BARSİ, P.GEO., ICD.D

SASKATOON, SASKATCHEWAN

Mr. Barsi recently retired from his role as a principal, Global Mining Services, with Golder Associates Limited where he led a group of senior individuals working toward the sustainable development of Saskatchewan's mining industry. He has a Bachelor of Science degree from the University of Regina, along with education in Contaminant Hydrogeology from the Department of Earth Sciences at the University of Waterloo and Engineering of Waste Management Systems from the Department of Civil Engineering at the University of Saskatchewan. He spent more than 38 years working domestically and internationally as an integrated environmental risk management specialist, with the majority of his career associated with northern Saskatchewan's uranium industry. Mr. Barsi joined SaskEnergy's Board of Directors in 2016 and is the Chair of the Governance and Social Responsibility Committee.



CURT CHICKOSKI

SWIFT CURRENT, SASKATCHEWAN

Mr. Chickoski owns and manages two successful cattle and horse operations. He also serves on the Canadian Agri-Stability Appeals Committee, the Swift Current Creek Watershed Board, and as local supervisor for the Saskatchewan Cattle Feeders Association. Mr. Chickoski joined SaskEnergy's Board of Directors in 2010 and is a member of the Governance and Social Responsibility Committee.



GRANT GREENSLADE

SHAUNAVON, SASKATCHEWAN

Mr. Greenslade is an independent businessman with nearly 25 years of experience overseeing and providing strategic guidance in the oil and gas industry. He co-founded and was a Board Chair/member of three successful companies (Spartan Energy, Spartan Exploration and Spartan Oil), which were subsequently purchased by larger energy companies. Currently, Mr. Greenslade is President of Greenslade Consulting Ltd., an oil and gas consulting business with oilfield services operations in southwestern Saskatchewan. He has served as the Mayor of Shaunavon since 2016, having previously been an Alderman for 15 years. He is also an active volunteer and fundraiser for STARS, and a long-time financial donor to various charitable organizations. Mr. Greenslade joined SaskEnergy's Board of Directors in November 2018 and is a member of the Audit and Finance Committee.



VÉRONIQUE LOEWEN

SASKATOON, SASKATCHEWAN

Ms. Loewen is a seasoned public relations professional with 25 years of experience as a mining sector communicator, advocate and translator. She is the owner of Verolingo Communications, an English/French translation and communication services provider. Ms. Loewen is a founding member and past Board Chair of Women in Mining and Women in Nuclear Saskatchewan, and a current Board member of Prairieland Park in Saskatoon. She holds a Master of Business Administration degree from Royal Roads University, a Bachelor of Arts in Applied Foreign Languages from the Université Montpellier III (France) and is a certified Communications Management Professional through the Global Communication Certification Council. Ms. Loewen was appointed to SaskEnergy's Board of Directors in November 2018 and is a member of the Human Resources and Safety Committee.



LINDA MOULIN

SASKATOON, SASKATCHEWAN

Ms. Moulin is the principal owner of LSM Consulting, a governance consulting firm in Saskatoon. In 2013, she retired from her position as Chief Governance Officer with Affinity Credit Union where she held overall responsibility for governance, as well as First Nations strategy and business development. A member of the Canadian Association of Insurance Advisors and Chartered Financial Planners Association, Ms. Moulin also holds International Director, Chartered Life Underwriter and Chartered Financial Consultant designations. Her community involvement has included work with Royal University Hospital, the United Way of Saskatoon & Area, and the Elizabeth Fry Society of Saskatchewan. She is also a past member of the Saskatchewan Government Insurance (SGI) Board of Directors. Ms. Moulin was appointed to SaskEnergy's Board of Directors in November 2018 and is a member of the Governance and Social Responsibility Committee.



ANNETTE REVET, MBA, C.DIR.

REGINA, SASKATCHEWAN

Ms. Revet is Chief Transformation Officer at Conexus Credit Union. In her role, she leads high-performance teams in strategy, human resources, corporate governance, project management and government relations. Throughout her 25-year career, Ms. Revet has gained progressive experience as an executive, manager, executive facilitator and multi-disciplinary team leader with organizations such as The Mosaic Company, Farm Credit Canada and the University of Regina. She holds a Bachelor of Science (Honours) degree and a Master's degree in Business Administration from the University of Regina and became a Chartered Director in 2010. Ms. Revet joined SaskEnergy's Board of Directors in 2016 and is a member of the Human Resources and Safety Committee.



DOUG SHAW

SASKATOON, SASKATCHEWAN

Mr. Shaw retired in 2016 from AMEC Foster Wheeler, a multinational engineering and project management firm, after more than 35 years of project services experience in the mining and petrochemical industries. He held the position of Manager, Project Services, where he coordinated services for Engineering, Procurement and Construction Management contracts ranging from \$20 million to \$4 billion. He also worked with Hudson Bay Mining & Smelting, SNC Lavalin, Kilborn Engineering and Home Oil throughout his career. Mr. Shaw has a Business Administration Certificate and completed the Effective Executive Leadership Program from Edwards School of Business at the University of Saskatchewan. He also serves on the Trinity Manor & Stonebridge Board of Directors and volunteers in the community. Mr. Shaw was appointed to SaskEnergy's Board of Directors in November 2018 and is a member of the Governance and Social Responsibility Committee.



TINA SVEDAHL, CPA, CMA, ICD.D

REGINA, SASKATCHEWAN

As Vice President of Investments at Harvard Developments Inc., Ms. Svedahl provides strategic expertise, governance oversight and leadership regarding mergers, acquisitions and operations of The Hill Companies' diverse interests in broadcasting, manufacturing, insurance and real estate. She has more than 25 years of experience in the real estate industry, is a Chartered Professional Accountant (CPA, CMA) and holds her Canadian Securities Certificate and the Institute of Corporate Directors designation. Ms. Svedahl has served as Chair of the Globe Theatre Board of Directors since 2014 and is a Director of One Life Makes a Difference and Harvard Western Insurance. She joined SaskEnergy's Board of Directors in 2016 and is a member of the Audit and Finance Committee.



BRADLEY SYLVESTER, C.DIR.

SASKATOON, SASKATCHEWAN

Mr. Sylvester retired in June 2017 as National Account Manager for Sofina Foods Inc., following 42 years of experience in sales, marketing and leadership. He is President and Chair of OSP Community Development Corp., is a member of the Parkinson Society of Canada advisory board, and serves as Vice Chair of the District Planning Commission for Saskatoon and the RM of Corman Park. He also served on the Board of Directors of Information Services Corporation until May 2016 and is the Past Chair of the Canada Celebrates Optimist Canada Day and the Sandra Schmirler Foundation. Mr. Sylvester is a graduate of Conestoga College with a Business Marketing diploma. He earned a Business Administration Certificate from the University of Saskatchewan in 2006 and attained the Chartered Director (C.Dir) designation from McMaster University in 2012. He joined SaskEnergy's Board of Directors in August 2019 and is a member of the Human Resources and Safety Committee.



ALICE WONG, ICD.D

SASKATOON, SASKATCHEWAN

Ms. Wong has served as the Senior Vice President and Chief Corporate Officer at Cameco Corporation since 2011. In this role, she provides executive oversight for human resources, information technology, supply chain management, safety, health, environment, quality, regulatory and government relations, communications and corporate responsibility. Ms. Wong has a Masters of Arts degree in Economics and a Bachelor of Commerce degree from the University of Saskatchewan. She has also obtained her Institute of Corporate Directors Designation (ICD.D). She currently serves on the boards of the Canadian Nuclear Association, the Saskatchewan Mining Association and Uranium Producers of America. Ms. Wong joined SaskEnergy's Board of Directors in 2016 and is the Chair of the Human Resources and Safety Committee.

TERRY ROSS

BOARD SECRETARY
REGINA, SASKATCHEWAN

Mr. Ross has been an employee of CIC since 2005, with prior experience at Natural Resources Canada and Saskatchewan Environment, and is a former member of the Canadian Armed Forces. His academic achievements include a Bachelor of Arts degree from the University of Saskatchewan and a Diploma in Resource Management from the Saskatchewan Institute of Applied Science and Technology. He is also an avid community and fundraising volunteer with organizations including the United Way, Habitat for Humanity and Easter Seals Canada. Mr. Ross has been the Board Secretary since 2011.

Executive Committee



Back row (left to right): Randy Greggains, Shawn Grice, Ken From, Derrick Mann
Front row (left to right): Mark Guillet, Lori Christie, Christine Short, Maria McCullough

KEN FROM

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr. From, P. Eng., became SaskEnergy President and Chief Executive Officer in January 2017. He began his career with the Gas Division of SaskPower in 1981 and moved over to the company that would become SaskEnergy in 1988, taking on a number of roles within Engineering and Gas Supply, culminating as Senior Vice President of Gas Supply and Business Development. In 2007, he co-founded and led Prairie Hunter Energy Corporation, a Saskatchewan-based junior oil exploration company. After the sale of Prairie Hunter, Mr. From was recruited as CEO of the Technical Safety Authority of Saskatchewan in 2010. In 2014, he became CEO of the Petroleum Technology Research Centre. Mr. From holds a degree in Mechanical Engineering from the University of Saskatchewan and has been designated a Fellow of Engineers Canada, a Fellow of the Canadian Society of Senior Engineers and a Fellow of Geoscientists Canada (Honorary).

LORI CHRISTIE

VICE PRESIDENT, CUSTOMER SERVICE, GAS SUPPLY & RATES

Ms. Christie began her career with SaskEnergy in 2001. She was responsible for credit and natural gas market risk management. In 2003, she moved to the Gas Supply department and, as her responsibilities increased to include delivery service rates and applications, Ms. Christie served as Executive Director of Gas Supply and Rates. In her role as Vice President of Customer Service, Gas Supply & Rates, she is responsible for the procurement of natural gas supply for customers, asset optimization activities and overseeing customer services for the distribution utility as well as TransGas Customer Services, Policy, Rates & Regulations, and long-term facility planning. Ms. Christie is a Chartered Financial Analyst (CFA) and is a member of the CFA Society of Saskatchewan and the CFA Institute.

RANDY GREGGAINS

VICE PRESIDENT, OPERATIONS

Mr. Greggains joined SaskEnergy in 1998 after having worked for 16 years in various roles with increasing responsibility with Saskatchewan Energy and Mines. He has worked in a number of financial and customer service functions within SaskEnergy and TransGas. In his role as Vice President responsible for SaskEnergy and TransGas operations, he leads the transmission and distribution operations groups, which maintain and operate the natural gas system. Mr. Greggains is a graduate of the University of Saskatchewan, obtaining a Bachelor of Science in Engineering in 1982, and of the University of Regina, earning a Master of Public Administration degree in 1993.

SHAWN GRICE

VICE PRESIDENT, CORPORATE SUPPORT

Mr. Grice joined SaskEnergy in 2017 as Vice President, Corporate Support. He is responsible for corporate technology, facilities, security, vehicles and equipment, inventory and corporate procurement. Prior to joining SaskEnergy, he spent 19 years at Saskatchewan Transportation Company (STC) as President & CEO (2010 to 2017) and Chief Financial Officer (1998 to 2010). Prior to STC, he held roles with Crown Investments Corporation of Saskatchewan (CIC), the Saskatchewan Department of Finance and KPMG Peat Marwick Thorne. Mr. Grice graduated with a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan, and holds both Chartered Professional Accountant (CPA, CA) and Chartered Director (C.Dir) designations.

MARK GUILLET, Q.C.

VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY

Mr. Guillet is the Vice President, General Counsel and Corporate Secretary for the Corporation and is responsible for the Legal and Land Departments. He is also the Chief Privacy Officer. Mr. Guillet is a graduate of the University of Saskatchewan, a member of the Law Society of Saskatchewan, the Canadian Bar Association, the Association of Corporate Counsel and has the Certified In-house Counsel Canada designation. He has experience in corporate, commercial, governance and privacy legal issues.

DERRICK MANN

VICE PRESIDENT, ENGINEERING, INTEGRITY & CONSTRUCTION

Mr. Mann began his career with TransGas in 1999 as a co-op student while completing his Bachelor of Applied Science Industrial Systems Engineering degree at the University of Regina. He joined SaskEnergy/TransGas full-time in 2001 and has since held roles in many areas of the company, including Integrity, Engineering and Operations. Mr. Mann is responsible for the engineering, technology, integrity and construction of SaskEnergy and TransGas facilities and brings leadership and experience from various industry associations. He has also worked extensively with other government entities to improve the safety and reliability of energy systems in Saskatchewan communities.

MARIA MCCULLOUGH

VICE PRESIDENT, HUMAN RESOURCES AND ENVIRONMENT

Ms. McCullough began her career with SaskEnergy in 1991. She held a variety of progressive management roles in Human Resources, including Director of Employee Relations and Staffing, before being appointed to the position of Vice President in 2019. In her role, she is responsible for the delivery and execution of all Human Resources functions including talent acquisition and retention, employee development, succession, total rewards, labour relations, as well as occupational health and safety and the environmental portfolios. Ms. McCullough is a graduate of the University of Regina earning a Bachelor of Business Administration and a Bachelor of Arts. She serves as a Board member with Safe Saskatchewan and is member of the Conference Board of Canada's Council for Human Resources.

CHRISTINE SHORT

VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

Ms. Short joined SaskEnergy in August 2013. In her role, she is responsible for the strategic leadership and direction of the Corporation's financial reporting, treasury, billing services, payroll, and financial planning activities. Prior to joining SaskEnergy, she was Vice President and Controller for Farm Credit Canada, responsible for the leadership of the Corporation's financial management, financial reporting, financial systems and procurement functions. Ms. Short is a Chartered Professional Accountant (CPA, CMA) and is a member of Financial Executives International.

Corporate Governance Disclosure

SaskEnergy's commitment to advanced governance practices demonstrates accountability to the Owner and its customers. Effective governance helps ensure that SaskEnergy operates as both a financially viable organization and a responsible Corporation.

SaskEnergy governance practices ensure that the Corporation's customers and employees are provided with fair and equitable treatment and that the correct levels of authority and accountability are established so that all employees can accomplish their work without unnecessary limitations or risks.

Board Stewardship/Mandate

The SaskEnergy Board of Directors (the Board) is responsible for the stewardship of the Corporation, and oversees and closely monitors the Corporation's adherence to provisions of *The SaskEnergy Act* and its Regulations. The Board has adopted written Terms of Reference stating that the Board sets the strategic direction, ensures the integrity and adequacy of the Corporation's systems and management practices, recommends the appointment or termination of the President and Chief Executive Officer and regularly examines the objectives and mandates of its structure. The Board promotes a culture of integrity, ensures that the principal and material corporate risks are managed, evaluates the Corporation's performance and monitors financial results. The Board meets outside the presence of management at each meeting.

Board Composition

SaskEnergy's Board is representative of the Saskatchewan community and industry. The Lieutenant Governor in Council, pursuant to *The SaskEnergy Act*, appoints up to 12 members, and designates a Chair and a Vice Chair. Members are representative of community/stakeholder diversity, and they possess a variety of attributes, including industry expertise, strategic leadership, entrepreneurial and communication skills, integrity, flexibility, initiative and sound judgment. Members are appointed to a fixed term, and terms may be renewed by the Lieutenant Governor in Council. There are currently 12 people appointed to SaskEnergy's Board of Directors. These same 12 people are also appointed as members for the Boards of Directors for each of SaskEnergy's four subsidiary companies. Seven members (58 per cent) are women, which is ahead of the Utility Sector and Oil and Gas Sector general diversity targets for the representation of women on Boards as presented in the Canadian Securities Administrators (CSA) Multilateral Staff Notice 58-310. The Board Chair is Ms. Susan Barber, Q.C. and the Vice Chair is Ms. Nola Joorisity. None of the members of the Board of Directors are 'over-boarded' as this term is defined in recent guidance, allowing members to properly carry out responsibilities on a reasonable number of Boards. The following table illustrates the diversity statistics for the number of women represented on SaskEnergy's Board of Directors and Executive over the past three fiscal years:

	2017-18*			2018-19*			2019-20		
	Total Positions	# of Women	%	Total Positions	# of Women	%	Total Positions	# of Women	%
Number of Women represented on Board	12	7	58	11	7	64	12	7	58
Number of Women represented on Executive	8	2	25	8	2	25	8	3	38
Number of Women in Board Leadership Roles (Chair, Vice Chair)	2	2	100	2	2	100	2	2	100

*Data collected from previous Annual Reports

Independence

The matter of “independence from management” is based on the definition set by Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the Directors have been employed with the Corporation. The CEO is not a member of the Board. In this reporting period, none of the Directors have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as Directors and Committee members or as Directors of subsidiaries of the Corporation. However, one Director is a partner in a law firm that has performed legal services for the Corporation in the 12-month reporting period, and is thereby deemed to have a material indirect relationship with the Corporation under the above standard. The majority of Directors are independent; however, the Corporation is not in strict compliance with the CSA independence standard. The Corporation’s statutory holding company, Crown Investments Corporation of Saskatchewan (CIC), has managed this independence issue through the development of a Protocol Regarding Lawyers Serving on Subsidiary Crown Corporation Boards of Directors. This Protocol adopts the principle that Directors must be free from any material relationship that may interfere with the Director’s ability to exercise independent judgment in the best interests of the Corporation, or to influence the choice of law firms. Given the smaller local market in Saskatchewan for legal services, the Protocol restricts Directors from any direct material relationship, but allows a limited indirect relationship subject to the qualifications of the Protocol such as pre-approval of legal services by an independent Board Committee, declarations of conflict, no direct benefit to the Director, and restriction of information to that Director. The Governance and Social Responsibility Committee of the Board, consisting of independent non-lawyer Board members, reviews and approves the Corporation’s external legal service providers in accordance with this Protocol on an as-required basis and reviews the total services being provided by these firms. The Board Chair, Ms. Susan Barber, Q.C., is a lawyer who is subject to this Protocol and throughout this disclosure, her name is indicated by an asterisk to reflect that she is not independent, due to the deemed material indirect relationship. All other Directors, including the Vice Chair of the Board, are independent of management.

Committee Mandates and Membership

The Board fulfills its oversight responsibilities for the operation of SaskEnergy by utilizing its Board Committees. The Terms of Reference or mandates of the Committees are reviewed annually and updated as required. The

Terms of Reference for each Committee establish the constitution, operations and areas of responsibility over which that Committee makes recommendations to the Board. Full details of the Terms of Reference for each Committee can be found on SaskEnergy’s corporate website at www.saskenergy.com/about_saskenergy/governance.asp. Committees have also adopted work calendars to schedule and fulfill specific tasks and assigned responsibilities. Each Committee has the authority to engage and compensate outside advisors that it deems necessary to assist with its mandate. The Board Committee structure and composition is listed below:

Audit and Finance Committee

Chair: Nola Joorisity

Members: Susan Barber, Q.C.*, Grant Greenslade, Tina Svedahl

The Audit and Finance Committee oversees SaskEnergy’s financial performance and ensures the integrity, effectiveness and accuracy of the Corporation’s financial reporting, control systems, risk management and audit functions. The Committee ensures that the Board is provided with financial plans and proposals consistent with the Corporation’s overall Strategic Plan, annual Business Plan and public policy objectives. The Committee meets regularly outside the presence of management with the appointed external auditor, the Provincial Auditor and internal auditors.

Except as qualified previously, all members of the Audit and Finance Committee are independent of management. All Committee members are financially literate, as that term is commonly defined with respect to the composition of audit committees within the CSA Multilateral Instrument 52-110, and their education and experience in understanding financial matters is addressed in their biographies on the governance portion of the SaskEnergy website: http://www.saskenergy.com/about_saskenergy/governance.asp.

The Committee had six meetings this fiscal year. Important issues included the review and approval of financial statements; development of various Commodity Strategies to cover all natural gas transactions; payee disclosure report; corporate insurance review; Audit Services reports; approval of Audit Services’ Three Year Audit Plan; Business Plan, budget and financial targets approval and review; Capital Budget and capital spend review; and various risk management activities, policies review and corporate risks monitoring. Enterprise security monitoring and updates were provided to the Committee at each meeting.

*Non-independent Board Member

Governance and Social Responsibility Committee

Chair: Ron Barsi

Members: Curt Chickoski, Linda Moulin, Doug Shaw

The Governance and Social Responsibility Committee is responsible for matters relating to SaskEnergy's corporate governance regime and corporate social responsibility (CSR). One member is recognized as an expert in the environment field. This Committee has input into the selection criteria for Board member and Committee Chair candidates, and creates profiles of the desired skills, experience and competencies required of Directors. The Committee monitors compliance with the Corporation's Code of Business Conduct and Ethics, including waivers therefrom, the Corporation's Whistleblower Policy, and the Reporting of Losses Policy. The Committee is charged with planning orientation and education programs to keep Directors informed and current with business, social, environmental and ethical requirements.

The Corporation considers CSR to include: conducting business in a safe, socially responsible, ethical and transparent manner; protecting the environment affected by its activities; listening and responding to community or stakeholder concerns; supporting human rights; and engaging, learning from, respecting and supporting the communities and culture with which it works. The Committee mandate includes the effective oversight and obligation to ensure that adequate and effective controls are in place to assess and monitor CSR risk and required disclosures, and compliance with regulatory and statutory requirements.

The Committee had four meetings this fiscal year. Key work of the Committee included reviewing the results of the prior year's peer evaluation results; coordinating and developing of the current year Board evaluation process; the review of disclosures under the Corporation's Whistleblower Policy; business/industry training for Directors; review of Board policies; review of management's corporate system integrity program; Legal Services review; review of Indigenous and Stakeholder Relations; review of corporate branding strategies; review of the Corporation's environmental management system compliance; and review of the Corporation's emissions management program.

Human Resources and Safety Committee

Chair: Alice Wong

Members: Veronique Loewen, Annette Revet, Bradley Sylvester

The Human Resources and Safety Committee is responsible for, and assists, the Board in overseeing the management of SaskEnergy's human resource

strategic planning, programs and practices for the development and implementation of fair compensation, performance management and succession planning. The Committee also has the mandate to proactively address safety matters or risks and to assist the Corporation in making safety a priority and focus of the organization. The Committee also sets the CEO's performance goals and objectives, and conducts a semi-annual assessment of the CEO's performance through the Committee Chair and Board Chair.

The findings of this evaluation, and any changes to the CEO's compensation as a result of the review, are recommended to the Board. Further, the Committee makes recommendations to the Board regarding the approval of employee and Executive compensation, including measures and targets, and receiving direction on its mandate (both in and out of scope) through communication with CIC. An ad hoc Board Committee is created, when necessary, to identify and recommend to the Board candidates for the position of CEO, while the Human Resources and Safety Committee oversees that the incumbent fulfills the role set out in the CEO Mandate.

The Committee had four meetings this fiscal year. Important issues included management and Executive compensation plans; succession management updates; review of the Executive total compensation results; compensation and benefits plans review and key policies reviews; and compliance with legislation update.

Roles and Responsibilities

Written position descriptions posted on SaskEnergy's website set out the roles and responsibilities of the Chair, Committee Chairs and individual Directors. The role of the Chair is to provide leadership in Board organization, processes, effectiveness and renewal, and balances the roles of the Board and management in the course of the Board discharging its fiduciary and legal responsibilities.

The position description for Directors sets out their roles and responsibilities, including legal requirements, accountability, stewardship, knowledge and education, conflicts, confidentiality, as well as expectations for attendance and review of materials in preparation for meetings.

The CEO's Mandate sets out the principal duties and responsibilities for the CEO. This Mandate forms the basis for the goals and objectives of the CEO and is incorporated into annual performance objectives against which the Human Resources and Safety Committee measures the CEO's performance.

Through a series of execution and expenditure authorization policies that are reviewed regularly with

consideration for changes in organizational and business circumstances, the Board delineates the roles and responsibilities delegated to management. Additional limits are placed upon both management and the Board through legislation requiring Orders in Council, compliance with investment requirements, or changes to legislative mandate through *The SaskEnergy Act*. The Board has also approved a Bright Line Mandate, which is a decision-making matrix that defines the ultimate decision-making body on key matters and is validated by the Board.

Strategic Planning and Reporting

One of the Board's principal duties is to provide leadership in setting the long-range strategic direction and to approve SaskEnergy's overall Strategic Plan. This comprehensive strategic planning process results in the Board's review and approval of the Corporation's Strategic Plan, annual operating and capital budgets, and annual Business Plan.

The Board of Directors participates with management to identify and set long-term goals for SaskEnergy through the strategic planning and business planning process. The corporate Business Plan involves a five-year rolling projection, which is updated annually. The Board oversees this process, providing input, guidance, validation, and critical evaluation of the Business Plan, Strategic Plan and its initiatives. The Board continues to provide oversight and support in the implementation of the plans and initiatives and to measure their success. Each year, the Board and senior management meet jointly to identify strategic risks, and to review strategies and measurable targets to gauge performance in managing those risks.

Public Policy Role

SaskEnergy is a statutory Crown corporation governed by *The SaskEnergy Act* and Regulations. By legislation, CIC is the statutory holding corporation for all of Saskatchewan's commercial Crown corporations. CIC has the authority to establish direction for SaskEnergy related to matters set out in legislation.

As a provincial Crown corporation, SaskEnergy serves a public policy role, and its mission is to deliver natural gas in a safe, reliable, affordable way. SaskEnergy and its subsidiaries fulfill this mission through the operation of systems for natural gas distribution, transmission, storage, line locating and other related activities to promote the conservation and safe use of natural gas, while contributing to, and promoting, the economy of the province. CIC approves SaskEnergy's Business Plan annually and sets any other strategic priorities against which CIC and the Owner will measure the

Corporation's performance. SaskEnergy collaborates with other Saskatchewan Crown corporations to further CIC's stated priorities of enhancing efficiency gains through joint initiatives, procurements, and promoting an open business environment.

Approach to Governance

SaskEnergy is not legally obligated to comply with the CSA governance guidelines as it does not have share capital and is not a reporting issuer. However, it works toward those guidelines that are applicable and has benchmarked its governance practices against the CSA National Policy and Instrument Guidelines, including National Policy 58-201 and National Instrument 58-101, guidelines of the Chartered Professional Accountants of Canada, and observations of the Office of the Auditor General of Canada, Treasury Board of Canada Secretariat and Conference Board of Canada, to address key performance indicators in the measurement of governance. The practices of SaskEnergy are substantially consistent with the foregoing standards as published.

Integrity and Ethics

SaskEnergy promotes a strong culture of ethical business conduct at all levels of the Corporation. The Board has approved and adopted a written Code of Business Conduct and Ethics (the Code) that applies to employees, contractors, officers and Directors of SaskEnergy. The Code, designed to promote integrity and deter wrongdoing, is based on values of fairness and honesty, equal treatment and accountability. It provides guidelines on handling information and protecting or using corporate assets, confidentiality, conduct with suppliers and customers, business hosting, international business, conflicts of interest, compliance with laws and policies, and reporting.

To further promote public confidence in the integrity of SaskEnergy and its employees, a Whistleblower Policy was adopted, which sets out a formal process for the reporting, investigation and appropriate follow-up for actual or potential wrongdoing. *The Public Interest Disclosure Act* provides employees with an additional mechanism to disclose wrongdoing. In addition, SaskEnergy's Owner requires disclosure to the police and to the Board, CIC Board, and Minister of all losses greater than \$500, pursuant to the Reporting of Losses Policy and processes.

Compliance with the Code is reinforced through mandatory training of all employees, and confirmed through the use of an online tool. The Code and the Whistleblower and Reporting of Losses policies are posted

on the SaskEnergy intranet site for employees, and the Code and Whistleblower policies are on SaskEnergy's website for public access. A process is also posted on the website for members of the public to contact the Chair of the Governance and Social Responsibility Committee of the Board, in confidence, to report any potential violation of the Code or Whistleblower Policy.

Management monitors and reports on any issues arising under the Code annually, the Whistleblower Policy semi-annually, and the Reporting of Losses Policy quarterly, to the Governance and Social Responsibility and Human Resources and Safety committees, which are charged with oversight of compliance with these policies.

In addition to the Code, SaskEnergy's Directors are required to abide by CIC's Directors' Code of Conduct. The Governance and Social Responsibility Committee, appointed as Ethics Advisor for this purpose, is required to administer, monitor and enforce the Directors' Code of Conduct, which includes reporting annually to the Board concerning compliance. It is also standard procedure to commence all Board and Committee meetings with an in-camera agenda item providing Directors with an opportunity to declare any conflicts of interest or any changes to outside employment or directorships they hold that may create a potential or perceived conflict of interest. Upon appointment, Directors declare directorships on, and material interests in, other business and any material contract entered into with SaskEnergy or its subsidiaries to the Governance and Social Responsibility Committee, which works proactively to address any potential conflicts of interest. Agenda items are monitored by management, and those containing any item that a Director has disclosed a material interest in are not distributed to the Director. Likewise, any Director subject to CIC's Protocol Regarding Lawyers Serving on Subsidiary Crown Corporation Boards of Directors will recuse themselves from consideration of any item creating a potential conflict of interest. This reporting period there were no waivers granted by the Board to any Directors or Officers authorizing non-compliance with these policies.

Risk Identification and Management

SaskEnergy has a formal Enterprise Risk Management Policy that was developed by management and approved by the Board of Directors. SaskEnergy's risk management process is designed to identify potential events that may impact SaskEnergy and manage the risk presented within accepted tolerance levels. Senior management holds primary responsibility for identifying inherent risks, and for designing and implementing mitigation initiatives. The Board expects management to use appropriate controls to manage risk and delegate

responsibility and authority as required. Introduction of key risk assessment and disclosure reporting changes on processes related to climate change risks and oversight afforded to these risks are expected through additional governance guidance and training.

Each year, the Board and senior management independently follow a process led by Internal Audit to identify and prioritize significant risks. The Director of Audit Services prepares a report summarizing the independent risk assessments completed by the Board and management. This report is discussed at a Board meeting where senior management and the Board align on corporate risks and the plans to mitigate or manage the residual risks.

Through the Business Plan, the Corporation implements plans to address the key risks. The Board monitors the risk management programs and oversees the implementation of appropriate systems to manage identified risks either directly, or through the Audit and Finance Committee.

The Audit and Finance Committee regularly reviews the Audit Services reports and discusses significant risk areas with the internal and external auditors. The sale of a variety of 'non-core' assets to streamline and focus corporate activity has also led to the transfer of environmental liabilities and risk mitigation.

Cyber Security Risk

SaskEnergy relies on its information and operations technology systems to safely and efficiently operate corporate assets, and to protect corporate data and personal information. These systems are subject to cyber security risks. Cyber security risks include but are not limited to targeted attacks, exposure to computer viruses, and breaches of corporate and personal information within technology systems managed by internal and external parties. A cyber security event could expose the Corporation to loss or misuse of critical data and information leading to property damage, disruptions to its operations, privacy breaches, loss of confidentiality and financial or reputational losses.

In order to manage cyber security risk, SaskEnergy has developed a cyber security strategy whereby the Corporation tests its systems, builds controls and conducts investigations. In addition, the Corporation has added incremental resources to manage and evaluate cyber risks and privacy processes related to the growing adoption of cloud migration, data analytics and mobile technology. SaskEnergy proactively and continuously monitors its systems to identify and address malicious activity, as well as potential or emerging threats. Business continuity exercises are also conducted.

Integrity of Internal Controls and Management Systems

The Board and the Audit and Finance Committee receive reports from, and work closely with, internal and external auditors to promote financial transparency and ensure the integrity, effectiveness and adequacy of SaskEnergy's internal controls and management systems.

As part of SaskEnergy's commitment to accountability, the Audit and Finance Committee reviews the financial performance of the Corporation quarterly. Natural gas purchase transactions and credit risk are reported by management and actively monitored by the Committee. Pursuant to the directive of CIC, SaskEnergy has a process in place regarding internal controls certification by the CEO and CFO. This process is designed to provide reasonable assurance regarding the effectiveness of SaskEnergy's internal controls over financial reporting.

SaskEnergy's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). As part of the March 31 year-end audit, the external auditors have provided an opinion that the Corporation's financial statements have been prepared in accordance with IFRS.

The Board oversees the annual external audit plan of the appointed external auditor for the audit of the Corporation's annual financial statements, and the annual internal audit plan carried out by SaskEnergy's internal audit group. To preserve the independence of the role of the external auditors, the Audit and Finance Committee must pre-approve all non-audit services undertaken by the external auditor in accordance with the Corporation's Non-Audit Services Policy.

Robust Succession Process

The SaskEnergy Executive team uses a semi-annual review process to: address strategic positions; keep the succession plan current through an evergreen process; respond to human resource developments; focus on continuous employee development; and mitigate succession and knowledge transfer risks. The Executive considers various strategic options to address short-term needs (emergency or unforeseen personal circumstances) and long-term needs (business structural changes and planned retirements).

The Human Resources and Safety Committee of the Board of Directors receives a succession plan update semi-annually and reports to the Board on the succession management process. The Board of Directors and CEO directly oversee the succession plans for the CEO and the Executive.

Communications (with the Shareholder and Stakeholders)

SaskEnergy is committed to the principles of transparency, openness and timeliness in communication with its Owner, CIC, employees, stakeholders and the public.

SaskEnergy regularly surveys employees and external stakeholders for feedback on its corporate activities and more information on these communications can be found in the MD&A section. The Corporation complies with the communication requirements set by the Shareholder and by statute, in accordance with the Board-approved external communications policy. Through the Board Chair, the Board is accountable to the Minister Responsible for SaskEnergy. The Minister functions as a communication liaison among the Corporation, CIC, Cabinet, the Provincial Legislature and the public.

As an entity subject to *The Freedom of Information and Protection of Privacy Act*, SaskEnergy strives to strike a balance between transparency and maintaining customer confidentiality in matters of communication and disclosure. The Corporation is subject to annual disclosure requirements of the Legislative Committee regarding Crown Payee Disclosure on all payments greater than \$50,000 to employees and suppliers, and for all grants, donations, and sponsorships greater than \$5,000. All major public disclosures of corporate performance of the Corporation are subject to prior approval of the Board. Senior Executive members of SaskEnergy also appear before Legislative Committees to answer questions relating to the business of the Corporation in preceding years.

To facilitate feedback to and from the Owner, the Board Chair communicates with CIC, and also participates in a CIC Chairs forum where communication and feedback is provided on the Owner's expectations of all Saskatchewan Crown corporations. SaskEnergy's CEO regularly provides briefings to the Minister of Crown Investments Corporation and the Minister Responsible for SaskEnergy.

CEO Assessment, Executive Compensation and Executive Diversity

The Human Resources and Safety Committee assesses the CEO's performance semi-annually against the approved objectives, which are related to the CEO Position Description and aligned with Shareholder public policy objectives, the annual Business Plan and the corporate Strategic Plan.

The governance standard established by the CSA for Executive compensation disclosure is to report by summary compensation table, complete with detailed formulas.

However, the mandate for Executive compensation for Saskatchewan Crown corporations is established and monitored by the Owner, CIC, and as such, senior management compensation aligns with the guidelines established by CIC. Given these controls on Executive compensation, both the Board and senior management seek to provide information to the Owner, and any management compensation adjustments must fit within the parameters established by the Owner. The philosophy of providing market-based compensation is applicable throughout the Corporation, from senior management downwards: to set performance objectives and expectations at individual, departmental and corporate levels, and to work toward and measure the achievement of these performance objectives. A key principle in SaskEnergy's compensation strategy is to provide fair and equitable pay representative of the individual performance of management employees with a target at the 50th percentile of the Western Canadian marketplace. The Human Resources and Safety Committee and the Board approve CEO and Executive compensation.

Direct reports of the CEO, including all Executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature. In addition, the Crown and Central Agencies Committee of the Legislative Assembly of Saskatchewan has, by policy, required Crown corporations, including SaskEnergy, to file an annual payee list that includes the total compensation of Executive members. The report is available on CIC's website at www.cicorp.sk.ca in the Media Releases section. The Human Resources and Safety Committee and the Board annually review the details of these compensation payment reports.

The Corporation does not have a formal policy or targets regarding the representation of women in Executive officer positions. SaskEnergy is committed to equality of opportunity and has taken steps to increase the representation of women in management and in non-traditional roles within the Corporation. These include: proactively identifying talented individuals for leadership training programs and encouraging them to apply for more senior roles; tracking and reporting on diversity metrics; managing the succession plan process; identifying top talent and implementing formal personal development plans; and establishing mentorship relationships for women aspiring to management positions. There are currently three women (37.5 per cent) in Executive officer positions.

Board Renewal and Appointment

Appointment of Directors is ultimately made by the Government by Order in Council, upon recommendation of CIC and the Board of Directors. The Board, through the Governance and Social Responsibility Committee, also undertakes an evergreen approach in conducting an analysis of the skills and experience necessary for the composite blend, and full functioning of the Board and its Committees, and makes nomination recommendations to the Minister of Crown Investments. If required by the Shareholder or directed by Government, the Governance and Social Responsibility Committee is charged with leading the process to identify, recruit and recommend qualified candidates for appointment to the Board. The Committee continues to assess the skills and competencies for the Board and its Committees to support the strategic direction and operational needs of the Corporation. The Committee performs a skills gap analysis intended to assist in achieving a balance of the skills of Board members through the recruitment/appointment of new members. The Governance and Social Responsibility Committee may meet with potential candidates to assess the overall fit with the blend of skills and experience of the current Board, time availability, or any potential conflicts that could limit their full participation. The Governance and Social Responsibility Committee also makes annual recommendations to the Board regarding the appropriate structure, size and composition of the Board and its Committees, as well as the required qualifications.

Board Orientation and Education

The Governance and Social Responsibility Committee and the Corporation, under its Board of Directors Training Policy, has a comprehensive orientation curriculum and training sessions to ensure that new and continuing Directors develop a strong understanding of SaskEnergy's business and current challenges, as well as the roles of the Board and Committees and the individual contributions Directors are expected to make. Board members also participate in continuing education on industry issues, financial reporting, business operations, procedural issues and ethical obligations to enhance their skills and knowledge. This year, the Board of Directors received training from management on two separate occasions. The first training session was an overview of the North American natural gas market with an explanation of the physical flow of gas and a focus on the changes in the Western Canadian Sedimentary Basin. External industry experts provided the Board with their views

on this topic. The second training session focused on one of the Corporation's top risks of gas line facility or operational failures. The training included management providing an overview of some of the key processes and controls in place to manage and monitor this risk. Board members interact with management and employees through attending functions such as the employee service achievement awards or through touring corporate offices, facilities sites or business units as part of Board meetings.

CIC also facilitates additional Director training as part of its Subsidiary Crown Directors Training Program. This year, CIC held one director training session. CIC also hosts meetings periodically throughout the year for the Chair of the Board and the Chairs of each of the Committees to discuss issues with the Chairs from other Saskatchewan Crown corporations. These meetings serve as forums to look at matters such as best practices and efficiencies, and to receive messaging from the Owner.

Board and Director Performance Assessment

To ensure adequate Board renewal, the Governance and Social Responsibility Committee conducts annual performance reviews for the Board, Committees, Chairs and individual Directors. It surveys the Directors to obtain feedback on the effectiveness and contribution of the Board, Committees, Chairs and individual Directors on a rotational, triennial basis. Assessments by the Committee include a skills matrix to ensure the Board possesses the requisite experience, expertise and business and operational insight for effective stewardship of the Corporation. Assessments also consider diversity and representation of women on the Board and its Committees, and proactively identifying potential female candidates. These results are summarized and reported to the Board as well as to the CIC Board. The Governance and Social Responsibility Committee may utilize the assistance of an external consultant to conduct the survey task. This year, the process consisted of a Directors survey on the performance and effectiveness of Board member peers.

Director Remuneration

Compensation received by Directors is fixed by CIC under *The Crown Corporations Act, 1993*. The Governance and Social Responsibility Committee has authority to recommend to the Board (and the Board to CIC) adjustments to such compensation. The Audit and Finance Committee receives quarterly reports with respect to the remuneration of Directors and reports any anomalies to the Board. The Committee reviews the annual payee disclosure report that includes total remuneration paid to Directors. Directors are paid an annual retainer for their services on SaskEnergy's Board, as well as a set per diem fee for travel time and attendance at Committee and Board meetings, as follows:

- Chair of the Board: annual retainer of \$40,000;
- Other Directors: annual retainer of \$25,000;
- Chair of Audit and Finance Committee: annual retainer of \$3,500;
- Chairs of other Committees: annual retainer of \$2,500;
- Committee members: \$750 per day meeting fee; and
- Directors also receive reimbursement for their reasonable out-of-pocket expenses including travel, meals and accommodations while performing their duties.

Board members each sit on one of the three Committees. There were seven Board meetings and 14 Committee meetings this reporting period. The total remuneration paid to Directors (annual retainers, pro-rated for the portion of the fiscal year each Director was a member of or chaired a Committee, plus Committee per diems) was \$353,536⁺ compared to \$351,354^{**} in 2018-19. The total business travel and meeting expenses paid to members of the Board were \$19,724⁺ compared to \$17,906^{**} in 2018-19.

⁺This amount was for the 12-month reporting period of April 1, 2019 to March 31, 2020.

^{**}The 2018-19 amount was for the 12-month period from April 1, 2018 to March 31, 2019.

MEMBERSHIP AND ATTENDANCE AT MEETINGS OF THE BOARD AND BOARD COMMITTEES FROM APRIL 1, 2019 TO MARCH 31, 2020

Member	Board (7 mtgs)	Audit (6 mtgs)	Gov/SR (4 mtgs)	HRS (4 mtgs)	Legal Serv. (0)	Total Possible	Total Attended	%
Barber (Chair)	6	4				13	10	77%
Barsi	6		4			11	10	91%
Chickoski	7		4			11	11	100%
Greenslade	7	6				13	13	100%
Joorisity	6	6				13	12	92%
Loewen	7			4		11	11	100%
Moulin	7		4			11	11	100%
Revet	7			4		11	11	100%
Shaw	7		4			11	11	100%
Svedahl	6	5				13	11	85%
Sylvester*	4			2		7	6	86%
Wong	7			4		11	11	100%

*Member appointed August 14, 2019, indicating total possible meetings to attend.

For purposes of this report, Directors who attended meetings in part were considered to be present.

Stakeholder Engagement

Communications Models Employed

Strong two-way communications models support the achievement of business and corporate results. The Corporation is committed to rigorous and professional communications practices that support the principles of timeliness, openness and transparency with its stakeholders.

Customer and Public Communications

SaskEnergy employs a wide range of methods, from print and online media to phone and face-to-face contact, to communicate with its more than 399,000 customers. SaskEnergy continues to emphasize the use of technology to make it easier for customers to access the information they want or need, such as their billing and meter reading data, and in the development of new platforms to better allow customers to contact SaskEnergy through their preferred method.

In recent years, there has been significant growth in use of the Sask 1st Call service, which provides initial customer contact for more than 95 companies with underground facilities, including SaskEnergy and TransGas. In February 2020, Sask 1st Call joined Western Before You Dig Partners, a collaboration between four one-call services in British Columbia, Alberta, Saskatchewan and Manitoba, and transitioned to a single, shared software solution for line locate ticket processing and management. The Before You Dig Partners service offers a one-stop platform for all locate submissions in Western Canada, including a user-friendly portal with mapping functionality for excavators and homeowners to pinpoint their dig site.

TransGas fosters personal contact with its 118 transportation and storage customers through dedicated account representatives that meet each customer's needs. It also promotes contact through the TransGas Customer Dialogue Process, where customer rates and operational policies are jointly addressed before recommended implementation.

SaskEnergy works effectively with the plumbing, heating and mechanical contracting industry, which is highlighted by the Industry Dialogue process resulting in the creation of the SaskEnergy Network. There are 158 Residential Network Members in 53 communities and 71 Commercial Network Members in 17 communities. These private sector plumbing and heating contractors use the SaskEnergy Network brand to deliver downstream services to natural gas customers.

Critical corporate initiatives, such as creating public awareness around energy efficiency and public

safety ("Click Before You Dig"), are also promoted through multi-media advertising and communications campaigns, as well as direct-contact programs, such as contractor safety breakfasts, first responder training sessions and landowner mail-outs.

SaskEnergy has a strong commitment to providing safe and reliable service to customers, ensuring they understand how to use natural gas safely and that the Corporation responds in a timely manner. This includes public awareness about what customers should do if they smell natural gas.

Major corporate initiatives, such as changes to the Corporation's delivery or commodity rates, are communicated through news conferences and public events, and are supported through information distributed through SaskEnergy's website and on customer bills. Enhanced tools, such as e-billing and equalized payment plans, allow customers greater control over the management of their natural gas bills. The Corporation continues to analyze the usage of social media tools in its utility business context.

The SaskEnergy website also provides access to corporate information, such as quarterly financial updates and annual reports, energy efficiency and safety-related information, as well as career opportunities and a streamlined process for charities and non-profits to request financial support through the Corporation's community investment program.

The high level of efficacy and support for SaskEnergy's and TransGas' customer communications approach is reflected through ongoing high levels of customer satisfaction in its independent surveys.

Shareholder Communications

As a Crown corporation, SaskEnergy complies with the communications requirements set by the Shareholder and by statute, in accordance with the Board-approved external communications policy. Through the Board Chair, the Board is accountable to the Minister Responsible for SaskEnergy. The Minister functions as a communications liaison among the Corporation, CIC, Cabinet, the Provincial Legislature and the public.

SaskEnergy fully complies with its statutory obligations for approval and disclosure of information. These responsibilities include:

- Annual approval of the Corporation's business/performance management plan, including capital expenditures through its shareholder, CIC.

- Annual disclosure through Crown and Central Agencies, a public legislative committee of government, of all payments greater than \$50,000 to employees and suppliers, and of all grants, donations and sponsorships greater than \$5,000.
- Appearances before public committees of the legislature, including Crown and Central Agencies, by senior executive to answer questions relating to the business of the Corporation in preceding years.
- Compliance with public requests for information, balancing the interests of *The Freedom of Information and Protection of Privacy Act*.

SaskEnergy also works cooperatively with CIC, the office of the Minister Responsible for SaskEnergy and Executive Council Communications to generate dialogue, understanding and support for corporate initiatives that affect stakeholders. These communications tools include briefing notes, face-to-face meetings and other information packages to ensure elected officials are able to represent the Corporation in the public and through the media, by speaking knowledgeably on issues regarding the business operations of SaskEnergy. The Corporation is also expected to respond expediently to correspondence and case work submitted by the office of the Minister Responsible for SaskEnergy.

Project-based Communications

SaskEnergy's distribution, transmission and storage projects can impact the communities in which they are occurring. In addition to fully complying with all legal and regulatory considerations, SaskEnergy will typically hold consultations with affected stakeholders in areas where projects are of greater scope or longer duration. Such communications initiatives include public open houses and meetings with local municipal councils, First Nations representatives and other stakeholders. These initiatives allow company officials to explain the environmental impacts of proposed activities, including proposed mitigation plans. They also provide opportunities to enhance general understanding of the projects economic benefits and of natural gas as a heating source. Because Saskatchewan has approximately 75 First Nations Bands and 11 Métis Regions, a dedicated Indigenous Engagement group exists to better foster consultation, dialogue and relations.

Regulatory Communications

SaskEnergy is required to file any applications for delivery and commodity rate changes with the Saskatchewan Rate Review Panel (SRRP), an advisory panel that provides formal recommendations to the Provincial Cabinet. The applications are available to the public. Typically, the

SRRP will ask for additional information to assist in its review, and a public interaction component is provided through public meetings. SaskEnergy filed an application for a commodity rate decrease from \$3.65 per GJ to \$2.65 per GJ in September 2018, while at the same time seeking a 3.7 per cent increase in its delivery service rate. On November 1, 2018, the commodity rate was lowered from \$3.65 per GJ to \$2.95 per GJ as an interim rate while the SRRP conducted its review. After review, the SRRP recommended a 3.4 per cent increase to the delivery service rate and that the commodity rate decrease from \$3.65 per GJ to \$2.575 per GJ. In March 2019, Cabinet approved these recommendations, effective April 1, 2019.

TransGas' proposed rate changes are discussed through the TransGas Customer Dialogue, a proxy with representatives from the producer, industrial end-user and gas marketer communities. After rate changes are discussed through Dialogue, they are provided to the Provincial Cabinet for approval. TransGas' latest rate change was effective May 1, 2018, with an increase to both the transportation and storage rates by 5.9 per cent.

Employee Communications

SaskEnergy employees are the most credible people to tell its story and the Corporation regularly communicates with its workforce of more than 1,100 employees to provide prompt and accurate information. Communication focuses on initiatives and updates related to SaskEnergy's Business Plan and aims to increase employee understanding of the delivery of essential energy to customers, enhance understanding of the natural gas industry as a whole, increase knowledge of SaskEnergy's safety practices and environmental stewardship, and make employees better able to engage in meaningful discussions about the natural gas industry with friends, family and acquaintances.

Recognizing the value of face-to-face communication, SaskEnergy relies on Senior Leaders, managers and supervisors to share messages within and across work teams in regular meetings and discussions, as much as possible.

Other communication methods include company-wide email messages (InfoFlashes) and a corporate intranet site (innergy), which allows employees to access information related to the Corporation, stay informed on upcoming events and initiatives, comment on and 'like' articles, and visit sites for specific department-related information. SaskEnergy also produces corporate videos that serve as informative, educational tools to keep employees up-to-date on major projects and initiatives that are taking place within the Corporation.

Five Year Consolidated Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(millions)	March 31, 2020	March 31, 2019 ¹	March 31, 2018	March 31, 2017	March 31, 2016 ²
	Audited	Audited Restated	Audited	Audited	Audited
ASSETS					
Current assets					
Cash	\$ 1	\$ 6	\$ -	\$ 1	\$ 11
Trade and other receivables	155	156	141	111	104
Natural gas in storage held for resale	13	26	37	86	86
Inventory of supplies	13	13	11	12	11
Debt retirement funds	11	3	-	7	10
Assets held for sale	-	-	8	-	-
Fair value of derivative instruments	15	41	61	5	11
	208	245	258	222	233
Right-of-use assets	15	-	-	-	-
Intangible assets	73	70	64	60	55
Property, plant and equipment	2,801	2,505	2,260	2,129	2,070
Debt retirement funds	125	118	106	94	92
	\$ 3,222	\$ 2,938	\$ 2,688	\$ 2,505	\$ 2,450
LIABILITIES AND PROVINCE'S EQUITY					
Current liabilities					
Bank indebtedness	\$ -	-	\$ 3	\$ -	\$ -
Short-term debt	279	260	254	293	299
Trade and other payables	120	117	129	104	101
Dividendes payable	2	43	23	14	21
Current portion of long-term debt	34	33	50	59	100
Deferred revenue	-	-	35	32	61
Contract liability	19	16	-	-	-
Refund liability	7	8	-	-	-
Fair value of derivative instruments	21	17	50	40	109
Current portion of lease liability	6	3	-	-	-
	488	497	544	542	691
Lease liability	7	5	9	5	4
Employee future benefits	5	5	6	7	8
Provisions	292	200	128	127	130
Deferred revenue	5	5	5	6	6
Long-term debt	1,325	1,147	1,031	960	870
	2,122	1,859	1,723	1,647	1,709
Province's equity					
Equity advances	72	72	72	72	72
Retained earnings	1,024	1,005	894	786	669
Other components of equity	4	2	(1)	-	-
	1,100	1,079	965	858	741
	\$ 3,222	\$ 2,938	\$ 2,688	\$ 2,505	\$ 2,450

¹ The March 31, 2019 property, plant and equipment and retained earnings were restated by \$19 million relating to losses on disposal of assets that were reclassified from accumulated amortization to opening retained earnings.

² On November 30, 2015, the Government of Saskatchewan announced a change in the year end for CIC and its subsidiaries from December 31 to March 31, commencing with the 2015-16 fiscal year. Accordingly, for the 2015-16 fiscal year the Corporation reported a 15-month fiscal period ended March 31, 2016, shown here compared to fiscal periods ending December 31 and March 31.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(millions)	12 Months Ended March 31, 2020	12 Months Ended March 31, 2019	12 Months Ended March 31, 2018	12 Months Ended March 31, 2017	12 Months Ended March 31, 2016 ¹
	Audited	Audited Restated	Audited	Audited	Unaudited
REVENUE					
Natural gas sales	\$ 309	\$ 452	\$ 474	\$ 364	\$ 402
Delivery	284	289	271	240	209
Transportation and storage	187	163	137	134	121
Customer capital contributions	36	29	21	55	58
Other	-	4	7	10	12
	816	937	910	803	802
EXPENSES					
Natural gas purchases	284	396	407	325	354
Employee benefits	96	89	86	87	90
Operating and maintenance	164	161	127	134	124
Depreciation and amortization	109	99	100	96	89
Saskatchewan taxes	16	15	14	12	12
Impairment loss on trade and other receivables	5	2	5	-	-
	674	762	739	654	669
INCOME BEFORE THE FOLLOWING	142	175	171	149	133
NET FINANCE EXPENSES					
Finance income	4	3	2	2	3
Finance expenses	(59)	(55)	(50)	(48)	(50)
	(55)	(52)	(48)	(46)	(47)
OTHER (LOSSES) GAINS	(21)	11	(13)	(33)	-
NET INCOME BEFORE MARKET VALUE ADJUSTMENTS	66	134	110	70	86
MARKET VALUE ADJUSTMENTS					
Commodity	6	35	(2)	65	(4)
Asset optimization	(36)	(22)	48	(2)	(12)
Net realizable value on natural gas in storage	7	19	(12)	13	(10)
Debt retirement funds	-	-	-	-	(4)
	(23)	32	34	76	(30)
TOTAL NET INCOME	\$ 43	\$ 166	\$ 144	\$ 146	\$ 56
CONSOLIDATED STATEMENT CASH FLOWS					
Cash provided by operating activities	270	280	312	225	258
Cash used in investing activities	(341)	(271)	(258)	(198)	(210)
Cash (used in) provided by financing activities	66	-	(58)	(37)	(47)
(DECREASE) INCREASE IN CASH POSITION	\$ (5)	\$ 9	\$ (4)	\$ (10)	\$ 1

¹On November 30, 2015, the Government of Saskatchewan announced a change in the year end for CIC and its subsidiaries from December 31 to March 31, commencing with the 2015-16 fiscal year. Accordingly, for the 2015-16 fiscal year the Corporation reported a 15-month fiscal period ended March 31, 2016, shown here are the 12-month fiscal periods ending and March 31.

Glossary of Key Success Measures

ONE COMPANY, ONE TEAM

Strategic Measure	
Employee Survey	The benchmark for this measure was established using the results of the comprehensive survey conducted in 2018-19. This survey is conducted every two years and is planned again for 2020-21.
Indigenous, Youth (30 Years of Age or Less)	<p>The workplace diversity measures provide quantitative data for the employment of Indigenous individuals, recognized by the Saskatchewan Human Rights Commission as being either underemployed or minimally employed within the province. SaskEnergy also tracks the percentage of 'youth' in the workforce, which is defined as employees who are 30 years of age or less.</p> <p>The measures are calculated by comparing the number of employees from these groups relative to the number of total employees that comprise the workforce. SaskEnergy statistics related to employment equity are tracked and reported internally and are also reported to the Saskatchewan Human Rights Commission annually.</p>

INDUSTRY LEADER

Strategic Measure	
Total Recordable Injury Frequency Rate	<p>This measure is a composite of two separate metrics:</p> <ul style="list-style-type: none"> • 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 that resulted in lost work time following the day of the injury. • Medical Aid Frequency Rate - records the frequency of injuries that require medical attention. Results are normalized 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 beyond the day of the injury. • And is calculated based on the most recent five-year TRIF average, minus 10 per cent.
SaskEnergy Leaks per 1,000 Kilometres of Mains	The term 'leak' is defined as any unplanned release of product from the distribution system. The methodology for this metric was developed and standardized in 2013 by the Canadian Gas Association (CGA) for inter-jurisdictional comparison purposes, and the SaskEnergy data on leaks per 1,000 kilometres of mains aligns with CGA reporting methodology.
TransGas Gas Line Failures per 1,000 Kilometres of Gas Line	The term 'failure' is defined as any unplanned release of product from the gas line body. This measure aligns with the Canadian Energy Pipeline Association's (CEPA) definition and statistics, which the Corporation uses as a benchmark. The definition does not include small leaks on fittings and valve bodies. For reference, the CEPA five-year average is 0.153.

Strategic Measure	
Safety and Integrity	This measure reflects, as a percentage, the current year of integrity capital spending against the Corporation's assets as of 15 years ago. In general, older assets require greater attention from an integrity perspective, and thus it is appropriate to measure integrity spending against these older assets. This metric reflects the Corporation's focus on safety and integrity efforts and helps ensure integrity programming remains consistent with industry best practice.
Debt/Equity Ratio	This measure is calculated by dividing total net debt by the sum of total net debt plus total owner's equity.
Consolidated Return on Equity	The consolidated rate of return on equity is measured by dividing the income before unrealized market value adjustments by the average owner's equity over the year. The average is determined as the simple average of the opening owner's equity and the closing owner's equity.
Income Before Unrealized Market Value Adjustments (millions)	This measure removes unrealized market value adjustments from consolidated net income. Market value adjustments include fair value adjustments on financial and derivative instruments and the revaluation of natural gas in storage to net realizable value.

FUEL OF CHOICE

Strategic Measure	
Core Growth – SaskEnergy and TransGas Revenue Growth	This measures the level of growth in the Corporation's revenues from its core business operations. The SaskEnergy portion of this measure is calculated based on the number of new customers times the average delivery revenue per customer. The TransGas portion of this measure is the incremental revenue growth in the core business. The total incremental revenue is reported as a percentage of the core revenue in the previous year.
Competitive Residential Delivery Rates	The Competitive Residential Delivery Rates 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.

Strategic Measure	
SaskEnergy Customer Satisfaction	<p>The SaskEnergy customer satisfaction measure expresses, in percentage terms, the proportion of customers surveyed who rated their overall satisfaction with SaskEnergy's service as a 5, 6, or 7 on a 7-point scale. Positive responses such as these indicate that customers view SaskEnergy service positively and provide a strong indication that the customer service tools, policies and staff are effectively meeting the needs of customers.</p> <p>The data for this measure is obtained from annual customer surveys conducted by independent market research firms.</p>
TransGas Customer Satisfaction	<p>This number is derived from an annual online and phone survey that is provided to all TransGas customers. For the first time in more than a decade, TransGas hired Insightrix to complete this survey to better align with SaskEnergy. Customer satisfaction is measured on a scale of 0 to 10, with 10 being the highest level of satisfaction. The survey contained 20 questions which, in turn, are subdivided to gain detailed feedback on various aspects of the service being evaluated. An average is taken on the responses to eight areas of questioning and reported as a percentage.</p>
Greenhouse Gas Emissions (Tonnes of CO₂e/million Running Horsepower Hours)	<p>This measure represents the intensity of greenhouse gas emissions produced per unit of natural gas compression, measured in tonnes CO₂e per million brake horsepower hours.</p>
Total Contracts – Percentage of Indigenous Labour Content	<p>This measure tracks the percentage of Indigenous labour content in the Corporation's labour service contracts managed by the Purchasing department.</p>

BUSINESS & TECHNOLOGY OPTIMIZATION

Strategic Measure	
Distribution - Operation, Maintenance and Administration Costs per Customer	<p>The Operation, Maintenance and Administration (OM&A) Costs per Customer measure is a proxy for the relative efficiency of the distribution utility's operations and is calculated using OM&A expenses (excludes transportation and storage charges) divided by the total number of distribution customers. This measure is comparable to other Canadian gas utilities.</p>
Transmission - Operation, Maintenance and Administration Costs per Book Value of Assets Managed	<p>The OM&A Costs per Book Value of Assets Managed measure is a proxy for the relative efficiency of the transmission utility's operations and is calculated using OM&A expenses (excludes third-party transportation charges) divided by the total value of the assets managed as part of the transmission system.</p>

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 used to express the energy value of natural gas or of energy consumed. One GJ is equivalent to one billion J. A typical home in Saskatchewan uses about 105 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.

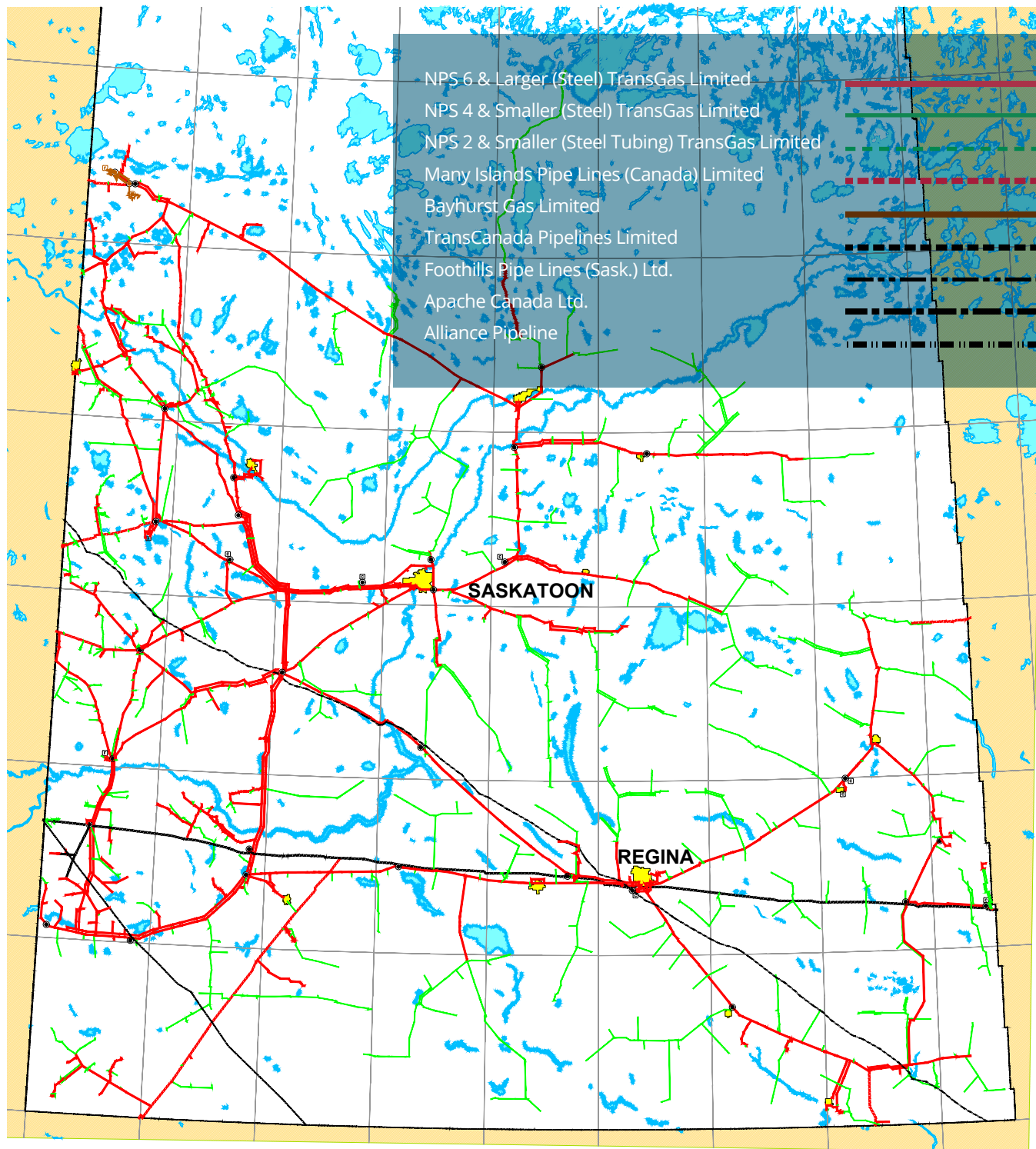
Cubic metre (m³)

A unit of volume measurement commonly used to express the amount of natural gas sold to consumers. The typical home in Saskatchewan uses about 2,800 m³ of natural gas per year.

Natural Gas Volume Equivalents at Normal Atmospheric Pressure

- One GJ of natural gas would approximately fill an 11-foot by 11-foot by 8-foot room (approximately 1,000 cubic feet).
- One TJ of natural gas would fill a typical professional hockey arena (approximately 1,000,000 cubic feet).
- One PJ is enough natural gas to fill 17 sports stadiums the size of the Rogers Centre in Toronto (approximately 1,000,000,000 cubic feet).

Saskatchewan Natural Gas Transmission Lines





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