SaskEnergy

2021-22
Annual Report

VISION

Environmental sustainability and economic prosperity for future generations.

CORPORATE VISION

Providing critical energy for a greener Saskatchewan and reducing our emissions from operations by 35 per cent by 2030.

MISSION

SaskEnergy delivers natural gas and energy solutions responsibly to the residents, businesses and industries of Saskatchewan.

VALUES

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

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

STEWARDSHIP
We are responsible in our use of all resources.

SPIRIT
We support a respectful, dynamic and a diverse work environment that encourages achievement.

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

Contents

SaskEnergy is committed to serving Saskatchewan residents, businesses and industries with safe, reliable and affordable energy. As we strive to reduce the impact of our operations on the environment, and support our customers in reducing their end-use emissions, we recognize the role we play in a sustainable future.

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Our Business

SaskEnergy's natural gas system has served Saskatchewan for seven decades, and it is our mission to deliver natural gas and energy solutions responsibly to the residents, businesses and industries of the province.

As a provincial Crown corporation, SaskEnergy serves more than 400,000 customers in 93 per cent of Saskatchewan communities. Through our 15,317 kilometres of transmission lines and 71,581 kilometres of distribution lines, our number one priority is to safely provide reliable and affordable energy to our customers.

We are committed to environmental sustainability and the social and economic prosperity of Saskatchewan communities.

As the largest distributor of energy in the province, SaskEnergy strives to contribute to a lower carbon future. We are committed to reducing emissions from operations by 35 per cent by 2030, and to supporting our customers in making their homes and businesses more energy efficient.

CUSTOMER PROFILE

Residential

- Urban
- Rural

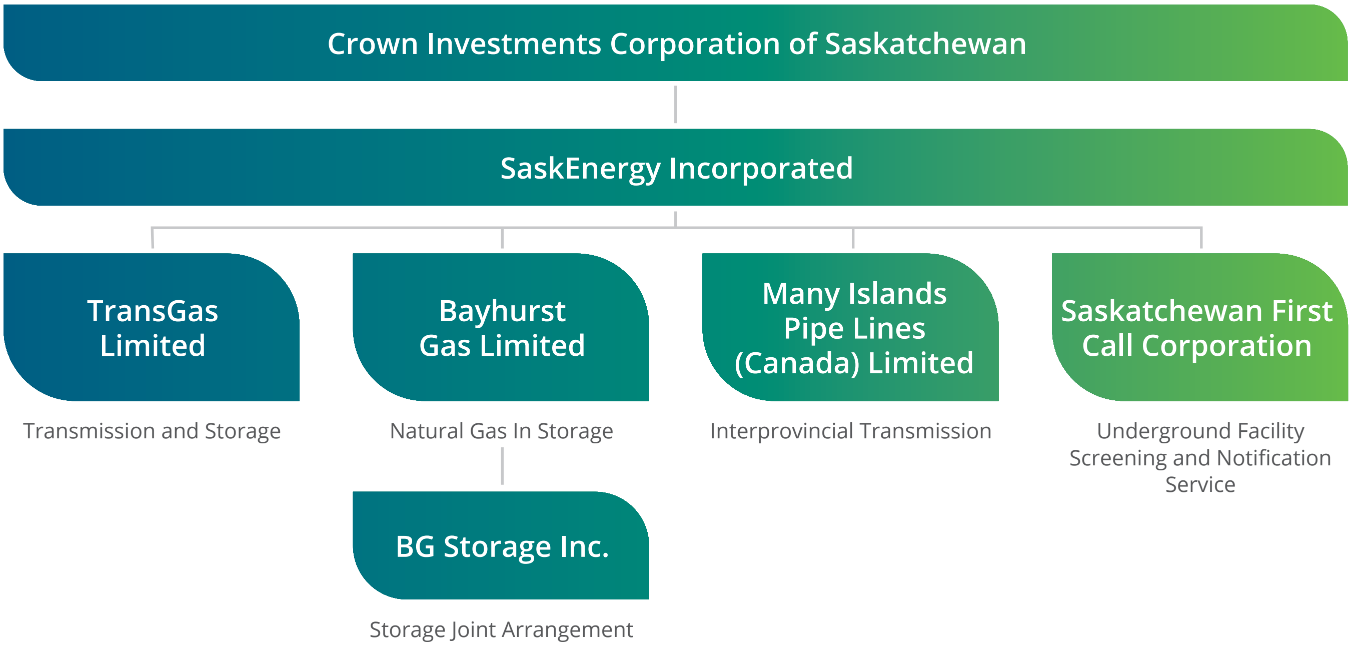
Commercial

- Retail businesses
- Restaurants
- Small hospitals
- Curling rinks
- Hotels
- Warehouse buildings

Industrial

- Potash mines
- Power generation
- Value-added agricultural sector
- Enhanced oil recovery
- Manufacturing
- Large hospitals
- Universities

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 legislative 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 subsidiaries and one indirect wholly owned operating subsidiary, as follows:

TransGas Limited (TransGas) owns and operates the transmission utility and has the exclusive legislative 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. (BGSI) 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 federally regulated transmission company that owns nine transmission gas line interconnections to Alberta, two into the United States, one into Manitoba, and one interconnect between the MIPL system and the federally regulated Foothills Saskatchewan 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.

Delivering Value to Our Customers

Our customers are the reason we exist, and delivering value to customers is paramount to SaskEnergy. We provide value to our customers by focusing on five key strategic imperatives, which are defined as follows:

Safety A safe energy source	• Committed to the safety of our people and the public • Continuous improvement of safety-related work practices • Collaboration with other agencies and associations
Environment Future sustainability	• Responsible energy company • Committed to a lower carbon future • Help customers meet their environmental aspirations • Reduce impact of operations on the environment
Affordability Competitive energy cost	• Stable and competitive rates • Lowest cost energy source in Saskatchewan • Delivery charges among the lowest in Canada
Ease of Service Convenient service	• Convenient and responsive service
Reliability Always available	• Competitive advantage compared to other energy sources • 24/7 service delivery • Few unplanned service interruptions

Letter of Transmittal

Regina, Saskatchewan

July 2022

To His Honour
The Honourable Russ Mirasty, S.O.M., M.S.M.
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

May it please Your Honour:

I have the honour to submit herewith the annual report of SaskEnergy Incorporated for the fiscal year ending March 31, 2022, in accordance with *The SaskEnergy Act*.

The Financial Statements included in this annual report are in the form approved by Crown Investments Corporation of Saskatchewan as required by *The Financial Administration Act, 1993* and have been reported on by the auditors.

Respectfully submitted,

Don Morgan

Honourable Don Morgan, Q.C.
Minister Responsible for SaskEnergy Incorporated

Chair's Message

On behalf of the SaskEnergy Board of Directors, it is my pleasure to join the Minister Responsible for SaskEnergy, the Honourable Don Morgan, in presenting the SaskEnergy 2021-22 Annual Report.

As evidenced throughout this report, SaskEnergy produced strong results in its strategic imperatives of safety, reliability, affordability, environment and ease of service. Aligned with the Government of Saskatchewan's Crown Sector Priorities and Saskatchewan's Growth Plan, these focus areas serve as the foundation of the Corporation's business strategy and drive customer value.

SaskEnergy's first-ever sustainability report, released in December, reflects the Corporation's long-term commitment to our province and its people, outlining key environmental, social and governance (ESG) principles and the path forward to a vision of environmental sustainability and economic prosperity for future generations. Throughout the year, SaskEnergy continued to display a clear focus on serving its more than 405,000 Saskatchewan customers, providing affordable, reliable and essential energy to residents and businesses while strengthening relationships with stakeholders and prioritizing employee and public safety.

The past year will also be remembered for Executive leadership changes at SaskEnergy. After five years as President and Chief Executive Officer, Ken From announced his departure and retired, effective April 29, 2022. I would like to commend Ken for his leadership, his contributions and the vision he provided to the Board throughout his time as President. With longtime Executive Vice President Mark Guillet stepping into the role of Acting President and Chief Executive Officer, the Board is confident that SaskEnergy will continue to deliver on its sound Corporate Plan and customer service strategies.

I would also like to welcome Milad Alishahi to the SaskEnergy Board of Directors and acknowledge the contributions of Board members Annette Revet and Ron Barsi — whose terms ended in 2021-22 — and John Hopkins, who sadly passed away in February after a courageous battle with cancer.

My thanks go to SaskEnergy's Executive team and employees for their contributions this past year. The Board looks forward to another successful year in 2022-23.

Susan Barber, Q.C.
Chair, SaskEnergy Board of Directors

President's Message

SaskEnergy recognizes the critical role we play in a sustainable and prosperous Saskatchewan. This past year demonstrated the importance of natural gas in the province's energy mix, and in the lives — and livelihoods — of our customers. Each and every day, SaskEnergy delivers safe, reliable and cost-effective energy to homes, businesses and industries across the province while supporting local economies and working toward a cleaner energy future.

Throughout the past year, SaskEnergy produced strong results across our focus areas as we continued to provide value to our customers and meet the expectations of stakeholders. In addition to reducing our greenhouse gas emissions from operations by 22,000 tonnes of carbon dioxide equivalent (CO_2e), SaskEnergy strengthened its commitment to helping customers reduce their own end-use emissions. In 2021-22, an additional $1.2 million in funding was dedicated to our customer energy efficiency rebates, resulting in more than $3 million in rebates for residential and commercial customers purchasing high-efficiency heating equipment.

In recognition of our environmental sustainability efforts, SaskEnergy was the recipient of three Environmental Stewardship Awards from the Canadian Gas Association — two for Innovation in Emissions Reduction and one for Operating Practices. These awards not only reflect our corporate vision and commitment to reducing our emissions from operations by 35 per cent by 2030, but the hard work, enthusiasm and dedication of our employees in meeting this objective. Significant efforts were undertaken during 2021-22 to develop a roadmap that outlines our path forward to meeting this target, which saw staff from across the province come together to identify opportunities for additional progress to be made.

As we implement initiatives to meet our emissions reduction targets, SaskEnergy will remain focused on customer service excellence and providing the residents of Saskatchewan with safe and affordable energy. Given the increasing cost pressures being felt throughout the world, it is critical that SaskEnergy maintains its focus on financial stewardship and operational efficiencies so we can continue to offer competitive rates to customers.

During the past year, 2,845 new distribution customers were added to our system, with total customers now surpassing 405,000. Industrial customer demand for natural gas also increased — notably for power generation — and was the main driver of another record being set for provincial daily gas usage, on January 5. To meet the current and future demand for natural gas in Saskatchewan, two significant projects were completed in 2021-22, both of which increased the capacity of SaskEnergy's natural gas system and supported the economies of local communities.

SaskEnergy also recognizes the importance of our relationships with the urban, rural and Indigenous communities we serve. In 2021-22, SaskEnergy supported 396 non-profit and charitable programs and events in nearly 200 communities across the province. In addition, we purchased $278 million in goods and services from Saskatchewan vendors, which represented 74 per cent of all corporate purchase orders.

SaskEnergy's success in pursuing our vision of environmental sustainability and economic prosperity for future generations — just like all our successes to date — would not be possible without our dedicated team of employees throughout the province. I would like to sincerely thank them for their contributions and efforts in 2021-22. My thanks, as well, to the Board of Directors for its strategic governance of SaskEnergy.

I want to close by acknowledging the leadership of Ken From, who retired after five years of serving as SaskEnergy President and CEO. Ken solidified the vision for SaskEnergy as we navigate through a critical period in our industry, and championed the importance of sustainability and ease of service for our customers in our day-to-day operations. It was my pleasure to work with him and, on behalf of everyone at SaskEnergy, we wish him and his family all the best in retirement.

Mark H. J. Guillet, Q.C.
Acting President and Chief Executive Officer

Our Sustainability Framework

Sustainability is built into every decision we make as we provide reliable, affordable energy to our customers while also acknowledging their desire for a cleaner energy future. Our commitment to environmental sustainability and economic prosperity for future generations guides us as we strengthen relationships with customers, communities and Indigenous groups, and provide an inclusive, safe working environment for our employees.

SaskEnergy's sustainability framework includes three pillars — Environment, Prosperity, and People. These pillars align with our corporate vision and set a strong foundation for our future as a sustainable energy provider for Saskatchewan.

Pillar One: *Environment*

As an organization, we have long considered the impact of our own operations, as well as the impact of our customers' activities, on the environment. We have a strong foundation set to meet stakeholder expectations. Our environmental sustainability efforts are focused on reducing emissions from our operations, supporting customers in reducing end-use emissions, and protecting the local environment, which includes plant life, wildlife, wetlands, native prairie and species at risk.

Pillar Two: *Prosperity*

SaskEnergy's prosperity focus aligns with our vision: *Environmental sustainability and economic prosperity for future generations.*

Our focus on prosperity means we support the Saskatchewan economy by investing in the rural, urban and Indigenous communities where we live and work. We deliver affordable, reliable energy to residents, businesses and industries to support the province's standard of living, while always considering our impact on the environment.

Pillar Three: *People*

At SaskEnergy, we take pride in our people, recognizing it is employees who drive the success of our organization and play a pivotal role in our future sustainability. To be successful, we must provide a safe and engaging workplace, recognize the value of our employees, support diversity and inclusion, and invest in a workforce to meet customer needs and expectations.

"Right now a lot of our homes are on propane and some are electric, and that's costly to our members. Not having natural gas has meant that some of our members go without heat for a couple days at a time — the cost to get propane tanks refilled can run $1,500, which not a lot of our members can afford in one lump sum. Without that heat source there is an impact on our community, especially during the winter months. Gasifying our community is a way for us to move forward as a nation, and it will be so much cheaper in the long run. It's also so much safer."

- Chief Melissa Tavita
Muscowpetung Saulteaux Nation

Pictured with (from left) Byron Toto, Terance Cappo and Rhonda Rosebluff on April 29, 2022

Looking Back at 2021-22

$1.2 million in additional funding

toward customer energy efficiency rebates

$390,000 in rebates

to businesses to install energy efficient furnaces, boilers, water heaters and infrared tube heaters

$2.65 million in rebates

to homeowners who purchased high-efficiency furnaces, water heaters, boilers, combi boilers and heat recovery ventilators through the Residential Equipment Replacement Rebate program

Three 2021 Canadian Gas Association awards for Environmental Stewardship

- Environmental Stewardship Award for Operating Practices for the Environmental Screening Tool
- Environmental Stewardship Award for Innovation in Emissions Reduction for vented gas capture on compressor engines
- Environmental Stewardship Award for Innovation in Emissions Reduction for customer energy efficiency programming and a tool to help customers understand energy costs and usage

Customer Portal Project

initiated a project to replace the online My Account portal to provide customers with additional functionality and self-service options

Customer call-back option implemented

customers can choose to leave a message and receive a call-back rather than wait in the queue for service

Tune-Up Assistance Program

assisted 825 income qualified homeowners with free furnace maintenance

Investing in our communities

supported 396 charitable and non-profit programs and events in nearly 200 communities across Saskatchewan

Lowest in Canada

residential natural gas bill

Indigenous Cultural Awareness Program (ICAP)

compulsory training for all employees as part of our commitment to the Truth and Reconciliation Commission's Calls to Action

1.65 petajoules

new record for customers' daily gas usage set on January 5

Conserving Saskatchewan's biodiversity and species at risk

committed to a $50,000 two-year agreement with Nature Conservancy of Canada (NCC) to support conservation of the biodiversity of the Southwest Sandhills

$98 million

dedicated to system integrity and reliability initiatives

89% and 86%

customer satisfaction rating for SaskEnergy and TransGas, respectively

Roadmap to 35% by 2030

developed a roadmap to guide our path to reducing emissions from operations

Energy management software

installation began at the Regina Service Centre to allow for real-time consumption data monitoring and optimized building operations

165,571 line locate requests

received by Sask 1st Call — six per cent more than last year

11,516

additional customers enrolled in paperless billing

2,845

new distribution customers added

$278 million

in goods and services purchased from Saskatchewan vendors, making up 74 per cent of all corporate purchase orders

22,000 tonnes carbon dioxide equivalent (CO_2e)

year-over-year reductions in greenhouse gas emissions from operations

The Muster Point

new internal hub of safety-related information, including data, learnings, and industry highlights

Completed in October, a new 30-kilometre cross-border transmission line near Pierceland doubles SaskEnergy's gas supply into northwest Saskatchewan, from Alberta. A month later, a new 86-kilometre gas line from Rosetown to Vanscoy was completed, increasing system capacity and reliability to the Saskatoon area.

Major construction projects like these are critical to SaskEnergy’s ability to meet the current and future demand of our residential, commercial and industrial customers. They also help boost local communities’ economies and employ local businesses and workers — including Indigenous monitors, who help ensure construction occurs in a culturally respectful way.

"I've worked in professional kitchens since 2003 and the experience I've had is natural gas is better to cook food. The taste is different. All of our appliances run on natural gas — our pizza oven, stovetop, oven, flattop, and deep fryer. Natural gas is by far better for this kitchen and it's cheaper. Natural gas helps a lot, not only for how we pay our utilities, but how we cook our food in the kitchen."

- Joseph Hubalde
Owner of Kuzina Resto & Grill in Carlyle

Financial and Operating Highlights

CONSOLIDATED FINANCIAL INFORMATION ($ millions)	2021-22	2020-21	2019-20
Delivery	**288**	284	284
Transportation and storage	**206**	186	187
Realized commodity margin	**23**	11	23
Realized asset optimization margin	**11**	(4)	2
Customer capital contributions	**25**	49	36
Total revenue and margins	**553**	**526**	**532**
Employee benefits	**106**	102	96
Operating and maintenance	**183**	169	164
Depreciation and amortization	**126**	117	109
Saskatchewan taxes	**18**	16	16
(Recovery) loss on trade and other receivables	**(2)**	5	5
Net finance expense	**59**	55	55
Other (gains) losses	**(19)**	3	21
Total expenses	**471**	**467**	**466**
Income before unrealized market value adjustments	**82**	**59**	**66**
Market value adjustments	**76**	22	(23)
CONSOLIDATED NET INCOME	**158**	**81**	**43**
Dividends declared	**22**	21	24
Total assets	**3,517**	3,294	3,222
Cash provided by operating activities	**238**	204	270
Cash used in investing activities	**(237)**	(235)	(341)
Cash provided by financing activities	**1**	30	66
Capital additions	**230**	212	316
Total net debt	**1,748**	1,613	1,501
Debt/Equity ratio	**59/41**	58/42	58/42
Rate of return on equity	**5.4%**	5.2%	6.1%
OPERATING STATISTICS			
Distribution energy *(petajoules)*			
Residential/Farm	**38**	40	37
Commercial	**34**	31	33
Industrial	**178**	165	164[1]
TOTAL	**250**	**236**	**234**
Transmission energy *(petajoules)*			
Domestic	**371**	348	364
Export	**26**	5	37
TOTAL	**397**	**353**	**401**
Number of customers			
Distribution	**405,672**	402,827	399,826
Transmission	**130**	122	118

[1] Industrial consolidated volumes restated for 2019-20 due to a billing adjustment.

OPERATING SUMMARY – DISTRIBUTION

	2021-22	2020-21	2019-20
Sales in million cubic metres[1]	**6,329**	5,962	5,965[2]
Residential annual average usage (cubic metres)	**2,677**	2,694	2,631
Degree days[3]	**5,724**	5,664	5,706
Percentage colder than normal	**3.0%**	1.9%	2.3%
NATURAL GAS LINE (kilometres)			
SaskEnergy Incorporated	**71,581**	71,305	70,996

[1] Retail, industrial and asset optimization.

[2] Sales in million cubic metres restated for 2019-20 due to a billing adjustment.

[3] A unit measuring the extent to which the temperature falls below 18° Celsius. Normal weather for the 12 months ending March 31, 2022 would have been 5,556 degree days.

OPERATING SUMMARY – TRANSMISSION

	2021-22	2020-21	2019-20
Peak day natural gas flows (petajoules)	**1.65**	1.59	1.55
Date of peak day flow	**Jan. 5**	Feb. 12	Jan. 15
Storage cavern sites	**6**	6	6
Storage caverns	**19**	19	18
Storage field sites[1]	**4**	4	4
Producing field sites[1]	**1**	1	1
NATURAL GAS LINE (kilometres)			
TransGas Limited			
Transmission	**14,653**	14,575	14,537
Gathering	**167**	167	167
Many Islands Pipe Lines (Canada) Limited	**475**	445	443
Bayhurst Gas Limited	**22**	22	22
TOTAL	**15,317**	**15,209**	**15,169**
SYSTEM COMPRESSION			
TransGas Limited stations	**24**	24	24
Many Islands Pipe Lines (Canada) Limited stations	**2**	1	1
Bayhurst Gas Limited stations	**0**[2]	3	3
Mobile compressor units	**17**	17	17
COMPRESSION HORSEPOWER			
TransGas Limited	**76,068**[3]	83,968	83,968
Many Islands Pipe Lines (Canada) Limited	**11,760**[4]	5,040	5,040
Bayhurst Gas Limited	**0**[2]	6,300	6,300
TOTAL	**87,828**	**95,308**	**95,308**

[1] Includes Bayhurst Gas Limited.

[2] Reduction due to discontinued operations of Pierceland, Mannville and Beacon Hill A compressor stations.

[3] Reduction due to a decrease in the number of available compressor units.

[4] Increase due to new Pierceland compressor station.

QUARTERLY FINANCIAL AND OPERATING HIGHLIGHTS

2021-22 CONSOLIDATED FINANCIAL INFORMATION ($ millions)	Q1	Q2	Q3	Q4	March 31, 2022
Delivery	$ 54	$ 40	$ 88	$ 106	**$ 288**
Transportation and storage	49	51	53	53	**206**
Realized commodity margin	1	1	10	11	**23**
Realized asset optimization margin	1	4	2	4	**11**
Customer capital contributions	4	3	9	9	**25**
Total revenue and margins	**109**	**99**	**162**	**183**	**553**
Employee benefits	27	24	24	31	**106**
Operating and maintenance	41	45	46	51	**183**
Depreciation and amortization	30	31	31	34	**126**
Saskatchewan taxes	3	7	4	4	**18**
(Recovery) loss on trade and other receivables	(2)	(1)	2	(1)	**(2)**
Net finance expense	15	14	14	16	**59**
Other (gains) losses	-	(1)	1	(19)	**(19)**
Total expenses	**114**	**119**	**122**	**116**	**471**
CONSOLIDATED INCOME (LOSS) before unrealized market value adjustments	**$ (5)**	**$ (20)**	**$ 40**	**$ 67**	**$ 82**
Dividends declared	$ 4	$ 2	$ 4	$ 12	**$ 22**
Cash provided by operating activities	64	38	28	108	**238**
Cash used in investing activities	(33)	(89)	(70)	(45)	**(237)**
Cash provided by (used in) financing activities	(30)	(49)	46	34	**1**
Capital additions	(31)	(89)	(67)	(43)	**(230)**
OPERATING STATISTICS					
Distribution energy (petajoules)					
Residential/Farm	4	2	14	18	**38**
Commercial	6	2	11	15	**34**
Industrial	41	41	47	49	**178**
TOTAL	**51**	**45**	**72**	**82**	**250**
Weather (compared to last 30 years)	Normal	25% warmer	2% colder	8% colder	**3% colder**
Transmission energy (petajoules)					
Domestic	79	72	104	116	**371**
Export	2	8	10	6	**26**
TOTAL	**81**	**80**	**114**	**122**	**397**

2020-21 CONSOLIDATED FINANCIAL INFORMATION ($ millions)	Q1	Q2	Q3	Q4	March 31, 2021
Delivery	$ 58	$ 41	$ 86	$ 99	**$ 284**
Transportation and storage	47	46	46	47	**186**
Realized commodity margin	1	-	4	6	**11**
Realized asset optimization margin	(4)	-	-	-	**(4)**
Customer capital contributions	2	8	8	31	**49**
Total revenue and margins	**104**	**95**	**144**	**183**	**526**
Employee benefits	25	22	24	31	**102**
Operating and maintenance	38	39	43	49	**169**
Depreciation and amortization	29	28	29	31	**117**
Saskatchewan taxes	3	6	3	4	**16**
Loss on trade and other receivables	2	-	2	1	**5**
Net finance expense	13	14	14	14	**55**
Other losses (gains)	(2)	-	-	5	**3**
Total expenses	**108**	**109**	**115**	**135**	**467**
CONSOLIDATED INCOME (LOSS) before unrealized market value adjustments	**$ (4)**	**$ (14)**	**$ 29**	**$ 48**	**$ 59**
Dividends declared	3	2	8	8	**21**
Cash provided by operating activities	56	25	44	79	**204**
Cash used in investing activities	(42)	(61)	(83)	(49)	**(235)**
Cash provided by (used in) financing activities	(13)	(39)	50	32	**30**
Capital additions	(40)	(57)	(75)	(40)	**(212)**
OPERATING STATISTICS					
Distribution energy (petajoules)					
Residential/Farm	6	3	13	18	**40**
Commercial	6	2	11	12	**31**
Industrial	34	39	45	47	**165**
TOTAL	**46**	**44**	**69**	**77**	**236**
Weather (compared to last 30 years)	18% colder	12% colder	2% colder	1% warmer	**2% colder**
Transmission energy (petajoules)					
Domestic	72	71	99	106	**348**
Export	1	3	1	0	**5**
TOTAL	**73**	**74**	**100**	**106**	**353**

QUARTERLY YEAR-OVER-YEAR ANALYSIS

Operating results generally vary from quarter to quarter as a result of changes in general economic conditions and seasonal fluctuations. Results in one quarter are not necessarily indicative of how the Corporation will perform in a future quarter. Natural gas consumption has unique seasonal aspects as customers typically use natural gas as heating fuel during cold winter months through the third and fourth quarters.

First Quarter (three months ending June 30)

The $5 million loss in 2021 approximated the $4 million loss realized in 2020, a result of delivery revenue decreasing (as weather was normal in 2021 compared to 18 per cent colder in 2020) and employee benefit costs increasing (as the Corporation increased positions in key areas), along with the impact of annual economic increases and higher net finance expenses in 2021. This was partially offset by the realized asset optimization margins improving in 2021, combined with higher transportation and storage revenue, a result of rate increases effective April 1, 2021 and additional distribution system customer capital contributions.

Second Quarter (three months ending September 30)

The $20 million loss realized in 2021 was $6 million lower than the $14 million loss in 2020, primarily due to declining distribution system customer capital contributions and higher transportation expenses. This was partially offset by transportation and storage revenue continuing to improve in 2021, a result of the first quarter rate increases along with customers increasing firm transportation contracts for receipt and delivery services.

Third Quarter (three months ending December 31)

Income increased $11 million in 2021, as the Corporation increased its commodity rate effective November 1, 2021 to address increasing natural gas market prices. The AECO daily index averaged $4.41 per gigajoule (GJ) throughout the quarter compared to $2.50 per GJ the prior year. In addition, transportation and storage revenues continue to improve in the current year, a result of the first quarter rate increases, combined with customers increasing firm and interruptible transportation contracting on receipt, delivery and export services.

Fourth Quarter (three months ending March 31)

Income increased by $19 million, primarily due to the Corporation recognizing a gain after successfully exercising its option to purchase, and receiving title to, its head office building. Higher commodity and asset optimization margins — along with increasing delivery, transportation and storage revenue — also contributed to the favourable results for the quarter. This was partially offset by customer capital contributions declining in 2022, as the prior year included a large capital project for a transmission system customer.

“Decades of knowledge, innovation and cutting-edge technologies are leading the way to Net Zero Home construction by the end of this decade. In colder climates like Saskatchewan's, there are limitations to how far current electric heat pumps can take us while balancing the need for housing affordability. Since natural gas is one of the cleanest burning fuels available, it is an important tool in the transformation to Net Zero Home construction.”

- Stu Niebergall
President and CEO
Regina & Region Home Builders’ Association

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, 2022. 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 18, 2022 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.

The discussion of the Corporation's results in the MD&A, set out on the following pages, is a comparison of the results for the 12 months ended March 31, 2022 to the results for the 12 months ended March 31, 2021, unless otherwise noted.

STRATEGIC SCORECARD MEASURES

SaskEnergy's Corporate Plan focuses on strategies to address the rapidly changing operating environment. To meet the Corporation's strategic imperatives and create value for customers, SaskEnergy will continue to improve operational efficiency and focus on sustainability — providing reliable, affordable energy to customers while recognizing their desire for a cleaner energy future.

SaskEnergy recognizes the need to reduce emissions in order to address climate change. It also recognizes that the need for safe, reliable and affordable energy remains paramount in order for the people, employers and industries of Saskatchewan to thrive. Natural gas is currently the largest source of energy in the province and carries a lower emissions intensity than refined petroleum and electricity based on its current generation mix. In addition, it is also the most affordable and carries an exceptionally high degree of reliability. These factors indicate the need for SaskEnergy to stay the course in focusing on its imperatives to deliver safe, reliable, affordable natural gas service in an increasingly sustainable and convenient manner.

At the same time, SaskEnergy will support Saskatchewan's economy now and in the future by investing in the communities it serves by buying local, enhancing procurement processes, and rewarding vendors that demonstrate Saskatchewan content and Indigenous participation. SaskEnergy's success is driven by its employees, and they are recognized for the value they provide, their diversity, and their role in the Corporation's future sustainability.

Each year, as part of the strategic planning process, SaskEnergy aligns performance metrics in the scorecard to track progress toward achieving its strategy. 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 Corporate Plan approval. The CIC Board reviews the 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, allowing management to take any corrective action to achieve the targets.

SaskEnergy's balanced scorecard is focused on four quadrants — Organizational, Operations, Financial and Customer. Strategic actions within the Organizational and Operations quadrants will produce desired results in the Customer and Financial quadrants.

The following discussion outlines the Corporation's 2021-22 performance relative to its strategic scorecard targets for the 12 months ending March 31, 2022, which are further defined in the Glossary of Key Success Measures.

Vision

Environmental sustainability and economic prosperity for future generations.

Corporate Vision

Providing critical energy for a greener Saskatchewan and reducing our emissions from operations by 35 per cent by 2030.

Mission

SaskEnergy delivers natural gas and energy solutions responsibly to the residents, businesses and industries of Saskatchewan.

Quadrant	*Strategic Action*
ORGANIZATIONAL	1.1 Alignment 1.2 Operational Governance 1.3 Safe and Inclusive Culture 1.4 Workforce Development 1.5 Technology
OPERATIONS	2.1 Project Execution Excellence 2.2 Operational Excellence 2.3 Data-Driven Operations 2.4 Customer Experience 2.5 Greener Energy Provider
	Outcomes
FINANCIAL	3.1 Debt-to-Equity Ratio, Regulated Return on Equity (ROE), Operating and Maintenance (O&M) per Customer, O&M per Book Value of Assets, Delivery Rates 3.2 Investment in Green Initiatives
CUSTOMER	4.1 Residential and Business *"SaskEnergy is the best energy value choice for me. Service is seamless and easy to access when I need it."* 4.2 Industrial *"Natural gas is reliable and affordable. It allows me to operate efficiently and contribute to the Saskatchewan economy."*

ORGANIZATIONAL

The right organizational structure, technology, and a talented workforce are crucial to SaskEnergy's ability to continue to deliver value to customers. The Corporation's organizational design enables SaskEnergy to optimize the organization today and build the team, and skills, for the future. SaskEnergy continues to focus on long-term sustainability and advancing the organization through workforce development and technology.

Organizational Strategic Measures	March 31, 2021 Actual	March 31, 2022 Actual	March 31, 2022 Target	March 31, 2023 Target	March 31, 2024 Target	March 31, 2025 Target	March 31, 2026 Target	March 31, 2027 Target
Safety Culture								
Total Recordable Injury Frequency Rate	1.43	**2.56**	1.78	1.95	1.86	1.82	1.73	1.70
Injury Severity Rate	N/A	**42**	16	15	14	13	12	12
Workforce Development								
Representative Workforce								
• Women in Management Roles	N/A	**41.3%**	42.0%	42.5%	43.0%	43.5%	44.0%	44.5%
• Indigenous	14.0%	**14.3%**	14.5%	15.0%	15.5%	16.0%	16.5%	16.5%
Employee Experience	Below Public Sector Average	**Non-survey year**	Non-survey year	Public Sector Average	Non-survey year	Above Public Sector Average	Non-survey year	Above Public Sector Average

Safety Culture

SaskEnergy believes that success is achieved when a strong safety culture instills safe practices into individual and collective decisions made by employees and contractors. Hazard identification, risk assessment and mitigation, and sharing learnings to promote awareness and continuous improvement are safety priorities throughout the organization that demonstrate employee and public safety are at its core.

At the end of the 2021-22 fiscal year, SaskEnergy achieved a Total Recordable Injury Frequency Rate (TRIF) of 2.56, meaning there were 2.56 recordable injuries for every 100 full-time employees. This is an increase from both the 2020-21 TRIF of 1.43 and the TRIF target of 1.78.

The Injury Severity Rate is a new measure being reported beginning in 2021-22. It measures the number of lost workdays, due to injury, per 100 workers.

The Injury Severity Rate at the end of 2021-22 was 42 against an annual target of 16. SaskEnergy experienced three serious injuries that required more time away from work, which greatly impacted this measure.

SaskEnergy recognizes that improvements are needed and continues to focus on safety performance and culture through key safety initiatives such as:

- public safety efforts to continue to decrease the number of third-party line contacts with buried infrastructure;
- collaboration with industry peers and subject matter experts to measure, evaluate and effectively manage safety culture;
- focus on safe work as management staff will engage more closely with field staff at their worksites.

In addition to an emphasis on safety, SaskEnergy focuses on specific actions toward emergency preparedness. Through the corporate Emergency Management Program, SaskEnergy develops, trains and practices for emergencies to minimize their effects to customers, employees and communities. Some key actions include:

- emergency response training for key staff;
- incident command training, tabletop exercises and full-scale exercises;
- natural gas awareness training for first responders throughout Saskatchewan; and
- co-operative and co-ordinated emergency response efforts with other utilities, ministries and agencies in the province.

Workforce Development

SaskEnergy takes pride in its people, recognizing employees drive the success of the organization. With more than 1,100 employees across Saskatchewan, SaskEnergy's goal is to provide a workplace that offers challenging opportunities for growth and provides a safe, inclusive and engaging environment where all ideas are valued, respected and welcomed.

Representative Workforce

SaskEnergy's goal is to continue to foster an inclusive work environment rooted in the belief that, through varying perspectives, SaskEnergy will make better decisions and achieve better outcomes. The communities it serves include people from varying backgrounds and SaskEnergy aspires to have a workforce reflective of that same diversity. The focus has been, and will continue to be, engaging Indigenous people.

In 2021-22, Women in Management Roles, including professionals, was added as a new measure. This is also an area of focus for SaskEnergy's diverse and inclusive workforce. The annual percentage is currently lower than the Saskatchewan Human Rights Commission's recommended target of 47 per cent and is an area of focus in developing a diverse and inclusive workforce.

Employee Experience

SaskEnergy's commitment to employee training and development prepares its workforce for the future, allows for stronger business outcomes, and enhances its ability to recruit and retain talented individuals. SaskEnergy surveys its employees every second year, with the next survey taking place in 2022-23. The survey produces a variety of data points, including the overall engagement score, from which SaskEnergy implements a comprehensive action plan that enhances diversity and inclusion initiatives, broadens the talent pool, and targets the learning and development of diverse groups.

OPERATIONS

These strategic actions are categorized as sustaining SaskEnergy's core business of delivering safe, reliable and affordable natural gas to its customers, and advancing the Corporation's business into the future.

Operations Strategic Measures	March 31, 2021 Actual	March 31, 2022 Actual	March 31, 2022 Target	March 31, 2023 Target	March 31, 2024 Target	March 31, 2025 Target	March 31, 2026 Target	March 31, 2027 Target
Operational Excellence								
Distribution – Operating and Maintenance Costs per Customer	$337	**$327**	$340	$382	$385	$385	$385	$385
Transmission – Operating and Maintenance Costs per Book Value of Assets Managed	6.7%	**6.6%**	6.4%	6.8%	7.0%	7.2%	7.4%	7.4%
Residential Delivery Rates	Competitive	Competitive	Competitive	Competitive	Competitive	Competitive	Competitive	Competitive
Unplanned Distribution Customer Outage Events	33	**38**	48	45	41	37	35	35
Greener Energy Provider								
Output Based Performance Standard (OBPS) – Emissions (Tonnes of CO_2e/MWh)	0.62	**0.61**	0.68	N/A	N/A	N/A	N/A	N/A
Cumulative GHG Emissions Reduction Relative to 2019 Baseline (Tonnes of CO_2e)	N/A	**N/A**	N/A	7.0%	10.5%	14.0%	17.5%	21.0%
Customer GHG Savings (Tonnes of CO_2e/year) from Natural Gas Conservation Programs	N/A	**N/A**	N/A	25,000	25,500	26,000	26,500	27,000

Operational Excellence

SaskEnergy continues to focus on efficiency while maintaining sustainable levels of spending to achieve strategic goals and high customer service levels. In alignment with the Crown Sector Strategic Priority of financial stability, and with a continued emphasis on operational efficiency, SaskEnergy is committed to the cost-effective delivery of natural gas services to its customers. This will be accomplished through operational excellence in daily operations, capital expenditures and effective resourcing.

Distribution Operating and Maintenance Costs per Customer were better than target in 2021-22. Customer growth was higher than expected, with 2,845 net new customers compared to the 2,000 that were anticipated. Efficiency initiatives in operating and maintenance — such as consulting, travel and sustenance, computer, and contract expenses — resulted in cost savings and contributed to SaskEnergy achieving this target by year end. Major projects that focus on customer service and technological efficiencies include the Operations Work Management Alignment project, which creates consistency and common processes for Operations through a standardized work management solution, and the customer call-back option, which allows customers to leave a message and receive a call-back rather than waiting in the phone queue for service. Additionally, SaskEnergy initiated a project to replace the online customer portal to provide customers with additional functionality and self-service options, such as booking appointments online.

Transmission Operating and Maintenance Costs per Book Value of Assets Managed were slightly lower than target. Cost savings were achieved through a continued focus on efficiencies; however, lower capital additions in both 2020-21 and 2021-22 resulted in the net book value of property, plant and equipment and intangible assets being lower than planned.

On November 1, 2021, SaskEnergy increased its commodity rate from $2.575/gigajoule (GJ), or 9.98 cents per cubic metre, to $3.20/GJ, or 12.78 cents per cubic metre. Despite the commodity rate increase, SaskEnergy still achieved its goal of having residential delivery rates that are competitive with the major utilities across Canada. A typical residential customer in Regina paid $556 for delivery service in 2021-22, which is the third-lowest rate in Canada. Hamilton, Ontario remains the lowest with a rate of $478 for a typical customer.

However, SaskEnergy's total residential natural gas utility rate (delivery and commodity combined) was the lowest in Canada in 2021-22.

SaskEnergy provides price protection for its distribution customers through the practice of hedging natural gas purchases. This balances competitive commodity rates with rate stability for customers and is designed to protect customers from natural gas market volatility, particularly in the winter months.

Unplanned Distribution Customer Outage Events are unplanned outages that arise from activities such as third-party damage (line hits), operator error, facilities failure, and security issues. During 2021-22, there were a total of 38 reported outages, which is below the target of 49 outages for the year. SaskEnergy has a formal Outage Mitigation Plan that is required to address each incident.

Greener Energy Provider

SaskEnergy will reduce emissions from internal operations through its environmental and sustainability programs. There is continued focus on the intensity of greenhouse gas emissions per unit of compression, using a measure that was created by Environment and Climate Change Canada under the federal Output Based Pricing System (OBPS) and modified to reflect the emissions metric for the transmission industry. This metric is mainly influenced by fuel combustion and flaring, and fluctuates throughout the year based on operational requirements.

In 2022-23, SaskEnergy is introducing new environmental success measures that will more directly align to the Corporation's strategy and better reflect on the progress toward the long-term targets for greenhouse gas emissions for both SaskEnergy and its customers. A roadmap has been developed to identify how the organization will reduce emissions from operations by 35 per cent by 2030, including a long-term electrical strategy that will define plans for additional renewable power installations across the province. SaskEnergy is also reducing vented operational emissions through gas capture and flaring technologies, with a focus on emissions from the transmission system.

FINANCIAL

SaskEnergy is committed to the long-term sustainability of the Corporation, measured through its debt-to-equity ratio, and its regulated return on equity on both the distribution and transmission business. SaskEnergy places a high priority on Environmental, Social and Governance principles and is committed to annual investments in initiatives that reduce emissions.

Financial Strategic Measures	March 31, 2021 Actual	March 31, 2022 Actual	March 31, 2022 Target	March 31, 2023 Target	March 31, 2024 Target	March 31, 2025 Target	March 31, 2026 Target	March 31, 2027 Target
Financial Strength								
Debt/Equity Ratio	58/42	**59/41**	59/41	61/39	61/39	61/39	60/40	59/41
Regulated Return on Equity - Distribution	N/A	**8.5%**	7.4%	1.8%	4.9%	7.1%	8.3%	8.3%
Regulated Return on Equity - Transmission/Storage	N/A	**5.4%**	6.3%	7.0%	8.57%	8.57%	8.57%	8.57%
Investment in Green Initiatives ($millions)	N/A	**$3.6**	$4.0	N/A	N/A	N/A	N/A	N/A

Financial Strength

SaskEnergy maintains sustainable financial health, achieves strong operational outcomes and continues to manage strategies that are consistent with government direction in keeping Saskatchewan strong.

The Corporation continues to provide reasonable financial returns to its holding company, CIC, and competitive rates to customers. It balances the interests of 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 2021-22 reflected its proven commitment to safely deliver natural gas to customers. Higher than planned industrial customer demand resulted in higher transportation and storage revenue. Higher distribution customer growth, with 2,845 net new customers, and unplanned alterations resulted in higher than planned customer capital contributions. Lower delivery revenue, which was the result of a planned rate increase not proceeding, was partly offset by higher demand due to seven per cent colder than normal weather during the winter months.

The Corporation continues to align resources and related costs with core work, resulting in savings in both employee obligations and contract and consulting services. In addition, focused attention on optimizing technology resources has also resulted in cost savings.

In 2021-22 SaskEnergy was successful in obtaining title to its head office building. This resulted in the recognition of a gain due to the recapture of lease payments made during the litigation period.

SaskEnergy's net income before unrealized market value adjustments was $82 million in 2021-22, which was $23 million higher than the $59 million realized in the previous year. At March 31, 2022, the consolidated debt-to-equity ratio was 59 per cent debt and 41 per cent equity, which is within the target range of 58 to 63 per cent debt.

The regulated return on equity for distribution for the period ending March 31, 2022 was 8.5 per cent compared to the target of 7.4 per cent. Operating cost management, asset optimization margins and weather that was seven per cent colder than normal through the winter months all contributed to the favourable result.

The regulated return on equity for transmission was 5.4 per cent, which is below the target of 6.3 per cent. This was due to unplanned costs related to the abandonment of assets no longer in service.

SaskEnergy is committed to reducing the carbon footprint within Saskatchewan. This will be achieved by helping customers reduce their emissions through energy efficiency and low carbon programs, and through an annual commitment of funds to initiatives that are expected to contribute to a greener gas stream.

SaskEnergy invested $3.6 million in green initiatives in 2021-22, slightly lower than the planned investment of $4.0 million.

The Corporation has programs in place that provide rebates to residential and commercial customers who install high-efficiency equipment in their homes and businesses. SaskEnergy also participates with industry experts to raise awareness about efficiency programs.

CUSTOMER

Residential and business customers use natural gas primarily for heating. The outcome the Corporation is striving for is that these customers consider SaskEnergy as the best energy value choice for them, including seamless service and easy access when needed.

Large industrial customers use natural gas primarily in their processes and SaskEnergy strives to deliver reliable and affordable energy that allows these customers to operate efficiently and contribute to Saskatchewan's economy.

Customer Strategic Measures	March 31, 2021 Actual	March 31, 2022 Actual	March 31, 2022 Target	March 31, 2023 Target	March 31, 2024 Target	March 31, 2025 Target	March 31, 2026 Target	March 31, 2027 Target
Customer Experience								
SaskEnergy Customer Satisfaction	89%	**89%**	90%	90%	90%	90%	90%	90%
TransGas Customer Satisfaction	87%	**86%**	87%	88%	89%	90%	90%	90%

Customer Experience

Safe, reliable, and affordable service is paramount in sustaining customer value, including the ability for customers to meet their environmental goals. SaskEnergy strives for ease of service while meeting customers' growing expectations and implementing collaborative solutions to make it easier to do business in Saskatchewan.

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 89 per cent in 2021-22. Several programs and advertising campaigns directed to customers continued throughout the year, such as the residential high-efficiency equipment rebate program, the carbon monoxide alarm in-store rebate program, and the Tune-Up Assistance Program. New services were also added, including the customer call-back option that allows customers to leave a message and receive a call-back rather than wait in the phone queue, and paperless billing continued to be promoted.

TransGas customer survey results indicated 86 per cent of customers are satisfied with TransGas. The result captures a range of feedback, including service delivered by key personnel, reliability of service, outages, customer facilities and value statements. TransGas continues to improve service quality, provide good value for the rates, and offer flexible service through innovative energy solutions to improve overall satisfaction levels.

OPERATING ENVIRONMENT

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

Energy Transition Uncertainty

Europe is facing an energy shortfall and increasing natural gas prices. Energy demands there may be met, in part, with increased shipments of liquified natural gas (LNG). Canada is still expected to enter the LNG export market when the LNG Canada export facility near Kitimat, British Columbia opens in several years. A smaller project near Squamish has also made progress with the final investment decision expected later in 2022.

Despite finite LNG export capacity keeping North America somewhat isolated from high global energy prices, growing export capacity and the uncertainty around the duration of Europe's energy shortfall kept upward pressure on North American prices through the end of the fiscal year. Combined with cold weather leaving natural gas storage balances lower than expected, NYMEX natural gas prices increased 51 per cent through the first three months of 2022 — the largest increase ever for that period.

High global energy prices, combined with already existing supply chain constraints, continue to be contributing factors in recent increases to inflation — in Canada and around the world.

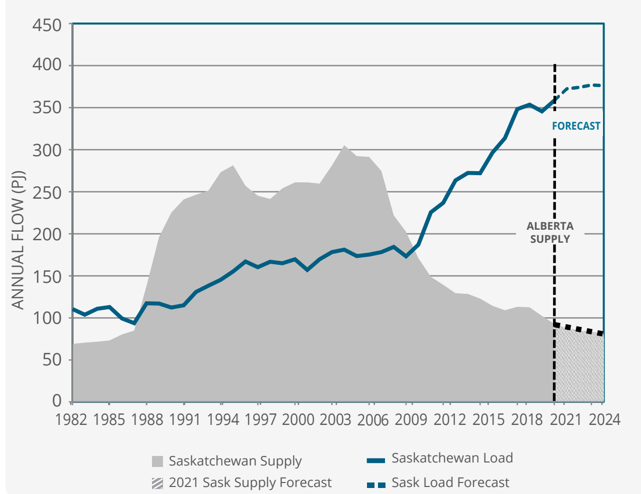
Energy prices in Western Canada remain somewhat isolated from international influences; however, they have increased as major pipeline capacity projects in the province of Alberta experience continued delays. These construction delays may impair incremental transportation capacity reaching the market until early 2023, which was originally scheduled to be in-service for April 2021. SaskEnergy has no contractual exposure to these delays but may still be impacted by the volatile market reaction to them.

Saskatchewan Natural Gas

The prior fiscal year ended with lower expectations for natural gas demand, driven by customer de-contracting and lower utilization of remaining contracts. With the provincial economy continuing to recover and an improved outlook for the value-added agricultural sector, potash mining, enhanced oil recovery, and power generation, there is greater potential for increased demand over the next few years. Rising energy and carbon prices do present a risk for energy-intensive industries.

Local supply continues to trend downward, increasing dependence on associated gas with oil production. There were no new natural gas wells drilled in the fiscal year, leaving local supply highly dependent on the volatile global oil market. With increasing oil prices, rig activity in the province has improved, but not enough to expect meaningful gas supply increases.

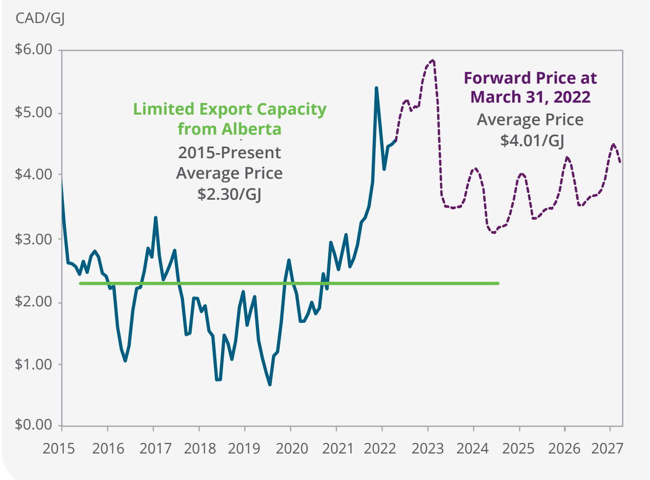
CHANGE IN SASK SUPPLY & DEMAND



Natural Gas Prices

The AECO daily index averaged $3.81 per GJ through the 12 months ending March 31, 2022, representing a large increase from $2.37 per GJ for the same period ending March 2021, as North American prices are influenced by global prices and uncertainty, as well as infrastructure capacity constraints in Alberta. The cold winter in Western Canada was supportive of these price increases, leaving a natural gas storage deficit to be recovered over the upcoming injection season. Traditionally, most natural gas in Saskatchewan (TEP) is priced at a differential to the AECO price. This AECO to TEP differential for the year averaged a $0.10 per GJ premium compared to $nil per GJ the year prior. The differential may experience more upward pressure depending on impacts to Alberta prices due to construction project delays.

AECO MONTHLY INDEX HISTORICAL PRICES



CONSOLIDATED FINANCIAL RESULTS

Consolidated Net Income

(millions)	March 31, 2022	March 31, 2021	Change
Income before unrealized market value adjustments	$ 82	$ 59	$ 23
Impact of fair value adjustments	76	15	61
Revaluation of natural gas in storage	-	7	(7)
Consolidated net income	**$ 158**	$ 81	$ 77

Income before unrealized market value adjustments was $82 million in 2021-22, $23 million favourable compared to the $59 million in 2020-21. A year-over-year increase in the commodity margin, combined with higher transportation and storage revenue and a gain pertaining to the Corporation obtaining title to SaskEnergy's head office building, contributed to the favourable results. These were partially offset by the impact of lower customer capital contributions, increasing employee benefits costs and higher finance expenses in 2022.

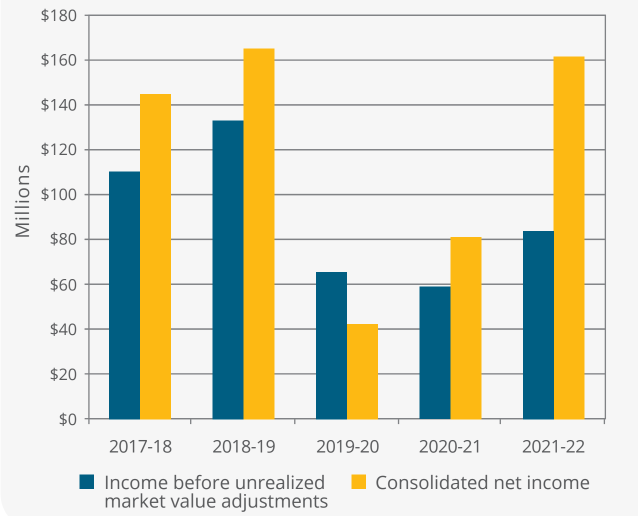
The Corporation implemented a commodity rate increase effective November 1, 2021, to address increasing natural gas market prices. While the higher rate contributed to a higher commodity margin, this was partially offset by the higher costs on the purchases of natural gas needed to serve the province's customers in 2022, as the winter period was seven per cent colder than normal. Transportation and storage revenue also improved in the current fiscal year, a result of rate increases effective April 1, 2021, combined with customers increasing their firm transportation contracts for receipt and delivery services.

The Corporation reported a gain from obtaining title to its head office building as litigation regarding the Corporation's exercise of its option to purchase was resolved in favour of SaskEnergy. These positive outcomes were partially offset by decreased customer capital contributions. Higher customer capital contributions were recognized in 2021 as customer projects initiated in previous years were completed.

Higher employee benefits expense costs are a result of the Corporation increasing construction crew positions in 2022. The continued focus on cost savings and efficiency measures, as well as transitioning key skill sets into the organization, provided an opportunity to reduce reliance on external resources. Increased finance expenses — a result of borrowing additional long-term debt to fund capital investment requirements for Saskatchewan customers and to support the province's sustainable economic future — also contributed to the unfavourable results.

Stronger natural gas market prices at March 31, 2022 led to the favourable price differential increasing $1.17 per GJ between average contract prices and average market prices on the Corporation's forward purchase contracts, resulting in a $76 million favourable fair value adjustment.

CONSOLIDATED FINANCIAL RESULTS



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 normal 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. The majority of SaskEnergy natural gas contracts are normal usage and are not recorded at fair value but at the contract price.

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.

SaskEnergy 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 also 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, 2022	March 31, 2021	Change
Commodity sales	$ 227	$ 169	$ 58
Commodity purchases	204	158	46
Realized margin on commodity sales	23	11	12
Unrealized fair value adjustments	75	8	67
Margin on commodity sales	$ 98	$ 19	$ 79

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's realized margin on commodity sales for the 12 months ending March 31, 2022 was $12 million higher than 2021. Rising natural gas market prices decreased the realized margin on commodity sales, as the AECO daily index increased to an average of $3.81 per GJ throughout 2021-22 compared to $2.37 per GJ through 2020-21. Natural gas market prices have essentially tripled since SaskEnergy adjusted its commodity rate in April 2019, when the commodity rate was decreased to reflect the lower price of natural gas at that time. Western Canada capacity constraints resulting from construction delays, in combination with the cold 2021-22 winter across the country, are the primary drivers of recent natural gas price increases. Prices continued to rise after SaskEnergy received approval to increase its commodity rate to $3.20 per GJ, effective November 1, 2021. The commodity rate increase contributed to the realized margin on commodity sales in 2022.

The Corporation continues to support customers with their energy efficiency improvements, resulting in a 2 petajoule (PJ) decrease in volumes distributed to residential customers despite weather being seven per cent colder through the winter months of 2021-22, compared to two per cent warmer through 2020-21.

Lower residential demand was fully offset by volumes distributed to commercial and industrial customers, which increased by a combined 16 PJ year-over-year. Natural gas continues to be a safe, cost efficient and reliable energy choice by customers, with the increased volumes resulting in an additional $4 million in realized margin on commodity sales through 2021-22 compared to 2020-21.

The GCVA balance was $15 million owing from customers at March 31, 2022 compared to $6 million owing from customers at March 31, 2021, also a result of the AECO daily index increasing commodity purchase costs and reducing the realized margin.

Commodity Fair Value Adjustments

For the 12 months ending March 31, 2022, the fair value adjustment on commodity derivative instruments increased the margin on commodity sales by $75 million, as the $12 million favourable fair value position at March 31, 2021 increased to $87 million favourable at March 31, 2022. The favourable price differential between contract prices and market prices on future commodity purchase contracts increased to $1.50 per GJ at March 31, 2022 compared to a favourable price differential of $0.33 per GJ at March 31, 2021.

SaskEnergy segregates a portion of its natural gas purchase contracts for gas that will ultimately be sold to commodity customers. Under IFRS, such own-use 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.

In most cases, the Corporation executes purchase and sales contracts 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 asset optimization margin, as reported in the consolidated financial statements, was as follows:

(millions)	March 31, 2022	March 31, 2021	Change
Asset optimization sales	**$ 207**	$ 117	$ 90
Asset optimization purchases	**196**	121	75
Realized margin on asset optimization sales	**11**	(4)	15
Unrealized fair value adjustments	**1**	7	(6)
Revaluation of natural gas in storage	**-**	7	(7)
Margin on asset optimization sales	**$ 12**	$ 10	$ 2

The realized margin on asset optimization sales for the 12 months ending March 31, 2022, which removes fair value adjustments on derivative instruments and the revaluation of natural gas in storage, was $15 million higher than the same period ending March 31, 2021.

During 2021-22, the average margin on realized asset optimization sales was $0.21 per GJ favourable. The margin is $0.28 per GJ higher than the unfavourable average margin of $0.07 per GJ through the same 12-month period in 2020-21.

The total realized margin of $11 million on asset optimization purchases and sales was $2 million higher through 2022 compared to 2021. Natural gas market prices demonstrated increased volatility through the 12 months ending March 31, 2022 compared to the same period in 2021, allowing for additional asset optimization opportunities for the Corporation in 2022.

Supplemental transportation capacity within Alberta was secured through asset optimization transportation contracts in 2021 to meet customer obligations; these transactions were no longer necessary in 2022. The 4 PJ of incremental transportation contracts in 2021 had a $13 million unfavourable effect on the unrealized margin on asset optimization sales in 2021.

Asset Optimization Fair Value Adjustments

The Corporation enters into its various natural gas contracts in its asset optimization strategies, which are subject to volatility of natural gas market prices until the natural gas contracts are realized. The impact of the unrealized fair value adjustment on asset optimization derivative instruments had an impact of $1 million on the asset optimization margin, compared to an increase of $7 million for the same period in 2020-21.

The stronger natural gas market prices resulted in the differential between contract prices and market prices on future asset optimization purchase contracts improving to $1.26 per GJ favourable at March 31, 2022 compared to a favourable price differential of $0.12 per GJ at March 31, 2021. This $1.14 per GJ favourable change in the price differential on asset optimization purchase contracts in 2021-22 resulted in a $31 million favourable fair value adjustment. This was almost fully offset by a $30 million unfavourable variance related to a $1.05 per GJ increase in the unfavourable price differential on outstanding asset optimization sales contracts.

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.

With near term forward natural gas market prices increasing through 2021 and 2022, asset optimization natural gas in storage was recorded at weighted average cost at March 31, 2022 and March 31, 2021. With both equaling net realizable value, the impact on 2021-22 net income was $nil.

Revenue

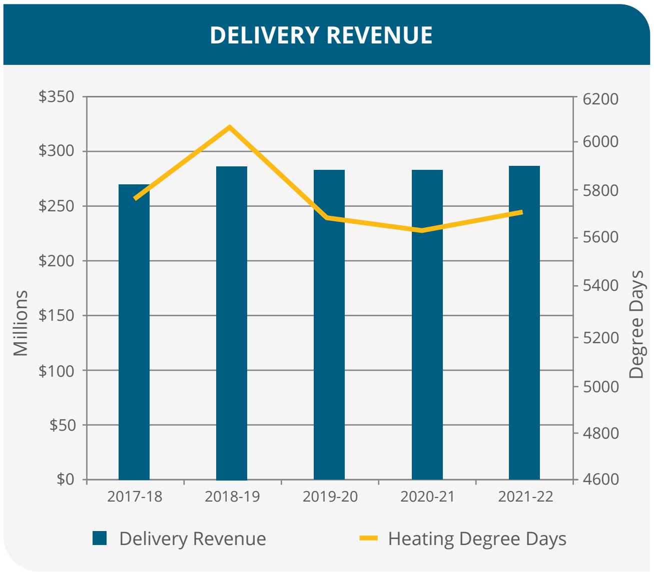
Delivery revenue, transportation and storage revenue, and customer capital contributions, as reported in the consolidated financial statements, were as follows:

(millions)	March 31, 2022	March 31, 2021	Change
Delivery revenue	**$ 288**	$ 284	$ 4
Transportation and storage revenue	**206**	186	20
Customer capital contributions	**25**	49	(24)
Revenue	**$ 519**	$ 519	$ -

Delivery Revenue

Natural gas delivery rates are designed to recoup all distribution facility and operating costs necessary for delivery of natural gas to customers throughout the year. Natural gas storage and transportation costs — as well as ongoing investments related to safety, system integrity and growing infrastructure — are factored into delivery rates. Other considerations impacting natural gas delivery services include regulatory code compliance and industry best practices regarding safety. To minimize these impacts on delivery service customers, the Corporation strives to make the most effective use of resources and technology, and to collaborate with other Crown corporations and executive government.

Delivery revenue is primarily driven by the number of customers and the amount of natural gas they consume. Weather is the most significant external factor affecting delivery revenue, as residential and commercial customers consume natural gas primarily as heating fuel. Delivery revenue was $4 million higher than 2021 due to weather being seven per cent colder through the winter months of 2021-22 compared to two per cent warmer through 2020-21, plus the impact of 2,845 new customers added to the distribution system and higher service activation fees.

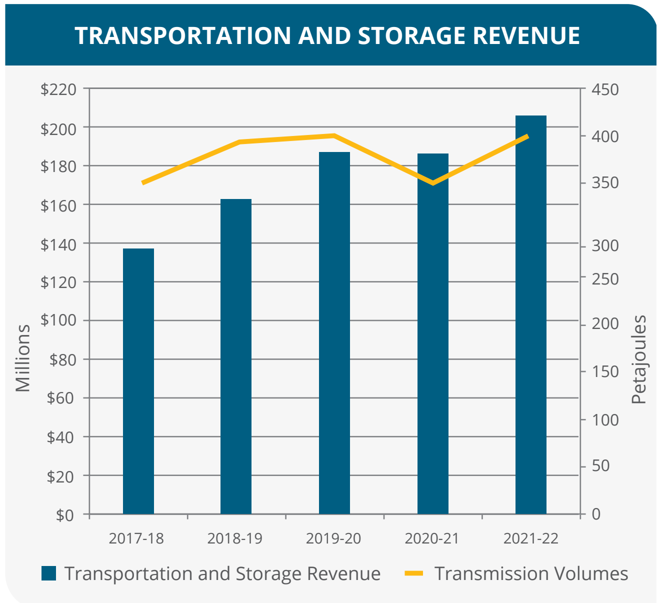


Transportation and Storage Revenue

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, which customers pay when they put gas onto the natural gas transportation system, and a delivery service charge that customers pay when they take delivery off the natural gas transportation system. For receipt and delivery services, the Corporation offers both firm and interruptible transportation contracts. 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 only 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.

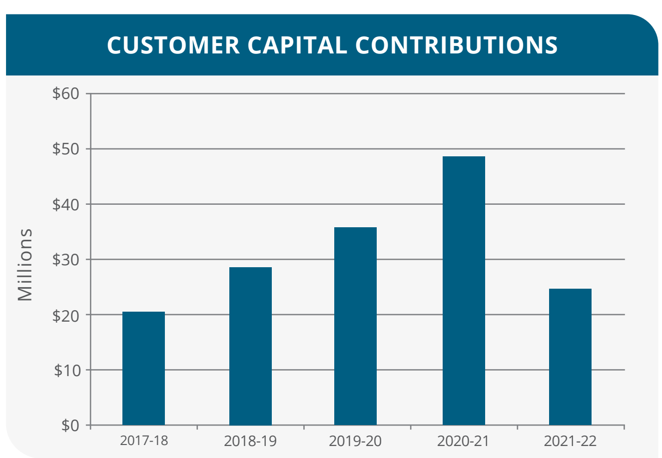
Receipt and delivery service revenues combined for an $11 million increase in 2022 compared to 2021, due to rate increases effective April 1, 2021, as the Corporation addresses increasing third-party transportation expenses. Customers also increased firm and interruptible transportation contracting to pre-pandemic levels in 2022 compared to 2021, which contributed to the remaining increase to transportation revenue in 2022.



Included in transportation and storage revenue for the 12 months ending March 31, 2022 is $10 million in storage revenue, which equaled 2020-21. The abundance of natural gas, coupled with small or even negative differentials between current and forward natural 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 contributions for the 12 months ending March 31, 2022 were $24 million lower than the same period ending March 31, 2021. Transmission system customer capital contributions recognized in 2022 of $4 million are $24 million lower than the $28 million recognized in 2021, due to a large capital project being completed in the fourth quarter of 2021 and the related customer capital contribution being recognized. Distribution system customer capital contributions of $21 million recognized through 2022 equal 2021.



Other Expenses

SaskEnergy's expenses are driven to a large degree by its investment in its transmission, distribution and storage systems. Depreciation and amortization 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 expenses and operating and maintenance expenses are also driven by the Corporation's investment in facilities, 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 (gains) losses, as reported in the consolidated financial statements, were as follows:

(millions)	March 31, 2022	March 31, 2021	Change
Employee benefits	**$ 106**	$ 102	$ 4
Operating and maintenance	**183**	169	14
Depreciation and amortization	**126**	117	9
Saskatchewan taxes	**18**	16	2
(Recovery) loss on trade and other receivables	**(2)**	5	(7)
	$ 431	$ 409	$ 22
Net finance expenses	**$ 59**	$ 55	$ 4
Other (gains) losses	**$ (19)**	$ 3	$ 22

Employee Benefits

Employee benefit costs were $4 million higher for the 12 months ending March 31, 2022 compared to the same period in the prior year. The Corporation added construction crew positions in 2022 to continue its focus on cost savings and efficiency measures. This reduced the reliance on external resources and transitioned key skill sets back into the organization.

Operating and Maintenance

Operating and maintenance expenses were $14 million higher than 2021. In the prior year, asset optimization transactions were utilized to facilitate a portion of customer transportation requirements and reported accordingly. In 2022, asset optimization transactions were not utilized and the Corporation instead increased transportation contracting on TC Energy's transportation system, the result being $12 million higher transportation costs reported in operating and maintenance expenses in 2022 compared to 2021.

Growing demand and increasing natural gas imports from Alberta are resulting in more natural gas being transported and over greater distances, which also contributed to higher operating and maintenance expenses. Higher vehicle and equipment operating costs, a result of increasing fuel prices, also contributed to higher costs and were partially offset by lower contract and consulting costs in 2022 compared to 2021, as the Corporation continues to focus on cost savings and efficiencies.

Depreciation and Amortization

Balancing safety and system integrity with the demand for service continued through 2022. Strategic capital investments required the necessary infrastructure be put in service to meet current customer demand, resulting in increased depreciation and amortization. Depreciation and amortization was $9 million higher than the same period in 2021.

(Recovery) Loss on Trade and Other Receivables

The adjustment on trade and other receivables was a recovery of $2 million in 2022 compared to a loss of $5 million in 2021, as the allowance for expected credit loss estimate was reduced, a result of the improved provincial economic outlook. In 2020, the Crown Utility Interest Waiver Program was offered to help alleviate the impacts of the COVID-19 pandemic on customers. This resulted in increased trade receivables and the related allowance for doubtful accounts estimate growing through the fiscal year. Customers could elect to pay their outstanding balances over a 12-month period starting from September 2020, which extended the timeframe during which trade receivables from customers remained outstanding.

Net Finance Expenses

Net finance expenses for 2022 were $4 million higher than 2021, with lower debt retirement fund earnings contributing to the year-over-year variance. Debt retirement funds are monies set aside, typically one per cent of a debt issuance, to retire the long-term debt upon maturity. The Corporation makes regular contributions to the funds, which are held and invested by the Saskatchewan Ministry of Finance and can be impacted inversely by interest rate movements. In addition, the Corporation borrowed additional long-term debt to support its capital investment requirements, resulting in higher long-term debt interest costs.

Other (Gains) Losses

Other gains of $19 million in 2022 were $22 million favourable compared to other losses of $3 million in 2021. Litigation regarding SaskEnergy's exercise of its option to purchase its head office located at 1777 Victoria Avenue, Regina, Saskatchewan, Canada, S4P 4K5, was resolved in favour of SaskEnergy. Title to the building transferred to the Corporation in the fourth quarter, resulting in the recapture of $19 million pertaining to lease payments made by SaskEnergy throughout the litigation period.

Other losses through 2021 relate to asset disposals, which were partially offset by gains on decommissioning liability adjustments implemented based on a third-party consultant review.

LIQUIDITY AND CAPITAL RESOURCES

As a Crown corporation, SaskEnergy's primary sources of capital are cash from operations and debt — which is borrowed through the Province's General Revenue Fund. 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. Under *The SaskEnergy Act*, the Corporation may borrow up to $2,500 million of debt upon approval of the Lieutenant Governor in Council.

(millions)	March 31, 2022	March 31, 2021	Change
Cash provided by operating activities	**$ 238**	$ 204	$ 34
Cash used in investing activities	**(237)**	(235)	(2)
Cash provided by financing activities	**1**	30	(29)
Increase (decrease) in cash and cash equivalents	**$ 2**	$ (1)	$ 3

Operating Activities

Cash provided by operating activities increased $34 million through the 12 months ending March 31, 2022 compared to the same period in 2020-21. Cash flows from operations increased due to the impact of a higher commodity margin, increased delivery revenue and higher transportation and storage revenue, which were partially offset by lower customer capital contributions and higher employee benefit costs, operating and maintenance costs and net financing costs.

Investing Activities

Cash used in investing activities through 2021-22 increased $2 million compared to 2020-21 primarily due to increased capital investment required for system expansion and risk management projects, as the Corporation completes projects to meet natural gas demand and ensure the safety and reliability of its natural gas system. This was partially offset by decreasing investment in customer growth initiatives and business and technology optimization.

Financing Activities

Cash provided by financing activities declined $29 million through the 12 months ending March 31, 2022 compared to 2020-21. The Corporation used $58 million for interest payments, $18 million for dividend payments and $50 million for an equity advance repayment to CIC. The Corporation borrowed $75 million in long-term debt at a discount of $1 million to support its capital investment requirements and $73 million in short-term debt. SaskEnergy's debt-to-equity ratio at March 31, 2022 of 59 per cent debt and 41 per cent equity is within the Corporation's long-term target range of 58 to 63 per cent debt.

CAPITAL ADDITIONS

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

(millions)	March 31, 2022	March 31, 2021	Change
Strategic			
Customer growth	**$ 47**	$ 61	$ (14)
System expansion	**93**	75	18
	140	136	4
Operational			
Risk management	**65**	56	9
Reliability of natural gas service	**20**	23	(3)
Business and technology optimization	**6**	15	(9)
	$ 91	$ 94	$ (3)
Capital additions	**$ 231**	$ 230	$ 1

Capital additions through the 12 months ending March 31, 2022 were $1 million higher than the 2021-22 investment.

System expansion capital projects provide incremental capacity for the transmission/distribution systems, through the installation of new or expanded gas line or facility assets, thus enabling demand growth and the addition of new customers. Higher system expansion capital additions in 2022 are primarily a result of spending on the 86-kilometre gas line from Rosetown to Vanscoy. The project was initiated in 2019-20 but was deferred through 2020-21 due to the COVID-19 pandemic changing priorities of the Corporation's capital investment requirements. The project, which resumed and was completed in 2021-22, increases the Corporation's gas line capacity from Rosetown to the Saskatoon Bypass gas line and east of the city.

Risk is the likelihood of a negative consequence, such as damage or loss of gas containment, occurring on the SaskEnergy system. These consequences typically include damage to infrastructure, environment, and potential harm to or loss of human life. Risk management spending increased $9 million in 2022, as the Corporation's service upgrade program returned to normal levels year-over-year, as the prior year's approach limited public interactions with customers while still addressing key risk areas. In addition, spending on gas line alterations increased in 2022, a result of increasing customer requests.

Investment in customer growth projects declined $14 million in 2022, as transportation service customers continued to defer projects requiring transmission system investment.

Reliability of natural gas in service includes property purchases for corporate business and the enhancement and/or extension of the life of property through renovations, modifications and/or upgrades. These projects give customers a degree of confidence that natural gas demand will be met without failure or loss of service. Reliability of natural gas service spending decreased in 2022 by $3 million as the Corporation reduced spending on building maintenance and leasehold improvements compared to 2021. Supply chain challenges have had an impact on some of SaskEnergy's capital programs. Increases in material costs and delays in receiving required inputs have resulted in some work being reprioritized and materials being redistributed to ensure the highest priority work can be completed.

Business and technology optimization ensures that every investment in information technology, every resource allocated, and every application in development or production meets business goals. Business and technology optimization spending decreased in 2021-22 by $9 million as the Corporation focused on completing the highest priority customer-facing and technology infrastructure projects.

OUTLOOK

SaskEnergy is entrusted with a key provincial asset in the natural gas transmission and distribution system and must ensure standards for safety and reliability are maintained. Safe and reliable service has always been a core priority for SaskEnergy and it will continue to be going forward. This is especially important now as the transition to cleaner energy may cause instability in other areas of the energy sector.

The Corporation will continue to mature in the progress of addressing its emissions from operations and assisting customers in meeting their own sustainability goals.

SaskEnergy recognizes customers are at the centre of its existence, and it is important to proactively anticipate customer needs and expectations. The Corporation is committed to making it easy for customers to interact, transact and receive service when and how they want it.

The COVID-19 pandemic and other global uncertainties have caused material disruption to residents and businesses in Saskatchewan. Supply chain disruptions and social governance obligations will continue to impact the Corporation's near- and long-term future. Modest incremental growth is expected from SaskEnergy's industrial customers in 2022-23, primarily in the value-added agricultural sector and from gas-fired power generation. The number of residential customers connecting to SaskEnergy's distribution system is expected to be 3,000 new customers in 2022-23. However, customers continue to reduce their natural gas consumption by becoming more energy efficient, which results in little-to-no revenue growth from distribution utility customers.

The outlook for provincial natural gas demand is growing at a more moderate pace in the short term than expected. Continued focus on core operations and operational excellence will safeguard SaskEnergy's financial strength into the future. In 2022-23, income from operations is projected to be $65 million, which is a decrease of $17 million from the 2021-22 result. The decrease is primarily primarily due to the gain recognized as a result of the Corporation obtaining title to SaskEnergy's head office building in 2021-22.

Initiatives targeted to support emissions reductions from both internal operations and customer-focused initiatives also create cost pressure for SaskEnergy. SaskEnergy continues its focus on operational excellence to achieve cost savings through business process improvements, leveraging technology, and collaboration with other Crown corporations and executive government. SaskEnergy is committed to providing solutions and service that benefit customers and Saskatchewan by leveraging the Corporation's expertise and the province's private sector. Throughout 2022-23, SaskEnergy will make $245 million in net capital investments in the province, including maintaining the safety and reliability of the natural gas transmission and distribution systems, meeting regulatory compliance, and optimizing the Corporation's business systems.

RISK MANAGEMENT AND DISCLOSURE

SaskEnergy is subject to a number of risks in the transmission, storage, distribution and sale of natural gas, and the effectiveness in managing them is a key determinant to its overall corporate performance.

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. 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.

Government Climate Policy

The risk that government(s) impose new environmental or operational regulations that impair or restrict operations or prevent further development of the Corporation's gas system.

- Given the current trends and future outlook, it is clear that further government regulation is the most significant risk facing SaskEnergy. Recent years have seen enhanced activity from federal and provincial regulators regarding pipeline operations and environmental standards. Increasingly, municipalities are also setting targets and investigating options to take action on emission reductions. Further regulations are likely and may create additional compliance requirements or result in other impacts on the organization.
- SaskEnergy responds to new regulations as efficiently as possible; however, efforts to impact the scope or details of regulation are presently limited to industry advocacy and lobbying through participation with relevant industry associations.
- SaskEnergy actively participates and engages with the Government of Saskatchewan's Climate Change Committee to share information and proactively prepare for any upcoming regulatory impacts. The Corporation is committed to engaging and collaborating with local municipalities on the future role of natural gas in Saskatchewan.

Interest Groups

The risk to infrastructure development and maintenance due to public objection from a cultural, safety, environmental or societal perspective.

- Public sentiment has changed — customers want a high level of service, but many do not want the associated infrastructure nearby, or through, their land. This has been a trend for several years now, but as a fossil fuel provider that uses gas lines to deliver its product, SaskEnergy faces additional challenges due to growing opposition from members of the general public with respect to further development of fossil fuel infrastructure.
- SaskEnergy's land acquisition and engagement processes focus on addressing the concerns of impacted parties, including Indigenous groups, individual landowners and other members of the public. These processes continue to adapt with a greater corporate focus on information sharing and more proactive stakeholder engagement at all levels of the organization.

Public Acceptance

The risk to growth and system use as a result of changes in the public perception of natural gas.

- The role of fossil fuels in the energy mix is an active and growing public debate nationally and beyond. The number of private and public sector commitments to a net zero future are growing. While the acceptability of natural gas use presently remains high in the local market, there is potential for a shift to occur with either a direct or indirect impact on SaskEnergy.
- Primary mitigation efforts include SaskEnergy's energy efficiency programs, which assist customers in meeting their sustainability goals, as well as stakeholder engagement activities focused on enhancing public energy literacy. In addition, internal operational sustainability projects are prioritized, which reduce emissions in line with the Corporation's 2030 goal.

Rate Adjustment Approval

The risk of required rate adjustments not receiving approval.

- As a rate regulated utility, this risk is always present; however, the length of time between rate changes, the impact of the COVID-19 pandemic on customers' finances, and the provincial economic outlook have made this more relevant. Failure to receive approval for rate adjustments impacts the Corporation's ability to achieve its targeted rate of return while providing safe and reliable service.
- SaskEnergy is proactive in targeting efficiencies and prudently manages its capital and operating spending to reduce the requirement for future rate increases. The continuation of these efforts supports the Corporation's forecasting activities in developing its rates strategy.

Workforce Talent

The risk to organizational performance associated with adapting and matching the corporate skill set to an evolving environmental and business landscape.

- The skills needed to thrive in digital and data-driven operations and succeed in an energy environment focused on emissions reductions are evolving with changes in the operating environment. In order to address these challenges, different skills must be acquired, developed, enhanced and maintained within the organization to ensure there are no gaps.
- SaskEnergy strives to deliver an attractive employment environment by providing challenging opportunities to encourage employee growth and support development through learning and training opportunities.

Cyber Security

The possibility of a cyberattack against the Corporation's operating or information technology systems that results in a loss of control or breach of data.

- SaskEnergy's business and the operation of the Corporation's physical gas system relies heavily on information technology to operate safely and effectively. Cyber risk is common and growing amongst all organizations but, as a critical infrastructure operator, this carries added significance for SaskEnergy. The threat of an attack that disrupts or gains access to the Corporation's systems is constantly evolving and captures increasing attention due to the occurrence of well-publicized attacks around the world.
- The Corporation's efforts to address the risk of a cyberattack have increased in recent years in order to keep pace with the growing threat environment. Programs and processes to prevent unauthorized access and monitor for attacks will continue, as will efforts to increase the ability to successfully mitigate external threats.

Natural Gas Line or Facility Failure

The possibility of a natural gas line or facility failure and the impact to public safety.

- Operating high pressure transmission lines and delivering natural gas to customer homes and businesses has an associated inherent risk to public safety in the event of a line rupture or other asset failure.
- The current risk level has been reached after many years of building and continuously improving robust integrity management programs for all of the organization's pressure-containing assets. Efforts to execute on these programs and address this risk continue to be represented in a sizeable portion of the Corporation's capital and operating and maintenance budgets.

Systemic Health and Safety

The risk of a significant incident, or a systemic health and safety incident, occurring and the subsequent impact on employee safety and the ability of employees to operate the system.

- Given the nature of SaskEnergy's operations, there is an ever present and inherent safety risk to employees, which makes managing this risk a top priority.
- The acceptability for risk associated with safety is lower than all others and, as such, many mitigating actions exist spanning from process specific up to statistical monitoring and emergency situation planning. These efforts and associated programs continue to mature and improve with a goal of driving the safety risk down as low as is practical.

In addition to the top priority strategic risks identified above, the Corporation's financial results are subject to the following risks:

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 financial 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 SaskEnergy's commodity rate is set in advance of its gas purchases, it is possible that it does not generate enough revenue to cover the cost of gas purchased or, alternatively, that it 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

Financial statement reference – Note 5

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, 2022, the unbilled revenue related to commodity sales and delivery revenue was $39 million.
- The unbilled revenue related to transportation and storage revenue was $18 million at March 31, 2022.

Net Realizable Value of Natural Gas in Storage Held for Resale

Financial statement reference – Note 6

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, 2022, the revaluation to net realizable value was $nil.

Fair Value of Financial and Derivative Instruments

Financial statement reference – Note 9a

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, 2022, 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 $50 million.
- Conversely, a decrease of $1.00 per GJ would have decreased the fair value of natural gas derivative instruments by $50 million.

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

Financial statement reference – Notes 11-13

With a combined carrying amount of $3,026 million, property, plant and equipment, intangible assets and right-of-use (ROU) 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, 2022, 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 $4 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

Financial statement reference – Note 16

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, 2022, the Corporation estimated $15 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 $4 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

Financial statement reference – Note 18

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, 2022, the Corporation's provisions were estimated at $178 million.
- A one per cent increase in the discount rate used to determine the provisions would have resulted in a $45 million decrease in provisions at the end of March 31, 2022.
- A one per cent decrease would have resulted in an $68 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 2021-22, the Corporation assessed a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2021. The adoption of applicable amendments had no material impact on the disclosures or on the amounts reported in the financial statements. The IASB also issued new and amended standards that will become effective in future periods. Details on current and 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, 2022, 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 Corporation maintained effective control over financial reporting and that there were no material weaknesses in internal controls over financial reporting as at March 31, 2022.

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

Mark H. J. Guillet, Q.C. **Acting President and** **Chief Executive Officer**	Christine Short **Executive Vice President** **and Chief Financial Officer**

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Mark H. J. Guillet, 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, 2022.

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, 2022 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Mark H. J. Guillet, Q.C.
Acting President and
Chief Executive Officer

Christine Short
Executive Vice President
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, 2022, 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, 2022, 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.

Deloitte LLP

Chartered Professional Accountants
May 18, 2022
Regina, Saskatchewan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

(millions)	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents		**$ 2**	$ -
Trade and other receivables	5	**199**	165
Natural gas in storage held for resale	6	**6**	15
Inventory of supplies		**16**	14
Assets held for sale	10	**1**	4
Fair value of derivative instruments	8	**121**	17
		345	215
Right-of-use assets	11	**13**	15
Intangible assets	12	**69**	77
Property, plant and equipment	13	**2,944**	2,851
Debt retirement funds	7	**146**	136
		$ 3,517	$ 3,294
LIABILITIES AND PROVINCE'S EQUITY			
Current liabilities			
Short-term debt	14	**$ 337**	$ 264
Trade and other payables	15	**124**	116
Dividends payable		**11**	7
Contract liability	16	**15**	5
Refund liability	16	**4**	6
Current portion of lease liability	17	**4**	5
Fair value of derivative instruments	8	**36**	8
		531	411
Employee future benefits		**4**	4
Deferred revenue	16	**5**	5
Lease liability	17	**6**	7
Provisions	18	**178**	227
Long-term debt	19	**1,559**	1,485
		2,283	2,139
Province's equity			
Equity advances		**22**	72
Other components of equity		**(8)**	(1)
Retained earnings		**1,220**	1,084
		1,234	1,155
		$ 3,517	$ 3,294

(See accompanying notes)

On behalf of the Board:

Director **Director**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended March 31

		2022			2021		
(millions)	Notes	Income Before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 21)	Total	Income Before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 21)	Total
REVENUE							
Natural gas sales	22	$ 434	$ (30)	$ 404	$ 286	$ (3)	$ 283
Delivery	23	288	-	288	284	-	284
Transportation and storage	24	206	-	206	186	-	186
Customer capital contributions		25	-	25	49	-	49
		953	(30)	923	805	(3)	802
EXPENSES							
Natural gas purchases (net of change in inventory)	22	400	(106)	294	279	(25)	254
Employee benefits		106	-	106	102	-	102
Operating and maintenance		183	-	183	169	-	169
Depreciation and amortization		126	-	126	117	-	117
Saskatchewan taxes	25	18	-	18	16	-	16
(Recovery) loss on trade and other receivables		(2)	-	(2)	5	-	5
		831	(106)	725	688	(25)	663
NET INCOME BEFORE THE FOLLOWING		122	76	198	117	22	139
Finance income	26	2	-	2	4	-	4
Finance expenses	26	(61)	-	(61)	(59)	-	(59)
NET FINANCE EXPENSES	26	(59)	-	(59)	(55)	-	(55)
Other gains (losses)	27	19	-	19	(3)	-	(3)
TOTAL NET INCOME		$ 82	$ 76	$ 158	$ 59	$ 22	$ 81
ITEMS THAT MAY BE RECLASSIFIED TO NET INCOME							
Change in fair value of debt retirement funds designated as fair value through other comprehensive income	7,21	-	(7)	(7)	-	(5)	(5)
COMPREHENSIVE INCOME		$ 82	$ 69	$ 151	$ 59	$ 17	$ 76

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended

(millions)	Retained Earnings	Equity Advances	Other Components of Equity	Total
BALANCE, AT APRIL 1, 2020	$ 1,024	$ 72	$ 4	**$ 1,100**
Comprehensive income (loss)	81	-	(5)	**76**
Dividends	(21)	-	-	**(21)**
BALANCE, AT MARCH 31, 2021	1,084	72	(1)	**1,155**
Comprehensive income (loss)	158	-	(7)	**151**
Dividends	(22)	-	-	**(22)**
Equity advances repayment	-	(50)	-	**(50)**
BALANCE, AT MARCH 31, 2022	$ 1,220	$ 22	$ (8)	**$ 1,234**

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31

(millions)	Notes	2022	2021
OPERATING ACTIVITIES			
Net income		**$ 158**	$ 81
Add (deduct) items not requiring an outlay of cash			
Net change in fair value of derivative instrument assets and liabilities	21	**(76)**	(15)
Change in revaluation of natural gas in storage to net realizable value	21	**-**	(7)
Depreciation and amortization		**126**	117
Net finance expenses	26	**59**	55
Net gain on disposal of assets	27	**-**	(1)
Other net gains	27	**(19)**	-
Other non-cash items		**1**	-
		249	230
Net change in non-cash working capital related to operations		**(11)**	(26)
Cash provided by operating activities		**238**	204
INVESTING ACTIVITIES			
Additions to intangible assets		**(5)**	(14)
Additions to property, plant and equipment		**(230)**	(212)
Net proceeds on disposal of assets		**6**	1
Decommissioning costs		**(8)**	(10)
Cash used in investing activities		**(237)**	(235)
FINANCING ACTIVITIES			
Debt retirement funds redemptions	7	**-**	12
Debt retirement funds installments	7	**(15)**	(13)
Proceeds from short-term debt		**73**	-
Repayment of short-term debt		**-**	(15)
Proceeds from long-term debt	19	**74**	160
Repayment of long-term debt	19	**-**	(34)
Repayment of equity advances		**(50)**	-
Repayment of principal on lease liability	17	**(5)**	(7)
Interest paid		**(58)**	(57)
Dividends paid		**(18)**	(16)
Cash provided by financing activities		**1**	30
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2**	(1)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**-**	1
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 2**	$ -

(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 18, 2022.

b. Basis of measurement

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries with all significant transactions and balances being eliminated. 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 18)
- Designation of own-use derivative contracts (Note 20)

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)

Expected 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 right-of-use (ROU) assets (Note 11)

Useful lives and amortization rates for intangible assets (Note 12)

Useful lives and depreciation rates for property, plant and equipment (Note 13)

Recoverable amount of non-financial assets (Note 13)

Estimated unearned customer capital contributions (Note 16)

Estimated future cost of decommissioning liabilities (Note 18)

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. Future changes in accounting policies

The following new or amended accounting standards are not effective for the year ended March 31, 2022 and have not been applied in preparing these condensed consolidated financial statements:

- Amendments to IFRS 3, *Business combinations*, updating a reference to the conceptual framework
- Amendments to IFRS 10, *Consolidated financial statements*, sale or contribution of assets between an investor and its associate joint venture
- Amendment to IAS 1, *Presentation of financial statements*, classification of liabilities as current or non-current
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors*, definition of accounting estimates
- Amendments to IAS 16, *Property, plant and equipment*, proceeds before intended use
- Amendments to IAS 37, *Provisions*, *contingent liabilities and contingent assets*, onerous contracts – cost of fulfilling a contract

The Corporation is currently analyzing these changes to determine the full impact upon adoption.

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.

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

Cash, 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 are 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	20.0
Gathering, treatment and compression	1.6	to	25.0
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 Expected 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 recovery or 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.

l. 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, which is administered by the Public Employees Benefit Agency, 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 $8 million (2021 - $7 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, 2022 is $4 million (2021 - $4 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.

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 Saskatchewan 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 and revenue is recorded 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 15 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

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.

Refund period

At the in-service date, a customer may begin to flow natural gas and earn a refund over the 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.

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 the 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 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 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.

Right-of-use 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. Right-of-use 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 right-of-use 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 right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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 (2021 - $2,500 million). Within this limit, the Corporation may borrow up to $500 million in temporary loans (2021 - $500 million), including a $35 million uncommitted line of credit with Toronto-Dominion Bank (2021 - $35 million). As at March 31, 2022, the Corporation had $1,896 million of debt outstanding (2021 - $1,749 million), including $337 million in temporary loans (2021 - $264 million) and $10 million required to be readily available under a Parental Guarantee Agreement posted with Many Islands Pipe Lines (Canada) Limited (MIPL), one of its subsidiaries, leaving $153 million of remaining short-term borrowing capacity (2021 - $226 million). The Corporation's short-term debt is unsecured, with an average interest rate of 0.5 per cent (2021 - 0.2 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 satisfy 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. An equity advance repayment of $50 million was paid on March 30, 2022, to CIC.

The Corporation's capital structure consists of long-term debt, short-term debt, equity advances and retained earnings, net of debt retirement funds and cash and cash equivalents

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)	2022	2021
Long-term debt	$ 1,559	$ 1,485
Short-term debt	337	264
Debt retirement funds	(146)	(136)
Cash and cash equivalents	(2)	-
Total net debt	1,748	1,613
Equity advances	22	72
Retained earnings	1,220	1,084
Total capital	$ 2,990	$ 2,769
Debt ratio	58.5%	58.3%

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)	2022	2021
Unbilled revenue	$ 57	$ 45
Trade receivables	122	101
Other receivables	29	30
	208	176
Credit loss allowance	(9)	(11)
	$ 199	$ 165

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)	2022	2021
Current	$ 188	$ 155
30 - 59 days	8	9
60 - 89 days	4	3
Greater than 90 days	8	9
	208	176
Credit loss allowance	(9)	(11)
	$ 199	$ 165

The following table provides information about the ECLs for trade and other receivables from individual customers as at March 31, 2022.

(millions)	Gross Carrying Amount	Loss Rate	Loss Allowance
Current	$ 188	$ 2.1%	$ 4
30 - 59 days	8	12.5%	1
60 - 89 days	4	25.0%	1
Greater than 90 days	8	37.5%	3
Credit loss allowance			$ 9

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

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

(millions)	2022	2021
Opening balance	$ 11	$ 7
Provision	(1)	5
Write-offs	(1)	(1)
Closing balance	$ 9	$ 11

6. NATURAL GAS IN STORAGE HELD FOR RESALE

The revaluation to net realizable value of natural gas in storage at March 31, 2022 was $nil (March 31, 2021 - $nil). The Corporation expects that the total inventory value could be consumed within the next fiscal year.

7. DEBT RETIREMENT FUNDS

(millions)	2022	2021
Balance, beginning of year	**$ 136**	$ 136
Installments	**15**	13
Redemptions	**-**	(12)
Earnings	**2**	4
Change in fair value through OCI	**(7)**	(5)
Balance, end of year	**$ 146**	$ 136

OCI - Other Comprehensive Income

The investments held in debt retirement funds are primarily Federal and Provincial Government debt instruments. The average return on these investments is 1.7 per cent for the period (2021 - 3.0 per cent). As at March 31, 2022 approximately $15 million (2021 - $14 million) is required to be invested in debt retirement funds on an annual basis.

Unrealized market value adjustments through OCI represent the income impact of measuring debt retirement funds at fair value subsequent to initial recognition. The adjustment represents the change in the carrying amount of debt retirement funds during the period and is dependent on the market prices of the financial instruments held in the Debt Retirement Funds at the end of the reporting period.

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.

(millions)	Classification	Fair Value Hierarchy	2022 Carrying Amount	2022 Fair Value	2021 Carrying Amount	2021 Fair Value
FINANCIAL AND DERIVATIVE ASSETS						
Cash	FVTPL	Level 1	**$ 2**	**$ 2**	$ -	$ -
Trade and other receivables	AC	Level 2	**199**	**199**	165	165
Debt retirement funds	FVOCI	Level 2	**146**	**146**	136	136
Fair value of derivative instrument assets	FVTPL	Level 2	**121**	**121**	17	17
FINANCIAL AND DERIVATIVE LIABILITIES						
Short-term debt	AC	Level 2	**337**	**337**	264	264
Trade and other payables	AC	Level 2	**124**	**124**	116	116
Dividends payable	AC	Level 2	**11**	**11**	7	7
Long-term debt	AC	Level 2	**1,559**	**1,588**	1,485	1,622
Fair value of derivative instrument liabilities	FVTPL	Level 2	**36**	**36**	8	8

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, 2022 natural gas derivative instruments had the following fair values, notional values and maturities in the next five fiscal years:

(millions)	2023	2024	2025	2026	2027	Thereafter	Total
Fair value	$ 41	$ 22	$ 10	$ 4	$ 5	$ 3	**$ 85**
Notional value	$ (1)	$ 10	$ -	$ (18)	$ (17)	$ (13)	**$ (39)**

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)	2022	2021
TRADE AND OTHER RECEIVABLES		
Gross amount recognized	**$ 34**	$ 11
Amount offset	**(30)**	(7)
Net amount presented in the consolidated statement of financial position	**$ 4**	$ 4
TRADE AND OTHER PAYABLES		
Gross amount recognized	**$ 42**	$ 17
Amount offset	**(30)**	(7)
Net amount presented in the consolidated statement of financial position	**$ 12**	$ 10

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 the year-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 $50 million (2021 - $29 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 $50 million (2021 - $29 million).

Based on the year-end 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 $nil (2021 - $nil). Conversely, a decrease of $1.00 per GJ would have a negative impact on unsold natural gas in storage, by $nil million (2021 - $2 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- 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, 2022, the Corporation had $337 million (2021 - $264 million) of short-term debt outstanding. 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 (2021 - $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 that 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 OCI by approximately $11 million (2021 - $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 $45 million (2021 - $9 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 $68 million (2021 - $8 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, 2022 were as follows:

		Contractual Maturities			
(millions)	**Carrying Amount**	**Less Than 1 Year**	**1 - 2 Years**	**3 - 5 Years**	**More Than 5 Years**
Short-term debt	$ 337	$ 337	$ -	$ -	$ -
Trade and other payables	124	124	-	-	-
Dividends payable	11	11	-	-	-
Long-term debt	1,559	58	58	347	2,148
Fair value of derivative instrument liabilities (net contract maturities)	36	1	(10)	34	13
Commitments	94	94	-	-	-
	$ 2,161	$ 625	$ 48	$ 381	$ 2,161

As at March 31, 2022, 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, 2022.

The Corporation has also posted a $19 million (2021 - $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.

In addition to the above, the Corporation has posted a Parental Guarantee Agreement with Many Islands Pipe Lines (Canada) Limited (MIPL), one of its subsidiaries, in the amount of $200 million. As part of the guarantee, the Corporation must have $10 million readily available. Guaranteed funds are for any amounts that may be due by MIPL under the *Canadian Energy Regulator Act.*

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, 2022, the maximum credit exposure to a single counterparty is a carrying amount of $42 million (2021 - $8 million).

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

(millions)	2022	2021
Cash	$ 2	$ -
Trade and other receivables	199	165
Debt retirement funds	146	136
Fair value of derivative instrument assets	121	17
	$ 468	$ 318

At March 31, 2022, the exposure to credit risk for trade receivables by type of customer was as follows:

(millions)	2022	2021
Distribution customers	$ 133	$ 100
Transmission and storage customers	34	31
Asset optimization customers	4	4
Other customers	28	30
Trade and other receivables	$ 199	$ 165

10. ASSETS HELD FOR SALE

As at March 31, 2022, a non-current asset was reclassified as held for sale within the consolidated statement of financial position. During 2021-22 the Corporation committed to a plan to sell land and building assets within the next 12-month period. The assets are measured at carrying amount, which is also equal to their fair value less costs to sell and were no longer depreciated. The carrying amount of the land and building assets held for sale as at year end was $1 million.

11. RIGHT-OF-USE ASSETS

(millions)	Buildings	Computer Hardware	Vehicles	Total
COST				
Balance, April 1, 2020	$ 8	$ 5	$ 10	**$ 23**
Additions	-	3	3	**6**
Disposals	-	(1)	-	**(1)**
Balance, March 31, 2021	8	7	13	**28**
Additions	10	1	2	**13**
Disposals	(16)	(1)	-	**(17)**
Transfers	-	-	(3)	**(3)**
Balance, March 31, 2022	2	7	12	**21**
ACCUMULATED DEPRECIATION				
Balance, April 1, 2020	3	2	3	**8**
Depreciation	3	2	1	**6**
Disposals	-	(1)	-	**(1)**
Balance, March 31, 2021	6	3	4	**13**
Depreciation	2	1	2	**5**
Disposals	(7)	(1)	-	**(8)**
Transfers	-	-	(2)	**(2)**
Balance, March 31, 2022	1	3	4	**8**
CARRYING AMOUNTS				
Balance, March 31, 2021	$ 2	$ 4	$ 9	**$ 15**
Balance, March 31, 2022	$ 1	$ 4	$ 8	**$ 13**

The annualized composite rate of amortization was 23.0 per cent during the period (2021 - 22.7 per cent).

12. INTANGIBLE ASSETS

(millions)	Computer Software	Under Development	Total
COST			
Balance, April 1, 2020	$ 131	$ 18	**$ 149**
Additions	22	15	**37**
Disposals	(12)	-	**(12)**
Transfers	-	(22)	**(22)**
Balance, March 31, 2021	141	11	**152**
Additions	15	5	**20**
Disposals	(2)	-	**(2)**
Transfers	(1)	(14)	**(15)**
Balance, March 31, 2022	153	2	**155**
ACCUMULATED AMORTIZATION			
Balance, April 1, 2020	76	-	**76**
Amortization	11	-	**11**
Disposals	(12)	-	**(12)**
Balance, March 31, 2021	75	-	**75**
Amortization	13	-	**13**
Disposals	(2)	-	**(2)**
Balance, March 31, 2022	86	-	**86**
CARRYING AMOUNTS			
Balance, March 31, 2021	$ 66	$ 11	**$ 77**
Balance, March 31, 2022	$ 67	$ 2	**$ 69**

The annualized composite rate of amortization was 8.8 per cent during the period (2021 - 8.0 per cent).

13. 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, 2020	$ 1,864	$ 1,493	$ 457	$ 188	$ 18	$ 111	**$ 4,131**
Additions	-	97	25	11	-	217	**350**
Disposals	(10)	(2)	-	(6)	-	(5)	**(23)**
Transfers	-	-	-	-	-	(190)	**(190)**
Balance, March 31, 2021	1,854	1,588	482	193	18	133	**4,268**
Additions	38	179	33	29	1	246	**526**
Disposals	(3)	(4)	1	(10)	-	(1)	**(17)**
Adjustments	-	-	(9)	-	-	-	**(9)**
Transfers	2	-	-	1	1	(324)	**(320)**
Balance, March 31, 2022	1,891	1,763	507	213	20	54	**4,448**
ACCUMULATED DEPRECIATION							
Balance, April 1, 2020	524	524	171	96	15	-	**1,330**
Depreciation	37	38	16	8	1	-	**100**
Disposals	(5)	(2)	-	(6)	-	-	**(13)**
Balance, March 31, 2021	556	560	187	98	16	-	**1,417**
Depreciation	38	43	17	9	1	-	**108**
Adjustments	-	-	(10)	-	-	-	**(10)**
Disposals	(3)	(3)	1	(6)	-	-	**(11)**
Balance, March 31, 2022	591	600	195	101	17	-	**1,504**
CARRYING AMOUNTS							
Balance, March 31, 2021	$ 1,298	$ 1,028	$ 295	$ 95	$ 2	$ 133	**$ 2,851**
Balance, March 31, 2022	$ 1,300	$ 1,163	$ 312	$ 112	$ 3	$ 54	**$ 2,944**

The annualized composite rate of depreciation was 2.5 per cent during the period (2021 - 2.4 per cent).

14. SHORT-TERM DEBT

The short-term advances are due to the Government of Saskatchewan's General Revenue Fund. As at March 31, 2022, the advances have interest rates ranging from 0.25 per cent to 0.75 per cent and mature between April 5, 2022 and June 21, 2022. As at March 31, 2021, the advances had interest rates ranging from 0.06 per cent to 0.14 per cent and matured between April 29, 2021 and July 9, 2021.

15. TRADE AND OTHER PAYABLES

(millions)	2022	2021
Trade payables	$ 46	$ 46
Interest payable	16	15
Other payables	62	55
	$ 124	$ 116

16. 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)	2022	2021
Balance, beginning of year	$ 5	$ 19
Additions	32	40
Refunds	(1)	(2)
Revenue	(17)	(46)
Transfer to refund liability	(4)	(6)
Balance, end of year	$ 15	$ 5

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, 2022 was $4 million (2021 - $6 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, 2022 was $5 million (2021 - $5 million).

17. LEASE LIABILITY

Leases are recognized as right-of-use 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)	2022	2021
Total future minimum lease payments	$ 11	$ 13
Less: Future finance charges on leases	(1)	(1)
Present value of lease liability	10	12
Less: Current portion of lease liability	(4)	(5)
	$ 6	$ 7

(millions)	2022	2021
Lease liabilities, beginning of year	**$ 12**	$ 13
Net additions	**13**	6
Principal repayment of lease liability	**(15)**	(7)
Lease liabilities, end of year	**$ 10**	$ 12

The weighted average discount rate applied to computer leases is 4.0 per cent and vehicles is 2.8 per cent based on the rates implicit in the agreements. The weighted average discount rate applied to building leases is 4.0 per cent based on the Corporation's incremental borrowing rate.

As at March 31, 2022, scheduled future minimum lease payments and the present value of the finance lease obligation are as follows for the next five fiscal years:

(millions)	2023	2024	2025	2026	2027
Future minimum lease payments	$ 4	$ 3	$ 2	$ 1	$ 1
Present value of lease liability	$ 4	$ 3	$ 2	$ 1	$ -

18. PROVISIONS

(millions)	2022	2021
Balance, beginning of year	**$ 227**	$ 292
Provisions made	**2**	10
Provisions settled	**(9)**	(10)
Change in discount rate	**(47)**	(70)
Unwinding of discount	**5**	5
Balance, end of year	**$ 178**	$ 227

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, 2022 and March 31, 2114. The undiscounted cash flows required to settle the obligations total $623 million (2021 - $552 million). Discount rates between nil per cent and 3.4 per cent were used to calculate the carrying amount of the obligation (2021- 0.3 per cent and 2.4 per cent). No funds have been set aside by the Corporation to settle these obligations.

19. LONG-TERM DEBT

(millions)	2022	2021
Balance, beginning of year	**$ 1,485**	$ 1,359
Proceeds	**74**	160
Repayments	**-**	(34)
Balance, end of year	**$ 1,559**	$ 1,485

Long-term debt consists of the following:

	2022		2021	
(millions)	Principal Outstanding (millions)	Effective Interest Rate	Principal Outstanding (millions)	Effective Interest Rate
GENERAL REVENUE FUND				
1 - 5 years	$ 191	5.3%	$ 175	5.6%
6 - 10 years	110	6.1%	67	4.9%
11 - 15 years	63	3.8%	60	6.4%
16 - 20 years	277	3.7%	189	4.0%
21 - 25 years	250	3.4%	300	3.7%
26 - 30 years	415	3.2%	515	3.1%
31 plus years	225	2.8%	150	2.7%
	1,531		1,456	
Unamortized debt premium/discount and issue costs	23		24	
	1,554		1,480	
OTHER LONG-TERM DEBT				
21 - 25 years	5	13.5%	5	13.5%
	$ 1,559		$ 1,485	

Long-term debt is unsecured. As at March 31, 2022 principal repayments due in each of the next five fiscal years were as follows:

(millions)	2023	2024	2025	2026	2027
Principal repayments	$ -	$ -	$ 100	$ 75	$ 17

During the year, the Corporation entered into two separate agreements with the Province to borrow an additional $75 million of long-term debt. The first agreement was entered into on April 13, 2021 for $50 million and the second was entered into on January 18, 2022 for $25 million. Both issuances have an interest rate of 2.8 per cent, maturing in 2052.

On May 12, 2022, the Corporation entered into an agreement with the Province to borrow an additional $50 million of long-term debt with an interest rate of 2.8 per cent maturing in 2052.

20. COMMITMENTS AND CONTINGENCIES

a. Commitments

As at March 31, 2022, the Corporation had $94 million (2021 - $77 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, 2022, own-use natural gas derivative instruments had the following notional values and maturities for the next five fiscal years:

(millions)	2023	2024	2025	2026	2027	Thereafter
OWN-USE PHYSICAL NATURAL GAS CONTRACTS						
Notional value	$ 71	$ 70	$ 86	$ 89	$ 94	$ 148

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.

21. UNREALIZED MARKET VALUE ADJUSTMENTS

(millions)	2022	2021
Change in fair value of natural gas derivative instruments	**$ 76**	$ 15
Change in revaluation of natural gas in storage to net realizable value	**-**	7
	76	22
Change in fair value through OCI	**(7)**	(5)
	$ 69	$ 17

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.

Unrealized market value adjustments through OCI represent the income impact of measuring debt retirement funds at fair value subsequent to initial recognition. The adjustment represents the change in the carrying amount of debt retirement funds during the period and is dependent on the market prices of the financial instruments held in the debt retirement funds at the end of the reporting period.

22. NATURAL GAS SALES AND PURCHASES

	2022			2021		
(millions)	**Commodity**	**Asset Optimization**	**Total**	**Commodity**	**Asset Optimization**	**Total**
NATURAL GAS SALES						
Natural gas sales to commodity customers	**$ 227**	**$ -**	**$ 227**	$ 169	$ -	$ 169
Realized on natural gas derivative instruments	**-**	**207**	**207**	-	117	117
Change in fair value of natural gas derivative instruments	**-**	**(30)**	**(30)**	-	(3)	(3)
	227	**177**	**404**	169	114	283
NATURAL GAS PURCHASES						
Realized on natural gas derivative instruments	**(204)**	**(196)**	**(400)**	(158)	(121)	(279)
Change in fair value of natural gas derivative instruments	**75**	**31**	**106**	8	10	18
Change in revaluation of natural gas in storage to net realizable value	**-**	**-**	**-**	-	7	7
	(129)	**(165)**	**(294)**	(150)	(104)	(254)
	$ 98	**$ 12**	**$ 110**	$ 19	$ 10	$ 29

23. DELIVERY REVENUE

(millions)	**2022**	**2021**
Basic monthly charge	**$ 122**	$ 121
Delivery revenue	**160**	159
Other	**6**	4
	$ 288	$ 284

24. TRANSPORTATION AND STORAGE REVENUE

(millions)	**2022**	**2021**
Transportation		
Firm	**$ 189**	$ 172
Interruptible	**7**	4
	196	176
Storage	**10**	10
	$ 206	$ 186

25. SASKATCHEWAN TAXES

(millions)	2022	2021
Corporate capital tax	**$ 14**	$ 12
Property taxes and other	**4**	4
	$ 18	$ 16

26. NET FINANCE EXPENSES

(millions)	2022	2021
Debt retirement funds earnings	**$ 2**	$ 4
Finance income	**2**	4
Interest expense on short-term debt	**(1)**	(1)
Interest expense on long-term debt	**(57)**	(56)
Unwinding of discount on provisions	**(5)**	(4)
Borrowing costs capitalized to qualifying assets	**2**	2
Finance expenses	**(61)**	(59)
Net finance expenses	**$ (59)**	$ (55)

Borrowing costs were capitalized to qualifying assets using the weighted average cost of debt of 3.3 per cent during the period (2021 - 3.4 per cent).

27. OTHER GAINS AND LOSSES

(millions)	2022	2021
Net loss on disposal of assets	**$ -**	$ (4)
Other net gains	**19**	1
	$ 19	$ (3)

Litigation regarding SaskEnergy's exercise of its option to purchase its head office located at 1777 Victoria Avenue, Regina, Saskatchewan, Canada, S4P 4K5, was resolved in favour of SaskEnergy. Title to the building transferred to the Corporation in the fourth quarter, resulting in the recapture of $19 million pertaining to lease payments made by SaskEnergy through the litigation period.

28. 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)	2022	2021
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.

Corporate Governance

SaskEnergy's governance structure supports accountability to the Corporation's customers, stakeholders, the public, and its shareholder. Effective governance helps to ensure that SaskEnergy operates as both a financially viable organization and as a responsible Corporation.

The Corporation's Board of Directors is representative of the Saskatchewan community and industry. The Lieutenant Governor in Council appoints up to 12 members and designates a Chair and Vice Chair.

SaskEnergy's Board of Directors is led by Board Chair, Susan Barber, Q.C., and Vice Chair, Nola Joorisity.
Board member biographies can be viewed at https://www.saskenergy.com/about-us/our-company/board-directors.

Board of Directors

11 Board Members

Susan Barber, Q.C.
Chair

Nola Joorisity
Vice Chair and Chair, Audit and Finance Committee

Milad Alishahi
Member

Curt Chickoski
Member

Grant Greenslade
Member

Véronique Loewen
Member

Linda Moulin
Chair, Environmental, Social and Governance Committee

Doug Shaw
Member

Tina Svedahl
Member

Bradley Sylvester
Member

Alice Wong
Chair, Human Resources and Safety Committee

SaskEnergy's Board is responsible for the stewardship of the Corporation and oversees, and closely monitors, its adherence to *The SaskEnergy Act* and its regulations. It fulfills its oversight duties through the use of Board Committees, whose mandates are reviewed annually and updated as required.

Three Board Committees

Audit and Finance	Nola Joorisity, Committee Chair
Environmental, Social and Governance	Linda Moulin, Committee Chair
Human Resources and Safety	Alice Wong, Committee Chair

Women in Leadership

The Board Chair, Vice Chair and the Board Committee Chairs (three)

50% of Board members

50% of Executive members

Executive Team

SaskEnergy has an eight-member Executive Team led by Acting President and CEO, Mark H. J. Guillet, Q.C. Executive biographies can be found at https://www.saskenergy.com/about-us/our-company/executive-leadership.

Mark H. J. Guillet, Q.C.
Acting President and CEO

Kevin Adair
Executive VP, Customer Service Operations

Lori Christie
Executive VP, Corporate Planning

Dharmesh Gandhi
Executive VP and CIO

Charlene Greve
Acting Executive VP, Chief Legal Officer and Corporate Secretary

Derrick Mann
Executive VP, Infrastructure Delivery and Reliability

Maria McCullough
Executive VP, Human Resources and Safety

Christine Short
Executive VP and CFO

SaskEnergy is committed to the principles of transparency, openness and timeliness in communication with the Corporation's Owner, Crown Investments Corporation, employees, customers, stakeholders and the public. Strong two-way communication models support the achievement of business and corporate results.

More information on governance is available on saskenergy.com, including SaskEnergy's full Statement of Corporate Governance Practices.

Supplementary Information

Five Year Consolidated Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, (millions)	2022	2021	2020	2019	2018
	Audited	Audited	Audited	Audited Restated[1]	Audited
ASSETS					
Current assets					
Cash and cash equivalents	**$ 2**	$ -	$ 1	$ 6	$ -
Trade and other receivables	**199**	165	155	156	141
Natural gas in storage held for resale	**6**	15	13	26	37
Inventory of supplies	**16**	14	13	13	11
Debt retirement funds	**-**	-	11	3	-
Assets held for sale	**1**	4	-	-	8
Fair value of derivative instruments	**121**	17	15	41	61
	345	215	208	245	258
Right-of-use assets	**13**	15	15	-	-
Intangible assets	**69**	77	73	70	64
Property, plant and equipment	**2,944**	2,851	2,801	2,505	2,260
Debt retirement funds	**146**	136	125	118	106
	$ 3,517	$ 3,294	$ 3,222	$ 2,938	$ 2,688
LIABILITIES AND PROVINCE'S EQUITY					
Current liabilities					
Bank indebtedness	**$ -**	$ -	$ -	$ -	$ 3
Short-term debt	**337**	264	279	260	254
Trade and other payables	**124**	116	120	117	129
Dividends payable	**11**	7	2	43	23
Contract liability	**15**	5	19	16	-
Refund liability	**4**	6	7	8	-
Current portion of long-term debt	**-**	-	34	33	50
Current portion of lease liability	**4**	5	6	3	-
Deferred revenue	**-**	-	-	-	35
Fair value of derivative instruments	**36**	8	21	17	50
	531	411	488	497	544
Employee future benefits	**4**	4	5	5	6
Deferred revenue	**5**	5	5	5	5
Lease liability	**6**	7	7	5	9
Provisions	**178**	227	292	200	128
Long-term debt	**1,559**	1,485	1,325	1,147	1,031
	2,283	2,139	2,122	1,859	1,723
Province's equity					
Equity advances	**22**	72	72	72	72
Retained earnings	**(8)**	(1)	4	2	(1)
Other components of equity	**1,220**	1,084	1,024	1,005	894
	1,234	1,155	1,100	1,079	965
	$ 3,517	$ 3,294	$ 3,222	$ 2,938	$ 2,688

[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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended March 31, (millions)	2022	2021	2020	2019	2018
	Audited	Audited	Audited	Audited Restated	Audited
REVENUE					
Natural gas sales	**$ 434**	$ 286	$ 309	$ 452	$ 474
Delivery	**288**	284	284	289	271
Transportation and storage	**206**	186	187	163	137
Customer capital contributions	**25**	49	36	29	21
Other	**-**	-	-	4	7
	953	805	816	937	910
EXPENSES					
Natural gas purchases	**400**	279	284	396	407
Employee benefits	**106**	102	96	89	86
Operating and maintenance	**183**	169	164	161	127
Depreciation and amortization	**126**	117	109	99	100
Saskatchewan taxes	**18**	16	16	15	14
(Recovery) loss on trade and other receivables	**(2)**	5	5	2	5
	831	688	674	762	739
INCOME BEFORE THE FOLLOWING	**122**	117	142	175	171
NET FINANCE EXPENSES					
Finance income	**2**	4	4	3	2
Finance expenses	**(61)**	(59)	(59)	(55)	(50)
	(59)	(55)	(55)	(52)	(48)
OTHER GAINS (LOSSES)	**19**	(3)	(21)	11	(13)
NET INCOME BEFORE MARKET VALUE ADJUSTMENTS	**82**	59	66	134	110
MARKET VALUE ADJUSTMENTS					
Commodity	**75**	8	6	35	(2)
Asset optimization	**1**	7	(36)	16	48
Net realizable value on natural gas in storage	**-**	7	7	(19)	(12)
	76	22	(23)	32	34
TOTAL NET INCOME	**$ 158**	$ 81	$ 43	$ 166	$ 144
CONSOLIDATED STATEMENT OF CASH FLOWS					
Cash provided by operating activities	**238**	204	270	280	312
Cash used in investing activities	**(237)**	(235)	(341)	(271)	(258)
Cash provided by (used in) financing activities	**1**	30	66	-	(58)
INCREASE (DECREASE) IN CASH POSITION	**$ 2**	$ (1)	$ (5)	$ 9	$ (4)

Glossary of Key Success Measures

ORGANIZATIONAL

Safety Culture

MEASURE	DEFINITION
Total Recordable Injury Frequency Rate	The Total Recordable Injury Frequency Rate measures the number of recordable injuries per 100 employees and is equal to recordable injuries X 200,000, divided by hours worked. Based on Canadian Gas Association (CGA) data, the average in 2021 was 1.33. The long-term goal will place SaskEnergy in the top quartile of CGA companies.
Injury Severity Rate	The Injury Severity Rate measures the number of lost worker days, due to injury, per 100 workers and is equal to the number of lost workdays X 200,000, divided by total hours worked. Based on CGA data, the average in 2021 was 8.46. There is a high degree of variability in the CGA data year-over-year, as one severe injury per employer can greatly impact the results. The long-term goal will place SaskEnergy in the top quartile of CGA companies.

Workforce Development

MEASURE	DEFINITION
Representative Workforce	
• **Women in Management Roles**	The number of women in management roles, including professionals, as a percentage of total management. The Saskatchewan Human Rights Commission's recommended target for women in underrepresented roles is 47 per cent.
• **Indigenous**	The number of Indigenous employees as a percentage of total employees. The Saskatchewan Human Rights Commission's recommended target is 14 per cent provincially. SaskEnergy also recognizes that this demographic is trending higher in the province.
Employee Experience	A comprehensive survey is conducted every two years and is planned again for 2022-23. The goal is to achieve a score at least equal to the Public Sector Average as measured by the survey provider. The benchmark for this measure was established using the results of the previous survey conducted in 2020-21.

OPERATIONS

Operational Excellence

MEASURE	DEFINITION
Distribution O&M (Costs per Customer)	The Operating and Maintenance (O&M) Costs per Customer measure is a proxy for the relative efficiency of the Distribution Utility's operations and is calculated using O&M expenses (excludes transportation and storage charges) divided by the total number of distribution customers.
Transmission O&M (Costs per Book Value of Assets Managed)	The O&M 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 O&M expenses (excludes third-party transportation charges) divided by the total value of the assets managed as part of the transmission system.
Residential Delivery Rates	The 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.
Unplanned Distribution Customer Outage Events	Unplanned outages affecting more than one customer that arise from activities such as third-party damage (line hits), operator error, facilities failure (e.g. station freeze offs) and security issues. This metric aligns with the natural gas industry, which has a strong focus on the reliability of service. The CGA publishes an industry reliability factor every year in its company profile. This is one of the key competitive advantages of natural gas as an energy supply. This metric is directly linked to this focus and will help to further highlight this focus to employees in the company.

Glossary of Key Success Measures

Greener Energy Provider

MEASURE	DEFINITION
Output Based Performance Standard (OBPS) – Emissions (Tonnes of CO_2e/MWh)	This measure is calculated based on a numerator of total combustion/flaring greenhouse gas emissions from transmission operations, and a denominator of total load-corrected MWh of output from compressor engines. The units are tCO_2e/MWh. This metric reflects requirements under the federal Output Based Pricing System.
Cumulative GHG Emissions Reduction Relative to 2019 Baseline (Tonnes of CO_2e)	This measure is a cumulative change in the mount of Scope 1 (direct emissions created on site) and Scope 2 greenhouse gas emissions (indirect emissions from electricity) from SaskEnergy operations as compared to the baseline of emissions from 2019. This directly aligns to SaskEnergy's Corporate Vision and reflects overall progress to the long-term target of 35 per cent reduction.
Customer GHG Savings (Tonnes of CO_2e/year) From Natural Gas Conservation Programs	This measure is determined based on emissions saved by customers in SaskEnergy's Residential and Commercial equipment rebate programs. The Emissions savings are modeled based on the difference between emissions ratings of new equipment and the regulated or commonly installed efficiency of the equipment replaced in programs, determined based on the age of the replaced equipment. The GHG savings consider both the gas and electric savings as a result of upgrading equipment.

FINANCIAL

MEASURE	DEFINITION
Debt/Equity Ratio	This measure is calculated by dividing total net debt by the sum of total net debt plus total owner's equity.
Regulated Return on Equity (Distribution)	This measure is calculated by dividing the net income from operations, excluding commodity margin and customer contributions, by the rate base, adjusted for cumulative customer contributions. It is the same calculation used to set delivery service rates.
Regulated Return on Equity (Transmission/Storage)	This measure is calculated by dividing the income from operations by the rate base, adjusted for cumulative customer contributions. It is the same calculation used to set transportation and storage rates.
Investment in Green Initiatives	This measure tracks the dollars expended on green initiatives and includes investments such as energy efficiency programs, capital investment related to operating emissions reduction, and research and development of green technology.

CUSTOMER

Customer Experience

MEASURE	DEFINITION
SaskEnergy Customer Satisfaction	The data for this measure is obtained from an annual customer survey conducted by an independent market research firm. 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 7 rating or higher on a 10-point scale. Positive responses such as these indicate that customers view SaskEnergy service favourably and provide a strong indication that the customer service tools, policies and staff are effectively meeting the needs of customers.
TransGas Customer Satisfaction	This number is derived from an annual online survey that is provided to all TransGas customers. Customer satisfaction is measured on a scale of 0 to 5, with 5 being the highest level of satisfaction. The survey contains 25 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 several questions and reported as a percentage.

Glossary of Natural Gas Measurements

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.

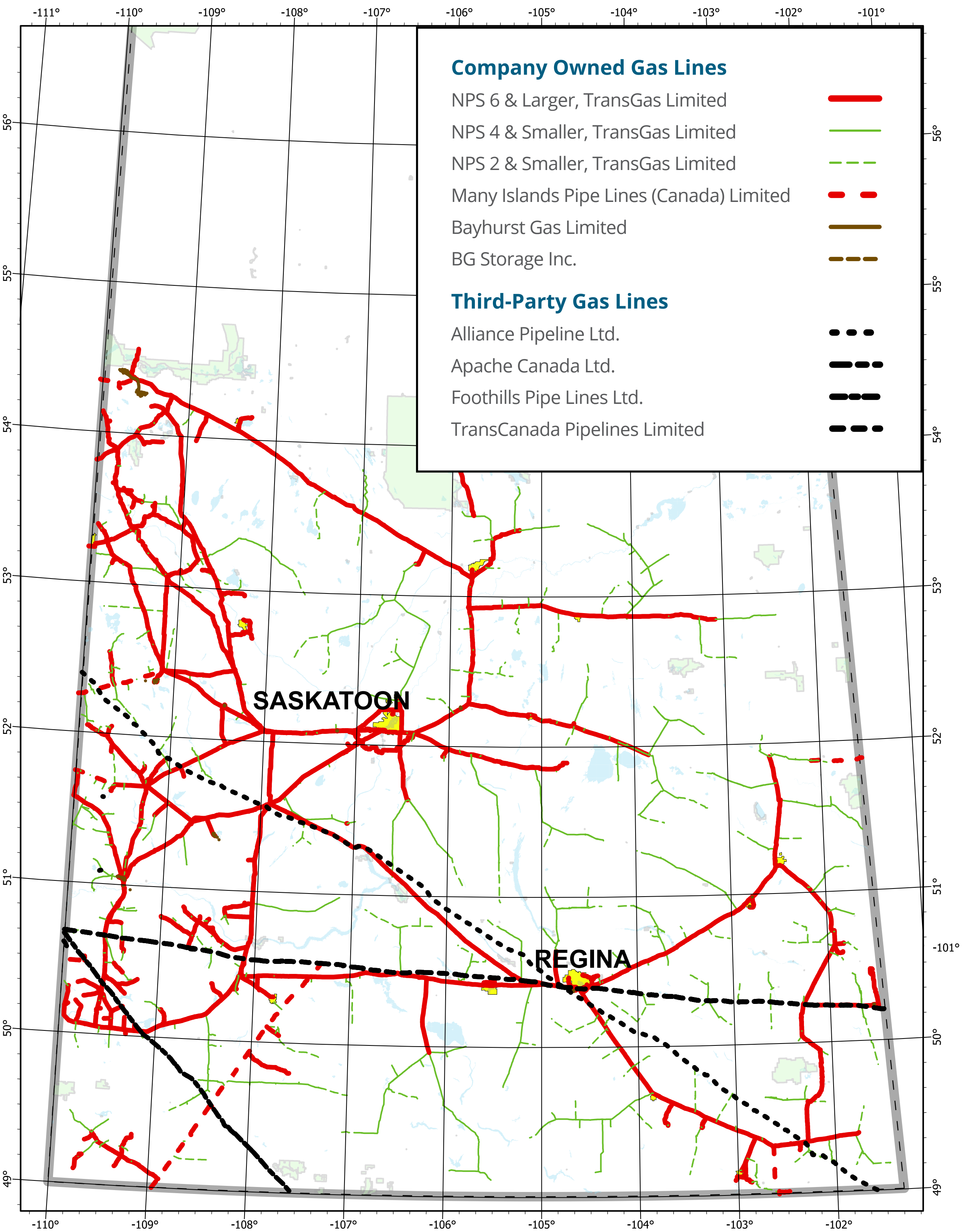
Petajoule (PJ) – a unit of energy equivalent to 1,000,000 GJ.

Cubic metre (m^3) – 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 m^3 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



1777 Victoria Avenue
Regina, Saskatchewan S4P 4K5