



SOLUTIONS

SASKWATER 2007 ANNUAL REPORT



SaskWater
The Quality Advantage

Corporate Profile

Vision:

to be Saskatchewan's leader in delivering water and wastewater services, building customer, employee and shareholder value through partnerships and quality management.

Mission:

to provide competitively priced, customer-focused, quality water and wastewater services.

Values:

Innovation, Trust & Respect, Integrity, Professionalism & Reliability, Sustainability, Our Customers, Our Employees.

About SaskWater

SaskWater is Saskatchewan's commercial Crown water utility, providing cost-effective solutions to help communities, First Nations and industry gain access to reliable quality water and wastewater services.

SaskWater provides competitively-priced water and wastewater services to 53 urban and rural municipalities, 60 rural pipeline groups and 41 commercial customers (which consist of five mining, 15 manufacturing, 14 agricultural production, and seven recreation/tourism accounts.) *

The corporation owns seven water treatment plants, three wastewater facilities, 31 pump stations and over 800 km of pipeline. SaskWater also maintains customer-owned systems and provides operator training to 39 Saskatchewan First Nations communities.

SaskWater has defined five measurable strategic objectives to guide the corporation:

Profitability: becoming profitable and achieving financial stability;

Growth: growing both the customer and revenue base;

Quality: strengthening our key differentiator in the marketplace;

Employer of Choice: being recognized by our employees as an employer of choice;

Sustainability: addressing current and future corporate needs while enhancing economic, social and environmental resources.

*The methodology for reporting customer numbers has been revised to provide a clear framework for categorizing and communicating these customer numbers. For example, in the RM of Corman Park, SaskWater supplies potable water to four separate communities under the administration of the RM, but Corman Park is counted only once as a customer.

As Saskatchewan’s Crown water utility, SaskWater provides potable and non-potable water delivery, wastewater management and certified operations and maintenance services to Saskatchewan municipalities, industry, First Nations and rural pipeline groups.



SOLUTION

noun - the means of solving a problem or dealing with a difficult situation

Table of Contents

3	Letter of transmittal	12	Regional environmental solutions	18	The value of water	29	Financial statements
3	Minister’s message			22	SCADA	44	Corporate Governance
4	Letter to stakeholders			24	Balanced scorecard	45	Board of Directors
6	Our employees	14	Typical surface water treatment process	27	Management’s Discussion & Analysis	57	Corporate Directory
8	Building relationships						
10	Lines of business	16	Typical wastewater treatment process				

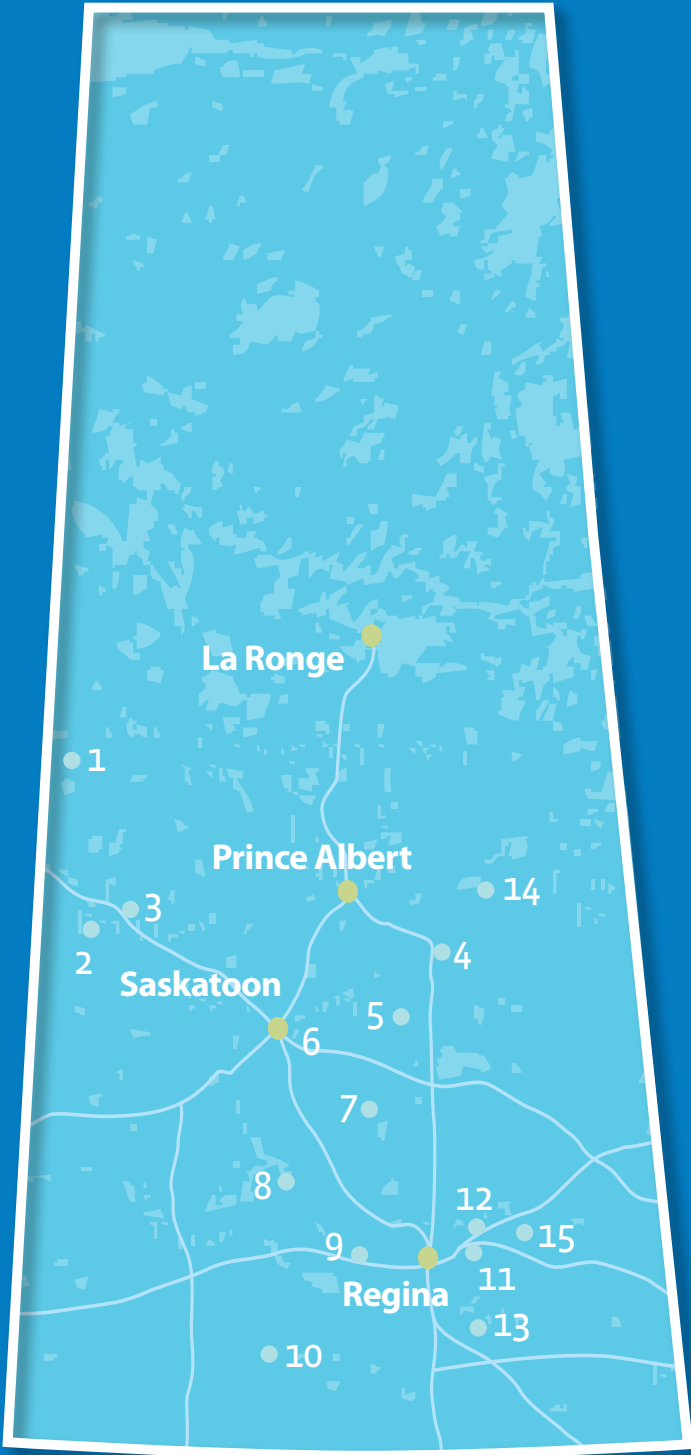
The Corporation owns seven water treatment plants, three wastewater facilities, 31 pump stations and over 800 km of pipeline. SaskWater also maintains customer-owned systems and provides operator training to 39 Saskatchewan First Nations communities.

AREAS OF ACTIVITY

Current Service in Saskatchewan

SaskWater currently owns and/or operates wastewater, potable and non-potable waterworks in the following locations/regions:

- 1 Pierceland
- 2 Paynton
- 3 Meota Area
- 4 Melfort Area
- 5 Wakaw-Humboldt Area
- 6 Saskatoon Area
- 7 Hanley-Watrous-Lanigan Area
- 8 Elbow
- 9 Buffalo Pound Area
- 10 Gravelbourg
- 11 White City/Emerald Park
- 12 Edenwold
- 13 Halbrite
- 14 Nipawin
- 15 Fort Qu'Appelle





Letter of Transmittal

Moose Jaw, March 2008

To His Honour
Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Dear Sir:

I have the honour to submit herewith the annual report of SaskWater for the year ending December 31, 2007.

The annual report includes the financial statements, duly certified by auditors for the Corporation, in the form approved by the Treasury Board and in accordance with The Saskatchewan Water Corporation Act.

I have the honour to be your obedient servant.

Sincerely,

Ken Cheveldayoff
Minister of Crown Corporations

“SaskWater’s role as a solutions provider positions the Corporation as a strong facilitator of growth and opportunity in the province, supporting Saskatchewan municipalities and regional economies.”

MINISTER’S MESSAGE

Message from the Minister

The Government of Saskatchewan is committed to building a better, more secure future for our province and our people. In order to advance this commitment, we must understand and address the complexity of issues facing our municipal sector, one of which is access to safe, reliable, quality water and wastewater services.

In a province as vast as Saskatchewan, operating water and wastewater systems for communities can be difficult. As the provincial Crown water utility, SaskWater offers cost effective, reliable and environmentally sound solutions to help Saskatchewan municipalities, First Nations and industry access quality, long-term water and wastewater services.

As a value-added service provider, SaskWater offers potable and non-potable water supply, wastewater treatment and management, and certified operations and maintenance of customer-owned systems. The Corporation also provides operator training to many of Saskatchewan’s First Nations.

From Nipawin to Gravelbourg, Pierceland to Fort Qu’Appelle, SaskWater has developed and implemented innovative solutions to help ensure that the water and wastewater needs of our communities and businesses are being met, now and into the future.

Reliable access to safe, quality water and wastewater services is key to growing our communities and attracting industry to our province. SaskWater’s role as a solutions provider positions the Corporation as a strong facilitator of growth and opportunity in the province, supporting Saskatchewan municipalities and regional economies.

As Minister of Crown Corporations, I thank the employees of SaskWater for their dedicated work, developing and implementing innovative solutions in support of a prosperous Saskatchewan.

Sincerely,

Ken Cheveldayoff
Minister of Crown Corporations

“Along with our commitment to providing quality products, we are equally committed to providing quality customer service. In our most recent survey, our customers told us that we are succeeding in delivering safe and reliable products, providing good customer service, and operating in an ethical and environmentally responsible manner.”



LETTER TO STAKEHOLDERS

Access to safe, reliable water and wastewater services remains a priority for Saskatchewan communities, as does the need to upgrade and replace aging infrastructure, and recruit and retain qualified staff to oversee it all. In this respect, we are no different from other provinces.

Saskatchewan is, however, somewhat unique in that the province operates a commercial Crown water utility. As such, SaskWater plays an important role, helping to build a strong future for our province by implementing water and wastewater solutions that support regional economies and provide opportunities for growth.

Saskatchewan has the additional challenge that our population is sparse in some areas, making affordable access to long term water solutions more difficult. As a proven solutions provider, SaskWater has the expertise and capital to help Saskatchewan municipalities, rural pipeline groups, industry, and First Nations access long term, professional water and wastewater services.

Growth is fundamental to SaskWater's role as a solutions provider; therefore, a key objective of the Corporation is to expand service in the province. Our partnership approach, quality products, and innovative technology allow us to offer our customers solutions that are specific to their needs. We have a strong regional focus, implementing regional solutions that provide significant benefits to local economies within the province.

In 2007 SaskWater completed work on the Fort Qu'Appelle Wastewater Treatment System, a new wastewater treatment

facility that serves the Town of Fort Qu'Appelle. The zero discharge facility pumps the wastewater out of the valley, where effluent disposal occurs by evaporation instead of being discharged into the Qu'Appelle system of lakes. As the facility's owner, SaskWater is responsible for ongoing operation and maintenance through an agreement with Fort Qu'Appelle.

Completion of the Fort Qu'Appelle Wastewater Treatment System meant that SaskWater could provide an interim solution to the wastewater needs of the Rural Municipality of North Qu'Appelle and the Resort Villages of Fort San and B-Say-Tah. The three municipalities recently signed an agreement with SaskWater to deliver their domestic wastewater to the Fort Qu'Appelle Wastewater Treatment System on an interim basis.

We were pleased to welcome Terra Grain Fuels Inc. as a new customer in 2007. Terra Grain is building an ethanol facility at Belle Plaine, north of the Saskferco fertilizer plant. SaskWater is proud to provide non-potable water to meet Terra Grain's process and cooling needs; the company expects to produce approximately 150 million litres of ethanol annually.

Saskferco also identified a need for increased non-potable water supply. To accommodate the additional system demands, SaskWater built a new pump station to increase the supply capacity of the Buffalo Pound non-potable water system. The system expansion was completed in December 2007.

We're happy to be working with the Town of La Ronge, Village of Air Ronge and the Lac La Ronge Indian Band, helping to implement a solution to their potable water needs. SaskWater is



contracted to supply project management services to the three parties to help with the predesign, design and construction of the La Ronge Regional Water System.

Our commitment to our customers includes providing quality water treated in accordance with strict standards. At SaskWater, we place a high priority on quality, making a point of regular public reporting, including the publishing of our annual Water Quality Report.

Our commitment to quality was strengthened in 2007 with the opening of the SaskWater Control Centre. The Centre uses Supervisory Control and Data Acquisition (SCADA) technology to remotely monitor water supply and quality parameters 24 hours a day, seven days a week. SaskWater partnered with TransGas to take advantage of their SCADA technology, which will help to ensure safe, reliable water, 365 days a year. Currently, 33 of SaskWater's owned and contracted facilities are being remotely monitored, with plans to bring five more online in 2008.

Along with our commitment to providing quality products, we are equally committed to providing quality customer service. In our most recent survey, our customers told us that we are succeeding in delivering safe and reliable products, providing good customer service, and operating in an ethical and environmentally responsible manner.

To ensure that we provide our customers with solutions that are long term, we are always looking to reduce costs and increase efficiencies. We implemented a new approach to asset management that will help us maintain and optimize the life and efficiency of our assets. In 2007 SaskWater invested \$1.4M in asset management, which included infrastructure repair and replacement costs over and above regular maintenance activities.

We strive to be an employer of choice from our employees' perspective. Our Human Resources Advisory Committee,

established in 2006, has made great strides. Comprised of SaskWater employees, the Committee helped to develop an employee satisfaction survey, which we are committed to conduct annually to help guide future initiatives. The Committee is supporting our Human Resources unit in the development of an action plan based on the results of the employee survey. This past year, the Committee focused on reviewing employee-related policies and making recommendations for change.

SaskWater hired an Aboriginal Advisor in 2007 to strengthen our relationship with Saskatchewan's Aboriginal communities. The Advisor will also help us address our recruitment needs by promoting SaskWater as an employer of choice to Aboriginal youth. A large part of the Advisor's role will be developing business relationships with our Aboriginal communities.

SaskWater is proud to be a member of the Saskatchewan business community. In the provision of water and wastewater services, we advocate regional economic development initiatives, encourage the development of employment opportunities, and maximize the procurement of goods and services from Saskatchewan and Aboriginal suppliers. We are committed to helping our communities implement cost effective solutions that are appropriate to their water and wastewater needs.

We look forward to expanding our role as a solutions provider to Saskatchewan municipalities, rural pipeline groups, industry, and Aboriginal communities. Thank you to our employees for their dedicated work, and to our customers for your continued support.

Stuart Kramer

Stuart Kramer
President

Glen Rittinger

Glen Rittinger
Chair of the Board

“In addition to providing work placements for SIAST co-op students, SaskWater participates in the GradWorks intern program, established by Crown Investments Corporation, with the goal of providing valuable work experience to talented, high-potential post-secondary graduates.”



OUR EMPLOYEES

At SaskWater, we know that our employees are the Corporation's most important asset. The past year has been one of increased commitment to involving staff in planning and decision-making, recognizing that each employee is an expert in their area of the business.

Headquartered in Moose Jaw, SaskWater employs about 100 employees, 87 of whom are permanent, working in 12 communities across the province.

SaskWater applies a recruitment strategy that ensures we have the right people with the right skills at the right time and provides employment opportunities in the areas of: engineering; operations; sales and marketing; and corporate and human services.

At SaskWater, we operate in a unionized environment; 53 of our permanent employees are members of the Communications, Energy and Paperworkers Union, Local 820.

In 2007, several initiatives were completed that relate directly to employee relationships such as in-scope job evaluation and collective bargaining. To further support our employees, we encourage ongoing education and professional development; in 2007, 88 employees participated in development activities.

Diversity

At SaskWater, we also understand the importance of a diverse workforce to support not only our operations, but to help us to continue to be an innovative and forward-looking company.

In 2007, designated equity group members – Aboriginal persons, persons with disabilities, women in under-represented roles, and visible minorities – represented 24.2 per cent of SaskWater's workforce.

To further support Diversity at SaskWater, we continue to partner with the First Nations University of Canada (FNUC) to deliver its Aboriginal Cultural Awareness Program (ACAP) to SaskWater employees. In 2007, 34 of our employees attended ACAP.

Our employees also attend Respect in the Workplace interactive workshops. Employees develop an understanding of how

beliefs and values shape behaviour; and they learn how to bridge differences in the workplace.

Nineteen of our employees attended this training in 2007.

This past year was one of increased commitment to our employees as we continually work to build our reputation as an employer of choice.

Supporting Education

In the water and wastewater industry, education is important, whether it is teaching youth about how safe drinking water gets to their taps, or supporting students in their post-secondary education.

Investing in post-secondary education is investing in our future employees. SaskWater's scholarships, co-op terms, and internships show our commitment to recruit promising young talent in Saskatchewan.

For the past four years, SaskWater has provided two \$3,000 scholarships to students pursuing Engineering or Business degrees at the Universities of Regina and Saskatchewan. This year's recipients are Whitney Canham (U of R), a Business Administration student, and Erin Kendrachuk (U of S), a third year student in the Edwards School of Business, specializing in Human Resource Management.

SaskWater also funds a \$2,000 scholarship to a student enrolled in the Water Resource Engineering Technology program at SIAST's Palliser campus. This year's recipient is Nicholas MacMillan.

In addition to providing work placements for SIAST co-op students, SaskWater participates in the GradWorks intern program, established by Crown Investments Corporation, with the goal of providing valuable work experience to talented, high-potential post-secondary graduates.

In 2007, we provided placements for three Gradworks interns in the areas of Engineering, Human Resources, and Finance.



"In 2007, we provided placements for three Gradworks interns in the areas of Engineering, Human Resources, and Finance."

“If we are going to reflect what Saskatchewan is, we need to do better as a corporation in building employment and business relationships with the Aboriginal community,” says SaskWater President Stuart Kramer.

BUILDING RELATIONSHIPS

SaskWater’s Aboriginal Workplan

1. Business Development Initiatives

- Building relations with First Nations, the Federation of Saskatchewan Indian Nations, Tribal Councils and Métis
- Fort Qu’Appelle wastewater regionalization

2. Human Resource Initiatives

- Build relations with First Nations educational institutions
- Support and promote SaskWater diversity hiring strategies.

3. Communications Initiatives

- Develop communication material for all First Nations in Saskatchewan

When Dean Bellegarde was the Tribal Chair of the File Hills Qu’Appelle Tribal Council, he wasn’t aware of the services SaskWater could offer First Nations communities.

Now as SaskWater’s Aboriginal Advisor to the President, Bellegarde is working to bridge the communication gap between those communities and SaskWater.

“It’s important to get SaskWater’s brand out in First Nations communities and to educate First Nations about the services the Corporation can provide,” says Bellegarde. “Had I known there were people we could draw on with expertise in the areas of potable and non-potable water systems, I would have phoned them up and asked them several questions.”

Bellegarde joined SaskWater in June of 2007 after the need for creating the position was recognized by SaskWater’s executive.

“If we are going to reflect what Saskatchewan is, we need to do better as a corporation in building employment and business relationships with the Aboriginal community,” says SaskWater President Stuart Kramer. “It is important work for us and we’re excited about the progress to date, but we have much further to go.”



Dean Bellegarde and Stuart Kramer

Bellegarde’s responsibilities as Aboriginal Advisor to the President fall into three areas: business development, human resources, and communications. He meets with Tribal Councils and individual Bands to ensure they understand what SaskWater can offer; and as a member of the HR Advisory Committee, he’s helping to review SaskWater’s employment policies to improve the recruitment and retention of Aboriginal employees.

But without the communication component of Bellegarde’s job, both the business and employment aspects would fail.

“First we need to build relationships,” says Kramer. “First Nations communities need to know who we are, so when they have water and wastewater needs, it’s a natural decision to contact SaskWater.”

Bellegarde has received positive feedback from the First Nations communities he has been working with. He has initiated communication with members of the Standing Buffalo Reserve and other First Nations communities in the Fort Qu’Appelle area with regard to possible participation in SaskWater’s regional wastewater system; and he has become involved in a project that has the Lac La Ronge Indian Band, La Ronge and Air Ronge working together to put in place a regional water system.

Bellegarde has significant experience in First Nations leadership working on major projects during his involvement with the File Hills Qu'Appelle Tribal Council. He also served for three years in the Canadian armed forces and was an RCMP officer for 20 years.

"I have always been involved with First Nations in Saskatchewan because I am First Nations," says Bellegarde, who is a member of the Little Black Bear Reserve.

Bellegarde also shares his First Nations background with SaskWater staff, adding an educational component to his job. At managers meetings he has been asked to give presentations on First Nations governance systems and treaty land entitlements.

"The position of Aboriginal Advisor to the President is reciprocal," says Bellegarde. "Instead of just going out there and telling the First Nations communities about SaskWater, I also want to inform SaskWater's personnel as to who we are as First Nations people."

"I think it's important for any Saskatchewan resident to understand a little bit more of our history and what makes the First Nations component of our society work," adds Kramer.

Supporting Business

As a Crown Corporation, SaskWater is committed to the growth of local businesses and the provincial economy.

The percentage of goods SaskWater purchased in Saskatchewan has greatly exceeded our target, ranging from 93 per cent to 96 per cent in each of the past three years.

SaskWater shows its support for local businesses by sponsoring events such as the SIAST Business & Industry Banquet in Moose Jaw, and the Sagehill 2007 YBEX Awards in Bruno.

For the past two years, SaskWater has also sponsored the "Young Entrepreneur of the Year" Award at the Annual Saskatchewan Chamber of Commerce ABEX (Awards of Business Excellence) Awards, as well as the Business Innovation Award at the Moose Jaw Chamber of Commerce ABEX Awards.

The winner this year of the Saskatchewan Chamber of Commerce "Young Entrepreneur of the Year" Award was Brett Cain, owner of North Fringe Resources Inc. North Fringe Resources is based in Nipawin, with a primary focus of manufacturing Mine Portable Refuge Stations designed to provide a safe refuge for mine workers in the event of a mine emergency.

Moose Jaw Chamber of Commerce ABEX Award winner in the Business Innovation category was Enviro Mattress Depot, owned by Dennis Widenmaier. Enviro Mattress Depot collects and recycles salvageable mattress materials in the Moose Jaw area.



SaskWater's regional wastewater system at Fort Qu'Appelle

Measures to Control Costs

SaskWater will contribute to financial sustainability through efficiency gains. A number of initiatives will see a reduction in annual operating expenses over the long-term, including:

- energy efficiencies realized through pipeline swabbing, remote pump control and optimizing booster station operation;
- water loss reductions through water audits and working with researchers on a leak detection tool;
- supplier cost efficiencies through bulk purchasing;
- switching the monitoring of facilities to a new system control centre; and,
- lowered infrastructure maintenance and replacement costs in the long-term through the use of an asset management program.

Valuing Our Customers

The decision in 2002 to make SaskWater a commercial entity provided the opportunity for a new approach to the way SaskWater conducted its business, and thus a transformation began. The ACES (Achieving Customer Service Excellence at SaskWater) project, which concluded in 2006, laid the foundation for our customer service goal of meeting and exceeding customers' expectations. Building on that foundation, a team approach was developed in 2007 to manage customer relationships and individual customer projects; this approach has also enhanced our customer focus.

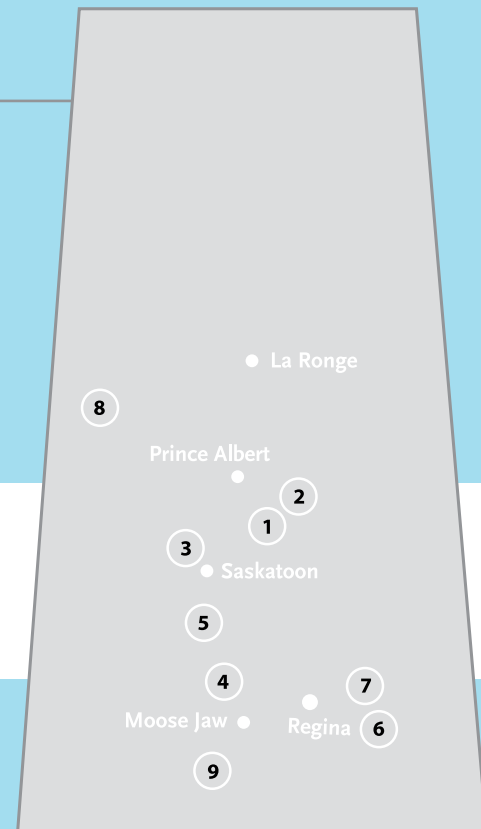
SaskWater is committed to supporting a culture of customer service excellence. Strengthening relationships and helping our customers reach their goals by proactively serving them remains a top priority. Our network of business, regulatory and research partners also supports that priority.

Regional Potable Water Supply Systems

1. Wakaw-Humboldt
2. Codette Lake
3. Saskatoon Area
4. Buffalo Pound Area

Stand Alone Systems

5. Elbow
6. White City
7. Edenwold
8. Pierceland
9. Gravelbourg



LINES OF BUSINESS

As Saskatchewan's Crown water utility, SaskWater provides potable and non-potable water delivery, wastewater management and certified operations and maintenance services to Saskatchewan municipalities, industry, First Nations and rural pipeline groups.

Our core lines of business include:

- potable (safe for human consumption) and non-potable water supply;
- wastewater treatment and management;
- certified operations and maintenance of customer-owned systems; and,
- project management and operator training services.

SaskWater is a value-added service provider; we own and operate a number of regional water supply systems to bring quality drinking water from central treatment plants to serve a number of communities. For some rural communities, this type of system is the most cost-effective and sustainable.

Depending on geographic location and feasibility, SaskWater also provides certified operations and maintenance services to customer-owned systems.

Contracted utility services from SaskWater provide communities with access to:

- quality water products;
- reliable supply and service;
- local employment opportunities for certified operators;
- capital improvement planning;
- reduced liability and risk; and,
- the capability to meet regulatory requirements.

Potable Water Supply

SaskWater's potable water supply business refers to the delivery of water that is suitable for human consumption in accordance with applicable regulations. Municipalities represent the largest consumers of potable water. SaskWater also delivers potable water to industrial customers for on-site human consumptive use.

Our municipal customers own and manage their local distribution systems and the relationship with their residents. SaskWater provides wholesale water delivery service to the community, who then delivers service to its residents.

Stand Alone Systems

SaskWater's mandate enables us to purchase and operate municipal waterworks or to construct new water supply and treatment systems. SaskWater currently owns and operates stand alone systems in Elbow, White City, Pierceland, Edenwold and Gravelbourg.

Regional Systems

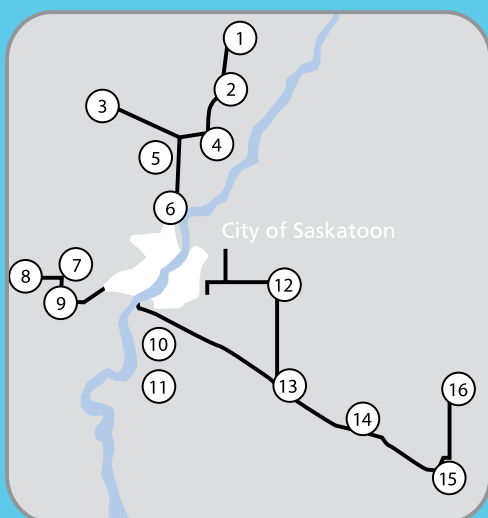
SaskWater owns and operates the Wakaw-Humboldt and Codette Lake regional potable water systems. These systems consist of a single treatment plant that produces and distributes potable water to surrounding communities through a pipeline network. Water treatment plants for these two regional systems are located in Wakaw and Melfort. Together these systems supply potable water to 16 communities and several rural pipeline groups.

(continued on page 11)

Potable water supply

Saskatoon Area:

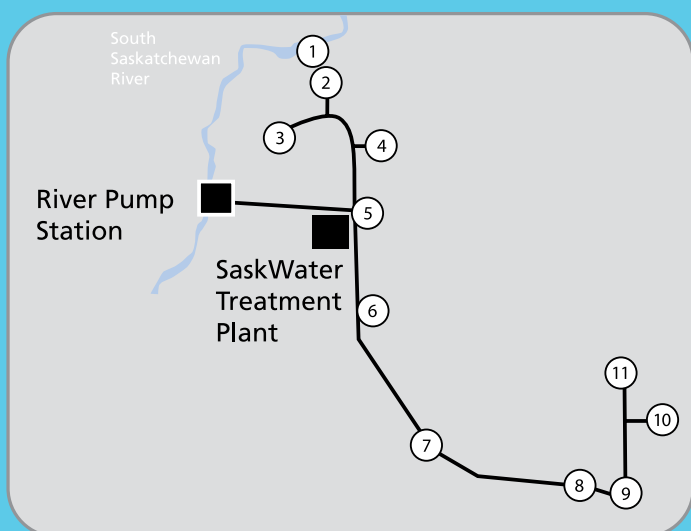
Potable Water Supply System



- | | |
|------------------------------|--------------------------|
| 1. Hague | 9. United Chemicals |
| 2. Osler | 10. Grasswood |
| 3. Dalmeny | 11. Casa Rio/Wood Meadow |
| 4. Warman | 12. Sunset Estates |
| 5. Martensville | 13. Clavet |
| 6. ERCO Worldwide | 14. Bradwell |
| 7. Industrial Customers | 15. Allan |
| 8. Perkins Ag Marketing Inc. | 16. Elstow |

Humboldt Area:

Potable Water Supply System

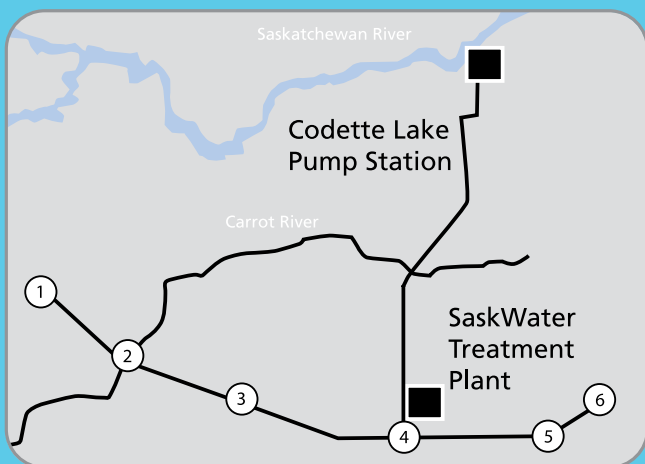


- | | |
|----------------------------|-----------------|
| 1. St. Louis | 7. Bruno |
| 2. Hoey | 8. Humboldt |
| 3. St. Isidore-de-Bellevue | 9. Muenster |
| 4. Domremy | 10. Anaheim |
| 5. Wakaw | 11. Lake Lenore |
| 6. Cudworth | |

Potable water supply

Melfort Area:

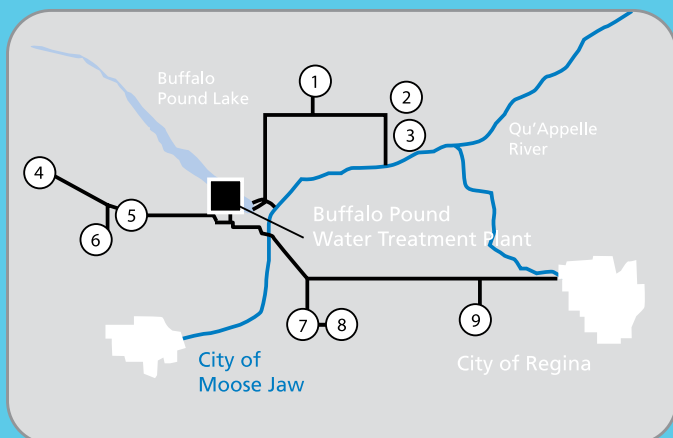
Potable Water Supply System



1. Weldon
2. Kinistino
3. Beatty
4. Melfort
5. Star City
6. Star City Colony

Buffalo Pound Area:

Potable Water Supply System

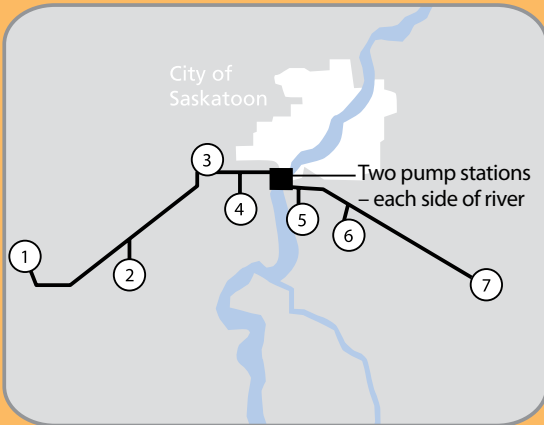


1. Bethune
2. Arm River Colony
3. Disley
4. Marquis
5. Tuxford
6. Koch Fertilizer
7. Saskferco
8. Canadian Salt
9. Grand Coulee

Non-Potable water supply

Saskatoon Area:

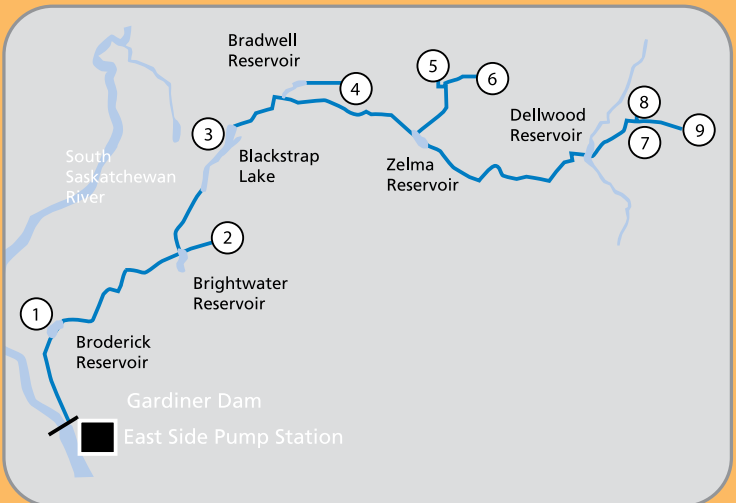
Non-Potable Water Supply System



1. Agrium Potash
2. Vanscoy
3. PotashCorp Cory and Cory Cogen
4. Cedar Villa
5. Riverside Estates
6. Golf Courses
7. Cargill

Saskatoon Southeast:

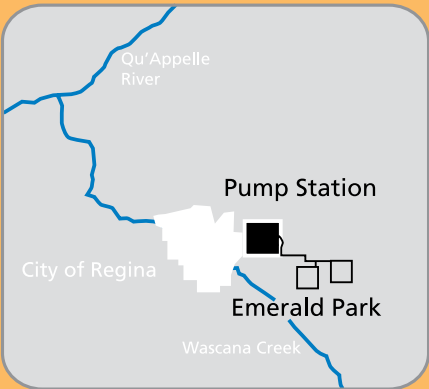
Non-Potable Water Supply System



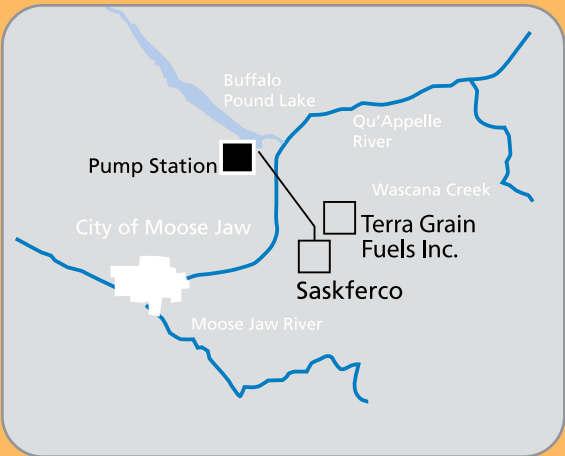
1. Broderick
2. Hanley
3. Shields
4. PotashCorp Allan
5. Mosaic Potash Colonsay ULCC
6. Viscount
7. PotashCorp Lanigan
8. Guernsey
9. Lanigan

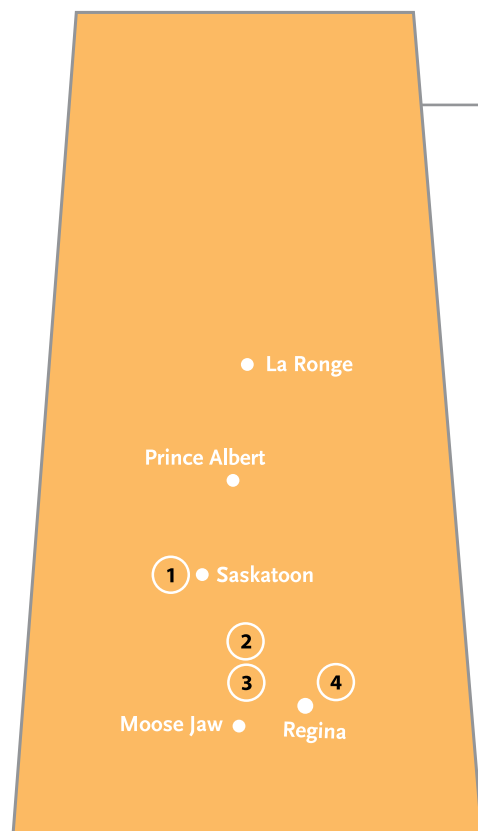
Non-Potable water supply

Regina East: Non-Potable Water Supply System



Buffalo Pound Area: Non-Potable Water Supply System





Non-Potable Transmission System

1. Saskatoon Area
2. Saskatoon Southeast
3. Buffalo Pound Area
4. Regina East

Wastewater Treatment and Management

An emerging issue in water management is the need for environmentally sustainable wastewater treatment systems. SaskWater currently owns and operates wastewater facilities in Nipawin, Pierceland and the Fort Qu'Appelle Wastewater Treatment System.

Certified Operations and Maintenance (COM)

SaskWater contracts with communities and rural pipeline groups to provide certified operation and maintenance of their water and wastewater systems, including:

- water supply works;
- treatment plants;
- storage facilities;
- distribution systems; and,
- wastewater collection and disposal.

The above services are supervised or performed by certified operators.

We also provide: regulatory reporting and consultation; 24/7 continuous monitoring; emergency planning; and customer support services.

SaskWater is able to offer the services of its qualified certified operators to communities and rural pipeline groups located near our existing operating centres.

Northern Activities

SaskWater plays a role in northern Saskatchewan, planning and managing the design and construction of water and wastewater infrastructure on behalf of the Ministry of Municipal Affairs.

SaskWater provides ongoing technical advice to northern communities for the expansion and maintenance of water and wastewater infrastructure, including responding to community emergencies related to that infrastructure.

Water and Wastewater Training

SaskWater also works on behalf of Indian and Northern Affairs Canada (INAC) to provide operator training to Saskatchewan First Nations. In 2007, SaskWater trained a total of 105 water and wastewater operators at 39 First Nations communities.

(continued from page 10)

We also own and operate two regional potable water systems where the water is purchased from other suppliers. SaskWater purchases potable water from the City of Saskatoon and delivers it to surrounding communities, industries and rural pipeline groups through an extensive pipeline network. SaskWater also purchases potable water from the Buffalo Pound Water Administration Board and the City of Regina, sourced from the Buffalo Pound Treatment Plant, and delivers it to area municipalities and industries.

Non-potable Water Supply

SaskWater's non-potable water supply business refers to the delivery of water that is considered not suitable for human consumption in accordance with applicable regulations.

The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations, including potash mines and fertilizer manufacturers.

Municipal customers also purchase non-potable water from SaskWater. These customers own water treatment facilities and perform their own treatment processes prior to residential delivery.

SaskWater currently owns and operates non-potable water systems in the areas surrounding Saskatoon and Buffalo Pound Lake, and east of Regina.

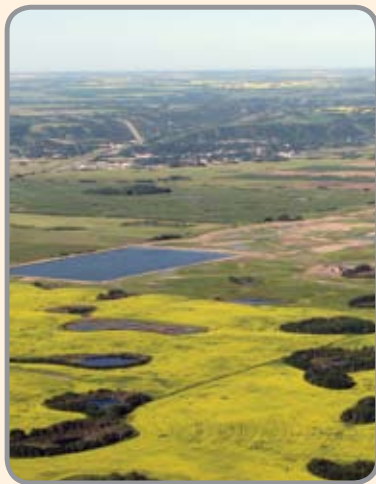
Where viable, SaskWater invests capital to source, build and operate new non-potable pipelines to service new or existing industrial operations.

“This new wastewater treatment system completely eliminates the need to discharge treated wastewater into the river system, thus preserving the health of the Qu’Appelle River valley.”

REGIONAL ENVIRONMENTAL SOLUTIONS

Fort Qu’Appelle’s New Zero Discharge Wastewater Treatment System

SaskWater’s new zero discharge wastewater treatment system, officially opened in August of 2007, represents an excellent example of an environmentally sound solution tailored to meet the needs of a Saskatchewan community. This solution also has positive impacts on a much wider region, including the sensitive ecosystems in the Qu’Appelle Valley.



The Town of Fort Qu’Appelle can be found nestled in the Qu’Appelle Valley between Echo and Mission Lakes, about 74 km northeast of Regina. This community is home to more than 2,000 residents; however, its strategic location near several First Nations Reserves (population of 2,200 people) and the Pasqua, Echo, Mission and Katepwa Lakes

(permanent population of 1,500 people) has made the community a ‘goods and services’ hub for the region. As well, its location along Highway 10, one of Saskatchewan’s busiest roads, has combined with its rich history, cultural diversity and scenic surroundings to attract many visitors to the area.

Fort Qu’Appelle has had three main objectives within its economic strategy: To continue to strengthen infrastructure for its growing senior population; to enhance and support the key tourism industry; and to promote environmentally friendly business that is consistent with the nature of the town’s location and its relationship to the ecology of the valley.

And it was with those goals in mind, that Fort Qu’Appelle approached SaskWater in 2003 to assist in solving the Town’s wastewater treatment problems. Fort Qu’Appelle’s original wastewater treatment system had been built in the early 1950’s and upgraded in the 1980’s; however, the system had exceeded

its life span and could no longer keep up to the growing demands of the community.

The aging and overburdened system was also deemed to be unacceptable from an environmental point of view since treated effluent was being discharged into the Qu’Appelle River. The Qu’Appelle Valley watershed had been designated a ‘sensitive area’, which prompted municipal leaders to search for a better environmental solution.

In 2005 SaskWater undertook management of the design and construction for a wastewater treatment system to suit Fort Qu’Appelle’s long-term wastewater management needs.

The concept of the project was to dispose of treated wastewater effluent by evaporation. Treatment consists of pumping wastewater into a primary treatment cell, then into a large evaporation cell. The lagoon is located about 4 km north of the community. An aeration holding pond collects wastewater from the community, protects the system from storm surges and aerobically treats the wastewater prior to lifting it to the primary cell of the lagoon.

This new wastewater treatment system completely eliminates the need to discharge treated wastewater into the river system, thus preserving the health of the Qu’Appelle River valley.

The governments of Canada and Saskatchewan jointly provided \$2,055,000 in funding to the Town of Fort Qu’Appelle for this project through the Canada Saskatchewan Infrastructure Program (CSIP). The total costs for the project were \$5.9 million, of which \$3,862,000 was invested by SaskWater.

According to Fort Qu’Appelle Mayor, Ron Osika, the concept of a new treatment system had been discussed for many years: “Through this partnership, we have turned our vision into reality. Our community and the environment will both benefit from this project. We are grateful to SaskWater, as well as the federal and provincial governments for their support in helping Fort Qu’Appelle achieve this goal.”

“We are pleased to have partnered with Fort Qu’Appelle and the provincial and federal governments to provide this modern wastewater facility for the residents of Fort Qu’Appelle,” says Stuart Kramer, President of SaskWater. “We look forward to working with more communities like Fort Qu’Appelle in order to improve municipal and regional water and wastewater facilities in the province.”

Stewart Brown

General Manager PotashCorp Allan

PotashCorp Allan is an underground potash mine and processing plant located approximately 65 kilometres east of Saskatoon just north of the Town of Allan. The plant started production in 1968 and has been a SaskWater customer since 1969.

PotashCorp Allan currently has an annual production capacity of 1.885 million tonnes of potash. Non-potable water used in plant operation is supplied by pipeline to the plant site from SaskWater's pump house at Bradwell Reservoir on the Saskatoon Southeast Water Supply System.

In 2005 it was recognized that the water supply used for the plant would need to be increased to meet the needs of the plant expansion. In order to address these concerns, representatives from SaskWater met with PotashCorp Allan personnel and developed an action plan to upgrade the pumps at the Bradwell Reservoir. A project to increase capacity to the plant was completed in 2007.

"SaskWater personnel maintained regular communication with site personnel during progress of the project, thus ensuring that any potential issues impacting the plant were addressed before they became a problem," says Stewart Brown, General Manager, PotashCorp Allan.





"A reliable water supply is one of the keys to maintaining an efficient operation at PotashCorp's Allan Division, something which SaskWater has provided in the past and will continue to do so in the future."

Measuring for increased efficiency and reduced costs: UVA measurements and coagulant dosage

Coagulants and flocculants are formulated to help separate suspended solids from water. The coagulation-flocculation process is a major step in the production of potable water, allowing for the removal of finely dispersed solids during the water treatment process.

Excessive coagulant dosing or under-dosing can affect water quality and result in increased water treatment costs. SaskWater is currently obtaining data at each of its water treatment plants to distinguish the relationship between ultra violet absorbency (UVA) and coagulant dosage.

Dissolved ultra violet absorbing substances often play a major role in the type of water purification process selected. Enhanced treatment may be required for certain substances; and continuous ultra violet absorbency measurements can help determine the required dosage of coagulants.

In the future, it is anticipated that water treatment plants could be equipped with continuous online UVA monitoring systems that would simultaneously set and vary the required coagulant dosage, resulting in improved overall treatment efficiency and reduced coagulant and chemical usage.

Typical surface water treatment process

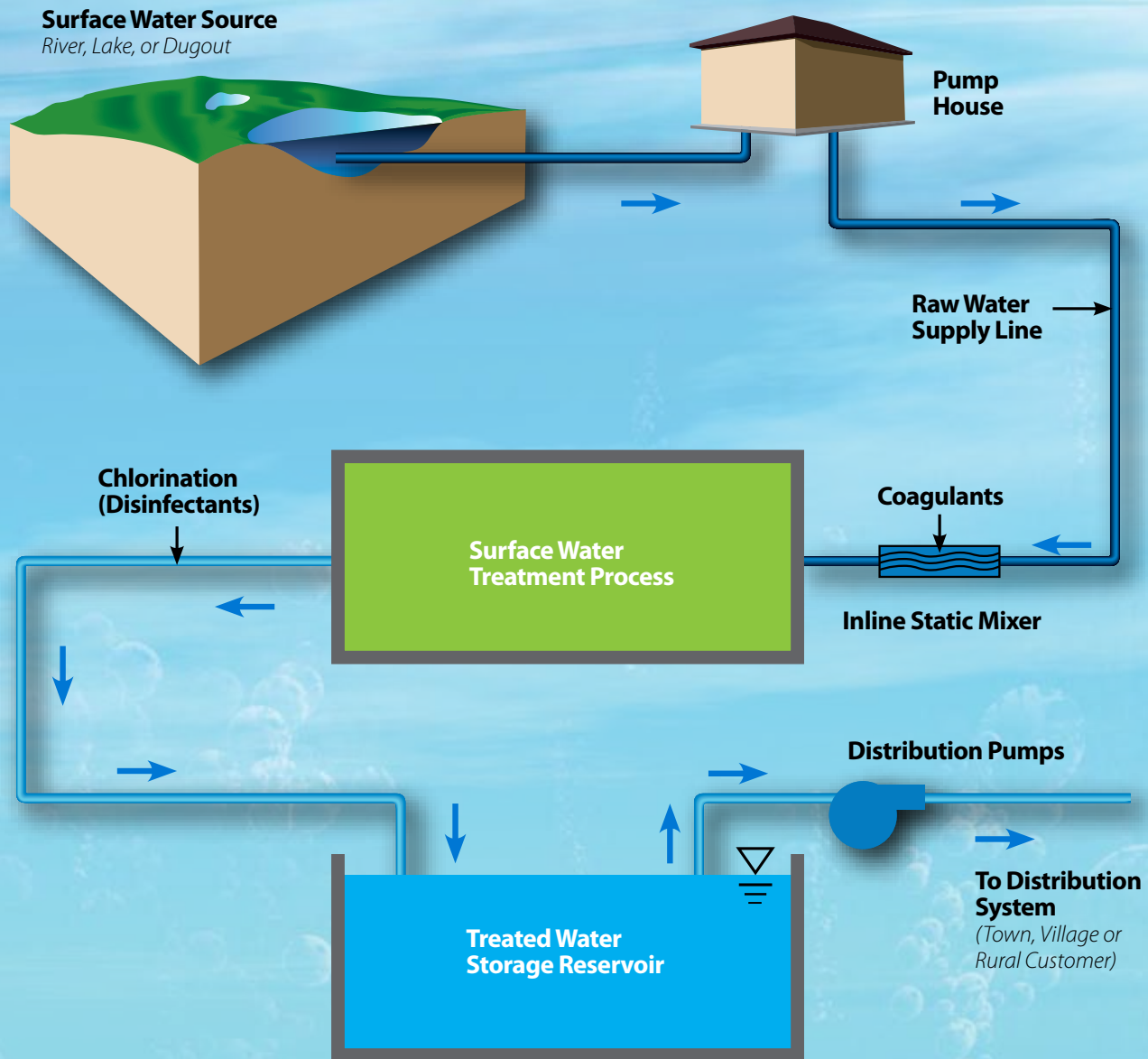
A surface water intake pipe brings water from the source to a raw water pump house; from there, the water is pumped to the treatment plant.

Raw water passes through an inline or static mixer in the treatment plant. A chemical known as a coagulant is rapidly mixed into the water to neutralize the electrical charge of unwanted particles.

Water then moves to a clarifier and with the aid of a second chemical, called a flocculant, the clarifier performs the flocculation process. The flocculant and a slow mixing process cause the smaller particles in the water to concentrate into large clumps known as floc. The floc drops to the bottom of the clarifier, leaving the cleanest water at the surface.

The clean water is then drawn into filters and the impurities are removed.

Chlorine is added to the filtered water to eliminate any remaining microorganisms. The water is now treated and ready to drink. Treated water is tested regularly to ensure quality. Water is pumped from the storage reservoirs into a distribution system of pipes. This distribution system supplies water to homes.



Note:

Depending on the type of water source and its quality, the treatment process will vary.

Monitoring for safety and effectiveness: UVA and THM formation

In the water industry, measuring UVA (ultra violet absorbency) is emerging as a useful measurement of THM (trihalomethane) formation. THMs are compounds that form when chlorine used in the water treatment process reacts with any organic matter that may be present in the water.

THMs are monitored to evaluate the effectiveness of the treatment processes and to assess health risk; THMs have been linked to asthma, cancer of the bladder and colon, skin disorders, and other health concerns.

SaskWater is currently assessing the ultra violet absorbency (UVA) of treated water at each of its water treatment plants to distinguish the relationship between UVA to total THMs. The UVA readings are easily obtained and can provide a ready indication of resultant THM in the treated water, providing an alternative to conducting repeated and more expensive THM tests.



Typical wastewater treatment process

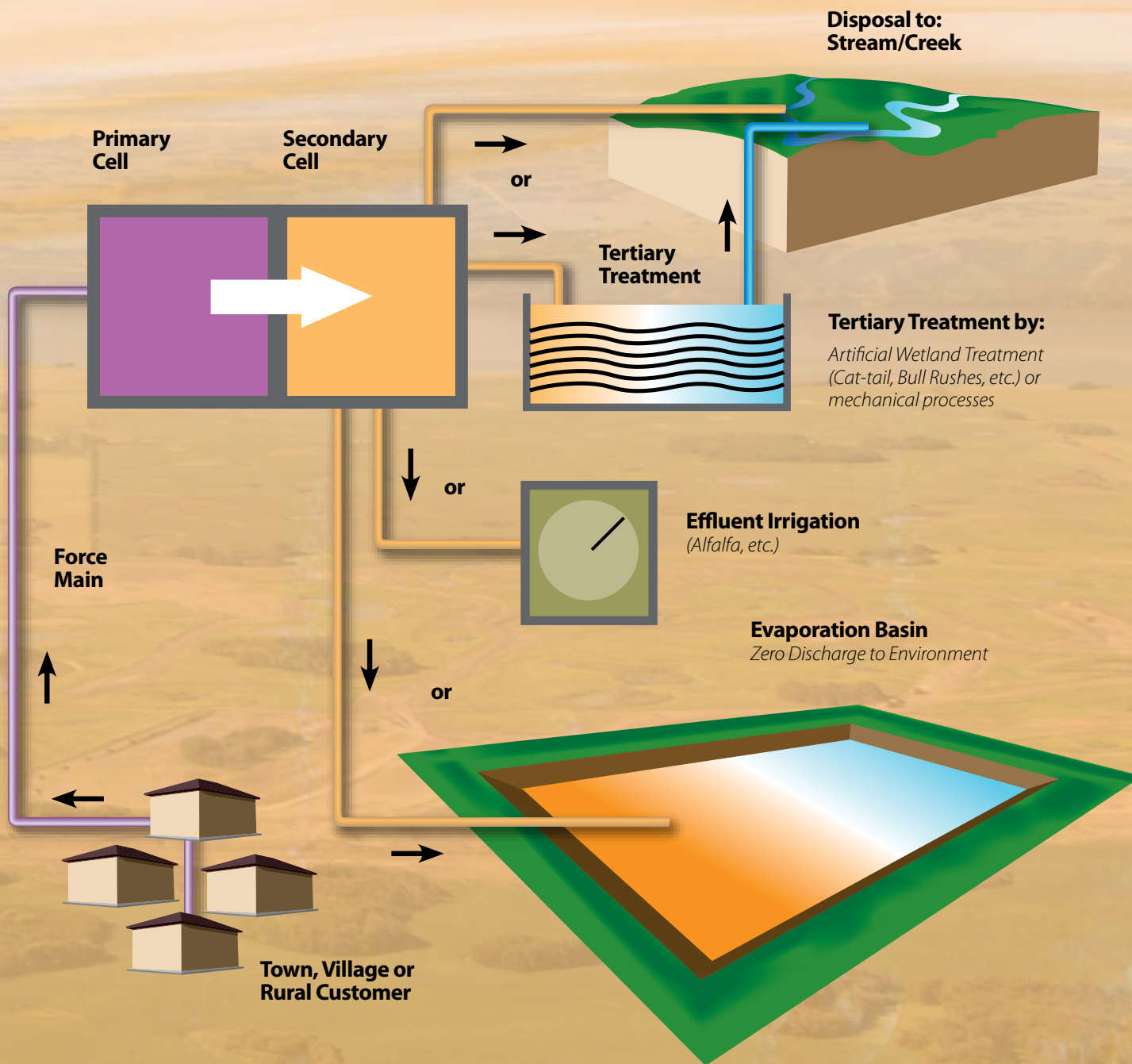
Wastewater is typically defined as liquid waste generated by domestic, institutional, commercial and industrial uses of potable and non-potable water.

The main objectives of wastewater treatment are: the removal of suspended and floatable material; the reduction of biodegradable organics; the removal of nutrients; and the elimination of pathogenic organisms.

The above-mentioned objectives are achieved by passing the wastewater through a train of treatment processes. They vary – from simple lagoon-based treatment alternatives that are common across Canada – to more complex mechanical and chemically-aided treatment systems.

Once the wastewater effluent has been treated to a level stipulated by Saskatchewan Environment, an appropriate effluent disposal method is employed. The disposal methods range from: effluent irrigation of alfalfa fields; constructed wetland treatment (artificial shallow ponds with aquatic plants to treat wastewater evaporation ponds); or discharge to a receiving water body.

The degree of treatment required and the appropriate disposal strategy are determined after a detailed assessment on any health and environmental impacts that may result from the disposal of the treated effluent.



“In 2007, SaskWater delivered 5.5 million cubic metres of high quality drinking water to Saskatchewan communities.”



THE VALUE OF WATER

The true value of water incorporates the costs of getting water from its source to the taps of end users, including treatment, transmission and infrastructure maintenance. The benefits of quality water to communities include:

- resident health and well-being;
- retention and growth of existing population; and,
- attracting new business and industry.

The process of getting the water from its source to end users can be complicated and costly. Saskatchewan communities face many challenges to provide safe, quality water to their residents, including:

- quality and quantity of source water;
- complexity of drinking water regulations to ensure safe water;
- cost efficient treatment solutions;
- sustainability of operations and infrastructure; and,
- availability of certified staff.

Quality

In 2001, Saskatchewan faced the water crisis of North Battleford, not long after the tragedy in Walkerton, Ontario. In response, the province implemented the Safe Drinking Water Strategy, defining roles in regard to safe drinking water. Saskatchewan Environment was directed to enhance regulation and standards, and the Saskatchewan Watershed Authority to manage water resources and protect water sources. SaskWater became a solutions provider, a commercial Crown helping Saskatchewan communities provide quality water treated in accordance with stricter standards. SaskWater provides the expertise and capital needed to deliver quality drinking water to our communities.

SaskWater employs 28 provincially certified operators supported by highly qualified technicians, technologists and professional engineers. This team is dedicated to supplying safe, quality water to our customers.

In addition to meeting the water quality parameters set by the province of Saskatchewan, SaskWater's governing standards for water quality meet or exceed North American water quality standards. As part of our commitment to quality, we provide our stakeholders with an annual Water Quality Report detailing testing results.

In 2007, SaskWater delivered 5.5 million cubic metres of high quality potable (drinking) water to Saskatchewan communities.

Detailed information on water quality results can be found in SaskWater's 2007 Water Quality Report. Copies are included with our 2007 Annual Report and are available by calling 1-888-230-1111 or online at www.saskwater.com.

Cost of Service Pricing Strategy

SaskWater is in year two of conducting a study and preparing a set of recommendations for water and wastewater utility rates based on a cost of service pricing strategy. These recommendations will be presented to CIC for their consideration in the fall of 2008.

Under the cost of service methodology, all costs to operate, maintain, manage and expand water and wastewater works are recovered from customers through the rates they pay for their services. As part of this methodology, costs are allocated in an equitable manner across SaskWater's service areas and customer types to ensure fairness to customers.

The cost of service methodology establishes proposed rates through a three-step rate-setting process. The first step is completion of a revenue requirement analysis where the revenue needs of the corporation are assessed. Step two is completion of a cost of service analysis, where the revenue needs of the company are allocated across the company's lines of business, service areas and customer types.

The final step is rate design, where unit costs from the cost of service analysis are translated into proposed rates. In 2007, SaskWater completed the revenue requirement and cost of service analyses; and in 2008, SaskWater will develop proposed rates under the rate design analysis.

(continued on page 20)

Wilf Sane

Chairman Melfort Rural Pipeline Association

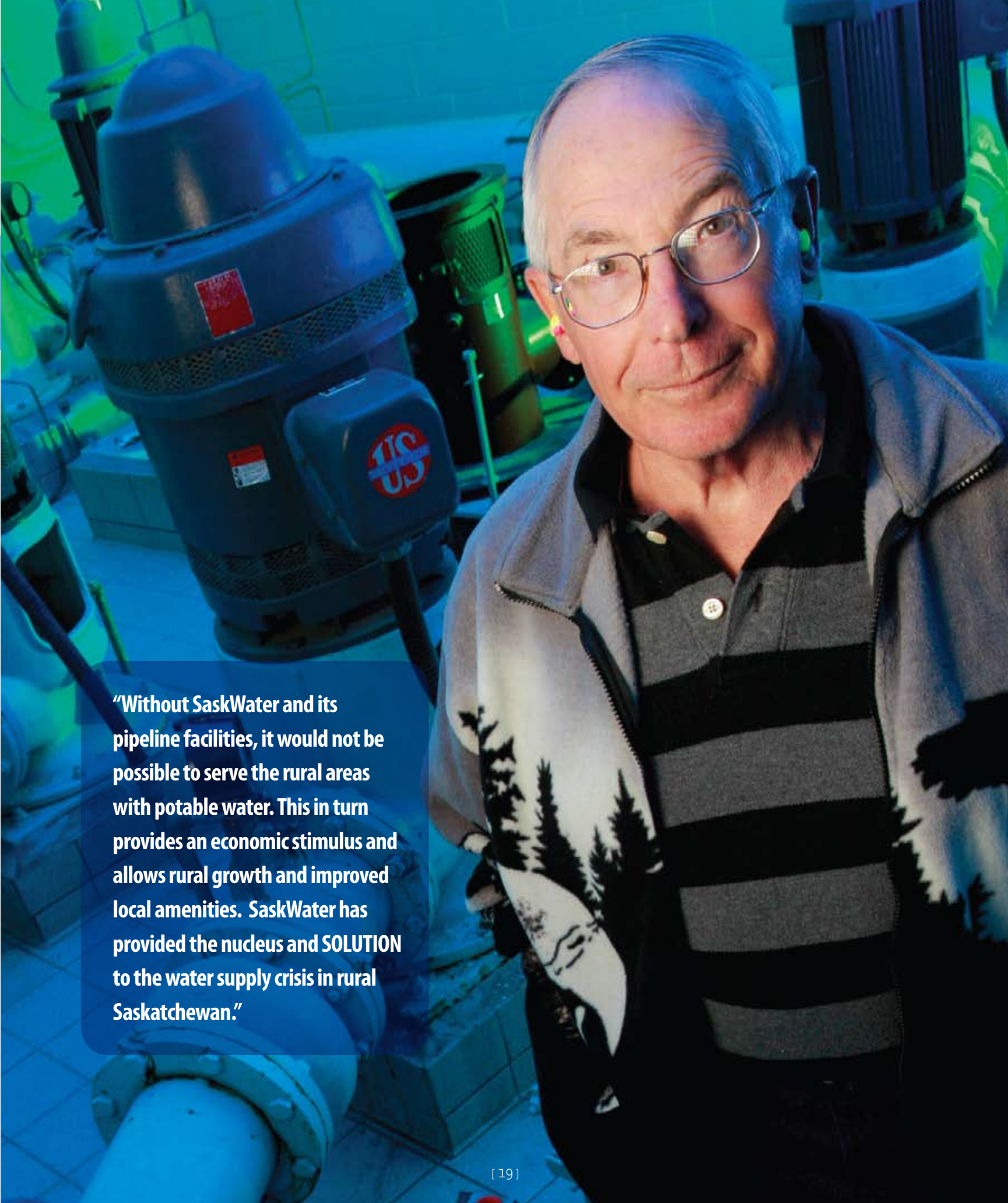
The Melfort Rural Pipeline Association (MRPA), one of the largest rural pipelines in Saskatchewan, has been a SaskWater customer since 1994.

Throughout their business relationship, SaskWater has provided the expertise and infrastructure to allow the MRPA to deliver high-quality, clean and safe drinking water to its customers.

Water is pumped from the Codette Lake Pump Station to SaskWater's treatment plant in Melfort. The MRPA connects to SaskWater's pipelines at several locations and distributes the potable water to its rural customers. In 13 years, the MRPA has grown from 30 subscribers to 700 and has installed approximately 1,100 kilometres of water pipeline to serve the rural areas surrounding Melfort, Tisdale, Eldersley, Gronlid, Weldon and Birch Hills.

"This would not be possible without SaskWater," says Wilf Sane, MRPA Chairman. "SaskWater's excellent co-operation and professional service are readily available to rural groups looking to distribute water and improve water quality for their citizens."





“Without SaskWater and its pipeline facilities, it would not be possible to serve the rural areas with potable water. This in turn provides an economic stimulus and allows rural growth and improved local amenities. SaskWater has provided the nucleus and SOLUTION to the water supply crisis in rural Saskatchewan.”

(continued from page 18)

The cost of service pricing strategy is an important project for SaskWater as it will continue to move SaskWater towards financial stability. Financial stability is critical to ensure that SaskWater can continue to reinvest in its facilities for long-term sustainability. Customers will also benefit through more transparent rates that are simple and easy to understand. In 2008, SaskWater will work with its shareholders and customers as the Corporation continues its work on this important project.

Innovation and Technology

SaskWater continuously works with engineering firms and suppliers to develop and apply emerging technologies to provide quality drinking water to our customers. For example, SaskWater is working with research scientists from the Universities of Saskatchewan, Toronto, McMaster and Brock on a Canadian Water Network funded research project.

Using SaskWater infrastructure, the project is studying energy optimization; effects of unsteady flow conditions (e.g., pressure surges) on water quality in regional transmission pipelines; and other key research areas. This will help SaskWater and others improve our water systems in the future.

As we address the need to upgrade water treatment infrastructure to meet new standards, SaskWater pilots a number of technologies to enhance treatment and monitoring processes, and thus improve quality. SaskWater also looks for resulting cost efficiencies and increased benefits to the environment.

Aeration pretreatment oxidizes organic matter and increases dissolved oxygen levels at the water source such as a lake, reservoir or dugout. Depending on the system, this process can control algae growth and oxidize iron and manganese.

Starting in 2007, SaskWater has been pilot testing aeration equipment to control algae growth in an attempt to improve raw water quality at the Edenwold treatment plant.

Advanced membrane filtration is a pressure-driven process that uses a semi-permeable membrane to separate particulate matter and/or dissolved minerals from water.

Membrane filtration removes dissolved minerals, mostly from groundwater and, on occasion, from highly mineralized surface water. With advanced membrane filtration, minerals are removed or rejected by the membranes after some form of pretreatment.

In 2007 SaskWater pilot tested an advanced membrane filtration process at Gravelbourg to reduce dissolved minerals from surface water.

Biological filtration is a method that uses microorganisms to break down contaminants using a biological process. Biological filtration can reduce organic carbon, turbidity, color, odor, iron, manganese, arsenic and other contaminants from water.

Biological filtration may be a suitable treatment process for prairie surface water that is rich in organic matter. It's also suitable for the treatment of groundwater.

SaskWater has pilot tested this technology at Gravelbourg in 2006 and 2007 for a period of six months. It was concluded that the biological filtration process may be more suitable for other small communities with less complex raw water.

UV (Ultra Violet) disinfection can be used to complement chemically assisted filtration and chlorination processes to provide an additional barrier against chlorine-resistant pathogens such as *Cryptosporidium* and *Giardia*. In being committed to delivering the best possible water quality, SaskWater is investigating the possibility of implementing a UV disinfection system for the Wakaw-Humboldt Regional Water Treatment Plant.

Strategic Partnerships

SaskWater has a memorandum of understanding for design and construction services with the Consulting Engineers of

Saskatchewan (CES). We collaborate with CES in many areas, including the review of technology and exchange of information, experiences and best practices.

SaskWater partnered with CES on a Technical Exchange Workshop, held in early 2007. Consultants, operators and regulators, including Saskatchewan Environment, met and shared knowledge, to the benefit of Saskatchewan's entire water and wastewater industry.

Our partnership agreement with the Saskatchewan Urban Municipalities Association (SUMA) proved successful in providing a cost effective way for small communities to complete system assessments. The Water System Assessment (WSA) program saw 309 community participants by the end of 2007.

Our ongoing relationship with SUMA, including our platinum sponsorship of SUMA's annual convention, allows us to:

- enhance relationships with existing customers and reach new customers;
- promote an understanding of our business;
- share our expertise and experience in water and wastewater management;
- work together to provide safe, quality water products and services to Saskatchewan municipalities.

As we establish a culture of customer service at SaskWater, we recognize that strengthening our relationships with our customers remains a priority. Our network of business, regulatory and research partners supports that priority.



Fort Qu'Appelle Wastewater Treatment System construction site

Ivan Gabrysh

Town Manager Warman

SaskWater's relationship with the Town of Warman has grown over the years as the town has become a more and more attractive community to call home. Since 2001, the town has grown from 3,481 to over 5,000 residents today.

And with the growth of the town, so has the relationship with SaskWater grown. Warman first began doing business with SaskWater in 1977, supplying the community with potable water purchased from the City of Saskatoon. Due to its population growth, Warman's storage capacity has been increased twice since 1977 – the latest expansion being in 2007. Warman is now one of the largest users on the Saskatoon Treated Water System.

And as Warman looks to further increase its size by 500 lots, meetings between SaskWater and town officials have already taken place about future expansion of their water service.

"The working relationship between SaskWater and the town is very strong," says Ivan Gabrysh, Warman Town Manager. "Whenever there has been a need to provide additional water for the town or, indeed, when any other water concern needs to be addressed, SaskWater has worked together with the town administration and public works department, to provide SOLUTIONS for the municipality."



"The Town of Warman has seen a dramatic increase in population since 2001 and SaskWater has provided SOLUTIONS by installing larger pipelines and planning booster pump station upgrades to keep up with the rapid growth of the town."





Harnessing Wind-Power to Improve Surface Water Quality

In May of 2007, SaskWater installed two wind driven aerators – called Pond Mill Circulators – at one of its raw surface water reservoirs in Edenwold.

The aerators will utilize wind power to turn circulators that float on the surface of the reservoir and bring water

from lower levels to the surface. The oxygen-depleted water is moved rapidly from the bottom of the pond directly to the surface. This cooler, denser water absorbs oxygen as it comes in contact with the atmosphere and quickly spreads across the pond. The aerated water returns to the bottom, providing equal distribution of oxygenated water.

SaskWater is hoping to improve the raw water quality supplied to the water treatment plant by increasing the dissolved oxygen level throughout the water supply reservoir and controlling the growth of algae. The Corporation has been testing several water quality parameters to monitor the effectiveness of the aerators. These parameters include the levels of manganese, turbidity and dissolved organic carbon in the water, as well as the overall temperature of the water.

Initial results suggest that there is a slight improvement in raw water quality. Continued monitoring over the next year will help further qualify and quantify actual improvements.

SCADA

On June 13, 2007 SaskWater launched its new control centre at a joint news conference with SaskEnergy in Regina. This centre uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor 33 of SaskWater's owned and contracted systems across the province 24 hours a day 365 days a year.

This SCADA system helps SaskWater improve services and reduce costs.

Operating water and wastewater systems for communities in a province the size of Saskatchewan can be challenging. SaskWater serves approximately 45,000 people in 56 communities in a province that covers 140,000 square kilometers.

Traditionally, SaskWater has had highly developed local monitoring and control systems on its larger regional treatment systems. All these larger systems were designed with 24-hour monitoring with the capability to generate alarms and automatically alert operating staff of problems. However these monitoring systems were not under the supervision of staff 24 hours per day 365 days per year. Maintaining this higher level of sophistication (i.e., 24/7 monitoring of systems) posed a challenge as SaskWater expanded its service into smaller and often remote communities.

To that end, SaskWater has partnered with TransGas, a wholly owned subsidiary of SaskEnergy, Saskatchewan's Crown owned natural gas utility, to take advantage of their SCADA technology. It is considered one of the most advanced systems in North America. This partnership has allowed SaskWater to benefit from a state of the art SCADA system which otherwise would not have been feasible, given the size of its customer base.

"The new control centre provides a number of benefits, including the ability to quickly respond to any operational issues that may arise," says Stuart Kramer, SaskWater President. "Use of SCADA technology will help SaskWater maintain safe, reliable, quality water services, while reducing consumer risk and lowering operating costs over the long term."

By remotely monitoring SaskWater facilities, cost for travel to sites is reduced and field staff can focus more time on preventative maintenance and facility improvements, providing a higher level of service to our customers.

There are also other benefits to be derived from this sharing of technology including some cross learning: For example, SaskWater field operators wanted the ability to check their facilities from their homes using a secure internet connection. In response to this requirement, TransGas has developed a web tool which interfaces with the SCADA system, which may be useful in their own operations.

This SCADA system addresses the needs of SaskWater now and in the future, helping to achieve a number of corporate goals including safe potable water monitored 24/7, improved water quality, improved use of staff resources and reduced operating costs. SaskWater is continuing to grow, with an additional five SCADA sites to be added in 2008.

Bud Gordon

Deputy Mayor Village of Vanscoy

The relationship between SaskWater and the Village of Vanscoy began 36 years ago and has grown over the years.

In 1972, SaskWater began supplying non-potable water to the Village of Vanscoy after it built its non-potable water system to supply the nearby potash mine. And today, Vanscoy's 339 residents continue to benefit from this earlier service provided by SaskWater.

In 2004, SaskWater and Vanscoy extended their business relationship when the village became a Certified Operations & Maintenance customer. As such, SaskWater provides certified operation and maintenance for Vanscoy's water treatment and distribution, as well as its wastewater collection and disposal.

"SaskWater has provided certified operators to run the water treatment plant, as well as looking after the provision of qualified service repair personnel," says Bud Gordon, Deputy Mayor of the Village of Vanscoy. "SaskWater personnel have responded efficiently when they've been needed and they have kept council and staff up to date on the status of maintenance projects."



“Working with SaskWater toward water system SOLUTIONS benefits the community by guaranteeing our ratepayers receive quality, tested water that meets government standards. And when needed, SaskWater technicians are ready and available onsite.”



“SaskWater’s performance management strategy maintains accountability to the people of Saskatchewan by reporting on key objectives that drive business success.”



2007 BALANCED SCORECARD

SaskWater is a subsidiary of Crown Investment Corporation (CIC) and receives strategic direction from CIC. SaskWater’s performance management strategy maintains accountability to the people of Saskatchewan by reporting on key objectives that drive business success. SaskWater’s performance objectives and results are described in the Balanced Scorecard Report that follows.

Discussion of Results

- SaskWater continues to provide high quality water and received no boil water orders in 2007. Our detailed Water Quality Report for 2007 is being distributed with the 2007 Annual Report.
- SaskWater continued to support Saskatchewan business, procuring 96% of its goods and services from Saskatchewan companies.
- An employee satisfaction survey was completed in the fourth quarter reporting satisfaction levels of 3.36 on a scale of 1 to 5. Employees reported the highest satisfaction level (3.95 out of 5) with “I am proud to work at SaskWater.”
- SaskWater’s focus on efficiencies resulted in lower energy consumption per sales unit at 2.80 kW/hr versus the targeted 3.22kW/hr.
- SaskWater’s progress towards achieving a representative workforce continues to be restricted by the fact that the company has a limited number of qualified designated group members applying for jobs. Nevertheless, over 30% of all people hired in 2007 indicated they were from a diversity group.
- SaskWater has reported 0% growth from new customers this year. However, there has been significant growth with existing customers. As a result, potable water volumes were up by 2.13% and non-potable water volumes were up 2.59% for the year. Both of these represent the largest sales volumes to date.
- SaskWater demonstrated its commitment to Saskatchewan residents by sponsoring events for 12 communities that SaskWater serves and works in for 2007.
- SaskWater did not proceed with a customer survey in 2007. It was determined that customer sample size was too small to complete a survey on an annual basis. This decision was made primarily to avoid irritating customers. Instead, SaskWater will complete customer satisfaction surveys on a bi-annual basis. To compensate, SaskWater added a customer complaint measure to monitor customer satisfaction annually.

2007 BALANCED SCORECARD

2007

Profitability

Objectives	Measures	Results	Targets	Targets
		2007	2007	2008
Financial flexibility	Debt to Debt & Equity Ratio - Overall Utility ¹	53.7%	56.7%	61.0%
Financial sustainability	Return on Equity ²	-1.4%	-1.2%	-0.9%
Profitability	Net Income	-\$0.5M	-\$0.4M	-\$0.32M
Efficiency	Corporate productivity per employee	\$206K	\$184K	\$188K
Efficiency	O&M: Sales Unit	\$2.37	\$2.35	\$2.13

Growth

Objectives	Measures	Results	Targets	Targets
		2007	2007	2008
Meet growth targets in all lines of business	Growth in customer base (people) ³	0%	10%	N/A
Economy of scale	Growth in Gross Revenue	\$1.1M	\$1.1M	N/A
Satisfied customers	Customer Satisfaction Survey ⁴	N/A	7.78	7.8
Satisfied customers	Customer Complaints	44	42	40

Quality

Objectives	Measures	Results	Targets	Targets
		2007	2007	2008
Operate the utility to meet customer needs	Number of service interruptions ⁵	57	55	N/A
	Average length of service interruptions (time)	8.35 hrs	8 hrs	8 hrs
Enhance employee training	Training dollars as percentage of employee salaries	3.0%	3.5%	3.0%
Provide access to quality services	Number of boil water orders for treated water	0	0	0

¹ SaskWater's debt target will be reviewed in 2008.

² SaskWater's long-term return on equity target will be reviewed in 2008.

³ SaskWater did not sign any major new customer contracts in 2007.

⁴ The survey will not be conducted until the fourth quarter in 2008.

⁵ As storage is required for most of SaskWater customers, an interruption in supply does not normally mean the customer is without water.

2007 BALANCED SCORECARD

2007

Employer of Choice

Objectives	Measures	Results	Targets	Targets
		2007	2007	2008
Build a representative workforce ⁶	Women in under-represented groups	15.7%	17.8%	19.8%
	Aboriginals	4.2%	3.0%	4.0%
	People with disabilities	1.0%	3.0%	3.0%
	Visible minorities	3.2%	3.0%	3.0%
Build Employee Satisfaction	Annual employee satisfaction survey ⁷	3.36	3.5	3.8
	Employee Turnover Ratio	11.5%	4%	6.0%
	Average number of employee sick days taken	3.8	6.3	N/A

Sustainability

Objectives	Measures	Results	Targets	Targets
		2007	2007	2008
Economic	Percentage of products & services sourced in Saskatchewan	96%	85%	85%
Environmental Sustainability	Energy Consumption per Sales Unit (SU)	2.80	3.22	3.19
		kW/hr	kW/hr	kW/hr
Social	# Of Communities who received Donation / # Of Communities with a SaskWater presence	12/52	15/51	17/54

⁶ Percentage representation for each designated group is based on the total workforce as of December 31, 2007 (95 employees).

⁷ The survey was conducted in the 4th quarter and was based on a scale of 1 to 5.

Management's Discussion and Analysis

2007 Results

Operating Revenues

Operating revenues increased by \$1.1M or 5.9% to \$19.6M, up from \$18.5M in 2006.

- Revenues in Water Transmission and Supply increased by \$0.8M from \$11.9M in 2006 to \$12.7M in 2007. The majority of this increase is attributed to a \$0.3M increase in revenues due to rate increases implemented in May 2007 and \$0.4M from increased volumes over 2006.
- Revenue in Water Treatment and Supply increased by \$0.3M over 2006 as a result of a combination of the increase in sales volume and the rate increase applied in 2007.
- Revenues from Wastewater Treatment increased by \$0.3M due to the addition of a new customer who signed on in 2005 and commenced operations in March 2007.
- Revenues in Certified Operations and Maintenance remained constant at \$0.4M for 2007.
- Services revenue decreased by \$0.2M from 2006. Services include:
 - Municipal Project Management;
 - Program and Project Management for the Northern Water and Sewer Program funded by Government Relations;
 - First Nations operator training and technical support; and,
 - Audit and Emergency Services.

Operating Expenses

Total operating expenses increased by \$2.0M or by 10.9% to \$20.2M from \$18.2M in 2006.

- Expenses in Water Transmission and Supply increased by \$0.5M, from \$4.6M in 2006 to \$5.1M in 2007. This is the result of the increased cost of purchasing bulk water (attributable to price and volumes) from suppliers and increased remote monitoring costs due to the increased services provided by our Supervisory Control and Data Acquisition (SCADA) centre which provides enhanced 24/7 monitoring services.
- Expenses in Water Treatment and Supply increased by \$0.2M or 8.3%. This increase is a result of higher volumes, increased costs associated with remote monitoring (SCADA), and higher repair costs incurred during the year.
- Expenses in Wastewater Treatment increased by \$0.1M in 2007. This increase in costs is directly related to the new system that commenced operations in March 2007.
- Expenses in Certified Operations and Maintenance have increased slightly over 2006 due to increased remote monitoring (SCADA) costs.
- In total, expenses for Services (Municipal Project Management; Northern Water and Sewer Program for Government Relations; First Nations operator training and technical support; and Audit and Emergency Planning) have decreased \$0.7M from 2006. Municipal Project Management costs decreased by \$0.2M because there were no major projects during 2007. Northern Water and Sewer services and Operator Training services decreased by \$0.4M which was due to an accounting policy change which affected the manner in which we record certain costs related to these lines of business; there was no material change in the level of service provided in either line of business when compared to 2006. There were no activities in Audit and Emergency services for the year, resulting in a decrease of \$0.1M from 2006.
- Other expenses increased by \$1.4M over 2006. This is a result of general cost increases as well as SaskWater's contractual and job classification obligations.
- Interest expense increased by \$0.1M as a result of the increased debt levels for 2007.

Volumes

- Total water sales volumes increased to 4.2 billion gallons, which is up from 4.1 billion gallons in 2006. Sales to industrial customers increased 2.9%. Sales to municipal customers were up 1.4%.

Capital Investment

In 2007, \$7.5M was spent on capital in the following areas: new construction and expansion projects; remote monitoring; asset management programs; and infrastructure management on existing projects. Significant projects include:

- Completion of the Fort Qu'Appelle Wastewater System;
- Expansion of the Fort Qu'Appelle Wastewater System to accommodate an interim solution for new users;
- Construction of a new booster pump station on the Buffalo Pound East Raw System to supply increased demands to Saskferco and Terra Grain Fuels;
- Construction of a pipeline to connect a new groundwater well for increased supply on the Regina East Raw System;
- Design of upgrades and associated connection pipeline construction for the Saskatoon North booster pump station to accommodate growth in communities north of Saskatoon; and,
- Pump station upgrades to the Saskatoon Southeast Water Supply System – Bradwell Pipeline System to supply increased customer demands.

Net Income (loss/income)

SaskWater had a net loss from operations for 2007 of \$0.6M compared to a net income from operations of \$0.3M for 2006.

- Net earnings after grant funding decreased from \$0.4M in 2006 to a net loss of \$0.5M in 2007. In 2006, CIC provided grant funding of \$0.1M for placement of GradWorks interns. In 2007, CIC provided grant funding of \$0.1M under its Aboriginal Advisor program.

Key Performance Factors

- About 41% of total revenue is derived from the sale of non-potable water to industrial customers for use in their processes. Changes in their production cycles due to market factors affect SaskWater's sales.
- Weather affects sales to municipal customers. Drought increases sales while cool, wet weather reduces sales.

Key Financial Data

- Assets total \$77.1M (2006 – \$73.5M).
- SaskWater will not declare a dividend to CIC in 2007.
- Return on equity (earnings (loss) after operating grant as a percentage of equity) is (1.4%).
- Debt ratio (debt as a percentage of debt plus equity) is 53.7%.

2008 Outlook

- SaskWater expects total revenues from all lines of business to increase by \$1.1M to \$20.9M (6%).
- The corporation expects to report a net loss of \$0.3M in 2008.
- SaskWater expects to invest \$15.3M in water and wastewater infrastructure projects in the province.

Management's responsibility

Management has prepared the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Deloitte & Touche LLP, the Corporation's external auditors, have examined the December 31, 2007 financial statements and their report follows.

The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,



Stuart Kramer, President
February 1, 2008

Auditors' report

To the Members of the Legislative Assembly Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Water Corporation as at December 31, 2007 and the statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants,
Regina, Saskatchewan
February 1, 2008

Statement of Financial Position

as at December 31

	2007	2006
	(Thousands)	
Assets		
Current assets		
Cash	\$ 255	\$ 881
Accounts receivable and advances	3,596	4,100
Prepaid expenses and supplies	491	242
Current portion of long-term receivables (note 4)	15	13
	4,357	5,236
Long-Term Receivables (note 4)	16	31
Investment – Sinking Funds (note 5)	749	192
Property, Plant and Equipment (note 6)	72,023	68,036
	<u>\$ 77,145</u>	<u>\$ 73,495</u>
Liabilities and Province of Saskatchewan's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,143	\$ 3,782
Notes payable (note 7)	23,074	19,706
Current portion of long-term debt (note 9)	1,121	1,026
	27,338	24,514
Deferred Revenue and Prepayments (note 8)	279	556
Long-Term Debt (note 9)	15,615	13,995
Other Long-Term Obligations (note 10)	285	257
	43,517	39,322
Province of Saskatchewan's Equity		
Equity advance (note 11)	700	700
Retained earnings	32,928	33,473
	33,628	34,173
	<u>\$ 77,145</u>	<u>\$ 73,495</u>

Commitments and Contingencies (note 12)

See accompanying notes

on behalf of the Board:

Chair



Director



Statement of Operations and Comprehensive (Loss) Income

for the year ended December 31

	2007	2006
	(Thousands)	
Revenue		
Water transmission and supply	\$ 12,746	\$ 11,882
Water treatment and supply	4,773	4,502
Wastewater treatment	394	129
Operation and maintenance	416	423
Services	815	1,039
Other	446	530
	19,590	18,505
Expenses		
Water transmission and supply	5,059	4,589
Water treatment and supply	2,356	2,176
Wastewater treatment	175	45
Operation and maintenance	420	365
Services	409	1,120
Other	6,962	5,613
Amortization of property, plant and equipment	3,305	2,873
Interest	1,506	1,429
	20,192	18,210
(Loss) income before the following	(602)	295
Operating grants (note 13)	125	57
Net (loss) income for the year	(477)	352
Other comprehensive income	-	-
Comprehensive (loss) income	\$ (477)	\$ 352

See accompanying notes

Statement of Retained Earnings

for the year ended December 31

	2007	2006
	(Thousands)	
Retained Earnings		
Retained earnings, beginning of year	\$ 33,473	\$ 33,121
Accounting policy change adjustments (note 3)	(68)	-
Net (loss) income for the year	(477)	352
Retained earnings, end of year	\$ 32,928	\$ 33,473

See accompanying notes

Statement of Cash Flows

for the year ended December 31

	2007	2006
	(Thousands)	
Operating activities		
Net (loss) income	\$ (477)	\$ 352
Charges and credits not affecting cash:		
Amortization of property, plant and equipment	3,305	2,873
Amortization of deferred revenue	(277)	(163)
Amortization of financing costs	(12)	16
Other long-term obligations	28	22
Sinking fund earnings	(22)	(5)
Loss (gain) on disposal of property, plant and equipment	239	(7)
Change in non-cash working capital items:		
Accounts receivable and advances	504	(377)
Prepaid expenses and supplies	(249)	20
Accounts payable and accrued liabilities	(639)	2,146
Cash provided by operating activities	2,400	4,877
Investing activities		
Long-term receivables	13	12
Property, plant and equipment expenditures	(7,542)	(5,603)
Proceeds on disposal of property, plant and equipment	11	156
Cash used in investing activities	(7,518)	(5,435)
Financing activities		
Proceeds from long-term debt	2,600	2,400
Proceeds from (repayments of) notes payable	3,368	(102)
Repayment of long-term debt	(940)	(876)
Sinking fund installments	(536)	(125)
Cash provided by financing activities	4,492	1,297
Change in Cash	(626)	739
Cash, Beginning of Year	881	142
Cash, End of Year	\$ 255	\$ 881
Interest paid during the year	\$ 1,694	\$ 1,486

See accompanying notes

Notes to the Financial Statements

December 31, 2007

1. Status of the Corporation

The Saskatchewan Water Corporation (the Corporation or SaskWater) was established on July 1, 1984, under the authority of The Water Corporation Act which remained in effect until September 30, 2002.

On October 1, 2002 The Saskatchewan Water Corporation Act was proclaimed.

By virtue of The Crown Corporations Act, 1993, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

In accordance with the provisions of The Saskatchewan Water Corporation Act, the Corporation's general powers and purposes are to construct, acquire, manage or operate works and to provide services in accordance with any agreements that it enters into pursuant to this Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered to be significant:

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and appropriate allowance of doubtful accounts is provided where considered necessary. Amortization is based on estimated useful lives of property, plant and equipment. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and SaskWater's designation of such instruments. Trade date accounting is used.

Cash	Held for Trading
Accounts Receivable and Advances	Loans and Receivables
Long-term Receivables	Loans and Receivables
Sinking Funds	Held for Trading
Accounts Payable and Accrued Liabilities	Other Liabilities
Notes Payable	Other Liabilities
Long-term Debt	Other Liabilities

Notes to the Financial Statements

December 31, 2007

2. Significant Accounting Policies - continued

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables, other liabilities, and held to maturity financial assets are recorded at amortized cost using the effective interest method. Carrying value approximates fair value for accounts receivable and advances, long-term receivables and accounts payable and accrued liabilities due to the short-term nature of these instruments.

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Capitalization of Expenses

Internally provided engineering and technical services are capitalized at standard labour rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by Corporation employees on construction projects.

Property, Plant and Equipment

Property, Plant and Equipment are recorded at cost less amortization. Assets under construction are capitalized at cost, and are transferred to the appropriate asset category when construction is complete and the asset is in use. Assets are capitalized at cost net of any subsidies or contributions received for that specific purpose.

The Corporation reviews assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate.

Amortization of Property, Plant and Equipment is calculated at the following annual rates designed to amortize the recorded cost over the estimated useful lives of the capital assets. Assets under construction transferred to the appropriate asset category before June 30th are amortized for the full year, otherwise the assets are not amortized until the following year.

Property, Plant and Equipment	Method	Rate
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Post Retirement Benefits Other Than Pension

The Corporation administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. The Corporation has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefits is recorded when the related services of employees are performed.

Notes to the Financial Statements

December 31, 2007

2. Significant Accounting Policies - continued**Revenue Recognition**

Internally provided engineering and technical services are capitalized at standard labour rates designed to recover salaries, benefits. Revenue is recognized as products and services are delivered or rendered based upon agreed upon rates and contracts. Revenue received in advance of products and services being delivered or rendered are recorded as deferred revenue.

Future Accounting Policy Changes

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting recommendations for disclosure and presentation of financial instruments, Section 3862 - Financial Instruments – Disclosures and Section 3863 - Financial Instruments - Presentation, which are effective for fiscal years beginning on or after October 1, 2007. These new standards require disclosures of both qualitative and quantitative information that enables financial statement users to evaluate the nature and extent of risks arising from financial instruments to which SaskWater is exposed.

Section 1535 - Capital Disclosures has been issued by the CICA and applies to fiscal years beginning on or after October 1, 2007. This section requires disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Corporation's objectives, policies and processes for managing capital.

The new recommendations of the (CICA) for inventories (CICA Handbook section 3031) will become effective for fiscal years beginning on or after January 1, 2008, with early adoption permitted. The new recommendations establish standards for the determination of the cost of the inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. SaskWater does not expect to be materially affected by the new recommendations.

3. Change in Accounting Policies

Effective January 1, 2007, SaskWater adopted the accounting recommendations for Accounting Changes (CICA Handbook Section 1506) in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information and that new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of section 1506 has had no material impact on these financial statements.

Effective January 1, 2007, SaskWater adopted the accounting recommendations for Comprehensive Income (CICA Handbook Section 1530), Financial Instruments - Recognition and Measurement (CICA Handbook Section 3855), Financial Instruments - Disclosure and Presentation (CICA Handbook Section 3861) and Equity (CICA Handbook Section 3251) in accordance with the transitional provisions of the sections. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. CICA Handbook Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity from transactions and other events and circumstances from non-owner sources.

Upon adoption of these new standards, SaskWater designated its cash and sinking funds as held-for-trading which are measured at fair value. Accounts receivable and advances and long-term receivables are classified as loans and receivables. Accounts payable and accrued liabilities and notes payable are classified as other financial liabilities. Carrying value approximates fair value due to the short-term nature of these instruments. Long-term debt is classified as other financial liabilities and are measured at amortized cost using the effective interest method.

Sinking funds were previously presented as a reduction of long-term debt based on requirements to contribute to sinking funds for specific debt issues. Upon adoption of the new standards, sinking funds are disclosed as other long-term investments and long-term debt is reported at amortized cost using the effective interest method. The impact at January 1, 2007 was to increase assets and long-term debt by \$192,000. The results of these designations is a decrease in retained earnings and sinking funds of \$1,000 at January 1, 2007.

Notes to the Financial Statements

December 31, 2007

3. Change in Accounting Policies - continued

The financing costs (discount and commission) on long-term debt had been deferred and amortized over the term of the debt. The new recommendations require the use of the effective interest method to recognize the financing costs whereby the amount recognized varies over the term of the debt and provides a constant return based on the principal outstanding. The financing costs have been reclassified as part of the carrying value of the long-term debt and is recognized in interest expense using the effective interest method. The impact at January 1, 2007 was to decrease long-term debt and increase deferred revenue by \$35,000.

As at January 1, 2007, SaskWater adjusted the unamortized financing costs to what the balance would have been had the effective interest method been used since the issuance of the debt. The impact was an increase in the unamortized financing cost balance and a decrease in retained earnings of \$67,000.

Total increase/(decrease) to January 1, 2007 balances are as follows:	(Thousands)	
Investment - Sinking funds	\$	(1)
Unamortized financing costs on long-term debt		67
Retained earnings		(68)

SaskWater has recorded an increase in the fair value of sinking funds of \$4,000 and a decrease in the fair value of financing costs of \$12,000 for the year ended December 31, 2007 which has been included with interest expense.

SaskWater selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at December 31, 2007, and December 31, 2006, SaskWater does not have any outstanding contracts or financial instruments with embedded derivatives.

SaskWater had no "other comprehensive income or loss" transactions during the period and no opening or closing balances for accumulated other comprehensive income or loss. At December 31, 2007 comprehensive (loss) income is equal to net (loss) income.

4. Long-Term Receivables

	2007	2006
	(Thousands)	
Year Receivable		
2007	\$ -	\$ 13
2008	15	15
2009	16	16
	31	44
Less: Current portion of long-term receivables	(15)	(13)
	\$ 16	\$ 31

Amounts represent loans issued to various clients for water supply agreements bearing interest at 10%, repayable in 2008 and 2009.

Notes to the Financial Statements

December 31, 2007

5. Investment - Sinking Funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund (GRF), SaskWater is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. The investment referred to as sinking funds are administered by Saskatchewan's Ministry of Finance. The investments held in these sinking funds are primarily Province of Saskatchewan debt instruments. The yield on the investments was 3.87 per cent for 2007 (4.20 per cent for 2006). Sinking funds are held for trading assets and are recorded at fair value on the statement of financial position. Sinking fund instalments due in each of the next five years are as follows:

	(Thousands)
2008	\$ 112
2009	112
2010	112
2011	112
2012	112
	<u>\$ 560</u>

6. Property, Plant and Equipment

		2007	(Thousands)	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,550	\$ -	\$ 1,550	\$ 1,545
Buildings	2,161	789	1,372	1,015
Water facilities	105,790	42,164	63,626	59,172
Maintenance equipment	1,892	1,209	683	457
Office equipment	1,006	206	800	465
Assets under construction	3,992	-	3,992	5,382
	<u>\$ 116,391</u>	<u>\$ 44,368</u>	<u>\$ 72,023</u>	<u>\$ 68,036</u>

Internally provided services capitalized during the year amounted to \$1,143,000 (2006 - \$923,000). As well, the Corporation capitalizes interest expense on debt relating to specific construction projects until the projects are substantially completed. During the year, \$143,000 (2006 - \$101,000) of interest was capitalized.

7. Notes Payable

		2007	(Thousands)	2006
Due Date	Interest Rate			
March 30, 2008	3.88%	\$ 23,074	\$ -	
March 30, 2007	4.22%	-	19,706	
		<u>\$ 23,074</u>	<u>\$ 19,706</u>	

By Order-in-Council, SaskWater is authorized to borrow up to \$30 million (2006 - \$30 million) by way of temporary loans from the Province of Saskatchewan's GRF.

Notes to the Financial Statements

December 31, 2007

8. Deferred Revenue

Deferred revenue represents revenue received from certain customers at the commencement of supply. These prepayments are amortized into revenue at 5% over the term of the contract on a straight-line basis or are matched against annual expenses.

	2007	2006
	(Thousands)	
Balance, beginning of year	\$ 556	\$ 708
Amortization of prepayments	(277)	(152)
Balance, end of year	<u>\$ 279</u>	<u>\$ 556</u>

9. Long-Term Debt

	2007	2006
	(Thousands)	
Serial Bond of \$940,000, stated rate of 7.625% (effective rate of 7.485%), due Sept 17/07.	\$ -	\$ 935
Serial Bond of \$1,009,000, stated rate of 7.750% (effective rate of 7.596%), due Sept 17/08, net of unamortized financing costs of \$1,000.	1,010	1,002
Provincial Euro MTN of \$4,500,000, stated rate of 4.750% (effective rate of 4.524%), due Sept 24/09, net of unamortized financing costs of \$19,000.	4,519	4,477
CPP Investment Board of \$2,407,000, stated rate of 4.300% (effective rate of 4.300%), due Dec 12/15.	2,407	2,407
CPP Investment Board of \$2,400,000, stated rate of 4.210% (effective rate of 4.210%), due Jan 10/16.	2,400	2,400
CPP Investment Board of \$2,600,000, stated rate of 4.460% (effective rate of 4.460%), due May 11/17.	2,600	-
CPP Investment Board of \$2,100,000, stated rate of 5.320% (effective rate of 5.320%), due Mar 1/24.	2,100	2,100
CPP Investment Board of \$1,700,000, stated rate of 5.050% (effective rate of 5.050%), due Apr 10/25.	1,700	1,700
	<u>\$ 16,736</u>	<u>\$ 15,021</u>
Less: Current portion of long-term debt	(1,121)	(1,026)
	<u>\$ 15,615</u>	<u>\$ 13,995</u>

Notes to the Financial Statements

December 31, 2007

9. Long-Term Debt - continued

These loans are payable to the Province of Saskatchewan's GRF with interest payable semi-annually.

Interest on long-term debt for the year using the effective interest method is as follows:

(Thousands)

Interest on long-term debt	\$	806
Amortization of financing costs		1

10. Other Long-Term Obligations

The amounts related to the defined benefit retiring allowance plan for executive, management employees and members of the Communications, Energy and Paperworkers Union are as follows:

2007

2006

(Thousands)

Accrued benefit liability	\$	285	\$	257
Benefits paid during the year	\$	18	\$	14
Net expense	\$	46	\$	36

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit liability at December 31st are:

Discount rate	5.00%	4.50%
Inflation rate	2.50%	2.75%
Average remaining service life	17.6 years	17.2 years

11. Equity Advance

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

12. Commitments and Contingencies**Contractual Commitments**

As of December 31, 2007, the Corporation has outstanding commitments of \$2,133,000 (2006 - \$2,591,000) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

As of December 31, 2007, the Corporation is currently in negotiation with the landlord concerning the head office lease space. The Corporation has entered into an interim agreement with the landlord on a month to month basis with a commitment from the landlord that the base rent per square foot will not be greater than the Corporation was paying under the prior agreement.

Notes to the Financial Statements

December 31, 2007

12. Commitments and Contingencies - continued**Leases**

The Corporation has entered into various operating lease agreements with the following minimum lease payments:

(Thousands)

2008	\$	29
2009		29
2010		17
2011		6
2012		2
	\$	<u>83</u>

Litigation

The Corporation has provided for any known claims from lawsuits or other legal proceedings for which the Corporation is liable in its accounts in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

13. Grants from CIC

SaskWater participated in the CIC sponsored Aboriginal Advisor Program in 2007. During the year, the Corporation received related grant revenue of \$125,000 (2006 - \$0) from CIC.

14. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, 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").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for revenue which is at rates negotiated between SaskWater and related parties. These transactions, and amounts outstanding at year end, are as follows:

	2007	2006
	(Thousands)	
Accounts receivable	\$ 402	\$ 563
Accounts payable and accrued liabilities	547	643
Revenue	2,838	2,829
Expenses	6,113	5,858

Notes to the Financial Statements

December 31, 2007

14. Related Party Transactions - continued

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to Saskatchewan's Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

15. Pension Plan

SaskWater's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is sponsored by CIC. The Corporation's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2007 was \$381,000 (2006 - \$312,000).

16. Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable and advances, investments in sinking funds, long-term receivables, accounts payable and accrued liabilities, notes payable, long-term obligations, and long-term debt.

Credit Risk

The Corporation is exposed to credit risk from the potential default of customers. However, approximately one-half of the Corporation's accounts receivable are from municipalities, large industrial customers and other government agencies. At December 31, 2007, there was no single customer balance that exceeded 10% of the accounts receivable balance.

Interest Rate Risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low as of December 31, 2007.

Fair Values

The fair values of short-term accounts receivable and advances, accounts payable and accrued liabilities and notes payable approximate their carrying value due to the short-term nature of these instruments.

	2007		(Thousands)		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 16,736	\$ 16,989	\$ 15,021	\$ 15,483		
Sinking Fund	749	749	192	191		

Notes to the Financial Statements

December 31, 2007

16. Financial Instruments - continued

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

All long-term debt obligations and sinking funds are estimated using discounted cash flow analysis based on current market yields for similar arrangements.

Fair value of long-term receivable approximates its carrying value due to the nature of the receivable and the relatively short-term to maturity.

Fair value of notes payable approximates its carrying value due to the short term nature of the loan, whereby the interest rate is adjusted quarterly to reflect current market conditions.

Fair values of other long-term obligations approximate their carrying values. These were estimated using current discount rates.

17. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

CORPORATE GOVERNANCE

Corporate Governance is generally accepted as the set of processes, customs, policies, laws and institutions that affect how a corporation is directed, administered or controlled. Corporate Governance includes the relationships among the stakeholders involved, and the goals for which the corporation is governed. Effective corporate governance results in a well-run, high-performing and transparent organization, accountable to the public it serves. The shareholder, management and board of directors are instrumental to achieving effective corporate governance.



CORPORATE GOVERNANCE

A. Authority

SaskWater is a statutory Crown corporation governed by The Saskatchewan Water Corporation Act, 2002, and is subject to the provisions of The Crown Corporation Act, 1993. Crown Investments Corporation of Saskatchewan (CIC), SaskWater's holding company, has the legislative authority to oversee and direct SaskWater.

On behalf of the Board of Directors, an independent director holds position of Chair, accountable to CIC and reporting to the Minister Responsible for SaskWater. The Minister is a key communications link between SaskWater, CIC, Cabinet, the Legislature and the public.

B. Board of Directors

Responsibilities and Duties

The Board is responsible for SaskWater's stewardship, while fostering success consistent with SaskWater's mandate. The Board works with management to oversee corporate operations, including:

- setting corporate direction;
- guiding strategic planning processes;
- executing performance evaluations;
- annual and quarterly monitoring and reporting functions;
- assisting in business plan development and approval; and,
- monitoring processes and systems used to achieve sustainable operations.

The SaskWater Board of Directors met nine (9) times in 2007.

C. Board Composition

The SaskWater Board consists of ten (10) independent directors and one (1) appointed as a representative of the Communications, Energy and Paperworkers Union (CEP). All are appointed for a set term by the Lieutenant Governor in Council, who also designates the Chair and Vice Chair.

D. Committees

The Board has established three (3) standing committees to undertake detailed reviews and provide in-depth supervision in key areas of responsibility. The Committees of the Board are Audit and Finance, Governance, and Sustainability.

Audit and Finance Committee – held seven (7) meetings

Members: Joe Hordyski (Chair), Nicole Garman, Sheldon Jacobson, Murray Westby

The Audit and Finance Committee helps the Board fulfill its financial accountability by:

- overseeing the Corporation's budget, financial operations and results;
- reviewing internal controls established by management and the Board;
- participating in internal and external audit processes;
- monitoring the adequacy and condition of capital assets;
- reviewing and making recommendations on capital activities; and,
- ensuring appropriate systems are in place to identify and manage risk.

Governance Committee - held six (6) meetings

Members: Dan Palsich (Chair), Doug Hay, Pat Lorjé, Doyle Vermette

The Governance Committee reviews, develops and maintains SaskWater's governance practices and oversees the Board's nominating and governance activities, including:

- evaluating the performance of Board committees, Board Chair, individual directors and the President/CEO;
- establishing Board and Committee structure, composition and mandate;
- ensuring Board orientation and opportunities for professional development; and,
- articulating the roles and responsibilities of the Board.

Sustainability Committee - held two (2) meetings

Members: James Ireland (Chair), Ashley Cunningham and Dr. Dena McMartin.

The Sustainability Committee was established in June 2006 to assist SaskWater in becoming a leader in utilizing sustainability policy and best practices. This includes:

- helping to develop and implement a corporate sustainability policy;
- reviewing recommended policies, procedures and practices;
- reviewing and monitoring compliance with legislation and statutory environmental and sustainability laws and regulations; and,
- identifying potential environmental risks.

Terms of Reference outlining the specific scope, duties and responsibilities of the SaskWater Board of Directors and Committees are available upon request by contacting SaskWater toll free: 1 888 230-1111 or by Email: comm@saskwater.com

E. Governance Practices

In substantial alignment with current industry best practices, SaskWater's approach to corporate governance is consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role, and ensuring proper function of the Board, while maintaining its fiduciary obligation to the Corporation. SaskWater's corporate governance practices are benchmarked against CSA's Corporate Governance Guidelines in the following Governance Scorecard.

Outgoing Board

Murray Westby,
Board Chair, Watrous
Audit and Finance
Committee Member

Sheldon Jacobson,
Wakaw
Audit and Finance
Committee Member

Doug Hay, Vice Chair,
Saskatoon
Governance Committee
Member

Pat Lorjé,
Saskatoon
Governance Committee
Member

Ashley Cunningham,
Moose Jaw
Sustainability Committee
Member

Dr. Dena McMartin,
Regina
Sustainability Committee
Member

Nicole Garman,
Saskatoon
Audit and Finance
Committee Member

Dan Palsich,
Paradise Hills
Governance Committee
Chair

Joe Hordyski,
La Ronge
Audit and Finance
Committee Chair

Doyle Vermette,
Air Ronge
Governance Committee
Member

James Ireland,
Regina
Sustainability Committee
Chair

Incoming Board (Effective Feb 6/08)

Glen Rittinger,
Board Chair,
Swift Current

Dennis Mainil,
Weyburn

Lionel LaBelle,
Vice Chair,
Saskatoon

Dr. Dena McMartin,
Regina

Larry Burechailo,
Rosetown

Brenda Merasty,
Saskatoon

Ken Hookway,
Melfort

Garry Moroz,
Pelly

Guy Lariviere,
Canoe Narrows

Gary Vidal,
Meadow Lake

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>Composition of the Board</p> <p>NP 58-201, section 3.1</p> <p>The board should have a majority of independent directors.</p>	<p>The majority of directors on the SaskWater Board (10 out of 11) are independent.</p>
<p>NI 58-101F1, sections 1(a) and (d)</p> <p>1(a) Disclose the identity of directors who are independent;</p> <p>(b) Disclose the identity of directors who are not independent and the basis for that determination;</p> <p>(c) Disclose whether the majority of directors are independent; and,</p> <p>(d) Disclose whether a director is a director of any other issuer that is a reporting issuer.</p>	<p>Murray Westby, Chair, Independent Retired CEO, Westby Tractor and Equipment</p> <p>Doug Hay, Vice Chair, Independent Program Coordinator, Saskatchewan Market Assessment for Research and Technology</p> <p>Ashley Cunningham, Independent, Marketing & Communications, SIAST, Moose Jaw</p> <p>Nicole Garman, Independent Auditor, Robert Prosser & Associates Inc.</p> <p>Joe Hordyski, Independent Mayor of La Ronge, self-employed</p> <p>James Ireland, Independent President, ERIN Consulting Ltd.</p> <p>Sheldon Jacobson, Not Independent Senior Technologist, SaskWater and CEP representative</p> <p>Pat Lorjé, Independent Consultant, Saskatoon City Councilor</p> <p>Dr. Dena McMartin, Independent, Associate Professor of Environmental Systems Engineering, University of Regina</p> <p>Dan Palsich, Independent Retired Educator</p> <p>Doyle Vermette, Independent Owner/ Manager, Northway Janitorial</p> <p>The determination of independence is based on an assessment of the requirements outlined in Multilateral Instrument 52-110, Audit Committees.</p> <p>Sheldon Jacobson, as an employee of SaskWater, is not independent.</p> <p>Section 1(d) does not apply to SaskWater as SaskWater does not have share capital, and is not an issuer.</p>

CORPORATE GOVERNANCE

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>NP 58-201, section 3.2</p> <p>3.2 The chair of the board should be an independent director who is the effective leader of the board and who ensures that the board's agenda will enable it to successfully carry out its duties.</p>	<p>The Chair of the Board is an independent director, providing leadership in Board activities and direction and duties, and serving as a liaison between the Board and SaskWater's shareholder.</p>
<p>NI 58-101F1, sections 1(f)</p> <p>1(f) Disclose whether the chair of the board is an independent director; disclose the identity of the chair and describe the role of the chair</p>	<p>Murray Westby is the Chair of the Board and an independent director, reporting to the Board and to the shareholder. The Chair's role includes:</p> <ul style="list-style-type: none"> • presiding over meetings and ensuring the Board discharges its fiduciary and legal responsibilities; • working with CEO and Corporate Secretary to set Board schedules and agendas; • evaluating and addressing concerns relating to the Board, committee or director performance; • promoting effective working relationships with SaskWater executive members, and providing advice to CEO and senior management; • representing shareholder's interests to management, and management's interests to shareholder.
<p>Meetings of Independent Directors</p> <p>NP 58-201, section 3.3</p> <p>3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not present.</p>	<p>As a standing Agenda item, the Board holds an in-camera session without management present at each regular meeting of the Board. All directors are present except where a director has a conflict of interest with an item to be discussed. The non-independent director is not an officer of the Corporation and it has been deemed that participation of the non-independent director does not give executive management of the Corporation the opportunity to bias or influence the Board of Directors.</p>
<p>NI 58-101F1, sections 1(e)</p> <p>1(e) Disclose whether the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in the previous 12 months; if such meetings are not held, disclose what the board does to facilitate open and candid discussion among independent directors.</p>	<p>There were nine (9) regular Board meetings held in 2007, and during each regular meeting the Board held in-camera sessions without management present which included the participation of all directors.</p> <p>The Board facilitates open and candid discussion by holding in-camera sessions and having an independent director as Chair of the Board. Directors are encouraged to raise any issues of concern and are provided access to external advice.</p>

**CSA Corporate Governance Policy
NP 58-201, and Disclosure Instrument,
NI 58-101F1 (Summary)**
NI 58-101F1, sections 1(g)

1(g) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.

Board Mandate
NP 58-201, section 3.4

3.4 The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the corporation and responsibility for:

- (a) to the extent possible, satisfying itself as to the integrity of the CEO and executive and that they have created a culture of integrity throughout the organization;
- (b) adopting a strategic planning process and approving at least annually a strategic plan which takes into account, among other things, the opportunities and risks of the business;
- (c) identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- (d) succession planning, including appointing, training and monitoring senior management;
- (e) adopting a communications policy for the Corporation;

SaskWater's Governance Practices

The Board held nine (9) meetings in 2007. The number of Board meetings attended by each director in 2007 is as follows:

Director	Meetings Attended*
Murray Westby, Chair	09(09)**
Doug Hay, Vice Chair	09(09)
Ashley Cunningham	05(06)***
Nicole Garman	09(09)
Joe Hordyski	09(09)
James Ireland	07(09)
Sheldon Jacobson	08(09)
Pat Lorjé	09(09)
Dr. Dena McMartin	05(06)***
Dan Palsich	09(09)
Doyle Vermette	08(09)

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

** Figures in brackets represent the maximum number of meetings for the period in which the individual was a board member.

*** New members appointed March 31, 2007

The Board has written Terms of Reference that set out responsibilities and duties, including responsibility to function as stewards of the Corporation.

- a) The integrity of the CEO and other executive officers, as well as the creation of a culture of integrity, are specific items in the annual CEO appraisal conducted by the governance committee. The appraisal includes interviews with those internal and external to the company. The Board's performance appraisal of itself also evaluates integrity.
- b) The Board provides leadership in setting the Corporation's long-range strategic direction and annually approves the Corporation's Strategic Business Plan.
- c) The Board annually reviews principal risks of the Corporation's business and ensures the implementation of appropriate systems to manage these risks.
- d) The Board appoints the CEO, evaluates the performance of the CEO, and ensures effective succession planning processes are in place.
- e) At present, the Corporation does not have a Communications policy. The Board adopts processes to enable effective communication with the shareholder, stakeholders and the public.

CORPORATE GOVERNANCE

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>(f) the integrity of the corporation's internal control and management information systems; and</p> <p>(g) developing the Corporation's approach to corporate governance, including a set of principles and guidelines specific to the Corporation.</p> <p>The written mandate should also address measures for receiving feedback from stakeholders (for example, a process for stakeholders to contact independent directors); and the expectations and responsibilities of directors, including basic duties to attend meetings and review materials in advance.</p>	<p>f) The Board monitors the integrity of the Corporation's internal control and management information systems.</p> <p>g) The Board has approved Terms of Reference for directors where expectations and responsibilities are set out.</p> <p>SaskWater formally and informally surveys internal and external stakeholders to obtain feedback about corporate activities. The Board Chair also participates in a forum established by CIC, comprised of Board Chairs of all subsidiary Crown Boards and senior CIC officials.</p> <p>The Governance Committee reviews the Board's Terms of Reference annually.</p>
<p>NI 58-101F1, section 2</p> <p>2. Disclose the text of the board's written mandate.</p>	<p>The Board's principal responsibilities are described above. Text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.</p>
<p>Position Descriptions</p> <p>NP 58-201, section 3.5</p> <p>3.5 The board should: develop clear position descriptions for the chair of the board and the chair of each board committee; together with the CEO, develop a position description for the CEO delineating management's responsibilities; develop or approve corporate goals and objectives that the CEO is responsible to meet.</p>	<p>The Board has approved Terms of Reference for the Board, the Board Chair, each Committee and individual directors.</p> <p>The Board does not have a position description for the Chair of each Committee.</p> <p>The Board's Terms of Reference set out matters that require Board approval and delegate other matters to management.</p> <p>The Board annually approves a business plan and performance management plan that includes Corporate objectives and performance indicators.</p>
<p>NI 58-101F1, sections 3(a) and (b)</p> <p>3(a) Disclose whether the board has developed written position descriptions for the chair of the board and the chair of each board committee and, if not, describe how the board delineates the role and responsibilities of each such position.</p> <p>3(b) Disclose whether the board and CEO have developed a written position description for the CEO.</p>	<p>There is a Terms of Reference for each Committee of the Board; however, the Board does not have a position description for the Chair of each Committee. The Board Chair communicates on a regular basis with Committee Chairs in order to effectively share information and to maintain a focus on proper appropriation of responsibilities between the Committees.</p> <p>There is no written position description for the CEO. However, there is a comprehensive annual evaluation document which clearly describes the duties and expectations for the CEO position.</p>

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>Orientation & Continuing Education</p> <p>NP 58-201, sections 3.6 and 3.7</p> <p>3.6 The board should ensure new directors receive comprehensive orientation and fully understand the role of the board and committees, the contribution individual directors are expected to make and the nature and operation of the business.</p> <p>3.7 The board should provide continuing education opportunities for all directors to enhance their skills and abilities and ensure their knowledge of the Corporation's business is current.</p>	<p>Management provides new directors with an orientation session which provides insight to the business and operations; the Board also receives regular operations and management updates on an ongoing basis.</p> <p>Several times per year, CIC delivers a directors training program that focuses on the skills and needs that directors require in the provision of effective board processes and best practices in corporate governance.</p> <p>Other ongoing development and training opportunities are made available to directors.</p>
<p>NI 58-101F1, sections 4(a) and (b)</p> <p>4 (a) Describe the measures taken to orient new directors to the role of the board, committees and directors and to the nature of the Corporation's business</p> <p>(b) Describe the measures taken to provide continuing education opportunities for all directors.</p>	<p>The Corporation provides new directors with a Board Manual and an orientation session. The orientation session addresses the Board's role and the nature of SaskWater's business.</p> <p>Each year, CIC sponsors a comprehensive education program for directors of CIC subsidiary Crown Board's to orientate directors on roles of the Board and Committees, the skills directors need to effectively discharge their responsibilities, and corporate governance best practices.</p>
<p>Code of Business Conduct and Ethics</p> <p>NP 58-201, section 3.8</p> <p>3.8 The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation designed to promote integrity and deter wrongdoing. The code should address:</p> <p>(a) conflicts of interest, including transactions and agreements where a director or officer has a material interest;</p> <p>(b) protection and proper use of corporate assets and opportunities;</p> <p>(c) confidentiality of corporate information;</p>	<p>Board members must comply with the Directors' Code of Conduct, developed by CIC. The Code promotes integrity and deters wrongdoing and provides a mechanism to report illegal or unethical behaviour.</p> <p>SaskWater does not yet have a written Code of Conduct in place.</p>

CORPORATE GOVERNANCE

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>(d) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees;</p> <p>(e) compliance with laws, rules and regulations; and</p> <p>(f) reporting of illegal or unethical behavior.</p>	
<p>NI 58-101F1, sections 5(a)</p> <p>5 (a) Disclose whether the board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the board monitors compliance with the Code; and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the Code.</p>	<p>A copy of the Directors' Code of Conduct can be obtained by contacting the Corporate Secretary to the SaskWater Board of Directors.</p> <p>The Audit and Finance Committee assists the Board in fulfilling its financial accountability by maintaining oversight of the Corporation's budget and financial operation; reviewing internal controls established by the Board and management; participating in audit processes; monitoring capital assets; reviewing and recommending on capital activities; and ensuring systems are in place to identify and manage risk.</p> <p>The Governance Committee reviews, develops and maintains corporate governance practices and oversees the Board's nominating and governance activities. Duties and responsibilities include: evaluating the performance of the Board, Committees, Chair, directors and President/CEO; establishing board and committee structure and mandate; ensuring board orientation and opportunity for professional development; and articulating roles and responsibilities.</p> <p>The Sustainability Committee was established in 2006 to assist the Corporation in becoming a leader in the use of sustainability policy and best practices. The Committee: assists management in the development and implementation of sustainability policy; reviews management's recommendations regarding sustainability policies and practices in the conduct and operation of the Corporation; reviews and monitors compliance with legislative and regulatory requirements as prescribed in statutory environmental and sustainability laws and regulations; and identifies potential environmental risks that may impact the Corporation.</p> <p>The Board has not reported any material changes (departure from Code of Conduct) in 2007.</p>
<p>NP 58-201, section 3.9</p> <p>3.9 The board should monitor compliance with the code and any waivers granted for the benefit of directors and executive officers should be granted by the board or a board committee.</p>	<p>The Board has delegated to its Committees the responsibility to monitor compliance with the Directors' Code of Conduct. The Committees report any issues dealt with pursuant to the Code to the full Board.</p> <p>There is no formal process in place, but the Committees will report if a Code issue arises.</p>

CORPORATE GOVERNANCE

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
Any waivers for a material departure from the code for any directors or officers should disclose full details of the material change.	No waivers from the Code have been granted to any director in 2007.
NI 58-101F1, sections 5(b) 5 (b) Describe steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements where a director or officer has a material interest.	<p>Where a director has, or is perceived to have, a personal interest in a transaction being considered by the Corporation, the director has a fiduciary responsibility to declare such interest at the meeting at which the matter is to be considered.</p> <p>Management monitors agenda items to identify any issues where a director may have a material interest and such items would not be distributed to the director.</p>
NI 58-101F1, sections 5(c) 5 (c) Describe other steps the board takes to encourage and promote a culture of ethical business conduct.	<p>The Board follows industry best practices in corporate governance; promotes and practices open, honest and ethical discussions and has delegated the Governance Committee to act as the ethics advisor to the Board and management. The Governance Committee will provide a verbal report if any ethics issues arise.</p> <p>The Board expects management to act ethically in its business dealings, in accordance with all applicable legislation.</p>
Nomination of Directors NP 58-201, section 3.10 3.10 The board should appoint a nominating committee composed of entirely independent directors.	<p>The Governance Committee functions as the Nominating Committee. The Governance Committee is comprised of independent directors.</p>
NI 58-101F1, sections 6(a) and (b) 6 (a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether the board has a nominating committee composed entirely of independent directors and, if not, describe the steps the board takes to encourage an objective nomination process.	<p>The Board, through the Governance Committee, reviews the skills and composition of current directors annually and performs needs and skills assessments when the need for a new member arises.</p> <p>The Governance Committee identifies skill sets required on the Board, and seeks and recommends to the Board those nominees that have required competencies to fill any identified skill gaps.</p> <p>In seeking candidates, the Committee receives recommendations from directors, senior management, and the shareholder. Potential candidates are interviewed to determine a fit with Board needs. The Committee makes recommendations to the Board and the Board then makes recommendations to the shareholder. The shareholder has the legislative authority to make Board appointments.</p>
NP 58-201, section 3.11 3.11 The nominating committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment	<p>The Governance Committee, which acts as the Nominating Committee, has written Terms of Reference setting out its purpose and responsibilities, which addresses the Committee's responsibility to lead the process of recruiting and nominating candidates for appointment to the Board.</p>

CORPORATE GOVERNANCE

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>and removal, structure and operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work. Where a third party has a legal right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee</p>	
<p>NI 58-101F1, sections 6(c)</p> <p>6 (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the committee.</p>	<p>The Governance Committee performs the functions of a Nominating Committee and its Terms of Reference describe the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board and serves in an advisory capacity.</p> <p>The Governance Committee Terms of Reference can be obtained by contacting the SaskWater Board of Directors Corporate Secretary.</p>
<p>NP 58-201, section 3.12</p> <p>3.12 The board should adopt a nomination process which considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and considers the personality and other qualities of each director. The board should also consider the appropriate size of the board, with a view to effective decision-making, and should consider the advice and input of the nominating committee.</p>	<p>The Board's nomination process, previously described, meets the guidelines of the Instrument.</p> <p>As recommended by CIC, the Board is comprised of a maximum of 12 directors. The Governance Committee makes recommendations that are conducive to the promotion of timely and effective decision-making.</p>
<p>Compensation</p> <p>NP 58-201, section 3.15</p> <p>3.15 The board should appoint a compensation committee composed entirely of independent directors.</p>	<p>The Governance Committee performs the functions of a compensation committee which is comprised of independent directors.</p>
<p>NI 58-101F1, sections 7(a) and (b)</p> <p>7 (a) Describe the process by which the board determines compensation for the directors and officers of the Corporation.</p>	<p>The Governance Committee performs the functions of a Compensation Committee which is comprised of independent directors.</p>

CORPORATE GOVERNANCE

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>(b) Disclose whether the board has a compensation committee composed entirely of independent directors and, if not, describe the steps the board takes to ensure an objective process for determining such compensation.</p>	<p>CIC has the legislative authority to determine remuneration rates and set expense guidelines for directors. The Governance Committee has authority to recommend to the Board adjustments to directors' compensation. The Committee receives quarterly reports outlining the remuneration and expenses received by members of the Board.</p> <p>Each director receives an annual retainer for services as a board member. Directors who are not employees of the Corporation receive fees for attending meetings of the Board and Committees or for performing other duties associated with the Board.</p> <p>A copy of CIC's Remuneration and Expense Guidelines for directors can be obtained by contacting CIC or the Corporate Secretary to the Board.</p> <p>A framework for executive compensation has been established by CIC. The Board can approve compensation packages as provided within that framework. The Board as a whole provides insight and recommendations concerning executive compensation issues.</p> <p>Compensation is determined by reviewing the Corporation's overall compensation and benefits plans, industry standards equivalencies in regards to executive compensation, performance compensation programs and annual corporate performance indicators. In the reviewing of executive compensation, the Committee has the ability to utilize external consultation. External advice is subject to approval from the Board.</p>
<p>NP 58-201, section 3.16</p> <p>3.16 The compensation committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work.</p>	<p>The Governance Committee has Board approved Terms of Reference and is appointed by the Board to fulfill the role of compensation committee. The Committee serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. In the reviewing of compensation issues, the Committee has the ability to utilize external consultation. External advice is subject to approval from the Board.</p> <p>A copy of the Committees Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.</p>

CSA Corporate Governance Policy NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	SaskWater's Governance Practices
<p>NI 58-101F1, sections 7(c)</p> <p>(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the committee.</p>	<p>The Governance Committee has Board approved Terms of Reference and is appointed by the Board to fulfill the role of Compensation Committee. The Committee serves in an advisory capacity and makes recommendations to the Board within its area of responsibility</p> <p>A copy of the Committees Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.</p>
<p>NP 58-201, section 3.17</p> <p>3.17 The compensation committee should be responsible for: reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation level based on the evaluation; making recommendations to the board respecting non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and reviewing executive compensation prior to public disclosure.</p>	<p>The Governance Committee annually recommends to the Board the CEO's level of performance and performance targets. The Committee is also charged with the duty of performing the annual CEO performance evaluation process. During the evaluation process, the CEO's performance is benchmarked against pre-determined Corporate objectives and CEO's individual objectives. The results of the CEO's evaluation are used in determining compensation.</p> <p>The Board annually reviews corporate target objectives and the degree of success that corporate management has achieved in aligning with the pre-determined benchmarks.</p> <p>Corporate management is eligible for compensation based on the degree of success in attaining these performance objectives.</p> <p>Executive compensation approvals and the decision making process are subject to guidelines as provided by CIC. As a Provincially owned Crown corporation, SaskWater does not have equity-based plans.</p>
<p>Other Board Committees</p> <p>NI 58-101F1, section 8</p> <p>If the board has standing committees of the board, other than audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>In addition to the Audit and Finance Committee, and the Governance Committee, the Board established the Sustainability Committee in 2006.</p> <p>The Committee, as described previously, assists management in the development, review and implementation of sustainability policy and best practices.</p> <p>A Terms of Reference outlining scope, responsibilities and duties of the Committee can be obtained by contacting the Corporate Secretary to the Board.</p>
<p>Board Assessments</p> <p>NP 58-201, section 3.18</p> <p>3.18 The board, its committees and each individual director should be regularly assessed. An assessment should consider: with respect to the board or committees, its mandate or charter; with respect to an individual director, the applicable position description(s), as well as the competencies and skills each individual director brings to the board.</p>	<p>Board, Chair, Committee evaluations and director peer assessments are performed annually on a two year cycle. Board and Chair evaluations are conducted once a year, and director peer and committee evaluations are conducted the following year.</p>

**CSA Corporate Governance Policy
NP 58-201, and Disclosure Instrument,
NI 58-101F1 (Summary)**

SaskWater's Governance Practices

NI 58-101F1, sections 9(a)

Disclose whether the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution and, if yes, describe the process used.

The Governance Committee oversees the implementation of the evaluation process. The evaluations are survey-based, using an instrument developed by CIC in consultation with the Governance Committees of the subsidiary Crown boards of directors.

Directors complete surveys to provide feedback in writing on the effectiveness of the Board, Committees, Chairs and individual directors.

The Governance Committee outlines evaluation results which are submitted to the Board for review and approval. The Committee tracks implementation of any action items.

Due to a 2007 provincial election and a subsequent change in government, the Board and Committees evaluation process could not be completed before the end of 2007.

Effective February 6, 2008, the new Board consists of:

Glen Rittinger, Board Chair, Swift Current
Lionel LaBelle, Vice Chair, Saskatoon
Larry Burechailo, Rosetown
Ken Hookway, Melfort
Guy Lariviere, Canoe Narrows
Dennis Mainil, Weyburn
Garry Moroz, Pelly
Brenda Merasty, Saskatoon
Dr. Dena McMartin, Regina
Gary Vidal, Meadow Lake

Corporate Directory

Stuart Kramer, President

Dean Bellegarde,
Aboriginal Advisor to the President

Engineering

Bob Wheatley,
Vice President

Glen Gillis,
Manager, Northern Engineering

Shahid Khan,
Manager, Water & Wastewater
Engineering

Eric Light,
Manager, Construction & Maintenance
Engineering

Karen Steeves,
Manager, Sales & Marketing

Corporate and Human Services

Denise Soar,
Vice President

Marie Alexander,
Manager, Human Resources

Danny Bollinger,
Manager, Financial Services

Ingrid Brueckner Newton,
Manager, Policy & Planning

Kim Cave,
Manager, Administration Services

Monty Gendall,
General Counsel

Vacant,
Manager, Corporate Communications

Operations

Mart Cram,
Vice President

Jeff Mander,
Director, District Operations

Rynette Moore-Guillaume,
Manager, Special Services

Corporate Secretary to the Board of Directors

Terry Ross,
Crown Investments Corporation

Office Locations

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Watrous, SK S0K 4T0
(306) 946-3200

Prince Albert Office

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McIntosh Mall
Prince Albert, SK S6V 6G1
(306) 953-2250



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