Keeping Saskatchewan Warm For 30 YEARS

SaskEnergy

2018-19 Annual Report

MISSION

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

VISION

Create customer value through safe,
innovative energy solutions.

VALUES

SAFETY

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

ACCOUNTABILITY

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

SPIRIT

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

COLLABORATION

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

OUR STORY

In 1952, Saskatchewan Power Corporation (SaskPower) was given the authority to supply natural gas within Saskatchewan and the company's natural gas division engaged in natural gas development, production, transmission and distribution from 1952 to 1988. In April of 1988, Saskatchewan Energy Corporation was incorporated and on June 1, 1988, it commenced operations and acquired the natural gas transmission and distribution assets then owned by SaskPower.

In December 1990, the Corporation's name was changed to Saskatchewan Energy Holdings Ltd. (SaskEnergy) and in May of 1992, Saskatchewan Energy Holdings was amalgamated with its subsidiary, SaskEnergy Incorporated, and continued under the name of SaskEnergy Incorporated. On October 5, 1992, SaskEnergy became a Crown corporation.

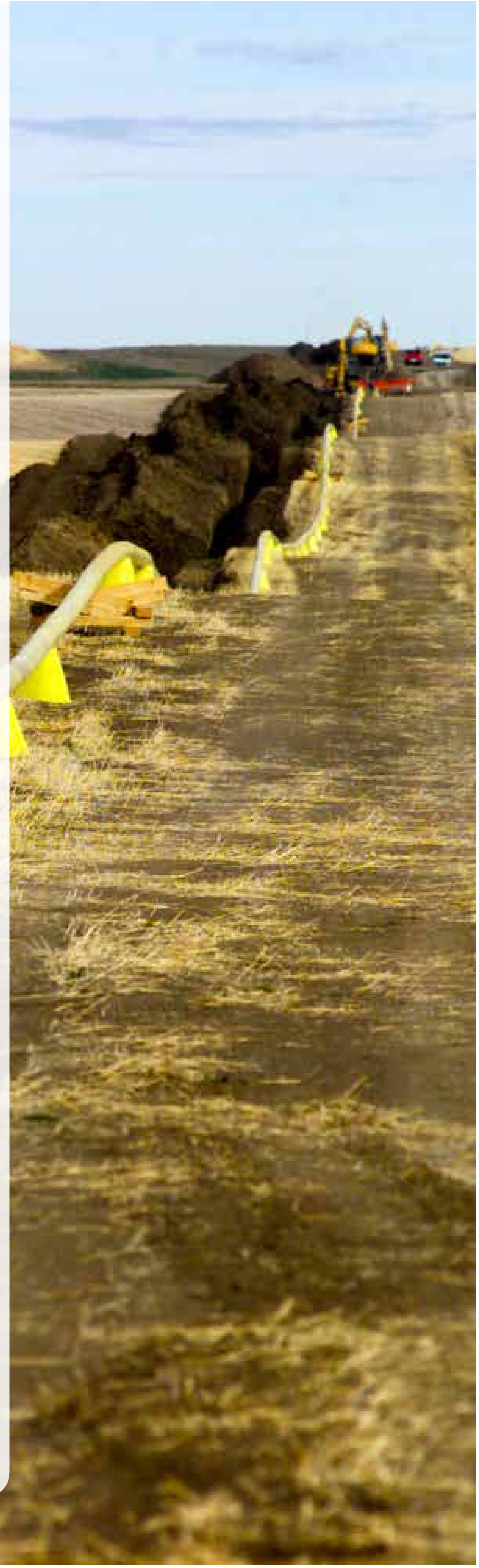
For 30 years, SaskEnergy Incorporated has been Saskatchewan's natural gas distribution and transportation company, providing safe and reliable natural gas service to residential, farm, commercial and industrial customers.

Today, SaskEnergy has a strong and vibrant workforce of approximately 1,100 employees who work in more than 50 locations across the province. We are responsible for serving more than 397,000 customers in 93 per cent of Saskatchewan communities. Gas is purchased and transported through our more than 70,000 kilometres of distribution lines and 15,000 kilometres of transmission gas lines.

Through our subsidiary, TransGas Limited, SaskEnergy owns and operates natural gas gathering, treatment, compression, storage and transmission facilities within Saskatchewan. TransGas transports natural gas for producers, industrial and commercial customers, as well as SaskEnergy. Another subsidiary, Many Islands Pipe Lines (Canada) Limited (MIPL), owns a large diameter low-kilometre transmission gas line system that transports natural gas over the Alberta, Manitoba and United States borders.

Our number one priority at SaskEnergy is to maintain a safe and reliable natural gas line system and we are proud to say that we have a 99.9 per cent reliability rating. Thanks to our comprehensive and well-coordinated gas line safety and integrity program, and our dedicated employee team, most customers never experience an unplanned outage.

Through our values of Safety, Accountability, Spirit and Collaboration, the SaskEnergy team continues to rise to the challenge of a changing industry and the increased demand for natural gas in Saskatchewan.



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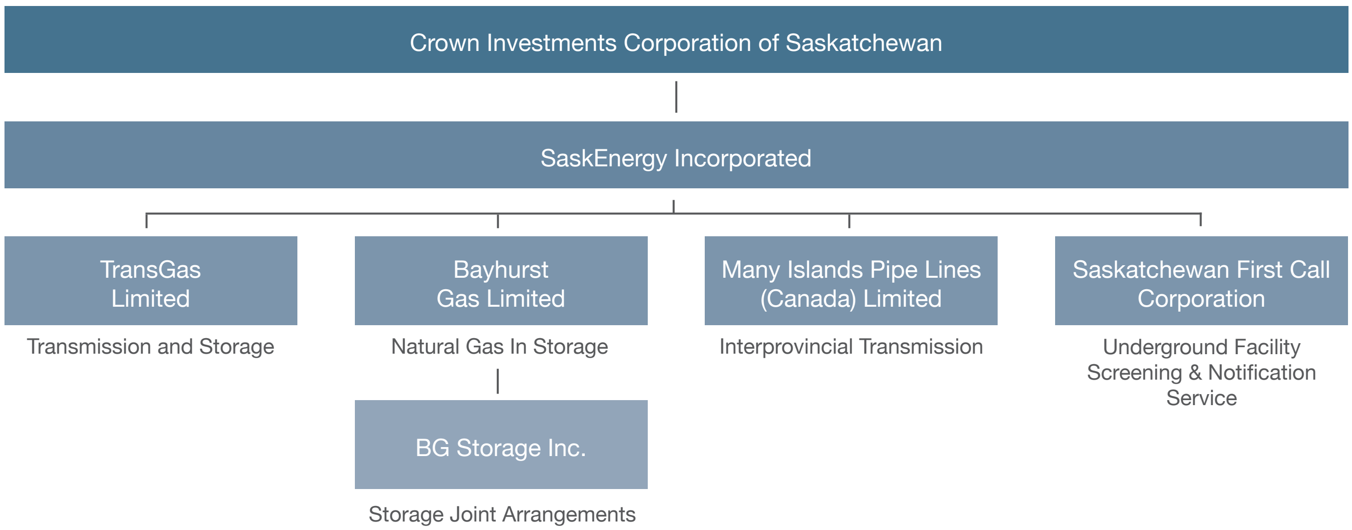
CORPORATE PROFILE



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

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

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

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

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

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

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

TransGas Limited (TransGas) owns and operates the transmission utility and has the exclusive legislated franchise to transport natural gas within the province of Saskatchewan. It also owns and operates a natural gas storage business as well as gathering facilities, which are integrated with the transmission gas line system. TransGas' transportation and storage rates are subject to Provincial Cabinet approval. TransGas has a Customer Dialogue process where business, operational and rate matters are openly discussed with a representative group of customers.

LETTER OF TRANSMITTAL

May 23, 2019

His Honour the Honourable W. Thomas Molloy, O.C., S.O.M.
Lieutenant Governor of Saskatchewan

Sir:

I respectfully submit the annual report of SaskEnergy Incorporated for the fiscal period ending March 31, 2019, in accordance with *The SaskEnergy Act.* The Consolidated Financial Statements are in the form approved by the Treasury Board, and have been reported on by the Corporation's auditors.

[Original signed by B. Eyre]

Honourable Bronwyn Eyre
Minister Responsible for SaskEnergy

MINISTER'S MESSAGE

On behalf of Premier Scott Moe and the Government of Saskatchewan, I am pleased to present the SaskEnergy 2018-19 Annual Report.

Each year, SaskEnergy aligns its strategies and performance management plans with the Saskatchewan Crown Sector Strategic Priorities framework. These focus areas are deliberately chosen by our Government to assist commercial Crowns in striking certain balance points — from high levels of reliability and customer service at reasonable rates to investment plans designed to meet future demand, while demonstrating prudent capital prioritization.

Throughout its 30 years, and once again in 2018-19, SaskEnergy has done an exemplary job of meeting these requirements. The Corporation provides reliable and affordable service to homes and businesses, along with positive financial returns to the Province of Saskatchewan. Given the rapidly-changing regulatory environment and volatility inherent in its business, SaskEnergy will continue to work closely with key customers and stakeholder groups to develop solutions for the future.

I would like to thank all SaskEnergy employees, management and the Board of Directors for their contributions to the company in 2018-19, and extend my congratulations on SaskEnergy's many accomplishments over its first three decades.

Sincerely,

[Original signed by B. Eyre]

Honourable Bronwyn Eyre
Minister Responsible for SaskEnergy

CHAIR'S MESSAGE

On behalf of the SaskEnergy Board of Directors, it is my pleasure to join the Minister Responsible for SaskEnergy, the Honourable Bronwyn Eyre, in presenting the SaskEnergy 2018-19 Annual Report.

Like the vast majority of Saskatchewan homeowners, I have natural gas service at my residence and, like most, I have been conditioned to take that service for granted. When I turn up the thermostat, the heat arrives. When I turn the tap, the water is hot in seconds. As a customer, that's how it should be.

As I have come to appreciate, there are countless processes that have to align to allow this to happen for me and the rest of SaskEnergy's nearly 400,000 customers.

With this in mind, the title of this annual report — Keeping Saskatchewan Warm for 30 Years — is not a tagline but an incredible feat that is successfully repeated day in and day out, safely and cost-effectively, in one of the world's harshest climates. That is a testament to the dedicated people of SaskEnergy and TransGas and, on behalf of the SaskEnergy Board of Directors, I thank you for your dedicated service again this year. We are proud to support your efforts.

Over the past year, the Board itself saw significant changes, welcoming four new Directors, whose experience and perspectives will be invaluable in the effective stewardship of SaskEnergy. I extend my thanks to those Board members whose terms ended in 2018-19, three of whom had served for nearly a decade, for providing guidance throughout one of the most active periods in SaskEnergy's history.

[Original signed by S. Barber]

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

PRESIDENT'S MESSAGE

SaskEnergy enjoyed many successes in 2018-19 and posted strong results across our focus areas. To the outside observer, this performance will add to the narrative of SaskEnergy as a steady, reliable and generally 'un-noticed' utility — a reputation we have earned since our inception 30 years ago.

Behind the scenes, SaskEnergy is in the midst of a significant transformation. While the traditional load growth of cities and towns is slowing, there is tremendous demand for natural gas in power generation and other industrial sectors in the province. At the same time, the origin of the gas supply to meet customer requirements has changed dramatically. In 2018-19, approximately 65 per cent of that supply was sourced from Alberta — with the percentage forecasted to increase each year.

Within this context, SaskEnergy's 2018-19 successes take on even greater meaning, and I thank the various SaskEnergy work teams across the province for their fine work. Continuing to achieve our targets will require us to adapt many of our business models and processes to meet the demands of today's markets and customer expectations.

Overall affordability means money in the pockets of consumers — for families to apply to their household, or for businesses to become more competitive and to expand. While natural gas is currently the most affordable source of energy for homes, businesses and industrial plants, it must remain so while maintaining or increasing levels of comfort, service or production output.

In this regard, SaskEnergy needs to develop a deeper knowledge of our customers' value propositions. We must also understand how current and planned policies could affect SaskEnergy's capital expenditures. Through effective rate structure design and meaningful communication, SaskEnergy customers will continue to have confidence in natural gas as their fuel of choice.

So why does any of this matter and why does it matter right now? The most obvious answer is the rate of change in our world is accelerating — with no indication of a slowdown. Decisions made today are all part of extended timeline, with future impacts across every aspect of our business. The time to react to these factors is now.

To continue to be relevant into the future and to be a strong and vibrant company, SaskEnergy needs to develop a very tight focus on how we add value for our customers. Our near-term strategic priorities will include:

- **Safe and reliable operation.** The safety and reliability of our operations remains our number one priority. We will continue to strive for industry-leading safety and reliability, and drive a strong, performance-based safety culture.
- **Capital program.** Over the next three to five years, SaskEnergy needs to invest $250-$300 million annually for growth opportunities, along with required system maintenance and upgrades. Project execution will be integral to our near-term financial performance and balance sheet strength, but also in positioning the business for the long term.
- **Complete integration and transformation.** Our future success will require a concerted effort to optimize our systems and processes, and drive cost efficiencies to ensure we remain highly competitive and effective in the future.

Marking SaskEnergy's 30th year as a company served as an opportunity to reflect on the significant changes we have seen, and celebrate all that we have accomplished as a team. These same attributes — adaptability and teamwork — will guide us in the coming years as we continue to fulfill our mission of delivering natural gas to customers in a safe, reliable and affordable way.

Sincerely,

[Original signed by K. From]

Ken From

President and Chief Executive Officer, SaskEnergy

30 YEARS of Growth

SaskEnergy has an integrated system of natural gas transmission, storage and distribution assets that delivers value to customers and to Saskatchewan. As the province has grown and changed, so too has the nature, scale and location of SaskEnergy's infrastructure. From an asset base of approximately $719 million in 1988, the province-wide network of SaskEnergy and TransGas compressors, gas lines, stations and other equipment totals more than $2.5 billion today.

FINANCIAL AND OPERATING HIGHLIGHTS

CONSOLIDATED FINANCIAL INFORMATION

($ millions)	2018-19	2017-18	2016-17	2015-16[1] 12-month period	2014
Delivery	289	271	240	209	232
Transportation and storage	163	137	134	121	98
Commodity margin	45	41	25	28	9
Asset optimization margin	11	26	14	20	14
Customer contributions	29	21	55	58	33
Other revenue	4	7	10	12	16
Total revenue and margins	541	503	478	448	402
Employee benefits	89	86	87	90	92
Operating and maintenance	163	132	134	124	126
Depreciation and amortization	99	100	96	89	83
Saskatchewan taxes	15	14	12	12	11
Net finance expense	52	48	46	47	44
Other (gains) losses	(11)	13	33	-	(1)
Total expenses	407	393	408	362	355
Income before unrealized market value adjustments	134	110	70	86	47
Market value adjustments	32	34	76	(30)	(80)
CONSOLIDATED NET INCOME (LOSS)	**166**	**144**	**146**	**56**	**(33)**
Dividends declared	60	39	29	55	17
Total assets	2,957	2,688	2,505	2,450	2,380
Cash provided by operating activities	280	312	225	258	248
Cash used in investing activities	(271)	(258)	(198)	(210)	(283)
Cash (used in) provided by financing activities	-	(58)	(37)	(47)	40
Capital expenditures	299	255	198	212	299
Total net debt	1,313	1,232	1,210	1,156	1,159
Debt/Equity ratio	55/45	56/44	59/41	61/39	63/37
Rate of return on equity	12.9%	12.2%	8.8%	11.6%	6.5%
OPERATING STATISTICS					
Distribution energy (petajoules)					
Residential/Farm	42	39	34	32	39
Commercial	35	33	30	27	34
Industrial	170	147	129	127	111
TOTAL	**247**	**219**	**193**	**186**	**184**
Transmission energy (petajoules)					
Domestic	362	325	308	280	275
Export	33	25	18	24	7
TOTAL	**395**	**350**	**326**	**304**	**282**
Number of customers					
Distribution	397,367	394,592	390,886	386,886	380,768
Transmission	119	119	117	123	153

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

OPERATING SUMMARY — DISTRIBUTION

	2018-19	2017-18	2016-17	2015-16[1] 12-month period	2014
Sales in million cubic metres[2]	**6,344**	5,607	5,004	4,785	4,881
Residential annual average usage (cubic metres)	**2,681**	2,736	2,543	2,387	3,006
Degree days[3]	**6,076**	5,787	5,155	4,901	6,039
Percentage (colder) warmer than normal	**(9.8%)**	(4.8%)	6.7%	12.2%	(9.0%)
NATURAL GAS LINE (kilometres)					
SaskEnergy Incorporated	**70,707**	70,180	69,870	69,547	69,015

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

[2] Retail, industrial and asset optimization.

[3] A unit measuring the extent to which the temperature falls below 18° Celsius. Normal weather in 2018-19 (12 months ending March 31, 2019) would have been 5,535 degree days.

OPERATING SUMMARY — TRANSMISSION

	2018-19	2017-18	2016-17	2015-16[1] 12-month period	2014
Peak day natural gas flows (petajoules)	**1.50**	1.50	1.36	1.35	1.42
Date of peak day flow	**Feb. 7**	Dec. 29	Jan. 12	Jan. 16	Feb. 6
Storage cavern sites	**6**	6	6	6	6
Storage caverns	**18**	18	18	22	24
Storage field sites[2]	**4**	4	4	4	4
Producing field sites[2]	**1**	1	1	1	1
NATURAL GAS LINE (kilometres)					
TransGas Limited					
Transmission	**14,458**	14,373	14,465	14,397	14,423
Gathering	**167**	289	297	297	203
Many Islands Pipe Lines (Canada) Limited	**443**	443	445	441	435
Bayhurst Gas Limited	**22**	22	21	21	113
TOTAL	**15,090**	**15,127**	**15,228**	**15,156**	**15,174**
SYSTEM COMPRESSION					
TransGas Limited Stations	**24**	25	25	24	23
Many Islands Pipe Lines (Canada) Limited Stations	**1**	-	-	-	-
Bayhurst Gas Limited Stations	**3**	3	3	3	3
Mobile Compressor Units	**17**	17	17	13	7
COMPRESSION HORSEPOWER					
TransGas Limited	**77,248**	82,841	79,765	76,315	89,360
Many Islands Pipe Lines (Canada) Limited	**5,040**	-	-	-	-
Bayhurst Gas Limited	**6,300**	6,300	6,300	6,300	6,300
TOTAL	**88,588**	**89,141**	**86,065**	**82,615**	**95,660**

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

[2] Includes Bayhurst Gas Limited.

QUARTERLY FINANCIAL AND OPERATING HIGHLIGHTS

2018-19 FINANCIAL HIGHLIGHTS ($ millions)	Q1	Q2	Q3	Q4	March 31, 2019
Total revenue	179	169	272	313	**933**
Total expenses	167	157	196	247	**767**
Consolidated net income (loss)	12	12	76	66	**166**
Market value adjustments	6	11	10	5	**32**
Income (loss) before unrealized market value adjustments	6	1	66	61	**134**
Dividends	-	-	17	43	**60**
Cash provided by operating activities	59	32	63	126	**280**
Capital expenditures	38	81	85	95	**299**
OPERATING HIGHLIGHTS					
Distribution					
Energy distributed (petajoules)	48	44	70	85	**247**
Weather (compared to last 30 years)	3% colder	50% colder	1% colder	15% colder	**10% colder**
Transmission					
Energy transported (petajoules)	77	79	110	129	**395**

2017-18 FINANCIAL HIGHLIGHTS ($ millions)	Q1	Q2	Q3	Q4	March 31, 2018
Total revenue	166	145	271	330	**912**
Total expenses	172	143	203	250	**768**
Consolidated net income (loss)	(6)	2	68	80	**144**
Market value adjustments	2	(3)	8	27	**34**
Income (loss) before unrealized market value adjustments	(8)	5	60	53	**110**
Dividends	-	-	16	23	**39**
Cash provided by operating activities	73	39	61	139	**312**
Capital expenditures	37	65	81	72	**255**
OPERATING HIGHLIGHTS					
Distribution					
Energy distributed (petajoules)	37	37	66	79	**219**
Weather (compared to last 30 years)	3% warmer	22% warmer	6% colder	9% colder	**5% colder**
Transmission					
Energy transported (petajoules)	68	76	100	106	**350**

30 YEARS of Safety

To recognize SaskEnergy's 30-year anniversary as a company in 2018, all employees were provided with a Safety Commitment Coin as part of the annual Safety Stand Down week. The coin highlights SaskEnergy's updated Safety value, reinforces the Corporation's alignment with the goal of Mission: Zero, and serves as a reminder to keep personal, process and public safety top of mind.

2018-19 Highlights

Deliver safe, reliable and affordable natural gas...

$115 million
in dedicated system integrity spending

Third-lowest
delivery rates
in Canada

Lowest ever preventable vehicle collision rate

37%
reduction in line hits over the last six years

Tied the 24-hour provincial record
1.50 petajoules consumed

$2.95 per gigajoule
Lowest commodity rate since 1999

...to benefit our customers and Saskatchewan.

Three new
Compressor Stations
(Macklin, Bayhurst, Rush Lake)
to support industrial customers

Installed gas line and station to serve
SaskPower Chinook Power Station
near Swift Current

Record
432
internal environmental reviews of corporate projects

2,775
new distribution customers added

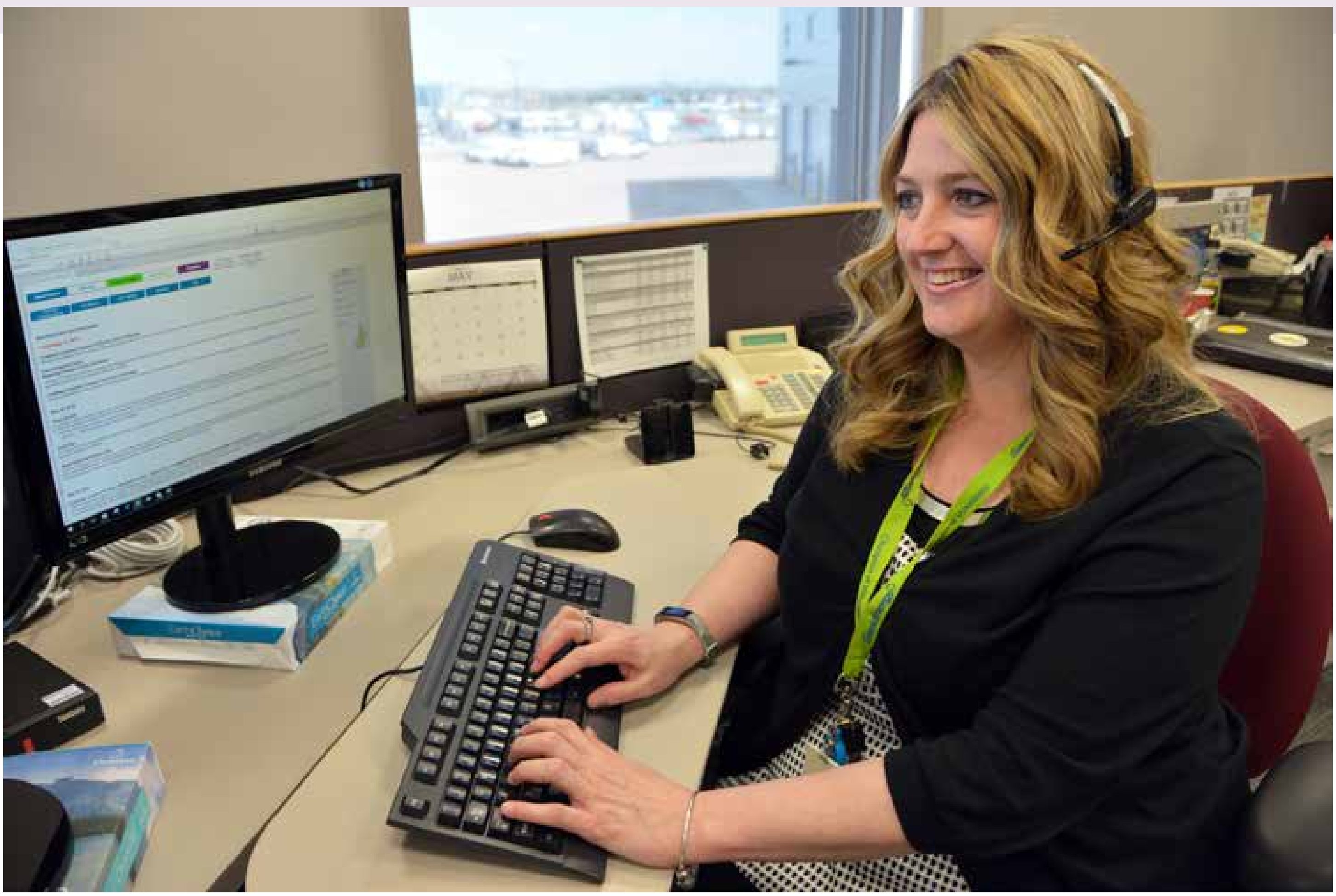
Construction underway on the
South Saskatoon Gas Line
to better serve the Saskatoon area

Tune-Up Assistance Program
Provided home heating tune-ups to qualifying low-income customers to highlight the importance of annual furnace maintenance

97.7%
of provincial meters now equipped with Advanced Metering Infrastructure modules

30 YEARS of Supporting Customers

SaskEnergy exists to provide service to its residential, commercial and industrial customers and support the growth they create. Starting with a distribution customer base of 282,448 in 1988, SaskEnergy now provides natural gas to 397,367 Saskatchewan customers in 17 cities, 150 towns, 59 First Nations, 161 villages and 46 resorts. Demand from industrial customers has also risen dramatically over the past three decades: in 1988, approximately 115 petajoules of gas were transported within the province. In 2018-19: 362 petajoules.



MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION

The Management's Discussion and Analysis (MD&A) highlights the primary factors that affected SaskEnergy's consolidated financial performance for the 12 months ending March 31, 2019. Using financial and operating results as its basis, the MD&A describes the Corporation's past performance and future prospects, enabling readers to view SaskEnergy from the perspective of management. The MD&A is presented as at May 23, 2019, and should be read in conjunction with the Corporation's audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

STRATEGIC SCORECARD MEASURES

SaskEnergy refreshed its mission, vision and values while continuing to align with the Crown Sector Strategic Priorities identified by CIC. The four new strategic mandates — One Company, One Team; Industry Leader; Fuel of Choice; Business and Technology Optimization — as set out in the Business Plan, support the vision, mission and values of the Corporation. These mandates and strategic priorities provide guidance to SaskEnergy in its business planning process as well as its performance management and reporting. They also assist employees in making a link between their everyday efforts and their contribution to the Strategic Plan and the overall direction of the Corporation.

The Crown Sector Strategic Priorities convey shareholder strategic direction for the Province's Crown corporations.

The government's strategic plan identified five core strategic and three near-term priorities.

Core Strategic Priorities:

- Customer Focus
- Financial Sustainability
- Infrastructure Investment
- Private Sector Engagement
- Labour Force

Crown corporations consider all potential structure, administration and operational changes to achieve financial sustainability and the sustainability of high-quality service delivery to the people of Saskatchewan.

Near-term Priorities:

- Strong Earnings
- Prioritize Investments
- Transformational Change

During 2018-19, SaskEnergy demonstrated support of these priorities. SaskEnergy exceeded its net income target reporting net income of $134 million before market value adjustments. Provincial growth and a colder than normal winter resulted in higher revenues; however, the higher demand for natural gas resulted in higher than planned costs in order to meet that demand.

SaskEnergy managed these increased costs through efficiencies and effective resource management. SaskEnergy continues to evolve its capital prioritization process for capital investments. Ongoing monitoring of the portfolio of projects allows for a fluid and adaptive capital plan, ensuring capital is being effectively deployed to maximize value for the Corporation.

Transformational change was at the forefront as SaskEnergy continued to improve service to customers, enhance operational efficiencies and improve revenue growth and earnings. Opportunities to collaborate with other Crowns and ministries also continued to be of benefit.

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

The following discussion outlines the Corporation's 2018-19 performance relative to its strategic scorecard targets for the 12 months ending March 31, 2019, which are further defined in the Glossary of Key Success Measures.

MISSION

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

VISION

Create customer value through safe, innovative energy solutions.

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

ONE COMPANY, ONE TEAM

SaskEnergy has an integrated workforce focused on a common mission. By demonstrating its values, the Corporation creates a work environment that is supportive and empowering.

Strategic Measure	March 31, 2018 Actual	March 31, 2019 Actual	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target	March 31, 2022 Target	March 31, 2023 Target
Employee Experience							
Employee Survey	Non-survey Year	**Below Public Sector Norm**	Above Public Sector Norm	Non-survey Year	Public Sector Norm	Non-survey Year	Above Public Sector Norm
Workforce Diversity							
Youth (30 years of age or less)	11.5%	**12.8%**	16.0%	15.0%	15.5%	16.0%	16.5%
First Nations/Métis	15.4%	**15.7%**	16.0%	15.5%	16.0%	16.5%	17.0%

Employee Experience

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

SaskEnergy's focus during 2018-19 was to increase alignment with its updated mission, vision and values. This included the integration of consistent accountability expectations into performance management and other processes, identifying opportunities for greater internal collaboration and helping employees work through change.

A comprehensive employee survey was conducted in June 2018, with a strong employee response rate of 83 per cent. The overall engagement score of 60 per cent is 12 per cent below the public sector norm, a benchmark achieved using results from similar Canadian companies. While overall employee performance remains strong with high engagement in the areas of safety, leadership and diversity, the survey identified areas of opportunity for better communication and information flow, compensation and work/life balance.

In response to survey findings, SaskEnergy gathered employee feedback on key engagement drivers and began developing a comprehensive action plan.

SaskEnergy has established its internal benchmark as "Above Public Sector Norm". Given the result of the survey, this metric for 2018-19 is considered below target.

Workforce Diversity

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

This has been an area of strategic focus for the Corporation for several years. The results for these metrics continue to be lower than target as the focus of vacancy management has limited the opportunities to hire.

INDUSTRY LEADER

Through its Industry Leader mandate, SaskEnergy leads in the categories that matter most. Strong personal, public, and process safety programs generate leading results. Integrated asset management practices support infrastructure systems, programs and plans.

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

Strategic Measure	March 31, 2018 Actual	March 31, 2019 Actual	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target	March 31, 2022 Target	March 31, 2023 Target
Personal Safety							
Total Recordable Injury Frequency Rate	Second Quartile	**Second Quartile**	Second Quartile	1.73*	1.70	1.70	1.70
Safety/Vigilance							
SaskEnergy Leaks per 1,000 Kilometres of Mains	12.79	**10.07**	5.50	5.30	5.10	5.00	4.90
TransGas Natural Gas Line Failures per 1,000 Kilometres of Gas Line	0.14	**0.28**	0.07	0.07	0.07	0.07	0.07
Safety and Integrity	6.70%	**6.72%**	6.10%	6.80%	6.90%	6.90%	6.60%
Financial Strength							
Debt/Equity Ratio	56/44	**55/45**	59/41	59/41	60/40	62/38	63/37
Consolidated Return on Equity	12.2%	**12.9%**	7.2%	6.1%	6.5%	6.5%	6.4%
Income Before Unrealized Market Value Adjustments (millions)	$110	**$134**	$68	$64	$70	$73	$76

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

Personal Safety

SaskEnergy focuses on a 'safety first' work environment. Employee and public safety are at the core of every activity at SaskEnergy. Having each employee return home safely at the end of every day is the Corporation's top priority.

SaskEnergy recognizes that the safety culture and the individual decisions made by employees and contractors each day will ultimately determine success. Key initiatives undertaken during 2018-19 included the maturing of the Unified Management System, enhancements to systems to report, track, analyze and learn from incidents, and the introduction of a Corrective and Preventative Action process.

As of the end of the 2018-19 fiscal year, SaskEnergy achieved a Total Recordable Injury Frequency Rate (TRIF) of 2.08, meaning there were 2.08 recordable injuries for every 100 employees. This is an improvement from the 2017-18 rate of 2.43.

Safety/Vigilance

SaskEnergy continues its strong emphasis on integrity-related initiatives addressing issues such as gas leaks, gas line failures and third-party line hits to ensure safe and reliable service.

SaskEnergy's service upgrade program ensures safe and reliable natural gas service to customers. This program, together with enhanced leak survey processes and damage prevention initiatives, is aimed at reducing leaks. The damage prevention initiative seeks to reduce leaks resulting from external interference and includes a number of measures such as increased supervision at excavation sites and increasing public awareness. These efforts have resulted in a 37 per cent reduction in line hits since 2013.

Despite these efforts, unique ground conditions associated with a long winter with many freeze and thaw cycles started to cause failures of a certain type of fitting used during early system installations. This resulted in SaskEnergy's leaks metric being higher than historical levels and greater than the 2018-19 target of 5.50.

TransGas continued to manage risk for its transmission lines using a combination of aerial and ground patrols, state-of-the-art remote monitoring, inspection digs and in-line inspection tools that look for the early signs of corrosion and check for unreported damage.

In 2018-19, there were four failures on the transmission system resulting in this metric being higher than target. One occurred due to a third party digging prior to the lines being located. A second was discovered by a leak surveyor, and a third was found through direct examination while performing a planned repair. The fourth failure was the result of a rupture of a natural gas line in a remote part of the province. There was no loss of natural gas service to customers as a result of any of these failures.

SaskEnergy achieved the safety and integrity target, demonstrating the Corporation's commitment to the safety and integrity of its gas line system.

Financial Strength

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

Income from operations was affected by the colder than normal weather and increased load growth in 2018-19, which positively impacted delivery and transportation revenue. In addition, by utilizing off-peak transportation and storage capacity, the Corporation was able to generate asset optimization margins that were higher than planned.

This higher than anticipated demand for natural gas meant higher costs to transport natural gas in Saskatchewan, increasing operating and maintenance expenses in 2018-19. SaskEnergy was able to mitigate the impact of transportation cost increases through operating efficiencies and employee vacancy management.

SaskEnergy's renewed focus on core delivery, transportation and storage of natural gas triggered a financial gain from the divestiture of its natural gas processing plant assets at Coleville and Kisbey.

Capital investment levels during the year were managed as planned. Expansion of the natural gas system to meet increasing customer demand and investment in the safety and integrity of the system were the key drivers for capital investment in 2018-19.

Net income before market value adjustments was $134 million at March 31, 2019. These strong financial earnings provided an improved debt-to-equity ratio with less debt required to execute on capital projects. As a result, the Corporation's debt levels were also lower than planned for the period. SaskEnergy's consolidated debt-to-equity ratio was 55 per cent debt and 45 per cent equity at March 31, 2019. The lower debt-to-equity ratio was a result of a combination of the colder winter in 2017-18 generating higher cash flows and higher net income in 2018-19.

The consolidated return on average equity for the period ending March 31, 2019 was 12.9 per cent, which is higher than the target set for the year. The Corporation had a larger than anticipated equity balance at year-end as last year's actual earnings were greater than estimated in the budgeted metric, and net income exceeded budget.

FUEL OF CHOICE

SaskEnergy is regarded as a trusted supplier of energy and, as a product, natural gas is regarded as a socially and financially sound choice for customers.

Natural gas prices are more competitive thanks to innovative transport and delivery strategies. Importantly, SaskEnergy has been successful in minimizing the environmental impact of its operations and supply.

Strategic Measure	March 31, 2018 Actual	March 31, 2019 Actual	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target	March 31, 2022 Target	March 31, 2023 Target
Business Growth Investment							
Core Growth – SaskEnergy and TransGas Revenue Growth	1.5%	**5.7%**	3.2%	4.7%	4.0%	4.0%	4.0%
Efficient Operations							
Distribution							
Operation, Maintenance and Administration Costs per Customer	$290	**$324**	$336	$342	$347	$353	$360
Competitive Residential Delivery Rates	Competitive with Industry	**Competitive with Industry**	Competitive with Industry	Competitive with Industry	Competitive with Industry	Competitive with Industry	Competitive with Industry
Transmission							
Operation, Maintenance and Administration Costs per Book Value of Assets Managed	6.5%	**6.3%**	7.0%	6.7%	6.4%	5.8%	5.4%
Customer Satisfaction							
SaskEnergy	90%	**90%**	90%	90%	90%	90%	90%
TransGas	92%	**84%**	90%	90%	90%	90%	90%
Environmental							
Greenhouse Gas Emissions (Tonnes of CO_2e/million Running Horsepower Hours)	324	**326**	395	325	325	325	325
Community Relationship							
Total Contracts – Percentage of Indigenous Labour Content	16%	**18%**	16%	16%	17%	18%	19%

Business Growth Investment

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

SaskEnergy's distribution utility customer base as at March 31, 2019 was 397,367, which is an increase of 2,775 active, metered customers compared to 3,706 in 2017-18. The transmission system experienced provincial load growth of 12.9 per cent due primarily to increased demand in the enhanced oil recovery, power generation and mining sectors. These major transmission customers are expected to continue to grow and expand their operations, further increasing demand for natural gas.

Efficient Operations and Competitive Rates

There is a continued focus on efficiency while maintaining a sustainable level of spending to achieve strategic goals and high customer service levels.

In alignment with the Crown Sector Priority of financial stability, and a continued emphasis on operational efficiency, SaskEnergy is committed to the cost-effective delivery of natural gas services to its customers. In 2018-19, the Corporation realized approximately $4 million in efficiency and process improvement savings. These efforts are reflected in the Operation, Maintenance and Administration Costs per Customer measure and in SaskEnergy's continued ability to successfully offer competitive residential delivery rates to its customers.

In 2018-19, SaskEnergy achieved its goal of having competitive residential delivery rates with the major utilities across Canada. A typical residential customer in Regina paid $537 for delivery service in 2018-19, which is the third-lowest in Canada. Hamilton, Ontario remains the lowest with a rate of $416.

SaskEnergy had the fifth-lowest total residential natural gas utility rate (delivery and commodity combined) in Canada in 2018-19. SaskEnergy provides price protection for its distribution customers through the practice of hedging natural gas purchases. As a result, customers typically pay higher costs for natural gas but are not subject to the volatility of market prices. Customers have consistently provided positive survey responses to questions about stable natural gas prices as opposed to prices that move with the market.

In 2018-19, TransGas results were better than target with respect to its efficiency metric. TransGas' commitment to efficient operations was demonstrated primarily through its resource management efforts.

Customer Satisfaction

SaskEnergy believes that a true indicator of the Corporation's success in delivering safe and reliable service is formal feedback from customers. Continuing to provide high levels of customer service that are efficient and effective is a key objective for the Corporation. SaskEnergy and TransGas conduct annual surveys in an effort to gather feedback on customer experiences, expectations and overall satisfaction. SaskEnergy recognizes customers' expectations are changing. To meet those expectations, SaskEnergy is preparing a modernized experience for customers. This includes refreshed website content designed to more effectively meet the expectations of customers.

SaskEnergy's customer satisfaction survey, completed in 2018-19, indicated 90 per cent of customers are satisfied with SaskEnergy's service delivery. Key drivers to this year's results are being a company that takes initiative to meet customers' needs, providing high standards of customer service, and maintaining among the lowest natural gas rates in Canada.

The TransGas customer survey results indicated that 84 per cent of customers are satisfied with TransGas' customer services and interactions with the customer service team. The key driver of this year's decrease in the results relate to customer concerns with the business system. TransGas continues to explore opportunities for improvements in this area through system builds and enhancements.

Environmental

SaskEnergy continues to concentrate on environmental sustainability throughout its operations by measuring the intensity of greenhouse gas (GHG) emissions relative to the amount of compression used to transport natural gas. This measure is calculated using a cumulative average at the end of each quarter. The 2018-19 compressor emissions reduction target was exceeded by 17 per cent. As the compressor fleet is modernized, increased operating efficiency is being reflected through decreased emissions intensity.

The federal government published new oil and gas methane regulations in April 2018 to reduce methane releases from the Canadian oil and gas sector. The regulations will apply to SaskEnergy's transmission and storage activities and will focus on reducing leaks and routine venting of natural gas.

The federal *Greenhouse Gas Pollution Pricing Act* (GGPPA) and regulations came into force on April 1, 2019. Under the Act, SaskEnergy is legally responsible for collecting and remitting a federal carbon tax on natural gas delivered to non-exempt customers, and TransGas is required to pay the carbon tax on emissions as part of the Output Based Pricing System (OBPS). SaskEnergy participated as an intervener in the Province's constitutional challenge of the GGPPA; however, the Saskatchewan Court of Appeal ruled in favour of the federal government that it does have the constitutional power to implement a carbon tax. It is expected the Province of Saskatchewan will appeal this decision to the Supreme Court of Canada.

The federal government is also consulting with industry on the Clean Fuel Standard Regulations, which aim to reduce the carbon intensity of common fuels. SaskEnergy has been involved in regulatory development through engagement with industry associations (Canadian Energy Pipeline Association and the Canadian Gas Association) and Environment and Climate Change Canada. Final regulations for the natural gas portion of the Clean Fuel Standard are expected in 2023.

In addition, the federal government published the Multi-Sector Air Pollutant Regulations for stationary combustion engines on June 28, 2016, which sets mandatory limits for Nitrogen Oxide emissions that impact air quality.

The Corporation continues to work to ensure compliance will all new regulations.

Community Relationship

Total Contracts as a Percentage of Indigenous Labour is above target to the end of 2018-19. Commitment of Indigenous content was achieved on the awards of large construction projects.

BUSINESS & TECHNOLOGY OPTIMIZATION

Optimization supports better workflow, decision-making and enhanced customer and employee experience. Trusted information is securely available to staff, customers and stakeholders through integrated business processes and systems. Investments increase effectiveness and/or generate internal efficiencies that enable SaskEnergy to create value.

Strategic Measure	March 31, 2018 Actual	March 31, 2019 Actual	March 31, 2019 Target	March 31, 2020 Target	March 31, 2021 Target	March 31, 2022 Target	March 31, 2023 Target
To be reported on in 2019-20	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Business & Technology Optimization

These measures were developed during 2018-19 and will be reported against in 2019-20. To better align with its updated strategic mandates, SaskEnergy will be measuring the success of its business and technology optimization initiatives through its efficiency measures. These measures were reported in the Fuel of Choice strategic mandate for 2018-19.

Throughout 2018-19, SaskEnergy continued to develop strategies to improve business processes and enhance the customer and employee experience. In addition to the implementation of a new distribution work management system and an upgrade to its customer information system, SaskEnergy has identified areas for improvement to its information technology infrastructure.

Technical architecture development is needed to support business solutions so that high quality service delivery is both adaptable and sustainable. Strategies are being developed to streamline processes and use technology to create efficienies for customers and employees. Examples include SaskEnergy's website redesign initiative to enhance customer experience and the Human Resources Service Transformation project, which will introduce self-serve functionality and integration with payroll functions.

INDUSTRY OVERVIEW

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

Natural Gas Prices

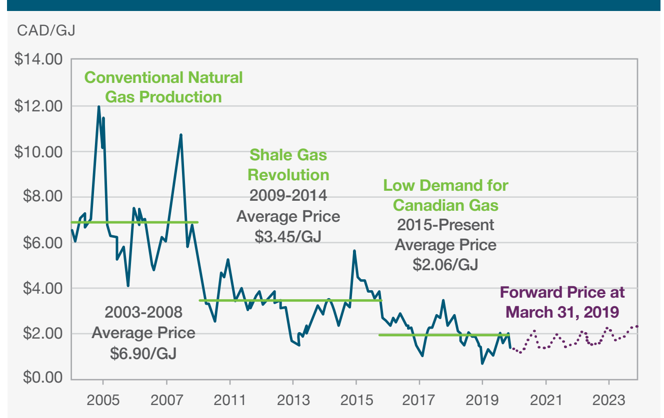
The price of natural gas is set in the open market and influenced by a number of factors including production, demand, natural gas storage levels, take-away capacity and economic conditions. Given the high demand for natural gas to heat homes and businesses during the cold winter months, and the demand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

Natural gas market fundamentals remain in a strong supply position relative to demand. The Alberta Energy Company (AECO) weighted average spot price was $1.55 per gigajoule (GJ) throughout the 12 months ending March 30, 2019 compared to $1.91 per GJ the year prior.

Cold North American temperatures combined with low storage levels in 2018-19 saw price spikes over $5.00 per GJ at AECO in the late winter while takeaway capacity constraints and Alberta natural gas line maintenance created negative prices in the summer of 2018. The Alberta infrastructure deficit continues to be evident by the decreased average daily settlement prices at AECO and elevated prices at TransGas Energy Pool (TEP) in Saskatchewan and Empress, which is the hub to eastern gas markets. This low priced AECO gas environment is expected to continue until at least November of 2021 when infrastructure is scheduled to start coming online.

The following chart shows AECO natural gas prices:

AECO MONTHLY INDEX HISTORICAL PRICES



Production Continues Despite Low Market Prices

Since the beginning of the shale gas production revolution approximately 10 years ago, horizontal drilling and hydraulic fracturing technologies continue to advance. Horizontal drilling and hydraulic fracturing is very cost effective and the related production has resulted in North American activity increasing slightly, despite the strong supply position. The relative low, flat shape of the forward price curve suggests that the market expects the excess supply to remain for the foreseeable future. However, a fundamental shift in demand may occur as new gas-fired power generation and other natural gas intensive industries have experienced growth in recent years.

Changing Saskatchewan Natural Gas Supply

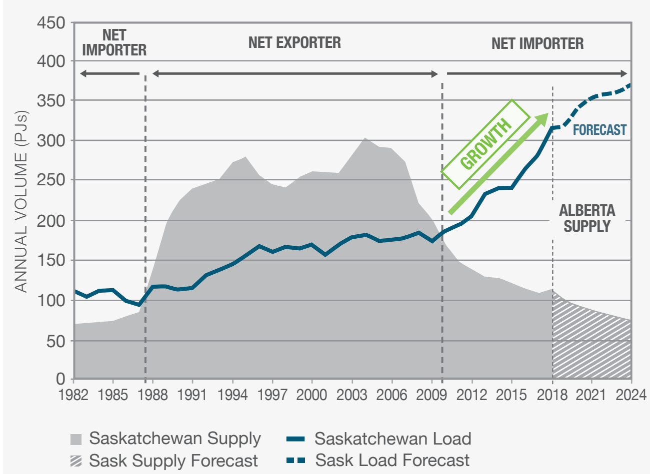
Saskatchewan is a net importer of natural gas. Annual demand exceeds domestic production and in 2018-19, approximately 65 per cent of gas consumed in the province was imported from Alberta. With natural gas production declining in the province, and growing demand in the enhanced oil recovery, potash and power generation sectors, the year-over-year gas supply requirement must come from outside of Saskatchewan.

Constraints of Existing Infrastructure

Despite the shift to horizontal drilling methods improving gas supply economics, getting gas to market has remained a major concern. Gas well drilling west of Saskatchewan has tended to move farther into north western Alberta and north eastern British Columbia; this has resulted in delivery infrastructure that is constrained due to a lack of infrastructure.

NOVA Gas Transmission Ltd. (NGTL) currently has a project before the National Energy Board which is intended to relieve this constraint by adding additional gas line and compressor facilities. SaskEnergy will continue to monitor this situation and take steps, where needed, to ensure access to a reliable source of natural gas throughout the process.

CHANGE IN SASKATCHEWAN SUPPLY & DEMAND



CONSOLIDATED FINANCIAL RESULTS

Consolidated Net Income (Loss)

MARCH 31, 2019

(millions)	Excluding Effects of IFRS 15	IFRS 15 Effects	As currently reported	March 31, 2018	Change
Income before unrealized market value adjustments	$ 134	$ -	**$ 134**	$ 110	$ 24
Impact of fair value adjustments	13	-	**13**	46	(33)
Revaluation of natural gas in storage	19	-	**19**	(12)	31
Consolidated net income	**$ 166**	**$ -**	**$ 166**	**$ 144**	**$ 22**

The overall impact of adopting IFRS 15 on income and consolidated net income was nil.

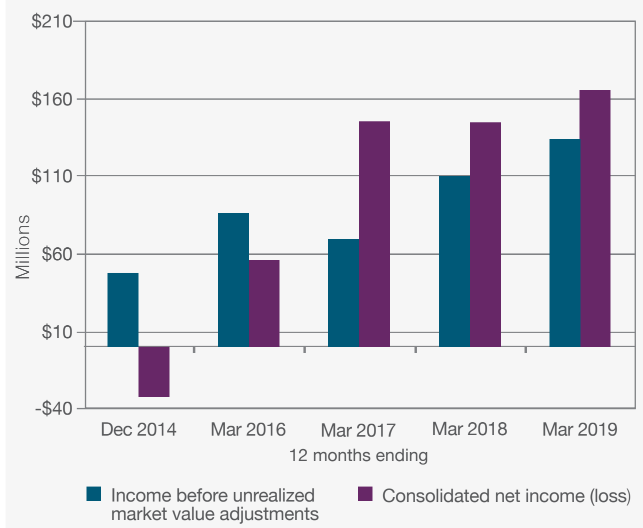
Excluding market value adjustments, financial results for 2018-19 are $24 million higher than the same period in 2017-18. The increase in net income is due to a higher commodity margin, delivery revenue and transportation revenue. Weather was the primary driver increasing delivery revenue. It was 10 per cent colder than normal in 2018-19, and five per cent colder in comparison to the same period in 2017-18. The increase in both the number of customers and customer load growth contributed to additional transportation and delivery revenue relative to 2017-18.

Much of the load growth is the result of continued economic growth in the province, driven by expansion in the major industrial sectors of enhanced oil recovery and power generation. As natural gas production continues to decline, Saskatchewan increasingly relies on gas production in Alberta to meet its delivery requirements. This results in increased transportation utilization on the TransCanada Mainline system to import natural gas from Alberta. These increasing requirements have resulted in higher overall operating costs compared to the prior year. While the increase in load requires higher spending in some areas, the continued focus on efficiency and cost management have helped to mitigate increases in both operating costs and employee benefits.

Market value adjustments contributed $13 million to SaskEnergy's consolidated net income. The differential between the contract price and market prices decreasing from $0.76 per GJ at the end of 2017-18 to $0.03 per GJ in 2018-19 are resulting in a favourable market value adjustment of $35 million on outstanding commodity purchase contracts. This was partially offset by the volume of outstanding asset optimization purchase contracts being 65 petajoules (PJs) lower than at March 31, 2018, resulting in a $22 million unfavourable market value adjustment on outstanding asset optimization contracts.

The value of natural gas in storage is sensitive to gas prices. At the end of March 2019, the value of gas in storage was $26 million, or $14 million below cost. At the end of March 2018, the value of natural gas in storage was $37 million, or $33 million below cost, due to the decline in gas prices in the last quarter of the 2017-18 fiscal year. The volume of natural gas in storage in 2018-19 declined from the previous year, improving the effect of the adjustment to net realizable value. The difference between the $33 million unfavourable adjustment at the end of the previous fiscal year and the current $14 million unfavourable adjustment to the cost of gas in storage was a $19 million favourable market value adjustment during the current fiscal year.

CONSOLIDATED FINANCIAL RESULTS



Natural Gas Sales and Purchases

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

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

Commodity Margin

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

For financial reporting purposes, the Corporation prepares its financial statements on a consolidated basis while applying IFRS. Consequently, the amounts determined for rate-setting purposes are different than those reported within its consolidated financial statements. The most notable differences are the elimination of intercompany transportation costs in the preparation of the consolidated financial statements and how derivative instrument settlements are recognized in the cost of gas. A gain or loss reported in the Corporation's consolidated financial statements may not be reflected in the GCVA.

SaskEnergy's natural gas price risk management program has two objectives: to reduce the impact of natural gas price volatility on the cost of gas and to support rates that are competitive with other utilities. The two objectives direct activities that naturally oppose each other. Reducing the impact of price volatility requires establishing certainty in the cost of gas, while supporting competitive rates often means allowing purchase prices to follow market prices. As a result, the balance between the two objectives may change depending on current market conditions.

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

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

(millions)	March 31, 2019	March 31, 2018	Change
Commodity sales	$ 228	$ 225	$ 3
Commodity purchases	183	184	1
Realized margin on commodity sales	45	41	4
Impact of fair value adjustments	35	(2)	37
Margin on commodity sales	$ 80	$ 39	$ 41

There were no effects of IFRS 15 on Commodity sales.

The realized margin on commodity sales excludes the impact of unrealized fair value adjustments on derivative instruments, as these adjustments can fluctuate significantly from one period to the next and do not necessarily represent the amount that will be paid upon settlement of the related natural gas contract. The Corporation realized a $45 million margin on commodity sales for the 12 months ending March 31, 2019 compared to a $41 million margin for the same period ending March 31, 2018. Average revenue was $2.76 per GJ and average cost of gas sold was $2.23 per GJ, resulting in a margin of $0.53 per GJ. The margin is slightly lower than the average commodity margin of $0.61 per GJ through the same 12-month period in 2018. The effect of an additional 15 PJs of gas sold in 2018-19 was partially offset by the effect of a decreased commodity rate. Commodity rates were reduced from $3.65 per GJ to $2.95 per GJ effective November 1, 2018 to allow customers to take advantage of lower rates during the winter heating season. Meanwhile the GCVA balance has increased to $17 million owing to customers, up $14 million from the balance owing to customers at March 31, 2018.

Commodity Fair Value Adjustments

The fair value adjustments at March 31, 2019 increased the margin on commodity sales by $35 million as the $37 million unfavourable fair value position at March 31, 2018 improved to $2 million unfavourable at March 31, 2019. Entering into lower priced natural gas purchase contracts during the year increased the volume of contracts outstanding from 49 PJs at March 31, 2018 to 60 PJs at March 31, 2019, which was fully offset by the differential between the contract price and market prices decreasing during 2018-19 from $0.76 per GJ to $0.03 per GJ.

SaskEnergy segregates a portion of its natural gas purchase contracts for gas that will ultimately be sold to commodity customers. Under IFRS, such contracts are not required to be reported at market value. The volume of contracts identified and segregated for the purpose of expected commodity sales was 154 PJs, compared to 134 PJs at March 31, 2018. The increase is a result of the Corporation's ability to enter into more purchase contracts at lower natural gas prices.

Asset Optimization Margin

SaskEnergy uses its access to natural gas markets to execute purchases and sales of natural gas to generate margins. By utilizing off-peak transportation and storage capacity, to help mitigate transportation constraints, SaskEnergy is able to find opportunities in the market to take advantage of pricing differentials between transportation hubs, delivery points and time periods while minimizing its exposure to price risk. In most cases, the purchases and sales are executed at the same time, thereby mitigating much of the price risk that would normally be associated with such transactions.

During 2018-19, SaskEnergy's asset optimization activities included the purchase of 117 PJs (93 PJs in 2017-18) of natural gas at an average price of $1.65 per GJ, the sale of 120 PJs (106 PJs in 2017-18) at an average price of $1.86 per GJ and a decrease to gas in storage of 7 PJs.

The asset optimization margin, as reported in the consolidated financial statements, was as follows:

(millions)	March 31, 2019	March 31, 2018	Change
Asset optimization sales	$ 224	$ 249	$ (25)
Asset optimization purchases	213	223	10
Realized margin on asset optimization sales	11	26	(15)
Impact of fair value adjustments	(22)	48	(70)
Revaluation of natural gas in storage	19	(12)	31
Margin on asset optimization sales	$ 8	$ 62	$ (54)

There were no effects of IFRS 15 on Asset Optimization sales.

The realized margin on asset optimization sales at March 31, 2019, which removes fair value adjustments on derivative instruments and the revaluation of natural gas in storage, was $11 million. This is $15 million lower than the $26 million margin for the period ending March 31, 2018. The Corporation increased its asset optimization activity in response to natural gas price volatility, which resulted in the Corporation selling higher volumes of natural gas at lower margins compared to the same period in 2017-18. Some transportation capacity within Alberta was also secured through asset optimization contracts to meet customer obligations. These transportation contracts had an unfavourable effect on the 2018-19 asset optimization margin.

Asset Optimization Fair Value Adjustments

The Corporation enters into various natural gas contracts (swaps and forwards) in its asset optimization strategies, which are subject to the volatility of natural gas market prices. At March 31, 2019, the fair value adjustment on asset optimization derivative instruments decreased the asset optimization margin by $22 million, compared to an increase of $48 million for the same period in 2017-18. At the end of March 2019, the volume of outstanding purchase contracts was 65 PJs lower, and the volume of outstanding sale contracts was also 65 PJs lower, than at March 31, 2018. The decrease in contract volumes outstanding resulted in the unfavourable fair value adjustment in 2018-19. Between April 2018 and the end of March 2019, natural gas market prices were volatile, which allowed the Corporation to enter into natural gas purchase and sale transactions simultaneously, utilizing the favourable price differential between spot prices and forward prices. The purchase contracts outstanding at March 31, 2019 were $0.46 per GJ less than market price, while purchase contracts outstanding at March 31, 2018 were $0.37 per GJ less than market price. This increase in the favourable price differential in 2018-19 is fully offset by the unfavourable variance related to the decrease in volume of outstanding purchase and sale contracts.

Revaluation of Natural Gas in Storage

At each reporting period, the Corporation measures the net realizable value of natural gas in storage held for asset optimization transactions based on forward market prices and anticipated delivery dates. The carrying amount of natural gas in storage is adjusted to reflect the lower of weighted average cost and net realizable value. Through much of 2018-19, the Corporation was able to purchase lower priced natural gas and inject it into storage, which reduced the average cost of natural gas in storage; however, lower forward market prices continued to adversely affect net realizable value. Consequently, the net realizable value of asset optimization natural gas in storage was $14 million below cost at March 31, 2019, which is a $19 million increase from the revaluation adjustment at March 31, 2018.

Revenue

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

	March 31, 2019				
(millions)	Excluding Effects of IFRS 15	IFRS 15 Effects	As currently reported	March 31, 2018	Change
Delivery revenue	$ 290	$ (1)	$ 289	$ 271	$ 18
Transportation and storage revenue	165	(2)	163	137	26
Customer capital contributions	26	3	29	21	8
Other revenue	4	-	4	7	(3)
Revenue	**$ 485**	**$ -**	**$ 485**	**$ 436**	**$ 49**

Delivery Revenue

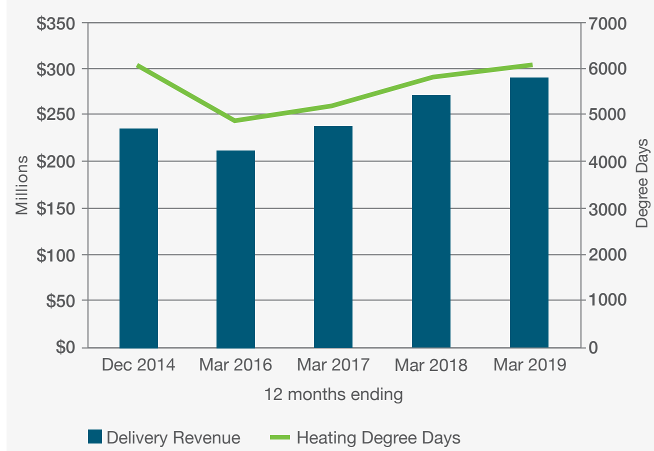
Delivery revenue is driven by the number of customers and the amount of natural gas they consume. As residential and commercial customers consume natural gas primarily as heating fuel, weather is the external factor that most affects delivery revenue. The weather in 2018-19 was 10 per cent colder than normal, and five per cent colder than 2017-18. The colder weather and distribution system growth were the primary drivers contributing to delivery revenue of $289 million for the 12 months ending March 31, 2019, which was $18 million higher than the 12-month period ending March 31, 2018.

The Corporation added 2,775 customers through the 12 months of 2018-19, which was lower than the 3,706 customers added during the previous fiscal period. The addition of new customers is estimated to have contributed an additional $4 million of revenue in 2018-19.

A 3.6 per cent delivery rate increase, effective November 1, 2017, also contributed to the favourable variance. Delivery rate increases are implemented to address growing capital and operating costs incurred to continue providing high quality, safe and reliable service to customers. In alignment with the Crown Sector Strategic Priorities, the Corporation continues to focus on providing the province's growing population with efficient and timely access to natural gas service while keeping rates competitive.

Adopting IFRS 15 *Revenue from Contracts with Customers* resulted in a reallocation of delivery revenue. The effect of adopting IFRS 15 created a decrease of $1 million in delivery revenue for the period ending March 31, 2019 due to a higher amount of the SaskEnergy customer capital contribution discount being allocated to the specific delivery revenue contract components. Refer to consolidated financial statement Note 3 for additional details.

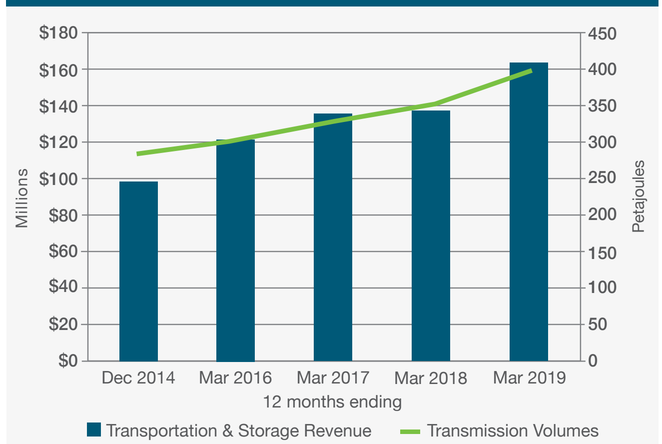
DELIVERY REVENUE



Transportation and Storage Revenue

The Corporation generates transportation revenue by receiving gas from customers at various receipt points in Saskatchewan and Alberta, and delivering natural gas to customers at various delivery points in the province. The transportation toll structure consists of a receipt service charge that customers pay when they put gas on to the natural gas transportation system, and a delivery service charge, which customers pay when they take delivery off of the natural gas transportation system. Gas delivered to the system by customers is considered to be part of the TransGas Energy Pool (a notional point where producers, marketers and end users can match supplies to demand) until it is delivered to the end-use customer. For receipt and delivery services, the Corporation offers both firm and interruptible transportation. Under a firm service contract, the customer has a right to deliver or receive a specified quantity of gas on each day of the contract. With a firm contract, customers pay for the amount of capacity they have contracted for whether they use it or not. Under an interruptible contract, customers may deliver or receive gas only when there is available capacity on the system and pay receipt and delivery tolls when they deliver or receive gas.

TRANSPORTATION AND STORAGE REVENUE



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

Transportation and storage revenue was $163 million for the 12 months ending March 31, 2019, $26 million higher than in 2017-18. Industrial customer and power generation related load growth continues to increase demand for natural gas within the province and is driving higher transportation revenue. A rate increase effective May 1, 2018 also contributed to higher revenue and helped address increasing costs required to provide safe and reliable service to customers.

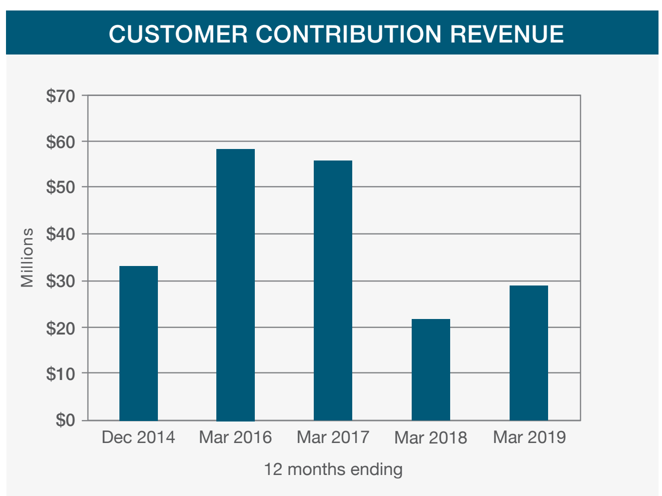
Storage revenue is comparable with the previous year as the decline in contracted demand for storage services has stabilized. The apparent abundance of natural gas, coupled with small or even negative differentials between current and forward gas prices, limits the demand for natural gas storage to those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

Adopting IFRS 15 resulted in a reallocation of transportation revenue. The effect of adopting IFRS 15 created a decrease of $2 million in transportation revenue for the period ending March 31, 2019 due to a higher amount of the SaskEnergy customer capital contribution discount being allocated to the specific transportation revenue contract components. Refer to consolidated financial statement Note 3 for additional details.

Customer Capital Contributions

The Corporation receives capital contributions from customers to partially offset the cost of constructing facilities to connect them to the transmission and distribution systems. Generally, contributions related to transmission system projects tend to be larger but less frequent than contributions related to the distribution system. The volume and magnitude of customer contribution revenue can vary significantly period-over-period as various factors influence their receipt and recognition as revenue. The contributions received, less potential refunds, are recognized as revenue once the related property, plant and equipment is available for use. The Corporation may refund a customer for some or all of the contributions they make depending on how much gas the customer consumes or transports through the system. Many of the customer contributions are received in advance of construction and are initially recorded as a contract liability in the statement of financial position. The amount of contributions expected to be refunded is estimated and recorded as a refund liability until the eligible refund period expires or a refund is earned by the customer. Customer capital contribution revenue for the 12 months ending March 31, 2019 was $8 million above 2017-18 with higher distribution and transmission customer connections year-over-year.

Adopting IFRS 15 resulted in a reallocation of customer contribution revenue due to a lower amount of the SaskEnergy customer capital contribution discount being allocated to the specific contract components. The effect of adopting IFRS 15 created an additional $3 million in customer capital contribution revenue for the period ending March 31, 2019. Refer to consolidated financial statement Note 3 for additional details.



Other Revenue

Other revenue primarily consisted of gas processing fees and natural gas liquid sales from two natural gas liquid extraction plants. Compression and gathering service revenue comprised the remaining balance of other revenue. Other revenue of $4 million for the 12 months ending March 31, 2019 was $3 million lower than 2017-18 as the Corporation sold the two natural gas liquid extraction plants, effective October 1, 2018.

Other Expenses

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

Employee benefit costs and operating and maintenance costs are also driven by the investment in assets, although less directly. As the number of customers increases, and infrastructure to serve those customers grows, the costs to operate and maintain the system increases. These expenses increase primarily because the amount of work to service and maintain the natural gas system grows as the kilometres of gas lines, number of service connections, and amount of compression equipment increases. Additional regulatory requirements and changing public perceptions have resulted in accelerated prevention, detection and mitigation initiatives, adding pressure to transmission, distribution and storage rates.

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

(millions)	March 31, 2019	March 31, 2018	Change
Employee benefits	$ 89	$ 86	$ (3)
Operating and maintenance	161	127	(34)
Depreciation and amortization	99	100	1
Saskatchewan taxes	15	14	(1)
Impairment loss on trade and other receivables	2	5	3
	$ 366	$ 332	$ (34)
Net finance expenses	$ 52	$ 48	$ (4)
Other gains (losses)	$ 11	$ (13)	$ (24)

Employee Benefits

Operational and business reviews have identified moderate full-time equivalent increases in key strategic areas as part of the Corporation's success in meeting current and future business needs. In addition, the Corporation began to transition functions currently being performed by contracted resources to full-time equivalent positions in order to bring key skill sets into the organization and reduce overall resourcing costs. Ongoing efficiency efforts and management of planned overtime and vacancies resulted in a reduction of full-time equivalents in some areas; however, employee benefit costs of $89 million were $3 million higher than 2017-18 primarily due to the cost of transitioning some contract resources to employees.

Operating and Maintenance

Higher transportation on the TCPL mainline system resulted in an increase in operating and maintenance expenses to $161 million in 2018-19, $34 million higher than in 2017-18. With the growing demand for imported natural gas from Alberta, the Corporation's transition to a net importer of natural gas has resulted in more natural gas being transported and over greater distances. Rate increases on the third-party transportation systems are also increasing transportation expenditures. Safety and integrity expenditures increased in 2018-19, compared to the prior year, to address increasing regulatory requirements and growing transmission and distribution systems. SaskEnergy was able to mitigate the impact of higher transportation and safety and integrity expenditures through continued efficiency efforts and cost saving measures.

Depreciation and Amortization

Balancing safety and system integrity with the growing demand for service continued through 2018-19. Strategic capital investments required to ensure the necessary infrastructure is in place to meet increasing load growth has increased the capital asset base, resulting in increased depreciation and amortization. This was offset by lower depreciation resulting from changes made to depreciation rates based on the recommendations from an external depreciation study. Effective April 1, 2018, depreciation expense decreases for distribution services, mains and natural gas transmission lines were recorded. The decrease was primarily due to extending the useful lives of natural gas transmission lines, slightly offset by increased depreciation due to a decrease in the useful lives of distribution meters. In 2018-19, depreciation and amortization was $99 million, $1 million lower than the same period in 2017-18.

Net Finance Expense

Net finance expenses were $52 million in 2018-19 compared to $48 million in 2017-18. The increase in finance expenses that resulted from increased investment was partly offset by lower interest rates. The low interest rate environment has allowed the Corporation to replace maturing long-term debt with lower cost debt. Effective April 1, 2017, the Corporation early adopted IFRS 9 *Financial Instruments*. Under the new financial instruments standard, debt retirement funds are classified as fair value through other comprehensive income. As a result, any market value adjustments associated with debt retirement funds no longer impact net income as they are recorded in other comprehensive income.

Other Gains and Losses

Other gains of $11 million for the 12 months ending March 31, 2019 were $24 million higher compared to the loss of $13 million for the same period in 2017-18. Effective October 1, 2018, the Corporation sold its two natural gas liquid extraction plants, which were accounted for in its Bayhurst Energy Services Corporation (BESCO) subsidiary. One of the facilities was recorded as assets held for sale at March 31, 2018. The sale resulted in an impairment reversal of $13 million and was partially offset by losses on other asset sales and other impairments.

In 2017-18, the Corporation recorded impairments of $25 million on its natural gas liquid extraction facilities, offset by a net impairment recovery of $9 million on its non-core storage assets. Insurance proceeds of $2 million were also recorded in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

As a Crown corporation, SaskEnergy's primary sources of capital are cash from operations, debt — which is borrowed through the province's General Revenue Fund — and equity advances from CIC, the Province's Crown corporation holding company. Equity advances are rarely used to finance Crown corporations as CIC prefers to use its Subsidiary Crown Dividend Policy to manage its equity interests in its commercial enterprises. Cash from operations is SaskEnergy's most important source of capital. As a utility, cash from operations is relatively stable and the Corporation relies on it to fund dividends, debt servicing costs, and a significant proportion of its investment in natural gas facilities. Long and short-term debt can be borrowed through the Province of Saskatchewan to meet any long or short-term incremental capital requirements, and to repay debt as it matures. Sources of liquidity include Order in Council authority to borrow up to $500 million in short-term loans, and a $35 million uncommitted line of credit with the Toronto-Dominion Bank. By borrowing through the Province, SaskEnergy has access to the Province's borrowing capacity and North American capital markets. Throughout 2018-19, *The SaskEnergy Act* allowed the Corporation to borrow up to $1,700 million. Cabinet approval to change the act and revise the Corporation's borrowing capacity to $2,500 million was granted subsequent to March 31, 2019 and the Corporation will have access to the increased borrowing limit in 2019-20.

(millions)	March 31, 2019	March 31, 2018	Change
Cash provided by operating activities	$ 280	$ 312	$ (32)
Cash used in investing activities	(271)	(258)	(13)
Cash used in financing activities	-	(58)	58
Increase/(decrease) in cash and cash equivalents	$ 9	$ (4)	$ 13

Operating Activities

Cash provided by operating activities was $280 million for the 12 months ending March 31, 2019, a decrease of $32 million from 2017-18. This was due to an unfavourable change in non-cash working capital, partially offset by the impact of a higher commodity margin and transportation revenue, and the cash flow impact of a colder winter that resulted in higher delivery revenue.

Investing Activities

Cash used in investing activities totalled $271 million for the 12 months ending March 31, 2019, $13 million more than the 12-month period ending March 31, 2018. Capital investment levels increased in 2018-19 due to higher system growth and customer connection spending requirements combined with higher system integrity spending compared to 2017-18. The majority of capital investment to the end of March 2019 focused on $156 million of customer growth and system expansion projects. This was a result of Saskatchewan residential and industrial growth, as well as safety and system integrity programming of $98 million — a sign of the Corporation's ongoing commitment to a safe, reliable system. The cash used for capital spending activity was partially offset by the proceeds received from the sale of non-core assets.

Financing Activities

Cash used in financing activities net to zero through the 12 months ending March 31, 2019, compared to $58 million used in financing activities in 2017-18. The Corporation used $55 million for interest payments, $40 million for dividends, and $54 million to pay debt and debt retirement fund obligations. The Corporation borrowed an additional $149 million in long-term debt to support its capital investment requirements. SaskEnergy's debt-to-equity ratio at the end of March 31, 2019 of 55 per cent debt and 45 per cent equity improved from 56 per cent debt and 44 per cent equity at the end of 2017-18. This is slightly better than the Corporation's long-term target range of 58 to 63 per cent debt. Subsequent to March 31, 2019, the Corporation confirmed the issuance of $100 million of debt, which SaskEnergy will receive in the first quarter of 2019-20.

CAPITAL EXPENDITURES

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

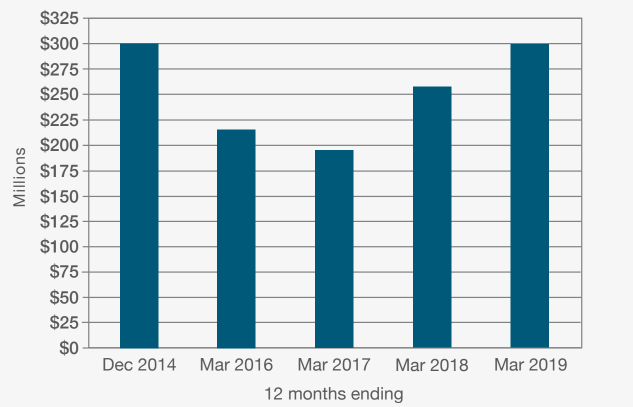
(millions)	March 31, 2019	March 31, 2018	Change
Customer growth and system expansion	$ 156	$ 138	$ 18
Safety and system integrity	98	93	5
Information systems	17	13	4
Vehicle & equipment, buildings, furniture	28	11	17
	$ 299	$ 255	$ 44

Capital expenditures of $299 million in 2018-19 were higher than in the prior year in order to meet the increasing load growth in the province. Capital expenditures of $156 million for customer growth and system expansion were $18 million higher than the prior year. Of the current year expenditures, $10 million was spent at the Bayhurst Compressor Station to mitigate the impact of low operating pressures on the Foothills gas line and provide contingency for compressor unit outages, which restrict either Alberta receipt capacity or storage production. In addition, the increasing demand and lower Saskatchewan production required additional Alberta supply to be brought on to SaskEnergy's transmission system. Currently, the most cost effective solution for the Corporation to receive this additional supply is on the Loomis to Herbert gas line, which is owned by the Many Islands Pipe Lines (Canada) Limited subsidiary, with the gas being sourced from TCPL Mainline or Foothills Pipelines. Installing compression at the Rush Lake interconnect at a current year cost of $14 million will help mitigate the requirement for additional Alberta supply.

To address increased load forecasted in the northern part of its system, SaskEnergy is also investing in gas lines and compressor facilities to provide up to 40 terajoules (TJ) per day of incremental firm Alberta receipt capacity at Unity, Saskatchewan. Unity represents an attractive location for incremental supply as it offsets the third-party transportation requirements from the Foothills and TCPL systems needed to meet the significant growth in the northern part of the system. The growth in this area has been driven mainly by enhanced oil recovery and new gas-fired power generation, with 100 TJ per day of growth over the past five years.

Growth in and around the city of Saskatoon has resulted in a multi-year initiative that will address increased natural gas capacity and move high pressure transmission lines further away from populated areas. The first phase of this project was completed in 2018-19 at a cost of $28 million. The Corporation also purchased a new service centre building near White City during 2018-19 to replace the old service centre building in Regina that needed to be vacated due to structural issues. This is the primary driver of the $17 million increase in the vehicles & equipment, buildings and furniture category.

CAPITAL EXPENDITURES



OUTLOOK

Factors that are expected to affect SaskEnergy in the near future include the continued growth of the provincial economy, resulting in increased reliance on imported natural gas, and higher customer expectations for safe, reliable natural gas services.

Assuming normal weather conditions through 2019-20, net income before market value adjustments is expected to be approximately $64 million, a decrease of $70 million from the 2018-19 actual result. The decrease is primarily due to the return to normal weather, as 2018-19 was 10 per cent colder than normal, and a commodity rate decrease effective April 1, 2019. While SaskEnergy continues to effectively manage expenses, increased transportation costs to move natural gas into and throughout the province will continue to create cost pressure.

While SaskEnergy's customer base expands every year, the growth of the industrial sector is contributing the most to this increased usage, driven by higher demand for natural gas from the enhanced oil recovery, power generation and mining sectors. SaskEnergy plans years in advance where natural gas infrastructure will be needed to secure supply and increase gas line capacity.

SaskEnergy plans to invest more than $976 million over the next three years. This investment will be primarily funded through long-term debt, with an additional $533 million planned over the next three years. The additional load growth will generate more revenue for the Corporation; however, the investment in infrastructure will also increase operating costs and put pressure on delivery and transportation rates. The Corporation continues to work with other Crown corporations, and other business enterprises, to implement technological and process solutions to more efficiently serve customers and maintain facilities. Since 2009, SaskEnergy has achieved $52 million in operating efficiency savings and another $4 million has been targeted for 2019-20.

Operating Expenses

As the number of customers increases, the gas line infrastructure required to serve those customers grows, and the cost of operating the system rises. Generally, the addition of new customers and load reduces the average cost to serve customers, so costs do not rise at the same rate as the expansion of the system. Expenditures to address safety and system integrity do not increase revenues and therefore add pressure to utility rates. Consequently, the average cost of serving customers is expected to rise. Depreciation expense and finance expense are expected to rise by $16 million as a direct result of capital expenditures, while operating expenses (employee benefits and operating and maintenance) are expected to rise by $25 million even with projected efficiency savings of $4 million in 2019-20. The cost increases are primarily due to rising third-party transportation costs related to importing natural gas to meet growing load requirements.

Revenue

An approved delivery rate increase of 3.4 per cent effective April 1, 2019 will provide additional delivery revenue to offset increasing cost pressures resulting from customer growth and integrity investments experienced in recent years. Customer connections, which are closely related to the strength of the provincial economy, are expected to increase modestly to 3,600 new customers through 2019-20. Industrial and commercial demand for service is expected to continue to grow. SaskEnergy currently expects delivery and transportation and storage revenue to increase by $25 million in 2019-20. Transportation rates increased effective May 1, 2018 but will remain unchanged in 2019-20.

Commodity Margins

Natural gas prices reached record lows during 2018-19, although short-term gas prices have since slightly recovered. Prices further into the future have continued to fall. This suggests that the market believes the likelihood of higher prices in the future is small. Currently, the differential between current and forward prices, a driver for much of SaskEnergy's asset optimization activity, is relatively flat. Other asset optimization activities, which leverage off-peak transportation and storage capacity in the distribution utility, are expected to continue to generate margins; however, the potential for asset optimization margins is expected to be lower than it has been in the past.

Weather is always a factor affecting financial results. Forecasted results are based on normal weather as defined by the 30-year average. To the extent that weather is colder than normal, delivery revenue will increase, and to the extent that weather is warmer than normal, delivery revenue will be lower. Transportation, storage, and other revenue items are typically not influenced by weather, as is the case with operating expenses. Commodity revenue and gas purchases are both affected by weather but typically offset each other.

SaskEnergy's financial performance is expected to remain strong. Capital expenditure requirements and rising costs will remain a challenge throughout the forecast period as SaskEnergy adjusts to continued customer load growth, infrastructure renewal requirements and shifting natural gas supply dynamics. A low natural gas price environment will continue to create challenges from an asset optimization perspective, but could create further opportunities to reduce commodity rates to customers. Delivery and transportation revenue will continue to grow along with increasing operating costs. The outcome will be moderate rate pressure assuming regular rate increases. SaskEnergy will continue to focus on providing safe and reliable service to its customers and invest in safety and growth initiatives while actively seeking operating and capital deployment efficiencies through collaboration and technology initiatives.

RISK MANAGEMENT AND DISCLOSURE

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

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

At the beginning of the fiscal year, the following risks were identified as requiring strategic focus:

Natural Gas Line, Facility or Operational Failure

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

Cyber, Physical and Operational Security

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

Physical security measures are designed to deny unauthorized access to facilities, equipment and resources and to protect personnel and property from damage or harm. Physical security is the protection of personnel, hardware, software, networks and data from physical actions and events that could cause serious loss or damage to the Corporation. This includes protection from fire, flood, natural disasters, burglary, theft, vandalism and terrorism.

Operational security is a risk management process that encourages managers to view operations from the perspective of an adversary in order to protect sensitive information from falling into the wrong hands. Strategic initiatives undertaken to mitigate cyber, physical and operational risks include business continuity and disaster recovery plans, information technology security processes and a security threat response plan.

Interest Groups

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

Regulatory Intensification

An increasingly onerous regulatory environment may make an industry or company stronger in the long run, but may be counterproductive to efficiency and service quality in the short term. Greater transparency requirements, enhanced protection for stakeholders and the environment, as well as additional oversight for an industry are potential reasons behind the focus on regulation. Increasing regulation creates additional sensitivity to a company's reputational risk if noncompliant.

The Corporation is confident in its adaptability to the evolving regulatory environment, with continuing efforts toward improving efficiency and enhancing service. Focusing on data management through the Unified Management System can enhance the use of data to make more informed investment decisions plus improve the ability to anticipate client needs.

Supply Reliability

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

Business Process Execution and Oversight

Business process execution and oversight is a way of observing and then governing processes. Processes that are efficient and effective will result in a better and more effective organization, and ultimately will increase customer value.

Business processes are analyzed, identified, changed, and monitored to ensure they run smoothly and continue to be improved over time. This allows for identifying and modifying existing processes so they align with a desired, presumably improved, future state of affairs. It is about initially ensuring the work gets done and secondly, formalizing better ways for work to get done.

It is an ongoing exercise and involves a continuous evaluation of processes and includes taking actions to improve the total flow of processes. This will lead to a continuous cycle of evaluating and improving the organization. The Corporation has a performance management system in place, as well as a strong control environment, a leadership network, Key Performance Indicators (KPIs) and balanced scorecard measures to aid in business process execution and oversight.

Recruitment, Development and Retention of Skilled Employees

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

Decision Making Process

Despite constant demands for change, the decision-making process grows in importance since a corporation operates by people making decisions. The entire decision making process is dependent upon the right information being available to the right people at the right times. Managers plan, organize, staff, lead, and control teams by executing decisions. The effectiveness and quality of those decisions determine how successful a corporation will be.

For making routine operational decisions, related to well-known and well-defined problems, standard operating procedures are applicable. This type of decision may be made by managers at lower organizational levels, immediate managers, and even non-managers. For adaptive decision making, referring to moderately unspecified problems and alternative solutions, analysis of critical factors are pertinent. These decisions are mostly made by functional managers at the middle management level. For innovative or strategic decisions, referring to unusual and unspecified problems, decisions are made by managing authorities and managers at higher organizational levels. The Corporation has appropriate decentralization and autonomy in decision making along with clearly defined tasks, controls, and accountability of each employee.

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

Climate Change

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

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

Recent developments surrounding the implementation of a carbon tax in the province of Saskatchewan will take effect April 1, 2019. The Corporation itself has limited exposure to the tax as internal charges related to the tax will be recovered through rates charged to customers. The Corporation will, however, calculate consumption from customer meter points and apply the tax to customer bills. The Corporation will be responsible for monthly remittances to Canada Revenue Agency, similar to collecting and remitting the Goods and Services Tax.

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

Weather

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

Natural Gas Prices

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation prepares its consolidated financial statements in accordance with IFRS, using the accounting policies described in Note 3 of the consolidated financial statements. The application of these accounting policies requires management to make a number of judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These judgments, estimates and assumptions, which are based on historical experience and other factors that are considered relevant, are reviewed on an ongoing basis. The Corporation's critical accounting policies and estimates, which could materially impact the Corporation's consolidated financial statements, have been summarized below.

Estimated Unbilled Revenue

Commodity sales and delivery revenues are recognized when natural gas is delivered to customers. SaskEnergy estimates the volume of natural gas delivered but not billed, as it is currently impracticable to read all customer meters on March 31 of each year. The volume of unbilled revenue is determined by comparing the estimated total volume of natural gas delivered to the distribution system with the volume of natural gas billed to customers. Regular meter readings throughout the year are used to reconcile volumes purchased with volumes billed. At March 31, 2019, the unbilled revenue related to commodity sales and delivery revenue was $29 million. The unbilled revenue related to transportation and storage revenue was $16 million at March 31, 2019.

Net Realizable Value of Natural Gas in Storage Held for Resale

The Corporation's natural gas in storage is valued at the lower of weighted average cost and net realizable value. When determining the net realizable value, the Corporation uses quoted future market prices based on anticipated delivery dates, taking into account the Corporation's existing natural gas contracts, ability to withdraw natural gas from storage and management's intention. At March 31, 2019, the revaluation increased the carrying amount of natural gas in storage by $19 million. A $1.15 per GJ improvement in the differential between the weighted average cost and net realizable value would completely eliminate the $14 million revaluation.

Fair Value of Financial and Derivative Instruments

The Corporation uses natural gas derivative instruments to secure its supply of natural gas and manage the impact of natural gas price variability. Prior to settlement, SaskEnergy records all natural gas derivative instruments at fair value. The fair value is determined based on quoted market prices and takes into account the credit quality of both counterparties and the Corporation. Given fluctuations in natural gas prices, fair value adjustments vary throughout the length of the contract. At March 31, 2019, a $1.00 per GJ increase in natural gas prices throughout the forward curve would have increased the fair value of outstanding natural gas contracts by $44 million. Conversely, a decrease of $1.00 per GJ would have decreased the fair value of natural gas derivative instruments by $44 million.

Useful Lives and Depreciation and Amortization Rates for Property, Plant and Equipment and Intangible Assets

With a combined carrying amount of $2,494 million, property, plant and equipment and intangible assets constitute a significant component of the Corporation's assets. As a result, changes in assumptions related to the calculation of depreciation and amortization expense may have a significant impact on SaskEnergy's net income. At March 31, 2019, a one-year decrease in the estimated service life of the Corporation's capital asset base would have increased the Corporation's depreciation and amortization expense by approximately $2 million.

The Corporation's property, plant and equipment, and its intangible assets are depreciated and amortized on a straight-line basis over the estimated service life of the asset. The estimated service lives are based on periodic depreciation studies with annual reviews for reasonability. Any changes in the estimated service life of assets are treated as prospective adjustments to depreciation and amortization. A depreciation study was conducted and implemented effective April 1, 2018. Depreciation useful lives were extended for transmission lines from 50 years to 60 years resulting in a reduction of current year depreciation. The reduction of useful lives for distribution meters from 32 years to 25 years is resulting in a small offsetting increase in depreciation expense for 2018-19.

Estimated Unearned Customer Capital Contributions, Contract Liabilities and Refund Liabilities

Customer capital contributions, related to the construction of new, customer-specific service connections, are initially recognized as contract liabilities until the related property, plant and equipment are available for use. The Corporation's customer capital contributions, particularly those related to the transmission system, are often subject to refunds over a certain period. Consequently, when the related property, plant and equipment are available for use, an estimate of the potential refund is recorded as a liability until the refund period has passed. At March 31, 2019, the Corporation estimated $16 million of contract liabilities, where the customer has paid a customer capital contribution in advance of construction and the related facilities are not yet available for use. The Corporation estimated $8 million in refund liabilities, where the customer's facilities are in service and a refund may be available to the customer depending on the amount of natural gas the customer actually flows compared to what was estimated at contract inception.

Estimated Future Costs of Decommissioning Liabilities

The Corporation determines its obligations, legal and constructive, for the future costs of decommissioning certain natural gas facilities by estimating both the associated costs and timing of the necessary cash flows. The timing of future decommissioning is conditional upon the Corporation's anticipated ongoing use for these facilities, while future decommissioning costs are estimated based on the Corporation's experience and presented on a discounted basis. At March 31, 2019, the Corporation's provisions were estimated at $200 million. A one per cent increase in the discount rates used to determine the provisions would have resulted in a $65 million decrease in provisions at the end of March 31, 2019. A one per cent decrease would have resulted in a $73 million increase.

ACCOUNTING POLICY CHANGES

New and amended standards, such as IFRS 15 *Revenue From Contracts With Customers* and issued by the International Accounting Standards Board (IASB), became effective April 1, 2018. In addition, the Corporation early adopted IFRS 9 *Financial Instruments* effective April 1, 2017. The impact of the adoption of these standards has been discussed in Note 3 of the Corporation's consolidated financial statements.

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

CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility For Financial Statements

Financial Reporting

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

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

Internal Control over Financial Reporting

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

Management assessed the effectiveness of the Corporation's internal control over financial reporting as at March 31, 2019, based on the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring organizations of the Treadway Commission. Based on this assessment, management concluded that the company maintained effective control over financial reporting and that there were no material weaknesses in internal controls over financial reporting as at March 31, 2019.

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

[Original signed by K. From]

Ken From
President and
Chief Executive Officer

[Original signed by C. Short]

Christine Short
Vice President, Finance
and Chief Financial Officer

Management's Report on Internal Control Over Financial Reporting

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

a. That we have reviewed the consolidated financial statements included within the annual report of SaskEnergy. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations, and cash flows as of March 31, 2019.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskEnergy is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskEnergy has designed internal controls over financial reporting that are appropriate to its circumstances.

d. That SaskEnergy conducted its assessment of the effectiveness of its internal controls over financial reporting and, based on the results of this assessment, it can provide reasonable assurance that internal controls over financial reporting as at March 31, 2019 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

[Original signed by K. From]

Ken From
President and
Chief Executive Officer

[Original signed by C. Short]

Christine Short
Vice President, Finance
and Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the consolidated financial statements of SaskEnergy Incorporated (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

[Original signed by Deloitte LLP]

Chartered Professional Accountants
Regina, Saskatchewan
May 23, 2019

Consolidated Statement of Financial Position

AS AT MARCH 31

(millions)	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents		$ 6	$ -
Trade and other receivables	5	156	141
Natural gas in storage held for resale	6	26	37
Inventory of supplies		13	11
Debt retirement funds	7	3	-
Assets held for sale		-	8
Fair value of derivative instruments	8	41	61
		245	258
Intangible assets	10	70	64
Property, plant and equipment	11	2,524	2,260
Debt retirement funds	7	118	106
		$ 2,957	$ 2,688
LIABILITIES AND PROVINCE'S EQUITY			
Current liabilities			
Bank indebtedness		$ -	$ 3
Short-term debt		260	254
Trade and other payables	12	117	127
Dividends payable		43	23
Current portion of long-term debt	13	33	50
Deferred revenue	14	-	35
Contract liability	14	16	-
Refund liability	14	8	-
Fair value of derivative instruments	8	17	50
Current portion of finance lease obligation	15	3	2
		497	544
Finance lease obligation	15	5	9
Employee future benefits		5	6
Provisions	16	200	128
Deferred revenue	14	5	5
Long-term debt	13	1,147	1,031
		1,859	1,723
Province's equity			
Equity advances		72	72
Other components of equity		2	(1)
Retained earnings		1,024	894
		1,098	965
		$ 2,957	$ 2,688

(See accompanying notes)

On behalf of the Board:

[Original signed by S. Barber]

Director

[Original signed by N. Joorisity]

Director

Consolidated Statement of Comprehensive Income

FOR THE YEARS ENDED MARCH 31

(millions)	Notes	2019 Income Before Unrealized Market Value Adjustments	2019 Unrealized Market Value Adjustments (Note 19)	2019 Total	2018 Income Before Unrealized Market Value Adjustments	2018 Unrealized Market Value Adjustments (Note 19)	2018 Total
REVENUE							
Natural gas sales	19	$ 452	$ (4)	$ 448	$ 474	$ 2	$ 476
Delivery	20	289	-	289	271	-	271
Transportation and storage	21	163	-	163	137	-	137
Customer capital contributions	14	29	-	29	21	-	21
Other		4	-	4	7	-	7
		937	(4)	933	910	2	912
EXPENSES							
Natural gas purchases (net of change in inventory)	19	396	(36)	360	407	(32)	375
Employee benefits		89	-	89	86	-	86
Operating and maintenance		161	-	161	127	-	127
Depreciation and amortization		99	-	99	100	-	100
Saskatchewan taxes	22	15	-	15	14	-	14
Impairment loss on trade and other receivables		2	-	2	5	-	5
		762	(36)	726	739	(32)	707
NET INCOME BEFORE THE FOLLOWING		175	32	207	171	34	205
Finance income	23	3	-	3	2	-	2
Finance expenses	23	(55)	-	(55)	(50)	-	(50)
NET FINANCE EXPENSES	23	(52)	-	(52)	(48)	-	(48)
Other gains (losses)	24	11	-	11	(13)	-	(13)
TOTAL NET INCOME		$ 134	$ 32	$ 166	$ 110	$ 34	$ 144
ITEMS THAT MAY BE RECLASSIFIED BACK TO PROFIT OR LOSS							
Change in fair value of debt retirement funds designated as FVOCI		-	3	3	-	1	1
COMPREHENSIVE INCOME		$ 134	$ 35	$ 169	$ 110	$ 35	$ 145

(See accompanying notes)

Consolidated Statement of Changes in Equity

FOR THE YEARS ENDED

(millions)	Notes	Retained Earnings	Equity Advances	Other Components of Equity	Total
BALANCE AS AT APRIL 1, 2017		$ 789	$ 72	$ (2)	**$ 859**
Total comprehensive income		144	-	1	**145**
Dividends		(39)	-	-	**(39)**
BALANCE AS AT MARCH 31, 2018		894	72	(1)	**965**
BALANCE AS AT APRIL 1, 2018		894	72	(1)	**965**
IFRS 15 opening adjustments:					
Customer capital contributions	3	24	-	-	**24**
		918	72	(1)	**989**
Comprehensive income		166	-	3	**169**
Dividends		(60)	-	-	**(60)**
BALANCE AS AT MARCH 31, 2019		$ 1,024	$ 72	$ 2	**$ 1,098**

(See accompanying notes)

Consolidated Statement of Cash Flows

FOR THE YEARS ENDED MARCH 31

(millions)	Notes	2019	2018
OPERATING ACTIVITIES			
Net income		$ 166	$ 144
Add (deduct) items not requiring an outlay of cash			
Net change in fair value of derivative instrument assets and liabilities	18	(13)	(46)
Change in revaluation of natural gas in storage to net realizable value	18	(19)	12
Depreciation and amortization		99	100
Net finance expenses	23	52	48
Net loss on disposal and impairment of assets	24	-	15
Net gain on impairment of assets	24	(12)	-
Net gain on disposal of assets	24	(6)	-
Other non-cash items		(2)	-
Employee future benefits paid in excess of expense		(1)	(1)
		264	272
Net change in non-cash working capital related to operations		16	40
Cash provided by operating activities		280	312
INVESTING ACTIVITIES			
Additions to intangible assets		(15)	(12)
Additions to property, plant and equipment		(284)	(243)
Net proceeds on disposal of assets		32	2
Decommissioning costs		(4)	(5)
Cash used in investing activities		(271)	(258)
FINANCING ACTIVITIES			
Debt retirement funds redemptions	7	-	7
Debt retirement funds installments	7	(10)	(9)
Proceeds from short-term debt		6	-
Repayment of short-term debt		-	(39)
Proceeds from long-term debt	13	149	121
Repayment of long-term debt	13	(50)	(59)
Interest paid		(55)	(49)
Dividends paid		(40)	(30)
Cash used in financing activities		-	(58)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		$ 9	$ (4)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		$ (3)	$ 1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		9	(4)
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 6	$ (3)

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

a. Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on May 23, 2019.

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

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

Revenue recognition related to unbilled revenue (Note 5)

Existence of decommissioning liabilities (Note 16)

Designation of own-use derivative contracts (Note 17)

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

Estimated unbilled revenue (Note 5)

Net realizable value of natural gas in storage held for resale (Note 6)

Fair value of financial and derivative instruments (Note 8)

Useful lives and amortization rates for intangible assets (Note 10)

Useful lives and depreciation rates for property, plant and equipment (Note 11)

Recoverable amount of non-financial assets (Note 11)

Estimated unearned customer capital contributions (Note 14)

Estimated future cost of decommissioning liabilities (Note 16)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Change in accounting estimates

During December 2018, the Corporation implemented the results of an independent third party depreciation study related to the property, plant and equipment and intangible assets of SaskEnergy's Distribution Utility. As a change in estimate, the impact was applied prospectively commencing April 1, 2018 and resulted in an approximate reduction of $1 million in depreciation and amortization expense for the 12 months ended March 31, 2019. The reduction of useful lives for distribution meters from 32 years to 25 years is resulting in a small offsetting increase in depreciation expense for 2018-19.

Effective December 31, 2018, the results of an independent third party depreciation study were implemented on the property, plant and equipment and intangible assets of TransGas Limited, the Corporation's wholly owned subsidiary. As a change in estimate, the impact was applied prospectively commencing April 1, 2018 and resulted in an approximate $6 million decrease in depreciation and amortization expense for the 12 months ended March 31, 2019. Depreciation useful lives were extended for transmission natural gas lines from 50 years to 60 years resulting in a reduction of current year depreciation.

During the year, a provision increase of $43 million was recorded with a corresponding increase to property, plant and equipment, a result of changes to the estimated future cost of decommissioning assets.

b. Future changes in accounting policies

IFRS 16 *Leases*, which supersedes IAS 17 *Leases* is a new standard that is not yet effective and has not yet been applied in preparing these consolidated financial statements. IFRS 16 expands the description of a lease and increases transparency regarding a Corporation's leasing obligations. Under the new standard, an asset and liability are recognized on the consolidated statement of financial position for all material contracts that meet the definition of a lease.

IFRS 16 is effective for years beginning on or after January 1, 2019 and may be applied retrospectively or using a modified retrospective approach. The Corporation elected to use the modified retrospective approach, which does not require restatement of prior period financial information as the cumulative effect of applying the standard to prior periods is recorded as an adjustment to opening retained earnings. On initial adoption, the Corporation has elected to use the following practical expedients permitted under the standard:

- Utilize a single discount rate for a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at April 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use (ROU) asset if the underlying asset is of low dollar value;
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease; and
- Use the Corporation's previous assessment under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets may be relieved from recognition requirements, and may continue to be treated as operating leases.

Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. The Corporation holds one lease from the lessor perspective, which is classified as a low-value lease.

On implementation of IFRS 16, the Corporation will recognize lease liabilities in relation to leases under the principles of the new standard measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Corporation's incremental borrowing rate as at April 1, 2019. The associated ROU assets will be measured at the amount equal to the lease liability on April 1, 2019.

Adoption of the new standard will result in the recognition of additional lease liabilities and ROU assets of approximately $7 million and $16 million, respectively. The Corporation also expects that initial adoption of IFRS 16 will result in a decrease in operating expenses, offset by a corresponding increase in finance costs and depreciation expense.

c. Change in accounting policy

IFRS 15, *Revenue from Contracts with Customers*, is effective for annual periods beginning on or after January 1, 2018. SaskEnergy adopted IFRS 15 with a date of initial application of April 1, 2018. The Corporation implemented IFRS 15 using the cumulative effect method, where the cumulative effect of initially applying IFRS 15 would be recorded as an adjustment recognized in the opening balance of retained earnings as at April 1, 2018 Comparative information has not been restated and continues to be reported under previous accounting standards, IAS 11, *Construction Contracts* and IAS 18, *Revenue*.

The Corporation elected the following practical expedients in adopting IFRS 15:

- Apply the standard retrospectively only to contracts that are incomplete at the date of initial application.
- Recognize revenue from contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date in the amount to which the Corporation has the right to invoice.
- Did not adjust the amount of consideration for the effects of a significant financing component if the Corporation expected, at the contract inception, that the period between when the Corporation transfers the good or service to the customer and when the customer pays for the service will be one year or less.
- Apply the standard to a portfolio of contracts. Specific contract types were assessed to determine if the portfolio method was most appropriate.

The new standard only affects contracts with customers and does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other international financial reporting standards.

Disaggregation of revenue recognized, as required by IFRS 15, has been provided in Notes 20 and 21 of these consolidated financial statements.

For each performance obligation, the Corporation determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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

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

i. Commodity Sales and Delivery Service

Commodity sales

Commodity sales contracts with customers generate revenue from the sale of natural gas to customers. Revenue is recognized at a point in time when the Corporation sells natural gas to customers, who consume the natural gas to heat their homes or operate their businesses. Title to natural gas purchased from SaskEnergy, and all related risks remain with SaskEnergy until the gas is transferred at a meter point. At the meter point, the customer takes ownership of the natural gas and the performance obligation is satisfied. The commodity charge is then billable to the customer as there are no further performance obligations outstanding.

Delivery services

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

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

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

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

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

Commodity sales and delivery charge

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

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

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

ii. Transportation and Storage Services

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

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

Firm transportation service contracts

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

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

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

Interruptible transportation service contracts

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

Interruptible service usually costs less than firm service as interruptible service is less reliable. The entire interruptible service contract is variable based on customer flow of an unknown quantity of natural gas contracted at a predetermined rate. Transaction prices published in the Corporation's tariffs are allocated to the performance obligation based on the measured volumes transported with the customer. Interruptible services may have a term as short as one month. Interruptible transportation services are recognized as revenue at the point in time that the Corporation completes the transportation services to the customer. These services are generally invoiced in the month following when the services are performed as this is when the service performance obligation is complete. There are no significant financing components, nor any non-cash consideration.

Storage Service

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

iii. Other revenue

Gas Processing Fees

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

Natural Gas Liquid Sales

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

Government grants

Government grants are recognized at fair value as deferred revenue when the Corporation meets the criteria specified in the grant and the grant is deemed receivable from the government entity. Grants relating to expenses are recognized in net income on a systematic basis in the same periods the expenses are incurred. Grants relating to the Corporation's assets are recognized into net income on a straight line basis over the useful life of the related asset.

There is no change in policy for revenue recognition of government grants as a result of the implementation of IFRS 15

iv. Unbilled Revenue

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

v. Customer Contributions

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

Distribution service customer contributions

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

Transmission service customer contributions

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

Five year refund period

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

vii. Contract liabilities

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

viii. Refund liabilities

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

ix. Impact of application of IFRS 15 *Revenue from Contracts with Customers*

Under the new standard, revenue is accelerated, which has been recognized in opening retained earnings for contracts with in-service dates prior to April 1, 2018. At the in-service date of projects completed after April 1, 2018, revenue is recognized in the statement of comprehensive income, including that portion allocated to future transportation revenue. As the customer has not yet paid for their transportation services, an account receivable is recorded on the statement of financial position.

The effect of IFRS 15 on the statement of financial position is as follows:

	APRIL 1, 2018		
(millions)	Excluding the Impact of IFRS 15	IFRS 15 Impact	As Reported
ASSETS			
Current assets			
Accounts receivable	$ 141	$ 10	**$ 151**
LIABILITIES			
Current liabilities			
Deferred revenue	35	(35)	**-**
Contract liability	-	13	**13**
Refund liability	-	8	**8**
	35	(14)	**21**
PROVINCE'S EQUITY			
Retained earnings	$ 894	$ 24	**$ 918**

IFRS 15 requires that amounts contingently billable and collectible in the future be recognized as revenue to the extent that the performance obligation to the customer has been satisfied. The difference between the revenue recognized and the amount collected/collectible from the customer is recognized on the statement of financial position as an account receivable.

The effect of IFRS 15 on the consolidated statement of comprehensive income is as follows:

	MARCH 31, 2019					
(millions)	Excluding the Impact of IFRS 15		IFRS 15 Impact		As Reported Income before Unrealized Market Value Adjustments	
REVENUE						
Natural gas sales	$	452	$	-	**$**	**452**
Delivery		290		(1)		**289**
Transportation and storage		165		(2)		**163**
Customer capital contributions		26		3		**29**
Other		4		-		**4**
		937		-		**937**
EXPENSES, NET FINANCE EXPENSE, OTHER GAINS		803		-		**803**
Total net income	$	134	$	-	**$**	**134**

Previously, recognition of revenue in a multiple element arrangement was not contingent upon either delivering additional items or meeting other specified performance conditions. The new standard requires that amounts contingently billable and collectible in the future be recognized as revenue to the extent we have satisfied our performance obligations to the customer.

For a contract with a customer, this has the effect of allocating a portion of the total consideration to customer capital contribution revenue, which is recognized at the inception of the contract, and less to future service revenue.

IFRS 15, *Revenue from Contracts with Customers* did not have an impact on the statement of cash flows.

Effective April 1, 2017, the Corporation early adopted IFRS 9 *Financial Instruments* on a retrospective basis. As a result of the adoption of IFRS 9, consequential amendments to IAS 1 *Presentation of Financial Statements* were adopted, which requires impairment of financial assets to be presented in a separate line item in the consolidated statement of comprehensive income. Previously, the approach was to include the impairment of trade receivables in other expenses. The Corporation also adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures*. These amendments were applied to 2017-18 disclosures. The key changes as a result of adoption are summarized below.

i. Classification of financial assets and financial liabilities

IFRS 9 *Financial Instruments* includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under the new standard is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 *Financial Instruments: Recognition and Measurement* categories of held to maturity, loans and receivables and available for sale.

The debt retirement funds were classified as FVTPL under IAS 39. The debt retirement funds are administered and managed by the Ministry of Finance. The business model objective is to hold the underlying investments in debt retirement funds to collect contractual cash flows to provide funds at the debt maturity. The contractual terms of the debt retirement funds give rise to earnings that are amounts for principal and the interest on the principal amount outstanding. As a result of the business model in which debt retirement funds are managed, they are now classified as financial assets at FVOCI under IFRS 9.

The adoption of IFRS 9 has not had a significant effect on the Corporation's accounting policies for financial assets or liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The expected credit loss model requires the Corporation to account for expected credit losses, and changes in those expected credit losses, at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The new impairment model applies to financial assets measured at amortized cost and debt instruments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL’s for trade receivables in certain circumstances.

iii.Classification of financial assets and financial liabilities upon initial application of IFRS 9

Effective April 1, 2017, each class of financial assets and financial liabilities has maintained the same measurement category under IFRS 9 as its original measurement category under IAS 39. The exceptions are financial assets previously classified as loans and receivables, which are now classified as amortized cost, and debt retirement funds, which were previously classified as FVTPL and are now classified as FVOCI.

d. Basis of consolidation

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

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

After the sale of its two natural gas processing plants, the Corporation ceased operations of Bayhurst Energy Services Corporation effective March 31, 2019.

e. Joint arrangements

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

During the fiscal year, the Corporation sold its 50.0 per cent interest in the Kisbey Natural Gas Gathering and Processing Facility, a natural gas facility owned in Bayhurst Energy Services Corporation. The sale was effective October 1, 2018.

f. Cash and cash equivalents

Bank indebtedness forms part of the Corporation’s cash management and is included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

g. Natural gas in storage held for resale

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

h. Inventory of supplies

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

i. Financial and derivative instruments

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

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

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

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

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

Debt retirement funds represent investments that the Corporation intends to hold for the long term for strategic purposes. As permitted by IFRS 9, these investments have been designated at the date of initial application as measured at fair value through other comprehensive income. Under IAS 39, these investments were designated as at fair value through profit or loss because they were managed on a fair value basis and their performance was monitored on this basis.

iii. Amortized cost

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. The amortized cost category consists of financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are accounted for at amortized cost using the effective interest method.

iv. Derivative instruments

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

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

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

j. Debt retirement funds

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

k. Intangible assets

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

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

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

l. Property, plant and equipment

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

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

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Depreciation is based on the cost of the asset less its residual value and is calculated using the straight-line method over the estimated useful life of the asset from the date the asset is available for use at the following annual rates (per cent):

Distribution	1.5	to	4.5
Transmission and storage	2.1	to	20.0
Energy services	4.0	to	75.0
Gathering, treatment and compression	1.6	to	63.2
Vehicles, equipment and other	1.9	to	20.0
Computer hardware	12.9	to	24.5

The estimated useful lives, decommissioning costs and method of depreciation are based on periodic depreciation studies with annual reviews for reasonableness.

m. Impairment

i. Financial assets

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

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

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

ii. Non-financial assets

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

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

n. Employee benefits

i. Short-term employee benefits

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

ii. Pension plans

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

Under the defined contribution plan, regular payments are made to a separate entity for current service with no obligation to pay further amounts. Contributions are recognized within employee benefits expense during the period in which services are rendered by employees. During the period, the Corporation contributed $6 million (2018 - $6 million) to pension plans on behalf of employees for current service.

The defined benefit plan is administered by Saskatchewan Power Corporation (SaskPower), a Crown corporation under the common control of CIC. Employees that transferred employment from SaskPower upon establishment of SaskEnergy were eligible to remain members of the plan for the maximum contribution period of 35 years. A contractual agreement is in place stating that the Corporation's future contributions to the plan will not be affected by any plan surplus or deficiency. As a result, obligations related to the defined benefit plan are limited to making regular payments to the plan for current service, similar to a defined contribution plan. As all eligible employees reached the maximum contribution period of 35 years in 2013, the Corporation is no longer required to make contributions to the plan.

iii. Retiring allowance plan

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

The Corporation measures its future benefit obligations for accounting purposes at March 31. The accrued employee benefits liability at March 31, 2019 was $5 million (2018 - $6 million).

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

o. Provisions

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

i. Decommissioning liabilities

A decommissioning liability is a legal or constructive obligation associated with the decommissioning of certain natural gas facilities. The Corporation recognizes a decommissioning liability, with a corresponding increase to property, plant and equipment, in the period the facility is commissioned, provided a reasonable estimate of the expenditure required to settle the present obligation can be determined. The estimated expenditure of a decommissioning liability is based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning.

The future cash flows are discounted at a credit-adjusted risk free rate based on the yield of Government of Canada bonds. The unwinding of the discount on provisions is recognized in net income as finance expense over the estimated time period until settlement of the obligation. The corresponding increase to property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the related asset.

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

p. Revenue

Revenue is measured at the carrying value of the consideration received or receivable. Revenue is recognized when it is probable that future economic benefits will flow to the Corporation and these benefits can be measured reliably.

i. Natural gas sales and delivery revenue

Revenue is recognized when natural gas is delivered to the customer. An estimate of natural gas delivered but not billed is included in revenue.

ii. Transportation and storage revenue

Revenue is recognized when transportation, storage and related services are provided to the customer. An estimate of transportation, storage and related services rendered but not billed is included in revenue.

iii. Customer capital contribution revenue

The Corporation receives customer capital contributions related to the construction of new service connections. The contributions are recognized initially as contract liability and are recognized as revenue once the related property, plant and equipment is available for use. Customer capital contributions can be subject to refunds over a specified period. An estimate of these refunds is recognized as a liability until the refund period expires.

iv. Other revenue

Other revenue consists of natural gas liquid sales and compression and gathering services. Natural gas liquid sales are recognized when natural gas liquids are delivered to the customer. Compression and gathering revenue is recognized when compression and gathering services are provided to the customer. An estimate of natural gas and natural gas liquids delivered and compression and gathering services rendered but not billed is included in other revenue

q. Borrowing costs

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

r. Leased assets

The Corporation has assets that are leased. Leased assets are classified as finance leases when the Corporation acquires substantially all of the risks and rewards of ownership. Assets held under finance leases are initially recognized at the lower of their fair value at inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded within trade and other payables. Each lease payment is allocated between the liability and interest so as to achieve a constant rate of interest on the remaining balance of the liability. The interest component is included in finance expenses. See note 3b for a discussion of transition from IAS 17 to IFRS 16 effective April 1, 2019.

4. CAPITAL MANAGEMENT

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

The Corporation finances its capital requirements through internally generated funds and injections of capital from the Province, typically in the form of debt. Throughout 2018-19, The SaskEnergy Act allowed the Corporation to borrow up to $1,700 million of debt upon approval of the Lieutenant Governor in Council (2018 - $1,700 million). Approval to change the act and revise the Corporation's borrowing capacity to $2,500 million was granted subsequent to March 31, 2019, and the Corporation will have access to the increased borrowing limit in 2019-20. Within this limit, the Corporation may borrow up to $500 million in temporary loans (2018 - $500 million), including a $35 million uncommitted line of credit with Toronto-Dominion Bank (2018 - $35 million). As at March 31, 2019, the Corporation had $1,440 million of debt outstanding (2018 - $1,335 million), including $260 million in temporary loans (2018 - $254 million), leaving $240 million of remaining short-term borrowing capacity (2018 - $246 million). The Corporation's short-term debt is unsecured, with an average interest rate of 1.8 per cent (2018 – 1.4 per cent).

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

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

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

(millions)	2019	2018
Long-term debt	$ 1,180	$ 1,081
Short-term debt	260	254
Debt retirement funds	(121)	(106)
Cash and cash equivalents	(6)	3
Total net debt	1,313	1,232
Equity advances	72	72
Retained earnings	1,024	894
Total capital	$ 2,409	$ 2,198
Debt ratio	54.5%	56.1%

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

5. TRADE AND OTHER RECEIVABLES

(millions)	2019		2018	
Unbilled revenue	$	46	$	41
Trade receivables		90		88
Other receivables		25		17
		161		146
Allowance for doubtful accounts		(5)		(5)
	$	156	$	141

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

(millions)	2019		2018	
Current	$	143	$	129
30-59 days		8		8
60-89 days		3		3
Greater than 90 days		7		6
		161		146
Allowance for doubtful accounts		(5)		(5)
	$	156	$	141

The following table provides information about the ECLs for trade and other receivables from individual customers as at March 31, 2019.

(millions)	Gross Carrying Amount		Weighted Average Loss Rate	Loss Allowance	
Current	$	143	1%	$	1
30-59 days		8	13%		1
60-89 days		3	33%		1
Greater than 90 days		7	29%		2
Allowance for doubtful accounts				$	5

The Corporation will record lifetime ECLs on the Distribution customer receivables based on a developed provision matrix. The ECLs for asset optimization accounts receivables and other customer receivables were deemed immaterial and therefore, no adjustments will be recognized upon year of adoption. They will continue to be monitored annually to ensure the circumstances have not changed.

The change in the allowance for doubtful accounts with respect to trade and other receivables was as follows:

(millions)	2019		2018	
Opening balance	$	5	$	4
Provision		2		3
Write offs		(2)		(2)
Closing balance	$	5	$	5

6. NATURAL GAS IN STORAGE HELD FOR RESALE

(millions)	2019	2018
Cost	$ 40	$ 70
Revaluation to net realizable value	(14)	(33)
	$ 26	$ 37

With the decline in natural gas market prices over recent years, the net realizable value of natural gas in storage as at March 31, 2019 was $14 million below cost (2018 - $33 million). As at March 31, 2019, the Corporation expects that $20 million of the current inventory value will be sold or consumed within the next fiscal year and $6 million of the current inventory value will be sold or consumed after more than one fiscal year.

7. DEBT RETIREMENT FUNDS

(millions)	2019	2018
Balance, beginning of year	$ 105	$ 101
Installments	10	9
Redemptions	-	(7)
Earnings	3	2
Balance, end of year	118	105
Less: Current portion of debt retirement funds	(3)	-
	$ 115	$ 105
Change in fair value through OCI	3	1
	$ 118	$ 106

The investments held in debt retirement funds are primarily Federal and Provincial Government debt instruments. The average return on these investments was 2.4 per cent for the period (2018 - 2.1 per cent). As at March 31, 2019 approximately $11 million is required to be invested in debt retirement funds on an annual basis.

8. FINANCIAL AND DERIVATIVE INSTRUMENTS

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

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

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

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

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

(millions)	Classification	Fair Value Hierarchy	2019 Carrying Amount	2019 Fair Value	2018 Carrying Amount	2018 Fair Value
FINANCIAL AND DERIVATIVE ASSETS						
Cash	FVTPL	Level 1	**$ 6**	**$ 6**	$ -	$ -
Trade and other receivables	AC	Level 2	**156**	**156**	141	141
Debt retirement funds	FVOCI	Level 2	**121**	**121**	106	106
Fair value of derivative instrument assets	FVTPL	Level 2	**41**	**41**	61	61
FINANCIAL AND DERIVATIVE LIABILITIES						
Bank indebtedness	FVTPL	Level 1	**-**	**-**	3	3
Short-term debt	AC	Level 2	**260**	**260**	254	254
Trade and other payables	AC	Level 2	**117**	**117**	127	127
Finance lease obligation	AC	Level 2	**8**	**8**	11	11
Dividends payable	AC	Level 2	**43**	**43**	23	23
Long-term debt	AC	Level 2	**1,180**	**1,332**	1,081	1,207
Fair value of derivative instrument liabilities	FVTPL	Level 2	**17**	**17**	50	50

Classification details:
FVTPL - fair value through profit or loss
AC - amortized cost
FVOCI - fair value through other comprehensive income

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

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

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

Notional values are an approximation of future undiscounted net cash flows. For physical natural gas contracts, the notional value is based on the contract price. Where contract prices are referenced to an index price that has not yet been fixed, the market price is used to estimate the contract price. As at March 31, 2019 natural gas derivative instruments had the following fair values, notional values and maturities in the next five fiscal years:

(millions)	2020	2021	2022	2023	2024	Total
Fair value	$ 15	$ 8	$ (1)	$ 1	$ 1	**$ 24**
Notional value	$ (27)	$ (9)	$ 1	$ 1	$ 2	**$ (32)**

Fair value - increase (decrease) in net income
Notional value - estimated undiscounted net cash (outflow) inflow

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

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

(millions)	2019	2018
TRADE AND OTHER RECEIVABLES		
Gross amount recognized	$ 17	$ 28
Amount offset	(13)	(20)
Net amount presented in the consolidated statement of financial position	4	8
TRADE AND OTHER PAYABLES		
Gross amount recognized	$ 39	$ 39
Amount offset	(13)	(20)
Net amount presented in the consolidated statement of financial position	$ 26	$ 19

9. FINANCIAL RISK MANAGEMENT

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

a. Natural gas price risk

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

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

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

Based on period-end closing positions, an increase of $1.00 per GJ in natural gas prices would have increased net income, through an increase in the fair value of natural gas derivative instruments, by $44 million (2018 - $29 million). Conversely, a decrease of $1.00 per GJ would have decreased net income, through a decrease in the fair value of natural gas derivative instruments, by $44 million (2018 - $30 million).

Based on the period closing positions, an increase of $1.00 per GJ in natural gas prices would have a positive impact on uncontracted natural gas in storage, by $12 million (2018 - $18 million). Conversely, a decrease of $1.00 per GJ would have a negative impact on unsold natural gas in storage, by $9 million (2018 - $15 million).

b. Interest rate risk

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

As at March 31, 2019, the Corporation had $260 million of short-term debt outstanding, and $33 million of long-term debt that will mature within the next fiscal year and may be refinanced. Based on these amounts, a 1.0 per cent change in interest rates would increase or decrease the annual finance expense by approximately $3 million (2018 - $3 million).

The Corporation is also subject to interest rate risk related to debt retirement funds and provisions, as the recorded values are driven by market prices which are largely determined by interest rates. Fluctuations in the interest rates of debt retirement funds and provisions can have an impact on the Corporation. The estimated impact of a 1.0 per cent change in interest rates, assuming no change in the amount of debt retirement funds, would increase or decrease the market value of the debt retirement funds recorded through OCI by approximately $10 million (2018 - $8 million). The estimated impact of a 1.0 per cent increase in interest rates, assuming no change in the amount of provisions, would have decreased the value of the provision by approximately $65 million (2018 - $31 million). Conversely, a 1.0 per cent decrease in interest rates, assuming no change in the amount of provisions, would have increased the value of the provision by approximately $73 million (2018 - $47 million).

c. Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. The Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows. The contractual maturities of the Corporation's financial obligations, including interest payments and the impact of netting agreements, as at March 31, 2019 were as follows:

		Contractual Maturities			
(millions)	Carrying Amount	Less Than 1 Year	1-2 Years	3-5 Years	More Than 5 Years
Short-term debt	$ 260	$ 260	$ -	$ -	$ -
Trade and other payables	117	117	-	-	-
Lease obligation	9	3	2	4	-
Dividends payable	43	43	-	-	-
Long-term debt	1,180	83	81	138	1,723
Derivative instruments	17	27	9	(4)	-
Commitments	79	79	-	-	-
	$ 1,705	$ 612	$ 92	$ 138	$ 1,723

As at March 31, 2019, the Corporation's borrowing capacity, together with relatively stable operating cash flows, provide sufficient liquidity to fund these contractual obligations. Interest rates used in calculating financial obligations are effective March 31, 2019.

In addition to the above, the Corporation has posted a $15 million (2018 - $12 million) letter of credit with ICE NGX as security for natural gas purchases and sales conducted by the Corporation on the ICE NGX natural gas exchange in Alberta. ICE NGX may draw upon the letter of credit if the Corporation fails to make timely payment for, or delivery of, natural gas as per the related contract.

d. Credit risk

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

The Corporation extends credit to its customers in the normal course of business and is at risk of loss in the event of non-performance by counterparties on certain of the financial and derivative instruments. To reduce its credit risk, the Corporation has established policies and procedures to monitor and limit the amount of credit extended to its customers and counterparties and may require letters of credit and other forms of security. As at March 31, 2019, the maximum credit exposure to a single counterparty was $9 million (2018 - $47 million).

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

(millions)	2019	2018
Cash	$ 6	$ -
Trade and other receivables	156	141
Debt retirement funds	121	106
Fair value of derivative instrument assets	41	61
	$ 324	$ 308

At March 31, 2019, the exposure to credit risk for trade receivables by type of customer was as follows:

(millions)	2019	2018
Distribution customers	$ 98	$ 93
Transmission and storage customers	30	22
Asset optimization customers	4	9
Other customers	24	17
Trade and other receivables	$ 156	$ 141

10. INTANGIBLE ASSETS

(millions)	Computer Software	Under Development	Total
COST			
Balance, April 1, 2017	$ 114	$ 8	**$ 122**
Additions	12	12	**24**
Transfers	-	(12)	**(12)**
Balance, March 31, 2018	126	8	**134**
Additions	9	15	**24**
Disposals	(13)	-	**(13)**
Transfers	-	(9)	**(9)**
Balance, March 31, 2019	122	14	**136**
ACCUMULATED AMORTIZATION			
Balance, April 1, 2017	62	-	**62**
Amortization	8	-	**8**
Balance, March 31, 2018	70	-	**70**
Amortization	9	-	**9**
Disposals	(13)	-	**(13)**
Balance, March 31, 2019	66	-	**66**
CARRYING AMOUNTS			
Balance, March 31, 2018	$ 56	$ 8	**$ 64**
Balance, March 31, 2019	$ 56	$ 14	**$ 70**

The annualized composite rate of amortization was 7.5 per cent during the period (2018 – 7.0 per cent).

11. PROPERTY, PLANT AND EQUIPMENT

(millions)	Distribution	Transmission & Storage	Gathering, Treatment & Compression	Vehicles, Equipment & Other	Computer Hardware	Construction in Progress	Total
COST							
Balance, April 1, 2017	$ 1,430	$ 1,217	$ 364	$ 160	$ 19	$ 51	**$ 3,241**
Additions	100	89	31	12	2	277	**511**
Disposals	(7)	(41)	(4)	(6)	-	-	**(58)**
Impairment	-	11	(27)	-	-	-	**(16)**
Transfers	-	-	-	-	-	(229)	**(229)**
Balance, March 31, 2018	1,523	1,276	364	166	21	99	**3,449**
Additions	159	64	96	29	3	289	**640**
Disposals	(5)	(2)	(51)	(6)	(4)	(1)	**(69)**
Impairment	-	-	13	(1)	-	-	**12**
Transfers	-	-	-	-	-	(277)	**(277)**
Balance, March 31, 2019	1,677	1,338	422	188	20	110	**3,755**
ACCUMULATED DEPRECIATION							
Balance, April 1, 2017	432	429	152	83	16	-	**1,112**
Depreciation	34	34	13	9	2	-	**92**
Disposals	(5)	(11)	(1)	(6)	-	-	**(23)**
Balance, March 31, 2018	461	452	164	86	18	-	**1,181**
Depreciation	35	31	13	10	1	-	**90**
Adjustments	-	-	(3)	-	-	-	**(3)**
Disposals	(4)	(2)	(20)	(7)	(4)	-	**(37)**
Balance, March 31, 2019	492	481	154	89	15	-	**1,231**
CARRYING AMOUNTS							
Balance, March 31, 2018	$ 1,062	$ 824	$ 200	$ 80	$ 3	$ 99	**$ 2,268**
Balance, March 31, 2019	$ 1,185	$ 857	$ 268	$ 99	$ 5	$ 110	**$ 2,524**

Included within the carrying amount for property, plant and equipment is $140 million (2018 - $100 million) related to decommissioning costs.

The annualized composite rate of depreciation was 2.5 per cent during the period (2018 - 2.8 per cent).

A $13 million impairment recovery was recorded as the Corporation sold its natural gas liquid extraction plant assets effective October 1, 2018. The impairment recovery has been recognized within other gains and losses.

12. TRADE AND OTHER PAYABLES

(millions)	2019	2018
Trade payables	$ 70	$ 66
Interest payable	13	12
Other payables	34	49
	$ 117	$ 127

13. LONG-TERM DEBT

(millions)	2019	2018
Balance, beginning of year	$ 1,081	$ 1,019
Proceeds	149	121
Repayments	(50)	(59)
Balance, end of year	$ 1,180	$ 1,081

Long-term debt consists of the following:

	2019		2018	
	Principal Outstanding (millions)	Effective Interest Rate	Principal Outstanding (millions)	Effective Interest Rate
GENERAL REVENUE FUND				
1-5 years	$ 67	5.4%	$ 116	3.9%
6-10 years	242	5.4%	192	5.3%
11-15 years	60	6.4%	110	6.1%
16-20 years	81	3.6%	82	3.6%
21-25 years	225	4.0%	225	4.0%
26-30 years	450	3.4%	250	3.4%
31 plus years	50	3.0%	100	3.3%
	1,175		1,075	
Unamortized debt premium/ discount and issue costs	-		1	
	1,175		1,076	
OTHER LONG-TERM DEBT				
26-30 years	5	13.5%	5	13.5%
	1,180		1,081	
Less: Current portion of long-term debt	(33)		(50)	
	$ 1,147		$ 1,031	

Long-term debt is unsecured. As at March 31, 2019 principal repayments due in each of the next five fiscal years are as follows:

(millions)	2020	2021	2022	2023	2024
Principal repayments	$ 33	$ 34	$ -	$ -	$ -

On March 26, 2019, the Corporation entered into an agreement with the Province to borrow an additional $50 million of long-term debt with an interest rate of 3.1 per cent maturing in 2050. The debt was authorized before year end but not received until after March 31, 2019. On May 16, 2019, the Corporation entered into an agreement with the Province to borrow an additional $50 million of long-term debt with an interest rate of 3.1 per cent, maturing in 2050.

14. UNEARNED CUSTOMER CAPITAL CONTRIBUTIONS AND GOVERNMENT GRANTS

Deferred revenue

(millions)	2019	2018
Balance, beginning of year	**$ 35**	$ 32
Additions	**-**	29
Refunds	**-**	(5)
Revenue	**-**	(21)
Transitional provision	**(35)**	
Balance, end of year	**$ -**	$ 35

Contract liabilities

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

(millions)	2019	2018
Balance, beginning of year	**$ -**	$ -
Transitional provision	**35**	-
Additions	**31**	-
Refunds	**(1)**	-
Revenue	**(41)**	-
Transfer to refund liability	**(8)**	-
Balance, end of year	**$ 16**	$ -

Refund liabilities

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

Government grants

Unearned government grants represent amounts received to compensate the Corporation for the cost of certain items of property, plant and equipment. There are no unfulfilled conditions or other contingencies attached to these government grants. The balance at March 31, 2019 is $5 million (2018 - $5 million).

15. FINANCE LEASE OBLIGATION

(millions)		2019		2018
Total future minimum lease payments	**$**	**9**	$	12
Less: Future finance charges on finance lease		**(1)**		(1)
Present value of finance lease obligation		**8**		11
Less: Current portion of finance lease obligation		**(3)**		(2)
	$	**5**	$	9

As at March 31, 2019, scheduled future minimum lease payments and the present value of the finance lease obligation are as follows for the next five fiscal years:

(millions)		2020		2021		2022		2023		2024
Future minimum lease payments	$	3	$	2	$	2	$	1	$	1
Present value of finance lease obligation	$	3	$	2	$	1	$	1	$	1

16. PROVISIONS

(millions)		2019		2018
Balance, beginning of year	**$**	**128**	$	127
Provisions made		**65**		6
Provisions settled		**(10)**		(5)
Change in discount rate		**13**		(3)
Unwinding of discount		**4**		3
Balance, end of year	**$**	**200**	$	128

The Corporation has estimated the future cost of decommissioning certain natural gas facilities. For the purposes of estimating the fair value of these decommissioning obligations, it was assumed that the costs will be incurred between April 1, 2019 and March 31, 2109. The undiscounted cash flows required to settle the obligations total $469 million (2018 - $318 million). Discount rates between 1.9 per cent and 2.3 per cent were used to calculate the carrying amount of the obligation (2018 – 1.3 per cent and 2.4 per cent). No funds have been set aside by the Corporation to settle these obligations.

17. COMMITMENTS AND CONTINGENCIES

a. Commitments

As at March 31, 2019, the Corporation had $79 million (2018 - $83 million) of outstanding contractual commitments for the procurement of goods and services in the future.

During the period, the Corporation entered into commodity contracts for the physical purchase of natural gas that qualify as own-use contracts. As at March 31, 2019, own-use natural gas derivative instruments had the following notional values and maturities for the next five fiscal years:

(millions)		2020		2021		2022		2023		2024		Total
OWN-USE PHYSICAL NATURAL GAS CONTRACTS												
Notional value	$	(69)	$	(74)	$	(73)	$	(71)	$	(71)	**$**	**(358)**

Notional value – estimated undiscounted cash outflow

b. Contingencies

The Corporation is involved in litigation in relation to a natural gas incident that occurred in 2014 in the community of Regina Beach, Saskatchewan. The Corporation does not expect the outcomes to result in any material financial impact.

18. UNREALIZED MARKET VALUE ADJUSTMENTS

(millions)	2019	2018
Change in fair value of natural gas derivative instruments	$ 13	$ 46
Change in revaluation of natural gas in storage to net realizable value	19	(12)
	$ 32	$ 34

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

19. NATURAL GAS SALES AND PURCHASES

	2019			2018		
(millions)	Commodity	Asset Optimization	Total	Commodity	Asset Optimization	Total
NATURAL GAS SALES						
Natural gas sales to commodity customers	$ 228	$ -	$ 228	$ 207	$ -	$ 207
Realized on natural gas derivative instruments	-	224	224	18	249	267
Change in fair value of natural gas derivative instruments	-	(4)	(4)	-	2	2
	228	220	448	225	251	476
NATURAL GAS PURCHASES						
Realized on natural gas derivative instruments	(183)	(213)	(396)	(184)	(223)	(407)
Change in fair value of natural gas derivative instruments	35	(18)	17	(2)	46	44
Change in revaluation of natural gas in storage to net realizable value	-	19	19	-	(12)	(12)
	(148)	(212)	(360)	(186)	(189)	(375)
	$ 80	$ 8	$ 88	$ 39	$ 62	$ 101

20. DELIVERY REVENUE

(millions)	2019	2018
Basic monthly charge	$ 119	$ 116
Delivery revenue	164	150
Other	6	5
	$ 289	$ 271

21. TRANSPORTATION AND STORAGE REVENUE

(millions)	2019	2018
Transportation		
Firm	$ 143	$ 117
Interruptible	9	8
Other	1	3
	153	128
Storage	10	9
	$ 163	$ 137

22. SASKATCHEWAN TAXES

(millions)	2019	2018
Corporate capital tax	$ 11	$ 11
Property taxes and other	4	3
	$ 15	$ 14

23. NET FINANCE EXPENSES

(millions)	2019	2018
Debt retirement funds earnings	$ 3	$ 2
Finance income	3	2
Interest expense on short-term debt	(3)	(2)
Interest expense on long-term debt	(50)	(47)
Unwinding of discount on provisions	(4)	(3)
Borrowing costs capitalized to qualifying assets	2	2
Finance expenses	(55)	(50)
Net finance expenses	$ (52)	$ (48)

Borrowing costs were capitalized to qualifying assets using the weighted average cost of debt of 4.2 per cent during the period (2018 – 4.0 per cent).

24. OTHER GAINS AND LOSSES

(millions)	2019	2018
Net gains on disposal of assets	$ 6	$ 1
Net gains (losses) on impairment of assets	12	(14)
Other net losses	(7)	-
Fair value adjustment to assets held for sale	-	(2)
Gain on insurance proceeds	-	2
	$ 11	$ (13)

The net gains on impairment of assets recognized in other gains and losses in the current year consists of impairment recoveries of $13 million and impairment losses of $1 million. The impairment recoveries are classified as net gains, as they were realized prior to the sale of the Corporation's natural gas liquid extraction plant assets on October 1, 2018.

25. RELATED PARTY TRANSACTIONS

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

a. Transactions with key management personnel

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

(millions)	2019	2018
Short-term benefits	$ 3	$ 4

b. Other related party transactions

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

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

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

25. SUBSEQUENT EVENT

On March 26, 2019, the Corporation entered into an agreement with the Province to borrow an additional $50 million of long-term debt with an interest rate of 3.1 per cent maturing in 2050. The debt was authorized before year end but not received until after March 31, 2019. On May 16, 2019, the Corporation entered into an agreement with the Province to borrow an additional $50 million of long-term debt with an interest rate of 3.1 per cent, maturing in 2050.

CORPORATE GOVERNANCE

Board of Directors

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

Board Chair, SaskEnergy
Regina, Saskatchewan

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

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

Vice Chair, SaskEnergy
Regina, Saskatchewan

Ms. Joorisity is the Associate Vice President (Finance) at the University of Regina and is also involved in the education of adult learners through her work as a sessional lecturer at the University of Regina Paul J. Hill School of Business. She has also worked as the Chief Financial Officer and Managing Director of Greystone Managed Investments Inc., and as the Chief Executive Officer and Director of Education at the Institute of Chartered Accountants of Saskatchewan. She holds Chartered Accountant, Fellow Chartered Professional Accountant, Certified Management Accountant and Fellow Chartered Accountant designations, has a Bachelor of Commerce from the University of Saskatchewan, and has obtained her Chartered Director's designation. Ms. Joorisity has been a member of SaskEnergy's Board of Directors since 2013, and is the Chair of the Audit and Finance Committee.

RON BARSI, P.GEO.,ICD.D

Saskatoon, Saskatchewan

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

CURT CHICKOSKI

Swift Current, Saskatchewan

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

GRANT GREENSLADE

Shaunavon, Saskatchewan

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

VÉRONIQUE LOEWEN

Saskatoon, Saskatchewan

Ms. Loewen is Communications Manager for Orano Canada Inc. (formerly AREVA Resources Canada Inc.), one of the world's leading producers of uranium. She is also Owner and Principal of Verolingo Communications, an English/French translation services provider. She holds a Master of Business Administration degree in Executive Management and is involved in several charitable and professional organizations, including Women in Mining/Women in Nuclear Saskatchewan and the Saskatchewan Mining Association. She is a member of the Elizabeth Fry Society of Saskatchewan Board of Directors and past member of the Saskatchewan Transportation Company (STC) Board of Directors. Ms. Loewen was appointed to SaskEnergy's Board of Directors in November 2018 and is a member of the Human Resources and Safety Committee.

LINDA MOULIN

Saskatoon, Saskatchewan

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

ANNETTE REVET, MBA, C.DIR.

Regina, Saskatchewan

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

DOUG SHAW

Saskatoon, Saskatchewan

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

TINA SVEDAHL, CPA, CMA, ICD.D

Regina, Saskatchewan

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

ALICE WONG, ICD.D

Saskatoon, Saskatchewan

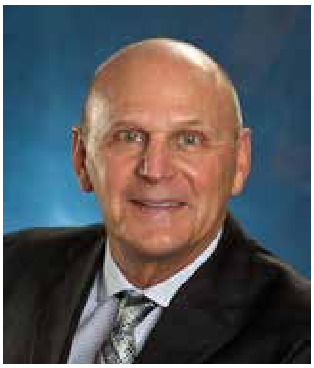
Ms. Wong has served as the Senior Vice President and Chief Corporate Officer at Cameco Corporation since 2011. In this role, she provides executive oversight for human resources, information technology, supply chain management, safety, health, environment, quality, regulatory and government relations,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

TERRY ROSS

Board Secretary
Regina, Saskatchewan

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

Other 2018-19 Board Members



JAMES BAKER

Regina, Saskatchewan

Mr. Baker is President of J. P. Baker Management Inc. and has extensive experience in the oil and gas industry. He has served on numerous industry boards and is currently a director for Keystone Royalty Corp., a private junior oil company based in Regina, Kineticor Resource Corp. and the Nature Conservancy of Canada. His experience also includes operating a consulting business specializing in the business development of oil- and gas-related initiatives in Saskatchewan and Alberta. Mr. Baker was appointed to the SaskEnergy Board of Directors in 2008 and served until November 2018.

KELLY BANNISTER, CFP, RRC, CEA, C.DIR.

Saskatoon, Saskatchewan

Ms. Bannister works with McFaull Consulting as a Financial Advisor and has more than 20 years of experience as a Certified Financial Planner. She has completed the Registered Retirement Consultant (RRC) designation, holds the Chartered Financial Divorce Specialist (CFDS) designation, and is a member of the Collaborative Professionals of Saskatchewan and the North Saskatoon Business Association (NSBA). She is a Saskatchewan Life Licensed Agent and mutual funds licensed representative with Manulife Securities Investment Services Inc. In 2015, Ms. Bannister obtained the Chartered Director designation from The Directors College (a joint venture between The Conference Board of Canada and McMaster University). She joined the SaskEnergy Board of Directors in 2014 and served until November 2018.

DAVID BISHOP, C.DIR.

Regina, Saskatchewan

Mr. Bishop is a partner at McKercher LLP where he practices commercial and residential real estate law, as well as business law. He is the Chair of McKercher LLP Real Estate Practice Group and previously served as a Bencher of the Law Society of Saskatchewan. Actively involved in the legal community, he holds a Bachelor of Arts Degree, a Bachelor of Law Degree and a Chartered Director designation from The Directors College program of McMaster University. Mr. Bishop joined the SaskEnergy Board of Directors in 2008 and served until November 2018.

LINDA CLAVELLE, C.DIR.

Prince Albert, Saskatchewan

Ms. Clavelle holds a Chartered Director designation from The Directors College program of McMaster University and serves her community through involvement in numerous boards: Mann Art Gallery, Community Futures and the Library Boards. She started her career as an Executive Assistant in the Finance and Planning Department at Weyerhauser before moving her way up to a position as Maintenance Operations Analyst, handling multi-million dollar projects along the way. Ms. Clavelle has also served as a councillor in the R.M. of Buckland and actively volunteers with the Y.W.C.A. Newcomer Settlement initiative. She joined the SaskEnergy Board of Directors in 2014 and served until November 2018.

NEAL KRAWCHUK

Saskatoon, Saskatchewan

Mr. Krawchuk is Vice President of Credit and Administration of Mega Group Inc., a privately held management and marketing company servicing the home furnishing industry throughout Canada and the United States. During his more than 20 years with Mega Group, Mr. Krawchuk has gained extensive experience in commercial finance, strategic planning, business management and development. He continues to dedicate time to the community and was recognized with the Saskatchewan Centennial Medal for his community service contributions. Mr. Krawchuk was appointed to SaskEnergy's Board of Directors in 2009 and served until November 2018.

BROOKS BARKS

Saskatoon, Saskatchewan

Mr. Barks is a Wealth Advisor with BMO Nesbitt Burns in Saskatoon, leading a team of professionals in providing coordinated financial planning strategies for families and businesses. He holds a Commerce degree (Finance and Business Economics) from the University of Saskatchewan, is a Fellow of the Canadian Securities Institute, a Professional Financial Planner, and holds his Chartered Investment Manager Designation. He is a member and past Co-Chair of the Sutherland Community Hall Board, a member and past-President of the POW City Kinsmen, a United Way of Saskatoon Community Builder, and a fundraiser for various charitable causes. Mr. Barks was appointed to SaskEnergy's Board of Directors in November 2018 and served until March 2019.

Executive Committee

Ken From

President and Chief Executive Officer

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

Lori Christie

Vice President, Customer Service, Gas Supply & Rates

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

Randy Greggains

Vice President, Operations

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

Shawn Grice

Vice President, Corporate Support

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

Mark Guillet, Q.C.

Vice President, General Counsel and Corporate Secretary

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

Robert Haynes

Senior Vice President, Human Resources, Environment and Corporate Affairs

Mr. Haynes joined SaskEnergy in 1988 when he was appointed to the position of General Counsel and Corporate Secretary. In 1995, he became Vice President of Human Resources, adding Corporate Affairs responsibilities in 2011 and Environment responsibilities in 2015. In this role, Mr. Haynes is responsible for all aspects of the Corporation's human resources policies and practices, including the Corporation's Safety, Health and Environment area, as well as strategic corporate communication with key stakeholders, including employees, the media and government. Mr. Haynes has a Bachelor of Administration Degree, Public Policy and a Juris Doctor.

Derrick Mann

Vice President, Engineering, Integrity & Construction

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

Christine Short

Vice President, Finance and Chief Financial Officer

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

Corporate Governance Disclosure

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

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

BOARD STEWARDSHIP/MANDATE

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

BOARD COMPOSITION

SaskEnergy's Board is representative of the Saskatchewan community and industry. The Lieutenant Governor in Council, pursuant to *The SaskEnergy Act,* appoints up to 12 members, and designates a Chair and a Vice Chair. Members are representative of community/ stakeholder diversity, and they possess a variety of attributes, including industry expertise, strategic leadership, entrepreneurial and communication skills, integrity, flexibility, initiative and sound judgment. Members are appointed to a fixed term, and terms may be renewed by the Lieutenant Governor in Council. There are currently 11 people appointed to SaskEnergy's Board of Directors. These same 11 people are also appointed as members for the Boards of Directors for each of SaskEnergy's four subsidiary companies. Seven members (64 per cent) are women, which is ahead of the Utility Sector and Oil and Gas Sector general diversity targets for the representation of women on Boards as presented in the Canadian Securities Administrators (CSA) Multilateral Staff Notice 58-310. The Board Chair is Ms. Susan Barber, Q.C. and the Vice Chair is Ms. Nola Joorisity. None of the members of the Board of Directors are 'over-boarded' as this term is defined in recent guidance, allowing members to properly carry out responsibilities on a reasonable number of Boards. The following table illustrates the diversity statistics for the number of women represented on SaskEnergy's Board of Directors and Executive over the past three fiscal years:

	2016-17*			2017-18*			2018-19		
	Total Positions	# of Women	%	Total Positions	# of Women	%	Total Positions	# of Women	%
Number of Women represented on Board	12	7	58	12	7	58	11	7	64
Number of Women represented on Executive	8	3	38	8	2	25	8	2	25
Number of Women in Board Leadership Roles (Chair, Vice Chair)	2	2	100	2	2	100	2	2	100

*Data collected from previous Annual Reports

INDEPENDENCE

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

COMMITTEE MANDATES AND MEMBERSHIP

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

Audit and Finance Committee

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

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

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

The Committee had seven meetings this fiscal year. Important issues included the review and approval of financial statements; development of various Commodity Strategies to cover all natural gas transactions; SaskEnergy commodity and delivery rates; payee disclosure report; review of various infrastructure expansion plans; divestiture of non-core assets, technology projects; the corporate insurance review; review of corporate Accounts Receivable; review of Audit Services reports; information technology strategy review; Business Plan, budget and financial targets review; and various risk management activities and policies review as well as regulatory risks arising from them. Enterprise Cyber security monitoring and security updates were provided to the Committee at each meeting. Internal security resourcing was enhanced to meet increased efforts in this area.

*Non-independent Board Member

Governance and Social Responsibility Committee

Chair: Ron Barsi
Members: Curt Chickoski, Linda Moulin, Doug Shaw

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

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

The Committee had four meetings this fiscal year. Key work of the Committee included reviewing the results of the prior year Committee and Committee Chairs evaluations; coordinating and developing of the current year Peer evaluation process; the review of disclosures under the Corporation's Whistleblower Policy; business/industry training for Directors; review of Board policies; review of Bright Line Mandate; review management's corporate system integrity program; Legal Services review; review of Indigenous and stakeholder relations; review of the Corporation's environmental risk management site remediation and decommissioning program; review of the Corporation's environmental management system compliance; and review of the Corporation's greenhouse gas emissions management program with a strategy to meet federal and provincial regulatory targets for climate change impacts and risks.

Human Resources and Safety Committee

Chair: Alice Wong
Members: Veronique Loewen, Annette Revet

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

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

The Committee had four meetings this fiscal year. Important issues included Collective Bargaining updates, management and Executive compensation plans; succession management updates; review of the Executive total compensation results; compensation and benefits plans review and key policies updates; and compliance with legislation update, including updates to policies, procedures and training regarding the legalization of cannabis in 2018.

ROLES AND RESPONSIBILITIES

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

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

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

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

STRATEGIC PLANNING AND REPORTING

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

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

PUBLIC POLICY ROLE

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

As a provincial Crown corporation, SaskEnergy serves a public policy role, and its mission is to deliver natural gas in a safe, reliable, affordable way. SaskEnergy and its subsidiaries fulfill this mission through the operation of systems for natural gas distribution, transmission, storage, line locating and other related activities to promote the conservation and safe use of natural gas, while contributing to, and promoting, the economy of the province. CIC approves SaskEnergy's Business Plan annually and sets any other strategic priorities against which CIC and the Owner will measure the Corporation's performance. SaskEnergy collaborates with other Saskatchewan Crown corporations to further CIC's stated priorities of enhancing efficiency gains through joint initiatives, procurements, and promoting an open business environment.

APPROACH TO GOVERNANCE

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

INTEGRITY AND ETHICS

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

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

Compliance with the Code is reinforced through mandatory training of all employees, and confirmed through the use of an online tool. The Code and the Whistleblower and Reporting of Losses policies are posted on the SaskEnergy intranet site for employees, and the Code and Whistleblower policies are on SaskEnergy's website for public access. A process is also posted on the website for members of the public to contact the Chair of the Governance and Social Responsibility Committee of the Board, in confidence, to report any potential violation of the Code or Whistleblower Policy.

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

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

RISK IDENTIFICATION AND MANAGEMENT

SaskEnergy has a formal Enterprise Risk Management Policy that was developed by management and approved by the Board of Directors. SaskEnergy's risk management process is designed to identify potential events that may impact SaskEnergy and manage the risk presented within accepted tolerance levels. Senior management holds primary responsibility for identifying inherent risks, and for designing and implementing mitigation initiatives. The Board expects management to use appropriate controls to manage risk and delegate responsibility and authority as required. Introduction of key risk assessment and disclosure reporting changes on processes related to climate change risks and oversight afforded to these risks are expected through additional governance guidance and training.

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

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

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

CYBER SECURITY RISK

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

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

INTEGRITY OF INTERNAL CONTROLS AND MANAGEMENT SYSTEMS

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

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

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

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

ROBUST SUCCESSION PROCESS

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

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

COMMUNICATIONS (WITH THE SHAREHOLDER AND STAKEHOLDERS)

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

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

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

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

CEO ASSESSMENT, EXECUTIVE COMPENSATION AND EXECUTIVE DIVERSITY

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

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

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

The Corporation does not have a formal policy or targets regarding the representation of women in Executive officer positions. SaskEnergy is committed to equality of opportunity and has taken steps to increase the representation of women in management and in non-traditional roles within the Corporation. These include: proactively identifying talented individuals for leadership training programs and encouraging them to apply for more senior roles; tracking and reporting on diversity metrics; managing the succession plan process; identifying top talent and implementing formal personal development plans; and establishing mentorship relationships for women aspiring to management positions. There are currently two women (25 per cent) in Executive officer positions.

BOARD RENEWAL AND APPOINTMENT

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

BOARD ORIENTATION AND EDUCATION

The Governance and Social Responsibility Committee and the Corporation, under its Board of Directors Training Policy, has a comprehensive orientation curriculum and training sessions to ensure that new and continuing Directors develop a strong understanding of SaskEnergy's business and current challenges, as well as the roles of the Board and Committees and the individual contributions Directors are expected to make. Board members also participate in continuing education on industry issues, financial reporting, business operations, procedural issues and ethical obligations to enhance their skills and knowledge. This year, the Board of Directors received training from management on a combination of an environmental overview and the regulatory context for corporate operations, including how the regulatory framework impacts construction and operations of corporate facilities and the impact of increased regulatory oversight. Board members interact with management and employees through attending functions such as the employee service achievement awards or through touring corporate offices or business units as part of Board meetings.

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

BOARD AND DIRECTOR PERFORMANCE ASSESSMENT

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

DIRECTOR REMUNERATION

Compensation received by Directors is fixed by CIC under *The Crown Corporations Act*, 1993. The Governance and Social Responsibility Committee has authority to recommend to the Board (and the Board to CIC) adjustments to such compensation. The Audit and Finance Committee receives quarterly reports with respect to the remuneration of Directors and reports any anomalies to the Board.

The Committee reviews the annual payee disclosure report that includes total remuneration paid to Directors. Directors are paid an annual retainer for their services on SaskEnergy's Board, as well as a set per diem fee for travel time and attendance at Committee and Board meetings, as follows:

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

Board members each sit on one of the three Committees. There were eight Board meetings and 15 Committee meetings this reporting period. The total remuneration paid to Directors (annual retainers, pro-rated for the portion of the fiscal year each Director was a member of or chaired a Committee, plus Committee per diems) was $351,354+ compared to $351,780** in 2017-18. The total business travel and meeting expenses paid to members of the Board were $16,381+ compared to $15,666** in 2017-18.

+ This amount was for the 12-month reporting period of April 1, 2018 to March 31, 2019.

** The 2017-18 amount was for the 12-month period from April 1, 2017 to March 31, 2018.

MEMBERSHIP AND ATTENDANCE AT MEETINGS OF THE BOARD AND BOARD COMMITTEES FROM APRIL 1, 2018 TO MARCH 31, 2019

Member	Board (8 mtgs)	Audit (7 mtgs)	Gov/Sr (4 mtgs)	Hrs (4 mtgs)	Legal Serv. (0)	Total Possible	Total Attended	%
Barber (Chair)	8	7				15	15	100
Baker*	5	5				10	10	100
Bannister*	5			3		8	8	100
Barks*+	1			0		4	1	25
Barsi	8		3			12	11	92
Chickoski	8		1	3		12	12	100
Clavelle*	5		3			8	8	100
Greenslade*	2	2				5	4	80
Joorisity	8	7				15	15	100
Krawchuk*	4		3			8	7	88
Loewen*	3			1		4	4	100
Moulin*	2		1			4	3	75
Revet	8		3	1		12	12	100
Shaw*	3		1			4	4	100
Svedahl	7	7				15	14	93
Wong	7			2		12	9	75

*Members appointed and/or removed November 22, 2018, indicating total possible meetings to attend. For purposes of this report, Directors who attended meetings in part were considered to be present.
+Letter of resignation received and accepted from Mr. Barks on March 20, 2019.

Stakeholder Engagement

COMMUNICATIONS MODELS EMPLOYED AT SASKENERGY

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

CUSTOMER AND PUBLIC COMMUNICATIONS

SaskEnergy employs a wide range of methods, from print and online media to phone and face-to-face contact, to communicate with its more than 397,000 customers. SaskEnergy continues to emphasize the use of technology to make it easier for customers to access the information they want or need, such as their billing and meter reading data, and in the development of new platforms to better allow customers to contact SaskEnergy through their preferred method.

In recent years, there has been significant growth in use of the Sask 1st Call service, which provides initial customer contact for more than 90 companies with underground facilities, including SaskEnergy and TransGas. To successfully manage these increasing levels of customer contact within the existing cost structure, SaskEnergy's customer service team has developed specialization of certain functions in individual locations. Enabled by networking technology, this structure allows the province-wide group to form a virtual call centre.

TransGas fosters personal contact with its 119 transportation and storage customers through dedicated account representatives that meet each customer's needs. It also promotes contact through the TransGas Customer Dialogue Process, where customer rates and operational policies are jointly addressed before recommended implementation.

SaskEnergy works effectively with the plumbing, heating and mechanical contracting industry, which is highlighted by the Industry Dialogue process resulting in the creation of the SaskEnergy Network. There are 151 Residential Network Members in 56 communities and 64 Commercial Network Members in 19 communities. These private sector plumbing and heating contractors use the SaskEnergy Network brand to deliver downstream services to natural gas customers.

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

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

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

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

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

SHAREHOLDER COMMUNICATIONS

As a Crown corporation, SaskEnergy complies with the communications requirements set by the shareholder and by statute, in accordance with the Board-approved external communications policy. Through the Board Chair, the Board is accountable to the Minister Responsible for SaskEnergy. The Minister functions as a communications liaison among the Corporation, CIC, Cabinet, the Provincial Legislature and the public. SaskEnergy fully complies with its statutory obligations for approval and disclosure of information. These responsibilities include:

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

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

PROJECT-BASED COMMUNICATIONS

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

REGULATORY COMMUNICATIONS

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

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

EMPLOYEE COMMUNICATIONS

SaskEnergy regularly communicates with its workforce of approximately 1,100 employees to ensure prompt and accurate delivery of corporate information.

A primary method of communication is the InfoFlash (a corporate memo containing relevant, business-related information) that is delivered via e-mail to all employees within the Corporation. In addition, SaskEnergy also employs a corporate Intranet site (innergy). This communication medium allows employees to access information related to the Corporation, stay informed on upcoming events and initiatives and link to internal departmental sites for specific department-related information. To ensure the accuracy and quality of information provided, innergy offers a two-way communication medium for employees to submit feedback regarding information on the website.

SaskEnergy also produces corporate videos that serve as informative, educational tools to keep employees up-to-date on major projects that are taking place within the Corporation.

The Corporation also maintains an "Open Line to the President", a forum whereby employees are able to submit questions or comments for Executive response. Posted responses are available for all employees to view.

In addition to the mediums mentioned above, SaskEnergy supports the use of meetings, presentations and face-to-face communication to deliver important messages to employees, such as safety messages, business and strategic plan information and employee survey results.

SUPPLEMENTARY INFORMATION

Five Year Consolidated Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(millions)	Mar. 31, 2019	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2016[1]	Dec. 31, 2014
	Audited	Audited	Audited	Unaudited	Audited
ASSETS					
Current assets					
Cash	$ 6	$ -	$ 1	$ 11	$ 5
Trade and other receivables	156	141	111	104	148
Natural gas in storage held for resale	26	37	86	86	140
Inventory of supplies	13	11	12	11	12
Debt retirement funds	3	-	7	10	7
Assets held of sale	-	8	-	-	-
Fair value of derivative instruments	41	61	5	11	21
	245	258	222	233	333
Intangible assets	70	64	60	55	49
Property, plant and equipment	2,524	2,260	2,129	2,070	1,912
Debt retirement funds	118	106	94	92	86
	$ 2,957	$ 2,688	$ 2,505	$ 2,450	$ 2,380
LIABILITIES AND PROVINCE'S EQUITY					
Current liabilities					
Bank indebtedness	$ -	$ 3	$ -	$ -	$ -
Short-term debt	260	254	293	299	299
Trade and other payables	120	129	104	101	117
Dividendes payable	43	23	14	21	3
Current portion of long-term debt	33	50	59	100	50
Deferred revenue	-	35	32	61	90
Contract liability	16	-	-	-	-
Refund liability	8	-	-	-	-
Fair value of derivative instruments	17	50	40	109	107
	497	544	542	691	666
Other Payables	5	9	5	4	-
Employee future benefits	5	6	7	8	10
Provisions	200	128	127	130	95
Deferred revenue	5	5	6	6	6
Long-term debt	1,147	1,031	960	870	908
	1,859	1,723	1,647	1,709	1,685
Province's equity					
Equity advances	72	72	72	72	72
Retained earnings	1,024	894	786	669	623
Other components of equity	2	(1)	-	-	-
	1,098	965	858	741	695
	$ 2,957	$ 2,688	$ 2,505	$ 2,450	$ 2,380

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(millions)	Mar. 31, 2019	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2016[1]	Dec. 31, 2014
	Audited	**Audited**	Audited	Unaudited	Audited
REVENUE					
Natural gas sales	**$ 452**	**$ 474**	$ 364	$ 402	$ 718
Delivery	**289**	**271**	240	209	232
Transportation and storage	**163**	**137**	134	121	98
Customer capital contributions	**29**	**21**	55	58	33
Other	**4**	**7**	10	12	16
	937	**910**	803	802	1,097
EXPENSES					
Natural gas purchases	**396**	**407**	325	354	695
Employee benefits	**89**	**86**	87	90	92
Operating and maintenance	**161**	**127**	134	124	126
Depreciation and amortization	**99**	**100**	96	89	83
Saskatchewan taxes	**15**	**14**	12	12	11
Impairment loss on trade and other receivables	**2**	**5**	-	-	-
	762	**739**	654	669	1,007
INCOME BEFORE THE FOLLOWING	**175**	**171**	149	133	90
NET FINANCE EXPENSES					
Finance income	**3**	**2**	2	3	4
Finance expenses	**(55)**	**(50)**	(48)	(50)	(48)
	(52)	**(48)**	(46)	(47)	(44)
OTHER GAINS (LOSSES)	**11**	**(13)**	(33)	-	1
NET INCOME BEFORE MARKET VALUE ADJUSTMENTS	**134**	**110**	70	86	47
MARKET VALUE ADJUSTMENTS					
Commodity	**35**	**(2)**	65	(4)	(83)
Asset optimization	**16**	**48**	(2)	(12)	8
Net realizable value on natural gas in storage	**(19)**	**(12)**	13	(10)	(12)
Debt retirement funds	**-**	**-**	-	(4)	7
	32	**34**	76	(30)	(80)
TOTAL NET INCOME (LOSS)	**$ 166**	**$ 144**	$ 146	$ 56	$ (33)
CONSOLIDATED STATEMENT CASH FLOWS					
Cash provided by operating activities	**280**	**312**	225	258	248
Cash used in investing activities	**(271)**	**(258)**	(198)	(210)	(283)
Cash (used in) provided by financing activities	**-**	**(58)**	(37)	(47)	40
INCREASE (DECREASE) IN CASH POSITION	**$ 9**	**$ (4)**	$ (10)	$ 1	$ 5

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

Glossary of Key Success Measures

ONE COMPANY, ONE TEAM

Employee Experience	
Employee Survey	This measure was developed in 2018-19 and the survey will be conducted every two years, of which SaskEnergy will compare results.

Workforce Diversity	
Youth, First Nations/Metis	The workplace diversity measures provide quantitative data for the employment of Indigenous individuals, recognized by the Saskatchewan Human Rights Commission as being either underemployed or minimally employed within the province. SaskEnergy also tracks the percentage of “Youth” in the workforce, which is defined as employees who are 30 years of age or less. The measures are calculated by comparing the number of employees from these groups relative to the number of total employees that comprise the workforce. SaskEnergy statistics related to employment equity are tracked and reported internally and are also reported to the Saskatchewan Human Rights Commission annually.

INDUSTRY LEADER

Personal Safety	
Total Recordable Injury Frequency Rate	This measure is a composite of two separate metrics: • Lost Time Frequency Rate - measures the frequency in which lost time injuries have occurred. A standard duration is used to normalize the results so that company comparisons can be made despite differing workforce sizes. A lost time injury is an injury that resulted in lost work time following the day of the injury. • Medical Aid Frequency Rate - records the frequency of injuries that require medical attention. Results are normalized so that company comparisons can be made despite differing workforce sizes. A medical aid injury is an injury that requires medical attention, but no working time is lost beyond the day of the injury.

Safety/Vigilance	
SaskEnergy Leaks per 1,000 kilometres of Mains	The term “leak” is defined as any unplanned release of product from the distribution system. The methodology for this metric was developed and standardized in 2013 by the Canadian Gas Association (CGA) for inter-jurisdictional comparison purposes, and the SaskEnergy data on leaks per 1,000 kms of mains aligns with CGA reporting methodology.
TransGas Natural Gas Line Failures per 1,000 kilometres of Gas Line	The term “failure” is defined as any unplanned release of natural gas product from the gas line body. This measure aligns with the Canadian Energy Pipeline Association’s (CEPA) definition and statistics, which the Corporation will use as a benchmark. The definition does not include small leaks on fittings and valve bodies. For reference, the CEPA five-year average is 0.153.
Safety and Integrity	This measure reflects, as a percentage, the current year of integrity capital spending against the Corporation’s assets as of 15 years ago. In general, older assets require greater attention from an integrity perspective, and thus it is appropriate to measure integrity spending against these older assets. This metric reflects the Corporation’s focus on safety and integrity efforts and helps ensure integrity programming remains consistent with industry best practice.

GLOSSARY OF KEY SUCCESS MEASURES

Financial Strength	
Debt/Equity Ratio	This measure is calculated by dividing total net debt by the sum of total net debt plus total owner's equity.
Consolidated Return on Equity	The consolidated rate of return on equity is measured by dividing the income before unrealized market value adjustments by the average owner's equity over the year. The average is determined as the simple average of the opening owner's equity and the closing owner's equity.
Income Before Unrealized Market Value Adjustments (millions)	This measure removes unrealized market value adjustments from consolidated net income. Market value adjustments include fair value adjustments on financial and derivative instruments and the revaluation of natural gas in storage to net realizable value.

FUEL OF CHOICE

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

Efficient Operations	
Distribution Operation, Maintenance and Administration Costs per Customer	The Operation, Maintenance and Administration (OM&A) Costs per customer measure is a proxy for the relative efficiency of the distribution utility's operations and is calculated using OM&A expenses (excludes transportation and storage charges) divided by the total number of distribution customers. This measure is comparable to other Canadian gas utilities.
Competitive Residential Delivery Rates	The Competitive Residential Delivery Rates measure reports the ranking of SaskEnergy's natural gas distribution delivery service rates, relative to the rates charged by other major Canadian utilities. The cost comparison is based on a benchmark level of consumption upon which the published rates of other service providers are applied to determine SaskEnergy's relative ranking. The calculations also factor in all temporary and one-time refunds, rebates, rate riders, or surcharges approved by the utility's regulator. Federal, provincial and municipal taxes are excluded from the comparison as are any Government rebates that are not directly approved by the utility's regulator.
Transmission Operation, Maintenance and Administration Costs per Book Value of Assets Managed	The OM&A Costs per Book Value of Assets Managed measure is a proxy for the relative efficiency of the transmission utility's operations and is calculated using OM&A expenses (excludes third-party transportation charges) divided by the total value of the assets managed as part of the transmission system.

Customer Satisfaction	
SaskEnergy	The SaskEnergy customer satisfaction measure expresses, in percentage terms, the proportion of customers surveyed who rated their overall satisfaction with SaskEnergy's service as a 5, 6, or 7 on a 7-point scale. Positive responses such as these indicate that customers view SaskEnergy service positively and provide a strong indication that the customer service tools, policies and staff are effectively meeting the needs of customers. The data for this measure is obtained from annual customer surveys conducted by independent market research firms.
TransGas	This number is derived from an annual online survey that is provided to all TransGas customers. Customer satisfaction is measured on a scale of 0 to 5, with 5 being the highest level of satisfaction. The survey contains 25 questions which, in turn, are subdivided to gain detailed feedback on various aspects of the service being evaluated. An average is taken on the responses to all questions and reported as a percentage.

Environmental	
Greenhouse Gas Emissions (Tonnes of CO_2e/million brake horsepower hours)	This measure represents the intensity of greenhouse gas emissions produced per unit of natural gas compression, measured in tonnes CO_2e per million brake horsepower hours.

Community Relationship	
Total Contracts – Percentage of Indigenous Labour Content	This measure tracks the percentage of Indigenous labour content in the Corporation's labour service contracts managed by the Purchasing Department.

BUSINESS & TECHNOLOGY OPTIMIZATION

To be reported on in 2019-20	These measures were developed in 2018-19 and will be reported on in 2019-20.

Glossary of Natural Gas Measurements

Joule (J) – a base metric measure of energy. One J is the equivalent of the energy required to raise the temperature of one gram of water by approximately one quarter of one degree Celsius.

Gigajoule (GJ) – a measure used to express the energy value of natural gas or of energy consumed. One GJ is equivalent to one billion J. A typical home in Saskatchewan uses about 105 GJ of natural gas per year.

Terajoule (TJ) – a unit of energy equivalent to 1,000 GJ.

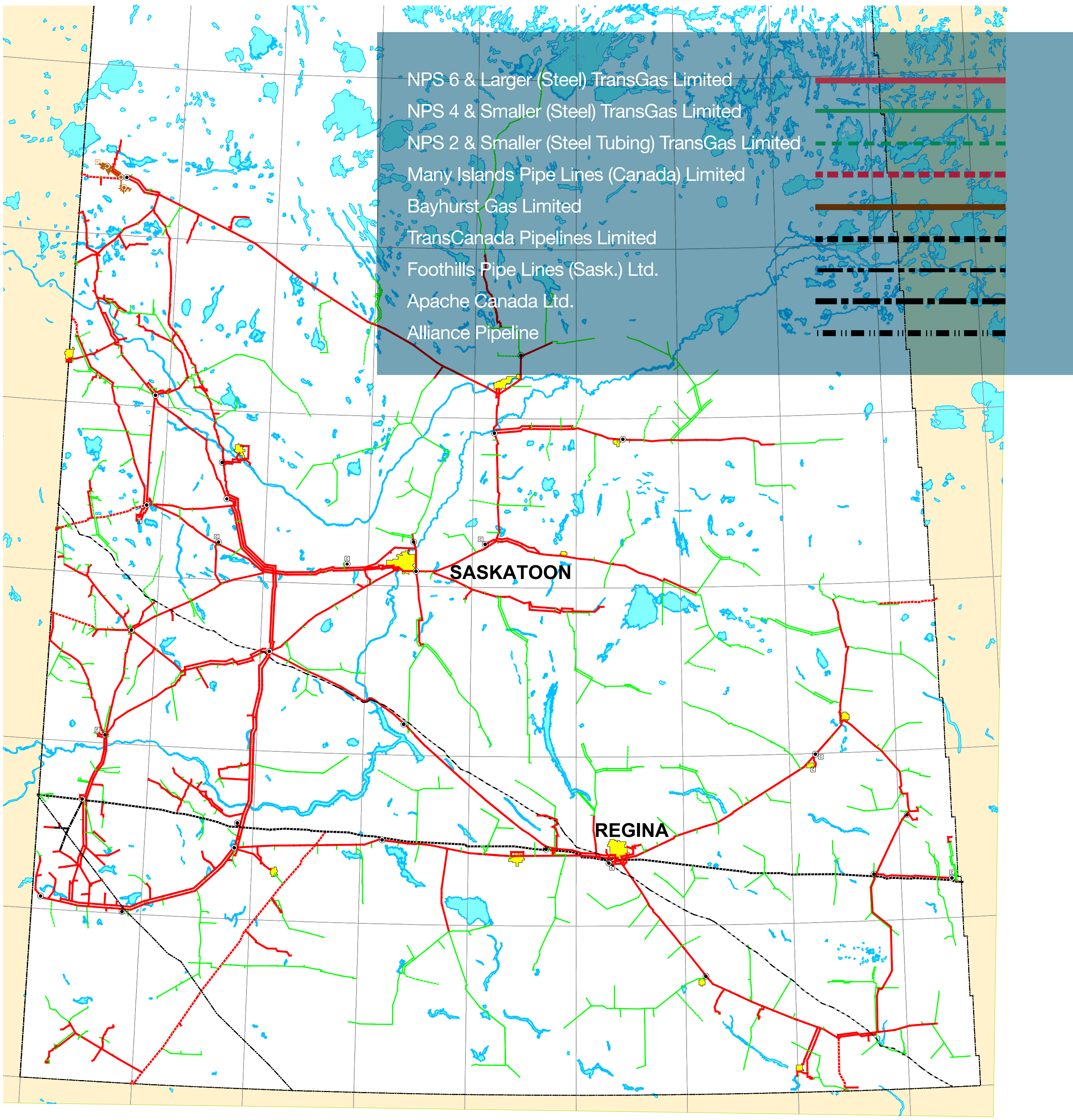
Petajoule (PJ) – a unit of energy equivalent to 1,000,000 GJ.

Cubic metre (m^3) – a unit of volume measurement commonly used to express the amount of natural gas sold to consumers. The typical home in Saskatchewan uses about 2,800 m^3 of natural gas per year.

Natural Gas Volume Equivalents at Normal Atmospheric Pressure

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

SASKATCHEWAN NATURAL GAS TRANSMISSION LINES



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